

third effect of particular relevance here is the brake on the diversification of exports: A country unable to compete abroad in capital-intensive manufactures may also find itself priced out of the market in more labor-intensive manufactures and thus forced to continue to rely on exports of primary products.

These considerations may help to explain why it is that some of the less developed countries, notably those with an earlier start on industrialization, have fared so poorly in exporting manufactures and why, in contrast, some others, particularly some of the countries of Southeast Asia, have made such rapid headway.

Possible Areas of Rapid Growth

At least for those less developed countries which do strengthen their comparative advantage in labor-intensive manufactures, the very unevenness of the trade hitherto may provide a key to future growth sectors. Imports from less developed countries of many light consumer manufactures have scarcely scratched the surface of the market. This certainly seems true of the United States on even a rough comparison of domestic production and imports from the less developed countries. There are, indeed, very few products of which total U.S. imports from all sources make up a significant part of supply. It seems plausible to expect that a growing, adaptable economy will absorb increasing amounts of these miscellaneous consumer goods from the less developed countries.

This may be true also of many other developed countries, in some of which imports of consumer manufactures from the less developed countries have scarcely begun to play a role. Restrictive import policies and practices are doubtless one explanation. But perhaps also a learning period is required, and the experience gained by some of the less developed countries in exporting to the larger and higher cost U.S. market, and by those of the Commonwealth with their privileged access to the British market, may now be applied to the conquest of still other markets.

Some of the greatest opportunities for expansion may be offered by marginally labor-intensive manufactures. The field of components and parts for use in electronic products and perhaps also in machinery, automobiles, and other transportation equipment seems particularly interesting. American manufacturers of electronic goods have reached out not only to Japan and Puerto Rico but also to Hong Kong, Taiwan, and Korea for components or even complete products.

CHAPTER III. COMMERCIAL POLICIES OF DEVELOPED COUNTRIES

The assessment of market potentials concluding chapter II may be too optimistic. How far the expansionary forces go depends heavily on the commercial policies of the developed countries with regard to imports of manufactures from less developed countries. It remains therefore to consider in this regard both the tariff structures of the developed countries and nontariff barriers which, in some cases, may have a far more restrictive effect.

TARIFF STRUCTURES: NOMINAL VERSUS EFFECTIVE RATES

A standing complaint of less developed countries is that the import tariffs of the developed countries tend to be graduated according to stage of manufacture so as to bear lightly, if at all, on imports of