

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/SN/6

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Special Distribution

Surveillance Body

STANDSTILL

Notification

1. Participant notifying: United States

2. Participant maintaining the measure: European Economic Community

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

On 2 July 1987, the EEC introduced a new subsidy program for rice, to be effective on 1 September 1987. Most of the rice produced in the EC is currently round grain. The new program is designed to encourage the production of long-grain rice, which is the type currently imported by the EEC from the United States and other suppliers.

EEC Council Regulation No. 1907/87 of 2 July 1987 establishes a subsidy for the production of certain types of rice. EEC Council Regulation No. 1911/87 of 2 July 1987 fixes this subsidy at 330 ECU per hectare for the 1987/88 marketing year.

EEC Council Regulation No. 1911/87 states that the purpose of the new subsidy programme is to "encourage varietal conversion of rice production to certain types of rice for which greater demand exists on Community markets ...".

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

Certain types of indica (long-grain) rice, covered under CCCN No. 10.06. EEC Council Regulation No. 1907/87 states that the new subsidy "shall only be granted for certain varieties of rice of the indica type or profile to be defined."

5. Country or countries to which the measure applies:

EEC member countries are eligible for the production subsidy for long-grain rice. EEC Council Regulation No. 1907/87 states that the new subsidy "shall be granted for the production of certain varieties of rice of the indica type or profile grown in those areas of the Community where rice of the japonica type forms a traditionally large part of rice production."

The measure artificially stimulates EC production of long-grain rice, and threatens to reduce access for US rice exports to the EC market.

6. Relevance of the measure to the standstill commitment:

The EC has introduced a new trade-restrictive and distorting measure which is inconsistent with its commitment, inter alia, not to take any trade measures in such a manner as to improve its negotiating position.

7. Comments by the participant maintaining the measure:

1. The measure is fully consistent with the standstill commitment of Punta Del Este:

- A. It is not "inconsistent with the provisions of the GATT" (sub-paragraph (i) of the standstill commitment).
- B. It does not constitute a "trade restrictive or distorting measure ... beyond that which is necessary to remedy a specific situation" (sub-paragraph (ii)).

The measure is in fact intended to address the peculiar imbalance existing in the Community between supply and demand of different product varieties (namely "japonica-type" and "indica-type" rice).

The program is limited

- in scope: since because of the objective (especially climatic) conditions required for the production of "indica-type" rice, the maximum possible surface concerned in the four eligible member States is about 40,000 hectares;

- in time: its operation is foreseen to last only 3 to 5 years;
- in value: since the amount of aid fixed for the current marketing year is unlikely to be exceeded for the following years.

Furthermore, the lower yields in both production and processing for "indica-type" rice (as compared to the "japonica-type") would lead to an overall reduction in the global rice output of the Community. The measure will therefore produce a more rational deployment of Community resources without affecting the current import flows, while at the same time substantially reducing the quantities exported on the world market.

- C. It is not meant to improve the Community's negotiating position (sub-paragraph (iii)), being a temporary internal measure of management of a common market organization.

2. The Community underlines on the other hand that the notifying participant is experiencing a similar process of varietal conversion, in the opposite sense (reducing the share of long-grain rice acreage, in favour of medium and short grain). Such a process is stimulated, inter alia, by narrowing the differential between the loan rates for long grain and medium/short grain rice (now only 1 cent/pound, compared to 2-3 cents/pound in previous years).

Given the higher crop yield for the latter varieties, such narrowing of the gap between the loan rates corresponds, in fact, to a substantial increase of subsidies to varieties which are in direct competition with the Community's own traditional production.