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COMMON MARKET - U.S. TRADE RELATIONS

In order to comprehend the effects of the 10% surtax on American imports announced by President Nixon August 15, it is indispensable to recall the principle aspects of trade between the Community and the United States. It is important to stress in addition that the result of the 10% surtax on all imports is to de facto and unilaterally annul the results of the Kennedy Round negotiations.

Since the beginning of the Common Market in 1958, trade between the Community and the United States has tripled and reached a total of \$ 16 billion in 1970.

1° Imports by the Community from the United States have risen from \$ 6.3 billion in 1968 to \$ 7.3 in 1969 and to \$ 9.038 in 1970. The growth of 21% in 1970 of American exports to the Community was markedly more important than that toward EFTA (11%) or toward the rest of the world (12%). Between 1959 and 1970 American exports to the Community rose by 341% while those to the rest of the world rose by only 269%.

2° Exports of the Community to the United States have also risen and have progressed from \$5.7 billion in 1968 to \$5.9 billion in 1969 to \$6.570 billion in 1970.

The Community since 1958 has constantly recorded a heavy balance of trade deficit with the United States (averaging some \$ 2 billion per year). Last year the Six had a deficit in their balance of trade with the United States of \$2.4 billion.

3° In order to complete the description of commercial relations between the United States and the Community, it is necessary also to take into consideration the rapid development of direct American investment in the Community. These investments have progressed from \$1.9 billion in 1958 to \$10.2 billion in 1969 and an estimated \$13 billion in 1970.

Because of the American investment in the countries of the Common Market, many products which were previously exported from the United States are now produced in Europe. In 1968, sales of American subsidiaries located in the Community were \$14 billion, which is 2.5 times the value of total American exports to the Community. American companies in 1970 repatriated some \$1 billion in profits from their direct investment in the Community.

Direct investments by Common Market companies in the United States, on the contrary, have always been relatively minor, at only one-third the level of American investments in the Community. This represented \$1.5 billion in 1960 and \$3.3 billion in 1969.

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The American government has said that some 50% of imports are subject to the 10% surtax. But because of the structure of community exports to the United States not 50% but more than 80% of the \$6.570 billion in Community exports are affected by the American measure.

Among the sectors particularly affected are : automobiles, chemicals, machinery, steel, shoes and food stuffs including wine. (1)

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(1) See statistical annex

STATISTICAL ANNEX

1° 1970 Exports of the Community to the United-States (in million US \$)

GERMANY	3.110
ITALY	1.310
FRANCE	930
BELGIUM-LUXEMBOURG	700
NETHERLANDS	520
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Total Common Market	6.570

2° Exports of the Community to the United-States in some important sectors  
(in million US \$)

GLASS	100
BEVERAGES	170
SHOES	300
CHEMICALS	380
TEXTILES	400
STEEL	620
MACHINERY	1.200
AUTOMOBILES	1.200

3° Trade balance

	<u>Exports</u> <u>to U.S.</u>	<u>Imports</u> <u>from U.S.</u>	<u>Trade balance</u>
1958	1.664	2.808	- 1.144
1964	2.849	5.438	- 2.589
1969	5.958	7.326	- 1.368