The following communication has been received from the delegation of Chile.

1. Since agriculture is one of the principal topics to be considered at the Ministerial meeting of the CONTRACTING PARTIES, the delegation of Chile wishes to place before the Preparatory Committee its views on the subject.

2. The Ministers should decide to establish within the GATT an institutional mechanism, which might be called the "Committee on Agriculture" for the purpose of preparing for negotiations that would lead to a large measure of liberalization of access to markets and that would ensure effective solutions to problems and distortions of competition. To those ends, the Committee might draw up a work plan based on directives to be approved by the Ministers and setting time-limits for the successive stages. The purpose of singling out the topics and problems of agriculture for separate treatment through the establishment of the Committee would be to speed up the process of achieving the objectives laid down in the preamble to the General Agreement and hence to restore the balance in relation to other sectors of production in the international trade system.

3. Liberalization. The level of protection of agricultural production is now very high, especially in certain developed countries, by comparison with the degree of liberalization achieved in Chapters 24 to 99 of CCCN. When it is realized that such protection has tended to increase steadily, the seriousness of this situation appears clearly. For example, an FAO study showed that in a major developed country the average level of protection for five agricultural products had risen from about 70 per cent to more than 300 per cent between 1974 and 1978. The meagre results of the Tokyo Round with regard to liberalization in this sector, including non-tariff measures, warrant a substantial additional effort in the 1980s.

4. The high levels of protection are doing serious damage to efficient producers with comparative advantages, especially those in developing countries. Such producers are being deprived of the earnings which potential exports could bring them. Furthermore, unduly high protection obstructs or severely limits the investments which might be made in agriculture, allied
industries and related sectors. This effect in its turn makes for higher rates of unemployment and worsening poverty, especially in rural communities. The realization of this potential for investment would not merely generate sources of employment and financial resources but would also do much to increase the import capacity of the country concerned.

5. The proposed exercise in agricultural trade liberalization should cover, inter alia, the following aspects:

(a) Tariffs: the aim should be to attain, at least in a first stage, a degree of reduction in protection such that the situation in this sector will be similar to that of industrial products by 1987.

(b) Other para-tariff measures or measures equivalent in effect to tariffs, such as variable levies, should also be the subject of negotiation and thus come within the scope of multilateral commitments and disciplines.

(c) The procedure of negotiation should be accorded close attention, for that employed hitherto has proved inefficient and also unfair to developing countries which are "new exporters" in process of diversifying their export pattern.

(d) All exceptions or exemptions which a few countries enjoy and which are enforced with the approval or permission of the CONTRACTING PARTIES would also be the subject of negotiation.

(e) With regard to non-tariff measures it is a prerequisite for the success of the negotiations that agreement should be reached on strict and effective multilateral disciplines.

(f) Special mention should be made of quantitative restrictions, which are particularly numerous in this sector. Without prejudice to whatever the Ministers may decide with regard to the dismantling of "hard-core" restrictions and others which are clearly incompatible with the General Agreement, it is essential that effective agreements should be reached so that the relevant provisions, including those of Article XI, may be applied in a stricter and more transparent manner.

(g) Beyond question, the Inventory of Non-Tariff Measures, of which the part relating to agriculture is being updated, would provide a very useful basis and benchmark from which to set about liberalization in this area. One of the Committee's tasks should be to see to it that the Inventory is finalized and kept continuously up to date; it should also carry out a review leading to general conclusions which can be applied to the guidance and rationalization of negotiations on the various measures.
6. Of no less importance than liberalization are policies and measures which create serious problems and distortions of competition. Reference should be made in particular to subsidies, especially those which many countries grant to their agricultural exports as a means of placing on the international market surpluses produced by an inefficient and over-protected agriculture. It is also a matter for serious concern that, here again, the situation seems to have worsened markedly in recent years. For example, an FAO study has shown that the subsidies granted to agricultural exports in a group of developed countries increased by a factor of more than two and a half in the second half of the 1970s.

7. The heavy and disproportionate subsidies applied by certain countries enable them to break into markets which in normal circumstances would have met their requirements through suppliers in countries, especially developing countries, where the costs are very low and the comparative advantages plain. The problem of subsidies is too great to be ignored. As a result of subsidies granted by other countries, many developing countries have lost markets which they traditionally supplied. Under present conditions, such markets are very difficult and sometimes impossible to regain. The other possibility is to diversify exports, but this takes a long time, requires heavy investment and hence is not a feasible solution, especially under the conditions of instability and indiscipline which prevail nowadays.

8. Little substantive progress was made with regard to subsidies during the Multilateral Trade Negotiations. The disciplines of the Code on Subsidies and Countervailing Duties are clearly inadequate, unsatisfactory and defective so far as the agricultural sector is concerned. They need to be revised and amended as a matter of urgent priority. It is pertinent to note in this connection that Article XVI, paragraph 5, of the General Agreement provides that "The CONTRACTING PARTIES shall review the operation of the provisions of this Article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties". This provision shows that there is a basis in law for the prompt launching of negotiations. A Committee on Agriculture would be the proper forum for such an exercise, without prejudice to the rôle to be played by the Committee on Subsidies and Countervailing Measures.

9. The Committee might also pave the way for appropriate decisions to improve transparency. In several provisions of the General Agreement and other decisions of the CONTRACTING PARTIES, obligations have been laid down for the purpose of rendering international trade relations as transparent as possible. There is a clear lack of transparency with regard to other provisions. Hence another of the Committee's tasks should be to review those
obligations, bring the relevant questionnaires up to date, fill such gaps as exist, and ascertain the reasons for non-compliance with many of the obligations of notification, etc. So far as agriculture is concerned, the Committee could at the same time serve as a forum for the periodic review of notifications and other obligations relating to transparency.

10. It seems essential for the smooth operation of the international trade system that the CONTRACTING PARTIES should be able to review periodically the domestic policies which countries apply in the agricultural sector and the measures which affect the process of structural adjustment in that sector. It is increasingly evident that, despite the domestic nature of such policies, they have an immediate and far-reaching effect on international trade and consequently affect the trade interests of the other parties. The Committee could serve as the forum for such a review and make it possible to arrive at recommendations with a view to establishing better international co-operation as a means of preventing or avoiding distortions and friction between countries. It might also be useful for the CONTRACTING PARTIES to be able to examine the international trade situation in this sector at the same time.