

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Committee on Subsidies and
Countervailing Measures

REPLIES BY AUSTRALIA TO QUESTIONS RAISED BY THE UNITED STATES ON THE AUSTRALIAN NOTIFICATION OF SUBSIDIES UNDER ARTICLE XVI:1 OF THE GENERAL AGREEMENT

Reproduced herewith are replies by Australia to questions raised by the United States in document SCM/W/162 on the Australian notification of subsidies under Article XVI:1 of the General Agreement (L/6111/Add.14).

Question 1

On page 24, there is under Section XV on metal working machines and robots a reference to subsidies paid on "some exported items". What might these items be?

Answer

Australia's present bounty scheme for local production of metal working machines and robots has two tiers of assistance, whereby advanced equipment (essentially numerically controlled and computer numerically controlled machines, flexible manufacturing systems and robots) attracts a higher rate of bounty. The relevant legislation (Bounty (Metal Working Machines and Robots) Act 1985) contains no specific provisions for the payment of bounty on exports, but places no restriction on the markets in which advanced bountiable equipment may be sold. To attract bounty, standard equipment must be sold on the domestic market or to government. With this background, it would be preferable for the words "some exported items" on page 24 of the notification to be read as "advanced bountiable equipment that may be sold locally or exported".

Question 2

Is the programme referred to above the same as the export assistance programme for high technology products administered by Austrade?

Answer

No. It is a programme to provide assistance to local production of metal working machines and robots in lieu of tariff assistance and is not/not an export incentive scheme. The export assistance programme for high technology products administered by Austrade is a one off development grant provided to exporters of high technology products to cover the costs of such activities as promotional visits, trade displays, market research, etc. It has no relationship to production.

Question 3

Why did the Government of Australia not report the price support system administered by the Australian Wheat Board?

Answer

The price support system of the Australian Wheat Board is the Guaranteed Minimum Price arrangement that is financed by the Australian Wheat Board on behalf of Australian wheat producers. Under certain circumstances, first experienced in 1986-87, the Australian Government can incur a contingent liability to assist in the financing of this arrangement. In accordance with Section 26 of the Wheat Marketing Act 1984 growers received a final advance payment for 1986-87 wheat in March 1987 which was equivalent to the Guaranteed Minimum Price (GMP) as determined under Section 15 of the Act.

- The GMP was based on projected export prices and exchange rates for the life of the pool and on the basis of those estimates there was an indicative government liability of about \$A216 million.
- Less than 1 per cent of the wheat had been sold at that time and only a limited amount of foreign exchange cover was in place.

The nature of the Government's liability is to make payment to the Australian Wheat Board (AWB) of an amount equivalent to outstanding borrowings at the close of the pool, the AWB having borrowed to make the advance payments to the grower.

- That liability is subject to continual change as export prices, exchange rates and borrowing costs (mainly interest rates) fluctuate.
- The Government has been able to significantly reduce its liability by making an interim payment to the AWB some 2 to 3 years before the pool closes.
- The Government has made a payment of \$A167.4 million to the Australian Wheat Board as an advance against the Government's commitment to the 1986-87 pool.

- This payment was used to repay pool borrowings thereby effecting a significant saving in interest costs.
- A further adjustment payment either to or from the AWB will be necessary when the pool is closed probably in 1990-91, i.e. when the final export credit sale payment is received.

Based on estimates at the time the interim underwriting payment was made growers have received \$A15.75/tonne above the actual net pool return rate, as an advance payment.