ECONOMISTS DISCUSS EFFECTIVE TARIFF PROTECTION

A three-day conference on effective tariff protection, under the joint sponsorship of the General Agreement on Tariffs and Trade and the Graduate Institute of International Studies, Geneva, was held at GATT headquarters from 18 to 20 December. Directed by Professor Harry G. Johnson of the London School of Economics and the University of Chicago, it brought together more than twenty economists who had made major contributions to the fundamental theory, and to the empirical testing of it, potentially of great practical importance in the formulation of trade policy.

The study of effective protection is aimed at determining actual, as contrasted with nominal, protection. Its central objective is to relate differentials in import duty to the value added at successive stages of production. An increasing number of economists have been giving serious attention to the subject in recent years. Considerable controversy has developed about the fundamental theory, and substantial work has gone into attempts to calculate effective protection rates, to interpret them and to extend the underlying theory. The Geneva conference, the first on this subject, was arranged in order to bring about a direct exchange of views, and a joint stock-taking of the work done. The aim was to resolve some of the outstanding issues and to improve the theory as a reliable tool for the empirical analysis of practical trade problems.

Participants in the conference are listed below.

Effective protection

When tariff protection is discussed, attention tends to focus on nominal tariffs - that is, on the actual rate of customs duty charged when a product is imported. This rate may be a poor measure of the degree of protection actually given to domestic producers. If the domestic producer is sheltered behind significant duties for a manufactured product but relies on raw materials which pay little or no import duty, the effective protection given to him for the processing activities he carries out may be very high. If, on the other hand, there is a low tariff on the processed goods, and he must pay high duties on imported raw materials, or for fuel or other imports he needs to carry on production, he may enjoy little or even negative effective protection.
This is an over-simplification of an extremely complicated question. Some economists are sceptical about the possibility of arriving at any reasonably accurate measure of effective protection. But if such a measure could be developed, it would be of great value to trade and investment policy, enabling both governments and business to make a much better informed judgment about the effects of tariffs on their own industries and economies, and about what protective obstacles their exports really face in other countries.

Participants in the conference on effective tariff protection

Bela Balassa
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Jagdish Bhagwati
Max Corden
Gerard Curzon
J.B. Donges
Wilfred Ethier
David Evans
Herbert Grubel
Stephen Guisinger
Lutz Hoffman
David Humphrey
Harry Johnson
Ronald Jones
Anne Krueger
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Ronald McKinnon
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Jan Tumlir
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