

WORLD TRADE ORGANIZATION

RESTRICTED

G/AG/R/2

24 July 1995

(95-2114)

Committee on Agriculture

SUMMARY REPORT OF THE MEETING HELD ON 8 JUNE 1995

Note by the Secretariat

1. The Committee on Agriculture held its second meeting on 8 June 1995 under the chairmanship of Ambassador Danai Tulalamba of Thailand. The agenda of the meeting, contained in WTO/AIR/93, was adopted.

Notification Requirements and Formats

2. The Committee adopted, pursuant to Article 18:2 of the Agreement on Agriculture, the notification requirements and formats as set out in the informal Secretariat document dated 2 June 1995 (issued as document G/AG/2).

3. Several Members expressed the view that the submission of data on total exports during the first two years of implementation within 180 instead of 120 days should be exceptional and that the delay in the submission of such data should be justified. Regarding the submission of data on total exports by Members which did not have specific export subsidy reduction commitments, it was noted by one Member that there were several points relating to the product coverage of notifications that might need to be clarified at the appropriate stage. It was also suggested that another point requiring clarification was the reporting of triangular food aid transactions in the context of Table ES:3.

4. The Chairman noted that it would be open to the Committee to review the notification requirements and their operation as and when appropriate. As regards the list of Members that are "significant exporters" for the purposes of the notification requirements in respect of total exports (paragraph (iii) at page 24 of document G/AG/2 refers), the Chairman indicated that the list concerned would be drawn up, following informal consultations, prior to or at the next meeting of the Committee.

Implementation Dates

5. The Committee took note of the results of further work of the Secretariat on implementation dates for each type of commitment (G/AG/W/2/Rev.1, refers). It was agreed that a reminder should be sent to those Members and signatories which had yet to specify implementation dates for their commitments, with a view to completing the information in document G/AG/W/2/Rev.1, on the basis that failure to respond to the further reminder would be taken to imply that the applicable date for the implementation of market access commitments would be 1 January.

Notifications to the Committee

6. As agreed at the previous meeting of the Committee (G/AG/R/1, paragraph 15 refers), the Committee reverted to the following notifications:

- (i) on the administration of tariff and other quota commitments (Table MA:1)
from Canada (G/AG/N/CAN/1) and the United States (G/AG/N/USA/2 and Add.1);

- (ii) on trigger prices in the context of the special safeguard (Table MA:4) from the United States (G/AG/N/USA/1).
- 7. The Chairman noted that the following notifications had been received since the previous meeting:
 - on the administration of tariff and other quota commitments (Table MA:1) from Japan (G/AG/N/JPN/1), Hungary (G/AG/N/HUN/1) and Thailand (G/AG/N/THA/1 and 2).
- 8. The Chairman noted that the following notifications had been received since the convening airgram was issued on 24 May 1995 (WTO/AIR/93):
 - (i) on the administration of tariff and other quota commitments (Table MA:1) from Malaysia (G/AG/N/MYS/1), the Republic of Korea (G/AG/N/KOR/1), Slovenia (G/AG/N/SVN/1), the Czech Republic (subsequently issued as G/AG/N/CZE/1) and the Slovak Republic (subsequently issued as G/AG/N/SVK/1).
 - (ii) on trigger prices in the context of the price-based special safeguard (Table MA:4) from Japan (G/AG/N/JPN/2) and the Republic of Korea (G/AG/N/KOR/2).
- 9. Specific points raised with respect to these notifications (paragraphs 6, 7 and 8 above) are summarized in the Annex to this report.
- 10. The representative of Canada noted that certain Members which had implemented market access commitments had yet to submit their MA:1 notifications. He also raised a number of general points with respect to the contents of MA:1 notifications already received. He suggested that these notifications should be more specific in the following areas: the date of the validity of import permits, e.g., whether the notified date was in regard to the date on which goods are in transit, cross the border or are customs-cleared; the procedure in case of unutilized quota allocations; whether or not non-nationals were entitled to be allocated part of a tariff quota; the rules governing tariff quotas once they have been allocated (e.g., tradeability, possibility of consolidation among various tariff quota holders); and mechanisms, if any, for the protection of traditional trading relationships.
- 11. A number of Members expressed concerns in respect of country-specific allocations under m.f.n. tariff quotas. In this context, the representative of Argentina questioned the legal validity of bilateral understandings and flagged his concerns with respect to their impact on the rights of other Members.
- 12. The representative of the United States noted that, in the case of several Members, the tariff quota concession was established at the HS four-digit level, whereas the allocation of the tariff quota under the administration procedures was made at the HS six-digit or more detailed level. He registered his concern that countries might allocate tariff quotas in a way which would impede trade or impair the value of concessions. He suggested that whenever the original concession was at the four-digit level, the tariff quota allocation should not be made at a more detailed level and expressed the view that it should be left to the market to decide under which product lines imports under the concession take place.
- 13. A number of Members expressed the view that the issue of auctioning import licenses under tariff quota commitments was an important matter that warranted further discussion in the Committee. Certain delegations indicated that an auctioning system might not be compatible with GATT 1994, including Articles II, III and VIII. Some Members voiced concern over the transfer of quota rents to governments as the result of quota auctions. The representative of Korea pointed out that the auction system was one of the most effective methods of giving practical effect to the m.f.n. principle as provided

for in Article I of the GATT 1994 and that it also ensured transparency and fairness in the operation of tariff quotas.

14. The Chairman reminded the Committee that Members proposing to raise matters with respect to specific notifications should do so in writing in accordance with the Working Procedures (G/AG/1) in order to ensure that the review process operated in an orderly and efficient manner. It was agreed that where points raised during meetings were to be pursued bilaterally, the Committee should be informed of the outcome where the issue involved was one of general interest. It was noted that at the appropriate stage the Chairman would organize informal consultations on issues of general interest relating to the administration of tariff and other quota commitments.

Matters Relevant to the Implementation of Commitments under the Reform Programme

15. A number of Members raised questions regarding the implementation of the European Communities' market access concessions for cereals (including rice). They indicated that they were following with concern the development of the EC regulation governing the implementation of these concessions. The view was expressed that, contrary to and possibly in violation of the EC concessions, the regulation could inadvertently result in a duty-paid import price, for certain high-quality grains, in excess of 155 per cent of the relevant EC intervention price (or the corresponding level for rice).

The representative of Australia added that the EC Regulation, while it recognized freight differentials, was discriminating against Australia by stipulating the Suez Canal as the shipping route. The representative of the European Communities took note of the concerns expressed and stated that the Community was in the process of completing the regulations governing the implementation of the concession in question which, once put into practice, would be compatible with the Community's commitment.

16. A number of Members raised concerns regarding the implementation by the European Communities and the United States of their Uruguay Round commitments on subsidized exports authorized prior to 1 July 1995 but to be shipped after that date without being counted against their Uruguay Round commitments. The representative of New Zealand indicated that the current approval practice in the period prior to 1 July 1995 might create potential for inflating the volumes of subsidized product that could be exported in the first year of implementation. He asked the Community and the US to provide data regarding volumes of product approved, or likely to be approved before 1 July 1995, for subsidized export after 1 July 1995 and, for the purposes of comparison, volumes normally approved during the last months of the marketing year for shipment in the following marketing year. The representative of New Zealand also requested information on the criteria governing normal export subsidy authorizations.

17. The representative of the United States indicated that the issue raised had been one of considerable concern to the United States but that these concerns had been dispelled following bilateral consultations with the Community. He explained that the United States export subsidy reduction commitments would be implemented on the basis of awards (i.e. export licences) through government tenders rather than on the basis of actual exports. Certain awards made in the run-up to 1 July 1995 would have validity periods extending into the implementation period for the United States export volume subsidy commitments beginning on 1 July 1995. Exports made under awards issued prior to 1 July 1995 would not be counted against the US commitments. Although every award made after 1 July 1995 would be counted against the US commitments, there would be some export subsidy awards issued at the end of the first year of implementation where export would occur only in the second year of implementation, and these lags between awards and export shipments would be repeated in the following years of implementation.

18. The representative of the European Communities stated that the Community would be monitoring its export subsidy reduction commitments on the basis of export licences issued. The Community was currently in the process of finalizing the package of measures to ensure proper monitoring of its commitments. The detailed rules would be published shortly. The representative of the European Communities assured Members that the Community would not authorize product for subsidized export at abnormal levels prior to the entry into force of its Uruguay Round export subsidy reduction commitments in an attempt to circumvent commitments. The representative of the European Communities proposed that this issue be discussed with interested Members on a bilateral basis. The Committee took note that with respect to the data requested by New Zealand as well as by other Members, the representatives of the European Communities and the United States would pursue the matter and provide a response.

19. The representative of New Zealand flagged his delegation's interest in having the Committee consider whether the level of domestic support granted to specific commodities during the 1992 marketing year should be notified to the Committee (Article 13(b) of the Agreement on Agriculture refers). He indicated that his government considered the issue important for the implementation of domestic support commitments and the viability of the due restraint clause.

Other Matters

20. The Committee had a preliminary exchange of views with regard to the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries. In a statement which has been circulated as document G/AG/W/5 the representative of Egypt set out a number of suggestions on how to make the Ministerial Decision operational with respect to: the definition of net food-importing developing countries; the monitoring of implementation of the provisions relating to international financial institutions; the type and amount of technical assistance provided by relevant international organizations; differential treatment in the context of an agreement on agricultural export credits; and the review of the level of food aid commitments under the Food Aid Convention.

21. A number of Members supported the views expressed by the representative of Egypt and expressed their commitment to work actively towards implementing the Decision. In this general connection one Member stressed that it would also be important to take account of the actual effects of the Uruguay Round reform programme. A statement by Bangladesh has also been circulated as G/AG/W/6. The Chairman confirmed that the Committee would revert to the Ministerial Decision at the September meeting prior to the review foreseen for the November meeting of the Committee.

22. On the question of observer status in the Committee for international intergovernmental Organizations, the Committee decided that the FAO, the OECD, the UN World Food Programme and the International Wheat Council (as of 1 July 1995, the International Grains Council) would be invited to be represented as observers at regular meetings of the Committee on an ad hoc basis, pending adoption of formal guidelines for the participation of international intergovernmental organizations by the WTO General Council. Observer organizations may speak under Part I of the Committee's agenda where specifically requested so to do by the Chairman and may themselves request the floor under Part II of the Committee's agenda. It would be open to the Committee to meet, in formal or informal session, without the presence of observers. It was also agreed that, prior to the organizations concerned being invited to attend meetings of the Committee, satisfactory arrangements would first need to be made for reciprocal WTO observer status, particularly with regard to discussions on matters of direct relevance to the Committee. The representative of Mexico observed that any application from other international intergovernmental commodity organizations should be given the same consideration as the International Wheat Council. The Committee agreed that any organization requesting observers status would have

to be capable of making a useful contribution to the work of the Committee under the Agreement on Agriculture, as well as meeting other criteria considered relevant by the Committee.

23. Under "Other Business" the representative of Australia flagged a matter related to new or modified domestic support measures subject to reduction commitments. Under the current notification requirements and formats, domestic support measures subject to reduction commitments are to be notified only annually under Table DS:1 of G/AG/2; there was no requirement for the prompt notification of new or modified non-exempt domestic support measures. By contrast, details of new or modified "green box" and "blue box" measures are to be notified promptly (G/AG/2, Table DS:2). The representative of Australia considered that this gap in the notification requirements warranted consideration by the Committee. In addition, the representative of Australia flagged its interest in notification requirements being established with respect to arrangements for out-of-quota imports.

Date of next Meeting

24. The next meeting of the Committee will be held on 28-29 September 1995.

ANNEXReview of Notifications by the Committee on Agriculture at its Meeting on 8 June 1995Summary of Specific Points Raised and Responses Thereto

United States G/AG/N/USA/2 and Add.1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
Canada - Enquiry about a tariff line omitted from both the original and additional tariff quota notifications.	Tariff line no longer exists. The product in question is covered by tariff quotas already notified.
Canada - As regards the country allocations for raw cane and beet sugar or syrups, the notification refers to a new regulation which is under preparation. If it has not already done so, when will this regulation enter into force?	The regulation is still under preparation. Once the regulation is ready for implementation, Canada and other interested Members would be informed.
Mexico - Does "Other **" in tariff quota country allocations, eg. cheese, mean Mexico is not included; or does "Other **" mean m.f.n. including Mexico? In the light of the reply to this question the representative of Mexico indicated that the matter would be pursued bilaterally.	The double asterisks in "Other **" means Mexico is not included in the quantity. tariff quotas under the NAFTA commitments are listed in another part of the US tariff schedule, not under the US GATT commitments.

United States G/AG/N/USA/1 Trigger Prices (Table MA:4)	
Points raised by other Members	Response by Notifying Member
Canada - Why is there a difference between notified trigger prices and those applied by the US Customs?	In every case, applied trigger prices are lower than notified trigger prices due to the fact that the additional duty is triggered only once the gap between the cif import price and trigger price exceeds a 10 per cent threshold (Article 5:5 of the Agreement, refers). Trigger prices as applied by US customs equal notified trigger prices minus threshold level.
Canada - Follow-up on preceding response: Why is the difference between notified trigger prices and applied trigger prices variable between products rather than being constant?	Answer to be provided.
Canada - Is the levying of any additional duty automatic or discretionary?	Additional duties under the price-based SSG will be levied automatically on all tariff lines notified, not on a case-by-case basis.
New Zealand - What mechanism does the US have in place to ensure that price-based SSG is not triggered on tariff quota quantities?	Instructions to Customs officials provide that the mechanism is not to be used before the tariff quota is filled.
Argentina - Follow-up on previous answer: How does price-based SSG operate in the case of simultaneous 1,000 tonne shipments when the tariff quota is 1,000 tonnes short of being filled?	To be reverted to.

Canada G/AG/N/CAN/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
United States - Regarding the tariff quota for fluid milk, how does Canada verify that "the global access quantity will be entirely accounted for under the General Import Permit" (G/AG/N/CAN/1, p.6, refers) ?	Canada will continue to monitor, on the basis of regular surveys, the importation of fluid milk for personal use. The tariff quota was established on the same basis.
European Communities/Argentina - Clarification sought with respect to New Zealand country reserve of 27,600 tonnes for beef and veal. Was this country reserve reflected in the Canadian Schedule (G/AG/N/CAN/1, p.5, refers) ?	The global access quantity for beef and veal in the Canadian Schedule represents an m.f.n. tariff quota. Within the global quantity, on the basis of understandings not reflected in the Schedule, certain quantities have been reserved for Australia and New Zealand. These country shares for traditional suppliers were established on the basis of base period imports.

Japan G/AG/N/JPN/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
Canada/European Communities - Clarification sought regarding two tariff quotas for milk powder and condensed milk which appear to be missing	Confirms that the two items mentioned, to which tariff quota systems are not applied, are not included in the notification. Import quantities for the products in question are unlimited, provided that the products are for consumption by international maritime vessels or international airlines.
Canada - Certain tariff quotas have been allocated for half of the fiscal year. Are the import permits valid only for that half of the fiscal year? Can the importer obtain a permit for each half of the fiscal year or does it have to wait until the second half of the fiscal year? How does the quota allocation system work?	Tariff quotas are allocated twice annually in order to cope with fluctuations in demand. Tariff quota quantities for the second half of the year will be announced in due course. The import permits are valid only for that half of the financial year.
Argentina - What does "business plans of applicants" mean in the context of quota allocation to importers?	The qualification is designed to allow for new applicants or market entrants. Since new entrants have no historical record, their business plans would be considered for quota allocation purposes.
Thailand - Whether the information published in the "MITI Official Bulletin" and the "Jetro Daily Tsusho Koho" referred to in the notification is available in English?	No, only in Japanese.

Hungary G/AG/N/HUN/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
United States/Canada - The notification includes country allocations which were not incorporated in Hungary's Marrakesh Schedule, although reference to the matter is made in a footnote in the Schedule, (G/AG/N/HUN/1, e.g. p. 2 refers). How can Hungary justify country-specific allocations of m.f.n. quotas? Is Hungary claiming that these allocations are in conformity with Article XIII of GATT 1994? Clarification sought regarding those cases where the notification indicates that there will be country allocations but no quantities are listed, eg. HS 0206.	Countries referred to in the notification are countries with which Hungary has entered into free trade agreements. The quantities concerned are stipulated in these agreements. Hungary would provide answers to all points raised on the basis of written questions.
United States - Clarification sought regarding notified tariff quotas for products including soybean oil, icecream, soups, frozen vegetables, which were not included in Hungary's Marrakesh Schedule. Why were these products included in the Hungarian notification on the administration of tariff quotas?	Matter to be reverted to.
United States - Clarification sought as to whether almonds are included in the tariff quota under heading HS 0802?	For almonds, as well as some other products, Hungary eliminated all non-tariff measures but did not increase tariffs to the bound level.
United States - Confirmation requested that there will be no requirement that imports under tariff quota are exclusively for further processing.	This is not believed to be the case but this will be confirmed.
Canada - Why are import allocations limited to a maximum of 10 per cent of the quotas, and how is this provision to be implemented? Does this mean that there would have to be 10 importers to fill the tariff quota?	A maximum share of 10 per cent of quota allocations will apply only in the first round of allocations in order to forestall any monopolization of quota entitlements. Thereafter a first-come-first-served system would apply.
Canada - Clarification sought on a number of tariff quotas which might have been omitted from the notification, in particular a tariff quota for frozen berries (HS 0811).	In Hungary's Schedule there is no such tariff quota concession. Requests clarification from Canada.
Canada - Information requested on the date of the validity of import permits, eg whether the notified date relates to the date on which the goods are in transit, cross the border or are customs-cleared; the procedure in case of unutilized quota allocations; whether or not non-nationals can be allocated part of the tariff quota; the rules governing tariff quotas once they are allocated (eg tradeability, possibility of consolidation among various tariff quota holders), and mechanisms, if any, for the protection of traditional trading relationships.	Unused quota allocations are carried over to the following semester, as quotas are allocated twice annually. Legal persons incorporated in Hungary and natural persons based in Hungary are considered as nationals for quota allocation purposes. Tariff quota entitlements are not tradeable.

Hungary G/AG/N/HUN/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
Mexico - Same points as those raised by the United States and Canada with respect to country allocations, in particular for processed fruit, vegetables and beer. Clarification also sought as to whether Hungary will provide additional quota allocations on an m.f.n. basis.	To be reverted to.
Argentina - How are priorities assigned within the tariff quotas including the country- allocated quotas? How do the Hungarian authorities distribute the import licences?	To be reverted to.
New Zealand - Are the country allocations reviewed annually or are the allocations determined once and for all?	To be reverted to.

Thailand G/AG/N/THA/1 and 2 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
Australia/United States/European Community - No notification has been made for SMP, milk and cream. Can it be assumed that the tariff quota administration notification in respect of these products will be made soon?	Notification will be forthcoming.
United States - Noted that Thailand's tariff quota concession for rice was established at the HS four-digit level, whereas the allocation of the tariff quota has been made at the six-digit level.	Tariff quota allocation at the six-digit level is based on actual trade as reflected in the Thai import statistics.
Argentina - Why is the tariff quota administration for rice (first-come-first-served) different from that for soybeans?	As regards rice, allocations are made on a first-come-first-served basis, whereas for soybeans allocations are made to the processing industry on the basis of past performance.

Malaysia G/AG/N/MYS/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
United States/Argentina - Noted that for animal products the validity period of import permits is one month only and raised concerns about the unusually short validity period involved.	Preliminary response: the items in question are perishable products, and it was considered that the validity period was sufficient for genuine traders.
United States - On what basis are import licenses allocated, first-come-first-served, lottery, auction etc.?	A first-come-first-served basis system applies to all products.
Switzerland - How will Malaysia ensure that the tariff quotas will be filled, given that the validity of import licences is limited to one month in most cases?	The commitment is to provide market access opportunities. There is no obligation to fill tariff quotas.
Argentina - Noted that maritime transport from Argentinean ports to Asian countries would take at least 45 days, which would lead to practical problems given the short validity period of import licences.	Indicated that Malaysian authorities may exercise flexibility on the issue.

Korea G/AG/N/KOR/1 Tariff Quotas (Table MA:1)	
Points raised by other Members	Response by Notifying Member
United States/European Community - Point raised that in most, if not all cases, producer and/or processor groups were involved in the administration of tariff quotas, with consequent potential for impairment of the concessions.	The fact that a producer group has been designated as a tariff quota management authority is not in violation of GATT provisions. Note taken of the concerns of delegations. Korea to ensure transparency and fairness in order to avoid potential problems and see to it that provisions of WTO Agreement are not violated.
United States - Point raised that Korea's tariff quota concession for corn, which was established at the HS six-digit level, should be administered so as to provide import opportunities for specific users of each of the products covered by the concession.	For collectively bound items, such as corn, collective import opportunities are to be provided as indicated in the Schedule. As long as full performance is ensured, importing countries' tariff quota allocation to sub-items should be respected and recognized. Historical performance should be considered in tariff quota allocation to the sub-items.
Australia/European Community/New Zealand - Concerns raised regarding Korea's auction system for certain tariff quotas.	As far as the Korean system is concerned the quota auction system has been introduced due to difficulties related to the large price gap between domestic markets and international markets, for internal distribution of tariff quota licences, and as a method to transfer quota rents from importers to the government without any additional burden on the exporter. Market access opportunities will be fully provided under this system. There are no restrictions regarding access to the tariff quota auctions.

Japan G/AG/N/JPN/2 Trigger Prices (Table MA:4)	
Points raised by other Members	Response by Notifying Member
Canada/New Zealand/European Community - Noted that the SSG was notified and triggered only 7 weeks after the opening of the tariff quota. Confirmation sought as to whether the entire quantity under the tariff quota concession (157,000 mt) was imported during the 7 week implementation period.	The notified price-based SSG will be invoked in the case of over-quota imports only and will be triggered automatically. This does not mean that the tariff quota has been filled, but licenses for the first six months have been issued. The imports concerned were out-of-quota imports. In-quota imports were unaffected.

Korea G/AG/N/KOR/1 Trigger Prices (Table MA:4)	
Points raised by other Members	Response by Notifying Member
United States - Noted that the list of products for which trigger prices have been notified is a short one. Can it be assumed that in the case of other products, for which Korea has reserved the right to invoke the SSG, the volume-based SSG applies. Or can one expect further trigger price notifications?	For the time being Korea is only considering the use of the price-based SSG on the 12 items as notified.