feasible. If the price of copper is sufficiently high, aluminum will be used as an electrical conductor. Countries dependent upon the exports the demand for which has declined may suffer a substantial economic setback.

3. Government policies

Policies of less developed countries have a marked impact on the long-term prospects for primary commodity production and exports. Efforts to stabilize the value of exports may lead to unwise pricing policies which are harmful to exports. In attempting to restrict supply, some less developed countries may raise the price, discourage consumption, and possibly encourage the development of a substitute. It is probable that if tin exceeds its present level significantly, permanent substitution may take place. Improper domestic policies may inhibit economic development and maintain heavy dependence on primary products. In other cases, efforts to industrialize rapidly may result in neglect of important primary sectors and diversion of investment into uneconomical industries, thereby losing productive capacity capable of earning the foreign exchange required to finance sound development.

The policies of industrial countries also have a decisive impact on exports of primary products by less developed countries. By protecting and subsidizing domestic production of primary commodities they shrink the markets available to less developed countries and stimulate domestic production at higher costs. Over the postwar period the industrial countries have generally become more self-sufficient in primary products.

Even more important, from the point of view of long-run economic development, are the high barriers against processed and manufactured goods maintained by the industrial countries. In many cases these restrictions effectively prevent less developed countries from getting a start in manufacturing production and diversifying their exports.

C. TRADE AND DEVELOPMENT PROSPECTS

Over the past three decades the less-developed countries have been subjected to a steady deterioration in their trade position, moving from a position of a substantial surplus to a substantial deficit on the trade account, amounting to about $3 to $4 billion at the present time. The deficit is now covered by capital transfers. The question arises as to what is going to happen in the future. This question has been examined by the secretariats of the Economic Commission for Europe, the Economic Commission for Latin America, the General Agreement on Tariffs and Trade, and by a number of private research organizations. There are differences in the quantitative estimates but unanimity on the general character of the trends. If the less-developed countries develop economically at a rate consistent with economic and political stability, imports will continue to grow at a faster rate than exports and an ever-increasing trade deficit will be generated.[6]

[6] "Economic Survey of Europe in 1960," Economic Commission for Europe, United Nations, Geneva, 1961, particularly ch. V, entitled "Europe and the Trade Needs of the Less Developed Countries," pp. V–1–50. The GATT study is reported in "Trends in International Trade," a report of a panel of experts, GATT, Geneva, October 1958, 138 pages.