Export competition emerged as one of the three pillars upon which agricultural trade liberalization was built in the Uruguay Round Agreement on Agriculture (URAA). This pillar not only addresses direct export subsidies, believed to be one of the most distortionary policy instruments applied to agricultural trade, but also institutional relationships under which implicit export subsidies may arise. Food aid, officially supported export credit, and exporting state trading enterprises are the key institutions examined. Export taxes, export promotion activities, and other domestic policy arrangements which may be equivalent to export subsidies are also addressed in World Trade Organization (WTO) Doha Round negotiations, in a variety of venues.

WTO negotiations on export competition are now addressing unfinished business from the URAA outcome, where direct subsidies were only reduced and mandates on indirect subsidies have made limited progress. The draft Harbison text is the most explicit statement of where negotiations currently stand and serves as the starting point for this analysis. The Harbison proposal is neither a country position nor a negotiated outcome, but is likely the document from which negotiations will move forward. It calls for gradual elimination, not simply reduction, of direct export subsidies. Institutions which can give rise to implicit export subsidies—export credit, state trading, and food aid—are subjected to disciplines via rules rather than being outlawed.

This paper proceeds with a comprehensive review of country positions on export competition issues. The four key issues are then reviewed separately, examining in detail the issues and existing analysis in each area. The Harbison text and country positions are critiqued and recommendations made based on the analysis, paying particular attention to developing country concerns in these areas.

Positions submitted by WTO members indicate a desire to discipline export subsidies in all of their forms. There is a high level of support for the reduction and eventual elimination of direct export subsidies, with differences between members on the pace and extent of reductions. Even the developing countries that potentially benefit from these subsidies oppose them, since they are unreliable, make domestic agricultural programs more costly, and do not contribute to greater food security. The disciplining of officially supported export credits has also received wide-spread support. Proposals vary in term of the timing, severity, and details of proposed disciplines.

Proposed disciplines on export state trading enterprises include increased notification requirements, severe limits on credit activities, and elimination of monopoly rights to export. Food security, rather than food aid, is a dominant theme in both developing and developed country proposals, but views vary widely on the role of the WTO in providing assistance to food insecure people and on how to increase member nations’ food security over the long run.

While the negotiations are focused on single country programs, the WTO must write rules that are applicable to all members. Writing such rules has, in the past, evidenced some weakness in this approach. Strict rules may eliminate some beneficial institutions or practices, while governments may innovate slightly with a problem program and continue to pursue its prior farm policy objectives. Rules are subject to interpretation, and so have not always succeeded in preventing offending practices, while in other instances negotiators have objected that dispute panels may go well beyond their original intentions.

Proposed rules may direct benefits away from desirable social outcomes. In the case of export credits, new rules may impose conditions on transactions between private actors that would not normally apply in liberalized markets, such as minimum prices that stifle competition. They may also direct benefits to banks and intermediaries rather than the poor in developing countries. In the case of food aid, rules may inhibit achieving humanitarian benefits.

The emphasis of the WTO on commercial markets rather than on assisting hungry people or developing country domestic markets is why the WTO may be the wrong forum to resolve some of these issues. One concern evident in the debate on export competition, particularly on state trading, is how broad a range of agricultural policy institutions to permit. The WTO focus on static assessment of market distortions, rather than a dynamic assessment incorporating desires by countries for stability and for a safety net for their farmers, is evident in the URAA outcome, yet has not served well concerns in agricultural sectors of the United States and EU. These issues will need to be addressed, particularly with sensitivity to the circumstances of developing countries, if the goals of a Doha Development Agenda are truly to be realized. While it is unlikely that export subsidies, which allow countries to export their instability to the rest of the world, would be in the optimal mix of policies, they are likely to persist until permissible, better alternatives emerge.