

Canada, and the United States, this exercise produced the following results:

I. Manufactured products with average tariff below 5 percent

A. 1962 Northern imports from—All sources, \$4.1 billion; LDC's, \$30 million.

B. Potential preferential imports under 5 percent tariff quota,^a \$175 million.

II. Manufactured products with average northern tariffs greater than 5 percent^b

A. 1962 Southern imports from—All sources, \$31.8 billion; LDC's, \$277 million.

B. Potential preferential imports under 5 percent tariff quota,^a \$1.3 billion.

At the May 1965 meeting of the UNCTAD special committee on preferences, the South asked for a preferential system that would allow duty-free entry under a global quota of 10 percent of all Northern imports. The effect if each of the Northern countries took 10 percent of their manufactured imports from the South compared with 1963 trade levels would be equivalent to \$5.1 billion. The total increase in imports under these assumptions would have been \$2.5 billion, because 1963 Northern imports from the South, including metals, were worth \$3.1 billion.¹³ If, on the other hand, we assume that the global duty-free quota would result in a 10-percent increase in imports, then the value of the trade increase would be \$5.2 billion, a sum far in excess of any current estimates. In practice, the entire range of aspirations represented by the \$2.5 billion "minimum" and the \$5.2 billion "maximum" lies above what can reasonably be expected from preferences in the short run.

Halting as these initial estimates are, they can be considered solid compared with estimates of the full effects, allowing for all the dynamic considerations discussed earlier. The best we can say now is that the evidence supports neither LDC hopes nor Atlantic countries' fears of "market disruption." Obviously, if under a 5-percent tariff quota, or similar limiting device, the initial (2 to 5 year) trade effect is of the order of \$1 to \$2 billion, the aggregate damage to Northern producers is negligible.

CONCLUSIONS

For many Southern countries, sharply increased production and exports of processed materials and manufactured goods are probably one condition of rapid economic growth. In some cases, the possibilities are fairly good under a liberal nondiscriminating trading system. Some countries would really not benefit much unless they could get preferred treatment. Others are now too underdeveloped to export manufactures (except refined ores and foodstuffs), even with preferences. They will need considerable time and assistance before they can look even to domestic industrial markets.

^a If all quotas are used by LDC's. Tariffs weighted by trade.

^b Excluding products for which LDC's are now major suppliers.

¹³ This increase of \$2.5 billion, added to the \$3.1 billion existing level, gives a total of \$5.6 billion, not \$5.1 billion. The discrepancy arises from the fact that the United States and the United Kingdom now take more than 10 percent of their manufactured imports from the South.