change limitation is likely to loom as a major obstacle to desired rates of growth.

International action in the sphere of commodity policy has been concerned with three kinds of measures: (1) trade liberalization; (2) transfer of income from commodity importers to exporters; (3) stabilization of commodity prices and export earnings.

TRADE LIBERALIZATION

In theory improved market access is the most efficient way to increase LDC export earnings, because it increases the flow of trade and raises the earnings of exporters, with no corresponding income transfer from rich to poor countries. A liberal trade policy benefits both exporting and importing countries by raising the real incomes of both, but it may create adjustment problems for high-cost producers or revenue problems for governments who benefit from customs duties and fiscal changes. Because agriculture in the North is a relatively declining industry, which resists such adjustments, there is little likelihood that barriers to imports of competing crops (Southern commodities that compete with domestic production in the North) will be reduced. Some progress might be made, with relatively limited effects on trade, for such noncompeting products as tea, coffee, cocoa, and tropical hardwoods.[4] Thus, although LDC exports to the North might well increase by anywhere from $3 to $5 billion annually as a result of free trade in commodities, the immediate prospects for change are slim in the short run. For the time, agricultural protectionism seems to be on the increase.

COMMODITY AGREEMENTS

If the prospects are modest for increasing world income through freer trade in commodities, they are perhaps slightly greater for transferring income from rich to poor countries by commodity price fixing. The persistent international interest in "stabilization" of commodity prices is largely an effort to make importers pay more than they would in a free market. Discussion of such agreements is usually confined to noncompeting exports (coffee, tea, cocoa, sugar, bananas, spices, tin) and price-fixing agreements for these products could be used to transfer an average of perhaps $1 billion annually from North to South over the decade 1965–75. If extended to competing products, as proposed by the French Government, price fixing could result in a far larger transfer. For example, if price fixing could increase the south's $17–$18 billion annual revenue from commodity exports to the North by 20 percent, the total annual transfer would be of the order of $3.5 billion initially. However, a generalized price-fixing policy not only invites substitution of synthetics, but also encourages import substituting domestic production in the North. The common agricultural policy of the EEC is aimed in part at this latter goal. Therefore, the longrun effects of price fixing for competing products may be harmful to LDC's, unless import quantities are also guaranteed. Furthermore, there is no good reason for importers of competing

[4] In fact, the North, through the GATT, has suspended its duties on tea and tropical hardwoods. This modest accomplishment seems to have been the major result of the GATT action program in its first 3 years.