



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

PROCEEDINGS OF THE
THIRTEENTH
INTERNATIONAL CONFERENCE
OF AGRICULTURAL
ECONOMISTS

*held at the University of Sydney
Sydney, New South Wales, Australia*

21-30 AUGUST 1967

The Economist and Farm People
in a Rapidly Changing World

LONDON
OXFORD UNIVERSITY PRESS
NEW YORK TORONTO
1969

GROUP L

Chairman: E. B. BRANDAO
Inter-America Development Bank,
Washington, U.S.A.

Rapporteur: A. B. LEWIS
Taiwan, China

Problems of International Trade in Agricultural Products, with Special Reference to the Effects of Monetary and Fiscal Policies

W. L. KEEN
New Zealand

I. Introduction—import dependence and comparative advantage

I PROPOSE in the limited time at my disposal to use New Zealand as an example of a country dependent on international trade, facing certain problems in the marketing of its exports. Three problems of general relevance will be mentioned—access to markets, the liquidity question, and revenue duties. These are the only aspects of monetary and fiscal policies which there will be time to consider in the paper itself.

Overseas trade is exceptionally important to New Zealand because we have few natural resources and must import raw materials and other goods. Classified by economic end-use, our imports of nearly £NZ400 million for the year ended 30 June 1966 were—

	<i>per cent</i>
Finished capital goods	15·4
Components and materials for capital goods	13·2
Finished goods and components, either consumer or capital	13·3
Materials used in the production process	33·0
Components for consumer goods	13·1
Finished consumer goods	11·9

It can be inferred from the above statistics that New Zealand imports some goods which could be produced at home, but this does not mean we are acting irrationally in so doing. New Zealand has, in fact, been for the best part of a century following the classical principle of comparative advantage. Although we are small in area and in population, remote from the main markets of the world, although we have no oil and few minerals, although our soils are not naturally fertile and the terrain is for the most part hilly or mountainous, we have one important natural advantage—that is, our climate which is admirably suited for pastoral production. Both the climate and the topography favour livestock farming rather than arable farming, so that net returns have been maximized in animal

products and in these products—butter, cheese, meat, wool, and their by-products—New Zealand has specialized. The doctrine of comparative costs, of which New Zealand's trade has been a very good example, may be old-fashioned but it is not false simply because it is old.

In its value of external trade per head of population New Zealand ranks fairly high in the list, as Table 1 in the Appendix shows. However, the *nature* of a country's dependence on exports is important as well as their total value, and as Weststrate (1) has pointed out, there are solid reasons based on the 'domestic content' of exports, for thinking that the statistics understate the importance of overseas trade in New Zealand's economy. Denmark and Switzerland are probably examples of countries in the opposite category.

On the import side, the low proportion of finished consumer goods indicates the extent to which New Zealand's economic structure, and the levels of consumption and employment which it supports, depend upon our exports providing adequate purchasing power overseas to buy imports.

II. Exports and markets

(a) Agricultural production and exports.

New Zealand produces pastoral products for the express purpose of exporting them; we do not just export the surplus which is not required locally. Table 2 in the Appendix shows that the proportion of farmers' income which is derived from exports has for some thirty years varied between 66 and 70 per cent. For some products—wool, lamb, butter and cheese, casein—the percentage of total production which is exported is very much higher, up to 98 per cent (Table 3).

(b) Export earnings

In 1966 91 per cent of our export receipts was derived from the products of the sheep and the cow; ten years earlier the proportion was even higher (Table 4). Exports comprised—

	<i>per cent</i>
Foodstuffs	55
Agricultural raw materials	40
Forest products	3
Other products	2

It is the foodstuffs group which is most vulnerable, particularly since two-thirds of our food exports go to one market—the United Kingdom. Though our dependence on the United Kingdom market has diminished since the end of the Second World War it is still very high (Table 5). Five markets take nearly 90 per cent of our exports, so that as well as being dependent on a narrow range of products we are dependent on a narrow range of markets. 'While this specialization in both type of product and market destination has been

valuable to New Zealand . . . it has also left its problems.' (2). Some of these problems are discussed in Section III.

(c) *Methods of marketing*

The wide variety of marketing arrangements in operation is evidence of the pragmatic approach which New Zealand has towards most economic and social questions. Although there are statutory boards or other statutory authorities for all the major agricultural products, their marketing responsibilities differ considerably, as do their price-setting activities. Wool is sold at auction by farmers through their brokers. Dairy produce is marketed by the Dairy Board, Meat and its by-products are marketed by private traders.

The dairy farmer receives a fixed price based on butterfat. For meat and wool there are no guaranteed price commitments, but there are minimum prices set at a low level. It is five years since any payments have been made under the meat floor price scheme; and (apart from the current season), eight years since the Wool Commission operated on any appreciable scale. Marketing developments and pricing policies have been well summarized by Hewland (4) and White (5), and I shall have to leave the subject at this point,

III. *Some problems*

The 1958 G.A.T.T. Report (3) which is still a basic document in the study of international trade problems, concluded 'that prospects for exports of non-industrial countries are very sensitive to internal policies in the industrial countries and that on balance their development will probably fall short of the increase in world trade as a whole'. This forecast has proved correct: since then the value of world trade in agricultural products has increased by only half as much as has the total value of world trade (6). However, the essential question about the future is not so much whether the exports of non-industrial countries will develop proportionally to world trade or not. The problem is whether in the future the non-industrial countries will be able to obtain an adequate volume of imports, and how these imports can be financed.

The most important source of finance is from the sale of exports. The demand for such exports is influenced *inter alia* by the changes in income and activity in the industrial countries, acting through the income elasticity of demand; by technological changes (e.g. competition from synthetics); by structural changes, including shifts in comparative costs; and by agricultural protectionism in industrial countries. The terms of trade are also an important determinant of the capacity to finance imports, and 'it would be unwise to count on any substantial contribution from improved terms of trade as a means of financing import requirements'. (3) The fluctuations in New Zealand's terms of trade over the past ten years are shown in Table 6 of the Appendix. For all exports combined, the largest annual change in this period has been 14 percentage points; the difference between highest and lowest indices is 24 percentage points.

For individual commodities, especially butter and cheese, the range of variations has been much greater.

In the remainder of this paper I shall discuss three of the main problems which face exporters of agricultural products:

- (a) access to markets and the effects of agricultural protectionism,
- (b) monetary problems (the liquidity question),
- (c) the effects of fiscal policies.

There are many other aspects of marketing which could be dealt with—impediments to the free operation of supply and demand; inherent rigidities on the side of both these factors; the need for market research into consumer preferences, distribution methods, processing, and packing; the improvement of shipping services and other transport and handling facilities; the diversification of markets; and the possible conflict between private and national interests. But these aspects will have to be set aside for the present.

It is customary for governments to interfere in the conduct of trade by the private sector. The general motives behind the variety of techniques which are so used, can be classified in the following way:

- (a) balance of payments considerations,
- (b) assistance to individual industries,
- (c) bargaining power,
- (d) revenue considerations. (7)

(a) *Access to markets and the effects of agricultural protectionism*

The main problem is of course the *degree* of protection which is given to agriculture in the industrial countries; but the *form* of protection is also important. There are two main forms: firstly, the 'deficiency payments' system, which allows the price to consumers to remain at the world level but ensures a higher price to domestic producers by some form of subsidy payment; and secondly, the much more usual 'price support' system under which the price paid to domestic producers and charged to consumers is raised above the world market price. Such a system requires import restrictions ('quotas') and/or import levies to prevent supplies coming in from lower-cost countries, and this is the chief objection to it. Another objection is the depressing effect of high prices upon consumption.

. . . Agricultural protectionism exists at a high level in most of the highly industrialized countries: and the development of production and consumption of agricultural products in such countries has been such as to make net agricultural imports into these countries more and more marginal. . . These two facts together suggest that agricultural protectionism in the highly industrialized countries is now a major factor restricting the world trade in such products.(3)

The above words were written eight years ago: the situation has not changed for the better since then—witness the Common Agricultural Policy of the E.E.C. It is the quantitative restriction aspect that most concerns efficient producers such as New Zealand. Our future economic welfare depends largely on securing reasonable opportunities of access to the industrialized countries for foodstuffs, while developing as quickly as

conditions allow new or expanded markets in other areas of the world. 'The battle for access has been waged consistently, in many forums, and at different levels (by) . . . exporters . . . Governmental action (and) Producer boards. . . . The main effort has been on a Governmental level because the restraints and impediments to trade are the instruments of other Governments.' (2) It is likely that a large expansion of the trade in agricultural products could be brought about by quite a moderate change of direction in agricultural protectionism away from the high levels which it has reached in many countries.

(b) *Monetary problems (the international liquidity question)*

The need for international liquidity (the capacity of a country to make payments to other countries if its receipts of foreign exchange were to stop) arises because of the net imbalances that inevitably occur in world trade. Adequate liquid reserves are necessary to settle these imbalances if undesirably sharp contractions and restrictions of world trade are to be avoided. Can 'adequate' liquidity be defined? World reserves rose over the period 1951 to 1965 at the rate of 2.6 per cent per annum, but world trade rose at the rate of about 6 per cent per annum. 'The fact that the ratio of reserves to trade has fallen does not of itself necessarily prove that reserves are now inadequate. . . . In a sense reserves *are* adequate if they are *felt* to be adequate having regard to all the relevant factors.' (8)

Much discussion has taken place on the adequacy of international liquidity in the last two or three years. Since I have no more space than to sum up the position I am going to take the liberty of quoting, with slight adaptations, from a recent paper by Professor Machlup. (9) His findings are these:

1. There is no 'need' for any particular sum of monetary reserves in the world.
2. There is no sense, therefore, in which it can be said that the world total of monetary reserves is adequate or inadequate.
3. What *is* needed is an annual increase in monetary reserves if policies restricting foreign trade and capital movements are to be averted.
4. The increase in reserves should be of such a magnitude that the number of countries in deficit, and the amounts of their deficits, are small enough to remove pressures toward restrictions on trade and capital movements.
5. The necessary annual increases in total reserves can best be provided by an international agency issuing new reserve assets.

Emphasis on the *size* of reserves is mistaken, emphasis on *additions* to reserves is justified. Countries suffering balance of payments deficits will adopt policies restricting international trade and capital movements; the easiest way to avoid or reduce deficits (and therefore to remove one of the major excuses for imposing restrictions) is to provide for annual additions to official reserves. How large should these additions be? Machlup sees no answer but that they should be 'sufficient to avert

restrictions'. Some countries may put up with higher interest rates, some with strict incomes policies, and some even with unemployment, when confronted with a balance of payments deficit. Others may on the slightest provocation turn to restrictions and controls on imports and payments.

The New Zealand attitude was put by the Minister of Finance at the I.M.F. meeting in Washington last year:

. . . New Zealand is vitally concerned that international trade and payments should not be stifled by a shortage of international reserve assets. We therefore attach considerable importance to the proposal to proceed quickly to contingency planning. . . . We share the view that the International Monetary Fund is the appropriate organisation to manage any scheme for improving liquidity. . . . (8)

When the I.M.F. has its next annual meeting in September 1967, it is hoped that a scheme for the creation of additional reserves will be ready for consideration, though the technical and political difficulties are formidable.

(c) The effects of fiscal policies

Governments have long imposed taxes on imports in order to raise revenue. Such taxes are administratively easy to gather because of the limited number of points at which foreign goods can enter a country. Unfortunately for exporting countries, just as protective duties embody a fiscal element so do revenue duties have a protective effect, and it is not easy to disentangle the two. If a tariff is intended primarily to raise revenue or to discourage consumption of goods regarded as non-essential (e.g. tobacco, alcoholic beverages), it should be accompanied by an equivalent tax on home-produced goods. In such a case the foreign competitor would be on the same footing as the home producer. In a broad sense, all duties and charges on imported goods that do not compete with home production, and therefore have no protective purpose or effect, can be described as revenue duties.

Fiscal levies collected in various forms (import duties, internal taxes) on four products—coffee, tobacco, tea, and cocoa, which represent an important share of the exports of under-developed countries—were described in the G.A.T.T. Report (3) as being so high in some Western European countries as to substantially restrain consumption and imports.

The international efforts made in recent years to lower trade barriers have not met with much success in breaching the wall of revenue duties in industrial countries. The political, economic, and defence arguments advanced to justify agricultural protectionism cannot be applicable to the case of revenue duties charged on non-competing imports. Nor can it be said that the fiscal structure of the industrial countries is so vitally dependent on this form of taxation that its alleviation would be impossible. Estimates seem to indicate that a reduction of the high fiscal levies on certain products could contribute very substantially to raising the export

earnings of some of the 'poorer' developing countries (with consequent expansion of their demand for imports from the highly industrialized countries).

As far as New Zealand's exports are concerned revenue duties have little relevance in our markets—the tariffs, import levies, and quantitative restrictions which some of our exports face are frankly protectionist in nature and purpose.

IV. Conclusion

I have taken New Zealand as an example of a country which through specialization has managed to achieve a high standard of living, and inevitably in the process of so doing has become very dependent on imports and exports. In view of the restrictions on access which now exist, should we abandon our reliance on comparative costs and pursue further import substitution policies? I believe there is still much truth in the old argument that a country gains by developing the export of the things which it is relatively best fitted to produce and by importing the things which it is least fitted to produce. Primary producing countries (even the higher-income countries such as Australia, Denmark, and New Zealand) therefore have a strong interest in obtaining from the industrialized countries easier access for their products. Given that complete free trade is not politically possible we should continue to work for as liberal conditions of entry as may be, pressing for a gradual shift away from undesirable policies of restrictionism on the part both of industrial and non-industrial countries. (10)

Multilateral trading still appears to be the best policy, and diversification of markets must be intensively pursued. What Hewland calls 'economic diplomacy' must be ranked high in importance. The marketer can hardly be effective if he is told 'You can't have access to this market, or that market, on terms which will give you scope, but you are expected to make good these deficiencies somehow.' or, 'It's up to you to build your market in this country or that, but don't be so successful that you arouse domestic political agitation. If you do, it will be your fault if hostile action is taken against you.' (4)

As well as diversification of markets some diversification of export products is possible and desirable. This would be more in the nature of a change of emphasis in regard to future production increases than any significant change in the present pattern. Possibilities might be: more solids-not-fat from milk, more beef, more wool. Processing of exports could be taken to further stages, but this would raise costs and might not lead to an expansion of demand in our overseas markets.

International liquidity should be increased. Larger reserves will enable many countries to ride out balance-of-payments difficulties without having recourse to policies of tightening import restrictions which so often tend to persist even after the balance of payments emergency is past. But in those cases where the difficulties in the balance of payments are caused by inflationary developments, the breathing spell provided by

larger international reserves should be used to restore internal equilibrium,

REFERENCES

1. Weststrate, C., *Portrait of a Modern Mixed Economy—New Zealand*, 2nd edition, revised by J. C. Weststrate, Wellington, 1966.
2. Moriarty, M. J., editor, *New Zealand Farm Production and Marketing*, Wellington and London, 1963.
3. G.A.T.T., *Trends in International Trade*, A Report by a Panel of Experts (Chairman, Professor G. Haberler), Geneva, 1958.
4. Hewland, P., *Marketing Development*, in (2) above.
5. White, J. V., *Pricing of Agricultural Products*, *ibid*.
6. F.A.O., *The State of Food and Agriculture*, 1966, Rome, 1966.
7. Robertson, W., Chapter 22 of *A New Prospect of Economics* (ed. G. L. S. Shackle), Liverpool University Press, 1958.
8. Low, A. R., *The Debate on International Liquidity*, Reserve Bank of New Zealand Bulletin, vol. xxix, no. 10, Wellington, 1966.
9. Machlup, F., *The Need for Monetary Reserves*, Reprints in International Finance, No. 5. Princeton University, 1966.
10. Philpott, B. P., 'The Future of Agriculture in the New Zealand Economy', in *The Future of New Zealand* (ed. M. F. L. Prichard), University of Auckland, 1964.

APPENDIX

TABLE I. *Value of External Trade Per Head of Population in Certain Countries, 1964*

Country	Total external trade per head	Country	Total external trade per head
	£NZ		£NZ
Iceland	457	United Kingdom	184
Belgium and Luxembourg	423	Israel	165
Netherlands	379	Austria	164
Switzerland	372	France	141
Denmark	358	Italy	92
Sweden	351	United States	89
Norway	316	South Africa	79
New Zealand	280	Japan	54
Canada	271	Uruguay	51
Finland	218	Argentina	41
Ireland	200	Nigeria	8
West Germany	196	Pakistan	5
Australia	193	India	3

Sources: *New Zealand Official Year Book, 1966*, for Iceland through Italy. *International Financial Statistics 1966/67 supplement* (adapted), for United States through India.

TABLE 2. *Proportions of Gross Farming Income Arising from Exports and From Consumption within New Zealand*

Quinquennium	Proportion arising from	
	Exports	Local consumption
	<i>per cent</i>	
1936/7 to 1940/1	67	33
1941/2 to 1945/6	67	33
1946/7 to 1950/1	71	29
1951/2 to 1955/6	70	30
1956/7 to 1960/1	68	32
1961/2 to 1964/5 (4 years)	66	34

Source: *New Zealand Official Year Book, 1966*, p. 391.

TABLE 3. *Proportions of Principal Agricultural Products Exported 1965/6*

	Production	Proportion exported
		<i>per cent</i>
Wool	695 mn. lb. <i>Tons</i>	95
<i>Meat</i> ^a	823,000	66
Of which:		
Lamb	299,000	94
Mutton	170,000	50
Beef and Veal	271,000	53
Pig meats	44,000	14
Offal	39,000	72
<i>Dairy products</i>	—	86
Of which:		
Butter	254,400	80
Cheese	105,600	92
Skim milk powder	85,900	95
Buttermilk powder	24,600	52
Casein	53,000	98
Hides, Skins, and Pelts ^a	..	90 ^b
Sausage Casing ^a	..	95 ^b
Tallow ^a	76,000	75 ^b

Sources: Department of Statistics, New Zealand Dairy Board, Annual Review of the Sheep Industry.

^a 1964/5.

^b Estimated.

TABLE 4. *New Zealand's Export Receipts, Calendar Years 1956 and 1966*

Product	Year ended		Exports in 1966 as percentages of total
	December 1956	December 1966	
	£NZmn.	£NZmn.	<i>per cent</i>
<i>Milk products</i>	<u>76.1</u>	<u>107.5</u>	<u>26.2</u>
Of which:			
Butter	47.8	55.6	13.5
Cheese	20.9	25.4	6.2
Casein	2.5	9.8	2.4
Other milk products	4.9	16.7	4.1
<i>Other pastoral products</i>	<u>188.1</u>	<u>265.7</u>	<u>64.8</u>
Of which:			
Wool	98.5	123.4	30.1
Meat	70.5	106.1	25.9
Hides, skins, and pelts	10.5	21.8	5.3
Casings, tallow, livestock, etc.	8.6	14.4	3.5
<i>Forest products</i>	<u>5.7</u>	<u>13.4</u>	<u>3.3</u>
Of which:			
Timber	1.4	4.0	1.0
Wood products, pulp, and paper	4.3	9.4	2.3
<i>Other primary products</i>	<u>9.0</u>	<u>15.2</u>	<u>3.7</u>
Of which:			
Fruit and honey	2.6	5.1	1.2
Foodstuffs (n.e.i.)	1.3	3.9	1.0
Fish (and fish oils)	2.3	3.3	0.8
Seeds	2.8	2.9	0.7
<i>Manufactured goods (n.e.i.)</i>	<u>0.4</u>	<u>3.8</u>	<u>0.9</u>
<i>Miscellaneous (incl. gold)</i>	<u>2.7</u>	<u>4.5</u>	<u>1.1</u>
Totals	282.0	410.1	100.0

Source: Reserve Bank of New Zealand.

TABLE 5. *Changes in Destinations of New Zealand's Exports 1930-65*

Year	United Kingdom	United States	Australia	Other countries
<i>Per cent of total exports</i>				
1930	80	5	3	12
1940	88	4	3	5
1950	66	10	3	21
1960	53	13	4	30
1965	51	12	5	31

Source: Department of Statistics.

TABLE 6. *Terms of Trade for New Zealand's Principal Exports*
(Base: Calendar Year 1957 = 100)

Calendar year	Butter	Cheese	Meat	Wool	All exports
1956	112	177	100	94	105
1957	100	100	100	100	100
1958	86	121	96	71	86
1959	131	178	91	78	100
1960	106	144	93	84	96
1961	94	142	87	79	90
1962	113	146	90	79	94
June Year					
1963	119	146	95	86	99
1964	127	140	100	107	110
1965	130	150	113	83	107
1966	116	147	108	80	104
3 months ended					
Nov. 1966	110	147	110	77	104

Source: Department of Statistics.

GROUP L. REPORT

IN Mr. Keen's summary of his opening paper, he laid about equal stress on two of the three main problems facing exporters of agricultural products, namely, difficulties of access to foreign markets due to agricultural protectionism in its various forms, and the monetary problem, that is, the general international insufficiency of liquid capital. In the ensuing discussion, almost all contributors dealt directly with the problems of access.

Replying to a question as to the extent of co-operation between temperate zone exporters of agricultural products in seeking access to markets, Mr. Keen said that Australia, New Zealand, and South Africa were the members of an international wool secretariat, and have had some negotiations with Argentina, but that all the concerted activities of this group have concerned only the promotion of wool as a fibre. Each country has maintained its own marketing scheme independently. In respect to meat, Australia and New Zealand marketing authorities confer twice a year, but have no conference that includes Argentina.

Responding to a second question Mr. Keen said that if Britain enters the European Common Market, New Zealand's markets for butter and for lamb are expected to be most seriously affected, though there are good grounds for hope that special arrangements will be made by Britain to safeguard at least the lamb market and possibly also that for butter. Beef and mutton would be less seriously affected, since their market is more diverse.

In highly industrialized countries, like Britain, it is politically a reasonably easy task to increase the access of efficient foreign farm producers to the market, while in countries such as Ireland and France, where a considerable—though declining—percentage of the labour force is still on farms, this is more difficult. The farm population can scarcely be reduced by more than $3\frac{1}{2}$ per cent a year without creating social upheaval, and the case is made more difficult by the fact that the product of 100 small farmers in such a country might easily be replaced by that of only one large New Zealand or Australian farm. However, in certain larger consuming countries, such as Italy, a comparatively small increase in imports of, say, meat could mean a very great deal to the New Zealand or Australian economy.

This area of discussion was pursued further along the lines that adaption of a given national market to the importation of more farm products from efficient producers, like New Zealand, could proceed at only a measured pace, and that in industrial countries where 20 per cent and more of the people remain as farmers, little additional access for New Zealand products can be expected at the moment. But the rate of change is presently very rapid, and it will not be long before countries still having 35 per cent farmers will have 15 per cent or less. At that point, the political balance in favour of a cheaper basic food and fibre supply might become more favourable and the chances of increased imports greater. Time may thus assist in solving the access problem. In the industrial market countries, full employment has not yet been achieved. Unemployment itself acts as a dam impeding the normal flow of farm labour, made surplus by improving farm technology, from farm to city. If ways can be found to provide full employment, this dam will be reduced, and the inevitable downward adjustment of the percentage of labour force on farms will proceed yet faster. Indeed, active and positive attempts to help some of the farm people find other and more remunerative employment may be promoted.

A question was raised as to whether it was true that the Imperial Chemical Industries Ltd., had developed a miracle fibre which will replace wool. Mr. Keen's opinion was that, though a series of artificial fibres resembling wool have been on the market for some time, none seem likely to replace wool itself, none are known that will, and no plans are afoot to compete with such a fibre, should it come. Some people have proposed that the wool producers should promote wool-and-synthetics fibre blends, but this might not be wise, and no funds at present were being made available for it. On this latter point, others stressed that wool itself and its utilization are being steadily improved, and so wool is expected to hold its own, as wool. Those promoting blends may actually be using wool's good qualities merely to extend the use of the admixed fibre, which they manufacture with heavy financial backing.

So far the discussion had concerned continued or increased access to markets for producing countries of long-standing and great comparative advantage. This contrasted with the plight of some of the newly indepen-

dent countries, often landlocked and lacking comparative advantage except for crops like tea, coffee, and cocoa for which world markets have been pre-empted by others.

In this context it was suggested that countries such as the U.S.A. have a moral as well as an economic obligation—that economic aid should stop and a place in their market should be provided instead. Again, though countries like France and Germany have policies of aiding farm people to find industrial work, what is more needed are programmes providing the technically less-developed nations—not including in this category, of course, countries like Australia and New Zealand—with direct access to French and German markets along with technical advice on how to produce and market products for such markets. The difficulty of meeting this moral obligation would be great, the pressure to leave farming would fall most heavily on the least efficient and least wealthy local producers.

A United States speaker acknowledged the moral point but predicted that the U.S.A. will probably not go so far in meeting it as economists may wish. The food-aid tactic is more likely to be adopted, and it would be well not to cut it off. In respect to comparative advantage, every country always has some product or products which are more advantageous for that country than are other products, even though the people may not be able to earn more than a low income per person in producing them—at least by their present methods.

The French viewpoint was that a primary policy of that country has to be to sustain the livelihood of her peasants and make it equal to that of other working people. Moreover, since Germany has a food deficit and France an excess, it must be after as good a balance as possible has been attained between these two that a place may be found for outside imports.

The mercantilistic tone of the discussion was pointed out. New Zealand, for example, wants to be able to take advantage of its ability to export good products at a reasonable price in order to be able to import what is to be had more cheaply from other countries. The adoption of the device of direct income support of low-income people would enable all countries to exploit their comparative advantages through trade.

In Latin America more than one-half of the less-developed countries depend on only one product for foreign exchange and must continue so for years ahead. Had the Group heard of natural scientists having found alternative uses for these surplus products?

In reply it was stated that a systematic attempt to do so has gone on for years in the four great regional laboratories of the U.S. Department of Agriculture, that their work has proven worth its cost, but has not worked any real miracles. It was also noted that a great part of farm production, consists of raw material which must be processed before becoming useful even as food, so farmers must face competition from many other sources of raw material.

Dr. Brandao redirected the Group's attention to Mr. Keen's other stressed problem, namely, the actual deterioration in the terms of trade

of nations exporting farm products, noting that there are figures showing that countries actually exporting more products than before have been receiving back in real terms much less of manufactured products than formerly. This would make access itself the less serious of the two problems.

This brought reference to Mr. Keen's report that from 1951 to 1965 world trade had grown more than twice as fast as international monetary reserves. This stringency in reserves has already grown to intolerable proportions by the definition provided by Mr. Keen, since it has already moved the U.S.A., for example, to place restrictions on the flow of liquid capital internationally. The causes of this stringency needed to be studied by agricultural economists. One hypothesis was that the stringency is caused by the determined effort of such countries as the U.S.A., Britain, British Commonwealth nations, Japan and others to curb their currency volumes, in order to maintain fixed ratios to gold, and that the effect on terms of trade of farmers selling raw products both inside and outside those countries is such as to produce the same results as were observed from rather similar causes in the early thirties. Papers on national economic situations prepared for our International Conference which was to have been held in Germany in 1933 (actually postponed until 1934) reflected a desire of every country to increase its exports drastically while reducing its imports to nil. If the present liquidity problems could be solved, it was suggested, problems of terms of trade and of access would probably disappear in train.

Among those contributing to the discussion in addition to the opening speaker were: H. P. Breimyer *U.S.A.*, E. A. Attwood *Ireland*, C. H. Bonte-Friedheim *Kenya (Germany)*, W. W. Hicks *U.S.A.*, J. M. Malecky *Australia*, H. B. Low *New Zealand*, J. Dubos *France*, R. J. Hildreth *U.S.A.*, E. D. Brandao *Brazil*, W. L. Keen *New Zealand*, A. B. Lewis *U.S.A.*