

PART V

COMMERCIAL POLICY AND THE LESS DEVELOPED COUNTRIES

(By Robert Loring Allen)

Part IV was concerned principally with the problem of instability of markets for primary product exports of the less developed countries. In the following paragraphs we will examine the longrun prospects for the exports of these countries and the implications of these prospects for their economic development, and for the commercial policies of the United States and Western Europe.

Exports of less developed countries are sensitive to the commercial policies of Western Europe and the United States. Since most of these exports are primary products which are processed and consumed in industrial countries, protective tariffs and quotas are a depressant on the level of exports of less developed countries. Even under the most favorable circumstances, exports of primary commodities are insufficient to pay for the imports required for an adequate rate of development in less developed countries. Industrial countries, however, also protect processing and manufacturing industries, thus dampening the program of industrialization by restricting the markets for the manufactured products of the less developed countries. The structure of tariffs and other trade barriers of industrial countries in effect constitute discrimination against less developed countries, since these barriers are scaled in a way which prevents less developed countries from processing and manufacturing for export. Economic development prospects of less developed countries are thus dependent upon changes in the commercial policies of the industrial countries.

A. STRUCTURE AND TRENDS OF TRADE

In 1960, exports of the less developed countries of the world were nearly \$27 billion, representing not quite 25 percent of total world exports. Nearly three-fourths of the exports go to Western Europe, North America, and Oceania; these areas are also the origin of almost three-fourths of the imports into less developed countries. Nearly 90 percent of the exports of the less developed countries are primary commodities, and nearly two-thirds of their imports are manufactured goods.

About two-thirds of the exports of less developed countries consist of food and raw materials absorbed by the industrial countries. Nearly 20 percent of the raw materials and food exports of less developed countries are shipped to other less developed countries. The Soviet area imports 4 percent of the exports of less developed countries and other less developed countries import 23 percent. Food and raw materials account for 87 percent of the total exports of less developed