

**Committee on Agriculture**

**SUMMARY REPORT OF THE MEETING HELD ON 22 SEPTEMBER 2005**

Note by the Secretariat<sup>1</sup>

1. The Committee on Agriculture held its forty-fourth regular meeting on 22 September 2005. Following the resignation of the Chairman, Dr. Magdi Farahat of Egypt, Mr. Christian Häberli of Switzerland was appointed Interim Chairman of the meeting. The agenda of the meeting, as set out in WTO/AIR/2651, was adopted, with the addition of four notifications from Singapore (G/AG/N/SGP/12 to G/AG/N/SGP/15) to Section C of the Attachment to the convening airgram.

**PART I: THE REVIEW PROCESS**

A. MATTERS RELEVANT TO THE IMPLEMENTATION OF COMMITMENTS UNDER THE REFORM PROGRAMME: ARTICLE 18.6

(a) Australia: European Communities – Schedules of export subsidy reduction commitments

2. As a follow-up to its enquiry at the March 2005 meeting, Australia sought clarification from the EC concerning the status of the EC Schedule following enlargement on 1 May 2004 (G/AG/R/42, paragraphs 2-4 refer). Australia noted that the EC currently has no Schedule for domestic support and export subsidy reduction commitments corresponding to the EC-25. Australia considered that Article XXIV:6 negotiations under the GATT were limited to Schedules of tariff concessions and there was no legal possibility for the EC-25 Schedule to be negotiated under these provisions with respect to domestic support and export subsidy reduction commitments. Australia was not aware that the EC had initiated negotiations to acquire legal status in the WTO for such Schedules.

3. The EC responded that since 1 May 2004 the EC-15 Schedule applied to the EC-25, while the individual Schedules of the ten new member States of the EC had been withdrawn. In effect, the EC-25 was currently respecting commitments that were agreed for the EC-15. The EC intended to submit a proposal for an EC-25 Schedule, for approval by Members, after the conclusion of the ongoing GATT XXIV:6 negotiations on tariff bindings. This new Schedule would also reflect modified commitments for domestic support and export subsidies to adequately take account of the EC enlargement.

(b) Canada: Bolivarian Republic of Venezuela – Import regime for meat of swine

4. Canada sought clarification from the Bolivarian Republic of Venezuela concerning its import regime for 'meat of swine' (HS item 0203). According to the Bolivarian Republic of Venezuela's notification concerning imports subject to tariff quotas (G/AG/N/VEN/24), the tariff quota quantity for 'meat of swine' was 877 tonnes. According to the Bolivarian Republic of Venezuela's import statistics, imports of 'meat of swine' for calendar years 1999 to 2004 were 1,226.62 tonnes, 292.79 tonnes, 179.82 tonnes, 41.60 tonnes, 0.08 tonnes and 15.8 tonnes, respectively. Canadian

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<sup>1</sup> This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

exports of 'meat of swine' during the 1999-2003 calendar years were zero. Canada requested an explanation from the Bolivarian Republic of Venezuela as to why the tariff quota fill rate was so low in recent years. It also sought clarification regarding the purpose for which import permits were required for imports of 'meat of swine' and the requirements associated with the issuance of such import permits, including how they were granted, the time line involved for their issuance, and the duration of the permits. Canada requested the Bolivarian Republic of Venezuela to explain the criteria by which the decision to grant or reject an application for an import permit for 'meat of swine' was made.

5. The Bolivarian Republic of Venezuela considered that it would have been more appropriate for Canada to raise this matter in the SPS Committee where Canada had raised similar questions. With respect to low tariff quota utilisation, the Bolivarian Republic of Venezuela explained that over the last few years, the government had invested heavily in genetic improvements, which had led to an increase in domestic production of pig meat. Consequently, demand was now almost entirely met by domestic production. Under the import regime for 'meat of swine', as set out in the Customs Tariff of the Bolivarian Republic of Venezuela, the following was required: (i) a sanitary import permit issued by the Ministry of Health and Social Development; (ii) a sanitary certificate from the country of origin; and (iii) a sanitary permit issued by the Ministry of Agriculture and Land. The Bolivarian Republic of Venezuela stressed that it did not require import licences for 'meat of swine'. The Bolivarian Republic of Venezuela underlined its willingness to continue the bilateral dialogue, with the objective of finding a mutually satisfactory solution to the differences concerning sanitary matters that existed between the two countries.

6. Canada recognized that this matter had been raised in the SPS Committee but, in spite of years of discussion, the matter had not been resolved. For its part, Canada would welcome further discussions with Venezuela in an effort to find a solution to this matter.

7. The United States shared the concerns raised by Canada regarding Venezuela's implementation of tariff quota commitments. There were several commodities for which US exporters faced difficulties in obtaining tariff quota licences. As a result, US exports of, for example, 'meat of swine' had dropped to zero in 2004.

(c) United States: Turkey – Rice import regime

8. The United States sought clarification from Turkey regarding its new import regime for rice to be implemented on 1 October 2005. Since the expiration of the 'Import Quota and Tariff Contingent' mechanism on 31 July 2005, rice imports into Turkey had ceased. The United States understood that the new import regime included a domestic absorption requirement, coming into effect on 1 November 2005, whereby purchasers of domestic rice would be able to import rice at lower tariffs than buyers not purchasing domestic rice. The United States requested Turkey to clarify how this regime was consistent with Turkey's WTO commitments.

9. Turkey responded that the "Decision on Implementation of Tariff Quota on Importation of Some Forms of Rice" was issued in the Official Gazette (No. 25935 dated 13 September 2005). The tariff quota would enter into force from 1 November 2005 to 31 July 2006. According to the Decision, tariff quotas for 300,000 tonnes of rice (or in other forms equivalent to that amount) had been allocated to importers that purchased rice from registered domestic producers, their co-operatives and associations and from the Turkish Grain Board (TMO). These importers were entitled to import rice (or equivalent forms) at a lower tariff rate than Turkey's bound MFN rates.

10. According to the Decision, the forms of rice, their applied tariff rates and the quantities to be imported are as follows:

<u>Form of produce</u>	<u>HS code</u>	<u>Tariff rates</u>	<u>Quantity</u>
Paddy rice	(1006.10, 1006.10.10 excluded)	20%	500,000 tonnes
Brown rice	(1006.20)	25%	400,000 tonnes
Polished rice	(1006.30)	43%	300,000 tonnes

11. Turkey noted that for MFN imports outside the tariff quota regime, the bound rates would be applied as usual (34%, 36% and 45%, respectively). Importation on the basis of MFN tariffs was ongoing and not subject to import licences. Turkey considered that its new import regimes for rice was in conformity with its WTO obligations.

#### B. REVIEW OF NOTIFICATIONS

(a) Notifications in respect of which questions have been raised in advance of the issuance of the convening airgram

12. The Committee reviewed the following notifications as listed in the agenda:

- (i) relating to imports under tariff and other quota commitments (Table MA:2): from Croatia (HRV/3), Panama (PAN/10), Romania (ROM/21) and Tunisia (TUN/34);
- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from Japan (JPN/112 and JPN/113) and the Philippines (PHL/33);
- (iii) in the context of domestic support commitments (Table DS:1): from Armenia (ARM/5) and Brazil (BRA/22);
- (iv) in the context of new or modified domestic support measures exempt from reduction (Table DS:2): Australia (AUS/59); and
- (v) in the context of export subsidy commitments (Tables ES:1 to ES:3): from Tunisia (TUN/33 and Corr.1).

13. Specific points raised with respect to the notifications listed above and the responses thereto are summarized in the Annex to this report.

14. Brazil prefaced the review of its domestic support notification (G/AG/N/BRA/22) with the following general statement. It noted that throughout the agriculture negotiations and in particular during the negotiation of the July package, Brazil had championed the cause for enhanced WTO monitoring and surveillance capacities regarding agricultural policies and the implementation of commitments in all three pillars. Dispute settlement panels had shown that Members did not abide by their Uruguay Round commitments. Indeed, the initiation of panel proceedings to clarify certain aspects was a sure indication that the monitoring system required further improvement. Brazil noted the following aspects of the Committee's review process: (i) the review was undertaken on the basis of notifications or through questions posed by Members; (ii) seldom was the Secretariat required to prepare documents in order to assist Members in those discussions; (iii) the quality of the debate rested on the capacity of Members to assess policies and practices put in place by the notifying Member; (iv) counter-notifications were a rare event; and (v) the only action in relation to overdue notifications was the circulation of a list informing Members about the state of lateness, which constituted a very limited form of peer pressure.

15. Brazil considered that this situation was negative for all Members and in particular for developing countries, since recourse to trade-distorting support measures and to practices that affected export competition was limited to Members in a position to afford such measures. The interests of developing country Members were, therefore, affected and would benefit from a more structured and informed discussion on the implementation of the provisions of the Agreement on Agriculture.

16. Brazil announced that it would make proposals in the agriculture negotiations to achieve greater transparency through improvements in monitoring mechanisms and to ensure full compliance through improved surveillance mechanisms. Brazil called on Members to update their notifications not only to comply with WTO obligations, but also to facilitate the negotiating process through increased transparency.

17. Canada agreed with Brazil regarding the importance of this matter for monitoring of existing and future commitments. The EC was of the view that changes to the review process should be addressed in the Doha Round. For its part, the EC would use the current format for notifications to provide a maximum level of transparency.

(b) Notifications subject to review in respect of which no questions have been raised in advance of the issuance of the convening airgram

18. The Committee took note of the following notifications, which had been circulated in advance of the date on which the notice convening the present meeting was issued but in respect of which no questions had been raised by that date under the Committee's Working Procedures (G/AG/1):

- (i) on the administration of tariff and other quota commitments (Table MA:1): from Croatia (HRV/2);
- (ii) relating to imports under tariff and other quota commitments (Table MA:2): from the Former Yugoslav Republic of Macedonia (MKD/5), Morocco (MAR/21/Corr.2), and the Slovak Republic (SVK/47 and SVK/48);
- (iii) in the context of the special safeguard (Tables MA:3 to MA:5): from Malaysia (MYS/16), the Slovak Republic (SVK/49), Chinese Taipei (TPKM/23 and TPKM/24) and Tunisia (TUN/35);
- (iv) in the context of domestic support commitments (Table DS:1): from Bangladesh (BGD/2), Guyana (GUY/14), Israel (ISR/37), Panama (PAN/11) and Singapore (SGP/12 and SGP/14);
- (v) in the context of new or modified domestic support measures exempt from reduction (Table DS:2): from Armenia (ARM/6); and
- (vi) on export subsidy commitments (Tables ES:1 to ES:3): from Armenia (ARM/4), Georgia (GEO/6), Guyana (GUY/13), Israel (ISR/36), Jordan (JOR/6), Nicaragua (NIC/17), Singapore (SGP/13 and SGP/15) and Slovenia (SVN/30).

(c) Notifications circulated or made available after the notice convening the meeting was issued

19. The following notifications were subject to preliminary review and are to be reverted to at the next meeting for substantive review in accordance with paragraph 9 of the Committee's Working Procedures:

- (i) relating to imports under tariff and other quota commitments (Table MA:2): from Israel (ISR/39) and Panama (PAN/3/Corr.1);

- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from Israel (ISR/38), Panama (PAN/12) and Thailand (THA/54);
- (iii) on domestic support commitments (Table DS:1): from the European Communities (EEC/38/Corr.1, EEC/49/Corr.1 and EEC/51/Corr.1) and The Gambia (GMB/1/Rev.1); and
- (iv) on export subsidy commitments (Tables ES:1 to ES:3): from The Gambia (GMB/3) and Thailand (THA/53).

(d) Points concerning notifications raised at previous meetings

20. There was no discussion under this agenda item.

(e) Counter-notifications under Article 18.7 of the Agreement

21. The Committee took note that no counter-notifications had been received under Article 18.7 of the Agreement.

(f) Deferred replies to questions raised under the Review Process

22. The EC stated that it had yet to reply to Canada's questions from the March and June 2005 meetings concerning Regulation 2000/C28/02 in the context of "payments for relief from natural disasters" (G/AG/R/42, p.15 and G/AG/R/43, p.14 refer). At this stage, the EC could only indicate that the legislative aspects of the support measures referred to by Canada were being considered. On the basis of this analysis, notifications may be revised.

23. Following the September meeting, the Secretariat received deferred replies from Armenia regarding its Table DS:1 notification (G/AG/N/ARM/5). These replies are included in Part I of the Annex to this report.

(g) Overdue notifications

24. The Committee took note that the Secretariat had made available a revised and updated room document, dated 21 September 2005, showing the current status of compliance with notification obligations.

25. Australia registered its long-standing concerns that time-limits for submissions of notifications be improved and, in this regard, welcomed the statement by Brazil. Australia considered that it was important at this stage in the negotiations that major developed Members bring their notifications up-to-date. Australia recognized that overall the situation was improving, with Brazil's domestic support notifications being a step forward. Australia also noted that there were a number of pending notifications, as indicated in the Secretariat's document.

(h) Addenda to Table MA:1 notifications

26. The Committee took note that the following Members administering tariff quotas had submitted the requisite Table MA:1 Addenda in accordance with the General Council Decision of December 2000 (paragraph 1.1 of WT/L/384 refers): Australia, Canada, the Czech Republic, the EC-15, Hungary, Japan, Latvia, New Zealand, Norway, Slovenia, Switzerland, Thailand, and the United States. The Interim Chairman urged those Members administering tariff quotas which had not yet done so to provide Addenda to their Table MA:1 notifications in accordance with the General Council Decision in WT/L/384.

## **PART II: OTHER MATTERS WITHIN THE PURVIEW OF THE COMMITTEE**

### **A. IMPLEMENTATION OF ARTICLE 10.2 OF THE AGREEMENT ON AGRICULTURE ON THE DEVELOPMENT OF INTERNATIONALLY AGREED DISCIPLINES TO GOVERN THE PROVISION OF EXPORT CREDITS, EXPORT CREDIT GUARANTEES OR INSURANCE PROGRAMMES**

27. The Committee took note that this agenda item concerned the implementation of Article 10.2 of the Agreement and the related provisions of the Marrakesh NFIDC Decision (G/AG/16, Section A).

28. Argentina recalled its position that without prejudice to Article 10.1 of the Agreement on Agriculture, the establishment of additional and specific disciplines on export credits, export credit guarantees or insurance programmes was an important pending implementation issue from the Uruguay Round. Accordingly, Argentina requested that this matter be kept on the agenda of the Committee. Argentina also noted that paragraph 28 of the report G/AG/R/43 needed to be corrected since it refers to an incorrect Article of the Agreement (see G/AG/R/43/Corr. 2 dated 26 September 2005).

### **B. MARRAKESH NFIDC DECISION – PROPOSAL BY THE AFRICAN GROUP IN THE CONTEXT OF THE REVIEW OF ALL SPECIAL AND DIFFERENTIAL TREATMENT PROVISIONS BY THE COMMITTEE ON TRADE AND DEVELOPMENT IN SPECIAL SESSION**

29. The Committee took note that Dr. Magdi Farahat, as agreed at the June meeting of Committee, had submitted a Chairman's report on this matter to the General Council (G/AG/20) and had also made a brief statement when introducing his report at the General Council meeting on 29 July 2005.

### **C. TRANSITIONAL REVIEW UNDER PARAGRAPH 18 OF THE PROTOCOL OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA (WT/L/432)**

30. The Committee held its fourth annual review under paragraph 18 of the Protocol of Accession of the People's Republic of China. The United States had submitted questions and comments to China in advance of the meeting (G/AG/W/66).

#### **(a) Statement by China**

31. In response to the advance questions and comments, China considered that the operation of the state-trading enterprises should be clear, taking into account the information provided in the Working Party Report of China's accession, the exchanges that took place during previous years under the agenda item of the transitional review mechanism in various Committees, including this Committee, as well as China's notifications concerning state-trading enterprises. There had been no major change in this regard since China's accession. While China would seek to reinforce Members' understanding of the operation of state-trading enterprises for grains, it asked Members to refrain from raising repetitive questions in this regard in the future.

32. The Chinese government encouraged various diversified market entities, including state-trading enterprises, and other non state-related enterprises to participate and operate in the domestic grain market, which were now in full competition. Grain prices were now set according to demand and supply of the market. However, with regard to exports of grains, state-trading was maintained for considerations such as to ensure stable supply in the domestic market, to protect the interests of consumers from being affected by drastic price fluctuations in the international market, and to safeguard food security. Lists of the products subject to import and export state-trading were negotiated and finalized during the course of China's accession to the WTO, as contained in Annex 2 of its Accession Protocol. Unlike imports, there was no commitment with regard to any portion of exports being carried out by non-state-trading enterprises. The functions of various entities in the

grain distribution chain included procurement, sale, storage, transport, processing, importation and exportation. Transaction activities further down the marketing chain reflected different roles of the entities, as well as the market supply and demand situation. State-trading enterprises were independent legal persons responsible for their own profits and losses. Their decisions on whether and when to import or export were made according to market factors such as prices, and the supply and demand situation in both domestic and international markets. Other than their import and/or export state-trading status, compared with other entities, state-trading enterprises enjoyed no other preferences in regulation or taxation.

33. Regarding the matter of value-added tax (VAT), like many other Members, China did not levy VAT on sales of grains and other agricultural products from farmers in China. However, to ensure that the chain nature of the VAT was not interrupted by this exemption, China, like some other Members, allowed entities purchasing grains a deduction of a certain percentage of the purchasing price when calculating the VAT levied when selling the products. This percentage was 13%, i.e., the current statutory VAT rate for agricultural products. This applied to all enterprises. When the grains were exported, VAT was rebated also at a rate of 13%. The price used to calculate the amount of rebate, or the so-called "base price", was the price at which the export enterprises purchased the grains for export. This purchase price was determined by the market, and therefore varied according to changes of market conditions.

34. China stated that the Railway Transportation Construction Fund did not apply to corn, whether for domestic sales or export. In the view of China, this was not a transportation discount as referred to in the questions and comments presented to China.

35. With respect to tariff quotas, China stated that the allocation of the tariff quotas for agricultural products in 2006, as well as other related procedures would be carried out according to the stipulations in *the Interim Measures on the Administration of TRQ for Importation of Agricultural Products*, as in previous years. All the specific requirements would be published by way of ministry announcement and be available at the MOFCOM and NDRC website, as well as the China Foreign Trade and Economic Gazette, as usual.

(b) Follow-up questions and comments by Members and China's responses thereto

36. The United States considered that the transitional review mechanism continued to be a useful mechanism. The United States saw it serving both China's interests and the interests of other Members. This mechanism allowed Members to seek clarifications and additional information from China on its policies and practices. In other words, it promoted the fundamental concept of transparency underlying the WTO Agreement. Members also could convey their expectations with regard to China's implementation of the various WTO commitments that it made upon accession, and for China, it allowed China to explain its policies and practices in order to prevent misunderstandings that could lead to trade frictions.

37. The questions of the United States had focussed on three areas: STEs and how they operate, VAT policies in China and China's corn industry. The United States had hoped to learn through these questions more about the role that STEs and VAT policies play in determining the domestic and export prices of agricultural commodities. With respect to corn, the United States had received numerous anecdotal reports from industry about how trade in corn was conducted, particularly with regard to the export price of corn. Rather than relying on anecdotes, the United States was seeking more information and facts from China to better understand the situation, and in this regard the United States looked forward to reviewing China's responses.

38. The United States sought further clarification from China as to whether state-trading entities immediately re-sold their stocks or whether sometimes surplus stocks were held and, with respect to corn, whether there was any financial support at the provincial level.

39. In response, China stated that due to time constraints it was unable to contact all STEs concerning the matter of stocks. For the same reason, it was unlikely that China would obtain further information for this meeting from more than 30 provincial-level governments concerning the issue of support for corn raised by Members. Nonetheless, China was willing to further discuss these matters with the United States.

(c) Report to the Council for Trade in Goods

40. With respect to the Committee's report on the Transitional Review to the Council for Trade in Goods, the Committee took note that the Interim Chairman would submit a factual report on his own responsibility. The report would make reference to all relevant documents submitted in the context of this review and make reference to the Secretariat's Summary Report of this meeting reflecting the discussions held under this agenda item (G/AG/21).

D. MATTERS RAISED UNDER OTHER BUSINESS

(a) Annual Report to the Council for Trade in Goods

41. In line with the Committee's practice in the previous years, the Committee took note that a short and factual draft report for the Council for Trade in Goods on the work undertaken by the Committee in the course of 2005 had been circulated before this meeting, in order to facilitate consideration of this matter. The Committee took note of the report and agreed that the report, updated as appropriate, would be submitted to the General Council on the responsibility of the Interim Chairman (G/L/746 dated 26 September 2005).

(b) Date of next meeting

42. In response to the suggestion by the Chairperson of the General Council and others, for reduced activity of the regular WTO bodies in the run-up to the Sixth Ministerial Conference, the Committee agreed to postpone its next (45th) meeting scheduled for November, to Friday 27 January 2006. On this basis, the airgram convening the regular meeting of the Committee in January would be issued on Tuesday 17 January 2006.

(c) Provisional schedule of meetings for 2006

43. According to the Committee's rules of procedures, regular meetings of the Committee shall be held in March, September and November. The Committee took note of the provisional schedule of meetings for 2006, on the basis that the dates for each regular meeting would continue to be confirmed at the preceding meeting of the Committee. The question of whether there is a need for a regular meeting in June 2006 would be determined by the Chairman following the March 2006 meeting in consultation with Members. Moreover, the following schedule may need to be re-visited in light of developments in the agriculture negotiations:

Friday, 27 January 2006

Thursday , 23 March 2006

[Thursday, 22 June 2006]

Thursday, 21 September 2006

Thursday, 23 November 2006



ANNEX

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(ii) <u>use of the special safeguard (Tables MA:3 to MA:5):</u> Japan (JPN/112), Japan (JPN/113) and the Philippines (PHL/33);	12
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**ANNEX**

**Review of notifications by the Committee on Agriculture at the meeting on 22 September 2005**

Summary of specific points raised and responses thereto

**Table MA:2 Notifications**

<b>Croatia G/AG/N/HRV/3 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Australia – Australia is pleased that Croatia has generally shown good fill rates for its tariff quotas.</p> <p>What are the reasons for the low fill rates of the tariff quota for wheat and meslin in both 2001 and 2002?</p>	<p>The production of cereals holds the highest share amongst the crops planted in Croatia. In 2003 the production of wheat and corn accounted for 55% of the total planted area. Croatia is self-sufficient in terms of wheat production and is also an exporter of wheat and meslin.</p> <p>The production of wheat was 965,000 tonnes in 2001 and 988,000 tonnes in 2002. Estimated annual requirements in the Croatian wheat market are 580,000 to 600,000 tonnes. Total imports of wheat were 9,354 tonnes in 2001 and 7,861 tonnes in 2002. There was no further interest registered to import wheat and meslin by business operators, and therefore the fill rates might appear lower than expected.</p>

<b>Panama G/AG/N/PAN/10 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Australia – Australia notes that Panama recorded no imports during 2003 and 2004 under its tariff quotas on poultry meat and several dairy products. Panama's notification states that this reflects a lack of buyers and/or sellers.</p> <p>Given that the tariff quotas on these products seem to be superfluous, does Panama intend to modify its tariff quota regime, or move to a tariff-only regime, for those products during the Doha round?</p> <p><i>Follow-up comment by Australia</i> – As a general matter, Australia would like to draw attention to situations, not limited to Panama, where tariff quotas are of limited protectionist value (on average, about half of Members' scheduled tariff quotas are inactive). It is important that Members consider the long-term future of what was regarded as a transitional instrument in the Uruguay Round.</p>	<p>Australia's question invites Panama to advance its negotiating position for poultry meat and several dairy products in the context of the Doha Round. Although an interesting request, the negotiations on modalities for agriculture are currently under consideration and will be subject to a decision during the Ministerial Conference in Hong Kong. Thus, once an agreement on modalities is reached, Panama will be able to address this issue at the appropriate time and venue.</p>

<b>Romania G/AG/N/ROM/21 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Given that the tariff quota for beer is only 0.26% filled, could Romania explain the reason for this low tariff quota fill rate?</p>	<p>The rate of utilization was determined by the existing conditions on the domestic market, namely:</p> <ul style="list-style-type: none"> <li>- a low level of requests for the utilization of the minimum access tariff quota for beer;</li> <li>- important investments in the area of breweries led to a decline of the internal prices and made the domestic products competitive on a market where consumers have low-to-medium incomes; and at the same time, there was a change in consumers' preferences with influence on internal demand;</li> <li>- developments in the economic situation, including in the breweries, resulted in an increase in the national competitiveness both for the internal market and for export.</li> </ul>

<b>Tunisia G/AG/N/TUN/34 Tariff Quota Fill (Table MA:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Tunisia's tariff quota administration mechanism continues to be fairly complex. Tunisia applies different quota allocation methods in assigning tariff quotas, including historical, first-come, first-served, use of sub-quotas, or alternate combinations of these methods.</p> <p>Could Tunisia please explain how such measures are consistent with Article XIII of the GATT 1994 so that they do not restrict trade from certain importers and aim at a distribution of trade approaching what might be expected in the absence of such measures?</p>	<p>Undertook to provide a response.</p>

**Tables MA:3 to MA:5 notifications**

<b>Japan G/AG/N/JPN/112 Price-Based Special Safeguard (Table MA:4)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Australia – Despite previous requests, Japan has again provided insufficient information with regard to the activation of the price-based special safeguard.</p> <p>In accordance with the transparency requirements set out in Article 5.7 of the Agreement on Agriculture, could Japan provide information on the level of duty levied on the products (including the method of calculation)?</p> <p><i>Follow-up comment by Australia</i> – Australia considers that commodity import prices are "relevant data" in the application of the price-based special safeguard that Members are to provide in accordance with Article 5.7 of the Agreement on Agriculture. Australia also requested a copy of the regulation referred to by Japan.</p> <p><i>Follow-up questions by United States</i> – The United States share Australia's concerns in this matter and is seeking clarification from Japan as to why it has used a trigger price that is not based on the reference period 1986-88 and why only one year has been used in the calculation of the trigger price instead of three years? Why was a f.o.b. price for inulin imports in 1993 used, rather than a c.i.f. price? If no imports entered during the base period, how can the special safeguard be justified?</p>	<p>Japan has provided all the information on the special safeguard measures taken by Japan, in accordance with the format set out in G/AG/2. Therefore, Japan believes that transparency of the measures has been sufficiently achieved.</p> <p>Price-based SSG measures are applied in the form of imposing the additional duty to each individual shipment (cargo) whose importing price falls below the trigger price. In order to avoid the disclosure of confidential information relating to commercial activities of particular traders, Japan has not officially published the import price and the amount of additional duty imposed on the shipment (cargo) even within Japan.</p> <p>The method to calculate the additional duty is provided in Article 7.4 of the Temporary Tariff Measures Law, which is totally consistent with Article 5.5 of the Agreement on Agriculture.</p>

<b>Japan G/AG/N/JPN/113 Volume-Based Special Safeguard (Table MA:3)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Australia – Australia notes that while the volume-based safeguard on milk and cream (TL 0401.20-190) appears to have been applied in accordance with Article 5.4 of the Agreement on Agriculture, it was nevertheless applied on an import volume which was barely half the level of imports in 2004.</p> <p>Could Japan explain its reasons for invoking this safeguard?</p> <p><i>Follow-up comment by Australia</i> – Noted its interest in further discussing with Japan the circumstances of this special safeguard action.</p>	<p>The trigger level was calculated in accordance with Article 5.4 of the Agreement on Agriculture. The volume-based SSG was invoked because the volume of imports during the year exceeds the trigger level. Therefore, the measure in question is fully consistent with the Agreement on Agriculture.</p> <p>Invoking a volume-based SSG is to be judged by whether or not the volume of imports during any year exceeds a trigger level. In calculating a trigger level, there is no reason to exempt data of any year where there were no imports.</p>

<b>Philippines G/AG/N/PHL/33 Annual Summary of Special Safeguard Actions (Table MA:5)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Given the recent Supreme Court decision preventing the Philippines from implementing the Safeguard Measures Act and subsequent requests of the Departments of Agriculture and Trade to reverse that decision, could the Philippines update Members on the current status concerning the use of the Special Safeguard.</p>	<p>The collection of SSG duties remains in effect while awaiting the decision of the country's Supreme Court on the Motion for Reconsideration filed by the Philippine Office of the Solicitor General. Meanwhile, the only item on which an SSG duty is currently being imposed is imported chicken and chicken products under tariff heading 0207.1492 described as "other cuts and offal of fowls of the species Gallus domesticus, frozen."</p>

**Table DS:1 Notifications**

<b>Armenia G/AG/N/ARM/5 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Canada – Could Armenia provide additional information showing how the programmes notified under 'infrastructural services' (para. 2(g) of Annex 2) are for capital works only, and not for maintenance of infrastructure or operating costs?</p>	<p>The measures under "infrastructural services" in G/AG/N/ARM/5 were marked as capital expenditure in the Republic of Armenia state budget for 2004. Nevertheless the item was reviewed to bring it in accordance with the Agreement on Agriculture (G/AG/N/ARM/5/Rev.1).</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Brazil has chosen to notify its domestic support in US dollars. The Brazilian Real depreciated sharply throughout the period of these notifications (crop years 1999 – 2003), which has the effect of dampening increases in support when expressed in US dollars.</p> <p>Could Brazil provide the exchange rate it used?</p> <p>The currency historically used in notifications is that which is used in the original commitment Schedule.</p> <p>Why did Brazil decide to notify in dollars instead of Reals? Please provide the same information in Reals in order for Members to accurately review Brazil's domestic support notification.</p>	<p>A table with the exchange rates will be forwarded to the US delegation.</p> <p>Like many other developing countries in the recent past, Brazil has experienced acute inflationary periods, including hyper-inflation. This problem was particularly serious in the period from 1986/88 until 1994, when the "Plano Real" was adopted. This crucial period covers the base period for the implementation of domestic support commitments during the Uruguay Round. In the base period, for example, inflation as measured by the Amplified National Price Index – IPCA – reached, respectively, 80%, 363% and 980% per year. As a consequence, the remaining alternatives in order to present information in a more stable format were to use the currency in which Brazilian exports are traded or to resort to a price index. There would be substantial complications resulting from the choice of one index among various existing price indices because of their erratic behaviour in situations of high inflation. The ongoing debate on the review of the effects of inflation on domestic support commitments for those countries that have adopted their national currencies is a reflection of these difficulties. In hindsight, Brazil's decision to adopt the US dollar in its Schedule of Commitments appears to be sound one. In order to maintain coherence with its original notification, Brazil has decided to continue the practice in its subsequent notifications.</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
United States (cont'd)	<p>Contrary to what is implied in the US question, denomination in US dollars does not affect the data presented. As all values presented in the notifications are below the <i>de minimis</i> level, in case the monetary value of the support were underestimated, this underestimation would also apply in relation to the value of agricultural production. The currency adopted will therefore be neutral in its effects.</p> <p>Although different exchange rate regimes have been adopted in Brazil over the years, since January 1999 – the period covered by the notifications – the Brazilian exchange rate has been determined by the market and fluctuates freely. Nevertheless, depreciation of the "Real" during the period covered by the notifications was the outcome of market crises and had nothing to do with artificial mechanisms to stimulate production and exports of any sectors. The recent appreciation of the "Real" confirms that the dynamics of exchange rates are determined by market forces. In summary, there is no systematic bias in Brazil's exchange rate policies towards devaluing the national currency.</p>
<b>Green Box</b>	
<p>European Communities – Green Box support shows a steady decline of spending levels over the years. The decline is particularly important for:</p> <ul style="list-style-type: none"> <li>• General Services (vii), Infrastructural Services</li> <li>• General Services (viii), Agrarian Organisation</li> <li>• Public stockholding for security purposes</li> </ul> <p>Could Brazil indicate the reason(s) for the reduced expenditure in these categories of the Green Box?</p>	<p>As the main policy instrument at its disposal, Brazil values Green Box measures, particularly those classified under paragraphs 2 to 4. Nevertheless, Brazil had to reduce budgetary expenditures under such programmes in light of budgetary constraints due to the implementation of strict fiscal policies in recent years, a fundamental component of the Brazilian stabilization effort. In relation to cuts in expenditures under the heading "Public stockholding for food security purposes", an additional effect derives from changes in policy due to further liberalization of agricultural markets. There was a reduced need for large and costly stocks of foodstuffs in view of the positive impacts derived from increased agricultural trade within MERCOSUR.</p>
<p>United States – <u>Public Stockholding for Food Security Purposes</u></p> <p>Brazil notes "These expenditures are necessary to cover the difference between the market price of the stocks and their acquisition price plus charges". But Annex 2, paragraph 3 states that "Food purchases made by the government shall be made at current market prices ...".</p> <p>Could Brazil explain how the public stockholding scheme operates and how it is consistent with Annex 2 criteria?</p>	<p>The Brazilian notification is in line with the provisions of footnote 5 of Annex 2 to the effect that in developing countries governmental stockholding programmes for food security purposes is to be considered in conformity with paragraph 3 of Annex 2 if the stocks are acquired and released at administered prices, provided that the difference between the acquisition price and the external reference price is accounted for in the AMS. Therefore, the support provided in the acquisition of foodstuffs at the administered price is included in Supporting Table DS:5.</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States (cont'd)</p> <p><u>Government Agricultural Insurance Programme</u></p> <p>Could Brazil please provide more information on this programme?</p> <p>Is this programme notified under Annex 2, paragraph 7?</p> <p><u>Regional Development Programmes</u></p> <p>Could Brazil provide more information on these programmes, describing what they are and how they work?</p>	<p>The only Government Agricultural Insurance Program available during the period of this notification was the PROAGRO programme. This programme was notified under Annex 2, paragraph 7. The notification includes only the monetary values spent in accordance with budgetary figures.</p> <p>As shown in this notification, since 1996 Brazil has not notified any programme that could be considered under the heading "Regional Development Program".</p>
<b>Article 6.2</b>	
<p>United States – Could Brazil explain which specific programmes are covered by the categories of Production Credit and Investment Credit?</p> <p>For example, where are the various programmes financed by the BNDES notified?</p> <p>How is the subsidy element of these various credit programmes calculated?</p> <p>What benchmark interest rate is used?</p> <p>Which credit programmes are covered under the debt rescheduling category?</p> <p>How do they compare to those reported under the non-product-specific category and what criteria are used to distinguish how they are classified?</p>	<p>In terms of production credit, the programmes PRONAF and PROCERA, both of which are for low-income producers, were notified.</p> <p>In terms of investment credit, the programmes PRONAF, PROCERA, PROEST, BNDES, Banco da Terra, Constitutional Funds (FCO, FNE and FNO), FINAME, Cocoa Recovering Program, and Mandatory Resources were notified.</p> <p>All BNDES-financed programmes were included in the notifications: MODERFROTA, PROSOLO, SISVARZEA, PROPASTO, PROFRUTA, PRODEFRUTA, PROAZEM, PROIRRIGA, PRODEAGRO, MODERAGRO, MODERINFRA and PRODECOOP.</p> <p>The implicit subsidy for each programme was calculated through the difference between the interest rate for each programme and the benchmark interest rate, taking into account all the parameters of each programme.</p> <p>The SELIC rate was used as the benchmark interest rate, which is the Central Bank basic rate. This rate has been used since Brazil's first notification. The decision to use it as a proxy for the benchmark was adopted at that stage by an intra-departmental group involving all Ministries concerned.</p> <p>The debt rescheduling programme covers PRONAF, PROCERA, PRODECER III, Constitutional Funds (FCO, FNE and FNO), BNDES, FINAME, Cocoa Recovering Program, Coffee Fund (FUNCAFE), and the Mandatory Resources.</p> <p>They were classified as non-product specific because the criteria for eligibility for rescheduling was the programme under which the loan was taken, rather than the products grown by farmers.</p>



Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)																																																			
Points raised by other Members	Response by Notifying Member																																																		
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Canada – Could Brazil provide additional information regarding the programmes MODERFROTA and AGREGAR, including where these programmes are reported in this notification, the amount of support under each, and how these amounts were estimated?	<p>The MODERFROTA programme is a BNDES credit line, while AGREGAR is an investment credit line under the PRONAF programme.</p> <p>Both MODERFROTA and PRONAF investment programmes were notified under Article 6.2.</p> <p>Brazil calculated the implicit subsidy for each programme through the difference between the interest rate for each programme and the benchmark interest rate (SELIC), taking into account all the parameters of each programme.</p> <p>The table below shows the amount of credit and estimated support under each programme.</p> <table border="1"> <thead> <tr> <th rowspan="2">Programme</th> <th colspan="5">Amount of credit (US\$ '000)</th> </tr> <tr> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>PRONAF Investment</td> <td>87.397</td> <td>162.015</td> <td>172.337</td> <td>196.395</td> <td>265.885</td> </tr> <tr> <td>MODERFROTA</td> <td>0</td> <td>557.775</td> <td>717.482</td> <td>933.618</td> <td>617.521</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">Programme</th> <th colspan="5">Amount of estimated support (US\$ '000)</th> </tr> <tr> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>PRONAF Investment</td> <td>13.966</td> <td>67.528</td> <td>71.640</td> <td>85.255</td> <td>126.508</td> </tr> <tr> <td>MODERFROTA</td> <td>0</td> <td>48.415</td> <td>61.488</td> <td>97.190</td> <td>83.859</td> </tr> </tbody> </table>					Programme	Amount of credit (US\$ '000)					1999	2000	2001	2002	2003	PRONAF Investment	87.397	162.015	172.337	196.395	265.885	MODERFROTA	0	557.775	717.482	933.618	617.521	Programme	Amount of estimated support (US\$ '000)					1999	2000	2001	2002	2003	PRONAF Investment	13.966	67.528	71.640	85.255	126.508	MODERFROTA	0	48.415	61.488	97.190	83.859
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<p><i>Follow-up question from Canada</i> – Why does the effective rate of subsidization differ between MODERFROTA with AGREGAR? Is the difference in the ratio between the "amount of the estimated support" and the "amount of credit" due to differences in the subsidized interest rates or other parameters of the programmes?</p> <p><i>Follow-up question from Chinese Taipei</i> – Did Brazil use a benchmark interest rate that was constant throughout the implementation years?</p>	<p>Response by Brazil – The specific conditions of the programmes differ, including the length of the credit (repayment period).</p> <p><i>Response by Brazil</i> – Brazil has used one benchmark, the SELIC rate, but this rates fluctuates over the years. The SELIC is a good proxy of the basic interest rate prevailing in Brazil.</p>																																																		

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<b>Amber Box</b>	
<p>European Communities – Supporting Table DS:5 shows a steady reduction of the minimum support prices (applied administered price, column 4) for most of the commodities. In 2002/03 these prices are, expressed in US\$, about half of the level notified for 1995. For example, the price for soybeans decreased from US\$151.37 in 1995 to US\$58.01 in 2002/2003.</p> <p>Could Brazil explain the reason(s) for this decline?</p> <p>In Supporting Table DS:5 the EC notes the variability over time of the levels of eligible production notified in column 6.</p> <p>Could Brazil explain how the eligible production for this type of support is established?</p> <p><i>Follow-up question by the European Communities – Could Brazil assess the impact of the relatively small levels of support on total production levels?</i></p>	<p>In view of trade liberalization taking place in Brazil during the 1990s, particularly with the implementation of MERCOSUR, price support mechanisms are increasingly losing importance. Traditional minimum prices have been replaced by more modern mechanisms that are simultaneously more market oriented and targeted. Sporadic government interventions – usually limited in volume and by the availability of budgetary funds decided in advance – based on the old policies may take place in remote areas in order to address market failures or as alternatives for the purchase of production by small farmers. In the case of exported commodities, price support policies have become irrelevant since the amount of resources is minimal in relation to the value of production.</p> <p>As a general rule, minimum prices for all the products are set well below market prices, and the budgeted amounts for it cover only a small fraction of the production. The fluctuations over time of the levels of production covered results from different market price levels, the type of instrument used, and the budget available at the time. Limited purchases of foodstuffs to replenish public stocks are another source of fluctuation of eligible production.</p> <p><i>Response by Brazil – The amounts of support involved is so minimal relative to total production that their effect can effectively be disregarded.</i></p>
<p>United States – <u>Product-Specific AMS: Market Price Support</u></p> <p>In Supporting Table DS:5, is the same external reference price used for both the minimum price support and Contract Option Acquisition?</p> <p>How is the external reference price determined?</p>	<p>The Contract Option Acquisition price and the minimum price are equivalent over time. The Minimum Price is the price at the moment of the harvest and the Contract Option Acquisition is the Minimum Price adjusted for storage costs up to the point in time in which the product is sold, normally in the off-season. Therefore, as a rule, the price for the Contract Option Acquisition tends to be a little higher than the minimum price.</p> <p>At the moment of the presentation of the Brazilian Schedule of Commitments in 1995, it was established that the external reference price for exported products would be the historical FOB price minus transportation cost; and for imported products, the historical CIF price plus transportation cost. Both decisions were in accordance with the multilaterally agreed methodology.</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States (cont'd)</p> <p>Could Brazil explain why the only 'support' notified under the Minimum Support Price programme appears to be negative?</p> <p><u>Other Product-Specific Support</u></p> <p>Could Brazil explain the "production cost equalization for sugar"? The United States notes no payments were reported for 2002/03.</p> <p>What specific credit programmes are included under Production and Marketing Credit?</p> <p>How is the subsidy element of these various credit programmes calculated?</p> <p>What benchmark interest rate is used?</p> <p>What criteria are used to distinguish these credit programmes from those notified under Article 6.2 criteria?</p> <p><u>Non-Product-Specific AMS</u></p> <p>Could Brazil please identify which, if any, programmes are notified under this category?</p>	<p>This occurs because Brazil usually sets the minimum price well below the international reference price, as determined by the methodology, since Brazil normally does not support prices above international prices in order to stimulate production.</p> <p>This support programme was provided either directly to the producers or through centralized cooperatives. This aid was granted through economic policy measures aimed at supporting production and commercialization, benefiting more than 17,000 cane growers only in the Northeast Region. It was limited to the period from November 1998 to December 2001. The programme was not reported for 2002/2003 because it was no longer in place.</p> <p>Constitutional Funds (FCO, FNE and FNO), Cocoa Recovering Program, Coffee Fund (FUNCAFE), and the Mandatory Resources, but only for products in which a minimum (or administrative) price was established. Although the budget for this kind of credit is not allocated by product, Brazil has preferred to adopt a more conservative approach and considered it to be product-specific since farmers may feel induced to produce such products.</p> <p>The implicit subsidy for the programme was calculated through the difference between the applied interest rate for each programme and the benchmark interest rate, taking into account all the parameters of each program.</p> <p>As already explained above, SELIC it was used as benchmark interest rate.</p> <p>Under Article 6.2, Brazil notified only the production credit programs PRONAF, PROCERA and PROGER that are exclusively addressed to low-income resource poor farmers, as identified in Brazilian legislation.</p> <p>Under Non-Product-Specific AMS, Brazil has notified its debt rescheduling programme and all marketing credit for products for which no administrative prices were set. Also notified is the production credit for products for which no administrative prices are set, excluding those under PRONAF and PROCERA programs which are notified under Article 6.2. Since none of those credits was allocated by product, and are available for producers in general, they fall within the non-product-specific criteria.</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States (cont'd)</p> <p>What criteria are used to distinguish these credit programmes from those notified under Article 6.2 criteria?</p> <p>Which credit programmes are covered under the debt rescheduling category?</p> <p>How do they compare to those reported under Article 6.2 and what criteria are used to distinguish how they are classified?</p> <p>What method was used to estimate the subsidy element of the debt reschedulings?</p>	<p>The programmes above are available to producers in general, while the credit programs PRONAF, PROCERA and PROGER are exclusively addressed to low-income or resource-poor farmers, in accordance with the parameters set out in the Brazilian legislation. Furthermore, debt rescheduling for debts incurred under PRONAF and PROCERA programmes were, likewise, notified under Article 6.2.</p> <p>The debt rescheduling covers all programmes under the National System of Rural Credit.</p> <p>The only programmes of debt rescheduling notified under Article 6.2 were those referring to rescheduling of debts under the programmes destined to low-income and resource-poor farmers. All other remaining rescheduling programmes were notified under Non-Product-Specific AMS.</p> <p>As explained above, the implicit subsidy for each programme was calculated through the difference between the interest rate for each programme and the benchmark interest rate, taking into account all the parameters of each program.</p>
<p>European Communities – "Debt rescheduling" is notified both under S&amp;D programmes and in the Non-Product-Specific Amber Box.</p> <p>Could Brazil explain the difference between the two notification items?</p>	<p>The distinction results from the fact that low-income, resource-poor farmers have defaulted on their obligations in relation to the PRONAF and PROCERA programmes, notified under Article 6.2. As a consequence, Brazil considered it more accurate and transparent to identify precisely the amounts due to different types of farmers, i.e. family farmers, on the one hand, and commercial farmers, on the other hand.</p> <p>In order to calculate the amount of support notified under the item "Debt rescheduling", Brazil identified the credit programmes that benefit producers classified as "low-income or resource-poor producers" and the remaining farmers. The support estimated in these programs was notified under S&amp;D programs and the remaining support under "Non-Product-Specific Amber Box".</p>

<b>Brazil G/AG/N/BRA/22 Domestic Support (Table DS:1)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – <u>Other Programmes</u></p> <p>The notifications do not have any reference to the various internal taxes, including the ICMS, COFINS, PIS. The United States understands that these taxes are waived on products that are exported.</p> <p>Is the waiver only available if the product is exported, i.e. the benefit is contingent on export? If so, are these waivers reported as export subsidies?</p>	<p>Brazil's decision not to notify such waivers as export subsidies is based on:</p> <p>(i) Footnote 1 of the Agreement on Subsidies and Countervailing Measures that reads "In accordance with the provisions of Article XVI of GATT 1994 (Note to Article XVI) and the provision of Annexes I through III of this Agreement, the exemption of an exported product from duties or taxes borne by the like product when destined for domestic consumption or remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy";</p> <p>(ii) Item h, Annex I "Illustrative list of Export Subsidies" of the Agreement on Subsidies and Countervailing Measures in view of the fact that the quoted taxes are classified as indirect taxes in accordance with footnote 58.</p> <p>It is to be noted that until 1996, these indirect taxes were only charged to agricultural products and raw materials. Law Kandir, approved in 1996, has ended the discrimination against agricultural products and raw materials. After that date, all Brazilian exports were treated evenly.</p>

**Table DS:2 Notifications**

<b>Australia G/AG/N/AUS/59 New or Modified Domestic Support (Table DS:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Canada – Could Australia provide additional information regarding the following programmes: Dry Season 2002 Assistance Scheme, 2004 Pastoral Dry Season Assistance Scheme, and the Fire Recovery Assistance Scheme. Specifically, how do these programmes meet all the specific criteria of Annex 2, paragraph 8, including the production loss required in order to be eligible for a payment and the years used to measure the average historic production?</p>	<p><u>Dry Season 2002 Assistance Scheme</u></p> <p>Assistance under this Western Australian Government administered scheme was available to Western Australian farmers severely affected by ongoing drought conditions. In order to be eligible for assistance under this scheme, farmers had to meet a number of strict criteria, amongst which were production losses of at least 70%. This level of loss clearly exceeds the requirements of paragraph 8(a) of Annex 2 of the Agreement of Agriculture. The production loss was measured against production levels immediately preceding the natural disaster.</p> <p>Limits placed on the amount of payment per farmer (up to \$A6,000) under this scheme, meant that the scheme also met the requirements of Annex 2, paragraph 8(b) to (e) of the Agreement of Agriculture. In addition the total cost of this scheme is small amounting to only \$A676,000.</p> <p><u>2004 Pastoral Dry Season Assistance Scheme</u></p> <p>Payments under this Western Australian Government administered scheme were only available to farmers who were located within declared areas of severe drought under the Australian Government's Exceptional Circumstances relief programme. Australia gave a detailed response to the Committee on Agriculture in September 2001 on how Exceptional Circumstances payments meet the criteria of paragraph 8 (see G/AG/R/28, page 15)</p> <p>In summary, to be eligible for exceptional circumstances assistance, the impact of the event on production must be rare, severe and prolonged. Production losses significantly higher than the 30% threshold are required before the impact of an event would be considered severe. In addition, production losses of this magnitude are also required to occur less than once in 20 to 25 years for the area. The production loss was measured against production levels immediately preceding the natural disaster.</p> <p>The relatively small amount of payments overall (\$A26,536) and the nature of the payments (the waiving of some Western Australian Government fees) meant that payments under this scheme also met the requirements of Annex 2, paragraph 8(b) to (e) of the Agreement of Agriculture.</p>

<b>Australia G/AG/N/AUS/59 New or Modified Domestic Support (Table DS:2)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>Canada (con'td)</p> <p>Canada notes that the Table DS:2 notification for the Sugar Industry Reform Program (SIRP) 2004 – Decoupled Income Support states that "No specified level of production is required to qualify for the payment." No "specified" level of production implies that production is indeed required to receive a payment.</p> <p>Would Australia please confirm that no production is required to receive payments under this programme, as stipulated in Annex 2, paragraph 6(e)?</p> <p>The Sugar Reform Program (SIRP) 2004 – Decoupled Income Support seems almost identical to the Sugar Industry Assistance Package – Decoupled Income Support notified in G/AG/N/AUS/44. The eligibility criteria for both programmes require that "the recipient must have been a sugar cane producer for two years prior to lodging the claim." Since the Assistance Package came into effect in September of 2000 and the Reform Program came into effect in March of 2004, a different base period applied for the second programme.</p> <p>Would Australia please explain how this meets the requirement in Annex 2, paragraph 6(a) that eligibility for payments be determined by criteria "in a defined and fixed base period"?</p>	<p><u>Fire Recovery Assistance Scheme</u></p> <p>The 2003 and 2004 wild fires caused significant production loss in affected regions. To be eligible for natural disaster relief under this Western Australian Government administered scheme, applicants must have sustained significant damage to their property. The damage caused by these fires was so severe that production losses were well in excess of the 30% production loss required under Annex 2, paragraph 8(a) of the Agreement of Agriculture. The production loss was measured against production levels immediately preceding the natural disaster.</p> <p>The relatively small amount of payments overall (\$A29,821) and limits placed on the amount of payment per farmer (up to \$A1,000) under this scheme, meant that the scheme also met the requirements of Annex 2, paragraph 8(b) to (e) of the Agreement of Agriculture.</p> <p>As set out in the Table DS:2 notification the Sugar Industry Reform Program (SIRP) 2004 – Decoupled Income Support was made up of two components, a welfare payment and a one-off grant to sustain industry reform. The eligibility for the welfare payment was based on a strict income and asset test as specified in paragraph 6(a) and the payment was consistent with Australian Government unemployment benefits. The eligibility for the payment of the one-off grant component was based on average production levels in a defined and fixed base period prior to the scheme's announcement. Neither component was related to production levels after the base year, 'no production was required to receive the payment' as specified in paragraph 6(e).</p> <p>The 2000 and 2004 support programmes provided to the Australian sugar industry were treated as separate programmes. It was appropriate to use a different base period for the 2004 programme as around 90 per cent of the support provided in the 2004 programme was of a different nature and purpose to that provided in the 2000 programme: namely a one-off grant to assist with a transition phase to reform. The only similarity between both programmes was a welfare payment, based on a strict income and asset test, which was consistent with Australian unemployment benefits. In this case, a different base period was still warranted because there was a distinct time break between the expiry of the welfare payments under one programme and the commencement under the other. In addition, it would not have made any sense in basing the 2004 payments on a base year applying prior to 2000, as any producers who had left the industry after the 2000 programme had expired would then have been eligible to receive the payment.</p>

**Table ES:1 to ES:3 Notifications**

<b>Tunisia G/AG/N/TUN/33 and Corr.1 Export Subsidies (Tables ES:1 and ES:3)</b>	
<b>Points raised by other Members</b>	<b>Response by Notifying Member</b>
<p>United States – Could Tunisia describe in more detail the cost-reduction measures qualified as 'direct payments' for tomato double concentrate and wine? Please explain how these are in accordance with Article 9.1(d) and (e).</p> <p>Regarding subsidies for wine exports, of the total value listed, what is the value pertaining to direct payments and what is the value for freight?</p>	<p>Undertook to provide a response.</p> <p>Undertook to provide a response.</p>

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