

WORLD TRADE ORGANIZATION

RESTRICTED

G/AG/R/33

7 January 2003

(03-0026)

Committee on Agriculture

SUMMARY REPORT OF THE MEETING HELD ON 21 NOVEMBER 2002

Note by the Secretariat¹

1. The Committee on Agriculture held its thirty-third regular meeting on 21 November 2002 under the chairmanship of Dr. Magdi Farahat of Egypt. The agenda of the meeting as contained in WTO/AIR/1966 was adopted with the following additions: an issue raised by Thailand under Article 18.6 of the Agreement in relation to the United States' domestic support payments to rice and the peace clause, and an Article 18.6 matter raised by Canada in relation to import licensing procedures by Venezuela for a number of agricultural products.

PART I: THE REVIEW PROCESS

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

(a) European Communities/New Zealand: United States – Increase in Food Aid of Skimmed Milk Powder (SMP)

2. The EC and New Zealand sought clarification from the United States regarding its planned food aid donation of 200,000 tonnes of SMP. These Members requested information as to how the United States would ensure that the food aid in question did not displace commercial shipments, given that the trade in SMP was generally only around one million tonnes per year.

3. The United States responded that it had recently announced that it would accept applications under its Section 416 (b) program which provided food aid in grant form. Actual tonnages programmed and shipped depended on the number of qualified proposals received as well as specific information on the recipient country situation. All proposals had to demonstrate that they would not displace commercial trade nor local production. In addition, the United States calculated Usual Marketing Requirements (URMs) for each country to quantify the potential need for food aid, and did not programme non-fat dried milk in situations where the URM did not support that product. The calculation of UMRs took into account local consumption, production and trade in the country for a particular commodity, but not the volume of world trade. Countries that were listed as eligible food aid recipients under the Food Aid Convention received priority consideration for the Section 416 (b) non-fat dried milk. The USDA also gave priority consideration to proposals that used direct distribution to populations that were vulnerable or unable to procure food through commercial channels. These countries were not on the list of historical commercial importers of non-fat dried milk.

4. The EC also sought clarification as to whether the United States had received specific requests for this food aid and as to whether or not these requests exceeded availabilities. The

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.

United States responded that it had announced the availability of non-fat dried milk on 31 October 2002 and all requests for use of the commodity were received from outside the US Government in the form of food aid proposals. Proposals, or requests, were usually received from non-government organisations or from other governments. The proposal deadline for the initial round of consideration was 15 December 2002 but proposals could be submitted after this date. The United States would know by next summer if total proposals received exceeded the availability.

5. New Zealand requested clarification as to whether the United States intended to notify shipments under this programme as subsidised exports since the allocation was related to the objective of lowering the non-commercial stockpile of non-fat dried milk of approximately 519,000 tonnes. The United States responded that the non-fat dried milk that was programmed under the Section 416 (b) program would be notified as food aid. The Section 416 (b) program used commodities that were in surplus to meet world-wide food aid demand. Currently, the only commodity that was in surplus at the US Commodity Credit Corporation (CCC) was non-fat dried milk. The world-wide demand for food aid had not abated and in keeping with international humanitarian commitments, the United States would use all available vehicles to combat hunger.

(b) European Communities: United States – Donation of SMP for Animal Feed to Livestock Producers

6. The EC sought clarification from the United States regarding its intended donation of 200,000 tonnes of SMP for animal feed to livestock producers, including information as to how this measure would be reflected in the US domestic support notification.

7. The United States responded that it had established an emergency feed assistance to help maintain herds for farmers and ranchers who were experiencing a lack of forage due to adverse weather conditions. Reserves of non-fat dry milk were used to prevent severe disruptions in livestock production in the four states designed as disaster areas. The United States had committed 35,000 tonnes of non-fat dry milk that had been held in stock for longer than 24 months to this type of assistance. The United States was in the process of reviewing this programme with respect to notification requirements.

(c) New Zealand: United States – Possible Subsidy Element in SMP to Casein Programme

8. New Zealand reiterated its concerns expressed at previous meetings about heavily discounted purchase prices from CCC stocks of SMP for conversion to casein or caseinates. The programme thereby provided a subsidy to producers of casein or caseinates, to compete with imported casein. New Zealand noted that the CCC had made the first sale by tender of SMP from its burgeoning and ageing stock of SMP for conversion to casein. The successful bid was at a similar level to those of previous tender rounds, in which the CCC had accepted no bids. In all cases the purchase price and offers were well below the CCC support prices of around 90 cents to 102 cents per pound, including the successful bid at an average price of 28.8 cents per pound and the range of previous offers of between ten cents to 30 cents per pound. New Zealand requested clarification from the United States regarding the criteria used for accepting and rejecting bids, including why bids that were rejected as insufficient in previous tender rounds were now considered sufficient. New Zealand also sought an indication from the United States under what WTO Agreement and provisions it would notify this programme and the subsidy it provided.

9. The United States responded that the CCC accepted or rejected bid prices based on market conditions at the time of sale. The CCC had accepted prices in October 2002 at the prevailing market prices for low quality stocks that had been held in reserve for longer than 24 months. This was a new programme for which the US Government was in the process of determining a classification for notification purposes consistent with its WTO commitments and obligations.

10. In commenting on the responses by the United States regarding the three SMP-related issues, the EC stated that it was concerned about such measures of surplus disposal which appeared be designed to serve primarily the interests of the US dairy farmers and industry. The EC considered that it was important that the agriculture negotiations addressed the issue of indirect subsidies provided to exports. New Zealand stated that it continued to be concerned about both the provision of SMP as food aid and for manufacturing to casein, which had a significant impact on international markets and New Zealand's dairy exports. The reason for the large stockpile held by the CCC was a structural surplus created by the US policy. Like the EC, New Zealand was pursuing this issue in the agriculture negotiations.

11. Australia supported the views expressed by New Zealand and the EC. It too was interested in seeing stronger disciplines on food aid materialize in the negotiations. Argentina had similar concerns in relation to food aid. In its view, the United States was using food aid as an instrument to remove a surplus arising from distortive agriculture policies. Strengthened disciplines were needed in this area, with the focus being on the need for food assistance.

12. The United States recalled that in the agriculture negotiations it had submitted a proposal which addressed such issues as trade distorting domestic support. The United States recognized that its policies might adversely affect a number of Members and recommended that such problems be solved by harmonising and eventually eliminating all trade distorting domestic support.

(d) New Zealand: Venezuela – Tariff Quota Administration – Dairy Import Licensing

13. New Zealand requested clarification from Venezuela with respect to the committee that had been established to investigate the concerns expressed by numerous Members regarding problems experienced with Venezuela's import licensing regime. The requested information included the committee's terms of reference, composition, operation and the date when the findings would be announced; the last dates on which import licences for dairy products were issued; when licences for the importation of milk powder for the remainder of the year would be issued; whether additional licences were issued for cheese and skimmed milk powder, given the apparent demand these products in Venezuela, and the dates on which requests for import licences would be sought for the first half of 2003.

14. In response, Venezuela stated that the Presidential Agricultural Committee was established by Decree No. 1697, published in the Official Gazette No. 37,399 of 7 March 2002, to undertake and monitor the action required to ensure the implementation of Venezuela's agricultural production and agri-food policy for the period 2002-2003. The Committee was composed of the Minister of Agriculture and Land, who acted as Chairman, the Minister of Production and Trade, a representative of the Ministry of Finance, a representative of the Ministry of Foreign Affairs, the Chairman of the Agricultural, Fishing, Forestry and Neighbouring Activities Development Fund (FONDAFA), a representative of the National Assembly Subcommittee on Agriculture, a governor representing the country's agricultural states, the Chairman of Venezuela's Agricultural Commodities Exchange, and the Chairman of the National Federation of Agricultural Producers (FEDEAGRO), (Article 2 of Decree No. 1697). The Committee's operating regulations had not yet been established. The Committee had, however, established a Subcommittee with the mandate, *inter alia*, of dealing with the tariff quota allocation process.

15. Venezuela provided the following information regarding the dates of issue, the number and total volume of the recent import licences:

- 49 import licences for milk powder (26 per cent), totalling 17,495.49 tonnes, between 3 October 2002 and 11 November 2002;

- 105 import licences for cheese, totalling 2,352.33 tonnes, between 1 October 2002 and 11 November 2002;
- 24 import licences for skimmed milk powder, totalling 1,937.65 tonnes, between 1 October 2002 and 11 November 2002.

16. Venezuela pointed out that the dates of issue of the above-mentioned licences were subsequent to those notified to the Committee at its last meeting and that new licences had recently been issued for cheese and skimmed milk powder (G/AG/R/32, paragraph 15 refers). The Ministry of Agriculture and Land was in the process of arranging for the Official Notice to be published in the first week of December with a view to issuing import licences for dairy products in early January 2003.

17. The EC, New Zealand, Uruguay and the United States expressed their concerns and frustration regarding Venezuela's licensing practice. Uruguay stated that its dairy exporters had faced serious problems in accessing the Venezuelan market since 1999. The procedures for tariff quotas followed by Venezuela lacked the necessary transparency, with the conditions being changed from one year to the next and adjusted to internal market demand. Uruguay hoped that these difficulties could be solved as soon as possible.

18. The United States informed the Committee it had requested formal dispute settlement consultations with Venezuela on this subject. New Zealand and the EC stated that they would request to be joined in these consultations. The EC also intended to make a contribution to the Subcommittee established by Venezuela at its first meeting next year.

(e) Thailand: United States – Domestic Support Payments to Rice – Violation of the Peace Clause

19. Thailand provided data showing the United States' domestic support payments for rice farmers in the most recent three-year period (see Attachment 1 hereto). With reference to the Peace Clause (Article 13 (b)(ii) of the Agreement), Thailand noted that, even if the alleged Green Box production flexibility payment subsidies were excluded from the total payments, the sum of the loan deficiency payments, marketing loan gains and marketing loss payments for each of the three years still far exceeded the level of support of US\$600 million provided by the United States in 1992. In addition, domestic support to rice provided by the United States exceeded the value of the total production each year. With more than 40 per cent of its total rice production being exported, this policy created market distortions and was inconsistent with the goal of fair trade advocated by the United States. Thailand sought clarification from the United States as to whether it would reduce the level of domestic support payments for rice at least to the 1992 level. Thailand also raised the question of whether the US Secretary of Agriculture was authorized by the new Farm Security and Rural Investment Act of 2002 to implement such plan.

20. The United States responded that it had received Thailand's question only recently and would provide answers as soon as possible. With respect to the issue of fair trade, the United States stated that it had submitted a proposal on trade-distorting domestic support which would first harmonise the levels provided by Members over a period of five years and ultimately eliminate trade-distorting domestic support. The United States was interested in open and fair trade and invited all Members to join the United States to move in this direction.

(f) Canada: Venezuela – Import licensing procedures for a number of agricultural products

21. In view of the fact that importers of Canadian onions, pork and potatoes continued to experience problems in obtaining import permits in a timely fashion, Canada sought clarification from

Venezuela regarding progress being made in resolving such import licensing problems. Furthermore, Canada had been informed that Venezuela had initiated a new policy to begin on 1 January 2003 concerning the financing of farmers by importers of black beans. Canada understood that this financing would be a pre-condition for granting import licenses to participating importers. In view of the negative impact that this measure could have on imports of black beans from Canada, amongst other products, Canada requested further information regarding this new policy and as to whether it would be expanded to other agriculture products besides black beans.

22. In light of these questions being posed at the meeting, Venezuela responded that it would provide a response as soon as possible.

B. REVIEW OF NOTIFICATIONS

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

- (i) on the administration of tariff and other quota commitments (Table MA:1): from China (CHN/1);
- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from Chinese Taipei (TPKM/4), and Philippines (PHL/27, PHL/29 and PHL/30);
- (iii) relating to domestic support commitments (Table DS:1): from Australia (AUS/41/Rev.1), Jordan (JOR/1), Slovak Republic (SVK/35) and South Africa (ZAF/44);
- (iv) relating to new or modified domestic support measures exempt from reduction (Table DS:2): from Australia (AUS/43 and AUS/44), and European Communities (EEC/39); and
- (v) relating to export subsidy commitments (Tables ES:1 to ES:3): from Japan (JPN/77).

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

C. OTHER NOTIFICATIONS BEFORE THE COMMITTEE

(a) Notifications in respect of which no questions have been raised in advance

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

- (i) relating to imports under tariff and other quota commitments (Table MA:2): from Australia (AUS/45), Nicaragua (NIC/5) and Norway (NOR/38);
- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from Australia (AUS/46), Canada (CAN/48), Costa Rica (CRI/14), Czech Republic (CZE/41, CZE/42 and CZE/43), Iceland (ISL/21), Japan (JPN/79), Norway (NOR/39), Philippines (PHL/28), Poland (POL/54) and South Africa (ZAF/41);
- (iii) in the context of domestic support commitments (Table DS:1): from Honduras (HND/10/Rev.1) and Malawi (MWI/2);

- (iv) relating to new or modified domestic support measures exempt from reduction (Table DS:2): from Honduras (HND/13), and
- (v) on export subsidy commitments (Tables ES:1 to ES:3): from Australia (AUS/47), Estonia (EST/8), Jordan (JOR/2), Malawi (MWI/1), Moldova (MOL/1), Norway (NOR/40) and South Africa (ZAF/43).

(b) 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 (G/AG/1):

- (i) on imports under tariff and other quota commitments (Table MA:2): from New Zealand (NZL/32);
- (ii) in the context of the special safeguard (Tables MA:3 to MA:5): from New Zealand (NZL/31);
- (iii) on domestic support commitments (Tables DS:1 and DS:2): from New Zealand (NZL/33 and NZL/34), and Slovenia (SVN/21/Rev.1 and SVN/24); and
- (iv) on export subsidy commitments (Tables ES:1 to ES:3): from New Zealand (NZL/35).

D. POINTS CONCERNING NOTIFICATIONS RAISED AT PREVIOUS MEETINGS

27. There was no discussion under this agenda item.

E. COUNTER NOTIFICATIONS UNDER ARTICLE 18.7 OF THE AGREEMENT

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

F. OTHER MATTERS RELATING TO THE REVIEW PROCESS

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

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

(b) Overdue notifications

30. The Committee took note of the room document, dated 15 November 2002, made available by the Secretariat showing the current status of compliance with the notification obligations.

(c) Addenda to Table MA:1 notifications

31. The Chairman recalled that the WTO Ministerial Conference had endorsed the recommendation that the Committee keep under review the implementation of the December 2000 Decision of the General Council on the administration of tariff quotas (WT/L/384, paragraph 1.1, refers). The understanding was that this decision should not place undue new burdens on developing countries (WT/GC/M/62, paragraph 14, refers).

32. The Committee took note that the following Members administering tariff quotas had submitted the requisite Table MA:1 Addenda: Australia (G/AG/N/AUS/1/Add.1); Canada (G/AG/N/CAN/2/Add.2, 6/Add.1, 10/Add.1, 19/Add.1 and 45); Czech Republic (G/AG/N/CZE/Rev.1/Add.1); European Communities (G/AG/N/EEC/1/Add.2, 3/Add.1, 14/Add.1 and 15/Add.1); Hungary (G/AG/N/HUN/1/Add.1, 5/Add.1, 8/Add.1, 13/Add.1 and 18/Add.1); Japan (G/AG/N/JPN/1/Add.1, 8/Add.1, 23/Add.2 and 57/Add.1); Latvia (G/AG/N/LVA/1/Add.1); New Zealand (G/AG/N/NZL/1/Add.1); Norway (G/AG/N/NOR/1/Add.1); Slovenia (G/AG/N/SVN/1/Add.1); Thailand (G/AG/N/THA/38/Add.1); and the United States (G/AG/N/USA/2/Add.3 and 34/Add.1).

33. The Chairman urged those Members administering tariff quotas which had not yet done so to provide Addenda to their MA:1 notifications in accordance with the General Council Decision in WT/L/384.

G. IMPLEMENTATION OF ARTICLE 10.2 OF THE AGREEMENT ON AGRICULTURE, ON THE DEVELOPMENT OF INTERNATIONALLY AGREED DISCIPLINES TO GOVERN THE PROVISION OF EXPORT CREDITS, EXPORT GUARANTEES OF INSURANCE PROGRAMMES, TAKING INTO ACCOUNT THE PROVISIONS OF PARAGRAPH 4 OF THE MARRAKESH NFIDC DECISION

34. The Chairman recalled that at the June meeting a questionnaire on export credits and related facilities was distributed on the basis that those Members who were in the position to do so were encouraged to complete and return the questionnaire to the Secretariat. The Secretariat had circulated document G/AG/W/56 dated 27 October 2002 which contained the completed questionnaires which had been received to that date. There was no discussion under this agenda item.

PART II: OTHER MATTERS WITHIN THE PURVIEW OF THE COMMITTEE

A. MARRAKESH MINISTERIAL DECISION ON MEASURES CONCERNING THE POSSIBLE NEGATIVE EFFECTS OF THE REFORM PROGRAMME ON LEAST-DEVELOPED AND NET FOOD-IMPORTING DEVELOPING COUNTRIES (NFIDC DECISION)

(a) Proposal for Follow-Up to the Recommendation of the Inter-Agency Panel on Examining the Feasibility of the Revolving Fund Operating as an Ex-Ante Financing Mechanism

35. The Chairman informed the Committee that a proposal for the establishment of an ex-ante financing mechanism (G/AG/W/58 dated 28 October 2002 and Corrigendum 1) had been submitted by Bangladesh, Cuba, Egypt, Jordan, Kenya and Sri Lanka on behalf of the NFIDCs and LDC Group of the WTO. On the basis of this proposal, he had held a series of informal consultations with interested Members, in the course of which the sponsors of the proposal were given an opportunity to clarify a number of technical points concerning their proposal.

36. Egypt stated that operationalizing of the NFIDC Decision was a cornerstone for a successful round of negotiations and part of the single undertaking. In the run up to Doha, Members had dealt with the NFIDC Decision as an implementation issue and the proponents of the revolving fund had been confident that the procedures for dealing with implementation issues would address their concerns. To date, there was no indication that the donor were prepared to operationalize one of the four pillars of the NFIDC Decision, i.e. financing of short-term needs. The proposals submitted by the NFIDCs were intended to contribute to ensuring food security which was their most important non-trade concern. The food security situation was likely to worsen if world market prices of foodstuffs exceeded their normal levels. As a result, the NFIDCs would either be unable to import adequate food supplies or have to sacrifice some other basic needs at the expense of long-term development objectives. For its part, Egypt expected that the elimination of export subsidies, together with the inevitable erosion of tariff preferences, would raise international prices to unsustainable

levels. If this scenario were to materialize, the proposed revolving fund would serve as a safety-net. Egypt urged Members to take its concerns into account and considered that political will coupled with good faith were the only way to resolve this issue.

37. Cuba, Jordan, Venezuela endorsed Egypt's statement. Cuba said that all NFIDCs and LDCs should be eligible to benefit from the proposed fund. Jordan expressed concerns about requests in the negotiations to limit food aid. If the provision of food aid were to be constrained, there would be an even greater need for the revolving fund to ensure food security. Venezuela stated that implementation of the NFIDC Decision was a fundamental part of this Agreement and called on the Committee to accelerate its work to apply this Decision. Tunisia considered that implementation of NFIDC Decision had the same priority as the agriculture negotiations. The continuation of the reform process in agriculture was likely to have negative repercussions for LDCs and NFIDCs through increased costs of imports of basic foodstuffs. A new financing mechanism was therefore necessary to allow developing countries to continue the process of agricultural reform.

38. Argentina considered that implementation of the NFIDC Decision was part of the single undertaking. Argentina saw merits in the revolving fund proposal since it was related to food security and would help many developing countries to improve their capacity to import food.

39. Switzerland stated that it continued to have doubts regarding the viability of the proposed new fund. In its view, the informal consultations held by the Chairman deserved to be continued in an effort to reach a common position. Switzerland was also willing to discuss the issues that were important for developing countries and NFIDCs within the framework of the agriculture negotiations. Japan stated that it had participated constructively in the discussions on this subject and was in favour of continuing the consultations on the establishment of a sustainable revolving fund. Norway said that, like others, it needed more time to consider the specific ideas of the NFIDCs.

40. In response to Jordan's intervention, the EC stated that it did not seek limitations on food aid but disciplines to ensure that food aid was genuine and did not have the purpose of export subsidies. The EC agreed with Egypt that the elimination of subsidies could have negative effects on NFIDCs in terms of rising world market prices, and that the elimination of preferences might have a grave impact on some countries. The EC therefore favoured a more gradual approach of reduction in the ongoing negotiations. With respect to the new proposal by the NFIDCs, the EC stated that it needed more time to study the detailed replies from NFIDCs to the questions by donors. The EC noted that it might be useful to further consider the measures suggested by the World Bank to reduce shocks that threatened food security, including commodity price risk management (G/AG/GEN/56 dated 11 December 2002 refers).

41. The United States stated that it was concerned that some of the NFIDCs and the LDCs would not be eligible to draw on the revolving fund since they did not have the financial capability to repay the loans. In the view of the United States, in such circumstances food aid was needed. While the United States was willing to participate in finding a solution, it had doubts regarding the basic concept and nature of the revolving fund proposal.

42. The Committee authorized the Chairman to continue his informal consultations with interested Members concerning the proposed ex-ante financing scheme and to provide a progress report to the General Council at its meeting on 10 December 2002 on his responsibility as Chairman.

(b) Annual Monitoring Exercise by the Committee on the Follow-Up to the Committee's Recommendations on this Decision adopted by the Doha Ministerial Conference

43. The Committee took note of the following Table NF:1 notifications that were received since the last annual monitoring exercise of the NFIDC Decision in December 2001: Australia (AUS/39

and 48), Cuba (CUB/18), EC (EEC/35), Japan (JPN/78), New Zealand (NZL/30), Norway (NOR/37) and South Africa (ZAF/42). The Chairman drew attention to the responses that were received from the African Development Bank, the European Investment Bank, the FAO and the World Bank regarding the implementation-related issue of technical and financial assistance in the framework of the NFIDC Decision (G/AG/W/57 dated 23 October 2002 and Add.1 dated 29 November 2002). The statements that were made by the observer organizations under this agenda item (IMF, FAO and World Bank) have been circulated in document G/AG/GEN/56 dated 11 December 2002, and a revision of the Secretariat background note for the purpose of facilitating the annual monitoring exercise was circulated as G/AG/W/42/Rev.5 dated 8 November 2002 and Corr.1 dated 29 November 2002.

44. The EC and the United States sought clarification from the representative of the IMF regarding the review of the Compensatory Financing Facility (CFF) foreseen for 2003. The EC noted that a number of WTO Members felt that the CFF was more or less adequate in addressing the needs that were reflected in the proposal for the establishment of a revolving fund. The EC wondered whether there had been discussions in the Executive Board of the IMF regarding the adequacy of the CFF and whether consideration would be given to making it more accessible for the NFIDCs and LDCs. The United States raised the question of whether consideration would be given to making the facility concessional to improve its attractiveness for LDCs and NFIDCs.

45. Argentina noted that the price increase for food that was forecast by the IMF for 2003 would provide incentives for many farmers in developing countries to increase their production, including in NFIDCs and LDCs (G/AG/GEN/59, page 10 refers). Argentina, for example, had the capacity to rapidly expand production as long as markets were not distorted by subsidies.

46. The representative of the IMF responded that the CFF had been established in 1963 and undergone several revisions and adjustments. The most recent review of the IMF took place in 2000 and the next review was scheduled for 2003. The WTO Members in their capacity as members of the IMF executive committee could review and revise any IMF facility available to IMF members. The last review showed that the CFF was designed to address temporary shocks to balance of payments, whereas most of the shocks in developing countries were related to structural balance-of-payments problems. Furthermore, unlike the Poverty Reduction and Growth Facility (PRGF), the CFF was a non-concessional facility. Overall, most developing countries were using Stand-By Arrangements and the PRGF which were more adequate for them. In any event, the Executive Board would review the CFF and could decide to change its terms of reference, the way how the facility should be used, or decide to abolish it.

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

47. The Committee took note of the Secretariat background note which had been circulated for the purpose of the annual consultations under Article 18.5 of the Agreement (G/AG/W/32/Rev.5 dated 24 October 2002). The European Communities stated the statistical information was very useful for the current negotiations. The data appeared to vindicate the EC's view that the Uruguay Round approach to market access was not as ineffective as some had argued. For example, international trade in poultry meat had tripled over the last eight years, pigmeat trade had more than doubled, and trade in oilseeds and cheese showed an increase of more than 50 per cent over a relatively short period of time. As for individual countries, Brazil had increased its exports of sugar from 3 million tonnes in the beginning of the 1990s to around 10 million tonnes in recent years.

48. The United States noted that Thailand, which had raised an Article 18.6 matter with respect to US subsidies for rice, had maintained its position as the number one exporter of rice, although its market share had decreased from 34 per cent in 1992 to 28 per cent in 2000. The United States, with substantial domestic support, had improved its market share for rice but so had countries like Viet Nam, with very little domestic support, and China. It appeared that many developing countries were in fact making substantial progress on the world market.

49. With reference to SMP, Argentina stated that all exports originated in countries using subsidies, except for Argentina and New Zealand. This is why Argentina had great difficulties in improving its position. The EC responded that its market share had decreased from 49 to 25 per cent during the implementation period of the Uruguay Round commitments, while other countries had increased their market share. The EC concluded that there was room for growth in the trade.

50. New Zealand observed that the data with respect to "Other agricultural products" showed an increase of the EC market share. This development indicated that the EC was able to compete effectively on the world market without using of export subsidies.

51. Uruguay stated the benefits of trade would be greater and participation of developing countries would increase if the market were more transparent and market distortions were eliminated.

C. MATTERS RAISED UNDER "OTHER BUSINESS"

(a) Annual report by the Committee to the Council for Trade in Goods

52. In line with the Committee's practice in the previous years, the Chairman had circulated a short factual report for the Council for Trade in Goods on the work undertaken by the Committee in the course of 2002 before this meeting in order to facilitate the consideration of this matter. The Committee took note of the report and agreed that the report would be submitted to the General Council on the responsibility of the Chairman (G/L/594 dated 21 November 2002).

(b) Request for observer status

53. The Committee took note of the request for observer status by the Arab Authority for Agricultural Investment and Development which was based in Khartoum.

(c) Provisional Schedule of Meetings for 2003

54. The Committee took note of the following schedule of provisional dates for meetings in 2003, on the basis that the dates for each regular meeting would be confirmed at the preceding meeting of the Committee:

27 March 2003 (Thursday)
30 June 2003 (Monday)
25 September 2003 (Thursday)
20 November 2003 (Thursday)

(d) Date of Next Meeting

55. The next regular meeting of the Committee on Agriculture will be held on 27 March 2003. The airgram convening the meeting and containing the draft agenda will be issued on Monday, 17 March 2003.

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ANNEX – PART I

Review of notifications by the Committee on Agriculture on 21 November 2002

Summary of specific points raised and responses thereto

Table MA:1 Notifications

China G/AG/N/CHN/1 Tariff Quota Administration (Table MA:1)	
Points raised by other Members	Response by Notifying Member
<p>Canada -</p> <ol style="list-style-type: none"> 1. Information requested regarding the criteria for applicants to be considered "being under sound financial conditions". 2. Explanation sought as to what the annual enterprise review is, and whether this applies to state and non-state enterprises. 3. Under point (b)(iii) in the notification, "import tariff quota for general trade shall be allocated with reference to the volumes for which applicants have applied, previous import performance and production, or other applicable commercial standards, or under the principle of first-come, first-served". What determines which approach is used for a specific application? If a different method is used for each TQ, what are the specific criteria used to allocate each TQ? 4. In the notification of TQ allocation procedures for 2003 from the State Development Planning Commission (Notice No. 4, 2002), China has again specified the subdivision of its TQs into Category A (volumes for domestic consumption) and Category B (volumes for processing and re-export). Reasons why this is not reported in this notification under point (c), specifically by TQ? What is the methodology employed for dividing quota volumes between domestic use and processing/re-export? Has China considered alternatives to the allocation procedures for processing and re-export such as issuing supplementary import permits, to ensure a minimum predictable level of market access? 	<p>China took note of questions from Canada, the European Communities, Japan and the United States regarding China's notification relating to tariff quota administration. Due to the technical nature and detailed information requested, China was unable to provide specific answers at this meeting. Undertook to provide a response as soon as possible.</p>
<p>European Communities - Could China, in the spirit of the request of the General Council (WT/L/384 refers), provide an addendum to the Table MA:1 notification containing information with references to relevant legislation or containing copies of this legislation per individual TQ?</p>	

China G/AG/N/CHN/1 Tariff Quota Administration (Table MA:1)	
Points raised by other Members	Response by Notifying Member
<p>Japan -</p> <ol style="list-style-type: none"> 1. With regard to imports of rice and wheat in 2002, information requested regarding the quantity, by countries of origin, contracted by 15 September (breakdown of this information requested by short/medium grain rice and long grain rice). 2. Regarding the imports under tariff quotas, could China provide information on quantities contracted this year by state trade enterprises and private importers respectively by 15 September for each product? Could China also indicate quota fill rates imported by state trade enterprises and private importers, respectively? 3. According to China's Schedule, if a quota-holder has not contracted for all the quantity by 15 September, it shall return the unused portion of the tariff quota to the SDPC (State Development and Planning Commission), so that the SDPC can reallocate them by 1 October. Information requested regarding reallocated quantities to date? 4. Reasons why information on soybean oil, which is subject to a tariff quota commitment in the Schedule, does not appear in the Table MA: 1 notification. 	
<p>United States -</p> <ol style="list-style-type: none"> 1. Reasons why soy oil is not included in the notification? 2. Update requested on the TQ license application process? Will the trade have access to China's agricultural TQs from the first day of the 2003 TQ year? 3. The Table MA:1 notification does not specifically refer to any requirement that China has set aside a portion of the TQ for entities that further process and/or re-export product imported under that TQ, even though such requirements have been in place. Does China continue to require processing and/or re-export of specified TQ quantities in its current TQ administration? 	

Tables MA:3 to MA:5 Notifications

Chinese Taipei G/AG/N/TPKM/4 Volume-Based Special Safeguard (Table MA:3)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – As per Article 5.2 of the Agreement, additional duties may not be applied to minimum and current access opportunities until such commitments have been fulfilled. Confirmation sought that no duty will be applied until the tariff quota for chicken has been filled.</p> <p>In a follow-up comment, New Zealand stated that chicken legs and wings are a small part of the scheduled TQ, which included a number of tariff lines for chicken, other than chicken legs and wings. Chinese Taipei ought to wait with SSG action until the tariff quota volume has been filled.</p>	<p>The tariff quota for chicken legs and chicken wings has not yet been filled. Nevertheless, according to Art. 5 of the Agreement an additional duty can be imposed since the import volume has exceeded the trigger level.</p> <p>Chinese Taipei has acted in accordance with the Agreement on Agriculture, and assured the Committee that the additional duties will be collected only on out-of-quota imports.</p>

Philippines G/AG/N/PHL/27 Price-Based Special Safeguard (Table MA:4)	
Points raised by other Members	Response by Notifying Member
<p>United States - Considers that the trigger price for the onion special safeguard of 74.21 pesos per kilogram (p/k) is too high, given that the average price for the past three years has been 9.36 p/k. Information sought regarding the methodology and the data used to calculate the trigger price. Whether the notified trigger prices were adjusted for inflation or changes in the exchange rate.</p> <p>The Philippine Law, Republic Act 1296, banned imports of fresh onions and other vegetables from 1955 to 1996, except for seeding purposes. Whether there were imports of fresh onions and other vegetables, other than for seeding purposes, during that period.</p>	<p>The methodology used to calculate the trigger price for onions is in accordance with the relevant provisions of Art. 5 of the Agreement. The details of this calculation are provided in Attachment 2 hereto. The notified prices were not adjusted for inflation nor changes in the exchange rate.</p> <p>Based on available import data for 1986-1996 from the publication "Foreign Trade Statistics" of the National Statistics Office, there were imports of SSG-eligible crops including onions and other vegetables. The import data do not indicate whether the imports were for seeding purposes, except if there is a separate tariff line indicating that this was the case. In the case of onions (and shallots), import data during said period were classified under PSC code 054.51-01, described as "onions, fresh or chilled," and PSC code 054.51-02 described as "shallots, fresh or chilled."</p>

Philippines G/AG/N/PHL/27 Price-Based Special Safeguard (Table MA:4)	
Points raised by other Members	Response by Notifying Member
<p>United States (cont'd)</p> <p>During the 1986-88 base period, the Philippine Government had in place the Philippine System Commodity Codes (PSCCs) to identify agricultural products for customs purposes. The scope of the PSCCs seems quite limited when compared to the broader Harmonized System (HS) Codes used currently by the Philippines. Information requested on correlation of PSCCs with the current HS Codes for chicken meat and chicken parts.</p> <p>Follow-up comment by the United States – If the Philippines was unable to differentiate between fresh and frozen products and seedlings, how could CAF prices be validated? It is inappropriate to calculate the trigger price using values of a period when an import ban was in place. In 1988 the Philippines imported only 66 kg of the products in question. Urged the Philippines to review this issue and use import prices of the past three years for the purpose of calculating the trigger price.</p>	<p>Refers to Attachment 2 hereto which provides a matching of the HS Codes (2001) with PSC Codes (1983) for chicken meat and chicken parts.</p> <p>Recognizes that restrictions were in place. On this basis, the products in question were tariffed and eligible for the SSG. The data used represent actual import prices during that period. The Philippines is open to discussing the question of whether revisions or adjustments are necessary. At this stage, the Philippines considers that the time period chosen is appropriate and based on Art. 5 of the Agreement.</p>

Philippines G/AG/N/PHL/29 Price-Based Special Safeguard (Table MA: 4)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – The tariff lines listed in the notification do not accord with the tariff lines listed in the Schedule of commitments. Information requested regarding the concordance between the scheduled and the notified tariff lines.</p>	<p>Attachment 2 hereto provides information concerning the concordance of tariff lines between the Philippine Schedule of commitments in 1996 and the HS Codes in 2001 that were used in the notification.</p>

Philippines G/AG/N/PHL/30 Volume-Based Special Safeguard (Table MA: 3)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – The tariff lines listed in the notification do not accord with the tariff lines listed in the Schedule of commitments. Information requested regarding the concordance between the scheduled and the notified tariff lines.</p>	<p>Attachment 2 hereto provides information concerning the concordance of tariff lines between the Philippine Schedule of commitments in 1996 and the HS Codes in 2001 that were used in the notification.</p>

Table DS:1 Notifications

Australia G/AG/N/AUS/41/Rev.1 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Canada – Canada has not yet received the information Australia undertook to provide in support of its claim that the measure "Development Incentive Scheme (Queensland)" meets all the specific criteria of paragraph 6 of Annex 2 (G/AG/N/AUS/42 and G/AG/R/31 refer). This concerns particularly the eligibility for payments being determined in relation to a "defined and fixed base period" (paragraph 6(a)).</p>	<p>Payments under the Qld Development Incentive Scheme are non or at most minimally production and trade distorting. Applicants receive a one-off payment which is delivered in 3 equal annual instalments. Each individual applicant receives a third of the payment in the first or base year, followed by two equal instalments in the following two years. In other words, the payment does not increase over time.</p> <p>Consistent with Annex 2, paragraph 6(a), eligibility for the payment is based on the applicant supplying evidence of status as a landholder or occupier of the land, with a minimum of 5 years working occupation/guaranteed occupation.</p> <p>In compliance with paragraph 6(b), (c) and (d) the amount of the payment is not related to the type or volume of production, prices or factors of production in any year after the base period. In addition, no production is required in order to receive the payment.</p> <p>It is important to note that this programme is not on-going, the direct payments to producers are in effect one-off, decoupled payments.</p>

Jordan G/AG/N/JOR/1 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Canada – Annex 3 of the Agreement stipulates that market price support (i.e. ST/DS:5) shall be calculated using a fixed external reference price. The prices for wheat and barley in G/AG/N/JOR/1 differ from the 1994-96 average prices underlying its Total AMS commitment (WT/ACC/SPEC/JOR/2/Rev.3). Will Jordan submit a corrected notification?</p>	<p>A corrected notification has been submitted and will be issued shortly.</p>

Slovak Republic G/AG/N/SVK/35 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Green Box	
Australia / Canada / New Zealand – Clarification sought regarding "Countervailing payments in crops in crop production", including the operation of this programme, compliance with Annex 2 criteria, and as to when a Table DS:2 notification will be submitted?	<p>In contrast to the programme "Compensation payments in crop production", payments are linked to keeping variety and maintenance of particular crop production and not to yields. Granted amounts are not very high, reaching up to 370 US\$/ha or up to 37 US\$/tonne. By way of introduction of the Table DS:2 notification, subsidies for the above mentioned title are granted in linkage with maintenance of diversity in the following 3 groups of crops:</p> <ol style="list-style-type: none"> 1. Special permanent varieties, such as productive hop-yards, wine-yards, orchards and plantations of berry fruits and asparagus; 2. Field vegetables, healing herbs, flax, chicory, greenhouse vegetables including hydroponics, potatoes for reproduction; 3. Oil seeds, poppy seeds, legumes, tobacco, soy beans, cereals. <p>This measure is related also to plant biological protection preparations. All mentioned crops are divided into three groups depending on the way of payment. In the case of the first group support was granted up to 10% of sale per hectare including deliveries into own processing plants. In the second group supporting resources reached US\$/ha 74–370 (3,000-15,000 SKK/ha) respectively. In the case of the third group supporting payments were granted up to US\$/t 5–37 (200–1,500 SKK/t) respectively, in case of tobacco the payments reached up to US\$/t 493 (20,000 SKK/t).</p>

Slovak Republic G/AG/N/SVK/35 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Australia, Canada – With regard to the programme "Cows without market milk production", an explanation sought as to how this measure complies with the criteria of Annex 2. Given that it appears to be product-specific support, it should be notified as part of the Total AMS.</p> <p>Follow-up comment by Canada – The response to questions regarding the programme "cow breeding for milk production" which was classified as non product-specific AMS in the 2000 Table DS:1 notification (G/AG/R/28), confirms that this support is specific to the breeding of milk cows, hence an input subsidy in the production of milk. Requests that this support be notified as part of the milk AMS in 2000 and 2001.</p>	<p>In accordance with the relevant Decree of the Ministry of Agriculture of the Slovak Republic this measure is a kind of development programme in distanced mountainous regions, which is aimed at maintaining rural population and agricultural production in these less-favoured areas. Applicants for support have to confirm breeding of cows in grazing systems and veal reproduction proving the need for milk for feeding purposes. Milk as an output is not financially supported. Total amount of support has reached US\$74,000 (3 million SKK), the subsidy per meat type cow is US\$148 (representing 6,000 SKK) with minimum herd number of 5 heads.</p> <p>As far as the request by Canada on shifting the support for cow breeding for milk production to the product-specific AMS is concerned, a corrigendum will be submitted.</p>
<p>The United States – Clarification sought regarding "Regional assistance programmes" described as agri-tourism and rural development and as to whether a Table DS:2 notification would be submitted describing these programmes.</p>	<p>This measure was already notified in past years, albeit with a slightly different title. Under this programme, the primary condition for granting a financial support is performance of both agricultural and other diversified activities in the same region in order to reach at least 30% share of financial yields from agriculture in total business activities. The aim is to preserve agricultural production in rural areas. Support can be granted for following purposes:</p> <ul style="list-style-type: none"> - reconstruction of facilities for tourism; - promotion of traditional kinds of handicraft production, - establishment of farming yards, - establishment of horse-riding, fishing, hunting, etc. <p>Other conditions for granting financial sources are a minimum of 5 years of performance in agri-tourism and establishment of new jobs.</p>

Slovak Republic G/AG/N/SVK/35 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Follow-up question by Canada – The programme "drought consequence refunds" in 2000 was assigned to the Green Box in G/AG/N/SVK/30 (25 June 2001) but it was not explained how it meets the criteria of paragraph 8(a) of Annex 2 (G/AG/R/28). Canada understands that the programme includes several components such as subsidies for the State Market Regulation Fund in Compensation of Price Disparity, Loan for State Market Regulation Fund, Future Crop Start-Up, etc. totalling 4.3 billion Sk. Explanation sought that all of these components meet paragraph 8(a) of Annex 2 to justify Green Box classification.	The Slovak Republic undertook to provide a response.
Follow-up comment by Argentina – Expressed concerns that some programmes, which are linked to production, for instance bee breeding or the programme on cow breeding for milk production, have been assigned to the Green Box. Queries whether the programme "Promotion of milk consumption" would not be better classified as domestic food aid (paragraph 4 of Annex 2).	These titles have been included in the Green Box since the amounts involved are not very high and the programmes focus on the maintenance of production in less-developed areas.
Blue Box	
United States – Details sought describing the set-aside programmes listed under items (a), (b), and (c) of ST/DS:3.	<p>The reason of reintroducing this programme in 2001 is grassing. It is included only under the "a" item – "payments based on fixed area and yields". The total amount granted for this measure reached only US\$3 million (129 million SKK). The reason is to limit production by means of conversion of arable land to grassland, which will be mown and maintained against weeds.</p> <p>The purpose of grassing is the need for vegetation alternation for favourable utilisation in future years on arable land, wine-yards, orchards and hop-yards. Payments for initial grassing represent approx. US\$/ha 148 (6,000 SKK/ha) and for restoration of permanent grassland approx. US\$99 (4,000 SKK/ha).</p>

Slovak Republic G/AG/N/SVK/35 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Amber Box	
<p>Australia – Additional information requested regarding the nature of payments of the following programmes under ST/DS:9:</p> <ul style="list-style-type: none"> – Worse Natural Conditions – Livestock Breeding Promotion – Cow Breeding for Milk Production – Compensation payments in crop production. 	<p><i>Worse natural conditions</i> – Pursuant to the relevant Decree of the Ministry of the Agriculture, selected mountainous and less favourable areas are proclaimed taking into account the quality of the soil. Support is oriented to the following activities:</p> <ol style="list-style-type: none"> 1. maintenance of land by grazing and mowing: support is granted depending on the number of cattle per 100 ha and the conditions of mowing the grassland; 2. compensation for early retirement due to less favourable production conditions on cultivated land; 3. compensation of reaching lower yields due to less favourable production conditions for growing of special permanent varieties: the principles are the same as above. 4. sheep and goat breeding – support is granted per one head of one year old sheep or half a year old goat, the amount of financial sources depending on the purpose of breeding: either utility or purebred breeding or other. Support can be paid also for one litre of sold sheep or goat milk and also for one kg of sold sheep or goat cheese. <p><i>Livestock breeding promotion</i> – Support is granted to breeders in the amount of 6 cents per kilogram (2,50 SKK/kg) for sold bulls for slaughter or 4 cents per kilogram (1,50 SKK/kg) of sold swine for slaughter in live weight. Payments for sheep and goats are granted on similar principles as mentioned above in previous support measures.</p> <p><i>Cow breeding for milk production</i> – Payments are made for sold milk based on allocated quota in amount of approx. US\$113 per head annually (4,600 SKK), with a minimum of 5 heads in breeding.</p> <p><i>Compensation payments in crop production</i> – These payments are, in contrast to countervailing payments in crop production, based on the sale of allocated quotas. For example, payments for potatoes are granted up to US\$395 (16,000 SKK/ha) and for sugar beet payments are US\$4 (170 SKK/tonne) for sugar beets with a sugar content of at least 15 per cent.</p>

Slovak Republic G/AG/N/SVK/35 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Follow-up question by Canada – The "OECD Monitoring and Evaluation 2002" reports a set of minimum prices for several products, including beef, in 2001. Canada understands that the State Fund for Market Regulation intervened in the beef market by providing per tonne subsidies to remove surplus supply in 2001. Explanation sought where the support associated with the minimum price for beef is reported in the 2001 Table DS:1 notification.	The Slovak Republic undertook to provide a response.

South Africa G/AG/N/ZAF/44 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Australia – Clarification sought regarding compliance of the programme "Subsidies for a Special assistance Scheme for Beekeepers" with specific criteria of Annex 2 as this programme appears to be product-specific support, and linked to production.	The subsidies for beekeepers were a once-off grant to beekeepers who lost their bee colonies after invasion of foreign bee species. The government only subsidized the honey producers to re-establish the bee colonies and resume production. Subsidies were not linked to quantities of production nor to prices farmers received. These subsidies have been discontinued since 1997. This programme will in future be removed from the notification as it has been discontinued.
Australia - South Africa has adjusted the fixed external reference price for sugar from 445 Rand/t in the base period to 1,404.49 Rand/t in 2000. The intent of Annex 3, paragraph 9 is that a fixed and unchanged reference price should apply to the base period. Requests South Africa to provide this information for the Current AMS in 2000, with no adjustments being made for the period 1995 – 1998.	South Africa has not adjusted the fixed external reference price as indicated in the question. South Africa made use of a stable currency (US dollar) to calculate market price support. This is in line with a right explicitly provided for in our Uruguay Round Schedule (refer to footnote to Schedule XVIII, Part IV, Section 1, p. 851). The exchange rates used to calculate the External Reference Prices (ERP) are indicated in Table DS:5. South Africa sees no need for recalculating the AMS.
Australia – A description requested of the program "Resource Allocation", which is currently classified as non product-specific support.	The payment indicated under resource allocation as non-product-specific support is for the maintenance of state agricultural land. The subsidies will soon be phased out as the land has been earmarked for resettlement of small-scale farmers.

Table DS:2 Notifications

Australia G/AG/N/AUS/43 New or Modified Domestic Support (Table DS:2)	
Points raised by other Members	Response by Notifying Member
<p>Canada – With regard to the three measures "New Industries Development Program", "Food and Fibre Chains", and "Dairy Regional Assistance Program", Australia indicates that "no specified level of production is required to qualify" for payment. What is the significance of this statement in relation to the criterion of paragraph 6(e) that "no production shall be required"? Specifically, parts of the dairy program appear to take the form of input subsidies to agricultural producers, which might not meet the fundamental requirement that the measures have at most minimal effects on production.</p>	<p>In each of the "New Industries Development Program", "Food and Fibre Chains", and "Dairy Regional Assistance Program" the statement "no specified level of production is required to qualify" means that no production is required at all, in order to receive these payments, in compliance with Annex 2, paragraph 6(e). With regard to the Dairy Regional Assistance Program, there appears to be some confusion regarding the term "seed funding" mentioned in our notification, which in this case refers to pre-commercial funding (as opposed to the funding of seeds for planting or an input subsidy).</p>

Australia G/AG/N/AUS/44 New or Modified Domestic Support (Table DS:2)	
Points raised by other Members	Response by Notifying Member
<p>Canada - With regard to the measure "Sugar Industry Assistance Package", Australia indicates that "no specified level of production is required to qualify" for payment. Additionally, payment recipients must dedicate land and labour and/or capital to a sugar industry enterprise. What is the significance of these statement in relation to the criterion of paragraph 6(e) that "no production shall be required".</p> <p>Eligibility for the "Sugar Industry Assistance Package" is based on status as "a sugar cane producer for two years prior to lodging the claim". This suggests that the base period, being a function of the length of the program, is not fixed. The program having been extended in 2001 highlights this. How does this relate to the requirement of paragraph 6(a) that the base period be "defined and fixed"?</p>	<p>The Sugar Industry Assistance Package does not require any production in order to receive payments and therefore complies with Annex 2, paragraph 6(e).</p> <p>The criterion that eligibility for sugar industry payments is based on the contribution of land/labour/capital to a sugar industry enterprise and status as a sugar cane producer for two years prior to lodging the claim, are used to determine that applicants are bona fide full-time farmers and not "hobby" farmers or what Australians sometimes colloquially call "Pitt St" or investment farmers. In other words, these are administrative criteria to ensure, along with other conditions, that the payments are carefully targeted. These eligibility conditions are not relevant to assessing whether the payments meet the criterion of paragraph 6(e).</p> <p>Applications for this program were not accepted beyond December 2001 and the program has not been extended. Furthermore, payments are not in any way based on a level of production but solely on the applicant's status as a farmer and income levels. The payment is a welfare safety-net payment with the sole objective of meeting the welfare needs of the farm family rather than the business or production entity. This payment clearly meets the criteria of having no distorting effect on production, as there is no inherent link to production as reflected in the Green Box criteria.</p>

European Communities G/AG/N/EEC/39 New or Modified Domestic Support (Table DS:2)													
Points raised by other Members	Response by Notifying Member												
The United States – As a follow-up to the responses at the September meeting, clarification sought as to how the EC's restructuring programme, which requires farmers to produce wine grapes, meets the criteria of Annex 2, paragraph 11(e) since there is an explicit requirement in the EC regulation to produce grapes. Given this production requirement, is the EC willing to properly notify this programme as Amber Box support?	The object of the regulation is to help the producers to restructure their production. There is a requirement not to produce certain varieties for which there is not market demand. The measure clearly helps to turn away from surplus production in accordance with paragraph 11 (e) of Annex 2. The EC does not agree that this measure should be notified as an Amber Box measure.												
Clarification sought as to whether individual EC Member States contribute to payments made under the restructuring and conversion programme implemented in their territories. Information sought concerning the contribution by the EC Member states and whether they were included in the support level indicated in the EC's notification of the restructuring and conversion programme. Breakdown requested of support levels under the restructuring and conversion programme, including any support provided by individual EC Member states, by new varietal conversion, grape production relocation, and the adoption of improved management techniques.	<p>Individual EC member States do not contribute to payments made on the restructuring and conversion programme. There is only Community financing with the exception of the application of Article 14/4 of the regulation No 1493/99. However, member States have not used that possibility. Individual producers provide 50% or 25% of co-financing depending on whether or not they are located in less favoured areas. The expenditures in the budget year 2001 for the three restructuring and conversion measures taking together were as follows:</p> <table> <tr> <td>Germany</td><td>14 million Euros</td></tr> <tr> <td>Spain</td><td>172 million Euros</td></tr> <tr> <td>France</td><td>19 million Euros</td></tr> <tr> <td>Italy</td><td>115 million Euros</td></tr> <tr> <td>Austria</td><td>12 million Euros</td></tr> <tr> <td>Portugal</td><td>41 million Euros.</td></tr> </table> <p>A break-down between these measures is not available.</p>	Germany	14 million Euros	Spain	172 million Euros	France	19 million Euros	Italy	115 million Euros	Austria	12 million Euros	Portugal	41 million Euros.
Germany	14 million Euros												
Spain	172 million Euros												
France	19 million Euros												
Italy	115 million Euros												
Austria	12 million Euros												
Portugal	41 million Euros.												
Follow-up comment by the United States – If certain policies are moved to the Green Box the farmers should be free to choose, i.e. the policies should not affect their productions decisions. According to the EC, there is a negative list associated with this regulation. In the case of a negative list, there are products which producers cannot produce, such as, for example grapes. Does the EC maintain a negative list or positive list, i.e. varieties that the producer may choose to plant as he receives the payments?	<p>The EC quoted paragraph 11 (e), Annex 2: "The payments shall 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". This is precisely what the EC is doing with this policy.</p> <p>Regarding the question concerning the positive list the EC undertook to provide a response.</p>												

Tables ES:1 to ES:3 Notifications

Japan G/AG/N/JPN/77 Export Subsidies (Tables ES:1 and ES:2)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought as to whether all of the notified commodities were exported as food aid and whether all of these commodities were produced in Japan, or some or all imported under Japan's WTO minimum access requirements.</p> <p>Follow-up question by the United States – Information sought regarding break-down of products exported as food aid.</p>	<p>All of the notified commodities were exported as food aid and include commodities imported under minimum access requirements.</p> <p>The amount imported under Japan's WTO minimum access requirements and then exported as food aid was 196,081 tonnes of rice, which constitutes around 23% of the total quantity of the food aid notified.</p>

Attachment 1

**Data provided by Thailand under Article 18.6 of the Agreement concerning the United States –
Domestic Support Payments to Rice – Violation of the Peace Clause**

Unit: Million US\$

U.S. Domestic Support Program on Rice¹	1999	2000	2001
Loan Deficiency Payments	161	278	306
Marketing Loan Gains	240	319	402
Production Flexibility Payments ²	453	379	350
Marketing Loss Payments ³	453	453	453
Total Payments	1,307	1,429	1,511
Total Value of U.S. Rice Production	1,230	1,069 ⁴	1,023 ⁵

- Note:
- ¹ We estimate crop insurance payments to be between US\$100 million and US\$200 million. Data on export credit guarantee is not publicly available.
 - ² Figures are fiscal year figures adjusted to marketing year.
 - ³ The payment equals payments made in 1999.
 - ⁴ Estimate by USDA.
 - ⁵ Forecast as of 12 June 2001 by USDA.

Attachment 2

**Details provided by the Philippines regarding special safeguard notifications
G/AG/N/PHL/27, 29 and 30**

- (a) Response to United States's Request for Methodology and Data Used to Calculate the Trigger Price for Onions (G/AG/N/PHL/27)

Data used in computing the trigger price:

Reference years	Volume of imports (in kilograms)	CIF Value of imports (in pesos)	Unit CIF value of imports (in pesos per kilogram)
1986	100	6,850	68.50
1987	335	24,990	74.60
1988	66	5,337	80.86

Source: National Statistics Office (NSO), Annual publication on Foreign Trade Statistics, NSO.

Product HS code: 0703. 10 00
Description: Onions and shallots, fresh or chilled

Computation of the trigger price:

Trigger price = average CIF price for the years 1986, 1987, and 1988
= sum of CIF value of imports for 1986-88 ÷ sum of volume of imports for 1986-88

Onion trigger price = (6,850 + 24,990 + 5,337) pesos ÷ (100 + 335 + 66) kgs
= 37,177 pesos ÷ 501 kgs

⇒ Trigger price = 74.21 pesos per kilogram

(b) Response to United States's Request for Explanation on PSCC Correlation with the current HS Codes for Chicken Meat and Chicken Parts G/AG/N/PHL/29

The following table presents the matching of the HS Codes (2001) with PSC Codes (1983) for chicken meat and chicken parts:

HS Code (2001)	Description of Product	PSCC (1983)	Description of Product
0207.11 20	Meat of fowls of the species Gallus domesticus, not cut in pieces, fresh or chilled	011.41-00	Chickens killed/dressed, fresh, chilled or frozen
0207.12 20	Meat of fowls of the species Gallus domesticus, not cut in pieces, frozen	011.41-00	Chickens killed/dressed, fresh, chilled or frozen
0207.14 12	Livers of the species Gallus domesticus, frozen	011.81-00	Poultry liver, fresh, chilled or frozen, salted or in brine
0207.14 92	Other cuts and offal of fowls of the species Gallus domesticus, frozen	011.41-00	Chickens killed/dressed, fresh, chilled or frozen
		011.44-00	Poultry offals other than liver, fresh, chilled or frozen
1602.32 10	Meat or offal of fowls of the species Gallus domesticus, prepared or preserved in airtight containers	014.92-01	Chicken meat in airtight containers
1602.32 90	Meat or offal of fowls of the species Gallus domesticus, prepared or preserved in airtight containers	014.99-00	Other prepared or preserved meat and edible offals, n.e.s.

(c) Response to United States's Request for Explanation on PSCC Correlation with the current HS Codes for Chicken Meat and Chicken Parts (G/AG/N/PHL/30)

The following table presents the concordance of the tariff lines between the Philippine schedule of commitments in 1994 and the HS Codes in 2001 that were used in the notifications.

Notifications		Schedule of Commitments	
HS Code (2001)	Description of Product	HS Code (1994)	Description of Product
0207.11 20	Meat of fowls of the species Gallus domesticus, not cut in pieces, fresh or chilled	0207.10 12	Chickens and ducks not cut in pieces, fresh or chilled
0207.12 20	Meat of fowls of the species Gallus domesticus, not cut in pieces, frozen	0207.21 00	Fowls of the species Gallus domesticus, not cut in pieces, frozen
0207.14 12	Livers of the species Gallus domesticus, frozen	0207.50 00	Poultry livers, frozen
0207.14 92	Other cuts and offal of fowls of the species Gallus domesticus, frozen	0207.41 00	Cuts and offal, other than livers, of fowls of the species Gallus domesticus, frozen
0703.10 00	Onions and shallots, fresh or chilled	0703.10 00	Onions and shallots, fresh or chilled
1602.32 10	Meat or offal of fowls of the species Gallus domesticus, prepared or preserved in airtight containers	1602.39 10	Poultry meat or offal, other than turkey, prepared or preserved in airtight containers
1602.32 90	Meat or offal of fowls of the species Gallus domesticus, prepared or preserved other than in airtight containers	1602.39 90	Poultry meat or offal, other than turkey prepared or preserved, not in airtight containers