1. 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 results of this analysis give much more point to the observations of the Committee in paragraphs 13 to 18 of that report and show how widespread is the use of non-tariff protective devices for important agricultural products.

2. In selecting butter, cheese, meat and wheat for its initial study the Committee has chosen four products in which special factors affecting agricultural protection are present. All are subject to the extensive use of non-tariff protective devices. Wheat is a basic food produced in widely differing conditions and with varying degrees of efficiency. Butter and cheese resemble wheat in this respect and are particularly the products of an industry which for social reasons has claimed the attention of governments. The demand for meat, especially beef, appears to be rising and in practical terms there should be less difficulty in bringing about a substantial moderation of non-tariff barriers to trade.

3. So far as wheat, butter and cheese are concerned, the evidence available to the Committee shows an intensity of non-tariff protection which was probably not fully recognized earlier. It is clear from the Committee's studies already made that, whilst further work would produce refinements, the broad conclusion must be that these non-tariff devices have seriously hampered international trade in these products in a variety of ways. In particular, the Committee notes that the very extensive use of quantitative restrictions and the widespread impairment or nullification of tariff bindings on these products shows the extent to which obligations set out in the General Agreement are not being observed and the benefits which many countries expected to receive are being frustrated.
4. The Committee is aware of the many occasions on which international discussions on wheat and butter have taken place. It notes that both OEC 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. The Committee is satisfied that the network of protective measures which its enquiries have revealed cannot be adequately tackled without due regard to all the factors affecting production, consumption and trade in these products. But equally it emphasizes that many of the international commodity problems have their root in high agricultural protection made effective through these non-tariff devices.

5. In paragraph 12 of its second report the Committee said that "whilst the effects on international trade of the level of support aimed at were important, the mechanics of the various systems were also of considerable interest since the degree of direct interference with the flow of trade could, for a given level of support, vary widely according to the system employed". At the same time (paragraph 16) the Committee felt it would be unwise to make any judgments about the relative merits or demerits of the various systems. In its present report it again avoids drawing any firm comparison between the relative merits of the various techniques used in implementing schemes of price support, although it will be noted that, in its comments on wheat in the Annex, the Committee does observe that harmful distortions flowing from some protective devices might be reduced if not avoided by the use of other techniques.
6. 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 characteristics of the commodity, the nature of its problems and the policy objectives of the country concerned. The Committee recognizes that the different types of measures, by their nature, affect international trade differently. (For example, some measures affect trade indirectly by way of their effect on production, while others affect trade directly by controlling the flow of supplies to and from the domestic market.) However, 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 high deficiency payments, or a very restrictive variable import levy system, or even by refusing to negotiate a reduction in a high tariff could produce a result no less damaging to international trade than may be caused by the quantitative restriction of imports.

7. The Committee recognizes that the level of protection and resultant increased production in the traditional importing countries places 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.

8. The Committee believes that price policy should always be as closely as possible related to the price trends of the products concerned which prevail or would prevail on a free market, not only in exporting countries that applied artificial supports but also in importing countries where expansion of output would still find a domestic market. Where prices are raised, artificially effective production control was necessary. This principle is being neglected
and its neglect, especially in the major importing countries, is resulting in a structural imbalance of (production) (supply and demand) and in a reduction and distortion of international trade and of resource utilization. Some countries point out, however, that the existing imbalance between total world demand and supply of foodstuffs and the expanding world population must be borne in mind when considering limitations on world production of foodstuffs.

9. In some commodities the widespread resort to agricultural support measures throughout the world has resulted in a persistent excess of supplies over current effective demand that constantly depresses world market prices. Whereas real prices of many primary commodities have increased since the late 1920's, they have declined in the case of a number of staple foods and textile fibres. In these cases the agricultural exporting countries find both the volume and unit value of their export sales diminished in consequence.

10. The Committee concludes, in support of the GATT report on Trends in International Trade, that a moderation of agricultural protection in both importing and exporting countries is desirable and is likely to improve resource utilization throughout the world. The Committee concludes that a moderation of agricultural production in the countries where resources tied in agriculture can be more effectively re-allocated in other sectors of the economy is desirable and is likely to improve resource utilization throughout the world. Moderation, as far as possible, of protection in other economic segments is desirable as well.
11. In agreeing on 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. butter, is affected by a situation in which the demand for its products becomes increasingly inelastic, while technological progress makes enormous strides and becomes an independent influence for the expansion of production. Government action to reduce production, e.g. by reducing the level of price supports, may indeed be nullified by high yields resulting from technological progress. At the same time, competition among agricultural producers is of a type which requires governments to undertake measures which in other industries a limited number of producers can effectively undertake themselves, individually, or acting in concert.

12. The Committee is also aware of the fact that a fundamental solution of the income problem in agriculture can only come through further improvement in the efficiency of national resource utilization; such improvement is tantamount to a further reduction in the resources employed to bring about a given level of output. For all practical purposes this means a further reduction in the farm population wherever possible and desirable. In this connexion it is useful to recall that there were still several restrictions, some discriminatory, on the free movement of farmers from one country to another. In some countries this movement out of agriculture has actually been of extraordinary proportions, yet not extensive enough to adjust supply to demand and to raise agricultural incomes to anything approaching the levels prevailing in other segments of the economy. It should not, however, be forgotten that an increase in productivity without an increase in output is only possible with a considerable re-adaptation of the structure of agriculture and that even the desertion of the land could raise income per capita only up to a certain level; that also applies to a reduction in the volume
of production. The Committee could not but consider this fact as a useful indication of how difficult it was to find an equitable solution to the problem of agricultural production. (For all practical purposes this means, so far as is compatible with the solution of other problems involved, a further reduction in the active farm population. In some countries this movement out of agriculture has actually been of extraordinary proportions, yet not extensive enough to adjust supply to demand and to raise agricultural incomes to anything approaching the levels prevailing in other segments of the economy. The Committee cannot but consider this fact as a significant indication of how difficult it is to deal fairly with the problem of agricultural protection and how important it is in this context to have or create the mobility and flexibility necessary for alternative employment. It goes without saying that, to improve resource utilization, such alternative employment must be more remunerative and less protected. Some countries, however, pointed to the difficulties which must not be overlooked in this respect; reduction in the farm population can be effected only at a rate at which agricultural labour can be replaced by technical appliances which is a financial problem. Furthermore, the effects of this development on the demographic structure (depopulation of certain areas, congestion of cities, etc.) must be taken into consideration.)