III. Trade Problems Affecting Both Developed and Developing Nations

Any evaluation of agricultural trade problems must recognize the political and economic setting within which agricultural markets operate. From the viewpoint of economic criteria, the level of development is important. The simple breakdown into developed and underdeveloped countries, however, is hardly sufficient to provide a framework for agricultural trade analysis. Among the developed economies, wide variation exists in the resource base and the conditions surrounding agricultural production. On the one hand, countries such as Australia, New Zealand, Canada, Denmark, the Netherlands, and increasingly France are primarily agricultural export countries. Agricultural production rests on favorable soil and climatic conditions, farm units use relatively modern techniques buttressed by adequate investment in rural infrastructures, and education, all of which has led to a high level of agricultural productivity. On the other hand, another group of industrial countries, which includes the United Kingdom, Japan, Germany, and to lesser degrees several other European countries tend to have an inadequate resource base for agriculture, and in some cases, a poorly structured farm organization. Despite a highly productive agriculture they remain major importers. The United States belongs in the first group rather than the second, even with the preponderance of manufactures in its export pattern.

In all of these countries agriculture has declined relatively through time and is likely to continue both from the viewpoint of the origin of national products and the composition of the working population. This process of contraction, however, is not accompanied by a decline in agricultural output; hence the agricultural exporting countries tend to exert a continuous pressure on the world market in products that they produce while those that are importers are able to rely heavily on domestic production.

Among the less developed countries, differences exist in the extent to which agricultural output covers domestic requirements, but where excess production exists this often tends to be in a specialized product or group of products such as coffee, bananas, etc. The more important distinction from the viewpoint of trade problems among the less developed countries is the extent to which change and dynamic adjustment is occurring, both in agricultural and nonagricultural sectors. Among the less developed and most static of the low-income countries, agriculture tends to be of a subsistence type both with respect to production and consumption, and the bulk of the labor force is engaged in agriculture. With many rural households largely self-contained, internal market systems and trading is mainly restricted to the local level, and these economies have only a limited participation in world trade, either as exporters or importers.

Another group of basically underdeveloped economies, however, has an important stake in international trading relationships. While these economies tend still to be largely agricultural, the process of change has begun. Improvements are being actively sought in agricultural productivity and the expansion of industrial output is underway. Many participate actively in international markets either as importers