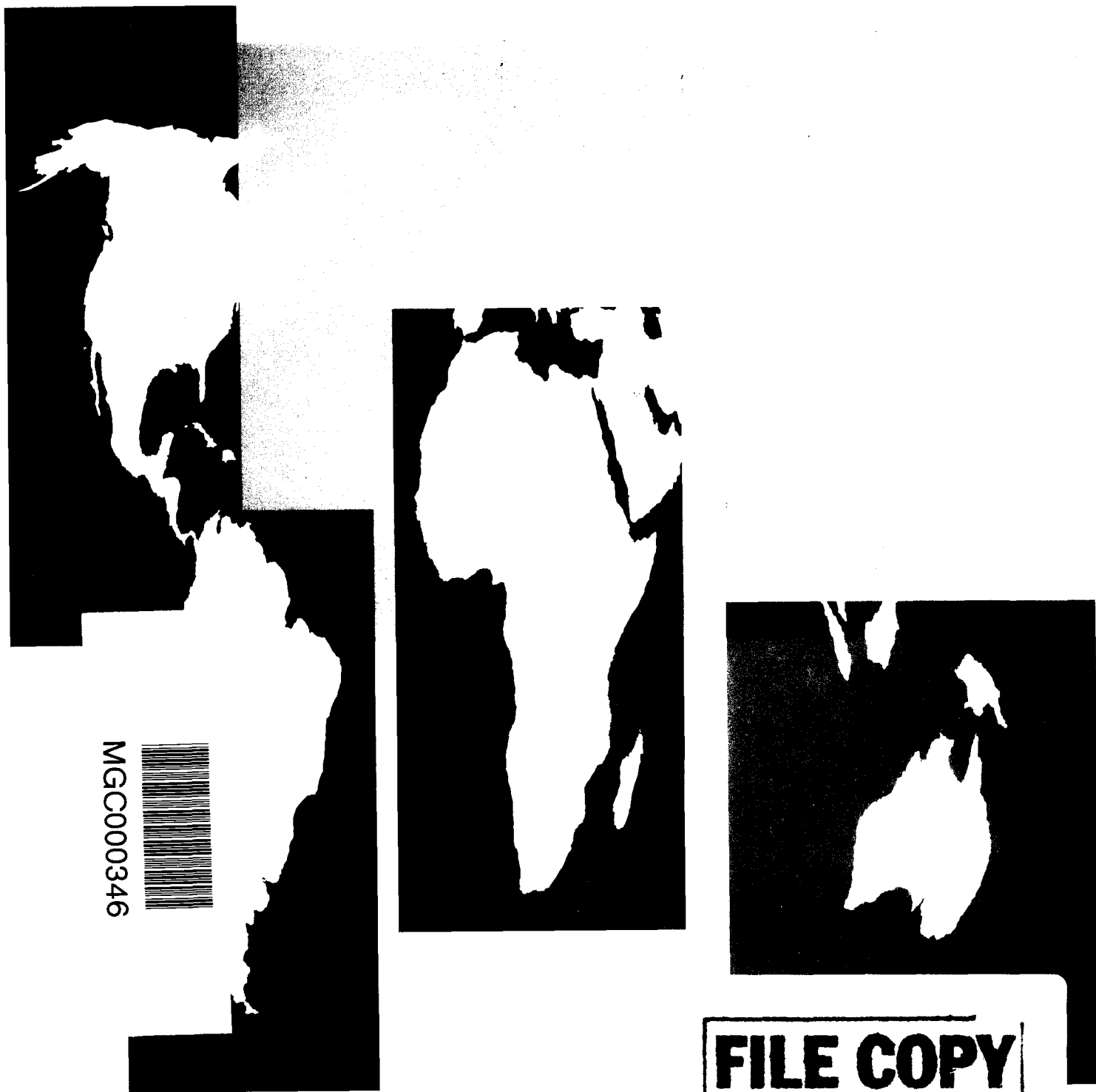


# World Development Report 1986

The Hesitant Recovery and Prospects for Sustained Growth  
Trade and Pricing Policies in World Agriculture  
World Development Indicators

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# Foreword

This Report is the ninth in the annual series assessing development issues. Part I reviews recent trends in the world economy and the policy framework required for sustained growth. Part II is devoted to trade and pricing policies in world agriculture. As in the past, the Report includes an updated World Development Indicators annex, which provides selected social and economic data for more than a hundred countries.

The world economy is entering its fourth consecutive year of growth since the 1980–82 recession. Yet the recovery continues to be hesitant, and many developing countries are facing serious problems of adjustment. Although the recent declines in oil prices, real interest rates, and inflation will provide a useful stimulus to industrial and developing countries alike, many heavily indebted developing countries, particularly oil exporters, will find it difficult to maintain growth in the near term. In addition, the beneficial effects of the recovery have been much weaker for many low-income sub-Saharan African countries.

Part I of this year's Report explores the policies required to restore sustained growth in the world economy. It stresses the importance of maintaining the commitment of industrial countries to policies that have both reduced inflation and moderated market distortions and rigidities. A recurring concern, however, is the increase in international trade restrictions. If high and sustainable growth is to be attained, the reform of domestic institutions and incentives needs to be accompanied by a renewed effort to move toward freer international trade. The progress that developing countries have made in reforming their policies and adjusting to the rapid, and often large, changes in the world economy since 1980 is charted. Despite considerable progress, many of them enter the second half

of the decade weighed down by the cumulative effects of domestic policies, large foreign debt obligations, and, in the case of oil exporters, the recent decline in export earnings. Continued domestic policy reforms, designed to restore and maintain a stable macroeconomic environment and to improve the incentive structure, are stressed as the prerequisites for growth. Increased reliance on international trade will be a necessary component of this reform process. Policy reforms in developing countries, however, will need to be supported by reductions in trade barriers and increases in net flows of foreign capital.

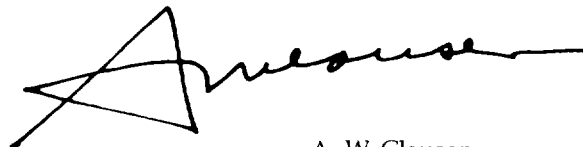
Part II of this Report develops these themes in the context of agricultural policies. It examines the policies of developing and industrial countries in an integrated framework, bringing out the interdependence of domestic agricultural policies throughout the world and the potential for large gains from more liberal trade in agriculture. It suggests that liberalization of trade should be a high priority for international action in agriculture.

An examination of the policy options for developing countries suggests that economic stability and growth would be greatly enhanced if pricing and trade policies were improved. In many developing countries, both macro- and microeconomic policies have hindered agricultural development. Overvalued exchange rates, the protection provided to domestic manufacturing activities, and the taxation of agricultural exports and import-competing food crops have discouraged domestic agricultural production. In addition, programs for subsidizing consumers and farm inputs and for stabilizing consumer and producer prices have often led to significant losses in the real national incomes of developing countries. These problems, however, are being increasingly acknowledged,

and some developing countries have initiated significant—in some cases sweeping—policy reforms.

Agricultural policy reforms are also under serious consideration in many industrial countries. The policies they have pursued in the past several decades have limited trade opportunities for developing countries and have been counterproductive for themselves as well. As preparations are made for the next round of GATT negotiations, it is well to recognize the opportunities that exist for bringing about a more efficient world agricultural system—a system which will benefit both industrial and developing countries. The progress that has been achieved in agricultural technology presents an opportunity for a rapid expansion of agricultural output if more open and competitive world markets are established.

Like its predecessors, this Report is a study by the staff of The World Bank, and the judgments in it do not necessarily reflect the views of our Board of Directors or of the governments they represent.



A. W. Clausen  
President  
The World Bank

May 19, 1986

This Report was prepared by a team led by Anandarup Ray and comprising Trent Bertrand, Ajay Chhibber, Bruce Gardner, Orsalia Kalantzopoulos, Odin Knudsen, Donald O. Mitchell, Alan Walters, John Wilton, and L. Alan Winters, assisted by Therese Belot, Zohreh Hedjazi, M. Shahbaz Khan, Donald F. Larson, Tani Maher, Yasmin Saadat, Rodney Smith, and Robert Wieland. D. Gale Johnson, Ulrich Koester, and many others in and outside the Bank provided helpful comments and contributions (see the bibliographical note). The Economic Analysis and Projections Department, under the direction of Jean Baneth, supported the work on Part I, and Enzo Grilli, Peter Miovic, and Heywood Fleisig coordinated the work of that department on projections. Ramesh Chander, assisted by David Cieslikowski, also of that department, supervised the preparation of the World Development Indicators; Elizabeth Crayford edited the Indicators, and Shaida Badiiee was responsible for systems design. Special thanks also go to the production staff, especially Joyce Eisen, Pensri Kimpitak, and Victoria Lee, and to the support staff, headed by Rhoda Blade-Charest and including Banjonglak Duangrat, Jaunianne Fawkes, Carlina Jones, and Patricia Smith. The work was carried out under the general direction of Anne O. Krueger and Constantine Michalopoulos, with John Parker as the editorial adviser.



# Contents

**Definitions and data notes**    *ix*

**Acronyms and initials**    *x*

**1 Introduction**    *1*

- Prospects for the world economy    *1*
- Trade and pricing policies in world agriculture    *3*

**Part I The Hesitant Recovery and Prospects  
for Sustained Growth**

**2 The hesitant recovery**    *15*

- The industrial countries    *16*
- The developing countries    *24*

**3 Opportunities for growth**    *40*

- Policies for growth in developing countries    *40*
- A decade of opportunity, 1985–95    *44*
- Policy requirements for the High case    *45*
- Developing-country prospects    *48*
- Capital flows and debt    *55*
- International initiatives and the role of the Bank    *58*

**Part II Trade and Pricing Policies in World Agriculture**

**4 Agricultural policies in developing countries: exchange rates, prices,  
and taxation**    *61*

- Economy-wide policies and agriculture    *62*
- Agriculture as a source of tax revenues    *80*

**5 Agricultural policies in developing countries: marketing  
and stabilization, subsidies, and policy reform**    *85*

- Marketing and stabilization    *85*
- Consumer subsidies    *90*
- Producer support programs    *94*
- Policy reforms    *104*

**6 Agricultural policies in industrial countries**    *110*

- The characteristics of agricultural policies    *110*
- The domestic gains and losses from agricultural policies    *119*
- International consequences    *123*

<b>7</b>	<b>International initiatives in agricultural trade</b>	<b>133</b>
	International commodity agreements	133
	Compensatory finance	137
	Trade preferences	142
	Food aid	145
<b>8</b>	<b>National and international priorities in agriculture</b>	<b>149</b>
	Priorities in developing countries	149
	Trade liberalization	151
	The GATT negotiations	152
	The role of the World Bank	152

Statistical appendix 154

Bibliographical note 162

## World Development Indicators 169

### Text tables

1.1	Agriculture's share of GDP, employment, and exports, selected years, 1964-84	3
1.2	Agriculture's share of exports in developing countries, 1979-83	4
1.3	Growth of agricultural production by major commodity group, 1961-84	4
1.4	Growth of cereal production in selected developing countries, 1971-84	5
1.5	Real growth of commodity prices, 1950-84	7
1.6	Growth of world exports, 1965-84	10
1.7	Export shares of major agricultural commodity groups, 1961-63, 1982-84	10
2.1	Growth of real GNP in selected industrial countries, 1979-85	15
2.2	Budget balance as a percentage of GNP in seven major industrial countries, 1979-85	17
2.3	Current account balances and exchange rates in Germany, Japan, and the United States, 1981-85	19
2.4	Total public expenditure as a percentage of GDP in selected industrial countries, 1964-83	20
2.5	Share of imports subject to nontariff barriers in industrial-country markets, 1981 and 1984	23
2.6	Real growth of GDP, 1965-85	24
2.7	Change in export prices and in terms of trade, 1965-85	25
2.8	Growth of exports from developing countries, 1965-85	26
2.9	Growth, net investment, and capital-output ratio in twenty-four developing economies, 1960-84	27
2.10	Change in U.S. interest rates and the export prices of developing countries, 1978-85	32
2.11	Debt indicators for developing countries, 1980-85	32
2.12	New commitments to public and publicly guaranteed borrowers in developing countries, 1978-84	33
2.13	Current account balance in developing countries, 1980-85	36
2.14	Public and private long-term capital flows to developing countries, 1975 and 1980-85	37
3.1	Average performance of industrial and developing countries, 1965-95	44
3.2	Growth of GDP per capita, 1965-95	45
3.3	Change in trade in developing countries, 1965-95	48
3.4	Current account balance and its financing in developing countries, 1985 and 1995	56
3.5	Net financing flows to developing countries in selected years, 1980-95	56
4.1	Protection of agriculture compared with manufacturing in selected developing countries	62
4.2	Index of real exchange rates in selected African countries	67
4.3	Index of nominal and real protection coefficients for cereals and export crops in selected African countries, 1972-83	68
4.4	Summary of output responses to price changes	68
4.5	Growth in output and exports, and the export market shares of cocoa and palm oil in selected developing countries, 1961-84	73

5.1	Price instability indices, 1964–84	86
5.2	Trends in bread prices and consumption and imports of wheat, selected years, 1969–81	92
5.3	Growth in production of selected commodities in China, 1957–84	105
5.4	Growth in yields of selected commodities in China, 1957–83	105
6.1	Nominal protection coefficients for producer and consumer prices of selected commodities in industrial countries, 1980–82	112
6.2	The frequency of application of various nontariff barriers in industrial countries, 1984	117
6.3	The market value of quotas in Ontario, Canada, 1984	118
6.4	The domestic efficiency loss from agricultural intervention in selected industrial countries	121
6.5	The annual domestic costs and benefits of agricultural protection to consumers, taxpayers, and producers in the EC, Japan, and the United States	121
6.6	Changes in export revenue, import costs, and efficiency gains for selected commodities of developing countries caused by a 50 percent decrease in OECD tariff rates, 1975–77	128
6.7	International price and trade effects of liberalization of selected commodity markets, 1985	129
6.8	Efficiency gains caused by liberalization of selected commodities, by country group, 1985	131
6.9	Effects of liberalization on price instability, 1985	131
7.1	Current international commodity agreements in agriculture	135
7.2	The principal beneficiaries of STABEX's grant elements, 1975–83	140
7.3	Characteristics of the CFF and STABEX	141
7.4	Food aid in cereals, 1971–83	146
8.1	World Bank lending for agricultural and rural development, by purpose and period	153

## Appendix tables

A.1	Population growth, 1965–85 and projected to 2000	154
A.2	Population and GNP per capita, 1980, and growth rates, 1965–85	154
A.3	GDP, 1980, and growth rates, 1965–85	155
A.4	Population and composition of GDP, selected years, 1965–85	155
A.5	GDP structure of production, selected years, 1965–84	156
A.6	Sector growth rates, 1965–84	156
A.7	Consumption, savings, and investment indicators, selected years, 1965–84	157
A.8	Growth of exports, 1965–85	158
A.9	Change in export prices and in terms of trade, 1965–85	159
A.10	Growth of long-term debt of developing countries, 1970–85	159
A.11	Savings, investment, and the current account balance, 1965–84	160
A.12	Composition of debt outstanding, 1970–84	161

## Text figures

1.1	Trends in agricultural and food production, 1961–84	5
1.2	Grain yields in selected countries, 1965–84	6
1.3	Trends in U.S. real agricultural prices, selected years, 1800–1985	6
1.4	Trends in food trade and trade balance, 1961–84	11
1.5	Nominal protection coefficients	13
2.1	Growth rate of real GDP in developing and industrial countries, 1961–85	15
2.2	Growth, inflation, and unemployment rates in seven major industrial countries, 1965–85	16
2.3	Exchange rate misalignment and real GDP growth in twenty-four developing economies, 1960–83	31
2.4	Exchange rate instability and net investment in twenty-four developing economies, 1960–83	31
2.5	Debt rescheduling, 1979–85	38
4.1	Ratio of farmgate prices to border prices for selected commodities of developing countries in the late 1970s and early 1980s	64
4.2	Indices of real exchange rates and agricultural exports in Ghana, Nigeria, Brazil, and Chile, 1961–84	71
4.3	Production, consumption, and imports of cereals in sub-Saharan Africa, 1965–84	77
4.4	Average annual growth in agriculture and industry in developing countries, 1973–84	80

5.1	Food subsidies as a percentage of total government expenditure in selected developing countries, 1973–83	90
6.1	Threshold and border prices for selected grains in the EC, 1968–84	115
6.2	Nominal protection coefficients and the income differential in selected industrial countries, 1980	123
6.3	Per capita feed utilization and maize prices in selected industrial regions, 1960–84	127
7.1	International commodity agreements: price ranges and prices	136

## Boxes

1.1	Food security	8
1.2	Adam Smith on the causes of famine and the modern evidence	9
1.3	Agricultural protectionism in historical context	12
2.1	Inflation as a tax	18
2.2	Protectionism: who pays?	22
2.3	Inconsistency in macroeconomic policymaking: the case of the Philippines, 1980–83	30
2.4	Reacting to a debt crisis	34
3.1	Multilateral trade negotiations and the GATT	46
3.2	How a drop in the price of oil affects developing countries	50
3.3	The sub-Saharan Africa debt problem	52
3.4	The debt overhang and the heavily indebted middle-income countries	54
4.1	Coffee prices and macroeconomic policies in Colombia	66
4.2	Flexible markets in Niger	69
4.3	Trade policies and agricultural performance: the case of Argentina	70
4.4	Oil and agriculture: Nigeria and Indonesia	72
4.5	Agricultural prices and marketing in Tanzania	74
4.6	Export taxation and monopoly power	76
4.7	Food self-sufficiency in Asia	78
4.8	Agricultural pricing policies and the environment: the case of Haiti	79
4.9	Agricultural taxation in Japan	81
4.10	The efficiency cost of export taxes	82
5.1	Risk aversion in agriculture	87
5.2	Food-grain buffer stocks and price stabilization in India	89
5.3	Papua New Guinea's buffer fund	91
5.4	Food subsidy reform in Sri Lanka	93
5.5	Targeting economic assistance in Tamil Nadu, India	94
5.6	Credit subsidies in Brazil	98
5.7	Improving rural financial markets in Indonesia	100
5.8	Rubber replanting programs in Thailand	102
5.9	Agricultural policy improvements in Bangladesh	106
5.10	Cotton sector reform in Sudan	108
6.1	Price support in the dairy industry	112
6.2	Protecting sugar producers	114
6.3	Land restrictions and part-time farming	116
6.4	Hidden subsidies: the Crow's Nest rates	120
6.5	Old wine in new bottles	122
6.6	Commodity prices, rent, and rates of return	124
6.7	Protection and agroprocessing	126
6.8	Simulation of liberalized agricultural policies	130
7.1	Recent commodity agreements in agriculture	136
7.2	Commodity futures and options	138
7.3	The Lomé Convention	140
7.4	The EC's Sugar Protocol	142
7.5	Agricultural trade among developing countries	144
7.6	Food aid institutions	145
7.7	The challenges of emergency food aid	147

# Definitions and data notes

The principal country groups used in the text of this Report and in the World Development Indicators are defined as follows:

- *Developing countries* are divided into: *low-income economies*, with 1984 gross national product (GNP) per person of less than \$400; and *middle-income economies*, with 1984 GNP per person of \$400 or more. Middle-income countries are also divided into *oil exporters* and *oil importers*, identified below.

- *Middle-income oil exporters* comprise Algeria, Angola, Cameroon, People's Republic of the Congo, Ecuador, Arab Republic of Egypt, Gabon, Indonesia, Islamic Republic of Iran, Iraq, Malaysia, Mexico, Nigeria, Peru, Syrian Arab Republic, Trinidad and Tobago, Tunisia, and Venezuela.

- *Middle-income oil importers* comprise all other middle-income developing countries not classified as oil exporters. A subset, *major exporters of manufactures*, comprises Argentina, Brazil, Greece, Hong Kong, Israel, Republic of Korea, Philippines, Portugal, Singapore, South Africa, Thailand, and Yugoslavia.

- *High-income oil exporters* (not included in developing countries) comprise Bahrain, Brunei, Kuwait, Libya, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

- *Industrial market economies* are the members of the Organisation for Economic Co-operation and Development, apart from Greece, Portugal, and Turkey, which are included among the middle-income developing economies. This group is commonly referred to in the text as industrial economies or industrial countries.

- *East European nonmarket economies* include the following countries: Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, and U.S.S.R. This group is sometimes referred to as nonmarket economies.

- *Sub-Saharan Africa* comprises all thirty-nine developing African countries south of the Sahara, excluding South Africa, as given in *Toward Sustained Development in Sub-Saharan Africa: A Joint Program of Action* (World Bank 1984).

- *Middle East and North Africa* includes Afghanistan, Algeria, Arab Republic of Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Syrian Arab Republic, Tun-

sia, Turkey, United Arab Emirates, Yemen Arab Republic, and People's Democratic Republic of Yemen.

- *East Asia* comprises all low- and middle-income countries of East and Southeast Asia and the Pacific, east of, and including, Burma, China, and Mongolia.

- *South Asia* includes Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka.

- *Latin America and the Caribbean* comprises all American and Caribbean countries south of the United States.

- *Major borrowers* are countries with disbursed and outstanding debt estimated at more than \$15 billion at the end of 1984 and comprise Argentina, Brazil, Chile, Egypt, India, Indonesia, Israel, Republic of Korea, Mexico, Turkey, Venezuela, and Yugoslavia.

*Economic and demographic terms* are defined in the technical notes to the World Development Indicators. The Indicators use the country groupings given above but include only countries with a population of 1 million or more.

*Billion* is 1,000 million.

*Tons* are metric tons, equal to 1,000 kilograms, or 2,204.6 pounds.

*Growth rates* are in real terms unless otherwise stated. Growth rates for spans of years in tables cover the period from the beginning of the base year to the end of the last year given.

*Dollars* are current U.S. dollars unless otherwise specified.

*The symbol ..* in tables means "not available."

*The symbol —* in tables means "not applicable."

All tables and figures are based on World Bank data unless otherwise specified.

Data from secondary sources are not always available through 1984. The numbers in this *World Development Report* shown for historical data may differ from those shown in previous Reports because of continuous updating as better data become available and because of recompilation of certain data for a ninety-country sample. The recompilation was necessary to permit greater flexibility in regrouping countries for the purpose of making projections.

# *Acronyms and initials*

**CIAT** International Center for Tropical Agriculture.

**CIMMYT** International Maize and Wheat Improvement Center.

**CFF** Compensatory Financing Facility.

**DAC** The Development Assistance Committee of the Organisation for Economic Co-operation and Development comprises Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, United States, and Commission of the European Communities.

**EC** The European Communities comprise Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and United Kingdom. Greece joined the EC in 1981; Portugal and Spain joined in 1986.

**ECU** European currency unit.

**FAO** Food and Agriculture Organization.

**GATT** General Agreement on Tariffs and Trade.

**GDP** Gross domestic product.

**GNP** Gross national product.

**IBRD** International Bank for Reconstruction and Development.

**IDA** International Development Association.

**IFC** International Finance Corporation.

**IFPRI** International Food Policy Research Institute.

**IRRI** International Rice Research Institute.

**IMF** International Monetary Fund.

**LIBOR** London interbank offered rate.

**ODA** Official development assistance.

**OECD** The Organisation for Economic Co-operation and Development members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

**SDR** Special drawing right.

**UNCTAD** United Nations Conference on Trade and Development.