

The external trade of the European Community

European File

External trade accounts on average for one quarter of the gross domestic product of Community countries (see Table 1 and Diagram A). The countries most reliant on trade are the Belgo-Luxembourg Economic Union (where external trade represents two thirds of GDP, taking an average of imports and exports), Ireland and the Netherlands. Even at the other end of the scale, the lowest Community average of imports and exports as a percentage of GDP is almost 20% in France and Greece. These figures amply demonstrate the importance of external trade and the ensuing employment to the Community.¹

TABLE 1
External trade as a percentage of GDP in Member States (1982 estimates)

	B+L ¹	DK	D	GR	F	IRL	I	NL	UK
Imports	67.3	30.4	23.5	27.5	21.6	54.6	24.8	45.3	21.9
Exports	60.9	27.7	26.7	11.9	17.3	45.6	21.2	48.4	21.2

¹ Diagram A gives the key to the initials used for Community countries.

In 1982, nearly 51% of trade (averaging imports and exports) was conducted between Community countries, compared to 35% in 1958. Intra-Community trade developed more rapidly than other forms of trade because of the abolition of customs duties and

¹ Unless otherwise stated, figures are provided by the Statistical Office of the European Communities, notably the special 1958-82 issue of its *Monthly external trade bulletin*.

quantitative restrictions within the European Community. Denmark and the United Kingdom, which joined the Community in 1973, also saw a growth in their trade with their new partners. In the case of the United Kingdom, this trend was already evident before accession as the British economy geared up for entry. For Ireland, whose trade had previously been largely with the UK, Community membership led to a diversification of exports to the world as a whole. Time will tell what the effect will be on Greek trade. Greece joined the Community in 1981. Its customs duties are gradually being reduced but will not be completely abolished until 1986.

TABLE 2
Percentage share of non-Community trade in total trade

		B+L	DK	D	GR	F	IRL	I	NL	UK	EC
Imports	1958	45.3	41.0	65.6	46.7	73.3	28.2	70.5	49.7	79.5	66.1
	1972	28.6	54.0	45.3	45.0	43.6	28.8	50.3	37.5	68.1	47.2
	1982	38.9	51.2	50.9	53.5	49.2	25.6	58.1	46.0	59.1	51.0
Exports	1958	45.7	41.8	63.7	49.6	71.2	10.1	65.2	41.5	79.7	64.1
	1972	25.1	56.5	51.7	47.3	42.7	18.6	47.1	24.2	68.8	46.3
	1982	28.4	51.3	51.5	53.6	51.2	28.2	52.8	25.9	58.8	47.6

Table 2 and Diagram B show a kind of mirror image of this trend towards increased trade between Member States. They show the development of trade with non-Community countries. One fact which stands out is that non-Community trade has been on the increase since 1972, without returning to its pre-1958 levels. The exceptions to this pattern are, remarkably enough, Denmark and the United Kingdom. One reason for this resurgence of extra-Community trade has been the increased cost of imported oil and the need to balance these imports with increased exports, partly to the oil-producing countries. But another reason has undoubtedly been the survival of certain obstacles to trade between Community countries. The Community is making efforts to abolish these barriers in order to create a genuinely open European internal market which will promote industrial competitiveness and cut unemployment.¹

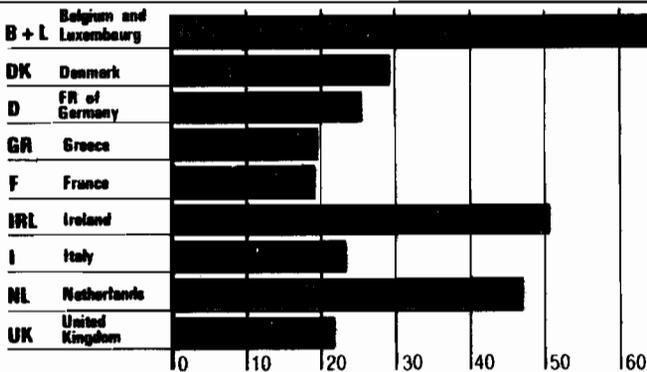
TABLE 3
Regional shares in world trade in 1982

	Imports	Exports
EC (external)	19.2	18.2
EFTA	7.2	6.7
USA	15.6	13.4
Japan	7.8	9.0
Other industrialized countries	8.9	9.1
Eastern bloc	10.7	12.3
OPEC	9.5	14.6
Other Third World countries	21.0	16.6

Source: United Nations monthly statistical bulletin.

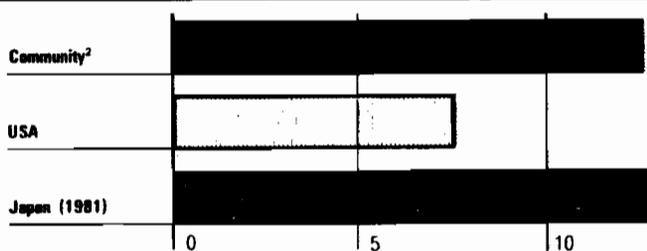
¹ See *European File* No 12/83, 'From the European customs union to the internal market'.

A.
Total trade as a percentage of GDP of Member States (1982)¹



¹ Average of imports and exports, including trade between Member States.

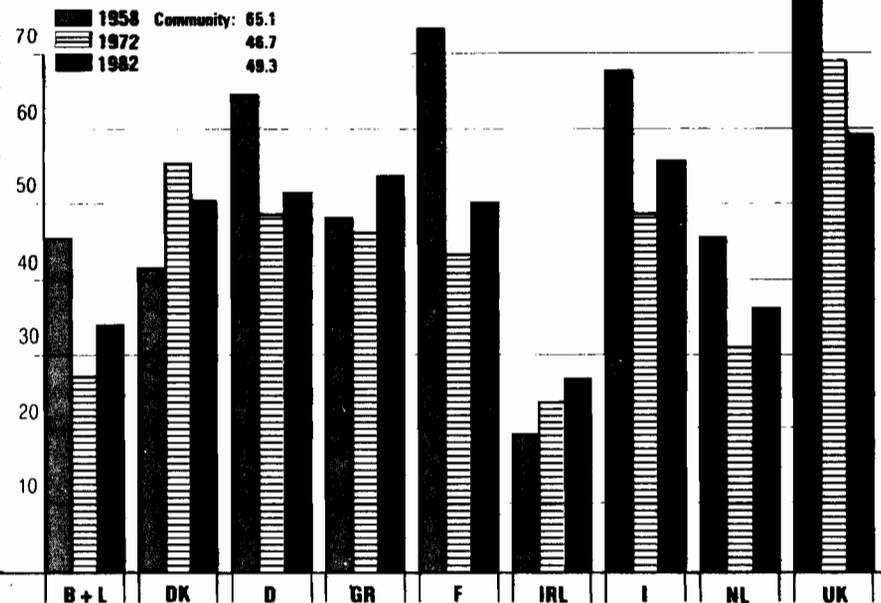
External trade as a percentage of GDP (1982)¹



¹ Average of imports and exports.

² Not including trade between Member States.

B. Percentage share of extra-Community trade in total trade¹



¹ Average of imports and exports.

The Community's common external trade tariff means that it is seen as a single trading partner by other world trading powers.¹ By volume of trade, it is well ahead of its partners. Averaging imports and exports, the Community has 19% of world trade, compared to 14% for the United States and 8% for Japan (see Table 3 and Diagram C). International trade is a much larger share of GDP for the Community and Japan than for the United States (Table 4, Diagram A). This fact underlines the Community's interest in maintaining an open world trading system. It also demonstrates the need for a sharpening of the competitive edge of the European economy. The Community imports almost half of its energy needs and about three quarters of other vital raw materials. To maintain its present standard of living, it must therefore export finished goods.

TABLE 4
External trade as a percentage of GDP (1982 estimates)

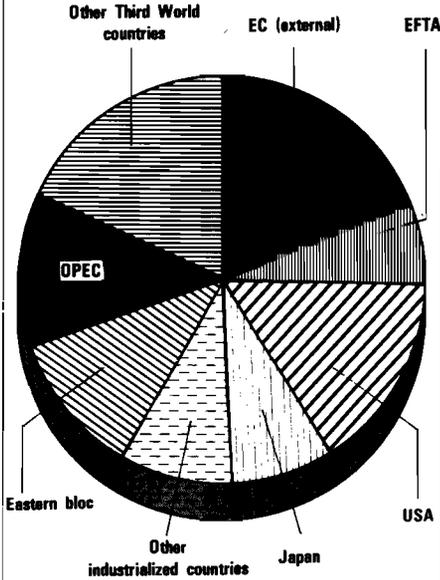
	Community (external)	USA	Japan (1981)
Imports	13.4	8.0	12.6
Exports	11.9	6.9	13.4

In US dollar terms the value of world trade increased 16 times between 1958 and 1982 (Diagram D). The increase by volume — which leaves out the effects of inflation and monetary fluctuations but also ignores real increases in the value of increasingly elaborate goods — is considerably less, but still substantial. Taking 1975 as the base figure of 100, world trade by volume stood at only 30 in 1958 and had grown to 130 by 1982. Two distinct periods can be identified here. Between 1958 and 1972 the volume of world trade triples in 14 years. In the next 10 years, it increased only by half and, due to the recession, actually shrank slightly in 1981 and 1982. Community trade with the rest of the world followed more or less the same pattern. European imports and exports increased 13 times in value between 1958 and 1982, slightly below the rate for world trade as a whole. During this period, however, the shares in world trade of the Community (about 23% in 1958) and the United States have been eroded by the growing economic power of Japan, the oil-producing countries and newly industrialized countries in Asia. The strength of the dollar has meant a fall in dollar terms in the value of Community external trade in 1981 and 1982. In terms of ECUs it has continued to rise.

The Community is the principal trading partner of the United States (17% of US imports and 23% of exports) and many other countries. In Western Europe and in Africa, the Community often accounts for over half of the total trade of its partners. All in all, over half of Community trade takes place with other industrialized, free economy countries and about two fifths with the Third World (Tables 5 and 6 and Diagram E).

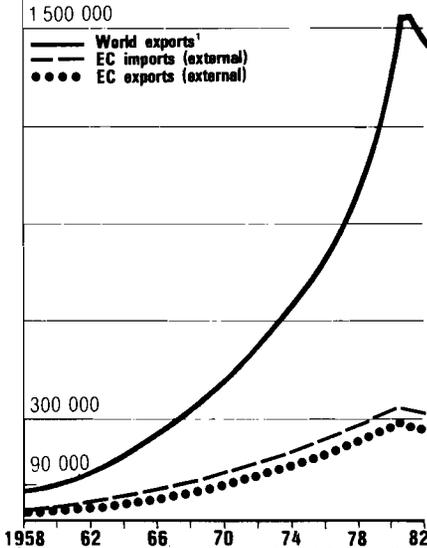
¹ For further details on Community trade policy and international relations, see earlier *European Files* 'The European Community in the world' (2/82), 'The Community and Developing countries' (3/83), 'Generalized preferences for the Third World' (9/81), 'The Community and the countries and regions of the Mediterranean' (19/82), 'The Europe- United States- Japan trade controversy' (9/83).

C. Regional spread of world trade in 1982¹



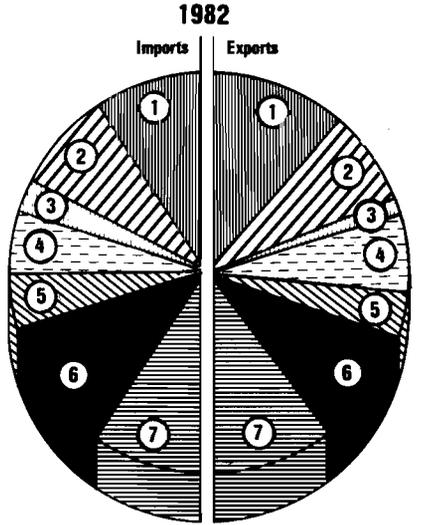
¹ Average of imports and exports. Source: UN.

D. Development of Community and world trade (in millions of dollars)



¹ Not including intra-Community trade and State-trading countries other than the Soviet Union. Source: UN.

E. Regional spread of EC external trade.



- 1 EFTA
- 2 USA
- 3 Japan
- 4 Other industrialized countries
- 5 Eastern bloc
- 6 OPEC
- 7 Other Third World countries

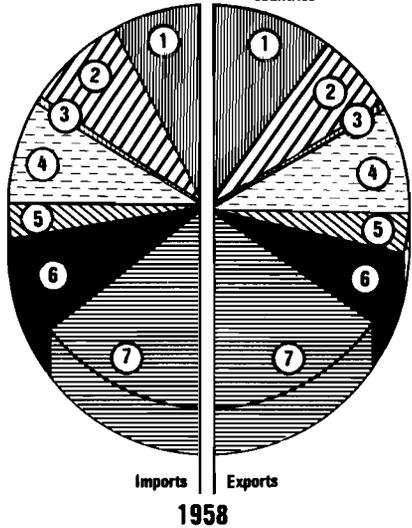


TABLE 5
Regional spread of Community external trade

(%)

	Imports			Exports		
	1958	1972	1982	1958	1972	1982
EFTA	14.7	18.9	18.2	20.4	26.2	22.8
USA	17.0	17.7	16.7	12.2	17.8	15.0
Japan	1.1	4.3	5.6	0.9	2.3	2.2
Other industrialized countries	17.0	13.9	10.4	16.9	15.5	12.2
Eastern bloc	5.6	7.9	9.0	6.5	8.5	6.9
Third World	44.7	37.4	40.1	43.1	29.6	40.9
ACP	9.9	7.5	5.5	9.4	6.3	6.4
Mediterranean countries	9.7	13.0	14.6	16.2	18.4	19.1
OPEC	16.2	18.1	22.3	12.1	8.1	19.4
ASEAN	2.9	1.7	2.2	2.7	2.0	2.9
Latin America	11.1	7.0	6.4	10.0	7.1	5.6

TABLE 6
Regional spread of Community external trade and balance of trade

(million ECU)¹

	Imports		Exports		Balance	
	1958	1982	1958	1982	1958	1982
EFTA	3 482	58 520	4 429	65 331	+ 947	+ 6 811
USA	4 029	53 831	2 654	42 908	-1 375	-10 923
Japan	252	17 951	201	6 308	- 51	-11 643
Other industrialized countries	4 024	33 344	3 681	34 953	- 343	+ 1 609
Eastern bloc	1 335	29 058	1 402	19 910	+ 67	- 9 148
Third World	10 611	128 763	9 360	117 074	-1 251	-11 689
World total	23 733	321 467	21 727	286 484	-2 006	-34 983
ACP	2 349	17 763	2 048	18 241	- 301	+ 478
Mediterranean countries	2 291	46 798	3 521	54 845	+1 230	+ 8 047
OPEC	3 849	71 840	2 632	55 641	-1 217	-16 199
ASEAN	687	7 076	597	8 358	- 90	+ 1 282
Latin America	2 637	20 722	2 180	16 152	- 457	- 4 570

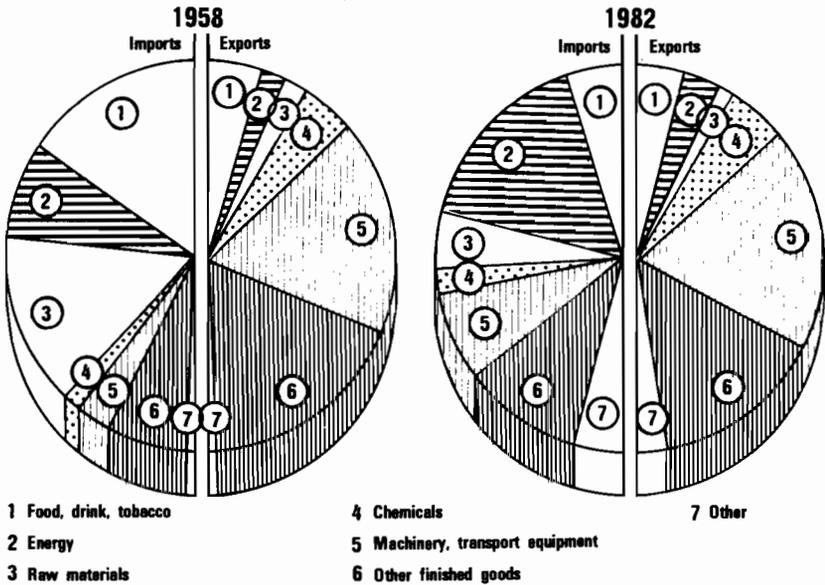
¹ 1 ECU (European currency unit) = about £ 0.57, Ir.£ 0.73 or US\$ 0.85 (at exchange rates current on 15 November 1983).

- The Community's major industrialized trading partner is the European Free Trade Association (Norway, Sweden, Finland, Iceland, Austria, Switzerland and Portugal), which is linked to the EC by agreements abolishing customs duties on industrial goods. Despite a decline in export since 1972, the share of these countries in total Community trade has increased between 1958 and 1982.

- If imports are taken alone, the United States has almost as large a share of Community trade as EFTA. But Community exports to the United States, also declining since 1972, are considerably smaller than its sales to the EFTA countries.
- Japan's share in Community trade has grown less rapidly since 1972 but the imbalance in imports and exports has become enormous. The Community provides only 5.5% of Japanese imports but takes 12.5% of its exports, often concentrated on 'sensitive' sectors of the European economy. Following complaints by the Community, Japan has recently agreed to moderate some of its exports and open up its own market more freely to Community goods.
- The trade share of other Western industrialized countries is decreasing. It was greater than the US share in 1958 but is now significantly lower.
- Eastern bloc countries have only 10% of Community trade. Increases since 1958 have mainly been on the import side.
- After a decline between 1958 and 1972, the Third World share of Community trade has shown a marked increase. The Community has signed a series of cooperation agreements with Third World countries or groups of countries. All developing countries have been granted generalized preferences which allow them to export to Europe large quantities of industrial goods and processed foodstuffs customs-free. Nevertheless, as the trade figures for OPEC countries demonstrate, the main reason for the increased trade with the Third World has been the increase in the price of oil and its impact on the purchasing power of a number of countries. It is also worth noting the increasing trade with Mediterranean countries, mostly linked to the Community by cooperation agreements which give a number of customs concessions. Since 1972 there has also been a closing of the trade gap with the ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand). These countries gave signed a non-preferential cooperation agreement with the Community. As for the three score African, Caribbean and Pacific countries associated with the Community by a cooperation agreement offering a selection of customs concessions, their share in EC exports has stabilized since 1972 but the decline in their share of Community imports has continued. It should be noted, however, that the trade figures for the ACP countries with the rest of the world are far worse.

All in all, the balance of trade deficit of the Community has greatly increased since 1958 and stood at 35 000 million ECU in 1982. This was, however, an improvement on the record deficit of 54 000 million ECU in 1980. The largest losses result from trade with the OPEC countries (despite a sharp growth in Community exports), with Japan (despite the relatively small overall volume of trade) and with the United States. Since 1979, trade with Eastern bloc countries has also been in deficit. Trade with Latin America has also recently moved sharply into the red. However – OPEC countries excluded – trade with the Third World has been to the advantage of the Community. The same is true for trade with EFTA, other industrialized countries and Mediterranean countries. As for the positive trade balances recorded with ACP and ASEAN countries in 1981 and 1982, they followed years of European trade deficits.

F. Spread of EC external trade by product category



G. Community imports of energy products (in million ECU)

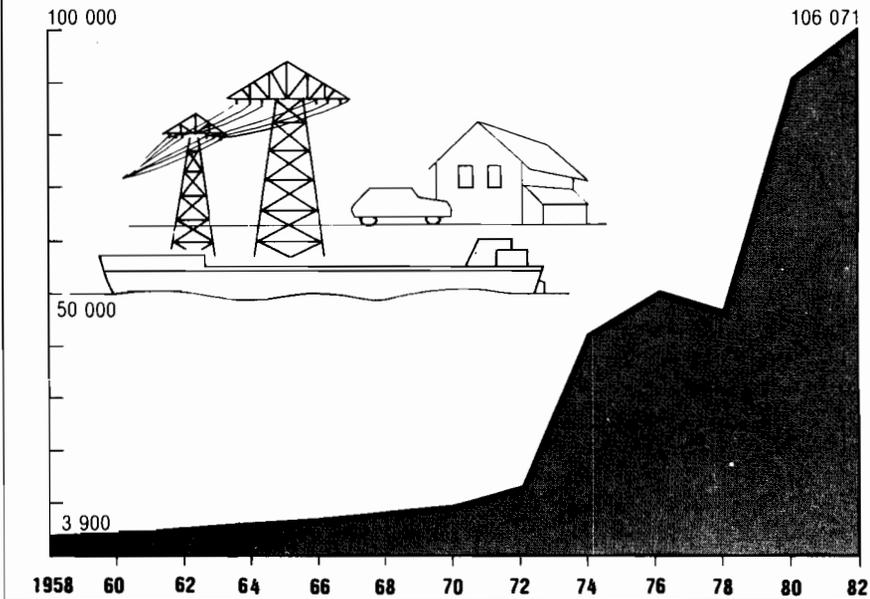


TABLE 7
Spread of Community external trade by product category

	Imports				Exports			
	million ECU		%		million ECU		%	
	1958	1982	1958	1982	1958	1982	1958	1982
Food, drink								
tobacco	7 172	30 655	30.2	9.5	1 919	22 573	8.8	7.9
Energy	3 900	106 071	16.4	33.0	872	17 366	4.0	6.1
Raw materials	7 047	30 139	29.7	9.4	845	5 937	3.9	2.1
Chemicals	767	14 382	3.2	4.5	1 974	28 167	9.1	9.8
Machinery, transport								
equipment	1 367	50 909	5.8	15.8	8 037	109 971	37.0	38.4
Other manufactured								
goods	3 353	62 253	14.1	20.3	7 934	84 107	36.5	29.4
Other	127	24 058	0.5	7.5	146	18 363	0.7	6.4

The predominance of imported raw materials and manufactured exports in the sectoral structure of Community trade underlines its position as the world's second largest industrial power. Nevertheless, significant changes have been under way since 1958 (see Table 7 and Diagram F).

- On the import side, the increase in oil prices has been a heavy burden. Even though the share of imported fuel in the net energy consumption of the Community has been pulled back from 62% in 1970 to 46% in 1982, the cost of imported energy increased 27 times between 1958 and 1982 (Diagram G). The share of energy in European imports doubled. On the other hand, despite increased prices, the share of other raw materials has fallen to one third of its 1958 level, largely because of the slowdown of economic activity during the recession. The common agricultural policy has, at the same time, significantly reduced the contributions of food imports to the trade deficit. Europe nevertheless remains the largest world importer of agricultural produce (notably tropical foodstuffs and animal feed). Its food trade balance is still in the red. One other fact stands out. The share of industrial goods in Community imports has doubled since 1958. This increase is especially sharp in the machinery sector, and for transport equipment in particular.
- On the export side, sales of chemicals and machinery have slightly increased their share of the total but other manufactured goods have fallen back, as have agricultural products.

To sum up, the trade surplus in industrial goods does not outweigh the deficits in agricultural produce, raw materials and, most of all, energy. Developments in the import and export of industrial goods show a decline in the international competitiveness of European industry. They also signal further difficulties to come in the external trade field. To face this challenge, the Community must strengthen its industrial and scientific fabric

and reduce its dependence on imported energy and raw materials. A number of actions already undertaken or proposed by the European Commission have these objectives in mind.

H. Shares of Member States in EC external trade¹

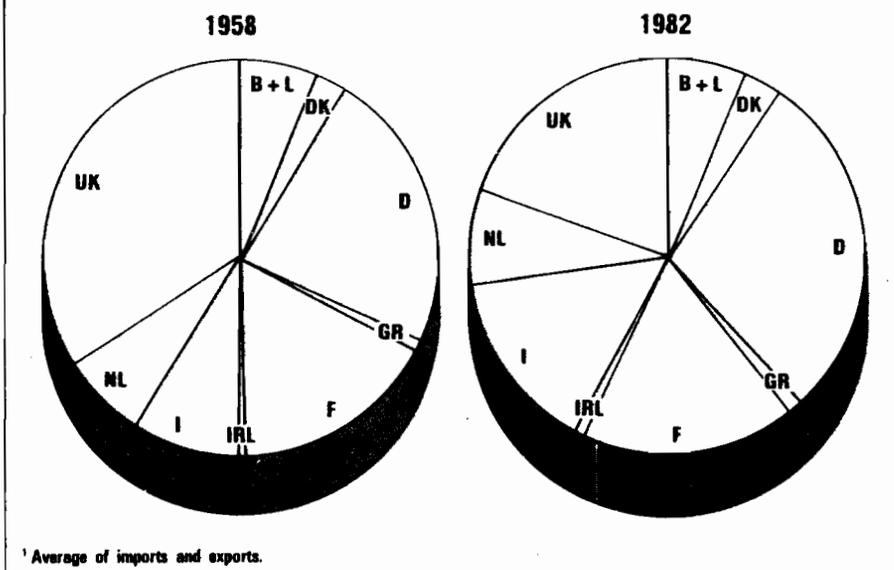


TABLE 8
Share of Member States in EC external trade

(%)

		B+L	DK	D	GR	F	IRL	I	NL	UK
Imports	1958	6.0	2.3	20.4	1.1	17.3	0.7	9.6	7.6	35.1
	1982	7.2	2.8	25.1	1.7	18.0	0.8	15.9	9.2	19.5
Exports	1958	6.4	2.4	25.8	0.5	16.8	0.2	7.7	6.2	34.0
	1982	5.3	2.8	32.4	0.8	16.9	0.8	13.8	6.1	21.1

The share of Member States of the Community in its external trade varies from sector to sector, according to their natural resources (oil and gas reserves give the United Kingdom a trade surplus in this sector and almost balance the Dutch account), and also according to their level of economic development, their degree of industrial specialization and their agricultural advantages. Thus food, drink and tobacco account for 31% of all exports in Denmark, 30% in Ireland, 27% in Greece, 20% in the Netherlands and 16% in France, compared to only 10% in Belgium and between 5 and 7% for the others. Two further aspects of the national trade pattern should be noted:

- The share of Member States in total extra-community trade has developed as shown in Table 8 and Diagram H. The Federal Republic of Germany, with its great industrial strength, now accounts for nearly 30% of the total, averaging imports and exports, compared to just under a quarter in 1958. The rapid growth in Italy's trade has brought this country almost up to France's elbow. The increase in Irish exports is even more striking. On the other hand, the United Kingdom's share of extra-Community trade has dropped. This is partly due to its slow rate of economic growth but also to the reorientation of its trading patterns towards the Community. Since 1975 sales to its European partners have, in fact, increased Britain's share in total intra-Community and extra-Community exports.
- Apart from Germany, all Community countries have a trade deficit. As shown in Table 9, Greece is the worst off but this is partly cancelled out by its earnings from shipping and tourism. Accession to the Community should help to balance the trade books in the medium term. It can also be seen that trade with other Community countries makes an important contribution to the overall trade balance of the Belgo-Luxembourg Economic Union and the Netherlands. These countries have developed large imports of overseas produce through the ports of Antwerp and Rotterdam and balancing exports to their Community neighbours. Like the United Kingdom, the Netherlands also exports considerable quantities of hydrocarbons to other Community countries.

TABLE 9
Trade and balance of Member States in 1982

(million ECU)

Extra-Community trade	B+L	DK	D	GR	F	IRL	I	NL	UK
Imports	22 989	8 931	80 570	5 448	57 980	2 529	51 004	29 433	62 583
Exports	15 214	8 134	92 683	2 346	48 343	2 320	39 573	17 501	60 370
Current balance	-7 775	-797	+12 113	-3 102	-9 637	-209	-11 431	-11 932	-2 213
Import cover ¹	66.2	91.1	115.0	43.1	83.4	91.7	77.6	59.5	96.5
All trade									
Current balance	-5 544	-1 609	+21 581	-5 808	-23 503	-1 632	-12 805	+3 724	-3 288
Import cover ¹	90.6	90.8	113.6	43.0	80.1	83.5	85.4	105.8	96.9

¹ Exports (fob) as a percentage of imports (cif).



The Community has a common external customs tariff, is competent to negotiate international trading rules, to sign trading agreements with third countries and to establish customs practices. It intends to continue to develop its links with the EFTA and Mediterranean countries and the Third World. It will also extend its negotiations with its

industrialized trading partners, notably the United States and Japan. Through its powers of initiative, negotiation and management, the European Commission defends the trading interests of the Community, while fully respecting international rules negotiated through the GATT. The Community has, in this way, managed to persuade its partners to moderate certain exports (textiles, steel and video-recorders) and it is hoping to strengthen the array of measures with which it combats unfair trading practices. Its fundamental objective nevertheless remains the maintenance of the highest possible degree of freedom in international trade in order to safeguard the future of a European economy which depends to a great extent on its trade with the rest of the world ■



The contents of this publication do not necessarily reflect the official views of the institutions of the Community.

Commission of the European Communities

Information offices (countries fully or partially English speaking*)

Ireland 39 Molesworth Street, Dublin 2 – Tel. 71 22 44

United Kingdom 8 Storey's Gate, London SW1P 3AT – Tel. 222 81 22
– 4 Cathedral Road, Cardiff CF1 9SG – Tel. 371631
– 7 Alva Street, Edinburgh EH2 4PH – Tel. 225 2058
– Windsor House, 9/15 Bedford Street,
Belfast BT2 7EG – Tel. 40708

Australia Capitol Centre, Franklin Street, PO Box 609,
Manuka 2603, Canberra ACT - Tel. (062) 95 50 00

Canada Inn of the Provinces-Office Tower, Suite 1110, 350 Sparks Street,
Ottawa Ont. K1R 7S8 – Tel. (613) 238 64 64

USA 2100 M Street, NW, Suite 707,
Washington DC 20037 - USA – Tel. (202) 862-9500
– 245 East 47th Street, 1 Dag Hammarskjöld Plaza,
New York, NY 10017 - USA – Tel. (212) 371-3804

* Offices also exist in other countries including all Member States.