

Trade: Export Subsidies

Commitment

“We reaffirmed our commitment to open markets more widely to trade in agricultural goods, industrial goods and services, and in agriculture to reduce trade distorting domestic subsidies and eliminate all forms of export subsidies by a credible end date.”

-Chairman’s Summary (final press conference)⁴⁶⁶

Background

At the Doha Ministerial Conference held in November 2001, participants implemented the Doha Declaration launching a new trade round to establish a fair and market-oriented trading system by preventing restrictions and distortions in world agricultural markets. The Fifth WTO Ministerial Conference was held in September 2003 in Cancun, Mexico. The Ministerial ultimately collapsed after the QUAD countries (US, EU, Japan and Canada) failed to reach an agreement with the G-20 bloc of developing countries (including Brazil, India and China). Nevertheless, the leaders of the G8 countries understand the importance of assisting less developed countries in their trade capabilities in order to promote economic growth and alleviate poverty.

On 1 August 2004, WTO members adopted a General Council decision on the Doha Work Programme, informally known as the July Package which established a framework for placing the DDA back on track for completion by 2006. Under the package, industrialized countries agreed to major concessions that they had previously resisted in Cancun: wealthy states, in particular the EU, agreed to place all trade distorting agricultural subsidies on the table for discussion and committed to making significant cuts; wealthy countries agreed to a ‘down payment’ on this deal in the form of an immediate 20% reduction in total current trade distorting agricultural subsidies at the beginning of the implementation period for the Round; LDCs (including approximately 25 African states) received an agreement in principle to receive increased market access while maintaining the right to shelter their domestic industries; and three Singapore Issues (foreign investment, competition policy, and government procurement) were dropped from the DDA with the fourth (trade facilitation) kept on in the understanding it would only result in a clarification and simplifying of current agreements. In exchange, developing countries agreed to further open their markets to manufactured imports and agreed to continue negotiations on a deal in trade in services.

Reaffirmed at Gleneagles, the G8 commitment to open markets more widely to trade in agricultural goods, industrial goods and services, and in agriculture to reduce trade distorting domestic subsidies and eliminate all forms of export subsidies by a credible end date was carried out in part at the most recent WTO Ministerial in Hong Kong. Though the meeting was not considered a resounding success, a decision was reached committing to the end of Export Subsidies by 2013.⁴⁶⁷

Background: Jonathan Scotland
Team Leader: Stanislav Orlov

⁴⁶⁶ Chairman’s Summary, 2005 Gleneagles Summit, (Gleneagles), July 2006. Date of Access: 15 January 2006. <http://www.g8.utoronto.ca/summit/2005gleneagles/summary.html>.

⁴⁶⁷ Doha Work Programme: Ministerial Declaration, WTO, 9Washington, D.C.), 18 December 2005. Date of Access: 21 January 2006. http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm.

Assessment

Score	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Country			
<i>Canada</i>		0	
<i>France</i>	-1		
<i>Germany</i>		0	
<i>Italy</i>		0	
<i>Japan</i>		0	
<i>Russia</i>		0	
<i>United Kingdom</i>			+1
<i>United States</i>		0	
<i>European Union</i>			+1
Overall			0.11

Individual Country Compliance Breakdown

1. Canada: 0

Canada has partially complied with its Gleneagles commitment on export subsidies. By publicly supporting the elimination of all forms of agricultural subsidies, and by signing the World Trade Organization (WTO) Ministerial Agreement, Canada made progress toward compliance with the Gleneagles commitment. Yet through its efforts to protect its own export state trading enterprise mechanism and its system of price and quota controls, Canadian officials resisted implementing important domestic reforms.

At the conclusion of WTO discussions held in Zurich, on 10 October 2005, Canadian Agriculture and Agri-Food Canada Minister, Andy Mitchell, and International Trade Minister, Jim Peterson, reaffirmed the long-standing Canadian objective of eliminating all forms of agricultural export subsidies.⁴⁶⁸ On 9 November 2005, following WTO discussions in Geneva, the same two ministers issued a statement in advance of the ministerial meeting in Hong Kong, confirming the Canadian government's desire for the quickest possible elimination of agriculture export subsidies.⁴⁶⁹ They made it clear that Canada is working aggressively to negotiate for "fundamental change, real reform, not just modest improvements" in this round.⁴⁷⁰ As part of the Commonwealth meeting in Malta, on 26 November 2005 Canadian officials again called for a WTO agreement on "the elimination of all forms of export subsidies by 2010".⁴⁷¹

At the World Trade Organization meeting in Hong Kong, Canada, Australia, and New Zealand were accused by European Union (EU) and United States (US) for unfair marketing practices. Canadian officials publicly responded to these criticisms prior to the Hong Kong meeting. For example, in the statement issued by Mr. Mitchell and Mr. Peterson on 10 October 2005, the Ministers explained that

⁴⁶⁸ Canada works with WTO members to advance negotiations, US Fed News, (Washington, D.C.), 10 October 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁴⁶⁹ Ministers of International Trade, Agriculture and Agri-food issue statement in advance of World Trade Organization ministerial meeting in Hong Kong, US Fed News, (Washington, D.C.), 9 November 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>

⁴⁷⁰ Lack of Progress at WTO Disappointing, CAFTA Says, Resource News International, 10 November 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>

⁴⁷¹ Status quo not good enough; Commonwealth leaders send out a clear message to EU ahead of next month's WTO talks, TODAY, (Singapore), 28 November 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>

Canada believes that such fair export state trading enterprises as the Canadian Wheat Board should not be disciplined.

According to Canadian Wheat Board (CWB) Chairperson, Mr. Ken Ritter, the Board is a "single desk that does not distort trade" and should not be part of negotiations.⁴⁷² Although the CWB and its practices were not on the agenda of the Hong Kong meetings, Mr. Ritter expressed concerns that Canadian farmers might lose their government guarantees of initial payments, resulting in the need for a new deal between the CWB and farmers.⁴⁷³ Canadian officials, therefore, both challenged farm subsidies within other countries, while fighting to maintain its own system of price and quota controls on dairy, eggs and poultry products during the Hong Kong negotiations.⁴⁷⁴

Analyst: Stanislav Orlov

2. France: -1

France has resisted compliance with the Gleneagles commitment to open markets more widely and to reduce domestic and export subsidies. It created substantial obstacles to European Union (EU) commitments to reduce agricultural subsidies, thereby delaying the process of liberalizing trade.

The French government strongly opposes efforts to reduce agriculture subsidies by the EU. During talks in Geneva on October 20, 2005, French officials expressed the government's refusal to permit new cuts in European farm supports needed to advance global trade talks, creating serious obstacles to completing a blueprint to lower trade barriers around the world. The French stance put Peter Mandelson, the EU's chief trade negotiator, under pressure to find a way to open European farm markets after the U.S. offered to cut agricultural subsidies to restart the round of trade talks known as the Doha round. French officials repeatedly caused problems for Mr. Mandelson, accusing him of overstepping his negotiating mandate and demanding that his negotiations be overseen by a supervisory committee.⁴⁷⁵ These actions drew strong rebuke from U.S. trade representative Rob Portman, while Australian trade minister Mark Vaile, lashed out at the French stance, expressing concern that it would cause the collapse of the trade talks.⁴⁷⁶

The French government also played a vital role in the EU's opposition to endorsing a 2010 date, proposed by the U.S. and Brazil, for ending farm export subsidies. This led to extending this date to 2013 as the date to end all farm export subsidies. While this result was welcomed by France, many say it fell short of expectations.⁴⁷⁷ For their part, French officials argued that the WTO proposals are counterproductive and do not really serve the interests of the countries most in need.⁴⁷⁸

France's opposition to reducing agricultural subsidies also created problems in other areas of trade. This impasse between EU and U.S. negotiators over agriculture subsidies has prevented progress in negotiations to open up trade in manufactured goods and services.⁴⁷⁹

Analyst: Farzana Nawaz

⁴⁷² Canadian Wheat Board: Farmers To Determine Marketing System, Dow Jones Commodities Service, (New York), 19 December 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁴⁷³ Analysts say difficult year lies ahead for Canadian-based exporters, The Canadian Press, (Toronto), 29 December 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁴⁷⁴ We need to cut back farm subsidies, The Montreal Gazette, (Montreal), 22 December 2005. Date of access: 15 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁴⁷⁵ France snubs EU's trade talks plan, BBC News Online, (London), 19 October 2005. Date of Access: 08 January 2006. <http://news.bbc.co.uk/2/hi/business/4358016.stm>.

⁴⁷⁶ France digs in heels on farm subsidies, International Herald Tribune Business, (Paris), 20 October 2005. Date of Access: 05 January 2006. <http://www.ihf.com/articles/2005/10/20/business/wto.php>.

⁴⁷⁷ Poor nations unite at trade talks, BBC News Online, (London), 16 December 2005. Date of Access: 05 January 2006. <http://news.bbc.co.uk/2/hi/business/4533588.stm>.

⁴⁷⁸ Ministry of Foreign Affairs, France: International Trade - A response to the Cairns Group's arguments, French Ministry of Foreign Affairs, (Paris). <http://www.diplomatie.gouv.fr/actu/article.gb.asp?ART=30902>.

⁴⁷⁹ US offers access to cotton market, BBC News Online, (London), 15 December 2005. Date of Access: 03 January 2006. <http://news.bbc.co.uk/2/hi/business/4530090.stm>.

3. Germany: 0

The German government, under the leadership of the newly elected Chancellor, Ms. Angela Merkel, has partially complied with the trade commitments on export subsidies made at Gleneagles.

In the Chancellor's policy statement presented to the German Bundestag on 30th November 2005, Ms. Merkel carefully points out the need to balance national interest with German trade commitments: "The need for freer global trade must be reconciled also with the interests of our agriculture."⁴⁸⁰ Earlier in the year, in her address to the UN General Assembly in September 2005, Federal Minister for Economic Cooperation and Development, Ms. Heidemarie Wiecek-Zeul, echoed these concerns, adding "external support will bear fruit only if it is accompanied by ownership and good governance in the developing countries."⁴⁸¹

Despite these concerns, Merkel has played a key role in the recently passed EU framework budget for 2007-2013.⁴⁸² In particular, Merkel agreed review the Franco-German deal on agricultural subsidies in return for concessions on Britain's £2.7 billion annual budget rebate.⁴⁸³

In a renewed effort to fulfil the Doha Round mandate before its 30 April 2006 deadline, Germany, along with its EU partners and other members of the WTO, met in Hong Kong for a Ministerial Meeting. The Ministerial Declaration reaffirms the Doha Round commitments and stipulates an end to export subsidies in article 6: "We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013."⁴⁸⁴ Members also agreed to reduce tariffs on non-agricultural products.⁴⁸⁵

In his statement at the Ministerial Conference, Mr. Bernd Pfaffenbach, German State Secretary for the Federal Ministry of Economics and Technology, highlighted Germany's key role in EU agricultural reform, but cautioned: "The intensive discussion of our offer within the European Union shows that the EU's threshold of pain has been reached. And we hope that this is acknowledged by our partners."⁴⁸⁶ He warned that the Doha agenda cannot be reduced to agricultural reform, but required an equivalent and parallel opening of markets for industrial goods and services.⁴⁸⁷ Although he maintains that Doha should be above all benefit least developed countries, he argues that the Round's most important contribution toward development can be achieved through progress on market access topics.⁴⁸⁸

Ms. Wiecek-Zeul welcomed the elimination of all agricultural export subsidies, but was unsatisfied with the decisions on cotton: "the decisive point is to eliminate internal subsidies for cotton farmers in

⁴⁸⁰ Address by Chancellor Angela Merkel to the Bundestag, Die Bundesregierung, (Berlin), 30 November 2005. Date of Access: 4 January 2006. <http://www.bundesregierung.de/en/-,10001.929347/regierungserklaerung/Policy-Statement-by-Federal-Ch.htm>,

⁴⁸¹ Address by Federal Minister for Economic Cooperation and Development, Heidemarie Wiecek-Zeul at the United Nations General Assembly, High Level Plenary Meeting, Separate Meeting on Financing for Development, Federal Ministry for Economic Cooperation and Development, (Berlin), 14 September 2005. Date of Access: 4 January 2006. <http://www.bmz.de/en/press/speeches/ministerin/rede20040914.html>.

⁴⁸² The EU has agreed a new framework budget for 2007-2013 after months of tense negotiations. BBC News International Edition, (London) 17 December 2005. Date of Access, 8 January 2006. http://news.bbc.co.uk/2/hi/uk_news/politics/4078796.stm.

⁴⁸³ Scant cheer for Blair as Merkel drops in at No 10, The Times, (London), 24 November 2005. Date of Access: 3 January 2006. <http://www.timesonline.co.uk/article/0,,13509-1887963,00.html>.

⁴⁸⁴ Ministerial Declaration, WTO, (Washington, D.C.) 18 December 2005. Date of Access: 3 January 2006. http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm.

⁴⁸⁵ Fair trade between developed and developing countries, Die Bundesregierung, (Berlin), 19 December 2005. Date of Access: 4 January 2006. <http://www.bundesregierung.de/en/-,10001.936555/artikel/Fair-trade-between-developed-a.htm>.

⁴⁸⁶ Statement by Dr Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology to the WTO Ministerial Conference in Hong Kong, WTO, (Washington, D.C.), 14 January 2005. Date of Access: 4 January 2006. http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_statements_e.htm.

⁴⁸⁷ Statement by Dr Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology to the WTO Ministerial Conference in Hong Kong, WTO, (Washington, D.C.), 14 January 2005. Date of Access: 4 January 2006. http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_statements_e.htm.

⁴⁸⁸ Statement by Dr Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology to the WTO Ministerial Conference in Hong Kong, WTO, (Washington, D.C.), 14 January 2005. Date of Access: 4 January 2006. http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_statements_e.htm.

industrialized countries [for which] no date has been set". The comment was clearly directed at the United States, which pays some 4 billion US dollars a year in subsidies to 25,000 large-scale cotton farmers while millions of African countries farmers are on the verge of bankruptcy.⁴⁸⁹ Ms. Wiecezorek-Zeul concerns are echoed by the comments of EU trade commissioner, Mr. Peter Mandelson, who ruled out unilateral concessions on the part of the EU and which accused the United States, Canada, and Australia of dragging their feet in the talks on ending agricultural subsidies.⁴⁹⁰

While Germany has partially complied with its Gleneagles commitments by signing on to the WTO Ministerial Agreement, critics have argued that this agreement was largely symbolic as export subsidies, one type of agricultural subsidies, make up less than 2% of total subsidies.⁴⁹¹ These figures show that while progress has been made, Germany is far off from its goal "to open markets more widely to trade in agricultural goods."

Analyst: Jelena Madunic

4. Italy: 0

The Italian government has partially complied with its Gleneagles commitments on export subsidies. The Italian Republic, together with the United Kingdom, Germany and France, has delegated most of its trade policy to the European Commission, which represents the 25 members of the European Union at the World Trade Organization (WTO).⁴⁹² As such, the Italian government did not directly participate in the Hong Kong Ministerial of the WTO in December, 2005, but was represented by EU Trade Commissioner Mr. Peter Mandelson and the EC Representatives. The European Communities' official policy on export subsidies is that the EU-25 will only begin to open their markets to freer trade in agricultural and industrial goods when other nations, specifically Canada, the US, Japan and Australia, do the same.⁴⁹³ Commissioner Mandelson believes that any form of unilateral action on the subsidies would be "pointless".⁴⁹⁴ His statement was made after the American rejection of the European Union's original offer to slash "trade distorting subsidies" to agriculture by 70% and to reduce the average agricultural tariff level from 23% to 12%, the current average tariff in the United States.⁴⁹⁵ Action on these issues, however, had been tied to an agreement on industrial goods that would reduce applied tariffs prior to the Ministerial in Hong Kong.⁴⁹⁶ Such an agreement was not reached. All parties, however, did agree in Hong Kong to substantially reduce export subsidies by 2013.⁴⁹⁷ Commissioner Mandelson rejected an earlier proposal

⁴⁸⁹ Wiecezorek-Zeul welcomes elimination of all agricultural export subsidies, Federal Ministry for Economic Cooperation and Development, (Berlin), 18 December 2005. Date of Access: 4 January 2006. http://www.bmz.de/en/press/pm/presse_20051218.html.

⁴⁹⁰ Trade policy: EU says no final date for ending export subsidies until others sign up to reform, EU Commission, (Brussels), 16 December 2005. Date of Access: 4 January 2005.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1625&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹¹ Q&A: Trade deal. What has been agreed in Hong Kong? BBC News Online International Edition, (London), 18 December 2005. Date of Access 4 January 2005. <http://news.bbc.co.uk/2/hi/business/4539528.stm>.

⁴⁹² The EU and WTO, European Commission, (Brussels), November 2004. Date of access: 04 January 2006.

http://www.europa.eu.int/comm/trade/issues/newround/index_en.htm.

⁴⁹³ Trade Policy: EU says no final date for ending export subsidies until others sign up for reform, European Commission, (Brussels), 16 December 2005. Date of access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1625&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹⁴ Trade Policy: EU says no final date for ending export subsidies until others sign up for reform, European Commission, (Brussels), 16 December 2005. Date of access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1625&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹⁵ Peter Mandelson, Remarks to the European Parliament Plenary Mini-Session – Doha and Development, European Parliament, (Brussels), 30 November 2005. Date of access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/747&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹⁶ EU Tables New Offer in Doha World Trade talks; Calls for Immediate Movement on Services and Industrial Goods, European Commission, (Brussels), 28 October 2005. Date of access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1358&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹⁷ EU move on export subsidies takes Doha forward, European Commission, (Brussels), 18 December 2005. Date of Access: 04 January 2006. http://europa.eu.int/comm/trade/issues/newround/doha_da/pr181205_en.htm.

for phase-out of subsidies by 2010, categorizing such an agreement as not being “economically sustainable”.⁴⁹⁸

Despite the European Union’s mandate at the World Trade Organization, the Italian government has also been somewhat active in pursuing global agreement on export subsidies. In December 2005, Finance Minister Tremonti joined other G7 Finance Ministers in their declaration that “urge[d] all participants to maintain a high level of ambition and to make significant progress on market access in agriculture, industrial products and services; reducing trade distorting domestic support; eliminating all forms of export subsidies in agriculture; making significant progress on services, including financial services as liberalisation in financial services is linked to increased growth”.⁴⁹⁹ Earlier, Productive Activities Vice-Minister Mr. Adolfo Urso noted the importance of not allowing agreement on agriculture to eclipse discussions on other aspects of market access.⁵⁰⁰ In particular, while speaking to the Committee of Commercial Agreements in Geneva, he called on the negotiating parties to focus not only on agriculture, but also on industrial goods, geographical denominations and sensitive goods.⁵⁰¹ Italian persistence on the need for reform and liberalization in non-agricultural sectors is not, however, mirrored in the opinions of the Minister of Agricultural and Forestry Policies, Mr. Gianni Alemanno. On 16 December 2005, Minister Alemanno called on non-EU parties to the WTO to work towards an agreement on agriculture on their own, as it was not the prerogative of the EU to destroy a “painstakingly” constructed proposal.⁵⁰² Nevertheless, the Vice-Minister of Agricultural and Forestry Policies, Mr. Paolo Scarpa, qualified the final deal reached by the parties at the Hong Kong Ministerial as “positive”, as it phased-out Europe’s, and specifically Italy’s, ability to support agricultural producers with subsidies while not placing restrictions on the more controversial Common Agricultural Policy of the EU-25.⁵⁰³ Therefore, despite concrete steps taken at the European level, Italy has earned a score of 0 for its lack of enthusiasm in pursuing solid progress on market access for agricultural and industrial goods.

Analyst: Michael Erdman

5. Japan: 0

While World Trade Organization (WTO) negotiations leave room for Japan to exclude “sensitive products” such as rice, a lack of some concession in this area does not reflect full compliance with the commitment made at Gleneagles in July 2005.⁵⁰⁴ The Doha Development Agenda, a key component of the WTO negotiations, specifically seeks to minimize the use of such special status provisions.⁵⁰⁵ Japan, however, faces a great deal of domestic pressure to resist the elimination of export subsidies and has thus made limited progress on this commitment.⁵⁰⁶ Japan has, therefore, registered only partial compliance with its Gleneagles commitment to trade export subsidies.

⁴⁹⁸ EU move on export subsidies takes Doha forward, European Commission, (Brussels), 18 December 2005. Date of Access: 04 January 2006. http://europa.eu.int/comm/trade/issues/newround/doha_da/pr181205_en.htm.

⁴⁹⁹ Statement by G7 Finance Ministers and Central Bank Governors, H.M. Treasury, (London), 3 December 2005. Date of Access: 04 January 2006. http://www.hm-treasury.gov.uk/otherhmtsites/g7/news/g7_statement_031205.cfm.

⁵⁰⁰ WTO, Urso: ‘Negotiation on a knife’s edge, Italy ready to mediate’, Ministry of Productive Activities, (Rome), 03 November 2005. Date of Access: 04 January 2006. <http://www.mincomes.it/news/news2005/novembre/cs031105.htm> [In Italian].

⁵⁰¹ WTO, Urso: Negotiation on a knife’s edge, Italy ready to mediate’, Ministry of Productive Activities, (Rome) 03 November 2005. Date of Access: 04 January 2006. <http://www.mincomes.it/news/news2005/novembre/cs031105.htm> [In Italian].

⁵⁰² WTO, Alemanno: No to compromises that endanger agriculture, Ministry of Agricultural and Forestry Policies, (Rome), 16 December 2005. Date of Access: 04 January 2006. <http://www.politicheagricole.it/INFO/comunicati/comunicato.asp?ID=2522>.

⁵⁰³ Paolo Scarpa, Clarification of the WTO Agreement, Ministry of Agricultural and Forestry Policies, (Rome), 19 December 2005. Date of Access: 04 January 2006. <http://www.politicheagricole.it/INFO/comunicati/comunicato.asp?ID=2531>

⁵⁰⁴ Leaders push for WTO deal, New Zealand Herald, (Auckland), 19 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵⁰⁵ WTO Agreement Called Crucial to Lifting Millions from Poverty – USTR releases fact sheets ahead of WTO Hong Kong ministerial meeting, State Department, (Washington, D.C.), 12 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵⁰⁶ EU Follows US with Farm Subsidies Pledge, Promises to Reinvigorate WTO Process, Rachna Uppal, Global Insight Daily Analysis, 13 October 2005. Date of access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

Some progress was made at the WTO Ministerial Meeting when a deadline of 2013 was agreed upon for the elimination of agricultural export subsidies.⁵⁰⁷ This may be considered a step toward fulfilling the commitments made in this issue-area, as one of the goals was to eliminate export subsidies by a “credible end date.”⁵⁰⁸ Japan, however, did not concede in some key industries, and was reluctant to take the lead in eliminating trade-distorting subsidies.⁵⁰⁹

Taking these factors into account, Japan registers only partial compliance with its Gleneagles commitment on export subsidies.

Analyst: Kristin Eberth

6. Russia: 0

The Russian Federation has partially complied with its Gleneagles commitment on export subsidies. As the only member of the G8 not currently party to the World Trade Organization (WTO) Agreements, the Russian Federation has thus far been excluded from the Doha Round of negotiations between WTO members.⁵¹⁰ Nevertheless, given that the Russian Federation is currently negotiating the terms of its accession to the WTO, it is keenly following developments in the sphere of trade in agricultural goods and industrial goods and services. Russia is also excluded from meetings of the G7 Finance Ministers and Central Bankers, and thus did not participate in the 3 December 2005 statement urging all parties to the WTO Hong Kong Ministerial to take concerted action on subsidies and liberalization.⁵¹¹

The Russian Federation’s exclusion from negotiations at the WTO level (it has observer status), in addition to its current concentration on reforming its own economic structures to meet the definition of a “market economy”, have left it few means of making a concerted effort to pursue market opening policies in the same manner as the other members of the G8. Furthermore, the Ministry for Agricultural Production has announced that it will seek to provide greater subsidies for agricultural producers in the coming year in order to: (1) mitigate the effects of volatile fuel prices⁵¹², and (2) cheapen credit and encourage the modernization of farming techniques and animal husbandry.⁵¹³ The Russian Federation hopes to increase private investment in the agricultural sector by employing these methods.⁵¹⁴ The preservation of subsidies to agriculture, according to the International Monetary Fund, remains a source of discord with current trends in international trade and may negatively influence the accession of the Russian Federation to the World Trade Organization.⁵¹⁵ Thus far, Minister of Finance Aleksei Kudrin has only suggested that reduction in subsidies on agricultural products be linked to increased development aid, but has made no specific proposals with respect to implementation of such schemes within the Russian Federation.⁵¹⁶

⁵⁰⁷ What stymied the Hong Kong talks?, Steve Schifferes, BBC, (London), 18 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵⁰⁸ WTO members try to breathe life into trade liberalisation talks, Agence France Presse, (Paris), 27 July 2005. Date of Access: 18 January 2006. [<http://global.factiva.com/ha/default.aspx>]

⁵⁰⁹ WTO members try to breathe life into trade liberalisation talks, Agence France Presse, 27 July 2005. Date of access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵¹⁰ Accession: Russian Federation, World Trade Organization, (Geneva), October 2005. Date of access: 05 January 2006. http://www.wto.org/english/thewto_e/acc_e/a1_russie_e.htm.

⁵¹¹ Statement by G7 Finance Ministers and Central Bank Governors, H.M. Treasury, (London), 3 December 2005. Date of Access: 04 January 2006. http://www.hm-treasury.gov.uk/otherhmtsites/g7/news/g7_statement_031205.cfm.

⁵¹² Subsidies are Announced for the Countryside, Ministry of Agriculture, (Moscow), 29 September 2005. Date of Access: 30 December 2005. http://www.mcx.ru/index.html?he_id=884&news_id=2134.

⁵¹³ A. P. Kozlov, Letter from Minister A.P. Kozlov On the Priorities of the National Project “Development of APK”, Ministry of Agriculture, (Moscow), November 2005. Date of Access: 30 December 2005. http://www.mcx.ru/index.html?he_id=797&doc_id=7116.

⁵¹⁴ A. P. Kozlov, Letter from Minister A.P. Kozlov On the Priorities of the National Project “Development of APK”, Ministry of Agriculture, (Moscow), November 2005. Date of Access: 30 December 2005. http://www.mcx.ru/index.html?he_id=797&doc_id=7116.

⁵¹⁵ Russian Federation: 2005 Article IV Consultation, International Monetary Fund, (Washington, D.C.), 20 October 2005. Date of Access: 01 January 2006. <http://www.imf.org/external/pubs/ft/scr/2005/cr05377.pdf>.

⁵¹⁶ Aleksei Kudrin, Statement by the Hon. Aleksei Kudrin, Governor of the Bank and the Fund for the Russian Federation, at the Joint Annual Discussion, International Monetary Fund, (Washington, D.C.), 01 October 2005. Date of Access: 01 January 2006. <http://www.imf.org/external/am/2005/speeches/pr57e.pdf>.

Thus, the Russian Federation has been awarded a score of zero for its timid steps on joining the global movement to reduce subsidies and its relative inability to take significant actions on the matter while negotiating accession to the WTO.

Analyst: Michael Erdman

7. United Kingdom: +1

The British government has publicly maintained a strong commitment to the goals laid out at the Gleneagles summit in July 2005, and has presented a strong policy agenda to register full compliance with its Gleneagles commitment to export subsidies. Prime Minister Tony Blair, on 14 July 2005, expressed that the British government hoped that the World Trade Organization (WTO) would agree upon an end date of 2010 for agricultural export subsidies.⁵¹⁷ On 17 November 2005, Chancellor of the Exchequer, Mr. Gordon Brown, denounced the European Union's Common Agricultural Policy (CAP), calling for the reduction of "agricultural protectionism in Europe".⁵¹⁸ Mr. Brown also said that "the test of success at Hong Kong will be substantially cutting tariffs and trade-distorting subsidies, and fulfilling our commitment of setting a timetable to end agricultural export subsidies".⁵¹⁹ European Union Trade Commissioner Peter Mandelson criticised Mr. Brown's demands, calling them "over the top".⁵²⁰

Britain held the presidency of the European Union in 2005, and from this position Mr. Blair sought a "fundamental review of EU farm policy."⁵²¹ However, the British government faces opposition in the EU regarding the CAP, particularly from France.⁵²² British officials were, nevertheless, successful in completing a deal in Brussels on 17 December 2005 that calls for a review of the EU budget, including "farm policy."⁵²³

At the WTO Ministerial Meeting in Hong Kong, British ministers continued to urge the EU to increase access to its agricultural markets.⁵²⁴ The WTO also requested that political leaders work together to move negotiations along, with a view to making further progress by the end of next April. Commonwealth Secretary, General Don McKinnon, stated that he "strongly support[s]" this action.⁵²⁵ The British government thus clearly supports the Gleneagles commitment, and has pursued a policy agenda that seeks to achieve goals consistent with this obligation.

Analyst: Kristin Eberth

8. United States: 0

Since the Gleneagles G8 summit the United States (US) government has partially complied with its commitment regarding export subsidies by extending concessions in trade of agricultural goods: including

⁵¹⁷ G8 agrees on aid, trade – but is it enough?, Weekly Trade News Digest, (UK), 14 July 2005. Date of Access: 18 January 2006. <http://www.ictsd.org/weekly/05-07-13/story3.htm>.

⁵¹⁸ Chancellor of the Exchequer, Gordon Brown, Speaking at a Catholic Agency for Overseas Development (CAFOD) Rally in Manchester at 19:00, 17 November 2005, Government News Network, 17 November 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵¹⁹ Chancellor of the Exchequer, Gordon Brown, Speaking At a Catholic Agency for Overseas Development (CAFOD) Rally in Manchester at 19:00, 17 November 2005, Government News Network, 17 November 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²⁰ Mandelson Criticises UK's Brown over demands to reform EU farm policy, AFX, 5 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²¹ Mandelson criticizes UK's Brown over demands to reform EU farm policy, AFX, 5 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²² Cries and gestures - The European Union summit, The Economist, (London), 24 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²³ Mandelson feels the heat in trade talks, Michael Sheridan, The Times, (London), 18 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²⁴ Rich nations refuse to let go of subsidies as WTO talks near, The Independent, (UK), 12 December 2005. Date of Access: 18 January 2006. <http://global.factiva.com/ha/default.aspx>.

⁵²⁵ Hong Kong Outcomes: McKinnon Disappointed; Supports Engagement by Heads, Commonwealth Secretariat, (London), 19 December 2005. Date of access: 18 January 2006. <http://www.thecommonwealth.org/Templates/Internal.asp?NodeID=147866>.

the provision of broader market access, and the elimination of some export subsidies. At the Hong Kong meeting of the World Trade Organization (WTO), American officials also attempted to persuade other members to offer greater concessions for developing nations. The US government was, however, less successful in fulfilling its commitment regarding in manufactured goods and services.

US negotiators took substantial measures to end subsidies in agricultural goods at the Hong Kong meeting of the WTO. They supported a measure to end all export subsidies to farmers by 2010; a position which was rejected by EU officials resulting in an end date of 2013.⁵²⁶ This demonstrates a real commitment on the part of US officials to end export subsidies in agriculture by a credible end date. The US government has also urged the EU to go further in cutting food import tariffs.⁵²⁷

The biggest concession of the US government was deemed, by US officials, to be in the cotton sector, offering duty-free access for West African states to the US cotton market. Under this agreement, free market access would be provided for 97% of all goods from the poorest nations by 2008.⁵²⁸ The US also agreed to end all export subsidies on cotton by 2006, although this is not a mandatory commitment.⁵²⁹

In spite of these concessions, some US representatives continue to obstruct efforts to lower barriers to textile imports for some less developed countries. US Trade Representative Rob Portman indicated that his government was not yet willing to allow textile producers in countries like Bangladesh full access to the US market; that such concession would only come as part of an overall trade package.⁵³⁰ For the same reason, US officials have expressed some concern with "Trade for Aid", which aims to give money to less developed countries to help them improve their trade infrastructure and to compensate them for losses from free trade. American officials have, however, signalled a willingness to accept the package in principle, and have announced an increase in the American own "Trade for Aid" package.⁵³¹

The concessions themselves have also faced criticism. While the ending of export subsidies in cotton is seen as a big step, some have argued that this measure is not a concession by the US, but simply a response to a WTO cotton panel ruling. Some also suggest this concession falls well short of the WTO ruling.⁵³² This impasse between EU and US negotiators has also inhibited progress on issues relating to trade in manufactured goods and services.⁵³³

The US government has been, therefore, less successful with regards to liberalizing trade in services and manufactured goods at Hong Kong; only commitments for further negotiations were secured. A commitment was made to intensify market access negotiations to achieve higher levels of liberalization in key service sectors such as financial services, telecommunications, and computer services with several deadlines established for further rounds of negotiations on these issue areas.⁵³⁴

Analyst: Farzana Nawaz

⁵²⁶ **WTO negotiators OK deal to eliminate farm subsidies" USA Today, 9New York), 18 December 2005. Date of Access: 03 January 2006.** http://www.usatoday.com/news/world/2005-12-18-wto-deal_x.htm?POE=NEWISVA.

⁵²⁷ US offers access to cotton market, BBC News Online, (London), 15 December 2005. Date of Access: 03 January 2006. <http://news.bbc.co.uk/2/hi/business/4530090.stm>.

⁵²⁸ WTO seals farms deal among protests", CNN.com, 18 December, 2005. Date of Access: 04 January 2006. <http://www.cnn.com/2005/BUSINESS/12/18/wto.deal/>.

⁵²⁹ Winners and losers in Hong Kong", BBC News Online, (London), 19 December 2005. Date of Access: 05 January 2006. <http://news.bbc.co.uk/2/hi/business/4542152.stm>.

⁵³⁰ US offers access to cotton market, BBC News Online, (London), 15 December 2005. Date of Access: 23 January 2006. <http://news.bbc.co.uk/2/hi/business/4530090.stm>.

⁵³¹ Trade talks: key issues", BBC News Online, 15 December, 2005. Date of Access: 03 January, 2006 <http://news.bbc.co.uk/2/hi/business/4531776.stm>.

⁵³² What happened in Hong Kong, Make Trade Fair, (New York), 18 December 2005. Date of Access: 05 January 2006. http://www.maketradeair.com/en/index.php?file=wto_latest.htm&cat=2&subcat=1&select=2.

⁵³³ US offers access to cotton market, BBC News Online, (London), 15 December 2005. Date of Access: 23 January 2006. <http://news.bbc.co.uk/2/hi/business/4530090.stm>.

⁵³⁴ Office of the U.S. Trade Representative fact sheet: Update from Hong Kong, Department of State, (Washington, D.C.), 18 December 2005. Date of Access: 23 January 2006. <http://www.state.gov/e/eb/rls/fs/58243.htm>.

8. European Union: +1

The European Union (EU), having made a sustained effort to open markets and to eliminate export subsidies; and, having assuming a leadership role in trade negotiations relating to export subsidies, has registered a high level of compliance with the trade commitment made at Gleneagles.

Ahead of the World Trade Organization's (WTO) Ministerial Conference in Hong Kong, EU officials announced a willingness to reduce agricultural subsidies by as much as 70%, and import tariffs on agricultural products by between 35 and 60% if, in exchange, industrial tariffs are reduced and market access for services improved. However, EU trade commissioner, Mr. Peter Mandelson, ruled out any "unilateral concessions", accusing the United States, Canada, and Australia of failing to carry out significant reform to their current policies on agricultural subsidies.⁵³⁵ His statement was made after the American government rejected the EU's original offer to slash "trade distorting subsidies" to agriculture and to reduce the average agricultural tariff level from 23% to 12%, the current average tariff in the United States.⁵³⁶ No agreement on industrial goods that would reduce applied tariffs was made prior to the Ministerial in Hong Kong.⁵³⁷

In Hong Kong, however, the EU along with other WTO members, agreed to eliminate farm export subsidies by 2013.⁵³⁸ Members also agreed to reduce tariffs on non-agricultural products.⁵³⁹ In his address to the Ministers, Mr. Mandelson reaffirmed the EU's commitment to the Doha Development Round. Highlighting the importance of agriculture, Mr. Mandelson maintains that "trade distorting subsidies must be cut back", and that "substantial improvements in market access must take place".⁵⁴⁰ Although some critics have cautiously praised the agreement on farm export subsidies, most have called it the Ministerial Conference as a whole, disappointing. Mr. Phil Bloomer, Head of Oxfam International's Make Trade Fair campaign, stated that "small progress on some aspects of agriculture is more than cancelled out by extremely damaging proposals on services and industry." Oxfam points out that the pledge to eliminate export subsidies and equivalent payments by 2013 is three years later than originally proposed, and that EU export subsidies account for only 3.5% of its overall agricultural support.⁵⁴¹

⁵³⁵ Hope for agreement in Hong Kong, Die Bundesregierung, (Berlin), Date of Access: 4 January 2006.

<http://www.bundesregierung.de/en/News-,10982.936104/artikel/Hope-for-agreement-in-Hong-Kon.htm>,

⁵³⁶ Address by Peter Mandelson to European Parliament, "Doha and Development", (Brussels), 30 November 2005. Date of Access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/747&format=HTML&aged=0&language=EN&guiLanguage=en>

⁵³⁷ EU tables new offer in Doha World Trade talks; calls for immediate movement on services and industrial goods, European Commission, (Brussels), 28 October 2005. Date of Access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1358&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁵³⁸ EU move on export subsidies takes Doha forward, European Commission, (Brussels), 18 December 2005. Date of Access: 04 January 2006. http://europa.eu.int/comm/trade/issues/newround/doha_da/pr181205_en.htm.

⁵³⁹ Fair trade between developed and developing countries" Die Bundesregierung, (Berlin) 19 December 2005. Date of Access: 4 January 2005.

<http://www.bundesregierung.de/en/-,10001.936555/artikel/Fair-trade-between-developed-a.htm>.

⁵⁴⁰ Statement by Right Honourable Peter Mandelson, EU Commissioner for Trade, at the WTO Hong Kong Ministerial Conference, WTO, (Washington, D.C.), 14 December 2005. Date of Access: 4 January 2006.

http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_statements_e.htm.

⁵⁴¹ WTO agreement a betrayal of development promises, Oxfam Press Release, (Boston), 18 December 2005. Date of Access: 4 January 2006.

http://www.oxfam.org/en/news/pressreleases/2005/pr051218_wto_betrayal.

In addition to commitments made in Hong Kong, however, the EU has made significant progress in other aspects of its trade policy. On 12 September 2005, the European Commission announced new regulation to clear blocked Chinese textile imports.⁵⁴² On 23 December 2005, the European Commission additionally adopted regulations to eliminate export refunds for live cattle for slaughter.⁵⁴³ The EU has also lead the way on the issue of cotton, offering duty and quota free access to all cotton imports from West Africa. The EU called on others, in particular the United States, to make similar commitments in Hong Kong.⁵⁴⁴ EU Commissioner Mandelson has also called for progress in trade in services, urging the creation of “a platform for genuine multilateral negotiation.”⁵⁴⁵

On 13 December 2005, the EU announced further substantial commitments to providing Trade Related Assistance (TRA) to developing countries, earmarking €1 billion a year in TRA from 2010. This represents a substantial increase from the €400 million per year currently provided and matches the €1 billion per year from 2007 pledged by the European Commission at the Gleneagles summit this year. It means that total EU Trade Related Assistance will increase to €2 billion from 2010.⁵⁴⁶

Analyst: Jelena Madunic

⁵⁴² European Commission adopts regulation to clear blocked Chinese textile imports”, European Commission, (Brussels) 12 September 2005. Date of Access: 4 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1124&format=HTML&aged=1&language=EN&guiLanguage=en>.

⁵⁴³ Elimination of export refunds for live cattle for slaughter. European Commission, (Brussels), 23 December 2005. Date of Access: 4 January 2006. <http://europa.eu.int/rapid/showInformation.do?pageName=middayExpress&guiLanguage=en>

⁵⁴⁴ EU Trade Commissioner Peter Mandelson address to G90 leaders in Brussels, European Commission, (Brussels), 30 November 2005. Date of Access: 4 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1495&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁵⁴⁵ Address by Peter Mandelson to European Parliament, Doha and Development, European Commission, (Brussels), 30 November 2005. Date of Access: 04 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/747&format=HTML&aged=0&language=EN&guiLanguage=en>

⁵⁴⁶ European Union offers big new trade aid boost, European Commission, (Brussels), 13 December 2005. Date of Access: 4 January 2006.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1580&format=HTML&aged=0&language=EN&guiLanguage=en>.