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PRESS RELEASE

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street Northwest, Suite 707, Washington D.C. 20037 • Telephone: (202) 296-5131

August 19, 1971

FOR IMMEDIATE RELEASE

COMMON MARKET CRITICIZES U.S. IMPORT SURTAX

WASHINGTON, D.C., August 19, 1971 -- The result of the 10 per cent surtax that President Nixon announced last Sunday on most imports is a de facto and unilateral annulment of the Kennedy Round results, a European Community spokesman said today.

The Kennedy Round negotiations, concluded in 1967, reduced tariffs multilaterally by approximately 35 to 40 per cent over a period of four years.

The spokesman also said that in order to understand the effects of the surtax, certain aspects of trade between the Common Market and the United States should be noted:

- Since the beginning of the Common Market in 1958, trade between the United States and the Common Market has tripled.
- Community imports from the United States have risen from \$6.3 billion in 1968 to \$9 billion in 1970.
- Community exports to the United States have risen from \$5.7 billion in 1968 to \$6.5 billion in 1970.
- American investments in the Community have increased from \$1.9 billion in 1958 to an estimated \$13 billion in 1970.

(more)

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

Between 1959 and 1970, American exports to the Community rose by 341 per cent while those from the rest of the world increased by 269 per cent.

Because of the American investment in the Common Market countries, the spokesman stated, many products which were previously exported from the United States are now produced in Europe. In 1968, sales of American subsidiaries located in the Community were estimated at \$14 billion, which is 2.5 times the value of total American exports to the Community.

American companies in 1970 repatriated some \$1 billion in profits from their direct investment in the Community, the spokesman declared.

Direct investment by Common Market companies in the United States, however, have amounted to only one-third the level of American investments in the Community. This amount represented \$1.5 billion in 1960 and \$3.3 billion in 1969.

The spokesman said that more than 80 per cent of the \$6.5 billion in Community exports are affected by the surtax. The U.S. government has said that some 50 per cent of its imports are subject to the 10 per cent surtax, but, because of the structure of Community trade, the surtax will affect an even greater percentage of Community exports.

Among the sectors particularly affected are: automobiles, chemicals, machinery, steel, shoes and foodstuffs including wines.