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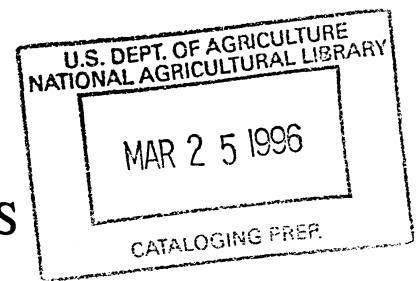
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THE AID, TRADE COMPLEX

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The relationship between agricultural assistance to less developed countries, the induced economic growth and development which occurs because of the assistance and the implications which this growth and development has for increased agricultural imports is one of the more important and contentious issues facing agricultural development economists. Although the linkages between aid and trade have not been systematically demonstrated and although it is easy to show that there is no predetermined theoretical relationship, the argument that agricultural assistance has been a major force in generating increased demand for agricultural imports has been used as a justification for providing such assistance. The issue addressed in this paper is the conditions under which agricultural assistance will, in fact lead to increasing agricultural imports from the donor country. Essential elements in demonstrating the linkage involve in the first instance the effectiveness of the assistance to lead to investments in agriculture with high rates of return. The investments must thereafter generate high rates of income generation both directly and indirectly. The next linkage relates the implied income growth which must translate into a demand for imported agricultural products. Finally, the increased demand for imported products must be both realized -- not frustrated by policies restricting imports -- and further be directed substantially toward the imports of the donor country. A substantial issue in determining the likely nature of this chain of linkages is whether the donor country follows an inward or outward looking policy regime. Therefore, the political economy issue of what induces policy distortions is of central concern. The paper will draw on several case studies to indicate how the aid, growth, trade linkages have worked in specific instances.