

agreement has already been reached in EFTA whereby the governments, when they are in agreement about the harmful effects of a restrictive business practice, will use the legislative and administrative means available to them in order to try to abolish the practice. In these circumstances EFTA governments will thus try to prevent their own nationals from impeding the growth of EFTA trade. Similarly, even though EFTA industries now enjoy no tariff protection from their EFTA competitors, their governments are also committed over a fairly wide area to ensure that government purchasing agencies and other public undertakings in EFTA should not discriminate against suppliers from other EFTA countries when they purchase goods for which tariffs have been abolished.

Work is now proceeding to make EFTA a complete free trade area by eliminating barriers arising from patents, compulsory and other standards, labeling and so on. It should be noted, however, that there is no tendency to seek purely EFTA solutions to most of these problems. The EFTA countries are trying to obtain and to subscribe to the widest possible international agreements, so that their trade with the rest of the world should not be impeded. There is also activity inside EFTA on the possibility of a multilateral double taxation agreement to cover all the EFTA countries.

Trade in agricultural goods and fish products is not covered by the rules for free trade in industrial goods, but is governed by special provisions in the Stockholm Convention. The EFTA objective in these two fields is to facilitate an expansion of EFTA trade in agricultural goods and fish products, and trade in them has as a result grown substantially.

The effects of economic integration on the prosperity of Western Europe and its citizens have been, of course, considerable. As a whole, the area has enjoyed a high rate of economic growth. The demand for labor over most of the period has been so high that large numbers of workers have been attracted from outside. As in other parts of the world, of course, the rapid rates of economic growth achieved have produced growing pains of varying severity, and governments have frequently had to step in to moderate growth in order to prevent too high a degree of inflation. By and large, prices have risen fairly steadily in Western Europe over the past twenty years, but not so rapidly as the rise in income; the rate of economic growth has been such as to take care of the amount of inflation generated. In these circumstances, it is difficult to give a simple answer to those who wish to know how the consumer has benefited from the process of tariff reduction. With all economic factors in motion, it is hard to analyze separately the effect of only one factor, the reduction of import duties. But a good deal of serious analytical work has been done in EFTA on this aspect and has led to the conclusion that the tariff cuts have in fact been passed on to importers and to consumers. It is clear that the prices of EFTA imported goods have tended to rise less rapidly than prices of similar goods of domestic production or from sources outside the Association, and also less rapidly than the general trend of prices in the member countries. In other words, the consumer is benefiting from free trade policies not only in terms of higher employment and wages but also in terms of greatly increased choice and more stable prices.

In drawing conclusions from EFTA's experience with free trade policies, it should be remembered that the total foreign trade of the group is as large as that of the United States. EFTA, with only 3% of the world's population, and 9% of the world's annual income, does 18% of the world's trade. The results are therefore those of a large-scale experiment.

And the conclusion seems obvious and clear. Free trade policies have shown themselves to be of great advantage to industry and trade, not only in the EFTA area but also for third countries. EFTA has been able to build its single market without erecting any new barriers to trade with countries outside the Association. Indeed, two-way trade between EFTA as a group and the rest of the world grew by 70% between 1959 and 1966. United States exports to EFTA almost doubled in the same period, from \$1.8 billion to \$3.5 billion.

The acceptance by EFTA that free trade pays was illustrated in the "exceptions lists" submitted by its member countries in the Kennedy Round. (These lists were of items on which the country concerned gave advance notice that it would not negotiate a 50% tariff cut, nor, perhaps, even any cut at all.) Five EFTA countries—Austria, Denmark, Norway, Sweden and Switzerland—made no exceptions. The United Kingdom submitted the shortest exceptions list of any major participant in the Kennedy Round, affecting only about 5% of her trade.