

Committee on Agriculture

SUMMARY REPORT OF THE MEETING HELD ON 26 SEPTEMBER 2007

Note by the Secretariat¹

1. The Committee on Agriculture held its forty-ninth regular meeting on 26 September 2007 under the Chairpersonship of Ms. Valeria Csukasi of Uruguay.

2. The agenda of the meeting as set out in WTO/AIR/3070 was adopted.

I. THE REVIEW PROCESS

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

(i) Australia: European Communities (EC) member States subsidies

3. Following up on questions posed in March², Australia sought further information on member State budgetary support to agriculture that was additional to the domestic support financed by the European Agricultural Guidance and Guarantee Fund (EAGGF). Australia understood that, under the EC's internal arrangements, member States were empowered to provide State aids to agriculture financed from their individual budgets, subject to approval by the relevant EC authorities; and that, additional to such State aids, member States were required to contribute, from their own budgets, to part of the costs of financing domestic support under the Common Agricultural Policy (CAP). Consistent with the provisions of Article 18 of the Agreement on Agriculture, Australia asked the EC to provide further information on the State aids to agriculture, including (a) level of expenditure, types of programmes and any product-specific support; and (b) level of member State budgetary expenditure in regard to the CAP domestic support programmes (product-specific and other).

4. The EC clarified that its regular annual notifications to the Committee on Agriculture contained the relevant information on member State budgetary support. The EC also confirmed that such member State support consisted of (a) the national shares in the financing of measures under the CAP, and (b) the State aids approved by the EC. This support was notified by the EC as an aggregate, i.e. together with EAGGF support, in accordance with the different domestic support categories reported in the notification. The EC reiterated that it indeed reported as a single entity.

¹ 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.

² G/AG/R/48, paragraph 25 of Annex 1 refers.

(ii) Australia: Canada's changes of cheese compositional standards

5. With reference to Canada's proposed amendments to the Food and Drug Regulation and the Dairy Product Regulation³, Australia sought details on the expected impacts of the changes to the cheese compositional standards on the increase of milk producers' revenues, including an explanation as to how that increased revenue would be generated, and a breakdown of information by likely sources of increased revenue (e.g., from increased prices for domestically-produced milk proteins for use in cheese-making; from increased prices for milk products used as stock feed as a consequence of alternative market outlets becoming available).

6. Canada reported that a quantitative analysis of the financial impacts of these regulatory proposals on milk producers and cheese processors had been carried out. The quantitative analysis showed that the increase in the estimated milk-to-milk product ratios would result in a need for 4,964,776 hl more milk. It was estimated that, rather than translating into a need for increased milk production, the proposed regulations would imply a shift in current milk utilization towards cheese-making relative to other dairy products. The shift in milk utilization away from lower value products (such as animal feed) towards cheese production would result in an additional \$187,074,459 in revenue for milk producers.

7. The EC highlighted its continued interest in Canada's domestic support to the dairy sector.

(iii) Australia: China's deposit requirements for agricultural imports for processing

8. Australia noted that China was implementing a new policy under which some agricultural products which were imported for further processing would be subject to deposit requirements.⁴ The payment of a deposit would be refundable upon the exportation of further processed products. In this context, Australia wondered whether the domestically-produced like products were subject to similar deposit requirements and, if so, sought information on their implementation.

9. China stated that, in order to avoid double taxation, it applied a policy of importing goods in bond for processing trade. As long as the imported goods were under the supervision of the Customs Office, they were exempted from the import tariff and the VAT, i.e. until they were re-exported in a further processed form. China pointed out that the payment of a deposit was one of the supervision methods adopted by the relevant administrative agencies. Announcement No. 44 of 2007 clearly spelt out the scope and payment level of that deposit, which, in any case, was not to exceed the amount of import tariff and the VAT that would have been paid otherwise. As regards the domestically-produced like products, China indicated that, since importation in bond only applied to imported foreign products, which was the premise for the implementation of a deposit payment, this requirement did not apply to domestic products.

(iv) Australia: Korea's application of Article 9.4 export subsidies since 2005

10. As a follow-up to the March meeting,⁵ Australia asked whether the measures in question remained available and whether grants had been made since the end of 2005.

³ On 16 June 2007, a Regulatory Impact Analysis Statement was published. It concluded that "... the proposed changes to the cheese compositional standards would be expected to have a positive impact on milk producers in terms of a revenue increase of approximately \$187,074,459.00 per year." (*Canada Gazette*, Part I, pp. 1654-1663).

⁴ Ministry of Commerce Announcement No. 44 of 2007 refers.

⁵ G/AG/R/48, para. 75 refers (Korea's response to questions posed by Thailand).

11. Korea responded that the Government had partly supported the packing, sorting and transportation expenditures in connection with the exportation of vegetables, fruit and flowers. Korea considered that such export subsidies were exempt from the reduction commitments undertaken by developing countries, in accordance with Article 9.4 of the Agreement on Agriculture. Korea further indicated that, in 2005, the related expenditures amounted to 28.9 billion Won and that the same level of support would be maintained in 2006.

(v) New Zealand: Canada – New expansion of the Special Milk Class Scheme and implications for exporters of milk components

12. New Zealand noted that the Canadian Milk Supply Management Committee (CMSM) and Canadian Dairy Commission (CDC) had confirmed the expansion of Special Milk Class (SMC) 4(a)1 to allow special pricing for industrial milk used in the manufacture of a number of nutraceutical products such as weight gain formulas, meal replacement products, sports drinks and infant food formulations. New Zealand expressed systemic concerns about the implications of extending the SMC scheme for exporters of milk components and access for such products to the Canadian market. This was why, in 2007, clarification had been sought from Canada as regards the expansion of SMC 5(c) for ice cream novelties, and why New Zealand was compelled again to raise similar concerns, particularly in relation to SMC 4(a)1.

13. New Zealand pointed out that its concerns related more broadly to recent developments in Canadian dairy policy, which, in its view, were likely to have serious implications for New Zealand's dairy exports. In particular, Canada's decision earlier this year to invoke GATT Article XXVIII to restrict milk protein isolates; and the regulatory process relating to compositional standards for cheese (launched by the Government of Canada in February 2007) had been already raised by New Zealand in the framework of the Committee on Agriculture.⁶ As an exporter of dairy products and ingredients with longstanding interest in the Canadian market, New Zealand was concerned that through such measures Canada was undermining its international commitments to provide access to its dairy sector. New Zealand requested Canada to comment on the protectionist trend in Canadian dairy policy and explain, with specific reference to SMC 5(c) and SMC 4(a)1, why the expansion of the SMC Scheme was considered necessary.

14. Canada replied that developments in respect of SMC 5(c) and the "regular" milk class 4(a)1 were a reflection of the changing nature of the domestic demand. Changes in the scope of these classes had been made so as to respond to new market development opportunities as a means to diversify production and innovate; and so as to ensure processors of a steady supply of dairy ingredients.

15. New Zealand recalled that challenges to some aspects of Canada's SMC Scheme had been considered by the WTO Dispute Settlement Body. New Zealand requested that Canada provide the reasoning behind its answer to New Zealand's question⁷ at the last Committee on Agriculture meeting to the effect that the Special Milk Class Program was not subject to notification requirements under either the Agreement on Agriculture or the Agreement on Subsidies and Countervailing Measures. Canada clarified that, except for SMC 5(d), which was found to provide export subsidies under Article 9.1(c) of the Agreement on Agriculture, none of the Special Milk Classes constituted subsidies within the scope of the Agreement on Agriculture.

⁶ See, for example, G/AG/R/48, paras. 26-31.

⁷ G/AG/R/48, para. 35 refers.

16. With reference to Canada's previous statement that there was no way to predict the impacts of the expansion of SMC 5(c) on the purchasing decisions taken by ice cream manufacturers with respect to ingredients,⁸ New Zealand requested information on the actual impact of this measure as well as the monitoring mechanism in place, given that the SMC had now been expanded and implemented. Canada highlighted that ice cream novelty manufacturers accounted for 1.5 per cent of total sales under SMC 5(c) during the year 2006/07. In 2006/07, the value of all dairy ingredients purchased under SMC 5(c) amounted to approximately \$57.6 million. The CDC administered the special classes and monitored the level of milk component sales under these classes.

17. Commenting that the products in question occupied very small niche markets, New Zealand sought information on their value to the Canadian dairy industry under SMC 4(a)1 and 5(c). Canada noted the lack of meaningful data that would allow assessment of the value of the market for the targeted nutraceutical and ice cream novelty products. Canada indicated that ice cream novelty manufacturers accounted for 1.5 per cent of the take-up of SMC 5(c). Although direct conversions in monetary terms were not possible, it could be assumed that this would roughly translate to less than \$1 million in the value of ingredients. As for SMC 4(a)1, which was administered by provincial marketing boards, there was no evidence that expansion of this milk class had resulted in sales of milk component in 4(a)1 for nutraceutical products for the 2006/07 dairy year.

18. Stressing that, in March 2007, Canada had stated that there were no plans for a further expansion of the SMC Program,⁹ New Zealand asked what the Canadian Government was doing to ensure that this remained the case. Canada explained that the CMSMC had authority to take decisions regarding the Special Milk Classes. The CDC, as the administrator of Special Classes and Chair of the CMSMC, consulted regularly with the Government of Canada, notably to ensure that any proposals considered for adoption would be consistent with Canada's trade obligations.

19. New Zealand sought assurances from Canada that the competitiveness of their dairy trade would not be further eroded through the expansion of discounted domestic milk pricing through the SMC Scheme. Clarification was also requested on the CMSMC's decision-making process as regards the SMC Scheme, including with respect to any advisory role performed by the Government of Canada before decisions were actually taken. In particular, New Zealand wondered whether the CMSMC sought advice in relation to the impact on imported products and on international trade obligations. Canada provided the relevant Web links to access such information.¹⁰

20. The EC expressed continuing concerns regarding developments in Canada in this area.

(vi) New Zealand: United States – Mandatory price reporting regulation for livestock and meat

21. New Zealand pointed out that the Agricultural Marketing Service (AMS) of the United States Department of Agriculture (USDA) had notified its intention in the Federal Register of 8 August 2007 to re-establish and revise the reporting regulation for the Livestock Mandatory Reporting (LMR) Program for Swine, Cattle, Lamb, and Boxed Beef. The LMR operated under the *Livestock Mandatory Reporting Act of 1999*. The statutory authority for the programme had lapsed on 30 September 2005 and reauthorizing legislation had been enacted in October 2006.

22. New Zealand asked whether the programme had, to date, delivered the livestock and meat price information that it claimed would be necessary to safeguard US domestic meat producers; and

⁸ G/AG/R/48, para. 34 refers.

⁹ G/AG/R/48, para. 35 refers.

¹⁰ Web links to the information relating to the manner in which pricing decisions are taken for the different classes in the SMC permit Program were provided: (a) http://www.cdc.ca/cdc/index_en.asp?caId=124; and (b) http://www.milkingredients.ca/DCP/article_e.asp?catid=168&page=427.

how price reporting requirements for imported meat had contributed effectively to this purpose. New Zealand considered that the measure required importing companies to disclose commercially sensitive information without necessity or reasonable justification, while also creating burdensome compliance costs for these companies. In New Zealand's view, the measure might therefore impede the flow of trade of the products in question.

23. The United States commented that the Federal Register notice on the proposed rule-making for LMR addressed the questions raised by New Zealand. The open comment period provided a mechanism to submit concerns for consideration in the rule-making process. The LMR was a draft regulation which had not been finalized. However, the comment period for the proposed rule closed on 24 September 2007. Since New Zealand had submitted comments and questions regarding the proposed rule through the formal rule-making process, these had been incorporated in the rule-making process. The United States noted that the possibility to submit comments on this subject had been provided both through the internet site,¹¹ and 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

24. 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 1 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

25. 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 2.

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

26. 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) in the context of domestic support commitments (Tables DS:1 and DS:2): from Mexico (MEX/13/Rev.1/Corr.1), New Zealand (NZL/50 and NZL/51), Trinidad and Tobago (TTO/10) and Tunisia (TUN/39); and
- (b) in the context of export subsidy commitments (Tables ES:1 to ES:3): from Saudi Arabia (SAU/1) and Trinidad and Tobago (TTO/9).

(iv) Points concerning notifications raised at previous meetings

27. The Chairperson 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.

¹¹ See <http://www.regulations.gov>. The United States further noted that this website could also be used to search for information on all pending agricultural regulations and regulations in process, including the text of the draft rules and all related comments which have been submitted.

(v) Counter-notifications

28. 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

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

(vii) Overdue notifications

30. The Chairperson recalled that paragraph 6 of WTO/AIR/3059 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. While noting that 39 new notifications, including 16 in the field of domestic support, had been received since the September meeting of the Committee, the Chairperson underlined that notifications from 78 Members were still outstanding for the period 1995-2001. Moreover, for the period 1995 to 2005, the total number of outstanding domestic support notifications from all Members amounted to 545. The Chairperson emphasized the importance of these notifications within the context of reviewing the application of commitments in general and from the point-of-view of the ongoing agriculture negotiations. The Chairperson urged Members to fulfil their notification obligations as soon as possible.

31. Australia endorsed the Chairperson's comments and stressed that the proper functioning of the multilateral system is reliant on all Members actively participating in it, including through timely and full notification. Australia further called on those Members who provide large amounts of domestic support to submit their outstanding notifications.

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)

32. The Committee held its sixth 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/68).

(i) Statement by China

33. Regarding Value Added Tax (VAT) exemption for some agricultural products, China reported that the products, including grain which farmers produce and sell by themselves to the market were currently exempted from VAT. In the meantime, as many other WTO Members, China granted a VAT rebate for grain products when these were exported. However, pursuant to *the Interim Regulation of the P.R.C. on VAT*, entities involved in domestic purchase or importation of grain (other than producers of primary agricultural commodities) must pay VAT for these products at the rate of 13 per cent, which would be rebated during exportation, at the same rate. China believed that such practice was in line with GATT Article III and with Article 3 of the Agreement on Subsidies and Countervailing Measures (SCM).

34. Regarding VAT exemption for some industrial products, China believed that this issue would be dealt with more appropriately in the framework of the SCM Committee rather than in the Committee on Agriculture.

35. Regarding the disclosure of tariff quota related information to the public, China indicated that, since its accession to the WTO, it had been faithfully implementing its transparency obligations. All information relating to annual tariff quota quantities, application procedures, allocation methods and reallocation mechanisms in place for unused tariff quotas, was promptly published on the website of the competent Government agencies, such as the websites of Ministry of Commerce (MOFCOM) and the National Development and Reform Commission (NDRC). For example, NDRC *Announcement No. 64 of 2006* published information regarding the initial tariff quota allocation for cotton for the year 2007, while NDRC and MOFCOM *Announcement No. 47 of 2007* contained information regarding the reallocation of that tariff quota for 2007. Both documents could be accessed through the NDRC website. China therefore believed that it had fully honoured its commitment on transparency with respect to tariff quota administration.

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

36. The United States expressed appreciation for the information made available on the website. However, in the case of cotton, for example, the tariff quota was relatively small, while the actual imports were well above the tariff quota volume. The United States had concerns regarding these additional increases in imports as well as regarding the administration of the tariff quota for cotton in general.

(iii) Report to the Council for Trade in Goods

37. With respect to the Committee's report on the Transitional Review to the Council for Trade in Goods, the Committee took note that the Chairperson would submit a factual report on her 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.¹²

B. IMPLEMENTATION-RELATED ISSUES

38. The Chairperson noted that the Committee was required to consider three distinct issues under this standing agenda item namely (i) elaborating disciplines on export credits, export credit guarantees or insurance programmes as per Article 10.2 of the Agreement on Agriculture, (ii) examination of the implementation of NFIDC Decision, and (iii) administration of tariff quota regimes and submission of related addenda.

39. As regards the NFIDC Decision, the Committee was also considering the proposal by the African Group¹³ relating, *inter alia*, to the establishment of a revolving fund as a possible means to address short term difficulties of LDCs and NFIDCs in financing commercial imports of basic foodstuffs. A first report had been submitted three years ago to the General Council¹⁴, followed by another factual update in June 2006.¹⁵ The Chairperson indicated that her May and July 2007 reports to the General Council on the Committee's consideration of the proposal by the African Group essentially reiterated that the situation had remained unchanged since May 2006¹⁶. The Chairperson had also indicated that she remained available to hold consultations to resolve this matter.

¹² The report was subsequently circulated in document G/AG/24.

¹³ Paragraph 52 of TN/CTD/W/3/Rev.2 (dated 17 July 2002). The proposal was initially submitted to the Committee on Trade in Development in Special Session.

¹⁴ G/AG/16 (dated 4 July 2003)

¹⁵ G/AG/16/Add.1 (dated 13 June 2006)

¹⁶ G/AG/22 (dated 16 May 2006)

40. Cuba stressed that the disproportionate rise in fuel and food prices had adversely affected governments' ability to guarantee food security for their populations. This was particularly the case for net food-importing developing countries and least-developed countries. Cuba recalled that, in the context of the negotiations on export credits¹⁷, it had submitted a concrete proposal concerning the repayment period mentioned in the Chairperson's Revised Draft Modalities for Agriculture. Cuba also pointed out that some developing countries had supported the granting of additional flexibilities within the new disciplines set out in paragraphs 7 and 8 of Annex D. In Cuba's view, the question of the effective implementation of the Marrakesh Ministerial Decision did not only arise in the negotiation area. It should also continue to be debated in the framework of the regular Committee on Agriculture, pursuant to the Decision taken by the Doha Ministerial Conference. Cuba hoped that the discussions and work would resume on the basis of the proposal submitted by the African Group.

41. 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 Uruguay Round Agreement on Agriculture. Argentina therefore requested that this item be retained on the agenda of the Committee on Agriculture in regular session.

C. OTHER BUSINESS

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

42. In line with past practice, a short and factual draft report for the CTG on the work undertaken by the Committee in the course of 2007 had been circulated before the meeting in order to facilitate Members' consideration of this matter. The Committee took note of the report and agreed that, after updating as appropriate, it would be submitted to the CTG on the Chairperson's responsibility.¹⁸

(ii) Date of next meeting

43. The next (50th) regular meeting of the Committee on Agriculture is scheduled for **Wednesday, 21 November 2007**. The convening airgram will be issued on Friday, 9 November 2007, and the reminder airgram on Friday, 26 October 2007.

(iii) Provisional schedule of meetings for 2008

44. According to the Committee's rules of procedures, regular meetings of the Committee are to be held in March, September and November. The Committee took note of the provisional schedule of meetings for 2008. The dates for each regular meeting would continue to be confirmed at the preceding meeting of the Committee. The question of whether there was a need for a regular meeting in June 2008 would be determined by the Chairperson following the March 2008 meeting in consultation with Members. Moreover, the following schedule may need to be re-visited in light of developments in the agriculture negotiations:

[18 and 19] March 2008

[24 and 25] June 2008

[17 and 18] September 2008

[26 and 27] November 2008.

¹⁷ Annex D, TN/AG/W/4.

¹⁸ The report was later circulated in G/L/828 (dated 5 October 2007).

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Annex 1

Summary of points raised with respect to notifications

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(i) **Table MA:1**

Chile G/AG/N/CHL/24

1. Question by Thailand - What are the criteria used for country allocation of raw and refined sugar? Why are only certain types of end users, namely food industry and sugar processing, eligible for import quota allocation?

The 60,000 tonne, duty-free sugar tariff quota was created as a result of Chile's renegotiation of its bound sugar tariff under GATT Article XXVIII in 2001. The specific country allocation within that tariff quota is the result of the negotiation Chile undertook with its main sugar suppliers in that context. The shares allocated to each country correspond to their respective shares in Chile's sugar imports in the three years preceding the start of GATT Article XXVIII negotiations.

Concerning user eligibility for allocation of the sugar tariff quota, the current arrangement responds to the fact that the food industry is the main user of imported sugar in Chile.

United States G/AG/N/USA/57

2. Question by Thailand - What are the criteria used for country allocation of raw and refined sugar? Why did some countries like Dominican Republic and the Philippines receive a large proportion of the sugar tariff quota? Why do others like Thailand receive a much smaller volume? What is "specialty" sugar?

The allocations for raw sugar are based on historical shipments during 1975-81. The allocations to Canada and Mexico for refined sugar are also based on historical shipments. The remainder of the refined sugar tariff quota is unallocated. All allocation shares are based upon trade during 1975-81. The Dominican Republic shipped the largest quantity of sugar to the United States during 1975-81. Thailand's share is also based upon its sugar shipments to the United States during 1975-81, a period during which Thailand did not ship much sugar to the United States.

Specialty sugar is a sugar that fits the following criteria: brown slab sugar (also known as slab sugar candy), pearl sugar (also known as perl sugar, perle sugar, and nibs sugar), vanilla sugar, rock candy, demerara sugar, dragees for cooking and baking, fondant (a creamy blend of sugar and glucose), ti light sugar (99.2 per cent sugar with the residual comprised of the artificial sweeteners aspartame and acesulfame K), caster sugar, golden syrup, ferdiana granella grossa, golden granulated sugar, muscovado, molasses sugar, sugar decorations, sugar cubes, organic sugar, and other sugars, as determined by the U.S. Trade Representative, that would be considered specialty sugar products within the normal commerce of the United States. In addition, specialty sugars must be described in subheading 1701.11.10, 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10, or 2106.90.44 of the Harmonized Tariff Schedule (HTS) of the United States.

(ii) **Table MA:2**

Australia G/AG/N/AUS/66

3. Questions by the Philippines - Could Australia please elaborate on the change made in the reporting period of imports under tariff quota from calendar to financial year basis, particularly on un-manufactured tobacco? How would this change improve the transparency of tariff quota fill rates?

Australia has changed its reporting period for MA:2 notifications from a calendar to financial year basis in an effort to increase transparency. There has not been any change in the administration of these tariff quotas.

Since 1995, Australia had been notifying in-quota imports on a calendar year basis, however the Australian cheese and curd tariff quota has been administered on a financial year basis (July-June). Moving from a calendar to a financial year basis synchronises the WTO reporting period with the tariff quota administration period, improving the clarity and consistency of presentation of tariff quota fill rates.

Changing the reporting period basis has no implications for the Australian un-manufactured tobacco tariff quota, which, as outlined in the notification, has not been applied since 1 January 1995. The customs duties for all imported goods under HS heading 2401 are set at zero.

4. Question by the Philippines - With reference to footnote 1, could Australia provide more information on how its collection of excise equivalent duty on imports of un-manufactured tobacco ensures consistency in treatment for both imported and domestic goods in the Australian market?

Where goods that would otherwise be subject to excise are imported, the Australian *Customs Tariff Act 1995* provides for the equivalent amount of excise duty to be collected upon importation. This allows for equity in the tax treatment of both domestic and imported excisable goods.

The principle of "national treatment" (imported products should not be subject to any internal taxes or charges in excess of those applied to like domestic products) is found in Article III:2 of GATT 1994 and allows the excise equivalent duty to be applied to imports of un-manufactured tobacco.

5. Questions by the Philippines - In footnote 2, it was indicated that the reported tonnage does not include tobacco which is imported temporarily and subsequently re-exported. Does this data reporting procedure also apply to previous notifications on un-manufactured tobacco, e.g., in G/AG/N/AUS/55? If not, could Australia provide the reason for this change in data notification?

The additional information provided by Australia is aimed at improving the transparency of tobacco import data. It is important to remember that the Australian un-manufactured tobacco tariff quota has not been applied since 1 January 1995. The customs duties for all imported goods under HS heading 2401 are set at zero.

The technical reason for the improvement is as follows. In previous notifications, there was a negligible difference between the amounts of un-manufactured tobacco imports entering the Australian domestic market and total un-manufactured tobacco imports (domestic plus re-exports). This situation changed in 2003/04. For this reason Australia has decided to provide additional information on the composition of tobacco imports.

Chinese Taipei G/AG/N/TPKM/50

6. Question by Thailand – Please clarify why there were no imports of banana (08030000), mango (08045020), and shaddock (08054020), despite the fact that the proportional volumes of import quota are allocated on an MFN basis. Request for detailed additional information regarding tariff quota administration and import requirements for these 3 products.

The reason for the nil tariff quota fill rate for bananas, mangoes and shaddocks is that the related products from the main exporting countries do not meet with Chinese Taipei's SPS requirements. In addition, the tariff quota administrative process for bananas is on a "first-come, first-served" basis, and for mangoes and shaddocks it is by auction. For further information, please visit the website: <http://www.bot.com.tw>.

Follow-up comments: Thailand noted that since this issue related to SPS requirements, Thailand would follow up with any further comments or questions in the SPS Committee.

Tunisia G/AG/N/TUN/37

7. Question by Canada - Can Tunisia explain the low fill rate for milk powder in 2005 and 2006?

The tariff quotas for the covered products – including milk powder – are open, in accordance with the tariff quota management procedure issued and notified to the Committee on Agriculture. Imports of milk powder and other tariff quota products reflect market demand for imports, and the low fill rate of this particular tariff quota is due to the fact that there was little intention to import during the periods in question.

8. Questions by the United States - The United States continues to notice that there is low quota fill for almonds. We feel that the tariff quota administration could be more transparent. We also wonder whether the higher valued tax on imported almonds over domestic products (22.5 per cent vs. 18 per cent); or the 10 per cent advance in income tax paid on tree nuts; could also be possible causes for the underutilization of the almond tariff quota.

The tariff quota management and allocation procedure is contained in Decree No. 1119, published on 10 June 1996 and establishing the procedure for tariff quota management. The Decree provides for three alternative tariff quota management methods. The choice of method is based on the rules of the GATT 1994 and on other relevant provisions of the WTO Agreements. In practice, the choice of method affects neither agricultural import transactions nor the importers themselves. Indeed, the distribution of tariff quotas over the past few years has been conducted according to the traditional flow method, which ensures that new importers have a share of economic interest.

As regards VAT, there is no discriminatory impact on the imported product. Indeed, any importer registered for VAT that sells the imported product to a buyer subject to VAT, charges tax on the cost price of the imported product increased by its value added, at a rate of 18 per cent. The 22.5 per cent rate applies only when the imported product is re-sold by the importer to a buyer that is not subject to VAT. The importer charges VAT at the increased rate of 22.5 per cent, and deducts the 22.5 per cent VAT amount paid at the time of importation.

The 10 per cent pre-payment due on certain imports is an advance in income tax or business tax, not a consumption tax. It is deducted from the total tax amount payable. Any amount paid in excess is refunded to the importer. The advance payment is for tax base control purposes and to ensure a more effective collection of taxes. It does not in any way increase the overall tax amount

paid. It does not, therefore, place any restriction on almond imports (reply provided subsequent to the meeting).

Follow-up comments: The United States noted continuing concerns regarding Tunisia's organization and structure of tariff quota administration.

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

Japan G/AG/N/JPN/128

9. Questions by Australia - Australia notes that the SSG was triggered several times on food preparations, i.e. on HS 1901.90.179, during the reporting period. What was the duration of the application of the price-based SSG ? Where volume-based SSG actions have been triggered (HS 0401.20.190 and HS 0402.21.119), can Japan please indicate the corresponding trend in domestic production for these products?

A price-based SSG measure is applied to every individual freight whose importing price falls below the trigger price. A price-based SSG is not invoked for a certain duration but applied on a freight-by-freight basis. There is no data of domestic production available for each tariff line in Japan. However, the product-based data, which includes relevant tariff lines, show a slight decline in the level of domestic production for recent years. For example, domestic production of drinking milk (including HS 0401.21.119) was 4,957 thousand tonnes in 2003 and 4,738 thousand tonnes in 2005. More detailed data are available in Japan's national data *Food Balance Sheet*.¹⁹ For reference, whole milk powder (HS 0401.21.119) was subject to a price-based SSG.

10. Question by Thailand - Please clarify, with detailed calculation, the consistency of Japan's invocation of volume- and price-based SSG for the following products: HS 0401.20.190, HS 0402.21.119, HS 1006.30.090, HS 2106.90.119, HS 2106.90.129 with Article 5 of the Agreement on Agriculture.

The price- and volume-based SSG measures in question were invoked in a consistent manner with Article 5 of the Agreement on Agriculture. The calculation details are indicated in the following notifications: G/AG/N/JPN/121, JPN/41, JPN/75, JPN/116 and JPN/35.

Chinese Taipei G/AG/N/TPKM/49

11. Question by Thailand - For each notified product, please clarify with detailed calculations, Chinese Taipei's invocation of the price-based SSG, as well as consistency with Article 5 of the Agreement on Agriculture.

The use of 1990 to 1992 as the reference period for the calculation of the SSG price trigger is in accordance with Chinese Taipei's accession commitments. Details of the calculations are shown in the notification concerned, and are in accordance with footnote 2 of the Agreement on Agriculture.

¹⁹ See <http://www.kanbou.maff.go.jp/www/fbs/fbs-top.htm>

(iv) **Table DS:1**

Brazil G/AG/N/BRA/23

12. **Questions by Australia - Supporting Table DS:1 – Can Brazil provide further information on expenditure relating to infrastructure and acquisition of equipment, currently notified under paragraph 2(a), of Annex 2 — including whether this expenditure may be more appropriately notified under paragraph 2(g)? Can Brazil also confirm that such expenditure on infrastructure is directed to the provision or construction of capital works only in accordance with the requirements of paragraph 2(g)?**

Expenditure on general services relating to research (under paragraph 2(a)) includes basically operation and maintenance of public agricultural research stations and operation and maintenance of public meteorological observation stations. In principle, the activation of any programme of price support mechanism occurs when the market price is below the minimum price. The minimum prices are annually established taking into account prospective scenarios of the products, production costs for different regions, and an international parity price. This methodology allows for lower levels of governmental intervention, as market prices, as a rule, are minimum prices. Nevertheless, the activation of the programmes depends on the budget availability at the moment. For this reason, the usage of existing mechanisms is limited to frontier regions far from consumption areas, sites with inadequate infrastructure, or regions with high percentages of low-income or resource-poor producers.

13. **Question by the EC - Supporting Table DS:1 - Brazil notifies US\$133 million for "Agrarian organisation and agrarian reform settlement". Could Brazil give a description of the type of support covered under this heading in 2004?**

Expenditures on "Agrarian organisation and agrarian reform settlement" include: preparatory actions and resources to buy land; infrastructure to agrarian reform settlement; consolidation and emancipation of agrarian reform settlements; capacity building and actions to alleviate agrarian conflicts; education services to the beneficiaries of agrarian reform settlements; social, technical and judicial assistance to the beneficiaries of agrarian reform settlements.

14. **Questions by the EC - Supporting Table DS:1 - Public stockholding for food security purposes - Brazil notifies US\$65.3 million under this heading (up from US\$5.9 million in 2003) stating that the expenditures cover the "*difference between the market price of the stocks and their acquisition price plus charges*". Could Brazil inform, per product: (a) what quantities for food security purposes were acquired during the reporting period? (b) how the market price and the acquisition price for public stockholding were established during the reporting period? (c) the average per unit difference for the year 2004 between the acquisition price and the market price? Have differences between the acquisition prices and the external reference prices been accounted for in the AMS? If so, how much was accounted for? (d) what quantities were released from stockholding for food security purposes? What methods for stock disposal, such as auction or fixed price sales, were used? What quantities from public stockholding for food security purposes have been released specifically for domestic food aid?**

The notification under this heading includes only management of the food supply system, and pest and disease control of public stocks. The public stock is made under minimum price support measures (notified as such), and at market price from low-income and resource-poor farmers under *Programme to Strengthen Household Agriculture* (PRONAF). The expenditures of the latter in 2004 were US\$ 40 million, mainly for acquisition of beans.

15. **Questions by the EC - Supporting Table DS:1 - Domestic food aid - Brazil notifies US\$347.8 million and mentions that domestic food aid concerns "*activities related to expenditures with food assistance programmes targeted to the poor*". Could Brazil give examples of such activities? Have quantities of domestic food aid been provided from sources other than public stockholding for food security purposes? If so, at what prices have these quantities been procured?**

The only activity notified under this heading was expenditures of public schools for acquisition of food.

16. **Questions by the EC - Supporting Table DS:5 - Price support - In 2003/2004, in most cases, the applied administered price is under the external reference price whereas in 1995 the support price was higher than the external reference price. Has any price support been operated in 2003/2004 with the administrative prices notified in column 4 on page 8? If so, what support mechanisms were used? Why is, with the exception of maize and wheat, the eligible production for price support zero in 2003/04? Why is the price support indicated in Supporting Table DS:5 negative whereas the support given for "*public stockholding for food security purposes*" notified in the Green Box is positive?**

The administered price was notified in Supporting Table DS:5. The mechanism utilized to support maize and wheat were acquisitions by the Government through AGF (Federal Government Acquisition) or through Contract Option as notified. The mechanisms of price support were not put in practice because the minimum price was below the market price and/or because there was no budget available to fund these programs. The measures notified as Green Box were only related to the management of the food supply system, and pest and disease control related to the public stocks.

17. **Questions by the EC - Supporting Table DS:5 - Price support - Could Brazil explain the difference in functioning between the two price support measures "*Minimum price support*" and "*Contract option acquisition*" for wheat and maize?**

When support is notified as "minimum price support", it means that the Government bought the product directly from producers, usually after the harvest period, paying the minimum price established at the beginning the agricultural year.

When support is notified as "Contract option acquisition", it means that the Government bought the product directly from producers paying the minimum price established at the beginning of the agricultural year and added the cost of carrying the stock for a few months. Usually, the contract option is released during the harvest period to be exercised a few months ahead.

18. **Questions by the EC - Supporting Table DS:7 - Other product-specific support –**

- i. **Please describe what measures are contained under "*production & marketing credit*" mentioned in column 3?**

The programmes under "Production and Marketing Credit" are (a) mandatory private credit to be lent to producers in which the Government establishes the interest rate; (b) credit where the Government provides equalization of interest rate; and (c) Governmental credit with interest rates below market interest rate.

ii. How does this measure differ from the production credit notified in Supporting Table DS:2?

The production credit notified at Supporting Table DS:2 refers only to the production credit provided to low-income and resource-poor farmers under "*Programme to Strengthen Family Agriculture*" (PRONAF) and investment credit (Article 6.2). The Supporting Table DS:7 refers to the remaining production credit and all the marketing credit provided to farmers eligible for the programme.

iii. Why does Supporting Table DS:7 not show a heading "*debt rescheduling programmes*" like the ones mentioned in Supporting Tables DS:7 and DS:9?

This is because the debt rescheduling programmes were not related to specific products.

iv. Do the amounts notified in Supporting Table DS:7 represent the interest benefit that accrues to the producers (i.e. the difference between the interest rate for the credits notified and representative market rates at the time)?

Yes. The amounts notified represent the interest benefit that accrues to the producers.

v. If so, what was the average interest benefit expressed in percentage points over the reporting period?

The interest rate for the main production and marketing credit was 8.75 per cent, and SELIC interest rate (used as representative market rate) was 10.98 per cent for the same period.

vi. Are support elements other than interest benefit included in the amounts notified in Supporting Table DS:7?

Yes. PEP for cotton, maize and wheat, as notified.

vii. What were the total credit availabilities and how much credit was used of those availabilities for all credit programmes notified under Supporting Tables DS:2, DS:7 and DS:9 taken together?

The availability for credit programmes benefiting from more favourable conditions were R\$24.4 billion, as notified, and the credit used was R\$19.1 billion in 2004. Regarding the debt rescheduling programs, the debt in values of December 2002 under "*Securitização*" Programme and under PESA Programme were R\$7.9 billion and R\$8.7 billion, respectively, but the cost estimates to the Government were actually much higher. The values notified reflected not the debt values but the cost to the Government during the implementation of the programmes.

viii. Can Brazil confirm that there are credit facilities for milk? If so, where were the benefits accruing to the producers notified?

Yes. There is credit available for milk under the same conditions as for the other sectors/products. This kind of benefit is notified as non-product-specific because there is no allocation of credit for specific sectors/products. Nevertheless, even with no product-specific credit allocation, Brazil notifies as product-specific support all the credit provided for products covered by minimum prices (this is not the case of milk).

19. **Question by the United States - It appears that the following has been omitted from the calculations. Please explain. Brazil reports under "Contract Option Acquisition" for maize and wheat but the Ministério da Agricultura, Pecuária e Abastecimento (MAPA)/CONAB reports "Contract Option Acquisition" expenditures for maize, wheat, cotton, rice, and sorghum.²⁰**

Attachment 1²¹ provides the information of all contracts sold by CONAB. The term "Contract Option Acquisition" refers only to the contracts exercised by CONAB. As no cotton, rice, or sorghum contract was exercised in this period, the title "Contract Option Acquisition" was not notified.

20. **Question by the United States - The notification reports other product-specific budgetary outlays for marketing support for cotton, maize and wheat under the PEP (Prêmio para Escoamento de Produto) programme. However, MAPA/CONAB also includes US\$2.39 million (R\$5.13 million) in PEP subsidies for cotton, and these are not included in the notification.²²**

Attachment 2²³ provides data from September 2004 to December 2004, and the notification covers the period from July 2003 to June 2004.

21. **Question by the United States - There is no notification for animal products, however Banco do Brasil reports livestock commodity-specific credit for production and investment.²⁴**

Credit for production and investment for animal products is notified as non-product-specific, as the budget for production and investment credit is not allocated to specific sectors and/or products. Only credit provided for products with minimum price established is notified as product-specific.

22. **Question by the United States - Regarding debt rescheduling (Supporting Tables DS:2 and DS:9), how is Brazil differentiating between the US\$16.3 million in S&D debt rescheduling versus the US\$679 million in non-product-specific AMS debt rescheduling? The amount of rural debt increased significantly in 2004 and 2005, and continues to be rescheduled. Total rural debt (public and private) is currently estimated at R\$131 billion (US\$69 billion, at the current exchange rate): how is Brazil categorizing the debt rescheduling?**

The only reason for categorizing the debt rescheduling is because part of it comes under programmes for low-income and resource-poor producers. Therefore, Brazil considers that this must be notified under Article 6.2. The previous notification covering 1998/1999 to 2002/2003 (G/AG/N/BRA/22) presents the figures broken down according to this categorization as well.

23. **Question by the United States - Regarding market price support (Supporting Table DS:5), according to a table previously published on MAPA's website (and now missing), Brazil spent R\$200 million on contract option acquisitions for the specified amount of corn and R\$282 million for wheat. Given this, how can the total market price support be negative?**

"Contract Option Acquisition" is clearly market price support. Therefore, the methodology to calculate the subsidy is based on the difference between the price of support and the reference price. As the price of support is lower than the reference price for corn in 2003/2004, there was no subsidy to be notified. Both figures were notified and can be calculated simply by multiplying "applied

²⁰ See www.conab.gov.br/conabweb/download/comercializacao/operacoes_2003/14-vda-produto-uf.xls.

²¹ This Attachment was not made available to the Secretariat.

²² See www.conab.gov.br/conabweb/download/comercializacao/operacoes_2004/08_pep.xls.

²³ This Attachment was not made available to the Secretariat.

²⁴ See www.bcb.gov.br/htms/CreditoRural/2003/rel5114.pdf.

administered price" (column 4) for "eligible production" (column 6) less "associated fees/levies" (column 7). The results are US\$69.9 million for maize and US\$101.1 million for wheat.

24. Questions by the United States - Regarding product-specific AMS, how is Brazil calculating the outlay for PEP in US dollars? According to MAPA (in the table), the 2004 PEP expenditure published by MAPA in R\$ million is nearly the same as the amount notified to the WTO in US\$ thousands. What exchange rate is Brazil using? Does the WTO notification cover bureaucratic costs not published elsewhere?

The PEP expenditures published by MAPA are the same as the amount notified to WTO. Nevertheless, the MAPA table provides data from September 2004 to December 2004, and the present notification covers the period from July 2003 to June 2004.

25. Questions by the United States - What programmes are included under "Production and Marketing Credit"? This year was a low point for "commercialization support" in Brazil. Usage of PEP began in 2004, PROP began in 2005, and PEPRO began in 2006. In these three programmes alone, the MAPA table states that the cost increased from R\$47 million in 2004, to R\$540 million in 2005, to R\$1,672 million in 2006. Meanwhile, the Real has appreciated approximately 40 per cent against the US dollar since July 2004 (making the expenditure per cent increase even greater in US dollars than in R\$).

The programmes under "Production and Marketing Credit" are mandatory private credit to be lent to producers in which the Government establishes the interest rate; credit where the Government provides equalization of interest rate; and Governmental credit with interest rates below market interest rate. The 2003/2004 notification actually reflects the very low level of governmental intervention during this period. Usage of PEP began in 1995, not in 2004 (see notifications covering the previous reporting periods). In fact, recent exchange rate movements with the Real appreciating against the US dollar increased expenditures in US dollars to a greater extent than in R\$. It is to be noted, however, that the value of production measured in US dollars has also increased.

Follow-up comments: In relation to Brazil's response to the first question, the United States noted that Attachment 1²⁵ seemed to have a lot of values for cotton, rice and sorghum and it seemed that those were not acquisitions or expenditures made under the contract options acquisition programme. The United States expected to have follow-up questions at the next meeting.

Mexico G/AG/N/MEX/13/Rev.1

26. Question by Australia - Supporting Table DS:1 - In the reporting period 1999, Mexico's total expenditure on programmes listed under General Services relating to infrastructure was 475.4 million constant 1991 pesos. This included expenditure on infrastructural works in: irrigation areas, storm zones, non-agricultural production, and livestock. Can Mexico confirm that expenditure on infrastructure is directed to the provision or construction of capital works only, and is in conformity with paragraph 2(g) of Annex 2, which excludes the subsidized provision of on-farm facilities and subsidized inputs or operating costs? Can Mexico provide an outline of the infrastructure projects that received funding in 1999? Can Mexico confirm that expenditure on infrastructural work in non-agricultural production provides services or benefits to agriculture or the rural community in accordance with the chapeau of paragraph 2 of Annex 2?

²⁵ This Attachment was not made available to the Secretariat.

In response to the question concerning expenditure on infrastructure, support listed in this category comes under General Services and is in conformity with paragraph 2(g) of Annex 2 of the Agreement on Agriculture. Resources are destined for irrigation districts in order to maintain dams and water drainage channels and to prevent flooding, thus protecting potentially vulnerable production areas.

Regarding the question on infrastructure projects, Mexico has 6.5 million hectares under irrigation, of which 24 per cent is estimated to have efficient water-use and –saving systems. In order to develop, operate and maintain the hydro-agricultural infrastructure, the National Water Board (*Comisión Nacional del Agua – CONAGUA*) implements a variety of programmes aimed at encouraging the efficient use of water in farming activities and protecting the soil from salinity. These include the programmes for the rehabilitation and modernization of irrigation areas and sustainable use of the Río Bravo and Lerma Chapala basins.

As regards the third question concerning expenditure on non-agricultural infrastructure projects, there is an error or a misunderstanding stemming from the translation, since the report concerns non-hydraulic agricultural production, which is not the same as non-agricultural production. Mexico requested that the Secretariat issue a revision to correct this mistake²⁶.

27. Question by Australia - Supporting Table DS:2 - (2001) - Australia notes that electricity subsidies are generally available to low-income and resource-poor producers. Can Mexico please provide more information about this programme, specifically the criteria under which applicants are eligible to receive payments, the method of programme administration and the nature of these payments?

The answer relating to the question on the strategic inputs support scheme can be found in Supporting Table DS.2. Support is provided in the form of a preferential rate set by the Ministry of Finance and Public Credit and is granted to low-income producers using agricultural pumping and re-pumping equipment. The support covers expenditure up to a certain threshold, estimated on the basis of extraction volume per fiscal year, dynamic load, minimum electro-mechanical pumping performance, and average annual consumption for lighting on the site where the pumping equipment is located.

The scheme defines low-income producers as producers with a maximum of 20 hectares of irrigated land or up to 40 hectares of rain-fed land and whose main activity is agriculture; or livestock producers with up to 70 head of cattle in tropical zones or up to 50 head in the rest of the country, or their equivalent in small livestock; or aquaculture producers with an output capacity of up to 100 tonnes who use semi-intensive farming methods.

28. Question by Australia – Supporting Tables: DS:4 – (2004) - Australia notes that a production value for cotton is not available despite cotton receiving a product-specific AMS or equivalent measure of support. When will Mexico provide the missing production values for cotton?

Mexico did not have the production value for cotton at the time of notification in 2004, and it was therefore reported as "not available". In 2004, the production value for cotton amounted to 414.96 million 1991 pesos. An addendum will be sent to the Secretariat for incorporation in the relevant notification.

²⁶ G/AG/N/MEX/13/Rev.2, dated 25 October 2007 refers.

(v) **Table DS:2**

Mexico G/AG/N/MEX/14

29. **Questions by Canada – Would Mexico please explain how the following measures meet the policy-specific criteria of the stated paragraphs in Annex 2: *Temporary Employment Programme* – paragraph 13; *Programme for Acquiring Water Use Rights (PADUA)* – paragraph 12; *Comprehensive Programme for Sustainable Agriculture and Conversion of Production in Areas Liable to Recurrent Damage (PIASRE)* – paragraph 12.**

Temporary Employment Programme: This programme is intended to alleviate the structural problem affecting rural employment, especially in highly or very highly marginalized areas²⁷, by encouraging sustainable agricultural production in keeping with the prevailing regional and micro-regional conditions and by applying technologies tailored to such conditions. Activities under the programme include tilling and conservation; clearing, building and repairing terraces; creating and rehabilitating orchards and forest plantations; digging ditches and laying pipes for the installation of irrigation systems; cleaning drainage trenches and canals; rehabilitating harvest tracks; repairing fences and regenerating pastureland; building drinking troughs; backyard infrastructure; and plantations in arid zones.

Programme for the Acquisition of Water Use Rights (PADUA): The aim of this programme is to promote the sustainability of irrigation districts facing water supply problems, primarily as a result of recurrent droughts and the evident decrease in sources of supply, determined in the technical studies conducted by the National Water Board (*Comisión Nacional del Agua* – CAN), through the acquisition of concessionary rights granted by the CAN for the exploitation, use or development of water resources for agricultural, livestock or forestry purposes. In particular, it is intended to promote the recovery of volumes of water for aquifers and hydrological basins and to support producers in such a way that, on the basis of joint responsibility and commitment criteria, the medium- and long-term viability of the sustainability of water supply sources for agricultural, livestock and forestry use is guaranteed.

Comprehensive Programme for Sustainable Agriculture and Conversion of Production in Areas Liable to Recurrent Damage (PIASRE): The aim of this programme is to promote, as a preventive measure and depending on agro-ecological conditions, the sustainable development of regions and areas frequently affected by adverse weather that lowers productivity, by converting production to sustainable schemes as an alternative in order to make better use of local natural resources, and encouraging the development of comprehensive projects.

Switzerland G/AG/N/CHE/35/Rev.1

30. **Questions by Australia – Supporting Table DS:1 - The land improvement payments for the renovation of basic agricultural infrastructure or the rehabilitation of cultivated land following severe weather conditions or a rockfall or landslide have been notified as "infrastructural services, including land improvements". In view of the provisions contained in paragraph 2(g) of Annex 2, and noting that the contributions are also for the rehabilitation of cultivated land, can Switzerland-Liechtenstein confirm that none of the payments are for on-farm infrastructure or land improvements?**

²⁷ On the basis of the Marginalization Index calculated by the National Population Council (*Consejo Nacional de Población* – CONAPO).

The contributions paid following severe weather conditions were moved from paragraph 8 to paragraph 2 in 2007, the reason being that these are not payments to producers but allocations to the cantons, which are managed by the cantons themselves – at times through the communes. They are general services, and it is therefore entirely fitting that they should come under paragraph 2(g). Under this programme, payments for the rehabilitation of cultivated land represent a minimal share of the contributions paid following severe weather conditions, which are chiefly destined for the rehabilitation of public farm tracks. For the years 2002-2004, for example, such payments accounted for 1.6 per cent of the total amount notified under paragraph 2(g). The term "land improvement", in the case of contributions paid following severe weather conditions, does not imply improvements of any kind, only rehabilitation.

31. Question by Australia - Can Switzerland-Liechtenstein please explain how they distinguish between cultivated land and on-farm land?

The term "cultivated land" is used in a broader sense than the term "on farm land". The term "cultivated land" includes on-farm land, summer pasturing areas and environmental compensation areas, such as river banks, for instance. The term "cultivated land" is used in paragraph 1 of the notification because it is the most encompassing.

Annex 2

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):
- El Salvador G/AG/N/SLV/28
 - Guatemala G/AG/N/GTM/32
- (ii) imports under tariff and other quota commitments (Table MA:2):
- Chile G/AG/N/CHL/25
 - China G/AG/N/CHN/11
 - Guatemala G/AG/N/GTM/33
 - New Zealand G/AG/N/NZL/48
 - Panama G/AG/N/PAN/13
- (iii) special safeguard (Tables MA:3 to MA:5):
- Australia G/AG/N/AUS/67
 - Canada G/AG/N/CAN/68
 - New Zealand G/AG/N/NZL/49
 - Tunisia G/AG/N/TUN/38
- (iv) domestic support commitments (Table DS:1):
- Armenia G/AG/N/ARM/12
 - Bahrain G/AG/N/BHR/4
 - Costa Rica G/AG/N/CRI/19/Corr.1
 - Georgia G/AG/N/GEO/7
 - Georgia G/AG/N/GEO/8
 - Hong Kong, China G/AG/N/HKG/22
 - Japan G/AG/N/JPN/129
 - Korea G/AG/N/KOR/37/Corr.1
 - Macao, China G/AG/N/MAC/21
 - New Zealand G/AG/N/NZL/46
 - Nigeria G/AG/N/NGA/5
 - Trinidad and Tobago G/AG/N/TTO/8
- (v) new or modified domestic support measures exempt from reduction (Table DS:2):
- Armenia G/AG/N/ARM/11
- (vi) in the context of export subsidy commitments (Tables ES:1 to ES:3):
- Chile G/AG/N/CHL/23
 - China G/AG/N/CHN/12
 - Georgia G/AG/N/GEO/9
 - Japan G/AG/N/JPN/127
 - Macao, China G/AG/N/MAC/20
 - New Zealand G/AG/N/NZL/47
 - Nigeria G/AG/N/NGA/6
 - Trinidad and Tobago G/AG/N/TTO/7
-