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TARIFF PREFERENCES FOR

LESS DEVELOPED COUNTRIES

Hal B. Lary

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TARIFF PREFERENCES FOR LESS DEVELOPED COUNTRIES

Hal B. Lary

The most sharply divisive question at the United Nations Conference on Trade and Development in 1964—UNCTAD I—was that of tariff preferences. This is the proposal that the industrially advanced nations should grant reductions in their import duties below the most-favored-nation level in favor of imports, especially imports of manufactures, from less developed countries. Behind this proposal lies the view that the LDC's urgently need to boost their trade by exporting manufactures but that, as matters stand, they have little prospect of doing so on a significant scale. Preferential access to markets in the developed countries is therefore looked to as a means to encourage industries in which the LDC's might have a comparative advantage and to help them overcome their high initial costs.

That approach probably underestimates the potentials of the trade on present showing, without a generalized system of tariff preferences, and may overestimate the contribution that preferences are likely to make. I shall return to that later. First, let me consider the question, how close have the principal trading nations come to agreement on the main features of a preferential system? The short answer is, I think, that an agreed operational scheme is still some years distant, if indeed one can be achieved. True, there has been a considerable narrowing of the extreme differences which had separated the developed countries on this issue, and they have even concurred in a set of general principles or guidelines for talks with the less developed countries. But some key issues remain in dispute and may not be easily resolved. In examining this question further, I must rely mainly on the evolution of positions prior to the meeting of UNCTAD II that began in New Delhi on February 1. But the debate at that meeting does not suggest a more optimistic appraisal.

OPPOSING POSITIONS AT UNCTAD I

Very briefly, the division of forces at UNCTAD I was as follows. The less developed countries appeared to line up behind the Secretary General, Raúl Prebisch, in favor of a general system of preferences. This show of unity was, however, fragile. The Associated African States had little desire to share with others the preferential entry they already had to the European Common Market and little confidence that, if they did, they would realize compensating gains elsewhere.

On the side of the developed countries the difference of views was sharper and more open. Some of them, including the United Kingdom, Germany, and The Netherlands, seemed to go along with the idea of a global system, subject, of course, to certain safeguards.

France and Belgium energetically espoused a quite different approach, the so-called "selective system." This would entail separate negotiations by each developed country with

Note: This paper was presented at the Tenth Anniversary World Conference of the Society for International Development, Washington, D. C., March 9, 1968. The views expressed are those of the author and are not to be attributed to the National Bureau of Economic Research.

each less developed country to determine in each case the products to be covered, the margin and duration of preference, and the quantities eligible to benefit. If applied to most bilateral relations, the amount of negotiation and specification required would be astronomical. Perhaps the proponents of this approach never really contemplated that it would benefit more than a small fraction of the potential trade, and intended rather to preserve more or less intact the existing preferential arrangements between the Common Market and the Associated African States.

This left mainly the United States as the staunch opponent of the whole idea of preferences and the resolute or, to some, dogmatic defender of the most-favored-nation principle.

CHANGE IN U.S. POSITION

The most important development after UNCTAD I was the statement by President Johnson at Punta del Este in April last year that we were ready "to explore with other industrialized countries—and with our own people—the possibility of temporary preferential tariff advantages for all developing countries in the markets of all the industrialized countries."

One reason for this change was that, whatever the merits of our previous position, its political disadvantages had become too great. A cynical view would be that we hoped to show an open and receptive attitude that, if nothing else, would at least put on other countries the onus of obstruction.

A second reason was that our adherence to the MFN rule made it difficult for us to combat the further spread of discriminatory arrangements linking particular developed and less developed countries. Some of the Latin American countries were becoming restive over being excluded from these preferences and were inclined to look to the United States for similar deals. Indeed, our ability to oppose such special arrangements had been impaired by our own bilateral accord with Canada for free trade in automotive products. On this line the world risked being split into several North-South preferential blocs: EEC-Africa, U.K.-Commonwealth, and U.S.-Latin America. A general system of preferences was more appealing than this neocolonialism.

Third, I suspect that as our trade policy officials began to look apprehensively toward a resumption of the debate at UNCTAD II, they started to waver in their doubt concerning the economic benefits of preferences for the LDC's. Perhaps, after all, such a system might make some contribution, if only marginal, to economic development. Some prominent critics in the academic and business communities were saying so.

THE OECD GUIDELINES AND THE CHARTER OF ALGIERS

President Johnson's announcement put a new face on the matter and was soon followed by intensive discussions in a special group at the OECD composed of the United States, the United Kingdom, France, and Germany. The findings of that group were accepted by the OECD Council of Ministers on December 1 as guidelines for the discussions at UNCTAD II.

Meanwhile, the LDC's were also able to agree on a summary statement of what they were seeking. Their agreement is embodied in the "Charter of Algiers," adopted last October by 77 countries. The number of adherents has since grown to 88.

Though it is interesting to compare the two documents, that produced by the OECD is by far the more important. It is the developed countries that are being asked to make special concessions. They are even being spoken of as "donor" countries. No reciprocal concessions or commitments are being asked of or offered by the LDC's. And if the developed countries really were ready to move toward a generalized scheme, the apparent unity of the LDC's would be put to a far more severe test.

How near, then, have we come to a meeting of minds both within and between these two groups of countries on the key questions relating to a preferential system? But, first, what are the key questions on which agreement would be needed? The answer is that almost every facet of a preferential system presents the necessity for choice and the opportunity for disagreement. Let me quickly note some of the main issues:

1. What countries should benefit? Should there be a common list, agreed to by all the "donor" countries? What are the criteria for selecting "less developed" or, if you prefer, "developing" countries? And should a distinction be made so as to confer greater benefits, or longer-lasting benefits, on the least developed among them?

2. What products should benefit: all products, or manufactured products only, or only selected manufactures? If the last, what should be the principles or mechanics of selection? And is it to be a common list on which preferences are granted by all developed countries to all less developed countries?

3. How great should the preferential tariff margin be? Duty-free entry? If not, how should the reduction from MFN tariff rates be determined, bearing in mind that these rates differ from one developed country to another? Should the same formula be applied to all products on the preferential list, or would it differ from one product to another? And would all participating countries adopt the same formula and pattern?

4. Will the scheme be strictly limited to tariff preferences, or will attention be given also to nontariff barriers? More specifically, what would be the sense of giving tariff preferences in cases where quantitative restrictions hold imports to insignificant amounts?

5. How will the new scheme relate to existing preferences? Will they be dropped or coexist? And what happens to the so-called "reverse preferences" enjoyed by the European Common Market in the Associated States? Will the United States extend preferences to countries that discriminate against it in favor of imports from the Common Market?

6. How long would the preferential system need to continue in operation to provide the desired stimulus to new industries? Would it be the same for all products? For all beneficiaries? Should preferences be terminated at some prearranged date, or case by case as particular products, or countries, are deemed to have become competitive?

Note that the answers to these questions are all interrelated. At least in the view of the developed countries, there is a certain tradeoff between the range of beneficiaries, product coverage, extent of preferential margin, safeguards, and provisions for review. The greater are the concessions in one dimension, the more limited they are likely to be in another. A developed-country view, for example, is that insistence on international administration and review would be the best way to make sure that no meaningful preferential system would ever come into being. I have raised more questions by far than I shall be able to discuss, but let me deal with some of the more important and topical ones.

CHOICE OF BENEFICIARIES

The awkward question of determining beneficiaries is passed over in silence in the Charter of Algiers. Presumably, all countries adhering to the Charter are deemed eligible. In the OECD guidelines, the simple principle of self-election is more explicitly stated, thus cutting the Gordian knot: Any country claiming development status can be included. But this does not mean a common list. Each of the "donor" countries would be allowed the right to exclude from its preferences particular developing countries, provided only that this action is not based on competitive grounds. This provision seems to be intended to permit exclusion of politically undesirable candidates —Cuba in the case of the United States and possibly Israel by some other countries. Though there is some risk of abuse of this provision, it may not be very great. That remains to be seen. There is also, I should think, a possibility that some applicants for preferential status would not be acceptable to other LDC's. If so, it is not clear what they could do about it.

PRODUCT COVERAGE, PREFERENTIAL MARGINS, AND QR'S

Now consider what the two documents have to say concerning the products covered and the extent of preferential margins on these products. If the purpose were to promote the optimal allocation of production in the less developed countries, each developed country would bring its tariffs down to a uniform level on all imports from the LDC's. And that level would be zero, if the further purpose were to maximize the foreign exchange receipts of the LDC's. This is, in fact, the ambitious goal sought in the Charter of Algiers, at least for all manufactures and semimanufactures. As contemplated in the OECD guidelines, however, the product coverage would be a good deal less than complete, and preferential duties may vary from one product to another and from one "donor" country to another. The products covered are those listed in Chapters 25 to 99 of the Brussels Tariff Nomenclature. They include all industrial items, ranging from raw materials to finished manufactures, but exclude all foods and food products. The guidelines thus bend to conform to the EEC common agricultural policy. The unhappy effect is to exclude from preferential treatment a number of food products in which some of the LDC's have interesting potentials, notably seafood and preserved fruit and vegetables. Some food items may nevertheless be included on a case-by-case basis.

The effective product coverage foreseen by the OECD guidelines is further restricted by provision for certain exclusions, and, though nothing of this is said in the agreement, the coverage may also be limited by nontariff barriers. Let me explain. The guidelines note that the developed countries granting preferences will probably want to exclude from the outset a limited number of "sensitive items" in which the developing countries are already competitive. Textiles may be taken as an obvious example. The guidelines note the evident danger that the list of such exclusions could become far too long, if each country's exclusions are adopted also by the others. This risk would seem to be considerable. Some countries, notably France and Japan, impose very restrictive controls on a great many manufactured items of export interest to the LDC's.[1] What would happen under the proposed preferential tariff arrangements? Unless the countries imposing these controls are prepared to lift them, the items concerned would surely have to appear on their exclusions list. This may be the more likely outcome. And if other countries were to follow suit, the whole scheme would be shot through with exceptions.

TARIFF QUOTAS AND ESCAPE CLAUSES

The matter of so-called "safeguards" provides further possibilities for limiting the effective coverage of the preferential system, as well as room for continuing controversy before agreement on the system is reached. It may be that a deceptive air of unity has been achieved in the OECD guidelines by bringing together two rather different principles under a common heading. One, operating *ex ante,* is the

[1] Among the items rigorously restricted by France, in addition to the well-known cases of cotton textiles and processed agricultural products, are: toys, imitation jewelry, umbrellas, buttons, gramophones, record players, radio receivers, loudspeakers, footwear, numerous items of clothing, woven fabrics, jute goods, tableware, table flatware, knives, canoes and other boats, and ceramic tiles. These and other items are listed in UNCTAD document, TD/B/C.-2/26, May 29, 1967. French imports of these items from the LDC's seem to be negligible in all cases, suggesting strict enforcement of the controls. The source cited lists far fewer restrictions by Italy, yet the level of the latter's imports of manufactures from the LDC's, even lower than that of France, suggests the operation of extensive restraints of some kind in that country also.

tariff-quota approach, favored by France and some other countries, under which the amounts of imports eligible for preferential treatment would be specified in advance. Imports above these amounts from the LDC's would then pay the regular or most-favored-nation duties. The other approach, operating *ex post,* is the so-called escape-clause route favored by the United States, among others, whereby preferential tariff margins might be withdrawn or other steps taken to limit imports after a finding of injury to domestic industry.

I shall not try to sum up the long and sometimes sharp arguments over the respective merits of these two approaches, which in any event could scarcely be judged in the abstract. Let me simply offer it as my personal opinion that, in a growing world economy, the escape-clause route is likely to prove much more expansive than the tariff-quota approach, unless those setting the tariff quotas are more imaginative and generous than they have tended to be historically. This also seems to be the view of the LDC's. At least the Charter of Algiers makes no provision for tariff quotas. It does allow for escape-clause action, though, contrary to the unilateral exercise envisaged by the United States, it insists that such action be subject to agreed criteria and international control.

THE PROBLEM OF EXISTING PREFERENCES

As I have indicated, one of the thorniest questions concerns the status of the preferences already held by some of the LDC's, notably by the Associated African States in the EEC and by the Commonwealth in the British market. A surprising feature of the Algiers meeting is that the participants were able to agree on a demand for duty-free entry to developed countries in favor of all developing countries, thus eliminating the exclusive privileges now held by some of them. It was vaguely provided, however, that some unspecified compensation be granted in such cases. Primary products, moreover, would not be included in the Algiers scheme, and these products account for the greater part by far of the exports of the African States. Their loss of position would, in any event, be less in the OECD proposal, which exempts foods altogether from the scheme, excludes certain sensitive items yet to be specified, and on the rest does not necessarily contemplate that preferential duties would be cut to zero. The problem of existing preferences to some LDC's could nevertheless remain one of the most difficult, especially if the United States and many other countries, including some of the less developed countries, were to press their wish that discrimination should be not merely reduced but ultimately eliminated. The problem is a delicate one not only for the African States but also for France with its concept of Euro-African unity.

The obverse of the problem just discussed is the so-called "reverse preferences" giving France and other Common Market members privileged access to African markets as the counterpart to the preferences received by the African Associates in the Common Market. The position of the United States is very firm on this problem. It has made clear that it will not extend preferences, at least not for long, to countries that discriminate against it, and therefore that the reverse preferences held by the Common Market members in Africa must disappear, or be phased out, as a condition for U.S. participation in any generalized preferential scheme. It seems equally clear that France firmly opposes the loss of these preferences.

TIME AND METHOD OF TERMINATION

One feature generally agreed upon is that preferences for the LDC's should be temporary. This is a logical application of the infant-industry argument underlying all proposals for preferences. Not surprisingly, the Charter of Algiers aims at a period of twenty years, whereas the OECD guidelines envisage only ten. The key question concerns the manner of disappearance. To eliminate preferences by raising the duties against the developing countries to the levels charged on imports from other sources could prove ungracious and perhaps politically impossible. An approach suggested by the United States would be, rather, to lower the MFN rates to the preferential rates. The cuts made to the LDC's on a preferential basis would thus be an advance dose of concessions by the developed countries to each other at a later stage. This sounds neat and logical. But it may be optimistic to suppose that the developed countries would commit themselves now to duty cuts taking effect long in the future. And the United States has undermined its own proposal by refusing to apply the Kennedy Round cuts to the LDC's in advance of the regular schedule.

THE OUTLOOK FOR PREFERENCES

To sum up the outlook for preferences, it seems clear that, at best, UNCTAD II could not come up with anything more than an agreed statement of general principles. To arrive at an operational scheme, further talks will be required, particularly among the "donor" countries. And to put the scheme into effect as far as the crucial participation of the United States is concerned, the Administration will have to obtain either a broad new grant of negotiating authority from Congress or Congressional approval of the scheme itself.

It is also clear that some tough problems remain to be solved in arriving at an agreed plan for preferences. Perhaps the most difficult problem concerns the fate of existing preferences, especially the "reverse preferences" favoring the Common Market in Africa, to which the United States has expressed adamant opposition. But probably the question of greatest consequence to the LDC's concerns the product coverage of the scheme and the extent of the exclusions. In so far as preferences are denied to products in which the LDC's are already competitive, the new stimulus will be confined to products in which these countries have a potential advantage but little actual export trade. Over the longer run the contribution to export expansion could be substantial, but these gains will be realized only very gradually. Prospective benefits will be enhanced if countries granting preferences resist the temptation to add each other's exclusions to their own.

Another worrisome point in this recapitulation is the failure of the OECD guidelines to make any reference to quantitative import restrictions and other nontariff barriers. Will they be passed over in the new preferential arrangements without any new commitments —or reaffirmation of past commitments—to eliminate these restrictions?

At the risk of seeming to borrow trouble, I would note that the preferential scheme envisaged at the OECD may even facilitate or encourage the imposition of new controls over imports from the LDC's. In principle, the so-called tariff quotas that would be applied by the EEC and some other countries would limit only the amounts to be imported at preferential rates without prejudice to the importation of additional amounts at the higher regular tariff rates. What is the risk that, in the countries applying them, these quotas will nevertheless be regarded as fair and reasonable, and become in fact the maximum to be imported from the LDC's at any tariff level? That is, will so-called "tariff quotas" become real quotas, in fact if not in name? And what is the prospect that such notions will be picked up and successfully promoted by protectionist circles in the United States and other countries which have not hitherto made extensive use of the tariff quota device?

APATHY OF LDC'S AT THE KENNEDY ROUND

These reflections lead me to wonder, should agreement eventually be achieved on a new scheme of tariff preferences for the LDC's, if it will not have been at the expense of diverting attention from other important and timely objectives. I have especially in mind the failure of the LDC's to make a more vigorous and coordinated effort during the Kennedy Round of the GATT. It may be objected that the developed countries were mainly concerned with their own problems at the Kennedy Round. But they had also solemnly promised "to accord high priority to the elimination of tariff and nontariff barriers" to exports of interest to the LDC's. The LDC's could have insisted on a more adequate fulfillment of this promise than they in fact received. Perhaps they would have done so had they not been imbued with the belief that UNCTAD was the better forum and tariff preferences the essential instrument for their purpose. It was as if they hesitated to ask at Geneva for tariff cuts of the MFN type, lest it weaken their case for preferential tariff cuts later at New Delhi.

This apathetic attitude of the LDC's at the Kennedy Round did not take account of two things. One was the crucial fact that U.S. negotiating authority was due to expire last June and was not certain to be renewed soon or in adequate measure. The other was that tariff preferences might not be either a necessary or a sufficient answer to their export problems. That is, preferences are not a necessary answer with respect to products in which less developed countries are competitive but face high "effective rates" of protection in developed countries. And they are not a sufficient answer when the barrier takes the form of quantitative restrictions or other nontariff barriers.

I can illustrate what I have in mind by citing a few trade figures.[2] Let me take three important product groups—coarse fibers, leather, and wood—and include both the crude materials and the manufactures or semimanufactures made from them. In 1965 the developed countries of Western Continental Europe imported some $560 million of these products from the LDC's. Only 9 per cent of that total consisted of finished manufactures, and 16 per cent of intermediate products, while 75 per cent was in the crude form of fibers, hides and skins, and logs. U.S. imports of these items from the LDC's in 1965 totaled somewhat less, $460 million, but the proportions were roughly the opposite: 72 per cent finished products, 10 per cent intermediate products, and 18 per cent crude materials. If we look at the finished manufactures in more detail, U.S. imports from the LDC's in 1965 compare with those of Western Continental Europe as follows: Jute fabrics and other products of coarse fiber, $193 million versus $24 million; shoes, gloves, handbags and other manufactures of leather, $40 million versus $13 million; plywood, furniture and other manufactures of wood, $97 million versus $12 million.

Note that in all the cases mentioned manufacturing is a comparatively simple, labor-intensive process well within the competitive capacity of the LDC's. That this is so is indeed indicated by their large exports to the U.S. market. It is therefore scarcely inability to compete with other exporters, for which tariff preferences might be a remedy, that explains the failure of the LDC's to sell more to Western Continental Europe. As I have already suggested, the answer lies in part in the high effective rate of the tariffs imposed by the importing countries, reinforced in some cases by quantitative controls. These barriers are not supposed to apply, however, to exports from the Associated African States to the European Common Market and do not explain why imports from Africa of the manufactures in question remain so low. Plywood is an important case in point and one of great consequence for the future, given the vast resources of Africa in tropical hardwood and the rising consumption of Western Europe. Will the value added by manufacture accrue increasingly to the African countries, as it so readily could, or will the Common Market

[2] From Table 17, p. 117, of my study, *Imports of Manufactures from Less Developed Countries*, NBER, 1968.

countries continue to import just the raw materials and do the manufacturing themselves? Whatever the impediments to the trade may be, the new preferences sought at UNCTAD could scarcely give the African countries incentives additional to those already given by the existing privileged entry to the Common Market.

THE OUTLOOK FOR TRADE

If the possibilities for diversifying and expanding LDC exports, particularly of manufactures, were heavily dependent on obtaining preferential access to the markets of the richer countries, the prospect for early and effective action would not seem very favorable. But if we look at what has actually been happening in the trade, the outlook is a good deal more promising. Let me sum up a few main points with respect to exports of labor-intensive manufactures by the LDC's. I focus on labor-intensive manufactures since I think it is here that countries poor in both physical capital and human capital have the best chance of asserting a comparative advantage.[3]

First, I must recognize that imports of labor-intensive manufactures by developed countries from less developed countries are still small, adding up to about $2.8 billion in 1966. This is about 10 per cent of total imports by the first from the second group of countries, or about 15 per cent of total imports of labor-intensive manufactures by developed countries from all sources, including imports from each other. And it is probably not much more than one per cent of total consumption of the products in question by the developed countries, including their own production.

I must also recognize that imports of labor-intensive manufactures from less developed countries are concentrated in a few main channels and product groups. About two-thirds of the total comes from the less developed countries of the Far East, among which Hong Kong stands out. Not much less than three-quarters of the total is taken by the United States, the United Kingdom, and West Germany, in that order of importance. And more than two-fifths of the total is made up of textiles and clothing.

The more important point, however, is that this trade has been growing very rapidly and is becoming more widely spread by both exporting and importing countries and more varied in product composition. The average annual rate of increase from 1953 to 1966 was 13 per cent. At that rate it doubles in five years and quadruples in ten. The increase in U. S. imports averaged closer to 15 per cent, while the imports of Western Continental Europe, led by Germany but held back by France, rose by about 18 per cent per year.[4] If we turn to the supplying countries, we find that imports are growing rapidly not only from Hong Kong but now also from various other sources, notably South Korea, Taiwan, Pakistan, Brazil, and Mexico. And if we look at the product composition, we see that, though textiles and clothing remain the largest single group, the share of a variety of other manufactures is increasing. Among the more dynamic items are various food specialities, leather goods, glassware and pottery, cutlery, jewelry, toys and sporting goods, electronic components, and plywood and other wood products.

Recently, with recession in West Germany and slower growth in most other industrial countries, the development of the trade has probably been a good deal less vigorous than it was through 1966. But, for the longer run, the widening and deepening tendencies I have noted suggest that the basis is being laid for even faster growth, once economic expansion resumes in the advanced countries. Confronted with expanding markets on the one

[3] The rationale and method of selection are explained in my study, *Imports of Manufactures from Less Developed Countries,* especially pp. 18-48 and 86-91.

[4] The table at the back gives the percentages for individual importing countries, both including and excluding imports from Hong Kong.

hand and rising labor costs on the other, entrepreneurs in the United States and other developed countries can be expected to become more and more active in seeking out cheaper sources for labor-intensive manufactures. They may also become increasingly imaginative in breaking down their own production processes so as to farm out the more labor-intensive components and phases to low-wage countries.

The fact that imports of labor-intensive manufactures from the LDC's are still a tiny part of consumption of these items in the developed countries points to the very great potentialities for growth of these imports. Let me stress, for one thing, the role of Japan, which seems to me to face a particularly sharp dual adjustment. Japan is itself, of course, a major exporter of labor-intensive manufactures to the world's markets, especially the United States, while its own imports of these items, though rising swiftly, are still small. But with the continued rise in incomes and wages in Japan, we can expect it to export less and import more of these goods, while its own production shifts to more advanced products. The LDC's would stand to benefit in sales both to Japan and to third countries. Similar changes in the composition of both exports and imports to the advantage of the LDC's are likely in other developed countries and, indeed, in some of the LDC's themselves as, one by one, they rise in the scale of development.

In sketching these prospects as they seem to me, I do not mean to suggest that tariff preferences would be wholly ineffective. But there is a risk of undue pessimism if the scheme fails to be achieved, and a risk also of expecting too much from it if such a scheme is achieved. Tariff preferences are no substitute either for the elimination of nontariff barriers by the developed countries where these are important or for the pursuit by the less developed countries of policies more conducive to the growth of their exports. The latter is undoubtedly the most important condition determining which of the less developed countries will be able to benefit by the prospective growth of trade—and the one least discussed by the less developed countries themselves.

But, as far as this country is concerned, the question now is, what kind of preferential terms is the United States prepared to agree to and seek Congressional approval for? The shift to a more positive attitude a year ago was predicated on the assumption that a *general solution* might be worked out—one that would be applied as uniformly and widely as possible by all developed countries to all less developed countries. Now, after reviewing the OECD guidelines, it is clear that some stubborn differences remain, especially—but not only—between the United States and France. These differences may concern the selection of beneficiary countries. They are likely to be more important in the matter of product coverage, exclusions of sensitive industries, and provisions for safeguards. And they are almost certain to be very serious with respect to phasing out existing preferences and reverse preferences.

Under these conditions, the possibility of reaching agreement on a new and more extensive preferential system may depend on our willingness to settle for something much less uniform and general than we would have liked. If so, we shall have to focus our attention less on uniformity of methods and more on significance of results in terms of new trade openings for the LDC's. It is relevant to note in this regard that the OECD guidelines embody the broad, if vague, aim of "equitable distribution among developed countries of increased import opportunities to their markets." This principle could become important in the negotiation, and perhaps still more in the review and administration, of new preferential arrangements.

Imports of Labor-Intensive Manufactures by Developed Countries from Less Developed Countries in 1966 and Rate of Increase since 1953

Importing Country	Value of Imports in 1966 ($ million, f.o.b.)		Percentage Increase per Year since 1953 (compound)	
	Including Imports from Hong Kong	Excluding Imports from Hong Kong	Including Imports from Hong Kong	Excluding Imports from Hong Kong
Developed countries total	2,832.1	2,023.4	13.1 [a]	10.5 [a]
United States	1,236.6	865.3	14.7	11.9
Canada	98.9	67.4	11.3	8.9
United Kingdom	473.0	283.3	7.7	4.0
Other EFTA	152.0	106.9	19.9 [b]	17.2 [b]
West Germany	352.2	264.4	22.9	20.3
France	138.7	132.2	7.7	7.3
Other EEC	183.1	152.3	16.2	15.0
Japan	80.9	72.1	26.3 [c]	25.6 [c]
Australia	89.0	63.3	5.4 [d]	2.8 [d]
New Zealand	27.7	16.1	n.a.	n.a.

Note: For detailed list of items included, see Table C-1 (pp. 191-213) of *Imports of Manufactures from Less Developed Countries,* Hal B. Lary, NBER, 1968. Imports of countries reporting on a c.i.f. basis have been adjusted to an approximate f.o.b. basis by a uniform reduction of 10 per cent.

[a] Excluding Australia, Japan, New Zealand, and Switzerland.

[b] Excluding Switzerland.

[c] Since 1955.

[d] Since 1957.

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