

for all imports enjoying preferences in that year. If nondutiable imports are included, the figure is much lower, because most foodstuffs and raw materials are duty-free from any source. The average duty on Commonwealth imports has fluctuated considerably over the years.

The areas that export manufactured products to the United Kingdom therefore benefit from higher margins than the 7.2 percent Commonwealth-wide average.

Manufactured products accounted for 9 percent of United Kingdom imports from the Commonwealth in 1957, 14.5 percent in 1962, and 16 percent by 1964. The principal beneficiaries in respect to manufactured imports were Hong Kong, India, and Pakistan, benefiting respectively in 1962 from average preference margins of 19, 11, and 14 percent.

The pattern of United Kingdom trade was significantly affected by the preferential system. The United Kingdom took 14 percent of its total imports of manufactured products from LDC's in 1964, a higher proportion than any other industrial country. Three-fourths of this amount came from preferential suppliers.

Although the effects were significant, they were hardly revolutionary. The principal factors in mitigating preferential effects were: the gradual erosion of preferential margins resulting from MFN tariff reductions; the United Kingdom had a comparative advantage in manufactures and received reciprocal preferences in Commonwealth markets in some cases; Asian members best able by virtue of economic structure to profit from preferences were remote from the United Kingdom, so that transport costs and unfamiliarity of the market may have loomed large; after independence, these countries generally turned to import-substitution as the easiest form of industrialization.

There is no evidence that Commonwealth countries, or other preference-receiving LDC's, have had a more rapid growth of manufactured exports than nonpreferred suppliers. In fact for the period 1960-65, for a group of 65 LDC's including all the major exporters, manufactured exports of those not receiving preferences increased by 100 percent, while those of preference-receiving nations rose by only 67 percent. Part of this difference reflects a statistical factor. Hong Kong, India, Pakistan, and the Philippines, all receiving preferences, accounted for half of the 65 countries' manufactured exports. All preference-receiving LDC's combined accounted for two-thirds of the South's manufactured exports in 1964. Therefore, the more rapid relative growth of exports to the North from nonpreferred suppliers largely reflects the fact that they started from a small base, about \$320 million in 1960, compared with \$914 million in that year for preference-receiving countries. These data for the 1960-64 period illustrate both the gains from preferences and their limitations. The grant of preferences undoubtedly makes some contribution to the dominant role of preference-receiving nations in world markets for LDC manufactures. But the data also illustrate that preferences are not essential to the development of LDC trade in manufactured products, as witness the very rapid growth of exports from Mexico, Israel, Taiwan, and South Korea since 1960.

The results of Commonwealth preferences offer an example of the primacy of preconception over analysis in these matters. The preference system demonstrated modest but helpful effects for the benefi-