

EUROPEAN PARLIAMENT

COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

DELEGATION FOR THE RELATIONS WITH THE UNITED STATES CONGRESS

Information Note

Members will find attached a note prepared by the Secretariat for Interparliamentary Delegations on United States - European Community relations.

DIRECTORATE GENERAL FOR COMMITTEES
AND INTERPARLIAMENTARY DELEGATIONS

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PE 59.657

The United States is the EC's major customer and major supplier and in general as EC Commissioner Haferkamp has said:

"Our relations with the United States are friendly and close. When difficulties arise, they are discussed directly and openly However there are some points for concern"¹

This reflects the European Parliament's view enunciated in its resolution on the present state of economic and commercial relations between the European Community and the United States of America of January 1977,² and the Council's view as put forward in the recent debate on an oral question in April 1979:³

"The close links which exist between the United States and the Europe of the Nine based on a common heritage of values and aims, are mutually beneficial and must be maintained. They do not, however, affect the Nine's determination to assert its own distinct and original character In practical terms, the bilateral relations, the links which have been forged in other organizations and the good relations between the Nine and the United States on the basis of agreed consultation procedures have enabled us to foster beneficial contacts on all matters of international importance."

US and EC economies briefly compared

The structure of the EC economy differs significantly from that of the US economy. It has few natural resources and relies largely on its manufacturing, its technology and its technical services to create its wealth. The US economy is helped by that country's richness in certain raw materials - it is the world's largest producer of salt, copper ore, lead ore, phosphate rock, and among the world's major producers of iron ore, uranium, tungsten, zinc, and silver. The Community's major raw materials are coal, lignite, natural gas and iron ore, but the US produces more of each (except lignite) than does the EC.

Agricultural production differences also exist, but they are not all in the US' favour. The US is a larger producer of wheat, of grain maize, of soya, of rice than the EC, which is a larger producer of rye, barley, potatoes, sugar beet, and wine and beer than the US. The US has more beef cattle, the EC more dairy cows, pigs and sheep and goats.

¹Speech given on 22 March 1979 at the Bank für Gemeinwirtschaft in Frankfurt on "the external economic problems of the EEC", PE 59.245.

²OJ C30 of 7.2.1977, OJ Annex Debates No. 211 January 1977, pp 44-53, and Doc. 468/76.

³OJ Annex Debates No. 242 of April 1979 pp 90-96

Table 1: Indicative Production Statistics (1977)

	<u>EC</u>	<u>Greece</u>	<u>Portugal</u>	<u>Spain</u>	<u>United States</u>
Cotton yarn (thou. tonnes)	62	7	7	7	123 ^M
Newsprint (" ")	129	-	-	10	266
Cement (" ")	10,677	850	309	2,108	5,693
Crude steel (" ")	10,611	-	33	911	9,441
Motor vehicles (thousand) ¹	1,058	-	8	96	1,264
Electricity (KWh per head)	365	156	118	215	849
Wheat (thousand tonnes) ²	38,318	1,715	220	4,045	55,134
Meat (" ") ³	18.6	N.A.	N.A.	1.9	17.6
Milk (" ") ⁴	86,695	741	591	N.A.	55,772

^M1976

¹Includes assembly

²Source: International Wheat Council

³Source: OECD

⁴Source: EC-Europe and OECD

The EC's population of 259 million is larger than the US's of 217 million, and is older. Birth rates are also somewhat lower in the EC (12.4 to 14.7: 1976). If accurate comparisons were possible, levels of unemployment in the EC and in the US would probably be similar, though hours worked longer in the US.

Gross domestic product remains lower in the EC than in the US. Per capita GDP in 1978¹ was estimated to be just under \$7,600 in the EC and just under \$9,600 in the US. This compares with just under \$3,300 in the EC in 1972 and \$5,600 in the US then. During this time Japan's per capita GDP has overtaken the Community's (from about \$2,850 in 1972 to about \$8,400 in 1978).

The Community's production of crude steel and cement exceeds US production, which is conversely higher than the EC's for motor cars and electricity. Per capita production of electricity is 365 KWh (EC) and 849 KWh (US) respectively. The EC produced or assembled 1.06 million motor vehicles each month in 1977, compared with US and Japanese production and assembly of 1.26 million and 708,000 respectively.

¹For sake of comparison, values in US dollars are used throughout the paper, unless data are not available. Certain EC trade statistics appear in EUA in the appendix.

Table 2: Certain Economic Indicators EC and US: I

	<u>GDP per capita</u>	<u>Inflation rates</u>	<u>Unemployment</u>	
	\$ thousand (1978 est.)	(1978/79)	1979(est.) thousands	%
Germany	10.4	2.9	880	3.5
France	8.8	9.1	1,349	5.7
Italy	4.5	12.5	1,545	6.8
Netherlands	9.4	4.1	229	4.3
Belgium	9.5	4.5	313	8.5
Luxembourg	9.6	3.1	1.3	0.9
United Kingdom	5.5	9.0	1,465	5.6
Ireland	3.7	7.6	93	7.8
Denmark	11.0	7.5	180	6.6
<u>European Community</u>	7.6		6,055	5.5
<u>United States</u>	9.6	7.6	6,855 [*]	7.0 [*]

^{*} 1977

Source: EC Commission 'European Economy' No. 3, Statistical Office of EC and OECD.

Since 1973 growth rates in both the Community and the US have been lower on average than during the two post war decades and inflation rates have been significantly higher. The inflation rate in 1977/78 reached over 7½% while EC inflation rates ranged between 2.9% (Germany) and 12.5% (Italy) during the same period. Between 1974 and 1977 the US rate tended to be somewhat lower than the average for the EC. Since December 1978, however, consumer prices in the US have risen at a 13% annual rate, a sharp acceleration from the 9% of the previous year and almost double the 1977 inflation rate. This acceleration was due initially to the depreciation of the dollar and to adverse weather conditions boosting food prices but has subsequently been fuelled by the increasing energy prices. In evidence to the Senate Budget Committee in July 1979 Mr Blumenthal, then US Secretary of the Treasury, believed the US would almost certainly experience a mild economic downturn in the latter part of the year. "Unless we master the inflation problem, the prospect of a mild downturn of short duration could turn into the much grimmer prospect of a deeper, more prolonged recession." In his evidence Mr Blumenthal also drew attention to the slowing in productivity gains in the US, or the actual decline in productivity in the private business sector. He underlined the need for the US to protect the value of the dollar in international markets to avoid the significant dollar depreciation which fuelled higher domestic inflation. He concluded by emphasizing that the immediate priority should be a programme to master the energy problems since both the inflation and recessions prospects were a function of energy supplies and prices. US President Carter launched a major energy initiative in July 1979. Congress is currently considering appropriate legislation.

The Community has also been affected by the recent developments on the oil market and it too is attempting to ensure that consumers are fully sensitized to the oil price increases so that energy consumption habits might change in the long term. Secondary inflation effects, a Commission document suggests,¹ must be kept to a strict minimum by accepting a reduction in living standards large enough to offset the rise in the cost of oil imports. The growth of real GDP in the first quarter of 1979 was very modest, impeded as it was by the particularly severe weather and by the effects of labour disputes in some Member States. For the first half of 1979 as a whole the rate of growth of GDP was reckoned at 3% at an annual rate as against more than 4% (at an annual rate) for the second half of 1978. Consumer price inflation accelerated markedly in the EC in the first months of 1979 reaching a 10.4% change from the previous quarter at an annual rate.

Table 3: Certain Economic Indicators EC and US: II

	<u>Industrial production</u>	<u>GDP (volume)</u>	<u>Terms of trade</u>
	% change 1978/79(est.)	% change 1978/79(est.)	(1974 = 100)
Germany	2.8	4.0	106.6
France	2.7	3.4	105.7
Italy	7.4	4.9	103.8
Netherlands	3.0	2.5	99.6
Belgium	4.0	2.5	97.1
Luxembourg	1.7	2.3	83.9
United Kingdom	-0.3	0.8	112.8
Ireland	6.0	3.8	98.1
Denmark	4.0	2.8	103.2
<u>European Community</u>	3.0	3.2	106.5
<u>United States</u>	4.5 ^x	4.0 ^{xx}	

^xUp to June 1979. Source: Commission 'European Economy' No. 3 July 1979

^{xx}1978/77: Source OECD

Trade relations

US and EC trade compared

A very significant recent development in world trade is the conclusion of the Tokyo Round of the GATT multilateral trade negotiations - legislation for which is being finalized in the US Congress, and results which await final signature of the Council and Member States. The negotiated package consists of tariff cuts of about a third on industrial products, and a series of codes on non-tariff barriers to trade.²

¹Commission of the European Communities 'European Economy: Short-term Economic Trends and Prospects' July 1979 No. 3.

²See PE 59.337 concerning the GATT multilateral trade negotiations.

The EC is very dependent on trade for its well being. 20% of the EC's GNP is derived from its exports which were valued at \$221.6 thousand million in 1978. The US is far less dependent on trade, having a higher GNP and lower level of exports (\$143.7 thousand million in 1978) than the EC. Both the EC and US have major trade deficits in dollar terms, but while the EC's deficit is less than 2½% of its exports in value, the US's deficit of US \$29.6 thousand million in 1978 made up about 21% of its total exports, and it was not counterbalanced by unilateral transfers and the surplus on services (which is sizeable) so that the current balance of payments was in serious deficit. Conversely the EC's balance of payments was in surplus.

A senior US administration official during House Budget Committee hearings in July expected the US current account deficit to fall to about \$5 thousand million for 1979, and a small surplus on current account in 1980.

Table 4: Total US Trade 1972-1978
(\$ thousand million)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1972	49.8	55.6	- 5.8
1973	71.3	69.5	+ 1.9
1974	98.5	101.0	- 2.5
1975	107.7	96.9	+10.7
1976	115.0	121.8	- 6.8
1977	121.2	148.7	-27.5
1978	143.7	173.3	-29.6

Source: 'Highlights of US Import and Export Trade' US Department of Commerce

Note: Export figures "free alongside ship" (f.a.s.) and imports "customs value basis".

Table 5: Total EC Trade 1972-1978
(\$ thousand million)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u> ¹
1972	73.8	73.6	+ 0.2
1973	99.4	103.8	- 4.5
1974	136.2	156.0	-19.8
1975	150.4	155.7	- 5.3
1976	157.7	178.2	-20.4
1977	189.9	197.6	- 7.7
1978	221.6	227.2	- 5.5

Source: Eurostat: Monthly Trade Bulletin Special Number 1958-77. 1978 Micro fiche service. Exports valued f.o.b. - Imports c.i.f.*

¹Slight discrepancies arise from rounding figures up from \$ millions.

*The difference between f.o.b. (free on board) basis and f.a.s. (free alongside ship) in computing export statistics is slight. The difference between c.i.f. (cost and insurance freight) and c.v.b. (customs value basis) results in a significant distortion of trade balances, increasing the apparent value of US surpluses and reducing that of US deficits.

The growth of US exports to and imports from the EC between 1972 and 1978 was continuous and balanced though the EC share of US total exports and imports declined. About 20% of total US exports went to the EC in 1978, compared with 24% some six years earlier. 17% of US imports stemmed from the EC in 1978, compared with 22½% in 1972. The US trade imbalance has been brought about by the disproportionate growth of US imports from oil producing developing countries and from Japan as compared with exports to those areas. The US trade deficit with Japan totalled \$12 thousand million in 1978 against \$8.3 thousand million the year before. The US deficit with oil producing countries improved in 1978 as compared to 1977, but it threatens to increase in 1979.

Table 6: US External Trade - World and principal trading partners
(\$ thousand million)

<u>US exports to:</u>	<u>World</u>	<u>EC</u>	<u>Canada</u>	<u>Japan</u>	<u>Developing Countries</u>
1972	49.8	11.9	12.4	5.0	14.6
1973	71.3	16.7	15.1	8.3	21.0
1974	98.5	22.1	19.9	10.7	32.7
1975	107.7	22.9	21.8	9.6	39.3
1976	115.0	25.4	24.1	10.2	40.4
1977	121.2	25.8	25.8	10.5	43.3
1978	143.7	28.4	28.4	12.9	52.9
Ratio change 1978:1972=1	2.9	2.4	2.3	2.6	3.6
<u>US imports from:</u>	<u>World</u>	<u>EC</u>	<u>Canada</u>	<u>Japan</u>	<u>Developing Countries</u>
1972	55.6	12.5	14.9	9.1	14.4
1973	69.5	15.6	17.7	9.7	20.3
1974	101.0	19.2	22.3	12.5	39.5
1975	96.9	16.7	22.2	11.4	39.3
1976	121.8	18.1	26.5	15.7	52.7
1977	148.7	22.5	30.0	18.8	67.7
1978	173.3	29.4	33.7	24.9	71.4
Ratio change 1978:1972=1	3.1	2.3	2.3	2.7	5.0
<u>US trade balance with:</u>	<u>World</u>	<u>EC</u>	<u>Canada</u>	<u>Japan</u>	<u>Developing Countries</u>
1972	- 5.8	+ 0.6	- 2.5	- 4.1	+ 0.2
1973	+ 1.9	+ 1.1	- 2.6	- 1.4	+ 0.7
1974	- 2.5	+ 2.9	- 2.3	- 1.8	- 6.8
1975	+10.7	+ 6.1	- 0.4	- 1.9	- 0.1
1976	- 6.8	+ 7.3	- 2.7	- 5.5	-12.3
1977	-27.5	+ 4.6	- 4.2	- 8.3	-24.4
1978	-29.6	+ 2.7	- 5.3	-12.0	-18.5

Source: 'Highlights of US Import and Export Trade': US Department of Commerce

The EC Nine has suffered a deficit in its balance of trade since the EC's formation, with the exception of 1972. Petroleum price increases in 1973 helped to widen the gap to \$19.8 thousand million in 1974, and slow recovery has taken place since the peak was reached in 1976. The EC runs a trade deficit with both the US (\$6.1 thousand million in 1978) and Japan (\$6.4 thousand million in 1978), but while its deficit with the US has fallen from a peak of \$10.1 thousand million in 1976, the deficit with Japan continued to widen until the end of 1978.

Table 7: EC External Trade - World, US and Japan

<u>EC imports from:</u>	<u>World</u>	<u>US</u>	<u>Japan</u>
1972	73.6	12.9	3.0
1973	103.8	18.1	4.2
1974	156.0	24.3	5.2
1975	155.7	25.6	6.0
1976	178.2	28.3	7.1
1977	197.6	29.4	8.7
1978	227.2	35.6	11.1
Ratio change 1978:1972=1	3.1	2.8	3.7
<u>EC exports to:</u>	<u>World</u>	<u>US</u>	<u>Japan</u>
1972	73.8	12.7	1.7
1973	99.4	15.8	2.8
1974	136.2	19.0	3.3
1975	150.4	16.4	2.8
1976	157.7	18.1	3.0
1977	189.9	23.4	3.5
1978	221.6	29.4	4.7
Ratio change 1978:1972=1	3.0	2.3	2.8
<u>Trade balance with:</u>	<u>World</u>	<u>US</u>	<u>Japan</u>
1972	+ 0.2	- 0.2	- 1.3
1973	- 4.5	- 2.3	- 1.3
1974	-19.8	- 5.3	- 3.1
1975	- 5.3	- 9.2	- 3.2
1976	-20.4	-10.1	- 4.1
1977	- 7.7	- 6.0	- 5.2
1978	- 5.5	- 6.1	- 6.4

Source: Eurostat: Monthly Trade Bulletin Special Number 1958-77.
1978: Microfiche Service.

Much of the EC's raw materials have to be imported and the US is the EC's major supplier of many of them. 16% of total EC imports come from the US and were valued at US \$35.6 thousand million in 1978 - the US is the largest single source of supply and nearly three times larger than the next largest source, Saudi Arabia. Just over 13% of EC's total exports go to the US (valued at \$29.6 thousand million in 1978), nearly double the amount going to the next largest buyer, Switzerland. In both cases however there has been a gradual decline in the US's share of EC exports and of EC imports since 1972 from 18% (imports) and 17% (exports).

Table 8: EC Member States shares of EC-US import-export trade

	<u>Imports from US</u>		<u>Exports to US</u>		<u>Balance</u>	
	<u>1972</u>	<u>1978</u>	<u>1972</u>	<u>1978</u>	<u>1972</u>	<u>1978</u>
	%	%	%	%		
Germany	26	23	34	34	+954	+1814
France	17	17	11	14	-803	-1695
Italy	12	11	14	14	+226	+ 173
Netherlands	11	13	5	6	-780	-2398
Belgium/Luxembourg	7	8	8	6	+113	- 945
United Kingdom	23	25	24	23	+ 93	-2251
Ireland	1	1	1	1	- 9	- 134
Denmark	3	2	3	2	- 6	- 138
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>		

The United Kingdom and Germany are major destinations for imports, while Germany accounts for about one third of EC exports to the US - and incidentally has a trade surplus with the US. Member States with sizeable trade deficits with the US are the Netherlands, the United Kingdom and France.

US exports to the EC are largely semi-manufactured and manufactured goods but also include about 32% of raw materials. Conversely almost all US imports from the EC are semi-manufactured and manufactured goods. Since 1972 this broad pattern has only changed in two respects: mineral fuels and chemicals now constitute 15% of US imports from the EC, while in 1972 they only made up 7%.

Table 9: Structure of EC-US trade by commodity divisions

	<u>US exports to EC</u>		<u>US imports from EC</u>	
	<u>1972</u>	<u>1978</u>	<u>1972</u>	<u>1978</u>
	%	%	%	%
Food and live animals	12	11	4	3
Beverages and tobacco	3	3	5	5
Crude materials excluding fuels	13	15	2	1
Mineral fuels etc.	3	2	1	5
Animal and vegetable oils and fats	1	1	x	x
Chemicals	10	11	6	10
Machinery and transport equipment	36	35	39	38
Other manufactured goods	17	17	40	35
Non-classified	5	5	3	3

^x Less than 0.5%

Source: US Department of Trade and Commerce: Overseas Business Report OBR
and Highlights of US export and Import Trade 77-31

US and EC agricultural trades compared

About 20% of all US exports are agricultural products. In 1978 US agricultural exports totalled \$29.4 thousand million. Its imports of agricultural products were \$16.1 thousand million - about 9% of all US imports. Though the share of US agricultural trade in US total trade has declined since 1973, now as then a considerable surplus exists on this kind of trade. Now as then about a quarter of US agricultural exports go to the EC, and about 12% of agricultural imports come from the EC. Since 1968 these exports have increased almost fivefold, imports only threefold.

Despite the CAP, the Community is the largest customer for American agricultural produce; the US agricultural exports were \$7.1 thousand million¹ to the EC in 1978, and agricultural imports only US \$2.1 thousand million. The EC's persistent trade deficit with the US is largely due to its deficit in agricultural trade.

¹ Excluding cotton

Table 10: US Agricultural Trade (\$ thousand million)

	<u>Total</u>			<u>With EC</u>		
	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>	<u>Exports</u> ¹	<u>Imports</u>	<u>Balance</u>
1968	6.2	5.0	+ 1.2	1.8	0.4	+ 1.4
1973	17.7	8.5	+ 9.3	4.4	1.1	+ 3.3
1974	22.0	10.2	+11.7	5.4	1.2	+ 4.2
1975	21.9	9.3	+12.6	5.5	1.1	+ 4.5
1976	23.0	11.0	+12.0	6.4	1.2	+ 5.2
1977	23.7	13.5	+10.2	6.5	1.4	+ 5.2
1978	29.4	16.1	+13.3	7.1	2.1	+ 5.1

Source: 'FATUS' US Department of Commerce

¹Excluding cotton

American agricultural exports are largely of products not subject to variable levies such as oil seeds and products (whose exports to the EC totalled \$2.6 thousand million in 1978). The Community is a major customer for US feed grains, tobacco, soy beans, oil cake and meal, animal fats, oils and greases, and meats and meat products.

Table 11: Proportion of US agricultural exports by commodity volume going to EC (1977)

Oil cake and meal	53%	of	4.4 million tons
Soy beans	46%	of	16.2 million tons
Meats and products	44%	of	898 million pounds
Tobacco	37%	of	638 million pounds
Feed grains	31%	of	48.2 million tons
Animal fats, oils and greases	29%	of	1.4 million tons
Rice	9%	of	2.2 million tons
Vegetable oils and waxes	8%	of	1.3 million tons
Poultry meats (fresh and frozen)	8%	of	404 million pounds
Wheat and flour	5%	of	25.2 million tons

Source: 'FATUS' US Department of Commerce

Trade and agricultural trade: some points of concern

Before the preliminary conclusion of the GATT negotiations, periodic tensions arose between the US and EC on variable levies and export refunds in the EC, and on protectionist actions taken in the US. A code on countervailing duties was one of the codes negotiated within the GATT and agreed to by both the EC and US. The US customs authorities called for countervailing duties on processed tomato originating in the EC in August 1979, and such duties are to be levied, despite vigorous EC protests.

Some concern may be felt about the implementation of certain of the codes negotiated in the GATT, particularly the code on subsidies and countervailing duties which is likely to come into effect in January 1980. Interest is likely to be shown on the interpretation of 'material injury' and of 'industry' by the US Courts.

US and EC energy relations

Both the US and EC economies have felt the impact of energy price increases and supply uncertainties. But each have reacted in different ways. Ulf Lantzke, Executive Director of the International Energy Agency, commenting in November 1978,¹ pointed out:

- the US accounted for about 30% of world energy consumption;
- US oil imports accounted for 25% of oil in world trade;
- US possesses a significant portion of the world's energy reserves (oil, gas, coal, and uranium);
- US consumption per head is nearly three times that in Europe or in Japan.

OECD figures published in July 1979 show that oil imports to the US are approaching 50% of total US oil requirements (46.2% in 1978, provisional), having been less than half that in 1970 (22.2%). Net imports in 1978 were 409 million tonnes.

EC net imports of oil were 472 million tonnes, but relatively little domestic production existed (63 million tonnes). The EC, having few domestic energy supplies other than coal and natural gas, has been consistently more dependent on imports than the US. It is thus more sensitive to major changes in world energy demand patterns than the US which is generally less dependent on imported energy.

International conferences, such as the Tokyo Summit and the Guadeloupe talks, and European Council meetings such as that most recently at Strasbourg, have emphasized the positive actions that need to be taken by the US and the EC and other industrialized countries, to conserve oil. The US Congress is currently considering further energy legislation following US President Carter's July initiative, and following the first legislative package that finally emerged from Congress at the end of 1978. The Carter proposals included an ambitious solar energy plan, promising 20% of US energy supplies by 2000 AD from this source (announced in June), a freeze on the oil import level,

¹Speech given to the Conference Board, 5th Annual Energy Conference in New York, 15 November 1978

halving US dependence on foreign oil by 1990, massive investments in synthetic oil, and in public transport system improvements, funded in part from windfall profits tax on oil companies.

The EC Member States have implemented certain energy saving schemes, but no EC agreed energy policy as such yet exists. Energy objectives for 1990, published by the EC Commission in June 1979 aimed to serve as a guide for the energy market and Member States' energy policies. These objectives call for increased domestic energy supplies, reduction of the ratio of growth to energy consumption below 1:0.7, reduction of oil imports to 470 million tonnes a year, an increase of coal consumption, and a slow increase in nuclear power for electricity generation under adequate safety conditions - despite widespread public hostility towards nuclear power. So far nuclear power targets for 1985 and 1990 have been consistently lowered. The EC coal industry is afflicted by severe problems of high cost and slowing productivity growth, in the face of low cost coal imports from Poland, South Africa, the United States and Australia. EC imports of hard coal totalled about 44.8 million tonnes in 1978, about 7.6 million from the US, 10.4 million from South Africa, and 15.1 million from Poland.¹

Points of concern

The United States decision to subsidize imports of domestic heating fuel and gas oil from 1 May (extended from 1 September) through a redistribution system is a cause for concern for the EC. The EC President-in-Office of the Council protested against the measures, as likely to lead to oil price increases and distortion of the world oil trade.

The adoption of the US Nuclear Non-Proliferation Act of 1978 created problems between the US and the EC, since the Act put extra conditions upon US supplies of fissile materials to the EC and called for renegotiations of the US-Euratom Cooperation Agreements. In the US view, as expressed by George Vest, Assistant Secretary for European Affairs, these agreements are being renegotiated with the EC at the moment; but the Community has agreed to hold discussions to permit continued cooperation between Euratom and the US under the terms of the existing cooperation agreements, pending the completion of INFCE. Two rounds of discussions have been held, in November 1978 and September 1979. Europe is for the present dependent on US deliveries of enriched uranium and will become more dependent if the EC decides on a programme of fast breeder reactors, which use a scarce resource, uranium, far more efficiently than the current generation of nuclear reactors, though producing and consuming plutonium, constituent of nuclear weapons. In the longer term, Europe will have its own enrichment facilities.

Since December 1978 oil prices have increased by about 55% and are likely to set back further both EC and US plans for economic recovery. Perhaps a little comfort can be gained from the reported initiative of poorer nations' attempts to begin negotiations on oil pricing and supply with OPEC.

¹ OJ C120 14.5.1979. The Community coal market in 1978 and forecasts for 1979.

Table 1

Trade balance and current account balance of the Community, 1975-1979

	1975	1976	1977	1978	1979 forecast
	('000 million EUA)				
Exports (value fob)	235,5	287,2	324,6	348,2	379,3
Imports (value fob)	228,1	288,7	317,8	335,3	365,5
Trade balance (fob/fob)	7,4	-1,5	6,8	13,2	13,8
Balance on services and transfers }	-5,9	-3,5	-4,7	-2,3	-4,3
Current account balance	1,6	-5,1	2,1	10,9	9,5
	(percentage change on previous year)				
Exports:					
— volume	-4,6	10,9	4,8	4,5	5,2
— price	8,5	9,9	7,9	2,7	3,5
— value	3,5	21,9	13,0	7,3	8,9
Imports:					
— volume	-5,4	13,5	1,8	6,2	6,4
— price	4,2	11,5	8,1	-0,6	2,4
— value	-1,4	26,5	10,1	5,5	9,0
Terms of trade (1974 = 100)					
Extra-Community trade	108,0	104,5	104,0	111,0	113,5
Total trade	104,1	102,6	102,4	105,8	106,9
	('000 million EUA)				
Components of EC trade balance changes:					
— volume	2,0	-5,1	8,6	-5,1	-3,3
— terms of trade	9,6	-2,9	-0,7	10,7	4,1

¹ These estimates are not exactly additive due to the presence of second order terms.
Source: Eurostat and Commission staff.

Table 2

Value of the European unit of account (EUA), 1975-1978

	USD		YEN		SDR	
	rate ¹	index ²	rate ¹	index ²	rate ¹	index ²
1975	1,24	109,7	367	106,4	1,02	98,4
1976	1,12	99,2	331	95,8	0,97	93,5
1977	1,14	101,3	305	88,5	0,98	94,5
1978	1,27	113,1	267	77,3	1,02	98,4
1977 Q III	1,14	101,3	304	88,0	0,98	94,5
Q IV	1,17	104,2	289	83,8	0,99	95,5
1978 Q I	1,24	109,7	293	85,0	1,01	97,4
Q II	1,24	109,7	272	78,7	1,01	97,4
Q III	1,28	113,7	246	71,4	1,01	97,4
Q IV	1,34	119,1	255	73,8	1,04	100,3

¹ 1 EUA = ... units of foreign currency resp. SDR.

² 1972 Q1 = 100.

Note: Average of period.

Source: Eurostat.

Table 3
Unit labour costs in industry, ¹ EC total, US and Japan, in EUA, 1960-1978

		(percentage changes)						
		1960/ 1973	1973/ 1978	1974	1975	1976	1977	1978
EC	Labour costs, in EUA	9,9 ²	11,6 ³	14,5	11,1	12,6	10,7	9,4
	Units of value added	4,9 ²	0,8 ²	-0,6	-4,9	6,2	2,0	2,0
	Unit labour costs, in EUA	4,4 ²	10,8 ³	15,8	17,2	6,1	8,3	6,9
US	Labour costs, in USD	6,9	9,5	8,4	1,4	12,8	12,7	13,5
	Unit of value added	4,1	1,3	-6,0	-4,9	8,1	5,6	4,5
	Unit labour costs, in USD	2,7	8,0	15,2	6,7	4,3	6,8	8,5
	Unit labour costs, in EUA	1,5	7,4	18,9	2,4	15,5	4,6	-2,8
JAPAN	Labour costs, in Yen	17,6	13,5	25,7	8,8	11,2	7,5	6,4
	Units of value added	12,5	1,3	-3,9	-11,0	11,2	4,0	8,0
	Unit labour costs, in Yen	4,5	12,0	30,8	22,2	0,0	3,4	1,5
	Unit labour costs, in EUA	5,6	14,8	23,5	15,6	9,8	12,5	13,9

¹ Extractive, energy and manufacturing plus construction for EC and US, manufacturing for Japan.

² 1970 weights, 1970 exchange rates.

³ Current exchange rates.

Source: As Table 23.

Table 4
Indicators of cost and price performance, EC total, US and Japan, in national currencies, 1960-1978

		(percentage changes)						
		1960/ 1973	1973/ 1978	1974	1975	1976	1977	1978
EC ¹	Unit labour costs	4,4	10,9	15,3	17,2	6,2	8,6	7,4
	Value-added deflator, industry	3,8	10,4	11,4	14,9	8,8	9,1	8,1
	GDP deflator	4,9	9,9	11,4	14,0	9,1	8,3	7,2
	Consumer price deflator	5,0	10,0	12,8	12,9	9,5	8,6	6,2
	Exports (goods), unit values	2,7	10,6	25,4	7,8	9,7	7,9	3,1
US	Unit labour costs	2,7	8,0	15,2	6,7	4,3	6,8	8,5
	Value-added deflator, industry	2,6	9,0	13,0	12,2	5,2	5,9	9,0
	GDP deflator	3,3	7,4	9,4	9,7	5,1	5,8	7,5
	Consumer price deflator	3,4	7,4	10,7	8,1	5,6	5,7	7,2
	Exports (goods), unit values	3,2	10,1	25,6	10,9	4,4	4,3	6,5
JAPAN	Unit labour costs	4,5	12,0	30,8	22,2	0,0	3,4	-1,5
	Value-added deflator, industry	:	:	:	:	:	:	:
	GDP deflator	5,7 ²	8,7	20,1	8,6	5,5	6,2	4,0
	Consumer price deflator	6,0 ²	10,4	20,7	11,4	8,6	7,0	4,0
	Exports (goods), unit values	2,2 ²	2,9	31,9	-0,3	-2,1	-5,6	-4,9

¹ EC figures expressed in the weighted average of national currency data; using employee compensation weights derived at current exchange rates for each year, except for unit labour costs in the 1960-1973 period, when the increases over the whole period for each country were aggregated using 1970 weights.

² 1965-1973.

Source: As Tables 21, 22 and Economic Report of the President, 1978 (Washington, DC), Economic Indicators (Economic Planning Agency, Tokyo), Monthly Labour Review of US Department of Commerce, November 1978, estimates of Commission staff. Figures for 1978 and average annual increases for the 1960-1973 period are estimated, wholly or in part.

UNITED STATES - EXTERNAL TRADE 1979 January-June

\$ million

Source : US Department of Commerce

	1979							1978		
	Jan.	Feb.	March	April	Jan-April	May	June	Jan-June	Jan-April	Jan-June
<u>Exports to</u>										
World	12 561	12 932	15 587	14 267	55 348	14 813	15 045	85 506	43 035	67 974
EC	3 089	3 056	3 912	3 289	13 347				9 898	
Canada	2 425	2 379	3 053	2 805	10 661				8 667	
Japan	1 225	1 365	1 610	1 317	5 518				3 598	
Developing Countries	4 245	4 497	5 054	4 928	18 723				15 799	
<u>Imports (1) from</u>										
World	15 846	13 776	15 765	16 172	61 559	16 512	17 436	95 507	55 037	83 751
EC	2 488	2 044	2 673	2 800	10 004				9 385	
Canada	2 914	2 883	3 371	2 968	12 136				10 503	
Japan	2 247	1 865	1 985	2 301	8 398				7 912	
Developing Countries	6 976	5 925	6 464	6 800	26 165				22 889	
<u>Balance with</u>										
World	- 3 285	- 844	- 178	- 1 905	- 6 211	- 1 699	- 2 091	-10 001	-12 002	-15 777
EC	601	1 012	1 239	489	3 343				513	
Canada	- 489	- 504	- 316	- 163	- 1 475				- 1 836	
Japan	- 1 022	- 500	- 375	- 984	- 2 880				- 4 314	
Developing Countries	- 2 731	- 1 428	-1 410	- 1 872	- 7 442				- 7 090	

(1) = FAS basis

