years the trade of EFTA countries with each other grew at almost twice the rate of their trade with the outside world—and at twice the rate of growth of trade between the EFTA countries in the six years before the Association came into being. This development was certainly partly due to the stimulus of general world prosperity in those years and possibly partly due to some diversion of trade from non-EFTA countries to EFTA partners, but largely also a result of new trade created through EFTA tariff dismantling.

Within the overall figures for EFTA, however, there were even more striking trade increases between member countries. One of the difficulties of EFTA cooperation is the fact that its member countries lie in a sort of ring around Western Europe, so that the Association does not share the advantage of the EEC of being a geographically contiguous grouping. It happens, however, that the four Nordic countries are all in the Association, and they do represent a contiguous grouping with a relatively homogeneous structure and outlook—and intra-Nordic trade increased by 160% between 1959 and 1966.

This was a rate of growth which could not have been forecast. All four countries are competing industrial economies, and this fact prevented the realization in the '50s of the plans for a Nordic Common Market, due to the usual protectionist fears. The Nordic countries achieved their free trade area, however, under the wider umbrella of EFTA and found to their surprise and gratification that the enlargement of their markets more than compensated for their loss of protection. It should be noted that the great majority of the new trade between the Nordic countries is in manufactured goods, based on a high degree of specialization and producing a great extension of consumer choice.

Many more figures could be produced, if desired, to illustrate the successful effect of the adoption of free trade in EFTA, but what has been said above should suffice for the purposes of this paper. It may be noted, however, that the free trade argument is supported in reverse, so to speak, by what has recently been happening to trade between the EFTA countries and the six members of the EEC. This trade held up very well up to 1964, but thereafter the effect of the barrier between the two markets began increasingly to be felt, and trade between the two groups ceased to grow as fast as before. This is, of course, one of the main reasons why the majority of countries in both groupings are anxious to enlarge the Community and thereby to obtain the even greater advantages which would flow from a single Western European market of almost 300 million population.

It is recognized, of course, that certain safeguarding measures are necessary to make the process of trade liberalization as smooth as possible. One example is the special timetable which was given to Portugal in EFTA, based on the realization that many Portuguese industries are still at a very early stage of development and cannot be exposed too quickly te free competition from outside. Another necessary safeguard is that the generally accepted timetable for the reduction of trade barriers should be long enough to enable businessmen to make the necessary adjustments. In EFTA the total timetable was originally set at nine and a half years; it was later shortened without difficulty to six years. The essential thing is that sufficient time should be allowed for new investment and marketing decisions to come into operation. It is also necessary, of course, that provisions should exist for the retraining and relocation of work people who may be displaced by competition. It has not been found in EFTA in practice that this constitutes a serious problem, since most EFTA countries have been very short of labor in recent years. In any case, such factors as automation, new processes and new products seem to mean much greater structural changes in industry than a growth of imports. It is therefore a matter of seeing to it that arrangements for retraining and relocation can also cope with needs arising from free international competition. But it should be stressed again that, by and large, industries in EFTA have not encountered the difficulties which they feared at the outset. The number of complaints has been very small; the number of requests for special treatment has also been small and has been dealt with satisfactorily on the basis of common-sense compromises. Where exceptions have been allowed to the tariff reduction timetable, they have been limited in scope and in time.

It may be observed also that success in the abolition of the more obvious barriers to trade, tariffs and quota restrictions, has also caused the EFTA governments to tackle non-tariff barriers, whose effects might become more serious once tariffs and quotas are out of the way. As a result of a process of successful negotiation,