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The FAO Indicative World Plan

by Karl Fasbender, Hamburg

The aim of the Second FAO Congress scheduled to take place at The Hague from June 16th to 30th is the setting up of an action programme for an international agricultural policy geared on the economy as a whole. The basis for the work of the Congress is the Indicative World Plan for Agricultural Development (IWP)¹ which is a detailed investigation of the present and future problems of the agricultural sector of the economy.

Bases of the IWP

The idea of an indicative world plan was born out in 1963 at the First FAO Congress in Washington. Because of the anxiety about the spread of famine in the Third World the FAO² was requested to investigate the world food and nourishment situation and to come forward with proposals to overcome the problem. All national and international measures to achieve an equilibrium between the growth of the population and food production were to be drawn into the elaborations. Targets and guiding lines for production, consumption and trade were to be realised in a manner compatible with the general targets of the economy. After a preparatory period of five years the IWP was passed by the FAO Member Conference in November, 1969³.

The Agricultural Sector

It has been established that the share of the agricultural population in the total populace is 67 p.c., that agriculture accounts for 39.4 p.c. of the gross domestic product (GDP) and that 43 p.c. of all exports consist of agricultural goods⁴. In spite of agriculture's strong position in the developing countries, this sector of the economy is still not capable of fulfilling its over-all economic tasks. The main reason for this appears to be that agriculture has been neglected for years in favour of a stronger development of the industrial sector of the economy.

If agriculture were no longer to be the brake shoe of the economic development as a whole, then, its GDP must increase by 3.1 p.c. annually between 1962 and 1985 and, during the same period, its gross production value will have to go up by 3.5 p.c. annually. The macro-model on which the IWP is based presupposes with these target figures in mind a growth rate of the total GDP of between 4.9 and 5.9 p.c. (up to now 3.8 to 4.8 p.c.).

The Indicative World Plan sets five main tasks whose fulfilment must be the most important aim of agricultural policy⁵:

- ☐ "Securing the staple food supplies with population typically growing at 2.5 to 3 p.c. a year. For most countries this basically means a faster rate of growth of cereal production.
- ☐ Adjusting to the changes in the composition of the diet that accompany rising incomes and urbanization, and to the specific requirements in food policy which emerge from the analysis of the main dietary deficiencies. Here supply of protein and particularly animal protein is the crucial problem.
- ☐ Earning and saving foreign exchange . . .
- ☐ Providing a large part of the additional employment that will be needed over the period up to 1985, and at the same time helping to create opportunities for employment outside agriculture in "agro-allied" industries.
- ☐ Increasing productivity through intensification."

The Food Problem

Over half the developing countries' population is either undernourished or consumes the wrong kind of food. This fact alone would be ample cause, for humanitarian as well as political reasons, to step up food production. In addition, low growth rates of food production are synonymous with inadequate growth rates of agricultural production and thus of the economy as a whole. The share of food in total agricultural production is 85 p.c., and the latter, again, accounts for 29.4 p.c. of the entire GDP.

¹ Cf. Provisional Indicative World Plan For Agricultural Development, FAO, C. 69/4, August 1969, Vol. 1, 2 and 3.

² Food and Agriculture Organisation of the United Nations.

³ The Indicative World Plan envisages an investigation period of 23 years with 1975 as the first key-year, and 1985 as the second one. The basis is 1962 as the average of the years 1961 to 1963.

⁴ Cf. IWP, *ibid.*, page 2 (figures for 1962).

⁵ Cf. IWP, *ibid.*, page 5.

In the period from 1965 to 1985 the population will presumably increase by 1,000 mn people. This will necessitate an 80 p.c. higher food availability if the present supply level be maintained. The demand stemming from higher incomes is estimated by FAO at 33 p.c. A mathematical multiplication of the population and the incomes effects will show a demand increase by 142 p.c. In order to secure the resulting higher supply, an increase of food production to the tune of 3.9 p.c. annually will be required. But if the present trend (about 2.7 p.c.) were to prevail, the result would be a supply increase by only 84 p.c.⁶ FAO is inclined to take the optimistic view and believes that its submitted suggestions for larger production will suffice for the purpose; the suggestions extend from the financing to the marketing, from larger acreages to the cultivation of highly efficient seeds and seedlings, from the training to the establishing of organisations. But it is clear already today that one will also in future have to depend on substantial imports.

The Balance of Payments⁷

Within the field of the necessity of higher exports, the agricultural sector with its share of 43 p.c. in total exports—in Asia and the Far East even 60 p.c.—has a decisive role to play. On the strength of provision for import substitutes, especially staple foods, it can also bring about a marked relief for the balance of payments.

The export prospects estimated up to 1975 on the basis of past and present production and trade policy of donor and receiving countries alike, are, at an annual growth rate of 1.8 p.c., anything but promising. The target of an annual export increase by 3.4 p.c. will be attainable only within the framework of a "concentrated action". The industrial countries will have to concede improved trade possibilities, and the developing countries, in their turn, must enlarge the trade among themselves. A quality improvement of the products is a further requirement, as are diversification of production structures and the use of the modern marketing instruments.

On the import side, a slowing-down of the import increase of up to now about 5 p.c. to 2.8 p.c. is called for in order to reach the aim of savings in foreign exchange. On this point, FAO sees the chances of success positively.

Level of Employment and Productivity⁸

Although two-thirds of the population live in agricultural areas, the low level of production is not sufficient to provide enough places of employment

in agriculture. Besides, the rapidly growing agricultural population tends to aggravate the problem. This agricultural populace is estimated to increase between 1962 and 1985 from 935 to 1388 mn people. The result is steadily increasing unemployment.

The problem can be solved only through higher production. True, the stepped-up production initially frees labour forces, but it also facilitates intensified capital formation and bigger supply of agricultural commodities to the processing industries. In this manner, at the secondary phase, additional places of employment will be created.

The higher rate of agricultural productivity necessitates in the first place larger crop yields per acre and more frequent harvests. The chances for this, for instance on the strength of the use of highly efficient seeds and seedlings, are quite promising.

High Costs

The fulfilment of all these tasks makes the co-ordination of all development efforts a pre-condition. National development plans are necessary to set the priorities for the economic growth. International development plans are necessary to co-ordinate the donor countries' aid purposefully and to safeguard a division of labour among the developing countries as well as between them and the industrial countries.

The means required for the realisation of the tasks mentioned are simply enormous. According to FAO annual expenditure will have to be trebled between 1962 and 1985: from 8,387.9 to 26,347.3 mn \$ (at 1962 prices). Investments must have increased to 112,465 mn \$ by 1985.⁹

Criticism centres chiefly on the point of insufficient statistical data available. Information on agricultural structure lacks almost completely. Production figures given are often based on estimates only. FAO's additional empiric studies make but little difference here¹⁰. Even the basic assumptions of the IWP, as well as the development of the population and of the GDP, are controversial. There are countries still today being somewhat uncertain of the size of their present populace. Even in advanced countries the development of the GDP cannot be accurately foretold over a period of twenty years.

The greatest merit of the IWP is the working out of the socio-economic factors caused "on account of under-nourishment, non-use of existing re-

⁶ Cf. IWP, *ibid.*, pages 6 seq.

⁷ Cf. IWP, *ibid.*, pages 42 seq. and page 60.

⁸ Cf. IWP, *ibid.*, pages 13 seq. and page 50.

⁹ Cf. IWP, *ibid.*, pages 63 seq.

¹⁰ Cf. P. Diebold, "FAO-Weltleitplan — Wegweiser einer internationalen Agrarpolitik", in: WIRTSCHAFTSDIENST, 48th year (1968), Vol. 6, pages 341 seqq.

sources and generally still prevailing poverty among the rural population in the developing countries" ¹¹. Looking upon the agricultural sector as part and parcel of the total economy its guiding lines do away with part solutions which, in the past, have led to ill-developments and thus to a

¹¹ "Bewässerung und Düngemittel reichen nicht aus". (Interview with FAO General Director A. H. Boerma), cf. Handelsblatt, Düsseldorf, No. 60 of March 26th, 1970.

waste of resources. The "package solutions", drawing in the problems in their entirety, there-against mean marked progress for the development policy. The IWP thus has come to the fore with the first important step towards an international agricultural policy. Whether it will be an essential contribution for the Second Development Decade, however, will depend on the Second FAO Conference.

Promotion of Trade through Fairs

by Siegfried Rost, Frankfurt *

Those who want to help the countries of the Third World have gradually had to learn from experience that capital aid and technical assistance given by industrialised nations is far from enough to meet the most urgent requirements of developing countries. This has led, eventually, at the World Trade Conference which was staged in Geneva in 1964, to highlighting the problems of trade, export, and trade promotion for world public opinion. And this is why development aid, in order to be comprehensive and effective, must not consist only of capital aid, credits, free gifts and technical assistance. In association with other types of help, trade policy must take care of the interests of areas which are susceptible to development. There can be no doubt that aid through trade has hitherto been the weakest link in the chain of various forms of assistance, or it has at least lagged behind the progress of other programmes of support.

Trade — not Aid

This is the more to be regretted as developing countries have been long demanding emphatically to be given the opportunity to earn the funds to build up a viable economy by their own efforts, through increased exports of their products. These requests make it clear along which lines the nations which receive development aid would wish development policy to operate — they do not want to receive subsidies, which are really alms or gifts that tie the recipient, but they wish for cooperation on the basis of equal rights, no-

tably in the field of economic and trade relations. Trade — not aid, this has become the watchword which clearly expresses their aims. It will be understood easily that sales outlets beyond the borders of developing countries must be found urgently, not only for raw materials, which are usually much in demand, but also for farm produce and especially for the output of newly created industries. It is evidently impossible for the industrialised nations to supply all the world with their manufactured goods without, at the same time, admitting to their home markets the products made by their trading partners. Trade must never grow into one-way traffic, not even trade with developing countries.

Promoting trade for this purpose means, *inter alia*, to set up better contacts between the countries of the Third World and their potential markets. It is not enough for industrialised countries to pull down physical import controls and to grant tariff preferences, because in most cases developing countries lack the required know-how, the techniques of marketing, of advertising and sales promotion, as well as the knowledge of potential markets and the connections with them. One of the most valuable tools, applicable in many different ways, for overcoming these difficulties might be participation of developing countries in trade fairs.

Marketing via Trade Fairs

Modern international trade fairs are justifiably described as one of the most potent aids to marketing. Exhibitors find there a truly optimal op-

* Messe- und Ausstellungs-GmbH (Trade Fair and Exhibition Ltd.), Frankfurt.