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Technical Discussion Paper on Aggregate Measurement of Support

Submitted by Austria

1. Introduction

This document represents Austria's contribution to the definition and the use of an Aggregate Measurement of Support (AMS). In the course of the negotiations it has to be clarified whether the AMS should have an operational or a monitoring rôle. The AMS includes those elements that have a bearing on support and protection of agriculture. Furthermore, it excludes food-aid and disaster payments. Production quotas should be taken into account appropriately.

2. Classification of support measures

The following trade-distorting measures should be included in the computation of an AMS:

- (a) Market-price support as resulting from import restrictions, import levies and export subsidies.
- (b) Product-specific payments that increase (+) or reduce (-) the producers' market revenue for a specific commodity (e.g. price support (+), co-responsibility fee (-)).
- (c) Reduction of input costs: such payments reduce the costs of commodity-specific factors of production and have to be added to the AMS (e.g. investment grants for machinery, variable inputs, etc.).
- (d) Measures impeding production: restrictions of payments that are deemed to be essential in pursuing non-trade-related goals and that make it impossible for agriculture to produce at minimal cost (e.g. production quotas, livestock limitations, regulations limiting the use of inputs). Costs for these measures are to be deducted (Annex I contains a non-exhaustive list of such measures falling also under 3).

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3. Measures to be excluded from the AMS

- general support measures, not solely provided for agriculture;
- measures with no stimulating effect on production (e.g. decoupled support);
- measures which aim at limiting or reducing production or the input of production factors and which do not represent a preferential treatment for agriculture as a whole.

4. Market price support and reference price

Market price support should be calculated as the difference between the adjusted domestic price and the world market price. The world market price should be a fixed reference price as a three-five years' average and be calculated in national currencies. Such a reference price for the calculation of market price support should be valid for a time period to be decided upon in order to better enable any planning or adjustment measures.

Austria being a land-locked country is faced with considerable transport costs. Therefore, in such a case market price support should be calculated on the basis of two different reference prices that take transportation costs into account: one referring to the portion of production for domestic use and the other one to export production.

5. Influence of production quotas on trade

The contribution of production quotas to the easing of the world market situation and to the reduction or avoidance of trade tensions is considerable. Their existence or establishment leads to a reduction of output and gives a clear market signal which should be assessed as a credit to be defined in the estimation of an AMS. Besides, their influence on trade is in most of the cases bigger than the one on production. In the elaboration of new rules such measures should be allowed. This item is of great concern to Austria since such limitations have already been introduced in the production of milk, grains, husbandry and sugar.

Austria here suggests a modified treatment of production quotas in the context of the AMS by attributing a specific rôle to the price for over-quota production. A certain portion of the difference between the price for the production portion within and in excess of the quota respectively (e.g. a quarter) should be used for the computation of a credit given for the favourable effect of production quotas on the market. This portion of the differential amount is to be multiplied by the volume of domestic consumption and then to be subtracted from the AMS (see Annex II).

6. Non-trade-related goals

Any future agreement on an AMS and the reduction of trade-distorting measures should not impair the national agricultural policy in achieving

non-trade-related goals. Austria anticipates a definition of the AMS adequate to pursue non-trade-related policies in an unimpaired way.

7. Use of the AMS

Any commitment to an AMS still to be negotiated should be based on a total aggregate value. In this way it would still allow the adjustment of agricultural production with the instruments of national agricultural policy. Such a technique should be used for the monitoring of the fulfillment of a basic commitment.

The AMS can only be computed correctly by including all relevant data. All contracting parties would have to provide on a periodical basis the following information to the GATT secretariat:

- (1) initial situation;
- (2) measures taken for attaining the target situation;
- (3) effect of measures taken;
- (4) reasons for the eventual missing of the goal in a given year (e.g. climatic influences, abnormal yields, ...).

7.1 Initial situation

For describing the initial situation, a standard should be selected to minimize the influence of erratic fluctuations. Austria hereby suggests the use of averages on a multi-year basis. Based on these initial data the expected AMS for the following years can be derived. The AMS of the initial situation and the target situation has to be calculated by all contracting parties using the same methodology.

7.2 Measures taken and reporting

In order to achieve the aspired AMS, contracting parties will be free in the choice of the measures to be taken. In their periodic reviews contracting parties shall report about the measures taken in order to reach the goal of the commitments of the ongoing negotiations and their effects. In the case of missing the goal in a certain year (e.g. due to exceptional climatic conditions) reasons would have to be given in detail.

8. Product coverage

Initially only those commodities should be included in computing the AMS that are of major relevance to world agricultural trade such as cereals, sugar, bovine meat and milk; subsequently also those would be included for which solutions already reached have a major impact like pigmeat, poultry, eggs and possibly processed products. Within a country, products for which a certain degree of self-sufficiency still to be defined is not exceeded, should be excluded.

9. Country coverage

Basically all contracting parties should have to adhere to the principles and the methodology of the AMS in the same way. Where relevant data are not available, the market price support alone would constitute initially the basis for calculating the AMS.

Differential treatment could be foreseen in various ways. For example: participation only for those products where such a developing country does have a minimum share - to be defined - in world trade; or timely limited differentiation in the kind of adjustment of the level of support and protection taking into account the development needs of the country concerned.

10. Remarks concerning the SMU

Austria is currently studying the EC approach regarding the SMU as a specific way to elaborate an AMS. At the present state of information principally the same remarks as presented above seem to be valid.

ANNEX I

Other measures not included in the AMS:

- (a) General services, that are provided by the government or regional administration in the same manner for all economic sectors (Pos.VI/D, e.g. research, extension, education).
- (b) Improvements in infrastructure which serve a certain region as a whole.
- (c) Market information and product inspection aiming at improving market transparency.
- (d) Public stock-keeping aiming at reducing seasonal or yearly price fluctuations.
- (e) Disaster payments that are not offered regularly.
- (f) Payments in return for non-agricultural performances.
- (g) Decoupled payments, neutral on production.
- (h) Payments for the idling of land, or reducing the use of production factors.
- (i) Contributions by local governments: They should, to the extent that they do cause trade distortions, be taken into account. However, if relevant data on local governments' support are not available in all countries, these payments should remain outside the calculation.

ANNEX II

Example for market price support and credit given for the implementation of production quotas for milk in Austria 1988.

1.	Domestic use (1,000 metric tons)	1,859.6
2.	Quota price (S/t)	4,918.0
3.	Over-quota price (S/t)	810.0
4.	Difference in price (S/t)	4,297.7
5.	Credit, amounting to 25 per cent of the amount under item 4 multiplied by item 1 (million S)	1,998.0
6.	Market price support (million S)	11,371.0
7.	MPS, taking credit under item 5 into account (million S)	9,680.0