

cent of the voters in or close to agriculture, the strength of this political resistance is strong. The only solution, if there is one, requires that a basis be established for negotiating over the entire area of agricultural policy. Here I find myself saying much the same thing as Mr. Diebold said.

The hopes for agriculture in the Kennedy Round were not fully realized, primarily for this reason; namely, the political aversion to concessions that would require a reformulation of existing agricultural policy. Even so, some progress has been made. The commitment to supply a substantial quantity of grains as international food aid (thus subtracting them from European food supplies), coupled with rising incomes and shifts toward a greater consumption of animal products, on the part of European countries, will benefit the food and feed grain producers of Canada and the United States, despite the absence of major changes in European trade restrictions.

The political forces in the developing nations take on a different focus. Their national leaders understand well the importance of primary products as the major exports of these nations, and the vital role which exchange earnings play in national development. And they know that the developed nations are their major customers. Past instabilities in these markets, slow rates of growth in the demand for primary products, and fears that exchange earnings will continue to be inadequate, support a strong political approach among the developing nations toward the developed economies. The formation of UNCTAD (United Nations Conference on Trade and Development) in 1964, with its first conference in Geneva, provided a forum for the organization of new political forces in the world trade arena that will not be easily satisfied. Professor Baldwin has also commented in this vein. While we and Western Europe might agree among ourselves that certain exceptions to free trade that discriminate in favor of our national producers are politically necessary, the developing nations press for instant removal of all discriminations against them. And more, they press for discrimination in their favor and against the production and exports of developed nations. And in fact they would not object if there were discrimination against domestic producers in the developed nations.

These political pressures from developing nations will intensify with the 1968 UNCTAD Conference in India; thus a second reason for looking beyond the Kennedy Round into our foreign policy area.

I turn now to summarize quickly the more specific economic material in the study paper prepared for this committee. Agricultural products constitute over 20 percent of U.S. exports, and nearly a third of the total world trade. For most developing nations, agricultural and other primary products dominate their export picture.

While the volume of agricultural trade is expanding, it is declining as a proportion of the total. Thus, trade does not provide a reliable engine of economic development. Growth is hindered by basic characteristics of demand and by policies. With higher incomes, food absorbs a smaller share of the added income. Also, the policies of developed countries support domestic production at the expense of imports, and thus limit the potential exports of agricultural nations. The resulting complex leads to international markets without consistent rules and with conflict increasingly focused on agriculture.