

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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Agriculture Committee

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SWITZERLAND

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Relating to

EXPORTS AND IMPORTS

Note: Corrections submitted in respect of tables prepared by the secretariat will be taken into account in the revised tables, and are not in general reproduced in the present document.

Observations Concerning the Present Phase
of the Work of the Agriculture Committee

A. The purpose of the Committee's work

The Committee's task is to examine the problems in the agricultural sector and to see whether it is possible to make further progress towards reaching the General Agreement targets in this sector. The examination in question will cover all products of importance in international trade and all relevant factors in trade and agricultural production policies. Preparation will be made for the attempt at a later stage to find positive solutions which can be accepted by all the contracting parties.

B. Collating of the documentation

(a) At the present stage of its work, the Committee is endeavouring to collate the documentation compiled with a view to achieving the objectives which the Committee has in mind. This means essentially comparing the data for each country in a way mutually acceptable to all.

(b) In its note Spec(69)37, the secretariat points out the difficulty of calculating and comparing the degree of protection given to agriculture in the countries under consideration. It refers in that connexion to previous attempts made by GATT without success to achieve the same result.

C. Method followed at present and method proposed for the assessment of import measures

(a) The purpose of the current method is, if not to gauge the overall support given to agriculture, at any rate to evaluate certain aspects of agricultural policies. In the case in point the object is a comparative appreciation of the various components of international trade and production policies.

(b) The method proposed in the secretariat's note COM.AG/12 of 26 March 1969 for calculating frontier protection measures is as follows:

- tariff measures: the rate of the duty itself (ad valorem incidence) are taken into consideration;
- non-tariff measures: prices of domestic production are compared with international prices.

D. Comments on the proposed method

The Swiss delegation fully recognizes that for the purposes of seeking mutually acceptable solutions in due course, a rough assessment of the incidence of tariff and non-tariff measures would be useful. However, it has

reservations in regard to the method proposed by the secretariat; the method hardly seems likely to furnish sufficient data to enable the final phase of the work to be tackled. Indeed, if it were applied as it stands, it could give rise to serious miscalculations, for the following reasons:

(a) The incidence of customs duties as a means of comparing protection in the case of tariff measures could be misleading in the case of agriculture. The protective effect of a customs duty will be quite different according to the circumstances and especially according to the difference between the domestic production price and the price of a product imported into the country in question.

(b) The difference between the domestic production price and the import price is not in itself a sufficiently reliable factor for assessing protection in the case of non-tariff measures. This method does not take sufficient account of the relative nature of the situations that can arise.

The fact is that:

- When the difference in price is considerable, the present non-tariff measures do not necessarily constitute greater obstacles than the measures taken by countries where the price difference is only slight.
- Price differences are not due exclusively to protective measures taken by the importing country, but depend also on the import price level, which in many instances is artificially low because of export promotion measures. Thus, if the proposed method were adopted, there could be an increase in the incidence of non-tariff measures not due to a change in either domestic prices or protection measures.
- A high price level is not necessarily an indication of greater encouragement to production than a lower price level. Factors such as the amount of production costs, and the general level of earnings may be decisive in this respect. Hence one single production price may have a different incidence on the trend of quantities produced and on imports according to the country under consideration.
- The effect of a modification of domestic prices on volume of supply does not always have the economic effect expected. A drop in prices, or a reduction in the difference between national and world prices, may in a given country reflect an increase in production and in the self-sufficiency ratio.
- Where a domestic price applies only to a certain volume of production, price difference alone does not provide a valid measure of protection either.

(c) Furthermore, the proposed method does not allow of comparison between tariff and non-tariff measures. Since in the case of a single category of products countries may use either of the two forms of protection, if not the two simultaneously, there should be some means of comparing the protective effects of the two types of measures.

E. Conclusions

Thus it is clear from the preceding remarks that the formula proposed could prove seriously misleading. Other attempts, incidentally, have shown that a satisfactory mathematical formula for the comparative evaluation of protective measures is hardly possible. Nevertheless, the Swiss delegation recognizes the value of trying to produce a rough comparable evaluation of these measures. Since both tariff and non-tariff measures, as well as levies, involve a factor which expresses a de facto situation, namely the difference in price already mentioned, the Swiss delegation proposes that in all three instances this difference in price should be set against the existing measures, taking into account for the purpose of assessment factors such as the extent and trend of trade flows, the growth of self-sufficiency ratios, the trend of native production and of the percentage of the active population engaged in agriculture. The results would thus be more comparable, since there would be a common method of evaluation for determining them. In making a final assessment of the results thus obtained, it would be well, while bearing in mind the purpose of the present exercise, namely to improve international trade in agricultural products, not to lose sight of the political, social, demographic or strategic aspects, which in addition to purely economic considerations help to determine the agricultural policies of the various countries.