european community

BACKGROUND INFORMATION

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BACKGROUND NOTE

No. 28/1973

December 6, 1973

Following is the full text of "The European Community and the United States in 1973," a review of US-EC relations. This text was released in Brussels on November 30, 1973, by the Spokesman's Group of the Commission of the European Communities as Information Note P-49.

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INTRODUCTION[1]

Several major negotiations to be conducted during the next few years will seek to evolve a modified structure of economic relations among nations. The economic system established at the end of World War II has undergone change, and new elements, more in conformity with the situation, needs and goals of the 1970's and 1980's are being worked out. An international economic and monetary system which works well is essential both for the continued growth and prosperity of the industrialized countries and for the economic takeoff and progress of the developing countries.

The relationship between the European Community and the United States is a vital element in international economic relations. But that relationship is constantly evolving as each party redefines both its own political identity and its own role in world affairs. As Commission President Francois-Xavier Ortoli recently said: "Without a doubt the objective facts have changed; the relations between the United States and Europe are no longer and can no longer be what they were. But there exists a very strong inherent necessity in favor of an ample and determined collaboration between our two entities."

It is with a view to contributing to a more thorough understanding of the issues being discussed between the United States and the European Community in this period of change that this note has been prepared. The method chosen in this paper is a factual comparative presentation. The note is specifically limited to matters within the direct competence of the European Community and in particular that of the Commission.

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[1] This note is an updated version of the note "The European Community and the United States: 1972," published by the Spokesman's Group in June 1972.

I. GENERAL TRADE DEVELOPMENT

Since the establishment of the European Community in 1958, trade between the Community and the United States has developed at a brisk pace to the benefit of both trading partners. The rising standard of living in the vast outlet of the European Common Market and the diminishing barriers to trade within Europe have made this an attractive outlet for American products. Similarly there has been substantial growth in Community exports to the United States.

An additional factor behind the spectacular growth of American exports to the Euroepan Community is the low level of the Community's common external tariff. The Community's common tariff was established, with a few minor exceptions, as an average of the previously existing tariffs of the six Member States. This resulted in a low and more consistent tariff for the Community as a whole. Since then this tariff has further been lowered as a result of the Kennedy Round negotiations.

Only 13.1 per cent of European Economic Community (EEC) tariffs on industrial goods exceed 10 per cent and 2.4 per cent exceed 15 per cent, while 38.3 per cent of American industrial tariffs exceed 10 per cent and 23.7 per cent exceed 15 per cent.

Average Tariffs on Industrial Products and Raw Materials (percentages) [2]

	Raw Materials	Semi-Manuf. Products	Finished Products	All Industrial Products
EEC (Six)	0.6	6.2	8.7	6.0
United States	3.8	8.3	8.1	7.1
Japan	5.5	9.3[3]	12.0	9.7

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2 Source: "Basic Documentation for the Tariff Study," General Agreement on Tariffs and Trade (GATT) 1971.

3 A reduction of about two to three "points" came into effect at the end of 1972 (i.e., a reduction of about 20 per cent for 1,865 products). There was another less important reduction in April 1973 on 102 products.

As a result of the enlargement of the Community through the entry of Denmark, Ireland, and the United Kingdom, the latter countries will adopt the common external tariff in four stages between January 1, 1974, and July 1, 1977. This will result in many instances in a further lowering of tariffs since the British and Irish tariffs are generally somewhat higher than the common external tariff. The British tariff on industrial products for example, averages 7.6 per cent, compared with the Community's 6.0 per cent.

Since 1958 the Community has been a dynamic fast-growing market for American exports. In 1958 the Community imported 2.808 billion units of account[4] (UA) worth of goods from the United States, while exporting UA 1.664 billion there. In 1972 the Community of Six imported UA 8.585 billion from the United States and exported goods to the value of UA 8.321 billion to the United States. For the enlarged Community the corresponding figures in 1972 were imports of UA 11.900 billion from the United States and exports of UA 11.713 billion to the United States.

The rate of growth of American exports towards the Community has been faster than the increase of American exports to many other areas of the world. According to American statistics, from 1962 to 1972 American exports to the Community grew by 143 per cent. During the same period, American exports rose by 127 per cent to all other areas and by 132 per cent towards the original seven countries of the European Free Trade Association (EFTA).

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[4] The Unit of Account (hereafter UA) is the accounting instrument used by the European Communities. It has a value to 0.88867088 grams fine gold or the value of the dollar prior to August 15, 1971.

Since 1958 the Community has run a continuous and substantial trade deficit with the United States, averaging UA 1.569 billion annually, (see Annex, Table 1). In 1972 the trade deficit was UA 264 million for the Six and UA 187 million for the Nine.[5] Community-American trade in 1972 was affected by several temporary phenomena that raised American imports from Europe while lowering American exports to Europe. The first was the aftermath of the December 1971 Smithsonian agreement. The immediate effect of a devaluation is to increase the value of imports of the devaluing country since the cost of goods already ordered or shipped is raised by the value of the devaluation. Another factor was that European and American economies were out of cycle with each other. The American economy was booming in 1972 with a real growth of 6.5 per cent, thus pulling in large imports from Europe and elsewhere and keeping potential exports at home. The European economies, on the other hand, were suffering low growth, 3.7 per cent on average in the Community, which tended to restrain imports.

II. AGRICULTURE

The Community's agricultural policy has often been criticized as being harmful to American interests. A review of the development of American agricultural exports to the Community, however, does not support such charges.[6]

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[5]According to American trade statistics, the Community in 1972 had a surplus in trade with the United States. The disparity was due primarily to differing methods of statistical evaluations. The United States and Canada are the only countries which calculate imports "free on board" (FOB) rather than "cost, insurance, freight" (CIF). The Community and most countries calculate exports FOB and imports CIF.

[6]The source for all statistics used here is the US Department of Commerce.

The European Community is the most important market for American agricultural exports, and since its establishment the Community's share of total American agricultural exports has actually increased slightly. In 1958 the EEC accounted for 21.3 per cent of total American agricultural export sales, in 1964 for 21.7 per cent, and in 1972 for 23 per cent. In 1964, the last full year before the introduction of the common agricultural policy, US agricultural exports, excluding cotton, amounted to $1.227 billion. By 1972 these had risen to $2.049 billion. During these eight years American agricultural exports have increased 67 per cent to the Community while exports to the rest of the world increased by only 55 per cent, even including the spectacular sales of cereals to the Soviet Union in 1972.

The growth of American agricultural exports to the Community of Six was greater than that towards the three new Community members, which up to now applied different agricultural policies. Taking the development between a representative period prior to the introduction of the common agricultural policy (1961-63) and a recent reference period (1969-71), American agricultural exports increased by 51 per cent to the Six, buy only by 11 per cent to the United Kingdom, by 43 per cent to Denmark, and by 47 per cent to Ireland.

There have, of course, been shifts in the product mix of Community agricular imports from the United States. Some products have advanced faster than others. The increase of corn and wheat imports, for example, has been slower than the phenomenal growth in imports of soybeans and soy products.[7] This is primarily due to changing livestock feeding techniques, with a much greater use of high protein soy products and a declining use of such products as corn.

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[7] See also the last paragraph of page 7.

Community agricultural exports to the United States, on the other hand, are much smaller than those in the reverse direction. In 1958 the Community exported $205 million worth of farm products to the United States; by 1972 these exports had risen to $531 million. Many of the most important Community agricultural exports, such as dairy products, are subject to quantitative restrictions in the United States, which limits their export possibilities. With imports of $2.049 billion and exports of $531 million, the Community in 1972 thus had an agricultural trade deficit of $1.518 billion with the United States.

All industrialized countries have special agricultural programs suited to thier structures and climate which aim at integrating this important sector into the structure of the whole economy after reorganizing it as appropriate and guaranteeing agricultural workers a reasonable income in comparison with industrial workers. For the Community, agriculture is especially important, since some 10.5 per cent of the enlarged Community's active population is employed in agriculture; in certain regions of Southern Italy over 50 per cent of workers are on the land. Agriculture accounts for approximately 4 per cent of the active population of the United States.

Trade in agricultural products has consequently always been more restricted than trade in industrial products, and no industrial country allows free and unhindered agricultural commerce. The American Government, for example, guarantees its farmers' income and protects its agriculture by means of the income support system and quantitative import restrictions on many products. The United States maintains quotas or asks for "voluntary" restraint by the exporting countries on 16 products, including wheat, sugar, cotton, and most milk products. The restrictions are applied under a 1955 derogation clause in the GATT rules, which allows the United States to restrict imports of most agricultural products. According to GATT studies, nearly one half of American agricultural porduction is shielded through these quantitative restrictions.

The Community uses a different system to guarantee agricultural income. For some important commodities such as wheat, corn, and milk products, farmers are given a guaranteed minimum price and a variable levy is applied to imports. Fixed import duties are applied to many other commodities, such as mutton, tobacco, and fruits and vegetables. All the products covered by the common agricultural policy, or 95 per cent of total agricultural production, are free of quantitative restrictions. The only exception is fruit and vegetables which at certain times of the year are subject to timetables. Moreover, over 40 per cent of American agricultural exports to the Community such as soybeans and soy products which last year accounted for nearly $800 million in sales in the Six and $1.000 billion in the Nine, today enter the Community free of any tariff or restriction. On the other hand, on June 27, 1973, the US Department of Commerce announced a total embargo on exports of soybeans and soybean oil cakes and meal and on July 3 announced that export licenses would be issued covering 50 per cent of outstanding contracts for soybeans and 40 per cent for soybean oil cake and meal. On September 7, the Department of Commerce announced the liberalization of export restrictions on all the agricultural commodities affected.

More important than the method of income support for agricultural workers, however, is the result. An independent study in 1971 estimated that the Community supported each farmer to the tune of some $860 annually. The corresponding figure for the United States was $1,320.[8]

European agriculture, finally, must be viewed in its social context. Although the "green revolution" has reached Europe in recent years, raising productivity in some areas and for some products to levels comparable to those in the United States and Canada, European agriculture is by and large still backward by international standards. Too many workers are still tilling small inefficient farms that are incompatible with today's modern, mechanized agriculture.

[8]"Comparaison entre le soutien accorde a l'agriculture aux Etats-Unis et dans la Communaute" by Professors G. Vandewalle and W. Meeusen.

The average size of a farm in the enlarged Community in 1972 was an estimated 1,500 acres; the average American farm last year was 15,420 acres. The Community proportionately has nearly three times more of its working population on the farm than the United States. There already exists a clear trend within the Community, however, towards larger agricultural holdings and a declining agricultural population. In 1950, 20 million persons were employed on the farm in the Six; by 1970 this figure had dropped to 10 million, and it is estimated that by 1980 it will be only 5 million. As a share of the total active population, farm workers in the Six declined from 28 per cent in 1950 to 13 per cent in 1970 and will form an estimated 6 per cent in 1980.

The Community's goals in agriculture according to Article 39 of the EEC Treaty are to increase agricultural productivity, ensure a fair standard of living for the agricultural community, stabilize markets, and assure both that supplies are available and that they reach consumers at reasonable prices.

Europe's social problem in agriculture should not be solved by drastic measures but only through social evolution. In March 1970 the EEC Council of Ministers adopted the first directives under the so-called "Mansholt Plan" for the modernization of European agriculture. These directives call for the spending of UA 830 million from Community funds over the next five years to encourage the formation of larger farms and to give income support to farmers wishing to leave the land. A resolution to help farmers at a geographical disadvantage, such as in hill regions, was approved last May by the Ministers.

It was likewise with a view to improving the operation of the common agricultural policy that the Council decided that it would very shortly review certain of its rules, on proposals from the Commission, without questioning either the principles or the machinery of the policy. Even recently it was still found that despite a difficult world market situation the common agricultural policy was helping to stabilize markets and to secure Community supplies; it protects consumers against the sudden impact of sharp world market price increases and guarantees its food supplies.[9]

On the other hand, the Community has a duty not only to maintain guaranteed supplies while at the same time assuring its farmers a fair income but also to maintain a state of equilibrium between its industrial areas and its farming areas by means of general economic policy reflecting the legitimate aspirations of the whole of the population in the field of the environment and the quality of life.

As Commissioner Petrus J. Lardinois recently said, the common agricultural policy must also be implemented as a part of a world agricultural policy, contribute towards stabilizing markets in the main commodities through international agreements, and thus enable the growing food requirements of the world's peoples to be met.

III. NONTARIFF BARRIERS

The post-war movement of trade liberalization has been successful in lowering high walls of industrial tariff protection built during the 1920's and 1930's. As industrial tariffs have come down, though, nontariff barriers to trade such as licensing systems, customs valuation and labeling, and packaging standards have taken on greater significance.

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[9]The current world market price of common wheat is 35 per cent higher than the Community price, while the price of durum wheat is double the Community price.

The GATT has drawn up an inventory of more than 800 nontariff measures. This GATT inventory shows that all countries have extensive nontariff barriers. The United States is among the countries against which the most complaints have been leveled. One of the major tasks of the new round of multilateral trade negotiations will be to seek a reciprocal dismantling of nontariff barriers by all countries (see also Section VIII).

Economic integration within the Common Market has already decreased the number and magnitude of nontariff barriers previously erected by the Six. Since 1958 such technical barriers to trade as national subsidies to shipbuilding, the Italian statistical tax and various national and technical norms and standards have been harmonized, reduced, or removed at Community level as part of the process of establishing a truly common market among the Six. This action was taken to facilitate intra-Community trade, but the effects are also beneficial for exports from all non-member countries.

The Community's tax system based on value added tax (VAT) has sometimes been misunderstood and regarded as a nontariff barrier. The VAT has been adopted by the Community as the most appropriate means of harmonizing the existing disparate European systems of indirect taxes, many of which had features which might have laid them open to being called nontariff barriers. At the present time the Member States apply differing VAT rates, but eventually these will be harmonized. The VAT, like the sales tax which is used in 46 of the 50 American states, is an indirect tax. The trading rules of GATT permit border adjustments on indirect taxes so that foreign and domestic products compete on an equal footing. Thus both locally produced and imported goods are equally taxed when sold within the state or country, and taxes need not be paid on goods exported outside the state or country. This applies equally for the American state sales taxes, such as the 6 per cent tax of Pennsylvania, and for the VAT.

Moreover, both the GATT and the Organization for Economic Cooperation and Development (OECD) have made extensive enquiries into the trade effects of the VAT, which is now also used by many non-Community countries. Both organizations concluded that the tax was neutral and did not distort competition between domestic and imported goods.

1. Quantitative Restrictions

Quantitative restrictions, which set absolute limits on the amount of an item that can be imported, are generally much more harmful to free trade than tariffs. Quantitative restrictions can take place either via quotas or via so-called "voluntary self-limitations" whereby the exporting country restricts the level of its exports. In recent years Community Member States have been steadily abolishing their quantitative restriction. Over the past five years the Community Member States decreased the number of their quotas according to the following table. In both sets of figures there is extensive duplication since the same product may be subject to restriction in more than one Member State.

	June 1, 1968	June 1, 1973
Benelux	56	31
France	113	64
Germany	59	30
Italy	129	58

In the United States, on the contrary, the trend has been exactly the opposite. The United States has been making increasing use of quantitative restriction, especially through the use of "voluntary self-limitations" and now has more than any Community Member State. In 1963 the United Staes had only seven quantitative restrictions ; in 1971 it had 67, and in March 1973 it had 77.

2. Valuation Practices

The "American Selling Price" is a method of customs valuation used by the United States on such benzenoid chemicals and their derivatives like dyes, pesticides, pharmaceuticals, and plastics. Under this practice, duties are established not according to the value of the product itself but according to the price of the same product manufactured in the United States; this eliminates any competitive advantage the import might have. Although removal of the American Selling Pricy was part of the supplementary Chemicals Agreement negotiated in the Kennedy Round, the American Congress never took the necessary action to repeal the measure. In addition to the American Selling Price, other methods of customs valuation such as those applied under the "Final List" are extremely complicated and create uncertainty. The United States is likewise one of the few countries which does not apply the standard internationally accepted tariff nomenclature, which can also complicate and hinder trade.

3. Government Procurement

Through a variety of state and national measures, government purchases of American-produced rather than imported goods are encouraged. The Buy American Act of 1933 requires that national government purchases must be American-made products unless the American equipment is either not available or costs 6 per cent (in some areas 12 per cent) more than the foreign-made product. The American Defense Department demands that foreign products must cost 50 per cent less than the American product if they are to be purchased. The Department also maintains a long list of products, including food, clothing, special steels and products made from them, which cannot be purchased at any price if they are foreign. Nearly half of the American states have Buy American Acts.

4. Administrative Obstacles

A wide variety of administrative controls likewise impede or complicate Community exports towards the United States. No foreign-made vessel, for example, can ship goods between ports along the American coast. Another American Act requires "marks of origin" such as "Made in Italy" or "Made in Japan" on all products. This complicates production and can also result in discrimination by buyers against foreign goods. The United States furthermore does not conform to the accepted international rules on dumping. Although the United States took part in drawing up the international anti-dumping code during the Kennedy Round, it has never applied the criteria of the code. Special American rules and their excessive use can have the effect of becoming a barrier to trade. From July 1, 1971, to June 30, 1972, for example, the United States, applying its own rules opened 39 anti-dumping cases and levied special dumping duties in 16 cases. During the same period the Community, applying the stricter international code, opened only 11 cases and applied no dumping duties. In addition, national escape clauses and countervailing duties are being applied in the United States. In a certain number of escape clause procedures, tariff concessions made in the Kennedy Round are being nullified lest they lead to growing import competition.

5. Domestic International Sales Corporations (DISC)

In December 1971 the American Congress passed an Act permitting the establishment of DISC companies, which are allowed to defer payments of 50 per cent of the tax on their export profits. The 50 per cent tax deferment then becomes tax exemption since it is never taxed as long as the profits are not distributed to stockholders but instead are reinvested for export development. Some 3,000 DISC companies have been established since December 1971.

The Community, Canada, and (before it joined the Community) the United Kingdom have all protested to the United States that the DISC tax arrangement is an export subsidy designed to give American companies a competitive advantage. They will be able to reduce prices since they are not carrying the normal tax load. Export subsidies are in violation of the GATT and the Community has initiated proceedings under GATT rules concerning the DISC.

IV. AMERICAN INVESTMENTS IN EUROPE

American investment in Europe today is an important element in the complex kaleidoscope of Atlantic and monetary relations.

In 1958 American investment in the Community of Six totaled $1.908 billion; at the end of 1971 it stood at $13.574 billion. In addition to this there was also $8.941 billion of American investment in the United Kingdom. Total American investment in the Nine at the end of 1971 was $23.087 billion. All figures given here are based on book value; real or replacement value would be three to four times greater. Such figures also take into account only investments by American firms directly from the United States and do not include investments by American holding companies located, for example, in Switzerland, Luxembourg, or the Bahamas.

Since its establishement the Community has been one of the fastest growing regions for American direct investment. The perspectives of a large, more unified and affluent market encouraged many American companies to establish manufacturing plants in Europe. In 1958 investment in the Community comprised only 7 per cent of total American investment abroad. By 1971 the Community proportion had risen to 15.8 per cent, and 26.8 per cent of American investment abroad in 1971 was in the Community of Nine. The largest part of American investment in Europe, in contrast to that in most other areas, is in manufacturing industries rather than in petroleum or mining.

The volume of direct American investment is perhaps more accurately seen from the annual expenditure of American companies on plant and equipment. Capital expenditure comprises capital transferred from the United States, capital raised in European money markets, and reinvested earnings. Annual capital expenditures in the Six by American firms totaled $420 million in 1958 but is likely to be $3.500 billion for 1973. Capital expenditure in Britain is expected to be $1.600 billion in 1973.

This American direct investment has had an important impact on trade relations between the Community and the United States. As the multinational American corporations themselves often state, they have built plants in Europe in order to be closer to the markets to which they are selling. The United States, to take but one example, exports relatively few automobiles to Europe. This is not due to European barriers against American cars but primarily because the subsidiaries of the major American automobile firms are manufacturing cars in Europe made for European specifications and tastes. Today more and more American products, whether computers or detergents, which might have been formerly manufactured in the United States and then exported to Europe are now being produced in Europe itself.

This development, of course, has had an impact on the level of American exports to Europe. It is impossible to ascertain the exact amount of American exports which are displaced by production in Europe. It is estimated, however, that today sales of American manufacturing subsidiaries in the Community are some three to four times greater than the value of American manufactured exports. US direct investments in Europe have, however, also generated American exports, especially of capital equipment, from the mother company in the United States to the Community-based subsidiary. The output of these subsidiaries is however entirely produced for markets in Europe.

This phenomenon is in contrast to that in other parts of the world, where output is often re-exported back to the United States.[10]

Community direst investment in the Unites States has always been much smaller than American investment in Europe. The book value of Community investment in the United States in 1960 was $1.446 billion and at the end of 1971 was $3.757 billion plus an additional $4.435 billion of investment in Great Britain.

V. PREFERENTIAL AGREEMENTS

The European Community is a new unit in international trade. Yet at the same time the Community has inherited the economic and the political ties of its Member States. Part of this inheritance consists of the close trading links with many developing countries which are in many cases still vitally dependent on Community markets as an export outlet for their raw materials and agricultural products. The Community has constantly received requests from these developing countries to grant their exports special treatment. The Community and its Member States thus have a particular responsibility to ensure the economic stability and development of these countries, some of which are among the least developed in the world.

This responsibility has found its expression through a policy of cooperation and development and was given practical form in the first and second Yaounde Conventions concluded with 17 African States and Madagascar, joined in 1972 by Mauritius. These agreements, which make important provisions for development and also establish arrangements based on the concept of free-trade without, however, involving the automatic grant of preferential treatment for Community exports. Furthermore, the 1969 Arusha Convention established a similar association between the Community and Kenya, Uganda, and Tanzania.

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[10] The repatriation of profits from American investment abroad, especially in Europe, has in recent years become an important factor in the American balance of payments. For a full treatment of this see Section VII below.

Under Protocol 22 of the Treaty of Accession, the Community agreed to offer the 21 independent Commonwealth countries, which are at a stage of economic development similar to that of the original 18, a choice of trading arrangements including the same type of arrangement with the enlarged Community as that already enjoyed by the original 18 countries. This offer was subsequently extended to a certain number of developing countries south of the Sahara.

In October 1973 the Commission began negotiations with 42 developing countries, some associated and some not.

The Community has also signed a series of agreements with most of the countries in the Mediterranean basin. The purpose of these agreements, most of which are currently being renewed, was to safeguard the traditional economic and commercial equilibrium in this area where, once again, Member States of the Community had close historical and economic ties.

In the case of some of the countries on the northern shore of the Mediterranean, these agreements are aimed at bringing the economies of the countries up to the level of development that will enable them eventually to join the Community as full members, provided their political systems are compatible with democratic principles. For all the developing countries of the Mediterranean basin the Community market is vitally important. They all send over half of their total exports to the enlarged Community, and for some countries such as Algeria (80 per cent) and Morocco (70 per cent) the figure is even higher. Especially for such agricultural exports as tomatoes, citrus fruit and wine, the enlarged Community is their main customer.

In addition, the enlargement of the Community made it necessary for the Nine to come to some special arrangements with the EFTA members which were not joining the Community. Since 1960 EFTA had established an industrial free trade area among its members. The entry of Britain and Denmark into the Community, however, would have necessitated the re-establishment of tariff barriers between those countries and their former EFTA partners, a development which would have gone against the whole post-war movement towards freer world trade. The remaining EFTA countries, in addition, did from 40 per cent to 60 per cent of their trade with the enlarged Community. During 1972 and early 1973 industrial free trade agreements were therefore negotiated with the remaining seven EFTA countries. These will progressively establish free trade for industrial products between each country and the Community.

The Commission has stated that it has no intention of proposing preferential agreements with any other countries. Sir Christopher Soames said in April, "I must also make it clear that the Community does not seek to extend its policy of association and preferential trade agreements beyond the limits which history and close geographical links have made necessary. In fact, I say quite categorically that the Commission, having considered this question, has no intention of proposing any additional agreements of a preferential kind with countries which lie outside Africa or the Mediterranean basin."

One particular aspect of these preferential agreements has recently drawn criticism -- the so-called "reverse preferences."

In reality, criticism based on this notion proceeds from a misunderstanding, provided by the reference to the free-trade arrangements aimed at by international trade agreements (GATT agreements). The reference was necessary in order to protect the parties from legal criticisms in the light of GATT rules.

In its Memorandum of April 1974 the Commission explicitly stated that it would not ask for reverse preferences from its future partners. It remains clear that the countries already associated will maintain the concessions granted to the Community (certain countries, such as Zaïre and Togo, have offered none). It is worth remembering the scale of the trade involved: in 1971 the United States exported goods worth $950 million to the associated or associable countries (including the Maghreb countries), $600 million to South Africa alone and $43 million to all other countries; in other words Community association arrangements will affect at worst 2 per cent of American exports.

The Community's primary goal with the preferential agreements is to ensure that its market remains open to the developing countries, whose livelihood depends so heavily on it. The preferential agreements are the best method that has so far been found to accomplish that goal.

VI. JAPANESE-COMMUNITY TRADE RELATIONS

Trade relations between the United States, Japan and the European Community are closely interrelated. The bilateral relations between any two of them are of importance for all three and for the well-being of world trade as a whole. American officials have complained that the Community is protectionist against Japanese products and that this situation has forced the Japanese to concentrate more heavily on the American market. This argument is not confirmed by the facts.

In recent years Japanese exports to the Community have been increasing at a rapid pace. In 1958 the Community exported UA 139 million worth of goods to Japan and imported UA 117 million from Japan. In 1972 the Community of Six imported UA 1.876 billion from Japan and exported UA 1.080 billion to that country. Corresponding figures for the enlarged Community in 1972 were imports of UA 2.752 billion and exports of UA 1.544 billion. In 1971 Community imports from Japan were up 25 per cent over the previous year, and in 1972 they were up an additional 22 per cent over 1971. It is clear that Japanese exporters, finding the American market more restricted to them and their export potential there exhausted, have turned increasingly toward the European market.

Before 1967 the Community had regular trade surpluses with Japan, but since then it has had an annually increasing deficit. In proportion to the amount of trade, this deficit is even higher than the American trade deficit with Japan. In 1972 the Community of Six had a trade deficit of UA 796 million with Japan. The Nine in 1972 had a deficit of UA 1.207 million.

Japanese-American trade has always been much more extensive than Japanese-Community trade. In 1955, for example, 22.7 per cent of Japanese exports went to the US market and only 4.0 per cent to the market of the countries of the Community of Six. In 1972, 31.1 per cent of Japanese exports went to the United States and 7.7 per cent to the Community of Six and 11.5 per cent to the Nine. The same situation exists for Japanese imports: in 1955 31.3 per cent came from the United States and 3.8 per cent from the Common Market of Six, while in 1972 24.9 per cent came from the United States, 5.9 per cent from the Six and 8.4 per cent from the Nine. The Japanese have clearly concentrated their export interests on the closer and already familiar American market with its unified economy with no barriers to trade, one language, and 210 million consumers with just about the highest standard of living in the world.

There are various reasons for the lower level of Community-Japanese trade in comparison to American-Japanese trade. Perhaps the most important is the simple factor of distance, which causes much higher transport costs and complicates both marketing and after-sales servicing. The distance between Tokyo and San Francisco, by air, is 8,200 km (5,095 miles); the distance between Tokyo and Rotterdam, also by air, is 12,700 km (7,891 miles). This natural barrier of crossing two oceans rather than only one has limited trade between Asia and Europe. This is true not only for Community commerce with Japan but also for that with other Asian nations such as China, India, and Hong Kong.

Another factor which limits trade between Europe and Japan is the similar structure of export industries in the two areas. American-Japanese commerce is broadly complementary, with the United States exporting large quantities of agricultural products, raw materials and high technology products to Japan, while the United States imports manufactured products, especially consumer goods and automobiles from Japan. Japanese and European industries, on the contrary, are often specialized and have their competitive trade advantage in exactly the same fields. The two export, and are competitors in, such products as consumer electronics, chemicals, traditional capital goods and small automobiles. In America, for example, the major competition in such fields as small cars and tape recorders comes not from American products but from European products. When Japanese-European competition takes place in Europe, the European producer with low or nil transport costs has an obvious and important advantage over the product that must be transported 12,700 km.

To take one important example, automobiles: Japan in 1972 exported an estimated $1.112 billion worth of passenger cars to the United States, with a large proportion of these being sold in the geographically closer Pacific Coast area. In the American market one of the major competitors of Japanese cars are European exports. While during the past few years sales of Japanese cars have increased rapidly in Europe, they started from a very low base and in 1972 Community imports from Japan amounted to only $146 million. Restrictions on importing Japanese automobiles into the Community, however, exist only in Italy. The explanation for the wide difference between Japanese car exports to Europe and the United States is obviously found in the stronger competition in Europe in the field of small cars, where European manufactures have much larger experience.

VII. TRADE AND THE MONETARY SITUATION

International trade is ultimately dependent upon the smooth working of the international monetary system. Yet over the past two years that system has been repeatedly buffeted by crises of confidence in the stability of the system itself. The European Community and its Member States have played a cooperative and constructive role during those recurring crises. The Member States of the Community have also accepted substantial devaluations of the US dollar vis-à-vis their currencies. After March 1973 the currencies of six Community countries[11] have been floating jointly in relation to the dollar. Since the monetary crisis of May-August 1971 the currencies of Community members have been modified by approximately the following amounts vis-à-vis the dollar as of July 1, 1973:

(+ = revalued, - = devalued)

Germany	+ 53.7 per cent	France	+ 35.3 per cent
Netherlands	+ 40.2	Italy	+ 8.0
Belgium/ Luxembourg	+ 39.6	Ireland & Britain	- 7.6
Denmark	+ 32.2		

[11]Belgium, Denmark, France, Germany, Luxembourg, Netherlands

These heavy revaluations in relation to the dollar have resulted in a commercial handicap for the Community Member States and a weakening of their international competitive position during a period when a less favorable economic situation and lower economic growth existed in the Community than in the United States.

Trade is an important element in the balance of payments of any country, but it is not the only factor to be taken into consideration. And while American officials have stressed the trade aspect of the recent American balance of payments deficit, the American payments account must be examined as a whole, especially in view of its rapidly changing structure. In the early 1960's, the United States regularly ran large trade surpluses, reaching a peak of $6.831 billion in 1964. During the latter 1960's, however, this trade surplus declined, and the trade account went into deficit in 1971 and 1972. This phenomenon was caused by a variety of factors. Persistent and high domestic inflation and very low productivity gains weakened the competitive position of American exports. The rapid spread of technology around the globe led many countries in Europe and Asia into fields which had been previously the private domain of American industry. The big increases in American raw material imports, especially of oil, was another factor.

In 1965 the United States imported energy products worth $2.181 billion but by 1972 these imports had increased to $4.814 billion worth. Lastly, as pointed out above in Section IV, American multinational corporations have begun manufacturing abroad many products which were previously exported from the United States.

On the credit side of the balance of payments account invisible earnings have become an increasingly important factor. The United States has developed a post-industrial service economy, with American firms increasingly serving their foreign markets primarily through direct production abroad. This is the phenomenon that economists call the "mature" economy, in which earnings from investment and services play an important role in the overall payments situation.

In recent years the repatriation of profits from American subsidiaries abroad has become a major new source of revenue. Remitted income on total US direct investment abroad rose from $2.395 billion in 1960 to $10.293 billion in 1972. Last year 2,395 American firms repatriated $1.460 billion in profits from investment in the Six and an additional $836 million from investment in the United Kingdom. Any analysis of the American balance of payments must take into consideration its changing structure and the importance of earnings from US investment abroad. Concentrating on the trade account alone results in a distorted view.

The turbulent international monetary scene of the past few years can only be calmed, however, by a far-reaching reform of the international monetary system. At the Paris Summit Conference last October, the Community declared that the following principles should be the bases for the new system:

- fixed but adjustable parities
- general convertibility of currencies
- effective international regulation of the world supply of liquidity
- reduction in the role of national currencies as reserve instruments
- effective and equitable functioning of the adjustment process
- equal rights and duties for all participants in the system
- lessening of the destabilizing effects of short-term capital movements
- consideration for the interests of the developing countries.

The Community and its Member States have been playing an active role in the negotiations for the reform of the monetary system with a view to achieving a successful conclusion without delay. At the same time, the Community does not believe that there should be any forced connection between these negotiations and the other talks concerning trade or defense matters. Such connections could delay and complicate the achievement of solutions in all these fields. Concerning this issue, Sir Christopher Soames recently said: "It would be mistaken to argue, because these problems are interrelated, that they should therefore all be lumped into one big basket and dealt with together in a single negotiation; that all issues, regardless of their intrinsic time scales, have to be tied up in a single deadline; that every solution for any one must be conditional on solutions for them all; and that the difficulties in any one should block progress in the others. Certainly all these problems call for overall political direction and management. But to force into a single forum all the diverse questions we confront, far from simplifying their solution, could complicate and exacerbate them."

The monetary and trade negotiations will be seen as a coherent entity, and progress must be made on both sides at the same time. Efforts in the two fields will help to improve economic relations.

In the introductory section to the document setting out the Community's overall approach to the forthcoming multilateral trade negotiations in GATT it is pointed out that the policy of liberalizing world trade cannot be carried out successfully "unless parallel efforts are made to set up a monetary system which shields the world economy from the shocks and imbalances" which occurred during the first half of 1973. The Community will assess the progress of the GATT negotiations in the light of the progress made in the monetary field and will take such progress into account both at the beginning and throughout the negotiations and when taking a decision on their results.

VIII. THE NEW ROUND OF MULTILATERAL NEGOTIATIONS

This September in Tokyo a new round of GATT multilateral trade negotiations began. This is the seventh round of tariff reductions since GATT was founded in 1947 and the first since the 1967 conclusion of the Kennedy Round. Sir Christopher Soames outlined the Communiyt's broad objectives in these negotiations, saying, "Between the industrialized countries we must consolidate and continue the process of liberalization, and do so on a reciprocal basis to our mutual advantage. For the less-developed world we must ensure not simply that their interests are not damaged, but, on the contrary that they secure greater opportunities for their economic expansion as a result of what we do."

The Community in June adopted its overall position on the new multilateral round. The following is only a very brief resume of the most important elements of that overall position.

1. Industrial Tariffs

The new round should lead to a significant lowering of customs tariffs. The formula eventually adopted for lowering customs tariffs must also take account of the considerable disparities which exist among national tariffs. As pointed out in Section I of this background note, the Community has a fairly even and fairly low tariff. Other countries such as the United States have many zero tariffs but also have many very high duties. The Community has adopted the principle that the higher the tariff the greater should be the reduction made in it. It also upheld the notion that there should be a threshold tariff level below which the Community should not insist on any tariff reduction. One of the advantages of this approach would be that the generalized preferences which the Community and Japan give to developing countries would remain beneficial to them.

2. Agricultural Trade

Previous GATT rounds have concentrated mainly on industrial tariffs. The new round, though, will also deal with agricultural trade. Negotiations in this field will be much more complicated than those in industrial products because, as mentioned above, the methods of agricultural protection vary markedly from country to country. The Community has made it clear that neither the principles nor the mechanisms of the common agricultural policy are up for negotiation. However, the Community is ready to discuss the practical application of the rules on a basis of reciprocity. The Community's objective in these negotiations is to expand trade in stable world markets while respecting existing agricultural policies. It is hoped that the negotiations will secure multilateral agreements for certain products such as wheat, flour and feed grains, rice, sugar and certain homogeneous milk products. These agreements could include maximum and minimum prices, stockpiling measures and food aid. Where such agreements are reached the way the common agricultural policy is implemented will obviously be adjusted accordingly.

3. Nontariff Barriers

The new multilateral round should also make a concerted effort to dismantle some of the nontariff hinderances to trade. The Community feels that the new round should take account of this work and draw up general principles or codes of behavior in this field.

For certain measures used by only a few countries *ad hoc* solutions could be reached. The Community will specify the nontariff barriers it wishes to see dealt with in the negotiations and is ready to negotiate in return on some of the measures which the Member States themselves apply.

4. Developing Countries

The new multilateral round should in no way undermine the position of the developing countries. The Community and other developed countries, on the contrary, have already pledged themselves to take particular account of the interests of the developing countries during the negotiations. In addition to the world agricultural arrangements described above, measures should be considered for products of particular interest to developing countries so that they can maintain or increase their export revenue. The Community also hopes to improve its system of generalized preferences for developing countries for their exports of industrial goods and the inclusion of processed agricultural products in the system.

5. Safeguard Clause

As tariff and nontariff measures are gradually lowered or abolished, countries may increasingly feel the need for safeguard clauses to adapt to and overcome purely transitory difficulties caused by an import influx of certain specific goods. The Community holds that the present safeguard provisions of Article XIX of the GATT code form a good basis and should be maintained as they are. It may however be that certain countries will wish Article XIX to be supplemented so as to make it operate more effectively, and the Community is willing to enter negotiations to this end. But whatever changes are made should not result in more restrictive safeguards nor make safeguards easier to apply or limit the right to retaliate, unless the conditions are set down with great precision and subject to firm international control.

6. Reciprocity

The post-war movement of freer world trade has been firmly based on the principle of "reciprocity and mutual advantage." The practice in trade negotiations of mutual concessions in the quest of mutual advantage has led to a general lowering of trade barriers and furthered the prosperity of all participating countries. While it is impossible, of course, for the developing countries to grant reciprocity, the Community maintains that the principle of reciprocity must be accepted by all industrialized countries if the new multilateral round is to be successful.

CONCLUSION

The Member States of the European Community and the Community itself have taken an active part in the post-war movement towards freer world trade. The very existence of the Community has been a stimulus for more liberal trade in Europe and in the world. The Dillon Round and the Kennedy Round in GATT, where the Community played a major and constructive role, took place primarily because of the establishment and development of the Community. Following the completion of the Kennedy Round tariff cuts, the Community emerged with the lowest customs tariff of any major trading entity, at a level only half that of the average tariffs of the original Member States.

During the forthcoming negotiations in GATT and in the International Monetary Fund and in the areas of future cooperation between the United States and the Community in trade, monetary reform, energy supply, defense, industrial relations, or any other field, the overall political objective of relations between Europe and America must be kept clearly in focus. This note itself has often dealt with some of the technical details of Atlantic relations. But these technical details should not lead to an eclipse of the shared common interest in developing and supporting an international economic system that will further the prosperity not only of the citizens of both Europe and America but also that of the whole world, nor to an overlooking of the many interests and ideals that Europe and America have in common far beyond the economic domain.

TABLE I

TRADE BALANCE BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES

(in millions of units of account*)

	Export US Dest. (FOB)	Import US Origin (CIF)	Community Trade Balance with the US (negative = US surplus)
1958	1,664	2,808	-1,144
1959	2,371	2,651	- 280
1960	2,242	3,830	-1,588
1961	2,232	4,054	-1,822
1962	2,447	4,458	-2,011
1963	2,563	5,051	-2,488
1964	2,849	5,438	-2,589
1965	3,425	5,693	-2,268
1966	4,098	6,022	-1,924
1967	4,424	5,898	-1,474
1968	5,769	6,393	- 624
1969	5,958	7,335	-1,377
1970	6,634	9,040	-2,406
1971	7,694	8,976	-1,282
1972 (Six)	8,321	8,585	- 264
1972 (Nine)	11,713	11,900	- 187

* One unit of account equals one 1970 dollar.

Source: Statistical Office of the European Communities.

TABLE II

I. BOOK VALUE OF DIRECT AMERICAN INVESTMENTS IN THE COMMUNITY AT YEAR'S END

(in millions of dollars)

	1958	1965	1969	1970	1971
Germany	666	2,431	4,276	4,597	5,214
France	546	1,609	2,122	2,590	3,013
Italy	280	982	1,422	1,550	1,860
Netherlands	207	686	1,227	1,508	1,672
Belgium/Luxembourg	208	596	1,214	1,529	1,815
Community Total (Six)	1,908	6,304	10,255	11,774	13,574
United Kingdom	2,147	5,123	7,190	7,996	8,941
Ireland	n.a.	n.a.	n.a.	188*	215*
Denmark	49	200	309	362	357
Community Total (Nine)				20,320	23,087

II. BOOK VALUE OF DIRECT COMMUNITY INVESTMENTS IN THE UNITED STATES AT YEAR'S END

(in millions of dollars)

	1960	1965	1969	1970	1971
Germany	103	209	617	680	767
France	168	200	319	286	315
Italy	71	87	95	100	109
Netherlands	947	1,304	1,966	2,151	2,225
Belgium/Luxembourg	157	175	309	338	341
Community Total (Six)	1,446	1,975	3,306	3,555	3,757
United Kingdom	2,248	2,852	3,496	4,127	4,435
Ireland	neg.	neg.	neg.	neg.	neg.
Denmark	(1959 = 30)	n.a.	n.a.	n.a.	90*
Community Total					8,282

Source: "Survey of Current Business" and US Department of Commerce.

* = estimate
neg. = negligible
n.a. = not available

TABLE III

STRUCTURE OF THE OFFICIAL POSITION OF THE RESERVES AT THE END OF 1972 OF THE PRINCIPLE INDUSTRIALIZED COUNTRIES

(in millions of US dollars, units of account (UA) or special drawing rights (SDR)*

	TOTAL UA or SDR	TOTAL DOLLARS	GOLD VALUE DOLLARS	GOLD VALUE PER CENT	SDR VALUE DOLLARS	SDR VALUE PER CENT	RESERVE POSITION IN I.M.F. VALUE DOLLARS	RESERVE POSITION IN I.M.F. VALUE PER CENT	FOREIGN CURRENCY DOLLAR	FOREIGN CURRENCY PER CENT	FOREIGN CURRENCY including DOLLARS	FOREIGN CURRENCY PER CENT of total
Belgium/ Luxembourg	3,565	3,870	1,638	42.3	568	14.7	560	14.5	1,104	28.5		
Germany[2]	21,453	23,292	4,336	18.6	893	3.8	1,238	5.2	16,825	72.2	16,113	69.2
France	9,224	10,015	3,826	38.2	630	6.3	499	5.0	5,060	50.5		
Italy	5,599	6,079	3,130	51.5	371	6.1	359	5.9	2,219	36.5		
Netherlands	4,407	4,785	2,059	43.0	705	14.7	601	12.6	1,420	29.7		
Community of Six	44,248	48,041	14,989	31.2	3,167	6.6	3,257	6.8	26,628	55.4		
Denmark	787	854	69	8.1	78	9.1	71	8.3	636	74.5		
United Kingdom	5,199	5,645	800	14.2	656	11.6	126	2.2	4,063	72.0		
Ireland	1,037	1,126	17	1.5	43	3.8	44	3.9	1,022	90.8		
Europe of Nine	51,271	55,666	15,875	28.5	3,944	7.1	3,498	6.3	32,349	58.1		
Norway	1,220	1,325	37	2.8	95	7.2	75	5.6	1,118	84.4		
Canada	5,572	6,050	834	13.8	505	8.3	343	5.7	4,368	72.2	4,355	
Switzerland	6,897	7,488	3,158	42.2	-	-	-	-	4,330	57.8		
Japan	16,915	18,365	801	4.4	461	2.5	620	3.4	16,483	89.7		
Sweden	1,451	1,575	217	13.8	116	7.4	98	6.2	1,144	72.6		
United States	12,112	13,150	10,490	79.8	1,960	14.9	460	3.5	240	1.8		

*1 UA = 1 SDR = $1.08571

[1] Source: International Monetary Fund

[2] German marks converted into US dollars at the central rate of $1 = 3.225 marks (Bundesbank).

TABLE IV

GENERAL STATISTICS

	SIX	NINE	UNITED STATES	USSR	JAPAN
Population (1,000) at 6/30/71	189,638	253,247	207,049	245,066	104,606
GNP (1,000 mil. UA*) (1971)	536.2	693.2	1,066.1	-	219.8
Imports (percentage of world total) (1972)	15.0	19.3	14.7	4.2	6.2
Exports (percentage of world total) (1972)	17.3	20.6	14.0	4.3	8.0
Total cereals production (1971) (1,000 metric tons)	77,034[1]	100,604[1]	232,326[1]	171,601[1]	1,068[1]
Total meat production (1970) (1,000 metric tons)	13,735	18,344	23,775	10,165	1,373
Milk production (1970) (1,000 metric tons)	72,448	93,637	53,268	82,900	4,766
Total primary energy production (1971) (1,000 tons coal equivalent)	335,856	507,736	2,091,350	1,392,800	70,154
Total domestic consumption of primary energy and equivalent sources (million tons coal equivalent) (1971)	862.2	1,205.4	2,409.4	-	405.2
Total production of petroleum products (1,000 metric tons) (1972)	428,454	537,396[2]	-	-	-
Total gross production of electrical energy (Gwh) (1972)	670,300	961,333	1,974,000[3]	845,000[3]	412,000[3]
Steel production (1,000 metric tons) (1972)	113,147	139,109	123,770	126,000	96,900
Car production (private and commercial vehicles) (1972)	8,559,000	10,480,000	8,828,000	730,000	4,022,000
Transport-Railways Passenger Kms. (millions) (1971)	127,252	161,645	11,167	274,600	190,321
Total merchant fleet on July 1, 1971 (1,000 gross registered tons)	30,281[4]	61,136[5]	16,265	16,194	30,509

* 1 UA = 1 SDR = $1.08571

[1] Excluding rice. Figures including rice as follows:

	SIX	NINE	UNITED STATES	USSR	JAPAN
	77,809	101,379	235,382	172,356	12,379

[2] Excluding Ireland

[3] Provisional figure

[4] Excluding Luxembourg

[5] Excluding Ireland or Luxembourg

TABLE V (a)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-72 (in millions of dollars)

Origin / Year	Intra-Community	Imports (All Products) United States	Canada	Japan	Rest of World
1958	6,790	2,808	430	117	12,801
1959	8,082	2,651	327	115	13,113
1960	10,150	3,830	450	163	15,002
1961	11,718	4,054	485	204	15,712
1962	13,416	4,458	452	257	17,186
1963	15,737	5,051	451	335	18,840
1964	18,054	5,438	500	358	20,560
1965	20,442	5,693	588	454	21,847
1966	22,922	6,022	634	528	23,572
1967	24,173	5,898	641	538	23,818
1968	28,422	6,393	731	653	25,790
1969	36,341	7,335	823	890	30,205
1970	42,824	9,040	1,260	1,233	34,105
1971	49,410	8,984	1,198	1,542	37,475
1972	55,993	8,549	1,088	1,876	41,013

TABLE V (b)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-72 (in millions of dollars)

Destination / Year	Intra-Community	Exports (All Products) United States	Canada	Japan	Rest of World
1958	6,864	1,664	237	139	13,870
1959	8,168	2,371	295	167	14,217
1960	10,246	2,242	293	209	16,739
1961	11,893	2,232	308	306	17,592
1962	13,563	2,447	312	307	17,570
1963	15,926	2,563	309	358	18,399
1964	18,383	2,849	372	394	20,564
1965	20,822	3,425	480	342	22,846
1966	23,230	4,098	529	412	24,380
1967	24,509	4,424	545	584	26,076
1968	28,914	5,769	611	637	28,275
1969	36,463	5,958	713	740	31,817
1970	43,308	6,634	728	987	36,853
1971	49,616	7,701	941	937	41,191
1972	56,258	8,321	1,021	1,080	46,259

TABLE V (c)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-71 (in millions of dollars)

Year \ Origin	Imports (Industrial Products) Intra-Community	United States	Canada	Japan	Rest of World
1958	5,544	1,919	255	77	6,549
1959	6,536	1,751	177	74	6,825
1960	8,365	2,632	279	96	8,177
1961	9,751	2,770	291	140	9,003
1962	11,195	3,159	255	180	9,835
1963	13,240	3,693	253	246	11,047
1964	15,224	3,811	299	273	12,321
1965	17,098	3,971	353	368	13,323
1966	19,311	4,135	379	451	14,589
1967	20,324	4,274	421	459	15,233
1968	23,865	4,759	543	566	17,357
1969	30,541	5,736	617	809	20,613
1970	36,326	7,058	934	1,138	23,993
1971	41,619	6,821	790	1,429	27,132

TABLE V(d)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-71 (in millions of dollars)

Year \ Destination	Exports (Industrial Products) Intra-Community	United States	Canada	Japan	Rest of World
1958	5,651	1,459	210	120	12,200
1959	6,642	2,146	266	152	12,585
1960	8,471	2,007	264	203	14,920
1961	9,928	1,991	281	287	15,646
1962	11,363	2,197	281	287	15,621
1963	13,439	2,302	279	332	16,252
1964	15,597	2,578	337	366	18,251
1965	17,474	3,134	343	310	20,382
1966	19,657	3,772	484	371	21,064
1967	20,626	4,077	497	529	23,628
1968	24,298	5,388	562	569	24,738
1969	30,637	5,577	654	663	29,158
1970	36,777	6,197	665	902	33,754
1971	41,832	7,251	859	861	37,665

TABLE V (e)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-71 (in millions of dollars)

Year \ Origin	Imports (Agricultural Products) Intra-Community	United States	Canada	Japan	Rest of World
1958	1,246	889	175	40	6,252
1959	1,546	900	150	41	6,288
1960	1,785	1,198	171	67	6,825
1961	1,967	1,284	194	64	6,709
1962	2,221	1,299	197	77	7,351
1963	2,497	1,358	198	89	7,793
1964	2,830	1,627	201	85	8,239
1965	3,344	1,722	235	86	8,524
1966	3,611	1,887	255	77	8,983
1967	3,849	1,624	220	79	8,585
1968	4,557	1,634	188	87	8,433
1969	5,800	1,599	206	81	9,592
1970	6,498	1,982	326	95	10,112
1971	7,791	2,163	408	113	10,343

TABLE V (f)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-71 (in millions of dollars)

Year \ Destination	Exports (Agricultural Products) Intra-Community	United States	Canada	Japan	Rest of World
1958	1,213	205	27	19	1,670
1959	1,526	225	29	15	1,632
1960	1,775	235	29	16	1,819
1961	1,965	241	27	19	1,936
1962	2,200	250	31	20	1,949
1963	2,487	261	30	26	2,147
1964	2,786	271	35	28	2,313
1965	3,348	291	37	32	2,464
1966	3,573	326	45	41	2,416
1967	3,883	347	48	55	2,448
1968	4,616	381	49	68	3,537
1969	5,826	381	59	77	2,659
1970	6,531	437	63	85	3,099
1971	7,784	450	82	76	3,526

TABLE V (g)

DEVELOPMENT OF TRADE BETWEEN THE COMMUNITY (SIX) AND ITS PRINCIPAL TRADING PARTNERS
1958-72 (in millions of dollars)

	Trade Balance			
	United States	Canada	Japan	Rest of World
1958	-1,144	-193	22	1,069
1959	-280	-32	52	1,104
1960	-1,588	-157	46	1,737
1961	-1,822	-177	102	1,870
1962	-2,011	-140	50	384
1963	-2,488	-142	23	-441
1964	-2,589	-128	36	4
1965	-2,268	-108	-112	999
1966	-1,924	-105	-116	808
1967	-1,474	-96	46	2,258
1968	-624	-120	-16	2,485
1969	-1,377	-110	-150	1,612
1970	-2,406	-532	-246	2,748
1971	-1,283	-257	-605	3,716
1972	-228	-67	-796	5,246