

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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UNDERTAKINGS PURSUANT TO PARAGRAPH 15 OF
THE MID-TERM REVIEW DECISION ON AGRICULTURE

Notification from Australia

The April TNC Agreement called for participants to not only consider the question of long-term reform but also to make short-term commitments to freeze and cut-back agricultural support and protection.

Australia has in place a package of policy specific agricultural reforms, consistent with the commitment entered into under this Agreement, which will have the effect of reducing support and protection to the agricultural sector in 1990 and in subsequent years.

This package of reforms is aimed, in particular, at improving market access and making domestic prices support schemes more responsive to world market prices. Key measures include:

- significant reductions in import protection for the dried vine fruit, tobacco and citrus industries;
- elimination of the import embargo on sugar;
- termination of domestic pricing arrangements for wheat and sugar;
- termination of product levies on butter/butter oil and supplementary market support on exports of all dairy produce from 1 July 1989;
- new principles for government underwriting aimed at ensuring industries approach full market orientation.

In making these commitments, Australia wishes to emphasize that these cutbacks are made from already low relative levels of support and protection for its agricultural sector, as reflected in OECD PSE data. In fact, Australia's provisional PSE of 10 per cent for 1988 is less than a quarter of the OECD average. Nevertheless, as an indication of the importance Australia places on the reform of agricultural trade, Australia has made further cut-backs in support of the agricultural sector including in such major industries as the wheat, sugar and dairy industries.

The Australian Government hopes that these cut-backs will serve to underline the importance Australia attaches to agricultural and general trade and industry policy reform consistent with the liberalization

objectives of the Uruguay Round negotiations and the short-term freeze and cut-back commitment undertaking entered into under the April TNC outcome Agreement. These reforms are part of a wider and continuing reform of the agricultural sector aimed at making Australian industry more efficient and responsive to the international market place on which Australian farm products are heavily reliant.

Wheat

In the wheat industry, the Government has sought to further increase the self-reliance of the industry in its marketing arrangements and make the Australian Wheat Board even more commercially oriented. Consistent with this aim, the Australian Wheat Board's monopoly control of the domestic wheat market ceased on 1 July 1989 and administered domestic pricing arrangements were terminated. At the same time, arrangements guaranteeing growers a minimum price of 95 per cent of a three-year moving average of returns from total annual crop sales were terminated on 1 July 1989.

Under new arrangements, Government support will be limited to guaranteeing the borrowings of the Australian Wheat Board to pay advance payments to growers. The level of the guarantee will commence at 90 per cent of the aggregate estimated net pool returns for 1989/90 and phase down by 2.5 percentage points annually to reach 80 per cent in the 1993/94 season. Under these arrangements, advance payments to growers will be directly linked to returns from the market in the current crop year and will therefore track world market price trends.

Dairy

Domestic support to the dairy sector has been cut, through the removal on 1 July 1989, of the product levy on domestic sales of butter and cheese. These levies, which were paid by processors, were used to finance Supplementary Market Support Payments on exports of all dairy products. They also served to assist producers by raising domestic prices above export prices, while the industry adjusted to the new marketing arrangements.

Sugar

Australia has liberalized market access for sugar with the removal, on 1 July 1989, of the embargo on sugar imports and the associated domestic pricing arrangements. The embargo has been replaced by a specific-rate tariff of \$A 115 per tonne on both refined and raw sugar. This rate will be progressively reduced to \$A 70 per tonne by 1 July 1992. This translates to a tariff decrease from US cents 4/lb. to US cents 2.4/lb. based on an exchange rate of A\$=US\$0.75. At the same time, export controls on sugar aimed at ensuring adequate supplies for the domestic market, have been lifted.

Citrus

Border protection is also being reduced in the citrus industry with tariffs on citrus juice being reduced at an annual rate of 3 percentage points from 27 per cent in April 1989 to 15 per cent by July 1992.

Dried vine fruit

In the dried vine fruit sector, Australia has improved market access opportunities by introducing a programme of phased reductions in the tariff rate of 2 percentage points annually. Under the programme, tariffs will fall from 21 per cent in April 1989 to 15 per cent by 1 July 1992.

Tobacco

In the tobacco industry, tariffs will be phased down at an annual rate of 2 percentage points from 23 per cent in April 1989 to 15 per cent by July 1992. Future reductions in support will be achieved through the termination of the tobacco industry stabilization plan on 1 October 1993 and the termination of the local leaf content scheme on 1 October 1995. This local leaf content scheme provides for manufacturers who purchase at least 50 per cent of their requirements domestically to import the remainder at concessional duty rates. After October 1995, tobacco growers will be assisted only by the general tariff rate.

Beef and wool

The beef and wool industries are not directly supported by any Federal Government programmes or protectionist measures and hence no cut-back notifications are possible for these industries.

Summary of Cut-backsWheat

- Elimination of Australian Wheat Board's monopoly control of domestic wheat market
- Termination of administered domestic pricing arrangements
- Termination of Guaranteed Minimum Price arrangements
- Level of guarantee to be phased down from 90 per cent of aggregate estimated net pool returns in 1989/90 to 80 per cent in 1993/94

Sugar

- Removal of import embargo on sugar and replacement by tariff régime for raw and refined sugar as follows:

1 July 1989	A\$ 115 per tonne
1 July 1991	A\$ 95 per tonne
1 July 1992	A\$ 70 per tonne
- Termination of domestic pricing arrangements
- Export controls have been lifted

Dairy

- Removal of product levy on domestic sales of butter and cheese and termination of supplementary market support on exports of dairy produce from 1 July 1989

Dried vine fruit

- Tariff reductions as follows:

pre July 1989	23 per cent	18 per cent DC
1 July 1989	21 per cent	16 per cent DC
1 July 1990	19 per cent	14 per cent DC
1 July 1991	17 per cent	12 per cent DC
1 July 1992	15 per cent	10 per cent DC

Citrus

- Cut-backs in tariffs for orange juice as follows and corresponding decreases in tariffs for other citrus juices

pre July 1989	27 per cent	22 per cent DC
1 July 1989	24 per cent	19 per cent DC
1 July 1990	21 per cent	16 per cent DC
1 July 1991	18 per cent	13 per cent DC
1 July 1992	15 per cent	10 per cent DC

Tobacco

- General tariff rate to be phased down over three-year period

pre July 1989	23 per cent	18 per cent DC
1 July 1989	21 per cent	16 per cent DC
1 July 1990	19 per cent	14 per cent DC
1 July 1991	17 per cent	12 per cent DC
1 July 1992	15 per cent	10 per cent DC

- Termination of tobacco industry stabilization plan on 1 October 1993