Let me turn for a moment to ii of our study paper. Developing countries face special problems because of price instability and advanced country policies. The nature of the demand for agricultural products exposes these commodities to fairly wide price fluctuations, which leads to government intervention to influence the market, such as minimum export prices, domestic price supports, subsidies to export, marketing boards, and international commodity agreements. In technical terms, this basic characteristic is a low elasticity of demand with respect to price; that is, a small increase in volume brings a larger decrease in the price received. This traditional concept has been less valid during the past decade, primarily because of the increased ability of major consuming nations to maintain economic stability, but still is important. In consequence, the less developed countries, as they examine their agricultural trade potentials, hesitate to expand most farm exports greatly. Although some have done so successfully, most nations fear that larger volumes of exports will lead to lower prices and lower foreign exchange earnings. This point is more telling when the Nation provides a significant fraction of the total world trade in its principal export commodity.

Consequently, the developing nations argue that: (1) they are discriminated against in favor of the domestic producer of competing products; (2) their exports are subject to substantial price instabilities; and (3) their most logical industries face especially high rates of protection which force them to export raw materials and to turn to import substitution industries. Neither of these is an optimum solution in terms of economic logic and comparative advantage, for them or for us. In our paper we give an example showing that a modest tariff of 5 percent on raw materials and 15 percent on processed goods, becomes a 35-percent protection for the importing nations processing industry.

Mr. Cooper has already touched on this, and also Mr. Pincus.

I have already suggested that the trade prospects are favorable for the export of red meat and feed grains to most developed nations. Some shifts in patterns of trade will occur if membership in the EEC is expanded, or if new regional groupings develop.

The population—food supply problem is a prominent feature of the developing countries. The problem stems primarily from the accelerated rates of population growth, which overwhelm the very creditable increases in food production occurring in many of the developing nations. Concessional exports will be required for some time to come. A substantial program of family planning can influence the need for a food aid program after 1980, but the potential heavy consumers of concessional food aid during the 1970's are already born. Without population control, the "need" for food aid will increase continuously.

The relation of trade and domestic interests is becoming evermore comprehensive and interrelated. The United States has a complex pattern of interests in agricultural trade. This interest includes but goes far beyond the economic interest in a large volume of exports. It includes trade from developing countries as a partial substitute for foreign aid. It includes the support which growth in trade can make to improved economic welfare of people around the world. It includes