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AGRICULTURAL POLICIES IN THE FAR EAST AND OCEANIA. (Foreign Agricultural Economic Report). Washington, DC: Economic Research Service. Nov. 1967.

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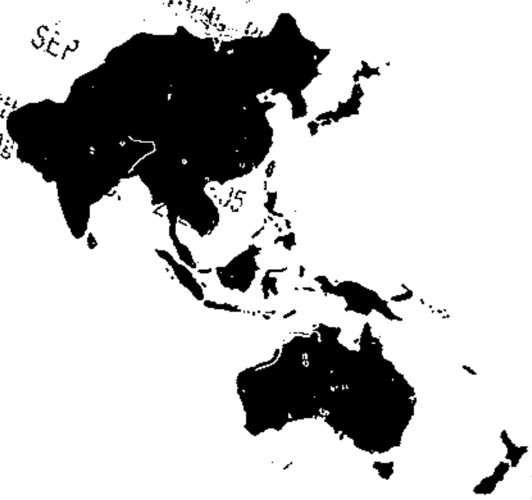
AGRICULTURAL POLICIES



in THE FAR EAST AND OCEANIA

FOREIGN AGRICULTURAL ECONOMIC REPORT NO. 37

U. S. DEPARTMENT OF AGRICULTURE
ECONOMIC RESEARCH SERVICE
Washington, D. C.

Foreword

Five previous reports issued by the U.S. Department of Agriculture have described agricultural policies of foreign governments. These are Agricultural Price-Supporting Measures in Foreign Countries, FS-56, Bureau of Agricultural Economics, Foreign Agricultural Service, July 1932; Foreign Agricultural Policies--A Review and Appraisal, in Foreign Agriculture, January and February 1938; Agricultural Market and Price Policies in Foreign Countries, Foreign Agriculture Report No. 74, FAS, September 1953; Agricultural Policies of Foreign Governments--Including Trade Policies Affecting Agriculture, AH-132, Foreign Agricultural Service, September 1957; and Agricultural Policies of Foreign Governments--Including Trade Policies Affecting Agriculture, AH-132, Economic Research Service, revised March 1964. The first four reports are out of print and are not available for distribution but may be consulted in public or university libraries.

This report is intended to provide a review of those agricultural policies which are likely to have a significant impact on the level, or composition, of agricultural production in the Far East and Oceania, or on U.S. agricultural exports. Other regional policy reports are being published for Europe and the Soviet Union, Africa and the Middle East, and the Western Hemisphere.

In addition to the undersigned, who provided direction and coordination of the report, others participating in its preparation include Goodloe Barry, William Logan, Mary E. Long, Marion R. Larsen, and John B. Parker.

Acknowledgment is extended to the Foreign Agricultural Service for the assistance provided, especially by U.S. agricultural attachés. They, of course, bear no responsibility for our interpretation.

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INTRODUCTION

A major economic policy objective of almost every country in the Far East and Oceania region is to increase its agricultural output. Food products are receiving higher priority than nonfood items, due to the widening gap between food consumption and food production.

The Far East and Oceania region, stretching from Afghanistan to Japan to New Zealand, contains half of the world's population. This is a region of many diversities, but agriculture dominates the economies of most countries. In general, the countries of Asia are underdeveloped and have low standards of living. The outstanding exception is Japan, where industry predominates and relatively high levels of living have been achieved. Most of the Asian countries do not produce enough food for their needs, but again there are exceptions. Thailand leads, and Burma ranks third, among rice-exporting countries of the world. The two major countries of Oceania--Australia and New Zealand--are important exporters of food and other agricultural products. In both countries, per capita food consumption and levels of living are among the highest in the world.

The majority of the governments of the underdeveloped countries of the region have some type of overall plan for economic development. Almost all depend on substantial external assistance for full implementation of this plan. In some countries, the plan is fairly flexible; in others, the policy is to follow the plan rather rigidly. India was the first country of the region to undertake in a really serious way the development of its economy by detailed Government planning. That country is now in its Fourth Five-Year Plan, which has very ambitious agricultural production targets. It has been only moderately successful in achieving targets set in previous plans. Other countries with detailed economic development plans include: Malaysia, Pakistan, the Philippines, South Korea, Taiwan, and Thailand.

A key feature of the agricultural goals of nearly every country plan is increased self-sufficiency in the production of foodstuffs. Another, almost universal, goal is expanded production of raw materials for local industry and for export. Usual plans to achieve production targets include more capital inputs, improved practices, new lands added to the cultivable base, and the supplying of more irrigation water. Increased price incentives to farmers and improved marketing facilities are given only secondary roles.

Mainland China has been under Communist rule for 18 years. During this period, Government policy has been directed toward a complete transformation of the country's agriculture from the traditional village organizations of small farms into a system of large units under state control. The effort has not been accompanied with the rise in production which was anticipated. The country has now entered its Third Five-Year Plan without clearly defining the Plan or stating its objectives. In the new Plan, however, agriculture retains top priority.

Major aims of industrial Japan's policy are to assure food for the population, to equalize farm returns with urban incomes, and to keep prices of food in line with prices of other commodities. Much emphasis is placed on upgrading the national diet.

Australia and New Zealand have an abundance of land, sparce population, and large-scale farms. It is the policy of both countries to encourage increased farm output, most of which will move overseas. Both governments take an active role in the marketing of farm products at home and abroad.

AUSTRALIA

Australia's policy continues to emphasize expansion of agriculture to assure food and raw materials for both domestic and export markets. The Government's encouragement of industrialization in the late 1940's stressed greater agricultural exports to assure foreign exchange earnings for purchase of the necessary prerequisites for industry. Currently, Australia is dependent on agricultural exports for about 70 percent of its foreign exchange earnings. In recent years, major emphasis has been placed on the production of wool, meats (beef, veal, and mutton), wheat, sugar, specific types of fruits, and dairy products, which are readily marketable abroad.

The Federal Government has followed a practice of long-term financing of agriculture in cooperation with State governments, marketing boards, private companies, and individuals. This development has taken the form of transportation, water conservation projects, livestock research, expansion of extension services, and development of areas of Northern Australia. The Brigalow scheme in Queensland is about one-third complete, with about 11 million acres scheduled to be in pastures for beef cattle and crop production by 1977. The Ord River development in Western Australia is for irrigated crops, but the main dam installation has been postponed due to a shortage of investment capital.

Since 1961, the Federal Government has cooperated with Queensland and Western Australia in the construction of roads for the movement of cattle from the northern regions to the slaughtering plants and port facilities of the coastal areas. This program, which has cost the Federal Government more than $30 million, is expected to be extended for another 7 years, beginning in July 1967. 1/

1/ U.S. dollars and metric tons are used throughout this report.

The Commonwealth Government has endeavored to identify itself directly with farmers in the encouragement of agricultural production. Legislation over the years has taken the form of commodity price stabilization schemes, establishment of credit facilities, special income tax allowances, and subsidies for specialized crops and fertilizers.

Most of the major export commodities are produced under controlled price schemes. Wool is the only leading product sold in a free market. The major export commodities with price stabilization programs are wheat, dairy products, and dried vine fruits. In 1965, a stabilization plan was established for domestic tobacco, an import commodity of particular interest to the United States. Traditionally, direct subsidy payments to producers have been limited to payments on cotton and dairy products. In recent years, however, special subsidy payments have been made to increase the use of fertilizers.

<u>Price stabilization</u>: The current plan to stabilize the wheat industry was introduced with the 1963/64 crop and will expire with the 1967/68 crop. It is similar to earlier plans in that the Commonwealth Government guarantees a set price to producers on 150 million bushels of wheat for export. The basic price for the first year of the plan was $1.62 per bushel. Since then, the price has been revised annually in accordance with yearly costs of production. The price set for the 1966/67 crop was $1.75 per bushel. The plan provides for a stabilization fund not to exceed $67.2 million. The fund is derived from marketing profits made by the Australian Wheat Board, plus an export tax of up to $0.17 per bushel collected on all wheat exported. When average returns from export sales fall below the guaranteed price, the deficiency payments are paid out of the stabilization fund and apply to the 150 million bushels of wheat for export. Should the fund become exhausted, price guaranteed payments are paid to producers from the Commonwealth Treasury.

A new dairy stabilization program is in the process of development to replace the current scheme which terminated on June 30, 1967. The proposals for the new 5-year plan, submitted by farmers' representatives, include increasing the annual subsidy from $30.2 million to $38.1 million; providing loans or grants to encourage uneconomic producers to leave the industry; providing loans to small producers with a minimum production of 10,000 pounds of butterfat and the potential for enlarged, more efficient operations; and the creation of an Export Development Fund to provide capital for establishing milk processing and distribution plants in foreign countries.

A formalized marketing arrangement is now in effect for currants, raisins, and sultanas. Introduced in 1964, and effective through 1969, the plan features a "built-in" price guarantee to producers when the average return from seasonal sales of the dried fruit falls $10.80 per ton below the officially determined average cost of production. Any deficiency payments paid under the guarantee provisions of the plan are met from the stabilization fund established under the scheme or from the Commonwealth Treasury when the fund is exhausted. The stabilization fund for each type of fruit is accumulated from grower contributions when returns exceed costs of production by $11 per ton. Growers are not required to make contributions to the stabilization fund when annual production ranges below 8,000 tons of currants, 6,000 tons of lexia raisins, or 51,000 tons of sultanas. The limits of the three stabilization funds have been set at $1.12 million for currants, $1.12 million for lexia raisins, and $4.5 million for sultanas. Commonwealth Treasury liabilities, under terms of the scheme, are limited to 14,000 tons of currants, 11,000 tons of lexia raisins, and 76,000 tons of sultanas.

Effective for the 1965 auction, the Commonwealth Government legislated a tobacco stabilization program to operate through 1969. The plan sets an annual domestic marketing quota of 26 million pounds (green weight) tobacco leaf, divided among the major producing States of Queensland, New South Wales, and Victoria. Each State allocates individual grower quotas. Since 1966, growers have received an average support price of $1.33 per pound. Manufacturers are required to use a mixture of 50 percent domestic leaf in order to qualify for concessional tariff rates on imported tobacco.

Subsidies: A new 5-year plan to subsidize cotton production began in 1964. The subsidy is equivalent to a percentage of the relative value of each grade of domestic raw cotton marketed within Australia, not to exceed a total amount of $4.5 million per annum. In contrast to the old subsidy policy--which guaranteed a set return to growers on all seed cotton produced above the grade "strict good ordinary"--the new subsidy varies according to the length and type of cotton produced and the volume marketed. Besides stressing efficiency and quality of production, this plan requires Australian cotton manufacturers to take up the domestic lint before they can qualify for tariff concessions on imported raw cotton.

Since 1963, subsidy payments of $6.61 per ton have been paid to farmers on purchases of superphosphates. In accordance with present policy, these payments will be continued until November 1969. Sales of superphosphate in 1965/66 were 50 percent above the level of 1962/63. For nitrogenous fertilizers, a subsidy of $88 per ton was introduced by the Government in August 1966. This subsidy, which will continue until November 1969, is expected to aid producers of fruits, vegetables, sugar, and cotton and to stimulate greater output of grain, forage crops, and pastures.

Marketing boards: Marketing of the main export commodities is regulated by organizations at either the Federal or State level. The Wheat Industry Stabilization Act of 1963 provides that the Wheat Board shall be "the sole constituted authority for wheat marketing within Australia and for the marketing of wheat and flour for export." The Apple and Pear and Canned Fruits Boards regulate exports of these fruits, but do not engage in domestic marketing. Other Commonwealth boards with export authority are the Dried Fruits, Dairy Produce, Meat, Wine, and Honey Boards.

The Australian Egg Board acts as a coordinating agent for State Egg Boards by arranging contacts with foreign purchasers and housing surplus supplies for the various State organizations. The Australian Barley Board is a joint Victoria-South Australia enterprise, empowered to sell barley abroad. Western Australia and Queensland have separate barley marketing boards which export grain. The Queensland Sugar Board, through a special agreement with the Commonwealth Government, is the sole export agent for sugar. The latest Government sugar arrangement, negotiated between the Federal and State Governments in 1962, has been extended and is due for renegotiation in 1968.

Two new Commonwealth commodity boards have been created in recent years, but neither has full trading powers. The Wool Board has been in operation since 1963, but it functions only as a market promotion agency for wool and supervises a number of research programs. A Tobacco Board was authorized in early 1965 to administer the marketing of the annual quota of 26 million pounds of domestic leaf.

<u>Foreign trade</u>: Australia abandoned import licensing of agricultural commodities in the early 1960's. Mixing regulations and quarantine measures, as well as tariffs, tend to limit imports of many farm products of interest to U.S. producers. (See tobacco stabilization and cotton subsidy policy.) Rigid quarantines prohibit imports of certain seeds, grains, vegetables, processed foods, horticultural stock, and breeding animals. Imports of sugar and sugar products are prohibited under provisions of the Commonwealth-Queensland Sugar Act.

A new customs tariff based on the Brussels Nomenclature was adopted in 1965, and revised in 1966, to make adjustments for the adoption of decimal currency. The principal duties are the most-favored-nation rates, which apply to the bulk of Australia's imports, and preferential duties granted to some 50 British Commonwealth countries or protectorates. Australia also maintains extra tariffs known as primage duties. These amount to surcharges on regular rates. A fourth type of tariff is a "by-law" duty which can be substituted for normal duties on certain commodities at the discretion of the Minister of Customs. Legislation also provides for deferred, temporary, and dumping duties.

The Kennedy Round did not result in multilateral agreements on meat and dairy products, both of which were of interest to Australia. However, through indirect concessions, Australia gained from tariff cuts made by Japan on tallow, hides and skins, mutton, canned fruits, and the binding of wool. Australia also benefited from U.S. concessions on grass seeds, tallow, and certain dried, fresh, and candied fruit items.

Australia failed to make meaningful concessions to the United States on tobacco and cotton. In respect to these commodities, mixing regulations apply which prevent free competition of U.S. cotton and tobacco in this market. The mixing regulation on tobacco is negotiable as a tariff.

Bilateral agreements have been employed extensively in the postwar years as a means of trade expansion. Most of the agreements, signed initially in the later 1950's, continue in effect. Chief among them have been formal arrangements with the United Kingdom, Japan, Canada, Malaysia, Indonesia, and Ceylon. The agreements with Commonwealth countries have emphasized preferential tariff treatment on the part of both countries. This policy involved granting of preferences on manufactured items, raw materials, or tropical products entering Australia, in return for preferences granted Australia on agricultural exports to the other market. The agreement with Japan guarantees Australia marketing assurances for wool, sugar, and wheat.

Negotiations with Ceylon and Indonesia granted Australia firm marketing rights for wheat flour. Malaysia guaranteed Australia preferential tariffs and trading privileges for wheat flour, dairy products, and canned fruits in return for special marketing rights in Australia for rubber, timber, and tin.

The newest formal trade arrangement is the New Zealand-Australia Free Trade Agreement. Effective January 1966, New Zealand granted Australia future duty-free entry of some commodities of interest to U.S. exporters: namely, rice, dried vegetables, dried fruits, fresh pineapples and citrus, soybean oil, essential oils, and vegetable and flower seeds. Australia guaranteed New Zealand duty-free privileges for frozen beans and peas, dried vegetables, seeds for planting, alfalfa meal, vegetable oils and essential oils.

Under a new Commonwealth Sugar Agreement negotiated with the United Kingdom in 1966, and effective until 1973, Australia received a quota for 340,000 tons of sugar. The original negotiated f.o.b. price of $120 per ton is effective through 1968 and will be subject to renegotiation for later years. Australia is guaranteed an annual export quota of about 152,000 tons of sugar to the United States through 1971.

Australia maintains trading relations with all foreign countries, including the Communist areas. Since 1961, Mainland China has become the leading market for Australia's wheat. The USSR has also been an important market for wheat and wool.

Food aid and technical assistance programs have been emphasized in the past 2 years with wheat donations to India and Pakistan. Australia has cooperated with FAO (the Food and Agriculture Organization of the United Nations) on technical assistance and Food for Peace programs to India, Pakistan, Ceylon, and Burma. Australia is a member of GATT (the General Agreement on Tariffs and Trade) and was the first country to offer tariff preferences to less developed countries. Australia is also active in the Colombo Plan and in programs sponsored by ECAFE (Economic Commission for Asia and the Far East). Most of the recent technical assistance and aid programs have been limited to financing and development of the Northern Territory of Australia, New Guinea, and Papua. (Mary E. Long)

BURMA

The policy of the Revolutionary Government of the Union of Burma, since it assumed power in 1962, has had a twofold purpose: to achieve a neutral position in international affairs and to encourage economic progress through Socialist programs at home. Domestic economic policies fostered during the transition to socialism have produced mixed economic returns resulting in a general downward trend.

Foreign trade is directed entirely by the Central Government through its official representative, the Myanma Export-Import Company. Access to import licenses by private individuals has been abolished, and trade is opened by the Government through international tenders or direct negotiated bids. Burma's tariff schedule has not been published for several years, but tariffs probably do not serve to restrict trade in terms of volume or source. Import decisions appear to be based on Government policy objectives, needs, and the level of foreign exchange holdings.

Farmers constitute two-thirds of the working population but produce only one-third of the gross domestic product. Agricultural products earn 80 percent of the foreign exchange gained from trade. The Government has sponsored several programs designed to increase agricultural production and to improve the welfare of the rural population through the application of Socialist principles. The Land Tenancy Act of 1963 gave Land Committees the sole right to allot lands to farmers. The Farmers Rights Protection Act of 1963 prevented money lenders from seizing the property of indebted farmers. The Tenancy Act Amendment of 1965 abolished payment of rents. During the same period, the Government tried to provide farmers with low interest loans, tractor stations, fertilizers, pesticides, and improved seeds. Implementation of these programs has not always progressed smoothly, but the Government's desire to provide assistance to rural areas is genuine.

In other steps taken since 1962, major industries, the banking system, and domestic wholesale and retail enterprises were nationalized. Rapid centralization of the economy created severe problems in production, distribution, and pricing. Government control of purchase prices has not been well received by farmers, nor have recent price levels served as an incentive for increased agricultural production. Rice available for Government purchase has decreased considerably in recent years, as a result of low prices. Meanwhile, Burma's position in international rice trade has slipped from first to third place.

Burma has rejected most offers of foreign aid, particularly those coming from major world powers. At one time, the United States contributed to technical and economic assistance programs, but this assistance was terminated at the request of Burma's Government. Burma no longer buys U.S. agricultural products under P.L. 480. Between 1956 and 1963, however, it purchased $40 million worth of U.S. cotton and small quantities of tobacco and dairy products under the program. (William Logan)

CHINA, MAINLAND

Since the Communist regime assumed power 18 years ago in Mainland China, its goal has been to transform the country into the community of modern industrial nations. By controlling and directing the country's agricultural resources--the major source of capital and raw materials--the Government has attempted to support planned modernization of the economy through increased production. Agricultural output has been geared to priorities set by the regime, and rigid controls on consumption have been established. Although agriculture has suffered numerous reverses through mismanagement, overextended programs, and natural disasters, the basic goals have not been altered--only the methods of attainment modified.

Since 1960, agricultural policy has been geared primarily to regaining losses incurred during the political and economic upheaval of the Great Leap Forward. Decisions by the ninth Plenum of the Central Committee of the Communist Chinese Party in January 1961 resulted in a series of programs involving radical changes in industry, agriculture, foreign trade, and socio-economic relations between the peasants and the Government. The commune system was greatly modified. Eventually its role as the responsible accounting unit was assigned to the production team--roughly comparable to the former low-level "Agricultural Production Cooperative" of the 1953-55 period. The primary function of the commune today is administrative in nature, particularly in the operation of the industries, handicrafts, and commerce under its jurisdiction.

Economic policy: At the March-April session of the Second National People's Congress in 1962, a new economic policy was outlined by Premier Chou En-lai. It called for (1) an increase in agricultural production, especially in grains, cotton, and oil-bearing crops; (2) granting first priority to agriculture, followed by light industry and heavy industry, with special emphasis on increasing the output of daily necessities; (3) a cutback in capital construction; (4) setting standards for inventorying materials and controlling the use of state funds and materials; (5) a reduction of urban population by returning workers to the country; (6) strengthening state procurement and broadening the scope of foreign trade; (7) improvement in the fields of culture, education, scientific research, and public health; and (8) setting standards for reducing costs, increasing revenue, and for contributing to the improvement of the country through thrift and hard work.

In an attempt to stimulate greater peasant activity in farming and recognizing that some aspects of farm production could be handled better on an individual basis, the regime encouraged sideline occupations such as raising livestock, breeding pigs and chickens, raising vegetables, and reviving handicrafts. The Government made this possible by restoring private plots, encouraging brigades and production teams to establish a wage system based on quality and quantity of work and to set more realistic production goals, and establishing free markets as a means of stimulating peasant production.

The regime hoped to generate a quick recovery in agriculture through intensive programs, including a marked increase in investments in agriculture and the branches of industry that support agriculture. Officially, it was declared that recovery and readjustment had been completed by the start of the Third Five-Year Plan in 1966 (three years behind schedule). Readjustment at a lower level of consumption--not recovery--best describes the years from 1961 to 1965, however. During this period, simple survival was the basic economic policy, with major efforts directed toward the production of basic foods, supplemented by large imports, primarily of grains.

Development: Under China's new economic policy, numerous projects involving national, provincial, and local participation were organized to benefit agriculture. They required large inputs of labor, particularly at the local level. Under the National Agricultural Development Program, approved by the second session of the National People's Congress, April 10, 1960, a 12-point program for agriculture was begun. It included; (1) water conservation to develop irrigation and prevent floods; (2) increased output of natural and chemical fertilizers; (3) improvement in traditional farm tools and development of mechanization; (4) development and propagation of new strains of seeds suitable to local environment; (5) expansion of the multiple cropping area; (6) increased plantings of high-yield crops; (7) improved cultural methods commensurate with local needs; (8) improvement in soil production capability and utilization; (9) promotion of water and soil conservation; (10) protection and increased production of draft animals; (11) extermination of insects and plant diseases; and (12) reclamation of wasteland to expand cultivated acreage. The major effort by the Government to date has been on the first three.

Prior to 1960, when river development was being emphasized, the major share of state investment funds went to irrigation and water resources management. This included the building of large dams for flood control, multipurpose projects, and strengthening of dikes. During the 1960's, almost all irrigation and water resources management projects have been oriented to fulfilling local needs, have utilized labor intensively, and have depended primarily on local financing.

It is estimated that about one-third of the cultivated land can be effectively irrigated and an additional 20 percent partially irrigated. Repair and extension of existing facilities, or construction of new ones, would increase the irrigated acreage but at extremely high cost.

A major reason for China's large number of hogs has been to produce manure for crops. With the reestablishment of private plots in 1961, special incentives and good prices were offered to peasants to raise hogs and sell both the manure and the meat to the production team; this policy continues. Natural fertilizer plans called for an average of 1.5 to 2 hogs per rural family by 1962, and 2.5 to 3 head by 1967, far in excess of attainment.

Following the development of the large state-financed irrigation projects, attention has turned to the production and use of chemicals to supplement natural fertilizer. Planned chemical fertilizer production was set at 5 to 7 million tons by 1962, and 15 million tons by 1967. Huge purchases of imports of chemical fertilizer for shipment in 1967--nearly 6 million tons--plus domestic production, should go far toward attaining the original goal.

The rapid increase in the demand for fertilizer stems from the inauguration a few years ago of the so-called "guaranteed high-yield field." By providing a combination of adequate water (irrigation in time of drought and drainage in time of excess water), sufficient fertilizer, and adequate husbandry to a designated area, yields of crops should be high and constant. Intensive cultivation of high-yield areas has been encouraged in preference to applying similar inputs to less productive land. Demonstration plots operated by technicians and graduates of agricultural schools have been established as guides for peasant farmers. Claims of increased production, due to the utilization of this "guaranteed high-yield field" principle, have increased since 1964, but in 1966, successes in production were attributed to following the "thoughts of Mao Tse-tung." The present policy of increasing yields through intensive cultivation appears to supersede earlier ones favoring land reclamation.

The regime's approach to mechanization reflects both the magnitude of the task and a lack of Party unity. A more flexible program of mechanization emerged following debates within the party over the relative merits of collectivization and mechanization. Within the last year or so, local industries have been given the responsibility of producing all hand- and animal-drawn implements and mechanized farm tools, as well as all motor-driven machines generating 20 horsepower or less. Small motor-driven sprayers, high-lift pumps, and portable diesel and gasoline engines have grown in prominence. The increase in mechanization is uneven, however. Since communes and brigades must buy their own equipment, some of the more prosperous ones have fully mechanized their farm operations, while others have barely begun.

Education: Mainland China's education facilities for the farming population have undergone substantial change. Literacy, as defined by the Communist regime, has increased markedly, but shortcut methods have proved detrimental and have limited the quality of learning. The educational system in existence in rural areas prior to the closing of schools in June 1966 comprised primarily part-study, part-work schools. These schools were to have undergone basic changes in curricula prior to their reopening in 1967. Only a small percentage of primary and middle schools had opened by mid-year. No college or university classes had resumed, but it was apparent that a gradual return would occur during the second half of the year.

As nearly as can be ascertained, elementary and secondary students who reentered school had a curriculum highly weighted in the study of the thoughts of Mao Tse-tung. Traditional education has essentially vanished, and entrance to institutions of higher learning is now influenced more by idealogical orientation than by ability to pass entrance exams--reportedly discontinued in 1966.

Food supply and population: Paramount in the regime's relationship with the people is the acceptance of the peasant as a worker, not as a consumer. The regime has had to face the inherent dangers of an oversized population with respect to both supply and distribution of food. Its program for population control includes postponement of marriage, assistance in family planning, and birth control. Measures affecting maternity benefits, adjustments of food rations for new members beyond a prescribed number, job and housing assignments, education, and wage discrimination have been imposed to bolster official aims.

The population-food ratio creates numerous problems of procurement and distribution and places the internal market under great strain. Strict policies on the control of both products and prices provide the Government with the leverage to manipulate either one, or both, to bring about desired results. The regime, in recent years, has tried to maintain selectivity of products. Rationing of scarce commodities has been necessary for grains, vegetable oils, and textiles. Government organs, social organizations, schools, and other enterprises have been forbidden to procure food directly from the farm or in the market. Even in the free market, which reappeared under the new agricultural policy in 1961, restrictions were placed on the commodities which peasants could handle. Private dealings in food grains, cotton, oil, tobacco, hemp, and sugar were not permitted. Increasingly strong state regulations, such as these, have brought about the decline of the free market. Farmers, with fewer alternatives, have sold their surplus produce to state-authorized producer and consumer distributors for prices comparable to Government-operated markets. These prices are not as high as could be obtained at the market place, neither are they as low as prices for compulsory deliveries from the farm.

The Government obtains revenue from compulsory deliveries, price manipulations, and the agricultural tax. The peasant, in turn, obtains his income from the collective activity within the production unit. This amounts to about 80 percent of his annual income, most of which is paid in kind. The remainder comes from his work on the private plot or from sideline or subsidiary occupations.

Foreign trade: Mainland China's foreign trade, a state monopoly, is used by the party as an instrument of national policy in the pursuit of political objectives, both at home and abroad. Domestically, the major goal has been to sustain the development and expansion of industry. Virtually the entire flow of trade during the first decade of the Communist regime was employed to this end, with raw materials--generally farm products--and manufactures of agricultural raw materials being exported in exchange for industrial equipment and machinery, mostly from Communist suppliers. After 1960, the volume, commodity, and geographical patterns of foreign trade shifted dramatically with the sudden need to import large amounts of Western grain. In 1966, Mainland China's trade with the Free World accounted for about 75 percent of total trade, about the same as in pre-Communist times.

Since the ideological split with the Soviet Union, Mainland China has developed an ever-broadening circle of trading partners through bilateral and unilateral agreements, cash purchases, and barter. In addition, it has maintained a reasonable balance by limiting imports. Imports and exports in 1966 about equalled those for 1959 when imports amounted to $2.2 billion and exports reached $2.1 billion. Exports of agricultural products have not reached the previous peak, but in 1965 they were sufficient to offset food imports. With the increase in farm exports, imports of capital goods and machinery have again trended upward.

Mainland China's approach to international trade has, as its underlying principle, the penetration of established markets which provide the greatest advantage for earning hard currency. Although Mainland China is a small supplier of raw and processed farm products, its price manipulations to obtain hard foreign currency are beginning to make an impact on world markets. Much of the country's success in increasing foreign trade results from its flexibility in filling orders, promptness in payments, willingness to trade small lots, and the extension of credits and financial aid to countries representing a potential market or an additional avenue of influence.

Behind the party struggle and the accompanying upheavals of the Cultural Revolution lie many unanswered questions regarding the future policy of the Communist Party in Mainland China. Yet, the problems of the country's economic and social life continue to exist and to require solution. The future development of Mainland China thus may be one of tension and conflict which would further delay the realization of economic goals. (Marion R. Larsen)

HONG KONG

The Crown Colony of Hong Kong adheres to a policy of free enterprise and free trade. All production activities are geared to this principle. Duties are levied on very few commodities and only for revenue purposes. Import and export licensing are kept to the minimum required for strategic goods, protection of sterling, safeguarding health and safety, and a few other specialized reasons. Under this policy, rapid and sustained economic growth has been maintained since around 1950, when the colony's status changed from entrepot to exporter of locally manufactured goods.

Hong Kong's growing importance as a processing center depends on increasing imports of raw materials. Agriculture, which provides about 2 percent of the gross domestic product, is a declining supplier of food and raw materials. During its best years, 1961-63, agriculture provided about 19 percent of total food needs, with only a limited selection. In 1965, farm production provided 50 percent of the fresh vegetables, more than half of the live poultry, and between 15 and 20 percent of the pork consumed in the colony. Production of all these foods declined in 1966. Total rice production in 1966 provided less than a 2 weeks' supply.

Agriculture faces heavy competition from the expanding industrial sector. Farmland continues to give way to industry and housing. Under the crown system of ownership, there is no freehold tenure of land nor private ownership; only land leases are for sale--at public auction. Land use is based on crown lease, rent from a holder of crown lease, temporary permit, or squatting. Under the colony's traditional laissez-faire policy, no sector of the economy receives direct Government subsidy or price support. There is no agricultural bank or land bank that specializes in intermediate or long-term loans to primary producers. Farmers have diversified their farming patterns to ease unpredictable shortages due to weather and price irregularities.

Government aid to agriculture, as well as to other sectors of the economy, is confined to services deemed in the public interest or to areas where private enterprise has not been attracted. Notable examples include development of irrigation, research, and mechanization. A special authority has also been set up to assist pig producers by providing feed at subsidized prices under the Food for Peace program. Developmental programs with broader applications are carried out by the Government through the Department of Agriculture and Fisheries. These programs provide assistance in research, extension (including cooperatives and credit), crop and livestock husbandry, farm management and development, marketing, veterinary practices, and related services.

To meet the more specialized--and stable--demands of the expanding urban market, farmers have turned toward secondary types of production under intensive cultivation: six to eight vegetable crops instead of one or two rice crops, and increased production of hogs, poultry, and fish in farm ponds. Between 1953 and 1964, acreage of vegetables increased 3.6 times, while paddy land declined 40 percent. From 1958 to 1964, the gross value of agricultural production more than doubled, due mainly to the increase in livestock production. Since 1964, however, increases in domestic food production have not kept pace with rising demand.

Regulatory and protective services by the Department of Agriculture and Fisheries guard against disease and insects, both indigenous and foreign. High levels of quality and health are maintained at markets and at points of entry and exit. A considerable degree of price stability is maintained by the Vegetable Marketing Organization. This is a statutory, self-financing corporation created in 1946 under the Agricultural Department to provide orderly marketing and transportation of crops, curtail control by middlemen, and insure farmers the greatest return on their marketable produce.

Hong Kong maintains trading relations with all foreign countries, including the Communist area. Import policy includes few restrictions on imports, but licenses are required for a number of items, including precious stones and metals, sugar and coffee, and certain strategic goods. Import of rice is permitted only by registered importers. Permits are required for some dutiable goods, including tobacco. No balance-of-payments problems exist. Trade deficits are covered by earnings from tourism, shipping, banking, insurance, and other serivces, as well as from investment inflows.

A degree of stability was gained with the signing in late 1966 of 5-year bilateral textile agreements with the United States and Great Britain, and the abolition of the 10 percent British import surcharge. However, continued restrictions on textiles, which comprise 50 percent of Hong Kong's total exports, indicate the need for greater diversification. (Marion R. Larsen)

INDIA

Economic policy in India is based on Central Government planning and the development of a mixed public and private sector economy. Basic agricultural policy stems directly from overall economic development policy and plans. Increased agricultural production is a priority of the Central and State Governments, and is of prime concern to foreign governments and international organizations rendering assistance to India.

Increasing population, coupled with rising per capita income, has increased the total demand for food grains to an all-time high in India. Although production of food grains in 1964/65 was a record 89 million tons, 8 million tons of grain were imported permitting a significant buildup in stocks. These stocks were an important factor in offsetting the shortfall in production in 1965/66. Imports, because of the droughts and growing demand, reached 10 million tons in 1966 and are likely to approximate that level again in 1967.

Due to food shortages and a desire to keep food prices low, the Government has gradually increased its control over the distribution and price of food grains. Prior to 1965, the policy was to supply urban consumers at as low a price as possible. Although this objective still exists, the Government has gradually taken steps to provide for minimum prices to growers as an incentive to expand production. Beginning with the 1964/65 season, Government prices for food grains were raised to bring them closer to the open market prices. A system of compulsory purchases from producers and traders was introduced in several States in the 1965/66 season. This levy system is now being extended to additional States.

Internal distribution of food grains: In January 1965, the Central Government organized the Food Corporation of India for the purpose of stabilizing prices and assuring adequate supplies of grain where needed. Although there has been a gradual expansion in the operations of the Corporation during the past 2 years, it will be some time before it acquires a commanding position in the internal trade and marketing of food commodities.

In March 1966, the Government established a National Food Grains Policy Committee. The Committee has recommended the restoration of the buffer stock of 4 million tons of grain, which had been accumulated earlier but depleted following the droughts. It has recommended also that the Food Corporation of India be entrusted with all domestic procurement of food grains at the earliest time practicable. Organization of the States into separate food zones has been endorsed by the Committee as well.

All imports of food grains into India, except for small quantities of relief shipments, are made by the Central Government's Department of Food. Allocations of imported wheat are subsequently made to the flour mills. Part of the marketable domestic surplus of food grains is procured by the Government and distributed, together with imports, through fair price-ration shops, These shops are owned by private traders but are approved and licensed by the Government for selling Government stocks of food grains to consumers at fixed prices.

This system of distributing food grains has undergone rapid development during the past 2 years due to the introduction of so-called statutory rationing in most large cities and industrial areas, and to the extension of an informal system of rationing to many additional areas of the country. Where statutory rationing exists, the Government fair price-ration shops are the only legal source of food grains to consumers. However, in areas where foods are informally rationed, the open market may function legitimately. In these areas, the Government provides each consumer with a portion, generally 6 ounces, of his needs through fair price shops. At the beginning of 1967, some 28 million people were covered by statutory rationing and some 93 million by informal rationing. The sale of grains through Government channels exceeded 14 million tons in calendar year 1966, compared with 10 million tons in 1965 and 8 million tons in 1964.

All food grain traders have been brought under a licensing system which requires them to submit periodic reports of their transactions and stock positions. Possession of more than specified quantities of wheat and rice is prohibited. Movement of grains is controlled through zonal arrangements. Private traders are permitted to make intrazonal transactions in rice and wheat, but only the Government is permitted to move wheat and rice across zonal boundaries. Formerly, an attempt was made to pair States having food grain deficits with States producing surpluses. However, as a result of political and economic pressures, the States were organized into separate food zones in the spring of 1967. This system is expected to further complicate the problem of feeding India's masses.

Development: Economic development, including agricultural development, has been carried out in India since 1951 within the framework of formal 5-year plans. Achievements have often fallen well short of established targets. The Fourth Five-Year Plan began on April 1, 1966, and will end March 31, 1971. Because of the poor showing of agriculture during the Third Plan, and the current pressing demand for imported food, increased food production has been given highest priority in the Fourth Plan. The target for the production of food grains by 1970/71 is 120 million tons. This compares with the low of 72 million tons produced during the drought year 1965/66, and the record 89 million tons in 1964/65.

For the Fourth Five-Year Plan, India's planners have established goals that would almost double the 1965/66 levels of production of jute, oilseeds, and flue-cured tobacco. Production of cashew nuts, an important export item, is targeted at 328,000 tons by 1970/71, some 4 times the 1965/66 level. Very substantial production increases are also planned for cotton, oilseeds, and most other important agricultural products through the use of higher yielding seeds and more fertilizer.

The scheduled allocations of resources for the development of agriculture and associated industries have been increased markedly. Projects for expanding the area under irrigation and for improved water management are receiving high priority. The Government has committed itself to supply, by production or import, sufficient fertilizers to meet the expected demand by farmers. These demands are, however, tending to exceed estimated target levels. Fertilizers are still in short supply in India, despite an increase in the availability of nitrogen from some 600,000 tons in 1965/66 to 1 million tons in 1966/67. Production of fertilizers has long been held back by the policy of limiting additions to this industry to the Government-owned sector of the economy. There has been a revision of this policy, and the official position now is to offer concrete incentives to the investment of both foreign and domestic capital in the fertilizer industry. Existing plants, and those under construction in early 1967, are targeted to be producing 2.4 million tons of nitrogen by 1971, compared with about 300,000 tons actually produced in 1966.

Production policies and programs: The Government is sponsoring numerous other programs aimed at bringing about an increase in farm production. The agricultural extension service is being expanded and improved; a program of adult education for rural people has been established; and a countrywide community development program aimed at the individual and collective welfare of India's rural peoples is underway. In 1960/61, the Government formalized and improved an intensive agricultural district program, popularly known as the "package program." This program was designed to provide farmers in selected areas with the information and low-cost materials needed to change their traditional farming practices to more modern methods.

The intensive farming principle was expanded in 1966 under a "high-yielding variety program." Use of improved varieties of seeds, combined with adequate amounts of fertilizer and water, is the key to this program. The goal is to harvest an additional 25 million tons of grain from the 32 million acres to be included in the program.

The Government is also pursuing a policy of strengthening the cooperative movement for the benefit of farmers. Cooperative banks are playing a growing role in supplying credit to the rural population. The plan is to reduce the dependence of farmers upon money lenders, commercial banks, and other traditional sources of credit, and to make funds more readily available and at moderate rates of interest.

Family planning: A comprehensive program for family planning has been officially adopted by the Central Government. By early 1966, family planning advice and services were available in some 10,000 centers in rural areas and in about 2,000 urban locations. A rapid increase in the number of centers is planned. Because population control is considered vital to India's development and the general welfare of her people, Government officials indicate that wide publicity and top priority will continue to be given to the family planning program.

Foreign assistance: India's policy is to seek and receive economic assistance from all friendly foreign and international sources willing to provide it. Current exceptions are Mainland China, Pakistan, South Africa, and Rhodesia. Over the past 15 years, substantial amounts of economic assistance have been received from numerous foreign countries, both Western and Communist. The largest source of aid has been the United States. Over the past 12 years, India has been the recipient of about $4 billion worth of agricultural commodities under Title I, P.L. 480. This P.L. 480 aid reached its peak in 1966 when 8 million tons of grain were supplied. In 1967, India has received large amounts of grain on a gift or concessional basis from the United States, USSR, Canada, Australia, and others.

The bulk of economic assistance now going to India is from a consortium of governments and institutions through the International Bank for Reconstruction and Development (IBRD). Members of this consortium are the United States, Austria, Belgium, Canada, France, Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom, and the World Bank. At a meeting in Paris on April 1, 1967, Indian representatives presented the Government's plan for a vigorous new program to increase food and agricultural production by providing ample supplies of new high-yielding seed varieties, plant protection materials, and equipment for the installation of wells and other irrigation facilities. The consortium agreed on the urgency of enabling India to finance food imports without reducing the flow of resources for priority development projects. New aid for the purchase of fertilizers and related agricultural production materials was indicated by the membership. The new aid commitment, which includes 4.3 million tons of food grains already shipped, 3 million tons additional food grains offered by the United States, and 700,000 tons offered by Canada, is believed to be adequate to enable India to import 10 million tons of food grains in calendar year 1967. Economic aid of approximately $1.3 billion, including foodstuffs, is expected to be made available by the consortium for the year beginning April 1, 1967.

Foreign trade: The Indian Government's foreign trade policy is designed to give highest priority to the importation of development goods and essential consumer commodities and to hold to the lowest possible level all other imports. One goal is to increase exports as rapidly as feasible. Due to India's precarious foreign exchange position in recent years, imports have been strictly licensed. Official policy is to maintain close control of foreign exchange.

India has bilateral trade agreements with 32 countries. The largest trade through this method is with the Soviet Union, which has a 5-year agreement with India. By 1970, the trade between the Soviet Union and India is expected to reach $1 billion annually. Long-term agreements have also been signed with Rumania, Czechoslovakia, and Yugoslavia. Trade agreements with the United Arab Republic, Sudan, and Tanzania enable India to receive cotton in exchange for tea and jute products.

As a member of the British Commonwealth, India receives trade and tariff concessions. Many Indians living and working in Commonwealth countries send home money and goods which are not easily purchased in India.

Reports indicate that in the Kennedy Round India made agricultural concessions on only corn and unmanufactured tobacco. Both concessions are unlikely to be fully effective with respect to imports from the United States because of the reliance on P.L. 480 shipments. India, on the other hand, will benefit substantially from elimination of tariffs by the United States on cashew nuts and a reduction in the rate on crude bristles.

The Government of India canceled existing export incentive programs on June 6, 1966, when the rupee was devalued. Under these programs a percentage of the f.o.b. value of exports could be used to import raw materials, machinery, and equipment required for the production of goods. In August 1966, India announced a new export incentive program. It includes a new import policy which places under an open import license raw jute, cashew nuts, and many agricultural materials needed for preparing products for export. Cotton, cotton yarn and fabrics, and woolen carpets are included in the new export incentive programs. (John B. Parker)

INDONESIA

Basic Indonesian policy has undergone a fundamental change since 1965, but its details in many sectors of the agricultural economy have yet to be spelled out. With a population of 105 million, this nation--the sixth largest in the world--possesses a wealth of natural resources. It has rich soils, extensive stands of virgin timber, and large deposits of oil, tin, bauxite, and nickel.

Prior to 1965 the economy had declined for years. Agriculture, which provides a livelihood for almost 75 percent of the people, suffered most. Unwieldy and sometimes inexperienced Government agencies seized control of well-managed, productive estates operated by private interests, both foreign and domestic. Recent visitors report deterioration is such that it may take years to restore the earlier levels of output on many of the estates.

Typical is the case of rubber, exports of which earn more than a third of all the nation's foreign exchange. For generations, Indonesia had been the world's leading supplier of natural rubber. In 1959, the States of Malaya drew even with Indonesia, with both producing just over 700,000 tons. Output of the States of Malaya climbed steadily to 940,000 tons in 1966. Indonesia--the former top producer--slipped to 660,000 tons. Unlike its rivals, Indonesia failed to follow a systematic program of replacing older trees with higher yielding new stock.

Land reform--much talked about as a means of improving agrarian conditions but given inadequate technical and financial support--made no progress.

Attempts to improve the economy by controlling the rise in prices failed as the Government sought to cover rising deficits by increasing the money in circulation. A base index of 100, assigned to food prices in 1958, rocketed to 145,000 in 1966.

Stagnating production, increasing population, mounting indebtedness, and inflation were climaxed by a Communist attempt to seize the Government September 30, 1965. However, the plot failed, and the revolt was quickly smothered.

A new Government did not gain full authority until March 1967. But already the new military-civilian coalition had taken positive steps to help improve the economy. It ended the confrontation with Malaysia, rejoined the United Nations and World Bank, and had encouraging initial success in refinancing the country's burdensome foreign debts.

The new leadership gave full support to the most promising development program in Indonesia's history--a fresh and little publicized effort to ease the chronic rice shortage and to cut down imports. The help of the nation's agricultural students has been enlisted in this program to increase rice production. These young people supervise the fertilization and care of irrigated fields planted to strains of seed which are highly responsive to nitrogen and phosphates. The Government furnishes the seeds, fertilizer, and pesticides on comparatively low-interest credit terms, repayable in kind.

On the program's first 9,000 hectares harvested in the five main areas of Java in 1965, yields were 67 to 169 percent higher than on adjacent fields. The target for the 1966 crop was set at 150 000 hectares, but so great was the interest of farmers who had observed initial results, 220,000 hectares were included in the program. Preliminary reports indicated "a near doubling of output"--a gain of more than 1 ton of milled rice per hectare.

Expansion of the planted area to a million hectares was planned for the main crop for harvest in the second quarter of 1967. However, shortages of fertilizer and pesticides restricted the program to 500,000 hectares.

Top-level officials have promised the project administrators that every effort will be made to assure the availability of fertilizer for 1 million hectares in the 1967/68 crop year. Furthermore, if financing can be secured, the new Government is reportedly prepared to assign top priority to doubling the production of a U.S.-built urea fertilizer plant with a current output of 100,000 tons.

In another move to spur the production of agricultural commodities for export, the presidium declared that American and British-operated estates and factories could be restored to control of their former owners.

In parallel turnabouts of major policy designed to improve the climate for foreign investments, the new Government also (1) passed a law giving up to 5 years' exemption from tax payments on profits from priority industries set up by outside capital, (2) withdrew restrictive supervisory controls over the operations of two large U.S. oil producers, and (3) signed a bilateral investment guaranty agreement with the United States. (Goodloe Barry)

JAPAN

Major aims of Japan's agricultural policy are to assure food for the population, to equalize farm returns with urban incomes, and to keep prices of food in line with prices of other commodities.

Primary emphasis since World War II has been placed upon greater diversification of food consumption in an effort to upgrade the food intake. The consumption of foods and beverages per capita in 1965/66 was reported by the Japanese Government at 2,400 calories, compared with 2,100 calories prewar. Despite efforts to increase consumption of protein foods--such as meats and dairy products--rice, wheat, and other cereals still account for 55 percent of total caloric consumption.

Although the nutritional composition of Japanese diets has improved, the total caloric intake of foods is still low in comparison with Western countries. The caloric intake is low also in contrast to economic growth and the high standards of living which have developed in recent years.

The income disparity between agriculture and nonagricultural activities is still large. In 1963, the real net product per worker in agriculture was only 29 percent of the corresponding figure in nonagricultural pursuits.

The consumer price issue has forced the Government to make a complete survey of the distributive system for agricultural produce between farms and cities. In recent years, the consumer price spiral has resulted largely from increasing costs of fruits, vegetables, fish, and meat.

In an effort to obtain the agricultural policy objectives set forth above, programs of the Ministry of Agriculture and Forestry have centered around land consolidation, commodity price support measures, liberalization of farm credit, and import and marketing policies favorable to producers.

Production development programs: A decline in the agricultural labor force has pressed the Government to promote increased efficiency in farming. The main considerations now are (1) creation of larger farm units, (2) expansion and modernization of agriculture in remote areas, and (3) growth in farm extension, farm management, and technical research at the farm level. These measures are in line with the program for agriculture in the new 5-year Economic and Social Development Program (Apr. 1967-Mar. 1972).

The Government favors greater involvement of cooperative enterprises in farming. More emphasis is being given to cooperation in ownership and use of machinery, organized marketing of produce, and easier farm financing through increased cooperative credit facilities. In actual production, emphasis is placed on expanding the output of fruits, vegetables, and livestock products, particularly milk and meat, because of the great demand for foodstuffs in recent years. Fruit orchards are encouraged in hilly and rough areas unsuitable to cultivation. Rice production is encouraged through research into better varieties and improved cultural practices.

More farm roads are now being constructed. The Government subsidizes 40 percent of the total cost. As of 1965/66, the tax revenue from gasoline sales for agricultural purposes is allocated to farm road construction. A problem involved in the marketing of perishable foodstuffs is the complicated system of produce distribution. An extensive refrigerated transport and cold storage system, now in the planning stage, will connect fruit, vegetable, and flower producers directly with consumer-urban areas.

Since 1955, the Japanese Government has maintained programs of irrigation and drainage, as well as sea and land reclamation. In 1966, funds appropriated for these projects totaled \$305 million. The construction costs are financed 50 percent by the National Government, 25 percent by the prefectural government, and 25 percent by the individual farmers. Reclamation projects are now undertaken for the expansion of fruit, livestock, and other products which are in increasing demand.

No major changes have been reported in the Agricultural Basic Law enacted in 1961. The Agricultural Land Act and the Agricultural Cooperatives Act were amended, however, in 1962. The amendments to these acts provided relaxations of limitations on the maximum sizes of farms, authorized formation of "farm association schemes", and permitted purchase of land by farm corporations.

Farm credit: Because farmers' costs are high and earnings are low, an Agricultural Modernization Credit Scheme was introduced in 1961. This legislation enables farmers to borrow money for equipment or farm improvements from cooperatives at more favorable terms than from other financial institutions. Both the National and prefectural governments subsidize agricultural cooperatives in order that they may offer lower interest rates to farmers.

The Agriculture, Forestry, and Fisheries Finance Corporation is also now permitted to grant long-term loans for farmland purchases. These loans are limited to 800,000 yen (\$2,222) for individual farmers, and 3 million yen (\$8,333) for corporations. The loans are payable over 25-year periods at 3.5 percent interest.

Price stabilization: The enactment of the Livestock Products Price Stabilization Act in 1961 authorized the expansion and improvement of Japan's livestock and dairy industries. This act also provided for the establishment of a Livestock Industry Development Corporation. It was not until 1965, however, that the Ministry of Agriculture and Forestry worked out a 3-year plan for increased livestock production, beginning in April 1966. The program provides for establishment of cattle-breeding centers in 100 rural communities. Each center is to be stocked with quality breeding cattle to provide calves for improvement of local herds and to eventually upgrade the quality of Japanese beef. Twenty of the centers were to be opened in 1966; the remaining 80 are scheduled to be opened in 1967 and 1968. Management of the centers is left to local governments. The program provides for favorable loans to farmers for purchase of calves and fattening of cattle, as well as extension of long-term loans to cooperatives for purchases of breeding stock. The Government is also encouraging a program of improved pastures, with special emphasis on high quality forage crops.

Although milk production has been increasing steadily since the mid-1950's, the rate of increase in 1966 and 1967 has been much lower than in earlier years. Consumption of fluid milk has increased so sharply, however, that imports of processed dairy products have increased. A Government price stabilization program for milk used in processing was adopted in 1966. This scheme tends to stabilize profits to dairy farmers on a portion of their production, but the prices for fluid milk are controlled at the prefecture level and fluctuate according to local marketing conditions. So far, the erratic price and marketing patterns prevailing for livestock products have hindered the expansion of production, with the exception of eggs, poultry, and pork.

An Egg Price Stabilization Scheme was adopted in 1966. It subsidizes prices to producers who market their eggs through cooperatives and provides subsidies for storage of egg surpluses during low price periods. A controlled marketing scheme for pork was introduced in 1964. It provides for the reduction, or suspension, of a 10 percent import duty on pork when the domestic market price exceeds its fixed price limit and the price of imported pork is higher than the domestic price.

A complex system of control exists for the production and marketing of the major food grains, rice, wheat, and barley. The marketing of all rice, domestic and imported, is controlled by the Food Agency of the Ministry of Agriculture and Forestry. The Agency buys domestic rice at set support prices to producers and regulates sales to consumers through subsidization of consumer retail prices. In an effort to keep payments from the Government's Food Control Special Account within reasonable limits, this policy has resulted in high consumer prices. In 1967 the government's fixed retail price for milled rice to consumers is expected to average 14.4 percent above the 13 cents per pound set in 1966. It is estimated that about 36 percent of the budget of the Ministry of Agriculture and Forestry was directed to the staple food control account to finance the price support program for rice.

The Food Agency, through designated private traders, controls all imports of wheat and purchases domestic wheat at Government-supported prices. There is no legal requirement that local farmers sell their wheat to the Government, but producers generally sell to the Food Agency, as the Government prices tend to be higher than those offered by private commercial buyers. Domestic wheat is marketed by the Government at prices below producer support levels. Wheat imports are marketed at prices substantially above the import prices and tend to offset the losses occurred in the marketing of domestic grain. The Government also purchases and sells domestic and imported barley at fixed prices, as well as regulates supply and demand through price adjustments and control of imports.

To protect soybean and rapeseed producers from competition from imports, a Soybean and Rapeseed Price Subsidy Act was enacted in late 1961. The Government makes deficiency payments to soybean and rapeseed farmers when their produce is marketed through agricultural cooperatives or dealer associations. Lesser amounts of Government control are evidenced in price stabilization and marketing schemes for sugar, rapeseed, potatoes, and raw silk.

Foreign trade: Agricultural imports in recent years have been derived from diverse sources. Numerous considerations are involved in Japan's imports of agricultural products--particularly foods and raw materials for processing. Chief among them are prices, status of trade balances with other countries, development prospects, and future market potential for Japanese manufactures. Quality and price preferences are not always primary determinants in the selection of import sources for certain commodities.

The major portion of the import restrictions still invoked by the Government apply to processed food and agricultural products which compete with domestic production. Government agencies are the sole importers of such essential commodities as wheat, barley, rice, and tobacco.

Imports of food products are subject to quotas or to some form of import allocation. Annual or semiannual quotas are issued for imports of pulses, canned pineapples, peanuts, grapefruit, oranges, canned meats, candies, and black tea. Import licenses are allocated to Japanese trading firms on the basis of the import history for the commodity.

Many of the import commodities of interest to U.S. exporters are subject to Government trading or regulation. For example, dairy products (except natural cheese and nonfat dry milk for school lunch programs), pork, and beef purchases are strictly controlled by the Government's Livestock Improvement Promotion Corporation. Imports of these livestock commodities are permitted only when domestic supplies decline and prices exceed set maximum limits. Wheat and barley are imported under scheduled quota allocations adopted each year by the Food Agency. The Japan Monopoly Corporation exercises complete control over imports of leaf tobacco and tobacco products.

Japan's import tariff is relatively uncomplicated--a one-column structure with single ad valorem rates. Tariffs on major unprocessed agricultural commodities, which are needed to supply consumption requirements, range from medium to low levels when compared with other major importing nations. Import duties on processed food products, however, are considered high, ranging from 15 to 55 percent ad valorem. Tariffs combined with other import restrictions tend to limit importation of foreign processed foods. Import duties on leaf tobacco are 355 percent ad valorem, but are not actually levied because of State trading.

Agricultural concessions granted by Japan in GATT Kennedy Round negotiations were few. Tariff reductions of interest to the United States were made on the following commodities: soybeans, tallow, lard, safflower seed, certain canned fruits, prunes, and miscellaneous feed preparations. In return, Japan will benefit from tariff reductions made by the United States on certain bulbs, nursery stock, flower and vegetable seeds, dried vegetables, certain canned citrus and deciduous fruits, rice wine, castor, sesame and other vegetable seed oils.

Other restrictions applicable to imports are food additive regulations and plant and animal quarantines. The food additive regulations are based on World Health Organization specifications and are strictly enforced. Plant and animal quarantines are in line with U.S. standards.

As of May 1966, Japan had in force some 40 bilateral trade arrangements. About 35 of these agreements provide for Japanese imports of agricultural commodities, chiefly raw materials for processing. As a rule, no quantities are specified in the initial trade negotiations, but quotas and amounts are subject to annual consultation in some agreements.

Both officially and unofficially, Japan trades with Communist countries. Imports of agricultural products from Mainland China have increased rather dramatically under the terms of an "unofficial" agreement which has been in effect from 1961/62 through 1966/67. It is believed this agreement will be extended for another period of years, providing the political unrest in Mainland China does not prevent negotiations. An agreement between Japan and the Soviet Union for the period 1966-70 provides for Japanese imports of 20,000 tons of raw cotton during calendar year 1967.

Japan in recent years has become increasingly involved in international organizations concerned with agricultural development and trade. As a member of OECD, GATT, ECAFE, and the Colombo Plan, and a major contributor to the Asian Development Bank, Japan is playing an active role in the promotion of agricultural development and trade in Southeast Asia. Japan's future policy favors expansion of trade through extension of loans and technology to bolster the economies of poorer countries. This policy is expected to expand the market for Japanese manufactured goods and to widen Japan's sources for agricultural produce. (Mary E. Long)

KOREA, SOUTH

Recent agricultural policies of the Republic of Korea have been guided by two Five-Year Economic Development Plans. The agricultural sector of the First Five-Year Plan (1962-66) aimed at achieving self-sufficiency in food through land reclamation, improved irrigation and erosion control, crop diversification, seed improvement, and increased use of fertilizer and pesticides. The Plan was restricted during its early years by rapid rises in price levels which required significant changes in the implementation of policies. An economic stabilization program featuring currency devaluation in 1964 and tighter credit and financial policies contributed greatly to improved stability and economic growth by the end of the Plan period. South Korea did not achieve self-sufficiency in food production during the First Plan, but did lay a good economic foundation for doing so during the Second Five-Year Economic Development Plan (1967-71). The Second Plan also aims at raising the proportion of irrigated rice paddy fields from 50 percent to 70 percent, adding 279,000 hectares of arable land by terracing, and giving increased attention to growing industrial crops. Import of U.S. P.L. 480 food grains is expected to decline sharply if these goals are achieved.

<u>Cooperatives</u>: The National Agricultural Cooperative Federation (NACF) is the major source of rural institutional credit and is the sole agent of the Government in handling commercial fertilizer supplies. Membership in NACF and its affiliated cooperatives is not mandatory, but farmers consider participation advantageous. The NACF has nine provincial branch offices aiding 132 Special Cooperatives and 139 County Cooperative Federations. The County Cooperative Federations are comprised of 17,600 cooperatives, with a total membership of

2.2 million farmers. As an agent of the Government, NACF is directly associated with such programs as the rice-fertilizer barter program, corn and sweetpotato price support purchase programs, grain acquisition program, dairy cow importation, and anti-usurious debt financing program. It also assists the Ministry of Agriculture and Forestry in research and agricultural statistics. Other groups supporting national agricultural policy are the Provincial Office of Rural Development and the Union of Land Improvement Associations.

Foreign trade: Korean export policy aims chiefly at promoting rapid development of foreign markets for Korean industrial products. Manufacturing firms shifting toward export markets are accorded privileges, such as special import allocations, exemption from import duties, tax benefits, low interest loans, and subsidies. Firms developing new overseas markets enjoy a 6 months' export monopoly of goods to that area. The Korean Trade Promotion Corporation (KOTRA) assists exporters through overseas market surveys and by promoting exhibits of Korean goods.

South Korean import policy aims at protecting the country's international reserves while servicing the needs of its expanding industries. Import categories are listed under the following titles: (1) Automatic Approval Items, (2) Semirestricted Items (normally approved items which are restricted because they are from countries with which Korea has an excessive deficit trade balance), and (3) Unspecified Items. The last group contains items which remain prohibited until considered for approval by the Ministry of Commerce and Industry. Import policies of the Republic of Korea are becoming increasingly liberal.

Korea became a full contracting party to the General Agreement on Tariffs and Trade (GATT) on April 14, 1967. (William Logan)

MALAYSIA

Caught between sagging prices of rubber exports and rising costs of imported rice, Malaysian policy makers have devised a many faceted attack to break out of the squeeze.

Malaysian rubber provides 40 percent of the world supply and is the country's top earner of foreign exchange. Although 70 percent of the people of Malaysia live and work in rural areas, they produce only two-thirds of their rice needs--the rest must be imported.

The First Five-Year Development Plan (1966-70) sets aside for agriculture about 25 percent of the entire $1.5 billion approved for public expenditures. Under the Plan, the agricultural sector also will receive major benefits from the 34 percent allocated for transportation, utilities, and communications, and the 21 percent designated for education, health, and social services.

Declining natural rubber prices are attributed, for the most part, to rising sales of synthetics. To make natural rubber more competitive by lowering production costs, the Malaysia Plan subsidizes the planting of higher yielding trees. (Estate yields of rubber climbed from 675 pounds per acre in 1960 to 850 pounds in 1965.) At the same time, the new Plan seeks to reduce the nation's dependence on rubber by pushing for diversification of crops. Present emphasis is on oil palms and pineapples.

The chief hope of attaining self-sufficiency in rice production lies in opening new land and providing more irrigation water for farms already in single-crop paddy. This is expected to result in a large increase in land suitable for double cropping. In the last decade, scores of small village-level programs assisted by the Central Government have increased the potential double-cropping area from 6,000 acres to 100,000 acres. Under the new Plan, two vast irrigation projects--one already started with help from a World Bank loan of $45 million--will provide water for two crops on more than 300,000 acres, with completion scheduled within 4 years.

Side by side with planting subsidies and irrigation is the projected reclamation of 150,000 acres of new agricultural land from jungle, swamp, and grassland. When cleared, 70 percent of the area will be planted to cash crops--mostly oil palms. The rest of the area will be put into food crops. After completion of all-weather access roads, village housing, shops, schools, health clinics, and other amenities, 15,000 farm families, totaling 90,000 people, will be moved in. This single development will accommodate almost three-fourths as many settlers as the 60 small projects opened in the past 11 years (21,000 families).

The success of Malaysia's earlier efforts to expand the cultivation of oil palms is reflected in the fast-rising output of palm oil, which is rapidly becoming a major export item. Production increased steadily from 93,200 tons in 1961 to 198,000 tons in 1966--a gain of 112 percent in 5 years.

The agricultural program will be rounded out by helping the primitive livestock industry, bolstering the extension service to assist farmers with day-to-day problems, upgrading crop research, increasing agricultural education facilities at both the secondary school and college level, and improving marketing facilities.

Proposed private sector expenditures of $2 billion over the 5 years of the Plan will be used primarily to accelerate growth of new industries, one of the most promising of which is food processing.

The greatest threat to success of the well-planned development program lies in Malaysia's mounting financial problems. The overall 1966 national budget (including development) showed a deficit of $190 million. The deficit stemmed in large part from increased costs of supporting security forces following substantial withdrawal of British troops after "confrontation" ended. Falling prices received for vital rubber and tin exports, and less financial support than anticipated from overseas, were also contributing factors.

By the end of 1966, Malaysia had completed construction of mills which made the country self-sufficient in the processing of wheat flour. To protect the pioneer industry, the Government imposed a quota on traders limiting them to only 1 percent of their 1962 flour imports.

Primarily as a means of increasing revenue, Malaysia withdrew Commonwealth preferential treatment and imposed full import duties on a number of agricultural commodities, including prepared or preserved vegetables (other than infant food), sugar, unmanufactured tobacco and manufactured tobacco packed for retail sales, cigars, cigarettes, and snuff. The Government also moved to make fully effective its existing embargo on imports from South Africa (chiefly, fruits and feedgrains) and from Rhodesia (mostly tobacco). (Goodloe Barry)

NEW ZEALAND

Policy decisions in New Zealand in 1967 have been motivated by a worsening in the balance-of-payments situation. A sharp decline in the price of wool and lowered receipts from the three major export commodities--wool, dairy products, and meat--have necessitated corrective measures. In an effort to halt inflation and adjust deficits in public spending, the Government abolished payments on butter and wheat flour. Free milk schemes for schools were terminated.

Development: The high degree to which New Zealand's economy depends on agriculture gives farm policy a special priority in Government planning. With exports of dairy products, wool, and meat accounting for over 90 percent of foreign exchange earnings, emphasis is placed on development of grassland areas and livestock production. The semiofficial authorization of New Zealand's marketing groups for agricultural produce closely aligns the Government with commercial interests. Government representatives are included in the membership of the principal commodity boards and help to influence trade policies.

Elements of policy which have contributed to the outstanding growth of agriculture during the past 20 years have been pasture development through aerial fertilizing, seeding, and fencing; mechanization; wider use of fertilizers in conjunction with trace elements; and improved extension services, livestock breeding, and disease control. To offset labor shortages, there has been a substantial growth of contract services by farmers for such jobs as fertilizing, transport, ditch cleaning, hedge cutting, harvesting, and sheep dipping and shearing.

The growth in farm output has also been achieved by liberal capital investment. In a country with high living standards, such as New Zealand, a great amount of capital results from farmers' reinvestment of profits. The Government encourages farm investment through various tax deductions, guaranteed price schemes, subsidies on wheat and fertilizer transport, eradication of rabbits, and weed control.

The New Zealand Land Survey Department develops virgin land by clearing, seeding, stocking, building houses, and by making other necessary improvements. Holdings are then sold to qualified farmers under favorable long-term purchase arrangements. The actual land purchases and credit arrangements are administered through the State Advances Corporation and the Marginal Lands Board.

The current livestock expansion policy was developed in 1964. It provides targeted increases in livestock numbers through 1973. The average annual rate of increase, set at 3.5 percent, has been realized. This increase in livestock was considered necessary to provide an annual 4 percent increase in the production of livestock products for export. The Agricultural Production Council was established to supervise implementation of the program provisions and to make a periodic review of the progress made toward realization of the livestock targets.

In the expansion of agriculture over the years, farmers have benefited from Government tax incentives. These allowances take the form of prorated deductions for capital investment in land improvements, depreciation allowances for farm equipment and buildings, low valuations for livestock, farm income equalization schemes, and amortization of lime and fertilizer expenditures for tax purposes over 4-year periods.

Price stabilization: Basic fixed prices for butterfat are paid to producers. These prices are determined annually by the Dairy Products Price Authority in consultation with the New Zealand Dairy Board and the Minister of Agriculture. A levy on dairy exports during periods of relatively high prices provides funds for deficiency payments to producers when market prices are below the cost of production. Because of the depressed prices for butter and cheese in the United Kingdom market, policy, in recent years, has emphasized the output of dried and evaporated milk, frozen cream, whole milk products, and casein.

Government-guaranteed prices for wheat are set for both South Island and North Island producers each year. Additional premium payments are made on certain varieties of wheat to encourage quality in deliveries. Consumer subsidies on bottled milk, sugar, and eggs are still in effect. Guaranteed price programs, other than direct subsidies, apply to dairy products, meats, wool, tobacco, hops, and eggs.

Egg production, since 1966, has been regulated by a contract scheme. This scheme endeavors to limit production to domestic consumption requirements. Under the Egg Marketing Authority, future egg prices are expected to fluctuate according to the general supply situation.

Wool is marketed at auctions, but prices are stabilized. When auction prices fall below set floor levels, a Wool Commission is authorized to buy the wool at the floor price. The Commission then holds the wool for future sale in either New Zealand or London. The floor price for wool was set at $0.42 per pound for 1966/67. The Wool Commission is taking over large quantities of wool in the current season.

Commodity boards: Marketing of most agricultural commodities is maintained through commodity organizations which are subject to Government statutory regulations. The Dairy Board, Meat Producers Board, Apple and Pear Board, and Honey Marketing Authority engage in export and domestic trade. Fruit Distributors, Ltd. and the Wheat Board are the sole importers of fruits and wheat and regulate all domestic marketing functions of their imported commodities.

Tobacco production is regulated by a board which sets contract acreages and production goals for producers. In this way, a supply of quality leaf tobacco at set price scales is maintained for processors. The level of imports is maintained by a mixing regulation. Although manufacturers are legally compelled to use 30 percent of domestic leaf as the result of GATT tariff negotiations, voluntary usages by manufacturers during the 1960's have averaged nearer 50 percent.

Foreign trade: Because of New Zealand's chronic balance-of-payments deficit, the Government relies heavily upon import licensing based on controlled foreign exchange allocations. Only about one-third of total imports are exempt from licensing. Among the agricultural commodities of interest to U.S. exporters, and subject to licensing in 1967/68, are oranges, nuts, canned fruits, and fruit and vegetable juices. Other commodities include rice, grain sorghum, canned poultry, vegetable oils, oilseeds, and planting seeds.

A new customs tariff based on the Brussels nomenclature was introduced on July 1, 1967. It provides for preferential tariffs which apply to most agricultural imports from Commonwealth sources.

New Zealand was disappointed in the results of the multilateral negotiations in the Kennedy Round which failed to produce a marketing arrangement for dairy products. Of the few agricultural concessions made by New Zealand on a bilateral basis, those of chief interest to the United States were reductions in duties on hog casings, oranges, raisins, and dried beans.

The main agricultural concessions granted by the United States to New Zealand are tariff reductions on chilled frozen lamb, specified clover seeds, dried split peas, fresh apples, and wool less than 40's (other than carpet wools).

New Zealand also will profit from concessions granted by Japan on tallow, hides and skins, mutton, and a "free" binding on wool.

Imports of plants, livestock, livestock products, and certain processed foodstuffs are subject to strict quarantine regulation. Imports are permitted from disease-free areas only under special certification.

Trade with the United Kingdom was formalized in a bilateral arrangement signed by the United Kingdom and New Zealand Governments in November 1966. This new negotiation extends the 1959 agreement through 1970. It also provides for unlimited amounts of New Zealand's meat, dairy products (with the exception of butter), apples, and pears to enter the United Kingdom market until September 1972.

Until such time as intergovernmental quota arrangements for United Kingdom imports of butter are terminated, or until 1972, the United Kingdom will permit a minimum of 173,000 tons of New Zealand butter to enter duty free.

A New Zealand-Australia Free Trade pact became effective in January 1966. It is contemplated by the terms of this arrangement that all trade between the two countries will be duty free by 1975. Agricultural commodities of interest to the United States, for which New Zealand receives special concessions in the Australian market, are dried and frozen vegetables, unshelled peanuts, specified dairy products, alfalfa meal, horticultural stock, and vegetable, grain, and flower seeds.

New Zealand has for some time been engaged in a program of market diversification for its agricultural products in an effort to lessen dependence on the United Kingdom as a major marketing outlet. In late 1966, legislation was adopted which provides for penalty levies on lamb exports. In the event exports of New Zealand lamb to markets outside the United Kingdom fail to reach 10 percent of total slaughterings in 1966/67, a penalty of 3.5 cents per pound will be imposed on lamb exporters.

The Government has been involved in aid and technical assistance programs under the United Nations and the Colombo Plan. In recent years, considerable developmental aid has been given to the South Pacific Islands, particularly Niue, Cook Islands, and Western Samoa. New Zealand has assumed direct or indirect responsibility for the welfare of these areas. (Mary E. Long)

PAKISTAN

Pakistan's efforts to provide ample food for a rapidly growing population dominate the agricultural policy of the country. Small, largely subsistence farms produce most of the food and other agricultural products. However, as urban and rural populations have expanded rapidly in recent years, supplies of foodstuffs being produced and placed in marketing channels have not kept pace. Consequently, imports of food items to supply urban consumers have been on an upward trend. Wheat has made up a large proportion of these imports, most of which have been financed under P.L. 480. Government policy is now directed toward increasing domestic production and supplies entering marketing channels in order to reverse the import trend. Another recent policy development is to seek to reduce the proportion of grains being financed under P.L. 480, or on other concessional terms from foreign governments, and to rely more heavily on commercial purchases from abroad.

Development: Agricultural development received top priority in Pakistan's Third Five-Year Plan which ends in 1970. Increased production of wheat and rice are major goals. Large production gains are expected from the use of high-yielding varieties of wheat from Mexico, rice from the International Rice Research Institute in the Philippines, and corn from the United States, all combined with more fertilizers and expanded irrigation. Investments in agriculture and industries related to the rural economy will account for about half the total investment during the Third Five-Year Plan.

Numerous projects designed to expand the irrigated area are currently underway in Pakistan. These projects are being financed largely by international organizations and foreign governments. The giant Mangla Dam will be completed in West Pakistan this year, 1 year ahead of schedule. This project is expected to eventually provide 13 million acres of cropland with water from the Indus river. Government policy is designed to encourage private investment in tube wells in West Pakistan and pumps for the lifting of irrigation water from rivers and smaller streams in East Pakistan. Pumps and other small-scale irrigation equipment are now being manufactured in considerable volume with Government encouragement and assistance. The policy of expanding the area under irrigation has resulted in a substantially increased potential for farm production in Pakistan.

Capital inputs: A massive expansion of the fertilizer industry through all feasible means has become a major policy goal. Both foreign and domestic private investment in this industry is being encouraged. A large fertilizer factory financed by a U.S. firm is nearing completion at Mari in West Pakistan. Plans are underway for a fertilizer factory at Ghorashal in East Pakistan with Japanese backing. Other foreign firms are looking into the possibility of establishing fertilizer factories in Pakistan with the help and encouragement of the Government. The Government hopes, by giving stimulus to the building of these factories, to bring about a rapid increase in the availability of plant nutrients to the farmers of Pakistan. Fertilizer production policy is designed to boost farm production and income, save foreign exchange by reducing fertilizer imports, and eventually, perhaps, even to earn foreign exchange by the export of fertilizer to other countries in the region.

The Government is actively fostering both foreign and Pakistani private investments in factories to manufacture insecticides and other capital goods needed in agriculture. Food and other processing plants utilizing farm products are also being promoted. In addition, private enterprise is being encouraged to expand its operations in the development, reproduction, and distribution of improved seeds. Fiscal incentives and concessions, tax holidays, and assistance in obtaining credit are designed by the Government to help stimulate both domestic and foreign investments.

Foreign trade: Traditionally, most of Pakistan's foreign trade has been carried on with a few Western and neighboring Asian countries. In recent years, particularly since the 1965 hostilities with India, the Government has pursued a policy of diversifying foreign trade outlets and sources to the maximum extent feasible. Particular emphasis has been placed on expanding trade with Communist countries. In consequence, trade with the Soviet Union, Eastern European countries, and Mainland China has developed from a very low base. This expansion has, in most cases, taken place under the auspices of formal trade agreements.

Since 1963, the Soviet Union has developed into a major market for Pakistan's jute, cotton textiles, wool, and long grain rice. Farm machinery, pig iron, and factory equipment are some of the major imports from the Soviet Union. Pakistan's exports to the Soviet Union reached $14.2 million in fiscal year 1966. The latest trade agreement between the two countries, signed April 7, 1966, visualizes expanded trade in both directions. Pakistan expects to export increased quantities of jute and jute products, cotton textiles, leather goods, and tropical agricultural products. From the Soviet Union, Pakistan will import, in addition to the items mentioned above, fertilizers, wheat, farm machinery, and irrigation equipment.

The first trade agreement between Pakistan and Poland was signed on May 6, 1965. Exports to Poland in fiscal year 1966 were valued at $10 million and consisted largely of jute and cotton. Chief imports were textile machinery, construction and mining equipment, and dairy products.

On March 7, 1966, Pakistan signed a trade agreement with Mainland China to export jute and cotton in exchange for 100,000 tons of rice. A rapid expansion in trade with Mainland China in numerous other items is planned.

Other Communist countries with which Pakistan has formal trade agreements include Czechoslovakia, Bulgaria, and Hungary. Czechoslovakia has supplied tractors, tools, and farm chemicals in exchange for jute, cotton, and textiles.

In addition to the Communist countries, Pakistan has recently entered into trade agreements with Australia, Indonesia, and Jordan. A three-way trade arrangement with Australia provides for the importation of Australian wheat in exchange for Pakistani jute products to be resold in third countries. Plans call for the lowering of import duties among the RCD countries (Turkey, Iran, and Pakistan).

Due to foreign exchange difficulties which it has encountered through the years, Pakistan has found it necessary to follow a policy of maintaining rather strict controls over exports and imports and the expenditure of foreign exchange. The Government requires private exporters to deposit foreign currency in local banks and exchange it for Pakistan rupees. As an incentive to export, the shippers of some commodities are permitted to retain a portion of the foreign exchange they earn. For example, rice exporters may keep 20 percent of the foreign exchange earned. Foreign exchange thus acquired may be resold. Since, at the official rate, the Pakistan rupee is considerably overvalued in relation to fully convertible currencies, such exchange can be sold at a substantial premium.

Both export and import duties are levied on various agricultural products. However, there are no import duties on wheat, tallow, dairy products, or fertilizers. The duty on imports of vegetable oils is 20 percent ad valorem. The import duty on leaf tobacco is the equivalent of $1.89 per pound, whereas for cotton it is only the equivalent of $0.03 per pound. Import duties are designed both to protect domestic production and to raise revenue. Export duties are designed entirely for revenue purposes. The export duty on jute is the equivalent of $4.20 per bale and, for cotton, the equivalent of $21.00 per bale.

The Government maintains a monopoly on the importation of wheat. Most other food grains are also imported on Government account. Imported feedgrains are distributed by the Government to urban areas as they are needed. Most imports of tobacco and cotton are handled by private trade.

Foreign aid: It has been the policy of the Government of Pakistan to actively seek foreign and international economic assistance. Over the past 15 years, the major source of such aid has been the United States. Under P.L. 480, imports of agricultural commodities, principally wheat, have grown in importance over the years.

A consortium was set up in 1960 under the IBRD. This consortium, which consists of the United States, United Kingdom, Japan, Canada, Belgium, France, Federal Republic of Germany, Italy, and the Netherlands, now provides most of the foreign economic assistance going to Pakistan. A very substantial part of such assistance is designed to increase agricultural production. Much aid is going into irrigation projects. Over the past 2 years, Pakistan has more actively sought foreign assistance from Communist countries. To date, such aid has amounted to about $290 million, consisting mostly of machinery and equipment for the development of agricultural industries. (John B. Parker)

PHILIPPINES

Policy planners in the Philippines have assigned high priority to increasing the productivity of the primitive agricultural sector, which contains two-thirds of the nation's population but earns only one-third of the income. If the policy can be implemented successfully, numerous benefits are forecast for the overall economy:

(1) With higher incomes, farmers will provide a mass market for the products of new domestic industries now struggling for survival.

(2) With more efficient use of the land, resources will be released for investment elsewhere.

(3) With expanded output of food crops, the people will be better fed and costly imports can be reduced.

(4) With greater production of commercial crops, export earnings can be increased.

Basic problems now burdening the economy include a population growth rate of 3.2 percent, one of the highest in the world; mounting unemployment, which approximates 12 percent of the labor force when the underemployed are converted to an equivalent number of fully unemployed; the rising cost of mechanized equipment and other leading imports; and the contrasting declining prices of exported basic agricultural and mineral products.

The most frustrating problem of all is the continuing failure to attain self-sufficiency in the production of rice. In recent years, annual imports of 100,000 tons to almost 600,000 tons have been required to provide an adequate supply. Although an increase of more than 3 percent a year is necessary just to keep even with population growth, the 1966/67 crop was estimated at a scant 2 percent above the previous year.

Although the soil and climate compare well with those of other countries in the region, the yield of rice in the Philippines is among the lowest in Asia and has shown no upward trend in recent years. Increases in production have been attributed, for the most part, to expanded planting areas.

Production development programs: The first major measure passed in 1966 by the new Congress reflected the concern of the Administration over the low harvests. This measure sought to stimulate farmers to increase production by raising the floor price for Government purchases of paddy from 12.50 pesos ($3.21) to not less than 16 pesos ($4.10) per sack of 44 kilograms, and shelled corn from 8 pesos ($2.05) to 13 pesos ($3.33) per sack of 56 kilograms. By the time procurement details were worked out, the main harvest of 1966 had already moved into commercial channels, and the influence of the new prices could not be assessed.

The Four-Year (1967-70) Economic Program for the Philippines points up the determination of the Government to boost the harvest levels. Although only 25 percent of the Government's $950 million share of all program expenditures was assigned directly to agriculture, another 43 percent contained in the public works schedule will be of primary benefit to the rural economy. These items include improvement of highways and railroads, rural electrification, river control, construction of schools, and community development projects.

Support of varied facets of land reform takes a large portion of the direct allocation to agriculture. The Land Authority Capital Program aims to convert 75 percent of the 400,000 share tenants on 1 million hectares of rice land to a leasehold status by 1970. In general, cash rents will be restricted to approximately one-fourth of the value of the crop.

In another phase of land reform, the goal is purchase of 91,000 hectares from large estates for distribution to 30,000 leaseholders, who then would become independent farmers. In the 4 years following 1970, the target is procurement of another 100,000 hectares for 34,000 leaseholders. The report states that 67,000 farmers, already settled on new lands, have steadily increased production at a rate of about 7.5 percent a year.

Bolstering the tenure provisions of land reform are two credit programs aimed at raising both production and income in a dozen priority provinces. Short-term credits for purchase of fertilizer and pesticides were promised 435,000 farmers working 930,000 hectares. Planners estimated a near doubling of output and a return of more than 40 percent on the additional investment by the farmers.

Liberal medium-term credits were listed for the purchase of irrigation pumps, small tractors, and modern farm implements by farmers on 145,000 hectares. Limited mechanization of operations on this land was calculated to cut production costs 50 percent. The main weakness in the credit programs seems to lie in heavy dependence on foreign loans for funding. In a related effort to encourage mechanization, the duty on imported small tractors was halved.

Of a total of 330,000 hectares of prime riceland in the national gravity irrigation system, less than 240,000 hectares are receiving water and this supply is often inadequate. Top priority has been allotted to a crash program to repair the breaks and dredge the silt in order to restore reliable service to the entire area. Further, scheduled early completion of 11 projects already under construction, but progressing slowly because of inadequate financial support, would add 83,000 hectares to the gravity-fed irrigation area. If timetables for rehabilitation and completion of projects can be maintained, work will be started on a dozen new irrigation projects with a planned coverage of 59,000 hectares. Help also will be given to community pump irrigation ventures.

To reduce the loss of rice after harvest, the planners propose to replace or rehabilitate about 2,000 primitive mills now in operation. In extreme cases, it was reported, new mills can improve the rate of recovery by as much as 20 percent.

Foreign trade: The Government policy to encourage and assist agricultural production is reinforced by foreign trade regulations to reduce or eliminate competition of commodities from overseas. Tariffs also are adjusted to protect domestic industries which process agricultural products.

Imports of rice and corn are banned unless the National Economic Council certifies a shortage. In recent years, such action has become almost routine in the case of rice. For calendar 1967, the domestic supply deficit was set initially at 200,000 tons of rice, and importation of an additional 150,000 tons was recommended to stabilize prices to consumers. There were indications these figures might be raised.

During almost a half century under the American flag and the early years following independence, the Philippines enjoyed virtual free trade with the United States, its best market and leading supplier. Since 1955, trade between the two countries has been governed by the Laurel-Langley Agreement, which provides for gradually diminishing mutual preferences to both the United States and the Philippines. This pact specifies:

(1) Absolute quotas in the U.S. market for Philippine sugar and cordage. These quotas may not be exceeded.

(2) Tariff quotas in the U.S. market for Philippine cigars, cigar filler and scrap tobacco, coconut oil, and buttons of pearl or shell. The regular duty must be paid on shipments in excess of quotas.

(3) A declining exemption from payment of normal duties in both countries, with the U.S. preference decreasing faster than Philippine preferences. In 1967, U.S. products imported into the Philippines were subject to 90 percent of the regular duty, while Philippine products entering this country were assessed 40 percent of our established duty.

In a major revision of the Philippine customs regulations in December 1965, the tariff on all wheat flour was raised from about 5 percent to 15 percent ad valorem for bakery flour, and to 25 percent on specialty flours. Although U.S. exports of flour to the Philippines have declined, shipments of wheat to the new flour mills have increased. In further protecting this fledgling industry, the Philippine Government imposed antidumping penalties against Taiwan and Hong Kong traders accused of selling flour in Manila below the level of their own domestic prices.

In another manipulation of the tariff provisions to improve the economy, the Government cut the duty on cigarettes from $5 per kilo (about 1,000 pieces) and 100 percent ad valorem, to $2.50 per kilo and 50 percent ad valorem. The aim was to bring down the prices of legitimate, duty-paying imports to levels more competitive with smuggled cigarettes, which evade duty payments.

High import duties restrict U.S. sales of soybeans, tallow, poultry products, fruit products--especially jams and jellies, vegetable products, and many other processed foods.

The Philippines, in the closing days of 1966, signed a P.L. 480 agreement in which the United States granted a long-term credit of $20 million for the purchase and import of 82,000 bales of cotton, 50,000 tons of feedgrains, and 4,000 tons of leaf tobacco. In the past 15 years, more than half of the AID programs, totaling $400 million, have been financed by surplus U.S. agricultural commodities. (Goodloe Barry)

TAIWAN

Agricultural policies in Taiwan since 1953 have been designed to support a series of four Four-Year Economic Development Plans. The broad goals of each of these Plans have been (1) to increase food production for domestic consumption, (2) to provide larger and more diversified agricultural exports, and (3) to develop an agricultural processing industry to create employment and increased rural income. The average annual growth of agriculture during the plan periods was: 1953-56, 6.2 percent; 1957-60, 5 percent; 1961-64, 6.4 percent. The planned annual growth rate for agriculture during the fourth plan (1965-68) is 4.1 percent, but this is regarded as quite conservative.

Important factors sustaining these high growth rates were land reform, technological advances, and the development of farmers' organizations. As a result of the 1953 Land-to-the Tillers Act, 87 percent of farmers now own and till their own farms. Technological advances achieved in Taiwan allow farmers to plant new crops, use better seeds, and to have access to improved pesticides and greater amounts of fertilizer. The Government has also helped greatly in providing irrigation to crop lands. Farmers' associations permeate Taiwan's 360 townships and aid in storage, credit, and agricultural extension. There are 3,500 monthly extension courses attended by over 600,000 farmers.

A unified agricultural credit program operates through the credit department of farmers' associations with funds provided by the Joint Commission on Rural Reconstruction (JCRR). Farmers can obtain loans from their associations for crops or farm improvements. Banks and public agricultural enterprises also extend loans to farmers.

To aid in marketing, organizations, such as the farmers' associations and the fruit and vegetable marketing cooperatives, provide a link between farmers, Government agencies, and buyers. These groups aid in storage, transportation, and price stability. Farmers' associations supply farmers, except those engaged in sugarcane and tobacco production, with their fertilizer needs. Fertilizers received by rice producers are frequently paid for with paddy at the time of harvest.

Taiwan has fostered a vigorous and highly successful agricultural export program. By helping farmers obtain good prices for their products, total production of a variety of export commodities has increased. Prior to 1963, banana growers received less than 50 percent of the profits of export sales. Changes in the marketing structure increased the farmer's share to 70 percent, and production moved up sharply to a point where bananas are currently the principal agricultural export product.

Legislation, enacted in 1965, created the Kaoshiung Export Processing Administration (KEPZA). Objectives of KEPZA are (1) to promote export industries, (2) to attract domestic and foreign investment, (3) to create new local employment, and (4) to bring in new production techniques from overseas investors. KEPZA, authorized to represent the Government in all trade matters, operates with a centralized administration to help foreign investors solve problems relating to land, labor, registration, taxes, construction, power, foreign exchange, custom inspection and clearance procedures, and import and export licenses. By 1968, KEPZA plans to have attracted 120 export factories and to have created a total annual export value of at least $72 million.

Export controls operating outside of KEPZA serve to prevent export of essential consumer goods, restrict export of commodities in short supply, and to give the Government access to foreign exchange earnings. Exports of approved items do not require licensing, but shipments to Communist countries are prohibited.

Taiwan is virtually self-supporting in all agricultural products except cotton, wheat, feedgrains, and protein meal.

A selective import policy, which ranks imports as "permissible, controlled, or prohibited," is regulated by licensing under the direction of the Foreign Exchange and Trade Control Commission (FETCC). Special licensing is required to import goods which would compete with local manufacture. (William Logan)

THAILAND

The goals of the agricultural policy of Thailand are to increase productivity, develop rural areas, conserve natural resources, and diversify farm production. Policy is based on free export trade, a growing awareness of the importance of the farmer in the economy, and the need to increase export earnings.

Much credit for Thailand's current prosperity is due to the wise formation and administration of the First Five-Year National Economic Development Plan (1961-67). A second plan, covering the period 1967-71, aims at resolving problems experienced in the First Plan, while accelerating growth and diversification. During the First Plan, the annual rate of growth of gross domestic product was 7.2 percent, and per capita income rose almost 4 percent per year. Agriculture's contribution to gross domestic product during this period decreased from 38 percent in 1961 to 32 percent in 1966. The Second Five-Year Plan aims to increase the annual rate of growth to 8.5 percent per year, and to increase personal income 5 percent each year. The agricultural sector is expected to grow 4.5 percent per year, but agriculture's contribution to the gross domestic product is expected to decrease to 27 percent by 1971. To achieve the goals of the Second Five-Year Plan, Government development expenditures will be twice those allocated during the First Five-Year Plan.

Historically, Thai farmers have been subject to a buyers' market, a situation which has frequently resulted in low farmer income. With the progress of diversification and increased concern for rural welfare, the Government sponsored price guarantees for corn and kenaf in 1964, cotton in 1965, and rice in 1966. The Public Warehouse Organization of the Ministry of Economic Affairs manages these programs.

The price programs for cotton, corn, and kenaf are put into effect when a price below the Government guarantee is being offered by buyers in any particular region. Usually the mere presence of Government purchase agents is enough to cause the price to rise above the stabilization level. For rice, the floor price is nationwide, but it is seldon necessary for the Government to make purchases because foreign demand has kept prices high. From Government accumulation of commodity stocks, releases are made (1) to supply domestic consumers when internal prices are officially considered too high and (2) to help fill government-to-government contracts when regular trade channels are not able to supply demand. Price guarantees have served to increase production and create more orderly market conditions.

There are no direct support payments on crop or livestock production. There is, however, a livestock artificial insemination assistance program which provides service at a very nominal cost. Fertilizers for rice farmers belonging to Farm Clubs are subsidized. In case of pest outbreaks, the Government sprays or vaccinates without charge to farmers.

These are no compulsory delivery systems for crops nor are markets organized. Marketing contracts have long been utilized by tobacco producers in their relations with the Thai Tobacco Monopoly, however, and these farmers are among the most prosperous in Thailand. In 1966, several exporting firms attempted to organize corn producers and assure supply by offering advanced payment at the time of planting.

An Agricultural and Cooperatives Bank was instituted in seven provinces in late 1966 to make production loans at reasonable interest to farmers in organized groups. The Bangkok Bank, a commercial firm, has a farm loan program. Various agricultural business firms also provide assistance as part of their sales programs.

There is no discrimination regarding Free World trading partners. Bilateral trade agreements are in existence with 20 countries, including the United States. None of these adversely affect trade with the United States. Trade with Mainland China, North Korea, and North Vietnam is prohibited.

Quantitative controls are applied to tobacco imports. The Thai Tobacco Monopoly is the only legal leaf and manufactured tobacco products importer. Importers of coffee and tea are required to purchase domestic product at the rate of 15 percent of imported volume.

Thailand is the world's largest exporter of rice, and rice is the principal export item of the country. Export prices are set by the Rice Price Commission. Shippers are permitted to quote prices 3 percent below those set by the Government.

Thailand has a bilateral trade arrangement with Japan which assures a market in that country for all of Thailand's exportable surplus of feedgrains. Otherwise, Thailand receives no special trade concession from any country. Slight price concessions are granted on some government-to-government rice sales. Countries purchasing all or most of their rice from Thailand are offered a rebate. (William Logan)

VIET NAM, SOUTH

South Viet Nam's current agricultural policies grew out of national reconstruction programs sponsored during the 1950's. The First Five-Year Plan

(1957-61), which consisted essentially of projected economic priorities, did not become a comprehensive economic development program. Under the Plan, the agricultural sector received major attention, with the expectation of putting back into cultivation land which had not been planted for several years. The Government also intended to expand the country's agricultural base by opening new land in the highlands. Improvement and expansion of irrigation facilities was planned to parallel these efforts.

Other programs of special significance during this period were the initiation of agrarian reform and the establishment of the National Agricultural Credit Office (NACO). Seven categories of cooperatives (rice, agriculture, forestry, livestock, fishery, handicrafts, and consumer) were bolstered by Government assistance and legislation. Implementation of Government policies to improve agriculture and the well-being of the population were curtailed by Viet Cong hostilities. President Diem conceded in October 1961, "It is no longer a guerrilla war we have to deal with, but a real war, waged by an enemy who attacks us with regular units..." Under these circumstances, agricultural planning faltered.

A Second Five-Year Plan (1962-66) evolved from programs announced during the previous year's election campaigns. The plan stressed extension of agricultural credit, improvement of rural transportation routes and irrigation facilities, and self-sufficiency in fertilizers. Emphasis was placed on increasing planted areas and yields of South Viet Nam's principal export products, rice and rubber. Attention was also given to diversifying crop production to reduce agricultural imports. The funding and implementation of the Plan was based on the belief that national security would greatly improve. Hostilities increased markedly during this period, however, and the goals envisioned in 1962 could not be achieved.

During the Plan periods, the Government received a great deal of external assistance (principally from the United States) which was designed to support rural and agricultural programs. By 1967, 30 nations under the Free World Assistance Program had aided Viet Nam with a wide variety of programs. These range from sponsoring Vietnamese students and technicians for study abroad to the assignment of foreign technicians to work hand in hand with Viet Nam's farmers. U.S. assistance is under the direction of the Agency for International Development (AID). The U.S. Department of Agriculture contributes significantly to projects on credit and cooperatives, irrigation and rural engineering, plant and seed multiplication, and forestry. The USDA will also supply technicians to advise and assist the provincial staffs of South Viet Nam's Ministry of Agriculture.

Agricultural production declined in response to the severity of hostilities, and traditional marketing procedures have suffered. Price controls cover essential foods produced domestically as well as those which are imported. The Government has tried to stimulate agricultural exports with subsidies, but this incentive has not overcome the effects of hostilities. Imports require licenses, but fertilizers, raw materials, certain foods, and capital goods are duty free or subsidized. The United States provides almost 50 percent of South Viet Nam's imports. Most food imports arrive under the P.L. 480 (Food for Peace) program. (William Logan)

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