III. GENERAL CONCLUSIONS

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 desireability 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 these conclusions 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 leads 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. 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 into other sectors of the economy, for example, by establishing industries in rural areas or by emigration. In some countries, the possibility of transferring agricultural population to other activities are limited by social, demographic, traditional and other reasons. To the extent that the agricultural population in certain cases can be moved out of agriculture to other regions or other sectors of the economy or to 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 national 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 efficient producers even in regions particularly favorable for such production; (ii) producers would be induced to increase production beyond existing outlets; or (iii) expansion of consumption would be inhibited.

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1The Committee agreed that any discussion on the question of restrictions on immigration would be inappropriate in the GATT.
(b) The outlets available for disposal of aggregate 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. The achievement of such a balance would be notably assisted 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 other 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 and adjustments for different commodities with different orders of priority. 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.

8. The foregoing summary indicates more precisely the extent to which non-tariff protective measures are applied and their effect on international trade than it was possible for the Committee to assess at the time it prepared its Second Report (L/1192). The result of this analysis gives more point to the observations of the Committee in that Report and also shows how widespread is the use of non-tariff protective devices for important agricultural products.
9. In selecting dairy products, meat, cereals, sugar, vegetable oils and fish for its initial study the Committee has chosen six groups of commodities which are of importance in international trade and which are produced in a large number of countries. It was also believed that a study of these products would provide illustrations of the range and extent of protection and support. The evidence now available to the Committee shows that in the case of all these groups of commodities there has been extensive resort to non-tariff devices involving protection to an extent and having consequences which were probably not fully recognized earlier.

10. From the evidence received by the Committee from a wide variety of countries operating a great diversity of schemes, the choice of the devices used appears to have depended upon the general nature of agriculture and the policy objectives of the countries concerned, the characteristics of the commodity and the nature of its problems. The Committee recognizes that the various schemes, due to the different techniques employed, react on international trade in different ways. The Committee has found from its examination that the effects on trade of the measures reviewed depend largely on the intensity with which and the manner in which they have been applied. This in turn has depended upon policy objectives. For example, a country by operating a system of deficiency payments with excessive guarantee prices, or by having variable import levies which under certain conditions could be very high, or by applying high tariffs, could produce a result as damaging to international trade as may be caused by quantitative import restrictions, however made effective, or by the use of export subsidies contrary to Article XVI.

11. The Committee's studies have resulted in the broad conclusion that non-tariff devices have seriously affected international trade in the products considered during the consultations in a variety of ways. Furthermore, the Committee notes that the extensive use of these devices, particularly quantitative restrictions and the widespread impairment or even nullification of tariff bindings, have frustrated benefits which many countries expected to receive as a result of the obligations arising from the General Agreement.
12. In the case of countries which are in the process of development and which are highly dependent on exports of agricultural products, the maintenance of the present situation as it has been found to exist by this Committee, constitutes a source of great concern, as impediments to the marketing of their products have the effect of discouraging increased production, of intensifying balance-of-payments difficulties and of delaying their process of economic development.

13. The Committee is aware of the many occasions on which international discussions on certain products in the six groups of commodities have taken place. For example, it notes that both the OEEC and the Committee on Commodity Problems of the FAO have had extensive discussions about butter; it also recognizes that the International Wheat Council, the Wheat Utilization Committee and the Grains Group of the Food and Agriculture Organization have all considered the more general aspects of the international wheat trade; it notes as well that the International Sugar Council has continuously studied the problems confronting the international sugar trade. The Committee believes that some of the international problems related to primary products have seriously been aggravated by the high agricultural protection made effective through non-tariff devices.

14. In its examination so far, the Committee has recalled that the GATT rules and procedures are obligations and rights exchanged between contracting parties on a mutual basis. Therefore, measures acquired special importance in the Committee's mind, from the point of view of international trade, if they were applied in a manner not provided for in the procedures of GATT. As noted in paragraph 11 of this section, there has been extensive resort to the use of non-tariff devices, whether or not in conformity with the General Agreement, which, in many cases, has impaired or nullified tariff concessions or other benefits which agricultural exporting countries expect to receive from the General Agreement. Hence, the Committee concludes that the balance which countries considered they had a right to receive under the General Agreement has been disturbed. These developments are of such a character that either they have weakened or threatened to weaken the operation of the General Agreement as an instrument for the promotion of equally advantageous trade. This situation raised the question as to the
extent to which the GATT is an effective instrument for the promotion of such trade. Again the scope for increased tariff concessions by some agricultural exporting countries in favour of industrial exporters has been significantly narrowed by the inability of some of the former countries, whose economies were highly or mainly dependent on agricultural exports, to see sufficient incentive to offer concessions when non-tariff devices prevent them from securing meaningful access to agricultural markets. Whilst the Committee notes, in passing, that little if any action has been taken by contracting parties to seek redress (under Article XXIII) for impairment or nullification resulting from the use of non-tariff measures, it is also aware that such action would result in a balancing downward of mutual obligations and benefits.