IMPACT OF INTERNATIONAL POLICY ON UNITED STATES' RESPONSIBILITIES FOR WORLD LEADERSHIP

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The opportunities to expand agricultural exports need to be examined in the framework of over-all foreign policy. Our foreign policy in turn is influenced by the impact of international policy on United States' responsibilities for world leadership.

U. S. INTEREST IN ECONOMIC DEVELOPMENT OF OTHER COUNTRIES

Following World War II many factors have caused the United States to take great interest in the economic development of other countries. Mutual security has certainly been an important reason. A better market for agricultural products of which we had a surplus is another. The realization that hungry people with a low level of living are susceptible to the lure of communism is still another.

Loans to countries which enabled them to buy our consumer goods relieved our market glut problem, but our people were not happy with the loan repayment experience.

Economic development of other countries has become very important to the United States. Substantial appropriations for this purpose is evidence of this fact. Yet, the struggle to get these appropriations indicates the lack of understanding that still exists. In discussing our foreign trade programs and policies, team members found audiences concerned about the following:

1. Why does Latin America hate us?

2. Has the money spent in the Far East been a good investment?

3. Have we created a competitive giant in Europe with our aid program?

The implications of these questions may not be well grounded, but it is significant that farm people are concerned beyond just exporting additional farm products.

Extension programs in this area need to show the relationship between economic development, political stability, national security, and a potentially better trading neighbor. All of these result in better living standards, better education, and a greater desire for freedom.

REQUIREMENTS FOR INTERNATIONAL ECONOMIC DEVELOPMENT

The rate of economic development in a country will be influenced by the situation that exists. The investment climate is very important in attracting foreign capital. The contrast between the Netherlands where land for plant sites for foreign companies is at a premium and Chile or Argentina where outflow of capital has been a serious problem is a good example.

The Netherlands has good port facilities, good water transportation through Europe, trade policies that encourage both importing and exporting, well-trained industrious people, and a sound credit policy with a stable government. The Netherlands is a member of the European Common Market with 170,000,000 consumers and has well-established markets and good communications. It concentrates on importing raw products and exporting finished products.

Chile has its first conservative government, elected in September of 1958, in twenty years. The four preceding governments were of the radical party which is fairly middle of the road. During these governments inflation was serious—1,600 percent price increase in twenty years; interest rates were high; most of the government revenue came from the copper export tax.

Petroleum, power, steel, airline, and railroad industries are state owned. The population of seven million makes for a small consumer market. While Chile is a member of the new Latin American Common Market, its currency is decidedly soft. High tariffs are maintained to protect domestic industry and foreign exchange holdings. Even with a 26 percent interest rate money can be borrowed and deposited in a bank in Switzerland or the United States to wait for inflation to show a profit.

IMPACT OF GOVERNMENTAL POLICIES ON INTERNATIONAL ECONOMIC DEVELOPMENT

Extension can make an important contribution to sound foreign policy formation by achieving understanding on the part of the public about the role of various policies in economic development, stability of government, and improved living conditions of our foreign friends.

United States agricultural policies have contributed to economic development and at the same time increased our exports. Public

Law 480 has made possible purchases of badly needed food from the United States with local currency without reducing critically low foreign exchange in many countries—the four-year wheat deal in India is a good example. This frees certain amounts of foreign exchange to purchase machinery and other needed items for industrial development. A portion of the P. L. 480 money has been available to loan back to the country for industrial development purposes. Under the new Title IV, 100 percent of the currencies will be available for loans for industrial purposes.

CARE, UNICEF, and CCC also have contributed to stability of government and eased crises in many instances of drought, floods, or other emergencies.

Market development programs, particularly in countries with dollar reserves or good foreign exchange balances, has helped introduce new products, improve diets, and increase U. S. exports of farm products.

Nonagricultural policies of the United States are also important. On the whole, policies have contributed substantially to economic development. We like to think the U. S. favors free trade, and we have made substantial progress in lowering duties at home and abroad, but we still have some sticky spots—dairy products, for example.

Unilateral credit arrangements have been important in facilitating expanded trade. Technical and economic assistance have made vast contributions to the economic development of many countries. Even where this has meant increased agricultural production in the countries—the Rockefeller program in Latin America, for example —economic growth has been accelerated and these countries will be in a better position to trade with us.

The Development Loan Fund has released some interesting figures on per capita income, investment, and imports from the U. S. of several countries which illustrates the desirability of economic growth:

> In India in 1958 the per capita income was $76 per year and the gross per capita investment $9; in Korea, the income figure was $99 and the investment figure $14; in Taiwan they were respectively $104 and $20; and in the Philippines, $218 and $22. The relationship between income and investment is so clear and striking that we can see at once that one way to increase wealth in those countries is to increase investment.
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> Because of their low incomes, the people of the less developed countries are buying from us and contributing to us only a fraction of what they might. The per capita purchases of U. S. goods by such a developed country as Germany amounts to $14 per year;

by England $17 a year; by the Netherlands $50 a year; and by Canada $235 a year. But by underdeveloped India per capita purchases of U. S. goods amount to only 83 cents a year; by Indonesia, 71 cents; and by Burma, only 38 cents. Thus the potential market of a billion people is largely lying fallow; and investment is one way to make it fertile.

Many international agencies are instrumental in expanding trade as well as contributing to economic development. GATT continues to tackle the knotty problems of trade, and through negotiations many situations have been improved and trade barriers eased.

The International Monetary Fund, the World Bank, and the Development Loan Association are examples of interational monetary agencies established to facilitate trade between countries.

Several U. S. unilateral agencies have been established in the interest of greater trade and economic development. They include the Development Loan Fund, Special Latin American Fund, Export-Import Bank, ICA, Title I of P. L. 480 and now Title IV of P. L. 480.

A whole alphabet of other organizations such as UNESCO, FAO, UNICEF, WHO, etc., were set up specifically to achieve better understanding and to develop mutually beneficial programs.

Finally, the internal policies of a country are very important in the rate of growth and development that occurs. The tax structure in Latin American countries certainly influences social and economic progress as well as trade. Much of the funds for government operation come from an export tax on the major commodity such as copper in Chile, beef and wheat in Argentina, and coffee in Brazil. The property tax is relatively insignificant, and income tax is not very productive as a revenue raiser. Land ownership patterns, credit policies, and education policies and programs can make a big difference in the rate of growth.

Hence we, in our educational program, have a big task to explain to our clientele the many ramifications of foreign policy that are so important to sound foreign agricultural trade policy and the expansion of our markets.

As leaders of our extension teams discuss important factors in the major regions of the world, keep in mind how these fit into the policy structure and make mental notes of how we can work this into an extension program on this important subject in the discussion to follow.