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THE EUROPEAN COMMUNITY AND THE UNITED STATES

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THE EUROPEAN COMMUNITY AND THE UNITED STATES

INTRODUCTION: TWO PILLARS OF THE WESTERN SYSTEM

The European Community and the United States of America are today the two principal pillars of the western political and economic systems. Their relations at all levels are particularly intense, and their world roles largely complementary. Both constitute great experiments in the democratic organization of society, the American idea having been inspired by the Revolution of 1776 and enshrined in the American Constitution, while the European idea, born from out of the political vacuum, economic devastation and social upheavals of the years following the Second World War, is expressed in the basic Treaties of the Communities and promoted by the Community's institutions. Whereas the American nation is a union of fifty States within a federation, the European Community forms the foundation of an ultimate union between diverse historic nation-States, a union whose final shape - whether federal, confederal or otherwise - has yet to be determined.

The European Community and the United States share many interests and ideals based on common or comparable political and cultural experience. The Community as a whole is the foremost economic partner and political ally of the United States. After the United States, the Community is the world's most powerful industrial unit, but the combined gross national product of the Community is now somewhat higher than that of the United States. In many regions of the Community living standards are now comparable to American ones.

For more than thirty years the United States has consistently supported European unification, first through the Marshall Plan which was a key to Europe's post-war economic recovery, then through active partnership with West European countries in the OECD (formerly OEEC) and finally through active backing for the European Community and its subsequent enlargements. In 1978, President Jimmy Carter reiterated American support: "As the first American President to visit the headquarters of the European Community, I believe this meeting symbolizes America's abiding commitment to a strong and united Europe, and to the European Community... I am proud today to add... that the United States welcomes a strong, united Europe as a common force for the values our peoples share."

With 260 million citizens the European Community exceeds by 40 million the population of the United States, although the Community's present area covers only one-sixth of the US land mass. As the western world's largest advanced industrial societies, the Community and United States face in the 1980s similar economic and social problems, especially in the areas of employment, prices, industrial policy, adaptation to new technology, energy, environmental and consumer protection, transportation, raw material supply and relations with developing countries. Their collaboration, at all levels, is therefore vital for the future of the West.

COMPARATIVE TABLE OF SOCIO - ECONOMIC AND GEOGRAPHIC INDICATORS

Country	Area 1 000 km ²	Population (millions) 1978	Density per sq km. persons: 1978	Population forecast (millions)		Civilian working force (millions)	Unemployment 3rd Qu. 1979	
				1980	1985		Thous.	%
<u>EC</u>				<u>1980</u>	<u>1985</u>	<u>1978</u>		
Belgium	30.5	9.8	322.6	9.8	9.8	4.0	288	10.6
Denmark	43.1	5.1	118.3	5.1	5.2	2.5	137	5.2
France	547.0	53.3	97.4	54.3	55.9	22.0	1 328	6.0
F.R. Germany	248.6	61.3	246.6	61.0	60.3	25.3	780	3.4
Ireland	70.3	3.2	46.1	3.3	3.5	1.1	88	8.0
Italy	301.3	56.7	188.2	57.1	58.2	19.9	1 880	8.3
Luxembourg	2.6	0.4	138.5	0.4	0.4	0.1	0.9	0.2
Netherlands	41.2	13.9	338.3	14.1	14.6	4.8	214	4.5
United Kingdom	<u>244.0</u>	<u>55.8</u>	<u>228.8</u>	<u>56.2</u>	<u>56.9</u>	<u>25.6</u>	<u>1 267</u>	<u>5.2</u>
	1 528.6 (1)	259.5 (1)	169.8 (2)	261.4	264.8 (1)	105.4 (1)		
Greece	132.0	9.4	70.9	9.3	9.4	-	22(2nd Qu.)	-
Portugal	91.6	9.8	107.0	10.4	11.5	-	-	-
Spain	504.8	37.1	73.5	36.9	37.1	-	1 070	9.3
United States	9 363.1	218.5	23.3	222.8	234.1	100.9	6.013	5.8
Canada	9 976.1	23.5	2.4	24.6	26.5	11.2	761	6.6
Japan	370.0	11.9	310.5	118.0	123.3	55.3	1 140	2.0

(1) Total - (2) Average

Source: Eurostat and UN Monthly Bulletin

RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES

POLITICAL RELATIONS

The European Community and the United States conduct their relations within the multilateral framework of the General Agreement on Tariffs and Trade (GATT), the OECD, the Conference on Security and Cooperation in Europe and other international bodies, and also at a bilateral level. As its political role in the world becomes commensurate with its economic role, the Community and its member countries have become the United States' principal Western partner in practically all matters except defence. Once a year the Heads of Government of the leading western industrialized countries, the United States, Japan, Canada, four member countries of the Community, namely France, the Federal Republic of Germany, Italy and the United Kingdom, together with the European Community as such (the latter represented by the President of the Commission), review their overall economic strategies at the so-called "western economic summits", the next of which will be held at Ottawa in 1981.

High-level consultations between the Commission and the US Administration are held twice yearly, in Brussels and Washington alternately, for the discussion of a vast range of bilateral and multilateral economic and trade issues, which are often highly complex. Despite the generally positive cooperation between the Community and the United States, a number of important obstacles, especially in the commercial field, have sometimes made these consultations critical.

In recent years, trans-Atlantic visits by leading US personalities and Commission officials have been stepped up as a function of the growing interdependence of the partners. These have included, in the 1979-80 period, official visits to the United States by the following members of the Commission: Mr. Guido Brunner (26 February 1979), Vice-President Lorenzo Natali (26-27 February 1979), Vice-President François Xavier Ortoli (2-8 March 1979), Mr. Richard Burke (4-6 April 1979), Mr. Antonio Giolitti (8-13 April 1979), Vice-President Henk Vredeling (2-4 May 1979), Vice-President Finn Olav Gundelach (19-20 May 1979), Vice-President Ortoli (23-24 July 1979), Viscount Etienne Davignon (30 September - 3 October 1979), Vice-President Wilhelm Haferkamp (19-20 November 1979), President Roy Jenkins (22-24 January 1980), Viscount Davignon (10-11 March 1980), Mr. Brunner (22-24 March 1980), Mr. Claude Cheysson (26-29 March 1980), and Viscount Davignon (30-31 July 1980). In the same period visits to the Commission in Brussels by senior officials of the US Administration have included those by Mr. R. Cooper, Under-Secretary of State for Economic Affairs (12-13 July 1979 and 7-9 May 1980); Mrs. J. Kreps, Secretary of Commerce (24 September 1979), and Mr. R. Askew, Special Trade Representative (10-19 February and 22-23 September 1980).

Parliamentary Relations

For its part, members of the European Parliament meet regularly with members of the US Congress. In January 1980 the 16th Joint Meeting was held in Washington when a delegation of European parliamentarians led by President Simone Veil, held sessions with their counterparts from Congress on a number of international issues. Mme Veil also paid visits to President Carter and leading members of the Administration. The 17th Joint Meeting took place on 12-19 November 1980 at Copenhagen and Strasbourg.

Bilateral Agreements

The Community and the United States have long-term Agreements covering fishing in US coastal waters (1977), the supply of nuclear fuels (1958), and cooperation in the field of peaceful use of atomic energy (1959), also an exchange of letters on cooperation in environmental matters (1974).

Representation

The United States maintains a diplomatic mission to the European Communities in Brussels. The Commission, for its part, is served by a permanent Delegation in Washington D.C.

TRADE RELATIONS

The European Community, United States and world trade

The European Community constitutes the main destination for US exports (24 % in 1979), followed by Canada (18 %) and Japan (10 %) and stands in second place as origin of US imports (16 % in 1979) after Canada (19 %) and before Japan (13 %) [see Appendices A-E]

United States bilateral trade experienced important shifts in 1979 [Appendix F] the most significant of which was the tripling of the US surplus with the Community to a record \$ 9.3 billion (1), as against \$ 3 billion in 1978. On the other hand, the US trade deficit with Japan narrowed from \$ 11.6 billion in 1978 to \$ 8.7 billion in 1979, while its deficit with Canada improved marginally. Evidently, the US trade balance vis-à-vis developed countries has been moving in favour of the United States, reflecting growth rates and currency movements. By contrast the US deficit with oil-producing less developed countries (LDCs) almost doubled during 1979, to \$ 30.2 billion, reflecting the higher import bill. The following table summarizes US bilateral trade balances for 1978 and 1979:

U.S. trade balance by world region

(\$ billion)

<u>Area</u>	<u>1978</u>	<u>1979</u>
European Community	+ 3.0	+ 9.3
Canada	- 5.2	- 5.0
Japan	- 11.6	- 8.7
Petroleum exporting LDCs	- 16.3	- 30.2
Non-Oil LDCs	- 2.1	+ 0.8
Soviet Union and Eastern Europe	+ 2.7	+ 4.9

Source: U.S. Department of Commerce.

(1) For the purpose of this note, the term "billion" is defined, according to American usage, as "1000 million".

The overall US trade deficit narrowed slightly in 1979 to \$ 24.5 billion, a \$ 4 billion improvement on the record \$ 28.5 billion deficit in 1978. Export growth accelerated to 27 percent, up from 19 percent in 1978 and a sluggish 5 percent in 1977.

Export growth was led by a 23 percent increase in manufactures exports, which shifted the manufactures trade balance from a \$ 5.7 billion deficit in 1978 to a \$ 4.3 billion surplus last year. Agricultural exports increased 18 percent to \$ 34.7 billion. The improved US export performance in 1979 parallels economic recovery abroad which had lagged behind US recovery following the 1975 recession. A second factor in the improvement is the effect of the depreciation of the dollar over the past two years. Import growth increased in 1979 to 20 percent, almost entirely as a result of higher priced petroleum imports which increased from \$ 39.5 billion to \$ 56.8 billion last year. Imports excluding oil grew 13 percent compared with 26 percent in 1978, reflecting a further slowdown in US economic growth. Import growth, which was broad based, was again led by imports of capital goods, up 28 percent from 1978 levels to \$ 24.6 billion.

Community - United States trade in the framework of GATT

With the successful outcome of the GATT Tokyo Round of Multilateral Trade Negotiations (MTNs) in 1979, the prospects for more liberal and orderly trade between the major western industrialized countries were improved. The Tokyo Round Negotiations, originally launched in 1973, moved into an active phase once the US Trade Act became law in 1975, thus providing the US Delegation with the required negotiating authority. The United States Presidential election in 1976 made it possible in the following year to make the required political decisions. The adoption of the negotiating directives by the Council of Ministers in February 1975 established the Community's negotiating position.

The real negotiations were begun in mid-1977 after certain major differences of view, especially in relation to the scope and procedure for negotiations on agriculture, had been resolved in discussions between the United States and the Community. By mid-1978 substantial agreement in principle had been reached among the major participants in relation to the shape of the final Tokyo Round package. Although the bulk of tariff negotiations, both in industry and agriculture, and the major part of the codes had been completed by the end of that year, it was not until April 1979 that all remaining issues had been finally agreed. A tariff protocol was initialled in July 1979 and this, together with the suspension of negotiations on the issue of a new safeguard clause, when no generally acceptable agreement proved possible, constituted in effect the end of formal negotiations. It then remained for the participants to implement the agreements through their internal laws and regulations.

Tariffs

The Community's Common Customs Tariff was relatively low insofar as industrial products were concerned. In trade with its developed partners the Nine's exports had continued to come up against tariff barriers which were often high. Heavy import duties imposed on certain products and even on entire sectors provided effective protection because they were selective and had by and large remained intact despite a succession of tariff negotiating conferences. Consequently, the Community sought the application of a formula which could be applied as generally as possible, and which,

while significantly reducing tariffs, would at the same time harmonize them.

The US Trade Act gave the President extensive powers in relation to tariffs. He could abolish duties of 5 % or less and reduce duties of over 5 % by up to 60 %. In September 1977 the Community and the United States agreed to apply tariff cuts in accordance with the "Swiss formula" under which high tariffs are cut proportionately more than low ones. This increased the extent to which tariffs of different countries are brought into alignment. The United States is the Community's largest trading partner and in 1978 it imported \$ 49.7m worth of dutiable industrial (non oil) products, 26 % of which came from the EEC. The average industrial tariff reduction agreed between the Community and the United States is about a third on either side (including aircraft and offers above the formula).

The proportion of US imports from the Community subject to duties over 10 % will fall from 16.3 % to 6 %, while that of imports subject to duties over 20 % drops from 4.8 % to 1.2 %. After the negotiations only 185 headings, rather than the previous 756, remained above 20 %. In the case of textiles the cut in the US tariff for Community goods is 27.5 %. The reduction applied to a number of fairly high duties which were making trade virtually impossible. In this sector the Community has cut its duties vis-à-vis the US by 22.6 %. As regards steel, where dutiable US imports from the Nine are four times imports from the US, the United States has cut its duties on Community goods by 29.6 %, apart from some legal exceptions concerning special steels. This reduction continues the process of harmonization in this sector which began under the Kennedy Round. In the paper sector, where there was strong US pressure for a substantial cut, the Community reduction vis-à-vis the United States is 28 %. Where other sectors are concerned, the United States has granted substantial tariff reduction on machinery, transport equipment, ceramics and glass.

The tariff concessions are to be implemented in eight equal annual reductions starting in 1980, with a number of exceptions including textiles, steel and aircraft. The agreement on aircraft took effect on 1 January 1980, while the concessions on textiles and steel will be implemented in six equal annual reductions beginning in 1982. At the end of a preliminary stage of five years, the Community will examine whether it is able to pass on to the second 3-year stage. The other participants have also reserved their rights in this respect.

Agriculture

Negotiations were pursued without calling into question the Common Agricultural Policy of the European Community. Agreement was reached on multilateral arrangements for dairy products and beef. The arrangements provided for continuing consultation on developments in the world market for these products; the arrangement for dairy products contains minimum price agreements for milk and skim milk powder, butter, butter oil and cheese. The Community was able to win acceptance for the maintenance of the present provisions recognizing the possibility of applying export subsidies. The results of negotiations in this sector have made it possible to avoid any calling into question of the refund mechanism (hitherto challenged in GATT) and at the same time has reduced the risks of confrontation with the United States on this subject.

In the negotiations with the United States, which is its largest agricultural customer, the Community's objective was to give priority to resolving the question of the possible application by the United States of countervailing duties (which represented a more or less permanent threat to Community exports) and to improve the conditions governing the importation into the US of products exported by the Community. The Community obtained satisfaction on the majority of its requests and obtained major concessions on most of the principal subjects of discord that have arisen in the past. In relation to cheese there was a considerable extension of Community export possibilities. In the spirits sector it has proved possible to eliminate the wine gallon method of tax assessment (whereby US imports of bottled whisky pay extra tax) which had acted as an important non-tariff barrier. Moreover, the United States agreed to the removal of tariff surcharges on dextrin and starch and agreed that the Community could resume its traditional exports of beef and veal. In return Community concessions were made in the poultry and rice sectors and with respect to table grapes, prunes, certain tobaccos and other products. Overall, substantial progress was also made in ensuring greater stability and better market opportunities for agricultural products and in ending the warfare which has raged intermittently over the last two decades on the implications for world trade of the Community's common agricultural policy. The agreements reached should substantially help stabilise world markets.

Civil aircraft

This agreement is concerned with tariffs and other matters affecting international trade in civil aircraft. The parties undertake to reduce their tariffs on civil aircraft, aero-engines and some aircraft equipment to zero on 1 January 1980.

Non-tariff barriers

The major significance of negotiations lies in agreement on a series of codes and other texts - such as on customs valuation, subsidies and countervailing duties, government purchasing, standards and import licencing - which, taken together with the machinery of enforcement of each code in terms of committees of signatories, means a considerable updating and strengthening of the GATT. The way has thereby been cleared for allowing GATT to continue to play a major role in reducing uncertainty for traders and promoting trade flows.

Product standards

This agreement is designed to reduce obstacles to trade resulting from the preparation, adoption, and application of product standards and certification systems. It encourages the acceptance of international standards. The agreement should make it easier for exporters to identify the regulations with which they have to comply in order to export to overseas markets.

Government procurement

The Community's objective was to secure the abolition of all practices of serving contracts for national suppliers and of price preferences in their favour. The aim was to abolish laws or administrative practices such as

the Buy-American Act in the United States which reserve government contracts for national suppliers or give them a price preference. The agreement coming into force on 1 January 1981 covers certain contracts awarded by central government entities. It does not apply to regional and local authorities, but there is a special arrangement with the United States aimed at limiting the level of preference in contracts awarded by such authorities. Public transport, energy production and distribution services are excluded. Since the agreement is subject to general review after three years, it is likely that pressure will remain strong for its scope to be extended to these three sectors.

Subsidies and countervailing duties

GATT rules have allowed the imposition of a countervailing duty on imported products where it has been shown that they benefited from a subsidy and that they therefore caused or threatened material injury to domestic industry. In this regard, the United States fully accepts for the first time the "material injury" criteria for countervailing action and the need for a direct link between the subsidy and the injury. The United States has undertaken not to impose countervailing duties unless it can be demonstrated that a domestic industry is being materially injured by subsidized imports as a result of the subsidy. This is an important benefit for Community exporters who have felt in the past that countervailing duties had been applied on protectionist grounds rather than on grounds of material injury.

Anti-dumping

The existing GATT anti-dumping agreement which dates from 1968 has been revised to bring its provisions into line with the provisions of the new subsidies and countervailing code. During the period of the MTNs there was a tacit agreement not to pursue the countervailing and safeguards investigations which had complicated Community-United States relations. Since the end of the negotiations most of these actions have been satisfactorily cleared and a number of anti-dumping procedures since introduced have, notably in the steel sector, also been brought to a positive conclusion. The threat by the United States Steel Corporation, introduced early in 1980, to bring anti-dumping action against Community steel producers was removed when the United States recently agreed to re-introduce the "trigger price mechanism".

Customs valuation

The charging of duty on an artificially inflated value hinders trade as the importer has to pay more duty than he should. An agreement which took effect on 1 July 1980 aims at eliminating this practice and minimizing the scope for arbitrary valuation of imported goods by customs officials. It ends the United States "American Selling Price" (ASP) system under which the duty on some goods is assessed, not on their landed value, but on the higher actual selling price within the US of similar goods produced there. The ASP was applied principally to benzenoid chemicals and led in some cases to high tariff rates of over 40 percent. As a consequence of this and cuts in nominal tariff rates, the United States will reduce virtually all its tariff rates on these chemicals to 20 percent or less.

Implementation of the GATT agreements

The Tokyo Round results were approved by the Nine's Council of Ministers on 20 November 1979. Since the GATT agreements do not have direct force of law in the US, it was necessary to introduce implementing legislation. This was done and the Trade Agreements Act was signed by the President on 26 July 1979. Ratification by Community Member States was completed in November 1979 and the Council of Ministers' decision published on 10 December 1979. This legislation has to be supplemented by regulations which will deal with the practical day-to-day application of the agreement. There is every reason to believe that the United States will both participate fully in a consolidation of new multilateral trade rules, and abide by its international obligations under the codes. While not all the Community's aims have been secured, the agreement should lead to greater access to the American market and a greater liberalization of trade at a time when pressures have often been in the opposite direction.

European Community - United States bilateral trade

In the 1970s the European Community's trade with the United States was characterized by spectacular growth on the one hand and by a continuous and substantial trade deficit on the other. Indeed, since the Community's establishment in 1958, trade has developed at a brisk pace beneficial to both partners. The rising standard of living in the vast outlet of the European Common Market and the abolition of virtually all barriers to trade with 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 substantial growth of American exports to the European 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 original six Member States. As a result of the enlargement of the Community through the entry of Denmark, Ireland and the United Kingdom in 1973, the previously existing tariffs of those countries were reduced as well since these tariffs were somewhat higher than the common external tariff which was effective before the enlargement. By 1 July 1977 all three countries after a period of three years had adopted the Community's external tariff. Furthermore, as a result of the Tokyo Round of Multilateral Trade Negotiations (MTNs) conducted in the framework of the General Agreement of Tariffs and Trade (GATT) between 1973 and 1979, the Common External Tariff of the European Community has been lowered even further.

With the implementation of the MTN agreement, 10 percent of Community tariffs on industrial goods will exceed 10 percent, and 1.5 percent will exceed 15 percent. On the other hand 7 percent of US industrial tariffs will exceed 10 percent, 5 percent will exceed 15 percent and still 3 percent will exceed 20 percent. Only one out of a total of 2100 dutiable tariff lines in the Community will remain subject to a tariff of more than 20 percent (22 % on trucks). The average tariff on industrial products in the Community after implementation of the MTN agreement will be 3.9 percent whereas the US average tariff on all industrial products will be 4.7 percent.

United States exports to the Community during 1979 increased by 33 percent /see Appendix H_/ exceeding the overall export growth rate (27 percent), while imports from the Community lagged overall import growth (15 percent versus 20 percent). The widening of the US trade balance with the Community since the mid-1970s has not been due to an increase in the bilateral agricultural trade balance which has averaged \$ 5 billion in the United States' favour over the past several years. Rather, the tripling of the US surplus resulted from a rise in American non-agricultural exports to the Community, particularly of manufactured and capital goods. This increase reflects higher capital investment and replacement in Community countries as well as continued development of North Sea oil. Overall, the Community share of US imports declined marginally in 1979, from 16.9 percent to 16.1 percent, while the Community share of US exports increased from 22.3 percent to 23.5 percent.

As regards trade with the individual Member States, the United Kingdom now accounts for 25 percent of American exports to the Nine, with the Federal Republic of Germany in second place with 20 percent. The rankings were reversed for US imports from the Community, with the Federal Republic accounting for 33 percent and the United Kingdom 24 percent.

The commodity structure of EC-US trade

The growth rate of US imports from the Community lagged overall US import growth in 1979 - 15 percent compared with 20 percent /Appendix G/. The discrepancy was particularly marked in US agricultural imports from the Community which declined 1 percent compared with an overall increase of 13 percent. US non-agricultural imports grew 21 percent with imports from the EC increasing 16 percent. Consequently, the EC share of US agricultural imports declined from 13 percent in 1978 to 11 percent in 1979 while the Community share of non-agricultural imports remained constant at 17 percent. US import categories experiencing high growth rates during 1979 were petroleum products (+ 102 percent), tires and tubes (+ 31 percent) and footwear (+ 30 percent). Negative growth rates were registered in fish (- 27 percent), meat and meat preparations (- 21 percent), iron and steel (- 10 percent) and clothing (- 5 percent).

US exports to the Nine increased 33 percent in 1979, higher than the overall growth rate of 27 percent. US exports of agricultural goods to all regions increased 18 percent, while exports to the Nine registered a more sluggish 7 percent rise /Appendix H/. In common with 1978, American exports of non-agricultural goods experienced the opposite trend, with exports to the Community exceeding overall growth (41 percent versus 29 percent). As a result of these trends the Community share of US agricultural exports declined from 24 to 22 percent while its share of US non-agricultural exports rose from 22 percent to 24 percent.

US export growth to the EC was highest in non-monetary gold bullion and scrap (+ 187 percent), metal ores (+ 142 percent), mineral fuels (+ 88 percent), textile yarns (+ 67 percent) and raw textile fibres (+ 60 percent). Meanwhile, soyabeans, oils and fats (- 2 percent) and grains and cereals (- 1 percent) showed negative growth rates.

Manufactures and other non-agricultural commodities

The overall commodity structure of US trade is heavily dependent on manufactured goods which, in 1979, accounted for 65 percent of exports and 55 percent of imports. The main feature of the improved US trade picture in 1979 was a shift in the manufactured goods balance from a \$ 5.7 billion deficit to a \$ 4.3 billion surplus. The Community's trade with the United States follows the same pattern /see Appendices G and H/ with a reduction in the American bilateral manufactures deficit from \$ 4 billion to \$ 0.7 billion /Appendix I/.

United States non-agricultural exports to the Nine, other than manufactures, grew rapidly in 1979, notably exports of gold and coal.

In 1979 the United States showed a \$ 6.9 billion surplus in its capital goods trade with the Nine. The following table shows the composition of US capital goods imports in the 1970s:

US capital goods by supplier
(percent)

		<u>Community</u>	<u>Canada</u>	<u>Japan</u>	<u>South and East Asian developing countries (1)</u>
Capital goods	1970	43	22	16	6
	1977	34	15	22	14
	1978	33	13	25	14
	1979	32	15	23	14
- Electrical Machinery	1970	21	18	23	18
	1977	16	7	23	34
	1978	11	6	27	35
	1979	11	7	25	35
- Non-Electrical Machinery	1970	51	21	15	1
	1977	42	18	23	4
	1978	42	14	26	4
	1979	41	15	25	5

Source: US Department of Commerce.

The Community's share of consumer goods imports into the United States continued to decline in 1979 to 20 percent, as can be seen from the following:

US consumer goods imports by main supplier
(percent)

	<u>Community</u>	<u>Japan</u>	<u>South and East Asia</u>
1970	28	34	19
1977	20	24	35
1978	21	22	36
1979	20	18	28

Source: US Department of Commerce.

(1) Including Hong Kong, Taiwan, Rep. of Korea, excluding China and Indonesia (OPEC member).

The overall American deficit in automotive vehicles decreased slightly in 1979 from \$ 9.8 billion to \$ 9.1 billion, largely due to a fall off in imports from Canada. The US automobile deficit with the Community, however, increased from \$ 4.0 billion to \$ 4.4 billion.

Both the Community and Japanese share of imports increased during 1979, reflecting increased US demand for small, fuel-efficient cars.

US car imports by main supplier
(percent)

	<u>Community</u>	<u>Japan</u>	<u>Canada</u>
1970	27	11	60
1977	18	29	49
1978	19	34	43
1979	21	36	37

Source: US Department of Commerce.

Agricultural products

The European Community is by far the most important market for agricultural exports of the United States. Exports to the Nine in 1979 came to a record. Whereas US agricultural exports to non-Community countries registered a growth rate of 395 percent in the period between 1964 and 1978, the total value of the US agricultural exports to the Community increased even 20 percent more. There have, of course, been shifts in the product mix of Community agricultural imports from the United States, with some products advancing 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, although in 1978 American wheat imports by the Nine went up by 95 percent. The export boom in soy product is primarily due to changing livestock feeding techniques with a much greater use of high protein soy products and a declining use of products such as corn.

In contrast, Community agricultural exports to the United States are much smaller than vice-versa. In 1973, after the entrance of the United Kingdom, Ireland and Denmark into the Community became effective, the Nine's farm exports to the United States totalled \$ 1.1 billion, or 13.2 percent of total US farm imports. By 1978, the Community's farm exports had risen to a total of \$ 1.9 billion, whereas the United States exported \$ 7.1 billion worth of agricultural goods to the Nine. The Community thus had an agricultural trade deficit of \$ 5.3 billion with the United States.

Many of the most important Community agricultural exports such as dairy products and ham are subject to quantitative restrictions in the United States. This means that the Community's export possibilities for farm products are strictly limited, although as a result of the recent MTNs, the United States has now somewhat

liberalized its stand on quantitative import restrictions. This fact will undoubtedly help to avoid frustrating experiences like the "cheese war" which, in 1975, harmed relations between the two partners.

The difficulties in this sector should, however, be viewed in its social context. Although the "green revolution" has, partly as a function of the Common Agricultural Policy, helped rationalize and modernize the Community's agriculture in recent years, raising productivity in some areas and for some products to levels comparable to those in the United States, European farming is still by and large less efficient than its American counterpart. In 1978, for instance, 77 percent of farms in the Community were smaller than 20 hectares in area, whereas the average American farm was 160 hectares (400 acres). The clear trend in the Community towards larger holdings and a smaller farm population should in the long-term improve the efficiency of European agriculture and thus its competitiveness.

United States trade with the Community by Member State

The following table summarizes the rankings in 1979 of the nine Member States of the European Community with respect to trade with the United States:

(in \$ million)

Rank	<u>US exports to</u>		<u>US imports from</u>			
	<u>Country</u>	<u>Value</u>	<u>%</u>	<u>Country</u>	<u>Value</u>	<u>%</u>
1	United Kingdom	10,635	25	F.R. Germany	10,955	33
2	F.R. Germany	8,482	20	United Kingdom	8,029	24
3	Netherlands	6,907	16	Italy	4,918	15
4	France	5,587	13	France	4,771	14
5	Bel-Lux	5,186	12	Netherlands	1,852	6
6	Italy	4,359	10	Bel-Lux	1,741	5
7	Denmark	732	2	Denmark	707	2
8	Ireland	695	2	Ireland	323	1

The United Kingdom remains the leading Community market for US exports, having increased its share from 22 percent to 25 percent in 1979. The Federal Republic of Germany's share declined from 22 percent to 20 percent to remain in second place. All export rankings remain unchanged from 1978.

On the import side, the Federal Republic is still the largest Community supplier of goods to the United States although its share fell 1 percent last year to 33 percent. The United Kingdom increased its share from 22 percent to 24 percent. Other rankings remained unchanged with the exception of the Netherlands which now ranks fifth having changed places with Belgium-Luxembourg, now in sixth place.

RELATIONS IN THE ENERGY FIELD

Petroleum

Oil is the most important fuel in the Community and US economies. In addition, both are dependent on large amounts of oil imports to cover their needs. In 1979 the Community imported 475 million tons of oil and the United States 429 million tons of oil. Although comparable in volume these quantities

reflect a somewhat different energy situation. The Community consumed 2.1 tons of oil per capita of which 86 % came from oil imports while the United States consumed 3.9 tons of oil per capita with only 50 % of oil consumed covered by imports. This heavy dependence on imported oil, which has been a dominant feature in the Community energy balance for more than a decade, has become of increasing importance in the US and world energy situation after the 1973 oil crisis. Neither the United States nor the Community can hope to escape from this over-reliance on oil overnight. Repeated disorder in the oil supply picture - such as experienced in the 1973 and 1979 oil crisis and the current Gulf conflict - therefore present the same kind of threat to the energy economies of both.

In the face of a bleak outlook for oil supply stability, consumer countries are tempted to secure own supplies to the detriment of others. It is however encouraging that in the search for more stable and secure oil supplies, there is an increasing awareness in both the Community and the United States of the need for continued cooperation to get oil imports under control and to limit the damaging effects of disturbances in the oil markets. This cooperation has been carried out in the IEA framework as well as through the "Western economic summit" meetings where it has been possible jointly and in cooperation with other industrialized nations to set specific limits for oil imports between 1980 and 1985 (Tokyo 1979) and to define energy strategies for the next decade (Venice 1980).

Continued efforts within the Community and in the United States to restrain oil demand will be the basis on which further EC/US cooperation can develop in the energy field.

Nuclear energy

The Community cooperates with the United States on the peaceful use of atomic energy in the framework of long-term Agreements concluded in 1958 and amended four times since (1960, 1962, 1963 and 1972) to adapt them to developments in this sector. In applying these Agreements, the United States furnishes to Community users principally enriched uranium and enrichment services. Thus some 20 nuclear reactors in the Community are supplied with slightly enriched uranium of American origin, and nearly all the highly enriched uranium needed to feed research reactors and high-temperature reactors is indeed imported from the United States.

The Euratom-United States Agreements are also necessary for the Community industry to transform for the benefit of third countries (Japan, Sweden, Switzerland, Spain and the United States itself) nuclear materials which they have bought from the United States. These Agreements serve as a basis for specific Euratom-US agreements on research and development, for instance in the field of nuclear safety.

Contacts also exist between experts in non-nuclear research and development programmes in the Community and their American equivalents in sectors such as the effect of energy production on the environment; raw materials research; medical research and research into toxic substances, etc. Finally the United States and the Community work together on research and development in the multilateral context of the International Atomic Energy Agency (UN) and the International Energy Agency (OECD).

FISHERIES

The Agreement on fisheries with the United States (1977) was the first concluded by the Community with a non-Member State. Valid until 1.7.1984 and extendable, it covers fishing by vessels of Member States of the Community for part of the surpluses of the fishery resources in waters under US jurisdiction, that is within the 200 mile-zone.

Fishing quotas are allocated by the US administration, against payment of licence fees, at an equivalent of 3.5 % of the estimated value of the fish, to Member States having traditionally fished in the zone. Furthermore, the US authorities intend to establish links between fishing possibilities and commercial relations both with fishermen (joint ventures) and with the Community itself (tariff concessions). The allocations are estimated insufficient by the Community in relation to the surplus rules of the Agreement, since the US authorities regularly report unused fishing quotas by US vessels from year to year, diminishing thus the surplus resources. On the other hand the so-called "poundage fees" are considered by Community fishermen a heavy burden tending to make fishing uneconomic in waters as distant as those in the US zone.

Outside the scope of the Agreement, US vessels are fishing in the Community fishing zone off the French département of Guyana under autonomous Community rules including free-of-charge licences.

MONETARY RELATIONS

On 15 March 1979 there came into operation the European Monetary System (EMS), after the European Council had, at Bremen on 7 July 1978, proposed that closer monetary cooperation be established between the Member States of the European Community. Earlier the idea of an EMS had been launched by Commission President Roy Jenkins in a speech at the European University Institute at Florence. The EMS is seen as a first and decisive step towards the Community's economic and monetary union, its long-term goal is to create a zone of monetary stability in Europe and to strengthen the international monetary system. Its more short-term objective to stabilize the exchange rates between the currencies of the participant countries has been largely successful in giving a real European dimension to markets. Thus the EMS should foster economic growth in Europe, not only in the participating countries (1), but through association arrangements in other European countries having close economic links with the Community. In the EMS a key role is played by the European Currency Unit (ECU) which is used as a numeraire for exchange rates, an indicator of exchange rate divergences, a denominator for claims and liabilities within the system and as a means of settlement reserve asset of the central banks in the Community. The value and composition of the basket-type ECU is identical with the definition of the European Unit of Account (EUA). Each currency has an ECU-related central rate. These rates are used to establish a grid of bilateral parities or central rates around which fluctuation margins of ± 2.25 percent have been fixed. Italy was granted a margin of ± 6 percent, a margin destined to be gradually reduced as soon as economic conditions permit. To serve as a means of settlement, an initial supply of ECUs was provided by a new European Monetary Fund against the deposit of 20 percent of the dollar reserves then held by the central banks.

(1) Till now, the United Kingdom does not apply EMS exchange rate regulations.

It has been suggested in the United States that the creation of the ECU and the full establishment of a European Monetary Fund could precipately and dangerously weaken the role of the dollar as a medium of international exchange. The European Commission however has emphasized that, although a new reserve unit was created, its use will be strictly limited to transactions between the central banks of the Community. The Bremen agreement stated that "the EMS is and will remain fully compatible with the relevant articles of the International Monetary Fund agreement. It cannot therefore be a threat to the dollar, the strength of which is as much in the Community's interest as it is in the interest of the United States". In a statement, issued in December 1978, the US Administration welcomed the decision to set up a European Monetary System, calling it "an important step towards the economic integration of Europe which we have long supported. We believe that the new arrangements will be implemented in a way which will contribute to substantial growth in the world economy and a stable international monetary system."

INVESTMENT

Foreign investment from sources in the United States and the European Community represents by far the largest volume of direct foreign investment in the world today. Overall too, American and European investors have the greatest share of foreign investments in the Community and United States respectively.

At the end of 1978, 32.8 percent of US direct investment abroad was placed in European Community countries (with a total value of \$ 55.3 billion), compared to 31.5 percent at the end of 1975. The evolution of this investment in Member States is shown in Appendix J. Concentration is clearly in the United Kingdom and Federal Republic of Germany.

Community countries for their part are the most important holders of direct investment in the United States, accounting for 58.6 percent of the total at 1978 year's end (with a total value of \$ 23.9 billion), with the Netherlands holding first place with \$ 9.8 billion, the United Kingdom second with \$ 7.4 billion and the Federal Republic fourth with \$ 3.2 billion. Only Canada (\$ 6.2 billion), Switzerland (\$ 2.7 billion) and Japan (\$ 2.7 billion) approach these levels. By comparison the OPEC countries hold only \$ 0.3 billion of direct investment.

American investment in the Community

American capital investment in the early post-war years was an important element in the economic reconstruction of Western Europe. Today it is a vital element in the kaleidoscope of Atlantic and international monetary relations. Since its establishment, the Community has been one of the fastest growing regions for American direct investment. The prospect 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 percent of total American investment abroad. By 1971 the Community proportion had risen to 15.8 percent. By the end of 1978 this share figured at 32.8 percent.

The largest part of US investment in Europe, in contrast to that in most other areas, is in manufacturing industries, with the exception of North Sea oil. Particularly noteworthy [see table in Appendix K_7] is the concen-

tration in the United Kingdom on petroleum and manufacturing industries, in the Federal Republic on manufacturing; in each country especially in the machinery and transport equipment sectors. Although less marked, this distribution also applies in France. In fact, 48 percent of US direct investment abroad in machinery and transport equipment is in Community countries.

The volume of direct American investment in the Community 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 expenditure in the Community, excluding Britain, in 1973 was \$ 3.5 billion; in the United Kingdom it figured \$ 1.6 billion the same year. At the end of 1978, annual capital expenditures in the Nine totalled \$ 12.6 billion, that is more than 40 percent of the total capital expenditure of all US foreign subsidiaries around the world. According to US Chamber of Commerce estimates, capital expenditures of US companies in the Common Market is expected to reach a record of \$ 16.9 billion at the end of 1980.

More and more US products, from computers to detergents, which might formerly have been manufactured in the United States and exported to Europe are now being produced in Europe itself. This phenomenon is in contrast to that in other parts of the world, where output is often re-exported back to the United States. Such a development has of course had an impact on the level of American exports to Europe. In 1976, the last year for which figures are available, the sales of American manufacturing subsidiaries located in the Community amounted to \$ 171.5 billion. Thus, for 1976, the sales of these subsidiaries were nearly six and a half times the value of total American exports to the Community or more than eight and a half times the value of exports of non-agricultural goods.

Community investment in the United States

Although small in comparison with American investment in Europe, Community investment in the United States has become more attractive to Europeans as a result of the major changes in currency parities over the past few years. Community investment in the US reached \$ 23.9 billion in 1978, with the Netherlands share totalling \$ 9.8 billion and the United Kingdom's share amounting to \$ 7.4 billion. Narrowing differences between United States and European wage costs were one of the incentives for Community companies to expand their US investment.

The US Administration's policy towards capital investment in the United States has traditionally been liberal. After a review of the official position in 1975 it was decided not to abandon this stance but to take action to improve the system for collecting data on foreign investment, to confirm the adequacy of the existing authority to deal with abuses and to reach understanding with foreign governments to consult the Administration prior to making major official investments in the United States. A new inter-agency Committee on Foreign Investment was accordingly set up and new functions assigned to the Department of Commerce for this purpose.

Concentration of investment from Community countries is marked in particular industries / see table in Appendix L / : \$ 8.5 billion in manufacturing, \$ 5.4 billion in petroleum and \$ 5 billion in trade.

Table 1
THE COMMUNITY'S EXTERNAL TRADE : WORLD, U.S., CANADA, JAPAN, AUSTRALIA, N.Z.
(Millions of dollars)

	1972	1973	1974	1975	1976	1977	1978	1979
Imports (c.i.f.)								
World (ex-EC)	73 560	103 840	156 008	155 660	178 174	197 608	227 165	298 967
U.S.	12 905	18 068	24 262	25 558	28 286	29 432	35 554	47 098
Canada	2 764	3 525	4 778	4 380	4 873	4 914	5 056	6 985
Japan	2 977	4 186	5 219	5 988	7 149	8 732	11 102	13 421
Australia	1 511	1 872	1 979	1 991	2 520	2 396	2 409	3 244
New Zealand	851	1 022	877	841	935	1 030	1 240	1 463
Exports (fob)								
World (ex-EC)	73 763	99 365	136 235	150 400	157 748	189 884	221 617	266 129
U.S.	12 693	15 766	18 977	16 380	18 149	23 429	29 432	34 321
Canada	2 136	2 431	3 020	3 167	3 100	3 489	4 058	4 601
Japan	1 673	2 840	3 303	2 763	3 040	3 524	4 748	6 349
Australia	1 390	1 876	2 893	2 642	2 689	3 049	3 610	4 038
New Zealand	473	589	909	778	679	747	854	1 025
Balance								
World (ex-EC)	203	-4 475	-19 773	-5 260	-20 425	-7 724	-5 548	-32 838
U.S.	-	-2 302	- 5 285	-9 179	-10 137	-6 003	-6 122	-12 777
Canada	-	-1 094	- 1 758	-1 213	- 1 773	-1 425	- 998	- 2 384
Japan	-1 305	-1 346	- 3 109	-3 225	- 4 109	-5 208	-6 354	- 7 072
Australia	-	4	915	651	169	653	1 201	794
New Zealand	378	- 434	- 32	- 63	- 256	- 283	- 386	- 438

Source: Eurostat: Monthly Trade Bulletin
Special Number 1958-79

APPENDIX B

Table 2

EC EXTERNAL TRADE: by countries

Import (1979)			Export (1979)		
	Million EUA *	%		Million EUA *	%
1. U.S.A.	34.362	15.8	U.S.A.	25.040	12.9
2. Saudi Arabia	14.260	6.5	Switzerland	17.753	9.1
3. Switzerland	12.563	5.8	Sweden	10.429	5.4
4. Sweden	10.291	4.7	Austria	9.792	5.0
5. Japan	9.792	4.5	Spain	6.525	3.4
6. Soviet Union	8.407	3.9	Saudi Arabia	6.392	3.3
7. Spain	6.684	3.1	Soviet Union	6.310	3.2
8. Norway	6.198	2.8	Japan	4.632	2.4
9. Austria	6.091	2.8	Yugoslavia	4.411	2.3
10. Iraq	5.969	2.7	Norway	4.358	2.2
11. South Africa	5.639	2.6	Greece	4.077	2.1
12. Nigeria	5.336	2.4	Algeria	3.816	2.0
13. Canada	5.096	2.3	Nigeria	3.551	1.8
14. Libya	4.876	2.2	Libya	3.387	1.7
15. Kuwait	4.527	2.1	Canada	3.357	1.7
16. Iran	4.344	2.0	South Africa	3.290	1.7
17. Finland	3.878	1.8	Australia	2.946	1.5
18. Brazil	3.602	1.7	Iraq	2.667	1.4
19. United Arab Em.	3.119	1.4	Finland	2.655	1.4
20. Hong Kong	2.913	1.3	Poland	2.479	1.3

* = European Unit of Account

Source: Eurostat

APPENDIX C

Table 3 EC-US IMPORT-EXPORT TRADE : BY EC MEMBER STATE

(million dollars)

	1972	1973	1974	1975	1976	1977	1978	1979
<u>Imports from USA (c.i.f.)</u>								
Germany	3 373	4 588	5 396	5 788	6 971	6 922	8 197	10 432
France	2 185	3 099	4 102	4 082	4 721	4 894	5 968	8 095
Italy	1 596	2 309	3 132	3 361	3 430	3 283	3 817	5 277
Netherlands	1 409	2 133	2 959	3 474	3 627	3 890	4 555	5 661
Belgium/Luxembourg	873	1 246	1 941	1 954	2 166	2 428	2 794	3 987
United Kingdom	2 948	3 977	5 886	5 997	6 374	6 662	8 877	11 963
Ireland	162	192	247	272	358	381	534	721
Denmark	360	523	601	630	637	760	812	961
EC Total	12 905	18 068	24 262	25 558	28 286	29 220	35 554	47 098
<u>Exports to USA (fob)</u>								
Germany	4 327	5 672	6 696	5 349	5 722	7 842	10 013	11 333
France	1 382	1 689	2 241	2 044	2 527	3 266	4 273	4 792
Italy	1 822	1 912	2 311	2 283	2 403	3 002	3 990	4 662
Netherlands	629	852	1 307	965	1 139	1 497	1 657	1 785
Belgium/Luxembourg	986	1 258	1 584	1 174	1 164	1 571	1 849	2 104
United Kingdom	3 041	3 727	4 132	3 911	4 431	5 386	6 626	8 584
Ireland	153	208	256	195	231	273	350	350
Denmark	354	448	451	459	531	582	674	711
EC Total	12 693	15 766	18 977	16 380	18 149	23 419	29 432	34 321
<u>Balance</u>								
Germany	954	1 084	1 300	- 439	-1 249	920	1 816	901
France	- 803	-1 410	-1 861	-2 038	-2 194	-1 628	-1 695	-3 303
Italy	226	- 397	- 821	-1 078	-1 027	- 281	173	- 615
Netherlands	- 780	-1 281	-1 652	-2 509	-2 488	-2 393	-2 898	-3 876
Belgium/Luxembourg	113	12	- 357	- 780	-1 002	- 857	- 945	-1 883
United Kingdom	93	- 250	-1 754	-2 086	-1 943	-1 276	-2 251	-3 379
Ireland	- 9	16	9	- 77	- 127	- 108	- 184	- 371
Denmark	- 6	- 75	- 150	- 171	- 106	- 178	- 138	- 250
EC Total	- 212	-2 302	-5 285	-9 179	-10 137	-5 801	-6 122	-12 777

Source: Eurostat.

Table 4
GEOGRAPHIC STRUCTURE OF U.S. IMPORTS 1970-1979

(Percent)

	European Community	Other Western Europe	Soviet Union and Eastern Europe	Japan	Canada	Latin America
1970	23	5	1	15	28	12
1971	23	5	(a)	16	28	11
1972	22	5	1	16	27	10
1973	22	5	1	14	26	11
1974	19	4	1	12	22	14
1975	17	4	1	12	23	12
1976	15	4	1	13	22	11
1977	15	4	1	13	20	11
1978	17	4	1	14	19	11
1979	16	4	1	13	19	9

(a) = Less than 0.5 percent

Source: U.S. Department of Commerce, FT 990.

Table 5 GEOGRAPHIC STRUCTURE OF U.S. EXPORTS 1970-1979

(Percent)

	European Community	Other Western Europe	Soviet Union and Eastern Europe	Japan	Canada	Latin America
1970	26	7	1	11	21	13
1971	25	7	1	9	23	13
1972	24	7	2	10	25	13
1973	23	6	3	12	21	13
1974	22	7	1	11	20	15
1975	21	7	3	9	20	15
1976	22	6	3	9	21	13
1977	22	6	2	9	21	14
1978	22	5	3	9	20	14
1979	24	7	3	10	18	12

Source: U.S. Department of Commerce.

Table 6

U.S. TRADE BY TRADING PARTNER 1970-1979

(Billions of dollars, f.a.s. value basis)

	Exports	Imports	Balance
U.S. Trade with E.C.			
1970	11.3	9.2	2.1
1971	11.1	10.4	0.7
1972	11.9	12.5	- 0.6
1973	16.7	15.6	1.1
1974	22.1	19.0	3.1
1975	22.9	16.6	6.3
1976	25.4	17.8	7.6
1977	27.1	22.2	4.9
1978	32.0	29.0	3.0
1979	42.6	33.3	9.3
U.S. Trade with Canada			
1970	9.1	11.1	- 2.0
1971	10.4	12.7	- 2.3
1972	12.4	14.9	- 2.5
1973	15.1	17.7	- 2.6
1974	19.9	21.9	- 2.0
1975	21.7	21.7	(a)
1976	24.1	26.2	- 2.1
1977	25.8	29.6	- 3.8
1978	28.4	33.5	- 5.2
1979	33.1	38.1	- 5.0
U.S. Trade with Japan			
1970	4.7	5.9	- 1.2
1971	4.1	7.3	- 3.2
1972	5.0	9.1	- 4.1
1973	8.3	9.7	- 1.4
1974	10.7	12.3	- 1.7
1975	9.6	11.3	- 1.7
1976	10.1	15.5	- 5.4
1977	10.5	18.6	- 8.0
1978	12.9	24.5	-11.6
1979	17.6	26.2	- 8.7
U.S. Trade with OPEC and Other Oil Exporting LDCs			
1970	2.7	2.5	0.1
1971	3.0	3.1	- 0.2
1972	3.4	3.8	- 0.4
1973	4.7	6.4	- 1.7
1974	8.3	20.5	-12.2
1975	12.8	21.5	- 8.7
1976	14.8	29.4	-14.6
1977	16.5	38.5	-22.1
1978	19.3	35.6	-16.3
1979	18.5	48.7	-30.2
U.S. Trade with Non-Oil LDCs			
1970	10.3	7.9	2.4
1971	10.5	8.4	2.0
1972	11.1	10.6	0.6
1973	16.3	13.9	2.4
1974	24.4	18.9	5.5
1975	26.4	17.7	8.7
1976	25.6	23.2	2.4
1977	26.8	29.2	- 2.3
1978	33.6	35.7	- 2.1
1979	44.5	43.7	0.8

Source: U.S. Department of Commerce.

Table 7a U.S. IMPORTS FROM THE COMMUNITY AND FROM ALL ORIGINS

(Millions of dollars)

Product	Total Imports		% Change 1979/1978	Imports from EC as % of total		Imports from EC		% Change 1979/1978
	1978	1979		1978	1979	1978	1979	
Grand total	172,026	206,327	+20%	17%	16%	29,009	33,295	+15%
Agricultural commodities	14,961	16,881	+13%	13%	11%	1,898	1,885	- 1%
Monoagricultural commodities	157,065	189,446	+21%	17%	17%	27,112	31,410	+16%
<u>Food and Live animals</u>	13,521	15,171	+12%	7%	6%	980	822	-16%
Meat and meat preparations	1,856	2,539	+37%	11%	7%	211	167	-21%
Dairy products and birds' eggs	283	304	+ 8%	37%	37%	104	113	+ 9%
Fish, incl. shellfish, and preparations	2,212	2,639	+19%	5%	3%	115	84	-27%
<u>Beverages and Tobacco</u>	2,221	2,566	+16%	60%	62%	1,336	1,579	+18%
Alcoholic beverages - whisky, beer, wine	1,744	2,013	+16%	73%	74%	1,278	1,494	+17%
Wine, except prune wine and rice wine	577	629	+ 9%	87%	87%	501	544	+ 9%
<u>Crude materials, except fuels (inedible)</u>	9,334	10,651	+14%	4%	4%	407	467	+15%
Industrial diamonds and other natural abrasives	93	116	+25%	34%	30%	32	35	+ 9%
<u>Mineral fuels, lubricants, and related materials</u>	42,105	60,061	+43%	4%	4%	1,499	2,537	+69%
Petroleum products - crude and refined	39,109	56,046	+43%	3%	4%	1,133	2,284	+102%
<u>Oils and fats - animal and vegetable</u>	511	740	+45%	7%	6%	36	42	+17%
<u>Chemicals and related products</u>	6,427	7,485	+17%	43%	40%	2,787	2,950	+ 6%
Organic chemicals	7,134	2,159	+25%	55%	53%	950	1,152	+21%

Sources: U.S. Department of Commerce.

Table 7b U.S. IMPORTS FROM THE COMMUNITY AND FROM ALL ORIGINS

(Millions of dollars)

Product	Total Imports		% Change 1979/1978	Imports from EC as % of total		Imports from EC		% Change 1979/1978
	1978	1979		1978	1979	1978	1979	
<u>Manufactured goods classified chiefly by material</u>	27,237	30,065	+10%	23%	21%	6,144	6,230	+ 1%
Rubber tires and tubes for vehicles and aircraft	923	1,136	+23%	39%	41%	357	466	+31%
Textile yarn, fabrics and related products	2,200	2,216	+ 1%	27%	26%	593	569	+ 4%
Glass, glassware, pottery and china	1,047	1,097	+ 5%	37%	39%	388	422	+ 9%
Iron and steel, and other ferrous metals	7,259	7,466	+ 3%	32%	28%	2,301	2,062	-10%
Nonferrous metals	5,122	6,320	+23%	14%	15%	733	911	+24%
<u>Machinery and transport equipment</u>	47,626	53,678	+13%	23%	25%	11,106	13,241	+19%
Machinery	24,404	28,045	+15%	25%	26%	6,100	7,241	+19%
Power generating machinery, incl. eng. textile, sewing and shoe machinery	3,244	3,472	+ 7%	35%	39%	1,132	1,339	+16%
Office machinery and automatic data processing machines	877	830	- 5%	50%	55%	442	456	+ 3%
Transport equipment	2,254	2,500	+11%	25%	25%	557	618	+11%
Passenger motor vehicles	23,222	25,634	+10%	22%	23%	5,006	8,000	+20%
Miscellaneous manufactured articles	13,850	15,147	+ 9%	25%	27%	3,482	4,084	+16%
Clothing and accessories, leather and fur articles	19,062	21,006	+10%	21%	22%	3,952	4,597	+16%
Footwear	5,657	5,876	+ 4%	8%	7%	446	429	+ 5%
Professional, scientific and controlling instruments	2,585	2,859	+11%	27%	32%	694	903	+10%
Commodities and transactions not classified elsewhere	981	1,159	+18%	41%	42%	403	482	+20%
	3,981	4,905	+23%	19%	17%	763	830	+ 9%

Sources: U.S. Department of Commerce.

APPENDIX H1

Table 8a U.S. EXPORTS TO THE COMMUNITY AND TO ALL DESTINATIONS

(Millions of dollars)

Product	Total Exports		% Change 1979/1978	Exports to EC as % of total		Exports to EC		% Change 1979/1978
	1978	1979		1978	1979	1978	1979	
Grand total	141,154	178,578	+27%	22%	23%	31,354	41,672	+33%
Agricultural commodities	29,407	34,745	+18%	24%	22%	7,176	7,666	+7%
Monoagricultural commodities	111,747	143,833	+29%	22%	24%	24,177	34,006	+43%
Food and live animals	18,333	22,245	+21%	19%	17%	3,406	3,869	+14%
Meat and mead preparations	958	1,127	+18%	24%	25%	231	284	+23%
Grain and cereal preparations	11,634	14,451	+24%	13%	10%	1,508	1,494	-1%
Vegetables and fruit	1,890	2,130	+13%	22%	22%	416	477	+15%
Feeding-stuff for animals, excl. unmilld cereals	1,921	2,317	+21%	51%	52%	975	1,204	+24%
Beverages and tobacco	2,293	2,337	+2%	36%	30%	836	700	-16%
Crude materials, except fuels (inedible)	15,553	20,755	+34%	31%	31%	4,769	6,324	+33%
Soybeans, except roasted as coffee substitute	5,210	5,708	+10%	44%	40%	2,302	2,258	-2%
Paper base stocks - pulpwood, wood pulp	1,177	1,644	+40%	36%	35%	421	571	+36%
Raw textile fibers and their waste	3,302	3,046	-8%	8%	14%	265	424	+60%
Metal ores, concentrates and scrap	1,839	3,325	+81%	26%	35%	475	1,147	+142%
Mineral fuels, lubricants, and related materials	3,878	5,616	+45%	20%	25%	757	1,420	+88%
Oils and fats - animal and vegetable	1,521	1,845	+21%	14%	11%	209	204	-2%
Chemicals and related products	12,618	17,306	+37%	28%	27%	3,554	4,604	+30%
Organic chemicals	3,370	5,055	+50%	33%	29%	1,094	1,474	+35%
Medicinals and pharmaceutical preparations	1,404	1,591	+13%	35%	34%	485	546	+13%
Synthetic resins and rubber or plastic material	2,088	3,241	+55%	25%	22%	513	703	+37%

Sources: U.S. Department of Commerce.

Table 8b U.S. EXPORTS TO THE COMMUNITY AND TO ALL DESTINATIONS

(Millions of dollars)

Product	Total Exports		% Change 1979/1978	Exports to EC as % of total		Exports to EC		% Change 1979/1978
	1978	1979		1978	1979	1978	1979	
<u>Manufactured goods classified chiefly by material</u>	12,466	16,236	+30%	20%	23%	2,513	3,654	+45%
Wood and cork manufactures	363	454	+38%	32%	38%	115	174	+51%
Paper, paperboard and manufactures	1,597	1,967	+23%	22%	23%	357	451	+26%
Textile yarns, fabrics, and madeup articles	2,225	3,189	+43%	27%	32%	611	1,017	+67%
Nonferrous base metals and alloys	1,280	2,152	+68%	33%	30%	419	651	+55%
Machinery and transport equipment	59,270	70,491	+19%	19%	20%	10,979	14,115	+29%
Machinery	37,022	44,741	+21%	22%	23%	8,265	10,473	+26%
Office machinery and computers	5,006	6,475	+29%	47%	49%	2,364	3,145	+33%
Transport equipment	22,248	25,750	+16%	12%	14%	2,714	3,642	+34%
Automobiles and other motor vehicles and parts	12,235	15,077	+23%	7%	8%	890	1,167	+31%
Aircraft and spacecraft and parts	8,204	9,719	+19%	22%	24%	1,757	2,355	+34%
Miscellaneous manufactured articles	10,191	12,643	+24%	29%	30%	2,946	3,842	+31%
Professional, scientific, and controlling instruments and apparatus	3,352	4,289	+28%	34%	33%	1,120	1,395	+25%
Photographic supplies	1,073	1,227	+14%	41%	40%	443	493	+11%
Commodities and transactions not classified elsewhere	5,030	9,103	+81%	20%	29%	1,024	2,654	+159%
Gold bullion and scrap - nonmonetary	1,123	4,929	+339%	71%	46%	797	2,287	+187%
Special category (commodities under security restrictions)	4,489	6,572	+46%	8%	4%	362	286	-21%

Sources: U.S. Department of Commerce.

Table 9

US TRADE WITH COMMUNITY IN MANUFACTURES

		Imports	Exports	BALANCE
Chemicals	1976	1.9	2.9	+1.0
	1977	2.2	2.9	+0.7
	1978	2.8	3.6	+0.8
	1979	2.9	4.6	+1.7
Manufactured goods classified chiefly by material	1976	3.4	2.4	-1.0
	1977	4.8	2.2	-2.6
	1978	6.1	2.5	-3.6
	1979	6.2	3.7	-2.5
Machinery and transport equipment	1976	7.0	8.1	+1.1
	1977	8.2	8.8	+0.6
	1978	11.1	11.0	-0.1
	1979	13.2	14.1	+0.9
Miscellaneous manufactured articles	1976	2.5	1.8	-0.7
	1977	2.9	2.1	-0.8
	1978	4.0	2.9	-1.1
	1979	4.6	3.8	-0.8
Total manufactures	1976	14.8	15.2	+0.4
	1977	18.1	16.0	-2.1
	1978	24.0	20.0	-4.0
	1979	26.9	26.2	-0.7

Source: U.S. Department of Commerce.

Table 10

UNITED STATES DIRECT INVESTMENTS ABROAD

Net Investment Position at Year End (Billion \$)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
<u>World</u>	51.8	75.5	83.0	89.9	101.3	110.2	124.2	136.4	149.8	168.1
<u>EC</u>	13.6	20.3	23.1	25.9	30.9	35.4	39.1	43.2	47.9	55.2
Bel/Lux.					2.5	2.9	3.3	3.6	4.3	4.7
France					4.3	4.9	5.8	5.9	6.1	6.8
Germany					7.7	8.0	8.8	10.5	11.1	12.7
Italy					2.2	2.7	2.6	2.9	3.0	3.6
Netherlands					2.4	3.3	3.4	3.5	4.0	4.7
U.K.					11.0	12.5	13.9	15.1	17.4	20.3
Denmark					0.5	0.7	0.6	0.7	0.7	1.6
Ireland					0.3	0.5	0.6	0.9	1.1	0.9
Other Europe	2.7	4.2	4.6	4.9	7.3	9.3	10.5	11.9	13.0	14.4
Canada	15.7	21.0	21.8	23.0	25.5	28.4	31.1	33.9	35.2	37.3
Japan	0.7	1.5	1.8	2.4	2.7	3.3	3.3	3.8	4.1	5.0
Developing countries	13.9	19.2	21.0	22.9	25.3	28.5	26.2	28.9	34.5	40.5

Source: U.S. Dept. of Commerce : Survey of Current Business.

Table 11
DIRECT US INVESTMENT IN EC MEMBER STATES AT 1978 YEAR'S END

(Millions of \$)

Country	All industries	Mining and Smelting	Petroleum	Manufacturing						Transportation Public Utilities	Trade	Finance and Insurance	Other	
				Total	Food Products	Chemicals and Allied Products	Primary and Fabricated Metals	Machinery	Transport Equipment					Other Manufacture
Total EC	55.283	18	12.202	32.182	2.433	7.219	1.321	11.016	4.741	5.452	45	4.643	4.148	2.044
Belgium-Luxembourg	4.739	1	355	2.812	(D)	817	104	1.064	258	(D)	3	(D)	849	(D)
France	6.772	-9	895	4.629	325	772	110	1.782	(D)	(D)	(D)	803	303	(D)
Germany	12.746	-1	2.361	8.324	388	1.370	(D)	3.098	(D)	832	(D)	807	1.148	(D)
Italy	3.571	9	664	2.389	200	543	(D)	1.181	(D)	296	7	275	154	73
Netherlands	4.656	1	1.381	2.523	334	847	203	637	87	415	6	538	7	200
Denmark	857	1	426	159	(D)	(D)	11	49	-4	(D)	1	107	(D)	(D)
Ireland	1.593	(D)	190	1.276	(D)	(D)	31	84	*	261	*	(D)	(D)	13
United Kingdom	20.348	(D)	5.932	10.070	908	2.060	377	3.121	1.472	2.132	(D)	(D)	1.939	1.301

(*) Less than \$ 500,000

(D) Figure suppressed to avoid disclosure of data of individual companies

Source: US Department of Commerce: Survey of Current Business

Table 12

MEMBER STATE DIRECT INVESTMENT IN THE US AT 1978 YEAR'S END

(Millions of \$)

Country	All in- dustries	Petro- leum	Manufacturing					Trade	Finance	Insurance	Real Estate	Other	
			Total	Food Pro- ducts	Chemi- cals and allied products	Primary and fa- bricated metals	Machi- nery						Other Manu- facture
Total EC	23.887	6.515	8.495	1.052	3.313	1.179	1.091	1.860	5.068	1.167	1.754	205	686
Belgium- Luxembourg	1 264	765	101	26	(D)	(D)	(D)	28	222	(D)	7	30	(D)
France	1.939	172	978	-2	246	384	51	299	510	205	28	-1	39
Germany	3.191	19	1.529	(*)	1.143	72	78	236	1.355	166	77	35	11
Italy	247	(*)	76	(D)	(D)	4	(D)	1	70	71	15	12	2
Nether- lands	9.767	5.073	2.842	709	798	44	661	631	681	512	178	40	442
United Kingdom	7.370	484	2.930	(D)	1.038	(D)	300	656	2.161	119	1.449	90	136
Denmark and Ireland	110	1	39	(*)	13	0	16	9	60	(D)	(D)	0	(D)

(*) Less than \$ 500,000.

(D) Figure suppressed to avoid disclosure of individual companies.

Source: US Dept. of Commerce : Survey of Current Business

EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "Europe Information" are still available, and may be obtained from:

Spokesman's Group and Directorate-General for Information
Documentation Service, Bur. Berl. 2/84
Commission of the European Communities
Rue de la Loi 200
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- 1/78 The European Community and Canada
- 6/78 List of main EEC agreements with other countries
- 9/78 Turkey and the European Community
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- 23/79 Portugal and the European Community
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- 37/80 List of Main EEC Agreements with other countries