These structural changes are possible only with substantial modifications of the policies of the industrial countries, not only with respect to primary commodities but also manufactured goods. Western Europe could absorb one-third of the new manufactures; the United States, Japan, and Oceania another third; and the less developed countries themselves, plus the Soviet area, the remaining third. New imported manufactures of $5 billion per year by 1980 into Western Europe would represent about 2 percent of the increase in domestic Western European demand for manufactures over the period. For the United States the proportion is even smaller.

No great reliance can be placed upon the above quantitative estimates. The ECE secretariat itself is the first to admit the limitations of data and the inadequacy of its projection techniques.[9] The model is too simple, operates at too high a level of aggregation, and omits many factors, such as technological change, which might make some difference in the results. Even so, the exercise provides a general frame of reference and indicates the order of magnitude of the problem. Neither primary commodity exports nor capital transfers will be adequate to finance the import bill of the economic growth of less developed countries. It is not a question of aid or trade. It is necessarily both; neither one alone is adequate.

D. IMPACT OF CHANGES IN COMMERCIAL POLICIES OF INDUSTRIAL COUNTRIES

1. *Agricultural protection*

A combination of domestic and commercial policies discourages imports through tariffs, quotas, and other restrictions, increases domestic production by price supports and deficiency payments, and encourages exports through subsidies. Protection is high for products which industrial countries also produce, primarily the temperate zone agricultural products. Imports of these products from less developed into industrial countries has declined substantially in recent decades. For example, in 1938 Western Europe and North America imported 11 percent of their wheat, corn, rice, butter, sugar, and meat from outside the area. In 1956 the net import figure was 4 percent and North America's net export position improved substantially during the period. The same is true of many basic agricultural raw materials.

Relatively small changes in domestic production in industrial countries can have a large impact on imports. For example, if in 1956 consumption of foodstuffs in the industrial countries had remained the same but production had been 1 percent lower and the deficit imported, the increase in net imports would have been almost 25 percent. If production had been 5 percent lower, North America and Western Europe would have been a food deficit area requiring net imports from primary producing countries. A moderate diminution of the degree of protection by the industrial countries might well have a significant impact on primary producing countries.[10] The principal beneficiaries of such a moderation in agricultural protection, however,

[9] In conversations with the director of research and senior analysts at ECE the preliminary nature of the estimates was emphasized. The numerical figures were presented not as precise estimates but to provide an idea of the order of magnitude. The one certainty felt by ECE and others who have studied this problem is that imports adequate to support economic development, and exports, assuming present commercial policies will diverge increasingly during the next few decades.

[10] "Trends in International Trade," op. cit., pp. 80–102.