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CASE STUDY

AGRICULTURAL COOPERATION IN EAST ASIA

By

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DEPARTMENT OF STATE A/CDC/MR

8/29/91
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NINTH SESSION

SENIOR SEMINAR IN FOREIGN POLICY

Washington, D.C.

1966 - 1967

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Foreign Service Officer

April 1967

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AGRICULTURAL COOPERATION IN EAST ASIA

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INTRODUCTION

"Famine seems to be the last, the most dreadful resource of nature. The power of population is so superior to the power of the earth to provide subsistence...that premature death must in some shape or other visit the human race."

Thus spake Malthus, a prophet without honor in his own country, except for the dubious one of inspiring Carlyle to dub economics "the dismal science." Indeed, Malthus was not a prophet of his own age or geographic sphere, since the famine which he foretold for England of the mid-nineteenth century never materialized because of his inadequate appreciation of the possibilities of increasing agricultural productivity. Yet, what he prophesied may well come to pass in Asia of the late twentieth century. Even worse, perhaps, modern public health and agronomic science may result in a growing population eventually checked only by a shortage of land and water.

This case study attempts to examine one small aspect of the population/food problem--namely, the outlook for regional cooperation in East Asia which could result in increasing food production. The term "East Asia" must remain undefined, since there is still considerable uncertainty about which countries might participate in such cooperative efforts.

The two principal proposals for a cooperative effort are the Agricultural Development Fund¹ proposed by the Japanese and the Food and Fertilizer Bank of the Taiwanese. The nature of these proposals and the attitudes of some of the East Asian countries to them were examined during the course of a three-week trip to Seoul, Tokyo, Taipei, Hong Kong, and Bangkok. During the course of this trip, Embassy officers and Government officials were interviewed, and it is the cooperative attitude of these and Washington officials which makes this study at all possible, since aside from these interviews the principal sources of information are Government telegrams, airgrams, memoranda, and publications, no formal bibliography has been prepared. The findings are, of necessity, highly provisional.

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THE POPULATION FOOD PROBLEM

"World food supplies must be trebled by the turn of the century if the world population, which is expected to double... is to have enough to eat. At present it is estimated that three hundred to five hundred million people out of three billion in the world are underfed, and that up to one-half of the world population--perhaps even more--suffer from hunger or malnutrition."²

In his State of the Union speech January 11, President Johnson told Congress that "Next to the pursuit of peace, the greatest challenge to the human family is the race between food supply and population increase. That race is now being lost."

The changing and critical nature of the world food situation can be illustrated by reviewing the developments in world food trade during the past thirty years. In the nineteen thirties the less developed countries of the world were net exporters of 11 million tons of grain; now, they are importing some twenty-five million tons.

In the less developed countries, grains provide over one-half of the total calorie intake directly and a large portion indirectly in the form of animal products. On the basis of recent trends in the areas of food deficit, grain production is expected to increase about 2.6 per cent annually, or just slightly more than population. The situation in Asia in respect to rice, the principal grain of this area, is even worse. Rice production has been leveling off while the rate of population increase has been rising. Leaving aside population control, which is clearly essential for dealing with the longer term aspects of the food population equation, some means must be found to increase food production, if there is to be any significant improvement in the diets of the deficit regions.

One official of the U.S. Department of Agriculture proposed that the increase in grain production be accelerated from the 2.6 per cent figure noted above to four per cent by 1975. This would not be a simple task, but the technology for achieving this exists in the developed regions and even in some countries of the less-developed world. One key factor is the application of fertilizers. Japan uses more than two hundred fifty pounds of plant nutrients per acre; India, less than four pounds. Fertilizer represents, of course, only one striking example of an input which must be sharply increased if the cited goal is to be reached. Others are improved seeds, pesticides, as well as irrigation and land tenure. One approach to raising inputs takes the form of cooperation which would draw upon the experience and assistance of such countries as Japan and Taiwan, which have achieved astounding progress in increasing their agricultural outturn.

PROPOSALS FOR AGRICULTURAL COOPERATION

In East Asia the key food commodity is rice, and there is fortunately a tremendous potential for increasing rice production. In the Rice Research Center at Los Baños (Philippines), for example, a variety of rice has been developed, IR 8, with a fantastic yield. It has been tested in fifty countries, and, provided that it is handled right, has at least doubled yields. (If not properly applied, yields are less than with normal varieties.)

Various proposals have been made for coordinating a regional agricultural effort which would enable the countries to apply new techniques for boosting output. Some means of assuring markets and stabilizing prices (or allowing some increase) would help to stimulate increased production. Part of the problem is that the large importers such as India and Indonesia have a chronic shortage of foreign exchange. The bi-lateral agreements which have been the rule provide no strong incentive to either party. There is no provision for growth, and the price concessions do not stimulate exporting countries to increase output.

Two proposals are currently being given serious consideration within East Asia: The Taiwanese proposal for a Food and Fertilizer Bank and the Japanese proposal for an Agricultural Development Fund. The Taiwanese proposal has undergone considerable metamorphosis since it was originally presented. The emphasis in the original proposal was on the operation of food and fertilizer warehouses and the financing of stocks. Few details were filled in, being largely left to the worked out later by experts. In the January 1967³ version the establishment of warehouses becomes one item of many, and there is much more emphasis upon development and technical assistance.

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The two goals are to increase trade in food and fertilizers and to promote production of these commodities within the region. The principal means proposed for achieving these goals are: (a) dissemination of technical knowhow, particularly concerning the use of fertilizers, improved seeds and irrigation; (b) providing adequate incentives to producers; (c) formulation of a long-term development plan for the region; (d) establishment of a warehouse network to stabilize supply and demand of food and fertilizers; and (e) providing credit for trade in food and fertilizers.

The capital of the Bank is set at 20 million dollars to be contributed in cash or kind by the participating countries. The Bank will also secure financial support from the Asian Development Bank and apply for long-term, interest-free loans from international banking institutions.

The ASPAC standing committee met on February 13, 1967, and agreed to recommend adoption in principle by member governments of the Republic of China's proposal for a Food and Fertilizer Bank while further studies to implement these proposals continue to be made with the assistance of experts. The experts will meet in May or June, 1967, and each participating country has assured the Taiwanese it will send an expert; the Taiwanese hope at least two will come from each country, one agricultural and one trade and finance. Their planning date for the entry into force of the Bank is 1968.

If the Japanese have committed their proposal for an agricultural development fund to writing, they have carefully avoided distributing the piece of paper, although they have provided us a copy of an internal memorandum outlining some of their thoughts. They also explained their proposal at the Southeast Asia Conference on Agricultural Development held in Tokyo December 6-8, 1966.⁴ It is based on the unanimous view that the gap between rice production and demand would continue to grow wider unless an effort were mounted jointly.

The following are the principal proposals for improving rice production: (a) improvement in agricultural technology, including 1-new varieties, 2-improved methods of cultivation and of fertilizer application, 3-pesticides and fungicides, 4-extension and training programs, 5-coordination with international organizations such as FAO and ECAFE; (b) projects for irrigation, land drainage and flood control; (c) reinforcing agricultural organizations, especially in the field of marketing, sales and credits.

Over-all plans for the financing of these proposals are not yet firm. The Japanese have suggested an initial total program of \$300 million, of which \$100 million is to come from Japan, \$100 million from the U.S., and \$100 million from all of the other developed countries which are members of the Asian Development Bank. The fund is to be administered by the ADB.

The countries which attended the Tokyo meeting included (in addition to Japan): Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Viet-Nam. Notable omissions were India, Pakistan, Korea and Taiwan. The issue of which countries should be included in the proposed fund could well prove to be a stumbling block, or at least a factor that will delay its realization. (See Summary and Conclusions).

COUNTRY POSITIONS

Korea

The Republic of Korea is one of Asia's success stories. Economic growth has averaged close to eight per cent in each of the last three years, and it is expected that this rate will be maintained or perhaps even increased. Farm production reached a record level in 1966 (although exact figures are not available in view of the inadequate crop-estimating system). Rice dominates the agricultural economy of Korea, and Korea is generally self-sufficient and even has a small availability for export in some years. Since income elasticity of rice is high, demand is still rising; however, in view of the possibility of substituting other grains for rice, within certain limits the question of export versus consumption is an administered and political decision.

The Koreans plan to spend 90 billion won (\$333 million) on agriculture investment in the next five years. If an Asian Agricultural Development Fund provides Korea money on softer terms than would otherwise be available, this would permit larger-scale investment. It is probable that it would not change the agricultural investment program but it would permit an increase in other projects. The Koreans are, therefore, enthusiastic about any scheme, be it called Agricultural Development Fund or Food and Fertilizer Bank, which would provide them cheap money for agricultural development.

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One reason the Koreans discuss this subject in general terms rather than in terms of the two specific proposals is that they were not invited by Japan to the Tokyo conference, although they probably prefer the Japanese proposal to the Taiwanese proposal. They have demonstrated their interest in regional cooperation by taking the initiative which resulted in ASPAC. They would also undoubtedly like to see some form of trading arrangements for fertilizer, since the recent addition of fertilizer plants in Korea will enable them to sell surplus. The Koreans would also like to see a rice research institute set up in Korea, comparable to the one in the Philippines, which could develop varieties suitable for more northerly countries. They are also considering projects on water control where they may request Dutch assistance.

Japan

Although Japan has the highest rice productivity in the world, it is a net importer of rice. The agricultural labor force is declining rapidly as the process of continued industrialization draws workers from the farms into more remunerative jobs in industry. Economically, it makes sense for Japan to shift away from rice and other agricultural commodities and to concentrate its efforts in the industrial area. Recognizing this, the Japanese have reached the decision that it would be wise for them to invest in rice production elsewhere in Asia.

The purpose of the proposed agricultural development fund is to implement Japanese agricultural assistance policies. Drawing from their own experience, the Japanese believe that agricultural development can stimulate development in other fields. They frankly admit that in the initial stages the agriculturally developing countries will be turning to Japan to supply industrial commodities. Thus, in Japanese eyes the purpose of the Agricultural Development Fund is twofold: (a) to develop production of rice and other commodities which Japan will have to import in increasing quantities; and (b) to provide markets for Japan's growing industrial output.

The Japanese were surprised that their proposal was "greeted enthusiastically by all." They had expected the standard accusation that the developed countries were trying to keep the less-developed countries in bondage as agricultural producers. Happily, there is growing awareness of the importance of agriculture to overall economic development.

One Japanese official explained that vagueness of the Japanese proposal in frank terms by noting that the Japanese are still at a loss as to exactly what to do to stimulate agricultural development in other countries. It is obvious that better seeds, improved irrigation, better cultivation, and more fertilizer are needed. They have found it difficult, however, to determine what is most important where. Perhaps land reform and improved marketing are generally most in need of improvement. In any case, money is required; hence, the proposal for a Fund.

Another Japanese official frankly admitted that the \$300 million figure is not based on a study of requirements. He labeled it a "politico-economic figure"--namely, an estimate of what contributions are most likely to be put together in the near future. Similarly, they have no idea how long the \$300 million is likely to last.

The Japanese consider their proposal as broader than that of the Taiwanese, which in any case is patterned upon a Japanese idea. They don't think there is much point in setting up warehouses for rice, since rice is in short supply. Speaking diplomatically, they find no contradiction between the Japanese and Taiwanese proposals, but they believe their proposal has greater scope and in a sense includes the Taiwanese idea. Speaking more bluntly, the Japanese don't think much of the Food and Fertilizer Bank, and one official cynically remarked that Taiwan will accept any idea provided they can get some money out of it. They agreed in the ASPAC Standing Committee to recommend adoption in principle of the Food and Fertilizer Bank by member governments only in deference to strong representations by the Republic of China.

The Japanese recognized that economic cooperation is now in fashion and that pouring money into developing countries may be a good thing. In any case, they consider it preferable to encourage agricultural production and buy up the products rather than to give money directly to factories. They also realize the necessity of increasing food consumption in less developed countries. They believe that it should be recognized that it has taken some courage for the Japanese Government to make such a proposal. There is considerable resistance within Japan, and the farmers are dead-set against increasing imports, let alone providing "subsidies" for such imports.

Taiwan

Even more than Korea, Taiwan is a striking success story. In less than 20 years it has progressed from virtual chaos to a country with one of the highest standards of living in Asia. Between 1952

and 1965 agricultural production more than doubled. Hard work on the part of the traditionally industrious Chinese, stable (if somewhat authoritarian) government, very sizeable U.S. aid, and land reform are the principal ingredients of success.

Although sugar, lumber, bananas and rice remain the major agricultural exports, there is considerable emphasis on diversification of agriculture and rapid expansion of industry. On February 23, 1967, restrictions on wheat imports were removed. This action was based on a decision to maximize foreign exchange earnings by encouraging increased wheat consumption in order to reduce domestic rice consumption and increase availabilities for export. Despite the fact that the domestic price of rice is held down by the Government and the price of fertilizer is raised--thus providing the government with a double-barreled source of funds for maintaining its relatively large standing army--Taiwanese farmers have achieved the third highest level of rice productivity after Japan and the U.S.

Not surprisingly, the Taiwanese consider the Food and Fertilizer Bank an excellent proposal. They are pleased that they were able to persuade the Japanese to go along with the others in agreeing in principle to the Bank, and they hope the Japanese will contribute to the Bank out of funds destined for the Asian Development Bank. They hope for a similar U.S. contribution. They believe that the Food and Fertilizer Bank will meet the objective of the Japanese-proposed agricultural development fund of increasing production and that the two proposals should be coordinated and complemented.

While all Taiwanese (and other) officials expressed suspicions about the Japanese, one high Taiwanese official was extremely incensed that "the Japanese purposely left out the Chinese" when setting up the Tokyo meeting. He wondered whether the reason was that the Japanese wished to corner the Southeast Asia market.

One candidate for assistance under either the Bank or the Fund is the Regional Vegetable Center in Taiwan. The Taiwanese are very proud of their progress in developing and growing vegetables and lay great emphasis on utilizing the Vegetable Center to develop varieties suitable for other countries. They are also proud of the extent of their agricultural technical assistance which is now widely spread through Africa and parts of Asia. Most recently, they sent eighty technicians to Viet-Nam, and they believe it possible to help the Vietnamese to increase rice production by a million tons a year within a few years. They are not sure whether Taiwan is a developed or a less-developed country, but in any case it is in a transitional stage. They would hope to continue to provide technical assistance and at the same time receive capital assistance from the Agricultural Development Fund.

While all of these considerations underlie the Taiwanese initiative on a Food and Fertilizer Bank and their keen desire to participate in the Agricultural Development Fund, political considerations are probably more important. They are anxious to keep the Japanese from strengthening their ties with the Communist Chinese. They believe, for example, that the Food and Fertilizer Bank would provide an outlet for Japanese fertilizer production, which is preferable to having the Japanese export to the mainland Chinese. Similarly, one of the reasons for freeing wheat imports is to increase the availability of rice exports to Japan rather than have the Japanese purchase from Red China.

Hong Kong

Hong Kong has "some interest" in regional cooperation, but it does not extend to the point of their making any substantial contribution to regional development. For this reason, Hong Kong does not contemplate becoming a member of the Asian Development Bank in the foreseeable future.

One aim of Hong Kong agricultural policy is to maintain diversified sources of food supply without paying unnecessarily high prices. The major free world source is Thailand; the other principal source, Mainland China, is anxious to increase exports to Hong Kong in order to get foreign exchange and to maximize Hong Kong dependence on China. Hence, Hong Kong might have some interest in joining or associating with a regional agricultural scheme for the limited purpose of assuring additional sources of rice and other food supplies. They would be prepared to pay some small price for this purpose.

Thailand

Thailand is now Asia's rice bowl and the world's largest rice exporter. The rice harvest hit a record in 1966, but this did not result in any increase in exports since the rise in population and incomes have increased internal demand. Like Taiwan, the government keeps internal prices (and hence the price paid to farmers) low and pockets the difference between the domestic and

export price. Unlike Taiwan, this discourages the Thai farmer from exerting any great effort to increase rice production. The climate and soil of Thailand are such that the Thai farmer can obtain a relatively good income (by Asian standards) without great effort. Although the government claims that it provides the farmer with fertilizer at cost and on credit, fertilizer input has not increased very much.

The Thai Government is faced with a dilemma with respect to rice prices. A significant increase in the price paid to farmers could result in a much larger crop which would significantly increase export earnings in today's tight rice market. On the other hand, rising rice prices would result in unrest among industrial workers. Actually, prices have risen up to fifty per cent in the last two years⁶ and the government hopes that farmers will be persuaded to use additional fertilizer to increase yields.

In principle, Thailand has agreed to both the Japanese and the Chinese proposals; in practice, they are still somewhat skeptical. They believe that the purpose of the Japanese and Taiwanese is to sell fertilizer, and the Thais think they can get a better deal if they bid for fertilizer in a free market. They also are concerned about the degree of involvement of government in industry and agriculture. They consider the 1968 target date as very optimistic. With the rice market as favorable as it now is, the Thais are not prepared "to pay too much" to join any regional grouping, and they will carefully weigh anticipated benefits against the admission price.

BEYOND AGRICULTURAL COOPERATION

Although general Asian integration is beyond the scope of this study, the question kept cropping up and merits at least summary treatment. Two ideas which seem to be more in the minds of Americans than Asian officials are: (a) a fertilizer community; (b) multi-lateral financing of trade (along the lines of the EPU of the 1950's). Asian officials, even those expressing some skepticism about the two agricultural proposals, speculated about the possibility of some eventual economic integration. Generally, the policy-making officials were the more idealistic; the working level seem to be concentrating on every day working problems.

A Korean official noted that countries such as Korea are too small to set up viable industries on their own. Hence, he believes cooperation should not be limited to agriculture but should be extended to the industrial sector as well. One possibility would be for Korea, Japan, and Taiwan to agree to set up a common market during a ten-year transition period, starting, perhaps, with certain specific products. This could eventually be extended to include other East Asian countries. Admittedly, this would be difficult to sell to Korean public opinion, particularly in view of continued anti-Japanese feeling, but it could be done if there were sufficient economic advantages accruing to Korea. He added that the U.S. is accepted as a friend by Korea and U.S. membership in or association with, the appropriate regional organization would be a useful offset to Japan in the same way as France and Germany offset each other in the EEC.

A Japanese official stated that theoretically a special relationship among Korea-Japan-Taiwan could easily be established, since there is a cultural and historical basis for such economic unity. But he opined that none of the three countries is ready for such a relationship in view of remaining "colonialist" and economic prejudices. A Common Market cannot be realized within a short time in any part of Asia, but the countries should open up their markets for foreign investment and imports. He also mentioned awareness of continuing suspicions of the Japanese.

The Taiwanese had little to say about any form of cooperation extending beyond the agricultural. In any case, they believe it preferable that economic relations first be handled on a bi-lateral basis and then gradually move to the multi-lateral.

The Thai attitude to broad Asian cooperation naturally reflects their skeptical approach to agricultural cooperation. They share the belief of many of their Asian colleagues that some form of market sharing and price setting might be a good idea, and they consider this particularly feasible within the ASA grouping (Thailand, Malaysia and the Philippines). They doubt that a larger grouping, particularly one including Japan, would be feasible within the near future. Any such organization would be likely to benefit Japan more than any other countries.

One high level Thai official expressed regret that the time is not yet ripe for any broad form of integration within the region. The political consciousness of Southeast Asia is just beginning to develop, and democracy is still small. The time will come when leaders will be more mature and will cooperate (unlike present-day Cambodia and Thailand!). In ten to fifteen

years close cooperation would be possible, though it is doubtful that there could be a customs union even by 1980. One useful aspect of the Food and Fertilizer Bank is that it might be a stepping-stone to broader cooperation.

An ECAFE official was somewhat more optimistic than the Thais. He noted that the UN would welcome cooperation by sub-groups of Asian countries and thought that the ASA was one possible grouping which might develop further cooperation. The next stage might be a payments union or a custom union, and ECAFE is preparing to study trade and payments arrangements. No one, however, expects cooperation as far-reaching as the EEC or even the OECD.

SUMMARY AND CONCLUSIONS

The Japanese and the Taiwanese are each determined to press for their own proposals for agricultural cooperation in East Asia. Although the Japanese entitle their concept "Agricultural Development Fund" (or Special Agricultural Fund") and the Taiwanese call theirs a "Food and Fertilizer Bank," and although the Japanese are thinking of an initial capital of \$300 million while the more modest starting point of the Taiwanese is \$20 million--the two proposals have much in common and are really only slightly different approaches to meeting the same objective. Both are aimed at increasing agricultural production, particularly rice, in the region, and both start from the premise that economic development in Asia should begin with agriculture. Both countries are proud of their own achievements and believe that their neighbors can learn much from them.

There are a number of factors which are likely to make progress in agricultural cooperation quite slow. First, there is the unmistakable rivalry between Japan and Taiwan, compounded by pride of authorship as related to each of the proposals. Secondly, the current tight rice market will tend to deter countries such as Thailand from jumping in rapidly. In addition, the issue of which countries in East Asia would be members remains unresolved. The principal aim of the Japanese in this respect is to keep out India, since India's problems in their view are so overwhelming that their membership would swamp any new organization or fund. Finally, there is still a widespread suspicion of Japan and Japanese motives throughout East Asia which will tend to slow down any agreement to work closely with the Japanese.

The Taiwanese look upon 1966 as the year of proposals, 1967 as the year of negotiations, and 1968 as the year of decision and action. The Japanese probably have a similar timetable in mind. The Thais consider this timetable optimistic, and they are probably right. It will take many months of talk and negotiation to work out the thorny issues of reconciling the two proposals and agreeing upon membership. Happily, once suspicions are laid aside, resolving these two issues should not be too difficult. Since there is a separate India consortium, there is justification for treating India separately and excluding her from the new organization, although it will be no simple matter for the ADB to administer a fund which is not available to all its members. The Japanese and Taiwanese proposals can easily be combined, and some entirely new name found to avoid hurt feelings. This would be useful in any case, since no one is particularly happy with the term "Food and Fertilizer Bank." One possibility might be the "Organization for Asian Agricultural Cooperation" (QAAC).

Prospects for cooperation beyond the agricultural are dim and far in the future. If, however, something like an QAAC is established and people acquire the habit of working together, further progress is possible. It is certainly not inconceivable that an QAAC might some day become an QAEC.

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FOOTNOTES

- ¹Recently rechristened "Special Agriculture Fund".
- ²"Population Crisis," edited by Larry K. Y. Ng and Stuart Mudd, p. 149, FAO.
- ³For full text see Appendix I.
- ⁴Text of communique in Appendix II.
- ⁵This is somewhat less than the amount in the five-year plan.
- ⁶See Appendixes III, IV and V for examples of newspaper articles in Bangkok dealing with rice.

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APPENDIX I

PROPOSAL FOR THE ESTABLISHMENT

OF A FOOD AND FERTILIZERS BANK FOR THE ASIAN-PACIFIC REGION

Prepared by

the Republic of China

for Distribution at the Meeting of the Standing Committee, ASPAC

January 1967

I. Purpose

The purpose of the Bank is to promote an increase of food supply in the region through the interflow of food and fertilizers among the participating countries as well as the exchange of production techniques and the stabilization of market supplies and prices. At the same time, coordinated efforts shall be made with the Freedom From Hunger Campaign launched by the United Nations to promote the people's welfare in the region.

II. Operational Principles

- (1) To promote the interflow of food and fertilizers among the participating countries
 1. Formulating a long-range mutual development plan for the production and trading of food and fertilizers in the region.
 2. Establishing a warehouse network in the region to stabilize the supply and demand of food and fertilizers.
 3. Facilitating the transaction of food and fertilizers by making financial arrangement with those importing countries to effect their procurement, and at the same time assisting the exporting countries to dispose their surplus products.
 4. Creating a system of mutual commitment among the participating countries whereby each country shall give first priority to other country in the procurement and supply of food and fertilizers.
- (2) To promote the increase of food and fertilizer production among the participating countries
 1. Exchanging information on the methods of chemical fertilizer application and agricultural production techniques as well as disseminating such knowledge to the food producers in the participating countries.
 2. Exploring the feasible incentives to be provided to the producers to enable them to purchase the chemical fertilizers adequately and to make continued use of the fertilizers by virtue of the benefits thus obtained.
 3. Studying the limiting factors such as inadequate irrigation facilities, lack of improved seeds or unfair tenancy system, etc., that handicap the optimum application of chemical fertilizers in different countries.
 4. Improving the physical and institutional environment for agricultural production through technical service in order to encourage the producers to use more fertilizers for more food output.

III. Organization and Activities

(1) Participating Countries

The countries participating in the Asian-Pacific Ministerial Meeting held at Seoul in June 1966 and other free countries in the region are invited to jointly participate in the organization

of the Bank. Other free countries outside this region which have surplus food or fertilizers may apply for admission as member of the organization upon the concurrence of the Board of Directors of the Bank.

(2) Capital

The capital for the Bank is tentatively set at US \$20,000,000 to be contributed by the participating countries. The contributions from the participating countries may be paid in cash or in kind (i.e. food and fertilizers) by installments.

(3) Source of Operational Funds

1. To facilitate the purchase of food and fertilizers from the Bank by the participating countries which are obliged to make payment in installments due to shortage of funds, the Bank shall maintain close contact with and secure the financial support from the Asian Development Bank and shall apply for long-term free interest loans from the international banking institutions to be used as revolving funds.
2. To request those important food and fertilizer exporting countries inside and outside the region to extend loans in cash or in kind to the Bank to increase its operational funds.
3. To request those countries inside and outside the region as well as international organizations to subsidize the required funds for technical service undertaken by the Bank.

(4) Working Pattern

1. The Bank is an economic and service rendering agency, aiming mainly at the operation of loans warehouses and transactions of food and fertilizers. A part of the profit realized from the operation of the Bank as well as other dependable income shall be used for technical service.
2. The Bank shall confine its food operation activities to rice, wheat, soybean, corn and other grains in its early stage.
3. Food and fertilizer warehouses shall be installed in suitable area by the Bank or preferably the existing warehouses of the participating countries shall be utilized to store up the food and fertilizers contributed by some participating countries and to distribute them among other participating countries in need of these commodities. The amount of food and fertilizers to be stored up shall be adjusted from time to time depending on the condition of supply and demand.
4. The Bank shall sell the food and fertilizers to those importing countries lacking adequate funds on a credit basis or in installment payment, varying with the amount of operational funds available and the demand of the participating countries.
5. The Bank shall be entrusted by the participating countries to sell or purchase food and fertilizers on their behalf.
6. The Bank shall have a department in charge of technical service to assist the participating countries in the use of fertilizers for the increase of production. The main activities of the department are as follows:
 - a. To invite experts in the field of food and fertilizer production and marketing from the free countries inside and outside the scope of this region to participate in the technical service rendered by the Bank.
 - b. At the initiation of the Bank or upon the request of the participating countries, to select food and fertilizer experts, extension workers and experienced farmers to be dispatched to those countries in need of technical services to assist in their food production.
 - c. The Bank shall, in accordance with the actual need of the participating countries, conduct research and training on the techniques for the increase of food production which include crop production, fertilizer application, variety improvement, disease and pest control, use of farm implements, intensive cultivation, multiple-cropping system, land and water resources development, farmers' organizations, agricultural extension, agricultural credit, agricultural warehousing, agricultural products marketing and processing, agricultural pricing and land tenancy system.

7. The Bank shall have an economic research section to collect, study and analyze data relevant to the production, consumption, import and export of food and fertilizers from different countries in the region and to provide technical advices to the participating countries on the storage, manufacture, transportation and distribution of food and fertilizers in the region.

IV. Preparatory Work

- (1) The Republic of China, the sponsoring country, shall be responsible for the preparatory work in connection with the convention of the first conference of the delegates from participating countries and for providing the initial expenses for the establishment of the Bank.
- (2) The number of Directors shall be determined by the conference of the delegates from participating countries, while the Directors and Chairman of the Board of Directors shall be elected by the same conference.
- (3) The regulations governing the organization of the Bank, after being approved by the conference of the delegates from participating countries, shall be forwarded to the government of the participating countries for rectification.

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APPENDIX II



December 8, 1966

1. The Conference on Agricultural Development in Southeast Asia was held in Tokyo on the 6th, 7th and 8th of December, 1966, in accordance with the agreement reached at the Ministerial Conference for the Economic Development of Southeast Asia which was held in Tokyo in April this year.
2. The Conference was attended by Mr. Ho Tong Lip, Head of the Agricultural Research Division, Kingdom of Cambodia; Mr. Amien Tjokrosuseno, Secretary-General of Ministry of Agriculture, Republic of Indonesia; Mr. Bouphat Chanthapanya, Director of Board of Forestry and Irrigation, Kingdom of Laos; Mr. Chow Hong Jung, Deputy Director of Agriculture, Malaysia; Dr. Dioscoro Umali, Under-Secretary of Agriculture, Department of Agriculture and Natural Resources, the Republic of the Philippines; Mr. Choy Thoong Loke, Assistant Director of Primary Production, Ministry of Law and National Development, Republic of Singapore; M.R. Chakratong Tongyai, Under-Secretary of State for Agriculture, Kingdom of Thailand; Mr. Ton That Trinh, Adviser to the Minister of the Presidency, Republic of Vietnam and Ambassador Katsumi Ohno, Mr. Seizo Takeda, Vice-Minister of Agriculture and Forestry, Japan.

3. The Conference was also attended by Mr. Takeshi Watanabe, President of the Asian Development Bank; Mr. Mitsugi Yamashita, Chief of ECAFE-FAO Agriculture Division of ECAFE and Mr. Ahsan-ud-Din, Regional Representative for Asia and the Far East of FAO as observers.

4. Prime Minister Sato, in his welcoming address, referred to the urgent need of increasing food production in view of the trend of population increase in Asia and stressed the important role which agriculture played in the economic development of Southeast Asia. He stated that in promoting agricultural development wisdom and patience were necessary and also that earnest efforts at self-help should be made in a continuing and cumulative process. The Prime Minister further stated that Japan, with this Conference as a stepping stone, would further promote its economic and technical cooperation in the field of agriculture.

5. The Conference was conducted throughout in a friendly and informal atmosphere and lively discussions took place on the problems relating to agricultural development in Southeast Asia.

The Conference reaffirmed the important role which agriculture has to play in the economic development of Southeast Asia, and, fully appreciating the various difficulties accompanying agricultural development, recognized that there were considerable areas where cooperation among Southeast Asian countries was possible in overcoming these difficulties. The Conference also recognized that, for the purpose of coping with the marked increase in population, the most pressing and common task in the agricultural development of Southeast Asia was to expand steadily the production of food, especially that of rice which is the staple food in this region.

The Conference emphasized the need for greater financial resources for agricultural development of Southeast Asia.

6. The Conference discussed various problems concerning improvement of agricultural techniques. It reaffirmed especially the importance of increasing the yield per unit area in rice cultivation which was the mainstay of agriculture in the countries in Southeast Asia. It also stressed that, for this purpose, it was necessary to improve agricultural techniques in various fields such as improvement of varieties, application of fertilizers, improvement of methods of cultivation, and pest and disease control, in a manner compatible with the actual condition of agriculture in each country as well as in each region within the country.

The Conference especially stressed, with regard to improvement of agricultural techniques, the important role to be played by extension service by which techniques could be disseminated to farmers.

In this connection, the Conference reaffirmed that efforts should be made to improve the methods of extension so that new techniques could be easily understood and utilized by farmers, and that, in experiment and research, emphasis should be placed upon the development of practical techniques. Mention was made that in conducting any extension programmes, various agricultural

materials and facilities should be provided, and definite steps should be taken to develop the local resources to maximize agricultural production. At the same time, in the field of extension, its importance with respect to home management was pointed out.

In order that extension may be effectively carried out, the Conference stressed the important role to be played by extension workers and their training. In this context, a suggestion to establish a training center for agricultural extension personnel was made, and in this connection, the need for its coordination with the activities of international organizations was pointed out.

The important role of educational institutions such as universities in extension work was emphasized.

The Conference stressed that it was desirable to promote regional cooperation with a view to exchanging information concerning new agricultural techniques and knowledge.

7. The Conference discussed problems concerning improvement of the agricultural infra-structure, and reaffirmed that, if agricultural production is to be expanded steadily, it would be necessary to secure the constant supply of water by constructing irrigation and drainage facilities and carrying out flood control projects.

The Conference considered it desirable from the standpoint of effective utilization of water resources that projects for irrigation and drainage should be implemented on a large scale and as an integrated part of multi-purpose development plans for water resources.

However, the Conference confirmed that, in order that food production may be expanded promptly, and effectively, it was necessary to place emphasis upon medium and small-scale irrigation and drainage projects which were directly connected with agricultural production, and which were more effective for promoting agricultural development, as well as to carry out necessary measures to promote the betterment of agricultural management, and expansion of farmland.

8. The Conference recognized the important role which industries related to agriculture and fisheries, such as industries connected with the manufacture of fertilizers, agricultural chemicals, agricultural machineries and fishing gear as well as processing industries for agricultural and fishery products, play in promoting agricultural development. The Conference also pointed out that with a view to adopting measures for planned development of the related industries, thorough studies into the potential growth of each industry should be made. In this connection it was also stressed that due consideration should be given to the stage of agricultural development as well as the economic plan of each country.

With regard to industries which demand large scale production such as the fertilizer industry, it was pointed out that regional cooperation was needed.

9. The Conference discussed problems related to the improvement of marketability of agricultural products and recognized that in order to expand agricultural production and to increase the international competitive power of agricultural products, it was necessary to lower their production cost, to improve their quality and to take necessary measures including development of agricultural cooperatives and improvement in the distribution facilities of agricultural products, transportation and storage. It was pointed out that regional cooperation among Southeast Asian countries would be an advantage in improving the marketability of agricultural products. In this connection, the important role of international commodity agreement was stressed. At the same time, it was pointed out that such international organizations as UNCTAD, FAO should be fully utilized.

Concern was expressed at the Conference over the declining prices of primary products and the attention of international organizations was drawn to the urgent need to arrest the deterioration in the terms of trade.

10. With respect to the financial aspect of agricultural development, the Conference recognized the necessity of increasing investments in small and medium-scale or feeder irrigation and drainage projects and in the development of industries related to agriculture, and pointed out the importance of securing the necessary funds domestically through the efforts of both the government and private sectors. In view of the overall shortage of domestic funds in each country in this region, however, the Conference recognized the necessity to establish a fund to be loaned with liberal terms for agricultural development projects of Southeast Asia as a special fund of the Asian Development Bank. The Conference agreed to call on the developed countries and the Asian Development Bank to cooperate in setting up such fund and to request the Asian Development Bank to start immediately deliberation on various problems concerning the establishment of the fund, giving due consideration to the views of participating countries of this Conference as well as of other interested parties.

With reference to the regional Marine Fisheries Research and Development Center, the establishment of which was proposed in the Ministerial Conference of April this year, concrete proposals for its establishment were submitted by the Delegates of Singapore and Thailand.

12. The Conference recognized that the present type of conference was useful in promoting the agricultural development of Southeast Asia and that it would contribute greatly to bringing about prosperity and stability in Southeast Asia and agreed to entrust the Ministerial Conference for the Economic Development of Southeast Asia to be held in Manila in 1967 to decide whether this sort of conference should be held in future.

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BANGKOK WORLD - March 10, 1967

Rice Prices Issue

NOTABLE points inter-connected with the rising rice prices here earned major attention of many of these papers during the last few days.

That rice prices have been up at their highest in the last half century period, attributedly stated by the Economic Affairs Ministry's officer was emphasized in a light blue skyline of a serious paper, Siam Nikorn, Wednesday.

And two double heads about the still no apparent tendency for their lowering now were added at the bottom of its frontpage.

Mr. Singh Klangvisai, Deputy Director General, Internal Trade Department, was attributed to have told newsmen that the price of rice had been going up very high during the past ten days.

The current prices of rice have been up highest since the last 60 years, he said, presumably Tuesday, since no date of his making the statement was given.

The Daily Trade News, which also did not report the date on which Mr. Singh had made his pronouncement, gave a considerable space for the same story in its Wednesday issue.

The causative factor of the current high price of rice was the reluctance of the farmers

to market their produce as they should have done so, he attributedly stated, according to the paper.

They had seen that the rice prices had been high in the previous year. Hence they had anticipated to reap similar benefit from the marketing of their produce taken from the recent harvest. And this had caused the incapacity of the rice millers to get paddy to their mills on the regular basis to meet the public demand, despite the higher statistical data of paddy production than in the past year, he said.

Certain rice millers in Udon Thani had been out of their way to obtain grain from the other neighboring provinces in Sakon Nakhon, Roi Et, Kalasin and Mahasarakham, he gathered.

Economic Affairs Minister Sunthorn Hongladarom had given special attention to remedy the situation, at least to stabilize the rice prices in Bangkok and Thonburi, he said, in reply to a newsmen's query.

The Economic Affairs Ministry's officers concerned at Mr. Sunthorn's behest, have been stepping up their moves to secure adequate supply of rice for the local consumption. The required

figure has been estimated at 20,000 tons or 200,000 bags, Mr. Singh went fur-

ther in his statement.

The Economic Affairs Ministry's Store Organization has adopted a three-point measure to help members of the general public to buy rice at cheaper prices: (1) the retail stores under the patronage of his department—more than 200 of them have been operating in Bangkok and Thonburi—have been instructed to sell

rice at cheaper prices; (2) rice is being supplied at cheap prices to the government agencies, hospitals, even government officers' clubs for re-selling to their staff and members; (3)

mobile units of the Store organization are carrying rice in their vans to certain community centers in Bangkok and Thonburi regularly

on rotation basis; they would be willing to bring their vans to other undesignated points on holidays, if there would be any request coming from the folks living in those areas.

Rice has also been supplied by the Store Organization in provinces outside the twin cities, such as those in the east and the south, Mr. Singh declared, the paper reported.

Chao Thai reported through a banner and a supporting head Wednesday

the Interior Ministry had praised farmers for being "wise to hoard grain" for selling at good prices.

Mr. Thawin Sunthornrathoon, Interior Undersecretary, told newsmen that from the standpoint of his ministry the peasants here have been wiser and more knowledgeable about the matters concerning their vocation.

Their adopting the attitudes to wait and see, the rice market trends before disposing their produce is earning the support of the Interior Ministry, he said, according to the paper.

He was attributed to have said earlier that at this stage it has yet to find out the fact whether the grain from the current year's harvest has been still in the farmers' hands or has already been passed into the middle men's hands. All the administrative officers throughout the kingdom, from every district and province, have been instructed to send in their urgent reports to help to establish the fact of the situation, he stated.

The paper editorialized about the current rice prices the same day.

The Siam Times yesterday also commented on strong terms about the issue of rising rice prices.

BANGKOK WORLD -- March 10, 1967

Rice Special Measure

ECONOMIC Affairs Minister Sunthorn Hongladarom's proposed measure to cope with the current rising of rice prices here, slated to be then introduced by him to the Cabinet meeting yesterday, was given good press treatment.

A politically alert paper, *Lakmuang*, bannered and headlined the story emphasizing his move is to remedy the current situation caused by the rising rice prices.

Mr. Sunthorn declined to make known publicly his projected measure at his press conference Thursday, the paper said. And his inhibition in that respect should be understandable, at least through the standpoint of an ethical standard of practice.

He was attributed to have said, inter alia, that those who have been accumulating paddy collected from this year's harvest and reluctant to dispose it to the local market, they include farmers and capitalists, the paper wrote, banking on getting better prices at later date would be certainly disappointed.

This is because the Economic Affairs Ministry would not permit an increased amount of rice export. The exportable amount would remain at 1,500,000 tons. And in case it would be necessary, they would be even lowered down, he declared, according to the paper.

He went further to elab-

orate his point regarding the possibility to cut the exportable amount of rice. He said that amount could be decreased and it would be necessary to help the metropolitan people to consume rice not at high prices, the paper reported.

Prajathiptai gave its first banner with an exclamation mark the proposed "imposition of special measure (in connection with) high rice prices!"

Mr. Sunthorn was attributed to have expressed his "warning again" to farmers and dealers to dispose the current year's grain. He said it has been customary that after the fourth lunar month, farmers would begin marketing their produce. (The fourth lunar month commences today, according to the Royal Thai calendar.)

He also made known he had been aware that a greater amount of rice is being smuggled out of this country for sale in the border areas along the Mekong and Malaysia these days, the paper reported.

Siam Nikorn carried through a banner and two single column heads a proposal the would be submitted to the cabinet for rice control to forestall higher prices.

Mr. Sunthorn anticipated that the farmers have to release their grain for marketing in April according to their customary practice, the paper reported.

In the story, the paper said Mr. Sunthorn had declared he would propose

"certain measure for the consideration of the Cabinet to stabilize the rice prices for the sake of its consumers."

Chao Thai placed emphasis on "Economic Affairs (Ministry's) proposal to Cabinet to remedy rice rising prices problem," in its banner.

And this was added by two double column heads emphasizing Mr. Sunthorn's attributed "affirmation not to adopt legislative control" and his "belief that implementation (of his proposed measure) would bring about effective result."

The attribution that he

would adopt legislative control was clarified as his saying not to resort to the existing legislation on the control of profiteering which, he said, had failed to achieve good result, the paper said.

He mentioned an interesting issue on the discrepancy in the collection of statistical data on the paddy production as made by the Agricultural Ministry National Statistical Office, in conjunction with his reference to the grain production. He had asked the Director General of the Foreign Trade Department to convene a meeting of the government officers concerned to study the matter, the paper reported.

The current thriving of rice contraband goods to Laos and Malaysia was considered by him as being a factor, too, in the current rising rice prices in this country, according to the paper.

The Daily Trade News reported his press conference through three-column headlines emphasizing, among other things, his reference to greater quantity of rice being smuggled out to Laos and Malaysia.

Mr. Sunthorn had stated that in case it would be necessary to cut down the exportable amount of rice, its income would not be dwindling. This is because the unit price of exportable rice is being greatly increased. Currently the price of one ton of exportable rice is £75 against its former price of £50, he said, according to the paper.

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BANGKOK WORLD -- March 11, 1967

Cabinet Discusses Rice Price

The soaring price of rice which has reached a record high was brought up by the Economic Affairs Ministry before the Cabinet yesterday and it was decided that a high level committee chaired by Prime Minister Thanom Kittikachorn should consider the matter from all angles on March 16, Government House Spokesman Lt. Gen. Amnuay Chairroj said yesterday.

BANGKOK WORLD -- March 12, 1967

Taiwan-Thai Agriculture

That Prime Minister Thanom Kittikachorn would be visiting Taiwan for 10 days from March 27, as Generalissimo Chiang Kai-shek's special guest, to study the varied aspects of the agricultural structure and development there was reported through the first banner of a "quality" paper, Chao Thai.

Lt. Gen. Sawaeng, Senanarong, Secretary General, Government House Secretariat, told the paper that his projected visit "would not be at all connected with any special problem or any special arrangements to be made between the two governments. It would be just his response to the invitation extended by the Generalissimo to cement closer relationship between the two countries, he said.

Prime Minister Thanom has taken an interest in Taiwan's achievement for her accelerated agricultural production program. He has made his mind to make a special study of three agricultural aspects there: (1) the increased production of rice and other crops; (2) the relief of peasants' grievances, notably their release from debts and approach to step up

more acquiring of ownership of lands by the agriculturists to do their own farms and other crop plantations. The reason that he has been determined to make a special study of the above mentioned agricultural aspects is because they happen to be the major problems for Thailand herself, Gen. Sawaeng said.

The Prime Minister who is chairman of the special committee to give special help to all farmers, a setup which he is its architect and has been functioning from 1965, has made known to his close associates that he would do his best to learn all about those things with a view to implementing them in conjunction with the operation of the said setup for the benefit of this country, Gen. Sawaeng declared.

Gen. Sawaeng, himself secretary-general of the above mentioned body who often chaired a number of its meetings when Prime Minister Thanom had to be absent, was asked whether he has conceived any way and means to remedy the situation arising from the current high rice prices. He replied to the effect that he personally tends to think that the rice problem

and its other connected problems concerning the carrying out of vocation by the local agriculturists happens to have attracted the attention for their solution by the authorities concerned at the rather belated involvement of these problems themselves.

The General went further to say to the effect about what he has referred to as interlinking problems: (1) the farmers themselves in terms of their personal development to better attune themselves in the more systematic farming operation as well as other necessary factors including farmland and the capital for their preliminary utilization; (2) the outside assistance for their tackling their problems during the farming seasons which include providing of water, labor saving devices, eradication of pests and prevention of flood as well as certain steps in their harvesting and (3) the securing of both internal and external markets where they could have the best possible offer for their produces.

He noted that so far he has observed that the Thai governmental authorities concerned have been able to be versatile in tackling the third factor while mostly neglecting the other two factors. He repeated that he was expressing his personal viewpoint.

As chairman of the special subcommittee of the earlier mentioned body, he has been giving particular attention to the first two mentioned factors, he asserted.

Gen. Sawaeng also declared he has been determined to contribute most to the problem of helping the release of farmers' debts and other pertinent grievances, even the solving of these problems may take a very long time and being a difficult task, the paper reported.

Prajathiptai, a serious paper, emphasized through its first banner Gen. Sawaeng's attributed remark that the rising rice prices have been due to the failure to remedy their causative factors.

The story, based on Gen. Sawaeng's interviews, was somewhat similar to that reported by Chao Thai, although the paper which had, in the not too distant past, appeared to be then making special efforts to boost the image of Prime Minister Thanom through its own approach, mentioned his projected visit to Taiwan in its concluding paragraph.

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