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Trade and Development
Shane, M., ed.

Proceedings of a Meeting of the
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PREFACE

This report contains papers presented at the December 1986 meeting of the International Agricultural Trade Research Consortium (IATRC) at the Headquarters of the International Maize and Wheat Improvement Center (CIMMYT) in Texcoco outside of Mexico City. The theme of the meeting was the relationship between trade and development. This issue is currently being hotly debated and at its core is the underlying rationale for stimulating development efforts in Third World countries.¹ The objective of the meeting was to focus on issues relating to trade and development in both a broad and narrow context. The special opportunity to hold the meeting at CIMMYT Headquarters in Mexico is much appreciated and the inclusion of a section on CIMMYT's role in world agricultural development is the consequence.

A number of individuals cooperated to make this program possible. Co-chairmen and organizers of the theme day program were Mathew Shane of the Economic Research Service (ERS) and Scott Pearson of Stanford's Food Research Institute. T. Kelley White of ERS was the overall program coordinator. James Longmire of CIMMYT was responsible for programming the entire logistical support for the meeting as well as organizing the CIMMYT part of the program. Mathew Shane served as overall editor for this volume.

There are three levels of papers presented at this proceedings. This reflects, in a sense, the organization of the meeting. The first set is full research papers presented during the theme day of the meeting. A second set of papers represents material taken from transcriptions of the presentations to the meetings. A set of shorter summaries of presentations is included in Section IV. Three of the papers, the one by Srinivasan, Winkleman, and Borlaug, are based on papers that were first presented and developed for other purposes.

IATRC is a group consisting of government and university researchers in the United States, Canada, Europe, and Australia who come together twice a year to focus on important issues affecting the world's agricultural economy.² The ability to bring together a relatively small group of researchers with common interests and concerns has proven to be a successful forum for discussion and debate on critical international trade issues.

The goal of increased interaction between ERS and U.S. university researchers was formalized in June 1980 by establishing the Consortium on Trade Research. USDA's Foreign Agricultural Service (FAS) joined the consortium in 1982. Membership in the consortium has subsequently expanded to include further institutional membership such as Agriculture Canada and the Bureau of Resource and Agricultural Economics of Australia, as well as researchers from Canada, Germany, France, Australia, and most recently Poland. The more formal establishment of the IATRC took place in 1985. The objectives of the consortium are to:

- Foster sustained efforts in international agricultural trade research.
- Encourage and facilitate interaction between ERS, FAS, and U.S. university and foreign trade policy researchers.

¹For some recent conferences focusing on U.S. interests in Third World development, see: Randall B. Purcell and Elizabeth Morrison (eds.). U.S. Agriculture and Third World Development: The Critical Linkage, Lynne Rienner Publisher, Boulder, Colorado, 1987; and Food and Agricultural Committee. U.S. Agriculture and Third World Economic Development: Critical Interdependency, National Planning Association, Washington, DC, February 1987.

²For a history of the IATRC and organization details, see: The International Agricultural Trade Research Consortium - Origins, Objectives, Organization, Operation, and Program Plan for 1985-87, Executive Committee of IATRC, unpublished paper, Agricultural Economics Dept., University of California, Davis, June 1, 1985.

- Provide a forum for exchanging research results and aid in identifying problem policy issues requiring research.

The consortium is a cooperative undertaking between ERS, FAS, various U.S. universities, Agriculture Canada, and Canadian universities. Membership in the consortium is subject to approval by the consortium's executive committee, but is generally open to those in international agricultural trade research and analysis or its policy applications.

Mathew Shane

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INTRODUCTION

Mathew Shane¹

The linkages between international trade and economic development are among the most important both for the trade analyst and for the development economist. For the trade analyst, it is the gains from trade that can be used to generate a sustained growth pattern, while for the development economist, it is the transformation in consumption patterns over the development process that is a prime factor for generating the demands for a broad range of imports. The linkages between trade and development and development and trade lead into some of the major issues dealt with by both trade and development economists. Thus, the trade and development linkage leads into issues of technical transfer, international capital markets, direct investment, and international borrowing, while the development and trade linkage leads into issues of aid and trade, exporter interest in economic development, and the entire issue of trade liberalization.

The relationship between trade and economic development has become even more important in recent years because of the increased openness of the world economy. With the exception of only a few years, trade has grown more rapidly than gross national product (GNP) over the post World War II period. This pattern was even more pronounced during the sixties and seventies. Thus, the United States increased its trade share of GNP from 10 percent to about 20 percent during this period. Even more fundamental is that countries such as South Korea and Taiwan have dramatically increased their export shares, while the lagging economies of Africa have followed self-sufficiency policies and reduced their exposure to trade.

In spite of the importance of this subject, very few serious efforts have been undertaken to analyze these linkages. This proceedings was designed to begin to systematically explore this important subject for economists, trade researchers, and policymakers. The proceedings is divided into three sections.

Section I. Trade and Development

The paper by T. N. Srinivasan provides a broad survey of the literature on the impacts of trade and development. In particular, he looks at all of the arguments under which the classical assumptions are violated. His conclusion "that countries that followed an outward-oriented strategy not only did better by most indicators of development, but also weathered better the shocks to the world economy" set the framework for the meeting.

The paper by Terry Roe and Mathew Shane on the role of "Governments in the Process of Trade and Development" explores the reasons for government interventions and the basis for endogenizing such interventions in development modeling.

Robert Herdt looks at the "Technological Potential for Increasing Crop Productivity in Developing Countries." He concludes that in the short to intermediate term, there is not much prospect for future substantial productivity gains based on existing technology.

Per Pinstrip-Andersen focuses on the "Changing Patterns of Consumption Underlying Changes in Trade and Agricultural Development" involved in the development process. His conclusion that there is a "strong relationship between consumption patterns and incomes at both the national and household levels" provides the foundation for the argument that development is the driving force for increased import demand.

¹The author is an economist, Agriculture and Trade Analysis Division, Economic Research Service, U.S. Department of Agriculture, Washington, DC.

Lucio Reza's paper on "An Argentine Perspective on Recent Agricultural Trade and Policy Development" provides a refreshing and dramatically different view of our current world situation. His conclusion that "the present situation in world agricultural markets could well be characterized as economically irrational, politically selfish, and ethically unacceptable" is a strong statement that might reflect the sentiment of most of the Third World.

Mathew Shane's brief paper summarizes the theme of this conference by looking at the basic linkages from outward-orientation to development and from development to import demand as the basic mechanism by which growth takes place in both trade and development. His conclusion that "that current world environment in which both trade and income growth are lagging is very poor environment to stimulate development" points out the basic contradiction facing the international economy. If trade is the main engine of development and if development is the main stimulus to import demand growth and there is not much of either, what development and trade strategy should now be pursued?

Section II. CIMMYT's Role in World Agricultural Development

The section on International Maize and Wheat Improvement Center (CIMMYT) provides a perspective of how the international centers facilitated the transfer of technology to further agricultural development around the world. The four papers provide us with a broad view of CIMMYT's role historically and perspectives for the future.

Section III. Special Issues in Trade and Development

This section presents short summaries of presentations based on current ongoing research on critical international issues. The 10 papers largely focus on trade liberalization issues.