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GENERAL AGREEMENT ON TARIFFS AND TRADE

SUBSIDIES

Notifications Pursuant to Article XVI:1

UNITED STATES

The following amendments should be made to update the description of US programmes contained in L/6111/Add.17.

EXPORT CREDIT SUBSIDIES

1. Nature and Extent of the Subsidies

(a) Background and Authority

The US Export-Import Bank is authorized by the Export-Import Bank Act of 1945 to provide credits, guarantees and insurance to promote exports of US goods and services. The financial support is to be at rates and on terms which are consistent with the Arrangement on Export Credits and competitive with the government-supported rates and terms available from other countries whose exports compete with US exports. The Eximbank, in concert with the Foreign Credit Insurance Association (FCIA), provides insurance to cover commercial credit risks and political risks. Inasmuch as several foreign governments offer extensive subsidies in support of exports from their countries, the US Eximbank has, frequently, offered similar subsidies.

(b) Amount of the Subsidy

The amount of the subsidy is calculated as the difference in financing costs between what a foreign purchaser might have paid for the US export in the absence of any official support and what the US Eximbank actually offered. The financial rate that an individual foreign purchaser is able to obtain in the credit market will vary with a number of factors, including the credit-worthiness of the borrower and the risk of the particular project. This makes it difficult to assess an aggregate financial market rate that can be used to gauge the extent of the US Eximbank subsidy.

In order to estimate the subsidy value of the US Export-Import Bank direct loan programme, the US government evaluates all terms of alternative private modes of financing, translates these terms to cash flows, and calculates the internal rate of return of these cash flows. This internal rate of return is then used to discount the cash flows associated with Export-Import Bank financing. The present value of the Export-Import Bank direct loan cash flow is the subsidy value. This method requires the following sort of information about the private loan:

- Interest rate
- Commitment fees
- Grace periods
- Disbursement schedules
- Schedule of payments

The comparable private sector rates for Eximbank loans were estimated from data on commercial bank intermediation costs, sovereign debt ratings, and spreads between yields on private and US Treasury debt.[1]

The following table shows the US Government estimates of the subsidy value of the Export-Import Bank direct loan programme:

Export-Import Bank of the United States
Direct Loan Programme Subsidies
Dollars in Millions

Fiscal Year	Direct Loan Obligations	Subsidy Rate	Subsidy Value
1987	677.0	30%	205.0
1988	692.9	13%	87.7
1989	695.0	7%	38.9

2. Effect of Subsidy

It is impossible to estimate the quantitative trade effect on these subsidies without also examining the export credit subsidies offered by other countries. In most cases, the US Eximbank offered a direct credit subsidy only when a major export competitor had offered, or was about to offer, an export credit subsidy. Thus, the effect of the Eximbank subsidy was frequently to prevent the loss of exports that would otherwise have come from the United States.

[1]For additional information on the methodology of subsidy estimation, see Budgeting for Eximbank: A Case Study of Credit Reform, published by the Congress of the United States, Congressional Budget Office, January 1990.

Replace the statistical table of Part II, Maritime Construction Subsidies, paragraph II.1(c) (page 5) with the following:

CDS PAID OUT 1981-1989

Fiscal Year	Subsidy Outlays
1981	$208,113,192
1982	$184,485,217
1983	$ 84,511,000
1984	$ 13,694,523
1985	$ 4,692,013
1986	$ (416,673)*
1987	$ 420,700
1988	$ 1,236,379
1989	$ -0-

*The negative figure is due to subsidy payback.

PART III: Export Assistance Measures

A. THE EXPORT ENHANCEMENT PROGRAMME

I. (a) Background and Authority

Replace paragraph 2 with the following: In November 1989, USDA announced new guidelines to determine the annual level of programming and to select proposed sales initiatives under the EEP. Under the new guidelines, sales are evaluated based on four factors. These are: (1) Trade Policy Effect - EEP proposals must support the US negotiating strategy of countering the export subsidies and unfair trade practices of competitors. Countries targeted for EEP sales are those where we have been unable to sell US products or where the US market share has dropped because of competition from subsidized exports. (2) Export Effect - EEP initiatives must demonstrate the potential to develop, expand, or maintain markets for US agricultural commodities and consider US historical market share and long-term commercial relationships. (3) Effect on non-subsidizers - Individual EEP sales will not be approved if it is determined that sales for which a proposed EEP bonus would be paid would have more than a minimal effect on non-subsidizing exporters in the market. (4) Subsidy Requirements - USDA will compare the subsidy requirement of EEP sales proposals to expected benefits. The overall programme level for EEP, as well as bonus awards under individual EEP initiatives, will be maintained at the minimum levels necessary to achieve the expected benefits of the programme's export expansion objective, as well as anticipated long-term benefits from multilateral agricultural trade policy reform. Together, these four requirements result in the selection of commodities and countries that best meet the programme's trade policy and export expansion objectives.

(c) Amount of Subsidy

Replace existing paragraph with the following: For fiscal year 1990, the Congress allocated $566 million for the programme.

II. (a) Estimated Quantitative Trade Effects

Replace existing paragraph with the following: As of March 1990, since the programme was initiated 105 initiatives have been announced with sixty-five countries covering twelve commodities. The total sales value has reached approximately $10.1 billion. Sales included roughly 7 million MT of wheat, 3 million MT of flour (grain equivalent), 7 million MT of barley, 73,000 MT of semolina (grain equivalent), 257,000 MT of barley malt (grain equivalent), 319,000 MT of sorghum, 191,000 MT of rice, 189,000 MT of poultry feed, 525,000 MT of vegetable oil, 167,000 MT of frozen poultry, 70,000 head of dairy cattle, and 461 million table eggs (pieces).

B. SECTION 104 MILK TERMINATION PROGRAMME: Delete, programme expired.

C. SECTION 153 DAIRY EXPORT INCENTIVE PROGRAMME

I. (a) Background and Authority

Page 11, add the following to the existing paragraph: The Hunger Prevention Act of 1988 extended the programme through 30 September 1990. Section 4308 of the Omnibus Trade and Competitiveness Act of 1988 amended the programme to require that if payments in commodities are authorized, such payment shall be made through the issuance of generic certificates which can be exchanged for CCC owned commodities. USDA follows four guidelines in selecting countries and commodities under DEIP. The guidelines take into account: effects on trade policy negotiations; developing, expanding or maintaining US dairy product exports; the effects on other exporting nations that do not subsidize dairy products and exports; and maintaining minimum subsidy levels that achieve the expected benefits of the programme's export expansion and trade policy objectives.

II. (a) Estimated Trade Effects

Page 12, replace the second sentence with the following: As of March 1990, thirty-seven sales have been made to fifteen countries. All sales were for milk powder and totalled approximately 9,750 tons.

D. SECTION 1127 MARKET DEVELOPMENT AND EXPANSION ACT

II. (a) Estimated Quantitative Trade Effects

Page 13, replace existing paragraph with the following: The provision has resulted in the export of approximately 166,000 metric tons of poultry and 69,000 head of cattle.

E. SECTION 1163 MANDATED EXPORT SALES OF DAIRY STOCKS

I. (A) Background and Authority

Page 14, add as the second sentence: The programme was extended through 1990 by the Hunger Prevention Act of 1988.

II. (a) Estimated Quantitative Trade Effects

Replace existing table with the following:

	Butter/Butteroil	Non Fat Dry Milk	Cheese
		(Metric tons)	
Fiscal Year 1986:	3,750	167,786	0
Fiscal Year 1987:	13,454	187,914	6,000
Fiscal Year 1988:	21,104	58,722	13,180
Fiscal Year 1989:	84,241	0	0
Four Year Totals	122,549	414,422	19,180

Page 14, add the following section:

F. SUNFLOWERSEED OIL (SOAP) AND COTTONSEED OIL (COAP) ASSISTANCE PROGRAMMES

1. Nature and Extent of the Programme

(a) Background and Authority

The Rural Development, Agriculture and Related Agencies Appropriations Act of 1988 authorized the creation of the SOAP programme through the end of fiscal year 1989. The programme directed the Secretary to purchase $10 million of sunflowerseed oil, using funds available under Section 32 of Public Law 74-320 to facilitate additional export sales of sunflowerseed oil in targeted world markets. The FY 1989 and FY 1990 Appropriations Acts provided an additional $20 million and $30 million in funds, respectively, to assist exports of sunflowerseed and cottonseed oil (COAP). The programmes are authorized through the end of FY 1991.

(b) Incidence

It is similar to the EEP, except bonuses provided to US exporters are crude sunflowerseed and cottonseed oil rather than CCC certificates.

(c) Amount of Subsidy

The authorized appropriations are indicated above.

(d) Estimated Amount per Unit

The programme operates on an ad hoc basis, estimates are not available.

II. Effect of the Subsidy

(a) Estimated Quantitative Trade Effects

As of March 1990, 69,300 MT of sunflowerseed oil had been sold under the SOAP programme. Of the 69,300, sales of 54,300 MT have been made to Egypt with Algeria accounting for the balance. No sales of cottonseed oil have been made to date under COAP. As of 23 March 1990, there were three outstanding initiatives: 20,000 MT SOAP for Egypt; 5,000 SOAP for Algeria; and 20,000 COAP for Egypt.

(b) Statistics on Production, Consumption, Imports and Exports

Because of the ad hoc nature of the programme, there are no meaningful statistics of the type referred to in the agreed format for notification.

AGRICULTURAL PRICE SUPPORT PROGRAMMES

A. Wheat and Feedgrains

Loan Rates, page 16 (table): Add the 1990 national loan rates - wheat $1.95, corn $1.57, sorghum $1.49, barley $1.28, oats $.81, and rye $1.33.

Target Prices, page 17 (table): Change the 1988 and 1989 wheat prices to $4.23 and $4.10, and the 1988 and 1989 corn prices to $2.93 and $2.84.

Deficiency Payments, add as the last paragraph to page 18: Wheat and feed grain producers can earn deficiency payments on actual acres planted, within permitted acreage. Acreage for payments will include acres devoted to wheat plus conserving use designated to these crops under the 0/92 provision. The 0/92 provision states that growers who plant less than their permitted acreage may receive deficiency payments on a portion of their underplanted acreage. If growers plant between 0 and 92 per cent of their permitted acreage to the programme crop and devote the remaining permitted acres to a conserving use, they will be eligible to receive deficiency payments on 92 per cent of the permitted acreage. Programme participants may plant an approved non-payment crop on the 0/92 conserving use acres, but will forfeit any deficiency payments that would have been earned on this acreage.

Acreage Reduction, replace the first four paragraphs on page 20 with: Producers not exercising the modified contract option (explained below) must reduce their wheat plantings by 5 per cent of their wheat acreage base to be eligible for loans, purchases, and payments for the 1990 wheat crop. A paid diversion plan will not be implemented. Under a modified contract option for 1990, wheat producers may plant wheat in excess of 95 per cent of the farm wheat acreage base, up to 105 per cent of the base. Under this option, for each acre of wheat planted in excess of 95 per cent of the wheat base, the acreage used to determine deficiency payments will be reduced from 95 per cent of the wheat base by the same acreage amount. There will be no acreage conservation requirement for the farms.

Producers of corn, sorghum and barley must reduce plantings by 10 per cent of their crop acreage base to be eligible. The oat acreage limitation will be 5 per cent of the crop acreage base. There will be no paid diversion programme. Corn, grain sorghum and barley producers participating in the basic acreage reduction must devote cropland eligible to 11.11 per cent of the farm's 1990 acreage to the Acreage Conservation Reserve. The ACR requirement for oat producers will be equal to 5.26 per cent of the farm's 1990 acres for payment. For wheat, eligible cropland equal to 5.26 per cent of the farm's 1990 acres for wheat payment must be in the ACR for those not exercising the modified option contract.

Add to the fifth paragraph: For 1990, the limit on the FOR for wheat is 300 million bushes and for feedgrains is 450 million bushes. If reserve quantities exceed this limit at the time that 1990-crop loans mature or market prices are greater than 140 per cent of the loan rate, no entry into the reserve will be permitted.

Amount of the Subsidy, delete existing paragraph on page 21 and replace with: For FY 1990, it is estimated that the US Government spent $522 million (net) on the wheat programme, and $4.3 billion (net) for feedgrains.

B. Rice

Loan Rates, add to page 25: The 1990 loan rate is $6.50 per hundredweight. Change the target price table so that the 1990 price is $10.71.

Deficiency Payments, add as a last paragraph: Producers who underplant acreage may, under some conditions, receive deficiency payments on the underplanted acreage. To be eligible, the producer must plant at least 50 per cent of the permitted acreage to rice and designate at least 8 per cent as conserving use (CU) acres. No deficiency payment will be received on the CU acreage. However, any additional CU acreage designated will be eligible for deficiency payments under the "50/92" provision. The maximum is the difference between the planted acreage and 92 per cent of permitted acreage.

Acreage Reduction, add to page 26: The ARP for 1990 is 20 per cent.

Amount of Subsidy, replace paragraph on page 27 with: It is estimated that the US Government spent $768 million (net) on the rice programme in FY 1990.

C. Cotton

Loan Rates, add to page 29: For 1990, the loan rate for upland cotton is 50.27 cents per pound for the base quality, Strict Low Middling, 1-1/16", micronaire 3.5-4.9, at average US location. The extra long staple cotton loan rate is 81.77 cents per pound.

Deficiency Payments, add to page 30: The projected payment rate for upland cotton is 10.1 cents per pound and for ELS cotton is zero.

Acreage Reduction, add to page 31: A 12.5 per cent ARP is in effect for 1990 upland cotton and a 5 per cent ARP for ELS cotton.

Add the following: Eligible cropland equal to 14.29 per cent of the farm's upland cotton acreage for payment must be devoted to an acreage conservation reserve. Acres for payment will include acreage planted to cotton, plus CU acres designated as cotton under the "50/92" provision. ACR acres must be protected from wind and water erosion. For ELS cotton, a number of acres equal to 5.26 per cent of the planted acres must be devoted to conservation uses.

Amount of Subsidy, delete and replace with: In FY 1990, it is estimated that the US government spend $218 million (net) on the upland cotton programme and zero on ELS cotton.

D. Oilseeds

Soybeans, Incidence, add to page 33: The loan rate for the 1989 soybean crop is $4.53 per bushel.

Amount of Subsidy, page 33, replace with: The US Government spent an estimated $236 million (net) on the soybean programme in FY 1990.

Peanuts, Incidence, add to page 34: The 1990 loan rate for quota peanuts is 631.47 per short ton and $149.75 per short ton for non-quota "additional" peanuts.

Page 35, add to paragraph 3: The national poundage quota in effect for 1989 crop peanuts is 1,440,000 tons.

E. Dairy

Price Support Level, add to the table on page 36: 1 January 1990, $10.10 per hundredweight.

Dairy Termination Programme, page 37, delete section.

Amount of Subsidy, replace existing section on page 37 with: It is estimated that in FY 1990, the US government spent $483 million (net) on dairy programme.

Estimated Amount per Unit: add to the table on page 38 the following additional information on the support price:

Marketing Year	$/hundredweight
1986-87	
1 Oct-31 Dec	11.60
1 Jan-30 Sept	11.35
1987-88	
1 Oct-31 Dec	11.10
1 Jan-30 Sept	10.65
1988-89	
1 Oct-31 March	10.60
1 Apr-30 June	11.10
1 July-30 Sept	10.60
1989-90	
1 Oct-31 Dec	10.60
1 Jan	10.10

Sugar

Loan Rate, page 39, change the rate for refined beet sugar to 21.54 cents per pound for the 1989 crop.

Wool and Mohair

Incidence, page 41: The support prices for 1990 is $1.82 per pound for wool and $4.531 per pound for mohair.

Honey

Background and Authority, add to the first paragraph on page 43: Beginning with the 1989 crop, there is a $250,000 limit on the amount of forfeiture that a producer can make with respect to honey price support loans.

Incidence, add: The 1989 support price for honey is 56.35 cents per pound.

ADDENDUM

Tobacco

Incidence, page 45, replace with: the national average loan level for the 1990 flue-cured tobacco crop is $1.488 per pound. The national average allotment is 420,357 acres. The national marketing quota is 877.5 million pounds. The national average loan level for burley tobacco is $155.8 per pound. The national marketing quota is 602 million pounds.

Amount of Subsidy, replace with: It is estimated that for FY 1990, the US Government spent $307 million on tobacco support programmes.