

a decade of exchange rate stability. (It might be argued, of course, that this was a result as well as a cause of the Community's economic success). There was the trade creation effect of reducing tariffs on a multilateral basis in a number of GATT rounds, which continued after the formation of the community, and progressively removing post-war quota controls, until they had been practically eliminated by the early sixties. There was the expansion of the industrial work force as a result of modernization of agriculture and migration from East to West Germany.

Thus, the Six had a variety of things going for them in the Sixties. Nevertheless there are grounds for thinking that conventional economic analysis has often understated the gains from economic integration. Recent studies of what has happened in certain industry sectors support this conclusion. The following examples are indicative:

#### Refrigerators and other White Goods

Intra-Community trade in refrigerators, washing machines, small household appliances, radios and TV's increased six-fold from 1960 to 1970.

In the late 1950's certain Italian producers installed large-scale automated plants to produce a narrow range of small-volume refrigerators. They were thus able to achieve dramatic reductions in unit costs and cut prices sufficiently to make major inroads into the markets of their neighbors. By the early 60's they had 2/3 of the French market and 40 per cent of the German market. Under pressure of this competition there was a series of mergers in France and by 1970 one sole producer was left in the industry. It had an optimally-sized plant and concentrated on larger refrigerators. In this way it was able to retain 45 per cent of the French market. The German industry was already more concentrated than the French in 1958 and this process continued. By 1970, Germany was producing the same number of refrigerators as in 1958. In the Netherlands and Belgium, production ceased.

Some of the same features were repeated in the integration of the Community's washing machine market. As was also the case for refrigerators, the Italians showed ingenuity in finding marketing channels and overcoming the handicaps of unknown or less acceptable brand names.

#### Trucks

It would appear that scale was the basis of the predominant positions which Daimler-Benz, Fiat and Ford carved out in European markets. They achieved the necessary volume by a change in manufacturing philosophy away from customized engineering and a shift in perspective from national to European markets.