

Removing the Exception of Agricultural Export Subsidies

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Agricultural support policies pursued by high-income countries—domestic production and export subsidies, as well as trade barriers—hurt developing-country exporters of the affected commodities. They do so by boosting domestic production of the supported products, depressing international prices, exacerbating the volatility of world prices by insulating domestic markets, and reducing the scope for contesting markets. These policies may, however, benefit net importers of the products concerned by providing access to the subsidized commodities at lower prices. Thus, national interests regarding reform of agricultural trade and support policies may differ substantially, both across countries and within countries, depending on the pattern of production and consumption of the commodities involved.

To date, the Doha Round has been similar to the Uruguay Round in placing heavy emphasis on strengthening disciplines on a specific subset of the agricultural policy mix, namely, export subsidies. Much effort has focused on obtaining agreement to ban export subsidies in this sector, bringing it into line with other sectors. Elimination of export subsidies was finally accepted by those World Trade Organization (WTO) members that are the most intensive users of such subsidies—most notably, the European Union—in the July 2004 Framework Agreement (WTO 2004). That agreement spells out in some detail how liberalization is to occur: export subsidies are to be eliminated by a “credible” date, decreases are to be implemented in annual installments during the transition period, and an explicit link is to be made between the abolition of export subsidies and the negotiation of equivalent disciplines on other forms of export support, in particular the subsidy component of export credits, subsidies granted by state trading enterprises (STEs), and food aid. Special and differential treatment for export support granted by developing countries is to be limited to a longer transition period and “special consideration” for poorer countries’ state trading enterprises.

In contrast to the specificity with which export subsidies are treated, the Framework Agreement is much vaguer when it comes to other dimensions of agricultural support policies such as market access and nonexport subsidies. It merely notes the need for “substantial improvements in market access for all products,” does not specify the formula to be used for

cutting tariffs, and opens the door to many exceptions to tariff cuts by, among other things, accepting the possibility for countries to define sensitive and special products and by allowing for safeguard measures (Jean, Laborde, and Martin 2005). From an economic perspective, the emphasis on export subsidies is somewhat puzzling in that the available evidence and analysis suggests that domestic market price supports, especially through trade restrictions (tariffs, tariff rate quotas) can be expected to have the greatest impact on world prices (Hertel and Keeney 2005).

The magnitude of export subsidies is determined by the gap between domestic and world prices. Export subsidies are used when high tariffs raise the domestic price of commodities as a result of which domestic output expands. If there are also domestic production support programs, this output expansion will be greater, potentially affecting world prices through an artificially increased global supply. In principle it would be much more logical to see the elimination of export subsidies as a key *consequence* of reducing the gap between domestic and world prices created by border barriers and domestic support programs. Eliminating export support without reducing tariffs and domestic support would simply result in putting world agriculture in the situation faced by manufacturing at the dawn of the GATT in the late 1940s—no export subsidies but high tariffs and domestic support. The abolition of export subsidies would be an achievement in itself, but from an economic perspective, it is likely to have a limited impact. How large the impact would be is of course an empirical matter, as is the incidence of the associated benefits and costs.

In this chapter we do not undertake a quantitative assessment but instead review the available information on the magnitude of export subsidies, the products that are subsidized, and the countries that are affected. The first section documents the trend in export subsidies in the world since the end of the Uruguay Round. The available information provides some evidence of a noticeable decline of export subsidies since 2000, as well as an interest on the part of middle-income and emerging market economies to be able to use export subsidies as well. The second section focuses on the use of export subsidies by the European Union, given that the EU is the WTO member that dominates in this area. The data reveal that the use of export subsidies has declined significantly since 2000, suggesting that the EU may be selling a rapidly depreciating “asset.” The third section summarizes the available evidence on the other forms of export support (export credits, STEs, and food aid) before some conclusions are presented.

<<A>>Export Subsidies: On a Declining Path?

The Uruguay Round Agreement on Agriculture (URAA) allows 25 WTO members to subsidize exports, but only for products for which they have made URAA “commitments” (in WTO parlance) regarding the maximum value and quantities of farm exports that can be subsidized. In other words, commitments establish the limits on members’ capacity to subsidize their farm exports. Other WTO members may not subsidize agriculture (or any other) exports at all. In the case of developing countries, subsidies are, however, allowed for certain inputs. Article 9.4 of the URAA permits developing countries to pay subsidies for internal transport and for marketing during the Uruguay Round implementation period. The July Framework envisages continuation of Article 9.4 “for a reasonable period.” Indirectly, therefore, developing countries will continue to be allowed to support exports insofar as the commodities involved are exported.

<>An Aggregate, Country-Based Perspective<<end>>

The total amount of export subsidy commitments across WTO members amounted to \$80 billion in the 1995–2000 period. High-income countries accounted for some 85 percent of the total commitments; middle-income economies accounted for the remainder. Least developed countries (LDCs) do not report any export subsidies. Table 7.1 lists the 25 countries, ranked by decreasing magnitude of their commitments in value terms (aggregated over the period 1995–2000).¹ Eight of the 25 are developing countries—two of them (Brazil and South Africa) being leaders of the G-20 coalition that plays a key role in the Doha Round. The URAA requires these 25 countries to notify the extent to which they actually use subsidies. Table 7.1 also reports notified use (in value terms) of these subsidies. The data suggest four observations.

<<Table 7.1 near here>>

First, the WTO notification procedure does not work well. There is no consolidated information on the actual use of subsidies after 2000, and almost none for 2002 and after. For 2000 there is no information on some \$1.7 billion of commitments—an amount equivalent to one-fourth of total EU commitments, or two-thirds of the amount notified as actually used by the EU in 2000. In several years members did not notify the use of their commitments for all their products. This is a poor record from a transparency perspective and somewhat surprising given the high profile and contested nature of export subsidies. The lack of data may imply that WTO members do not regard the issue of monitoring use of export subsidies as being very important, or that key players obtain the information through other channels. In any

event, it is clear that the notification process is not working well. An implication of the data gap is that inferences from what is reported should be drawn with some caution.

Second, table 7.1 does not suggest a clear trend on the use of export subsidies: they increased up to 1999 but declined substantially in 2000. Although the aggregate decline for 2000 largely reflects the evolution of the EU export subsidies (the next section confirms this observation), it is interesting to note that a similar decline with respect to the level of subsidies actually used in 1999 is observed for all other members for which data are reported.

Even if this decline is confirmed, it should be kept in mind that governments do not define or apply export subsidies on an *ad valorem* or percentage basis (say, as a percentage of world prices) but rather as an amount of money that is necessary to offset the gap between domestic and world prices. The low level of export subsidies in 1995–96 reflects high world prices (relative to domestic prices) in key farm products such as cereals. Indeed, during a few months of this period, world prices were so high (relative to domestic prices) that the EU imposed export *taxes* on products traditionally benefiting from export subsidies. Declining world prices after 1996 automatically generated increasing export subsidies because domestic prices were held constant—as a result of insulation of markets through trade barriers and other forms of market price support. Between 2000 and 2004, world prices increased significantly for commodities such as wheat and maize. The world price of wheat rose 40 percent from a cyclical low in 1999, whereas the world price for maize increased 30 percent relative to a cyclical low in 2000.²

The third observation concerns utilization rates, defined as actually used subsidies as a percentage of the maximum permitted, that is, the commitments. Until 1999 utilization rates increased under the combined evolution of declining commitments and increasing use of permitted subsidies. These utilization ratios deserve two comments. First, there is only one instance where the ratio exceeds 100 percent at the aggregate country level. This finding can be regarded as reassuring because it shows that WTO members appear to be abiding by their commitments. There are caveats, however: it remains to be seen whether the existing commitments impose effective disciplines (the next section suggests doubts are in order); and it is also not evident that at the product level “utilization ratios” are below 100 percent (the discussion in the next section reveals that they are not). Second, utilization rates vary greatly by country, but there is no clear correlation between the level of commitments and the level of subsidies granted.

Last, WTO notifications reveal that middle-income countries perceive an interest in having the ability to use export subsidies. The absence of information on actual use of

subsidies again poses a problem: it is not known to what extent notifications lead to actual subsidies being applied. Even if in practice the countries concerned have not implemented much in the way of export subsidization, the fact that commitments were made suggests that an additional rationale for seeking to discipline the use of export subsidies is to prevent the gradual expansion of the use of these instruments. As discussed later, the poorest countries in particular appear to have a strong incentive to seek such disciplines, as the notified subsidy commitments from middle-income countries pertain much more to products that LDC countries also export than is the case for high-income countries.

<>The Incidence of Notified Export Subsidy Commitments<<end>>

The global pattern of protection and support to agriculture has different impacts on countries depending on whether they are net producers or consumers of the commodities affected. A first cut at identifying the likely implications of protectionist policies for individual countries is to calculate the relative importance of the products for which export subsidies have been notified to the WTO in terms of a country's exports and imports. Because farm export subsidies depress the prices of the targeted agricultural products, eliminating the subsidies reduces the welfare of net importers and increases that of net exporters. It should be underlined, however, that the net trade status of countries is not necessarily very indicative of the longer-run impacts. Even in the short run, negative impacts will be attenuated or reversed if market access is (seriously) improved (Anderson 2004).

A more precise assessment of the effects of agricultural support policy reforms requires formal modeling, but as we show later, the (short-run) effect that emerges from model-based analyses is quite consistent with the conclusions that emerge from a simple analysis based on trade shares. At the same time, analysis of "affected" trade on a country-by-country basis has the advantage of showing which export subsidies have the greatest affect on and thus relevance for specific low-income economies.

The WTO notifications have a noteworthy feature: the products notified by middle-income countries are much more heavily concentrated in commodities that LDCs either export or import. Indeed, on average, the pattern of trade of developing countries is such that subsidies in the Quad (Canada, EU, Japan, and the United States) appear to have a smaller net negative impact on LDCs than do the agricultural support policies of middle-income countries. Around 17 percent of the value of LDC exports comprise products that are subject to an export subsidy in one or more WTO members (Hoekman, Ng, and Olarreaga 2004). The numbers for developed and developing countries are 5 and 4 percent, respectively. More than

half of the exports from Benin, Burkina Faso, Burundi, Chad, Côte d'Ivoire, Malawi, Mali, Rwanda, Tanzania, and Uganda are affected by export subsidies in some WTO member country. Most of these export subsidies are actually notified by other developing countries, however, rather than developed countries. Indeed, the share of the exports from these 10 countries that are potentially affected by an export subsidy in the Quad is below 1 percent. Overall, 6 percent of imports of LDCs are subject to export subsidies in the OECD (5 percent by export subsidies in the Quad), and 2 percent of imports from all developing countries are potentially affected by export subsidies in the Quad. More than 10 percent of the import bundle from Algeria, Cuba, the Arab Republic of Egypt, the Islamic Republic of Iran, Jordan, and Mauritania is subject to an export subsidy in at least one developed country.

Figures 7.1 and 7.2 plot the relationship between the indicator $I = s^x - s^m$ and the log of GDP (gross domestic product) per capita across countries, where s^x is the share of exports that is affected by an export subsidy and s^m is the share of imports that is affected by an export subsidy in each country (a large value for I suggests that the country is likely to benefit from the removal of export subsidies). Figure 7.1 plots these relationships for export subsidy notifications (commitments) across all WTO members, while figure 7.2 plots a similar relationship for export subsidies of Quad members only.

<<figures 1 and 2 near here>>

As illustrated in figure 7.1, the share of exports, relative to imports, that is affected by an export subsidy in at least one WTO member decreases with GDP per capita, suggesting that poorer countries tend to be disproportionately hurt by export subsidies. As noted earlier, this effect is driven primarily by export subsidy notifications of other developing countries. Indeed, figure 7.2 shows that the share of exports relative to imports that is affected by an export subsidy in one or more Quad members is increasing with GDP per capita. Thus, Quad export subsidies tend to hurt poorer countries less than richer ones. Not surprisingly, the indicator I is very high for the Cairns Group, at around 15.³ That suggests that the Cairns Group as a whole is likely to experience large gains from the elimination of export subsidies. However, there is diversity within this group. Indonesia, Malaysia, and the Philippines all have a negative value of I .⁴

<>Export Subsidies by Product<<end>>

Unfortunately, the information reported to the WTO on export subsidies by product is also problematic. Some WTO members have defined their commitments by broad product

categories, whereas others use narrowly specified product groups. For instance, the EU uses 2 broad categories of fruits and vegetables (fresh and processed), while Bulgaria distinguishes no fewer than 28 types of fruits and vegetables (from cherries to cucumbers). This variation in reporting further reduces the transparency and surveillance value of the WTO in this area. Assessing the effects of export support on world markets requires information on the level of subsidies for a given product category, as the overall or aggregate amount of subsidies by country is not very informative. Reporting by broad category, as is done by the EU, allows for potentially substantial discretion in reallocating subsidies across products within an aggregate category. This permits the continued insulation of domestic markets (rigid domestic prices) from fluctuating world prices as long as the fluctuations are dispersed among specific products within a product category.

Table 7.2 reports a breakdown of the subsidies by product category reported by the EU. Table 7.2 is based on the same WTO data as is table 7.1 (maximum commitments and actually used subsidies). It reports the shares of each product category in the EU's total subsidy allocation, with categories sorted in decreasing order as a share of actually used export subsidies. It reveals an interesting feature for the six product categories that account for the largest "commitment shares" (arbitrarily defined as exceeding 6 percent). The six categories can be divided in two groups: three exhibiting a much larger use than the commitment level (processed products, other milk products, and sugar, in decreasing order) and three facing the converse situation (wheat, coarse grains, and butter). Grains and butter were subjected to a substantial decrease in price support as a result of the 1992 MacSharry reform of the Common Agricultural Policy, and butter also was subject to a quota regime, which reduced the need to have recourse to export support. The fact that actual levels of intervention appear to exceed bound levels can be explained in part by the differences in time periods for reporting (the EU uses a different definition of the accounting year than the WTO) and, more important, the differences in the commodity definitions.

<<table 7.2 near here>>

Similar tables can be constructed for other countries on the basis of notifications. Table 7.3 shows a synthesis of aggregate subsidy figures across reporting WTO members for 2000–2001. However, the limited information content of the WTO commitments and notifications on the use of export subsidies prevent meaningful comparisons between countries on the basis of product categories. In our view such comparisons must be regarded as indicative only.

<<table 7.3 near here>>

<<A>>Export Subsidies and EU Farm Trade Policy: A Depreciating Negotiating Asset?

The severe limitations of the WTO data on export subsidies suggest that any assessment of trends in the use of these instruments should employ national data. What follows therefore focuses on national information for the EU, as the EU is by far the largest provider of export subsidies. The primary source of information on farm support (both domestic and export subsidies) is the European Agriculture Guarantee and Guidance Fund (EAGGF), the body responsible for providing all the EU-level farm subsidies. The EAGGF provides detailed reports on its activities.⁵

In EAGGF parlance, export subsidies are recorded as “refunds.” Table 7.4 reports the aggregate data on refunds as well as data from WTO and OECD (Organisation for Economic Co-operation and Development). It reveals some serious differences between the WTO and EU data for three years (1995, 1997, and 2000), with the EAGGF subsidies being systematically (and sometimes much) larger than what is reported by (notified to) the WTO. For 1995–2000, EAGGF refunds are 25 percent higher than the sum of actual subsidization that the EU reported to the WTO. Although discrepancies might arise for any given year because of differences in the period covered, such a large difference over a five-year period cannot be explained solely by such differences. Because EAGGF reports are audited and because individual member states have an incentive to monitor the distribution and use of refunds, there is a presumption that the EAGGF data are the more accurate ones.

Whatever source is used, however, the differences in magnitude of subsidization do not modify the conclusion that there appears to be a declining trend. The share of export subsidies in the OECD-based producer support estimates (PSE)—which is the best estimate of the aggregate level of protection of farm production, and hence the best reference basis—falls by a factor of two between 1995 and 2000 or 2001 (depending whether one uses the WTO or the EAGGF data; see table 7.4). In sharp contrast to the observed decline in export subsidies, however, the PSE estimates for the EU are very stable over the sample period as a whole. In other words, the EU farm sector is as much protected at the end of the period as at its beginning. This suggests that although export subsidies may have been falling, protection has not, and that a significant decline in world prices could well lead to a subsequent rise in export subsidies.

The EU’s less aggressive use of export subsidies, despite the stability of its farm protection, can be seen as a positive development for the world trade regime, even if it has little positive effect from an economic perspective. From a negotiating perspective, the

decreasing use of export subsidies raises the question whether the EU is selling its WTO partners a rapidly “depreciating” asset. Since the major WTO members are likely well aware of EU’s declining use of the subsidies, the emphasis on their elimination may reflect the reluctance, by the EU as well as many of its trading partners, to address the core issue of market access (import protection and domestic support).

<>Export Subsidies in the EU’s Overall Subsidization Scheme<<end>>

Alternatively, the push to abolish all export subsidies may be explained by the fact that it is directed at specific products that are of prime importance to efficient exporters in the rest of the world and to powerful EU farm lobbies.⁶ EAGGF data on subsidies by product categories, reported in table 7.5, show that export subsidies do constitute a large share of total EAGGF funds (table 7.6) and hence are important, particularly for those EU farmers who produce sugar, rice, milk and dairy products, pig meat, eggs, and poultry. (Beef was also important until 2000, when the emergence of “mad cow” disease in several EU countries triggered bans on imports of EU beef in the rest of the world.) These few sectors presumably represent the core of the lobbies interested in keeping export subsidies, or, at least, in looking for compensation if the subsidies are eliminated.⁷

<<tables 7.5 and 7.6 near here>>

Another way to assess the importance of export subsidies is to relate them to the corresponding EU farm production to see whether they represent a significant share of production values. Although there are some difficulties and limits in matching the EAGGF product categories with the EU production classification, table 7.7 offers a reasonably accurate picture of subsidization rates based on production for the period 1995–2002. It suggests two conclusions. First, consistent with the OECD PSE numbers (see table 7.4), the total level of subsidization of EU farm production (that is, including all EAGGF funds) has declined only marginally since 1995. It varies between 15 and 18 percent, with a peak in the late 1990s. However, this stability hides substantial changes at the product category level: a strong decline in overall subsidization rates is observed for cereals, tobacco, ovine (sheep) meat, and milk and dairy products. In sharp contrast, some product categories have enjoyed an increasing level of subsidization, including fiber plants, wine, rice, and bovine meat. These four products are all of prime interest for many developing countries.

<<table 7.7 near here>>

If one focuses on export subsidization rates only (instead of total subsidies), the picture changes dramatically. The ratio of export subsidies to EU production has been

declining to the point of becoming negligible (1 percent or less). There is one exception: sugar. This exception is clearly one of the key reasons for the continuing emphasis on export subsidies in the WTO negotiations.

From the perspective of typical individual farmers, the size of the total transfer from subsidies and border protection relative to production is probably the important factor in their decision making. But from a negotiating point of view, it is necessary to look at export subsidization rates as a share of actual exports. This indicator can be constructed by using the EAGGF export subsidy data, with no serious problems matching the data to the actual export data for cereals, sugar, wine, rice, milk and dairy products, bovine meat, and poultry, which are the major subsidized commodities. Table 7.8 reports the calculated export subsidization rates. It suggests a wide range of subsidization rates, with the highest numbers for bovine meat.

<<table 7.8 near here>>

<<A>>Should Efforts in the Doha Round Go beyond Export Subsidies?

As part of the Doha Round discussions on export subsidies, the EU, supported by Brazil and some other members of the Cairns Group and the G-20, has extended the principle of the elimination of export subsidies to all key existing “equivalent” forms of export subsidization: specifically to the subsidy component of official export credits, the activities of state trading enterprises (STEs), and food aid.⁸ One interpretation of this linkage is that it is largely tactical. While the EU is by far the largest user of export subsidies, a number of traditional export-oriented and proliberalization countries make use of these alternative instruments. For example, the United States grants both export credits and food aid, and Canada has made long-standing use of STEs for specific commodities.⁹ Alternatively, the focus on equivalent forms of export subsidies can be perceived as a necessary step to ensure that governments do not engage in “reinstrumentation” following a full-fledged WTO ban on explicit export subsidies on farm products.

Whatever the motivation, a pertinent question is how much importance the Doha negotiations should give to extending a ban on export subsidies to all forms of export support. Given the myriad problems that will need to be addressed—defining what is permissible when it comes to the financing of food aid or agricultural export credits, or determining what constitutes an implicit or explicit subsidy, for example—a case can be made from an economic perspective that going down this path only makes sense in the short run if the

distortions associated with these activities are significant. If so, a second question is whether the WTO is the appropriate forum for international cooperation in these areas. Export credits have already been subjected to disciplines and surveillance in the OECD. An obvious question is why these disciplines cannot be extended to agriculture, and indeed, whether there is anything special about agriculture in terms of the allocation of official export credits.

How large is the subsidization component of these instruments? Unfortunately, very little good information exists that can be used to provide an answer. For instance, calculating the subsidy component of an export credit requires knowing not only the amount of the credit but also its terms—maturity, interest rate structure—as well as having information on the creditworthiness of the borrower-recipient. The counterfactual is difficult to determine—would a bank or other financial services provider have lent at all? If so, what would be the difference in basis points? Can one use a “market reference interest rate”?

Inherently there will be a subjective element to any assessment of the export subsidy equivalent associated with export credits, the operation of STEs, and food aid. In sum, one needs very detailed information on existing transactions and on the hypothetical market-based transaction. Another important issue concerns the ability of importers to borrow from intermediaries to finance their purchases. If they confront liquidity constraints, there may be a welfare-based argument for export credits. Rude and Gervais (2004) argue that in a world where poor countries confront liquidity constraints and demand is very elastic, a ban on export credit interest rate subsidies may raise import prices (see also Hyberg and others 1998). However, because most credits are extended to other OECD countries, and because available estimates of subsidy equivalents suggest that they are quite low (see below), any such effects are likely to be small.

Table 7.9 reports the results of an attempt by the OECD to calculate the export subsidy equivalent of these other instruments for affected products in Australia, Canada, the EU, and the United States during 1995–98 (OECD 2001). The United States provides the most export credits—data on U.S. allocations by product and recipient are available from FAS (2004). For the four countries mentioned, ad valorem subsidy equivalents do not exceed 7 percent for any of the instruments considered. Overall, the share of total agricultural exports to which these instruments apply is small, ranging from less than 2 percent for the EU to around 5 percent for Canada and the United States. It is highest for Australia (15 percent). Bulk cereals were found to account for almost half of the total subsidy element of export credits granted. When used in a simulation model to assess the impact of these programs on prices, it was found that U.S. export and domestic prices would be only 2 and 1 percent lower, respectively, if export credits

were banned. Moreover, the bulk of export credits apply to intra-OECD trade. In the case of the United States, for example, the Republic of Korea and Mexico are the major recipients. It would appear therefore that these export subsidy equivalents are of second-order importance compared with explicit export subsidies (which in turn are second order compared with market price support).

<<table 7.9 near here>>

<<A>> Policy Recommendations<<end>>

The foregoing has sought to provide an overview of the available information on export subsidies. Rather than summarize the findings here, we conclude with some policy recommendations.

First, the WTO “machinery” for compiling and reporting data on the use of export subsidies should be strengthened. In all instances where “commitment notifications” are made, they should be accompanied by information on the actual use of subsidies.

Second, effective monitoring and surveillance (and analysis of the impacts of) export subsidies requires that WTO members all use the same product classification. That classification should be as disaggregated as possible, both to constrain the capacity to continue to subsidize exports and to allow more effective analysis of their impacts.

Last but not least, the evidence suggests that the subsidy element of export credits is much less of a problem in terms of distorting world markets than are direct export subsidies. Assessing the magnitude of the associated distortions and determining the subsidy equivalent is difficult, however, and much more work is required to understand better the prevailing situation and the possible benefits and costs of alternative types of multilateral disciplines. One way forward would be to delegate a program of technical work to, for example, the OECD’s Agricultural Directorate or the Food and Agriculture Organization to provide a better monitoring of the effects of the programs concerned.

<<A>>Endnotes<<end>>

1. After this paper was completed, the WTO released two new documents that update information to 2002 for 11 members. See WTO document TN/AG/S/13.

2. World Bank Global Prospects, <http://econ.worldbank.org/>.

3. Members of the Cairns Group are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, and Uruguay.

4. This finding is consistent with the evidence in Hertel and Keeney (2005, table 2.8). From a normative perspective, the ability of a country to incur a possible negative terms-of-trade shock is important. Many of the countries that might incur a loss as a result of export subsidy elimination are middle-income and have greater capacity to address the shocks than the poorest ones, located in the bottom left corner of the figures.

5. Individual EU member states also provide subsidies, but these are either production- or consumption-related, or horizontal in nature (such as broad infrastructure funding, or assistance to young farmers).

6. EAGGF provides a relatively disaggregated breakdown of subsidies by product except for two large groups of products —cereals and dairy. A breakdown was not given for cereals because, during the period examined, production subsidies (a substantial portion of the EAGGF funds) were granted on the basis of hectares grown rather than the type of cereal. (Some production subsidies were strictly related to a specific kind of cereal, such as durum wheat or rye, but these were relatively limited.) In other words, the lack of disaggregated data in cereals indicates that a limited decoupling regime was implemented for cereals as part of the 2003 CAP reform and hence that the reform is much more limited than it appears. In the case of dairy, the technical relations between milk and its derived products, such as cheese or milk powder, explain the difficulty in decomposing milk subsidies among dairy products.

7. The two bottom rows of table 7.6 suggest it is important to take into consideration additional farm products, such as those used as inputs for beverages, as well as in food aid (although this item includes food aid to European consumers). However, these types of aid cannot be mapped to products in a precise way. As a result, this analysis ignores the figures reported in these rows, notwithstanding their relative importance.

8. Note that this was also an objective during the Uruguay Round; Article 10 of the WTO Agreement on Subsidies and Countervailing Measures foreshadows the extension of export subsidy disciplines to similar instruments such as export credits.

9. STEs and food aid programs generally do not have the objective of subsidizing exports, but they may have that effect.

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