EUROPEAN FREE TRADE ASSOCIATION
ASSOCIATION EUROPÉENE DE LIBRE-ÉCHANGE

WASHINGTON INFORMATION OFFICE
711 14th Street, N.W., Washington, D. C., 20005 Tel. 393-6015

LT
AS
JB
EK
BS
MC
473

For Release 1200 hours, Friday, Dec. 5, 1969

Sir John Coulson, K.C.M.G.,
Secretary-General of the European Free Trade Association,
addressing the American Importers Association
in New York
on December 5, 1969, said:

It is a privilege for me to be invited to an occasion sponsored by the American Importers Association. I know that your organization has been amongst the most active in promoting and defending liberal trade policies in the United States, not only in the Congress but also by intervening effectively at the State and local levels. Yours is a good cause. As I hope to demonstrate in the next few minutes, the way for the world to get richer is by freeing the channels of trade. Protectionism keeps countries poorer than they would otherwise be. Moreover, protectionism in one important country will spur similar actions in others, so that in the end everyone suffers. It is up to organizations like yours to remind the public constantly of these facts and to fight back against narrower interests.

I want to talk today about the success of the big practical experiment in free trade which has been carried out by the member countries of the European Free Trade Association over the past ten years. In doing so I also intend to show that the growing prosperity which free trade has brought to the EFTA countries has been shared by all our trading partners, particularly the United States.

But perhaps I should begin by telling you the make-up of EFTA, as our free trade area is known. I realize that you know a good deal more about the Common Market, not only because it is a more powerful group than ours, but also because it has raised difficult political issues which provide much more material for newspaper headlines. EFTA affairs are not emotionally charged and we have to pay the penalty that our good deeds never make the front page. The EFTA countries, in alphabetical order, are: Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. If you look at a map of Europe you will see at once that we lie in a sort of ring round the compact mass of the six countries of the Common Market. I will not hide from you that we are not a natural economic group, and that has its disadvantages. This is not the occasion to embark on a long explanation of how and why Western Europe has two trading groups rather than one. Suffice to say that the facts of history brought us into being as we are --and I think we have made a good thing of our partnership.

I do not claim that all the growth in Atlantic prosperity over this past decade is due directly to the dismantling of trade barriers. But it can be demonstrated that a great deal of the increased trade has been due directly to liberal trade policies in Western Europe--and also, of course, in the United States. They have not only lubricated the channels of trade; they have also created a new climate in which businessmen--and not only European businessmen, but also your own--can plan ahead on new assumptions and on a much larger scale. In the United States, you have been accustomed for centuries to a single large market and your production and service industries have from the beginning been built on that basis. During all that period Western Europe consisted of many fragmented markets, for the most part confined to the populations living within national borders. Speaking in concrete terms, you have to remember that even ten years ago the countries which now make up the Common Market and the European Free Trade Area were split into 14 separate national markets. Now these have been reduced to two, the first with a population of 180 million and the second with 100 million people. This means that ten years ago, to give one example, the Norwegian manufacturer had a home market of a little more than 3 million people; now his home market is 100 million, a totally different proposition. In creating these large markets, of course, we are paying the United States the compliment of copying your example. And there is no doubt that the formula has worked.

The biggest gains our member countries have made from free trade have naturally been inside the new market. The EFTA countries' trade with each other is now almost three times what it was ten years ago. Whereas in 1959 that trade was $3-1/2 billion in each direction, this year it will be about $10 billion in each direction. Anyone forecasting such a result in 1959, when we took the first steps toward free trade, would probably have been handed over to a psychiatrist.

In the ten years before EFTA was created, trade between the countries concerned grew at just over 3% a year. Since EFTA began, trade amongst them has increased by more than 11% a year. I do not need to tell you that all this new business has brought great benefits to the people of the EFTA countries. There are more jobs, they are better paid, and the dismantling of trade barriers has greatly enlarged consumer choice.

In the face of this real life experience of the benefits of free trade it is really a little difficult to listen seriously to protectionist arguments. Ten years ago there was considerable anxiety among industrialists in the various EFTA countries. They feared the destruction of whole industries and even whole regions. Accustomed to protection, they insisted that the EFTA Treaty should contain an escape clause so that governments could reimpose trade restrictions to save hard-hit industries from catastrophe. Nothing of the kind has happened. The escape clause has never been used. Even the most vulnerable industries in EFTA have found that they can stand up to open competition by specializing in the production of those goods for which they have the right combination of advantages.

Perhaps the best illustration of this lies in the story of the four northern members of EFTA, Denmark, Finland, Norway and Sweden. The new climate created by EFTA made possible in Denmark a very rapid and beneficial industrial revolution. Whereas in 1960 Denmark's main exports were agricultural products, these now play a much reduced role in Denmark's trade balance, industrial products now having the lion's share. Again, in 1960, Norway and Finland both feared that the exposure of their markets to powerful competition from Sweden would bring great difficulties. Instead, they have found that Sweden is a rich market for their products and this more than compensates them for the extra imports which they now buy from Sweden.

Perhaps the best testimony that free trade helps without hurting was provided by an investigation which we carried out in EFTA more than a year ago. At the request of the trades unions, a close investigation was made to see if the labor force had been adversely affected by the dismantling of trade barriers in EFTA. The report from every country was the same, that no industries could be found where labor had lost jobs or earnings as a result of increased imports from other members of the Area. Indeed, real earnings in EFTA have risen fairly steadily through the whole period of the dismantling of barriers to trade.

But the benefits of free trade have not been exclusively to the member countries. Our trading partners have found in EFTA a rising market for their own goods. As a whole the foreign trade, exports plus imports, of our group rose from $39 billion in 1959 to $73 billion in 1968. Our population of 100 million people accounts for about 17% of total trade--and you will notice that the exports and imports of EFTA exceed those of your own country, with double the EFTA population. This reflects, of course, the much greater dependence of the EFTA countries on foreign trade for their livelihood. We are much less self-sufficient than you.

I have already said that your country has been one of the main indirect beneficiaries of free trade in EFTA. Our imports from the United States were valued at $4.1 billion last year, a rise of almost 120% on the 1959 figure. In fact, surprisingly enough, the EFTA countries have increased their imports from you more than from their neighbors in the Common Market. You have improved your share of our markets from 9% to 10-1/2% over the past decade. You have also improved your balance of trade with us, because EFTA exports to the United States have risen 95% compared to the 120% rise of your exports to us.

The larger EFTA market has been of particular interest to certain groups of American exporters. For example U.S. Machinery and Transport Equipment has increased its sales in the EFTA countries four-and-a-half times since 1959; as a result EFTA is now a net importer of that equipment from the United States, whereas in 1959 it was a net exporter. The sales of the U.S. Chemical Industry to EFTA have grown two-and-a-half times and sales of miscellaneous manufacturers have quadrupled.

But the benefits of EFTA to the United States are not limited to these large increases in trade. I spoke earlier about the advantage to businessmen of larger markets. It is ironical that American corporations were quicker to take advantage of the new dimensions than their European counterparts. Being already organized to operate on a continental scale, it was natural for U.S. industries to move into the big markets of Western Europe by establishing production subsidiaries. I apologize for using so many figures, but in this respect they are quite startling. In 1960 U.S. direct investment in Western Europe was less than $7 billion. By 1968 it was almost $20 billion--and that figure does not include another $5 billion of portfolio investment.

In other words, in the past decade hundreds of U.S. corporations have established production and sales networks in both the Common Market and EFTA, to take advantage as insiders of the advantages of free trade. Whereas U.S. trade with Europe has doubled since 1960, U.S. investment has trebled and the European production of U.S. corporations now exceeds their exports to Europe by a considerable margin. I need not repeat here the figures used to describe the so-called American challenge. But it is already clear that Atlantic relationships are being developed by the multi-national corporations on a scale which will soon rank them equal in importance to the traditional trading relationships of the many countries involved. This new pattern is already creating its own problems, not least the resentment of some sections of U.S. labor, who see U.S. investment abroad as "exporting jobs."

In fact, of course, this slogan is completely misleading. The history of the growth of industry throughout the world has always been a matter of capital and know-how being exported from countries with a surplus of those things to other countries which stand in need of them. It could equally be said that when British investors put their money and their know-how in the United States to help to build your great country, as they did for 200 years, then Britain was exporting jobs which properly belonged to her own workers. Similarly, when investors put their capital in the less developed countries to build new industries there, that also could be called "exporting jobs." The answer is clear. The whole business of exporting capital and know-how is the way to raise living standards throughout the world. Only by sharing their wealth with others can countries raise standards everywhere and thereby increase their own prosperity. It is true of course that the process may have adverse short-term effects on some sections of industry. If so, both the owners and the workers in the companies affected have a claim to assistance so that their transfer can be facilitated to other and more profitable opportunities.

I shall like to end my remarks with a reference to non-tariff barriers, which are increasingly being discussed here in the United States. As we found in our Free Trade Area, non-tariff barriers do become more important as the more conventional barriers to trade, such as tariff and quotas, are removed. Accordingly, within EFTA we have been working for the past five years in seeking agreements between our countries to limit the harmful effects of such barriers. The EFTA approach is common-sensible and pragmatic. Our member countries do not press their partners to adopt uniform laws or regulations. Instead, they agree among themselves to do away with laws, regulations or practices, both of governments and of private industries, which have the effect of limiting the growth of trade between them. We have already gone a long way down that path and I believe that our experience in EFTA on non-tariff barriers will be useful when the question comes up on a wider scale in the GATT. The EFTA countries are ready and willing to take a full part in such discussions and to work toward world agreements. Since non-tariff barriers are so often a question of the fine print, dealing with them is going to take a lot of time, trouble and goodwill. In these circumstances it is not a good thing to start off by believing, as apparently many Americans do believe, that your trading partners are deliberately creating new non-tariff barriers in order to negate the effects of tariff cuts such as were achieved in the Kennedy Round. On the contrary, our governments are constantly seeking new ways to free the channels of trade. When you are as dependent on foreign trade as we are, you simply cannot affort to create new impediments.