Committee II - Expansion of Trade

PARAGRAPHS PREPARED BY THE DRAFTING GROUP FOR INCLUSION IN THE GENERAL CONCLUSIONS OF THE COMMITTEE'S REPORT

1. The Committee recognizes that the level of protection and resultant increased production in the traditional importing countries, in as much as they lead to a decrease in imports, place a heavy burden of adjustment on exporting countries, which renders the abolition of non-tariff measures in exporting countries more difficult, and could be an important factor causing these countries to make use of non-tariff measures.

2. Agricultural policy is mainly aimed at maintaining or raising farm income. While most countries acknowledged the desirability of supporting farm income through increases in productivity, this aim remained a more long-term goal.

3. To the extent that income or price support has resulted in an expansion of relatively less efficient production and to a limitation of consumption, this has contributed to impairment of trade and to inefficiency in resource utilization from the point of view of international trade.

4. In agreeing to this conclusion the Committee is not unmindful of the many difficulties with which agriculture is faced in many countries. It is an industry which, with some important exceptions, e.g. animal products, is affected by a situation in which the demand (in volume) for its products becomes increasingly inelastic as levels of real incomes rise, whereas technological progress makes enormous strides and almost becomes an independent influence for the expansion of production. At the same time, unlike some other industries, special conditions of production and marketing in agriculture loads governments to undertake measures which the producers in general cannot effectively undertake themselves. Some of the measures adopted can quite easily become effective barriers to trade, but adequate and comprehensive commodity arrangements may operate in the international marketing sphere to mitigate some of the restrictive trade effects of these measures.

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5. The Committee is also aware that an important long-term contribution to the solution of the farm income problem with its concomitant trade problems must come through an improvement in the efficiency of resource allocation. Such improvement is tantamount to a further reduction in the resources employed to bring about a given level of output. In many cases this means a further reduction in the farm population which might be brought about by inducing farmers to move out of agriculture by establishing industries in rural areas or by emigration. The Committee agreed that any discussion on the question of restrictions on emigration would be inappropriate in the GATT. To the extent that the agricultural population in certain cases can be moved out of agriculture to other regions or other countries where such population can be more efficiently employed, this would help to bring about changes which would assist in raising farm income to levels approaching those in other sectors of the economy. However, in some countries this movement out of agriculture, although of extraordinary proportions, nevertheless, has not yet had this result.

6. The Committee has concluded that a moderation of agricultural protection in both importing and exporting countries is desirable. It considers that a moderation of agricultural protection, through its effects on production and consumption, would have a substantial percentage effect on the volume of international trade; by imposing some restraint on protected production in countries where natural resources tied in agriculture can be more effectively re-allocated, it would improve resource utilization throughout the world.

7. (a) The Committee recognized that a solution to the problems confronting agricultural trade would be facilitated by devoting attention to the factors affecting the formation of prices both at the national and international levels. Prices should not be such that (i) production ceased to be remunerative for producers even in regions particularly favourable for such production; and that (ii) producers would be induced to increase production beyond existing outlets.
(b) The outlets available for disposal of production were, in the broad, limited, apart from dietary habits, either (i) by the capacity of the consumer to absorb (and this is particularly relevant to countries with an already high standard of living); or (ii) by the insufficiency of individual consumer's purchasing power or of currency resources in countries where consumption was below desirable nutritional levels.

(c) To the extent that governments are able to make available their abundance of food to low-income food deficit countries on a grant basis or on other concessional terms without displacement of normal commercial trade, and to the extent that such food can be directed into additional total consumption, the limitation referred to in (b)(ii) above can be mitigated.

(d) The Committee noted that taking these factors into account it was obviously necessary to seek a better balance between world demand and supply. Such a balance would be more easily established if outlets for the exports of efficient producers were extended by moderation in the use of such measures as subsidies on production and exports; quantitative restrictions; certain State-trading operations; excessive tariffs and similar devices; some bilateral agreements; and similar barriers to trade in agricultural products. The Committee recognized, however, that in the present situation with the structural imbalance in world production and demand, the establishment of equilibrium between production and demand required different solutions for different commodities with different orders of priority. The Committee remarks that the precise adjustment necessary for bringing about a better balance would vary from product to product. In some instances it might be more appropriate to look for progress through measures which would be directed towards price levels. In other cases it might be more appropriate in the first instance to look for measures directed towards controlling production.