THE EUROPEAN COMMUNITY AND THE UNITED STATES IN 1980

A review of US-EC relations

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Introduction[1]

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 time that this note has been prepared.

The method chosen in this paper is a factual comparative presentation. This note is specifically limited to matters within the direct competence of the European Community and in particular that of the Commission.

1 This note is partly an updated version of the note " The European Community and the United States in 1973 ", published by the Spokesman's Group in December 1973.

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 abolition of virtually all 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 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 which became effective January 1, 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 July 1, 1977, all three countries after a period of three years had adopted the Community's external tatiff.
As to the result of the Tokyo-Round of Multilateral Trade Negotiations which were 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. (For detailed information see page 31).

After the results have been implemented, 10.5 per cent of European Economic Community (EEC) tariffs on industrial goods will exceed 10 per cent and 1.5 per cent will exceed 15 percent, while 7 per cent of the American industrial tariffs will exceed 10 percent, 5 percent will exceed 15 per cent and still 3 per cent 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 per cent (22 % on trucks). The average tariff on industrial products in the Community after implementation of the MTN agreement will be 3.9 per cent, whereas the U.S. average tariff on all industrial products will be 4.7 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 (UA) worth of goods from the United States, while exporting UA 1.644 billion. In 1978, the value of imports from the United States was more than ten times as much: the Commnity imported 28.250 billion UA from the US and exported goods of the value of UA 23.141 to the United States.

Ever since the Community was founded in 1958 it has run a continous and substantial trade deficit with the United States averaging UA 2.243 billion annually (see Annex, Table 1). In 1978, the trade deficit was 5.109 billion UA (3 billion $) which signifies, however, a reduction in the deficit by 38 per cent.

US exports to the EC increased 18 per cent in 1978, reflecting overall US export growth. The EC share of US overall exports has been more or less maintained since 1974 at a rate of 22.3 per cent. The Community's share of US non-agricultural exports rose from 20.4 per cent in 1977 to 21.6 per cent in 1978. The same year the EC contributed 16.9 per cent of US imports, the second year of moderate increases following the period 1970-1976 when its share fell from 23.1 per cent to 14.8 per cent. Regarding trade with the individual member states, in 1978 the United Kingdom and the Federal Republic of Germany accounted for 22 per cent of US exports to the EC. As related to US imports from that area, the FRG and the UK accounted for 34 per cent and 22 per cent respectively in 1978.

In common with all US trade in that sector, the US continued her deficit on the manufacturers account with the EC which increased from 2.1 billion $ in 1977 to 4.0 billion $ in 1978. The US capital goods surplus with the EC which more than doubled over the last ten years further increased by 15 per cent from 4.6 billion $ in 1977 to 5.3 billion $ in 1978. Exports to the EC rose 27 per cent while imports were up 40 per cent on the previous year.

In consumer goods, however, the US continued having a negative trade balance with the Community, a deficit which totalled 3.4 billion $ in 1978.

Although the EC slightly increased its share of US consumer goods imports by 5 per cent in 1978, its share (21 per cent) was significantly lower than in 1970 (28 per cent).

The EC share of US overall imports increased from 15 per cent to 17 per cent in 1978 , totalling 29 billion $. This increase reverses the declining trend experienced from 1970 to 1976 when the EC share fell from 23 per cent to 15 per cent, a fact that was mainly due to OPEC's increase in its trade share.

The EC remains the largest buyer of US goods,accounting for 22 per cent of US imports in 1978.This share has been fairly constant since 1974 and,in 1978,represented a value of over 32 billion $.

In 1978,exports from the United States to the European Community increased by 21 per cent,reflecting an overall export growth rate of 20 per cent.

US exports of non-agricultural goods to the EC were growing much faster than at the overall growth rate(26 per cent compared with 19 per cent.) As a result of this growth rate, the EC share of non-agricultural exports rose 2 per cent to 22 per cent in 1978.

The US registered growth rate in its exports to the EC in sectors such as aircraft and spacecraft and parts (+62 per cent),beverages and tobacco(+53 per cent),transport equipment(+50 per cent),medicinals and pharmaceuticals (+49 per cent) and office machinery and computers(+41 per cent).

Agriculture

The European Community is the most important market for US agricultural exports which have constantly increased since the introduction of the Common Agricultural Policy (CAP) of the EC.In 1964,the last full trading year before the introduction of the CAP,US agricultural exports to the original six members of the Community,including cotton,amounted to 1.4 billion $.By the end of 1972,before the entry of the United Kingdmm,Denmark and Ireland into the EC,they had risen to 2.1 billion $ annually.Exports to the Nine in 1978 came to a record 7.2 billion $ according to US Department of Agriculture statistics.This 7.2 billion $ figure accounted for a quarter of the 29.4 billion $ in total US farm exports during that year.This also indicates a share increase of about 3 per cent between 1964 and 1978.Whereas US agricultural exports to non-Community countries registered a growth rate of 395 per cent in the period between 1964 and 1978,the total value of the US agricultural exports to the Community increased even 20 per cent more.

There have,of course,been shifts in the product mix of Community agricultural 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,although in 1978 wheat imports from the US by the Community went up by 95 per cent according the US Foreign Agricultural Trade Statistics Report.The export boom in soy products 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 EC imports from the US.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 totaled 1.12 billion $ or 13.2 per cent of total US farm imports.By 1978,the Community's farm exports had risen to a total of 1.859 billion $,whereas the US exported 7.176 billion $ worth of agricultural goods to the Community.The Community thus had an agricultural trade deficit of 5.317 billion $ with the United States according to US statistics.

Many of the most important Community agricultural exports such as dairy products and ham are subject to quantitative restrictions in the United States.For example,only one member state of the Community,Ireland,is allowed to export beef to the US. This means that the Community's export possibilities for farm products are strictly limited,although,as a result of the negotiations on agriculture in Geneva (for details see page 35),the US 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, detoriated US-EC agricultural trade relationship to a large extent.

All industrialized countries have special agricultural programmes suited to their structures and climate which aim at integrating this important sector into the whole economy after reorganizing it appropriately and guaranteeing agricultural workers a resonable income compensation in comparison with industrial workers.

For the Community,agriculture is indeed a very important sector,since 9.6 per cent of its working population is employed in agriculture.In certain regions of Southern Italy over 50 per cent of the workers are on the land. With the southern enlargement of the Community, which is to become effective January 1, 1981, with the addition of Greece and with Spain and Portugal joining the Community later this decade, this figure will certainly increase.

In contrast, agriculture accounts for only 3.2 per cent of the US labor force.

Trade in agricultural products has consequently always been more restricted than trade in industrial products, and no industrial country allows totally free and unhindered agricultural commerce. The American government, for example, guarantees its farmers' income and protects its agricultural sector by means of the income support system and quantitative import restrictions on many products. The restrictions are applied under a 1955 derogation clause in the GATT rules. That year, the US sucessfully asked the Contracting Parties of GATT not to apply the Agreement's Free Trade Philosophy to US imports in agricultural products, allowing the United States to restrict the import of most farm goods by referring to Section 22 of the Agricultural Adjustment Act.

According to GATT studies, nearly one half of American agricultural production 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 dairy 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 markets schemes, or 95 per cent of total agricultural production, are free of quantative restrictions.The only exception is fruit and vegetables which, at certain times of the year, are subject to timetables. Moreover, 43 per cent of US agricultural exports to the Community such as soybeans and soy products which last year accounted for nearly 3.3.billion $ today enter the Community without any tariff or restrictions.

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 US and Canada, European agriculture is by and large still backwards by international standards. Too many workers are still tilling small inefficient farms that are incompatible with today's modern mechanized agriculture. In 1978, in the Community 77 per cent of the farms were smaller than 20 ha in area, whereas the average

American farm was 16o ha (400 acres). There exists, however, in the Community a clear trend towards larger holdings and a declining farm population. In 1970, 10 million people were employed on the farm, by 1978 this figure had dropped to 8.4million. During the period 1968 to 1977 the annual rate of labor migration from farming was 4 per cent in the Community. However, between 1973 and 1977 it declined to 3.1.per cent. Still more recently, the corresponding figure was 2.5 per cent, reflecting the reduced availability of non-agricultural employment. The resulting social and thereby political problems are of such magnitude that they can be solved only by gradual reform of the basic farm economy structure. They can not be solved by drastic means but only through social evolution.

Without questioning the principles of the Common Agricultural Policy which stands to be the cornerstone of European integration, the Community is currently attempting to reform it in order to restore a balance to consumption and production, especially in the milk sector.

There is a new orientation in the Common Agricultural Policy which can best be seen in the Community's Mediterranean Policy which eventually will serve to reorient the CAP. The Mediterranean Policy which, in fact, also concern other parts of the Community with special needs such as Western Ireland, has been designed to be flexible, to deal with both marketing and structural problems, and to promote proper and well-directed use of the land.

Also, in the area of the Community's international trade, progress has been made. In the Multilateral Trade Negotiations (MTN) the Community concluded agreements with practically all major agricultural exporting countries of which the United States is the most important. These agreements (seealso page) have brought a different climate and a different type of cooperation in agricultural trade between the EC and the United States. The Nine's trading partners have accepted that the Common Agricultural Policy is politically, economically and socially absolutely necessary for Europe. These countries can be assured that there will be enough flexibility available. Of course, the Community's volition to export will continue. This is highly important for the balance of payments of a number of member states, but agricultural exports will be executed in such a way that the Community will be able to live in [illegible] collaboration with those of our [illegible] partners on whose capacity to import our industrial goods the Community's whole well-being is dependent.

Nontariff-barriers

The post war movement of trade liberalization has been sucessful in lowering high walls of industrial tariff protection built during the 1920's and 1930's. As industrial tariffs have come down, nontariff barriers to trade have taken on greater significance.

The GATT has drawn up an inventory of more than 800 nontariff measures. This GATT inventory shows that all countries have extensive nontariff barriers.

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.

The only essential difference between the VAT and a US sales tax is the method of application. The VAT is paid step by step at every stage of production, while the US sales tax is paid only at the consumer's point of purchase. The VAT is recognized by the GATT as a valid fiscal measure which does not interfere with international trade. The Organization for Economic Ccooperation and Development (OECD) also made an extensive inquiry into the trade effects of the VAT and concluded that it was neutral and did not distort competition between domestic and imported goods. Since foreign and domestic goods are treated equally under the VAT system, the VAT cannot be considered a protectionist border tax.

<u>Quantitative restrictions</u>

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.

The United States has been making increasing use of quantitative restrictions, especially through the use of " orderly marketing agreements ". In 1963, the US had only seven quantitative restrictions; by 1980 the number of product catagories covered by quantitative restrictions, including quotas and "voluntary" limitations had risen to a total of 134. In the Community, however, the trend has been exactly the opposite. On June 1, 1968, the Community of the Six applied 357 quotas; ten years later, 1978, the EC had reduced its quantitative restrictions to 233. Although this figure is higher than that of the United States,it reflects an extensive amount of duplication,since the same products may be subject to restrictions in more thanone member state; furthermore,it includes the restrictions being applied by Denmark,Ireland and the United Kingdom which had not been taken into account in 1968.

Government procement

Although the United States Congress endorsed the Agreement on Government Procurement,concluded in the MTN in Geneva in July 1979,which will increase the export possibilities for foreign goods being purchased by governments,it will remain mandatory for the US Department of Defense which maintains a long list of products,including shoes,clothing,food,tools,ships and ship components to purchase these products from domestic suppliers only.The provisions of the bill implementing into US domestic law the Geneva Agreement on Government Procurement likewise do not apply to purchases by the US Department of Transportation,the Department of Energy,the US Postal Service as well as COMSAT,AMTRAK and CONRAIL.

Furthermore,procurements by state and local governments are not subject to the Agreement,thereby allowing these authorities to continue applying their appropriate Buy American laws.

Domestic International Sales Corporations

In December 1971,the US Congress passed the Revenue Act of 1971, promoting the establishment of Domestic International Sales Corporations (DISCs) 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 a tax exemption since it is never taxed as long as the profits are not distributed to the stockholders,but instead are reinvested for export development.
This tax exemption,as domestic critics point out,results in an annual loss of up to 750.000 $ to the US Treasury.To qualify as a DISC,a corporation must do 95 per cent of its business in exports,but any business may form a DISC as a "paper" subsidiary through which to channel export sales.
Since December 1971,11924 DISC companies have been established, although the number of companies actually operating may be somewhat lower.
The Community believes DISC violate Article XVI of the GATT and,in 1976, a special GATT panel decided that,indeed,the DISC violate GATT regulations.

<u>Non-Adherence to the Brussels Tariff Nomenclature</u>

Most of the world,including the European Community,observes the Brussels Tariff Nomenclature (BTN),an international convention establishing a system of classification for virtually all goods traded in the world.For countries applying the internationally accepted tariff nomenclature,duties are uniformly assessed on the sum of cost,insurance and freight (c.i.f.)
The United States is one of the few major trading countries which does not use the BTN.Instead,it has retained a complicated tariff structure of its own where most duties are levied on the free on board (f.o.b.) price.This US system of duty assessment is generally a source of confusion which hinders international trade.

Administrative obstacles and Standards

Since 1920, the so-called Jones Act (Merchant Marine Act) prohibits goods being shipped along the US coasts by foreign-made vessels.

Repair jobs on US-registered vessels abroad can only be done at a surcharge of 50 per cent.

Other US legislation (Federal Trade Commission Act and Textile Fiber Products Identification Act) requires "mark 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.

Out of the wide variety of administrative measures that complicate Community exports to the United States, the US Toxic Substances Control Act (TOSCA), now in the process of implementation, is of very great concern to the Community. Under TOSCA which gives the US Environmental Protection Agengy (EPA) a major new area of responsibility to protect public health and the environment against the possible hazards of chemicals and other toxic substances, EPA is authorized to require first, premanufacturing notification, second, the performance of premanufacturing testing (under relatively undefined notions) . The considerable burden of fulfilling these requirements falls upon large and small volume exporters alike. Since the biggest part of the Communities exports in chemicals , worth more than 1.2 billion $ in 1978, are in small quantities, the notification and testing procedure can translate itself into a considerable increase in cost and thus into a competitive disadvantage for the Community producers on the US market.

Industry estimates that each year at least 5 per cent (app. 65 million $)of total export value is in new substances which will be effected by the law.Since EPA is considering not applying the notification and testing rules to domestic manufactures,the new law results in discrimination against foreign goods which is clearly contrary to international obligations and also to the US Trade Act of 1974,Section 102,which aims at holding nontariff barrriers at a minimum.

The European Monetary System

In what may be one of the most important developments in the European Community in the last 20 years, a European Monetary System (EMS)came into operation March 15,1979 after the European Council at its meeting in Bremen,Germany on 7 July 1978 had proposed that closer monetary cooperation be established between the member states of the Community.Initially,this idea was lauched by EC Commission President Roy Jenkins in a speech at the European University Institute in Florence,Italy. The establishment of the EMS is seen as a new impetus toward Economic and Monetary Union in the European Community.
The EMS's long-term objective is to create a zone of monetary stability in Europe and to contribute to strengthening international monetary relations.Its short term aim is to stabilize the exchange rates between the currencies of the member states,giving a proper European dimension to markets hitherto

-vided by what have often been called disorderly exchange rate fluctuations. So, the EMS is aimed at fostering economic growth in Europe, notably by way of the favourable impact which the re-establishment of a single market is expected to have on the revival in investment.

All the Community countries are participants in the EMS; however, so far, the United Kingdom does not intend to apply the exchange rate regulations of the EMS. In addition, non-Community countries which have close economic ties with the EC can participate in the exchange rate arrangements by means of association.

In this way, the "zone of stability" in Europe could be extended beyond the confines of the Community.

The EMS by far superseeds the European narrower margins arrangements ("snake"); it is, as EC-Commission President Jenkins decribed it in a speech at the National Press Club in Washington, D.C. on December 15, 1978 "a very diffrent animal".

A key role in the EMS is played by the European Currency Unit (ECU), which is used as a numeraire for exchange rates, an indicator for exchange rate divergences, a denominator for claims and liabilities in the EMS and a means of settlement reserve asset of Community Central banks. The value and the composition of the basket-type ECU is identical with the definition of the European Unit of Account (UA). 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 per cent have been fixed. Italy was granted a margin of ± 6 per cent.

This wider margin should be gradually reduced as soon as economic conditions permit. When these margins are reached, official intervention by the central banks is compulsory; however, it is also possible to intervene before the margins are reached. Compulsory intervention means that Community central banks are required to buy or sell partner currencies in unlimited amounts at bilateral exchange rate limits. Central bank intervention will generally be executed in participating currencies, although intervention in third currencies is not excluded.

In addition, the new system incorporates an indicator that measures the divergence of the rate of each currency in terms of ECU. If a currency crosses the threshold of divergence which is set at 75 per cent of the maximum spread of divergence allowed for each currency there is a presumption that action will be taken to prevent avoidable tensions that have already materialized. Such a situation will be corrected by adequate means, namely:

a) Diversified intervention--this means intervention in currencies other than the currency which is furthest from the intervening currency diversified interventions allow a better spread of the burden of intervention between the participating currencies in the EMS;

b) Means of domestic monetary policy this includes, among others, measures affecting the interest rate which have a direct affect on the flows of capital;

c) Changes in the central rates while the EMS itself ought to contribute to reducing divergencies in economic performance,

it should not prevent remaining real disparities from being reflec-
ted in exchange rates. As foreseen in the Bremen agreement, in September 1979 the exchange rates were reexamnined and adjusted.
Finally, other measures of economic policy can be taken to prevent tensions in the system. This could include, for instance, measures in the field of budgetary policy or income policy.
The central banks participating in the system can fulfill their obligations to intervene only if unlimited amounts of Community currencies are available to them for this purpose. Since this is normally not the case, arrangements have been made in the form of very short-term financing operations to ensure that a central bank can obtain the amount of currency it needs for intervention purposes. The very short-term financing of intervention balances expires 45 days after the end of the month in which the value date of the intervention falls.
To serve as a means of settlement, an initial supply of ECU was provided by the European Monetary Cooperation Fund (EMCF) against the deposit of 20 per cent of the gold and 20 percent of $ reserves then held by the central banks.

Other financing mechanisms

During the transitional period up to the establishment of a European Monetary Fund (EMF) in the final stage of the EMS, the long-established Community support mechanisms for financing short and medium term bridging credits to member states will be retained but extended to an amount of 25 billion ECU of effectively available credit. The distribution of this amount will be as follows

- Short term monetary support 14 billion ECU
- Medium term financial assistance 11 billion ECU

The EMS and the Dollar

Some people in the United States have suggested that the creation of the ECU and the eventual establishment of a European Monetary Fund could precipately and dangerously weaken the role of the dollar as a medium of international exchange.High ranking Community officials have repeatedly emphazised 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 IMF agreement.It cannot therefore be a threat to the dollar, the strengh 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 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."

...tial Trade Agreements

The ACP-EEC Convention

Fifty-seven African, Caribbean and Pacific countries (the ACP countries) have concluded a new Convention with the Community covering a five year period (1980-1985) and which will follow from the first Lomé Convention signed in February 1975. The new Convention was signed in Lomé on October 31, 1979.

These conventions originate from the early days of the Community. When the first six countries signed the Treaty of Rome in 1957, some of them were still colonial powers. The fourth part of the treaty consequently dealt with Community aid to countries which were still dependent. After independence, 18 African countries still wished to stay associated with the Community. In July 1963 the Yaoundé Convention was signed setting up a free trade zone between the 18 and the Community. It also covered financial aid and institutional matters.

After the entry of the United Kingdom, Denmark and Ireland into the Community in 1973, several British Commonwealth countries in Africa, the Caribbean and the Pacific decided to join the countries already associated to negotiate a cooperation agreement with the Nine.

The originality of the cooperation between the Community and the ACP countries is based on four principal elements:

the durability of cooperative relations, based on a legal system and a freely negotiated contract between equal partners the Community for one and the 57 ACP countries for the other;

The creation between the two regional groups of a unique contract which excludes all stipulation of economic or ideological discrimination;

The existence of common institutions permitting a constant and constantly improving dialogue a consultative assembly brings together members from the European Parliament and representatives from the ACP countries;the ACP-EEC Council of Ministers,the higher body, meets once per year and is assisted by a committee of ambssadors

the wide and coherent range of areas covered by the cooperation

for the first time--a group of industrialized countries has developed an integrated policy towards a group of Third World Countries.

Sector by Sector,the new Convention covers the following aspects:

Trade cooperation: Virtually all products from ACP countries can enter the Community without incurring customs duties.The Community demands no reciprocal action by its partners.The list of products that benefit from free entry into the Common Market has been enlarged in relation to the preceeding Convention since it now covers more than 99.5 per cent of ACP exports.For certain products which compete directly with European agriculture,the Community,while not according them comlpetely free access,has nevertheless agreed to give them preferential teatment.These different trade advantages are particularly useful to ACP countries since 50 per cent of their exports go to the Community.This percentage is often above 60 per cent and in the case of Togo it is as high as 90 per cent.

Stabilization of export earnings: The 'Stabex' mechanism is the most original aspect of the EEC-ACP Convention compared to classic development aid thinking. It is not enough to give money and to allow Third World goods into the markets of industrialized countries; exports must also be assured of reasonable earnings. 'Stabex' works like an insurance against bad years. The Community guarantees a minimum income to ACP countries for their earnings from exportimg a certain number of basic products to the Common Market. Forty-four products are covered by this system. The principal products are coccoa, coffee, peanuts, tea, sisal. In principle, 'Stabex' applies only to goods exported to the Community and only when the export earnings from the product amount to more than 6.5 per cent of the total export earnings of the country concerned (2 per cent for the poorest countries). When export earnings drop compared to the previous year's average, the Community compensates for the lost earnings. In general, Community aid should be reimbursed when export earnings return to a satisfactory level; this obligation is not applied to the 35 least-developed countries. The new Convention has introduced a system along similar lines covering certain minerals. The Community assures manufacturing countries the minimum protection needed to maintain their export production potential.

Financial and technical cooperation: The European Development Fund (EDF) contributes to financing the development of ACP countries on the basis of programmes drawn up by each of them. The funds available to ACP countries have been increased by around 72 per cent by the new Convention.

Industrial and agricultural cooperation: The new Convention considerably reinforces this cooperation by explicitly placing it in the context of growing interdependence between Europe and the ECP countries.Cooperation will be stepped up in areas such as energy prospecting,new energy sources,maritime transport and fishing. Private European investment will be encouraged by a general clause which could open the way for Community investment protection agreements.

Besides this ambitious form of cooperation,the Community has concluded other preferential trade agreements with Third World countries.These cover:

eight countries in the southern Meditteranean:Algeria,Morocco, Tunesia,Egypt,Israel,Jordan,Lebanon and Syria.The main provisions of these agreements are unrestricted access to Community markets for industrial goods,customs preferences for certain agricultural products and financial aid up to around 900 million $.

Latin America: non-preferential trade agreements with Argentina, Brazil,Mexico and Uruguay, a number of agreements have been made with other countries dealing with trade in textiles and crafts

Asian countries: non-preferential trade agreements have been concluded with Bangladesh,India,Pakistan and Sri Lanka.Cooperation is also growing rapidly with countries belonging to ASEAN- the Association of South-East Asian Nations.

American Investment in Europe

American investment in Europe 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 8.941 billion $ of US investment in the United Kingdom.Total American investment in the Nine at the end of 1978 reached a record of 55.283 billion $.Such figures take into account only investments by US firms directly from the United States and do not include investments by American holdings located,for example,in Switzerland,Luxembourg,or the Bahamas. Since its establishment,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.By the end of 1978 this share figured at 32.9 per cent .The largest part of US 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 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 EC totaled at 12.56 billion $ which was more than 40 per cent of the total capital expenditure of all US foreign subsidaries around the world.According to US Chamber of Commerce estimates,capital expenditure of US companies in the Common Market is expected to reach a record of 16.93 billion $ at the end of 1980.

More and more US products,from computers to detergents which might have been formerly manufactured in the US 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.This development,of course,has 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 171.48 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.

Although small in comparison with American investment in Europe, 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 23.887 billion $ in 1978 with the United Kingdom's share amounting to 7.370 billion $ and the Netherland's share totaling 9.767 billion $.Narrowing differences between the US and European wage costs were one of the incentives for Community companies to expand their US investment.

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 to all three and for the well-being of world trade as a whole. American officials have complained that the Community is protectionist against Japanese imports causing the rapid increase of exports from Japan to the US 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 1978, the Community exported 139 mill. UA worth of goods to Japan and imported 117 mill. UA from it.

In 1972 Japan's exports to the Community already totaled 1.9 bill. UA whereas the Community exported 1.080 billion UA to Japan. Six years later, 1978, the last year for which figures are available, Japan's exports to the Common Market went up to a record of 8.72 billion UA while importing 3.72 billion UA worth of products from the Community. In proportion to the volume of trade, the resulting deficit is even higher than the American trade deficit with Japan.

Japan's share of EC-imports steadily increased from 4.0 per cent in 1976 to 4.9 per cent in 1978.

Japanese-American trade has always been much more intensive than trade between Japan and the Community. In 1972, 31.1 per cent of all Japanese exports went to the United States and 11.5 per cent to the EC. In 1977 the US share of total exports from Japan declined to barely 25 per cent with the Community's share remaining stable at the rate of 11.5 per cent. As per total Japanese imports, the US share was 18 per cent, compared with the Community's share of 6 per cent. For 1978 the corresponding figures were 19 per cent and 3 per cent.

The Japanese have always concentrated their export interests on the closer and already familiar US market with its unified economy with no barriers to trade, one language, and 220 million consumers with about the highest standard of living in the world.

There are various reasons for the lower level of Community-Japanese trade in comparison with US-Japanese trade.

First of all, the export industries of both the European Community and Japan are of a rather similar structure. Japanese as well as Community firms both produce many of the same products, such as consumer electronics, chemicals and small automobiles. As a result, Japanese exports find stiff competition in the European market. On the US market, imports from Japan are not confronted with such a high degree of competition since Japanese-American commerce is broadly complementary with the United States exporting large quantities of agricultural products, raw material and high technology products to Japan.

Another factor which limits trade between Europe and Japan is distance, which causes much higher transport costs and complicates both marketing and after-sales servicing, giving the European products the competetive edge. This is not only true for Community commerce with Japan but also for that with other Asian nations such as China, India and Hong Kong.

To take one important example: automobiles. In 1978 Japan exported 8.8465 billion $ worth of passenger cars to the United States, with a large proportion of these being sold in the geographically closer Pacific coast area. While during the past few years sales of Japanese cars have increased rapidly in Europe, they started from a very low base and in 1978 the Community imports from Japan amounted to only 2 billion $. 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.

The Multilateral Trade Negotiations

The Multilateral Trade Negotiations in the 'Tokyo-Round ' of the General Agreement on Tariffs and Trade (GATT) ,the 7th round since the GATT started,were very different from the previous ones. During the preceeding negotiation rounds on international trade liberalization,countries basically negotiated for tariff reductions within the framework of the basic rules which GATT had established in 1947 as a means of expending and liberalising international trade.This time,apart from the tariff sector, the negotiations were mainly about the GATT rules themselves.

Tariffs

Customs duties throughout the world had already been reduced in the preceeding round of tariff-cutting negotiations of which the 'Kennedy-Round',concluded in 1967,was the most successful.

There remained,nevertheless,certain particularly high customs

[illegible], especially in the tariff structure of the United States.
In the Tokyo Round, the United States, Japan and the European Community have undertaken to reduce their tariffs on a wide range of dutiable imports. As a result of the negotiations, the main developed countries will be reducing their tariffs by close to one third and their will be a total suppression of duties in one significant sector, aeronautics.

Reductions will not 'linear', that is to say that they will not be identical in their percentage. The 'tariff-harmonization' approach by the so-called Swiss formula will result in the fact that duties which at present are the highest will be subject to greater reduction than others. This will decrease the difference between the customs tariffs of the leading partners in international trade.

Expressed algebraically, with x representing the initial rate of import duty, A a coefficient and z the resulting reduced rate of duty, the formula proposed by Switzerland, was

$$z = \frac{A \cdot x}{A + x}$$

On the basis of the coefficient 16, which will be used by the Community (the United States and Japan will be using the coefficient 14), an initial 10 per cent tariff would be reduced to $(16 \times 10) : (16 + 10) = 160 : 26 \approx$ about 6.15 per cent .

To enable manufacturers to adjust to lower tariff protection, the customs reductions will be spread out over a period of eight years, from 1980 to 1987, to be implemented in eight steps; however, the reductions will be accelerated in certain cases.

While the first five steps in the tariff reductions will be definite, participants in the tariffs agreement may pause after five years of gradual implementation and take stock at that time in the light of the economic situation and the progress that has been made in implementing the range of undertakings.It was further agreed that,in the case of certain products,special rules governing staging would apply.

Out of a total of 190 billion $ of m.f.n.imports of indusrial products into the EEC,the United States and seven other developed countries,60 billion $ (about 32 per cent) were already duty free, over 112 billion $ (nearly 60 per cent) would be affected by tariff reductions,leaving only 17 billion $ (9 per cent)of imports of industrial products on which no reduction was granted. In agriculture,30 per cent (nearly 15 billion $ worth of goods) will benefit from tariff reductions.The agricultural share in tariff reductions is relatively low since the majority of commodities are affected by measures other than tariffs.The tariff reduction on industrial products varies according to the stage of processing.The reduction on raw materials is not significant since most primary products were already admitted duty free or at very low tariffs.The deepest cuts have been concentrated in non-electrical machinery,wood products,chemicals and transport equipment while less than average reductions are being made in the textiles,leather and rubber sectors.However,after final implementation of the tariffs agreement,industrial tatiffs will,except in the few mentioned sectors,almost be negligible as a factor influencing imports of industrialized countries.

As already mentioned on page 31 the post-Tokyo Round common external tariff of the European Community for the most

part will be composed by rates between 5 per cent and 10 per cent, as few as 180 duties out of several thousand will exceed 10 per cent and only one will exceed 20 per cent (trucks 22 per cent).
The picture is similar for Japan,Switzerland and the Nordic countries,but in the case of the United States much higher rates will still remain.Although most of its imports will be subject to customs duties of less than 5 per cent,quite a few duties greater than 20 per cent and even 30 per cent will,nevertheless,continue to be applied.

As per the total suppression of import duties in the civil aeronautics sector,it should be mentioned that the Community,in practice,had already suspended the application of duties on its aircraft imports.It finally had obtained reciprocity, particularly significant for the Airbus sales to the United States and Japan.
The aircraft agreement covers alarge volume of trade.In 1976, world trade in civilian aircraft was worth 6.7 billion $ and has further increased since then.

The reduction,and even suppression of customs duties would not be very significant were the possibility of introducing other obstacles to trade or applying discriminatory measures on foreign products not contained or disciplined.
It is for this reason that the Tokyo Round not only dealt with tariffs but also came up with new,more clear-cut and more equitable rules for international exchanges.This achievement constitutes perhaps the most important result of the Tokyo Round, without which the customs reductions would have led to advantages that were

simply illusory or at least uncertain and shortlived. The so-called 'Codes of conduct' covering the most important forms of national interference with international trade will prove very important and several of them, e.g. those on subsidies and countervailing duties, on government procurement and on standards, have great potential for development.

The <u>Code on Subsidies and Countervailing Duties</u> deals with especially difficult issues of trade, since subsidies have become one of the most frequently used and controversial instruments in commercial policy. Often their initial purpose is only remotely related to foreign trade since they are normally aimed at helping disadvantaged domestic activities or at fostering growth in specific areas. So, the distinction between unfair export assistance and acceptable domestic policies is not always easy to draw. As great caution has to be exercised in formulating judgements about fairness in international trade, the goal of this code was to establish new, mutually accepted procedures for the discussion of domestic subsidies on the one hand, as well as to put an end to the arbitrary introduction of compensation rights on importing by guaranteeing a uniform application of the GATT provisions.

Under the new <u>Countervailing-Duty-Agreement</u>, all signatories must <u>demonstrate</u>, before applying countervailing or higher duties, that a domestic industry is suffering <u>material</u> injury or threat caused by subsidized imports from another signatory. The determination of injury, an obviously difficult thing to quantify, is based on two criteria: the objective examination of (i) the volume of subsidized imports and their effect on prices in the domestic market for like products, and (ii) the consequent impact of these imports on domestic producers of such products. Consequently, it provides

a) that GATT members must avoid granting export subsidies on primary products which will result in them obtaining a more than equitable share of world exports in these products, and

b) that, in the case of non-primary products, they should not grant, either directly or indirectly, any form of subsidy which would lower export prices below prices in domestic markets. This prohibition on the use of subsidies is in force for developed countries which have subcribed to the 1960 Declaration on Export Subsidies which provides for such prohibition.

The Code on Government Procurement aims at opening up government procurement contracts to international competition through agreed, non-discriminatory and transparent procedures under international surveillance. By introducing greater international competition, the use of tax revenues and other public funds will become more effective. The Code which covers purchases, including civil purchases for defense. Reaching a value of 150.000 SDR (approximately 195.000 $) and more seeks to avoid any form of discrimination between foreign and domestic suppliers with respect to laws, regulations, procedudures and practices regarding government procurement. The Code is binding for all those governmental entities or agencies that the signatories have listed in an annex to the Agreement. A' best endeavour' clause, however, provides that signatories are to inform entities not covered, including those of regional or local governments or authorities,of the Agreements and the overall benefits it entails.The Code also seeks to establish international procedures on dispute settlement. Since the Code is rather experimental in nature,it will be reviewed after a period of three years.

The <u>Code on Technical Barriers to Trade (Standards)</u> will make an important contribution to opening up markets excessively reliant on the use of standards as a trade policy instrument.Product standards,ranging from permissible auto exhaust emission levels to wine labelling requirements can be easily manipulated to discriminate against imports.Imports may be tested to determine whether they conform with health and environmental regulations or other standards affecting industrial and agricultural products under conditions more onerous than those applicable to domestic products.

The objective of the Agreement cannot be to abolish all restrictions.It does,therefore,not interfere with the right of countries to adopt standards to protect the health,safety or environment of their citizens.It tries to provide a means of tackling <u>unnecessary</u> obstacles to trade and improving access to certification systems.An important provision of the Code is the application of its discipline to state and local government and private sector organizations.Central governments accept the'best endeavour'clause to this effect and accept responsibility for compliance. Some leverage and right of retaliation is thereby granted to other signatories where federal governments or their constituent parts do not live up to their international responsibility. The Code also encourages international standatization. This is a long-term aim to reduce disparities between regulations between different countries and within countries.

Code on Import Licensing

Products traded internationally are sometimes subject to needless bureaucratic delays as a result of the cumbersome import licensing systems. Often procedures and documentation necessary to obtain such licenses are highly complicated. If rigidly applied, these requirements become important trade barriers used by governments to limit imports. The Code aims at simplifying and harmonizing to the greatest extent possible the procedures importers have to follow in order to obtain an import license.

Agriculture

In contrast to the industrial sector, quite different rules, if any, apply to international trade with agricultural products, since virtually all countries subsidize agriculture in one way or another. Generally, agriculture is insulated from the normal discipline of market forces and international competition. This holds true for both the European Community and the United States where the agricultural sector enjoys quite a considerable amount of protection from Section 22 of the US Agricultural Adjustment Act.

It was agreed in Geneva that the Multilateral Trade Negotiations would seek active international cooperation in the agricultural sector but the variety and complexitity of protective measures used in agriculture made the negotiations particularly difficult.

The United States principal' concern was liberalization of agricultural trade and increased access to foreign markets for products of which they are efficient producer,whereas the European Community's main goal in the negotiations was stabilazation of agricultural trade through commodity arrangements,a sufficiently high income for its farmers and the preservation of the Common Agricultural Policy.

It became very soon clear that not the international exchange in agricultural products was the main issue but the fundamental political and social factors governing the protection of farmers. Despite the prevailing differences between the United States and and the EC,at the end of the Tokyo Round, both sides agreed to set up an appropriate consultative framework whose definitions and task will be worked out as soon as possible.

On the question of subsidies on pr mary products the signatories agreed that these must not lead to an unfair expansion of any one countries' share in the world market.

Two major agreements were reached on better disciplining of the market for bovine meat and dairy products .

The International Arrangement on Dairy Products (IDA) in general covers all dairy products,more specifically certain milk powders, milk fats including butter and certain cheeses.For all these products minimum prices were established below which commercial trade is prohibited.

The [illegible] establishes a mechanism,the International Dairy Products Council,for information exchange and consultation.This information will include past,current and forward-looking data on production, consumption,prices,stocks and trade,as well as information on domestic policies,trade measures,trade agreements etc.
A similar arrangement was concluded regarding bovine meat.
It proved impossible,however,to negotiate a new wheat agreement. A new Wheat Trade Convention(WTC) remains under negotiations under UNCTAD auspices.In the circumstances it was decided in March 1979 to extent the International Wheat Agreement,dating from 1971,which expired in June 1979,for a period of two years.
The Multilateral Agricultural Framework will provide a follow-up forum to the MTN within GATT where participating countries can work toward an improved level of international cooperation in their effort to foster growth of farm incomes,stabilization of food prices,expansion of trade in agricultural products and enhancement of world food stability.

Less Developed Countries

Although progress in certain areas of the Tokyo Round fell below the expections of the developing countries,the results of the MTN for the developing world are by no means insignificant. First of all,the increased degree of liberalization of international trade which developed countries and some others accepted in the Tokyo Round will benefit the less developed countries through the most-favoured-nations clause,the cornerstone of the GATT.This generally applies to tariffs,to the various Codes that have been negotiated and to the agricultural arrangements.

Furthermore, the signatories agreed to grant the developing countries special differential treatment every time this was either feasible or appropriate. This will allow the less developed countries more favourable treatment and exemption from certain code obligations, provide for financial and technical assistance and special measures for the least developed countries.

The developing countries, generally, will be allowed to continue excessively to protect their developing industries.

As to the new international discipline on subsidies and countervailing duties, for example, the relevant Agreement recognizes that subsidies are an integral part of the economic development programmes of less developed countries and that government intervention in the economy through financial support should not, per se, be considered as subsidization in the case of these countries. Developing countries are not subject to the commitment made by the developed countries not to use subsidies on industrial products.

Also with regard to import restrictions and safeguard measures, which developing countries may be compelled to introduce either for balance-of-payment purposes or for development, the signatories agreed not to expect the developing countries to adopt the new rules of discipline in international trade.

In the tariff sector, a major result of the MTN is the provision of a legal basis for the Generalized System of Preferences (GSP) which now almost all Contracting Parties to the GATT grant the developing world. Overall, the results achieved in the Tokyo Round for the Developing countries are positive steps in terms of international trade relations and a response to a number of pre-occupations of developing countries.

One central issue in the Geneva trade talks that has not yet been resolved concerns Safeguards. Under current GATT rules (Article XIX) countries may suspend their GATT committments for a temporary period and impose import curbs in order to protect their domestic industry when it suffers serious injury as a result of a disruptive surge of imports. Traditionally, any such restrictions had to be applied on a non-discri minatory basis between all GATT member countries.

Over the years, practical experience with the GATT provision had shown that Article XIX had deficiences, so, during the MTN the major industrialized countries stressed the need for the renegotiation and improvement of the GATT safeguard provisions. There has always been a certain reluctance to apply Art. XIX by restricting imports on a non-discriminatory basis. This has led to the proliferation of so-calle Orderly Marketing Agreements (OMA) which escape multilateral scrutiny and surveillance. The desire of governments to have legal cover for such actions and the idea that they should be brought within the fold of multilaterally negotiated rules led actually to the renegotiations of Article XIX. The Community, for its part, to be followed by the Nordic countries, asked in Geneva that import restrictions should, in particular cases, when exponential rates of growth of exports

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from one source only disrupt markets, be selectively directed only to those suppliers which are causing the market disturbance rather than penalising trade all around. Of course, the selective application of safeguard measures would also be subject of proper surveillance procedures and limited in time and scope.

The developing countries strongly oppose selectivity in the appli-cation of import restrictions,since pressure in the developed countries over the recent years for protection agains so-called low cost imports of leather,footwear etc. would make it likely that discriminatory safeguard measures be principally used against exports from their counries.Although the issue was discussed at UNCTAD V in Manila,no solution could be reached.Negotia tions are continuing on this delicate subject with the view of reaching an agreement by the end of July of 1980.

Conclusion

This note 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 sup-porting an international economic system that will further the prosperity not only of the citizens of both Europe and the United States but also that of the whole world,nor to an overlooking of the many interests and ideals that Europe and America bare in common far beyond the economic domain.

TRADE BALANCE [illegible]
THE UNITED STATES

(in billions of $)

	Export US Dest.*	Import US Origin	Community Trade Balance with the US (negative = US plus)
1960	3.382	5.650	- 1.268
1965	4.932	7.145	- 2.213
1970	9.222	11.298	- 2.076
1973	15.607	16.747	- 1.140
1974	19.206	22.069	- 2.863
1975	16.733	22.865	- 6.132
1976	17.844	25.409	- 7.565
1977	22.087**	26.476	- 4.389
1978	29.009	32.051	- 3.042
1979	30.032***	37.620***	- 7.588

Source: Statistical Abstracts of the United States, 1980

* 1960-1975, customs value basis; thereafter f.o.b. value basis

** Data for 1977, 1978 and 1979 include shipment of nonmonetary gold

*** Figures shown for January - November 1979

I. [illegible]

(in millions of $)

	1971	1975	1976	1977	1978	1979
Germany	4,908	8,726	10,497	11,071	12,746	
France	5,059	5,743	5,947	6,090	6,772	
Italy	1,769	2,679	2,934	3,016	3,571	
Netherlands	1,717	3,097	3,509	4,048	4,656	
Belgium/Luxemb.	1,838	3,306	3,558	4,322	4,739	
United Kingdom	9,128	13,927	15,137	17,434	20,348	23,489 *
Denmark	384	631	731	730	857	
Ireland	213	664	901	1,222	1,593	
Community Total	23,017	38,773	43,215	47,933	55,283	62,448 *

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

	1971	1975	1976	1977	1978	1979
Germany	802	1,408	2,097	2,529	3,191	
France	346	1,369	1,570	1,800	1,939	
Italy	116	290	n.a.	280	247	
Netherlands	2,224	5,347	6,255	6,830	9,767	
Belgium/Luxemb.	341	789	n.a.	1,163	1,264	
United Kingdom	4,583	6,331	5,802	6,397	7,370	8,610 *
Denmark / Ireland	39	99	86	113	110	
Community Total	8,451	15,633	17,060	20,113	23,887	27,261 *

* These United States Commerce Department estimates include September 1979

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

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, or special drawing rights (SDR)*

	TOTAL 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
...ium/ ...bourg	5,955	7,656	1,533	20.0	610	8.0	706	9.2	4.807	62.8
...ny	44,131	56,742	4,270	7.5	2,039	3.6	3,152	5.6	47,277	83.3
[illegible]	15,675	20,154	3,415	17.0	807	4.0	622	3.1	15,053	75.9
[illegible]	16,809	21,612	2,992	13.9	548	2.5	312	1.4	17,760	82.2
...rlands	7,425	9,546	1,971	20.7	498	5.2	613	6.4	6,463	67.7
[illegible]	2,592	3,332	71	2.1	177	5.3	94	2.8	2,991	89.8
... Kingdom	15,512	19,944	823	4.1	1,196	6.0	-	-	17,927	89.9
...land	1,499	1,927	14	0.8	91	4.7	78	4.0	1,743	90.5
... of Nine										
[illegible]	3,420	4,397	51	1.3	177	4.0	252	5.7	3,916	89.0
[illegible]	3,049	3,920	987	25.2	566	14.4	449	11.5	1,918	48.9
...itzerland	13,337	17,148	3,747	21.9	-	-	269	1.6	13,131	76.5
...pan	18,337	23,577	1,077	4.6	1,644	7.0	1,514	6.4	19,339	82.0
...eden	3,06[illegible]	3,940	270	6.9	222	5.6	243	6.2	3,205	81.3
...ited States	[illegible]	18,731	11,931	63.7	2,658	14.2	1,238	6.6	2,903	15.5

... ary Fund

[illegible]

	NINE	UNITED STATES	USSR	JAPAN
Population (1,000) at [illegible]/1979	259,180	216,817	258,932	[illegible]
GNP (1,000 mil.UA*) (1978)	1,524.5	1,644.2	n.a.	[illegible]
Imports (percentage of world total) (1978)	37,6	14,1	4.1.	6,5
Exports (percentage of world total) (1978)	37,6	11,8	4.3	[illegible]
Total cereals production (1,000 mectric tons) (1977)	97,087 [1]	250,890 [1]	177,211 [1]	508 [1]
Total meat production (1,000 metric tons) (1977)	20,929	25,508	14,800	2,397
Milk production (1,000 metric tons) (1977)	107028	55722	94800	5713
Total primary energy production (1977) (1,000 tons coal equivalent)	402,088	1,422,840	1,245,048	43,920
Total domestic consumption of primary energy and equivalent sources (million tons coal equivalent) (1977)	916,0	1,799,2	945,7**	350,5
Total production of petroleum products (1,000 metric tons) (1977)	493,023	735,931	n.a.	222,606
Total gross production of electrical energy(Gwh) (1977)	1,072,961	2,210,980	1,088,300	508,444***
Steel production (1,000 metric tons) (1977)	126,121	115,997	146,700	102,401
Car production (private and commercial vehicles) (1977)	11,821,200	12,695,900	2,080,000	8,514,00
Transport-Railways Passenger Kms.(mill.) (1977)	175 269	16 572	322 200	n.a.
Total merchant fleet on July 1,1977(1,000 gross registered tons)	76 391	15 300	21 438	40 036

* 1 UA = 1.27410 $

** 1976

*** Fiscal Year 1.4.77-31.3.78

[1] Excluding rice

TABLE V (a):

BALANCE OF TRADE

Mio EUA

	Country	1971	1972	1973	1974	1975	1976	1977	1978		Country
	EUR 9	**– 1 184**	**+ 346**	**– 3 961**	**– 15 219**	**– 3 216**	**– 15 919**	**– 7 183**	**– 2 474**		**EUR 9**
1	FR Germany	+ 4 484	+ 5 807	+ 10 291	+ 16 707	+ 12 224	+ 12 243	+ 14 514	+ 15 935	1	FR Germany
2	France	– 680	– 776	– 1 140	– 5 824	– 1 701	– 7 732	– 6 117	– 4 097	2	France
3	Italy	– 824	– 635	– 4 544	– 8 881	– 2 882	– 5 981	– 2 444	– 322	3	Italy
4	Netherlands	– 1 116	– 421	– 288	– 102	+ 204	+ 317	– 1 687	– 2 240	4	Netherlands
5–6	Belgium / Luxembourg	– 169	+ 592	+ 293	– 1 311	– 1 626	– 2 375	– 2 526	– 2 782	5–6	Belgium / Luxembourg
7	United Kingdom	– 1 465	– 3 140	– 6 767	– 12 974	– 7 617	– 8 664	– 5 246	– 5 548	7	United Kingdom
8	Ireland	– 495	– 436	– 536	– 967	– 461	– 773	– 876	– 1 128	8	Ireland
9	Denmark	– 919	– 644	– 1 271	– 1 867	– 1 359	– 2 954	– 2 801	– 2 292	9	Denmark
10	Greece	– 1 369	– 1 319	– 1 860	– 1 968	– 2 437	– 3 104	– 3 312	– 3 479*	10	Greece
11	Spain	– 1 934	– 2 668	– 3 598	– 7 000	– 6 914	– 7 812	– 4 398	– 4 398	11	Spain
12	Portugal	– 710	– 801	– 960	– 1 836	– 1 522	– 2 164	– 2 142	– 2 339*	12	Portugal
13	Turkey	– 390	– 553	– 634	– 1 848	– 2 611	– 2 757	– 1 777	– 1 706*	13	Turkey
14	Norway	– 1 455	– 975	– 1 258	– 1 829	– 1 968	– 2 839	– 1 085	– 1 085	14	Norway
15	Sweden	+ 368	+ 621	+ 1 255	– 559	– 553	– 625	+ 968	+ 1 158	15	Sweden
16	Switzerland	– 1 400	– 1 439	– 1 723	– 2 105	– 261	+ 61	– 229	– 229	16	Switzerland
17	Austria	– 975	– 1 184	– 1 484	– 1 560	– 1 503	– 2 690	– 3 014	– 3 014	17	Austria
18	Finland	– 412	– 226	– 395	– 1 070	– 1 690	– 942	+ 550	+ 556	18	Finland
19	USSR	+ 1 266	– 612	+ 287	+ 2 108	– 2 950	– 879	+ 1 241	+ 1 100*	19	USSR
20	USA	– 1 368	– 5 175	+ 1 513	– 2 087	+ 8 616	– 6 078	– 23 253	– 23 661*	20	USA
21	Canada	+ 2 285	+ 1 473	+ 1 780	+ 408	– 1 333	+ 603	+ 2 035	+ 1 761	21	Canada
22	Japan	+ 4 175	+ 4 613	– 1 084	– 5 512	– 1 701	+ 2 128	+ 14 339	+ 14 339	22	Japan

+ denotes export surplus
– denotes import surplus.

TABLE V (b)

IMPORTS FROM MEMBER COUNTRIES OF EC

	Country	Mio EUA		% (a)	
		1977	1978	1977	1978
	EUR 9	168 229	183 871	49.5	50.8
1	F R Germany	43 509	47 838	49.0	50.1
2	France	30 521	33 030	49.4	51.4
3	Italy	18 167	19 790	43.0	44.7
4	Netherlands	21 920	23 878	54.8	57.4
5	Belgium	23 958	26 158	67.4	69.0
6	Luxembourg				
7	United Kingdom	21 400	23 394	38.5	38.0
8	Ireland	3 220	4 100	68.1	73.4
9	Denmark	5 535	5 734	47.7	49.4
10	Greece	2 522	2 597	42.5	43.8
11	Spain	5 320	5 075	34.2	34.7
12	Portugal	1 892	1 958	43.6	45.8
13	Turkey	2 095	1 408	41.8	39.5
14	Norway	5 113	4 033	45.3	45.0
15	Sweden	8 960	8 236	50.8	51.2
16	Switzerland	10 444	12 597	66.6	67.9
17	Austria	8 135	8 197	65.3	65.4
18	Finland	2 301	2 199	34.5	35.7
19	USSR	5 117	5 666	14.3	14.4
20	USA	19 629	23 111	15.2	17.0
21	Canada	2 992	3 185	8.6	9.3
22	Japan	3 696	4 741	5.9	7.6

(a) Percentage share of total imports of importing country.

TABLE V (c)

EXPORTS TO MEMBER COUNTRIES OF EC

	Country	Mio EUA		% (a)	
		1977	1978	1977	1978
	EUR 9	168 501	185 751	50.6	51.7
1	F R Germany	46 375	51 005	44.9	45.8
2	France	28 036	31 576	50.4	52.5
3	Italy	18 462	21 084	46.6	48.0
4	Netherlands	26 954	27 856	70.4	70.9
5	Belgium }	23 424	25 153	71.2	71.6
6	Luxembourg }				
7	United Kingdom	18 399	21 186	36.6	37.8
8	Ireland	2 948	3 460	76.5	77.7
9	Denmark	3 903	4 432	44.3	47.8
10	Greece	1 139	1 330	47.7	50.8
11	Spain	4 139	4 746	46.3	46.3
12	Portugal	917	1 063	51.8	55.5
13	Turkey	756	551	49.5	47.6
14	Norway	4 170	4 697	54.6	59.6
15	Sweden	7 721	8 071	46.2	47.3
16	Switzerland	7 090	8 662	46.1	47.2
17	Austria	4 248	4 991	49.5	52.4
18	Finland	2 441	2 561	36.3	38.2
19	USSR	6 181	5 932	15.6	14.7
20	USA	23 204	25 152	22.0	22.3
21	Canada	3 882	3 382	10.7	9.3
22	Japan	7 685	8 668	10.9	11.3

(a) Percentage share of total exports of exporting country

TABLE V (d):

INTRA-COMMUNITY TRADE

Mio EUA

Origin	Year	Destination: EUR 9	FR Germany	France	Italy	Netherlands	Belgium Luxembourg	United Kingdom	Ireland	Denmark
EUR 9	1977	168 229	43 509	30 521	18 167	21 920	23 958	21 400	3 220	5 535
	1978	183 871	47 838	33 030	19 790	23 828	26 158	23 394	4 100	5 734
FR Germany	1977	44 258	•	11 426	7 030	9 815	7 869	5 468	309	2 280
	1978	48 614		12 198	7 687	10 545	8 748	6 661	362	2 413
France	1977	29 424	10 354		5 853	2 806	5 631	4 054	227	489
	1978	32 386	11 089		6 444	3 139	6 229	4 715	256	514
Italy	1977	19 410	7 863	5 913		1 392	1 405	2 344	136	358
	1978	22 133	9 086	6 517		1 571	1 525	2 300	145	389
Netherlands	1977	28 110	12 039	3 771	1 755		6 000	3 761	145	638
	1978	28 700	12 647	4 009	1 858		5 114	3 248	166	639
Belgium/Luxembourg	1977	22 322	7 525	5 551	1 409	4 734		2 563	91	449
	1978	23 629	8 187	5 935	1 479	5 228		2 271	110	419
United Kingdom	1977	17 803	4 018	3 225	1 571	2 680	2 759		2 278	1 272
	1978	20 447	4 844	3 536	1 768	2 781	3 189		3 000	1 329
Ireland	1977	3 017	344	253	79	194	130	1 968		48
	1978	3 467	376	402	93	220	172	2 174		31
Denmark	1977	3 835	1 356	320	410	300	164	1 242	34	
	1978	4 494	1 609	433	461	343	182	1 425	41	

TABLE V (e):

TOTAL IMPORTS BY AREA OF ORIGIN
1978

Mio EUA

Importing country	Total imports	Origin				
		EUR 9	USA	Japan	Rest of world	Among which ACP
EUR 9	362 138	183 871	28 250	8 712	141 305	11 865
F R Germany	95 405	47 839	9 432	2 774	38 361	2 714
France	64 215	33 030	4 683	1 291	25 211	2 857
Italy	44 248	19 790	2 996	531	20 931	997
Netherlands	41 532	23 828	3 575	938	13 191	1 770
Belgium Luxembourg	37 919	26 158	2 192	624	8 945	1 059
United Kingdom	61 638	23 394	7 315	2 026	28 903	2 270
Ireland	5 584	4 100	419	158	907	92
Denmark	11 597	5 734	638	369	4 856	107
Greece	5 929	2 597	242	756	2 334	
Spain	14 648	5 075	1 946	410	7 217	
Portugal	4 057	1 858	481	132	1 566	
Turkey	3 566	1 405	219	88	1 851	
Norway	8 963	4 033	608	452	3 870	
Sweden	16 080	8 238	1 179	619	6 044	
Switzerland	18 565	12 597	1 394	536	4 038	
Austria	12 532	8 197	381	231	3 723	
Finland	6 160	2 199	310	171	3 480	
USSR	39 453	5 666	1 826	1 807	30 154	
USA	135 985	23 111	-	19 566	93 308	
Canada	34 178	3 185	24 119	1 558	5 316	
Japan	62 254	4 741	11 589	–	45 924	

TABLE V (f):

TOTAL IMPORTS BY AREA OF ORIGIN
1978

%

Importing country	Total imports	Origin: EUR 9	USA	Japan	Rest of world	Among which: ACP
EUR 9	100	50.8	7.8	2.4	39.0	3.3
F.R. Germany	100	50.1	6.7	2.9	40.2	2.8
France	100	51.4	7.0	2.0	39.3	4.5
Italy	100	44.7	6.8	1.2	47.3	2.3
Netherlands	100	57.4	3.6	2.3	31.6	4.3
Belgium Luxembourg	100	69.0	5.3	1.7	23.6	2.6
United Kingdom	100	38.0	11.9	3.3	46.9	3.7
Ireland	100	73.4	7.5	2.8	16.2	1.7
Denmark	100	49.4	5.5	3.2	41.9	0.9
Greece	100	43.3	4.1	12.8	39.4	
Spain	100	34.7	13.3	2.9	49.3	
Portugal	100	45.3	11.9	3.3	39.1	
Turkey	100	39.5	6.1	2.5	51.9	
Norway	100	45.0	6.8	5.0	43.2	
Sweden	100	51.2	7.3	3.9	37.6	
Switzerland	100	67.9	7.5	2.9	21.8	
Austria	100	65.4	3.0	1.8	29.7	
Finland	100	35.7	5.0	2.8	56.5	
USSR	100	14.4	4.6	4.6	76.4	
USA	100	17.0	–	14.4	68.6	
Canada	100	9.3	70.6	4.6	15.6	
Japan	100	7.6	18.6	–	73.8	

TABLE V (g):

TOTAL EXPORTS BY AREA OF DESTINATION
1978

Mio EUA

	Exporting country	Total ex-ports	Destination: EUR 9	USA	Japan	Rest of world	Among which: ACP
	EUR 9	359 664	185 751	23 141	3 726	147 046	12 717
1	F R Germany	111 340	51 005	7 358	1 259	51 118	2 403
2	France	60 119	31 576	3 353	400	24 709	3 519
3	Italy	43 926	21 084	3 131	405	19 306	1 212
4	Netherlands	39 292	27 856	1 300	233	9 903	910
5	Belgium	} 35 137	25 153	1 451	219	8 314	717
6	Luxembourg						
7	United Kingdom	56 090	21 186	5 244	315	28 845	3 709
8	Ireland	4 456	3 460	275	38	684	69
9	Denmark	9 305	4 432	529	177	4 167	177
10	Greece	2 617	1 330	115	26	1 146	
11	Spain	10 250	4 746	949	155	4 400	
12	Portugal	1 915	1 063	133	22	697	
13	Turkey	1 789	851	119	28	791	
14	Norway	7 878	4 697	423	85	2 673	
15	Sweden	17 048	8 071	1 078	240	7 659	
16	Switzerland	18 336	8 662	1 317	520	7 837	
17	Austria	9 518	4 991	286	54	4 187	
18	Finland	6 710	2 561	265	99	3 785	
19	USSR	40 694	5 992	299	840	33 573	
20	USA	112 732	25 152	–	10 112	77 468	
21	Canada	36 213	3 332	25 507	2 106	5 218	
22	Japan	76 593	8 668	19 769	–	48 156	

TABLE V (h):

TOTAL EXPORTS BY AREA OF DESTINATION
1978

%

	Exporting country	Total exports	Destination				
			EUR 9	USA	Japan	Rest of world	Among which: ACP
	EUR 9	100	51.7	6.4	1.0	40.9	3.5
1	F.R. Germany	100	45.8	7.1	1.2	45.9	2.2
2	France	100	52.5	5.6	0.8	41.1	5.9
3	Italy	100	43.0	7.1	0.9	44.0	2.8
4	Netherlands	100	70.9	3.3	0.6	25.2	2.3
5	Belgium	100	71.6	4.1	0.6	23.7	2.0
6	Luxembourg						
7	United Kingdom	100	37.8	9.4	1.5	51.4	6.6
8	Ireland	100	77.7	6.2	0.9	15.3	1.6
9	Denmark	100	47.6	5.7	1.9	44.8	1.9
10	Greece	100	50.8	4.4	1.0	43.8	
11	Spain	100	46.3	9.3	1.5	42.9	
12	Portugal	100	55.5	7.0	1.2	36.4	
13	Turkey	100	47.6	5.7	1.6	44.2	
14	Norway	100	59.6	5.4	1.1	33.9	
15	Sweden	100	47.3	6.3	1.4	44.9	
16	Switzerland	100	47.2	7.2	2.8	42.7	
17	Austria	100	52.4	3.0	0.6	44.0	
18	Finland	100	38.2	4.0	1.5	56.4	
19	USSR	100	14.7	0.7	2.1	82.5	
20	USA	100	22.3	-	9.0	68.7	
21	Canada	100	9.3	70.4	5.8	14.4	
22	Japan	100	11.3	25.8	-	62.9	