

# Discussion

**Arthur Mead\***

It should come as no surprise that I find John Mellor's paper a well developed, sophisticated presentation on the processes of development in the Third World. This is John Mellor's business and experience which I have been able to follow on occasion; and I am pleased to say that his business and that of the Food and Agriculture Organization have similar orientation.

We are concerned, as he is, with the food problem of developing countries; the disturbing longer term trends of agricultural production in these countries and their implications; and the shorter term problems of hunger and malnutrition which are prevalent in the world today but which are masked by generally good crop conditions on a global basis. John Mellor's research has these areas of concern in mind as we do.

I do not intend to take major issue with the broad concepts laid out in the paper. It describes for policy makers the relationship of the demand and supply of agricultural commodities as they operate in developing countries with different income levels and poses alternative development strategies. But I will take the opportunity to comment on the main elements described and to offer other specific elements for consideration and discussion. In the process, it also will permit me to register some of the concerns of our Organization.

Obviously, the United States as the major exporter of agricultural commodities has a key role in the food problems of developing countries. At the outset, the paper obliquely, possibly apologetically, refers to the small proportion of the GNP devoted to foreign assistance by the United States. Let's be more specific; the United States in 1977 devoted .24% of its GNP to Official Development Assistance, 12th in the list of 18 major industrial nations. We are hopeful that this rating will improve, and it may very well do so, as we note recent U.S. announcements on such assistance in the years ahead, including its dominant role in food aid. Obviously, too, the United States has a major role in the manner it relates its assistance to Third World Development.

There is an interesting relationship between the growth of developing countries and their commercial imports of U.S. agricultural commodities. I am generally familiar with the U.S. Department of Agriculture work on this relationship in which it reveals that as developing countries progress economically their purchases of ag-

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ricultural commodities from the United States on a commercial basis increase. Their analysts have plotted this relationship; Mellor's presentation on supply and demand very nicely indicates the basic reasons for this occurrence.

Thus, assistance to the developing countries is not only "right" in my view, it also redounds to the benefit of the U.S. farm sector. I would also add that while some of us in international organizations focus primarily on the needs and aspirations of the Third World, we support measures to maintain a healthy U.S. farm sector, for such a condition is important if not essential to the fulfillment of these needs and aspirations.

So we are agreed. At least I say we are agreed. As a general proposition what is good for the developing countries is good for U.S. agriculture.

I would like to suggest and highlight a basic concept or strategy for developing countries that is overriding in my view. It is imperative that it be an integral part of the process in countries largely rural in character and where the producer is small and isolated. We must help him, the producer, grow more food — first things first.

Why? At the time of the World Food Conference in 1974, FAO estimated the under- and mal-nourished at about 400 million people. Because of the relatively good harvests experienced globally since that time, there is far less publicity on the hunger problem. Nonetheless, increases in population since 1974, unaccompanied by substantial expansion of productive employment, suggest that the number of under- or mal-nourished probably is larger today, possibly as high as 700 million.

Of special importance, it seems to me, is who benefits from increased production. More than half of the poorest people in the world are small farmers. Their families will eat better only to the extent they are assisted in producing more food for themselves and, hopefully, a bit for the market. Therefore, I would argue that a strategy with that objective would be important for the major countries cited in the Mellor paper, for example, India. I was pleased to hear Dr. Heady stress this point earlier this morning.

It seems to me also that a country like India should, as I believe it does, give substantial emphasis to the export of light manufactured products. Mellor's paper touches on this point and it merits some emphasis.

There is a place in many developing countries to export labor intensive agricultural and manufactured products since they are endowed with a supply of labor. Even within present trade relationships, which are not particularly favorable to the developing countries, there has been a steady increase in such exports which can pay for needed food and other imports. As I indicated, India is an **example** of the use of such export promotion as a strategy which should not be overlooked. This morning Mellor mentioned that India's currency reserves had reached \$5 billion. This kind of export promotion could be enhanced if special treatment for the needs of the developing countries is afforded in the current multilateral trade negotiations. We should be hearing about these prospects during another part of the symposium.

It may be risky on my part in light of Mellor's involvement in India's problems over the years, but let's continue to discuss that country's agricultural situation. It is the country so often referred to in world hunger discussions. At the moment because of good weather there, it is not an important cereal market for the United States. In fact, amidst its acknowledged undernourished, it has accumulated government cereals stocks at an unprecedented level. I'm not sure what that level is today but it should be about 20 million tons, give or take 5 per cent. Moreover, it is supplying wheat to Vietnam and Afghanistan although in relatively modest quantities. Complete information is not known in Washington, but the transactions appear to be loans in kind, interest free, with a rapid repayment schedule in wheat after a short period, which you could call a grace period. This would appear to be a paradox — an apparent concessional exporter with large numbers of its population suffering from malnutrition. I hope there is time for Mellor to explain what appears to be a monumental inconsistency, because I have heard him give a rational explanation of the situation.

Yes, we are describing a country often referred to as the "bottomless pit" for food aid. As a practical matter, it cannot be a bottomless pit in terms of cereal imports because of logistical limitations. When the paper discusses Indian deficits in 1990 under certain growth assumptions, these deficits cannot be considered as potential exports. The figures posed are 17.6 million tons under low income growth and 21.9 million tons with high income growth. India's massive cereal imports during the two successive drought years in the mid-1960's were in the general magnitude of 12-13 million tons a year and they reached that level because extraordinary measures were taken, particularly by the United States, to help coordinate, expedite, and streamline port and distribution operations there. During the early 1970's when India resumed substantial imports of cereals that capacity was estimated at less than 10 million tons.

The last part of the title of the Mellor paper is "The Role of the United States." In this respect, since I find the paper somewhat brief on the role of the United States in relation to the discussion of concepts and strategy, I will put some specifics on the table. One crucial area that his organization and mine are involved in is that of food security. A discussion of food security seems appropriate in relation to strategy options because the attainment of global food security would allow for more adequate planning by "chronic" food deficit countries.

There should be no need to trace the long and frustrating history of attempts to establish World Food Banks, World Food Boards, Insurance Schemes, and related endeavors to achieve world food security. With good timing, and, in my view, with great skill, the FAO in 1973 proposed the International Undertaking on World Food Security, which envisaged an undertaking based on national policies and national control of production and stocks with some degree of international coordination. The Undertaking was subscribed to in principle by most of the World Community, but again we have witnessed little in concrete results. We are hopeful that

the continuing negotiations to replace the International Wheat Agreement will be more fruitful; and it is my understanding that we can be a little more optimistic now in light of progress made in the May 1-5 Interim Committee session in Geneva. I know this is a mission high on the U.S. agenda, a role we can applaud and a mission that can be beneficial to grain exporters and the developing world, particularly if special regard to the needs of the developing countries is considered. Our main interest is in the reserves aspect of the negotiations to serve as an underpinning to world food security.

World Food Security briefly described means a stable supply of basic food-stuffs, primarily cereals, available to the world at reasonable prices as well as available to sustain certain levels of food aid. The developing countries need food security in the literal sense so that they can proceed with their development strategies without fear that their populations will be undercut. Importantly, too, they look to some international coordination, broadly conceived and subscribed to, as crucial to World Food Security.

In these grain negotiations, the U.S. role has been significant in the progress made to develop a new Food Aid Convention that would be part of an overall wheat agreement. For some time the United States has proposed a new 10 million ton food aid commitment level per annum with a U.S. component of 4.47 million tons. While this component is less than current U.S. food aid shipment levels, it is a very substantial increase in its minimum commitment. Canada and Australia also have indicated that they will increase their contributions.

And the U.S. proposal to the Congress for a 6 million ton international emergency reserve, if approved, would be a welcome initiative. I believe the proposal is responsive to the needs of developing countries since it would assure that the U.S. food aid program would be sustained under conditions similar to 1973-74 when concessional assistance was greatly reduced.

The Mellor paper refers to food aid from time to time and uniformly assigns to it a significant and positive role in overall economic growth. I would agree. One of the targets emerging from the 1974 World Food Conference was an annual food aid target of 10 million tons of cereals. This target, unfortunately, has not yet been achieved; a new Food Aid Convention as I just discussed would constitute a significant breakthrough in achieving the goal. On the other hand, the United States, in its 1979 budget presentation proposed no increase in food aid over 1978, presumably until it could be demonstrated that additional food aid could be used effectively. Is food aid being used effectively? Is it an incentive to elicit agricultural development in developing countries? Or is it a disincentive? Many hold the view that the latter is true. These **are** questions rather than answers; but with food aid such a substantial component of foreign assistance these questions are pertinent to any discussion of development strategies.

The United States has been leader in terms of magnitude of food aid and its application to development. There are ways to expand this leadership. It can do so by

focusing its talents and more of its resources on food aid; it could do so in greater magnitude on a multilateral basis. The World Food Programme is the modality of multilateral food aid. It has not yet reached its target for the current 1977-78 biennium and looks toward the 1979-80 pledge period with a target 25 per cent greater than the current biennium. It is a program based on food-for-work-project aid which converts food into development.

In my brief comments today, I have tried to identify a specific element or two that might be used in filling out some of the spaces left open by Mellor's broad approaches. I believe his concepts are on the mark as a general guide to tour the complex field of development. His paper offers a solid basis for interested persons here today wishing to probe this important subject. Also, I have tried to identify some areas where the role of the United States is crucial and to editorialize somewhat on these areas. If I have raised some doubts and some questions, it is because my experience with the Third World, mainly in the Washington context, leads me to be suspect of formulas and strategies.

While I have not done so in this opening statement because of time constraints, I hope there will be opportunity in the course of the discussion to comment on those parts of the Mellor paper dealing with the stage at which particular countries became agricultural commodity purchasers. One general statement will suffice for purposes of my opening statement. Dr. Hardin referred to it this morning in his keynote address. My experience leads me to believe that the purchase of food to maintain reasonable consumption levels of populations is a top priority for most countries; developed, less developed, or centrally planned. If not assured of such supply through food aid or other means, most countries will use foreign exchange, even though it is extremely scarce, to import food. This may result in damage to some other activity or program, but it will be done. That kind of an attitude and that kind of policy should be built into your thinking.

Most countries can fashion a system to procure the food and get it to the consumer, be it through price subsidies, ration shops, free distribution, or other means. Therefore, I would argue, for example, that the U.S.S.R. entry into world food markets results in great part from a political decision to take account of the consumer, and the implications of his interests. In the early 1960's, the political decision was not to do so. With respect to Indonesia, I agree that it is a good bet for increased agricultural trade. However, I give little credit to its oil resources for the trade developments in that country. Certainly, these resources will support trade and help Indonesia's currency reserves. But its political leaders for some years have decided to "protect" the consumer and become a substantial customer in cereals and other commodities. They have done so with a prudent eye on concessionally financed imports, but they have not hesitated to buy commercially when there was doubt as to the availability of concessional arrangements. I repeat that my experience, mostly with developing countries, tells me that political motivation to purchase essential food outranks any kind of formula or strategy.

Finally, I would submit that the most important ingredient in the development process, or in the implementation of development strategy, is the degree of dedication involved on the part of both the donor country and the recipient country. The process is so complex and so susceptible to pitfalls, that it needs the sustained nourishment of political will. In terms of a TV commercial, no strategy should leave home without it.

Thank you.