Attached is the draft of part of the chapter of the Annual Report, dealing with trade of industrial areas. The section herewith covers trade developments in Western Europe; the section on North America will be distributed separately, and a section on Japan will be added in the printed version.

Any comments on the attached draft should reach the secretariat not later than 19 September 1963.
Economic expansion in Western Europe continued in 1962 at about the pace of the previous year. This was, however, less than half the pace witnessed in 1960. In that year, industrial output expanded at a rate of over 9 per cent; in 1962 the growth rate lay at around the 4 per cent level. Fixed investment was losing momentum, and it increasingly fell to private consumption to keep Western Europe's economy moving. This development was also reflected in the production pattern, in which output of consumer goods showed an above-average growth. In the EEC countries, where the rate of growth of industrial output had declined very much in line with the rest of Western Europe, it was still almost one and a half times as high as the average for the area, while in the countries of EFTA, where the expansionary policy introduced in the United Kingdom during the year had little effect on output in 1962, production grew at less than half the average rate.

The volume of total exports of the countries of Western Europe (including exports to one another) rose by 5 per cent in 1962. This was a slightly lower rise than that of the preceding year; the growth rate of exports had however dropped by one half between 1960 and 1961. The growth in the volume of imports, the rate of which fell from 17 per cent in 1960 to 7 per cent in 1961, accelerated to a rate of 10 per cent in 1962. But it was only in volume that imports grew faster than in 1961, for, in contrast to the prices of Western Europe's exports, which remained stable between the two years, the price of imports declined, so that their total value rose by about 7 per cent, or about as much as in the preceding year.

In terms of value, Western Europe's total exports rose by $3,100 million to $57,900 million, total imports by $4,200 million (at f.o.b. prices) to $61,400 million. Trade with areas outside Western Europe has been losing in importance; exports to them have declined for the second year in succession, imports from them accelerated somewhat in 1962, but were only 4 per cent higher than in the previous year. The result of these movements was a further widening of Western Europe's trade deficit with the rest of the world by over $1,000 million to $3,500 million (both exports and imports at f.o.b. prices).

Total exports from the EEC countries taken together rose by 6 per cent, only slightly faster than the average for Western Europe, reaching $33,900 million in 1962 (see Table 1). The Community's exports to the outside world, however, advanced by only 1 per cent to $20,400 million. Total imports into the EEC countries rose by 11 per cent to $35,100 million; imports from outside the Community included in this total represented $13,300 million, 9 per cent more than in 1961. After two years during which exports roughly balanced imports, the EEC registered a trade deficit of about $1,400 million in 1962. Total exports from EFTA (see Table 2) rose by 5 per cent to $19,600 million in 1962, of which $15,600 million represented exports to destinations outside the EFTA area. Total imports also rose by about 5 per cent, reaching a value of $24,500 million, imports originating outside the area accounting for $20,300 million. Imports thus having moved very much in line with exports, little change occurred in EFTA's deficit with the rest of the world.
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Note: Date on which this table was based are In general In terms of the revised Standard International Trade Classification In respect of 1960, 1961 and 1962 while those for the previous years are classified according to the original SITC.


Spec:5(63)229/Add.5 Page 5
### Table 2: Tableau 2

**Composition of EFTA's Trade in Primary Products and in Manufactured Goods, 1958-1962**

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<th>Year</th>
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<th>Fuels</th>
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<th>Machinery and Transport Equipment</th>
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*Data for 1962 partly estimated - Chiffres partiellement estimatifs pour 1962.*
The highest relative increases in imports were registered by Spain (44 per cent) and Turkey (22 per cent), followed by Italy, Denmark and France (with increases ranging from 16 to 13 per cent). It may be noted that three of these - Spain, France and Italy - also headed the list of West European countries with the highest production gains in 1962. The smallest relative increases (by about 2 per cent) were registered by imports into Norway and the United Kingdom, while those into Portugal, Yugoslavia and Greece remained below the previous year's level. Yugoslavia recorded the highest rise in exports (22 per cent), while only half this rate of growth was achieved by exports from Belgium-Luxemburg, Greece, Italy and Portugal, which jointly occupied second place. The lowest increases were recorded by exports from France (2 per cent), followed by those from Spain and the United Kingdom (3 per cent in both cases); Ireland was the only Western European country to register a shortfall in exports compared to 1961.

The changes in the trade balances resulting from the various movements of exports and imports in 1962 included substantial reductions in the deficits of Belgium-Luxemburg and Portugal, and a deterioration in those of Denmark, Finland, Italy, Spain and Turkey. The trade surplus of the Federal Republic of Germany, which had reached peak level in 1961, was reduced by over two fifths in 1962, while France saw its exports surplus reversed into a trade deficit.

Trade within Western Europe

Trade among the countries of Western Europe reached a total of $36,000 million in 1962, as against $32,900 million in the previous year. The pace at which this trade is growing has thus slowed down for the second year in succession, and the 1962 rate of increase of nearly 10 per cent was almost exactly one half of the rate witnessed in 1960. Nevertheless, intra-trade remained by far the leading motive factor in the expansion of Western Europe's total exports, as well as in the growth of world trade as a whole: although trade among the countries of Western Europe represents one quarter of world exports, it contributed almost one half of the world increase in 1962.

1. Trade within the EEC

Trade among the EEC partner countries again played a major part in Western Europe's trade; the increase by $1,660 million in exchanges between the six countries of the European Economic Community (to a total value of $13,560 million) accounted for over one half of the increase in total intra-West European trade in 1962. Although the rate of expansion had again declined, the broad pattern of growth in terms of commodity groups was maintained. Once again, trade in manufactures accounted for the bulk of the increment - about four fifths in 1962. Among trade in primary products, foodstuffs showed the highest relative and absolute expansion by an increase of $190 million to $1,680 million. It may be noted, however, that in 1962 (in July of which the new regulations on agricultural trade were introduced) the EEC's food imports from outside the area rose proportionately as much as imports from within the area, largely because
of a poor 1961 harvest. A significant rise, occasioned by higher economic activity as well as exceptional winter conditions, occurred in trade in fuels, which amounted to $970 million, $60 million above the 1961 figure. The expansion in trade in agricultural raw materials continued, while trade in ores and metals remained unchanged. The value of manufactures traded was higher by one fifth than in 1961, after having risen by one quarter in that year. Increased trade in machinery and transport equipment again played the leading rôle in the growth in trade in manufactures, in both relative (+24 per cent) and absolute terms, amounting to $3,820 million. The proportionate increase in this group, as well as those for chemicals (12 per cent) and other manufactures (17 per cent) were all smaller than in the preceding year. An indication of the loss of momentum of trade in investment goods as against the better sustained demand for consumer goods can be seen in the more strongly pronounced slowdown in the group comprising machinery and transport equipment, as compared to that in "other manufactures", of which consumer goods form a large part.

All member countries participated in the growth of trade among themselves, both as exporters and as importers. On the export side, Italy (+24 per cent) and Belgium-Luxemburg (+18 per cent) recorded the highest relative increases in trade within the area; in both cases these were higher than in the previous year and due to larger exports of machinery, transport equipment and other manufactures as well as to greatly increased shipments of foodstuffs. Slacker export demand for capital goods was a main factor behind the slower growth of the Federal Republic of Germany's exports (12 per cent as against nearly 20 per cent in 1961); their absolute increase - by $490 million - again, however, represented the largest single contribution to the rise in intra-ESC trade. The fall in the rate of expansion of France's exports (from 19 per cent to 12 per cent in 1962) was similar to that experienced by the Federal Republic. On the import side, it was Italy, the country with the highest export growth, that also registered the fastest expansion in imports (23 per cent). It was followed by France and the Federal Republic of Germany (with increases of 20 and 17 per cent respectively), while a distinctly more modest growth occurred in Belgium-Luxemburg (9 per cent) and the Netherlands (7 per cent). The two last-named were also the two countries to see their trade balance (imports c.i.f., exports f.o.b.) with the rest of the Community improve. Belgium-Luxemburg, whose exports had accelerated in 1962, achieved a surplus of $144 million after having run up a small deficit in 1961, while the Netherlands, whose deficit between 1960 and 1961 had doubled to a level of $463 million, but whose imports slowed down in 1962, was able to reduce it by $36 million. The Federal Republic of Germany and France, whose exports had grown more slowly but imports faster, than in 1961, found their traditional surpluses curtailed, the former from $600 million to $520 million, the latter from $320 million to $190 million. Italy's deficit deteriorated, after a slight improvement in the previous year, to $260 million in 1962.

The year 1962 thus marked the continuation of the now four-year old trend for trade among the EEC countries to grow more rapidly than the area's exchanges with the outside world. Although the rate at which intra-EEC trade has grown declined for the second consecutive year, the continued disparity as regards both its magnitude and movement when compared with the development in other major trade flows in Western Europe bears witness to the advance towards
integration made by the Six. The slowdown in the expansion of intra-EFTA trade was considerably more pronounced - from a rate of 9.6 per cent in 1961 to 6.3 in 1962 as against 16.2 and 14.0 per cent in the case of EEC - so that the difference in the rates recorded in 1962 has once again widened. Furthermore, EEC's exports to the EFTA countries rose by $2.1 per cent in 1962 or at less than one half the rate of the previous year, while trade in the opposite direction grew at 11.3 per cent as in 1961, reflecting the better buoyancy of the EEC as a market.

(ii) Trade among the EFTA countries

Trade among the seven EFTA countries rose by $240 million, or 6 per cent in 1962, compared to a rise of 10 per cent in the preceding year. While, however, the rise in 1961 was almost entirely confined to manufactures, in 1962 a small part of the increase was due to primary products on account of larger trade in foodstuffs and fuels; the upward trend in trade in ores and metals was however reversed. Trade in manufactures expanded more slowly than in 1961, by 10 per cent as against nearly 18 in the earlier year. The slowing down was most marked in the case of machinery and transport equipment which account for about one half of this trade, the rate of growth having fallen from 24 per cent in 1961 to 8 per cent in 1962; in particular, there was a decline in exports of ships from Sweden and the United Kingdom to other EFTA countries. Chemicals were the only group to show a higher rate than in the earlier period - 15 per cent as against 4 per cent - represent only about one eighth of the value of manufactures traded within EFTA.

With the exception of a decline in Portugal, all EFTA countries showed higher imports from their partners in 1962. Imports from EFTA into Switzerland showed the highest relative rise - by one fifth - and were more than half as large again as in 1960. Imports into the three Scandinavian countries, accounting for over one half of trade within EFTA, rose by 10 per cent. United Kingdom imports were slightly higher than in 1961, but still below the level of 1960. The increase was due to a 6 per cent rise in food imports (the largest group on the United Kingdom's import bill from EFTA and representing about 70 per cent of trade in foodstuffs within the EFTA area) and to a 10 per cent increase in imports of manufactures, the largest increment occurring in machinery and transport equipment. These increases were however largely offset by substantial falls in imports of agricultural raw materials and ores and metals.

All EFTA countries participated in the increase in trade within the area, although the rate at which their exports to their partners expanded varied from less than half per cent for Norway to 13 per cent for Switzerland; only the latter country and Denmark registered higher rates than in 1961. The United Kingdom's trade deficit with the area (exports f.o.b., imports c.i.f.), already sharply reduced in 1961, virtually disappeared in 1962 as the level of imports moved only slightly upwards while exports continued to rise. Austria's small trade deficit was further reduced due to a higher growth in exports than in imports, while that of Portugal, which had reached a high level in 1961 on account of a sharp rise in imports, was somewhat smaller in 1962 when imports receded. In the remaining countries imports from the area grew at a higher rate than exports to it. The deficit of Denmark doubled in 1961 and again in 1962, and that of Norway showed a further increase. Sweden saw its export surplus reduced, while in the case of Switzerland a small deficit took the place of the balance of the preceding year.
(iii) Trade between EFTA and EEC

Exports from EFTA to the EEC showed a higher rate of expansion than trade among the EFTA countries already in 1959, and again in 1961. In 1962 the difference became even more pronounced: while trade within EFTA grew at a slower pace than in the earlier year, the rate of expansion in EFTA's exports to the EEC remained undiminished at 11⅓ per cent, the absolute increase amounting to over $550 million. Trade in manufactures, which in 1961 accounted for almost the whole increment, slowed down somewhat in 1962, increasing by 13 per cent, as against over 17 per cent in the earlier period. The lower rate in trade in manufactures was however offset by a considerably stepped up growth in exports of primary products. Trade in ores and metals rose by about one fifth, and in food by over one tenth, the United Kingdom contributing about one half of the increase in each case. Exports of fuels (mainly refined petroleum) from the United Kingdom to the EEC countries rose by three quarters and accounted for the remainder of the increment. Trade in primary products as a whole thus rose by about 10 per cent in 1962, the United Kingdom contributing more than three quarters of the increase.

Imports into EFTA from the EEC were some $470 million higher than in 1961; expanded trade in manufactures accounted for the bulk of the increment. This increase of about 7 per cent equalled the increase in trade within EFTA, so that the EEC again supplied nearly twice as much in value to the EFTA countries as these countries to one another. At the same time, the EEC enhanced its relative importance as a market. In 1961 it took 30 per cent more from EFTA than the EFTA countries from one another, and in 1962 the figure rose to 37 per cent. The greater buoyancy of the EEC market was evident in nearly all the broad classes of commodities: EEC imports from EFTA showed a higher rate of expansion in each class (except agricultural raw materials) than EFTA's imports from the EEC, and a rate higher or equal to that in intra-EFTA imports in most classes. As a result of the continued expansion of exports and the slower growth in imports in EFTA's trade with the EEC, EFTA's trade deficit vis-à-vis the Community was reduced slightly, to about $2,100 million (imports at c.i.f. prices).

Exports from the United Kingdom to the EEC rose by 17 per cent. Although they represent just over one third of EFTA's exports to the Community, they accounted for over one half of the absolute increase in 1962 as they had in the previous year. Norway registered an export increase of 14 per cent, Switzerland 10 per cent, and Austria, Denmark and Sweden between 6 and 7 per cent. Portugal recorded the highest proportionate increase (18 per cent). On the import side, Portugal was the only country to register a substantial fall in trade with the Six. Switzerland occupied first place with the largest increase both in relative (12 per cent) and absolute terms: the increment in its imports from EEC was in fact nearly two and a half times greater than that in the United Kingdom's, whose position as largest importer is rapidly coming to challenge. The rise in Switzerland's imports from EEC should however not obscure the even more vigorous rise in its purchases from EFTA, whose importance to it as a supplier compared to EEC grew in 1962. The suppliers who mainly contributed to the rise in EFTA imports from the EEC were France and the Federal Republic of Germany with an increase in exports of $95 million each, and Italy and the Netherlands, each with an increase of some $75 million.
Trade of other Western European countries

The Western European countries which are not full members of either of the regional groupings all tend to lie on the geographical periphery of the area. One is now associated with EFTA, one with EEC and others have applied for association with the latter. Recent developments in their trade flows with the European regional groupings and with the areas outside Western Europe are compared below.

A decline in Finland's exports to Europe (both Eastern and Western) adversely affected its overall exports, whose growth slowed to 5 per cent in 1962. Its exports to EFTA, with which the country has been associated since the middle of 1961, had, compared with those to the EEC, risen considerably more slowly in that year (6 per cent as against 17 per cent), and declined somewhat more in 1962 (4 per cent against 3 per cent), when exports to EFTA amounted to $352 million and those to EEC to $317 million. The losses sustained in 1962 were, however, compensated for by a 55 per cent rise in shipments to the USSR (from $128 million in 1961 to $198 million in 1962) and an increase by more than one quarter in those to North America (from $48 million to $61 million). A shortfall by $55 million in exports of timber and products resulting from stiffening competition and reduced construction activity was the main reason for the slower export growth. Imports in 1962 (+7 per cent) grew faster than exports. There were rises of 9 and 6 per cent, respectively, in supplies from EFTA and EEC, while imports from North America were marginally higher, and from Eastern Europe and the USSR marginally lower, than in 1961.

Greece's association with the EEC officially entered into force in November 1962, but the country's trade with the Community gathered strength throughout the year: the EEC's share in Greek imports rose from 38 per cent in 1961 to 43 per cent in 1962, and in exports from 30 to 36 per cent. However, exports to EFTA expanded faster than those to the EEC, the former rising by 40 per cent to $45 million, the latter by 30 per cent to $89 million. In addition to intensifying its export trade with the two regional groups, Greece also increased shipments to its neighbours and several Middle Eastern countries, but exports to North America dropped sharply on account of a cut in tobacco sales. Imports into Greece from EEC and EFTA rose at the same rate of 12 per cent, to values of $303 million and $148 million respectively, but total imports remained 2 per cent below the 1961 level.

Turkey saw its imports in 1962 rise at more than twice the rate of exports, and the trade deficit widen by almost one half. Imports reached $622 million (+22 per cent on 1961), with machinery and petroleum products accounting for much of the increase. Deliveries from the United States, Turkey's largest single supplier, showed a particularly strong rise (+29 per cent), representing an increase by $41 million, or 1 million more than the increase from the whole of Western Europe (+15 per cent). However, Western Europe proved the better customer, exports to it having risen by one fifth (to $244 million) mainly due to higher shipments of fruit, nuts, vegetable oils and tobacco, as against a 15 per cent increase in shipments to the United States (to $75 million). This expansion was partly offset by declines in sales to Eastern Europe and the Middle East, and total exports rose by 10 per cent, to $381 million.
A deterioration in the trade deficit was the experience also of Spain, whose exports, adversely affected by high domestic demand, declined in 1961, and advanced by a modest 4 per cent, to $734 million, in 1962. At the same time, imports, after surging by more than one half in the former year, rose by a further 44 per cent in 1962 to a total $1,570 million. Every single country in Western Europe, and several in Eastern Europe, participated in the latter increase. Imports from the EEC, at $468 million, were up by nearly two thirds on 1961, while those from the EFTA countries rose even faster, reaching $266 million, an increase of three quarters. Imports from North America ($324 million) showed a rise of 12 per cent in 1962, having already more than doubled in the previous year. Exports to North America registered a rise of 9 per cent (to $85 million); the much larger trade flows to EEC and EFTA both rose by about 3 per cent, to reach $276 million and $186 million respectively. Although the trade deficit had thus more than doubled in the space of one year, large foreign exchange receipts from tourism, remittances from abroad and foreign investment provided Spain with a surplus in the balance of payments.

As regards trade of other Western European countries, imports into the Republic of Ireland amounted to $768 million in 1962, $36 million above the 1961 figure. Suppliers participated unevenly in this increase. While imports from the United Kingdom rose by 3 per cent, or $11 million and those from the remaining EFTA countries by 5 per cent or $1 million, deliveries from the EEC countries were 23 per cent - and $23 million - above the level of 1961. Imports from North America, rising at the same rate as those from the United Kingdom, were $2 million higher than in 1961. Due mainly to lower shipments of live animals, Ireland's exports to EFTA and EEC declined in 1962 by 6 and 7 per cent to $353 million and $29 million respectively. Although, thanks largely to sales of other foodstuffs and textiles, there was an 8 per cent rise in exports to North America (to $44 million), total exports, at $472 million, remained 4 per cent below the previous year's level.

Yugoslavia's imports in 1962, at $888 million, were 2 per cent below the 1961 level. Imports from Western Europe, amounting to $390 million, were substantially lower than in the earlier year, but the decline was confined to takings from the EEC, which fell by $73 million to $251 million. Imports from Eastern Europe also declined (by 6 per cent to $130 million), but those from the USSR rose even more steeply than they had fallen in the preceding year, and reached $59 million, 85 per cent above the 1961 figure. Purchases from North America, after doubling between 1960 and 1961, remained unchanged in 1962, at $184 million. After a year of stagnation, Yugoslavia succeeded in raising its exports by 22 per cent in 1962. The value of $691 million reached resulted from increases of 27 per cent in exports to EEC (to $188 million), of 16 per cent in those to EFTA (to $103 million) and a rise by 45 per cent (to $54 million) in exports to North America. In contrast to the vigorous expansion in imports from the USSR, exports to that country dropped by 15 per cent in 1962, to $43 million; exports to Eastern Europe receded slightly. A notable feature of Yugoslavia's foreign trade, reflecting the progress of industrialization in the country's economy was the continued change in the composition of exports in favour of manufactured goods, whose proportion in the total reached 56 per cent in 1962. The growth was particularly due to exports of machinery and other

1 With the exception of Greece.
capital goods, which nearly doubled in value between 1960 and 1962, increasing their share from 15 per cent to 23 per cent in the period. Note must also be made of the intensification of Yugoslavia’s trade with the non-industrial countries. While imports from the industrial areas in 1962 declined, those from the non-industrial countries in Africa and Asia rose. At the same time, Yugoslavia was able to expand her exports to Asia by over 40 per cent (to $76 million), virtually doubled those to Africa (to $51 million) and raised deliveries to Latin America to $32 million, more than two and a half times the level of the preceding year.

Trade with North America

Western Europe’s imports from North America declined for the second consecutive year. Their value in 1962 (at f.o.b. prices) was $7,760 million, $40 million less than a year earlier, and $80 million below the 1960 peak. The decline in 1962 was concentrated in EFTA as it had been in 1961, and was again due to lower United Kingdom imports. However, unlike their rise in 1961, imports into EEC were barely above the level of the previous year. An important feature were the substantially increased imports of foodstuffs from North America. In EEC the increase amounted to $160 million, which together with increases of $230 million for machinery and transport equipment and of $30 million each for other manufactures and fuels outweighed the decline in imports of agricultural raw materials, ores and metals. In the EFTA countries, imports of food from North America rose by $140 million - nearly as much as in the EEC - but imports of manufactured goods were only $50 million higher than in 1961, insufficient to offset the declines in other imports.

Western Europe’s exports to North America rose by $400 million in 1962, to $5,360 million. The increase more than wiped out the losses sustained in the two preceding years, and exceeded the record of 1959 - the year of the European motor-car - by $80 million. In 1962 it was once again passenger cars which played a leading rôle in the expansion, strongly supported by textiles (mainly wool), clothing, and paper and allied products. Proportionately, the increases in exports from EEC and EFTA were fairly similar (8 per cent versus 7 per cent). In absolute terms, the countries with the largest shares in the export increment were the Federal Republic of Germany (+ $100 million), Italy (+ $58 million), the United Kingdom (+ $37 million) and Sweden (+ $28 million), while Portugal, largely due to a further expansion in cotton textile exports, took pride of place with the highest relative rate of increase (22 per cent).

As a result of the favourable turn taken by Western European exports to North America, and the slight dip in trade in the other direction, Western Europe’s deficit with North America (both exports and imports at f.o.b. prices) was reduced by $440 million to $2,400 million. This still leaves the deficit about five times as high as in 1959; it then amounted to $470 million or not much more than the value of the reduction between 1961 and 1962.
Trade with the non-industrial areas

The continued growth in industrial activity in Western Europe in 1962 brought forth an increase in imports from the non-industrial areas after a year of stagnation. Between 1960 and 1961, the rate of expansion of Western Europe's manufacturing production slowed down by more than one half, to about 4 per cent, and imports from the non-industrial regions failed to rise. In 1962, the growth in manufacturing activity was maintained or even enhanced, and imports from these regions responded by rising from $13,300 million in 1961 to about $14,100 million in 1962 (all import figures in this paragraph are given in f.o.b. prices). The fact that the Middle East and Latin America headed the list of the suppliers of the area's overall imports, with the largest relative and absolute increases, was largely a reflection of Western Europe's fast-rising import needs for petroleum and products in 1962. Imports from the Middle East rose by 13 per cent to a total of $2,820 million, while those from Latin America, partly also due to higher shipments of cereals from Argentina, increased by 11 per cent to $3,065 million. Other supplying areas showed little progress. Australia, New Zealand and South Africa as a group and South-East Asia each accounted for some $2,000 million of Western Europe's imports, registering increases of 2 per cent in both cases. Imports from the remaining non-industrial areas rose by only 1 per cent, to $4,125 million. Of this figure, $2,380 million represents imports from Central Africa which declined by 3 per cent, and the above-average rise registered by the rest of the countries in this group can to a large extent be attributed - once again - to petroleum, mainly from Algeria.

The slackening in economic activity in 1961 slowed down the growth of imports from the non-industrial regions to the EEC to a rate of 1 per cent, but resulted in an actual decline by nearly 5 per cent in those to EFTA. The divergence in import performance continued during the improvement in 1962, when imports into EEC rose by 8 per cent, compared to an increase of 4 per cent in the EFTA countries, which just failed to make up for the previous decline. Seen over a longer period, imports from the non-industrial countries into EEC were 25 per cent higher in 1962 than in 1958 while those into EFTA had in the same period risen by 8 per cent. In both regional groupings the growth of imports from non-industrial countries was, however, substantially smaller than the expansion of overall imports, so that in the course of the four years the non-industrial areas saw their share in total imports shrink from 28 per cent to 23 per cent in the EEC and from 31 to 25 per cent in the EFTA.

The failure of export earnings of the primary producers to grow at an adequate rate and the resulting balance-of-payments difficulties in many of the countries made itself felt in Western Europe's export performance. Deliveries to the non-industrial areas which had already declined by $100 million in 1961, dropped by as much as $720 million in 1962, when they amounted to $13,000 million. In 1962 the proportionate decline in the EEC's exports was twice as large as that experienced by EFTA (-7 per cent as against -3\% per cent), so that exports to the non-industrial countries from both regions found themselves almost exactly back at the 1958 level.
By areas of destination, the decline was fairly generalized, and what exceptions there were only underlined the importance of earnings in the non-industrial countries for the trade of the industrial countries. The two areas to which Western European exports did not suffer a decline in 1962 were the Middle East which, after an uninterrupted upward trend in imports took as much as in 1961; and Australia, New Zealand and South Africa whose own combined exports had shown a marked improvement in 1961, and whose imports from Western Europe showed a slight recovery in 1962. A sharp fall in France's exports to Algeria and Morocco accounted for the major part of the decline in Western Europe's exports to Africa.

Western Europe and the eastern trading area

Although still small in absolute value and in relation to world commerce as a whole, Western Europe's trade with the eastern trading area has experienced an uninterrupted expansion. Imports from and exports to the area amounted to some 3 per cent of Western Europe's total imports and exports in 1953, and by 1958 reached around 5 per cent of each total. Since then, exchanges with the eastern trading area have maintained their share in the fast-rising exports and imports of Western Europe. The share of Eastern Europe and the USSR has in fact continued to expand, the increase being offset by a sharp contraction in trade with mainland China in the last two years.

Both EEC and EFTA largely participated in the 1962 trade increase with the USSR and Eastern Europe. The countries of the EEC increased their imports from the USSR by as much as 17 per cent, and from Eastern Europe by 6 per cent, to totals respectively of $544 million and $655 million. Although EFTA's imports from the USSR, at $390 million did not quite reach the 1961 level, the shortfall was more than offset by a 9 per cent rise (to $556 million) in imports from Eastern Europe. In purely relative terms these figures mean that imports into the EEC countries from the USSR grew in 1962 at a higher rate than their imports from one another, and that EFTA's imports from Eastern Europe grew faster than intra-EFTA trade. Again, taking Eastern Europe and USSR together, imports from them into the EEC grew in 1962 at very nearly the rate of imports from EFTA, and imports from them into EFTA not very much more slowly than EFTA's imports from the EEC. Finally it may be observed that Western Europe's imports from this area expanded faster than imports from the non-industrialized countries.

Exports to the USSR from the EEC rose by 12 per cent (to $505 million) in 1962, those from EFTA by 7 per cent (to $330 million). In exports to Eastern Europe, on the other hand, EFTA did relatively better than the Six, with an expansion of 7 per cent (to $556 million) as against an increase of about 4 per cent in the EEC's exports (to $670 million).

Trade with mainland China has been falling off rapidly. Western Europe's imports in 1962 amounted to about $180 million, as against $250 million in 1960; the cut was even more severe in the case of exports, which totalled $143 million in 1962, 60 per cent less than two years earlier.