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GROUP 1 (*e*). INTERNATIONAL TRADE POLICY

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Following a general discussion the Group decided to direct their attention to the following six areas.

1. *Criteria for judging agricultural trade policy*

What should be the objectives of agricultural trade policy?

(*a*) Free trade—comparative advantage as a guide to optimum allocation of resources.

(*b*) Planning production geared to demand—other forms of world planning.

2. *National and domestic policies affecting trade and their effectiveness*

(*a*) Protective devices—tariffs, price supports, mixing arrangements, import licensing, consumer taxes, quotas, &c.

(*b*) Export subsidies of various types.

(*c*) Currency revaluation and credit arrangements.

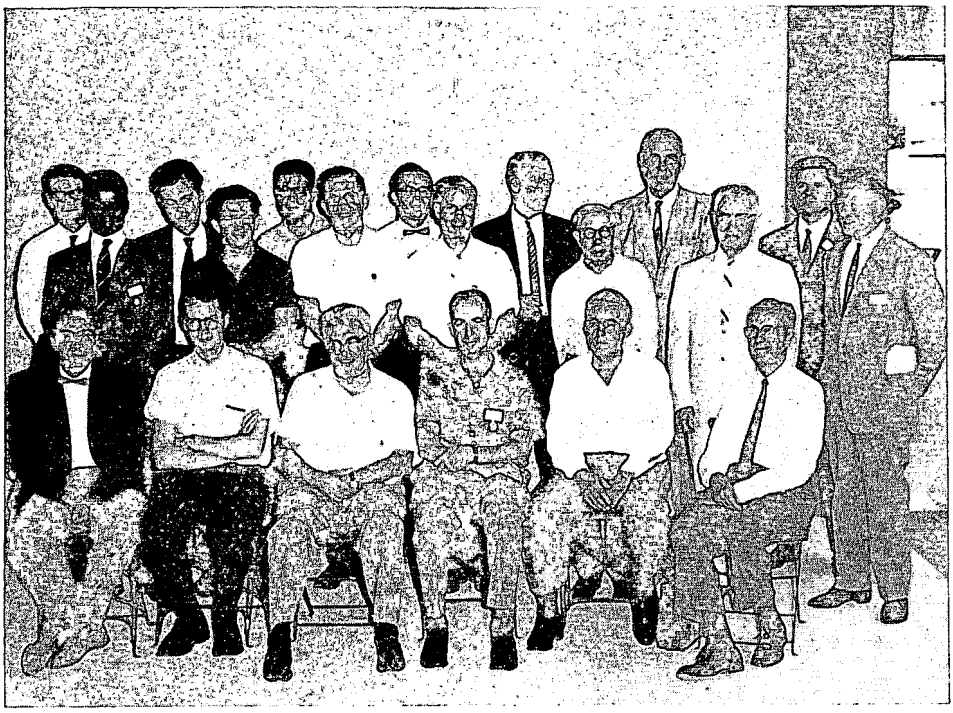
(*d*) Full state trading.

3. *International arrangements affecting trade*

(*a*) International commodity arrangements—multilateral and more restricted arrangements—questions of access, market sharing.

(*b*) Regional trading blocs.

(*c*) The role of international agencies.—G.A.T.T. trade negotiation.



GROUP 1 (*e*). INTERNATIONAL TRADE POLICY

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(*d*) Other proposals or plans, the Pisani plan, &c.

4. *Trade and development*

(*a*) Trade as an aid to development.
(*b*) Food aid.
(*c*) Compensatory financing.
(*d*) Investment.

5. *Conflicts of interest*

(*a*) Conflicts between domestic agricultural policies and international trade policies.
(*b*) Conflicts between under-developed countries and economically advanced countries.

6. *Future developments in trade and trade policy*

(*a*) Forecasting future trends in trade—studies of market potential —studies of supply responses, shifts in trading patterns.
(*b*) Possible alternative approaches to international trade problems.

While there were some who felt that national economies should receive prior consideration, the majority of the group agreed that the long-term objective for international trade policy should be the most rapid sustainable growth of the world economy as a whole.

The criteria for judging programmes could include how far they would be conducive to:

(*a*) the raising of productive efficiency;
(*b*) trade expansion;
(*c*) the reduction in disparity of income between nations by raising the incomes of the poorer countries;
(*d*) enabling price or exchange values to perform their allocative role in the long term.

Different conditions and elasticities of demand and supply could make it more fruitful to examine these criteria in the first place by commodities and commodity groups, but a wider approach would be required in order to achieve mutual benefit or advantage in dealings between nations. It was stressed that policies should be studied not only from the domestic point of view but also from the standpoint of their impact on trade.

Many national agricultural programmes are in conflict with the objective of obtaining mutual advantage from international trade.

The management and degree of control exercised, as well as the actual programme, should be considered. The existence of rich and poor nations had to be taken into account and it was noted that the rich were usually in a position to take risks in attempting to change the environment for greater economic gain.

It was agreed that there were many and varied kinds of national protective devices and these appeared to be increasingly used, although international trade in agricultural products may remain buoyant under favourable conditions. An important task for economists might be to develop a better measure of the effects of these protective devices than the present rule-of-thumb procedure of comparing prices received nationally with the world price.

The group recognized that many protective devices had a high degree of political content in their formulation and use but, as economists, we should urge the need for satisfactory economic justification. This might cover protection designed to make production more economic over the longer term, to earn (or protect) foreign exchange necessary in developing countries or to stabilize producers' incomes within limits without tending to decrease consumption.

In the discussions of international arrangements, trading blocs, market sharing, &c., it was agreed that the economic objectives within this context should relate to the improvement, expansion and stabilization of trade possibilities. Among the problems requiring further study were measures to mitigate short-term price fluctuations and to improve the allocation of resources, access to markets and supply guarantees. More attention on a multilateral basis should be given to securing greater flexibility in selling and price arrangements. The usefulness of some compensatory financing or support or stabilization scheme for product prices in producing countries should also be explored. These steps are particularly important where countries are dependent on one or two products and where the comparative advantage of some countries is clearly recognized. Problems of trade with market blocs vary but, at the least, it would seem desirable, to have known terms of access and provision for third countries which are economic producers to share in market growth.

International agencies should be encouraged to develop, through discussion, further guiding principles covering the improvement of methods of negotiating multilaterally, non-discriminatory policies designed to lessen obstacles to trade. Associated with improvement in multilateral trade is the problem of adjusting domestic

price-stabilization policies to facilitate the transfer of resources out of uneconomic production. Trade in agricultural products offers some possibilities as an aid to development in the case of non-competitive products with an elastic demand, provided countries would abolish revenue-producing tariffs. However, the impact of such developments should not be over-estimated since it is usually necessary to intensify food production for local markets and develop industrially in order to make reasonable progress. International organizations could encourage greater co-ordination of development policies so that national development (particularly where aid is involved) may be directed towards the production of goods for which the country has the greatest comparative advantage.

Food aid was considered to be a desirable stimulant to development, both on the basis of the untied use of counterpart funds and assistance tied to specific projects. It was recognized that the use of counterpart funds required careful observation and the existence of a responsible administration. The best possibilities for progress appear to lie in the development of multilateral food aid programmes such as the World Food Programme, and in more international co-ordination of bilateral programmes so as to ensure their continuity, as well as continued experimentation with the use of food in development. It was pointed out that the provision of seeds and feeding-stuffs was also a useful aid to development.

The group agreed that future trends in trade would be determined by changes in production and demand, by shifts in preferential tariffs and the operations of trading blocs, by changes in national price-support policies and by developments with respect to food aid. Shifts in production, in turn, would be influenced by changes in the relative proportions of land, labour and capital in individual countries, by differential rates of technological development and by the rate of removal of institutional rigidities. The demand for agricultural imports, on the other hand, would be affected by income changes, population movements and the rate of development of substitutes.