Mr. Chairman, as I have stated before, it was my intention to intervene in this discussion only to elaborate in more detail on some of the major difficulties we in FAO see in connexion with the method used in document COM.II/W.6 for measuring degrees of protection in agriculture. Having now heard Mr. Staehle's statement that document COM.II/W.6 is not intended in any way as an attempt of measuring agricultural protectionism I did not think it necessary to intervene in this debate. Complying with your suggestion that it would nevertheless be of interest to the Committee to have the comments of FAO, I will now put before you some more detailed considerations on the difficulties involved in an endeavour to measure degrees of protection, but I would like to reiterate that these remarks were primarily related to the difficulties noted in document COM.II/W.6.

In document COM.II/W.6, page 2, it is pointed out that the degree of protection on cereals in Western European importing countries is actually 20 to 30 per cent lower than indicated in Table I, if freight costs from the United States are taken into consideration. You will agree that a difference of 20 to 30 per cent in comparing "degrees of protection" is by no means negligible. On the other hand, if freight costs were taken into account, different degrees of protection would result for one importing country in respect to each of its various suppliers. Therefore, there would no longer be a common basis of comparison. In fact, there are various other factors which result in different degrees of protection of one country in respect of its different trading partners, for example all preferential treatments under bilateral or multilateral agreements, the use of discriminatory exchange rates, etc.
It is suggested in document COM.II/W.6 that the method would be improved by including a larger number of countries. So far the study covers only those countries for which relatively reliable statistical data are readily available. Even for these countries the results of the study are only very rough approximations subject to many qualifications and errors. To extend such a study to countries with a less comprehensive and reliable statistical coverage would mean adding still less accurate estimates for these countries.

It is also suggested in document W.6 that by using data covering a period of several years instead of data relating to one year only many imperfections of the present analysis would disappear and the reliability of such a comparison would be greatly improved. While it is true that some of the weaknesses of the present method mentioned in footnote 3 on page 2 of the document would be eliminated if an average of several years were used, it is also true that other problems and difficulties would be raised. Very frequently countries make drastic changes in the system and degree of protection granted to farmers. Levels of guaranteed prices are revised upwards or downwards more or less sharply, the coverage of protection is reduced or extended and sometimes a country radically turns from highly protected to relatively free markets and vice-versa. A period averaging two such contrasting situations would not do justice to the situation as it exists at a given moment.

One of the greatest difficulties in such an endeavour is the need indicated in the document to take into account agricultural support measures which are not reflected in higher prices to producers but rather in lower costs of production and marketing. It would be extremely difficult, I believe, to reach agreement on the question as to just which of the great variety of these types of support measures are to be considered as protective measures. For example the remission of taxes might be considered a concealed subsidy. On the other hand, in many countries heavily depending on agriculture for general economic development, particularly in the less-developed regions of the world, there is a tendency to put a very heavy tax burden on agriculture in the form of export taxes or duties. A remission of part of this taxation in most cases would not appear to involve any real subsidy in the sense of a protective measure. It would be very difficult, however, to establish in each case whether there is a subsidy or not. This would require international agreement on what may be considered a fair level of taxation in agriculture. The problem would become even more complicated where multiple and variable exchange rates are used to tax or subsidize agricultural exports.

Generally, exchange rate controls concealing the real foreign purchasing power of a country's currency are another obstacle to reliable international price comparison which it would appear extremely difficult to overcome. And it should be noted that in many cases a number of the possible errors mentioned would come together and distort the picture to a very great extent.

This is only a small sample of the many complications, difficulties and pitfalls involved in a study of measuring the degree of protection under agricultural support policies. Very many more could be added.