

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Negotiations on Agriculture

Domestic Support

Communication from Australia

The following communication, dated 30 April 1999, has been received from the Permanent Mission of Australia.

1. Australia submitted the Cairns Group Vision Statement in WT/GC/W/156 which sets out the Group's objectives for the agriculture negotiations. The following specific proposal is consistent with that Statement and is presented for consideration in the preparatory process.

2. Proposal

2. That, as part of the agriculture negotiations, Members agree to major reductions in domestic support for all agricultural products, resulting in the elimination of all trade distorting domestic subsidies with only non-distorting forms of support permitted thereafter.

3. Background

3. Levels of support to agriculture in OECD countries remain at very high levels, with US\$280 billion in total transfers to agriculture in 1997 in these countries. Many of the support measures being used, especially by developed countries, fall into the AMS or bluebox categories and are trade and production distorting. Such domestic support policies have negative effects on trade and agricultural policies. The high levels of support encourage overproduction and are the root cause of problems that emerge on world markets.

4. The Uruguay Round placed limits on the level of AMS support which can be provided and these levels are being reduced by 20 per cent. Only 28 Members have AMS support subject to reduction. Developed country Members account for around 90 per cent of that support. So-called "bluebox" subsidy measures, which have only been used by five WTO Members, remain uncapped. The elimination of all such trade distorting domestic support for all agricultural products is required in order to meet the objectives of establishing a fair and market-oriented agriculture trading system and of correcting and preventing distortions in world agriculture markets. It is consistent with the objective of putting trade in agricultural goods on the same basis as trade in other goods.

5. Members will still be permitted to provide non-trade distorting support to their agricultural producers to pursue objectives including improvements in infrastructure, research and training, income support, disaster relief, investment and the environment.