

Prospects for Tropical Agricultural Products in International Trade.

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THE economic development of the world's underdeveloped countries is intimately connected with future trade prospects for tropical agricultural products. Trends now becoming apparent indicate that the economic progress of these countries will be seriously limited by the export earning capacity of the major tropical products. The changing pattern of international trade has worked against primary producing countries, although tropical nations have not fared as badly as their counterparts in the temperate regions. Additionally, despite the increasing political power of the underdeveloped countries, their economic bargaining strength is declining rapidly. The economic gap between the underdeveloped countries of the tropics, relying almost solely on the export of tropical agricultural produce, and the industrialized countries is widening, despite current world opinion on the need to foster economic development of the former.⁽¹⁾ The population growth is constantly contributing to this gap as its rate is greater than that of economic development.

The early 1950's were characterized by particularly favourable demand conditions for agricultural products. Many of the newly independent tropical countries accumulated large reserves of foreign exchange and were able to implement economic development programmes. However, by the mid '50's, the price relationship between agricultural and industrial products was changing so that the terms of trade became adverse for agriculture.⁽²⁾

(1) The basic theory explaining this development is contained in a challenging book by Gunnar Myrdal, *Economic Theory and Underdeveloped Regions*, Duckworth & Co. Ltd., London, 1957, 168 pp. One of the main arguments is that international trade instead of being the means of economic growth for all participants is causing international economic inequalities to widen.

(2) A 1961 F.A.O. publication stated that "the terms of trade for agricultural exports declined for the sixth year in succession". *The State of Food and Agriculture* 1961. F.A.O. Rome, 1961, p. 4.

For many centuries world trade in tropical agricultural products has been of importance to the Western European countries. The range of products has continuously altered owing to changes in demand in the importing countries, and not many of the principal tropical agricultural products entering world trade to-day were exchanged 100 years ago. Only a few of the considerable number traded is of real significance in international commerce. The regions producing them are fairly well distributed throughout the tropics, and in each case, one or a few countries dominate production and exports. The most important agricultural products in terms of export values are shown in Table I.

Recent developments in international trade suggest that the terms of trade will continue to move against agricultural products. Declining terms of trade have been arrested in some cases by international commodity agreements, as in the case of sugar, and the yearly coffee agreement. World demand has shifted towards industrial goods. Trade in agricultural produce has declined and will decline in importance, relative to manufactured commodities. The tendency will be reinforced because of the low elasticity of demand for agricultural commodities. As world income increases, the proportion spent on foodstuffs will not increase by the same amount once essential food needs are met. Furthermore, as the underdeveloped countries advance economically they will embark upon programmes of self-sufficiency in foodstuffs.

World trade in agricultural products which can be readily produced in some or all industrialized nations has declined in volume—as shown in Figure 1. At the same time, commodities not easily produced in the industrialized nations, consisting mainly of tropical agricultural products, have increased in importance in international trade. However, the rapid increase in the number of newly independent countries of the tropical world has meant that each must attempt to earn as much foreign exchange as possible through trade to finance development

Table I.
Main Food Products in International Trade 1953-1957 *
 (Approximate Export Values in Million U.S. Dollars)

Commodities	1953	1954	1955	1956	1957	
Wheat	2,015	1,610	1,630	1,955	1,900	Including flour.
Barley	335	285	285	385	325	
Maize	340	330	285	360	405	
Rice	710	610	555	605	635	Milled equivalent.
Butter	410	405	435	440	385	
Meat	1,175	1,265	1,310	1,315	1,500	Beef, mutton, pork including prepared and canned.
Sugar	1,325	1,205	1,265	1,335	1,705	Beet and cane, centrifugal.
Tobacco	755	760	830	820	930	Unmanufactured.
TOTAL	7,065	6,470	6,595	7,215	7,785	
From Industrial Countries	3,670	3,195	3,350	3,795	4,110	
From non-Industrial Countries	3,395	3,275	3,245	3,420	3,675	
Coffee	2,290	2,335	2,095	2,360	2,160	Bean.
Cocoa	485	730	570	440	430	
Tea	460	625	600	605	565	Excl. plantains.
Bananas	330	320	305	300	280	
TOTAL	3,565	4,010	3,570	3,705	3,435	
TOTAL ABOVE	10,630	10,480	10,165	10,920	11,220	
Other Food	6,090	6,400	6,965	7,600	7,930	
TOTAL FOOD (a)	16,720	16,880	17,130	18,520	19,150	

* Exclude trade between USSR, Eastern Europe and mainland China.

(a) *International Trade* 1957-58, GATT, July, 1959, p. 38.

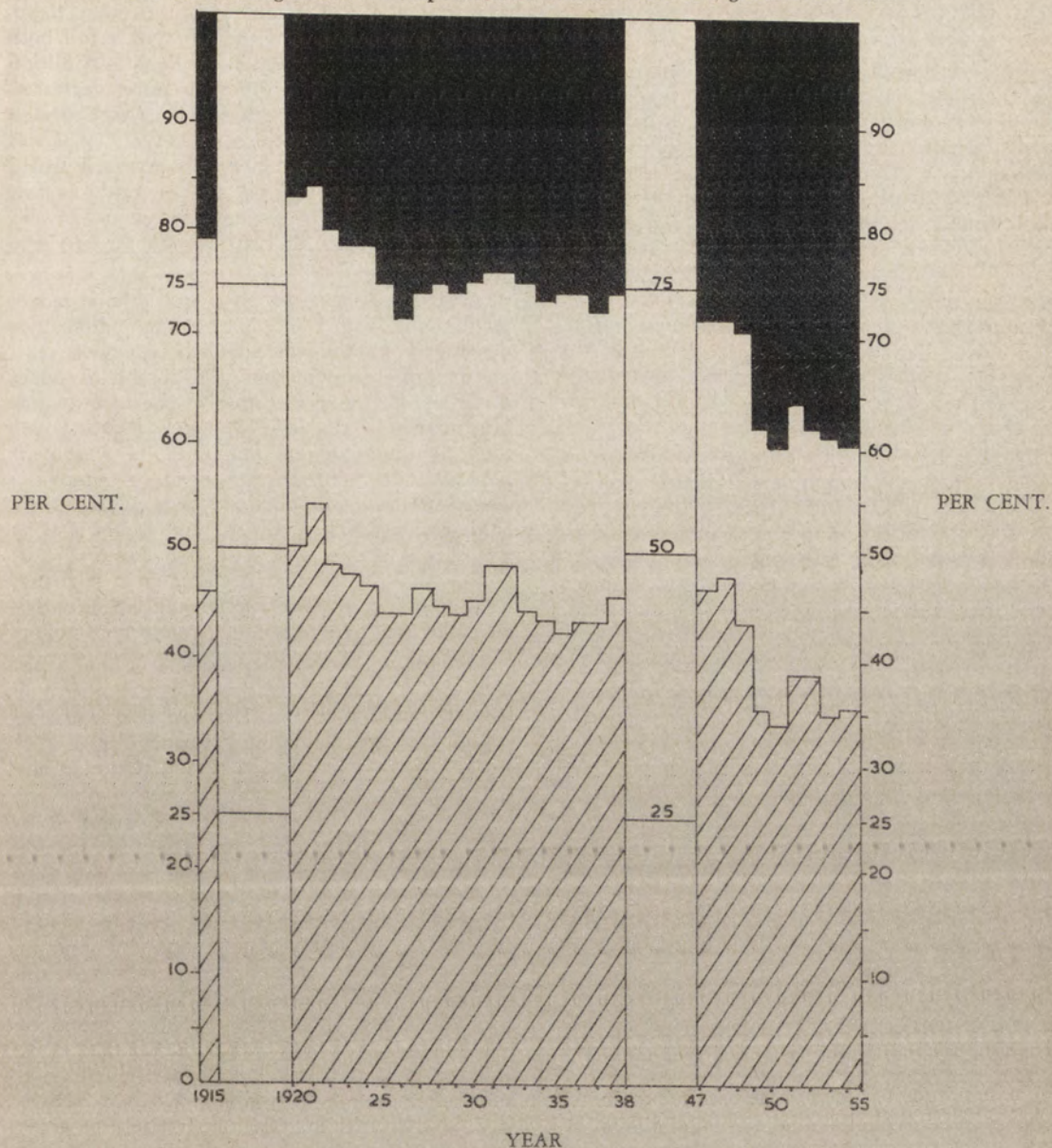
plans. This trend could easily result in over-production of a number of tropical agricultural commodities, leading to declining world price levels and increased pressure for international commodity agreements.⁽³⁾

(3) Some interesting comments on international commodity agreements have been made by Professor G. Haberler. Haberler G. "Terms of Trade and Economic Development". Howard S. Ellis and Henry C. Wallich. Edit. *Economic Development for Latin America* Macmillan, London 1961, p. 296.

Continual technological advances in the industrialized countries are causing synthetics and substitute commodities to threaten the natural products of the tropical countries. In addition economies in the use of raw materials are reducing world demand. The commercial and agricultural policies of the industrialized nations (particularly the U.S.A.) are tending to merge as the attempts at self sufficiency in foodstuffs and some raw materials have become more important.

Figure 1.

Per cent. changes in the Composition of World Trade in Agricultural Products



Commodities not readily produced in the main industrial countries (coffee, cocoa, tea, bananas, pepper, rubber, jute and wool).

Commodities readily produced in some but not all of the industrial countries (edible oilseeds and oils, oranges, wine, dried raisins, tobacco, cotton and oilcake).

Commodities readily produced in the main industrial countries (cereals, sugar, livestock products, linseed and apples).

Source. *The State of Food and Agriculture 1956*. F.A.O. Rome p. 82.

THE CHANGING STRUCTURE OF INTERNATIONAL TRADE.

The Nineteenth Century is commonly regarded as the ideal towards which world commerce should be re-directed. Trade was virtually free and the international transfer of capital and labour was a common feature. The volume of world trade increased greatly, mainly as a result of technological advances in transportation with the successful development of the steamship and the opening of the Suez Canal. This trade was centred on Western Europe with Great Britain as the pivot. Overseas colonies, including the newly European-settled colonies in the temperate regions of the world, and the U.S.A. supplied much of the basic foodstuffs and raw materials for the home countries.

During the Nineteenth Century, particularly in the latter half, the pattern of world trade changed considerably. Foodstuffs (mainly cereals and livestock products) dominated commerce, with fibres and coal being the principal raw materials. However, by 1913, the emphasis had swung to ores, iron and steel. Between 1870 and 1913, the volume of international trade trebled.

The outbreak of World War I dealt the first serious blow at the established pattern of world trade. A number of new industrialized nations emerged, each challenging the supremacy of the United Kingdom. The war also showed the dangers of being too reliant on overseas food supplies and revealed the advantages of some degree of national self-sufficiency in foodstuffs. After 1913, the volume of world trade decreased from the high levels of the previous decades and between that year and 1953, it rose by only about 66 per cent. Most of the increase occurred after World War II.

The inter-war period was one of rapid change in international trade. The gold standard disappeared and exchange rates of many countries experienced great fluctuations. Because of the depression, the total value of world trade in primary products fell from \$19,000 million in 1929 to \$7,500 million in 1932. After a slow recovery, the total value managed to reach \$15,000 million in 1937 only to collapse again to \$12,000 million in the following year.⁽⁴⁾

This earlier decline was mainly due to changes in prices which dropped by over 50 per cent. in the period 1929-32 and to a lesser extent to a

fall in volume of trade. On the other hand, the slump in 1938 was the effect of a fall both in prices and volume. Individual agricultural products experienced different price decreases. Of the tropical commodities, rubber was affected most, falling by 75 per cent. between 1929 and 1932. The slump in 1938 also lowered world prices and cocoa fell by 40 per cent. Coffee, rubber and oilseeds declined by about 25 per cent. but the price of bananas and tobacco rose slightly.

As a consequence of price and volume movements in world trade, serious difficulties developed in the international payments and receipts of many nations. In order to offset these and to protect themselves against dwindling markets, countries deliberately imposed barriers to international commerce. Government policies were radically changed as emphasis moved to relieving unemployment within their national boundaries. By the end of the 1930's the future of international trade seemed uncertain and despite some economic recovery, trade restrictions and special trading arrangements became part of national commercial policy.

The Second World War resulted in more complete and comprehensive governmental control of nations' foreign trade. The restrictions arising out of the 30's became a permanent feature of world trade. There was to be no return to any system of unregulated multilateral exchange.

The post-war developments in world commerce have had marked effects on the attitude of the newly independent nations as these were their formative years. The early 1950's witnessed recovery in the volume of trade from the generally low levels of the late 1930's. Values of primary products rose much faster than the volume of trade and tropical agricultural products benefited considerably. Their terms of trade were particularly favourable so that many of these new underdeveloped countries accumulated large reserves of foreign exchange. However, despite this increase, the volume of trade only exceeded the 1929 level by about 25 per cent. in the mid '50's. Throughout this decade, fluctuations in price levels were less than those of the 1930's in spite of the Korean War and Suez Crisis.

There were several recessions in the industrialized countries in the late 1940's and throughout the 50's, most of them originating in the U.S.A. The first occurred in that country in

(4) *Trends in International Trade*. GATT Geneva, October, 1958, p. 13.

1948-49 and was cushioned to some extent by the strong world demand for the capital goods which were procurable only in the U.S.A. Nevertheless, prices for agricultural raw materials and foodstuffs fell slightly. The next slump occurred in 1953-54 and was more severe than its predecessor. However, the overall prosperity within the industrialized nations of Western Europe shielded the rest of the world from the full impact of the drop in economic activity in the U.S.A. Prices of agricultural products were generally maintained while those of coffee and cocoa rose.

In 1957-58, the U.S.A. again suffered a mild slump and the rate of economic growth in Western Europe was slowing down. Since then, the industrialized nations have experienced a series of mild slumps but generally the level of world trade has risen. In common with the 1957-58 recession, the decline in the growth of economic activity in the industrialized nations had little effect on the demand for foodstuffs, although a number of agricultural raw materials, such as rubber, suffered.

Despite gloomy forecasts, world trade quickly increased after World War II. Industrial articles dominated world trade and in the immediate post-war period, much of this was due to the large amount of U.S. economic aid. Throughout the remainder of the 50's, the relative importance of manufactured products continued to expand. At the same time, the direction of world trade altered so that the exchange of goods between the industrialized nations increased. The volume of industrial commodities in international commerce will continue to expand as the import needs of the underdeveloped countries rise with their economic development.

COMMON CHARACTERISTICS OF UNDERDEVELOPED NATIONS.

The underdeveloped nations of the tropical regions have a number of common characteristics which place them at a disadvantage to the industrialized countries in world commerce.

Agriculture is their principal economic activity, but the export products, the main source of international revenue, are only a minor sector of their economies. In many instances, over 70 per cent. of the foreign currency is earned from the sale of one product. For the four years 1956-59, exports of coffee accounted for

more than 70 per cent. of the total export proceeds of Colombia, El Salvador and Guatemala, while in Brazil the corresponding figure was about 60 per cent. Sales of cocoa made up about 66 per cent. of export revenue for Ghana; sugar 72 per cent. for Cuba; cloves 74 per cent. for Zanzibar; rubber 63 per cent. for the Federation of Malaya; bananas 74 per cent. for Panama; and groundnuts 93 per cent. for Gambia. Many more of the tropical underdeveloped countries rely upon one agricultural export for more than 50 per cent. of total receipts. In each case domestic consumption of these products is very small so that exports and production tend to be at about the same level.

Because the import demand of the industrialized nations is extremely sensitive to small variations in their levels of economic activity, the underdeveloped countries find their economies greatly influenced by any change in the rates of economic growth in the industrialized nations. In addition to these short term fluctuations of the business cycle in their principal markets, variations in the supply of agricultural products occur in the underdeveloped countries because of climatic conditions, biennial production cycles of some of the tropical tree crops, and pest and disease infestations. Single countries often supply a major proportion of total world production and the principal production centres are usually small geographical regions of the countries. Therefore, local climatic conditions and pest or disease damage have widespread effects on the volume of world trade and prices. The heavy concentration of Brazilian coffee in the State of Sao Paulo and the Ghanaian cocoa in the Ashanti are two illustrations of this problem.

Furthermore, the supply of agricultural products is relatively inelastic in the short run and this is particularly so for tree crops which make up a considerable proportion of tropical agricultural produce. The long pre-maturity period for tropical tree crops means that the current supply position is usually a reflection of the demand conditions of some previous years. The present situation in the world coffee market is an illustration of this phenomenon.

For political reasons, each of the underdeveloped nations is irrevocably committed to programmes of economic development. Such programmes are closely connected with the supply

of foreign exchange from exports for the purchase of the necessary imports. However, with the terms of trade moving against agricultural products on world markets, export earnings from agriculture are normally insufficient to finance all the imports of capital equipment for the continuation of economic development plans. This is further complicated by changing demand from the industrialized countries owing to fluctuations in their levels of economic activity. Such events have far-reaching implications on the attitude of the underdeveloped nations towards the role of international trade in their economic development.

Added to the above problems are the commercial policies of the industrialized nations, which are not conducive to freer multilateral trade and often work against the long term goals of the underdeveloped nations. Such policies have prompted a panel of experts set up by the contracting parties of the General Agreement on Tariffs and Trade (GATT) to state in their conclusion to a report, "We think that there is some substance in the feeling of disquiet among the primary producing countries that the present rules and conventions about commercial policies are relatively unfavourable to them."⁽⁵⁾

MAIN FACTORS AFFECTING THE TERMS OF TRADE OF TROPICAL PRODUCTS.

World trade is dominated by the industrialized nations and with the increasing proportion of manufactured products in trade, this domination will continue for many years. Two main factors are contributing to the adverse terms of trade for agricultural products, firstly technological advances in the industrialized countries, and secondly their trading and agricultural policies.

A. Technological Advances.

The major long term threat facing the tropical agricultural nations is the continuing rapid development of technology in the industrialized nations: The inelastic supply of tropical agricultural commodities, particularly in the short run when prices rise, has been an important spur to the development of synthetic materials and economies in the use of raw materials.

(5) *Trends in International Trade*. A Report by a Panel of Experts. GATT Geneva, October, 1958, Item 62, p. 11.

(i) Development of Synthetics and Substitute Products.

During the 1950's considerable advances in the field of synthetic materials occurred. These were largely based upon progress within the growing petro-chemical industry. The advances have had and will continue to have very serious implications for the demand for agricultural produce from the tropical areas of the world.

Rubber offers perhaps the best known example of a synthetic material challenging the natural product. Although world consumption of rubber has steadily increased since 1913, the production of synthetic materials has made inroads into traditional markets of natural rubber. In 1951, synthetic rubbers made up 35 per cent. of world consumption but by 1960 the percentage had increased to 47 per cent. Within individual countries increased use of synthetic rubbers has been more marked and at the end of 1960 these materials made up 69 per cent. of the total utilization of all rubber in the U.S.A. With the present world political situation the production of synthetic rubbers will further expand. For instance, under the present Seven Year Plan the USSR hopes to be self sufficient in rubber by 1963. Furthermore, all the industrialized countries possess extensive rubber reclaiming plants which reduce their demand for the natural product.

Synthetic detergents have also seriously affected the demand for soaps both for domestic and industrial purposes. As a result, the demand for vegetable and animal oils and fats has fallen.

Cotton has for many years been facing the threat of synthetic fibres. However, this product has made a partial recovery mainly owing to scientific advances in the industrialized nations. Other natural fibres used in the manufacture of cordage have had their demand retarded by the development of nylon cordage. The demand for some minor tropical agricultural crops has also been damaged by the development of synthetics, for example, vanilla has been seriously affected.

Substitute products are not as serious a problem as synthetics although world demand for coffee has suffered through these products. It has been stated that Europe's "total consumption of coffee substitutes may be tentatively estimated

at 300,000-375,000 metric tons. In addition, another 30,000 tons may be used in Near Eastern and African countries."⁽⁶⁾

Like synthetic materials, these substitute products are developed mainly as a response to high prices for the natural commodity. However, for coffee in some of the European countries, internal taxes artificially raise the retail price so that the substitutes become attractive. With stable world price levels it is possible that the developments of synthetic and substitute products would be slowed down.

Throughout the 50's, synthetic materials emerged largely in response to the inelastic supply of the natural product. Heavy demand (often coinciding with decreasing supply) caused world prices to rise to levels where alternative cheaper sources of supply were sought, preferably within national boundaries. However, these advances in synthetic materials have also assisted the natural product through the maintenance of a more stable world price level. Although it has been argued that no synthetic materials have stopped the output of a natural product but only supplemented it, the long run threat cannot be ignored. Many manufacturers prefer to use the synthetic materials as in some cases they can be developed for specific purposes and their stability in price permits planned production. Violent fluctuations in the world price level for many tropical commodities have made manufacturers wary of holding stocks.

(ii) *Economies in the Use of Raw Materials.*

Economies in the use of raw materials have also played an important part in decreasing world demand for a number of agricultural products from the tropics. Bulk shipments of cargo have led to important savings in the use of packaging materials such as jute. The development of "instant" coffee has resulted in more cups per unit weight of raw material, as has "instant" tea. It is stated that the high world prices for coffee because of severe frost damage in the Brazilian States of Parana and Sao Paulo in 1954 gave considerable impetus to the development of instant coffees in the U.S.A.

A more recent advance in the processing of cocoa beans has been reported from West Germany. "The new process which may roughly

be designated as a warm water treatment . . . is said to have been developed enough to be used industrially. Chocolate production time is said to be reduced to half when de-bittering is done by this process and cheaper beans can be used with the addition of far less sugar. Beans processed by this method are expected to be storable for years."⁽⁷⁾

In practically all cases the underdeveloped nations of the tropical world compete directly with each other as all tend to produce similar products. High prices of one commodity cause nations to respond quickly by increased plantings. High prices for coffee in the mid 50's caused greatly increased plantings, resulting in the present over-production. Unfortunately the degree of competition between the underdeveloped countries of the tropical world will become more intense as each of the increasing number of newly independent nations commences to carry out its development plans. Foreign exchange for financing these programmes will mainly come from the export of agricultural products (the petroleum producers of the tropical regions are excluded) so that all will push their exports to the limit.

Where agricultural commodities from the underdeveloped nations are in direct competition with the same or substitute products from the industrialized countries, the former tend to lose markets to the latter. The tendency is largely caused by the widespread application of science to the domestic agriculture of the industrialized countries. Exports of cotton, rice and edible vegetable oils from the U.S. have already taken over some of the traditional markets of the tropical countries.

B. *Agricultural and Trading Policies of the Industrialized Countries.*

The character of world trade was greatly changed as a result of the depression of the 1930's. Although gloomy forecasts were made about the future of world trade, the end of the last war saw a rapid revival. The dominance of the industrialized nations in international commerce has been greatly enhanced by their home agricultural and trading policies. The USA provides an excellent illustration of the amalgamation of protective domestic agri-

(7) *Foreign Agriculture Circular*, Cocoa Bean Crop, USDA, March, 1961. p. 8.

(6) *The World Coffee Economy*, FAO Rome, November, 1959, p. 60.

culture and trading policy. World trade has also tended to be split into definite economic groups which have not encouraged a widening of international commerce.

(i) *Agricultural Protection in the Industrialized Countries.*

In all the industrialized nations, domestic agriculture is heavily protected and subsidized. This has resulted in a decline in the volume of agricultural commodities entering world trade. "Agricultural protectionism in the highly industrialized countries is now a major factor restricting the world trade in such products."⁽⁸⁾

In most cases this protection has been directed at the primary producing countries of the temperate regions but the protection of the beet sugar industry in Western Europe has had serious consequences on those countries producing cane sugar.

The significance of this protection is shown in Figure 1. In 1929 the percentage of agricultural produce which could be grown in all the main industrial countries entering world trade was about 50 per cent, but by 1955 there had been a steady decline to slightly more than 35 per cent. A similar, but not so rapid fall, also occurred for those agricultural commodities which can be produced in some but not all of the industrial countries. Taking these two groups together, the percentage has fallen from about 83 per cent. in 1920 to slightly more than 60 per cent. in 1955.

The results of heavy subsidization of agriculture and scientific advances in agriculture have created serious problems in the U.S.A. Despite government measures to restrict agricultural production, huge surpluses of unsold primary commodities have accumulated. Although this is not a recent phenomenon, the most spectacular increases in these surpluses occurred in the 1950's. Attempts at disposal of these have to date accomplished little.

In 1954 the U.S. Congress passed the Agriculture Trade Development and Assistance Act or Public Law 480, which permitted surplus agricultural produce to enter world trade under special conditions. Payment could be made in the currency of the importing country, or shipments of surplus commodities could occur for emergency and relief programmes in foreign countries or as a method of economic aid.

(8) Ibid GATT, 1958, p. 87.

Although it first appeared as a temporary measure to ease the accumulation of agricultural produce, the continued growth in surplus products has made this form of trade a permanent feature of U.S. commercial policy. The favourable conditions under which these commodities can be traded has dislocated established world trading connections especially those of the primary producing countries of the temperate regions. However, a number of these surplus products do compete directly with agricultural commodities from tropical underdeveloped nations. Shipments of edible oils and oilseeds to Western Europe under the favourable conditions of Public Law 480 have disrupted market prospects for other edible oils from the tropical countries. Sales of surplus rice and cotton have also affected market prospects in industrialized nations for these crops from the underdeveloped countries.

The 1958 GATT Report has stated "that economic aid from the richer and more developed, to the poorer and less developed countries, should as far as possible take the form of direct financial aid from the former to the latter."⁽⁹⁾

However, the U.S. government has continued to dispose of agricultural surplus commodities in the form of economic aid. A recent article⁽¹⁰⁾ suggests that this is now accepted as a permanent part of economic aid. The U.S. Government has not been able to solve its own domestic agricultural problem and some surplus production has been placed in world trade without, at times, much real consideration of the effects.

(ii) *Division of World Trade into Economic Communities.*

Because of political tension and the recurring currency crises of the post-war period, world trade has tended to split into a number of economic groups. This has caused international commerce to be diverted into specific channels and has not resulted in any tendency for increasing trade among countries.

Of these groups, the European Economic Community (E.E.C.) is the most widely known, and its unexpected success has set the pattern for the economic grouping of other countries, par-

(9) Ibid, GATT, 1958. Item 265 pp. 96-97.

(10) *The Strategy of Food Aid*, Sherman E. Johnson, *Foreign Agriculture*, U.S.D.A. Foreign Agriculture Service, January, 1962, pp. 3-22)

ticularly among some of the underdeveloped nations. The E.E.C. has resulted in increased agricultural protection so that further encouragement will be given to the production of beet sugar and oil seeds. Both these products compete directly with tropical agricultural commodities.

Attached to the Community is the Association of Overseas Territories, mainly former French dependent territories in Africa. These countries are given favoured trading arrangements over imports of tropical agricultural products from other underdeveloped areas. In the past those underdeveloped countries trading in "sheltered" channels, that is linked economically to the main importing countries, have enjoyed more favourable export earnings than those which did not have the benefit of a privileged position in their main export markets.⁽¹¹⁾

This factor has no doubt influenced many of the underdeveloped nations to strengthen their economic bonds with their principal markets. However, such arrangements do not encourage the spread of freer multilateral trade and are basically "trade diverting".

The Communist group of nations, which in the past has largely withdrawn from international trade, has also attempted to create an economic community, resting on political considerations. The techniques of trading are mainly on a government-to-government barter basis, both within and without the group. Some of the underdeveloped countries have already become partners to these barter agreements. Over recent years there have been signs that the Communist group of nations is willing to enter more freely into world trade and this could benefit many of the underdeveloped countries. However, to date, trading experience between these two groups has not been favourable to the underdeveloped nations.

CONCLUSIONS.

Overall it appears that there is little hope for any real improvement in the terms of trade of

tropical agricultural commodities. Individual products will benefit for short periods but competition between the nations will reverse the trend. The success of economic development plans will be constantly in jeopardy and each nation will be forced to export as much as possible despite the dangers of over-production and declining world price levels. Furthermore, periods of high prices will quickly lead to greater emphasis on the development of synthetic and substitute materials in the industrialized countries.

The underdeveloped countries must continually seek new products and enlist the aid of the developed nations in finding new uses for their agricultural products. It may be asked if it is economic for all the underdeveloped nations to attempt programmes of industrial development, or if they would be better off economically if free multi-lateral trade were to return. The underdeveloped countries could specialize in the output of these goods which they are most suited to produce, i.e., tropical agricultural commodities.

Although the industrialized nations can assist by maintaining stability in their rate of economic growth, this alone will not solve the problem. World demand has shifted towards manufactured products which underdeveloped countries cannot produce. These nations with their rigid economies will find it extremely difficult to adjust to changing patterns in international trade.

It is often argued that in the long run the adverse terms of trade can be solved through a process of growth within the economy but this traditional approach is not appropriate to the underdeveloped nations. Population increases alone may be too great to permit this. These countries do not have time as an ally; their development must be carried out in the shortest possible period. The economic and social gap between the "have and have not" nations will become wider. Although total world trade will increase, this will be for manufactured commodities and agricultural products will decline in relative importance.

(11) Ibid GATT, 1958, Item 13, p. 4.