

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/12

6 April 1990

Special Distribution

Surveillance Body

MEETING OF 14 MARCH 1990

1. The Surveillance Body met on 14 March 1990.

Adoption of the Agenda

2. The Surveillance Body adopted the agenda proposed in the convening airgram GATT/AIR/2929.

Item (A): Standstill

- (I) Examination of standstill notifications (MTN.SB/SN/- series) submitted in accordance with the agreed procedures (MTN.TNC/W/10/Rev.1)

3. The Chairman noted that the agreed procedures provided for the Surveillance Body to transmit a record of the proceedings relating to standstill notifications to the next meeting of the TNC, due to be held on 9-11 April 1990. The record would also be transmitted to the GNG for information.

4. The record of the Body's examination of notifications on standstill, drawn up in accordance with paragraph 3 of the agreed procedures, is annexed (Annex I).

- (II) Consideration of statements by participants concerning other aspects of the standstill commitment

"Early warning"

- (a) United States Farm Bill

5. The representative of the European Communities referred to a new Farm Bill in the United States which was currently going through the legislative process. He said that it was likely to lead to a new Farm Act before the conclusion of the Uruguay Round. This prospect could only influence the negotiating position of the United States. The Farm Bill would provide deficiency payments for a wider product coverage than it was the case hitherto. From the EC's viewpoint, the Bill therefore constituted a considerable threat to the standstill commitment, in particular to indent (ii) and (iii). The Communities had already made known its very considerable preoccupation on several occasions. The Council of Ministers had stressed that the standstill commitment of the Punta del Este Declaration called upon all participants to abstain from internal legislative measures which might undermine the ongoing negotiations. Vice President Andriessen of the Commission had expressed himself in

similar terms. The European Communities suggested that the Surveillance Body should take note of the Farm Bill and recognize its potential threat to the negotiations of the Uruguay Round.

6. In response, the representative of the United States pointed to two major objectives of the Administration's proposal for the 1990 Farm Bill. Firstly, it should continue the direction of the 1985 Farm Bill towards a more market-oriented policy mix, and secondly, it should signal that the United States was fully committed to participating in export markets in both the short and the long term. While the United States proposal for agricultural reform in the Uruguay Round and the Farm Bill proposal were both directed toward market liberalization, the latter was not intended to be an instrument for carrying out the reforms in GATT. As had been said repeatedly by United States representatives, agricultural reforms could not be undertaken unilaterally by the United States but only on a multilateral basis. Since many provisions of the 1985 Act were due to expire before the end of the Uruguay Round, it was necessary to pass legislation now. The EC was undertaking a similar process on an annual basis. The United States was fully prepared to make fundamental changes in its farm program as a result of the Uruguay Round. This should be evident from the proposals it had tabled in the Negotiating Group on Agriculture. The Farm Bill proposals pending before the United States Congress were a continuation of the 1985 Farm Bill and entailed no new system of agricultural policies. Therefore the United States rejected any suggestions that standstill had been violated or that the United States commitment to the Uruguay Round was called into question.

7. The representative of Australia also expressed concerns about the shape of the emerging Farm Bill. The outcome of Congressional considerations should be carefully examined. An important point, however, was that the United States Administration was prepared to make fundamental changes to implement the outcome of the Uruguay Round.

(b) United States Export Enhancement Program

8. The representative of Australia mentioned reports which pointed to the possibility that the United States Export Enhancement Program could be extended to meat sales to the Soviet Union. The latter constituted an important market for Australia's exports and the extension of EEP bonuses would be considered unnecessary and damaging. Australia had already notified to the Surveillance Body the increase in that program in 1987. His delegation believed that its particular extension to sales of meat to the Soviet Union or other markets would represent a breach of the standstill commitment. Australia, therefore, was seeking assurances from the United States that such an extension of the EEP would not be offered.

9. The representative of the United States said that he had no specific information on this issue and that he would transmit the comments to his authorities.

(c) European Communities approval process for biotechnology products

10. The representative of the United States referred to the EC's regulatory approval process for biotechnology products. He expressed concern about EC actions which could lead to a fourth criterion for approval, such as "economic need". The basis for authorizing products should be a thorough scientific appraisal against the three traditional criteria for regulatory approval: safety, quality and efficacy. The EC was now considering whether a new biotechnology product known as BST should also be reviewed on the basis of social and economic implications. Such a political criterion could set a very dangerous precedent and would be contrary to the standstill commitment. The United States failed to see any basis under the GATT to ban imports on the grounds that a so-called economic or social need was deemed not to exist. This issue had a direct bearing on the ongoing agricultural negotiations in the Uruguay Round with respect to sanitary and phytosanitary regulations. In this context, he called attention to a statement by the Council of Ministers on 5 March 1990, calling on the United States Congress to abstain from any new internal legislation which might undermine the Uruguay Round. The United States believed that this warning should apply to the addition of a fourth criterion for regulatory approval by the EC.

11. The representative of the European Communities said that he had no specific information on this issue at the present meeting and that he would revert to it later, if necessary (see also paragraph 16).

(d) European Communities future automobile régime

12. The representative of the United States expressed concern about internal negotiations in the EC on its future automobile régime, especially with respect to imports from Japan. Inasmuch as import restraint measures were proposed for the whole EC market, including member States which previously had no restraints, the auto talks between the Communities and Japan would seem to constitute a potential violation of standstill. The United States felt somewhat reassured by a recent declaration of the EC's Council of Ministers that cars built in third countries should not be included in any restraint agreements with Japan. The United States trusted that Japan felt the same way and would not guide the decisions of Japanese companies operating abroad. This being said, the representative of the United States urged the EC and Japan to be mindful of the safeguards negotiations underway in the Uruguay Round. Trading partners should be kept fully informed of the course of the bilateral discussions on this matter and of any agreement which might be reached between the EC and Japan. The outcome should be in full conformity with the disciplines achieved in the Uruguay Round.

13. The representative of the European Communities expressed surprise about this particular intervention. He said that the EC was engaged in a unprecedented vast removal of restraints in the context of its single market programme. Fruits of that programme had already led to four autonomous rollback notifications on an unconditional basis, and further notifications could still follow. Therefore, his delegation found it

remarkable that the United States felt it necessary, at this juncture, to focus on real difficulties in a particularly sensitive area.

(e) European Communities dairy policy

14. The representative of Australia referred to several concerns expressed by his delegation at the last meeting of the Surveillance Body regarding the EC's decision to revise milk quota arrangements. The decision could lead to an increase in member States' milk production by about 500,000 tonnes at a time of falling internal demand for certain major dairy products. Since the decision the fragile world dairy market, particularly for butter, had declined significantly. Towards the end of February 1990 the EC had substantially increased export refunds for butter, butter oil and whole milk powder. Given the dominant world market position of the Communities, it was likely that world prices would fall at least by the amount of the refund increases, damaging efficient international producers who were not cushioned by restitutions. Australia would reflect further on actions that could be taken in the Surveillance Body because it remained concerned that the quota increase was inconsistent with the standstill undertaking.

15. The representative of the European Communities pointed out that this issue had been dealt with not only in the Surveillance Body but also in the International Dairy Council. He believed that his delegation had given clear explanations about the EC's decision. It should not be regarded as a decision to expand production; future efforts to the contrary should also be taken into account. In fact, the Communities had already brought down its production by about 15 per cent over four years, which was much more than the alluded 500,000 tonnes. What would have happened without the EC's quota system should be borne in mind. Australia had expressly acknowledged, in the Dairy Council, the rôle played by EC measures. The Dairy Council had noted that owing to the Communities' efforts the situation in dairy markets had become normal and was satisfactory.

16. Referring to an earlier statement by the delegation of the United States, the representative of the European Communities stressed that the application of BST could have huge repercussions on milk production. The overall effect would be far greater than the 500,000 tonnes production increase of which mention had been made. This was true independently of consumers' acceptance of biotechnology in agricultural production.

Item (B): Rollback

(I) Consideration of statements concerning the rollback commitment in the light of the agreed procedures (MTN.TNC/W/10/Rev.1)

17. The Chairman noted that one new rollback request had been made since the last meeting of the Surveillance Body (RBC/11 from Romania to Sweden). Three notifications of rollback actions had been circulated (RBC/19/Rev.1 from the EC, RBN/2 from the United States, and RBN/3 from Argentina). No consultations on rollback had been notified.

(a) Romania/Sweden (RBC/11)

18. The representative of Romania informed the Surveillance Body about Romania's request for consultations with Sweden on discriminatory quantitative restrictions. The Protocol of Accession of Romania stated that contracting parties maintaining restrictions inconsistent with the GATT should eliminate them within a certain period of time. This period should have expired long ago. Sweden had explicitly recognized both the existence of these measures and their GATT inconsistency in successive notifications to the Working Party on trade with Romania. His delegation called upon Sweden to examine Romania's request carefully and respond to it favourably, in accordance with its rollback commitment.

19. The representative of Sweden stated that a response to this request would be provided at the next meeting of the Body.

(b) European Communities (RBC/19/Rev.1)

20. The representative of the European Communities referred to the rollback notifications by the EC, consolidated in RBC/19/Rev.1, which had been introduced at the last meeting of the Surveillance Body. These measures constituted an enormous programme of liberalization of quantitative restrictions by the Communities and its member States. They were part of an ongoing process. Further moves could follow. He hoped to be able to provide supplementary details at the next meeting.

21. The representatives of Hungary and Poland reiterated their appreciation for the measures adopted by the EC. For their part, all outstanding issues seemed to be resolved.

22. The representative of Japan also welcomed the EC's measures. She pointed out, however, that there remained a number of discriminatory import restrictions against Japan on the part of the EC and its member States. She urged the Communities to speed up the process of removal of these restrictions.

(c) Argentina (RBN/3)

23. The representative of the United States welcomed the rollback notification from Argentina. He indicated his interest in receiving further clarification as regards the practical effects.

24. The representative of Argentina stressed that these measures were part of an overall policy which aimed at adjusting and liberalizing the foreign trade sector. These efforts were undertaken under worsening international circumstances and would bear considerable costs in economic and social terms. However, Argentina would continue these policies of reform and further notifications could follow soon.

25. The representatives of Australia, Mexico, Chile, and the European Communities joined in commending Argentina on its liberalization efforts.

26. In this context, the representative of Mexico pointed to his country's own experiences with liberalization programmes and the ensuing social costs. He hoped that the economic adjustments involved would be duly recognized in the context of the Uruguay Round negotiations.

27. The representative of Chile took the opportunity to stress that the new Chilean Government would continue the trade policies applied hitherto. This included the general process of opening up the external sector and strict adherence to the agreed commitments on standstill and rollback.

(d) General aspects

28. The representative of New Zealand referred to an earlier proposal made by his delegation to advance the implementation of the rollback commitment (MTN.SB/W/8). Procedural arrangements were sometimes important for bringing about progress in substance. It remained necessary to find operational language relating to the application of the rollback commitment so that a political impasse at the end of the Uruguay Round could be avoided. He noted that progress had been made in the implementation of individual rollback offers. Yet apart from these unilateral contributions, far-reaching political undertakings were involved extending beyond the scope and procedures of the Surveillance Body. New Zealand intended to revert to these issues at the end of the Uruguay Round.

29. The Chairman recalled that at the last meeting of the TNC it had been agreed that participants should report to the Surveillance Body any progress made in meeting the objectives laid down in Punta del Este, and that further reports of the Surveillance Body should be such as to assist the Committee in further evaluation of the standstill and rollback commitments. The next meetings of the TNC would be held on 9 and 10 April 1990 and towards the end of July. He recalled that the Chairman of the TNC had noted with general support from participants that, at the July meeting, it should be possible to have a first picture of what the results in different negotiating areas could be. He therefore suggested that a progress report both on standstill and rollback should be envisaged for the July meeting.

30. In this context, the Chairman pointed out that only three rollback consultations, two of them on the same issue, had been held throughout 1989. There was no record of any rollback consultations having been held since the last meeting of the Body; this might be due either to incomplete information or to a general lack of activity. The agreed proceedings provided only for notifications of rollback undertakings and not for the communication of any other developments. In the light of the agreement reached at the last TNC meeting and with a view to submitting a substantial progress report of the Surveillance Body, the Chairman called upon all participants to expedite the process of rollback consultations and also to reflect on autonomous contributions so that tangible results might be attained. Progress achieved in implementing Panel recommendations might also be relevant information for the TNC, even though some divergent views had been expressed in this respect during the last meeting.

31. Participants agreed with the Chairman's proposal that progress reports on rollback should be submitted by the end of May with a view to preparing a summary for the TNC in July. The Chairman said that a more precise date for submitting these reports could be established in consultations later. He said that it would also be useful for participants to provide information on developments in rollback consultations.

32. The representative of the European Communities noted problems faced in rollback consultations in which the addressee could not recognize the validity of the claims. In these circumstances, there was a lack of appropriate procedures to terminate the case. The New Zealand proposal had considerable merits and should remain on the table but the time was not yet ripe.

33. The representative of Mexico said that Mexico had adopted major autonomous liberalization measures which had not been reported to the Body. While accepting that each participant was free to notify its liberalization efforts to the Surveillance Body, his delegation had always held the view that rollback measures did not involve any compensation. In the case of Mexico, however, he expected that appropriate credit would be given.

34. The Chairman drew attention to sub-para. 1 of the rollback commitment in the Punta del Este Declaration relating to the action to be taken by the date of the formal completion of the negotiations. It might well be too early to discuss practical arrangements in this respect. However, he wanted to flag this issue which, in his view, deserved appropriate reflection in due course and might be the subject of some thinking at the next meeting of the Surveillance Body.

35. The representative of New Zealand said that this element could be very difficult to work with procedurally. As the substantive aspects of the Uruguay Round could only be dealt with in the negotiating groups, progress in this respect was very much dependent on their pace and timetable. In his interpretation, the respective commitment was not to phase out by the end of this year all measures which turned out to be GATT-inconsistent but rather to agree on a timetable for a phasing out process. He would welcome an exchange of views on this issue provided that procedural barriers to the negotiations proper were not crossed over.

Item (C): Other business, including future work

36. The Chairman proposed that the next meeting of the Surveillance Body be held on 5 July 1990. The Surveillance Body so agreed.

ANNEX I

Examination of standstill notifications (MTN.SB/SN/- series) submitted
in accordance with the agreed procedures (MTN.TNC/W/10/Rev.1)

1. The Chairman drew attention to the latest list of notifications on standstill (MTN.SB/W/3/Rev.7). He noted that there was one new submission since the Body's last meeting (MTN.SB/SN/20/Rev.1) from Argentina to the European Communities. There was also a communication from Sweden (MTN.SB/W/9) referring to an earlier notification by Australia (MTN.SN/SN/19) which had already been examined at previous meetings.

New notifications on standstill

European Communities: Production subsidy programme for high-quality flint maize (MTN.SB/SN/20/Rev.1)

2. The representative of Argentina pointed to additional subsidies granted by the European Communities which aimed at encouraging the production of high-quality flint maize. The measures were introduced for a three-year period; for 1989/90 the subsidy was set at ECU 155 per hectare. The relevant EC Regulations (Nos. 1834, 1835 and 1836 of 1989 and 202 of 1990) clearly established that their purpose was to encourage production through temporary aid schemes, taking into account that this type of maize was not grown in the Communities. It was stated that the scheme should not initiate production in excess of the actual requirements of the Communities' market.

3. The Economic and Social Committee of the EC had expressed support for this measure, as indicated in the Official Journal of the European Communities, No. C 87 of 8 April 1989. The Committee mentioned that supplies had currently to be imported, mainly from the Republic of Argentina, and stressed that it was in the interest of the Communities not to have to rely for the bulk of such supplies on foreign sources. The Committee also stated that EC producers had to be persuaded to grow this type of maize and that the subsidy should be determined annually, so that it could be adjusted in the light of response to the scheme. In other words, the objective was to attain self-sufficiency, and to that end the amount of the subsidy could be varied. Besides, the Economic and Social Committee had stated that the price paid by processors under the contracting system with domestic producers should reflect the c.i.f. price of Plata maize from Argentina. This would ensure that processors have sufficient incentive to purchase EC maize instead of Argentinian maize. The representative of Argentina noted that this incentive was similar to another one applied to the processing of oilseeds of EC origin, a measure that recently had been found incompatible with GATT Article 3:4 by a Panel (L/6627 of 14 December 1989). The above-mentioned measure was clearly designed to replace imports and not to remedy a specific situation as provided for in the General Agreement. The measure therefore constituted a breach of indent (ii) of the Ministerial Declaration of Punta del Este. At

the same time, the EC subsidies modified the competitive relationship between domestic and imported products and consequently improved the Communities' negotiating position. This violated indent (iii) of the standstill commitment. If the contractual incentive for processors to purchase domestic flint maize in preference to imported flint maize was confirmed, this would be a breach of indent (i) as well. In its notification, Argentina had also stated that the measure was incompatible with paragraph 14 of the Mid-Term Agreement on Agriculture. The Agreement, including the paragraph in question, was relevant to the standstill commitment of Punta del Este. This followed from points (b) and (c) of the Mid-Term Decision on standstill and rollback. It emphasized the need to take appropriate action to ensure withdrawal of all measures contrary to the standstill commitment and recognized the importance of discussions in the Surveillance Body of measures which might have an effect on the standstill commitment. Accordingly, Argentina had notified both to the Negotiating Group on Agriculture and the Surveillance Body. In this context, the representative of Argentina specifically stressed that the EC had not complied with the commitment that:

"participants shall also ensure that support prices to producers, to be expressed in ECU in the case of the EEC, that are set or determined directly or indirectly by governments or their agencies are not raised above the level prevailing at the date of this decision or otherwise take actions to ensure that current levels of support for the commodity concerned are not increased".

4. In 1988, the last year for which EC statistics were available, Argentinian exports to the Communities amounted to 560,765 tonnes or a value of US\$60.3 million. This meant that 0.6 per cent of total Argentinian exports were affected. It was clear that the Republic of Argentina did not have the means of responding to the EC measures by taking retaliatory action. Hence the importance Argentina attached to the effective functioning of the multilateral system and to the Uruguay Round in defending the rights of all contracting parties, even those of medium or limited trade power. In light of the foregoing, the representative of Argentina requested the Surveillance Body to determine that the EC action with regard to flint maize was incompatible with the standstill commitment and the Mid-Term Agreement on Agriculture. He also stressed the need for appropriate action to be taken to ensure that these measures were withdrawn. In this connection, it cited a declaration of the Council of Ministers on General Affairs of the European Communities which, concerning agriculture, had stated on 5 March 1990:

"The Council, bearing in mind the standstill commitment in the Punta del Este Declaration, called on all partners to abstain from any new internal legislative measure which might undermine the ongoing negotiations. It recalled in this context its preoccupation with regard to draft legislation on the table in the United States".

The representative of Argentina expressed the hope that the EC would respect these principles.

5. The representative of the European Communities pointed to the EC comments already attached to the Argentinian notification in MTN.SB/SN/20/Rev.1. Because of limited space these comments were necessarily brief, whereas the complexity of the issue required some more detailed discussion. In the Communities' view, the subsidies granted for the production of flint maize in certain regions were in no way incompatible with existing obligations. The standstill commitment of Punta del Este referred to measures which were inconsistent with the General Agreement or instruments negotiated under the GATT or under its auspices. Moreover, the commitment included measures distorting trade or going beyond what was necessary to remedy specific situation. However, the granting of production aid (and nothing more was at stake in the case of flint maize) was not incompatible with the relevant provisions of Article XVI of the GATT insofar as it contributed neither to increasing exports nor to diminishing imports.

6. The representative of the Communities denied that the conclusions of a GATT Panel on subsidies in the EC's oilseeds sector were of relevance in this context. The Panel in question had not deemed that the EC's production aid for oilseeds was inconsistent with the GATT, but only the means of granting this aid, up to a certain point. Besides, the delegation of Argentina had cited the statement of the Economic and Social Committee out of context. This citation had given the impression that the measures adopted by the EC aimed at blocking imports from Argentina which claimed to be the principal supplier. It should be taken into account that the Economic and Social Committee, in paragraph 8, had explicitly referred to the Mid-Term Agreement of the Uruguay Round. In fact, the Committee had noted that the EC is now an exporter of maize and that a switch from high-yielding maize to low-yielding maize would diminish production and thus reduce pressure on world markets. Moreover, it had stated that the overall level of support expenditure in this sector would decrease because the proposed level of production aid was below that of export restitutions. As regards the principal supplier status which had been claimed by Argentina, the delegation of the Communities pointed to a lack of appropriate statistics on flint maize which made it impossible to verify such claims. According to EC statistics, Argentina supplied about 15 per cent of the Communities total maize imports and thus ranked second behind the United States which was - except for seed maize - the principal supplier. In economic terms, the adoption of production aid for high-quality flint maize would decrease overall EC production and would therefore in no way distort trade. The aid scheme solely aimed at promoting the production within the EC of a certain quality of maize which was predominantly imported to date. In contrast, production of another quality for which the Communities had become an exporter over the past years would be reduced. The representative of the Communities denied the competence of the Surveillance Body to deal with commitments under paragraph 14 of the Mid-Term Declaration on Agriculture. The respective commitment fell entirely within the scope of the Negotiating Group on Agriculture of the Uruguay Round and should be discussed there. However, the EC wanted to reiterate that overall EC expenditure - and thus support levels - for the maize sector were not expected to increase but to go down. Therefore the provisions of paragraph 14 were met.

7. In replying, the representative of Argentina stressed that his arguments were mainly based on the opinion stated by the Economic and Social Committee of the European Communities. It was this Committee which had underlined in paragraph 2 that it was not in the EC interest to have to rely for the bulk of its supplies on foreign sources. By definition, the particular action must affect imports.

8. Referring to the EC's comments attached to Argentina's notification, the representative of Australia questioned whether the EC action was aimed at remedying a specific situation or merely at introducing a new trade distorting measure. There did not seem to be a specific problem involved and, according to the documents submitted, the measures appeared to increase production and replace imports of a particular variety of corn. The EC's assertion that the programme was limited in scope and targeted would be of no consolation to suppliers which were precisely affected. Moreover, the EC documentation revealed the production-diverting and "pump-priming" intentions behind the measure. These could well result in a continuous replacement of imports far beyond the original support period of three years. The Communities further argued that there would not be a substantial decrease in imports from Argentina; it would be interesting to get its definition of the term. In this context, what was of relevance to the Surveillance Body, was the impact on non-subsidizing exporters rather than the expenditure involved on the EC side. Argentina had demonstrated that from its perspective, quite a substantial amount of trade was at stake. Finally, the expected reduction in total EC expenditure on support to the maize sector was primarily due to a redistribution of trade-distorting support, whereas it was the objective of the Uruguay Round to lower agricultural support across the board. For all these reasons, Australia supported Argentina's complaint; the EC measures were considered inconsistent with the standstill obligation and therefore should be removed.

9. The representative of the United States expressed sympathy with Argentina's notification against the new EC production aid. In his delegation's view, the measures appeared to be at odds with the standstill commitment. Being an exporter of high-quality corn, specifically dent corn, the United States had taken strong interest in this issue. As flint corn was a substitute for dent corn, the measures could result in displacing United States exports in this sector. The justification given by the EC was questionable. It had been suggested that flint corn was not currently grown in the EC because the EC's price mechanism for cereals made flint corn relatively unattractive. Thus, the EC had admitted that internal distortions had prevented the emergence of a domestic flint corn industry. Corrections of these distortions, rather than infringing upon the trade interests of other producers would be a more appropriate course of action.

10. The representative of Uruguay supported the arguments advanced by Argentina. His concerns were related principally to the introduction of new trade-distorting policies on the part of the EC. In a general way, the Economic and Social Committee of the EC had used a protectionist argument par excellence when it objected to the bulk of EC supplies coming from

foreign sources. This view was particularly disturbing in the case of very minor imports such as flint maize. Uruguay could not understand the notion of remedial action in these circumstances.

11. The representative of Brazil supported the views forwarded by Australia and Uruguay and appealed to the Communities to be aware of the political importance of the standstill commitment.

Previous notifications on standstill

Sweden: increase in the levy on imports of sheepmeat (MTN.SB/SN/19); communication from Sweden (MTN.SB/W/9)

12. The Chairman drew attention to the communication from Sweden (MTN.SB/W/9). This gave information about the latest reduction in the import levy on sheepmeat which had been subject to an earlier standstill notification from Australia.

13. The representative of Australia acknowledged the reduction of import levies on sheepmeat undertaken by Sweden. He recalled that the mere fact that the levy mechanism in question was in existence prior to the Punta del Este Declaration did not justify subsequent levy increases which had significantly affected imports from Australia. Although Sweden had now lowered the levy to around SEK 17,35 per kilogramme it was still considerably higher than at the time of the Punta del Este Declaration (SEK 14.5). While welcoming the latest reduction, Australia maintained the view that the increases constituted a breach of the standstill commitment, and it would therefore continue to monitor the effects on its trade.