

But while the negotiation has given us modest trade liberalization, it also has made us aware of the problems we still face in bringing more order to world agricultural trade. To me, this is the really significant result at Geneva.

The Kennedy Round has shown beyond doubt that we cannot buy—with reductions in duties—removal of the major barriers standing in the way of a substantial and orderly trade in farm products.

The Kennedy Round has also shown that a massive, multilateral trade negotiation involving all countries and all products is not an appropriate way to get at the root of agricultural trade problems. It provides too much opportunity for avoiding the real business at hand.

The Kennedy Round ended up being primarily a tariff negotiation. Tariffs remain an important means of protecting producers in many parts of the world. But in agriculture, particularly, other barriers are numerous and complex. Negotiators met with only limited success in removing or lowering them and, on the really hard-core products, had no success at all.

Overall, the problem of liberalizing trade stems from the almost general disparity in income between farm and nonfarm people. As a rule of thumb, around the world a farmer gets only about one-half as much income for his labor and investment as the nonfarm sectors of the respective countries enjoy. That disparity poses an obligation on every government to protect the incomes of its farmers and still make sure that all the people have enough food and fiber and other products of agriculture. It is an obligation that has called forth price and income programs in every country in the world. These take many different forms.

The European Economic Community for most products attempts to keep domestic agricultural prices high through a variable levy system. The EEC sets the prices, and the variable levies remove the effect of outside competition, because they always are high enough to offset any competitive advantage the outside product might have. This is truly a formidable barrier to trade. The variable levy on grains, for example, is about 100 percent ad valorem.

The United Kingdom favors the deficiency payment support system. Here internal consumer prices are allowed to seek their own level. But producer returns are kept at Government-set levels through producer payments which make up the difference between these levels and what they receive in the marketplace. The impact of this system on exporters is more obscure, but severe nevertheless. High producer prices increase domestic self-sufficiency, and the effort of an exporter to hold his sales in that market leads to artificially low and unremunerative prices.

We have our support programs in the United States also, as you know. In some cases—in cotton and wool—the program is a combination of deficiency payments and tariffs or quotas. In dairy, it is a combination of a support price and quotas and tariffs. In grains, we use a certificate program. Our system is different from most, however, in that we use, in many cases, production controls to prevent our programs from leading to ever-increasing excess output.

Government support programs often lead not only to import control, but also to export assistance. The EEC has export subsidies. Denmark uses a two-price system in which prices for products marketed