

WORLD TRADE ORGANIZATION

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Working Party on the
Accession of Viet Nam

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ACCESSION OF VIET NAM

Questions and Replies relating to Domestic Support and Export Subsidies in the Agricultural Sector

Addendum

The Government of the Socialist Republic of Viet Nam has submitted the following responses to Members questions regarding Domestic Support and Export Subsidies in the Agricultural Sector, with the request that they be circulated to members of the Working Party.

- **Green Box**

Question 1

The spending for "training services" on page 3 of document WT/ACC/SPEC/VNM/3/Rev.1 includes funding for regular education in agriculture. We would advise Viet Nam not to include this and to remove a possibly estimated sum from the amount shown.

Answer:

Viet Nam takes note of this comment and has amended its WT/ACC/4 Notification accordingly.

Question 2

The description in footnote 3 on the extension and advisory services on page 3 of document WT/ACC/SPEC/VNM/3/Rev.1 includes expenditure for research relating to particular products (e.g. National Animal Breeds Program). Would Viet Nam consider shifting corresponding expenditure to heading a (i) "research" of the green box?

Answer:

Viet Nam takes note of this comment and has amended its WT/ACC/4 Notification accordingly.

Question 3

Both the description in column 2 and in footnote 8 concerning f "payments for relief from natural disaster" on page 5 suggest, apart from the assistance payments to farmers, the delivery of food aid to farmers hit by natural disasters. Would it be possible to include this support under c "domestic food aid" while keeping the other support such as irrigation and drainage assistance under the current heading?

Answer:

We appreciate this comment. However, due to the statistical limitations, Viet Nam has not been able to separate "domestic food aid" from other types of support under the current heading.

Question 4

The description of the "regional assistance programs" on page 6 suggests very comprehensive operations beyond the benefit for agricultural producers. We suggest Viet Nam to eliminate from the amounts for regional assistance payments those program elements that are not direct payments to agricultural producers. Also, if some of the operations notified serve as measures of assistance, direct or indirect, to encourage agricultural and rural development as part of development programs we suggest to include relevant spending in table DS:2, Special and differential treatment.

Answer:

Viet Nam takes note of this comment. Viet Nam has moved "freight subsidies to transport essential agricultural products and inputs (rice, salt, fertilizer, agro-chemicals...) to mountainous, remote regions" from Table DS:1 to Table DS:2.

Question 5

Could Viet Nam inform if the "freight subsidies to transport commodities" to remote areas (page 6) are generally available? What are these commodities and what are they used for?

Answer:

Freight subsidies to transport agricultural products and inputs (rice, salt, fertilizer,) to mountainous, remote regions are generally available. The main products under this program are rice, salt, and fertilizer.

- **Special and Differential Treatment**

Question 6

Could Viet Nam inform, possibly using estimates, about the amount of money involved for the heading "financial incentives to develop economic activities on farms"?

Answer:

Financial incentives to develop economic activities on farms include preferential interest-rate loan, VAT exemption, and income tax exemption for the first three or four years. This support measure is constructed in the form of a Government policy, not a direct payment from the State Budget. Taking into account the suggestion from some Working Party's Members, Viet Nam had deleted this program from table DS:2 in its revised WT/ACC/4 Notification.

- **Amber Box**

Question 7

In table DS:4, the aggregate amount of AMS (total current AMS) should probably only consist of price support for sugar, other AMS not reaching respective de minimis levels. We would ask Viet Nam to review some of the amounts indicated.

Answer:

Viet Nam takes note of this comment and has amended its WT/ACC/4 Notification accordingly.

Question 8

Could Viet Nam explain how the applied administered price for rice and sugar is established, and whether comparable prices exist for cotton and pork?

Answer:

Administered price was applied to rice and sugar in the period 1999-2001 as follows:

- With respect to rice: in the harvest period, when paddy and rice prices fall far below the reference price causing difficulties to farmers, the Government provides interest support to help enterprises purchase rice for temporary storage;
- With respect to sugar: the Government determines the purchasing price of raw sugar cane to protect sugar farmers (for example: determined purchasing price for raw sugar cane in the period 1999 – 2000 was VND 240,000 per ton);
- Viet Nam does not apply administered price for pork;
- With respect to cotton, purchasing enterprises announce the minimum price in order to encourage farmers to cultivate cotton as inputs for their factories.

Question 9

How has the export quota for rice been operated? Will it be operated again in future?

Answer:

In the past (prior to 2001), quotas on rice export were announced and allocated to rice producing provinces after considering domestic needs. Provincial authorities were responsible for allocating export quotas among local exporters. This mechanism, however, was abolished since 2001. In the future, any measures applied to rice export shall be WTO-consistent.

Question 10

Import licensing (footnote 16) should not be notified as an element of domestic support.

Answer:

Vietnam takes note of this suggestion. We do not deem it as an element of domestic support, but rather the information for the sake of transparency.

Question 11

In table DS:7 (page 13), for rice, the interest rate support should be excluded from the AMS calculation because, as we understand, this measure serves to maintain the price gap notified in DS:5.

Answer:

The information notified in tables DS:5 and DS:7 reflects the existing policies with respect to rice at the time of notification. We would note that the value of domestic support for rice is far below the de minimis level. Therefore, we are willing to discuss with Working Party's Members on this issue with a view to bringing Viet Nam's WT/ACC/4 Notification in line with WTO practice.

Question 12

Could Viet Nam please inform who the direct beneficiaries of the measures mentioned on page 14 are? Are there in all cases benefits to producers?

Answer:

Beneficiaries are rice purchasing enterprises. Rice producers indirectly benefit from this measure. The rationale for applying this measure is that the Government cannot provide direct support to farmers, the number of whom account for a dominant proportion of the population (75 per cent).

With interest support provided to rice purchasing enterprises, rice price would increase, which would then indirectly benefit farmers.

Question 13

For cotton, (page 15) Viet Nam mentions a minimum price to farmers in footnote 18. Why does Viet Nam not make a price gap calculation for cotton, just as it did for sugar and rice?

Answer:

The reason is that the international price for cotton is not available. Cotton produced in Viet Nam is not of the same type as cotton in the international market. As the result, the price of domestic cotton is not comparable with that of cotton in the international market.

Question 14

Is there a minimum price to farmers for pork (footnote 19)?

Answer:

Viet Nam does not apply minimum price to pork.

Question 15

It would seem Viet Nam has to shift the tax exemption for rice and coffee (table DS:9, page 17) to table DS:7 possibly using an estimate for a breakdown between the products concerned.

Answer:

We appreciate this comment and acknowledge that it is an appropriate suggestion. Despite its best effort, Viet Nam has not been able to breakdown the tax exemption of 50 per cent for rice and coffee, and tax exemption of 100 per cent for all other agricultural products produced by farmers in extremely difficult areas. Therefore, this support measure remains in Table DS:9. We would appreciate further technical assistance in this area so that we can find a methodology to estimate this support for each specific product.

Question 16

What is the value of the total agricultural production of Viet Nam?

Answer:

Agricultural production outputs at current price for each year of the base period are as follows:

Unit: VND billion

Year	Production output
1999	124,075.3
2000	122,389.3
2001	122,247.7
Average	122,904.1

Source: Table DS:4 of Viet Nam's revised WT/ACC/4 Notification
