Book Review


Harry G. Johnson edited the book under review when trade policy after the Kennedy Round was in a state of flux. In the United States there was a resurgence of protectionism. Britain suffered another EEC rebuff in the same period, with Western Europe remaining at Sixes and Sevens. The imbalance of European Currencies and the inadequacy of international reserves were a threat to international trade. Generalised Tariff Preferences for developing countries were agreed in principle, but agreement in practice was not in sight.

President Kennedy’s Grand Design needed a revision. A New Trade Strategy was required. The present collection of papers seems to have been designed to provide this new strategy. In broad terms, what is proposed is the establishment of a free trade regime in industrial products amongst a group of countries touching the Atlantic, together with some subsidiary proposals for action in related areas of trade policy. The nucleus of what would thus initially be a North Atlantic Free Trade Area (NAFTA) would be the United States, Canada and Britain and other members of the European Free Trade Association (EFTA). But the plan would be an “open-ended” arrangement which other industrialised nations — Japan, Australia, New Zealand and the countries of the European Economic Community — could also join, provided they were prepared to conform to the rules that this integration scheme would entail. The launching of a multilateral free trade association could be the means of continuing the momentum towards world trade liberalisation and of countering the inward-looking tendencies of the EEC.

Professor Gerard Curzon and Mrs. Victoria Curzon, who are authorities on the history and operation respectively of the GATT and EFTA, analyse and compare the alternative strategies for the pursuit of liberalisation of world trade that are available after the Kennedy Round—a Second Kennedy Round, the conditional most favoured-nation approach, the free trade area approach typified by NAFTA and the sector-by-sector approach favoured by GATT itself. They have attempted a dispassionate review of the advantages and disadvantages of each and are concerned to encourage Britain to think beyond her immediate preoccupation with the Six to her responsibilities to the world as a whole. They opt for a free trade area approach, this being preferred as probably the most effective way of curbing the mood of protectionism on both
sides of the Atlantic. Moreover, if the rich industrial nations can agree on a common approach to further trade expansion, they should be able to agree on how to expand the trading opportunities for less developed nations. Mr. Gelber, who has devoted much of his career to studying the Anglo-American relationship, analyses the political case for British participation in a loose trading arrangement. While it has been customary for proponents of British membership of the EEC to argue that the political gains from membership would be so great as to override any petty concern about adverse economic consequences, Mr. Gelber shows that the political case for membership is fraught with contradictions and argues that a NAFTA initiative would make much more sense for Britain, and for the U.S.A., in the emerging political—strategic realities of contemporary international relations. Extending from Europe to the Antipodes, a loose arrangement would better serve the Atlantic and Indo-Pacific interests of the Western Alliance.

The probable economic consequences for Britain of participation in NAFTA are analysed by Mr. Maxwell Stamp and Mr. Harry Cowie. Working on projections of 1965 trade flows, and taking into account the tariff reductions agreed under the Kennedy Round, their study shows that participation in NAFTA would have beneficial effects on the volume of British trade and the British balance of payments, provided that British export prices were kept competitive—a proviso about which there is much less doubt, now that the pound has been devalued, than there was when their study was prepared. The study also produces preliminary evidence that fears of British inability to compete with the Americans in technologically advanced industries, and of a “take-over” of British industry by American corporations, are grossly exaggerated.

Mr. David Robertson examines in detail the principles that should be embodied in the NAFTA treaty and the probability of the various countries concerned being motivated to join. He analyses the geographical and sectoral scope of the new trade and the strategy and the provisions of the treaty that would be required to get the project of the ground. He reaches the important conclusion that, though there are strong forces of inertia to come by, a British proposal to initiate discussion of the formation of NAFTA would probably win the support of Canada, the U.S.A. and the EFTA countries.

Harry G. Johnson joins the threads of a global concept that is commanding increasing attention around the world. He has done well the job of relating, compressing and simplifying the works of other researchers. His collection of these papers is an extremely useful guide to the students and to economists whose speciality lies elsewhere.

Z.A. Vaince
University of Islamabad