

WORLD TRADE ORGANIZATION

RESTRICTED

G/AG/R/32

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(02-6118)

Committee on Agriculture

SUMMARY REPORT OF THE MEETING HELD ON 26 SEPTEMBER 2002

Note by the Secretariat¹

1. The Committee on Agriculture held its thirty-second regular meeting on 26 September 2002 under the chairmanship of Dr. Magdi Farahat of Egypt. The agenda of the meeting as contained in WTO/AIR/1896 was adopted.

PART I: THE REVIEW PROCESS

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

(a) Argentina: European Communities – Reform of the Common Agricultural Policy (CAP) – Mid-Term Review

2. Argentina sought clarification from the EC with respect to any additional measures which the EC might be taking in the context of the Mid-Term Review process to reduce trade-distorting domestic support, taking into account that the proposed measures would result in a reduction of only 0.4 per cent of CAP expenditure. Given that the reforms may result in lower domestic production, Argentina enquired whether any recommendations were under consideration to improve market access to satisfy internal demand.

3. The EC responded that it did not wish to enter into a debate concerning policy initiatives that were not yet reflected in legislation. With regard to Argentina's second question, the EC stated that since the depicted situation was hypothetical, the EC did not wish to speculate.

4. Canada noted that it was closely following the Mid-Term Review by the EC. Argentina requested that, due to the far-reaching implications of changes of the CAP, this matter be kept on the agenda of the Committee and that Members be informed by the EC. The EC took note of Members' interest concerning its Mid-Term Review of the CAP and undertook to inform the Committee at the appropriate stage.

(b) Canada: United States – Farm Security and Rural Investment (FSRI) Act of 2002

5. Canada sought further clarification regarding the status of implementation of a number of provisions of the FSRI Act 2002 in relation to the US domestic support commitments. In this regard Canada noted that, since the June meeting of the Committee, the United States had taken a number of steps to implement direct and counter-cyclical payments. In particular, producers had been requested to sign up from 1 October 2002, with "payments to farmers soon thereafter" (USDA press release, 12 August 2002).

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.

6. In response to the Canadian question regarding the implementation of the circuit breaker provision in Section 1601(e) of the FSRI Act, which provided for "adjustment authority related to the Uruguay Round compliance", the United States stated that the proposed measures to implement this statutory authority were under consideration within the executive branch of the US Government. No decision had been made as to whether regulations were needed to implement this provision. With respect to the meaning of "to the maximum extent practicable" in making adjustments in the amount of expenditures provided for in Section 1601(e), the United States explained that the level of support provided under some US domestic support programmes was dependent on market conditions and producer decisions that the US Department of Agriculture (USDA) did not know in advance.

7. With respect to the question as to how the Congress would be consulted prior to making any adjustment and how this would ensure that the adjustment would be taken in time to ensure that the annual Total AMS commitment was not exceeded, the United States responded the USDA consulted regularly with the Congress, including on WTO issues such as levels of support and the AMS. The USDA would continue to consult to ensure that the Congress was fully informed, consistent with Section 1601(e). USDA would have ample mechanisms available to make adjustments.

8. With regard to the question as to how the United States intended to monitor expenditures during each reporting period so that action, if necessary, could be taken within the reporting period to ensure the United States complied with its annual commitment level, the United States reiterated that the USDA expected to put in place a process to permit on-going monitoring of domestic support spending that would allow the Secretary of Agriculture sufficient time to take appropriate action. In response to Canada's questions as to how direct payments, including counter-cyclical payments, would be classified, the United States stated that no decisions had been made on the future classification of these programmes for notification purposes.

9. In view of the fact that some of the FSRI Act provisions had taken effect immediately when the President of the United States had signed the Act into law on 13 May 2002 and sign ups for direct payments and counter-cyclical payments had begun, Canada sought clarification as to when and for what programmes the United States would submit Table DS:2 notifications on any new or modified domestic support measures exempt from reduction. The United States responded that a USDA task force was reviewing the entire Farm Bill and identifying where implementing regulations were needed. New Farm Bill provisions required implementation through a rule-making process. The United States would submit appropriate Table DS:2 notifications in a timely manner.

10. Canada expressed disappointment about the response by the United States. In its view, it was unacceptable that Members had to wait for a US notification on domestic support in order to find out how support would be classified. It was important that the right mechanism for monitoring expenditures be put in place from the beginning. Australia urged the United States to inform the Committee as to how its domestic support programmes would be classified. Argentina and the EC supported the statements by Canada and Australia. In Argentina's view, international commitments should take precedence over domestic issues of the practicability of expenditure control. Japan registered its concerns regarding some of the new US domestic support measures, including counter-cyclical payments, and their outstanding notification to the Committee.

11. The United States recalled that its Farm Bill reflected current legislation; it had made a proposal for future agricultural policy in the context of the negotiations. The United States recognized the importance of prompt notification and undertook to convey Members' concerns in this regard to its capital. Some of the new policies might qualify as Amber but a decision had not been made. The United States underlined that the fact that a circuit breaker provision had been established, implied that the United States was committed to meeting its WTO obligations.

(c) Canada: United States – Proposed drought aid of US\$6 billion

12. Canada stated that under the FSRI Act of May 2002, the United States had authorized expanded and enriched levels of trade-distorting support to agriculture. Four months later, the US Senate had approved an additional US\$6 billion for drought relief to farmers and ranchers. Canada sought clarification as to how the United States intended to meet its Total AMS commitment of US\$19.1 billion, if this spending were to proceed.

13. The United States responded that the US Administration did not wish to speculate in the WTO on the outcome of legislation pending in the US Congress.

(d) New Zealand: Venezuela – Dairy import licensing – Tariff quota administration

14. In relation to the tariff quota administration regime for dairy products notified in G/AG/N/VEN/22, New Zealand stated it had received reports that licences were not currently being issued for dairy products until the end of the year. New Zealand was concerned that this step could significantly disrupt the market by raising costs to processors and consumers in Venezuela, and curtail legitimate trade. New Zealand sought clarification as to whether the licensing system was still in effect; as to the last date on which import licences for dairy products were issued, and as to the dates on which requests for import licences would be sought in the remainder of 2002. To the extent that there had been changes, New Zealand enquired about the reasons for these changes and when these changes would be notified. New Zealand also sought an indication from Venezuela as to what steps the government was taking to resume the issuing of import licences for dairy products.

15. Venezuela responded that the system notified in G/AG/N/VEN/22 was still in effect. It provided the following information based on the records of the Directorate-General of Agricultural Marketing:

- Import licences for milk powder (26 per cent) were last issued on 29 August 2002. Approximately 55 per cent of the total quota, or over 40,000 tonnes, had now been filled. Complete records for the second half of the current year were not yet available.
- Import licences for cheese were last issued on 12 August 2002. Allocation now totalled 2,894.46 tonnes, equivalent to 130.85 per cent of the total quota.
- Import licences for skimmed milk powder were last issued on 6 September 2002. Allocations now totalled 4,524.40 tonnes, equivalent to 5,200 per cent of the total quota.

Venezuela considered that this information demonstrated that licences were indeed currently being issued. Licences for the above products corresponding to the last quarter of the current year were currently being allocated, which indicated that the respective import licences would be issued shortly.

16. The United States and Uruguay expressed their concerns in this matter. The United States stated that the US Government and exporters continued to face frustrations with Venezuela's administration of its import permits for a number of products and were considering their options for addressing this issue. Uruguay stated it had concerns with respect to import quotas and import licences for dairy products, in particular cheese. It considered that the procedures applied by Venezuela lacked transparency since the conditions for quota access were set annually and, according to Venezuela, depended on market needs. Uruguay's exports were seriously affected by these restrictions. According to data for January-June 2002, most of the Uruguay exporters of cheese had been unable to export to that market. Furthermore, Uruguay's enterprises were adversely affected by

the procedures of allocating 90 per cent of quotas to traditional importers and only 10 per cent to newcomers.

17. In response, Venezuela reminded the United States that oral responses to its questions on import licensing administration had been provided at the recent meeting of the Committee on Import Licensing Procedures which would be circulated in writing within the next few days. Venezuela added that the Minister of Agriculture and Lands of Venezuela was scheduled to make an official visit to Uruguay during which he intended to raise the issue of cheese imports from Uruguay.

(e) United States: Turkey – Import permits for rice

18. United States raised its concerns about the fact that Turkey, for the third consecutive year, appeared to be slowing or preventing rice imports through the denial of import licences. The United States had been informed bilaterally that Turkey did not have sufficient laboratory capacity to meet all pending import licence requests, hence the delays. However, consistent with previous years, the United States was receiving reports that Turkey may be using import licences to impede imports, just as Turkish farmers began their rice harvest. The United States requested Turkey to immediately resume issuing rice import licences, noting that inappropriate use of import permits could be a violation of the Agreement on Import Licensing Procedures, the TBT Agreement, and the Agreement on Agriculture.

19. Turkey noted that domestic production of rice covered less than 50 per cent of Turkey's needs and the rest was imported. As a matter of fact, Turkey did not issue import licences for rice from the United States; import licences were related to preferential trade arrangements. For rice, as well as a range of other agricultural products, control certificates were issued for the purpose of customs procedures and food security analysis. Such control certificates were intended to ensure food safety, protect consumers, protect producers from "unfair competition" and to provide statistical data.

20. The United States sought further clarification as to how control certificates were issued to control, among other things, unfair competition. Turkey responded that the notion of "unfair competition" was only concerned with aspects of food safety and food quality. The United States suggested to pursue this issue bilaterally. The EC indicated an interest in being informed about the results of any such bilateral discussions between Turkey and the United States.

(f) Thailand: Chinese Taipei – Tariff quota administration for rice

21. Thailand raised its concerns regarding the sub-quota for state trading under the minimum access quota for rice by Chinese Taipei. Under the government rice procurement, Chinese Taipei administered an auction regime for imports of short and medium grain rice which accounted for more than 92,000 tonnes or 98 per cent of total rice imported by the government. Since most Thai rice was long grain, the new specification would eliminate any opportunity for Thailand of participating in the auctions. Thailand considered that such requirement concerning the specific length of rice under the bidding system was in conflict with accession commitments of Chinese Taipei and its recent announcement to open up the milled and brown rice markets. Accordingly, Thailand requested clarification from Chinese Taipei as to whether this new specification had been notified to the WTO, whether it constituted a permanent measure and whether other forms of tariff quota allocation without specifications of the type of rice were considered.

22. In response, Chinese Taipei stated that it had lifted its import ban and allowed rice imports under the provisions of Annex 5 of the Agreement on Agriculture. The annual minimum access quota for 2002 was 144,720 metric tonnes on a brown rice basis, with 35 per cent of the quota (50,652 tonnes) allocated to the private sector and 65 per cent of quota (94,068 tonnes) imported by the government on the condition that it be tendered to meet internationally recognized standards for

trade in rice and resold to the domestic market for table use. According to the statistics of Chinese Taipei, medium- and short-grain rice accounted for more than 92 per cent of the domestic market share and long-grain rice, which was mainly used for processing, accounted for the remainder. Since the rice imported by the public sector was resold on the domestic market, market preferences were an important factor when deciding the specification of imported rice. The Council of Agriculture had decided that the first three instalments of government-imported rice, which amounted to 68,000 metric tonnes, would be medium-grain rice. Any supplier from WTO Members could participate in the bidding for public rice tenders provided they could meet these specifications. The specifications of the publicly imported rice were no stricter than those of other Members, and the implementation of the quota was in compliance with WTO obligations. Nonetheless, Chinese Taipei had decided to purchase 2,000 tonnes of long-grain rice under its public import quota to test the market for long-grain rice.

23. In response to the claim by Chinese Taipei that there was little demand for long-grain rice in the country, Thailand stated that data provided by private sector importers showed otherwise. In the first quarter of 2002, long-grain rice imports in Chinese Taipei accounted for 45 per cent (7,145 tonnes) of the total of 17,167 tonnes, in other words, there was a substantial demand for long-grain rice. There was a large population of foreign workers in Chinese Taipei, including more than 100,000 people from Thailand, who preferred long-grain rice over other types of rice and consumed rice three times a day.

24. The United States and Argentina flagged their interest in this matter. Australia noted that the issue at hand concerned the systemic question of end-use requirements which may accidentally restrict market access.

25. In response to the interventions by Thailand, the United States, Argentina and Australia, Chinese Taipei reiterated that the specification of publicly imported rice was determined on the basis of market demand and was not discriminatory. Furthermore, the 2,000 tonnes of long-grain rice which Chinese Taipei had decided to import would meet the needs of foreign workers.

(g) Thailand: India – Domestic and export subsidies on rice

26. Thailand sought clarification from India concerning export subsidies for rice applied in 2002 to reduce the government's excessive level of stocks. Thailand stated that the significant increase of stocks was a result of India's domestic rice subsidies. In 2001, for example, the Indian Government, through the Food Corporation, had provided 167,240 million Rupees (US\$3,800 million) in the form of domestic subsidies to farmers. According to data available to Thailand, the Indian Government, through the Food Corporation, had sold parboiled rice for export only, at a price of 6,000 Rupee/tonne and 25 per cent rice at a price of 5,650 Rupee/tonne, whereas such types of rice were domestically sold by the same agency at a price of 8,300 Rupee/tonne. Both the domestic and the export subsidies had a significant impact on the international market for rice. Thailand also enquired as to when the specific measures at issue would be notified to the WTO.

27. The United States and Canada flagged an interest in this issue.

28. In response, India undertook to convey the concerns expressed to its capital and to provide a response to Members. In any case, India would fully abide by its WTO obligations.

B. REVIEW OF NOTIFICATIONS

29. 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 Slovenia (SVN/1/Add.1), United States (USA/40);
- (ii) relating to imports under tariff and other quota commitments (Table MA:2): from the European Communities (EEC/40), Morocco (MAR/22), Philippines (PHL/24), Poland (POL/51), Switzerland (CHE/28);
- (iii) in the context of the special safeguard (Tables MA:3 to MA:5): from the Czech Republic (CZE/40), Japan (JPN/76), Poland (POL/52 and Corr.1), Poland (POL/53);
- (iv) relating to domestic support commitments (Table DS:1): from Cuba (CUB/19), Estonia (EST/6), European Communities (EEC/38), India (IND/2), Israel (ISR/26), Korea (KOR/31), Morocco (MAR/24), Philippines (PHL/23), Slovenia (SVN/21), Turkey (TUR/14);
- (v) relating to new or modified domestic support measures exempt from reduction (Table DS:2): from the Czech Republic (CZE/38), European Communities (EEC/39).

30. 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

31. 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) on the administration of tariff and other quota commitments (Table MA:1): from El Salvador (SLV/11) and Switzerland (CHE/13/Add.3);
- (ii) relating to imports under tariff and other quota commitments (Table MA:2): from El Salvador (SLV/15) and Slovenia (SVN/22);
- (iii) in the context of the special safeguard (Tables MA:3 to MA:5): from the Czech Republic (CZE/39), El Salvador (SLV/12), Japan (JPN/73/Rev.1), Nicaragua (NIC/8, NIC/4), Philippines (PHL/25), Switzerland (CHE/27/Rev.1, CHE/29) and the United States (USA/41);
- (iv) in the context of domestic support commitments (Table DS:1): from Australia (AUS/41/Rev.1), Czech Republic (CZE/34/Corr.1), El Salvador (SLV/13), Georgia (GEO/2), Jordan (JOR/1), Nicaragua (NIC/7), Paraguay (PRY/10), Singapore (SGP/8) and Slovenia (SVN/18/Rev.1);
- (v) relating to new or modified domestic support measures exempt from reduction (Table DS:2): from Australia (AUS/43, 44), Estonia (EST/7) and Slovenia (SVN/23);

- (vi) on export subsidy commitments (Tables ES:1 to ES:3): from Bangladesh (BGD/1), El Salvador (SLV/14), Japan (JPN/77 and Corr.1), Nicaragua (NIC/6), Paraguay (PRY/9), Philippines (PHL/26), Poland (POL/50), Singapore (SGP/9), Slovenia (SVN/20) and Zambia (ZMB/4).

(b) Notifications circulated or made available after the notice convening the meeting was issued (G/AG/1, paragraph 9 refers)

32. 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:

- (i) on the administration of tariff and other quota commitments (Table MA:1): from China (CHN/1);
- (ii) on special safeguard (Tables MA:3 to MA:5): from the Czech Republic (CZE/41), Japan (JPN/79), Philippines (PHL/27, PHL/28) and South Africa (ZAF/41);
- (iii) on domestic support commitments (Tables DS:1 and DS:2): from Honduras (HND/10/Rev.1 and HND/13) and the Slovak Republic (SVK/35).

D. POINTS CONCERNING NOTIFICATIONS RAISED AT PREVIOUS MEETINGS (G/AG/R/2, PARAGRAPH 14 REFERS)

33. There was no discussion under this agenda item.

E. COUNTER NOTIFICATIONS UNDER ARTICLE 18.7

34. 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

35. The deferred replies received from the European Communities regarding its Table DS:2 notification (EEC/39) and from Morocco regarding its Table MA:2 fill notification (MAR/22) and Table DS:1 notification (MAR/22), which were subject to review at this meeting, are summarized in Part II of the Annex to this report.

(b) Overdue notifications

36. As had been agreed at the March 1997 meeting of the Committee (G/AG/R/10, paragraph 10 refers) the Secretariat made available a room document, dated 25 September 2002, showing the current status of compliance with the notification obligations.

(c) Addenda to Table MA:1 notifications

37. The Chairman recalled that the Doha 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).

38. 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/1/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).

39. 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. FOLLOW-UP TO THE COMMITTEE'S RECOMMENDATIONS CONCERNING IMPLEMENTATION-RELATED ISSUES

40. The Chairman recalled the Committee's recommendations regarding implementation-related issues that were approved by the Doha Ministerial Conference (G/AG/11 refers). With respect to the issue of the implementation of Article 10.2 of the Agreement on Agriculture, the Chairman noted that at the June meeting, a questionnaire on export credits and related facilities had been distributed on the basis that those Members which were in a position to do so were encouraged to complete and return the questionnaire to the Secretariat. The Secretariat had prepared a Room Document dated 23 September containing the completed questionnaires that had been returned by Members (Madagascar, New Zealand, Oman and the United States). It was agreed that a compilation of these completed questionnaires would be issued as a Committee on Agriculture document in the three official languages, on the basis that any additional questionnaires that would be submitted by Members would be circulated as addenda to that document (G/AG/W/56 refers).

41. With respect to the report of the Inter-Agency Panel on Short-Term Difficulties in Financing Normal Levels of Commercial Imports Basic Foodstuffs in the context of the Marrakesh NFIDC Decision, the Chairman recalled that as the result of the inconclusive consideration of the Panel recommendation by the General Council at its meeting in July, the General Council had invited him as Chairman of the Committee, to hold informal consultations on the ways to proceed with the recommendations and report back to the General Council at its meeting on 15 October. Accordingly, the Chairman had held informal open-ended consultations on 9 September and on 19 September regarding the issue of the panel recommendations (G/AG/13, paragraph 168 refers). At the informal meetings, an opportunity was provided, as agreed at the regular June meeting, for Members to exchange views regarding the implementation of food aid, and technical and financial assistance in the context of the Marrakesh NFIDC Decision.

42. The Chairman recalled that the Committee was required, following this meeting, to submit a report to the General Council concerning its follow-up to the recommendations on implementation-related issues. As agreed at the June meeting, a draft report by the Chairman dated 20 September had been circulated to delegations in advance of this meeting in order to facilitate consideration of the report by the Committee. The draft report was adopted, as amended, on the understanding that it would be submitted to the General Council on the responsibility of the Chairman (G/AG/14 refers).

PART II: OTHER MATTERS WITHIN THE PURVIEW OF THE COMMITTEE

A. TRANSITIONAL REVIEW UNDER PARAGRAPH 18 OF THE PROTOCOL OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA

43. The Chairman thanked the delegation of China for its flexibility and cooperation in the preparation of the Committee's first annual Transitional Review under paragraph 18 of the China's Protocol of Accession. It was his intention to begin this review by inviting responses from China to questions and/or comments submitted by the United States, Canada, the EC, Japan and Thailand in advance of the review.

(a) United States – Questions and/or comments submitted to China in advance of the review

44. The questions submitted to China by the United States in advance of this review are set out in document G/AG/W/51, with the additional questions submitted at the meeting being circulated in an addendum thereto (G/AG/W/51/Add.1 refers).

45. China stated that on 26 September it had received additional comments and questions from the United States on agricultural tariff quotas. As there appeared to be substantial overlap between the two lists of questions submitted on 28 August (G/AG/W/51) and on 26 September (G/AG/W/51/Add.1), China would proceed by responding to the additional questions by the United States. With regard to the US questions contained in G/AG/W/51 and some of the questions by other Members, China noted that its responses thereto were in part reflected in China's notifications to this Committee (G/AG/N/CHN/1), as well as the Committees on Market Access and Import Licensing Procedures (G/LIC/N/1/CHN/1/Add.1 – G/MA/W/41).

Tariff quota administration – Sub-quota for processing

46. China noted that the United States had raised a number of concerns regarding the issue of sub-quotas for processing. First, the United States had claimed that China appeared to be establishing a sub-quota which was not based on consumer preferences and end-user demand but on the government's subjective and non-transparent assessment of demand for processing. China responded that the processing trade had been in existence for two decades and there were many enterprises in China, including joint ventures, engaged in this business. China was of the view that in the framework of tariff quota administration such differing business interests should be accommodated, that is, enterprises engaged in processing trade and those importing import products for sale in China. The sub-quotas were thus based on objective demand and consumer preferences, and the applicable procedures were stipulated in the relevant regulations and decrees to ensure transparency.

47. Second, the United States had raised concerns regarding implementation of China's commitments which provided that the entire tariff quota should be allocated to end-users on 1 January by a single, central authority administering tariff quotas and making allocation decisions. In response, China stated that with respect to the processing trade, there were no procedural requirements for quota allocations. China reserved a proportion of the tariff quota quantities for the processing trade based on historical performance, the production plan and applications by enterprises engaged in the processing trade. Applications for a processing trade certificate and business licence were required to be submitted to the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). After quotas were obtained, enterprises were required to apply to the State Development and Planning Commission (SDPC) for a tariff quota certificate which was granted automatically. There was no approval procedure since the sub-quotas for processing were not allocated. Accordingly, China considered that it had complied with the relevant headnote of its tariff quota Schedule.

48. Third, the United States had raised concerns regarding restrictions on the utilisation of products imported under the processing trade, contrary to Article 3 of the Agreement on Import Licensing Procedures. China referred to its response in this regard in the Committee on Import Licensing Procedures to the effect that there were no restrictions on the utilisation of tariff quota products imported.

49. Fourth, the United States had raised concerns regarding out-of-quota tariffs on products for sale in China which it believed to be inconsistent with tariff bindings. China responded that enterprises that wanted to sell on the domestic market had to pay the out-of-quota tariff in line with China's regulations on tariff quota administration. By contrast, in the processing trade, enterprises benefited from tariff exemption but were required to re-export their product.

50. Fifth, the United States had raised a question regarding the "additional licensing requirement". In response, China stated that the additional licensing requirement referred to the processing trade certificate, not the tariff quota certificate. China had made the commitment that it would issue a single import licence which was the tariff quota certificate issued by SDPC. The processing trade certificate was not an import licence but a licence for the export-processing trade to benefit from tariff exemption. In other words, for imports of tariff quota products, quota holders were required to present to customs only the tariff quota certificate issued by SDPC.

51. Based on the above-mentioned clarifications and explanations, China considered its regulations and practice regarding the sub-quotas for processing to be in conformity with its WTO obligations and commitments; it had no plans to change the current system.

Tariff quota administration – Licensing

52. China stated that the United States had raised a number of concerns with respect to licensing. Its first question related to licences from AQSIQ, the quarantine agency of China. China responded that the United States appeared to consider that these additional import licences required from AQSIQ were not based on legitimate quarantine objectives. China referred to its response in this regard in the Committees on Market Access and Import Licensing Procedures. The licence required from AQSIQ for the purposes of quarantine objectives was separate from the administration of tariff quotas and not part of the procedure for approval and allocation of tariff quotas. In the view of China, the issue of quarantine licences should be discussed in the SPS Committee.

53. Another issue raised by the United States concerned the requirement in China's tariff quota regulations that quota holders provide detailed commercial information prior to obtaining an import licence, something which the United States believed restricted the commercial terms that could be changed thereafter. In the view of China, its tariff quota regulations did not contain any restrictions on the commercial terms. If a quota holder considered it necessary to change the commercial terms, he should apply to the SDPC to make that change. From the perspective of the Government of China, submission of the relevant information was required for the purpose of customs statistics and the supervision of the trade floor. This was a procedural requirement which was compatible with China's WTO obligations.

Tariff quota administration – Commercially viable quantities

54. China noted that the United States had raised concerns in bilateral consultations concerning complaints by some exporters that the allocations for certain tariff quota commodities were not made in commercially viable quantities. China was open to considering suggestions and further discussing this issue with the United States and other interested Members, although it believed that the allocations were in fact made in commercially viable quantities.

Tariff quota administration – Transparency

55. China further noted that the United States had raised a number of questions concerning transparency. The first question was with regard to the total volume of tariff quotas made available to private entities and to STEs. In response, China referred to the Decree No.1, 2002 by SDPC entitled "The Quantity, Conditions of Application and Allocation Measures of Import Tariff Quota of Important Agricultural Products of the Year 2002" (G/LIC/N/1/CHN/1/Add.1, pages 32-35 refer). China noted that the term "private entities" was not used by China, nor stipulated in its Accession Protocol, and hence China used the term "state trading".

56. The second question concerned the volume of tariff quotas reserved for importation for processing and re-export. The reserved tariff quota quantities for the processing trade were: 250,000 tonnes for wheat; 200,000 tonnes for corn; 150,000 tonnes for rice; 200,000 tonnes for soya bean oil; 100,000 tonnes for rapeseed oil; 100,000 tonnes for palm oil; 160,000 tonnes for sugar, and 500,000 tonnes for cotton. Overall, the quantities reserved for the processing trade covered only a very small proportion of the total tariff quota quantities.

57. The third and fourth questions related to the volume and number of requests received from, and denied to, private entities, state trading enterprises and the processing trade. China responded that it had provided the relevant information in its notifications to the WTO in accordance with Annex 1(a) of the Protocol of Accession.

58. In response to the fifth question concerning the time taken to grant the tariff quota allocations, China stated that it took one month.

59. In response to the question concerning restrictions on the amount per tariff quota that a single entity could apply for and/or receive, China provided the following information: wheat – 2,000 to 13,000 tonnes; corn – 3,000 to 50,000 tonnes; long-grain rice – 1,000 to 65,000 tonnes; short-grain rice – 1,000 to 100,000 tonnes; soya bean oil – 3,000 to 26,000 tonnes; rapeseed oil – 2,000 to 15,000 tonnes; palm oil – 300 to 28,000 tonnes; sugar – 2,000 to 8,700 tonnes; and cotton – 200 to 2,100 tonnes.

(b) Canada – Questions and/or comments submitted to China in advance of the review

60. The questions submitted to China by Canada in advance of the review are set out in document G/AG/W/52.

Tariff quota administration

61. China noted that Canada had raised five questions concerning tariff quota administration. In response to the first question concerning the role of SDPC in collecting applications, China stated that the Central Government had authorized SDPC as the sole agency to allocate quotas under WTO accession commitments. Although the regional SDPC offices were not authorized to allocate the quotas to end-users, to facilitate the process for applicants, the regional offices had been requested to assist the Central Government to collect and verify applications so as to ensure that allocations could be made in a timely manner, a procedure which China considered to be fully in accordance with its Protocol of Accession.

62. With respect to the second question raised by Canada regarding Article 14 of the SDPC's tariff quota regulations, China confirmed that Article 14 did not specify the mechanism for weighing different criteria in awarding tariff quota allocations to applicants. However, Article 3 of the implementation rules in SDPC Decree No.1, 2002 had specific provisions regarding the criteria.

63. With respect to the third question concerning the regulations for subdividing the tariff quota for domestic consumption and processing for re-export, China referred to the response given to the United States (paragraphs 46 to 51 above refer).

64. In response to the fourth question regarding the release of the names of quota holders, China considered that the publication of the names of quota holders would violate commercial confidentiality. However, Canada had requested China to demonstrate how the commercial interests of these enterprises would be compromised by the release of this information. China considered that according to Article XIII, paragraph 3(a) of GATT, Members were under no obligation to provide information regarding the names of the importing or supplying enterprises. China understood that such information could have a negative impact on the position of enterprises in contract negotiations. Nonetheless, China had consulted on this issue with the enterprises concerned but they had declined to provide such information.

65. In response to the fifth question by Canada, China confirmed that unused and uncontracted tariff quotas would be reallocated by 1 October in accordance with China's commitments under its Protocol of Accession.

Tariffs

66. In response to Canada's question as to the reasons for levying specific tariffs on imports of certain poultry products and beer, China responded that, unlike in the case of newsprint, it had not made a commitment to replace those specific tariffs with *ad valorem* tariffs. China's commitment was to ensure that the specific tariff was equivalent to the *ad valorem* tariffs specified in its Schedule.

Value-added taxes(VAT)

67. In response to Canada's question whether China afforded more favourable tax treatment to domestically produced wheat and corn than like imported products, China responded that according to its VAT law, such taxes were applied on an equal basis to both domestic and imported products. China assured Members that the tax levied on bulk wheat was no different from the tax levied on imported wheat and that it would abide by its national treatment obligation in this regard.

(c) European Communities – Questions and/or comments submitted to China in advance of the review

68. The questions submitted to China by the European Communities in advance of the review are set out in document G/AG/W/53.

Tariff quota administration – Transparency

69. China noted that the EC had submitted a number of questions or comments concerning transparency. In response to the request for the relevant regulations concerning tariff quota regulations, China stated that its notification G/LIC/N/1/CHN/1/Add.1 incorporated eighteen regulations concerning tariff quota administration and import licensing requirements.

70. With respect to the question of whether the general enquiry point established within MOFTEC was valid for agriculture, China responded in the affirmative. China had established a trade policy enquiry point to respond to questions raised by Members, as well as individuals, Chinese and foreign. Since its accession, China had provided more than 1,000 responses.

Tariff quota administration – Transposition into domestic legislation

71. With respect to the question concerning China regulations for subdividing the tariff quota for domestic consumption and processing for re-export, China referred to the response given to the United States (see paragraphs 46 to 51 above).

72. On the question as to the rationale for including aid and charities in the framework of tariff quota administration, China responded that the negotiated tariff quota commitments were based on imports in the period 1995 to 1997, including imports for aid and charity.

73. With regard to the concern raised by EC about the overall burdensome character of the tariff quota regulations, China responded that it considered the process for allocating the quotas to be minimally burdensome to the trade, while it involved a considerable burden for the Government of China. All requirements stipulated in the relevant regulations concerning tariff quotas were intended to ensure the full utilisation of quotas.

74. With respect to the question concerning the timeliness of regulations, China confirmed that in August the SDPC had published Decree No. 3 concerning re-allocations of quotas in accordance with China's commitments.

SPS matters

75. With respect to the issue of China's restrictions on EC animal products which the EC considered to be without scientific justification, China responded that, on the contrary, it was the EC that had introduced serious restrictions on animal products from China. China believed that those measures were not justified and had no scientific basis. China intended to raise this issue in the TBT and SPS Committees.

76. Finally, China thanked the EC for its positive assessment that China had implemented its tariff quotas quantities and tariffs in line with its Schedule.

(d) Japan – Questions and/or comments submitted to China in advance of the review

77. The questions submitted to China by Japan in advance of the review are set out in document G/AG/W/54.

78. Regarding the first question concerning state trading, China considered that this issue should be dealt with by the Council for Trade in Goods in November. China was in the process of preparing a notification on state trading, and in any case, its regulations and practices regarding state trading were consistent with Article XVII of the GATT.

79. The second question concerned the headnote of China's Schedule which indicated that if a quota holder had not contracted for the total quantity by 15 September, it shall return the unused portion of the tariff quota to the SDPC. China responded that generally, for tariff quota products prices on the international market were lower than domestic prices in China. As a result, there were significant market access opportunities for products such as, for example, palm oil. China had not received any returns for such products. For other products, such as wheat, it had received many returns of quotas as the result of natural disasters in major exporting countries and the fact that international prices were much higher than in China. At this stage, China was not in a position to provide data on returned tariff quota quantities.

80. The third question concerned the method of allocation applied to rice, wheat, maize and soybean oil. In this regard, China referred to the response given to Canada (paragraph 62 above). China also referred to the implementation rule, Decree No.1, 2002 of SDPC for further details.

(e) Thailand – Questions and/or comments submitted to China in advance of the review

81. The questions submitted by to China by Thailand in advance of the review are set out in document G/AG/W/55.

82. With regard to the first question concerning the allocation of sugar, China responded that according to its regulations concerning tariff quota administration and related implementation rules, China had allocated the quota for sugar. In 2002 the total volume of the sugar tariff quota was 1.764 million tonnes, with 70 per cent of this quantity being subject to state trading.

83. The second question concerned the issue of whether importation of agriculture products by sub-regional governments had to be approved by the SDPC in terms of tariff quota allocation and SPS measures. China clarified that SDPC was the agency in charge of the allocation of the quotas while AQSIQ, another governmental agency, was responsible for SPS measures.

(f) Follow-up questions and/or comments by Members

84. Following completion of a first round of questions and answers, the Chairman opened the floor to Members for further questions and/or comments addressed to China.

85. The EC thanked China for its efforts in preparing the responses. It appeared that most of the EC's questions had been answered. However, the EC had requested information on specific issues that China had not addressed, that is, additional information concerning agriculture as provided for in Section 12, paragraph 2 and Section IV, paragraph 2 of Annex 1A of the Protocol of Accession. The EC would also appreciate receiving the replies in writing, including to the questions raised by other Members, since some of EC questions had been answered indirectly through the replies to other countries.

86. Japan thanked China for its flexibility and cooperative approach during this review. Japan would examine the relevant Decree referred to by China and sought further clarification regarding the allocations made so far under the ISTE and the non-ISTE systems (question 3 in G/AG/W/54 refers) and the availability of a notification by China in this regard.

87. Canada thanked China for its responses. Canada requested further clarification regarding the tariff issue on certain poultry products and beer, given that its calculations seemed to show that the tariff equivalents of China's specific duties were in fact above the bound level (question 6 in G/AG/W/52 refers).

88. The United States thanked the delegation of China for having responded to its additional questions submitted at the day of meeting and the questions by other Members. The United States believed that, although China had answered a number of the questions raised by the United States, there were some that remained outstanding, in particular, the questions regarding export subsidies (G/AG/W/51, pages 4-5 refer). In addition, it appeared that China had not yet answered some of the questions raised in August regarding tariff quota administration and licensing procedures. The United States was disappointed not to have received the responses in writing to the questions posed in August. In its view, China had an obligation under its Protocol of Accession to provide responses to the US questions prior to this meeting, which also might have facilitated the review by providing an opportunity for follow-up questions by Members. The United States considered that this review was an essential element of China's accession package and China's agreement to provide information

under this review was part of that commitment. The United States requested China to provide written responses to the US questions to allow its capital to review the answers and possibly provide some additional questions to China, so that this review could be completed.

89. Argentina thanked China for its responses to the questions and expressed an interest in receiving a response to the US questions posed in August. Argentina also expressed an interest in receiving China's responses in writing, if possible.

90. New Zealand expressed appreciation for the tremendous efforts by China in preparing the responses. However, it might have been helpful for the purposes of this review if China had submitted written responses in context of the review by the Committees on Import Licensing Procedures and Market Access to allow Members to study those answers in advance of the review by this Committee. It also would have been helpful if the United States had circulated its list of additional questions in advance of this meeting.

91. In response to the requests for written responses, China recalled that there had been a long and inconclusive discussion of this issue in the Committees on Import Licensing Procedures and Market Access. The delegation of China had no objections to Members raising additional questions but had no mandate to provide responses in writing.

92. In response to the intervention by the EC, China referred to its notification provided to the Committees on Import Licensing Procedures and Market Access. With regard to the issue of fiscal transfers from the government to the state trading companies, China informed that all STEs were responsible for profits or losses, and there were no physical transfers from the government to STEs.

93. With regard to the follow-up question raised by Japan, China suggested to pursue this issue bilaterally.

94. In response to the intervention by Canada, China invited Canada to pursue the issue of specific tariffs and *ad valorem* tariffs on certain poultry products and beer on a bilateral basis.

95. With regard to the questions raised by the United States, China reaffirmed its accession commitment to eliminate and not to reintroduce export subsidies. With regard to the request by the United States to provide sales data for cotton, corn and rice, China stated that prices were determined by supply and demand, not by the government. Moreover, for the markets of corn and cotton representative prices were not yet available. With respect to the concern that China had provided some support that was linked to exportation, China responded that no such support existed. The railway construction fund for several agricultural products had been abolished.

(g) Report to the Council for Trade in Goods

96. Regarding the question of the Committee's report on this review to the Council for Trade in Goods, the Committee agreed to the proposal that the Chairman would prepare a short factual report in which reference would be made to the relevant Committee documents containing the questions and/or comments by Members, as well as the additional questions by the United States, and with reference being made to the substantive discussion as reflected in the Summary Report of this meeting by the Secretariat.

B. MATTERS RAISED UNDER "OTHER BUSINESS"

97. The Committee took note that, in light of the late hour, consideration under "other business" of the Annual Report to the Council for Trade in Goods and the provisional schedule of meetings for 2003 would be deferred to the regular meeting in November.

Date of Next Meeting

98. The next regular meeting of the Committee on Agriculture will be held on 21 November 2002. The airgram convening the meeting and containing the draft agenda will be issued on Monday, 11 November 2002.

ANNEX

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ANNEX – PART I

Review of notifications by the Committee on Agriculture on 26 September 2002

Summary of specific points raised and responses thereto

Table MA:1 Notifications

Slovenia G/AG/N/SVN/1/Add.1 Tariff Quota Administration (Table MA:1)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – Information requested on progress in moving away from auctions as a mechanism for allocating tariff quotas.</p> <p>Follow-up comment by Argentina – Associated itself with New Zealand's concerns concerning the auction mechanism.</p>	<p>Slovenia referred to its response regarding this issues at the June meeting in 1999 (G/AG/R/19 refers).</p> <p>Auctions were introduced in 2002 alongside the first-come-first-served method which have been in place for the third year. No other methods are used. Slovenia is satisfied with the results of the auctioning system, as it is the most efficient, transparent and equitable of the systems implemented by Slovenia.</p>

United States G/AG/N/USA/40 Tariff Quota Administration (Table MA:1)	
Points raised by other Members	Response by Notifying Member
<p>Japan – Reasons for maintaining the country allocations for raw cane sugar, other cane or beet sugars or syrups, as well as sugar containing products.</p>	<p>The United States chose to allocate the sugar tariff quotas in question on a country-by-country basis consistent with GATT Article XIII, paragraph 2(d). GATT Article XIII requires that the importing country choosing to use country-by-country allocations, establish the base period for the allocations using the most recent period of relatively unfettered access to the importing country's market. In the case of the raw cane sugar tariff quota, that period was 1976-1981 for which the United States used an Olympic average to determine the import shares for the purpose of allocations.</p>

Table MA:2 Notifications

European Communities G/AG/N/EEC/40 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>Argentina – Reasons for quota underfill for certain products.</p>	<p>The supply situation on the internal market is an important factor explaining low fill rates. However, the EC has previously provided other reasons for low quota fill rates such as a lack of the required quality of the product in supplying countries and low or zero out-of-quota tariff rates, for example, for wheat.</p>
<p>Australia – In light of the zero or low fill rates (less than 10 per cent) for a range of commodities including frozen orange juice, pork meat, wheat, broken rice, fresh apricots and animal feed, questioned the necessity of tariff quotas for these products.</p> <p>Follow-up comment by Australia – Would appreciate more information concerning the internal market of the products in question to ensure transparency.</p>	<p>The tariff quotas concerned are an integral part of the EC's commitments under the Agreement. The low fill rates are a consequence of market forces which in some cases led to low or zero out-of-quota duties. The EC respects its commitments and sees no reason to reconsider the current arrangements of tariff quotas for the products mentioned by Australia.</p>

Morocco G/AG/N/MAR/22 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought as to whether there were imports under agricultural tariff quotas that were agreed to under the EU-Morocco free trade agreement. If so, information requested regarding tariff lines and quantities.</p>	<p>Undertook to provide a response. See Annex – Part II.</p>

Philippines G/AG/N/PHL/24 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>Australia – In light of the zero or very low fill rates for 2000 and 2001 for beef, pork and goat meat, queried whether the transition to a tariff only regime would be useful. Explanation sought for the significant decline in the fill rate for beef from 100 per cent in 1999 to 0.04 per cent in 2000 and 2001.</p> <p>Follow-up comment by Canada – Canada's pork exporters have faced problems in the past. Clarification sought whether such problems could be related in part to the Administrative Order which is modified every 6 months.</p> <p>Follow-up comment by the United States – Clarification sought whether unused licences were reallocated during the period in question.</p>	<p>The in-quota and out-quota tariffs on meat of bovine animals were unified in 1998 at the in-quota level, and reduced to 10% which is below the in-quota commitment. Thus, all imports of meat of bovine animals are within the in-quota commitment and enter the Philippines under a tariff-only regime. The minimal imports of bovine animals, fresh/chilled (HS 0201) in 2000 and 2001 are therefore only due to the interplay of supply and demand on this product.</p> <p>Pork and goat meat are under the Minimum Access Volume (MAV) mechanism. Licences were issued for in-quota imports of pork but use of these licences, which is a business decision of licence holders, was below 50 per cent. In addition, the pork sector continues to be one of the growth engines in the local livestock industry, significantly contributing to meet local pork demand. For goat meat, there is no demand for in-quota licences and there has been no recorded importation of the product for CY 1999 to 2001.</p> <p>Undertook to provide response to Canada.</p> <p>Undertook to provide response to the United States.</p>

Poland G/AG/N/POL/51 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>Australia – In light of the zero or very low fill rates (less than 10 per cent) for a range of products including wheat, beef, milk and cream concentrate, butter, some fruit and vegetables and potato flour, questioned the necessity of tariff quotas on these products.</p>	<p>Tariff quotas are an important part of the reform process which facilitate and improve the ability of the Polish agricultural sector to adopt to the necessary changes. The tariff quota system is under constant review, in relation to coverage and administration methods. Several factors are taken into account, including the market situation of the respective products and requests from importers. During the implementation period Poland has experienced a certain degree of fluctuation in quota fill rates, depending on market conditions, domestic and foreign prices relationships and consumer preferences.</p>

Poland G/AG/N/POL/51 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – Notes that price-based safeguards (POL/52 and POL/53) were notified for a variety of products and tariff quotas apply for these same products. Clarification sought regarding the calculation of the price-based SSG when in-quota imports are very low for some tariff lines, such as meat of swine, cut flowers and wheat and meslin. Confirmation sought that additional SSG duties are applied only after the relevant tariff quotas have been filled.</p>	<p>Confirms that imports under tariff quota are exempt from SSG duties. According to the provisions of Article 5 of the Agreement, the SSG duty is applied only to products imported out-of-quota if the import price is 10% lower than the relevant trigger price.</p>

Switzerland G/AG/N/CHE/28 Tariff Quota Fill (Table MA:2)	
Points raised by other Members	Response by Notifying Member
<p>Argentina – In light of the fact that in-quota imports of live bovine animals, live sheep and goats, animals for slaughter, dairy products, eggs, bovine semen, cut flowers, potatoes and fresh vegetables have significantly exceeded established quotas, clarification sought regarding the reasons for the extension of the tariff quotas, the conditions for such extension, the reasons why such extension has not been notified and the beneficiary countries of such extension.</p> <p>Follow-up question by Argentina – In the case of such autonomous quota extensions, how can advance notice be obtained.</p> <p>Follow-up question by Canada – Whether the terms and condition for the extended quotas differ from the scheduled tariff quotas.</p> <p>Follow-up comment by New Zealand – Whether Switzerland has any intention of making the extensions permanent.</p>	<p>In 2000 and 2001, the tariff quotas for the products referred to by Argentina were increased on an autonomous basis. These increases were implemented in response to demand developments which temporarily exceeded the basic tariff quotas and domestic production of these products.</p> <p>Quotas can be extended by the Government according to Art. 21 of the Federal Law on Agriculture of 29 April 1998 and the General Ordinance on imports of agriculture products (Art. 10). All imports under the additional tariff quotas were subject to the same in-quota-tariff rates as the basic tariff quota quantities. Under present WTO rules there is no obligation to notify tariff quota extensions. For more information regarding the Swiss tariff quota administration, see the MA:1 notification G/AG/N/CHE/13/Add.2 dated 22 March 2002 and Part 1 of notification G/LIC/N/1-3/CHE/2-3 dated 26 September 2000.</p> <p>There are no country-specific allocations of additional tariff quota quantities and equal opportunities apply to all countries.</p> <p>Information is available on a daily basis at the web site of the Swiss Customs Office.</p> <p>The tariff quota extensions are implemented on the same terms and conditions as the scheduled tariff quota quantities.</p> <p>There are currently no plans to grant permanent extension of these tariff quotas.</p>

Tables MA:3 to MA:5 Notifications

Czech Republic G/AG/N/CZE/40 Volume-Based Special Safeguard (Table MA: 3)	
Points raised by other Members	Response by Notifying Member
New Zealand – Clarification sought regarding the scheduled tariff items which correspond to the notified volume-based special safeguards for dairy fats and spreads, and the level of the additional level applied.	The scheduled tariff items were affected by HS 1996 changes. These changes have been incorporated into the Czech Republic Schedule through the Procedure of Certification of Modifications and Rectifications contained in WLI/100 (page 10). The additional duty is 22.6% for all tariff items covered by notification CZE/40.

Japan G/AG/N/JPN/76 Price-Based Special Safeguard (Table MA:4)	
Points raised by other Members	Response by Notifying Member
Australia – Information requested on the application of the special safeguard, including when the trigger price was reached, how much lower prices fell, and what rates of additional duty were levied.	The three notifications concern the price-based SSG which was invoked on individual cargoes when the price was lower than the trigger price. The dates when the trigger price was reached were therefore the same as the dates when the SSG was applied. Japan has not published the amount of extra duty imposed as a result of the SSG or the price of the imported products since they are related to traders' commercial benefits. For the three products concerned, the difference between the import price and the trigger price was greater than 10% but less than 40% of the trigger price, with the additional duty being equal to 30% of the amount by which the difference exceeded 10%.

Poland G/AG/N/POL/52 and Corr.1 Price-Based Special Safeguard (Table MA: 4)	
Points raised by other Members	Response by Notifying Member
New Zealand – With respect to the price-based special safeguards applied to swine meat, flowers, and wheat, confirmation sought that volumes of imports of these products are not declining (Article 5.7 of the Agreement). Confirmation sought that the safeguards will be applied on a shipment-by-shipment basis depending on whether the trigger price is reached, and only during the notified period.	The SSG is applied on a shipment-by-shipment basis depending on whether the trigger price is reached. Regarding swine meat, imports in the first half of 2002 reached 20,000 tonnes; in same period of 2001, imports were 7,000 tonnes. Regarding wheat, imports in the first half of 2001 were 182,000 tonnes and in the same period of 2002 licences were issued for 299,000 tonnes (imports until 15 April 2002 reached 54 per cent of total imports in 2001). Regarding flowers, until 20 June 2002, import licences issued for roses totalled 100 million pieces, which exceeds total imports in 2001; for chrysanthemums import licences were issued for 139 million pieces, which exceeds total imports in 2001. Poland considers its SSG system to be in full compliance with Art. 5.7 of the Agreement.

Poland G/AG/N/POL/53 Price-Based Special Safeguard (Table MA: 4)	
Points raised by other Members	Response by Notifying Member
New Zealand – With respect to the price-based special safeguards applied to fowls, confirmation sought that volumes of imports of these products are not declining (Article 5.7 of the Agreement). Confirmation sought that the safeguards will be applied on a shipment-by-shipment basis depending on whether the trigger price is reached, and only during the notified period.	The SSG will be applied on a shipment-by-shipment basis depending on whether the trigger price is reached. For imports of fowls, in the first half of 2002 licences were issued for over 18 million pieces and imports in that period reached 15.8 million pieces. Poland considers its SSG system to be in full compliance with Article 5.7 of the Agreement.

Table DS:1 Notifications

Cuba G/AG/N/CUB/19 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Australia – With reference to Cuba's revised notification G/AG/N/CUB/11/Rev.1, clarification sought whether "compensation of agricultural producers" was provided in conjunction with, or separately from, the Retail Price Subsidy Programme.	Compensation to agricultural producers is not part of the domestic food aid programme notified in ST/DS:1 of CUB/19. Compensation for agricultural producers was notified in ST/DS:2. This was correctly notified in the Spanish original but not in the English version.

Estonia G/AG/N/EST/6 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Australia – Data requested of the Gross Value of Production for beef in 2001 for ST/DS:7. Suggestion to present the Total AMS Commitment level for the period in question as well as the Current Total AMS, at the beginning of Table DS:1.	<p>The Gross Value of Production of beef is estimated at 371.4 million EEK in 2001 and accordingly the applicable <i>de minimis</i> level for beef cattle support is 18.6 million EEK (5 per cent). The actual beef production support paid was 0.8 million EEK as presented in ST/DS:7.</p> <p>The Gross Value of Production of total agricultural production is estimated at 6,896.4 million EEK in 2001. The Current Total AMS in 2001 was 18.2 million EEK, of which 17.4 million EEK was for non-product specific support (ST/DS:9) and 0.8 million EEK for product-specific support (ST/DS:7).</p>

European Communities G/AG/N/EEC/38 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Green Box	
New Zealand – Clarification sought as to whether Council Regulations 1260/99 and 719/96 referred to under "Research" and "Pest and disease control" are new and would be notified under Table DS:2.	Regulation 1260/99 derived from the Agenda 2000 reforms. The regulation covers the general provisions of EU structural funds. The Agenda 2000 reforms concerning agriculture were notified in Table DS:2 notification G/AG/N/EEC/17. Since the content of the programmes did not change, they needed no mention in G/AG/N/EEC/17. Regulation 719/96 concerns veterinary measures.

European Communities G/AG/N/EEC/38 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>United States – With respect to "Marketing and promotion services", clarification sought as to how the measure "protection of geographical indications" operates, how it meets the criteria of Annex 2, and as to whether it is a new programme for which a Table DS:2 notification will be provided. Clarification sought on the protection of third-country geographic indications within the EC.</p> <p>Follow-up questions by the United States – Reasons as to why a programme called "protection of geographical indications" is notified if in fact such programme is not implemented.</p>	<p>The amount notified does not contain expenditure for protection of geographical indications. In the reporting year there were no programmes running under this heading.</p> <p>The EC is unable at this stage to provide any further information on the "protection of geographical indications", other than to reiterate that there is no expenditure on this particular item.</p>
<p>Australia / Canada / New Zealand / United States – Clarification sought regarding the large increase in "Infrastructural services" from 1998/99 to 1999/00, i.e. in shifting from Regulation 950/97 to Regulation 1257/99. Which of the six measures named in column 2 have increased the most and the nature of their increase? Relation of these measures to the major changes in Regulation 1257/99 referred to in Table DS:2 notification G/AG/N/EEC/17.</p> <p>Australia – Information sought on the details of this expenditure to reassure Members that the payments are made directly to farmers and exclude the subsidised provision of on-farm facilities.</p>	<p>The increase is not due to any particular shift towards a specific measure. The reason for the increase is the accumulation of payments for the expiring programming period 1994-1999 with advance payments made for the new programming period 2000-2006. The approach of the new rural development regulation is to shift the focus from an orientation on specific measures to an integrated rural development strategy at the appropriate regional level comprising several instruments in a co-ordinated way.</p> <p>On-farm facilities are subsidised and the EC intends to correct the notification on this specific issue.</p>
<p>Canada – Clarification sought regarding "Public stockholding for food security purposes", which was notified for the first time in 1998/99 and 1999/00, to verify that the programme meets the criteria of paragraph 3 of Annex 2 regarding predetermined targets related solely to food security, and the process of stock accumulation and disposal. Whether government aid to private storage is part of this programme.</p>	<p>The purpose of the stocks is to provide food supplies if needed in the framework of a North-Atlantic security alliance. The supplies are bought and sold at current market prices.</p>
<p>Australia/New Zealand/United States – With respect to "Decoupled income support", clarification sought for the increase of agri-monetary aid payments from 129 million to 958 million Euro in 1999-2000, i.e. a 87% increase of in one year, and as to how they meet the criteria of Annex 2, paragraph 6 (a) to (e).</p>	<p>With the introduction of the Euro the agricultural conversion rates disappeared on 1 January 1999. In specific cases this resulted in a reduction in agricultural income. Council Regulations R. 2799/98 and 2800/1998 provided for a temporary digressive aid to offset the effect of the disappearance of the agricultural conversion rates on the level of direct aid in terms of national currency. The aid was up for payment in the reporting period and caused the increase. The aid meets the criteria of Annex 2, paragraph 6 because the payments are triggered by well defined monetary circumstances concerning conversion of the Euro into national currency on 1 January 1999.</p>

European Communities G/AG/N/EEC/38 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Australia – Clarification sought as to why payments under "Structural adjustments assistance provided through resource retirement programmes" in 1999-2000 were much lower than in previous notifications and if this means that land has moved out of permanent set-aside.	The payment is significantly lower because under the heading concerned, set-aside programmes are expiring. The environmental set-aside is increasingly included in the agri-environmental programmes based on Council Regulation R.2078/92 and notified under Annex 2, paragraph 12. This notification classification will be maintained under Agenda 2000 where the environmental set-aside is included in the agri-environment chapter of the integrated rural development regulation R.1257/99. The land has not moved out of permanent set-aside.
Argentina – Clarification sought regarding the objectively demonstrated structural disadvantages which gave rise to the measures taken pursuant to paragraph 11 of Annex 2 of the Agreement.	Regulation 1260/99 lays down general provisions for structural funds. Structural disadvantage, defined as a per capita GDP less than 75% of the Community average, qualifies Regions for Objective 1 measures, from the Guidance Section of EAGGF. The outermost regions and arctic regions are also covered by this objective. Regions covered by Objective 2 include amongst others declining rural areas. The EAGGF Guarantee Section contributes to the attainment of Objective 2.
United States – With respect to "Structural adjustment assistance through investment aid" data requested regarding the total expenditures used for each of the following: construction of processing; construction of packaging, and construction of storage centers and purchase equipment. Provision of the top 10 products (at the 6-digit level) benefiting from each of these activities and how much for each product.	The EC does not have this information available.
United States – With respect to "Environmental programmes" descriptions requested and a breakout of expenditures by programme. Follow-up comment by the United States – Questioned how the EC could notify these programmes if the relevant information is not available.	The EC does not have this information available. The EC does have aggregate information which allows it to make a notification, but the detailed information is not presently available. If it becomes available, the EC will provide it to the United States.

European Communities G/AG/N/EEC/38 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Blue Box	
<p>Argentina – Confirmation sought that the per-hectare compensatory payments based on regional base areas to producers of cereals, soya beans, sunflower seed, non-textile flax seed, peas and beans are governed by Council Regulation (EEC) No. 1765/92. (The reference given in the domestic support notification for 1998-1999 (G/AG/N/EEC/30) is to Council Regulation (EC) No. 3072/95 on rice.)</p> <p>Explanation sought how compensatory payments to producers with an area not exceeding that needed to produce 92 tonnes of cereals and who are not subject to the obligation to set aside land could be incorporated into a production-limiting programme in compliance with Article 6.5 of the Agreement.</p>	<p>The EC can confirm that the references to regulation 1765/92 for the products listed are correct. Regulation 3072/95 covers only the Common Market Organisation for rice.</p> <p>The production limitation is effective because there is a cap on the payments based on a fixed area. Payments are calculated on the regional basis, and this allows the respect of such cap on the payments.</p>
<p>Canada – With reference to the EC's previous statement to questions raised on payments made to rice producers in EEC/26 (G/AG/R/24, 31 October 2000), that this was the first time that this hectare-based scheme for rice producers appears in the domestic support notification" and a related DS:2 notification would be promptly submitted (G/AG/R/27, 14 September 2001), clarification sought as to when that notification would be submitted.</p>	<p>The EC intends to provide the notification soon.</p>
Amber Box	
<p>Australia - The heading in Table DS:1 indicates that the notification provides the Total AMS commitment level for '1998'. This appears to be an error and should read '1999'.</p>	<p>Error confirmed.</p>
<p>Canada – With reference to "The Agricultural Situation in the European Union - 1999 Report" (paragraph 417) that subsidies for private storage of pigmeat were provided in parts of 1998/99 and 1999/00, clarification sought as to how this measure is notified.</p> <p>With reference to Council Regulation (EC) No.1493/99 of the common organization on the market in wine, which provides several support measures such as private storage aid, distillation, and aids for specific use, clarification sought as to how this measure is notified.</p>	<p>The information is not contained in the notification. The EC is considering providing the data in a corrigendum.</p> <p>These support measures are accounted for in the Current Total AMS by the price gap calculation for wine.</p>

India G/AG/N/IND/2 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Canada – Regarding "Buffer stock operations" and the information provided in G/AG/R/16, information sought with respect to the predetermined targets for volume and accumulation of each product for 1995/96, 1996/97, and 1997/98; the quantities of each product purchased by the FCI, and quantities disposed of in each of those years by the PDS and at what prices.</p> <p>Clarification sought regarding the "Crop insurance scheme" in G/AG/R/16 which did not meet the criteria of paragraph 8(a) of Annex 2 (the 30% production loss and the three-year averaging of production) and as to why India notified AMS-type support under the Green Box.</p> <p>Information requested regarding the names and associated amounts for the programmes totalling US\$3.7 billion, under "Other input subsidies" in ST/DS:2. Explanation sought as to how each of them meets the criteria of Article 6.2 of the Agreement. In view of the fact these programmes are reported in ST/DS:2 for the first time, clarification sought as to when the necessary <i>ad hoc</i> notifications of "new and modified" support would be submitted.</p> <p>Clarification sought regarding the fixed external reference price established for the product group "coarse cereals", given that AGST/IND shows a specific reference price for each of the crops of this group (bajra, jowar, maize, barley).</p> <p>Notes that credit subsidies continue to be provided (http://agricoop.nic.in). Explanation sought as to why such subsidies are no longer reported in ST/DS:9 and as to what extent the change in reporting of certain support from ST/DS:9 in 1995-96 to ST/DS:2 in 1996-97 and 1997-98 reflects a change in the policies reported, as opposed to a change in reporting practice (fertilizer subsidy, subsidy on electricity, irrigation subsidy, and subsidy on average supply of seeds).</p>	<p>Undertook to provide a response.</p>

India G/AG/N/IND/2 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>United States – Notes that India notifies its domestic support in US dollars, even though its domestic support commitments and most of its supporting tables are in Rupees. Where India notifies in US dollars requests a corresponding notification in Rupees.</p> <p>Regarding ST/DS:2, clarification sought as to the criteria used to define low income or resource poor producers. Explanation sought as to how the programme funds are distributed and as to whether the payments are made in cash, credit, physical equipment, or some combination thereof. With respect to "input subsidies to low income or resource poor producers", clarification sought as to how fertilizer subsidies given to the fertilizer industry are notified.</p> <p>Regarding ST/DS:5, clarification sought as to why coarse cereals are notified in one category even though the supporting table calculations were made for bajra, jowar, maize, and barley. Explanation sought regarding the methodology for converting the applied administered price for paddy rice to the equivalent price for "rice" and the meaning of the coefficient of 1.5 for the conversion.</p>	<p>Undertook to provide a response.</p>

Israel G/AG/N/ISR/26 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>Australia – Clarification sought with regard to "payments from natural disasters: compensation for cut in water supply to farmers". Measures undertaken to alleviate the problem and the expected operation time of the current programme.</p> <p>Follow-up question by Australia – The response points to structural problems rather than natural disaster. Due to the ongoing nature of the payment, Australia considers this payment to be an input subsidy generally available to agriculture that should be notified under the non-product specific AMS.</p>	<p>Israel has submitted a notification concerning the compensation given to farmers due to cuts in water supply in notification ISR/17.</p> <p>Water scarcity in Israel and in the region is not a new phenomenon. The region is suffering from a lack of water resources and for decades Israel has been trying to ease the pressure on this valuable and scarce natural resource. For years the agriculture sector in Israel has been and still is novice in the field of reducing water consumption. Irrigation systems, recycling water, using salted water and other measures have been used and are still used in this sector and Israel's farmers are one of the most efficient in water consumption. All of these systems are costly and the farmers have to bear the costs.</p> <p>In recent years the problem has aggravated, the wave of new immigrants (20% of the total population in the beginning of the 1990's) and several bad winters including three consecutive drought years had a severe effect on the water levels. The farmers in Israel use a quota for water. This quota is not the real consumption of water but an historical quota used for years. The quota is not effective but any cut in this quota has some effect on the production levels of the farmers. For this reason the Government introduced this Green Box measure.</p> <p>Israel is investing in desalination plants, recycling plants and other measures including import of water. All programmes have a very high price which the users will have to pay. With respect to the question on how long the current programme is expected to be in operation, as long as we shall have this problem, farmers should be compensate for loosing production as a result of cuts in water supply.</p> <p>Israel regards part of the support for water to farmers as input support and consequently such support is reported a non-specific support to water suppliers under ST/DS:9. The support in the Green Box is additional support that corresponds to the severe drought for the last three years. Arguably, this support could be notified under natural disaster relief or decoupled income support. Israel decided to assign the support to the natural disaster relief category since this is temporary support until water supplies have increased and are no longer restrictive for farmers.</p>

Israel G/AG/N/ISR/26 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – Notes that the product-specific AMS for milk rose almost 30% from 1999, which is due in part to an 11.9% rise in the applied administered price. Explanation sought as to why the administered price was raised by this amount between 1999 and 2000.</p>	<p>Even with these increases in the AMS, Israel is within its commitments. The administrative price of milk rose in real terms, however this is a result of an accumulated external effect. The following factors contributed to the increase in the administrative price for milk for 2000:</p> <ul style="list-style-type: none"> • The dollar exchange rate is responsible for a 2% increase; the administrative price is in new Israeli shekels and has been converted to US dollars for the notification. • The agricultural Production Index rose almost 5% between 1999 to 2000, and as the administrative cost is closely related to this index the administrative price rose accordingly. • The standard norms for milk production changed and hence the cost of production rose by almost 5% as a result. Israel did not change the reference price since this price should be fixed for the implementation period.
<p>New Zealand - Notes that the amount spent on the non-citrus fruit re-plantation programme was 47 times that in 1999. Explanation sought for this significant increase and the fruits covered by this programme.</p>	<p>The amount spent on non-citrus fruits refers to the total investment in 2000. This includes notably re-plantation of several stone fruits such as plums, nectarines, peaches, and other non-citrus fruits, but also investments on cultivation improvement, packaging and storage techniques.</p>

Korea G/AG/N/KOR/31 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought regarding the Green Box measure "Other: Support for improving farmers' living condition and operation of a buffer stock management fund" and as to how this programme operates and meets the specific Annex 2 criteria.</p>	<p>The objective of the buffer stock management fund is to stabilise the agricultural markets by narrowing the range of price fluctuations. This programme is designed mainly for fruits and vegetables, the prices of which are unpredictable and sometimes show significant fluctuations, increasing the risk for producers. The programme is implemented by purchasing during the harvest seasons and selling in off crop seasons.</p> <p>Purchased quantities under this programme are small, normally less than 1% of the total production; they are purchased at market prices, not at predetermined administered prices, and sold through wholesale markets when their prices have recovered. Considering this mechanism, it can be inferred that it neither has an effect on production nor supports prices for those products and meets the requirements stipulated in paragraph 1 of Annex 2.</p>

Morocco G/AG/N/MAR/24 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
United States – Clarification sought regarding the definition of low income or resource poor producers and what percentage of producers qualify (ST/DS:2).	Undertook to provide a response. See Annex – Part II.

Philippines G/AG/N/PHL/23 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
Australia – Information requested regarding the Gross Values of Production for rice and corn for the purposes of the <i>de minimis</i> calculation.	The data requested are provided in ST/DS:5 for the calendar years 1999, 2000 and 2001, respectively (see footnotes 2 and 4 thereto).
Canada – Clarification sought regarding the new multi-sectoral dairy development strategies, also referred as "dairy-white revolution" that was launched by the National Dairy Authority of the Philippines. How each of these support measures is accounted for in the notifications.	The Dairy White Revolution is a multi-sectoral undertaking led by the National Dairy Authority (NDA) and the Philippine Carabao Center (PCC). Launched in 1998, the programme hinges on strategies such as herd build-up, post-production support, human resource development, and research and development. The support measures provided under this programme are incorporated in the notifications for Green Box measures and Special and Differential Treatment. Budgetary support for this programme drawn from the PCC, State Universities and Colleges (SUCs) and the Department of Agriculture's MAKAMASA Livestock programme are spread out among the appropriate type of support measure/s in the notifications. Such support measures include research under General Services, and marketing and promotion services in ST/DS:1, and investment subsidies generally available to the agriculture sector and input subsidies generally available to low-income resource-poor producers under ST/DS:2.
Canada – Clarification sought as to the accuracy of identical expenditures in ST/DS:1 for both 2000 and 2001.	The expenditure figures are indeed identical for 2000 and 2001 since the same source of data was used, i.e. the Philippine General Appropriations Act (GAA) of calendar year 2000, which was re-enacted for calendar year 2001.

Slovenia G/AG/N/SVN/21 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>New Zealand – Clarification sought regarding the "retirement programme" and "public works" notified under the Green Box and which appear to be new programmes. Confirmation sought that a Table DS:2 notification will be provided for each.</p>	<p>In 2001 only 10 out of 192 local communities in Slovenia implemented structural adjustment assistance provided through resource retirement programmes (line (h) of ST/DS:1). The amount of 56,260 Euro was used for that purpose. Public works in agriculture amounted to 66,060 Euro and were carried out in order to prevent overgrowing of agriculture land by forest (line (l) of ST/DS:1). A Table DS:2 notification in respect of both measures will be provided.</p>
<p>Australia – Clarification sought regarding the applied administered price for wheat which is around nine times larger than the external reference price, yet no market price support is reported. Provision of the correct applied administered price for 2001.</p> <p>Clarification sought regarding a zero eligible production value for wheat for both 2001 and 2000 notifications, whereas in earlier years eligible production was notified at around 170,000 tonnes. Information requested concerning the levels of wheat production in 2000 and 2001. Explanation sought as to how "eligible production" has been determined and why a level of zero eligible production has been recorded.</p> <p>Follow-up comment by Australia – Considers that the level of the wheat production should be listed as "eligible production" in the notification, even if the administrative prices is below the external reference prices. Since the AMS cannot be negative, the level of support remains zero. This approach is more transparent and overcomes potential circumvention problems.</p>	<p>The correct applied administrative price for 2001 is 0.09940 '000 EUR/t and not 0.9940 '000 EUR/unit as stated in Supporting Table DS:5. The mistake will be duly corrected.</p> <p>The wheat production in Slovenia amounted to 162,559 tonnes in 2000 and 180,397 tonnes in 2001. In Slovenia's understanding there is no "eligible production" for this measure of market price support as the applied administered price was set below the level of the external reference price and Slovenia has not implemented this measure for the last three years.</p>

Turkey G/AG/N/TUR/14 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>United States – Confirmation sought that Turkey did not provide any support measures other than those listed in ST/DS:4 and ST/DS:5.</p>	<p>Supports other than the domestic support listed in the 2001 notification comply with the criteria for Green Box measures. These supports are in the form of direct income supports under the Agricultural Reform and Investment Project. Direct income support payments have started towards the end of 2001. No notification has been made due to the fact that less than 10% of the projected amount of payments has been paid out in 2001. In 2002, a full notification will be made.</p>

Turkey G/AG/N/TUR/14 Domestic Support (Table DS:1)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought regarding the calculation of the amount of production eligible to receive the applied administered price and if this level was established at the same time as the administered applied price was announced (ST/DS:5).</p> <p>Clarification sought regarding the calculation of the applied administered price. Notes that the Turkish Grain Board sets different prices for each grain, depending on the quality/characteristic (for example, there are prices set for durum wheat, hard wheat, semi-hard wheat, other wheat, etc.) and asks how these differences have been taken into account when calculating the applied administered prices.</p> <p>Follow-up comment by the United States – Complimented Turkey its decision to move from Amber Box policies to Green Box policies to support their farmers.</p>	<p>Turkey has phased out the price-based and input-based support systems within the framework of a wide ranging reform programme started in 2000. In this context, as from the end of 2001, no intervention buying-in has been made.</p> <p>The Turkish Grain Board has bought limited quantities of cereals at a price determined totally under free market conditions to provide the country with security stocks and public stockholdings for security reasons. The Turkish Grain Board no longer make intervention purchase for cereals. Marketing of sugar beets and tobacco will be determined by producers and the processing and marketing industry.</p>

Table DS:2 Notifications

Czech Republic G/AG/N/CZE/38 New or Modified Domestic Support (Table DS:2)	
Points raised by other Members	Response by Notifying Member
<p>Australia – Clarification sought as to how the programme "landscape maintenance" and "supporting less favoured areas" relate to the goals of environmental or conservation programmes.</p> <p>Follow-up questions by Australia – Requested further clarification regarding this measure. Since the payment is to take into account lower profitability in less favoured areas, it is difficult to understand why the measures should be in the environmental category. This would seem to be an input subsidy.</p>	<p>This programme which is part of the sectoral policy of the Ministry of Agriculture as approved by the Government. It provides for partial compensation of extra costs or loss of income caused by the requirements related to the protection of sources, nature preservation, waste management and precautionary measures against weeds, pests and diseases. This programme supports environment-friendly production methods in agriculture and takes into account lower profitability in less favoured areas. Eligibility for the payment is subject to the condition that the entire agricultural land is in good condition in terms of countryside maintenance and protection of the environment. The objective of this programme is protection of the environment and it meets all the policy-specific criteria of paragraph 12 of Annex 2 of the Agreement.</p> <p>The Czech Republic took note of the question and undertook to provide a response.</p>
<p>Canada – Clarification sought concerning "maintenance of agricultural land" as to the difference between this programme, which partially subsidises the extra cost of keeping agricultural land from weeds, and any input subsidy to partially offset a farmer's cost of weed control.</p>	<p>This programme does not include input subsidies, but relates to the protection of agricultural land against the spreading of weeds from uncultivated areas, which is not the same as weed control on cultivated agricultural land.</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
<p>Canada – Notes that the notification does not contain details as required under Article 18.3 of the Agreement to verify that the measures meet the applicable criteria. Requests a more substantial description of the programmes, including the objective(s), how the programmes operate and how the amount of payments will be calculated.</p>	<p>There are wine-growing areas for which production is not aligned on demand; to encourage a better alignment of the sector as a whole, the permanent abandonment of wine growing in such areas is encouraged. This is clearly a resource retirement programme. The other programme is a structural adjustment programme. There are also wine-growing areas where production is not aligned on demand, but where production could be better aligned through restructuring of vineyards by varietal conversion, relocation of vineyards or improvement of vineyard management techniques. To ensure that such restructuring and conversion is carried out in a controlled fashion, they are the subject of plans. Plans are drawn up at a level as close as possible to the producer to ensure that regional diversity is taken into account; nevertheless, in order to ensure that the plans are in conformity with Community law, Member States remain responsible in the last resort for those plans. Restructuring and conversion have two main financial impacts on the producer, namely loss of earnings during the period of conversion and the costs of implementing those measures. The support covers both of these impacts.</p>
<p>Korea – Clarification sought regarding the background and nature of the reform of the common organization of the market in wine.</p>	<p>The reform of the common organisation of the market in wine aims to guarantee the necessary flexibility to adapt smoothly to new developments with the following broad aims: (a) maintaining improved balance between supply and demand on the Community market; (b) enabling the sector to become more competitive in the longer term; (c) eliminating the availability of intervention as an artificial outlet for surplus production; (d) supporting the wine market and hence facilitating the continuation of supplies of wine distillates to those parts of the potable alcohol sector which traditionally use that alcohol; (e) accommodating regional diversity; and (f) formalising the potential role of producer organisations and sectoral organisations.</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
<p>Canada/Korea/New Zealand/United States – Description sought as to how "Resource retirement programmes-abandonment premiums" meet all criteria of paragraph 10(a)-10(d) of Annex 2; how "Investment aids-restructuring and conversion" meets all criteria of paragraph 11(a) to (f) of Annex 2; and how "General services-information and general provisions" meets the criteria of paragraph 2 of Annex 2.</p> <p>United States – Notes that the abandonment fund recipients (current wine grape growers) are required to continue growing wine grapes to receive the Abandonment payment. Clarification sought if growing a different variety of wine grape constitutes a different "product" within the meaning of Annex 2.</p> <p>Follow-up question by the United States – It seems that for producers to receive the restructuring payments, they must produce vine-grapes, i.e. they must stay in wine production. Clarification sought regarding Green Box compatibility in this regard.</p>	<p>The abandonment programme meets the criteria of Annex 2 paragraph 10 because it removes vineyards from production on a permanent basis. The restructuring and conversion programme is in conformity with paragraph 11 because it helps producers to restructure their production where they no longer can respond to market demand. The information provisions comply with paragraph 2, because they stipulate market research and market information flows.</p> <p>The statement regarding abandonment that fund recipients are required to continue growing wine is not correct. They are required to abandon production permanently.</p> <p>The EC undertook to provide a response. See Annex – Part II.</p>
<p>Canada/Korea/United States – Explanation sought regarding the structural disadvantage and how it is being addressed by the restructuring and conversion of production potential; the types of restructuring and conversion measures that will be provided by member states; how the amount of the payments will be calculated and how it will be limited to the amount required to compensate for the structural disadvantage; specific guidelines imposed to determine the regions, types of production eligible, and the amount of these aids.</p>	<p>Restructuring is intended for wine growing areas where wine production is not aligned on demand. The alignment is done through restructuring of vineyards, by varietal conversion, relocation of vineyards or improvement of vineyard management techniques. The amount of the payments is based on the total area per member State object of restructuring and the estimated cost for restructuring per hectare. This leads to an envelope per member State, which may vary per region. In no case shall the contribution exceed 50% or 75 %. (Objective 1 areas) of the real costs of restructuring and conversion. The subsidiarity principle applies, therefore member States determine the regions that may be restructured.</p>
<p>Canada – Assurance sought that the implementation of the programmes by the EC member states meets the criteria in Annex 2.</p>	<p>Programmes have to respect the Community framework and are assessed by the Commission.</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
<p>Canada/United States – Notes that the Official Journal of the European Communities (L29, Volume 45, 31 January 2002) indicates that the appropriations for the abandonment premiums in respect of areas under vines are 14 million and 16 million Euro for 2001 and 2002, respectively, and for the restructuring and conversion of vineyards 380 million and 422 million Euro, respectively. Explanation sought for the discrepancy between these amounts and that indicated in the notification.</p> <p>Follow-up question from the United States – Clarification sought regarding the notified expenditure of 9.5 million Euro for 2000.</p> <p>Follow-up comment from Argentina – Expressed its interest in the questions raised by other Members.</p>	<p>The figure notified concerns only the expenditure for the budget year 2000. Confirms the data cited for later years.</p> <p>Permanent abandonment (Budget appropriations in million Euro)</p> <p>2001: 14</p> <p>2002: 16</p> <p>Restructuring and conversion (Budget appropriations in million Euro)</p> <p>2001: 380</p> <p>2002: 422</p> <p>Confirms that this is the actual expenditure in the year 2000.</p>

ANNEX – Part II

Deferred Replies to Questions Raised at this Meeting

Table MA:2 Notifications

Morocco G/AG/N/MAR/22 Tariff Quota Fill (Table MA:2) (page 18 refers)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought as to whether there were imports under agricultural tariff quotas that were agreed to under the EU-Morocco free trade agreement. If so, information requested regarding tariff lines and quantities.</p>	<p>The EU-Morocco free trade agreement came into effect on 1 March 2000. The first allocation of quotas at reduced rates under the agreement took place during financial year 2000-2001.</p> <p>The products concerned are pure-bred bovine breeding animals, frozen bovine meat whether or not boneless, powdered milk, butter, cheese, cereals, mixed vegetables, seed potatoes, unroasted malt and cattle feed.</p> <p>A committee of representatives of the Department of Agriculture and the Department of Industry and Trade has been set up to determine the distribution criteria among operators for each product by consensus.</p>

Table DS:1 Notifications

Morocco G/AG/N/MAR/24 Domestic Support (Table DS:1) (page 31 refers)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought regarding the definition of low-income or resource-poor producers and what percentage of producers qualify (ST/DS:2).</p>	<p>The majority of farms are small with limited resources. Almost 70 per cent of farmers have less than 5 hectares of agricultural area in use (AAU) and close on 25 per cent have an AAU ranging from 5 to 20 hectares.</p> <p>Input subsidies generally available to low-income or resource-poor producers concern aid for the production of selected seeds and for fruit-farming, granted by the State under the Agricultural Development Fund (FDA).</p>
	<p>Subsidies for the production of certified cereal seeds (wheat, durum wheat and barley) are paid directly to the authorized seed companies by the FDA. The State assumes transport costs and seed storage to ensure regular supply to farmers.</p> <p>The percentage of farmers benefiting from this subsidy is unknown due to lack of data. The level of use of certified seeds did not exceed 11 per cent of the total requirement for cereal seeds due to deterioration in farmers' income resulting from the recent recurring droughts.</p> <p>Aid for fruit farming consists of a subsidy for purchasing plants and is only granted in zones recognized as fruit growing areas and only for the species which the Department of Agriculture deems useful to introduce into Morocco or to develop in the interests of the domestic economy. In 2000, the subsidy went to 29,233 farmers, representing 2 per cent of the total number of Moroccan farmers.</p>

Table DS:2 Notifications

European Communities G/AG/N/EEC/39 New or Modified Domestic Support (Table DS:2) (page 36 refers)	
Points raised by other Members	Response by Notifying Member
<p>United States – Clarification sought as to how the restructuring and conversion of vineyards conforms to the criteria of paragraph 11 of Annex 2.</p>	<p>The system of restructuring and conversion of vineyards conforms to paragraph 11 of Annex 2 in the following way:</p> <p>Paragraph 11(a) of Annex 2: Support for restructuring and conversion is only granted in relation to plans which have been drawn up and, where necessary, approved by member States.</p> <p>Paragraph 11(b-c) of Annex 2: Support is paid only as compensation for producers for the loss of revenue due to implementation of the plan, and as contribution to the costs of restructuring and conversion.</p> <p>Paragraph 11(d) of Annex 2: The compensation to producers for the loss of revenue is paid for the coexistence of both old and new vines for fixed period which shall not exceed three years.</p> <p>Paragraph 11(e) of Annex 2: The objective is the adaptation of production to market demand.</p> <p>Paragraph 11(f) of Annex 2: The system for the restructuring and conversion of vineyards covers varietal conversion, relocation of vineyards and improvements of vineyard management techniques. It does not cover the normal renewal of vineyards, which have come to the end of their natural life.</p>
