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GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

UNITED STATES

The Export Enhancement Program

I. Nature and Extent of the Subsidy

(a) Background and Authority:

The U.S. Secretary of Agriculture announced the implementation of the Export Enhancement Program on May 15, 1985. The 1985 Farm Bill (the Food Security Act of 1985) requires the Secretary of Agriculture to use specified amounts of commodities owned by the Commodity Credit Corporation (CCC) to carry out the program in this fiscal year and the next two fiscal years.

Each export enhancement initiative is reviewed to determine that it fulfills the criteria for: (1) Additionality -- sales must increase U.S. agricultural exports above what would have occurred in the absence of a program; (2) Targeting -- sales will be targeted on specific market opportunities, especially those that challenge competitors which subsidize their exports; (3) Cost Effectiveness -- sales should result in a net plus to the overall economy; and, (4) Budget Neutrality -- sales should not increase budget outlays beyond what would have occurred in the absence of a program.

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(b) Incidence:

The program designed by the Department of Agriculture (USDA) offers government-owned CCC commodities as bonuses to exporters. The program has involved - and will continue to involve - a series of export initiatives over this fiscal year and the next two fiscal years. USDA periodically announces the terms and conditions of each export initiative.

This program has worked as follows: (1) The USDA General Sales Manager, acting as Vice President of the CCC issues the "Announcement" of a specific initiative and an "Invitation" inviting offers from exporters to obtain a specific dollar and cents value of a CCC bonus in connection with a sale of an eligible commodity for export to the target country; (2) Interested exporters submit information to qualify as participants under the program; (3) The exporter must make a commercial sale of the eligible commodity under either a world-wide tender, or a U.S.-origin tender, or a negotiated sale with a buyer as a result of a tender; (4) The exporter then makes an offer to the CCC to establish the amount of the CCC bonus in dollars and cents necessary to make the eligible commodity competitive with the same commodity being offered for sale from other exporting countries under a world-wide tender, and furnish a performance certificate to the CCC; (5) The General Sales Manager determines if the CCC bonus value makes the exporter's commercial sale of the eligible commodity competitive with the same commodity offered for export from other exporting countries and if the offer meets the requirements of the program; (6) The General Sales Manager notifies successful exporters and sends a written acceptance of the offer; (7) The exporter selects specific lots of eligible CCC-owned commodity from the CCC bonus catalog; (8) USDA determines: if the lots selected are available, the market value of the lots of the CCC-owned commodity selected, and the quantity of CCC-owned commodity necessary to satisfy the total bonus value of the agreement; (9) The lots are set aside for delivery to the exporter; (10) The exporter exports the eligible commodity against the sales contract; (11) The exporter furnishes proof of export and requests delivery of the CCC commodity bonus; (12) USDA determines the exact amount of the CCC bonus based on the net quantity of the eligible commodity exported against the exporter's sales contract; (13) The CCC bonus is delivered to the exporter; and, (14) The General Sales Manager agrees to a cancellation of the performance security, in whole or in part, provided the exporter has furnished evidence that the exports arrived in the designated country.

(c) Amount of Subsidy:

By law, at least $1 billion in commodities owned by the CCC will be used to carry out the program in this fiscal year and the next two fiscal years. In addition, the Secretary of Agriculture has the discretion to use an additional $500 million in commodities to carry out the objectives of the program.

(d) Estimated Amount Per Unit:

Because the program is operated on an *ad hoc* basis, where varying levels of bonuses may be offered for a range of different agricultural commodities, it is not possible to estimate the amount of subsidy per unit of exports.

II. Effect of the Subsidy

The CCC bonuses offered are intended to enable U.S. exporters to compete at commercial prices in selected foreign markets. The effect of the program is to enable exporters to offer prices that are competitive with those being offered by other countries' exporters in these selected foreign markets.

(a) Estimated Quantitative Trade Effects:

Total awards under contract thus far include: 1,000,000 tons of wheat to Algeria; 500,000 tons of wheat to Egypt; 175,000 tons of wheat flour to Egypt; 31,500 tons of wheat flour to Yemen; 760,000 tons of wheat to Morocco; 506,600 tons of wheat to Turkey; 50,000 tons of wheat flour to the Philippines; 30,000 tons of wheat flour to Zaire; 8,000 tons of frozen poultry to Egypt; 37,500 tons of wheat flour to Iraq; 20,000 tons of wheat to Zaire; and, 150,000 tons of wheat to the Philippines.

(b) Statistics of Production, Consumption, Imports and Exports:

Because of the *ad hoc* nature of the program and the variations and range of commodities exported under the program, it is not possible to provide meaningful statistics of the type referred to in the agreed format for notifications.