

one quarter and one half higher than that of total imports.

A study by the EFTA Secretariat estimated that the total increase in EFTA countries' intra-area imports, resulting from the removal of internal trade barriers, was about \$2.2 billion in 1967. These "EFTA effects" on imports grew considerably from 1965 to 1967, reflecting, it was suggested, the progressive removal of tariffs and the time it takes for trade patterns to adjust fully to this. It was also estimated that about 40 per cent of the increase in imports from EFTA partners due to trade liberalization represented trade diversion and about 60 per cent trade creation.

The figure arrived at for trade creation in 1967 amounted to 7.9 per cent of total imports of EFTA countries from all sources in that year and 25.8 per cent of their imports from partners in the trading group. The corresponding figures for manufactured goods (more relevant, since EFTA was essentially an industrial trade area) were 10.3 per cent and 31.3 per cent respectively.

Industrial Structures and Productivity

The EFTA Secretariat did not examine in detail the impact of trade creation in EFTA on specialization, scale of production and efficiency. It did, however, in another study, identify several cases where, up to 1965, some of the expected effects of trade liberalization within EFTA appeared to have taken place. These included more processing of pulp in Scandinavia, the growth of high productivity industrial sectors in Denmark, the installation of modern textile machines in Portugal and the Rationalization of the Austrian tire manufacturing industry.

NORWAY

The following deals with the repercussions on Norway of its membership in EFTA and, later, its free trade agreement with the Community:

- Trade liberalization associated with Norway's membership in EFTA is considered to have played an important role in the major transformation of the country's manufacturing industries in the sixties. (See Fritz Hodne, The Norwegian Economy, 1920-1980, p. 202).

The main features were:

- Firms were forced to seek out niches in home and/or export markets.

- The winners (industries with expanding output and employment) included chemicals, machinery (ex. electrical), electrotechnical machinery, transport equipment, printing and