kets and protectionism in international markets. Subsidies and other aids serve the same purpose for exporters as trade restrictions for importers—namely to maintain domestic prices above free market levels. It is clear, therefore, as recently indicated by the FAO,[25] that in international agricultural markets "palliatives which have no influence on domestic support policies cannot be expected to effect any significant improvement to the trade situation for this group of commodities. However, the social pressures which led to the need for agricultural support continue to exist. Farm incomes in the developed temperate-zone countries continue to trail behind those in the rest of the economy, and as a consequence it will be by no means easy to gain agreement on the ways in which domestic policies are to be changed."

Change in the concept of income policy for agriculture will be required. Price supports alone, without supporting programs to adjust agriculture to modern conditions, will achieve little for many farmers and will perpetuate the conflict between domestic policy and a more liberal trading policy. Progress in reducing the level of direct income supports, especially in high cost countries, can be accelerated through programs that seek to: (1) create structural reforms through consolidation and amalgamation of holdings, inheritance laws, ecetera; (2) provide help to the low-income or marginal farmer by creating the conditions for the transfer of his labor elsewhere in the economy and by financial aid; by accelerating farm improvement programs; by creation of supplementary income sources through vocational training; employment information; decentralization of industry, ecetera; (3) strengthen the commercial farmer's economic position through agricultural education and advisory services, marketing aid, income as against price supports, ecetera.

This will entail far-reaching changes in the approach to agricultural income protection. The full recognition in agricultural policy of what is basically a very simple concept, namely that income is a function of both price and quantity, and its full incorporation into Government programs, is fundamental to achieving the kind of change in domestic policy that will ultimately be needed to reduce agricultural protectionism and achieve improved trading relations.

V. Trade Problems and Policies of Special Relevance for Developing Nations

The developing nations' contribution to world trade is small in relation to their population. Among themselves, despite constituting the majority of the world's population, they contribute only 6 to 7 percent of the total trade. Most of their international trade is with developed nations, exporting to them primary products of agriculture, forest, fishery, or mineral origin, while importing a wide range of commodities, including food. The priority given to development usually is high, usually requires substantial imports of capital goods, and generally leads to foreign exchange deficits. These deficits in turn limit the potential exports of the developed nations. Thus, both economic and humanitarian goals of the United States could be more fully met if the value of developing countries' exports could be expanded. But since most developing countries project limited export expansion,

[25] FAO, Commodity Policy Studies, No. 2, op. cit.