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V Levels of Protection in the Developed Countries

Introduction

The two papers in part V adopt a broader viewpoint than those in the other sections by appraising protection levels in the developed countries from both tariffs and nontariff measures. Deardorff and Stern utilize their computable general equilibrium model, which covers thirty-four countries and divides production into twenty-two tradable and seven nontradable sectors, to estimate protection in value-added terms. The most notable feature of their results is that their estimates of protection are considerably lower than either nominal tariffs or simple effective rates calculated in the usual manner. They attribute most of this outcome to their assumption that imports and domestic production are imperfect substitutes. In addition to these absolute differences in levels of protection, they also find that the rank order of protective rates among industries given by their calculations differs significantly from those resulting from the usual method of calculating effective rates of protection. Still another of their conclusions is that sectors with the greatest export interests will benefit most from the Tokyo Round cuts in protection.

Hughes and Krueger also find the incidence of import protection, specifically the nontariff protection against imports of manufactured goods from the developing countries, to be less than is generally believed. They arrive at this conclusion by first reviewing the highly visible nontariff barriers imposed against developing country manufacturing exports, then examining the rates at which these countries were able to increase their import shares in industrial country markets during the 1970s, and finally by considering the evidence on geographical shifts in the origin of imports from developing nations. In their view, the rate of increase of the market shares of the developing countries during the 1970s was sufficiently great to make it difficult to imagine that these rates would have been significantly higher in the absence of any protectionist measures.

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