

WORLD TRADE ORGANIZATION

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EXPORT CREDITS FOR AGRICULTURAL PRODUCTS

Proposal by MERCOSUR (Argentina, Brazil, Paraguay and Uruguay),
Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia¹

Background:

During the Uruguay Round, Members undertook, under the Agreement on Agriculture, to "work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes and, after agreement on such disciplines, to provide export credits, export credit guarantees or insurance programmes only in conformity therewith".

This set of disciplines has not yet been developed in the WTO, which is the appropriate forum for the negotiation of the "internationally agreed disciplines" on export credits. Thus, Article 10.2 of the Agreement on Agriculture remains unimplemented.

The lack of disciplines to govern the granting of export credits to agricultural products is, therefore, an outstanding issue, which requires priority in the WTO in order to prevent its use to circumvent export subsidy commitments.

According to Article 10.1 of the Agreement on Agriculture, export subsidies other than those listed in paragraph 1 of Article 9 (e.g. export credits, export credit guarantees or insurance programmes) "shall not be applied in a manner which results in, or which threatens to lead to, circumvention of export subsidy commitments".

Consequently, whilst export credits, export credit guarantees or insurance programmes are covered by the general rules and disciplines (i.e. Articles 3.3, 8, 9 and 10.1) applicable to export subsidies, we need to develop the specific disciplines called for in Article 10.2.

Accordingly it is proposed that a set of disciplines to govern these practices be negotiated and agreed in the WTO, so that all interested parties to this negotiation (users, recipients and potentially affected countries) have the opportunity to make their views known and taken into consideration in this exercise.

Objective:

Agricultural export credits, export credit guarantees and export insurance programmes must be brought under specific multilateral discipline under the WTO with a view to ending government

* This document cancels and replaces document G/AG/NG/W/139-G/AG/W/50, dated 20 March 2001, in English only.

¹ Please note that this proposal will also be tabled in the Committee on Agriculture in the context of the item regarding the implementation of Article 10.2 of the Agreement on Agriculture.

subsidization of such credits, taking into account the needs of developing countries. In addition, a clear approach is required to prevent circumvention of export subsidy commitments.

Proposal:

Consistent with the objective of the reform process concerning reductions in support and protection, it is proposed that WTO members negotiate and agree on a specific set of disciplines to govern the provision of export credits, export credit guarantees and export insurance programmes.

As we negotiate and agree on these disciplines in the WTO, the following issues, *inter alia*, should be addressed:

- (a) a definition of "officially supported export credit";
- (b) identification and listing of the variety of forms of officially supported export credit operations;
- (c) identification and listing of types of institutions and programmes to be covered by such disciplines;
- (d) terms and conditions for use of such credits which include, but are not limited to:
 - source of the funds employed in the operation;
 - maximum repayment term
 - starting point of the credit
 - repayment of principal;
 - payment of interest;
 - cash payments;
 - sharing of risk;
 - minimum interest rates;
 - validity period for export credits
 - minimum premium.
- (e) notification requirements of all officially supported export credit transactions that exceed 180 days. The notifications shall provide the following information on an aggregated basis by programme or institution:
 - products concerned (volume and amount of credit);
 - countries of destination;
 - terms and conditions of the transaction as specified in letter (d).

Export credits, export credit guarantees and export insurance programmes given by private financial institutions are not required to be notified on a regular basis, provided that, upon request, the relevant information mentioned in letters (d) and (e) be granted.

Special and Differential Treatment

- (a) Appropriate minimum interest rates, *inter alia*, shall be established to address the interests of exporting developing countries;

(b) In recognition of the "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries", adopted in Marrakech, the disciplines to be adopted must include appropriate provisions for differential treatment in favour of least-developed and net food-importing developing countries. These provisions should include longer repayment periods and should be consistent with the exemptions already provided in the Agreement on Agriculture for developing countries and with the modifications resulting from the negotiations to the general rules and disciplines applicable to export subsidies.
