Attached is the provisional draft of part of the chapter on trade of industrial areas to be included in the Annual Report. The section distributed herewith covers trade developments in Western Europe; the section on North America will be submitted separately.

The text is still subject to considerable editorial changes, apart from any minor factual amendments which may be necessary in the light of information which the secretariat may receive at a later date.

Contracting parties wishing to make suggestions are asked to forward them to the secretariat before 12 September 1964.
WESTERN EUROPE

In 1963, economic expansion in Western Europe continued at almost the same pace as in the two preceding years: gross national product of all countries combined rose by about 4 per cent, and industrial production by nearly 5 per cent. Investment activity continued to weaken, private and public consumption to gather strength as the principal dynamic force. Within Europe, however, there were sharp contrasts between the economic development of particularly the EEC and EFTA. In the Economic Community, growth of gross national product and industrial production slowed down further, while it picked up speed in EFTA where economic development had nearly stagnated in the preceding year. Excessive demand pressure and inflationary tendencies became apparent in the EEC and particularly in France and Italy, while economic growth appeared to be quite balanced for EFTA as a whole. The strong growth of demand in France and Italy on the one hand, and the revival of economic activity in the United Kingdom on the other had stimulating effects on Western Europe's internal and external trade.

In 1963, total West European exports (f.o.b.) rose by 9 per cent (or $5.3 billion) to $63.3 billion, i.e. at the same rate as total world trade. As in preceding years, internal European trade, and particularly exchanges between the EEC members expanded much faster: total intra-European trade rose by 12 per cent to $40.4 billion, and intra-EEC trade by 17 per cent to $23 billion. Even deliveries between the EFTA countries which so far had usually grown at somewhat lower rates than total internal European trade increased by 13 per cent to $4.5 billion. The stimulating effect of demand pressure in the EEC on European trade is demonstrated by the fact that exports of EFTA and other West European countries to the Economic Community increased by 11 per cent to $7.1 billion, while EEC and other European exports to EFTA only rose 6 per cent to $9.15 billion and EEC and EFTA exports to the remaining West European countries expanded 9 per cent to $5.5 billion. The growing supply-demand disequilibrium in France and Italy largely explains the more rapid growth in intra-EEC trade and in the Community's imports from the rest of Europe. Compared to the average growth in intra-EEC trade of 17 per cent, combined French and Italian imports from each other and the remaining EEC members rose 27 per cent; both countries together absorbed over half of the increment in intra-EEC trade. Likewise, while total EEC imports (c.i.f.) from EFTA increased 12 per cent, French and Italian imports combined expanded exactly twice as fast, and those of the other EEC members at half the average rate; again, France and Italy together absorbed over two thirds of the absolute increase in EEC imports from EFTA.
The rapid expansion in internal European trade was accompanied by a slow growth of West European exports to the outside world; nevertheless, the 4 per cent increase to $22.9 billion constitutes an improvement over 1962 when exports had witnessed a slight decline. Both EEC and EFTA participated in this export growth, but EFTA did slightly better with a 5 per cent or $480 million increase to $9.7 billion, compared to the 4 per cent (or $410 million) growth to $11.7 billion in EEC exports. Significantly, in 1963 West European exports to North America and the Eastern trading area expanded more slowly than in the preceding year, while exports to Japan and the non-industrial countries recovered from the decline registered in 1962.

Total West European imports (c.i.f.) from the rest of the world rose by 9 per cent or $2.7 billion to $32 billion in 1963, and all major non-European exporting areas (except Japan) succeeded in expanding their sales to Western Europe at a higher rate than in the preceding year. Imports into the EEC from outside Europe rose by 10 per cent to $17.1 billion or slightly faster than average, and imports into EFTA by 7 per cent to $12.1 billion. Again, the more rapid growth of EEC imports is explained by the fact that French and Italian imports combined rose by 14 per cent, while those of the other EEC members increased by half this rate; both countries together absorbed 60 per cent of the total increment in the EEC's total imports from non-European countries.

Economic growth and trade development in EEC

For the European Economic Community, 1963 brought the first serious economic difficulties since 1958. According to the Commission's seventh General Report, the Rome Treaty's economic objectives of continuous and balanced growth, accelerated improvement in standard of living, full employment, and price and balance-of-payments stability were only partly achieved. While production and standard of living as such rose satisfactorily, this growth appeared less assuring when seen in the context of the other objectives.

During previous years the six EEC members' individual economies had progressed along similar lines. In 1963 there were sharp divergencies in their economic development: while in the Federal Republic of Germany stable growth continued, the rapid expansion in France and Italy, and to a lesser extent also in Belgium and the Netherlands, caused strong inflationary strains in these countries. Excessive demand was at the origin of this development and internal liquidity in these countries was high enough (due to credit expansion, treasury operations and foreign capital inflow) to finance wage and price increases. At the same time, considerable cost pressure was exercised on prices, particularly as a result of continued labour shortage, internal agricultural price increases (after EEC policy implementations) and rising world market prices for primary products.
As in most other West European countries, private and public consumption became the major expansionary force in the Common Market, supplemented by a revival of external demand for EEC exports primarily in other industrialized countries, due to the world economy's favourable development.

In most member countries (except in the Federal Republic and Belgium-Luxemburg) the growth of private consumption in 1963 exceeded by far that of gross national product (see table 1); for the EEC as a whole private consumption rose 5 per cent, and gross national product 4 per cent (compared to 5 per cent in 1962 - a decline not entirely due to a weakening in expansionary forces, but rather to such exceptional factors as the severe winter and social difficulties). On the other hand, investment activity, in 1961 and 1962 still an important dynamic demand factor, lost momentum; its growth in 1963 was equal to that of gross national product whereas in previous years it had been considerably greater. In all member countries industrial production, though continuing its slackening pace, rose faster than gross national product, but except in the Federal Republic of Germany the increase in total domestic supplies could not match the growth in demand which, therefore, had to be met to an increasing extent through imports. Particularly in France and Italy, the upward trend of prices\(^1\) provided an additional stimulus to imports, which rapidly increased in competitiveness, and at the same time was a disincentive to exports to other EEC countries and to external markets.

The excessive growth of demand had its repercussions on the development of the EEC's internal and external trade in 1963. While the growth of gross national product and industrial production was smaller than in the preceding year, internal trade accelerated, showing an increase of 17 per cent against 14.5 per cent in 1962. Equally, imports from outside the area rose faster in 1963 (10 per cent) than the year before (9 per cent). However, exports to the rest of the world also expanded by 5 per cent, a considerable improvement over the moderate 1 per cent growth in 1962.

The effects of inflationary pressure and of the supply-demand disequilibrium on individual member countries' foreign trade can be seen from table 1 where the six member countries are placed in an order which reflects the degree of price and wage increases and the discrepancies in growth of some other economic indicators.

\(^1\)In all member countries except the Federal Republic, consumer prices rose faster in 1963 than the year before.
**TABLE 1**

1963 Changes in Some Economic Indicators and Foreign Trade in EEC Countries

(percentage growth over preceding year)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Fed. Rep. of Germany</th>
<th>Belgium</th>
<th>Netherlands</th>
<th>France</th>
<th>Italy</th>
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<tr>
<td>GNP^1</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Industr. production</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Private consumption^1</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Wages^2</td>
<td>6 (7)</td>
<td>7</td>
<td>8 (9)</td>
<td>9</td>
<td>15 (21)</td>
</tr>
<tr>
<td>Prices, consumer wholesale</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Imports, intra-EEC (c.i.f)</td>
<td>5</td>
<td>9</td>
<td>15</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Imports, intra-EEC (f.o.b)</td>
<td>6</td>
<td>12</td>
<td>12</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Exports, intra-EEC (f.o.b)</td>
<td>21</td>
<td>19</td>
<td>17</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Exports, extra-EEC (f.o.b)</td>
<td>5</td>
<td>2</td>
<td>-1</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Exports, total</td>
<td>10</td>
<td>12</td>
<td>8</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Marginal change in trade balance ($ mill.)^3</td>
<td>(+) 610</td>
<td>(-) 30</td>
<td>(-) 240</td>
<td>(-) 490</td>
<td>(-) 1,090</td>
</tr>
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</table>

^1 At constant prices.

^2 Hourly rates in manufacturing, in parentheses hourly earnings.

^3 Minus sign indicates increase in deficit, plus sign increase in surplus (imports c.i.f., exports f.o.b.).
With moderate but balanced economic growth, the Federal Republic's total imports showed the slowest rise and its exports to other EEC countries the fastest increase of all member countries, while its exports to other parts of the world grew at the average rate for the EEC as a whole. For France and Italy, on the other hand, with wages, prices and consumption largely outpacing the growth of production, total imports showed the greatest and exports to other EEC members the least increase.

The unequal growth of total imports and exports in most member countries had corresponding effects on the trade balances (imports c.i.f., exports f.o.b.). The Federal Republic of Germany, with overall export growth largely exceeding that of imports, added $610 million back to its surplus which, in 1962, had been cut by $760 million from a 1961 peak of $1.7 billion. But this increment was entirely earned in intra-EEC trade since exports to and imports from the rest of the world - both of almost equal magnitude - grew at the same pace. With identical growth of total imports and exports, Belgium-Luxemburg's 1962 trade deficit remained nearly unchanged; a deterioration in the extra-EEC trade balance was just offset by gains from trade with other Common Market partners. Since in the three other EEC countries imports rose much faster than exports, their trade balances, already negative in 1962, deteriorated further the following year. A $240 million increase in the Netherlands' trade deficit (to $1 billion) was entirely due to the fact that exports to non-EEC countries declined by 1 per cent and imports from them rose by 9 per cent. France saw its 1962 intra-EEC trade surplus of $190 million turned into a $35 million deficit, while the extra-EEC trade balance - already negative in 1962 - deteriorated further by $260 million. Within three years, the French trade balance had thus moved from a $545 million surplus to a $644 million deficit. Italy finally, traditionally a net importer, found its trade deficit increased by nearly $1.1 billion to $2.8 billion. For the EEC as a whole, the external trade balance continued its rapid process of deterioration by reaching a $3 billion deficit in 1963. Primarily due to considerable net capital inflow, the EEC's balance of payments was still positive, but for Italy, the situation had become alarming. Due to a current account deficit of $640 million and net negative capital movements, the Italian global balance of payments deteriorated within one year from a slight surplus in 1962 to a $1.2 billion deficit.

Although the inflationary development had been foreseen, particularly by the EEC authorities, restrictive measures by individual member countries were only taken late in 1963 or even not before spring 1964. In autumn 1963, Italy took some steps to reduce the budget deficit and to restrict public and private spending; early in 1964 it secured $1.2 billion in international credits to cover this year's anticipated payments deficit. France started a stabilization programme in September 1963 which has shown its first results in the form of weakening demand pressure. The Federal Republic of Germany, on the other hand, has introduced tax measures to curb excessive capital inflow, and has reduced
intra-EEC tariffs on industrial products (except textiles, leather and paper products) by 50 per cent as of 1 July 1964, in order to stimulate imports. But last year's export boom, entirely the result of the supply-demand disequilibrium in neighbouring EEC countries, has already led to a revival of investment activity, and with labour shortages persisting, these measures may not be sufficient to prevent inflationary pressures from spreading to Germany.

Trade among the EEC countries

After two consecutive years with declining rates of expansion, intra-EEC trade again accelerated and rose by 17 per cent (compared to 14 per cent in 1962), or by $2.4 billion to a total value of $15.9 billion. As in previous years, trade among the member States increased nearly twice as fast as all other world exports combined. While demand pressure must be regarded as the principal reason for this reversal in the growth trend, the EEC's latest internal tariff cut of 1 July 1963, undoubtedly also had some stimulating effects on trade. The growth pattern of exchanges between the EEC partners strongly reflects their unequal economic development. Though all member countries participated in the expansion of trade among themselves, both as exporters and importers, German and Benelux exports rose faster and imports slower than total intra-EEC trade, while French and Italian trade followed the opposite pattern (see table 2). Significantly exports of all other members to France and Italy increased substantially, while French and Italian exports to the Federal Republic of Germany, the largest and economically most stable EEC trading partner, were almost or completely stagnant. On the other hand, German exports rose by 21 per cent in total, the absolute increase of $940 million accounting for 40 per cent of the increment in intra-EEC trade turnover.

<table>
<thead>
<tr>
<th>From</th>
<th>Fed. Rep. of Germany</th>
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<th>France</th>
<th>Italy</th>
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TABLE 2  Growth in Intra-EEC Trade (Exports f.o.b.) by Member Countries, 1963
(percentage increases over preceding year)
In spite of considerable domestic price increases, France and Italy succeeded in appreciably expanding their exports to each other as well as to Belgium-Luxemburg and the Netherlands, but most of this trade expansion was restricted to a rather limited range of products. A large share in the increase in French exports to these countries was made up of food products of which sales to Belgium-Luxemburg expanded by 40 per cent and to Italy by as much as 133 per cent. Exports of French cars to Italy rose 143 per cent or by $50 million, and French consumer goods (sections 6 and 8 of the SITC) accounted for the remaining shares of the increments in trade with Belgium-Luxemburg and Italy. Equally, Italian consumer goods, and especially various textile products (artificial yarns and fibres and products made thereof, woollen knitwear) gained ground particularly in the Netherlands and France; sales of the textiles mentioned increased 53 per cent in the Netherlands and 62 per cent in France. In addition, considerable shares in the growth of Italian exports resulted from such specific developments as an increase from $2 million to $16 million in exports of sports planes to Belgium-Luxemburg, a 53 per cent rise in fuel oil deliveries to the Netherlands and a 45 per cent growth in exports of cars and automobile parts to France.

In general, the development in 1963 has only aggravated a trend already discernible during the last two or three years: a declining and, compared to the evolution of total intra-EEC trade, finally disproportionately low growth in French and Italian exports, as compared with a continuous disproportionately high rise in imports. Between 1958 and 1961, French and Italian exports to other member countries had grown by about 34 per cent annually (accompanied by an equally strong import growth), i.e., considerably above the EEC average and much faster than German and Benelux exports. But, while after 1961 imports from other member countries into France and Italy again accelerated sharply, export growth followed the opposite trend and finally declined below the EEC average in 1962 and 1963 for France, and - more drastically - in 1963 for Italy. In comparison, Benelux exports to other members rose progressively by 10 per cent in 1961, 14 per cent in 1962 and 18 per cent in 1963; German exports by 14 per cent in 1961 (if adjustments for the 5 per cent DM-revaluation are made), but by 21 per cent in 1963.

Most primary products and manufactured goods participated in the acceleration of intra-EEC trade in 1963 but, as usual, total exports of the former rose less than half as fast as exports of the latter. Largely due to a revival of trade in iron and steel and non-ferrous metals, and to a faster growth in exports of coal and coal products, total intra-EEC trade in primary products increased by 10 per cent to $6 billion. For the third consecutive year, internal deliveries of agricultural raw materials expanded by 11 per cent. On the other hand, trade in foodstuffs continued to gather strength by rising 15 per cent to a total of $1.93 billion. France and Italy alone absorbed 70 per cent of the increment in food trade, while the Federal Republic of Germany, the largest single food importer, purchased as much as in 1962 ($965 million). Most of the export increase was furnished by France and the Netherlands while Italian exports declined in absolute terms.
Trade in manufactured products rose by 22 per cent, or $1.75 billion to a total of $9.7 billion, a slight acceleration over the 20 per cent growth registered in 1962. However, due to slackening investment activity, particularly in the Federal Republic, exports of machinery and transport equipment continued to lose momentum by achieving a rise of 22 per cent, compared to 24 per cent the year before and 33 per cent in 1961. Significantly, exports of transport equipment now also followed this trend, lagging one year behind machinery. However, with an absolute increase of $860 million (to a total of $4.67 billion) - which constitutes over one third of the total increment in intra-EEC trade - exports of machinery and transport equipment still played the leading rôle in the growth of intra-EEC trade (their share now being 29 per cent, compared to 24 per cent in 1958). Imports of machinery and transport equipment rose about 20 per cent in France and the Benelux countries, and nearly 42 per cent in Italy, but declined by 6 per cent in the Federal Republic. On the export side, the Benelux countries expanded their deliveries by the remarkable figure of 30 per cent, while French and Italian exports rose far below EEC average, i.e. by 14 per cent and 10 per cent, respectively. The Federal Republic, major supplier with a 50 per cent share in total intra-EEC exports of machinery and transport equipment, expanded its exports further by 26 per cent. As could be expected, intra-EEC exports of "other manufactured goods" - comprising primarily consumer products - accelerated in 1963 by rising 22 per cent (or $710 million) against 18 per cent the year before. With 21 per cent compared to 13 per cent in 1962, the growth in exports of chemicals was even faster.

Economic growth and trade development in EFTA

The EFTA economies witnessed accelerated growth in 1963, combined (except for Switzerland) with relatively high price stability. For the area as a whole, gross national product rose 4 per cent, or twice as fast as in the preceding year, and industrial production 3 per cent, compared to only 1 per cent in 1962. The principal expansionary forces were private and public consumption, and export demand. Investments increased by 2 per cent, slightly faster than the year before.

However, not all member countries participated in this acceleration of growth. EFTA's new economic upswing was largely determined by the revival of activity in the United Kingdom. Likewise, the Austrian and Norwegian economies expanded faster than in the preceding year, while in other member countries growth rates were equal or smaller than those registered in 1962.

In the United Kingdom, gross national product and industrial production rose 4 per cent and 3 per cent respectively, a vast improvement over the 1 per cent growth registered for both the year before. Investments increased by only 1 per cent, but started rising rapidly at the end of 1963 and early in 1964. Domestic demand, which increased 4 per cent, clearly developed into
the major expansionary factor, primarily as a result of tax reductions and other fiscal and monetary stimuli which had been introduced at the beginning of the year. But growing demand was adequately checked by domestic production and imports so that prices did not rise more than 1-2 per cent during the year, a factor which tended to strengthen the competitiveness of British export products. This positive economic development had immediate repercussions on the United Kingdom's foreign trade. Both exports and imports rose by 7 per cent; exports (f.o.b.) reaching $11.85 billion and imports (c.i.f.) $13.5 billion as compared to a growth of 3 per cent and 2 per cent respectively during the preceding year. However, after last year's slight improvement, the trade deficit again increased by $120 million to $1.64 billion.

After a 2 per cent gross national product growth in 1962 and a slow start in 1963, Austria's economy expanded rapidly during the second half of the year, resulting in an overall growth of 4 per cent for gross national product and 5 per cent for industrial production. Domestic consumption, increasing 5 per cent, and to a lesser extent external demand, were the major stimulating forces. Threatening inflationary tendencies were to some degree checked through price stabilization measures introduced towards the end of the year. Nevertheless, strong domestic demand accelerated the growth of imports which in 1963 rose by 8 per cent to $1.67 billion, which was nearly twice as fast as in the preceding year. Total exports on the other hand only increased by 5 per cent to $1.32 billion, or at the same pace as in 1962. Faster export expansion was largely inhibited by Austria's increasing difficulties in selling on the Common Market, its major trading partner. Consequently, the trade deficit deteriorated by $60 million after it had remained stable at $290 million during both 1961 and 1962.

Norway not only achieved the highest economic growth of all EFTA countries with 5 per cent for both gross national product and industrial production, but was also the only member where investments (increasing 6 per cent) were still the major stimulator next to internal and external demand. Under the combined effect of accelerating industrial production, rising domestic demand and high investment activity, total imports jumped 10 per cent in 1963 to $1.8 billion, after a rather moderate 3 per cent increase the year before. Export growth accelerated from 5 per cent to 10 per cent (with exports reaching nearly $1.1 billion), but not sufficiently to prevent a further $60 million increase in the trade deficit to $740 million.
Sweden registered sustained growth with gross national product, industrial production, private consumption and investments rising between 2 per cent and 4 per cent or at exactly the same rates as in the preceding year. While prices climbed 3 per cent, hourly earnings in manufacturing rose sharply by 9 per cent and mild anti-inflationary restraints were introduced at the end of 1963. Total imports increased by 9 per cent to $3.4 billion, exports 10 per cent to $3.2 billion, or somewhat faster than in 1962 where the growth had been 7 per cent for both exports and imports. The trade deficit remained at its 1962 level of $190 million.

Switzerland had to take resort to stronger anti-inflationary measures, affecting in particular foreign labour, construction and credits, in order to fight rising prices and excessive demand pressure. Gross national product rose 5 per cent, compared to 8 per cent registered in 1962. In spite of a slight acceleration in the growth of total exports from 8 per cent to 9 per cent (or to $2.4 billion) and a decline in import growth from 11 per cent to 8 per cent (or to $3.2 billion), the trade balance continued its deterioration with the deficit increasing another $25 million to nearly $820 million.

Denmark saw a similar deceleration in economic growth: gross national product increased moderately by 2 per cent (compared to 5 per cent in 1962), with industrial production and private consumption virtually stagnating and investments dropping by 2 per cent. The decline in growth was not the effect of weakening expansionary forces but rather of a radical stabilization programme introduced early in 1963 to fight inflationary pressures developed in 1961 and 1962. As a result of price stabilization and demand restriction, total imports declined by 2 per cent to $2.1 billion (compared to a 14 per cent increase one year before), while total exports expanded 15 per cent to $1.9 billion, the most vigorous export growth of all EFTA members. As a consequence, the 1962 trade deficit of close to $500 million was nearly halved, while the balance of payments became positive again.

After a pronounced slow-down in the Portuguese economy in 1962, industry registered some progressive activity the following year, accompanied by relative price stability, but rising wages. Exports, already growing fast in 1962, continued to gather strength by rising 13 per cent to $416 million, but imports equally expanded by 11 per cent to $650 million after they had declined by 10 per cent the year before. As a result, the trade deficit again increased by $35 million to nearly $240 million, against a considerable reduction registered in 1962.

Under the combined effect of internal economic expansion and a revival of external demand, total EFTA trade accelerated sharply in 1963: after a moderate 5 per cent growth of both exports and imports in 1962, total exports (f.o.b.) increased 9 per cent to $21.8 billion, almost as fast as those of the EEC (10 per cent). However, compared to the 17 per cent expansion of intra-EEC trade and the rather modest 5 per cent growth of the Community's exports to third countries, EFTA's internal and external trade development appeared more
balanced. Intra-EFTA trade (exports f.o.b.) rose by 13 per cent to $4.5 billion, exports to other parts of the world by 8 per cent to $17.3 billion. EFTA imports (c.i.f.) from outside, on the other hand, expanded only 6 per cent to $21.5 billion, compared to the 10 per cent increase registered for the EEC. Consequently, EFTA's trade deficit remained nearly unchanged at $4.2 billion, while the EEC's trade balance witnessed another sharp deterioration in 1963.

**Trade among the EFTA countries**

Like trade among the EEC countries, intra-EFTA trade had registered declining growth during the past few years with rates dropping from 16 per cent in 1960 to only 6 per cent in 1962. 1963, however, brought a significant reversal of this trend: internal trade rose by 13 per cent, or $510 million to $4.5 billion.

As exporters, all member countries participated in this expansion of internal trade except Austria, where the growth of exports to other EFTA members declined slightly from 11 per cent to 10 per cent, and Switzerland where the rate of increase fell appreciably from 13 per cent to 9 per cent. United Kingdom exports to other EFTA countries, on the other hand, rose by 8 per cent to $1.4 billion, as compared with 7 per cent in 1962. But Denmark, Norway, Portugal and Sweden experienced a much more vigorous expansion of exports. Danish exports rose 18 per cent, compared to 10 per cent in 1962, or by $130 million to a total of $836 million, and Swedish exports increased 15 per cent (against 2 per cent in 1962), or by $150 million to a total of $1.14 billion. In absolute amounts, both countries' contributions to the increase in intra-EFTA trade were thus larger than that of the United Kingdom. Norwegian intra-EFTA deliveries which had stagnated in 1962 at a $400 million level, increased 9 per cent or by $35 million, and Portuguese exports even rose by 22 per cent (compared to 5 per cent the year before) to a total of $91 million.

Equally, all but two countries experienced an acceleration in import growth. Only Denmark and Switzerland, which in 1962 had recorded the highest relative increases in imports of all EFTA countries (17 per cent and 20 per cent respectively) saw a marked slow-down the following year. Swiss imports from EFTA rose 11 per cent in 1963 to a total of $434 million, and Danish imports from other members just increased 2 per cent to $832 million as a result of the Government's anti-inflationary policy, leading to a reversal of the $108 million intra-EFTA trade deficit in 1962 to a $4 million surplus. On the other hand, the largest relative and absolute import growth occurred in Norway whose rapidly expanding economy absorbed a total of $795 million, constituting an increase of $140 million or by 21 per cent, compared to only 3 per cent in the preceding year. Likewise, the revival of economic activity in the United Kingdom had stimulating effects on its EFTA imports which rose 9 per cent (against 1 per cent in 1962), or by $120 million to $1.4 billion. Swedish imports expanded 15 per cent, representing a $125 million increase to a $972 million total, and Portuguese imports - down 11 per cent in 1962 - grew 5 per cent.
Denmark, Sweden and the United Kingdom as exporters, and Norway, Sweden and the United Kingdom as importers were primarily responsible for the rapid expansion of intra-EFTA trade in 1963 by supplying or absorbing 75 per cent of the absolute increase in the trade volume. The four countries' leading rôle in the growth of intra-EFTA trade is further demonstrated by the development of exports between individual member countries. For example, Danish exports to Norway rose 35 per cent, to Sweden 24 per cent and to the United Kingdom 11 per cent, the three countries together absorbing nearly 90 per cent of the increment in Danish deliveries to EFTA. Of the Swedish export increase, $77 million or just half went to Norway, another $50 million to the United Kingdom, both countries together taking 85 per cent of the total increment. And the United Kingdom alone absorbed between 65-80 per cent of the absolute increment in each Austrian, Norwegian, Portuguese and Swiss exports.

Also, Danish and Swedish exports to Austria and Switzerland increased far above average in 1963. In particular, Danish shipments to Switzerland rose 42 per cent or $15 million, with foodstuffs (primarily meat) accounting for most of the increase. Swedish exports to Austria, on the other hand, expanded 39 per cent, mostly in the field of machinery and transport equipment, and other manufactured goods. However, this development is largely the continuation of a trend discernible since EFTA came into being: since 1959, Danish exports to Austria have increased by 104 per cent, to Switzerland by 177 per cent; while Swedish exports to both countries expanded 122 per cent and 152 per cent respectively - with a few exceptions the highest relative increases registered in trade between individual EFTA countries. Most of the Danish export increase was in foodstuffs for which deliveries to Switzerland tripled since 1959, and in machinery and transport equipment for which sales to Austria rose 175 per cent, to Switzerland 200 per cent. The Swedish export expansion to Austria and Switzerland occurred primarily in machinery and transport equipment, and other manufactured goods for which deliveries rose between 120 per cent and 270 per cent. In contrast, Norwegian exports to Austria have not increased faster since 1959 than exchanges between all EFTA members on the average, while sales to Switzerland even fell by 8 per cent (due to a 25 per cent decline in exports of food and manufactures except machinery and transport equipment - a singular development in intra-EFTA trade).

Between 1959 and 1963, total intra-EFTA trade has increased 52 per cent. During this period Danish, Swedish, Swiss and British exports have grown close to this average, while Norway's exports only rose 38 per cent, but those of Austria and Switzerland between 80 per cent and 90 per cent. By destination, intra-EFTA trade has developed quite differently: imports (at f.o.b. prices) of Austria and Switzerland rose by about 80 per cent, of Norway and Sweden by two thirds, of Denmark and Portugal by about 45 per cent and of the United Kingdom by one third. In relative terms, Austria and Portugal as exporters, and Austria and Switzerland as importers have thus participated most in the expansion of intra-EFTA trade, and Norway the least as exporter, the United Kingdom as importer. Consequently, the share of the United Kingdom's exports in total intra-EFTA trade remained nearly constant at 32 per cent, while that of its imports (at f.o.b. prices) from other EFTA countries fell from 33 per cent in 1959 to 29 per cent in 1963.
Certainly the most interesting feature of intra-EFTA trade development between 1959 and 1963 is, however, that exchanges between the three Scandinavian members on the one hand, and between the four remaining countries on the other, have increased much faster than total intra-EFTA trade (see table 3). In contrast, exports from one group to the other rose below average, mostly due to a slower expansion of trade between the United Kingdom and the three Scandinavian EFTA members; combined Danish, Norwegian and Swedish exports to the United Kingdom did not rise more than 27 per cent between 1959 and 1963, while British exports to these countries increased 46 per cent. Consequently, the share of exchanges between Denmark, Norway and Sweden in total intra-EFTA trade has increased from 22 per cent in 1959 to 25 per cent in 1963, while that of their exports to other member countries fell from 32 per cent to 28 per cent during the same period.

**TABLE 3** Regional Development of Intra-EFTA Trade 1959-1963 (percentage growth)

<table>
<thead>
<tr>
<th>From</th>
<th>To Scandinavian EFTA members</th>
<th>Other EFTA members</th>
<th>Total EFTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scandinavian EFTA members</td>
<td>73</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>Other EFTA members</td>
<td>48</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>Total EFTA</td>
<td>59</td>
<td>46</td>
<td>52</td>
</tr>
</tbody>
</table>

Compared to the roughly 50 per cent increase in overall intra-EFTA trade between 1959 and 1963, trade in primary products has grown 30 per cent, in manufactured goods 67 per cent; the two product categories now holding shares in total exchanges of 40 per cent and 60 per cent respectively (as in intra-EEC trade). But in 1963 the acceleration in export growth - recorded for all major product groups - was relatively more pronounced for primary products than for manufactured goods. Intra-EFTA exports (f.o.b.) of primary products, in fact, rose 9 per cent in 1963, or by $150 million to a total of $1.8 billion, after very moderate growth rates of 1-2 per cent in the two preceding years. Exports of manufactures, on the other hand, increased by $340 million to $2.7 billion, or by 14 per cent against 10 per cent and 17 per cent in 1962 and 1961 respectively. The vigorous expansion in exports of primary products was largely due to a 5 per cent, or $20 million growth each in the deliveries of agricultural raw materials, and ores and metals which, in 1962, had declined by 21 per cent and 9 per cent respectively. The trade development of the United Kingdom, the principal importer in both commodity groups, was responsible for these fluctuations.
Fuel exports, with 14 per cent, witnessed the highest relative growth in the primary product category, the increment almost entirely supplied by the United Kingdom. Food exports, on the other hand, rose 13 per cent or by $80 million to $690 million; over one half of the increment was supplied by Denmark, and 40 per cent was absorbed by the United Kingdom.

Intra-EFTA exports of chemicals, machinery and transport equipment, and other manufactures rose by 14 per cent each while the year before the growth rates had ranged between 8 per cent and 12 per cent. Chemical exports, up $40 million to $330 million, continued the fast acceleration noticeable since 1961, while for machinery and transport equipment, and for other manufactures, 1963 brought a reversal in formerly declining growth trends. Machinery and transport equipment again took the leading role in the growth of intra-EFTA trade with an increase of $160 million to $1.3 billion, equivalent (as in intra-EEC trade) to about one third of the increment in total intra-EFTA exchanges. Sweden, with total EFTA exports of machinery and transport equipment rising 24 per cent, supplied half of the absolute increase of which Norway - with imports rising 30 per cent - absorbed nearly 60 per cent while the United Kingdom imports fell by $13 million. Finally, intra-EFTA trade in "other manufactures" rose by $140 million (to $1.05 billion) of which the United Kingdom, Denmark, Switzerland and Austria each supplied about $20 million while Sweden absorbed $40 million and the United Kingdom $45 million.

Trade between EEC and EFTA

Between 1959 and 1962, and with the sole exception of 1960, trade among the EFTA members had grown at a slower pace than EFTA exports to the Economic Community. In 1963, however, intra-EFTA trade increased by 13 per cent, and exports to the EEC, for the third consecutive year, by 11 per cent (to $5.9 billion). The absolute increase in EFTA exports to the EEC of $580 million was similar in magnitude to that in intra-EFTA trade ($510 million) after it had been more than twice as large in the preceding year. On the other hand, EEC exports to EFTA rose by 6 per cent or $440 million to a total of $7.8 billion (against a 5 per cent increase in 1962). Consequently, for both EEC and EFTA, exports to each other expanded at virtually unchanged rates in 1962 and 1963, while their exports to other parts of the world increased sharply the second year. Since in the past two years EFTA exports to the EEC have grown faster both in relative and absolute terms than trade in the opposite direction, EFTA's traditional trade deficit (imports c.i.f., exports f.o.b.) vis-à-vis the EEC has declined from $2.2 billion in 1961 to $2 billion in 1963.
Owing to the contraction in demand growth in the Federal Republic of Germany, EFTA exports to this country rose only 3 per cent (to $2.3 billion) in 1963, against 9 per cent the year before. But the resulting decelerating effect on growth of total EFTA exports was just offset by repercussions on trade of expanding demand in Italy and France. In fact, EFTA exports to Italy increased 20 per cent to $1.2 billion, to France 24 per cent to nearly $1.1 billion; both countries together absorbed 70 per cent of the absolute increase in EFTA deliveries to the Economic Community. British exports to the Common Market expanded by 14 per cent to $2.3 billion; in particular sales to France rose 27 per cent, to Italy 18 per cent. However, with 17 per cent, Danish exports to the EEC registered the highest relative growth of all EFTA members. Sales of Danish products expanded particularly in EEC countries which so far had been of minor importance as importers: deliveries to France increased 82 per cent, to Italy 79 per cent and to Belgium-Luxemburg 35 per cent, while those to the Federal Republic of Germany, traditionally Denmark's major EEC customer, stagnated. Foodstuffs, and primarily meat, accounted for the bulk of the increase in exports to these countries; Danish meat exports to Belgium-Luxemburg increased from $0.1 million to $1.9 million, to France from $4.3 million to $20 million, and to Italy from $16.4 million to $47.8 million. Total exports to EEC of all other EFTA members rose below average, i.e. by 10 per cent for Norway and Switzerland, and around 5 per cent for Austria, Portugal and Sweden.

As a result of the revival of economic activity in the United Kingdom, EEC exports to this country rose by 9 per cent (against 1 per cent in 1962) to almost $2 billion; in particular German exports to the United Kingdom recovered from a 7 per cent decline in 1962 to a 13 per cent increase the following year. But total EEC exports to Switzerland saw a marked slow-down in growth, and those to Denmark even declined as a result of anti-inflationary policies adopted in both countries. In addition, the relatively low growth in total EEC exports to EFTA in 1963 reflects the increasing difficulties which some Common Market countries encountered in selling abroad. In particular, this holds true for Italy whose exports to EFTA stagnated at the 1962 level of $960 million. Dutch sales to EFTA even declined by 2 per cent to $1 billion, largely the result of a loss of traditional outlets for food products to Denmark, the EFTA competitor in this field. Consequently, the bulk of the absolute increase in EEC exports to EFTA was furnished by the Federal Republic of Germany and by France. Germany, by increasing its deliveries to EFTA by 7 per cent or $275 million to nearly $4 billion, provided 63 per cent of the increment in EEC's total exports to EFTA. French exports even rose 12 per cent to $1.3 billion, or by $135 million. The French export expansion was particularly pronounced in Austria, Switzerland and the United Kingdom to which deliveries rose between 14 per cent and 23 per cent. Like in intra-EEC trade, primarily foodstuffs, but also machinery and transport equipment accounted for most of the increase in French exports. Food sales to Austria increased 130 per cent, to Switzerland 30 per cent, and to the United Kingdom 23 per cent; deliveries of machinery and transport equipment to Austria rose 23 per cent, to the United Kingdom 25 per cent.
While in all the broad commodity groups EFTA exports to EEC increased faster in 1963 than deliveries in the opposite direction, the growth trends of both areas' exports to each other showed some remarkable similarities. During the past three years, EFTA as well as EEC exports of primary products have grown progressively - with rates increasing between 1961 and 1963 from 4 per cent to 11 per cent for EFTA, and from 4 per cent to 6 per cent for the EEC. During the same period, exports of manufactured goods slackened, i.e. growth rates fell from 17 per cent to 11 per cent for EFTA and from 14 per cent to 6 per cent for EEC. Thus, in 1963 - and for the first time in EEC-EFTA trade - each area's exports of primary products on the one hand, and of manufactures on the other, increased at identical rates, i.e. by 6 per cent from EEC and - nearly twice as fast - by 11 per cent from EFTA.

For both EEC and EFTA, food exports to each other continued the progressive growth noticeable since 1961: EEC exports rose 12 per cent in 1963 to $840 million and EFTA exports even by 19 per cent to $760 million. In turn, both groups' exports of agricultural raw materials increased sharply in 1963 after they had grown at constant rates during the past two years. On the other hand, EEC exports to EFTA of ores and metals continued to decline while EFTA exports rose only 1 per cent to $710 million. In value, both areas' total exports of primary products to each other were of nearly identical magnitude in 1963.

In contrast, the EEC still sold nearly $2 billion more in manufactures to EFTA than it received from the latter in 1963, but EFTA exports expanded almost twice as fast and the absolute increase in both groups' shipments to each other was of similar magnitude. EEC exports of chemicals reached $740 million, a 10 per cent increase after a moderate growth in 1962, while EFTA exports rose by 15 per cent as in the preceding year. Due to generally slackening investment activity in both areas, trade in machinery and transport equipment has lost much of its momentum: between 1961 and 1963, export growth declined from 32 per cent to 10 per cent for EFTA, from 17 per cent to 4 per cent for EEC. About one third of each area's absolute export increase in this product group was accounted for by cars, of which sales from EFTA to EEC expanded 30 per cent (after they had grown by two thirds in 1962), while exports from the EEC rose 9 per cent for the second consecutive year. Exchanges in other manufactured goods increased at nearly constant rates in the last two years: EEC exports rose by 6 per cent to $2 billion in 1963, or slightly faster than in 1962, and EFTA exports increased 11 per cent to $1.4 billion, compared to a 12 per cent growth the year before.

Between 1959 and 1963, total EFTA exports to EEC have expanded by 54 per cent, i.e. relatively faster than the flow of trade in the opposite direction for which an increase of 47 per cent was registered. Growth in exports of primary products has, of course, been far below these averages, but was nearly identical for both areas: 32 per cent for EFTA, 35 per cent for EEC. Consequently, EFTA's
relatively faster export expansion was entirely confined to manufactures of which EFTA deliveries to EEC rose 75 per cent, against a 52 per cent growth in trade in the opposite direction. In particular, EFTA's sales of machinery and transport equipment to the Common Market nearly doubled, while EEC's deliveries just increased 65 per cent. As a result, the composition of EFTA's exports to the Economic Community has changed significantly since 1959: the share of primary products in total exports dropped from 47 per cent to 40 per cent, while that of machinery and transport equipment rose from 22 per cent to 28 per cent. In total EEC exports to EFTA, on the other hand, primary products now hold 32 per cent, against 34 per cent in 1959, while the share of machinery and transport equipment increased slightly from 31 per cent to 33 per cent.

Trade of other Western European countries

In 1963, total trade of all other Western European countries combined, advanced at nearly the same pace as in the preceding year: exports increased by 7 per cent to almost $4 billion, while imports rose by 14 per cent, or slightly faster than in 1962, to $6.7 billion. But for individual countries, the trade development showed considerable changes over 1962: for Greece and Ireland, growth in both imports and exports accelerated sharply in 1963; for Yugoslavia and Iceland imports grew faster but exports slowed down. Turkish and Spanish imports, which had seen the largest relative increases in 1962, rose about half as fast the following year while exports stagnated or even declined. And Finland was the only country with imports falling in absolute terms and exports rising at the same rate as in 1962. For all countries combined, growth in imports from the EEC and EFTA, their principal suppliers, decelerated slightly while deliveries from North America and the rest of the world rose appreciably faster. With regard to total exports of all other Western European countries, exactly the opposite development took place: shipments to the EEC and EFTA - which are major customers as well by absorbing 60 per cent of total - increased sharply after they had nearly stagnated in 1962, while the growth in total exports to North America declined from 16 per cent to 4 per cent, and to the rest of the world from 18 per cent to 3 per cent.

The economies of Greece and Turkey, the two associated members of the Economic Community, advanced at nearly the same speed in 1963: in both countries, real gross national product rose about 7 per cent - for Greece the highest growth rate registered during the past five years (with the exception of 1961). But foreign trade developed quite differently. In Greece, the vigorous industrial expansion and high investment activity but relatively small crops particularly of basic food products, had stimulating effects on imports which rose 15 per cent (to $804 million) in 1963, after they had dropped by 2 per cent the year before. Equally, exports expanded sharply by 17 per cent (to $290 million), but not sufficiently to prevent a further deterioration in the trade deficit by $61 million. Compared to the large relative increase in total
imports, deliveries from EEC and EFTA (Greece's major suppliers) rose only moderately by 6 per cent and 3 per cent respectively. Greek exports to EFTA even declined by 14 per cent to $38 million while those to EEC rose by 7 per cent to $95 million, i.e. equally below the average growth in total exports. On the other hand, Greece intensified its trade with North America from which imports rose by 26 per cent to $91 million. Exports to the United States expanded even by 186 per cent to nearly $55 million, almost entirely the result of a nearly five-fold growth in tobacco shipments, the absolute increase of $36 million accounting for over four fifths of the increment in total Greek exports. Imports from Spain rose six-fold and doubled from Yugoslavia; in both cases deliveries of ships and boats accounted for the bulk of the increase.

Turkish imports, on the other hand, rose half as fast in 1963 as in the preceding year, i.e. by 11 per cent to $690 million, with still significant increases in supplies of textiles, metals, machinery and fats and oils. As in the case of Greece, deliveries from EEC and EFTA, with 4 per cent and 9 per cent respectively, advanced below average, while the United States expanded its shipments by 17 per cent to $212 million. By holding 31 per cent of total Turkish imports, the United States had overtaken the Economic Community as major supplier. Likewise, the growth in Turkey's exports decelerated to 3 per cent (after 10 per cent in 1962); total exports reached $368 million in 1963, and the trade deficit deteriorated further by $82 million. The slow-down was attributable chiefly to reduced exports of tobacco (which declined from $96 million in 1962 to $67 million), of fruits, nuts and minerals, while cotton shipments increased 26 per cent. In particular, deliveries to North America fell by 35 per cent or $25 million, to the EEC by 9 per cent, while those to EFTA increased by 23 per cent to $90 million.

Primarily stimulated by favourable world demand for paper, pulp and other products of the wood-working industries, Finland's industrial production rose by 4 per cent and gross national product by 3 per cent. Largely as a result of slackening investment activity and in spite of a healthy 4 per cent growth in domestic demand, total imports ($1.2 billion) remained 2 per cent below the 1962 level. Exports, on the other hand, rose 4 per cent (as in 1962) to $1.14 billion; consequently, the trade deficit was considerably reduced by $64 million. Major suppliers were the Federal Republic of Germany ($213 million) and the Soviet Union ($195 million), but total imports from the EEC fell 12 per cent to $360 million, while those from EFTA and North America stagnated at the 1962 level. Only shipments from Eastern Europe rose by 8 per cent to $249 million. Largest customers were the United Kingdom ($240 million), the Soviet Union ($185 million) and the Federal Republic of Germany ($138 million). But only exports to the EEC and EFTA increased over 1962 (by 8 per cent and 7 per cent respectively) while deliveries to North America remained constant and those to Eastern Europe fell by 8 per cent to $222 million.
For Spain 1963 was a year of preparation for the development plan launched in 1964. In order to attract foreign investors, liberalization of foreign trade and the economy in general made further progress. Gross national product rose 7 per cent, industrial production 8 per cent. Wholesale prices remained fairly steady owing to the competitive effect of imports, but retail prices rose 9 per cent as a result of high wage increases. Again, the rapid growth of the economy and particularly of demand proved to be a great stimulus to imports which rose by 25 per cent to $1.95 billion, though at a considerably slower rate than that of 44 per cent registered in 1962. Suppliers participated unevenly in this trade expansion: EEC and EFTA increased their deliveries by 40 per cent (to $656 million) and 30 per cent (to $346 million) respectively, while imports from North America just rose by 9 per cent to $340 million. The highest relative growth was recorded for purchases from Eastern Europe which rose by 124 per cent; in particular those from the Soviet Union expanded from $2 million to $15 million. As imports of fuels remained at the 1962 level and those of raw materials even declined by 5 per cent, the increase in total imports was entirely confined to food products and manufactured goods. Purchases of the former rose 53 per cent to $345 million, of the latter 37 per cent to $1 billion. Owing to the industrialization programme, 43 per cent of imported manufactures were machinery and equipment. On the other hand, Spanish exports, still primarily agricultural, remained at the 1962 level of $735 million. Due to destruction of nearly half the citrus crop, shipments of food products dropped by 8 per cent to $333 million, while those of raw materials and consumer goods rose 10 per cent each. With a further deterioration of the trade deficit by $384 million to $1.2 billion, Spain's foreign trade is seriously unbalanced. But so far tourist income and foreign capital more than offset the trade deficit; in 1963 foreign exchange reserves rose to a record high of $1.15 billion. In future increased industrial exports should contribute to an improvement in the trade balance.

The economy of the Republic of Ireland advanced more rapidly in 1963 than the year before, with gross national product and private consumption rising by 4 per cent, and industrial production even by 7 per cent (compared to 5 per cent in 1962). Trade expansion in the United Kingdom (Ireland's major supplier and customer) had stimulating effects on the Republic's foreign trade. Against 5 per cent in 1962, total imports rose 12 per cent to $858 million, largely due to a 14 per cent increase in purchases from the United Kingdom ($437 million) after a moderate 3 per cent growth in 1962. Deliveries from other EFTA countries even rose 40 per cent, but those from EEC only 9 per cent to $132 million. In contrast, imports from North America fell by 5 per cent to $60 million, the net effect of a 12 per cent decline in deliveries from the United States against a 22 per cent rise in those from Canada. Ireland's total exports increased relatively faster than imports, i.e. by 13 per cent to $548 million (against a 4 per cent decline in 1962); consequently, the trade deficit deteriorated only moderately by $29 million. Again, most of the increase was due to an 11 per cent growth (to $395 million) in shipments to the United Kingdom, compared to a 5 per cent decline in 1962. Exports to the EEC expanded even more rapidly by
On the other hand, deliveries to the United States declined slightly by 1 per cent, but nearly doubled to Canada, resulting in an 8 per cent expansion to $48 million in total exports to North America.

Yugoslavia's economy continued its rapid expansion in 1963; in particular a further striking advance was made in industrial production with a 16 per cent increase in output. Against a 3 per cent decline during the previous year, imports rose 19 per cent in 1963 to $1.06 billion, while exports advanced only 14 per cent (to $790 million) after a 22 per cent growth in 1962. Consequently, the trade deficit increased further by $70 million. In general, imports from the industrial area rose less fast than those from developing countries and the Eastern trading area, a trend already observed in 1962. Major suppliers were still the EEC with $285 million and the United States ($186 million), but purchases from the former increased 13 per cent, from the latter only 2 per cent. On the other hand, imports from the Soviet Union rose 23 per cent to $73 million, and from other Eastern European countries by 29 per cent to $167 million. Even more rapid was the expansion in purchases from Africa (86 per cent) and Latin America (51 per cent). By product groups highest relative increases were recorded for imports of food (54 per cent) and chemicals (42 per cent), while those of machinery and transport equipment advanced only 4 per cent to $307 million so that their share in total imports declined from 33 per cent in 1962 to 29 per cent. The Economic Community was not only the major customer by taking one third of Yugoslavia's total exports in 1963, but also absorbed four fifths of the absolute increase in exports as deliveries to the EEC increased 42 per cent to $285 million. In contrast, shipments to EFTA declined by 2 per cent (to $100 million), to the United States by 12 per cent, while deliveries to Eastern Europe (excluding the Soviet Union) stagnated at the 1962 level of $125 million, but nearly doubled to the Soviet Union. Exports of food products rose 28 per cent, but those of machinery and transport equipment declined by 2 per cent, in contrast to the development during the previous three years.

As a result of continued inflationary tendencies and strong demand pressure, Iceland's total imports increased by 23 per cent, or considerably faster than in 1962, to $109 million. Exports, on the other hand, reached $95 million in 1963, their growth having slowed down to 13 per cent. Trade with EEC and EFTA, already major suppliers and customers, was further intensified; in particular imports from EFTA rose by 42 per cent, exports to EEC by 33 per cent. In contrast, shipments from North America remained at the 1962 level, while Iceland's exports to this area expanded by 18 per cent.
Trade with North America

Western Europe's trade with North America expanded further in 1963, but while imports from this area continued to rise progressively, the growth in Western Europe's exports slowed down considerably.

Total imports from North America (at c.i.f. prices) rose by 9 per cent or $810 million to $10.14 billion, a considerable acceleration over the preceding year's 5 per cent growth. Inflationary tendencies and strong demand pressure in various parts of Western Europe, rather than increased production and investment activity, worked to the advantage of North American exporters. Typically, the import increase was concentrated in the EEC whose purchases from North America rose by 12 per cent to $5.5 billion; and again half of the absolute increase of $590 million was absorbed by France and Italy whose imports increased by 15 per cent and 16 per cent, respectively. The Federal Republic of Germany also took 11 per cent more than in the preceding year, but this increase was almost entirely accounted for by higher purchases of defence equipment (and of other unspecified products included in section 9 of the SITC) while commercial imports of primary products and manufactures (SITC sections 0-8) remained constant at the 1962 level of $1.6 billion. In contrast, EFTA's imports from North America just increased by 4 per cent or $140 million to $3.6 billion, an expansion largely confined to the United Kingdom and Sweden whose imports rose 5 per cent and 11 per cent, respectively, while those of the other EFTA countries stagnated or even declined. The remaining West European countries taken together expanded their purchases from North America by 10 per cent to $1 billion, with largest import increases reported for Greece (25 per cent), Turkey (17 per cent) and Yugoslavia (11 per cent).

Most of the import growth was confined to manufactures, and more specifically to consumer goods. EFTA imports of primary products remained nearly unchanged; EEC imports rose by 7 per cent of $160 million but the bulk of the increase was in fuels (primarily coal), largely due to the long and severe 1962/63 winter. As a noteworthy feature of the trade development in 1963, EEC's and EFTA's combined food imports from North America rose only 1 per cent after they had experienced a vigorous growth of 15 per cent the year before. In contrast, imports of manufactures into the EEC rose 9 per cent to $2.28 billion, into EFTA 8 per cent to $1.54 billion. However, each trading area's imports of machinery and transport equipment expanded only between 1-2 per cent, with substantial shares of even these moderate increases accounted for by passenger cars of which EEC's imports grew 18 per cent, EFTA's 25 per cent. On the other hand, both trading areas' combined purchases of chemicals and other manufactures - the latter primarily including consumer goods - expanded 17 per cent to $1.76 billion.
West European exports to North America rose 3 per cent to $5.54 billion, a considerable slow-down in growth compared to the 8 per cent registered in 1962. Primarily responsible for this development was Western Europe's failure to further expand car sales in North America; while the EEC's automobile exports still rose 10 per cent, those from EFTA declined by 16 per cent so that Western Europe's total shipments practically stagnated at the 1962 level of $580 million after they had grown 25 per cent during that year. Like in 1962, both the EEC's and EFTA's exports advanced at fairly similar rates (4 per cent versus 3 per cent). But among the EEC members only the Federal Republic of Germany and Italy were able to expand their deliveries to North America (by 7 per cent each) while exports of all other member countries nearly stagnated or slightly declined. As for EFTA, British, Norwegian and Portuguese shipments did not exceed the 1962 level so that EFTA's export increase entirely originated from Sweden, Austria, Switzerland and Denmark. EEC and EFTA increased their shipments of primary products by $30 million each. While exports of total manufactures from EFTA stagnated, those from EEC rose by 3 per cent to $2.1 billion, almost entirely accounted for by increased sales of machinery and transport equipment.

Trade with the non-industrial areas

For the second consecutive year. Western Europe's trade with the non-industrial areas developed favourably; in 1963, not only Western Europe's imports continued to expand progressively, but also its exports showed an appreciable increase after two years of decline. However, the acceleration in import growth reflects an increase in both volume and prices as the declining trend of prices was reversed in 1963 for some important commodities such as wool, sisal, sugar, cocoa, coffee and soyabean.

After a 7 per cent increase during the preceding year, Western Europe's total imports (c.i.f.) from all non-industrial countries rose by 9 per cent or $1.45 billion to $17.9 billion in 1963. Both EFTA's and EEC's imports expanded by 8 per cent - for EFTA twice as fast, for the EEC the same growth as in 1962. Like in the preceding year, imports of other West European countries combined expanded relatively faster: in 1963 they rose 19 per cent to $1.07 billion, with particularly steep increases recorded for Greece and Turkey (over 40 per cent each).

As industrial production continued its slackening pace in the Economic Community, growing needs for oil and oil products and in addition commodity price increases rather than rising demand for industrial raw materials explain the EEC's sustained 8 per cent growth in imports to $9.8 billion. In fact, imports from most individual non-industrial areas rose much more slowly in 1963 than in the preceding year: purchases from the EEC's associated African countries increased 3 per cent (against 4 per cent in 1962), from Latin America 6 per cent (against 17 per cent) and from Australia, New Zealand
and South Africa as a group 3 per cent (against 13 per cent). Only imports from the Middle East, primarily due to a tripling of oil shipments from Libya, saw a drastic acceleration in growth from 8 per cent in 1962 to 18 per cent, with the absolute increase of $390 million accounting for over half of the increment in total EEC imports from all non-industrial areas. Of the six EEC member countries, France still was the largest importer with $3 billion but its imports increased not more than 5 per cent, and those of the Federal Republic of Germany - second in rank with imports totaling $2.9 billion - only 3 per cent. Italy, on the other hand, purchased 19 per cent more from the non-industrial areas, in particular 29 per cent more from Argentina (primarily beef).

In contrast, EFTA's imports from all individual non-industrial areas expanded faster in 1963 than during the preceding year, and at nearly identical rates of 8-9 per cent except for those from the Middle East which rose by 11 per cent to $1.33 billion. Total EFTA imports reached $7.07 billion, and the absolute increase of $550 million was not only the result of higher commodity prices but also of growing demand for primary products following the revival of economic activity particularly in the United Kingdom. But compared to the United Kingdom's 8 per cent growth in imports to $5.8 billion, purchases of all other EFTA countries (except Norway) expanded at considerably higher rates ranging between 10 and 20 per cent.

The favourable development in most non-industrial areas' foreign exchange earnings during 1962 (when their exports had increased by 8 per cent and their imports declined by 5 per cent) made itself felt in 1963: for the first time since two years West European exports to the non-industrial countries increased by 5 per cent or $615 million to $13.6 billion. Exports of both the EEC and EFTA expanded at this average to $7 billion and $6.2 billion, respectively, while shipments of the other West European countries combined remained constant at $450 million. But not all member countries of both trading areas participated in the export expansion: among the EEC members, German and French exports rose by about 5-6 per cent (to $2.4 billion for each country) and Italian exports even by 10 per cent, while those of the Benelux countries declined. Among the EFTA countries, only the United Kingdom, Switzerland and Sweden succeeded in expanding their sales, the last country by a remarkable 20 per cent.
Latin America was the only non-industrial area to which Western Europe’s exports continued to decline, and that even faster than in the preceding year. On the other hand, exports to South East Asia expanded by 5 per cent, to the Middle East by 9 per cent and to Australia, New Zealand and South Africa as a group (the only one to which exports had not declined in 1962) even by 14 per cent. Equally sales to other non-industrial countries rose substantially; in particular the EEC increased its deliveries to its African associates to $1.5 billion after they had continuously fallen from $1.9 billion in 1958 to $1.4 billion in 1962.

Western Europe and the Eastern trading area

While in 1962 trade in each direction had grown considerably, Western Europe’s exports to the Eastern trading area increased not more than 1 per cent during the following year to $2.7 billion, while its imports (c.i.f.) continued to expand progressively by rising 14 per cent to $3.3 billion. This change in growth trends largely resulted from the development of Western Europe’s trade with the Soviet Union whose foreign trade requirements were determined by current economic problems and in particular by the unsatisfactory agricultural output due to adverse weather conditions in both 1962 and 1963. By pushing exports to Western Europe and at the same time contracting imports from this area, the USSR was able to earn some of the foreign exchange required for wheat purchases primarily in the United States and Canada.

However, most of the USSR’s import contraction was concentrated on deliveries from the EEC. In particular, French exports to the Soviet Union reached only half their 1962 level and German exports fell by one quarter; Italy in fact was the only EEC country to expand its deliveries by 11 per cent. Consequently, total EEC exports to the Soviet Union declined by 27 per cent to $370 million. On the other hand, the EEC’s imports from the USSR rose by 7 per cent to $580 million; but this was less than half the growth of 1962, largely due to a 12 per cent decline in German purchases. In contrast, EFTA’s trade with the Soviet Union continued to expand in each direction. In particular, its imports rose nearly 12 per cent to $435 million after they had declined somewhat the year before. EFTA’s exports to the Soviet Union increased 13 per cent to $324 million, equally a considerable slow-down in growth when compared to the 23 per cent rise registered in 1962.

Western Europe’s total exports to other East European countries expanded by 5 per cent to $1.5 billion in 1963, or slightly faster than during the preceding year. The increase was largely accounted for by the EEC whose exports rose by 6 per cent to $710 million, while EFTA’s exports stagnated at the 1962 level of $545 million. Total West European imports from Eastern Europe (excluding the Soviet Union) increased 17 per cent to $1.7 billion, with the EEC again playing the leading role as it purchased 20 per cent more than in the preceding year. EFTA imports, on the other hand, rose 9 per cent (as in 1962) to $604 million.

Finally, trade with mainland China, which had been falling off sharply in the past two years, recovered to its 1961 level. Western Europe’s imports rose 11 per cent to nearly $200 million, and exports by 17 per cent to $167 million, with both EEC and EFTA participating in the export growth, but only EEC in the import growth.
COMPOSITION OF EEC’S TRADE IN PRIMARY PRODUCTS AND IN MANUFACTURED GOODS: 1950-1963

<table>
<thead>
<tr>
<th>Année</th>
<th>Produits alimentaires</th>
<th>Matières premières d'origine agricole</th>
<th>Gres et matèriel de construction</th>
<th>Énergie</th>
<th>Produits manufacturés</th>
<th>Matières premières</th>
<th>Matières premières autres</th>
<th>Matières premières transport</th>
<th>Matières premières autres transport</th>
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<td>1.06 3.73</td>
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Note: Les données sur ce tableau sont basées sur le Standard International Trade Classification en vigueur à partir de 1955-1963 et sont en millions de dollars; les données en milliards de dollars sont décrites dans l’Appendice.

Pour les années 1950 à 1963, les données qui ont été utilisées pour ce tableau sont en général établies suivant la Classification type pour le commerce international revue, tandis que, pour les années précédentes, elles sont des établir suivant la CTCI originale. Les données relatives à ces deux périodes ne sont donc pas toujours parfaitement comparables; les ajustements appliqués pour améliorer la comparabilité sont décrits dans l’Appendice.
<table>
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<th>Year</th>
<th>Food</th>
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<th>Chemicals</th>
<th>Machinery and transport equipment</th>
<th>Other manufactures</th>
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