DISCUSSION

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This morning we have heard about government policies and programs for agriculture in Japan, Australia, and India. Had we time to hear about such policies and programs in other parts of the world, we should find that practically all have one marked feature in common—a degree of government intervention in agriculture unknown some thirty years ago.

The great depression of the 1930's stimulated governments to take drastic action. Then the primary aim of agricultural policy everywhere (outside the Soviet Union) was to halt the headlong plunge in domestic farm prices. In pursuit of this aim, and to safeguard the balance of payments, governments intervened strongly in markets for agricultural products, principally through rigid regulation of trade and other farm price-support measures.

Following the outbreak of war in 1939, government controls over agricultural production, trade, and food consumption were intensified. Many of these controls have since been relaxed. Yet government intervention in agriculture and agricultural trade remains more widespread and far-reaching than before the war.

Broadly speaking, the higher-income industrialized countries, such as those of Western Europe, aim mainly at raising the relatively low income of their farm population. Income parity, national security, and social stability are basic objectives. Further expansion of farm output is only a secondary goal in most of these countries.

On the other hand, the underdeveloped countries of the Free World, which are largely producers of primary products, stress chiefly increased agricultural production. The threefold purpose is to improve the diet of their people, to provide raw materials for their growing industries, and to export more farm products to help pay for capital goods needed in economic development. Most of these countries, like India, have embarked on large-scale agricultural development programs, often drawn up within the framework of national economic plans.

The countries of the Communist orbit have attempted over the years to squeeze the resources for industrial development out of their agriculture. Overemphasis on industrialization and efforts in most such countries to emulate the Soviet Union in collectivizing agriculture have severely hampered agricultural development. Recently, controls over agriculture have been modified in some Communist countries to put more emphasis on economic incentives.

As a means of reaching their policy goals, great emphasis has also been laid since the war on increasing productivity, mainly through land reclamation, irrigation, consolidation of scattered land holdings, and through improved farm practices, including increased use of fertilizer.

Under the system of guaranteed prices applied to some products (e.g., grains) in the United Kingdom, imports are admitted freely; market prices in Britain are allowed to find their own level, and the government makes up the difference between the market price and the guaranteed price. This system is cheap for consumers but expensive for taxpayers when market prices are well below guaranteed prices.

Standard practice, however, is to maintain domestic market prices by some device or another, and the one device almost invariably used is regulation of imports. This is the easy way out for deficit countries. Many of them go further and regulate the domestic market for one or more products. Price-support programs, with built-in trade and internal controls, are not uncommon, particularly in Western Europe, the world's largest agricultural importing region.

JAPAN

Japan is an industrial country dependent upon substantial imports of agricultural products. The broad economic policy objective of Japan may be summarized briefly as follows: To achieve a continued increase in the total and per capita production and consumption of goods and services with maximum opportunity for full employment. All developments in the formulation of economic policy are of concern to Japanese agriculture because of its close interrelation with the industrial and commercial segments of the economy.

The leaders of Japan are well aware that the best opportunities for growth of the economy are in industry and commerce. Goverment programs have tended to favor these sectors since the beginning of industrial development. We can probably safely say that before World War II government encouragement of agriculture was intended primarily to enable agriculture to support the costs of industrialization.

Present economic polices reflect Japan's experience with food shortages during the war. They also reflect the increased political power gained by farmers after the war. Current policy goals include:

1. Continued domestic production of at least 80 percent of Japan's food requirements.
2. Providing the Japanese people with a more varied and more nutritionally adequate diet.

3. Expanding and modernizing industry.

4. Encouraging further expansion of foreign trade.

A thriving export trade is essential to the maintenance of a large volume of imports. As a spur to industry and to aid in the competitive position of export goods, Japan is anxious to insure adequate supplies of food and raw materials at lowest possible costs. These items are given first priority in the allocation of foreign exchange which is controlled by the government because of balance of payment difficulties. Also, the tariff on these items are low to moderate.

Japan has a number of programs that give support to agriculture. Some of these, such as those controlling farm prices and marketing of farm products and those for land reclamation, no doubt induce a measure of uneconomic production. However, such expenditures are felt to be justified as insurance against possible disastrous food shortages should Japan become isolated because of another world war.

AUSTRALIA

Australia has an advantage over many of its competitors for certain markets abroad. It receives special treatment in the important British market. Its products benefit not only from the British preferential tariff system, as do those of other Commonwealth countries, but also from special agreements on wheat and meat.

Eighty percent of the trade revenue is derived from exports of wool, wheat, dairy products, meat, fruits, and sugar. Wool accounts for about 50 percent of total export earnings and wheat about 10 percent. The United Kingdom is the primary trade outlet for agricultural exports, taking 35 to 40 percent of the total.

High tariffs have long been a feature of Australia's trade policy, but some parts of the government are now recognizing that these high tariffs add to internal costs. Preferential tariffs govern the trade with Commonwealth nations, while most-favored-nation rates are maintained on imports from other countries to protect domestic industry.

Most of the underdeveloped countries are too poor to protect their agriculture other than by way of trade controls. They generally rely on export taxes for a large part of their revenue. Though mostly designed for revenue purposes, export taxes are also a widely used form of control. In times of high world prices, export countries have found they can levy substantial taxes on exports. By varying these taxes, governments influence both the domestic and export prices of their products.

INDIA

India is typical of the underdeveloped countries in its use of both import and export controls. It is necessary for India to husband carefully its scarce foreign exchange.

A state trading corporation was established in 1956 principally for dealings with the Communist Bloc. Government officials have given assurances that the corporation has no intention of interfering with normal fields of trade.

Food grains are imported only on government account. Sugar imports have been stopped in view of the increase in domestic production.

Tariffs are used only as a subsidiary means of trade control and to earn revenue. Bilateral trade agreements and British Commonwealth concessions help determine the volume and direction of trade. Barter is occasionally practiced.

India's major exports are agricultural, but more manufactured goods are becoming available for export. Export promotion councils have been set up for principal commodities.

No direct subsidies are made for stimulating exports of agricultural commodities, except for a temporary subsidy for sugar.

Internal deterrents to export apply to only a few essential commodities in short supply, such as food grains and edible oils.

An important purpose of national policy has been to increase foreign exchange earnings. This was to be achieved through increased production of agricultural commodities, both for export sales and for domestic consumption, the latter objective being to reduce import requirements. This expanded production would appear to have a detrimental effect on U. S. agricultural trade by increasing competition and reducing markets within the country. However, as soon as most countries have achieved improvement in health, education, and income levels, their consumption has outstripped the increase in production. Thus, much of the greater production which was designed for export has been utilized domestically, and imports for consumption have increased instead of decreased. Therefore, U. S. trade with these areas has actually expanded because of their development programs.

Because of increased total consumption, which has resulted in increased imports and exports below planned levels, many of these countries have seriously unfavorable foreign exchange balances. Public Law 480, by which the United States is authorized to sell surplus farm commodities abroad for foreign currencies, has come at an opportune time for many of these countries. It enables them to purchase in their own currency the extra requirement of food and fiber which their diminishing foreign exchange balances would not otherwise permit them to buy.

In spite of expanded production, India has not been able to become self-sufficient in food. Consumption has gone up so rapidly that food imports have increased instead of decreased. U. S. exports of food grains to India have increased 55 percent over the past five years. A substantial amount of this has been moved under P. L. 480. These supplies have strongly supported India's continued economic advancement.