

We would hope that the increased effectiveness of the supply management and flexible pricing programs, the continuing shift of marginal farmers to nonagricultural occupations, and the increased role of food aid will make it possible for us progressively to liberalize agricultural trade.

This will necessarily be a slow process. The Kennedy Round has demonstrated that substantial liberalization of agricultural products is not easy to achieve. But it is important that we work together with other developed countries in the years ahead to consider how to deal effectively with all major barriers to less developed countries' agricultural exports.

In the case of tropical products produced solely in the low-income countries, we have no barriers to trade or consumption. Some developed countries do subject these products to high-revenue duties that inhibit consumption or to preferential tariffs that discriminate against certain low-income suppliers in favor of others. We believe the developing countries have a legitimate case that commodities produced solely in the tropical zone should not be a source of revenue to the rich countries at their expense. They have suggested that where such fiscal levies cannot be removed, a share of the receipts be turned back to them.

As to tariffs and quotas that restrict trade in tropical products or discriminate among primary producers, we would hope that all the rich countries would provide duty-free access for these products from all the poor countries. We shall continue our efforts in this matter.

A review of our trade policy as it affects the primary commodity trade of the poor countries would be incomplete without noting the important role that compensatory financing can play in assisting low-income countries whose export earnings fall off for reasons beyond their control. We have supported the liberalization of the compensatory financing facility in the International Monetary Fund, and developing countries are making increasing use of that facility. We are also considering the feasibility of supplementing that facility in the case of deep or protracted shortfalls in the export earnings of developing countries that are disruptive of their development and that may require longer term assistance than the Monetary Fund facility provides. The World Bank has developed a proposal for such a supplementary facility. The specifics of the Bank scheme raise a number of serious questions and we are not prepared to endorse it as formulated, but we are studying variants of the proposal that we may be able to support.

Even if everything were done that could reasonably be done to improve conditions of access for the primary product trade of the developing countries, to stabilize commodity prices at reasonable levels, and to supplement export earnings when shortfalls occur, the developing countries would still be vulnerable because with a few notable exceptions the commodities on which they depend are not dynamic. Demand is not likely to grow commensurately with the increase in world trade and world income.

The fundamental answer to the trade problems of the developing countries is to diversify their output and their exports and thus reduce their excessive dependence on a few traditional commodities. Some benefit can come from a more diversified commodity base and from