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# FOREIGN AGRICULTURE ECONOMICS



## The Role of AGRICULTURAL COMMODITY ASSISTANCE in INTERNATIONAL AID PROGRAMS

by Frank D. Barlow, Jr. and Susan A. Libbin

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### Summary

Since World War II, agricultural commodities have played an important part in U.S. economic assistance programs, first during the early postwar recovery of Western Europe and Japan and later as development aid to the less developed countries.

The role of food and fiber aid in promoting economic development during the past decade has broadened considerably under the various Food for Peace programs (Public Law 480). The Title I program under P.L. 480 has facilitated international trade; it has enabled many countries with scarce foreign exchange reserves to increase their agricultural imports to meet critical food needs without seriously reducing their capital imports needed for overall economic development.

By helping promote economic development, the P.L. 480 program also has helped develop potential commercial markets for U.S. farm products in several recipient countries. Japan, a recipient of Title I commodities during the mid-1950's, is now the United States' best commercial customer for farm products. Increases in per capita income and foreign exchange reserves in five Title I recipient countries -- Spain, Israel, Greece, Taiwan, and Poland -- have recently enabled these countries to increase significantly their commercial purchases of U.S. farm products.

Food aid supplied by other countries has been very small compared with P.L. 480 programs, accounting for only 2 percent of the total since 1952. Other than the United States, only four countries -- Canada, Australia, France, and West Germany -- have provided food aid on a bilateral basis. Of these countries, Canada has been the principal donor, supplying most of its food aid through the Colombo Plan. The 3-year experimental World Food Program provides food primarily to implement pilot projects related to social and economic development. So far, the United States has contributed 53 percent of the program's resources.

The United States has been providing slightly over half of the total public aid and private capital flow to developing countries. The United States also has been the principal donor to the United Nations technical aid and financial

agencies. Other principal donors have been France, the United Kingdom, and Germany, in that order. The industrial countries, working with United Nations financial agencies, are making progress in coordinating development aid programs largely through financial consortia and consultative groups.

The need for agricultural commodities in the less developed countries likely will increase as the population expands and economic development proceeds. The actual amount of food and fiber aid that will be provided depends upon such factors as conditions and policies in donor and other food exporting countries and the absorptive capacity and rate of population and economic growth in the recipient countries.

### Introduction

U.S. assistance in the form of agricultural commodities played a vital role in the recovery of Western Europe and Japan after World War II. This aid decreased markedly during 1951-54; but since the inception of Public Law 480 a decade ago, agricultural commodity aid has become an integral part of U.S. economic assistance to the developing countries of Asia, Africa, and Latin America. In recent years this aid has accounted for nearly half of the total net flow of U.S. economic assistance from public sources.

This report reviews some trends and highlights of U.S. agricultural commodity aid programs, particularly P.L. 480, and their relationship to commercial agricultural exports and other U.S. foreign economic aid programs. Bilateral food aid programs of other countries and the World Food Program also are discussed. A brief review is made of the relative magnitude of U.S. economic assistance compared with the world flow of development aid from the industrial countries and the increasing trends toward the coordination of bilateral aid programs within a multilateral framework. Also analyzed is the future role of agricultural commodity aid programs.

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Changing Role of Agricultural Commodity Aid Programs, 1946-64

Recovery Period, 1946-50

From the end of World War II through June 1964 the United States provided approximately \$25.7 billion of agricultural commodities on a concessional basis to the rest of the world. U.S. agricultural commodity aid reached a peak during the early postwar fiscal years 1946-50, when emphasis was on rehabilitating the war-devasted economies and feeding the starving millions of Europe and Japan. During this period, shipments of food and fiber under the United Nations Relief and Rehabilitation Administration, the Marshall Plan, U.S. Army Civilian Relief Programs, and other U.S. aid programs amounted to \$8.6 billion or approximately half of total U.S. agricultural exports and one-third of U.S. net economic aid (table 1). This aid-in-kind played a vital role in creating political stability and fostering economic recovery in Europe and Japan.

Korean War Years, 1951-53

Agricultural commodity shipments under special Government aid programs declined from an average of approximately \$1.7 billion annually during the recovery period 1946-50 to \$756 million annually during the Korean War years 1951-53.

Table 1.--Agricultural exports under special U.S. Government programs and U.S. commercial agricultural exports, fiscal years 1946-54

Fiscal year	Government programs	Commercial exports	Total U.S. agricultural exports	Government exports as a percent of total exports
	Million dollars	Million dollars	Million dollars	Percent
1946 .....	1,787	1,070	2,857	63
1947 .....	913	2,697	3,610	25
1948 .....	1,576	1,929	3,505	45
1949 .....	2,302	1,528	3,830	60
1950 .....	1,983	1,003	2,986	66
<b>Total, 1946-50</b>	<b>8,561</b>	<b>8,227</b>	<b>16,788</b>	<b>51</b>
1951 .....	1,196	2,215	3,411	35
1952 .....	623	3,430	4,053	15
1953 .....	450	2,369	2,819	16
1954 .....	605	2,331	2,936	21
<b>Total, 1951-54</b>	<b>2,874</b>	<b>10,345</b>	<b>13,219</b>	<b>22</b>
<b>TOTAL, 1946-54</b>	<b>11,435</b>	<b>18,572</b>	<b>30,007</b>	<b>38</b>

Source: Trade Statistics and Analysis Branch, Development and Trade Analysis Division, Econ. Res. Ser., U.S. Dept. Agr.

At the same time, U.S. commercial sales increased by 62 percent. Dollar sales accounted for almost four-fifths of total U.S. agricultural exports during the 1951-53 fiscal year period. Improved market and economic conditions enabled several European, Asian, and Latin American countries to meet the demand for agricultural imports through dollar purchases rather than through commodity aid. The economic strength of the industrial countries of Western Europe was improving, partly as a result of U.S. food and other assistance provided during the recovery period. The developing countries of Asia and Latin America were enjoying abnormally high foreign exchange earnings due to the increased demand and higher prices for their raw material exports arising from the Korean War pressures.

#### Period of Economic Development, 1954-64

With termination of the Korean War, the demand for and prices of agricultural exports of many developing countries fell; thus, foreign exchange earnings in many of these countries declined from the abnormally high levels of the early 1950's. Although foreign exchange reserves became scarce, the demand for imports of essential agricultural and industrial products was increasing due to the pressures of population growth and industrialization programs. To help overcome the barriers to trade resulting from the shortage of foreign exchange, the United States initiated two concessional agricultural commodity programs -- Section 550 of the Mutual Security Act of 1953, superseded by Section 402 of the Mutual Security Act of 1954; and P.L. 480, enacted in 1954. Actual shipments under P.L. 480 did not begin until 1955.

During the 1955-64 fiscal year period, U.S. agricultural exports under concessional (Government) sales programs amounted to approximately \$14.3 billion, or about one-third of total U.S. agricultural exports (table 2). Over this period, the emphasis shifted from direct programming of food and fiber under the Mutual Security Program to the new and varied techniques of P.L. 480.

The greatest volume of P.L. 480 shipments has moved under the Title I program in which commodities are sold for foreign currencies. This program has facilitated the export of agricultural commodities to countries that have lacked the dollar exchange to pay for them. The program permits sale and distribution of commodities through existing marketing systems. It also provides for the use of over two-thirds of the total foreign currency proceeds to help finance economic development of the recipient country. Approximately another one-fourth of the proceeds is used to help finance U.S. expenditures in the recipient country, and the rest is used for the common defense of the United States and the recipient. The use of these proceeds helps to reduce the dollar cost of U.S. programs in recipient countries. By doing so, it helps relieve the U.S. balance-of-payments deficit.

The magnitude of agricultural commodity sales under the Title I program and the average per capita value received, by country, is summarized in table 3. The value of Title I imports over the period 1955-63 ranged downward from \$106 per capita in Israel to less than \$1 per capita in countries such as the United Kingdom, France, Portugal, Sudan, Mexico, Thailand, and Germany.

Table 2.--Agricultural exports under special U.S. Government programs and U.S. commercial agricultural exports, fiscal years 1955-64

Year	Public Law 480				Total Public Law 480	Mutual Security programs	Total Government programs	Commercial exports	Total exports	Government exports as a percent of total exports
	Title I	Title II	Title III	Title IV						
1955:	73	83	135	125	416	450	866	2,278	3,144	28
1956:	439	91	184	298	1,012	355	1,367	2,129	3,496	39
1957:	909	88	165	401	1,563	394	1,957	2,771	4,728	41
1958:	659	92	173	100	1,024	227	1,251	2,752	4,003	31
1959:	725	56	131	132	1,044	210	1,254	2,465	3,719	33
1960:	825	65	104	149	1,143	167	1,310	3,207	4,517	29
1961:	952	146	144	144	1,386	186	1,572	3,374	4,946	32
1962:	1,024	176	169	198	1,586	74	1,660	3,482	5,142	32
1963:	1,079	159	173	60	1,529	13	1,542	3,536	5,078	30
1964:	1,041	150	189	112	1,539	23	1,562	4,512	6,074	26
1955-64:	7,726	1,106	1,567	1,719	12,242	2,099	14,341	30,506	44,847	32

Source: Trade Statistics and Analysis Branch, Development and Trade Analysis Division, Econ. Res. Ser., U.S. Dept. Agr.

Table 3.--Title I per capita export market value by countries, July 1, 1954, through December 31, 1963

Country	Title I export market value	Population (1960)	Title I per capita market value <u>1/</u>
	<u>Million dollars</u>	<u>Million</u>	<u>Dollars</u>
Israel .....	223.9	2.1	106.62
Iceland .....	14.1	0.2	70.50
Yugoslavia .....	556.5	18.5	30.08
Egypt .....	481.5	25.9	18.59
Spain .....	467.0	30.1	15.51
Poland .....	439.9	29.7	14.81
Turkey .....	395.7	27.6	14.34
Korea .....	338.7	24.7	13.71
Taiwan .....	143.6	10.6	13.55
Uruguay .....	34.1	2.8	12.18
Greece .....	99.8	8.3	12.02
Finland .....	41.1	4.4	9.34
Chile .....	64.5	7.3	8.84
Tunisia .....	30.6	4.2	7.29
Syria .....	32.6	4.6	7.09
Pakistan .....	627.3	92.7	6.77
Paraguay .....	11.0	1.8	6.11
Austria .....	39.5	7.1	5.56
S. Vietnam .....	76.9	14.1	5.45
Brazil .....	350.5	70.8	4.95
Bolivia .....	16.8	3.5	4.80
Colombia .....	58.0	14.1	4.11
India .....	1,701.5	432.6	3.93
Guinea .....	10.0	3.0	3.33
Peru .....	31.4	10.8	2.91
Italy .....	140.0	49.4	2.83
Indonesia .....	257.8	92.6	2.78
Congo .....	36.3	14.2	2.56
Ecuador .....	11.0	4.3	2.56
Ceylon .....	25.0	9.9	2.53
Burma .....	45.8	20.7	2.21
Iran .....	40.2	20.2	1.99
Morocco .....	19.7	11.6	1.70
Japan .....	135.0	<u>2/</u> 91.7	1.47
Philippines .....	33.7	27.8	1.21

1/ Countries where the Title I per capita market value was \$1 or less are: Argentina, United Kingdom, France, Portugal, Sudan, Mexico, Thailand, the Netherlands, and West Germany.

2/ 1958 population. This was the last year of Title I shipments to Japan.

Source: Program Operations Division, Foreign Agr. Ser.; and International Monetary Fund, International Financial Statistics.



There are a number of Title I recipient countries where both the aggregate value of the program and the average value per person were relatively high. In such countries as Yugoslavia, Egypt, Spain, Poland, Turkey, Korea, Taiwan, and Greece, the value of Title I imports ranged downward from \$30 to \$12 per capita.

Several countries, such as India, Pakistan, and Brazil, received large amounts of Title I commodities, but because of their large populations, the average value received per person was relatively small.

#### Commercial Market Expansion in Some Title I Countries

Recent studies have indicated that commercial foreign markets for U.S. farm products have increased as economic development proceeds and per capita incomes rise, not only in the industrialized countries but also in some of the more rapidly developing countries.<sup>1/</sup> A recent research study has indicated how, through helping to promote economic development, the P.L. 480 Title I program also has helped develop potential commercial markets for U.S. farm products.<sup>2/</sup> This is contrary to fears expressed by some skeptics of U.S. concessional agricultural export programs to the effect that such programs inevitably would result in a reduction in commercial exports.

U.S. commercial agricultural exports jumped from \$2.3 billion in 1955 to a record of \$4.5 billion in fiscal year 1964. Most of this expansion occurred in Japan and the industrial countries of Europe that had received large quantities of food aid during the recovery period. Since 1957, concessional sales for foreign currencies to Japan and most industrial countries of Western Europe have practically ceased as U.S. commercial exports have expanded. The only Food for Peace commodities these countries now receive are small quantities under the Title II emergency relief and Title III donation programs. Agricultural shipments under Government programs to Japan and five European countries,<sup>3/</sup> all of which received Title I commodities during the 1955-57 period, declined from \$122 million to \$11 million for Japan between fiscal years 1956 and 1963, and from \$435 million to \$20 million for the others. At the same time, U.S. commercial exports to Japan increased from \$249 million to \$485 million and to the other countries, from \$682 million to \$1.3 billion. Japan is now the leading commercial market for U.S. farm products. Per capita incomes also have risen steadily in these countries, increasing by 16 percent annually in Japan and by 6 percent annually in the five European countries during the 1956-63 period.

U.S. commercial sales of farm products in recent years have expanded considerably in five important Title I countries -- Greece, Israel, Taiwan, Poland, and Spain (table 4, figure 1). These countries are in the more intermediate stages of economic growth than most other Title I countries. They have made significant gains in economic growth and have increased substantially their foreign exchange reserves.

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<sup>1/</sup> For example, see Christensen, Raymond P., and Mackie, Arthur B., "Foreign Economic Development and Agricultural Trade", Foreign Agricultural Trade of the United States, U.S. Dept. Agr., September 1963.

<sup>2/</sup> Ginor, Fanny, Uses of Agricultural Surpluses, Bank of Israel, 1963.

<sup>3/</sup> United Kingdom, West Germany, Italy, France, and the Netherlands.

Table 4.--Changes in U.S. commercial and Government program agricultural exports to selected P.L. 480 countries and their per capita incomes, fiscal years 1955-63

Country	Unit	1955	1956	1957	1958	1959	1960	1961	1962	1963
<b>Greece</b>										
Government programs <u>1/</u> ..	Mil. dol.	44	51	67	22	17	9	24	18	14
Commercial .....	Mil. dol.	-8	3	1	2	3	4	3	4	11
Per capita income .....	Dollars	235	274	291	300	308	327	367	385	n.a.
<b>Israel</b>										
Government programs <u>1/</u> ..	Mil. dol.	37	32	35	49	41	40	35	43	33
Commercial .....	Mil. dol.	2	9	14	6	8	13	16	18	24
Per capita income <u>2/</u> .....	Dollars	342	382	425	455	491	547	621	714	872
<b>Taiwan</b>										
Government programs <u>1/</u> ..	Mil. dol.	58	48	56	41	51	46	53	59	3/54
Commercial .....	Mil. dol.	-2	4	4/	4	1	11	14	14	22
Per capita income <u>5/</u> .....	Dollars	64	71	79	84	95	113	122	129	142
<b>Poland</b>										
Government programs <u>1/</u> ..	Mil. dol.	---	---	---	80	50	80	136	58	54
Commercial .....	Mil. dol.	1	2	3	15	8	12	8	12	32
Per capita income .....	Dollars	340	378	443	465	492	529	578	585	n.a.
<b>Spain</b>										
Government programs <u>1/</u> ..	Mil. dol.	57	116	141	103	127	65	100	58	16
Commercial .....	Mil. dol.	10	10	12	6	4/	1	57	68	112
Per capita income <u>6/</u> .....	Dollars	161	178	208	247	258	257	281	313	345

1/ Includes Sections 402 and 550 of the Mutual Security Act and P.L. 480 Titles I - III.

2/ Converted at the recent official exchange rate of 3 pds. = \$1.

3/ Includes P.L. 480 Title IV.

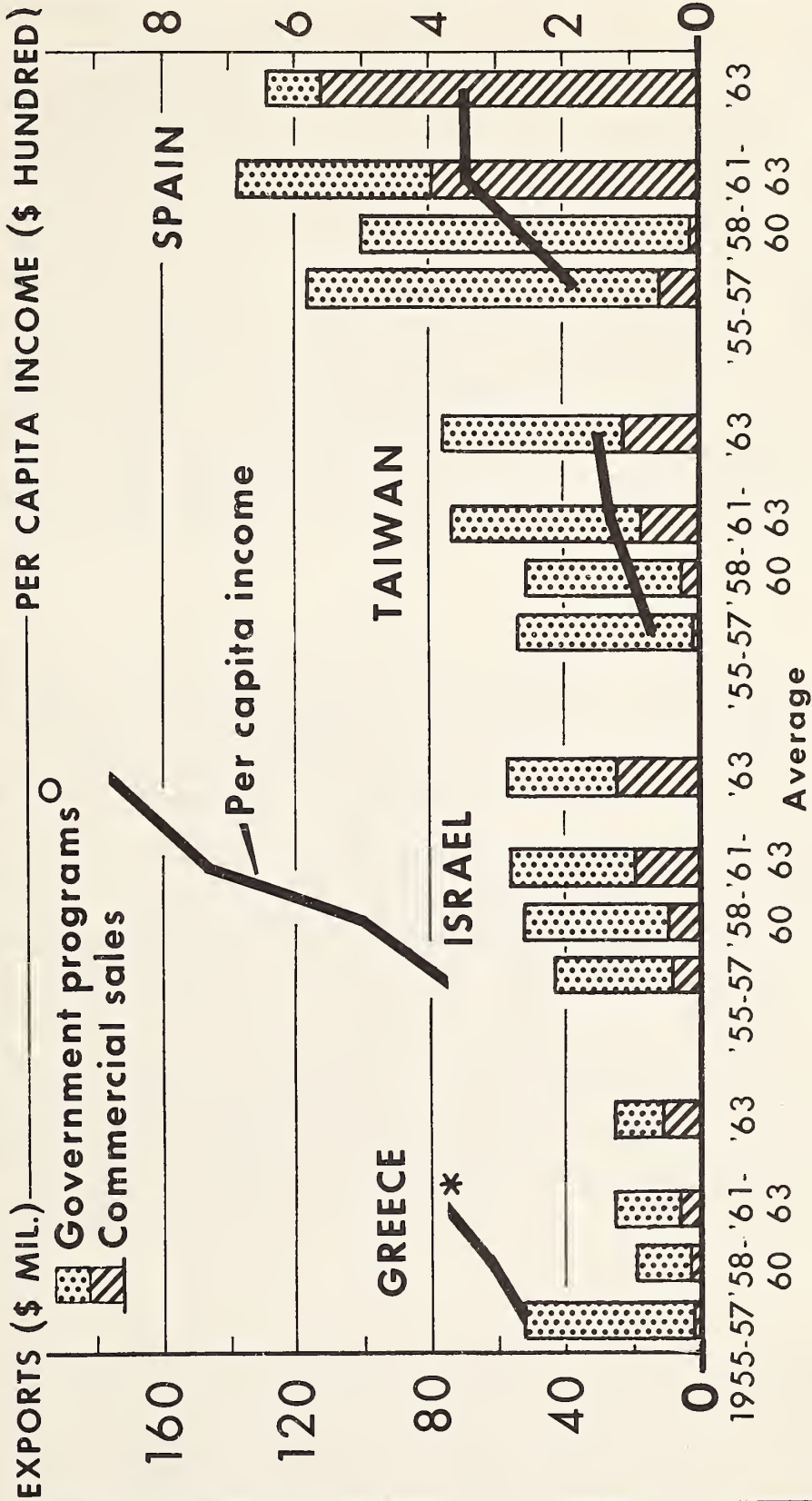
4/ Less than \$500,000.

5/ Converted at the recent official exchange rate of 40 NT = \$1.

6/ Converted at the recent official exchange rate of 60 pesetas = \$1.

Source: Per capita income data from International Monetary Fund, International Financial Statistics, and export data from Trade Statistics and Analysis Branch, Econ. Res. Ser., U.S. Dept. Agr.

# U. S. AGRICULTURAL EXPORTS TO SELECTED P. L. 480 COUNTRIES AND THEIR INCOMES



YEARS ENDING JUNE 30.

\*1961-62 AVERAGE.

INCLUDES SECS. 402 AND 550 OF THE MUTUAL SECURITY ACT AND P. L. 480 TITLES I, II, AND III. TITLE IV SHIPMENTS WERE MADE TO TAIWAN IN 1963.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3380-64 (12)

ECONOMIC RESEARCH SERVICE

Figure 1

## Spain

The greatest expansion of U.S. commercial markets has occurred in Spain, where one of the largest Title I programs operated. Due to the country's improved financial and economic conditions, this program was terminated in 1962. With greater foreign exchange reserves and an 8 percent annual increase in per capita income since 1960, Spain was able to increase its commercial agricultural purchases from the United States from an average of \$11 million annually in fiscal years 1955-57 to an average of \$78 million annually in 1961-63. By 1963, commercial sales to Spain had reached \$112 million. Spain is now the world's largest importer of soybean oil and the United States' best cash customer for this product. Spain also is becoming a growing commercial market for U.S. feed grains. The availability of Title I imports of soybean oil, feed grains, and other commodities during the 1955-60 period of extreme inflation and critical shortage of foreign exchange reserves in Spain was a significant factor in helping to develop this expanding commercial market. Title I imports of low-priced soybean oil enabled Spain to meet the domestic demand for oils and also to increase its exports of high-priced olive oil and, thus, its foreign exchange earnings. These earnings have helped to finance the commercial purchase of lower priced vegetable oils that are fully substitutable for olive oil in domestic use.

## Israel

U.S. commercial agricultural exports to Israel more than doubled from an average of \$8 million annually during the fiscal year period 1955-57 to \$19 million annually in 1961-63. In 1963, U.S. commercial sales to Israel reached \$24 million. Although P.L. 480 imports continued at a fairly constant rate over the period, Israel has increased considerably its commercial purchases of several commodities imported under the Title I program, such as oilseeds, feed grains, rice, and tobacco. The United States and other countries are sharing in the growing commercial market. During the early years of Israel's development, Title I imports of feed grains, which could not have been purchased commercially on the same scale, were a motivating factor in the development of livestock enterprises and the stimulation of increased commercial demand for feed imports. The United States increased its commercial feed grain sales from 26,000 tons in 1954 to 205,000 tons in 1963, while other countries, such as Turkey, Cyprus, and Argentina, more than doubled their commercial sales to Israel. The Title I program also has been credited with the development of a significant commercial demand for soybeans in Israel. Israel has become the world's largest importer of soybeans on a per capita basis. By 1963, Israel's commercial imports from the United States had jumped to 207,000 tons from less than 4,000 tons in 1954, while imports of oilseeds from other countries also had increased.

## Greece

U.S. commercial exports to Greece were almost four times larger in 1963 than in 1956, while concessional shipments were smaller by that amount. The Title I program has enabled Greece to use its scarce foreign exchange reserves to procure capital imports essential for continued industrial and economic growth and also to increase its agricultural imports and meet a growing domestic demand for food and feed. With a steady growth in Greece's per capita income

of 6 percent annually since 1955 and a rapid increase in the level of foreign exchange reserves in recent years, the country is now in a better position to increase its commercial purchases of agricultural commodities. As indication of this, the United States signed a Title IV long-term dollar credit agreement with Greece in November 1964. The Title IV program facilitates the expansion of U.S. dollar markets by helping countries in the transition from paying for commodities with their own currencies under the Title I program to paying for them with dollars on a commercial credit basis.

### Taiwan

Taiwan's commercial purchases from the United States have increased steadily in recent years, even though P.L. 480 shipments also have risen. This encouraging expansion of commercial exports to Taiwan indicates the country's greatly improved economic conditions. U.S. commercial sales rose from \$4 million in 1956 to \$22 million in fiscal year 1963. Taiwan's per capita income increased by 12 percent annually between 1956 and 1962. Because of the country's improved financial and economic position, a Title IV long-term dollar credit agreement was signed in 1962.

### Poland

Commercial sales also have increased in Poland. Since the first Title I shipments in 1958, U.S. dollar sales rose from \$15 million to \$32 million in 1963. Poland's per capita gross national product increased by 8 percent annually between 1958 and 1962. Poland is no longer eligible for Title I programs under the 1964 amendment to P.L. 480. However, this amendment authorizes Title IV programming to Poland up to a period of 5 years.

### Growing Importance of P.L. 480 in U.S. Economic Aid Programs

The varied programs of P.L. 480 have played an increasingly important role in foreign economic aid programs. P.L. 480 accounted for one-third of the total U.S. economic assistance authorization in fiscal year 1963; however, P.L. 480 assistance in relation to the net economic aid disbursements in 1963 amounted to 47 percent of the total compared with 37 percent in 1956 (table 5).

The magnitude of P.L. 480 and other agricultural commodity aid compared with total U.S. economic aid in principal P.L. 480 recipient countries is summarized in table 6. Agricultural commodity aid, as used in this table and in table 5, can be defined as the foreign currency proceeds collected from the sale of commodities under the P.L. 480 Title I and Mutual Security Programs and disbursed by the U.S. Government to the recipient country as economic development grants and loans. Also included are other P.L. 480 programs -- Title II direct grants of food and fiber for emergency relief, school lunch programs, and economic development; Title III donations through voluntary agencies; and Title IV long-term dollar credit sales. Excluded from the definition are the local currency proceeds used for military grants to certain cooperating countries and to pay U.S. expenses in the respective recipient countries as well as Title III barter sales. For example, approximately \$1.4 billion or one-third of the Title I sales proceeds disbursed through June 1963 was used largely to help finance local U.S. expenditures and also for military grants. Thus, the

Table 5.--Agricultural commodity aid in relation to total net U.S. economic assistance, 1956-63

Calendar year	Total net U.S. economic aid <u>1/</u>	Agricultural commodity aid <u>2/</u>			Agricultural commodity aid as percent of total aid	
		Mutual Security	P.L. 480 <u>3/</u>	Total	P.L. 480	Total
----- Million dollars -----						
					----- Percent -----	
1956 .....	2,270	452	846	1,298	37	57
1957 .....	2,582	283	1,058	1,341	41	52
1958 .....	2,472	198	936	1,134	38	46
1959 .....	3,253	132	858	990	26	30
1960 .....	2,770	145	1,164	1,309	42	47
1961 .....	2,711	166	1,234	1,400	46	52
1962 <u>4/</u> ...	3,595	33	1,344	1,377	37	38
1963 <u>4/</u> ..	3,136	0	1,485	1,485	47	47

1/ Includes assistance to international agencies.

2/ Excludes Title I and MSA local currencies used for U.S. uses and military grants.

3/ Excludes Title III barter sales.

4/ Fiscal year.

Source: U.S. Department of Commerce, Foreign Grants and Credits by the U.S. Government.

net values for commodity aid shown in tables 5 and 6 are correspondingly less than the actual value of commodities programed and shipped under the special U.S. Government export programs.

Food and fiber aid, as a share of the total net U.S. economic aid extended over the 1952-63 period, ranged from a low of 10 percent of the total in Iran up to 96 percent in Poland. Poland, Egypt, Yugoslavia, and Spain are examples of countries where the aggregate value of agricultural commodity aid as well as the percentage of such assistance to total economic aid was high. Since utilization of surplus agricultural productive capacity through the techniques of P.L. 480 programs is less of an economic burden to the United States than cash aid, such commodity aid may be authorized for various countries when political and legal factors tend to restrict the extension of financial aid.

Turkey and Korea are cases where the aggregate value of agricultural commodity assistance was relatively large, while the proportion to total economic aid was quite low. One reason for this is that a large share of the local currency proceeds from Title I and Mutual Security sales was expended for military grants and U.S. uses in these countries and therefore was not classified as economic aid. For example, of the total amount of Title I currencies disbursed to Turkey and Korea through June 1963, \$172 million (64 percent of the total)

Table 6.--P.L. 480 assistance compared with net U.S. economic assistance to principal countries and regions, fiscal years 1952-63

Region and country	Net U.S. economic aid				Agricultural commodity aid as a percent of total economic aid
	Agricultural commodity aid	Other economic aid	Total		
	P.L. 480 <u>1/</u>	Total <u>2/</u>			
	----- Million dollars -----				Percent
<u>Europe</u>					
Poland .....	465	465	19	484	96
Yugoslavia .....	800	908	437	1,345	68
Turkey .....	265	289	957	1,246	23
Spain .....	396	578	287	865	67
Greece .....	159	233	439	672	35
Other .....	595	871	513	1,384	63
Total .....	2,680	3,344	2,652	5,996	56
<u>Far East &amp; S.E. Asia</u>					
Korea .....	168	418	2,517	2,935	14
India .....	1,713	1,779	1,277	3,056	58
Pakistan .....	646	665	991	1,656	40
Indonesia .....	234	234	256	490	48
Taiwan .....	127	345	805	1,150	30
Philippines .....	58	145	125	270	54
Other .....	403	426	3,391	3,817	11
Total .....	3,349	4,012	9,362	13,374	30
<u>Near East</u>					
Israel .....	269	346	339	685	50
Iran .....	65	68	602	670	10
Egypt .....	528	539	111	650	83
Other .....	141	141	368	509	28
Total .....	1,003	1,094	1,420	2,514	44
<u>Latin America</u>					
Brazil .....	408	408	816	1,224	33
Chile .....	115	115	306	421	27
Colombia .....	112	112	176	288	39
Peru .....	64	64	131	195	33
Other .....	175	215	1,513	1,728	12
Total .....	874	914	2,942	3,856	24
<u>Africa</u>					
Morocco .....	115	145	180	325	45
Tunisia .....	147	154	119	273	56
Other .....	215	219	579	798	27
Total .....	477	518	878	1,396	37
TOTAL .....	8,383	9,882	17,254	27,136	36

1/ Excludes Title III barter sales.

2/ Includes Sections 402 and 550 of the Mutual Security Act. Excludes Title I and MSA local currencies used for military grants and U.S. uses.

Source: U.S. Department of Commerce, Foreign Grants and Credits; and Food for Peace, Nineteenth Semiannual Report on Activities Carried on Under P.L. 480, April 3, 1964.

and \$278 million (99 percent), respectively, were used for military grants and U.S. expenditures. Another factor accounting for the low proportion of commodity aid in relation to total economic aid is that a considerable amount of the economic aid provided to Turkey and Korea has been for "supporting" assistance, designed to strengthen the economies of countries considered strategically and politically important to the United States.

Brazil and Taiwan are other examples where the aggregate value of commodity aid was large, but where the proportion to total economic aid was relatively low, about 33 percent of the total. A large portion of the economic aid to Brazil, as well as to the other Latin American countries indicated in table 6, was in the form of Export-Import Bank loans to help alleviate balance-of-payments problems and enable the countries to maintain their commercial imports from the United States. Much of the aid extended to Taiwan has been supporting assistance.

The aggregate value of agricultural commodity aid was the highest in India and the third highest in Pakistan, while the proportion of such assistance to total economic aid was 58 percent and 40 percent, respectively. These percentages generally represent the high relative need for food and fiber imports by these countries as compared to capital imports. This need is influenced by such factors as the high rate of population growth, the moderate rate of general economic growth, and the chronic shortage of foreign exchange.

In recent years, P.L. 480 assistance has become a more important part of the total U.S. economic aid effort in several countries, such as Iran, Tunisia, and Morocco, where the share of P.L. 480 aid in relation to total U.S. economic aid was over two-thirds in 1963.

#### Food Aid from Other Countries

Canada, Australia, France, and West Germany are the only countries other than the United States that have shipped substantial quantities of food for emergency or development purposes. Food aid supplied by these four countries totaled \$251 million from 1952 through 1963, with Canada supplying 89 percent (table 7). This compares with \$9.9 billion supplied by the United States, mostly under Food for Peace, during the same period. Several other countries also have extended small amounts of hard-currency grants or loans to be used for purchasing agricultural commodities.

These countries generally do not have a regular program of food assistance or legislative authorization for the use of surplus agricultural commodities in their foreign assistance programs. Canada and Australia have been supplying food aid generally on an annual basis to certain Colombo Plan countries. In addition, in July 1963, Canada announced plans to expand its food aid program to a maximum of \$40 million of commodities over an indeterminate period. This larger program has not yet been implemented.

#### Food Aid Under the Colombo Plan

The Colombo Plan for Cooperative Economic Development in South and Southeast Asia, comprising six main donor countries -- the United States, the United Kingdom, Canada, Japan, Australia, and New Zealand -- and 14 recipient



Table 7.--Food aid supplied by selected countries, fiscal years 1952-63

Country	Commodity and Program	Value
		<u>Million dollars</u>
Canada	Colombo Plan Aid:	
	Regular program, wheat and flour, small amount of butter .....	<u>1/81.0</u>
	Special loans and grants, wheat and flour	110.0
	Aid to International Relief Agencies:	
	Wheat and flour .....	<u>2/15.0</u>
	Dairy products .....	<u>3/7.1</u>
	Canned pork .....	<u>3/9.0</u>
Relief to Chile, wheat and flour .....	1.0	
	Total .....	<u>223.1</u>
Australia	Wheat and flour, small amounts of dry milk and barley .....	<u>23.0</u>
West Germany	Sugar .....	<u>2.6</u>
France	Wheat .....	1.1
	Barley .....	.8
	Rice and dry milk .....	<u>4/</u>
	Total .....	<u>1.9</u>
	TOTAL .....	<u>250.6</u>

1/ Canada provided \$5.8 million and \$12.0 million, respectively, in fiscal years 1964 and 1965.

2/ Canada contributed about \$1.9 million during 1963/64 and 1964/65.

3/ As of fiscal year 1961.

4/ Less than \$100,000.

Source: Organization for Economic Cooperation and Development, Food Aid, Its Role in Economic Development, 1963; The Colombo Plan for Cooperative Economic Development in South and Southeast Asia, Eleventh and Twelfth Annual Reports of the Consultative Committee, 1963 and 1964; and Canadian Embassy, Washington, D.C.

countries, was organized in 1950 to coordinate bilateral economic assistance programs in the region. <sup>4/</sup> Economic assistance to Colombo Plan countries totaled \$12.8 billion from fiscal years 1951 through 1963 (table 8). Capital aid, either in the form of machinery or monetary loans and grants, accounted for over two-thirds of the total. Agricultural commodity aid amounted to about one-fourth, and technical assistance accounted for only 5 percent of the total.

The United States was by far the principal donor, providing 89 percent of the total. Over one-fourth of the U.S. share was under P.L. 480 programs. India, Pakistan, and South Vietnam were the principal recipients; approximately one-third of the total aid went to India alone.

In addition to the United States, Canada and Australia are the only Colombo Plan countries which have provided food assistance. These two countries supplied \$214 million of agricultural commodities on a concessional or grant basis under the Plan from 1952-63. This compared with \$3.2 billion from the United States, chiefly under the P.L. 480 program.

Almost half of Canada's total economic aid to Colombo Plan countries has been in the form of wheat and flour, which has been provided as grants or under long-term loans. Canada shipped 1.6 million metric tons of wheat and flour under the Plan during 1953-62. This compares with 20.8 million tons from the United States and 143,000 tons from Australia. About half of Canada's shipments went to India, one-third went to Pakistan, and the remainder was distributed among six other Asian countries. Counterpart funds equivalent to the value of the food grant are set aside by the recipient to help finance development projects agreed upon with Canada.

Australian assistance to Colombo Plan countries has been primarily in the form of capital equipment and technical assistance. Over the period 1952-62, Australia granted the equivalent of \$22 million in wheat and flour to India, Ceylon, Pakistan, and Cambodia, \$1 million of milk to India and South Vietnam, and \$204,000 of barley to Pakistan. Australia has not shipped any food aid since 1962.

#### Cooperative Food Aid Programs In India

The United States, the Netherlands, New Zealand, Australia, and United Nations International Children's Emergency Fund participated in cooperative food aid programs in India, known as the Calcutta, Bombay, and Madras milk schemes. Under the first two plans nonfat dry milk, technical advisors, and financial assistance were provided to assist India in the development and improvement of milk processing and distribution facilities. Under the Calcutta Plan, which began in 1956, the United States agreed to supply 70 percent of the 3,050 tons of nonfat dry milk programmed. New Zealand, the Netherlands, and Australia each agreed to supply 10 percent; the former two countries contributed their share through the Food and Agriculture Organization of the United Nations (FAO).

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<sup>4/</sup> Recipient countries include Afghanistan, Burma, Cambodia, Ceylon, India, Indonesia, Korea, Laos, Malaysia, Nepal, Pakistan, the Philippines, Thailand, and South Vietnam. Several of these recipients also have contributed assistance, mostly technical aid.

Table 8.--U.S. and other economic assistance to Colombo Plan countries, by principal donor and program, fiscal years 1951-63

Donor country	Food aid	Technical aid	Capital aid	Total aid
----- Million dollars -----				
United States <sup>1/</sup> ...	2/3,164	3/567	7,624	11,355
United Kingdom .....	---	28	669	697
Canada .....	191	12	203	406
Japan .....	---	7	150	157
Australia .....	23	28	57	108
New Zealand .....	---	8	20	28
<b>Total .....</b>	<b>3,378</b>	<b>650</b>	<b>8,723</b>	<b>12,751</b>
----- Percent -----				
U.S. as a percent of total .....	94	87	87	89

<sup>1/</sup> Except for technical aid, U.S. figures are on a net disbursement basis. U.S. Dept. of Commerce, Foreign Grants and Credits. Aid from the other donors is on a gross basis.

<sup>2/</sup> Includes P.L. 480 and the Mutual Security Program. Excludes Title I and MSA local currencies used for U.S. uses and military grants and Title III barter sales.

<sup>3/</sup> Amount obligated for 1951-62. Expenditures for 1963. From Agency for International Development, U.S. Foreign Assistance and Assistance from International Agencies, July 1, 1945-June 30, 1962, and Operations Report, June 30, 1963.

Source: Except as otherwise indicated, The Colombo Plan for Cooperative Economic Development in South and Southeast Asia, Twelfth Annual Report of the Consultative Committee, November 1963.

To be eligible to receive the milk on concessional terms, India agreed to purchase at least 150 tons annually at commercial rates. Under the Bombay scheme, which began in 1950, UNICEF and the United States supplied financial aid and dried skim milk. The Madras scheme, initiated in 1958, provided non-fat dry milk for the implementation of a school feeding program.

#### Other Food Aid Supplied by Canada

In addition to providing Colombo Plan countries with food aid, Canada has contributed food aid to international relief agencies, \$17 million of wheat and flour during the 1957-65 period to the United Nations Relief and Works Agency for Palestine and \$16 million of dairy products and canned pork from 1959-61 to UNICEF and CARE. Canada also provided \$1 million of wheat and flour for Chilean relief in 1960. Canada has shipped smaller quantities of food aid to other countries outside the Colombo Plan area, but detailed information is not available.

## Food Aid Supplied by Germany and France

In 1961, Germany supplied Pakistan with \$2.6 million of surplus sugar in which payment was to be made in rupees. The German Government loaned about 80 per cent of the rupees back to Pakistan for development projects.

Food aid extended by France has been very small, totaling only \$1.9 million. In 1956 the French Government granted \$1 million of wheat to Tunisia to relieve a temporary wheat shortage and in 1961, \$0.8 million of barley was granted to Morocco for relief of a crop shortage. In 1961, France provided Mauritania with a credit of \$20,400 to purchase rice and dry milk for famine relief.

## Multilateral Food Programs -- The World Food Program

Several multilateral agencies, such as UNICEF and the World Health Organization, supply a limited amount of food assistance to needy groups within developing countries. However, the only multilateral program set up to provide large-scale food aid for economic and social development as well as emergency relief is the World Food Program.

Although FAO has considered proposals for a multilateral food aid program since 1946, it was not until 1961 that the United Nations and FAO agreed to undertake a 3-year experimental food aid program beginning in 1963 and extending through 1965. Contributing countries have agreed to supply \$100 million in agricultural commodities, services, and cash. By December 31, 1964, 70 countries had pledged \$93.7 million, over 70 percent in commodities (table 9). While about two-thirds of the contributors were developing countries, the industrialized countries provided the major portion of the resources; 53 percent came from the United States alone. This program is very small compared with the bilateral P.L. 480 program of some \$1.5 billion annually.

Table 9.--Contributions to the World Food Program, by category and principal country or area, as of December 31, 1964

Contributing country or area	Commodities	Cash	Services	Total
	<u>Million dollars</u>			
United States ...	40.0	<u>1</u> /6.0	<u>1</u> /4.0	50.0
Europe .....	19.6	10.2	.2	30.0
Canada .....	5.1	1.7	----	6.8
Other .....	3.8	1.9	1.2	6.9
Total .....	68.5	19.8	5.4	93.7

1/ The U.S. cash contribution is limited to 46 percent of the total cash contributions and the U.S. commitment of cash and services combined may not exceed \$10 million unless the shipping services go over \$5 million on the basis of world market rates.

Source: Compiled from unpublished data, FAO, Committee on Commodity Problems.

Only food products are provided on a grant basis under the program. Some countries have agreed to provide either cash or services to cover administrative and shipping costs. The rapid rate of requests for food aid has been depleting the program's resources. In fact, if all requests for food other than for emergency purposes were approved, there would not be sufficient resources to meet them. At present, only wheat and flour, corn, sorghum, dried skim milk, and vegetable oil are available in large quantities.

The World Food Program is authorized to provide food aid for three main purposes: (1) to meet emergency food needs; (2) to assist in preschool feeding; and (3) to implement pilot projects related to social and economic development.

About 25 percent of the program's resources or \$21 million was earmarked for emergency aid for the 3-year period. By November 1964, 17 countries had received emergency assistance totaling \$7.8 million. Many requests have been made for proteins, which are in short supply; thus, the commodities distributed have been limited to cereals, skim milk, and some edible oils.

As of January 1965, approximately 12 countries, mainly in Africa, had requested food for preschool feeding, school feeding, and food scholarship programs. Projects had been approved for eight countries -- Chad, Guinea, Morocco, Mauritania, Togo, Afganistan, Bolivia, and Colombia. While these programs do not contribute directly to a country's development, they are an investment in people and their education -- important to the country's future growth.

The World Food Program's primary purpose is to provide food aid for social and economic development similar to the program developed under P.L. 480 Title II. As of January 1965, more than 130 requests for food aid to assist in economic development projects had been submitted by approximately 57 countries, mostly in Asia and Africa. Food will be used to pay part of the wages of workers employed on two types of labor-intensive projects: (1) Capital formation and long-run resource improvement, such as irrigation, land reform, resettlement, and creation of local industries serving agriculture; and (2) community development such as construction of local roads, bridges, village schools, and houses. Also, food will be provided to help develop agricultural enterprises, to aid in the introduction of more productive crops, and to stabilize food prices through the building of reserve stocks. Nearly half of the approved projects have been for colonization, land reclamation, and livestock development.

#### United States and the World Flow of Development Assistance

Food aid also needs to be viewed in the context of total development assistance supplied by the industrial countries. Net economic assistance (including flows from public and private sources) from the United States, Canada, Japan, 12 West European countries, and the USSR increased from an annual average of \$3.5 billion in 1950-55 to approximately \$9.0 billion in 1963 (table 10). The Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) in its annual review of economic aid indicated that there was a strong possibility of an increase in the total flow of aid in 1964. The largest part of the increase occurred during the mid-1950's, when emphasis of U.S. aid programs shifted from recovery to development assistance. Economic

Table 10.--Net U.S. economic assistance compared with the world flow of development assistance, 1950-55 average, and 1956-63

Calendar year	Aid from public sources <u>1/</u>		Capital flows from private sources <u>2/</u>		Total aid and capital flows		United States as a percent of total
	United States	Other <u>3/</u>	Total	United States	Other	Total	
----- Million dollars -----							
1950-55 average ...	1,118	782	1,900	608	992	1,600	49
1956 .....	2,006	1,304	3,310	1,236	1,680	2,916	52
1957 .....	2,091	1,828	3,919	2,009	1,615	3,624	54
1958 .....	2,410	2,106	4,516	1,284	1,644	2,928	50
1959 .....	2,322	2,177	4,499	954	1,764	2,718	45
1960 .....	2,801	2,298	5,099	1,040	1,969	3,009	47
1961 .....	3,488	2,834	6,322	1,038	1,983	3,021	48
1962 .....	3,573	2,808	6,381	818	1,644	2,462	50
1963 <u>4/</u> .....	3,721	2,798	6,519	818	1,620	2,438	51

1/ Includes food and financial grants, and loans extended for more than one year, and contributions to multilateral agencies.

2/ Includes direct investment, portfolio investment, private export credits of one or more years, and contributions to multilateral agencies.

3/ Includes Austria, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, and the United Kingdom, and the Sino-Soviet Bloc from 1956-63.

4/ Figures subject to revision.

Source: Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1956-63, December 1964; and Development Assistance Efforts and Policies, 1964 Review, September 1964.

recovery in the early 1950's and subsequent growth in Japan and most West European countries enabled these countries to initiate their own aid programs.

### Aid from Public Sources

Bilateral economic aid from public sources, including technical, financial, and agricultural commodity assistance, increased in every year but one since 1956. In 1963, net bilateral disbursements reached a record of \$6.2 billion, an increase of 7 percent over 1962. Technical assistance rose from 13 percent of the total flow of public assistance in 1962 to 15 percent in 1963. The United States was the largest contributor, with expenditures totaling \$368 million compared with \$480 million from 11 other developed countries. Over 40 percent of the U.S. Agency for International Development's technical cooperation expenditures was directed toward promoting agricultural development. Other principal contributors of technical assistance were France and the United Kingdom, whose expenditures in 1963 totaled \$295 million and \$68 million, respectively.

Almost two-thirds of the bilateral public economic aid in 1963 was cash grants and loans. A major share of this aid was made available as grants or as loans repayable in the recipient's local currency. Almost all donor countries require that a substantial part of their financial aid be restricted for the procurement of goods and services in their own country. The proportion of this type of aid has been particularly high in the United States (over 70 percent), Japan, and Canada.

Agricultural commodity aid, mostly supplied by the United States, accounted for approximately one-fourth of the total bilateral public flow in 1963. This type of assistance represents a considerably smaller economic cost to the donor country than does cash aid. To the extent that surplus stocks of agricultural commodities could not have been sold commercially, constructive utilization of such surplus agricultural capacity through Food for Peace and similar programs is less burdensome to the donor countries in their support of world economic development.

Government contributions to the multilateral technical assistance and financial aid agencies have accounted for less than 10 percent of the total flow of economic assistance from public sources during most of the last decade. However, net disbursements by multilateral agencies have been increasing, reaching \$654 million in 1963, double the 1960 level.

### Capital Flows from Private Sources

While there has been a steady increase in aid from public sources since 1957, there has been an absolute as well as a relative decline in private foreign investment to the developing countries. Private capital flows dropped from \$3.6 billion in 1957 to \$2.4 billion in 1963, or from one-half of the total flow of development assistance to about one-fourth. <sup>5/</sup> In 1963 there was an increase in direct investment, but this was primarily accounted for by increased

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<sup>5/</sup> Data on private capital movements are not as accurate or complete as that provided from public sources and are thus subject to considerably more error.

U.S. investments in the Latin American petroleum industry. The major reasons for the decline in direct investment have been higher investment costs resulting from the lack of marketing and distribution facilities, shortage of skilled labor, limited domestic markets, severe inflation, and instability of foreign exchange rates in many developing countries. Such noneconomic factors as fear of expropriation, unstable political environment, or discriminatory policies severely limit private investment flows. Guaranteed private export credits have risen in recent years as the industrial countries have attempted to encourage the private sector to participate more fully in the expanding volume of world trade.

#### United States as Principal Donor

The United States has provided slightly over half of the total public aid and private capital flows to the developing countries. The United States also has been the principal contributor to the United Nations technical assistance and financial agencies. For example, the United States in 1963 supplied 58 percent of the total flow from public bilateral sources, 33 percent of the total from private bilateral sources, and about one-half of the total contributions to multilateral agencies (table 11). U.S. economic aid from public bilateral sources reached a record \$3.5 billion in 1963, while private capital flows increased by about one-fourth. Although the Far East and South Asia still receive the largest share of U.S. public aid, the percentage going to Latin America and Africa has been increasing. Latin America is the only region which did not receive a smaller allocation of Agency for International Development funds for 1964.

#### Assistance from Other Donors

In addition to the United States, 14 other OECD countries and New Zealand, Australia, and the USSR have regular foreign economic aid programs. New Zealand contributes most of its aid under the Colombo Plan, while Australia grants only 15 percent of its total aid under the Plan. In fiscal year 1964, Australia granted \$15 million to Colombo Plan countries and \$82 million to support the domestic budgets of its dependent territories. A number of the less developed nations, such as Israel, Taiwan, Mexico, Yugoslavia, and India, also are beginning to extend technical assistance to other developing countries.

France is second only to the United States in providing economic aid, supplying 13 percent of the total flow in 1963. However, about 94 percent of French aid from public sources went to former French territories in Africa in 1963, with about one-fourth to one-third disbursed for budgetary support. Most of French private investment also went to Franc-area countries in Africa. Recently, however, France has been increasing its aid to non-French African countries, and to Greece, India, Pakistan, Mexico, and Turkey.

The United Kingdom, the third principal donor, supplied about 9 percent of total world aid in 1963. Assistance from public sources increased in 1963 and was expected to rise again in 1964. Most British aid goes to Commonwealth countries, principally those in the Colombo Plan, such as India and Pakistan. Smaller amounts are disbursed to countries with whom Britain has historical



Table 11.--Net flow of world development assistance to developing countries, by source and type of program, 1962 and 1963 <sup>1/</sup>

Country	Bilateral assistance		Contribution to multilateral agencies		Total aid					
	Public sources	Private sources	Public sources	Private sources						
	1962	1963	1962	1963						
	Million dollars									
United States	3,349	3,540	658	813	224	181	160	5	4,391	4,539
France	859	834	408	314	116	29	11	1	1,394	1,178
United Kingdom	380	370	310	379	41	45	7	1	738	795
West Germany	347	399	182	153	102	25	2/	11	631	588
Japan	161	161	117	95	7	12	1	---	286	268
Sino-Soviet Bloc	360	465	---	---	7	6	---	---	367	471
Other <sup>3/</sup>	285	359	540	715	143	93	68	-49	1,036	1,118
Total	5,741	6,128	2,215	2,469	640	391	247	-31	8,843	8,957

<sup>1/</sup> Figures subject to revision.

<sup>2/</sup> Less than \$0.5 million.

<sup>3/</sup> Includes the countries listed in footnote 3 (table 10) except for those listed above.

Source: Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1956-63, December 1964; and Development Assistance Efforts and Policies, 1964 Review, September 1964.

links, such as Jordan. In recent years, the geographic distribution of U.K. aid has broadened to include such countries as Chile, Algeria, Syria, South Vietnam, Korea, Turkey, Iran, and Yugoslavia.

West Germany, the fourth largest donor, allocated a reduced economic aid budget for 1964 in an effort to shift more of the aid burden to the country's prospering private sector. Also, tax incentives have been adopted to stimulate more private foreign investment. Of the German Government's total foreign economic aid disbursements in 1963, almost half went to Asia (mainly India and Pakistan), 17 percent went to Africa (mainly Liberia and Egypt), and 10 percent went to Europe (Turkey, Spain, and Greece) and Latin America (chiefly Brazil).

Sino-Soviet Bloc disbursements of economic aid to the developing countries in 1963 were more than double the 1961 level of \$200 million. Egypt and India have been the largest recipients followed by Afghanistan and Indonesia. In May 1964, the Soviet Union obligated a long-term \$277 million loan to Egypt, which would finance about 10 percent of the country's second 5-year plan starting in 1965.

#### Trend Toward Global Coordination of Development Assistance

The principal donor governments and U.N. financial agencies have been making progress in the coordination of aid programs and in promoting more effective use of external assistance by the recipients. Coordinating efforts have been organized into two categories -- financial consortia and consultative and coordinating groups. The OECD sponsors 10-member consortia for Greece and Turkey; the World Bank sponsors two for India and Pakistan. Total economic aid provided through these four consortia totaled more than \$5 billion in 1962-64, of which the United States contributed about 44 percent.

Consultative groups, organized by the International Bank for Reconstruction and Development for Colombia and Nigeria, are less formal and aim at bringing actual and potential donors together to discuss development efforts for specific recipient countries. Of the assistance provided by the 14 members of the consultative group for Colombia in its first year of operation, the United States contributed 45 percent of the total.

The Development Assistance Committee of OECD is carrying out a special experiment in coordinating technical assistance programs of donor countries in Thailand. The group has reviewed technical assistance requirements in each sector, and specialized studies in agriculture are being planned. As a result of this group's activities, both the recipient and donors are considering technical assistance problems in a more systematic and rational manner.

The present administrative, political, and financial problems of the U.N. agencies supplying technical and food assistance, as well as the dependence of these agencies on contributions from industrial countries, probably will make it difficult to increase significantly the magnitude and coordination of food development assistance through the existing multilateral framework in the near

future. 6/ Thus, bilateral aid programs, both from public and private sources, will likely continue for some time as the principal means of assisting world economic development.

### Future Role of Agricultural Commodity Aid

According to recent projections of food supplies and demand, the need for agricultural commodity aid will probably increase in the years ahead as populations expand and economic development proceeds in the less developed countries. 7/ The availability of good agricultural land is limited in most of the heavily populated areas of the world and the social, institutional, economic, and physical barriers to increasing agricultural productivity are so fundamental and complex that it will be difficult for the developing countries to expand agricultural production rapidly enough to meet their increasing needs for food and fiber. 8/ In the slowly developing countries, food aid programs, such as emergency relief, direct grants, school lunch programs, and donations, will be needed increasingly to overcome acute nutritional deficiencies which cannot be met through commercial imports. In the more rapidly developing countries there is expected to be a growing need for agricultural commodity aid to sustain higher rates of economic development. 9/

As per capita incomes rise in the more rapidly developing countries, the gap between the effective economic demand for food and fiber and available supplies tends to widen. 10/ Consequently, unless means are found to meet the critical needs for food, the development process itself can be seriously affected. The scarcity of foreign exchange in many of these developing countries limits the amount of food and fiber that can be purchased commercially. Thus, agricultural commodity aid can be effective in providing additional external resources essential for continued economic development. Such assistance can contribute most effectively to the development process by helping to: (1) build up national food reserves, (2) control inflation, (3) release scarce foreign exchange for the purchase of capital goods, (4) expand noninflationary domestic investment resources, and (5) support infrastructure development directly through the use of food as partial wage payment.

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6/ Problems of the U.N. agencies are discussed in the following works: Shonfield, Andrew, The Attack on World Poverty, 1960, Random House, pp. 100-114 and 122-131; Higgins, Benjamin, United Nations and U.S. Foreign Economic Policy, 1962, Richard D. Irwin, Inc., pp. 147-174 and 178-184; and the Report of the President's Advisory Committee on International Organizations, "The Technical Cooperation Programs of the United Nations System of Organizations", Department of State, June 28, 1963.

7/ Economic Research Service, U.S. Dept. Agr., The World Food Budget, 1970, Foreign Agr. Econ. Rep. 19.

8/ Bachman, Kenneth L., "Can We Produce Enough Food". Speech prepared for the American Society of Agronomy, Kansas City, Mo., November 17, 1964.

9/ Schnittker, John A., "World Food Needs and World Food Policy". Speech prepared for Agricultural Outlook Conference, Washington, D.C., November 16, 1964.

10/ Cochrane, Willard W., Mackie, Arthur B., et al., "Potential Use of Farm Products as Aid to Developing Countries", Journal of Farm Economics, December 1963, pp. 961-973.

The actual amount of agricultural commodity aid that will be provided depends upon a number of factors such as, (1) the amount of agricultural commodities which the donor countries are willing and able to supply on concessional terms; (2) the absorptive capacity of the developing countries to utilize food aid constructively, which is limited by inadequate processing, storage, and distribution facilities; (3) the rate of economic growth, increases in population, and changes in traditional food customs in the developing countries; (4) the need to avoid interference with agricultural production in the developing countries; and (5) the need to avoid interference with the trade of commercial exporters.

It also appears that bilateral commodity assistance programs, such as P.L. 480, would for some time represent the principal means of meeting the increased needs for food and fiber aid. The problems experienced in financing and administering a large-scale multilateral program, and implementing programs that will not duplicate or conflict with bilateral programs, indicate that multilateral programs of a magnitude comparable to the current Food for Peace program are unlikely in the near future.



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