

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

L/7076

16 September 1992

Limited Distribution

COUNCIL  
29 September 1992

Original: English

### UNITED STATES AND EUROPEAN ECONOMIC COMMUNITY WHEAT EXPORT SUBSIDIES

#### Communication from Australia

The following communication, dated 8 September 1992, has been received from the Permanent Mission of Australia, with the request that this matter be inscribed on the Agenda of the Council meeting on 29 September 1992.

1. The Australian delegation wishes to draw the attention of the GATT contracting parties to the wheat export subsidy policies and practices of the United States and the European Community.
2. The United States Administration recently announced changes to the way its Export Enhancement Program (EEP) is to be administered for the 1992/93 international marketing year and an extension of EEP subsidies to additional markets. The Administration in making this announcement said that it was introducing these changes so as to make the EEP program more effective in challenging the EC's agricultural policies.
3. The EEP was introduced in 1985 and is now available for 28 markets. EEP subsidies will be available for 29.1 million tonnes of wheat production in the 1992/93 marketing year. This compares with an estimated 18.6 million tonnes of United States wheat sold to EEP targeted markets in the 1991/92 marketing year. The EC has maintained wheat export subsidy policies for around 25 years. There are no quantitative limits on EC exports eligible for subsidy. EC export subsidies are available for virtually all markets on a zonal basis, with the option of fine tuning subsidies for individual markets.
4. The Australian delegation considers that there is a need for the GATT Council to urgently address the actual and potentially adverse consequences of United States and EC wheat export subsidies for the GATT multilateral trade system and to confirm the rôle of the GATT in seeking a resolution of this problem.
5. The United States and the EC are engaged in intense competition on world wheat markets through the use of direct export subsidies. This bilateral competition for global market share between the two major GATT

contracting parties casts doubts over their respective commitment to multilateral trade liberalization and to multilaterally advantageous trading arrangements which form the rationale of the GATT. Many GATT contracting parties are wheat producers and are also engaged in international trade in this basic food commodity. The United States and the EC are dominant world wheat producers and traders. Their globally targeted actions have the capacity to affect the wheat production and trade of almost all other contracting parties and to impact on the security which smaller contracting parties have the right to expect from their membership of the GATT multilateral trading system.

6. The GATT recognizes that export subsidies may have harmful effects for other contracting parties, that they may cause undue disturbance to their normal commercial interests and may hinder the achievement of the objectives of the GATT. The GATT states that all GATT contracting parties have an obligation to seek to avoid the use of subsidies on the export of primary products.

7. The expansion of EEP funding was notified by Australia in 1987 to the Surveillance Body (MTN.SB/SN/4) as being inconsistent with the United States' obligations under the standstill provisions of the Punta del Este Declaration. This latest expansion of the EEP is again inconsistent with the United States' obligations in the Uruguay Round.

8. A key aspect of the agriculture text of the Uruguay Round Draft Final Act is to reduce the scope for subsidizing exporters such as the United States and the EC to enter into this type of trade-damaging subsidy competition, with the countries whose farmers are injured being principally the non-subsidisers such as Australia. Such unfettered use of predatory trade instruments such as EEP and the EC's export restitutions is potentially damaging to a successful outcome on agriculture and the adoption of a more rational approach to international trade in wheat and other agricultural commodities.

9. In Australia's view the facts outlined above indicate an escalation of anti-competitive behaviour outside the GATT system. This is occurring at a particularly sensitive time in the achievement of more effective disciplines on export subsidies through the conclusion of the Uruguay Round. An escalation of a subsidy war between the United States and the EC at this critical stage could put the whole global endeavour of the Uruguay Round taken over six years at risk.

10. Individual contracting parties may follow individual action in the GATT when their interests are affected but the issues arising here are ones that suggest collective action by the contracting parties if the integrity of the GATT itself is to be assured.

11. While the GATT provisions on agricultural subsidization are acknowledged to be inadequate they do express precise views in regard to harmful effects, serious prejudice and dislocation of commercial trade that use of subsidies can bring and which should be avoided. There is, and should be, an expectation that contracting parties can trade in the belief

that market share and prices are formed under principles of fair competition and that expectation is guaranteed by the contracting parties.

12. Australia's purpose in putting this matter on the Council agenda is to highlight the magnitude of the damage that this careless and indifferent approach to agricultural subsidization by major economies has brought to medium-sized developed and developing countries. It is also to provide an opportunity for many of the 104 GATT members to express not only a view on these practices but also debate ways that by collective action the GATT is able to address problems of this kind. This would be without prejudice to the normal use of the dispute settlement provisions.