INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission Washington DC
Office of Economics 20436

September 1996

In This Issue:

USITC Publication 2996

TABLE OF CONTENTS

INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Contrary to analysts' forecasts of a slower rate of growth for the second quarter, real GDP increased in the second quarter of 1996 at an annual rate of 4.8 percent, following a revised 2.0-percent growth rate in the first quarter. GDP growth during the second quarter was boosted by increased consumer and government spending. Exports rose but at a slower rate than the rise in imports.

Real personal consumption spending increased by 3.4 percent in the second quarter, following an increase of 3.5 percent in the first. Consumer spending on durables increased by 11.8 percent, following an increase of 8.2 percent in the first quarter. Real Federal Government consumption expenditures and gross investment increased by 10.7 percent in the second quarter, following an increase of 6.0 percent in the first. Real exports of goods and services increased by 4.8 percent to $816.2 billion in the second quarter, compared with an increase of 1.8 percent to $806.7 billion in the first. Real imports of goods and services, however, increased to $931.4 billion from $910.7 billion in the first. As a result, the trade deficit rose to $115.2 billion in the second quarter from $104.0 billion in the first quarter.

Businesses increased inventories by $7.2 billion in the second quarter following a decrease of $3.0 billion in the first quarter, thus adding $10.2 billion to the second quarter's change in real GDP.

Moreover, the index of leading indicators, a gauge of future economic activity, rose by 0.5 percent in June, to an historic high. According to estimates by the Conference Board, over the 6 months from December 1995 to June 1996, the index increased by 2.0 percent. In June 1996, 6 of the 11 indicators made positive contributions to the index. The most significant positive contributions were changes in sensitive material prices, vendor performance, consumer expectations, and money supply in 1987 dollars. The most significant negative contributions were changes in manufacturers' unfilled orders for durable goods, contracts and orders for plant and equipment, and building permits.

U.S. Economic Performance Relative to other Group of Seven (G-7) Members

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 chain-weighted prices—grew at an annual rate of 4.8 percent in the second quarter of 1996 following a revised increase of 2.0 percent in the first quarter.

The annualized rate of real GDP growth in the second quarter of 1996 was 1.9 percent in the United Kingdom. In the first quarter of 1996, real GDP growth was 5.0 percent in France, -1.5 percent in Germany, 2.0 percent in Italy, 1.2 percent in Canada, and 12.7 percent in Japan.

Industrial production

The Federal Reserve Board reported that seasonally adjusted nominal industrial production edged up 0.1 percent in July after a revised gain of 0.6 percent in June. A 4.3-percent gain in the output of motor vehicles and parts was mostly offset by a 1.8-percent decrease in the output of utilities in July. Output in other categories was unchanged. Total industrial production in July 1996 was 3.8 percent higher than it was in July 1995. Total industrial capacity utilization decreased by 0.2 percentage point to 83.2 percent.

In July, manufacturing production increased by 0.3 percent. Excluding motor vehicles and parts, the gain was 0.1 percent. The output of durable goods advanced by 0.6 percent. In addition to motor vehicles and parts, the gain was concentrated in electrical machinery and in office and computing equipment. The output of nondurable goods edged down by 0.1 percent. The factory capacity utilization rate held steady at 82.3 percent. The capacity utilization rate for the advanced-processing grouping edged up by 0.1 percent, to 80.7 percent, but the rate for the primary-processing grouping fell by 0.3 percent, to 86.2 percent. Capacity utilization in manufacturing is little changed from its level a year ago. The rate for primary-processing industries has slipped by 0.5 percentage point since July 1995, but it remains at 3.6 percentage points above its long-run average.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending June 1996, Japan reported an increase of 3.7 percent; Germany, a decrease of 1.1 percent; Italy, an increase of 0.9 percent; and the United Kingdom, an increase of 2.4 percent. For the year ending May 1996, France reported a decrease of 0.5 percent. For the year ending April 1996, Canada reported an increase of 0.1 percent.

Prices

Seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.3 percent in July 1996, following a 0.2-percent increase in June. For the 12-month period ending in July 1996, the CPI increased by 3.0 percent.

During the 1-year period ending July 1996, prices increased 1.2 percent in Canada, 2.2 percent in France, 1.6 percent in Germany, 3.6 percent in Italy, nil in Japan, and 2.2 percent in the United Kingdom.

Employment

U.S. nonfarm payroll employment increased by 193,000 in July 1996 and the unemployment rate remained unchanged at 5.4 percent, the Bureau of Labor Statistics reported. In other G-7 countries, latest available unemployment rates were 10.2 percent in Germany, 7.6 percent in the United Kingdom, 9.8 percent in Canada, 12.1 percent in Italy, 12.5 percent in France, and 3.5 percent in Japan.

Forecasts

Forecasters expect real growth in the United States to average about 2.4 percent (annual rate) in the third quarter of 1996, and then to decelerate to an average of 2.2 percent (annual rate) in the fourth quarter. Factors that might restrain growth in the second half of 1996 include slowing consumer spending due to a rise in consumer debt, a slowdown in producers’ demand for new goods and a resulting slowdown in industrial output and factory employment, and the contractionary impact of the decline in government spending and investment if unaccompanied by easing of monetary policy.

The average of the forecasts points to an unemployment rate of 5.6 percent in 1996. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.2 to 2.4 percent.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, July 1996-June 1997

(Percent)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1996:							
July-Sep	7.0	4.3	4.3	4.7	5.1	4.0	4.9
Oct.-Dec	6.5	4.3	4.5	3.7	4.4	4.4	4.6
1997:							
Jan.-Mar	6.3	4.6	5.2	3.8	4.0	4.9	4.8
Apr.-June	5.6	4.4	5.2	4.1	3.6	4.3	4.5
	GDP constant (1992) dollars						
1996:							
July-Sep	3.3	1.8	2.7	2.0	3.3	1.6	2.4
Oct.-Dec	3.3	1.7	2.4	1.4	2.5	2.0	2.2
1997							
Jan.-Mar	2.9	2.1	2.5	1.7	1.9	2.4	2.2
Apr.-June	2.3	1.9	2.4	1.9	1.5	2.1	2.0
	GDP deflator index						
1996:							
July-Sep	3.6	2.5	1.6	2.7	1.8	2.4	2.4
Oct.-Dec	3.1	2.5	2.1	2.3	1.8	2.4	2.4
1997:							
Jan.-Mar	3.3	2.5	2.6	2.1	2.2	2.4	2.5
Apr.-June	3.2	2.5	2.7	2.2	2.0	2.1	2.4
	Unemployment, average rate						
1996:							
July-Sep	5.3	5.5	5.5	5.4	5.3	5.5	5.4
Oct.-Dec	5.2	5.5	5.6	5.6	5.3	5.6	5.4
1997:							
Jan.-Mar	5.0	5.6	5.6	5.6	5.4	5.6	5.4
Apr.-June	4.9	5.7	5.7	5.6	5.5	5.7	5.4

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: August 1996.

Source: Compiled from data provided by the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $69.7 billion and imports of $77.8 billion in June 1996 resulted in a goods and services trade deficit of $8.1 billion, $2.4 billion less than the $10.5 billion deficit in May. The June 1996 deficit was approximately $2.5 billion less than the deficit registered in June 1995 ($10.6 billion) and slightly less than the average monthly deficit registered during the previous 12 months ($8.2 billion).

The June 1996 trade deficit on goods was $14.4 billion, approximately $2.3 billion lower than the May deficit. The June 1996 services surplus was $6.3 billion, virtually the same as the May services surplus.

In the January-June period, total U.S. exports of goods and services increased by 7.8 percent over the corresponding period of the previous year, to a record $413.5 billion. Almost all of leading export sectors showed export growth. The total trade deficit for January-June 1996 declined to $52.6 billion, approximately $8.7 billion lower than the January-June 1995 deficit ($61.3 billion), despite a rising oil import bill.

Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 2. Nominal export changes and trade balances for specific major commodity sectors are shown in table 3. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 4, and U.S. trade in services by major category is shown in table 5.

Table 2
U.S. trade in goods and services, seasonally adjusted, May-June 1996

(Billion dollars)

	Exports		**Imports**		**Trade balance**	
Item	**June 96**	**May 96**	**June 96**	**May 96**	**June 96**	**May 96**
Trade in goods (BOP basis)						
Current dollars—						
Including oil	51.2	51.4	65.6	68.2	-14.4	-16.8
Excluding oil	51.5	51.8	59.1	60.9	-7.7	- 9.1
Trade in services						
Current dollars	18.5	18.5	12.2	12.2	6.3	6.2
Trade in goods and services						
Current dollars	69.7	69.9	77.8	80.4	-8.1	-10.5
Trade in goods (Census basis)						
1992 dollars	54.0	54.1	66.9	68.3	-12.9	-14.2
Advanced-technology products						
(not seasonally adjusted)	13.2	12.8	10.5	10.4	2.7	2.4

Note: Data on goods trade are presented on a Balance-of-Payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include non-monetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 20, 1996

Table 3
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1995-June 1996

	Exports		Change			
	June 1996	Jan.-June 1996	June 1996 over May 1996	Jan.-June 1996 over Jan.-June 1995	Share of total, Jan.-June 1996	Trade balances, Jan.-June 1996
	Billion dollars		*Percent*			*Billion dollars*
ADP equipment & office machinery	3.3	20.0	6.5	19.0	6.4	-11.6
Airplanes	1.9	8.2	0	6.5	2.6	6.2
Airplane parts	1.0	5.6	0	14.3	1.8	4.0
Electrical machinery	4.7	28.4	-4.1	12.3	9.1	-9.5
General industrial machinery	2.3	13.3	0	10.8	4.3	0.4
Iron & steel mill products	.4	2.5	0	8.7	0.8	-3.7
Inorganic chemicals	.4	2.3	0	0	0.7	-0.1
Organic chemicals	1.1	7.5	-15.4	-8.5	2.4	-0.2
Power-generating machinery.	1.7	10.9	-5.6	0.9	3.5	-0.3
Scientific instruments	1.8	10.2	5.9	13.3	3.3	4.3
Specialized industrial machinery	2.1	12.9	-4.5	13.2	4.2	3.4
TVs, VCRs, etc	1.6	9.5	-5.9	5.6	3.1	- 5.5
Textile yarns, fabrics and articles	.7	3.9	0	8.3	1.3	-1.0
Vehicle parts	4.3	25.3	-8.5	-1.9	8.1	-26.4
Manufactured exports not included above	13.8	80.8	-2.8	8.5	26.0	-37.0
Total manufactures	41.1	241,3	-2.8	7.9	77.7	-77.0
Agriculture	4.3	30.0	-8.5	13.2	9.7	13.6
Other exports not included above	6.4	39.4	-1.5	3.1	12.6	-6.3
Total exports of goods	310.78	310.7	-3.2	7.8	100.0	-69.7

Note.—Because of rounding, figures may not add to the totals shown.

Data are presented on a Census basis.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 20, 1996.

Table 4
U.S. exports and imports of goods with major trading partners, Jan. 1995-June 1996
(Billion dollars)

Country/area	Exports June 96	Exports Jan.-June 96	Exports Jan.-June 95	Imports June 96	Imports Jan.-June 96	Imports Jan.-June 95
North America	15.8	93.8	87.4	19.7	113.2	103.1
Canada	11.2	67.2	64.9	13.6	78.2	73.0
Mexico	4.6	26.7	22.5	6.1	35.0	30.1
Western Europe	11.9	72.8	67.0	12.7	76.6	71.7
European Union (EU-15)	10.6	65.5	61.0	11.5	69.4	64.9
Germany	1.9	11.9	10.9	3.0	18.7	17.9
European Free-Trade Association (EFTA)[1]	1.1	5.4	4.3	1.0	6.0	5.4
Former Soviet Union/Eastern Europe	0.5	3.5	2.6	0.5	3.0	3.9
Former Soviet Union	0.3	2.4	1.7	0.3	2.0	2.9
Russia	0.2	1.7	1.3	0.2	1.5	2.4
Pacific Rim Countries	15.6	94.5	87.2	22.8	137.4	137.9
Australia	0.9	6.0	5.4	0.3	1.7	1.6
China	0.8	5.6	5.6	4.1	21.4	20.1
Japan	5.7	34.5	30.9	9.0	56.7	63.3
NICs[2]	6.5	37.8	36.3	6.5	40.4	37.4
South/Central America	4.4	24.6	24.6	3.9	23.2	20.8
Argentina	0.4	2.1	2.1	0.2	1.1	0.9
Brazil	1.1	5.6	5.9	0.7	4.2	4.3
OPEC	1.9	10.4	9.9	3.3	19.2	17.3
Total	51.8	310.7	288.3	64.1	380.6	363.3

[1] EFTA includes Iceland, Liechtenstein, Norway, and Switzerland.
[2] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

Note.—Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 20, 1996.

Table 5
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1995-June 1996, seasonally adjusted

	Exports Jan.-June 96	Exports Jan.-June 95	Change Jan.-June 96 over Jan.-June 95	Trade balances Jan.-June 96	Trade balances Jan.-June 95
	Billion dollars		*Percent*	*Billion dollars*	
Travel	32.4	29.6	9.5	8.3	6.7
Passenger fares	9.8	8.9	10.1	2.7	1.9
Other transportation	4.1	13.7	2.9	0.1	-0.9
Royalties and license fees	14.0	12.9	8.5	10.5	9.9
Other private services[1]	33.1	30.2	9.6	15.1	13.5
Transfers under U.S. military sales contracts	6.3	6.5	-3.1	1.1	1.5
U.S. Govt. miscellaneous services	0.4	0.3	33.3	-1.0	-1.1
Total	110.1	102.1	7.9	36.8	31.5

[1] “Other private services” consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, financial, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering, consulting, etc.

Note.—Services trade data are on a Balance-of-Payments (BOP) basis. Numbers may not add to totals because of seasonal adjustment and rounding.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 20, 1996.

INTERNATIONAL TRADE DEVELOPMENTS

United States and Japan Reach Another Agreement on Semiconductors

For most of the past year, the United States and Japan have debated about what, if any, type of agreement would replace the 1991 U.S.-Japan Semiconductor Arrangement, which was scheduled to expire on July 31, 1996. (The 1991 agreement had replaced a bilateral agreement reached in 1986, which was intended to end dumping of Japanese semiconductors in the United States and third markets, and to increase foreign market access in Japan.) Early in the year, Japan announced that it was not willing to discuss renewing the 1991 agreement because it had successfully increased the foreign share of Japan's domestic semiconductor market, which was already deregulated. Since 1991, the foreign market share has increased from 14.3 percent to 30.6 percent in 1996. In the U.S. perspective, the increase was primarily attributable to a side letter to the original 1986 agreement that contained an expectation that the foreign share of Japan's market would exceed 20 percent by the end of 1992. Some analysts also attributed the increase in U.S. sales to the decline in the value of the dollar, to improvements in the quality of U.S. semiconductors, and to an increase in demand for high-value U.S.-made microprocessors.

Since 1986, when the original agreement was signed, Japan has consistently criticized it as an example of managed trade, and Japan vowed not to enter into an agreement containing specific market-share provisions again. Japan was particularly critical of the requirement in the 1991 agreement that Japanese semiconductor producers maintain and make available within 14 days, if needed, pricing and cost data in the format used in deciding antidumping cases. This provision was not included in the new agreement. Japan's position at the beginning of 1996 was that it refused to enter into government-to-government negotiations with the United States, and that any new initiative dealing with semiconductors should be led by the private sector. The United States, however, maintained that government-level involvement was necessary to ensure that there would be neither backsliding nor a decline in foreign market share.

Developments Leading up to the Agreement

On June 11, after having refused for months to engage in official talks, the Ministry of International Trade and Industry (MITI) finally agreed to enter into negotiations with the United States, but made clear that it continued to oppose monitoring of the foreign market share. However, MITI conceded that it was not likely that industry-to-industry talks would succeed without government involvement. Coincidently, this was the same day that 100 U.S. Congressmen wrote a letter to President Clinton, urging him to renew the U.S.-Japan Semiconductor Arrangement. The letter particularly noted the importance of the Government of Japan to the success of the agreement in monitoring and reporting foreign market share.

Working-group level meetings were held during June 17-18, but the two sides remained divided about the need for government involvement in market share surveys. Two days later the talks resumed between MITI Vice Minister Yoshihiro Sakamoto and Ira Shapiro, General Counsel, USTR, and subsequently between Ambassador Walter Mondale and MITI Minister Shumpei Tsukahara. Finally, on July 7, at the G-7 meeting in Lyons, France, President Clinton and Prime Minister Ryutaro Hashimoto agreed that the semiconductor issue must be settled no later than the accord expiration date of July 31.

The Agreement

On August 2, 1996, in Vancouver, Canada, the United States and Japan reached a government-to-government agreement that provided a framework for "ongoing monitoring and bilateral consultations with Japan [regarding semiconductors] to help ensure that the market remains open and functioning on principles with free and fair trade." Specifically, the two governments agreed that cooperation should be carried out on the basis of three principles: (1) importance of market principles,

(2) consistency with WTO rules, and (3) international cooperation. An agreement between the two major semiconductor industry associations was also reached.

Both countries managed to ensure that some of their objectives were included in the agreement, allowing each country to declare "victory" to their domestic audiences. For example, responsibility for data collection and analysis is transferred to the semiconductor industry, as Japan had favored. According to the "Joint Statement by the Government of the United States and Government of Japan Concerning Semiconductors" (referred to hereafter as "Joint Statement")—". . . the industries will collect data on semiconductor markets, provide the governments with reports on trade flows, market developments, and cooperative activities and will make recommendations on issues of concern." Specifically, the quarterly "market/trade flow reports" are to be based on import/export statistics, industry surveys such as those prepared by WSTS and Dataquest, government data, and other available data. The reports will also include information on design-ins, joint ventures, and long-term relationships. Although the industries are to seek to prepare joint reports, they reserve the right under the agreement to distribute separate reports.

In the U.S. perspective, the agreement at least retained some role for the two governments and included the continuation of monitoring of foreign semiconductor sales in Japan. The agreement establishes a consultative mechanism whereby the two governments will meet at least once per year to—

1. Receive and review reports on data collected and analyzed and recommendations made under the agreement or by the Council members, and to meet with them to discuss these matters;
2. Review and discuss the cooperative activities conducted under the agreement and market trends and developments, including those related to competitiveness and foreign participation, in major markets, taking into account the information provided in the industry reports; and,
3. Discuss government policies and activities affecting the semiconductor industries taking into account industry recommendations.

The United States had originally noted that it was necessary to take the capital affiliation of firms into account in order to analyze import and export trends accurately. Although the agreement does not contain references to monitoring specific market share targets or to capital affiliation of firms, these data will be taken into account within the context of the overall monitoring. Current shipments to Japanese firms from manufacturing facilities in Asia, for example, are counted as imports. The monitoring will serve as an "early warning" system, according to U.S. industry representatives.

Early in the negotiations, MITI proposed the creation of the Global Government Forum (GGF) and an industry-level Worldwide Semiconductor Council. After initial opposition by the United States, the GGF was established to discuss various issues affecting the semiconductor industry including—

1. Trade and investment liberalization, including removal of tariffs and other market barriers;
2. Legal regimes that affect the semiconductor industry, such as regulation and taxation;
3. Environment, worker health and safety, and standardization;
4. Protection of intellectual property rights;
5. Current and future approaches to basic scientific research; and
6. Promotion of the information society, including market development.

The first GGF is to be held no later than January 1, 1997. In addition to the United States and Japan, other semiconductor-producing countries may participate in the annual GGF discussions, without any pre-conditions.

A major point in the joint statement is a reference to a separate detailed, "Agreement Between EIAJ [Electronic Industry Association of Japan] and SIA [Semiconductor Industry Association] on International Cooperation Regarding Semiconductors," which establishes a Semiconductor Council to "enhance mutual understanding, to address market access matters, to promote industry activities and to expand international cooperation in the semiconductor sector." In addition, a key statement of the industry agreement establishing the Council reads: "The activities of the council should be based on respect for market principles . . . Markets should be open and competitive, without discrimination based on capital affiliation, and with purchasing decisions based on quality, cost, delivery and service . . ."

Industry associations from other countries, such as the European Union (EU), are eligible to join the council provided they—(1) eliminate all tariffs on semiconductors; or (2) make the commitment that all tariffs on semiconductors will be expeditiously eliminated or suspended, pending formal tariff elimination. The three types of semiconductors singled out for cooperation in the industry agreement are automotive, telecommunications, and emerging applications. The agreement specifies areas for cooperative activities, including standardization; environment; worker health and safety; intellectual property rights (IPR); trade and investment liberalization; and market development.

Reactions to the Agreement

Following the announcement of the agreement, both countries sought to provide their own positive characterization of the outcome. According to USTR Charlene Barshefsky, the agreement had fulfilled the U.S. objective of "enhancement of access to Japan's semiconductor market as well as insurance of a level-playing field for all foreign producers." She also noted that the industry agreement says that, "the industries recognize the importance of avoiding injurious dumping consistent with national laws." President Clinton indicated that he was "delighted with the results of the talks." Other observers noted that the agreement enables the two governments to review trade trends, but the governments have no power to take action under the agreement. Some analysts also claim that the main reason for reaching the new agreement was U.S. domestic political concerns rather than economic reasons. By contrast, the Japanese official statements following the agreement emphasized the limited role of the government in the agreement and the acceptance of the principle that all semiconductor-producing countries could be involved in the agreement.

The U.S. industry reaction was mixed. The chairman of SIA declared the agreement a success. Other representatives said that the agreement was unlikely to have any significant impact on U.S. sales of semiconductors to Japan. Some observers pointed out that design-ins and cooperative arrangements between the two countries were occurring—even without government actions.

The EU had objected to the 1991 agreement between the United States and Japan, saying that it had set the EU industry at a disadvantage. Fearing that it would be excluded from yet another bilateral agreement between the United States and Japan, it supported—along with Japan—the creation of a multilateral forum instead. After the August 2 agreement was announced, the EU indicated that it might be willing to lower its tariffs on semiconductors, but it expressed concern about the precondition (i.e., the elimination of tariffs) for joining the Semiconductor Council.

Conclusions

Some characteristics of the latest negotiations on semiconductors have been very similar to such matters in previous talks in other sectors, but the actual provisions of the semiconductor agreement were somewhat novel. As has been the case before, with regard to previous bilateral agreements, Japan was reluctant to negotiate at first, but eventually agreed to talk. An agreement was reached following the intervention of high-level officials—the President of the United States and the Prime Minister of Japan. The innovative element of the agreement itself is the provision that Japan favored, that establishes the multilateral consultative forum. It may have been more difficult for the United States to make its case after foreign market share in Japan has increased, but the United States nevertheless had some success in including some form of monitoring in the agreement, in maintaining the pressure on Japan with regard to cooperative efforts, and in keeping its options open for future unilateral actions, if necessary.

Update on Chinese Enforcement of Intellectual Property Rights

On June 17, 1996, Acting United States Trade Representative (USTR) Charlene Barshefsky announced that sanctions would not be imposed against China because it had reached a critical mass of enforcement actions in connection with the 1995 agreement between the United States and China on the enforcement of intellectual property rights (IPR). Actions taken by the Chinese included closing a large number of CD (compact disk) factories, reinstatement of the "Special Enforcement Period" provided for in the 1995 IPR agreement, enhanced border enforcement to lessen export of pirate CDs and LDs (laser disks), and setting up a system to monitor and verify legitimately produced CDs.

The announcement is part of a long-running dispute between the United States and China over Chinese IPR protection and enforcement. The United States has been pressuring China in recent years to bring its IPR system up to international standards. Subsequent to a memorandum of understanding (MOU) between the United States and China on IPR in 1992, China passed IPR legislation and acceded to a number of IPR conventions, upgrading its IPR regime on paper. It failed, however, in the view of the U.S. Government, to meet its commitments under the agreement to establish an adequate and effective mechanism for IPR enforcement. In addition, the U.S. Government found that China failed to provide fair and equitable market access for persons who rely on IPR protection. Chinese counterfeiting of compact audio disks and related technologies and their sale, both in China and abroad, were the first U.S. concerns.

The 1995 U.S.-China IPR agreement was reached on February 26, 1995. After extensive negotiations and unilateral U.S. actions under "Special 301," which authorizes retaliatory actions against countries that do not adequately protect IPR, the USTR at that time, Ambassador Kantor, announced that the United States and China had reached an agreement requiring China to take specific actions to provide IPR protection for U.S. companies and to improve market access for U.S. intellectual property-based products. China agreed to detailed commitments in three broad areas:

1. To take immediate steps to address rampant piracy throughout China;
2. To make long-term structural changes to ensure effective enforcement of intellectual property rights; and
3. To provide U.S. right holders with enhanced access to the Chinese market.

China's main actions were crackdowns on retail sales of CDs and the closing of movie houses that showed pirated LDs. It also closed several CD factories, tightened licensing of CD factories, placed inspectors at CD factories, and started restructuring its customs service. Some of the closed factories reopened, and there were allegations that production of counterfeit CDs, LDs, and CD-ROMs continued—that inspectors were present only part of the time and that legal production was carried on while inspectors were present and illegal production was carried on at night when inspectors were absent. The ability of copyright authorities to control production at some of the CD factories was alleged to be limited because of connections these factories had with the Chinese military or high officials.

By the fall of 1995, U.S. officials expressed concerns that China was lagging in implementing some parts of the agreement, despite progress in other parts. The United States expressed general satisfaction with Chinese actions to stop the sales of pirated products at the retail level and with its efforts to put an IPR administrative structure in place that should, over time, contribute to enhanced enforcement efforts. After a series of meetings between Chinese and U.S. negotiators through late 1995 and early 1996, hints and speculation were heard that the United States might take retaliatory action against China by the February 26 anniversary of the 1995 IPR agreement. The date passed without any U.S. action.

Subsequently, the USTR at that time, Mickey Kantor, and U.S. negotiators emphasized several areas in which China needed to make improvements in order to satisfy terms of the 1995 IPR agreement. Concerns that dominated U.S.-China IPR dialogue included the U.S. contention that—

1. Thirty or more factories continued to produce pirated CDs, LDs, and CD-ROMs, and that China should take actions to end piracy in these plants;
2. Chinese customs border enforcement was inadequate to stop exports to third-country markets of pirated CDs, LDs, and CD-ROMs; and
3. China had not yet taken the steps necessary to provide access for U.S. exports of intellectual property-based products.

On April 30, 1996, China was designated a "priority foreign country" under Special 301 provisions, because of continued insufficient implementation of the 1995 IPR agreement. On May 15, 1996, Acting USTR Charlene Barshefsky announced a preliminary retaliation list of $3 billion worth of U.S. imports from China, and said that if China failed to take action to satisfy U.S. concerns, prohibitive tariffs would be imposed on June 17, 1996, on approximately $2 billion worth of products drawn from the list. The preliminary sanctions list included approximately $2 billion worth of textile and apparel items, $500 million in consumer electronics items, and $500 million in other consumer goods. The products chosen were produced mainly in Guangdong Province, the location of most of the factories producing counterfeit goods. Alternative sources of production exist for the textile and apparel items chosen, with the exception of three categories of silk goods. U.S. officials made the choice with the intention of minimizing its impact on the U.S. market. U.S. apparel importers objected that most of their orders with Chinese producers were placed on 90-day irrevocable letters of credit, which would lead them to sustain large losses if sanctions were imposed with no provision for goods already in the pipeline.

China threatened to retaliate if the United States actually imposed sanctions. China announced a retaliation list that included 100-percent additional tariffs on U.S. agricultural and animal husbandry products, vegetable oils and fat, vehicles and their spare parts, telecommunications equipment, and a group of miscellaneous products, as well as the suspension of imports from the United States of certain audio-visual products, and suspension of the handling, examination, and approval of applications for chemical and pharmaceutical registration and for certain types of investment by U.S. firms. Chinese sanctions against the United States were to become effective on the day U.S. sanctions against China became effective.

Late in the day on June 17, 1996, after last-minute discussions between Ambassador Barshefsky and Chinese officials in Beijing and after visits to Guangdong Province by U.S. officials to observe the most recent enforcement efforts, Ambassador

Barshefsky announced that sanctions would not be imposed. She confirmed that China had taken the following actions:

1. The closing of 15 out of 31 CD factories, prohibition of the establishment of new CD plants, and the prohibition of the importation of CD presses. Imminent implementation of a monitoring and verification system whereby licensed CDs would include an SID code identifying the producer of the CD. CDs lacking an SID code would be considered to be counterfeit and subject to seizure and destruction.
2. Reinstatement of the "Special Enforcement Period" provided for in the 1995 IPR agreement. This includes a focused enforcement effort in regions of rampant piracy, most notably in Guangdong Province, and a nationwide enforcement effort focused on wholesale and retail markets, as well as on transporters of pirated goods.
3. Enhanced border enforcement of the prohibition of export of illegal audio-visual products and of import of illegal CD presses.

U.S. consular officials in Guangdong, accompanied by Hong Kong-based representatives of the Business Software Alliance (BSA), met with officials of the Guangdong Provincial Press and Publications Bureau (PPB) in mid-July. Two CD factories were visited—one whose operating license had been refused because of irregularities in importation of equipment, and another that was operating under the eye of government inspectors. The former appeared to have been derelict for some time. Two inspectors were present at the latter factory, along with a woman who supervises inspectors at three other CD factories. Reportedly, at least one inspector is on the premises every day, 8 hours a day. However, managers said the plant sometimes operates two or three shifts a day to meet demand. The supervisor said that she and others make spot checks at the plant at times other than the regular shift. She also said that normally inspectors should be rotated every 3 months, but, because they are short-staffed, the present inspectors had been at that plant since January. Given allegations that pirate CDs had been produced when inspectors were not present, the current lack of round-the-clock inspectors raises the possibility that the practice may continue.

Visits by Guangdong U.S. Consulate interns and BSA representatives to markets reputed to sell pirated CDs around the first of July and in mid-July found counterfeit and authentic CD-ROMs and computer software for sale in some markets, and only authentic CD-ROMs and software in another. The visitors could not find pirated American music CDs. The crackdown on pirate CDs appears to have been concentrated on eliminating music CDs from the market. Future visits should reveal the trends in sales of pirated products.

USITC:
The Year in Trade 1995

The U.S. International Trade Commission (USITC) recently released its annual *The Year in Trade: Operation of the Trade Agreements Program* report, which comprehensively reviews major U.S. trade-related activities, including multilateral, regional, and bilateral developments in 1995. This report is the 47th issue in the series and is a useful reference for government officials and others with an interest in U.S. trade relations.

The year 1995 marked the beginning of a new era for the multilateral trading system. The Uruguay Round Trade Agreements (URA) entered into force on January 1, creating the World Trade Organization (WTO). During 1995, transition from the General Agreement on Tariffs and Trade (GATT) Secretariat to the WTO proceeded fairly smoothly as its new institutional framework was put in place. A dispute settlement mechanism complete with appeals body was established. The URA called for negotiations in three major service sectors to be extended beyond the Uruguay Round conclusion. To that end, substantive negotiations took place in financial services, telecommunications, and in maritime transport services during 1995. The financial services negotiations ended with an interim accord reached on July 28, to be reconsidered by yearend 1997. The telecommunications and maritime-transport negotiations continued through 1995, with scheduled completion dates in 1996. Progress on these and other WTO developments are described in the *Year in Trade*.

Three important regional developments are also reported: North American Free-Trade Area (NAFTA) activities, the Asian Pacific Economic Cooperation (APEC) forum Osaka action agenda for achieving free and open trade and investment in the Asian-Pacific region, and proposals for strengthening the U.S.-EU trade and economic relationship through the new Trans-Atlantic agenda.

In addition to covering multilateral and regional trade agreements, the *Year in Trade* reviews bilateral trade issues with major U.S. trading partners during 1995. A number of new agreements were reached on market access during 1995. For example, an accord with Japan was reached on autos and auto parts, addressing such concerns as—(1) access to Japanese dealerships for U.S. automakers, (2) deregulation of Japan's auto repair parts market, and (3) sales of original foreign parts to Japanese automakers both in the United States and in Japan. The United States and Japan also signed an accord that addressed issues related to foreign direct investment in both countries and to buyer-supplier relationships. An intellectual property rights (IPR) agreement with China was signed. The agreement contains commitments by China to address piracy throughout the country, makes long-term changes to ensure effective IPR enforcement, and provides U.S. rights holders with enhanced access to the Chinese market. The United States and Korea agreed on a consultative mechanism concerning steel, and signed two memoranda of understanding on (1) market access for cigarettes, and (2) greater market access for foreign passenger vehicles in Korea. The latter includes provisions on Korea's auto tax system, standards and certification, advertising, auto financing, and consumer perceptions. A bilateral agreement with Korea regarding shelf-life for frozen sausage was also signed in 1995. That agreement ended a dispute that began when the U.S. meat industry filed a section 301 petition concerning Korea's practice of government-mandated expiration dates for frozen meat products. Under the accord, Korea agreed to implement a manufacturer-based system by 1996.

Other accomplishments during the year included a financial services agreement signed with Japan, an agreement with the EU that compensates the United States for the effects of EU enlargement, and resolution of a dispute regarding Mexico's labeling and inspection requirements for tires. Several areas of disagreement were not resolved. For example, the EU import regime for bananas remained a contentious bilateral issue in 1995. "Cultural" issues with Canada were also a source of bilateral discord.

Annually, the *Year in Trade* provides updates on the operation of such U.S. import programs as the Caribbean Basin Economic Recovery Act, the Andean Trade Preferences Act, the Generalized System of Preferences, and the U.S. textiles and apparel trade program. It also includes complete listings of antidumping, countervailing duty, intellectual property right infringement, and section 301 cases undertaken by the U.S. Government for the calendar year.

The *Year in Trade 1995* (USITC publication 2971, August 1996) may be downloaded from the ITC Internet server found at *http://www.usitc.gov* or *ftp://ftp.usitc.gov.* A printed copy may also be obtained by calling 202-205-1819, or by writing to the Secretary, U.S. International Trade Commission, 500 E Street, SW, Washington, DC, 20436. Requests may also be faxed to 202-205-2104.

The report is also expected to appear in a future edition of the Department of Commerce's National Trade Data Bank, at Federal depository libraries in the United States, and at the offices of the U.S. Information Agency abroad.

WORKING PAPERS

The following is a list of Office of Economics working papers. Copies of unpublished papers which are currently available can be obtained from the Office of Economics. Please request working papers by reference code, title, and author. Submit all requests to the Office of Economics, U.S. International Trade Commission, 500 E Street, S.W., Washington, DC 20436, USA, or by fax at (202) 205-2340. (* indicates staff member of the USITC.)

Reference Code	Title	Author
1996		
96-09-A	Multicountry Results from a Single-Country Model: The Case of U.S.-Chilean Trade Liberalizeration	*Michael P. Gallaway and *Linda A. Linkins
96-06-A	Free Trade with Chile May Increase U.S. Investment Opportunities in Latin America (Background Information for CGE Policy Simulations)	*Nancy Benjamin and *Peter Pogany
96-05-A	The Almost Ideal Demand System and Applications in General Equilibrium Calculations	*Peter Pogany
96-04-A	Japanese Corporate Activities in Asia: Implications for U.S.-Japan Relations	*Diane Manifold
96-01-A	Dynamic Investment Responses to Real Exchange Rate Changes	*Nancy Benjamin
1995		
95-12-A	Export Diversification and Structural Change Change: Some Comparisons for Latin America	Sheila Amin Gutierrez de Piñeres and *Michael J. Ferrantino
95-07-A	Transition to A Market Economy in the Countries of the Central European Free Trade Agreement (Visegrad Group)	*Peter Pogany
95-06-D	After NAFTA: Western Hemisphere Trade Liberalization and Alternative Paths To Integration	*Sandra A. Rivera
95-06-C	International Trade, Labor Standards & Labor Markets Conditions: An Evaluation of the Linkages	*Mita Aggarwal
95-06-B	Economic Policies and Developments in the countries of the Central European Free-Trade Agreement (Visegrad Group) during 1949-1989	*Peter Pogany
95-06-A	China Briefing Paper	*James Tsao and *Janet Whisler

Reference Code	Title	Author
95-04-A	International Trade, Environmental Quality and Public Policy	*Michael J. Ferrantino
95-03-A	Export Diversification and Structural Dynamics in the Growth Process: The Case of Chile	Sheila Amin Gutierrez-de Piñeres and *Michael J. Ferrantino
1994		
94-12-C	Regional Trade Arrangements and Global Welfare	*Nancy Benjamin
94-12-B	The General Equilibrium Implications of Fixed Export Costs on Market Structure and Global Welfare	*Michael P. Gallaway
94-11-B	Economic Analysis for Trade and Environment - An Introduction	*Michael J. Ferrantino
94-11-A	A Brief Description of International Institutional Linkages in Trade and Environment	*Michael J. Ferrantino
94-10-B	Explaining Japanese Acquisitions in the United States: The Role of Exchange Rates	*Bruce Blonigen
94-10-A	The Cash Recovery Method and Pharmaceutical Profitability	*Christopher T. Taylor
94-08-A	Towards a Theory of the Biodiversity Treaty	*Michael J. Ferrantino
94-07-A	Economic and Cultural Distance in International Trade: An Empirical Puzzle *Michael Ferrantino	Dale Boisso and
94-06-A	Estimating Tariff Equivalents of Nontariff Barriers	*Linda A. Linkins and *Hugh M. Arce

STATISTICAL TABLES

Indexes of industrial production, by selected countries and by specified periods, Jan. 1993-July 1996

(Total Industrial production, 1991=100)

Country	1993	1994	1995	1995 IV	1995 Dec.	1996 I	1996 II	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July
United States[1]	112.0	118.1	122.3	122.6	122.8	123.3	125.1	122.5	124.1	123.5	124.4	125.3	125.7	126.2
Japan	92.0	93.1	96.0	98.0	97.6	(2)	(2)	68.6	16.2	(2)	(2)	(2)	(2)	(2)
Canada[3]	101.4	105.7	107.7	108.1	41.5	(2)	(2)	31.9	22.2	(2)	(2)	(2)	(2)	(2)
Germany	90.5	93.9	94.7	98.2	94.7	(2)	(2)	89.4	91.3	99.5	(2)	(2)	(2)	(2)
United Kingdom	98.0	103.1	105.4	109.5	104.6	(2)	(2)	106.3	109.1	(2)	(2)	(2)	(2)	(2)
France	95.3	99.2	(2)	(2)	96.7	(2)	(2)	105.0	102.0	(2)	(2)	(2)	(2)	(2)
Italy	95.7	102.2	107.8	113.0	109.4	(2)	(2)	102.1	112.6	(2)	(2)	(2)	(2)	(2)

1 1987=100.
2 Not available.
3 Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators*, Organization for Economic Cooperation and Development, June 1996, *Federal Reserve Statistical Release*, August 15, 1996.

Consumer prices, by selected countries and by specified periods, Jan. 1993-June 1996

(Percentage change from same period of previous year)

Country	1993	1994	1995	1995 IV	1995 Oct.	1995 Nov.	1995 Dec.	1996 I	1996 II	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June
United States	3.0	2.6	2.8	2.7	2.8	2.6	2.5	2.7	2.9	2.7	2.7	2.8	2.9	2.9	2.8
Japan	1.3	0.7	-0.1	-0.5	-0.6	-0.7	-0.2	-0.2	0.4	-0.4	-0.2	0.1	0.4	0.3	0.0
Canada	1.8	0.2	1.7	2.1	2.4	2.1	1.7	1.4	1.4	1.6	1.3	1.4	1.4	1.5	1.4
Germany	4.2	3.0	1.7	1.5	1.6	1.4	1.5	1.4	1.3	1.4	1.4	1.4	1.3	1.5	1.2
United Kingdom	1.6	2.5	3.4	3.2	3.2	3.1	3.2	2.8	2.4	2.9	2.7	2.7	2.4	2.2	2.1
France	2.0	1.7	1.7	1.9	1.8	1.9	2.1	2.1	2.4	2.0	2.0	2.3	2.4	2.4	(1)
Italy	4.4	1.0	5.2	5.6	5.6	5.6	5.6	5.0	4.5	5.4	5.0	4.5	4.5	4.3	(1)

1 Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, August 1996.

Unemployment rates (civilian labor force basis)[1], by selected countries and by specified periods, Jan. 1993-June 1996

Country	1993	1994	1995	1995 IV	1995 Oct.	1995 Nov.	1995 Dec.	1996 I	1996 II	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June
United States	6.8	6.1	5.6	5.5	5.5	5.6	5.6	5.6	5.4	5.8	5.5	5.6	5.4	5.6	5.3
Japan	2.5	2.9	3.2	3.4	3.3	3.4	3.4	3.3	3.5	3.4	3.3	3.1	3.5	3.6	3.6
Canada	11.2	10.4	9.5	9.4	9.4	9.4	9.4	9.5	9.6	9.6	9.6	9.3	9.4	9.4	10.0
Germany	5.8	6.5	6.5	6.7	6.6	6.7	6.8	7.0	(3)	7.0	7.0	7.1	(2)	7.1	(3)
United Kingdom	10.4	9.6	8.8	8.6	8.6	8.6	8.6	8.4	8.3	8.5	8.5	8.3	8.3	8.3	8.6
France	11.3	12.3	12.3	12.3	(2)	(2)	12.4	12.5	(3)	12.5	12.6	12.6	(2)	12.1	(3)
Italy	10.3	11.4	12.0	12.0	12.0	(3)	(3)	(3)	12.5	12.0	(3)	(3)	(3)	(3)	(3)

1 Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
2 Not available.
3 Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, August 1996.

Money-market interest rates,[1] by selected countries and by specified periods, Jan. 1993-July 1996

(Percentage, annual rates)

				1995				1996								
Country	**1993**	**1994**	**1995**	**IV**	**Oct.**	**Nov.**	**Dec.**	**I**	**II**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**	**July**
United States	3.2	4.6	5.8	5.6	5.7	5.6	5.5	5.2	5.3	5.2	5.1	5.2	5.3	5.3	5.4	5.5
Japan	2.9	2.2	1.2	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.5	(2)
Canada	5.1	5.5	7.1	6.1	6.6	6.0	5.9	5.3	4.9	5.5	5.2	5.2	5.0	4.8	4.8	(2)
Germany	7.1	5.2	4.4	3.9	4.0	3.9	3.8	3.3	3.2	3.5	3.2	3.2	3.2	3.1	3.2	(2)
United Kingdom	5.8	5.4	6.6	6.5	6.6	6.6	6.4	6.2	5.9	6.3	6.1	6.0	5.9	6.0	5.8	(2)
France	8.3	5.7	6.4	5.9	6.7	5.7	5.4	4.3	3.8	4.5	4.2	4.1	3.8	3.7	3.8	(2)
Italy	10.0	8.4	10.4	10.6	10.7	10.6	10.5	9.9	9.0	10.0	9.9	9.8	9.6	8.8	8.7	(2)

1 90-day certificate of deposit.
2 Not available.

Source: *Federal Reserve Statistical Release*, August 12, 1996; *Federal Reserve Bulletin*, August 1996.

Effective exchange rate of the U.S. dollar, by specified periods, Jan. 1993-August 1996

(Percentage change from previous period)

				1995	1996									
Item	**1993**	**1994**	**1995**	**IV**	**I**	**II**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**	**July**	**Aug.**
Unadjusted:														
Index[1]	100.1	98.5	92.9	94.3	96.4	97.6	96.3	96.6	96.5	97.2	97.6	98.0	97.5	96.9
Percentage change ..	3.1	-1.6	-5.6	.9	1.6	1.2	1.4	.3	-.1	.7	.4	.4	-.5	-.6
Adjusted:														
Index[1]	104.2	101.5	93.9	95.2	97.9	100.3	97.2	98.1	98.6	99.5	100.2	100.8	100.5	100.1
Percentage change ..	3.3	-2.7	-7.4	2.9	2.7	2.4	1.3	.9	.5	.9	.7	.6	-.3	-.4

1 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, June 1996.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1993-June 1996

(In billions of U.S. dollars, exports less imports [f.o.b - c.i.f], at an annual rate)

				1995		1996							
Country	1993	1994	1995	IV	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	June
United States[1]	-115.7	-150.6	-159.6	-138.9	-135.2	-153.8	-161.1	-174.3	-139.3	-147.9	-157.1	-173.7	152.4
Japan	120.3	121.2	106.0	90.3	97.6	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Canada[3]	13.4	17.0	27.8	34.2	41.5	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Germany	35.8	45.6	(2)	(2)	87.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom	-25.5	-22.5	-22.4	-24.8	-17.1	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
France[3]	15.6	14.7	21.1	21.7	17.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.
[2] Not available.
[3] Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 20, 1996; *Main Economic Indicators;* Organization for Economic Cooperation and Development, Mar. 1996.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1993-June 1996

(In billions of dollars)

				1995		1996							
Country	1993	1994	1995	IV	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	June
Commodity categories:													
Agriculture	17.8	19.0	25.6	8.0	2.9	7.9	5.6	2.8	2.6	2.5	2.0	1.9	1.7
Petroleum and selected product—(unadjusted)	-45.7	-47.5	-48.8	-11.3	-3.8	-12.4	-15.6	-4.6	-3.7	-4.1	-5.2	-5.4	-5.0
Manufactured goods	-115.3	-155.7	-173.5	-44.9	-11.1	-30.5	-36.9	-12.7	-10.0	-7.8	-11.7	-12.7	-12.5
Selected countries:													
Western Europe	-1.4	-12.5	-10.6	-2.8	-.9	-1.6	-.19	-1.0	-.4	-.2	-.4	-.8	-.7
Canada	-18.6	-25.1	-31.6	-5.6	-2.0	-4.4	-6.5	-1.9	-1.2	-1.3	-1.6	-2.5	-2.4
Japan	-60.1	-66.4	-61.4	-12.2	-3.4	-11.7	-10.3	-3.8	-3.8	-4.1	-4.0	-3.1	-3.2
OPEC (unadjusted)	-11.6	-13.8	-15.7	-3.7	-1.3	-3.8	-4.9	-1.7	-1.2	-.9	-1.6	-1.9	-1.4
Unit value of U.S. imports of petroleum and selected products (unadjusted)	$15.13	$14.22	$15.83	$15.41	$15.86	$16.65	$18.76	$16.45	$16.18	$17.33	$19.33	$18.95	$18.00

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, July 18, 1996.