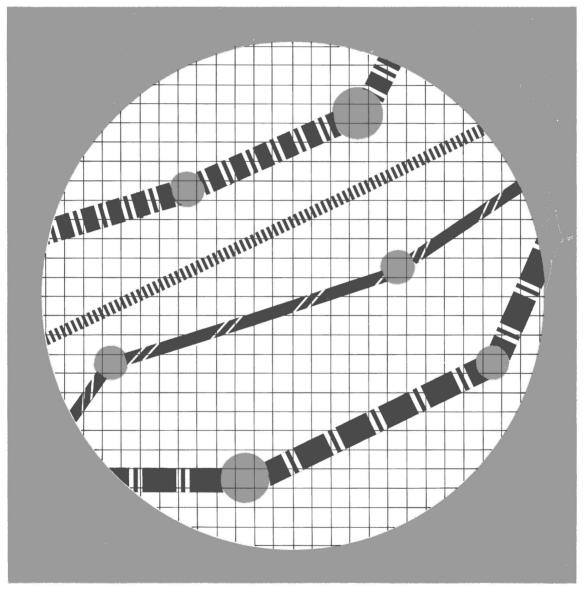
THE COMMON MARKET'S EXTERNAL TRADE 1958-67





european communities

press and information

The Common Market's trade with the rest of the world 1958-67

The purpose of the Common Market in the eyes of its founders was to promote throughout the Community the harmonious development of economic activities and steady and balanced expansion. The increase in the external trade of the Six during the ten years in which the Common Market has existed has been considerable.

The expansion of trade is a result of the elimination of the obstacles between the member countries and of the economic growth this has entailed. The increase in trade between the member countries and the gradual abolition of restrictions on international commerce have led to a rise in trade between the EEC and outside countries higher than the overall increase in world trade, so that the existence of the Common Market has been an effective stimulant to commerce throughout the world.

Intra-Community trade has gone up by 250 %, rising from \$6,800 million to \$24,000 million between 1958 and 1967. However, commercial relations between EEC and the rest of the world also expanded appreciably during this period: imports and exports practically doubled, rising from \$16,000 million each in 1958 to \$30,700 million and \$31,600 million respectively in 1967.

The EEC's external trade

1. Growth of imports and exports

Between 1958 and 1967 there were considerable fluctuations from year to year in the development of imports and exports. These short-term changes are largely attributable to variations in the business trend in the Member States and the leading non-member countries. For example, imports marked time in 1967 mainly because of the appreciable slackening of economic growth in the EEC.

Imports, exports and trade balance (\$ million)

	1958	1959	1960	1961	1962
Imports (cif) .	16,156	16,206	19,445	20,445	22,353
Exports (fob) .	15,911	17,050	19,483	20,428	20,636
Balance	—245	+844	+38	17	-1,717
	1963	1964	1965	1966	1967
Imports (cif) .	24,677	26,856	28.582	30,756	30.767
Exports (fob) .	21,629	24,179	27,093	29,419	31,627
Balance	-3,048	-2,677	-1,489	—1 ,337	+860

Annual growth rates (%)

	1959/58	1960/59	1961/60	1962/61	1963/62	1964/63	1965/64	1966/65	1967/66
Imports		20.0	5.2	9.3	10.4	8.8	6.4	7.6	0.03
Exports	7.2	14.3	4.9	1.0	4.8	11.8	12.0	8.6	7.5

		Growth rate 1967/58	Average annual growth rate 1967/58
Imports		+90 %	7.55 %
Exports		+98 %	8.01 %

It should be noted that while imports went up faster than exports during the first half of the ten-year period, the reverse was the case thereafter. Nevertheless, the annual average advance under both heads during these ten years is roughly the same: 7.5 % for imports and 8 % for exports. These fluctuations have caused considerable variations in the EEC balance of external trade. The trading account (imports cif, exports fob) was in balance in 1958 and showed a surplus in 1959 but deteriorated from then onwards; by 1963 the deficit had passed the \$3,000 million mark, since when there has been a steady improvement leading to a credit balance of \$860 million in 1967.

Only once—in 1963—have exports failed to pay for at least 90 % of imports (see table below).

1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
98.5	105.2	100.2	99.9	92.3	87.6	90.0	94.8	95.6	103

2. Share of world trade

Between 1958 and 1967 the growth of EEC external trade, although clearly smaller in relative value than that of a country like Japan, outstripped the increase in world trade and in the trade of most other countries or economic groupings. Consequently, the EEC strengthened its position in international commerce, quite apart from the volume and the considerable upsurge of intra-Community trade.

Shares of world trade (\$ million)

lm	port	S
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	198	58	190	67
	Value	%	Value	%
World (a)	91,600	100	170,400	100
EEC (external) .	16,156	17.6	30,767	18.05
EFTA (external) .	15,741	17.2	28,391	16.66
USA (b)	13,208	14.4	26,743	15.69
Japan	3,033	3.3	11,676	6.85
Exports				

		195	8	196	1967		
		Value	%	Value	%		
World (a)		86,160	100	157,700	100		
EEC (external)		15,911	18.4	31.627	20.05		
EFTA (external)		13,289	15.4	22,046	13.97		
USA		17,751	20.6	31,237	19.80		
Japan	•	2,877	3.3	10,479	6.36		

⁽a) World trade less intra-Community and intra-EFTA trade and without trade of the Soviet bloc.
(b) Prices fob.

Between 1958 and 1967 the EEC share in world trade (1) thus went up by 0.45 percentage points for imports (17.6-18.05%) and 1.65 percentage points (18.4-20.05%) for exports respectively.

⁽¹⁾ World trade less intra-Community and intra-EFTA trade and without trade of the Soviet bloc.

Structure of external trade

Geographical pattern

The structure of the Community's external trade in terms of large geographical areas has shifted since 1958 to the advantage of the industrialised countries. Expansion of trade has been particularly rapid with the industrialised, free-market economy countries and with the State-trading countries, but slower with the developing countries.

Expansion of trade

9	;	ľ	1

		im	ports			E	ports				
Area	19	58	196	67	19:	58	196	67			
	Value	%	Value	%	Value	%	Value	%			
Total	16,156	100	30,767	100	15,911	100	31,627	100			
tries	8,526	53	16,954	55	8,638	55	20,473	65			
tries	6,824	42	11,521	38	6,125	39	8,295	27			
tries	789	5	2,237	7	980	6	2,525	8			

Over the last ten years the share of the industrialised countries of the Western world in the Community's external trade has risen from 53 to 55 % for imports and from 55 to 65 % for exports. Progress is remarkable as regards exports, whose growth rate over the period is 138 %. Imports have advanced rather less rapidly but have nevertheless doubled in relation to 1958. Since exports have increased more than imports, the surplus on the Community's trade balance with the industrial countries has grown. It amounted to \$3,500 million in 1967. Trade with the developing countries has not advanced so rapidly, the increase being 68 % for imports and only 35 % for exports. As this growth is well below the Community average, the share of the developing countries in the Community's external trade has necessarily fallen over the years. Whereas these countries supplied 42 % of the Com-

munity's total imports in 1958, they accounted for only 38 % in 1967. The Community's exports have been much more affected by the stagnation of trade with the developing countries, wich now take only 27 % of total exports, as against 39 % in 1958. For this reason the Community's deficit in trade with the developing countries rose from \$700 million in 1958 to \$3,225 million in 1967. As the exports of these countries have made faster progress on the Community market than in other regions of the world, their growing surplus with EEC in recent years has enabled them to meet a considerable part of their deficit with these other regions, and particularly with certain industrialised countries. Trade with the State-trading countries has increased notably since 1958 (imports 183 %, exports 157 %). Trade between the Six and the East bloc countries was at a relatively low level when the Common Market was established. Since then the State-trading countries' share in the Community's imports has risen from 5 to 7 % and in its exports from 6 to 8 %. The trade balance with these countries began to show a surplus in 1967. However, it is still in deficit with the USSR (-\$252 million in 1967, as against -\$66 million in 1958). The surplus achieved is due to purchases by the other countries of Eastern Europe and by China.

General structure

Features of the Community's external trade are the heavy imports of primary products (farm produce, petroleum products and raw materials) and the large volume of exports of manufactures. However, one noteworthy development in the last decade has been the steady rise in the share of manufactures in the Community's imports and exports. In 1958 seven-tenths of Community imports consisted of primary products and eight-tenths of Community exports were manufactures. By 1967 only 60 % of imports and 15 % of exports were primary products.

Trend of imports and exports

Shares of the chief groups of products

	lmi	Imports		oorts
	1958	1967	1958	1967
	%	%	%	%
Food, beverages and tobacco Raw materials	25 30 17	20 22 18	10 4 6	8 3 4
Total primary products (a)	72	60	20	15
Chemicals Machinery and transport equipment Other manufactured products (b)	4 9 15	5 13 20	10 32 37	12 38 34
Total industrial products (a)	28	38	79	84

 ⁽a) By "primary products" are meant the products listed in Sections 0-1, 2-3 and 4 of the "Statistical and Tariff Classification for International Trade" (CST). (The CST is a publication of the Statistical Office of the European Communities and does not exist in English. It is based on the UN Standard Industrial Trade Classification and the Brussels Nomenclature.) "Industrial products" are the goods mentioned in Sections 5, 6, 7 and 8.
 (b) These are the products listed in categories 6 and 8 of the CST.

The structural changes in the pattern of external trade appear more clearly when the trend of imports or exports is analysed by groups of products.

Raw materials are traditionally the most important item in EEC imports. But although their value rose from \$4,777 million in 1958 to \$6,750 million in 1967, their share in the Community's global imports fell from 30 to 22 %. After raw materials, foodstuffs constitute the main category of goods imported into the Community. Their value was \$4,020 million in 1958 and \$6,262 million in 1967, but despite this advance their share in total imports fell from 25 to 20 %. Energy products are assuming increasing importance in EEC imports, and this group is the only one in the primary products category which improved its share. The value of these imports, which are chiefly petroleum products, has risen from \$2,183 million to \$5,067 million. Energy products accounted for 18 % of imports in 1967 (17 % in 1958).

The increase in imports of industrial products has been reflected in an appreciable rise in their share of total Community imports. Imports of machinery and transport equipment, which account for 13 % of EEC imports (9 % in 1958), have attained the highest growth rate (their value has risen from \$1,380 million to nearly \$4,000 million). The

increase has been more considerable for machinery than for transport equipment, which represents only 20 % of these imports. Imports under the heading of other manufactured products were estimated at \$6,180 million in 1967, as against \$2,460 million in 1958. Their increase is appreciable and is chiefly attributable to the rise in purchases of textiles (93 %), clothing (384 %), footwear (309 %), precision instruments (308 %), iron and steel products (93 %) and non-ferrous metals (170 %). Imports of chemical products, which have gone up by 150 %, accounted for \$1,535 million of the Community's imports. In 1958 this item was \$614 million.

Manufactures have gained most in the expansion of exports. The slow-down in exports of primary products has chiefly been felt in the food-stuffs sector, where the value of exports went up by 56 %—from \$1,520 million to \$2,377 million—between 1958 and 1967. This increase is below the general average and the share of these products in exports has fallen by 2 percentage points and is now no more than 7.5 %. Raw materials exports have shown a remarkable growth rate but in volume they are only 3.5 % of all exports. Compared with other categories of products, the values of \$1,095 million (1967) and \$563 million (1958) are modest. Exports of energy products are at roughly the same level as sales of raw materials and consist almost exclusively of refined petroleum products and coal. During the period under review exports of coal fell off in a proportion equal to the increase in sales of petroleum products.

With regard to manufactures, the machinery and transport equipment group supplies by far the largest quota of exports. Sales of these items rose from \$5,146 million in 1958 (32 % of all exports) to \$12,119 million in 1967 (38 % of all exports). Expansion here is due more to the development of sales of machinery than of transport equipment, where the increase was only 80 %; during the period, the rise was 190 % for non-electrical machinery and 171% for electrical machinery, so that the share of transport equipment in the machinery and transport equipment group fell from 42 % in 1958 to 32 % in 1967. Exports from the group of other manufactured products have increased at a definitely slower rate than those of machinery and transport equipment (79 %, as against 135 %). Their value was \$5,950 million in 1958 and \$10,680 million in 1967.

This trend is due to the difficulties encountered on export markets by the chief exporting industries in this sector—iron and steel and textiles—because of the expansion of world production and more especially of the commissioning of new plant in many countries. Of all Community exports, chemicals have grown most of all. Between 1958 and 1967, sales of chemical products soared from \$1,574 million to \$3,794 million.

The EEC's chief trading partners

Industrialised countries

European Free Trade Association (EFTA)

Taken as a whole, EFTA is the Community's chief trading partner. Over the last ten years it has consolidated its position in the Community's import and export trade, where its share has risen from 22.2 % to 23 % (Community imports) and from 31.2 % to 33 % (Community exports). In 1967 imports were worth \$7,093 million, as against \$3,608 million in 1958, while sales to EFTA stood at \$10,425 million, compared with \$4,970 million in 1958. Thus imports climbed by 97 % and exports by 110 %. These rates are slightly higher than the average growth rates. The trade balance is clearly in favour of the Community: the surplus rose from \$1,362 million in 1958 to \$3,332 million in 1967. Trade between EEC and EFTA is mainly in manufactures, which account for 70 % of imports and 79 % of exports. In relation to 1958 we may note a very definite increase in the share of these products in commerce between the two areas. At that date the proportion of manufactures was 60 % for imports and 72 % on the export side.

The pattern of trade with the continental EFTA countries differs from that with the United Kingdom. Whereas industrial products account for 63 % of imports from continental EFTA countries (51 % in 1958), they represent 82 % of those from Great Britain (80 % in 1958). The opposite trend appears in Community exports, where the share of industrial products is higher than in exports to the continental countries (1967: 82 %, 1958: 78 %) than to the United Kingdom (1967: 69 %, 1958: 56 %).

Moreover, trade has grown less rapidly with the continental EFTA countries than with Great Britain. For the period 1958-1967 the growth rate of imports was 129 % from the United Kingdom and 82 % from the other EFTA countries. The same trend, albeit less pronounced, may be seen in exports: United Kingdom: 114 %; continental countries: 109 %. Thus, far from its share in the external trade of the Six declining, the United Kingdom has succeeded, since the Common

Market was established, in stepping up its share in the Community's imports from 7.3 % to 8.8 % and in its exports from 8.3 % to 9 %.

Other countries of Western Europe

Trade with Western European countries outside EEC and EFTA has also expanded since the Common Market was set up. The countries concerned are Spain, Greece, Turkey, Yugoslavia, Finland, Ireland, Iceland, none of which has yet reached a very advanced stage of industrialization and two of which are associated with the Community. Imports from these countries have gone up by 120 % and exports to them by 196 %. Only in trade with the Soviet bloc States or with certain individual countries like Japan have growth rates of this size been achieved elsewhere. Over the last ten years the value of this trade rose from \$834 million to \$1,842 million on the import side and from \$1,143 million to \$3,392 million for exports. The share of these countries in the Community's aggregate imports has risen from 5 % to 6 % and in its exports from 7 % to more than 10 %. This considerable expansion took the form of a favourable development of imports of primary products and an exceptional growth in imports of manufactured articles, and steady progress of exports both of primary products and manufactures.

The trade balance is in favour of the Community. The surplus was \$309 million in 1958 and \$1,550 million in 1967. Only in trade with EFTA was a higher surplus achieved.

United States of America

The Community's leading trade partner among non-member countries is the United States of America. The expansion of trade with this country has been more lively than that of the Community's external trade as a whole: imports have risen by 109 % and exports by 166 % over the last ten years. In 1967 imports from the United States were worth \$5,859 million and exports there to \$4,423 million. This is equivalent to 19 % of the EEC's total imports and 14 % of its exports. In 1958 these percentages were respectively 17 % and 10 %, and in terms of value \$2,808 million and \$1,664 million.

With a Community deficit of \$1,436 million, the trade balance in 1967 is in favour of the United States. This deficit was smaller in 1958 but worsened sharply in the following years and only began to contract again from 1965 onwards.

In 1967 more than 60 % of imports from the United States consisted of

manufactures, as against 40 % for primary products. In 1958 the proportions were the reverse, since 60 % of imports then consisted of primary products. Thus a very clear shift has occurred over the last ten years in favour of manufactures. The Community's exports to the United States are 90 % industrial products and 10 % primary products. In 1958 manufactures already accounted for 86 % of these exports. Despite a formidable increase in purchases of American farm produce (161 %), trade between the United States and EEC is shifting more and more towards manufactures.

Developing countries

Latin America

Among the developing regions Latin America is one of the Community's chief trading partners. In 1967 imports from the area accounted for 8.9 % of all Community imports and Latin America took 6.5 % of Community exports (10.2 % and 10.1 % in 1958). The value of imports in 1967 was \$2,743 million (\$1,647 million in 1958) and of exports \$2,052 million (\$1,604 million in 1958). Between 1958 and 1967 imports rose 66 % and exports 27 %. Because of the weak growth of exports the deficit on the trade balance with the Central and South American States has increased sharply, rising from \$43 million to \$691 million.

Imports from Latin America consist of 84 % primary products and 16 % manufactured goods. In relation to 1958 the latter have advanced by 6 percentage points, but foodstuffs alone still account for more than half the aggregate imports. The Community's exports are almost exclusively manufactured goods, which in 1967 represented 93 % of all sales to the area. It is interesting to note that, as a result of the expansion of foodstuff sales, this share dropped 2 percentage points in comparison with 1958.

Yaoundé countries (1)

The share of the Yaoundé countries in the Community's external trade is relatively small. In 1967 the Six drew 4.2 % of their imports from these States, compared with 5.6 % in 1958, and 2.9 % of their exports

⁽¹⁾ Seventeen countries in Africa plus Madagascar, all associated with the Community under the Yaoundé Convention. Abbreviated to AAMS in chart on page 18.

went to the 18 countries, as against 4.4 % in 1958. As a result of the diversification of trade introduced by several Associated States which became independent after the signing of the Rome Treaty, the expansion of trade has been less considerable than in other regions of the world. Between 1958 and 1967 imports rose from \$914 million to \$1,304 million, a rise of 43 %. Exports grew from \$712 million to \$926 million. There was a sharp slowdown in the growth of imports from 1964 onwards, while exports, which had declined after 1958, only recovered their normal level after 1963. The trade balance is favourable to the Associated States and the Community's deficit increased from \$202 million in 1958 to \$378 million in 1967, whereas in 1966 it had almost reached \$500 million.

The Yaoundé countries mainly export to the Community the primary products they produce (72 % of imports) and, following the establishment of new industrial companies, also a relatively high percentage of more or less finished products (28 % of imports). Imports of industrial products from the Yaoundé countries are thus well up on the 1958 level, when they accounted for only 17 % of purchases. The weak expansion of imports from the 18 countries associated with the Community under the Yaoundé Convention is undoubtedly due to the stagnation of foodstuffs purchases, which have increased by only 11 % over the last ten years. Eighty-five percent of exports to the Yaoundé countries are industrial products (81 % in 1958). The fall in the share of primary products is due to the stagnation of sales of foodstuffs.

Africa

(other than the Yaoundé countries)

The Community's trade with the African countries not associated with it has undergone profound changes in the last ten years. Imports have increased by 108 %, rising from \$1,522 million to \$3,166 million. In terms of value exports have only expanded by 5 % (from \$1,953 million to \$2,056 million). As a result of this divergent trend the share of the African countries in the Community's aggregate imports and exports has moved from 9.4 to 10.3 % and from 12.3 to 6.5 % respectively. This trend is more especially apparent in the trade balance, which showed a surplus of \$431 million in 1958 and a deficit of \$1,110 million in 1967.

The rise in imports and the stagnation of exports which are features of trade with the non-associated African countries may be attributed to the growth of imports of crude oil from Algeria and Libya and the considerable fall-off in exports to Algeria, which in 1958 was still an integral part of France.

Import trade with the African countries is mainly in primary products, which, in 1967 as in 1958, represented 91 % of all imports from this

area. Petroleum imports alone account for 50 % of all purchases from Africa. In 1958 these supplies were very small and represented only 2 % of total imports. In ten years their annual value has risen from \$31 million to \$1,612 million. Thanks to the opening-up of oilfields in Algeria and Libya, Africa has become the Community's second supplier of crude after the Middle East. The pattern of exports to the developing countries is the usual one, i.e. there is a strong predominance of manufactured goods (81 % in 1967, as against 73 % in 1958), while the share of primary products has dropped from 27 to 19 %.

Middle East

Trade with the Middle East has increased in a more satisfactory way than with the other developing regions but less favourably than the Community's total external trade. The share of these countries in the external trade of the Six fell between 1958 and 1967 from 11.2 to 9.5 % for imports and from 4.4 to 4.1 % for exports. In 1967 imports from the area were worth \$2,911 million, as against \$1,803 million in 1958. The increase in imports was 61 %. During the same period exports rose from \$707 million to \$1,298 million, or 83 %. Despite the expansion of exports the Community's 1967 trade balance with these countries showed a deficit of \$1,614 million, or \$500 million more than in 1958.

Ninety percent of imports from the Middle East consist of petroleum products. There is no other area whose exports to the Community are dominated by one product in this way. Crude oil deliveries have gone up by 61 %, i.e. in the same proportion as aggregate imports from the area. Exports, which have increased faster than imports, are 90 % industrial products. In 1958 this proportion was already 86 %.

South-East Asia

Trade with the countries of Asia and Oceania has declined steadily over the decade, particularly in 1967 following the closing of the Suez Canal. The percentage contribution to the Community's total imports was 4.8 % in 1958, 4.05 in 1966 and 3.7 in 1967. For exports it was 6.5 in 1958, 5.3 in 1966 and 4.9 in 1967. Imports in 1967 were worth \$1,143 million, as against \$776 million in 1958, a growth rate of 47 %, or 50 % less than the average growth rate of all Community imports. Exports rose from \$1,082 million to \$1,558 million over the period. This increase of 44 % is well below the average growth of exports. The trade balance is consistently in favour of the Community, with a surplus of \$306 million in 1958 and of \$415 million in 1967.

On the imports side trade with South-East Asia is mainly in raw materials which in 1967 accounted for 48 % of imports, as against 70 % in 1958. This reduction is due to the fact that imports have not increased in absolute terms but have marked time at their 1958 level. Ninety percent of experts to the area are industrial products. In 1958 this proportion was more than 91 %, but the share of primary products has since risen slightly because of the expansion of exports of farm produce and of raw materials.

Eastern Europe

The State-trading countries of Eastern Europe are the area with which trade has shown the fastest advance over the last ten years. Between 1958 and 1967 imports rose from \$678 million to \$2,008 million and exports from \$625 million to \$2,102 million. In 1967 these figures were equal to 6.5 % of the Community's total imports (4.2 % in 1958) and 6.6 % of its exports (3.9 % in 1958). The development of trade has been remarkable, since imports have jumped by 196 % and exports by 236 %. In relation to 1958 imports had doubled by 1963 and increased threefold by 1967. Exports doubled by 1964 and more than tripled by 1967.

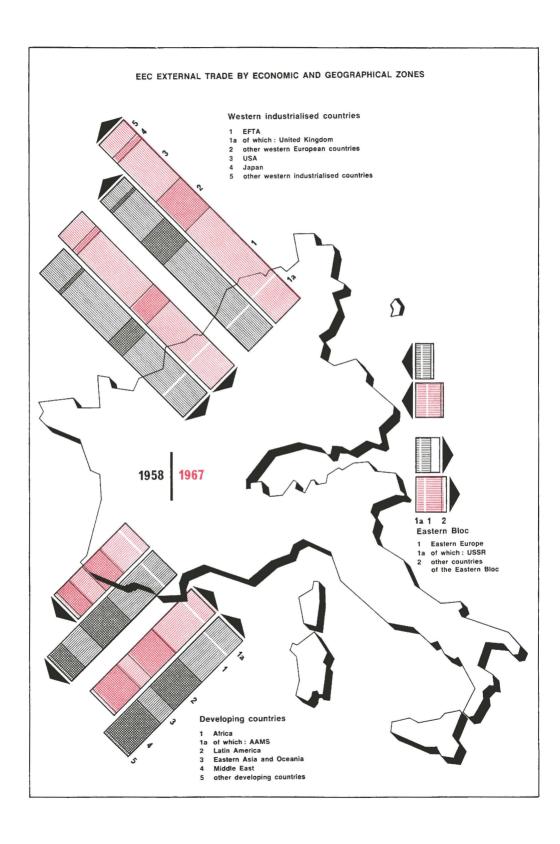
Between the establishment of the Community and 1967, when the first surplus appeared, the Community's trade balance with the East bloc countries as a whole was in deficit. The surplus is not very high (\$94 million).

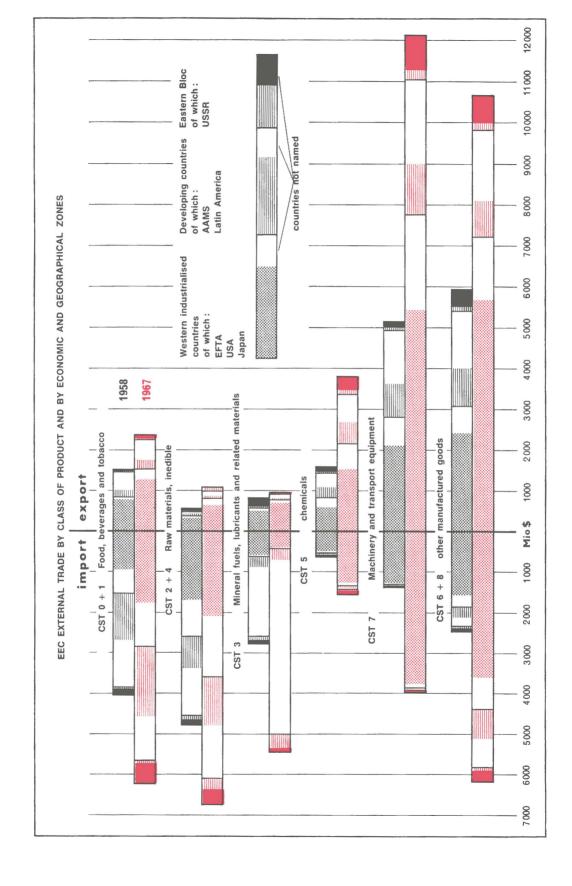
The trend of trade with Eastern Europe has differed from one country to another. In recent years there has been a surplus with several countries which have sharply stepped up purchases of the capital goods required to implement their accelerated industrialization policy (Bulgaria, Rumania, Czechoslovakia). On the other hand there is a consistent deficit with the USSR whose sales to the Community are appreciably higher than her purchases. With Poland and Hungary, which are considerable suppliers of farm products, the balance is in slight deficit or surplus according to the years.

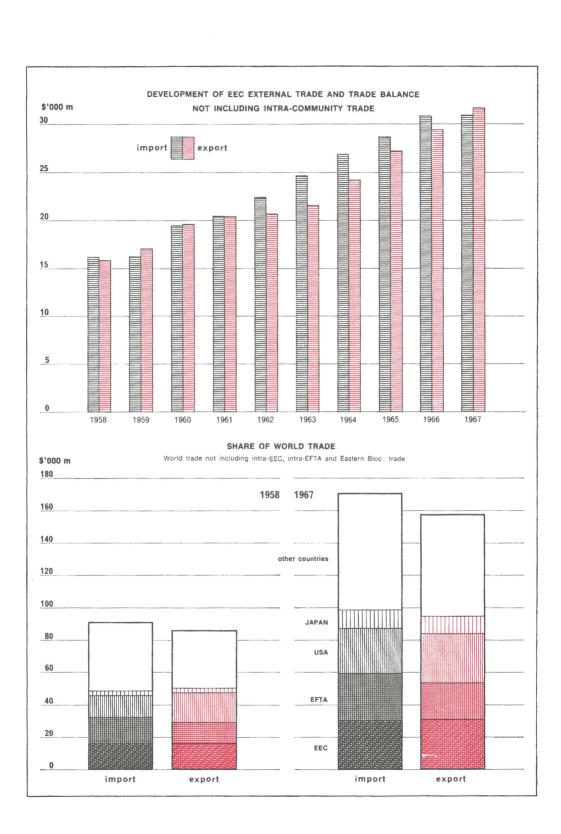
In 1967 the USSR supplied 42 % of the Community's imports from Eastern Europe, as against 41 % in 1958, and took 28 % of the exports to the area, compared with 33 % in 1958. The main items supplied by the USSR are primary products, which in 1967 accounted for 84 % of imports, compared with 77 % in 1958. The higher purchases of energy products and raw materials in 1966 and 1967 explain the increase in the share of primary products in imports from the Soviet Union.

The pattern of exports to the USSR is the opposite of that of imports, since 95 % of EEC goods sold there are manufactures. This pattern has remained practically unchanged since 1958.

In 1967 the other East bloc countries accounted for 58 % of all imports from the area (1958: 59 %). Their share is even higher in exports (72 %, as against 67 % in 1958). Whereas imports from these countries have increased slightly less (191 %) than those from the Soviet Union, exports have grown definitely faster (263 %, as against 181 %).







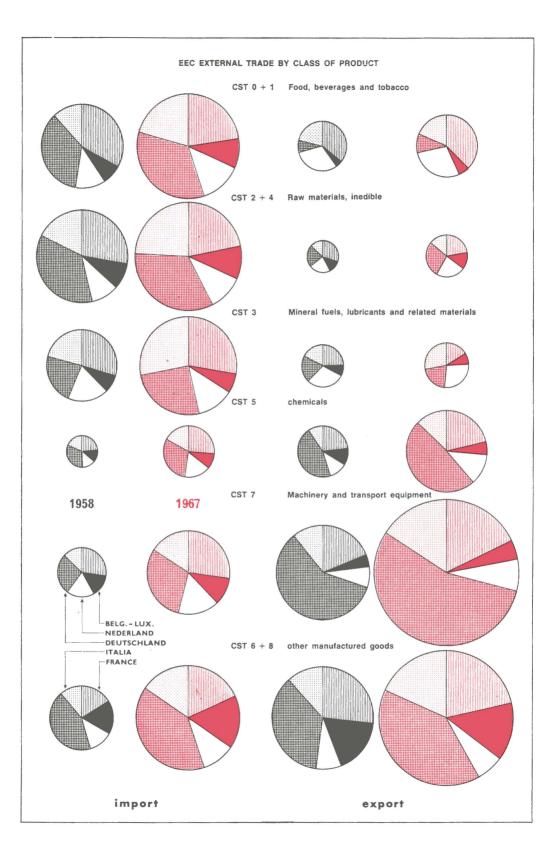


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