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U.S. EXTENSION TEAM STUDIES FAR EAST FARM MARKETS

By Dr. John Dunbar, Purdue University and
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Headed for a wide swing around Asia from Pakistan to Japan, seven State extension specialists on public policy, plus two USDA specialists, took off from Washington January 28 to study U.S. farm market in the Far East.

We were fresh from a good briefing by old hands in foreign trade. But our mission was far more complex than just to study trade trends, competitive advantage, and trade barriers. We were searching for on-the-spot information about the things that effect U.S. trade in today's and tomorrow's markets -- cultures, religions, international politics, trends in economic development, domestic economic policies, attitudes toward U.S. farm and trade policy, and economic aid programs, particularly Public Law 480. We knew an understanding of these things was necessary for an effective job of informing U.S. farm leaders and the general public.

Pakistan-Muslim Nation

Dropping down in Karachi in a sleek new jet, we found an abrupt change of pace on the main street, where traffic included camel wagons, donkey carts, veiled women, barefoot tribesmen, and herds of cattle. Pakistan's people are mostly poor, with only \$55 a year average income. Only 18 percent are literate. Most - 4 out of 5 - are farmers; much land is worn out and either parched or waterlogged. Mineral resources are few; main industries are cotton textile factories, jute mills, a few cement plants, and some small metal fabricating and chemical operations.

We buy only \$25.30 million worth of goods from Pakistan a year, and it buy from us mostly under aid programs. Total U.S. aid to Pakistan from fiscal 1952 through 1959 has been about \$820 million. Included in our aid program have been materials for piping water to Karachi; \$270 million worth of wheat, rice, and other surplus farm commodities; help in providing housing for thousands of refugees from India; and help in training experts in agriculture, government, and other fields, to guide the country's development.

We left with the impression that Pakistan will need a large amount of external

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assistance in its battle for greater productivity. Also, it will be greater productivity. Also, it will be some time before the country becomes a dollar market for wheat and rice.

India-Key to the Future

India today is in a great contest with Red China, to see whether the level of living can be raised more rapidly in an underdeveloped country whose government is the servant of the people than in one whose people are the servants of the government.

Through modern technology, India is telescoping time and transforming its age-old institutions. In the last generation or so, it has probably changed more than in the previous thousand years. Annual income averages only about \$63 per capita, but output per man rose about 2 percent during each year of the last 5-year plan. India has immense iron ore deposits and coal reserves. Its people are resourceful and good craftsmen, though they lack experience in organization. Much of its land is not inherently fertile, but responds well to good management. All this means ample potentialities for progress--if they can be developed.

Practically every industrialized country in the world is providing aid for India in this development struggle. The only real question is what form the aid should take: wheat, fertilizer, fertilizer factories, steel mills, technical assistance, education, or combinations of these.

Thailand-Rice Exporter

This little country, still at takeoff point in industrialization, is a food exporter. With \$100 yearly income per person, people are smiling, well-fed. To create an "atmosphere for industrialization," they are building roads, schools, waterways, power facilities, and utilities. They maintain sizable reserves of gold and foreign exchange in case of crop failure.

Eighty-five percent of the people live on farms; 85 to 90 percent of the exports are agricultural, mostly rice and rubber. Of Thailand's imports from the United States, however, are industrial. Top U.S. farm export to Thailand is high-quality tobacco for blending--\$7 million a year. For cotton, too, U.S. exporters have a good opportunity.

Last year Thailand began to increase cotton mill capacity, and this year, will double it. The Thais bought 5,541 bales of U.S. cotton in the last half of 1959, compared with none the first half or the year before.

Malaya-Rubber and Tin

Now that Malaya has rounded up most Communist guerillas, rubber production is back in high gear. Not only old trees but new plantings of inferior varieties are being replaced by quick-maturing, higher bearing varieties that will enable rubber to compete in price even with synthetics. And now the farmers, through co-operative marketings, are getting a much bigger share of the output.

With the economy back on its feet, Malaya has lifted restrictions on dollar imports. Guaranteed investments are bringing in U.S. businesses. And there is talk of building cotton textile mills.

These developments are making Malaya a good potential market for U.S. farm products -- cotton, cigarette tobacco, specialty foods like frozen poultry, fruits, vegetables. Our team felt that P.L. 480 sales might be used along with market promotion to establish markets there. Since Malaya produces half the world's tin and about a sixth of its rubber -- both important to industrialized countries like the United States -- it would be mutually beneficial for the two countries to develop a sound basis for the expansion of their trade.

Australia-Competitor and Ally

The continent "down under" is about the size of the United States (minus Alaska), but it's short on people, with only a little over 10 million. About a fifth of Australia's population is rural; however, earnings per person in farming are nearly the same as in nonfarm work. Up to World War II, the main occupation was farming, but now industry is developing fast, and U.S. capital is sharing in industrial investment.

We had good forthright talks about trade and aid. Since wool is Australia's No. 1 export, the U.S. duties on wool imports naturally came up for discussion. About our P.L. 480 programs, the Australians have mixed feelings. On the minus side, they feel there is real danger that underdeveloped countries may become too dependent on temporary

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surpluses. Also they feel that the P.L. 480 provision on "usual marketings" is somewhat of a consolation prize; the decision on what is "usual" is arbitrary. They admit, though, that it has to be, and that we have been fair in consulting with them and keeping our agreements.

On the plus side, the Australians recognize that P.L. 480 programs have brought commodities into the hands of people who really need them; have helped stabilize world markets; and, in many countries-India, for example-have helped increase consumption. In fact, Australia is planning similar programs.

The Philippines-Pride, Progress

Rapid change is going on in the Philippine Republic as that country, intensely proud of its independence, works to achieve the best possible life for its people. However, the close trade relationship that existed between the United States and the Philippines at the end of World War II has altered. Then, we accounted for 85 percent of Philippine trade; now, it's only around 50 percent. With Philippine independence came tariff adjustments on both sides, and access to each other's markets was no longer unlimited. Also, reparations are giving Japan a springboard into the Philippine market.

The emphasis of Philippine import policy is on raw materials. New spinning and weaving mills are expanding the demand for raw cotton instead of textiles. But tobacco imports have been virtually eliminated by import restrictions and the promotion of local production, although some high-quality U.S. tobacco may be needed for blending. Imports of rice and corn are now prohibited except in emergency. Evaporated and condensed milk imports have been replaced by nonfat dry milk, which is mixed with home-produced vegetable oils to make filled milk. And the Republic, having its own milling facilities now, is becoming an importer of wheat rather than flour. All in all, the U.S. farm market in the Philippines is in a transition stage.

Hong Kong-Textile Center

Located on the rim of the most completely regimented economy mankind has ever devised, Hong Kong is bustling with free enterprise. With 40 percent of its labor force

employed in textile manufacturing using modern machine methods, it's one of the world's leading textile centers. It is the third most important dollar market for U.S. products in Asia, buying mostly raw cotton, tobacco, oranges and tangerines, and dressed poultry. Also, we're the most important market for its textile products. So the import quotas or increased duties recently proposed for textiles from Hong Kong would mean a tough test for U.S. policies of freer trade. Were these textile imports to be restricted, this would naturally reduce Hong Kong's dollar-earning ability and perhaps cause the colony to cut down its imports of produce from U.S. farms.

Japan-Big U.S. Customer

Japan is humming with activity. Production of manufactured goods has more than recovered from the war and is now more than three times the prewar level. Tokyo's population, down to 3 million at the war's end, is up to 9 million. The level of living is climbing. Output of consumer goods like television sets, washing machines, and radios, has skyrocketed; and Japanese industry has moved into the "transistor age," with monthly average production of diodes and transistors well over 3 million units.

One result of all this industrial productivity is that Japan is a fine market for U.S. farm commodities--our third biggest. It is an industrial nation; the 34 percent of its people who work on farms can produce only about 80 percent of its food needs. Much of what it buys -- mostly wheat, soybeans, and some feed grains -- comes from the United States. Also, it's one of our big cotton markets. Its growing economy means opportunities for expanding our farm trade, as diet habits shift away from potatoes, rice, and fish toward wheat, milk, and meat, and as more people--especially women--begin to smoke. But our visit brought clearly home to us the often-expressed idea that Japan must export to live--because it must import to live. To buy more farm products for its growing needs, it has to sell more of its own goods like cotton textiles, cameras, binoculars, radios, and transistors.

Coming 10,000 miles from Tokyo to Washington in about 15 hours flying time reminded us again that the world is shrinking. The far East has become the Near West. Our team had a striking lesson in how rapidly the world is changing and how vital these

changes are to us. Those of us who are extension specialists in public policy are making every effort to pass this lesson on at the grass-roots level; for in the long run the American people must share with their government the responsibility for wise decisions in foreign affairs.