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**Working Party on the
Accession of Viet Nam**

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ACCESSION OF VIET NAM

Domestic Support and Export Subsidies in the Agricultural Sector

Addendum

The following submission, dated 5 October 2004, is being circulated at the request of the Socialist Republic of Viet Nam.

- Supporting Table DS:1

Question 1

Viet Nam had notified two structural adjustment programs: one under producer retirement programs, the other under investment aids. Viet Nam explained that it had moved the program that was previously notified under producer retirement programs to investment aids and combined it with the program already notified there.

Based on Viet Nam's description of these two programs, it is not clear to us that the program that pays farmers to convert agricultural land into non-agricultural uses should be notified as an investment aid. It would seem to us that this program better meets the criteria of resource retirement (paragraph 10 of Annex 2 to the Agreement on Agriculture). The key difference between the two programs is that one converts land to non-agricultural uses, the other does not. Therefore, we would ask Viet Nam to consider moving this program to the resource retirement category.

Answer:

Structural adjustment assistance provided through resource retirement programmes is aimed at moving production from the low-efficient and unstable crops to other purposes, such as afforestation and aquaculture.

Structural adjustment assistance provided through investment aids is aimed at moving land areas from ineffective and unstable-income cultivation of rice and some crops to higher-income cultivation of other crops or animal husbandry.

In general, these two kinds of assistance programs provide partial cash amount for purchasing animals and plant breeds or covering the cost for land reclamation. Their common objective is to encourage the restructure of agricultural production.

Based on the comments and suggestions of some WTO Members, Viet Nam has merged these two programs into the structural adjustment assistance provided through investment aids. We, however, would be open to further discussion with Members of the Working Party to decide whether to keep the notification as it is or to return to our previous notification.

Question 2

Concerning the program that has always been notified under investment aids, can Viet Nam confirm that the program does not mandate or in any way designate the agricultural products to be produced by the recipients except to require them not to produce a particular product.

Answer:

As stated above, "investment aid" is aimed at encouraging the restructure of agriculture land. Viet Nam would like to confirm that it does not mandate or in any way designate the agricultural products to be produced by the recipients. In addition, it does not require the recipients to produce any particular product.

- Supporting Table DS:5

Question 3

For rice, we agree with Viet Nam that if the support is negative it should be set to zero in column 8. However, it is not clear to us why eligible production for rice was set to zero for 2001, when Viet Nam has entered an applied administered price in 2001.

If the program was not operational in 2001, Viet Nam should set the applied administered price to zero as well. But, Viet Nam should keep in the external reference price since the 3-year average (1999-2001) will serve as the fixed external reference price for rice should Viet Nam decide to introduce such a measure in the future.

Answer:

The program was not operational in 2001, and the applied administered price was erroneously inscribed in the table. Viet Nam would like to confirm that it has taken the comment and has adjusted the notification accordingly.

Question 4

For sugar, we reiterate our position that Viet Nam should only use the market price support program - it cannot notify import licensing and authorized/designated importers as market price support for the purposes of these calculations. It also cannot use internal prices for the applied administered price. The applied administered price must be the price announced by the government.

Answer:

Viet Nam would like to confirm that it has taken the comment and has adjusted the notification accordingly.

Question 5

In response to our previous question, Viet Nam described its price support program for sugar as being provided by means of a minimum purchasing price for sugar cane (e.g., VND 240,000/tonne of sugar cane) and other market intervention measures. Please describe these other market intervention measures?

Answer:

In addition to minimum purchasing price for sugar cane, the government of Viet Nam also intervened in the sugar market by ways of import licenses, designation of importers where necessary.

Question 6

In response to our question concerning market price support for other products, Viet Nam notes that it applied minimum purchasing price for cotton. Please explain why Viet Nam has not calculated market price support for cotton in this table. If there are technical problems, the WTO Secretariat may be able to assist Viet Nam with this calculation.

Answer:

Cotton produced in Viet Nam is not of the same type as the common cotton available in the international market (in terms of fibre quality and length). Therefore, the price of domestic cotton cannot be comparable with that of international cotton. As the comparable international reference price is not available, Viet Nam has chosen to notify in DS:7 instead of DS:5. We would highly welcome any support to correct this issue.

- Supporting Table DS:7

Question 7

We appreciate that Viet Nam took our comment on board and moved this information to supporting table DS:7.

We would also note that supporting table DS:7 serves as a summary table for all product-specific support, and Viet Nam should include any support from the previous product-specific support tables (DS:5-DS:6) in this table as directed.

Answer:

Viet Nam would like to confirm that it has taken the comment and has adjusted the notification accordingly.

- Supporting Table DS:9

Question 8

We appreciate that Viet Nam responded to our earlier request to remove all tax preferences/exemptions by removing the program that reduces/exempts VAT liability.

However, we note that Viet Nam continues to include the agricultural land-use tax exemption. We continue to believe that this measure should be removed from Viet Nam's supporting tables consistent with our position that tax exemptions do not belong in the supporting tables.

Answer:

Viet Nam would like to confirm that it has taken the comment and has adjusted the notification accordingly. This measure would be notified under the SCM Agreement in Viet Nam's next notification.

- Supporting Table ES:1

Question 9

We note that Viet Nam has entered "export bonus upon performance" in the column (1) entitled "description of products." It is not clear why this has been entered as a separate line item. Is it not the case that this measure is captured under the budgetary outlays/quantities listed by commodity (rice, pork, coffee, vegetables and fruits)?

Answer:

"Export bonus upon performance" is based on a number of criteria: having growth rates of export turnover over time, exporting new products or to new markets etc. to encourage exporters. The amount of bonus depends on each enterprises and their export turnover.

Question 10

Please confirm that canned pineapples and canned cucumbers are the only vegetables and fruits that received export support.

Answer:

In 1999 and 2000, canned pineapple juice and canned cucumbers received export support. In 2001, canned fruit in general are entitled to subsidies in the form of "export bonus". These are the only vegetables and fruits that received export subsidies in the 1999-2001 period.

Question 11

Does the data in this table include budgetary support for state-owned enterprises, such as the rice exporting firms Vinafood I (Northern Food Company) and Vinafood II (Southern Food Company)? If not, please provide this data. Are there any other state-owned enterprises engaged in exporting agricultural and food products?

Answer:

The data provided in the table presents the support from the State budget to all state-owned and private enterprises exporting agricultural and foods products. There are numerous state-owned and private enterprises engaged in exporting each agricultural product and the measures that Viet Nam has notified do not distinguish between private and stat-owned enterprises.

Question 12

Regarding rural development, we would welcome further information on the structure of the commercial banks, which give loans to agricultural projects. We are especially interested in knowing whether there are any foreign investors in that sector and whether loans are also given to private farmers?

Answer:

Viet Nam promulgated the Law on Foreign Investment in 1989. This Law has been revised several times since then to create more incentives to foreign investors. In the agriculture sector, there have been 781 foreign investment projects with the total registered capital of US\$ 3.8 billion by the end of October 2003. Investors in the agriculture sector come from various countries.

Commercial banks in Viet Nam do not discriminate borrowers from different economic entities. Producers and traders of all types have access to credits from commercial banks if they can present their effective production or trading plan which help ensure the repayment of credit. This requirement also applies to private farmers.

Question 13

Paragraphs 252-255 of WT/ACC/SPEC/VNM/4/Rev.1 contain information on Viet Nam's export subsidies and concerns raised by members in relation to them. Paragraph 255 is square

bracketed and contains two sets of square bracketed text, one of which eliminates export subsidies upon accession. We note that Viet Nam is a country that is likely to acquire substantial competitive strengths in the agricultural sector as it becomes a market economy and to develop a strong interest in the global elimination of agricultural export subsidies.

We ask Viet Nam to provide details of the steps it will take to eliminate its export subsidy programs for agricultural products by the date of accession.

We would expect to see a commitment from Viet Nam that all export subsidies would be eliminated upon accession.

Answer:

Most of export subsidies in Viet Nam are aimed to provide support to beneficiaries in the risky event of the international market where agricultural prices go down and create serious impacts to the lives and income of a majority of farmers.

Viet Nam commits to eliminate agricultural export subsidies upon accession, excluding those that developing countries are eligible to maintain.

- Supporting Table DS:9

Question 14

Support for land tax exemptions should not be notified as non product specific support where two, targeted product-specific sectors (rice and coffee) are receiving support.

Please estimate the proportions of the payments that could be attributed to coffee producers and rice producers and notify the estimated payments in Supporting Table DS:7 (Other Product-Specific Support).

Answer:

According to suggestions by some Working Party Members, tax exemption is not considered as subsidies that should be notified in WT/ACC/4 and should be removed from this table. Viet Nam has, therefore, eliminated this program from the notification.

Question 15

We recognize the evolution that has taken place in Viet Nam's position on agricultural export subsidies, and we would like to see a further evolution. We have strong concerns about Viet Nam's adoption of new export subsidy programs during the negotiations as well as the level of export subsidies provided (approximately US\$ 80 million). Support systems should be reorganized to provide support in a less distorting manner, including in recognition of the fact that the WTO membership is moving closer toward the goal of eliminating export subsidies. We stand by our position that export subsidies should be bound at zero upon accession.

We ask Viet Nam to please provide details of the steps it will take to eliminate its export subsidies.

Answer:

Over the past two years (2003, 2004), Viet Nam has made efforts in improving its policies on export subsidies toward a WTO-consistent fashion. In particular, export bonus based on export turnover has

been transformed to be based on the increased proportion of turnover as compared with the previous year. Another example is to shift to support through trade promotion activities.

Viet Nam commits to eliminate agricultural export subsidies upon accession, excluding those that developing countries are eligible to maintain.
