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of Support and Related Matters

DISCUSSION PAPER ON THE AGGREGATE MEASUREMENT OF PROTECTION

Submitted by Poland

The following discussion paper has been received from Poland with the request that it be circulated as a working paper of the Technical Group.

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1.   The specific feature of the producer subsidy equivalent (PSE) is that it relates not only to agricultural production and trade, but also other fields directly or indirectly related to agriculture (transportation, means of production industry, R+D, etc.).

This complex character of PSE is both a deficiency - as wishing to cover "all", we can miss the most harmful forms of protection, and first of all, to overlook the hierarchy of importance of the separate protection instruments as it is assumed that the weights of all PSE elements are equal to one.

It is difficult to accept that one dollar spent on research is equal to one dollar of export subsidy from the point of view of its impact on the competition on the world market. That is why although attractive, the PSE needs some modification.

2.   The use of PSE as a decision and control instrument in negotiations requires, first of all, trustworthy information which will be the base of the PSE calculation. The scope of the necessary information enables the considerable deformation of results obtained, and this deformation does not need to be intended. It may result from wrong methodological assumptions (e.g. there are different rates of exchange in exports and in imports in certain countries). Their application in the calculation of the level of protection may disfigure considerably the results obtained.

3.   The TDE opens even a broader scope for manipulations as it contains a number of subjective elements, e.g. the number of years for which the base of subsidized price in the price stabilization programme is calculated, or slopes of demand and supply curves in the supply control programmes.

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4.   The more elements will be included in the PSE, the greater danger that
we shall obtain an index not reflecting the actual situation. The attempt
to calculate premiums for certain countries applying various forms of
agricultural production restraint is an example of a too broad approach to
the protection measurement formula.

5.   In order to enable a comparability of the data, it is necessary to
establish, among other, a uniform time base for PSE calculation. It should
be possibly close to the period of negotiations commencement. The base
should be uniform for all goods and all countries. The average for
1984-1986 may be accepted as the base period especially because PSE
calculations for several countries have been made for this particular
period.

6.   The commodity scope of the PSE calculation should be restricted to
basic agricultural products in the initial stage, especially to those for
which calculations have already been made, e.g. in the OECD report.

7.   The reference price used in the PSE calculation should be the f.o.b.
price paid by the exporter or the c.i.f. price paid by the importer
effectively. The attempt to choose a uniform world price may not be
accepted by the negotiating countries and may also disfigure the results
due to considerable differences in quality, transportation costs, etc. even
in the case of agricultural raw materials.

8.   Due to the considerable importance of the problem of market access in
the present negotiations in the Agricultural Group, it would be advisable
to calculate also the CSE indices.

9.   In face of the methodological difficulties related to the calculation
of aggregate measurement of protection, it is necessary that a respective
assistance to all countries needing it, and the developing countries in
particular, was assured by the GATT secretariat.