

IMPLEMENTATION ISSUES REGARDING DOMESTIC SUPPORT

Discussion Paper by New Zealand

The following issues concerning the implementation of domestic support commitments have repeatedly been raised in the Committee on Agriculture. New Zealand has put forward this paper for background information and to prompt a discussion among interested Members about how these issues might be resolved. Other Members may have other topics which can be added to the list and discussed.

1. Modification of external reference prices

In determining the market price support component of the current AMS, Members are required to calculate the gap between a fixed external reference price and the applied administered price. This price gap is then multiplied by the quantity of product eligible to receive the applied administered price to determine the market price support for that product. In the document Notification Requirements and Formats (G/AG/2), it is noted in Supporting Tables DS:5 and DS:6 that the external reference prices are to be sourced generally from Agricultural Supporting Tables (AGST).

Several Members' market price support calculations have used modified external reference prices instead of the fixed reference prices originally made available in the AGST documents. Modifying external reference prices can substantially influence the value of market price support and therefore the value of current AMS. External reference prices have been modified in the following ways:

- (a) Adjustments made for inflation;
- (b) adjustments made for exchange rate movements/use of an external reference price in a different currency; and
- (c) use of a reference period different than 1986 to 1988.

The Agriculture Agreement does not provide for such modifications. Paragraph 9 of Annex 3 makes it clear the external reference prices are fixed and shall be based on the years 1986 to 1988. Members, when calculating market price support, are required to use the figures supplied in their AGST documents. It is acknowledged that inflation can have a bearing on the size of a price gap. However, New Zealand believes the original AGST external reference prices should still be used in every case. If current AMS is subsequently found to be over AMS commitments due to excessive inflation, then Article 18.4 of the Agreement comes into play. Members would be free to make a case for inflation adjustment by submitting adjusted figures, with accompanying technical explanations, alongside their unadjusted notification figures. Similarly, with new market price support measures, an external reference price period of 1986 to 1988 should still be used.

2. Use of negative figures when calculating current AMS

In calculating the market price support component of AMS, an applied administered price that is lower than the external reference price will result in a negative figure. Similarly, other components of the AMS can also be negative as a result of taxes or levies on agriculture. A negative AMS figure implies that a country is, in effect, taxing that product.

How negative numbers are treated in the calculation of the Total (sector-wide) AMS is important. The disciplines on domestic support were developed to reduce trade distorting forms of support (i.e. positive numbers), not to reduce taxes on agriculture. Therefore there are no explicit rules on how to treat negative numbers, although paragraph 4 of Article 6 implies that negative numbers (by definition being *de minimis*) should not be included in the total AMS. Members should not be able to use negative figures to offset positive AMS support. This could enable Members to effectively increase support to levels higher than their scheduled commitment levels.

3. Quantity of eligible production

In calculation of market price support, the administered price/external price difference is to be multiplied by the quantity of production eligible to receive the applied administered price. In most instances where administered prices are used, price support is not limited to a specific quantity, but generally available to all production which is, for example, offered to the Government for purchase. In these cases, the applied administered price is supporting the whole market and not simply the quantity actually purchased by government. Thus the quantity figure used in Supporting Table DS:5 should be total production. Nevertheless, in a number of cases it appears that Members are only showing actual government purchases as eligible production rather than total production. Sometimes a zero eligible production level is indicated which cannot represent the actual effect of the policies in place (which continue to influence prices and production even if no purchases are actually made by governments).

4. Provision of information to support *de minimis* claims

Under paragraph 4 of Article 6, Members are not required to include in AMS calculations:

- (a) Product-specific support which does not exceed 5 per cent (or 10 per cent for developing countries) of the total value of production for that product;
- (b) non-product-specific support which does not exceed 5 per cent (or 10 per cent for developing countries) of the total value of production for all products.

A recurring problem that has arisen in this Committee is that Members, in their notifications, are claiming that support provided is *de minimis* but are not providing total value of production figures to back up those claims. For reasons of transparency and ease of review, New Zealand believes that, in all cases, where *de minimis* claims are made, total value of production figures should also be provided.

5. Provision of adequate information in notifications

A common problem that has arisen during this Committee's review of notifications is that the information supplied in Supporting Tables DS:1 (green box measures), DS:2 (special and differential treatment) and DS:3 (blue box), has been insufficient for other Members to reasonably determine the

nature of a particular measure. There are examples where "descriptions" have been as short as one word. The notification formats for Supporting Tables DS:1-DS:3 are quite clear: Members are asked to identify the measure type, the name of the measure, and a description of the measure with reference to the criteria in the relevant Annex or Article. Again, for reasons of transparency and ease of review, New Zealand believes that, in all cases, Members should provide Supporting Tables DS:1-DS:3 that contain these four elements for each identified measure.
