

**Committee on Agriculture**

**SUMMARY REPORT OF THE MEETING HELD ON 31 OCTOBER 2006**

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

1. The Committee on Agriculture held its forty-seventh regular meeting on 31 October 2006<sup>2</sup> under the chairmanship of Mr. Christian Häberli of Switzerland.

2. The agenda of the meeting as set out in WTO/AIR/2921 was adopted, with the addition of item (x) under Section I, Point A below (question by the European Communities (EC) to Australia).

**I. THE REVIEW PROCESS**

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

(i) Australia: EC – Variable import levies on cereals

3. Supported by the United States, Australia sought a clarification regarding the application of variable import levies to cereal products under the terms of Article 10(2) of Council Regulation (EC) 1766/92. The EC explained that that Regulation was abrogated in 2003 and replaced by Council Regulation (EC) 1784/2003. Article 10 of the new Regulation set out provisions for the calculation of import duties while implementing rules were detailed in Council Regulation (EC) 440/96. The EC confirmed that the system was fully consistent with its WTO Schedule of commitments.

4. Australia wondered whether the system belonged to the category of measures which had been required to be converted into ordinary customs duties, in accordance with Article 4.2 of the Agreement on Agriculture, given that the calculation of the variable import levy was based on an intervention price and a minimum price for each consignment. In Australia's view, the situation was similar to that described in the *Chile-Price Band* dispute.

5. The EC confirmed that a variable levy was indeed applied to cereals, but reiterated that the system was fully WTO consistent. The EC also recalled that it had undertaken Article XXVIII negotiations in order to examine the headnote to its Schedule. The EC had found that, at that time, the major wheat exporting countries were actually satisfied with the application of the variable import levy system, whereas the EC had been willing to reconsider its position at that stage. For the EC, the reaction of its trade partners had not only been an indication of their satisfaction with the levy system, but also proof of its full WTO-compatibility. Had this not been the case, the EC considered that it would have been advised accordingly by the wheat exporting countries participating in the Article XXVIII negotiations.

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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.

<sup>2</sup> The meetings originally planned to be held on 21 September and 23 November 2006 were merged into one single session, in response to a request for rescheduling presented to the Chairman by a group of Members.

(ii) Australia - EC - Export subsidy commitments for wheat

6. Citing a study by the EC Commission<sup>3</sup> according to which wheat exports were forecast to increase to levels significantly in excess of the EC-15 scheduled quantity commitments for wheat, Australia sought clarification as to how the EC intended to comply with its scheduled commitment levels for wheat in future years. The EC stated that, should products be exported above the EC commitments for subsidized exports as defined in the relevant WTO Agreements, then these products would be exported without an export subsidy.

(iii) Australia – EC - Tender sales by the Cereals Management Committee (CMC)

7. Australia noted that the CMC had conducted a number of tenders for significant quantities of export sales from intervention at discounted prices, all of which were eligible for export refunds. According to Australia, those tenders covered sales from intervention stocks of some of the new EC member States, including for quantities in excess of their individual WTO commitment levels and, in some instances, for unscheduled products. In this context, Australia requested information on the bids accepted by the CMC for wheat and coarse grain tenders for each new EC member State, including the quantities, price discount from the intervention price and export refunds, since October 2005.

8. The EC stated that it believed that it was the compliance with its commitments, rather than the daily management of its agricultural markets, which was the object of the Committee's review process.

9. As regards Australia's query on the total quantities and export refunds for wheat and coarse grains granted through export licences to each of the new EC member States over the same period, the EC responded that the relevant information would be notified to the Committee on Agriculture in due course, in the context of the notifications on export subsidies.

(iv) Australia: EC – Production aids and export refunds for processed agricultural products

10. Australia reported that the EC maintained arrangements for aids to the manufacturers of processed products for the purchase of agricultural products and for export refunds to processed agricultural and industrial products in respect of products containing sugar, cereals and milk. Some of these arrangements were limited to products of EC origin. In this context, Australia sought details on the production aids and export subsidy arrangements for the use of cereal, sugar and milk products of EC origin in processed goods. The EC asked Australia for further clarification of the measures being referred to. Assuming Australia's question related to the EC's commitments for incorporated products, the EC stated that these were well defined in its Schedule and that the EC fully complied with such commitments.

11. In the case of the EC processed fruit and vegetables regime, Australia sought clarifications on Article 18(4) of Council Regulation (EC) 2201/96 which provide for a higher rate of refund if the per-unit export refund on products containing added sugar was "insufficient" to allow exports; the circumstances under which any refund would be deemed "insufficient"; and, if the non-sugar refund were applied, the scheduled product category under which the EC would allocate the refund. The EC indicated that the allocation to the relevant product category was in conformity with the relevant requirements of Schedule CXL. As regards the implementation of these requirements, the EC referred Australia to the reply already given in paragraph 8 上 0.

12. Australia expressed disappointment at EC's response, and reiterated its request for clarification of its factual questions. The United States flagged its interest in the incorporated

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<sup>3</sup> *Prospects for Agricultural Markets and Income in the European Union 2006-2013*, EC Commission, July 2006.

products category and stated that its questions were similar to those posed by Australia. The United States would welcome receiving more details from the EC regarding the provisions addressing sugar and the use of sugar. The EC stated that it was prepared to discuss this issue bilaterally with the United States and Australia, and revert to this at a future meeting, in order to better understand what further information was being sought.

(v) Australia: EC – Consolidation of EC Schedule as a consequence of enlargement

13. In the EC's enlargement context, first to EC-25, and then to EC-27, Australia noted that the consolidation of the EC's Schedule for export subsidy and domestic support reduction commitments was still outstanding. In particular, the EC had not yet tabled a draft EC-25 Schedule relating to such commitments for Members' consideration. Nor had the EC provided any details on the methodology it intended to adopt in preparing that draft. Australia therefore asked how the EC intended to resolve these outstanding enlargement-related issues, and whether these would be resolved prior to the EC-27 enlargement due to take place on 1 January 2007.

14. The EC stated that it will notify the EC-25 and EC-27 Schedules to the WTO, as required under the relevant WTO Agreements. The new Schedules will contain modified commitments for domestic support and export subsidies to adequately take account of enlargement. For the consolidation of agricultural support commitments, the EC indicated that it had relied on the well-established WTO approach, using the three most recent years as a reference period.

15. Australia explained the reasons for submitting the above questions. Where domestic support and export subsidy commitments were to be modified in Schedules, Australia's understanding was that a multilateral process was required. Australia therefore strongly opposed the approach advanced by the EC, to the effect that it intended to unilaterally notify the results of its calculations. Australia pointed out that, to date, no proposal had been submitted to the WTO membership, either as regards to the proposed draft methodology for the calculation of the EC-25 domestic support and export subsidy commitments, or the draft results of such calculations. Australia respectfully requested the EC to use a multilateral process to address this issue, and sought an indication as to when the EC intended to officially provide the WTO membership with all such relevant information. With regard to the current state-of-play of the EC Schedule, the Committee had been previously advised that from 1 May 2004, the EC-15 Schedule applied *de facto* to the EC-25.<sup>4</sup> Australia also sought confirmation whether this was still the case.

16. The EC confirmed that the EC-15 Schedule continued to apply to the EC-25. The EC also recalled that, immediately after the conclusion of the Uruguay Round, the same situation arose as EC member States increased from 12 to 15. As part of Article XXIV:6 negotiations, a certain methodology was adopted after intensive discussions between the EC and its major trading partners and a tacit agreement was reached. In the case of the AMS, the commitments of the three new member States were simply added to the global AMS commitment already scheduled for the EC-12. By contrast, where export refunds had been applied between the three new member States and the original 12 member States, a "netting-out" exercise had been required. The EC confirmed that the same pragmatic approach was followed in the context of its enlargement to 25 member States, and will again be applied in the future enlargement to 27 member States. The netting-out exercise for export subsidies, as well as tariff quotas, had been based on the average trade over the reference period as notified under the Article XXIV:6 procedure.

17. Canada, New Zealand and the United States expressed interest in this issue.

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<sup>4</sup> See G/AG/R/42, paragraph 3, and G/AG/R/44, paragraph 3, for previous replies given by the EC.

(vi) Australia: United States – Export subsidies on dairy products; Export Trade Certificate programme

18. Australia observed that, according to its most recent notification, the United States was exporting quantities in excess of its scheduled reduction commitment levels. Australia requested information on the quantities accounted for by the "Cooperatives Working Together" (CWT) as well as on the federal and state subsidies provided to producer members of CWT. The United States replied that the US Government did not maintain data on CWT activities and that no federal or state subsidies were provided to the CWT.

19. Australia also enquired whether the Export Trade Certificate programme for exporting cooperatives conferred access to federal financing, including EXIM (Export Import Bank) loans or other concessional financing; or to US food aid programmes. The United States confirmed that the Export Trade Certificate programme did not confer access to either federal financing or US food aid programmes.

(vii) New Zealand: EC – Proposed internal regulation on "de minimis" subsidies

20. Referring to a media report<sup>5</sup>, New Zealand sought details on a proposed internal regulation on so called "*de minimis*" subsidies to marketing and processing of agricultural products and loan guarantees, exempting them from state aid regulations. New Zealand wondered how the proposed regulation was consistent with the EC's obligations to notify all agricultural support to the Committee on Agriculture and requested clarification as to how the EC intended to ensure that relevant data on all expenditures labelled according to the EC's internal definition of "*de minimis*" would continue to be gathered from member States and notified appropriately. The EC stated that collection of data on state aids for Table DS:1 notification purposes was not related to reporting obligations for an annual overview of *de minimis* support; and that the scope of data collection for the purposes of the EC's Table DS:1 notifications included *de minimis* state aids.

(viii) EC: New Zealand – Notification of dairy entity as state trading enterprise

21. According to the EC, the Dairy Industry Restructuring Act (DIRA) adopted by the Government of New Zealand grants an exclusive right to one dairy enterprise to export to designated markets such as the Dominican Republic, Canada, the United States and the European Union. The EC asked whether New Zealand intended to notify that dairy entity as a state trading enterprise under Article XVII of GATT 1994, or in the alternative, that an explanation be provided for not doing so.

22. New Zealand stated that notification of state trading enterprises under Article XVII of GATT 1994 did not fall within the ambit of the Agreement on Agriculture, but rather under the WTO Working Party on State Trading Enterprises. Therefore, New Zealand believed that the EC question was not within the purview of the Committee's review of Members' implementation of their commitments. New Zealand, however, stated that it did not believe that there were any exclusive or special rights or privileges in the sense of the Understanding on the Interpretation of Article XVII of GATT 1994 that required it to notify any dairy entity as a state trading enterprise.

23. Following up on this matter, the EC requested confirmation that the statute books of New Zealand contained certain provisions in favour of a dairy entity. New Zealand referred the EC to the Working Party on State Trading Enterprises for similar queries.

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<sup>5</sup> See Annex 1.

(ix) EC: Canada – Excise duty on Canadian-grown agricultural products

24. Citing a number of Canadian excise duty notices<sup>6</sup>, the EC understood that, from 1 July 2006 onwards, an excise duty on imported wine and beer was paid whereas wine grown from 100 per cent Canadian-grown agricultural products was fully exempted, and an excise duty reduction for beer or malt liquor applied for all Canadian brewers. The EC sought confirmation that its interpretation of the various notices was correct. If so, the EC requested an explanation of how the application of such measures complied with Article III of GATT 1994. The EC assumed that the legislative process was still on-going as some of these measures were before Parliament, but at the same time it appeared that some of the exemptions were already *de facto* being applied.

25. Canada was aware of the EC's interest in this matter as it has been pursued bilaterally. Canada undertook to refer EC's specific questions, which were received at a late stage, back to capital. The EC stated that a few other Members applied similar measures, and that it intended to pursue such matters in the Committee as well.

(x) EC: Australia – Wheat

26. The EC enquired whether Australia had in place any export restrictions on wheat, in view of the drought currently affecting the production conditions in Australia. Australia invited the EC to be more precise in its question and undertook to supply a response upon receipt of the question in writing.

B. REVIEW OF NOTIFICATIONS

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

27. The Committee reviewed the notifications as listed in the agenda. Specific points raised with respect to these notifications and the responses thereto are summarized in Annex 3 to this report.

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

28. The Committee took note of the 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). These notifications are listed in Annex 4.

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

29. 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:

- (a) relating to imports under tariff and other quota commitments (Table MA:2): from China (CHN/9);
- (b) in the context of domestic support commitments (Tables DS:1 and DS:2): from Honduras (HND/21 and HND/22) and Nigeria (NGA/3); and

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<sup>6</sup> See Annex 2.

(c) in the context of export subsidy commitments (Tables ES:1 to ES:3): from China (CHN/10) and Nigeria (NGA/4).

(iv) Points concerning notifications raised at previous meetings

30. The Chairman recalled that delegations have the possibility to inform the Committee of the outcome of discussions which are of general interest, but which may have been pursued bilaterally as a result of the review of notifications. There was no discussion under this agenda item.

(v) Counter-notifications

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

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

32. There were no deferred replies to questions previously raised.

(vii) Overdue notifications

33. The Chairman recalled that paragraph 6 of WTO/AIR/2879 contained a reminder regarding overdue notifications. An updated room document showing the current status of compliance with notification obligations was made available by the Secretariat. Underlining that, for the 1995-2000 period alone, notifications from 70 Members were still outstanding, the Chairman re-emphasized the importance of notifications in the context of the implementation of commitments in general, and in the negotiations context in particular. The Chairman stressed that the Committee had, for some years, been faced with an unsatisfactory situation in relation to accumulating notification delays. In his view, however, a critical point, had been reached, for two reasons.

34. First, these delays hindered not only the work of the Committee on Agriculture, but also constituted a growing obstacle to the transparency principle advocated by the WTO, which was the very basis of its efficiency and success. The Chairman pointed out that it might even be argued that the disparity between Members that notified on time and the others also undermined the balance between Members' rights and obligations. Second, the Chairman believed that there was a link between the Doha negotiations, which had, unfortunately, been suspended, and the non-compliance with notification obligations. Without updated notifications, the negotiators were obliged to base their calculations on information sought from outside the WTO. That information was not always drawn from reliable sources, nor was it accessible to all Members. Accordingly, this created a further imbalance between delegations with substantial human resources and small delegations which, quite simply, did not have the means to obtain all such information.

35. While the delays affected all the pillars of the reform process, the Chairman considered that the problem was particularly acute in the area of domestic support. It was true that notification obligations had to be fulfilled by all Members, and that the decision to notify or not was one which lay with each delegation – consistent with its obligations under the Agreement on Agriculture. However, the Chairman believed that, without any finger-pointing, it was the outstanding notifications from Members with a substantial share of world trade which could play a preponderant role in the Doha negotiations. In his capacity as Chairman of a committee which has a clear mandate to contribute to the transparency and smooth conduct of WTO activities in general, the Chairman felt therefore compelled to dwell rather "heavily" on this issue.

36. Australia agreed with the Chairman's statement in every respect, including with regard to the Chairman's reference to the serious situation that the absence of some important notifications, particularly in one pillar – domestic support, had, not only for the work of the Committee on Agriculture, the transparency of the agricultural trade regime to which the Agreement was to have made a major contribution, but also for the Doha round of negotiations. In Australia's view, the Secretariat compendium had done an excellent job in highlighting the notifications gap created by some very large domestic support users in the WTO. A gap of at least four to five years existed with regard to three Members in particular, thus placing many Members at a grave disadvantage.

37. Brazil pointed out that a Chairman could not do better than calling Members' attention to the importance of notifications and welcomed the Chairman's intervention on this subject. Brazil agreed that it was all Members' duty to fulfil the established transparency requirements, but that duty fell especially on those Members that were most responsible for the distortions in world agricultural trade. In Brazil's opinion, this mostly concerned the developed countries, and among them, the major ones. Brazil regretted the suspension of the negotiations as well and supported the Chairman's call for delegations to promptly update their notifications given their importance for the technical work that remained to be carried out.

38. The EC objected to the idea that larger Members were more trade-distorting, and announced that its domestic support notifications for the marketing years 2002/03 and 2003/04 would be shortly submitted.<sup>7</sup>

39. Canada thanked the Chairman for raising this critical issue. Canada had taken steps to bring itself up-to-date and urged others to do the same. Beyond the imbalances arising from the absence of notified information that were cited by the Chairman, Canada stressed that, even where information was available on expenditures under different kinds of programmes, many changes in agricultural policies had also taken place. In that context, Canada considered that it was as important for negotiators to know where, and how, such support policies were going to be classified before some substantive issues could be dealt with.

40. The Committee took note of these statements. The Chairman urged Members to fulfil their notification obligations as soon as possible.

## **II. OTHER MATTERS WITHIN THE PURVIEW OF THE COMMITTEE**

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

41. The Committee held its fifth 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/67 and Corr.1).

42. In its opening remarks, China stated that its notifications were available to the Committee, and that it had taken note of the questions raised by the United States under the present agenda item. Before going into detailed responses, China wished to see whether there were any other comments from Members.

43. In its opening comments, the United States stated that it continued to believe in the usefulness of the Transitional Review Mechanism as it helped to provide additional transparency of China's trade regime. The Review also provided Members with a multilateral forum for conveying their concerns with China's WTO compliance efforts. The United States clarified that the first set of questions

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<sup>7</sup> This notification was issued as document G/AG/N/EEC/53 on 8 December 2006.

(relating to VAT policies) was in fact a follow-up to some questions raised under the April 2006 Trade Policy Review mechanism (TPR). As China had already responded in detail to the US questions about VAT policies, the United States wished to place on record that the responses by China under the TPR mechanism had been very much appreciated. The United States would welcome any additional comments on the other questions it had about VAT, tariff rate quotas, and cotton.

(a) Statement by China

44. China took note of the comments made by the United States. China also believed that the review process undertaken by the Committee was very important, particularly in view of the fact that some of the notifications from major Members remained outstanding.

45. China confirmed that the VAT is applied uniformly to any particular product, including grains, with no difference whether it is under state trading or not. As for the tariff quota allocation system, the application period for 2007 tariff quota allocations was between 15 and 30 October in 2006. Specific requirements had already been published in the *International Business Daily* and the *China Economic Herald* as well as the websites of the Ministry of Commerce and the National Development and Reform Commission, one month in advance of the application period. China confirmed that all 2007 tariff quota quantities would be allocated no later than 1 January 2007.

46. Regarding the disclosure of a list of the enterprises which are importing under tariff quota arrangements, China's competent authorities considered that such a request involved confidentiality issues relating to business information. Some of these enterprises were concerned that releasing such information might negatively affect their competitiveness. China held the view that this concern was legitimate and should be taken into account, especially when considering some provisions of the WTO Agreement, for example, paragraph 3 of GATT 1994 Article XIII. However, for the purpose of exploring alternative ways of enhancing transparency, China stated that it was prepared, after this review, to work closely with the relevant Chinese authorities and consult with those enterprises that had expressed such concerns, in order to see whether an appropriate solution could be found.

47. Lastly, regarding the tariff quota for cotton, China believed that providing additional market access opportunities on a voluntary basis in response to special market circumstances was quite different from making new binding concessions. China stated that, at present, it was not in a position to eliminate the tariff quota system in place for cotton.

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

48. The United States thanked China for its very detailed replies and acknowledged China's willingness to engage on bilateral and multilateral follow-up to some of these questions. The United States looked forward to that effort. Clarification was also sought as to the amount of the VAT charged for each type of enterprise. China replied that the VAT was uniformly applied on products, and all kinds of enterprises.

(c) Report to the Council for Trade in Goods

49. With respect to the Committee's report on the Transitional Review to the Council for Trade in Goods, the Committee took note that the 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.<sup>8</sup>

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<sup>8</sup> The report was subsequently circulated in document G/AG/23.



B. ANNUAL CONSULTATION UNDER ARTICLE 18.5 WITH RESPECT TO MEMBERS' PARTICIPATION IN THE NORMAL GROWTH OF WORLD TRADE IN AGRICULTURAL PRODUCTS WITHIN THE FRAMEWORK OF THE COMMITMENTS ON EXPORT SUBSIDIES

50. The Committee took note of the statistical background paper prepared by the Secretariat for the purposes of the annual consultations under Article 18.5.<sup>9</sup> The document provided, for selected exporters and selected agricultural products/product groups, statistical data on export volumes (including international food aid) and shares in world exports, covering the Uruguay Round base period for export subsidy reduction commitments, i.e. 1986-90, as well as the period comprised between 1997 and the most recent year for which data were available. The charts showed the world market shares of the leading exporters for the products/product groups concerned.

C. ANNUAL MONITORING EXERCISE ON THE FOLLOW-UP TO THE MARRAKESH NFIDC DECISION UNDER ARTICLE 16.2

51. The annual monitoring exercise is undertaken on the basis, *inter alia*, of contributions by Members, including Table NF:1 notifications, as well as contributions by the observer international organizations. The Chairman recalled that the notification requirement under the NF series relates to: the quantity of food aid provided to LDCs and NFIDCs, with an indication of the proportion provided in fully grant form or on appropriate concessional terms; technical and financial assistance provided; and other relevant information with respect to actions taken within the framework of the Decision.

52. The Committee took note of the circulation of notifications in the NF:1 series since the January 2006 monitoring exercise, as follows: Australia (G/AG/N/AUS/60), Canada (G/AG/N/CAN/57), New Zealand (G/AG/N/NZL/45) and United States (G/AG/N/USA/56). A revised background note for the purpose of facilitating the annual monitoring exercise was also circulated by the Secretariat.<sup>10</sup>

53. The representatives of the Food and Agriculture Organization of the United Nations (FAO) and the World Bank made contributions to the monitoring exercise.<sup>11</sup>

54. The United States thanked both representatives for their respective contributions and looked forward to receiving the statements in written form in order to better understand the work undertaken by both organizations.

55. The Philippines referred to one of the findings of the work undertaken at the World Bank, which underscores: "*the importance of liberalizing reforms in agricultural trade on the part of both developing and industrialized countries, and the potential for the concepts of sensitive and special products to create significant exemptions, which would undermine this objective*". Based on the reading of the representative of the World Bank, the Philippines initially disagreed with the view that the concept of special products defeats trade liberalization objectives. The Philippines reserved its rights to review the World Bank statement in written form and provide comments at a later stage.

56. Cuba supported the intervention made by the Philippines, especially as it related to the World Bank findings. Cuba wished to introduce a note of caution, as the World Bank statement referred to some concepts which were presently under negotiation. In this respect, Cuba emphasized that the agenda item was entitled "Annual Monitoring Exercise on the Follow-up to the Marrakesh NFIDC Decision under Article 16.2 of the Agreement on Agriculture". Cuba reserved its rights to review the World Bank statement in written form and raise this matter again in future meetings.

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<sup>9</sup> See G/AG/W/32/Rev.9 (dated 2 October 2006).

<sup>10</sup> See G/AG/W/42/Rev.9 (dated 27 October 2006).

<sup>11</sup> These statements were subsequently circulated in G/AG/GEN/73 (dated 2 November 2006).

D. IMPLEMENTATION-RELATED ISSUES

57. Paragraph 2 of the Doha Ministerial Decision on Implementation-Related Issues and Concerns<sup>12</sup> instructs the Committee to follow up on three distinct issues: (a) Members must develop disciplines on export credits as per Article 10.2 of the Agreement on Agriculture; (b) the Committee must examine possible means for improving the effectiveness of the implementation of the NFIDC Decision; (c) the Committee must also ensure that Members' tariff quota regimes are administered in a transparent, equitable and non-discriminatory manner, keeping such regimes under review. In this context, the Chairman recalled that a first report had been submitted three years ago to the General Council.<sup>13</sup> The discussions held in 2006 have enabled the Committee to submit a factual update to the General Council at its meeting on 27 July 2006.<sup>14</sup>

58. Moreover, the Chairman reported that, on 27 July 2006, he had also provided an oral report to the General Council concerning the Committee's consideration of a proposal by the African Group<sup>15</sup> as part of its follow-up to the NFIDC Decision as well as in the context of the Doha Ministerial Decision on Implementation-Related Issues and Concerns. The Chairman had essentially informed the General Council that since his May 2006 report<sup>16</sup>, the situation had remained unchanged.

59. Argentina stated that, without prejudice to the provisions of Article 10.1 of the Agreement on Agriculture with respect to circumvention of export subsidy commitments, the establishment of additional and specific disciplines on export credits, export credit guarantees and insurance programmes remained an outstanding implementation issue resulting from the Agreement on Agriculture of the Uruguay Round. Argentina therefore requested that this item be retained on the agenda of this Committee.

60. Cuba supported Argentina's statement and requested that the implementation of the NFIDC Decision be maintained as an agenda item in the present Committee's work programme.

E. MATTERS RAISED UNDER OTHER BUSINESS

(i) Annual Report to the Council for Trade in Goods (CTG)

61. In line with the Committee's practice in the previous years, the Committee took note that a short and factual draft report for the CTG on the work undertaken by the Committee in the course of 2006 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 CTG on the responsibility of the Chairman.<sup>17</sup>

(ii) Provisional schedule of meetings for 2007

62. 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 2007. The dates for each regular meeting would continue to be confirmed at the preceding meeting of the Committee. The questions of whether there was a need for a regular meeting in June 2007, or whether 2-day meetings would be required, would be determined by the

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<sup>12</sup> WT/MIN(01)/17 (dated 14 November 2001).

<sup>13</sup> G/AG/16 (dated 4 July 2003).

<sup>14</sup> G/AG/16/Add.1 (dated 13 June 2006).

<sup>15</sup> Paragraph 52 of TN/CTD/W/3/Rev.2 (dated 17 July 2002).

<sup>16</sup> G/AG/22 (dated 16 May 2006).

<sup>17</sup> The report was later circulated in G/L/796 (dated 6 November 2006).

Chairman following the March 2007 meeting in consultation with Members. Moreover, the following schedule may need to be re-visited in light of developments in the agriculture negotiations:

28 [and 29] March 2007

[21 and 22 June 2007]

26 and 27 September 2007

21 and 22 November 2007

(iii) Date of next meeting

63. The next (48th) regular meeting of the Committee on Agriculture is scheduled to be held on **Wednesday, 28 March 2007**. On this basis, the convening airgram will be issued on Friday, 16 March 2007, and the reminder airgram will be issued on Wednesday, 28 February 2007.

**Annexes**

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Annex 1

Media report on proposed EC regulation on "*de minimis*" subsidies<sup>18</sup>

New 'de minimis' farm rules unveiled

Agra Europe Weekly  
Wednesday September 20 2006

Future projects by member states to market and process agricultural products will be subject to new rules on de minimis, exempting them from state aid regulations, said the European Commission on Wednesday.

The Commission presented a draft consultation suggesting that subsidies worth €200 000 or less should no longer be considered as state aid.

Likewise, guarantees -- where the amount of the underlying loan does not exceed €1.7 million -- should also be exempt from state aid law, according to the proposal.

The current regulation on de minimis aid states that financial aid must not exceed €100 000 over a period of three years and be deemed to have no substantial effect on competition and trade between member states for it not to constitute state aid.

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<sup>18</sup> See paragraph 20.

Annex 2

Excise duty notices of the Canada Revenue Agency<sup>19</sup>

1. Excise Duty Notice no. 9 (June 2006)

"As a result of consultations concerning the May 2006 Budget, the Minister of Finance announced on June 28, 2006, a proposal to extend the reduced rates of duty for the first 75,000 hectolitres of beer or malt liquor brewed to all Canadian brewers" whereas "imported beer is not eligible for the reduced rates of excise duty".

2. Excise Duty Notice no. 11 (May 2006):

"On Tuesday, May 2, 2006, the Minister of Finance tabled a Notice of Ways and Means Motion to provide an exemption of the excise duty imposed on wine that is made from 100% Canadian-grown agricultural products".

3. Excise Duty Notice no. 14 (June 2006)

"Where packaged wine is imported on or after July 1, 2006, it will be subject to additional duty equal to excise duty at the new rates."

4. Excise Duty Notice no. 15 (June 2006)

"The exemption will be available to all wine licensees on wine, as defined in section 2 of the Excise Act, 2001 (including cider, wine coolers, fruit wines and sake), that is packaged on or after July 1, 2006. The responsible wine licensee claiming this exemption must have sufficient evidence to confirm that the wine put into the package was wholly composed of Canadian-grown agricultural products."

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<sup>19</sup> See paragraph 24.

Annex 3

Summary of points raised with respect to notifications

		<u>Page</u>
(i)	administration of tariff and other quota commitments (Table MA:1)	
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-	Armenia G/AG/N/ARM/8	25
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(i) **Table MA:1 - Colombia G/AG/N/COL/35**

1. **Question by Australia - Explanation of the criterion for approving import licences for fowl, turkey and duck imports under the tariff quota. The notification indicates the criterion for approval being "protection of the domestic industry".**

As stated in notification G/AG/N/COL/35, Colombia applies non-automatic import licensing for the administration of tariff quotas for fowl (poultry, turkey and duck). Import applications are examined by the Imports Committee, taking into account unused quota shares and the quality of second-hand goods or used goods.

Colombia introduced the concept of used goods, second-hand goods and unused quota shares when it joined the GATT. Since demand is generally covered by domestic production, there are few import applications.

(ii) **Table MA:2 - Ecuador G/AG/N/ECU/17**

2. **Question by Australia - The over-quota tariffs in force were documented as below the in-quota tariff rates for many of the products accounting for the nil fill rates. Has Ecuador considered whether it is necessary to retain these tariff quotas if the fill rates are zero and all trade is flowing over-quota?**

Ecuador has met all of its commitments as a WTO Member, in particular, under the Agreement on Agriculture. To that end, it has kept its tariff quotas open to the private sector and has never, under any circumstance, exceeded the bound ceilings, either within the quotas or outside them.

3. **Question by New Zealand - The tariff quota for milk powder during the period reported, 2001 to 2005, has not been filled – in fact there have been no imports. Why has this been the case? Is Ecuador considering reviewing tariff quota administration or changing to a tariff-only scheme for milk powder?**

The failure to use the in-quota volumes for powdered milk is merely due to current market circumstances in which, owing to increasing prices on the international market, tariff rates below the bound tariff level for the powdered milk quota were applied in order to ease the domestic prices of one of the country's staple products. Ecuador nevertheless reserves the right to consider, where appropriate, any change in the administration of its tariff quotas or in its system of quota commitments.

(iii) **Tables MA:3 to MA:5**

Japan G/AG/N/JPN/116

4. **Question by Australia - Japan has only used one c.i.f. price from the reference period 1986 to 1988 to calculate the trigger price for the special safeguard on food preparations. Is this the most appropriate alternative price, as is referred to in footnote 2, of subparagraph 1(b) of Article 5 of the Agreement on Agriculture, or are other alternatives available?**

It is impossible to obtain the c.i.f. prices of the product concerned in 1986 and 1987 because the corresponding tariff line did not exist before the introduction of the Harmonized System nomenclature in 1988. So, as described in the notification, we use the c.i.f. price in 1988 as the basis for the trigger price.



Japan G/AG/N/JPN/117

**5. Question by New Zealand - Despite maintaining a tariff quota system on milk powder, Japan has invoked the special safeguard. Why was this considered to be necessary and what amount of trade was involved? Were the tariff quotas filled prior to the safeguard being applied to over-quota imports? Volumes affected by the safeguard in other tariff lines covered by the notification?**

The special safeguard measure in milk powder was applied when the price of the freight to be imported out of the tariff quota fell below the trigger price of the price-based special safeguard. The measure is fully consistent with Article 5 of the Agreement on Agriculture.

With regard to the amount of trade involved in this safeguard measure, as a price-based special safeguard measure is applied to each individual freight, the publication of that amount would lead to the disclosure of information on individual import declarations that are related to commercial activities of particular traders. Japan does not officially publish information relating to the volume of freight involved in price-based special safeguards.

Follow-up question: Argentina sought clarification regarding the second question above, posed by New Zealand, i.e. whether safeguard action had been applied even though the corresponding tariff quotas remained unfilled. Japan stated that safeguard action had been applied on out-of-quota imports, not on in-quota imports.

Japan G/AG/N/JPN/118

**6. Question by Australia - Japan has used a trade-weighted average when calculating the trigger price for the special safeguard on broad beans. There is no mention of applying trade-weights when calculating the average price in Article 5 of the Agreement on Agriculture. Why did Japan not calculate a standard simple average, which would have resulted in a lower trigger price?**

Article 5 of the Agreement on Agriculture prescribes that the trigger price shall, in general, be the average c.i.f. unit value of the product concerned. However, Article 5 does not mention whether the average price is to be calculated using a simple, or a weighted, averaging method. As a weighted average is a more accurate reflection of the actual state of changing import, Japan has always calculated a trigger price using a weighted averaging method in accordance with the Article 7.4 of the Temporary Tariff Measures Law of Japan. It should be noted that a simple average is not necessarily lower than a weighted average.

Follow-up comment by Australia: In the present case, the calculations do actually result in a lower trigger price, a situation which is adverse to exporters. Japan pointed out that it has consistently applied the weighted averaging methodology over the years.

Chinese Taipei G/AG/N/TPKM/39

**7. Question by New Zealand - Chinese Taipei is applying the special safeguard on "other liquid milk", and the liquid milk tariff quota was underfilled in the previous year. Confirmation sought that: (a) the "other liquid milk" quota has been filled this year, and (b) any additional safeguard duties are not applied on imports within the tariff quota.**

The calculation and action of SSG is fully in accordance with Article 5 of the Agreement on Agriculture. The related provisions of this Article indicate that there is no link between the SSG

application and tariff quota fill. Furthermore, Chinese Taipei confirms that no SSG duties will be applied to the in-quota imports.

**(iv) Table DS:1**

Armenia G/AG/N/ARM/9

**8. Question by Australia - The following programmes notified under payments for relief from natural disasters appear to be new measures for which Table DS:2 notifications have not been made: (a) "*Payments to farmers of marz (regional) communities [...]*"; and (b) "*Appropriate funds for Armarir Regional Council [...]*". How do these measures meet the rules of paragraph 8, Annex 2? When does Armenia intend to submit Table DS:2 notifications for these measures?**

In order to relieve the damages of the natural disasters, respectively million AMD 300, and million AMD 42.5, were provided from the state budget according to Government Decision N 1412-A of 25 August and Government Decision N 1414-N of 1 September 2005. The support corresponds to the requirements of paragraph 8 of Annex 2 as the Government officially recognized the occurrence of the natural disasters taking into consideration the fact that the damages exceeded the level stated in the Agreement. Payments compensated for not more than the total cost of replacing the losses.

Armenia undertook to submit, in a few days, an addendum to its former Table DS:2 notification G/AG/N/ARM/6 (dated 19 July 2005) relating to these measures.<sup>20</sup>

Canada G/AG/N/CAN/60

**9. Questions by the United States - Under the Canadian Farm Income Program (CFIP), notified under Annex 2, paragraph 7, were any additional provincial payments made? If so, please explain the federal-provincial relationship with respect to the CFIP?**

The provincial governments did not make additional payments under the CFIP. The provinces paid their share of the payments as per the terms and conditions of the Program. Like many Canadian agricultural programmes, these are done pursuant to federal and provincial agreements.

**10. Question by the United States - Canada adds price-related direct government payments to the value of production in Supporting Table DS:4. How is this addition consistent with the apparent consensus in the Doha negotiations for a definition of value of production?**

This approach is consistent with the method used by Canada in establishing the base period data in the Uruguay Round, i.e. G/AG/AGST/CAN, and in all subsequent Table DS:1 notifications filed by Canada. It is based on the need to neutralize the differences across products or countries stemming from differences in how support is provided. When support is provided as market price support, production is valued at world prices plus the price gap. When support is provided through direct payments to producers, production is valued at world prices. Unless the value of production is adjusted upward in the latter case, products or countries relying on direct payments would automatically show higher percentage support than if the same amount of support were provided as market price support. Thus the value of production denominator includes price-related direct payments for each product in Supporting Table DS:6. An amount from column 7 of Supporting Table DS:6 is added to the value of production of each product.

When a new agreement is in place, Canada will apply the rules of that agreement.

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<sup>20</sup> Subsequently issued as G/AG/N/ARM/6/Add.1 (dated 16 November 2006).

**11. Question by the United States - The quantities of eligible production for milk in Supporting Table DS:5 grossly understate the support for milk. Does Canada not agree that all milk produced in Canada, with the exception of that which is exported as products under appropriate export subsidy commitments, receives the benefit of supported domestic prices?**

Market price support is calculated on the basis of the administered prices for products to which such prices apply, namely butter and skim milk powder. All production of butter and skim milk powder that is eligible to receive the support price is counted as eligible production in the calculation of market price support.

**12. Question by the United States - Can Canada explain the Canada-Manitoba and Canada-Saskatchewan Adjustment Programs II? Were there similar programs called Adjustment Programs I?**

A complete description of the Canada-Manitoba and Canada-Saskatchewan Adjustment Programs can be found in Table DS:2 (G/AG/N/CAN/36). These programs were notified in Canada's Table DS:1 for 2000 as decoupled income support, as noted on page 5 of G/AG/N/CAN/53. Both of these programs were subsequently extended for one year and the base periods were updated. Since paragraph 6(a) of Annex 2 does not allow updating of the base period, the Canada-Manitoba and Canada-Saskatchewan Adjustment Programs II have been notified as AMS support in Canada's Table DS:1 notification for 2001 (G/AG/N/CAN/60).

Colombia G/AG/N/COL/30/Rev.1

**13. Question by Australia - Colombia has notified support for forest products under investment subsidies generally available to agriculture. As forest products fall outside the scope of product coverage listed in Annex 1, in future notifications it is not necessary for Colombia to continue to notify expenditure against this measure.**

Colombia will take account of the suggestion not to include support for forest products in any new notifications on domestic support since they fall outside the scope of the agricultural framework defined by the WTO.

**14. Question by Australia - Colombia is not claiming *de minimis* exemptions in Supporting Table DS:7. As a developing country, under Article 6, Colombia is entitled to exempt support from calculation in the AMS if it does not exceed 10 per cent of the gross value of production for the specific product. It appears that Colombia could claim *de minimis* exemptions for a number of products resulting in a lower current total AMS.**

Colombia is working on the calculation of the *de minimis* percentages with a view to amending the notifications made in the period 1995-2004. These values will be removed from Colombia's current total AMS where support does not exceed the *de minimis* level of 10 per cent of total value of production and 10 per cent per product to which developing countries are entitled under the special and differential treatment provisions in the Agreement on Agriculture.

Cuba G/AG/N/CUB/27

**15. Question by Australia – Explanation of the increase in expenditure in natural disaster relief payments. Details sought on measures notified under the heading of natural disaster relief payments, and on consistency with paragraph 8(a) to (e) of Annex 2.**

Expenditure related to natural disaster relief and pest and disease control rose as a result both of the increased funding granted to alleviate the hardship caused by the long and intense drought

which afflicted the central and eastern regions, and of the additional costs incurred to counteract the effects of the tropical storms and hurricanes which lashed the island in 2005. All natural disaster relief payments made in relation to drought control and hurricane damage were consistent with paragraph 8(a) to (e) of Annex 2.

The long and intense drought required urgent State intervention to offset the ever-increasing loss of revenue suffered by agricultural producers and the adoption of emergency measures to ensure by all possible means the supply of water to the affected people, animals and crops. From 2003 to 2005, Cuba had to contend with the most severe drought of the last hundred years. At the most critical juncture, reservoir water levels fell to 26.7 per cent of total capacity, 42 per cent of underground basins were seriously depleted and water had to be supplied by pipeline to more than 2.6 million inhabitants. Major losses were recorded. The year 2005 alone saw the production of vegetables and other crops fall by 15 million quintals, milk production decline by 77 million litres and the loss of 57,000 tonnes of grain, to mention but the more significant items. The overall economic impact to the end of 2005 is estimated at US\$1,350 million.

In addition to the drought, Cuba was adversely affected in 2005 by an intense cyclone season with the impact of five tropical cyclones. Tropical Storm Arlene passed over national territory in June, Category 4 Hurricane Dennis struck in July and, although Hurricanes Katrina, Rita and Wilma did not cross Cuba, several regions of the country were hit by strong winds, heavy rain and coastal flooding. Hurricane Dennis caused considerable damage in ten provinces; initial estimates set losses at US\$1,400 million, with the destruction of 142,343 tonnes of goods. Cuba was also affected by Hurricanes Rita and Wilma. The cost of damages was calculated at US\$704.2 million for Wilma and at US\$207 million for Rita.

**16. Question by Australia – Details sought on the Turquino-Manati Development Plan for Mountain Areas, and more specifically, on consistency with paragraph 13(a) to (f) of Annex 2.**

The Turquino-Manati Development Plan for Mountain Areas was created with a view to ensuring the sustainable development of Cuba's mountain regions and their communities from the ecological, economic and social perspectives. The specific objectives of the Plan are as follows: (a) boost production and services related to the economy of the mountain regions; (b) contribute to the systematic improvement and maintenance of the social and living conditions of mountain communities to ensure their continued presence in these regions; (c) encourage the introduction and development of scientific and technical activities to guarantee the sustainable development of these regions, and; (d) oversee work ensuring sustainable development, ecosystem protection and reforestation activities in these regions.

The Plan applies to a clearly designated contiguous geographical area encompassing three mountainous massifs and the Ciénaga de Zapata reserve and representing around 20 per cent of Cuban territory and six per cent of the population, conditions which are consistent with paragraphs 12 and 13 of Annex 2.

European Communities G/AG/N/EEC/49 & Corr.1 and EEC/51 & Corr.1

**17. Question by United States - The EC is undertaking a reform of its wine program. We have raised questions regarding EC wine support on several occasions and continue to have concerns, including on the transparency of national/community financial envelopes and on consistency with Green Box criteria. While we recognize the EC has not yet adopted new wine measures, we would be interested to know at this point how the draft wine reform will address these concerns.**

The EC is well aware of the concerns that the United States has on its wine program. We know each other's position on the Green Box compatibility of the current wine restructuring measure. For the transparency of envelopes and eligible regions, we refer back to the reply given in January 2006.<sup>21</sup> The European Commission has called for a root-and-branch reform of the Common Market Organisation for wine on the basis of proposals in line with other recent reform efforts. In the ongoing work for the reform in the wine sector the criteria of Annex 2 of the Agreement on Agriculture have been taken into consideration. However, at this stage we cannot anticipate the final Council Decision on the Commission proposals. Interested Members are invited to consult the different options at the following EC Commission website:  
at [http://ec.europa.eu/agriculture/capreform/wine/index\\_en.htm](http://ec.europa.eu/agriculture/capreform/wine/index_en.htm) .

Follow-up comments: Canada indicated that it was following this issue quite closely.

Former Yugoslav Republic of Macedonia G/AG/N/MKD/6

**18. Question by Australia – Information sought on the introduction of public stockholdings for food security purposes.**

The introduction of public stockholdings for food security purposes in 2004 is based on the new Law on Stock Reserves (Official Gazette 68/2004). The accumulation and holding of stocks of products are an integral part of the Food Security Programme for 2004, which was adopted by the Government pursuant to Article 6 of the Law on Stock Reserves. The maintenance of stock reserves for food security purposes in the preceding years was in accordance with the previous law (Official Gazette 47/1987; 13/1993), except in 2003 when there were no food purchases in relation to the accumulation of stock reserves.

**19. Questions by Australia – Explanation for the large increase in AMS from 2003 to 2004 and for the introduction of product-specific AMS for maize, barley, sugar beet, sunflowers, pigs and honey. Information requested on the operation of the direct payments for these commodities.**

This is due to the shift of agricultural policy towards direct payments in accordance with the Programme for Agricultural Development Incentives for 2004 (PADI 2004), published in the Official Gazette No. 30/2004. The introduction of product-specific AMS for maize, barley, sugar beet and sunflowers aims at supporting sustainable development of the economy in the rural areas and the provision of cheaper fodder. All farmers who have sown these crops on at least 0.5 ha of farming area with limited soil and climatic conditions for efficient farming, are eligible for such support. In the pig farming sector, the financial support is intended for the maintenance of the basic flock. In the bee-farming sector, farmers are also encouraged to procure a certain number of quality bee hives in order to increase the economic potential of the sector. The direct payments for such commodities have been operated through the Ministry of Agriculture, Forestry and Water Economy, in conformity with the conditions stipulated in PADI 2004.

**20. Question by Australia – Confirmation that "eligible production" for the calculation of market price support for wheat is total wheat production in Supporting Table DS:5.**

Confirmed.

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<sup>21</sup> See G/AG/R/45, page 17.

Mexico G/AG/N/MEX/13

**21. Questions by Canada – Payments under environmental programs are claimed as exempt under paragraph 12 of Annex 2 for the first time in 2003. Mexico indicates that these payments promote the sustainability of irrigation districts with water availability problems, and encourage sustainable development in areas frequently affected by adverse weather. Conformity of these payments with each and every criterion of paragraph 12 of Annex 2. Outstanding submission of the required Table DS:2 notification.**

Payments under the Water-Use Acquisition Programme meet the criteria laid down in paragraph 2 of Annex 2 to the Agreement on Agriculture, as explained below:

- (a) *Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme, including conditions related to production methods or inputs.*

The Water-Use Acquisition Programme aims to promote the sustainability of irrigation districts with water availability problems, by supporting programmes for the 'productive conversion' of such areas and full compensation for previously granted water rights. The payments are made to civil associations of users of irrigation facilities or producers enjoying water exploitation or user rights for agricultural or livestock purposes in irrigation districts where technical studies of water volume sustainability in water supply sources have identified water availability problems, and the eligibility of which is determined by the location of the production unit within the areas capable of being re-dimensioned and converted, according to the sustainable availability of water.

- (b) *The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme.*

The funds allocated to this programme are subsidies to supplement investments made by the users of irrigation facilities themselves. They are granted to producers so that the latter will give up the share of granted water volume that jeopardizes the sustainable use of water resources. The maximum amount is determined by the productive conversion project, taking into account the re-dimensioning of the irrigation district, the type of productive conversion project for areas proposed for reclaiming or withdrawal from productive activity and the proposed volume of water to be withdrawn from the users' concession titles.

The Table DS:2 notification will be circulated shortly.

**22. Questions by Canada – The resources granted to BANRURAL claimed as exempt from reduction commitment under S&D in 2002 seem to be a new or modified measure requiring a Table DS:2 notification. When will Mexico submit such a notification? Details sought on the allocation of the large amount described as "preferential rates for agriculture as a whole", for example to preferential interest rates on outstanding debts and/or the writing-off of any outstanding debts? To what extent does this allocation also include any capital resources granted to the newly created *Financera Rural*?**

The amount notified as subsidies in the form of transfers through interest rates consists of funds allocated to *Financiera Rural* in order to build up the initial capital of this decentralized body. The Basic Law establishing *Financiera Rural* (Official Journal of 26 December 2002) provides for the creation of a fund with resources to be used to meet *Financiera Rural*'s objectives. Article 2 of the

Law stipulates that the purpose of *Financiera Rural* is to implement the State's priority activity for promoting the development of agricultural and associated economic activities. It will thus grant loans in a sustainable manner and provide other financial services to rural producers and financial intermediaries, in order to help ensure that they are better organized and contribute to their continuous improvement.

In view of the above and in accordance with Article 6.2 of the Agreement on Agriculture, which stipulates that investment subsidies that are generally available to agriculture in member countries and agricultural input subsidies generally available to low-income or resource-poor producers in developing countries shall be exempt from domestic support reduction commitments, Mexico considers that the transfers in question meet these criteria, since the loans granted to producers via *Financiera Rural* (development bank) are subsidies designed for producers who do not have access to commercial bank credit conditions and who require capital input for agricultural production.

The Table DS:2 notification will be circulated shortly.

**23. Questions by Canada - Subsidies for electricity charges for agricultural use and for agricultural diesel are claimed as exempt from reduction commitment under the heading "Investment subsidies generally available to agriculture". Subsidies for such operating inputs as electricity and diesel fuel are very different from investment subsidies. Since these input subsidies are not provided only to low-income or resource poor producers (they are claimed to be generally available to agriculture), could Mexico please explain why these input subsidies are not reported as non-exempt AMS support?**

Subsidies for agricultural diesel and electricity are indeed input and not investment subsidies. In view of this, Mexico will accordingly modify its notifications.

New Zealand G/AG/N/NZL/41

**24. Question by the EC - New Zealand notified an amount of \$NZ 7.945 million for the Sustainable Farming Fund in the Green Box under "research". Does the Fund also allow the financing of promotion activities? If so, conformity with paragraph 2 of Annex 2.**

The purpose of the Sustainable Farming Fund (the Fund) is to support projects that will contribute to improving the financial and environmental performance of the land-based productive sectors through applied research and extension to farmers. Projects address a range of topics including: adding value and making market connections; demonstration projects; information and technology transfer; identifying barriers to and options for improved land use and management; technical investigations supporting the better use and allocation of water resources; and improving management decision support. The Fund does not allow for the financing of industry promotion activities.

Thailand G/AG/N/THA/59

**25. Question by Australia - Information sought on the form of the market price intervention for rice, lychees, maize, manioc, coffee, onions, rambutan and mangosteen listed in Supporting Table DS:7 in 2002, 2003 and 2004?**

The market price intervention of products listed in Supporting Table DS:7 in 2002-2004 is aimed at relieving social, economic and political tensions when the market price dramatically falls as it usually occurs during the early of harvesting seasons. The government agency will buy those

products at the intervention price. This measure is a temporary measure and depends on supply of, and season for various products.

Follow-up comment: Given that Thailand has clarified that market price intervention is indeed taking place, Australia hoped that an updated notification would be presented soon, whereby a Supporting Table DS:5 (market price support) would be tabled for the products in question.

**26. (a) Questions by the EC – Operation of the market price intervention mechanism for rice. Level of support prices for the years 2002-2004. Share of the rice harvest eligible for that support. Method used to calculate the amount of support notified to WTO in this regard. Reason for the increase in expenses between 2002 and 2004.**

**(b) Questions by the Philippines - Supporting Table DS:4: reasons for (i) the 16% increase in the level of support for rice in 2002 compared to 2001; (ii) the 23% increase in 2004 compared to 2003. Supporting Table DS:7: nature of the support measures provided to rice, namely, the paddy pledging scheme, soft loan measure, and market price intervention.**

The objective of such measures is to relieve social, economic, and political tensions when the market price of rice dramatically falls due to the seasonal increase of rice supply. Support measures for rice can be classified into three types:

- Paddy Pledging Scheme: farmers can sell paddy rice to the government at the guaranteed price. They can buy it back from the government and sell it later on the domestic market at the prevailing market price.
- Soft Loan Scheme: the government provides soft loans in terms of favourable interest rates in order to help farmers for the rice growing during the following year.
- Market price intervention: the government agency will buy rice from farmers at the intervention price.

In notifying support to the WTO, fiscal budgetary outlays allocated to these schemes are aggregated adjusting for actual spending. In 2002-2004, the increase in subsidies was due to the fluctuation of rice production.

**27. Questions by the Philippines - Considering that it is the world leading rice exporter, could Thailand further explain the need for such subsidies, and why there appears to be a concentration of support on rice compared to other products? For instance, in 2004, we would like to seek clarification on why 95 per cent of Thailand's current total AMS has been allocated to rice.**

Even though Thailand is the major exporter of rice, our farmers still need support due to the fact that Thailand has approximately 3.7 million households of rice growers who are poor and live in rural areas. Most of their paddy fields are not in irrigated areas. The rice growing, then, depends on natural water. This makes it difficult for farmers to control the level of production. Hence, the government has to support rice production in order to stabilize the price.



28. **Questions by the EC – Explanation sought on whether the sugar market in Thailand is regulated through a guaranteed price and/or through a quota system. Is it correct that a quota is dedicated to domestic consumption and that a second quota is available for export? Details sought on the operation of the support system and corresponding regulations. Explanation as to why Thailand considers that this support system does not have to be notified to the WTO.**

It should be noted that sugar production is not supported by government funds. The sugar market mechanism is operated by the private sector. Sugar processors establish contracts with cane growers and set up prices and revenue sharing details. According to the sugar mechanism, sugar is divided into three quotas. The first quota is refined sugar directly sold to domestic market. The second and third quotas are raw and refined sugar respectively, which are for export. The government only regulates the system by setting maximum domestic price for domestic sugar consumption. No government budget is spent on the sugar market system.

(v) **Table DS:2**

Armenia G/AG/N/ARM/8

29. **Questions by Australia - Information sought on the implementation of the Japanese Grant Program of the "Development of Agricultural and Small Scale Enterprises" with the support of the World Bank (JGP). Does this measure include direct payments to producers?**

The purpose of the JGP is to promote the development of small- and medium-scale rural businesses by way of improving the ability of farmers and rural entrepreneurs to access markets and by stimulating market-oriented private and public investments in rural areas. In this respect, the following services were provided in 2006: improved information and financial services, improved inputs and technologies, support for marketing activities and proposals on availability of quality planting material. The JGP does not include direct payments to producers.

30. **Question by Australia - Information sought on the "Capital rebuilding of the objects having agricultural importance"? Does this measure include infrastructure works on farms?**

There is a mistake in connection with the description of this measure. A revised submission shall be presented.<sup>22</sup>

Switzerland G/AG/N/CHE/35

31. **Question by Canada – Explanation of how the "Severe Weather Conditions" measure meets all of the criteria of paragraph 8 of Annex 2, in order to supplement the information already provided in G/AG/R/45. Specifically, will Switzerland please advise whether eligibility for payments requires a "production loss which exceeds 30 per cent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry" (paragraph 8(a))?**

Switzerland is currently studying whether the measure in question has been adequately notified under paragraph 8 of Annex 2. A re-classification of the measure in paragraph 5 would appear to be more appropriate, and the relevant compliance criteria (paragraph 6, (b)-(e)) are being carefully examined. Any decision in this respect will be duly notified to the Committee.

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<sup>22</sup> Subsequently issued as G/AG/N/ARM/8/Corr.1 (dated 30 November 2006).

Annex 4

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

- (i) administration of tariff and other quota commitments (Table MA:1):
- Chile G/AG/N/CHL/20
  - Switzerland G/AG/N/CHE/13/Add.8 and Corr.1
- (ii) imports under tariff and other quota commitments (Table MA:2):
- Canada G/AG/N/CAN/63
  - Chile G/AG/N/CHL/21
  - Latvia G/AG/N/LVA/13
  - Switzerland G/AG/N/CHE/36
- (iii) special safeguard (Tables MA:3 to MA:5):
- Ecuador G/AG/N/ECU/18
  - Japan G/AG/N/JPN/120 and 121
  - Chinese Taipei G/AG/N/TPKM/37 and 38
- (iv) domestic support commitments (Table DS:1):
- Armenia G/AG/N/ARM/5/Rev.2
  - Colombia G/AG/N/COL/36
  - Ecuador G/AG/N/ECU/19
  - Hong Kong, China G/AG/N/HKG/20
  - Hungary G/AG/N/HUN/40
  - Jordan G/AG/N/JOR/9
  - Latvia G/AG/N/LVA/15
  - Oman G/AG/N/OMN/1/Rev.1, 3 and 4
- (v) new or modified domestic support measures exempt from reduction (Table DS:2):
- Canada CAN/64 and CAN/65
- (vi) in the context of export subsidy commitments (Tables ES:1 to ES:3):
- Armenia G/AG/N/ARM/7
  - Chile G/AG/N/CHL/22
  - Colombia G/AG/N/COL/33 and 34
  - Cuba G/AG/N/CUB/28
  - Ecuador G/AG/N/ECU/20
  - Hong Kong, China G/AG/N/HKG/19
  - Japan G/AG/N/JPN/119
  - Jordan G/AG/N/JOR/8
  - Latvia G/AG/N/LVA/14
  - Slovak Republic G/AG/N/SVK/50
  - Switzerland G/AG/N/CHE/37
-