

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.AG/W/70
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Agriculture Committee

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ADDITIONAL EXPLANATORY NOTES ON UNITED STATES PROPOSALS

In response to the invitation of the Chairman of the Agriculture Committee, the United States delegation has provided the following additional explanatory notes on its proposals, which are set out in COM.AG/W/66.

1. Proposal. "The complete elimination of all governmental aids to exports."

(a) Proposal: Agreement to apply the subsidy prohibition of Article XVI:4 to all products. This requires no further precision.

(b) Proposal: "That there be an examination of possible commitments to progressive reduction and elimination of subsidies." Among the possible models might be:

(1) Take each exporting country's total of subsidy payments in a base year (say 1970) and provide that it shall be diminished by, say, 20 per cent per annum.

(2) For each product, take each exporting country's total subsidy payments in a base year (say 1970) and provide that total subsidy payments for export of that product be diminished annually by, say, 20 per cent of the base year subsidy.

(3) For each contracting party find the unit subsidy per product at the base year (say 1970) average unit subsidy level and provide for the annual reduction of the unit subsidy by, say, 20 per cent of the base year level.

(4) Consider annual world prices for each product. The 1970 average world market price would be ascertained. In succeeding years the world market price would be estimated for 1971, 1972, etc. ("world market price" being defined in the same terms for 1970 and succeeding years). The 1970 subsidy ceiling per unit would then be defined for each country as the average domestic unit price less the 1970 average world market price. For 1971, the domestic price ceiling per unit for each country would be the 1971 estimated world market price (i.e. the world market price as estimated by competent designated authority, say, FAO) plus 80 per cent of that country's 1970 subsidy ceiling per unit. In 1972, the domestic price ceiling per unit would be the 1972 estimated world market price plus 60 per cent of the country's 1970 subsidy ceiling. And so on. In each year, beginning with 1971, no country's actual unit subsidy would be permitted to exceed the specified percentage of the 1970 unit subsidy ceiling.

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(c) Proposal: "That contracting parties notify items in the list of practices annexed to document COM.AG/M/52, the notification to be under the existing Article XVI procedures but without prejudice as to whether or not the practices notified are considered to be covered by Article XVI." This requires no further precision.

2. Proposal. "Removal of all quantitative restrictions, variable levies and related restrictive measures and reliance on fixed tariffs at non-prohibitive levels."

Possible techniques for the negotiated reduction of quotas and variable levies might include:

(a) Establish average duty equivalents of quotas by ascertaining, for each commodity, the average unit differential between domestic price and landed cost (c.i.f. plus any fixed duties and/or charges) for 1970. Where this differential is greater than zero, require enlargement of quota so as to reduce differential by, say, 20 per cent for 1971, 40 per cent for 1972, etc.

(b) Establish ad valorem equivalents of variable levies for 1970 in the same manner. For each commodity require that this ad valorem equivalent be reduced by, say, 20 per cent for 1971, 40 per cent for 1972, etc.

3. Proposal. "Any farm income maintenance measures should be separated from production and prices in order to ensure that such measures are production neutral."

(a) Possible techniques for the negotiated encouragement of income support measures (such as farmers retirement pensions and long-term land retirement payments) that withhold resources from the production of particular commodities might include the following: Estimate the value of the 1970 [average/ [marginal] unit produced per man or hectare in the use from which the inputs (labour or land) are withdrawn. Multiply result by total number of units withdrawn, so as to get the estimated value of the total product reduction. If country is a net importer of the product, calculate duty that the producing country would have collected on a like value of imports. Convert to ad valorem duty equivalent, using actual total import values as the base. If the importing country binds itself not to increase acreage or farm labour force in producing a specified commodity from which resources have been taken, the country may claim negotiating credit as if the tariff had been bound at a reduced level.

(b) Possible techniques for the negotiated elimination of income support measures (e.g. premia, or deficiency payments, per unit of output) which reward increased production of particular products might include:

Estimate the 1970 volume of production attributable to the support measures (i.e. subtract from 1970 actual production the estimated production in the absence of the income support measure). Determine the domestic market price reduction which would have increased consumption by this amount. Convert this price reduction to ad valorem percentage terms. Provide for [staged] abolition of the domestic producer income supports in question, giving negotiating credit as if duties had been reduced by the ad valorem percentage calculated above.