(2) Another measure that would greatly benefit developing countries without doing violence to the principle of non-discrimination would be the abolition of tariffs on tropical products, as authorized by the Trade Expansion Act and proposed by the United States in the Kennedy Round negotiations. As noted earlier, agreement on this measure was frustrated by the EEC, because of its reluctance to generalize existing preferences to its associate members in Africa. The EEC's professed desire to help developing countries is revealed by this action as a desire to consolidate a special trading relation with African countries—a fairly obvious form of the "neo-colonialism" so often denounced at UNCTAD meetings.

(3) It has been proposed that the Kennedy Round tariff reductions, which under the Trade Expansion Act will be spread over a period of five years, be made effective for developing countries immediately upon conclusion of the negotiations.[13] Japan is understood to be taking this action in the case of tropical products, reducing its tariffs thereon to zero in one fell swoop, in order to assist developing countries. In the United States such action would require amendment of the Trade Expansion Act, which the Administration is reported to be considering. Such action would, of course, constitute a form of preferential treatment in favor of developing countries, unless it were confined to tropical products only. But at least such preferences would be purely temporary, being limited to five years, thus removing one important objection to the self-perpetuating vested interest created by tariff preferences without time limitations.

(4) Finally, a legitimate complaint of developing countries has been that figures on average tariff levels substantially understate the degree of protection on manufactured products of the kind originating in underdeveloped countries. This is true for two reasons. First of all, the duties on products which the less developed countries are capable of manufacturing are generally higher than the prevailing U.S.-EEC average tariff of about 12 percent. Clothing, for example, is dutiable at 25 percent in the U.S. and 15 percent in the EEC. Comparable figures for shoes are 17 and 20 percent; for bicycles, 14 and 21 percent; for toys and sporting goods, 15 and 18 percent.[14]

Second, and at least equally important, is the fact that tariff rates typically increase with the degree of processing. While the EEC tariff is zero on hides and skins, it is 9 percent on leather and 17 percent on leather manufactures. A similar escalation of duties in relation to the degree of processing is found in the tariff schedules of other industrial countries as the pertain to such products as cocoa, cotton, jute, paper, rubber, wood and others. That this structure of tariffs discourages trade in the more highly fabricated products is obvious. In effect, such tariffs really protect processes rather than products.[15]

This difference between nominal and effective tariffs—a difference highly prejudicial to the exports of developing countries—underscores the importance of including in future tariff negotiations reductions in duties on manufactured products important to the present or potential export trade of less developed countries. Such reductions would do far more than tariff preferences to increase their access to the markets of industrial countries, and they would do it without violating the principle of non-discrimination.

Other Alternatives for Developing Countries

In addition to trade alternatives to tariff preferences there are a number of other alternatives for developing countries, involving various forms of economic assistance. These additional alternatives may be summarized as follows:

(1) The most obvious way of assisting the development of under-developed countries—that is, of effecting a transfer of economic resources from the industrialized to the developing countries—is of course through straight foreign aid, undisguised as something else. This is not only a matter of increasing the amount of aid granted (although the present amount, world-wide, falls far short of the agreed upon goal of 1 perecnt of the advanced countries' GNP) but of providing whatever aid is given in the most effective form, which is far from being the case today.

In particular, the practice of tying aid to purchases in the grantor-country (a practice increasingly prevalent) tends to raise the cost of aid-financed imports

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[13] Isaiah Frank, *op. cit.*, pp. 532–533. The rates are those prior to the Kennedy Round reductions.
[14] Ibid.
[15] Harry G. Johnson, *Trade and Aid Policies: The UNCTAD Alternative*, Brookings Research Report 60, 1967, p. 5.