

TABLE 15.—NOMINAL AND EFFECTIVE PROTECTION OF PROCESSING OF AGRICULTURAL PRODUCTS, UNITED STATES AND EUROPEAN ECONOMIC COMMUNITY

[In percent]

Processing industry	U.S. protection rates		EEC protection rates	
	Nominal	Effective	Nominal	Effective
Coconut oil (refined).....	5.7	57.5	15.0	150.0
Jute fabrics.....	3.1	5.3	23.0	39.6
Cigarettes.....	47.2	89.0	(*)	(*)
Hard fiber manufactures (cordage).....	15.1	38.0	(*)	(*)

* Not available.

Source: Unpublished computations by Padma Mallampally from scattered data on processing costs. Harry G. Johnson, *Economic Policies Toward Less Developed Countries*, The Brookings Institution, Washington, D.C., page 91.

An aggregative analysis is provided for five developed nations in a study by Balassa. See table 16. For both sets of data, clearly the effective tariff is substantially above the nominal tariff. Note also that advanced processing enjoys greater tariff protection, for the U.K. rising from 7.6 to 17.8 percent.

TABLE 16.—AVERAGES OF EFFECTIVE AND NOMINAL RATES OF DUTIES FOR FOUR COMMODITY CATEGORIES, 19

[In percent]

Category	United States		United Kingdom		Common Market		Sweden		Japan	
	Nominal	Effective	Nominal	Effective	Nominal	Effective	Nominal	Effective	Nominal	Effective
Intermediate products 1 ^a	8.8	17.6	11.1	23.1	7.6	12.0	3.0	5.3	11.4	23.8
Intermediate products 11 ^b	15.2	28.6	17.2	34.3	13.3	28.3	8.5	20.8	16.6	34.5
Consumer goods.....	17.5	25.9	23.8	40.4	17.8	30.9	12.4	23.9	27.5	50.5
Investment goods.....	10.3	13.9	17.0	23.0	11.7	15.0	8.5	12.1	17.1	22.0
All commodities.....	11.6	20.0	15.5	27.8	11.9	18.6	6.8	12.5	16.2	29.5

^a Manufactures whose main inputs are natural raw materials.^b Intermediate goods at higher levels of fabrication.Source: Bela Balassa, "Tariff Protection in Industrial Countries: An Evolution," *Journal of Political Economy*, vol. 73 (December 1965), p. 591.

The final line of table 16 indicates that for 1962 the nominal U.S. tariff rate of 11.6 percent becomes an effective tariff rate of 20 percent. Little information is available to the authors to calculate the rates application when the Kennedy Round rates go into effect. But it seems clear from the preliminary information that this problem will continue to be significant and to represent an important area for future discussions between the developed and the developing nations.

INTERNAL GROWTH IN DEMAND IN DEVELOPING NATIONS

Exports develop when the volume of production is sufficiently large to more than satisfy internal demand. If price differentials between internal and international markets offset the costs of exporting then the exportable surplus is sold. If price differentials are too small or nonexistent, then internal prices must decline, production must shift to other products, or a public agency must intervene to purchase and hold the commodities pending future world price increases, or to arrange for exports at a loss.