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# Book Review

**The Political Economy of Agricultural Protection,** Kym Anderson and Yujiro Hayami (editors), Allen and Unwin, Sydney, 1986. Pp. xi + 185. $29.95 hardcover, $19.95 paperback.

This book is a collection of papers dealing with the extent, causes and effects of agricultural protection in East Asia. The study should be welcomed by anyone concerned with Australian agricultural exports, and Asian trade in particular, as it investigates the implications of the trend by East Asian countries (Japan, Taiwan and South Korea) to switch from taxing to assisting agriculture, a trend likely to continue as the economies continue to develop. The study grew from a workshop held in 1980 at the Australian National University with the objective of identifying "specific issues needing research". This volume represents the results of the research emerging from this and later workshops by scholars from Australian, Japanese and Taiwanese universities. In addition to the editors, authors include Aurelia George, Masayoshi Honma, Keijiro Otsuka, Eric Saxon, Shun-Yi Shei and Rodney Tyers.

The first chapter considers standard trade and development theory and discusses the structural changes that would be expected to accompany economic growth. These theoretical expectations, such as the decreasing importance of food prices in household budgets and the tendency for growing economies to lose their comparative advantage in agriculture, are shown to be closely akin to the experience of East Asia. A simplified political market framework is employed to develop some interesting hypotheses concerning the relationship between economic growth and distortionary agricultural price and trade policies.

The second chapter examines the origin of agricultural protection in the pre-war Japanese Empire and the growth of protection in post-war Japan, Taiwan and Korea. Most interesting is the final section of the chapter which compares the growth rates of agricultural protection in East Asia with those in other industrial countries. During the 25 years to 1980 agricultural protection is shown to have increased more rapidly in East Asia than in other industrial countries and

> ... by 1980 the levels of agricultural protection in East Asia were rivalled only in Switzerland. Sweden and Italy are the next most protectionist European countries, and their average nominal protection rates in 1980 were about the same as Taiwan's ... and well below Japan's and Korea's (p.27).

Chapters 3 and 4 consider political and economic factors underlying the protection experiences discussed in the previous chapter. Chapter 3 is a descriptive account of the parallels between agricultural policy in rapidly industrializing Europe late last century and those of East Asia this century. Regression analysis is adopted in Chapter 4 in an attempt to explain variations in the average levels of agricultural protection in both East Asia and other advanced industrialized countries. While there are the usual problems in using dummy variables to represent the unquantifiable, and in obtaining temporal and spatial consistency in data for the quantifiable variables, the results of the analysis are nevertheless illuminating. The hypothesis that East Asia's high level of and high growth rate in agricultural protection are due to characteristics unique to East Asia is soundly rejected. From the analysis it is possible to conclude that it is simply the rapid development of a very strong comparative advantage in manufacturing that has brought about such high levels of agricultural protection.

Chapter 5 reports estimates of the international effects of agricultural policies obtained from a model of the world's grain and meat markets. Because of the enormous data requirements for such a model (24 countries or country groups and 6 commodities) it is difficult to criticise on the basis of insufficient disaggregation. It may well be, however, particularly in the case of beef, that the aggregate results would differ substantially for different grades of the commodity, between which market characteristics and protection levels vary considerably. Nevertheless, it is unlikely such refinements would alter significantly the general conclusions to be drawn from the results.

Policies related to the two most protected commodities in East Asia, rice and beef, are addressed in Chapters 6 and 7 respectively. In

Chapter 6 the question of what constrains the level of assistance to Japanese rice producers is broached and why it is that more efficient policy instruments have not been adopted. The answers to these questions are in part drawn from the results of an analytical model developed to identify the effects of various policies such as the prohibition of imports, price support for producers and subsidy payments for diverted paddyfields. Chapter 7 in turn examines why policies less distortionary than that of enforcing import quotas have not been used to support beef producers in any of the three East Asian countries.

Japan's agricultural policies are under scrutiny again in Chapter 8. The protectionist nature of these policies are as complicated as they are entrenched and will be difficult to alleviate, even in the long run. Success by the United States following intense and sustained pressure has been in the form of some, but not substantial, increases in market share. Improvements in a global context have been minimal and some countries competing with the U.S. for Japanese markets, such as Australia, have found themselves relatively worse off.

The final chapter draws together the essential characteristics of the growth in East Asian agricultural protection and discusses how useful the lessons learnt may be as developing economies become protectionist in the future. These lessons should be noted not only in protected economies and developing countries that are beginning to industrialise, but also in those developed countries with a comparative advantage in agricultural production.

Volumes of collected essays often suffer from discontinuity, where the common theme linking the various chapters is obvious only to the most attentive reader. Happily this is not the case in this volume. The nine chapters can be read in isolation but the reader will benefit more in taking them altogether. While the main text is relatively brief (just 120 pages) the style is correspondingly succinct and concise with few words wasted. This economy of style coupled with common and recurring themes throughout, make it a volume that will give great value for reading time spent. It will be of considerable interest to anyone working or researching in the fields of agricultural policy and international trade and is essential reading for those involved in Australia-Asia relations.

The careful application of economic theory to real world problems is a welcome feature and as such will make it a useful and pedagogic reference text for third and fourth year courses in agricultural policy, economic development and international trade. The extensive and current bibliography will also be valuable in this context.

Julian Morrison
*University of New England*