

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/SN/4

2 October 1987

Special Distribution

Surveillance Body

STANDSTILL

Notification

1. Participant notifying: Australia

2. Participant maintaining the measure: United States

3. Description of the measure (including date of entry into force and reference to any relevant legislation or other document):

Increased funding of the Export Enhancement Program (EEP) announced by the U.S. Secretary of Agriculture on 30 July 1987.

The EEP is an export subsidy program under which exporters are paid bonuses to bridge the gap between high prices on the U.S. domestic market and lower prices on world markets. Initially a discretionary program introduced in May 1985, the EEP was made mandatory by the Food Security Act, 1985. An amendment to that Act in March 1986 provided for mandatory expenditure of US\$1 billion over the period financial years 1986-88 and provided for additional expenditure of US\$500 million at the discretion of the U.S. Secretary of Agriculture.

The latest available information indicates that, as at the end of August 1987, in excess of US\$1.1 billion of the original US\$1.5 billion had been utilized.

Australia submits this notification because of this action by the United States Government to extend the operation of the EEP once the US\$1.5 billion authorized for the Program by the Food Security Act is exhausted. The decision places no upper limit on the funding available for the EEP nor any time limit on its application.

./.

4. Products covered, including tariff headings (CCCN where applicable, otherwise national tariff lines):

The EEP has been mainly used to increase U.S. exports of wheat, wheat flour and barley. However eight other commodities/products have been assisted.

The EEP product coverage to date is as follows: wheat; wheat flour; barley; rice; frozen poultry; barley malt; semolina; dairy cattle; eggs; mixed poultry feed; and vegetable oil.

5. Country or countries to which the measure applies:

No markets are excluded in the Food Security Act from being eligible for funding under the EEP. Funding is determined on a case-by-case basis in line with an assessment of U.S. long-term export interests.

6. Relevance of the measure to the standstill commitment:

Australia considers that the increased funding of the EEP is in breach of the commitments in paragraphs (i) and (iii) of the Standstill provisions in the Punta del Este Declaration. In particular the decision on funding represents a clear intention to escalate and extend the use of export subsidies on agricultural commodities and products.

Subsidies provided to U.S. traders through the EEP have, in association with the subsidy programs of others, severely reduced world prices for wheat, wheat flour and barley. The result is that non-subsidized exporters must accept subsidy affected prices in many markets in order to make sales.

This escalation of the EEP will keep downward pressure on grain prices in a market environment characterized by flat demand and excessive stockpiles. It will contribute to lower returns to efficient producers. Escalation will reinforce practices that ensure that prices, returns on investment and access opportunities are determined by administrators rather than market forces.

7. Comments by the participant maintaining the measure: