cocoa is over 30 percent ad valorem, France and Italy both about 25 percent (with no tariff on cocoa). The average duty for the European Economic Community is about 28 percent on processed cocoa, but an average of only 9 percent on cocoa beans. The same kind of differential exists for such items as oil seeds, nuts, and kernels (processed vegetable oils), natural rubber (fabricated materials), hides and skins (leather), logs (timber), raw cotton (yarn and thread), and many other raw and fabricated products.[12]

There are great potential gains to less developed countries from processing their own materials. More value is added in the country and hence, exports command a higher price, adding to foreign exchange earnings. There are, however, added costs in processing. High capital and other costs, locational factors, and inability to use byproducts sometimes limit the extent to which less developed countries can advantageously process raw materials.

The demand prospects for processed materials are only slightly better than the demand for raw materials. Exports of processed materials tend to follow the same trend as primary commodities, after the once-and-for-all upward adjustment had been accomplished. As in the case of agricultural and commodity specialization, industrialization concentrated solely in these lines would not close the prospective exchange gap. Even so, the important capacity of less developed countries would probably be enhanced by between 10 and 20 percent if they processed their own materials.

5. Protection of manufactured goods

Western Europe and the United States impose high tariffs on manufactures and some countries employ quotas. In most cases the restrictions are sufficiently high that goods from less developed countries are excluded. In textiles, where some less developed countries have made significant headway, quotas and voluntary agreements limit exports to industrial countries. The United Kingdom has negotiated agreements which limit the access of Indian, Pakistani, and Hong Kong textiles to the British market. The new standstill textile agreement is designed to promote textile exports of less developed countries, but within the framework of an international quota system.

A reduction or elimination of trade barriers against manufactured goods from less developed countries would substantially assist these countries in covering their prospective trade deficit. The amounts of manufactured goods involved are small in relation to the manufactured goods of the industrial countries, but relatively large compared with present manufacturing production in the less developed countries. Except in a few lines, the impact on industrial countries of an elimination of trade barriers against manufactures probably would not be significant for several years. At the present time most less developed countries are not in a position to manufacture and export products to industrial countries on a large scale. Indeed, their development programs have been moving in the opposite direction, toward the displacement of manufactured goods in domestic markets from industrial countries to local producers. Time would be required to build the plants and establish the marketing outlets for new manufacturing production. It would also take time for the less developed countries to become convinced that such a change in plans was warranted by policy changes

[12] "Economic Commission for Europe in 1960," op. cit., ch. V, chart I.