MEASURING THE DEGREE OF AGRICULTURAL PROTECTION

Observations and Suggestions submitted by the Delegate of Switzerland to the Study Group of Committee II for the Members of the Group

It seems fairly natural and logical in the first instance to attempt to measure the degree of agricultural protection in terms of the level of prices paid in a given country for agricultural products in comparison with prices paid for the same products in other countries.

However, a closer examination of the matter brings into relief a number of difficulties which have been mentioned in notes submitted by several delegations or by the secretariat.

In addition, it seems that there is another difficulty arising out of the determination of what might be called a degree of protection equal to zero, i.e. a situation which would be characterized by the absence of any kind of intervention whatever. Furthermore, comparisons between prices, however accurately computed they may be, would, in our opinion, leave in the dark many important factors and would fail to bring out the variety or the complexity of the measures under consideration. It seems therefore that if one could arrive at a formula resulting from a comparison between prices considered from this angle, this formula would be too simple or too unilateral in order to appreciate such a complex question with the necessary degree of action. Such a formula would also be dangerous, not to say harmful, because it might cast an unfavourable light on some national agricultural policies which are hardly, if at all, "blacker" than others, and a favourable light on other agricultural policies which are hardly, if at all, "whiter" than others. This is significant if one is intending to find an equitable criterion which could be used for other work and for ultimate comprehension.

Lastly, one can even wonder whether it is correct to examine existing price differences from this angle. Indeed, in most industrial countries today, agriculture is an ancient industry. It has a historical and cultural causality which could not be upset without jeopardizing the national equilibrium. Its maintenance is sought also for social, political and even strategic reasons, which vary from country to country. The extreme difficulty of taking any measures which might affect it unfavourably, or which might disrupt the national balance, is reflected, inter alia, in the fact that although the balance-of-payments positions of many countries have become favourable, measures in support of agriculture have been maintained to a large extent.
Support for agriculture implies support for agricultural producers and this, in turn, results in the need to seek parity between agricultural incomes and incomes in other branches of production. The special conditions existing in the field of agriculture are such that, regardless of any outside competition, the maintenance of such parity already calls for measures which are stimulating.

The need to maintain parity is responsible for the fact that the level of agricultural prices is largely influenced by the income level of the non-farm population. This influence cannot always be offset by increases in productivity. The number of people sharing the aggregate agricultural income is another factor. The considerable disparity between agricultural prices in various countries is largely attributable to this and when these various factors are examined more closely this disparity can be understood.

During the process of general economic development, measures of protection and of support in favour of agricultural prices have been taken as the disparity emerged and became more pronounced as a result of increases in standards of living, and of the differences in the levels of productivity, and also as protection (due to physical remoteness) disappeared as a result of development of the means of transportation.

The level of agricultural prices in a given country is therefore not arbitrary. Generally, countries endeavour to maintain it so as to ensure such parity to the greatest extent permitted by other economic and political factors which legislation has to take into account.

Viewed from this angle, and due regard being had for the propensity to import which appears automatically, the moment price differences emerge, the disparity between prices in individual countries reflects to a much greater extent the need for protection which the various measures undertaken are intended to meet. It should be noted here that the theoretical, absolute need for protection would be expressed through the difference which would exist if prices in individual countries were fixed at a level which ensured theoretical absolute parity as between the agricultural and the non-agricultural sectors.

Our proposal is therefore that we should consider, on the one hand, the relative level of prices as an expression of the need for protection existing in a given country - or of the import propensity existing in that country - and to list on the other side of the ledger the measures undertaken in order to protect agriculture or to maintain agricultural income at the closest possible level to parity.

If the various price levels are considered from this angle, a number of difficulties which arise when one is attempting to evolve an absolute criterion disappear, and the danger of arbitrariness is reduced, because when the problem is viewed from this angle it is not so essential to arrive at precise figures, and a certain order of magnitude is sufficient.
It should also be mentioned that it should be possible to express in concise form, perhaps with a bona fide formula, the measures taken in support of agriculture in a given country. The listing of such measures should bring into relief production subsidies in particular, and should make it possible to distinguish between, on the one hand, measures taken and, on the other, the more or less liberal nature of their implementation.

One could gain an idea of the usefulness of these measures, for instance, by comparing the aggregate needs of the country with that part of the domestic needs which is met with imports. Furthermore, one should include import subsidies in the form of that percentage of exports which such subsidies encourage. It would also be desirable, although we are dealing with non-tariff measures, to include in the criterion the incidence of import duties without which the picture of measures in support of agriculture would not be complete. Lastly, these factors might be supplemented by a figure giving an order of magnitude of the protection accorded, as this would be useful if one had to appreciate the scope and repercussions of a given measure.

Thus, one would arrive not at an index but at a fairly concise formula which would facilitate objective comparisons and would make it possible to confront, to say the least, the need for protection, on the one hand, and the scope of the measures taken, on the other. Such a formula would facilitate an assessment of changes in the level of protection by making it possible to compare the situations obtaining in a given country, from time to time.

The conclusions to be drawn from this exercise would make it possible to determine how progress could be made towards greater harmonization and trade expansion at international level. It goes without saying that imports in a given country cannot be increased indefinitely for the simple reason that the land must be kept under cultivation, and that structural improvements and rationalization cannot be pursued indefinitely, and because such measures do not necessarily make for a reduction of agricultural production. Furthermore, in view of the relative inelasticity of the demand for agricultural (food) products in relation to the development of industrial production, the question will subsequently arise as to whether an expansion of trade should not be sought through an expansion of the markets of the under-nourished peoples - which, in turn, would imply an increase in the purchasing power of such peoples and therefore their industrial development - and, on the other hand, through an improvement in the terms of trade.