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INTERNATIONAL
JOURNAL OF
AGRARIAN AFFAIRS
Vol. V, No. 3, December 1967

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Reports of Discussion Groups at the International Conference of Agricultural Economists Sydney, August 1967

Produced by the
University of Oxford Institute of Agrarian Affairs
in conjunction with the International Association
of Agricultural Economists

Price 10s. 6d. net
OXFORD UNIVERSITY PRESS
LONDON

GROUP I. INTERNATIONAL TRADE POLICY

Chairman: J. N. Lewis, *Australia* *Secretary:* K. R. Krause, *U.S.A.*

Consultants:

J. H. Park, *Korea* F. Shefrin, *Canada*

After reviewing the outcome of the recently completed Kennedy Round, the group concluded that there had been progress in reducing tariff barriers to trade in individual products but that the gains in international trade in agricultural commodities were minor ones. Non-tariff barriers to trade were of greater importance than tariff barriers. It seems that nations were not willing to place their national price and supply policies for agriculture on the negotiating table in the same way as they placed tariff arrangements. The feasibility was discussed of a mechanism for the more systematic international review of national agricultural price and income policies and their implications for trading opportunities. The force of many of the arguments for agricultural protection was recognized although the continued movement of labour out of agriculture in the developed countries may lead to a moderation of the political reasons for protectionism.

The role of international trade in economic development and the various means by which increased trade earnings could be achieved by the less developed countries were discussed. The possible use of tariff preferences, the relevance of experience with British preferences and the lack of economic analysis and evaluation of this experience were mentioned.

The new principles applied to food aid activities appear to overcome some of the obvious weaknesses of earlier surplus disposal programmes. However, food aid may still be seen as a method of escaping unresolved problems of adjustments in resource allocation in some countries. Although food aid appears to have retarded economic development in some recipient countries by depressing producer returns, in other countries, such as Korea, when used as a development resource it has fostered economic development. Thus there is a need for developed countries to examine their domestic agricultural policies closely from the viewpoint of what they are attempting to accomplish domestically as well as in underdeveloped countries.

The bases for an optimum rate of economic development in any country are (i) an efficient price system, (ii) a supply of high marginal product inputs, (iii) the development of sources of high payoff inputs,

GROUP 1. INTERNATIONAL TRADE POLICY

Front row, left to right:

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Back row, left to right:

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T. K. Warley, *U.K.*
J. Horring, *Netherlands*

Other members of group:

G. D. Chislett, *Australia*
C. Clark, *U.K.*
G. P. Wibberley, *U.K.*

and (iv) agricultural producers and merchants who wish to improve their positions and know how to do so. Developed countries who are attempting to assist underdeveloped countries should attempt to co-ordinate their efforts to achieve these conditions in the less developed countries.

Concern was expressed over the possible consequences of compensatory finance proposals, especially in reducing incentives to adjustments and diversification of exports of a single or a few staple commodities. Compensatory financing of fluctuations in export earnings are difficult to negotiate and would not eliminate other problems associated with fluctuations in commodity prices. Regional agreements can be useful for economies with similar levels of resource development. The EEC was the example discussed.

In discussion of individual commodity agreements particular attention was given to the often neglected corollary of supply management and the sometimes questionable case for higher prices based upon irrelevant considerations such as unit cost calculations. The difficulty of negotiating international commodity agreements appears to arise from the fact that they may be intended to serve several purposes. These include stabilizing market prices, increasing export earnings, decreasing the impact of structural change in domestic economies, mitigating the damage to exporters from protection in importing countries, and organizing production, consumption, and distribution comprehensively on a world scale. The factors contributing to these difficulties have been due to a lack of clarity of the objectives and lack of knowledge of the available alternative forms of international arrangements to achieve them.

So far as research and teaching on international trade are concerned, the greatest needs are to provide comprehensive training for people in agriculture on the principles, potentials, and problems in this area. Understanding of economic development and adjustment appeared to be lacking in the electorate of each country represented. Economic development does not favour keeping people on the land. The greatest need for research appears to be on integration of the theory of international trade with empirical work and results. The advance in the applications of computer science appears to hold promise of promoting knowledge in international trade if appropriate data series are developed and analysed. A further need is to integrate economic results and analysis with theories and analysis in political science, philosophy, and psychology.