INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

Washington DC
20436

January/February 1999

In This Issue:

USITC Publication 3173

UNITED STATES
INTERNATIONAL
TRADE COMMISSION

OFFICE OF ECONOMICS

Robert A. Rogowsky, *Acting Director*

The *International Economic Review* is a regular staff publication of the Office of Economics, U.S. International Trade Commission. The opinions and conclusions it contains are those of the authors and do not necessarily reflect the views of the Commission or of any individual Commissioner. The *IER* is produced as part of the Commission's international trade monitoring program. Its purpose is to keep the Commission informed about significant developments in international economics and trade and to maintain the Commission's readiness to carry out its responsibility to provide technical information and advice on international trade matters to policy-makers in the Congress and the Executive branch. The *IER* is available to Government officials outside the Commission on a request basis. The *IER* also is available on the Commission's Internet web site (http://www.usitc.gov/) and through the U.S. Department of Commerce's National Trade Data Bank (NTDB). Inquiries or comment on items appearing in the *IER* may be made directly to the author, or to:

Editor, *International Economic Review*
Country and Regional Analysis Division/OE, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 205-3255

ITC CUSTOMER SATISFACTION SURVEY
International Economic Review

The U.S. International Trade Commission (ITC) is interested in your voluntary comments (burden < 15 minutes) to help us assess the value and quality of our reports, and to assist us in improving future products. Please **return survey by fax (202-205-3161) or by mail** to the ITC.

Your name and title (please print; r*esponses below not for attribution):* ____________________

Please specify information in this report most useful to you/your organization: ____________________

____

Was any information missing that you consider important? Yes (specify below) No

If yes, please identify missing information and why it would be important or helpful to you: ____________________

____

Please assess the ***value*** of this ITC report (answer below by circling all that apply): **SA**—Strongly Agree; **A**—Agree; **N**—No Opinion/Not Applicable; **D**—Disagree; **SD**—Strongly Disagree

▶ Report presents new facts, information, and/or data	SA	A	N	D	SD
▶ Staff analysis adds value to facts, information, and/or data	SA	A	N	D	SD
▶ Analysis is unique or ground breaking	SA	A	N	D	SD
▶ Statistical data are useful to me/my organization	SA	A	N	D	SD
▶ Subject matter and analysis are timely	SA	A	N	D	SD
▶ ITC is the only or the preferred source of this information	SA	A	N	D	SD

If not, please identify from what other source the information is available ____________________

Please evaluate the ***quality*** of this report (answer below by circling all that apply): **SA**—Strongly Agree; **A**—Agree; **N**—No Opinion/Not Applicable; **D**—Disagree; **SD**—Strongly Disagree

▶ Written in clear and understandable manner	SA	A	N	D	SD
▶ Report findings or executive summary address key issues	SA	A	N	D	SD
▶ Figures, charts, graphs are helpful to understanding issue	SA	A	N	D	SD
▶ Analysis throughout report answers key questions	SA	A	N	D	SD
▶ Report references variety of primary and secondary sources	SA	A	N	D	SD
▶ Sources are fully documented in text or footnotes	SA	A	N	D	SD

Please provide further comment on any of the above performance measures, as appropriate:

Suggestions for improving this report and/or future reports: ____________________

____

Other topics/issues of interest or concern: ____________________

Please provide your Internet address and update your mailing address below, if applicable:

OMB No.: 3117–0188

FOLD

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, DC 20436

OFFICIAL BUSINESS
PENALTY FOR PRIVATE, USE $300

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 12840 WASHINGTON, DC

POSTAGE WILL BE PAID BY ADDRESSEE

U.S INTERNATIONAL TRADE COMMISSION
500 E STREET, SW.
WASHINGTON, DC 20277–2840

ATTN:
OFFICE OF INDUSTRIES
INTERNATIONAL ECONOMIC REVIEW

TABLE OF CONTENTS

Page

COUNTRY AND REGIONAL DEVELOPMENTS

At A Glance . . .

OECD

On Feb. 15, 1999, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions entered into force. The convention was signed on Dec. 17, 1997, and includes as signatories all 29 OECD Member countries plus 5 non-Member countries (Argentina, Brazil, Bulgaria, Chile and the Slovak Republic). To date, Iceland, Japan, Germany, Hungary, United States, Finland, United Kingdom, and Canada have notified national ratification of the convention. The convention will permit OECD and other countries to move in a coordinated manner to adopt national legislation making it a crime to bribe foreign public officials.

WTO

The Kyrgyz Republic becomes the first former Soviet republic to join the WTO on Dec. 20, 1998, bringing total WTO membership to 133. Latvia became the 134th member of the WTO on Feb. 10, 1999. Thirty other governments are in various stages of accession.

On Dec. 14, 1998, the Council for Trade in Services adopted ”Disciplines on Domestic Regulation in the Accountancy Sector.” This is the initial step in developing GATS disciplines on the domestic regulation of major professional services, such as accounting, architectural, legal, and engineering services.

On March 1, 1999, the WTO Agreement on Financial Services entered into force under the GATS. The agreement, a result of the extended services negotiations following the Uruguay Round, covers more than 90 percent of the global financial services market.

European Union

The euro became the official currency of the European Economic and Monetary Union (EMU) effective Jan. 1, 1999. Eleven of the 15 European Union countries will participate in the new euro zone—Austria, Belgium, Germany, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. The European Central Bank also become operative Jan. 1, 1999, to coordinate euro zone monetary policy.

EU-South Africa

A European Union-South Africa free trade agreement was signed on Jan. 29, 1999. The agreement awaits ratification by South Africa and the 15 European Union members.

Mexico

Low world oil prices and fast-rising imports resulted in a $7.7 billion trade deficit for Mexico in 1998. The last year when Mexico registered a trade deficit was 1994, the year of the “peso crisis.” Mexico’s 1998 exports were $117.5 billion, up 6.4 percent over 1997; imports were $125.2 billion, up 14.1 percent. Once-dominant petroleum exports were only $7.1 billion—down 36.9 percent from 1997 as the average 1998 price of crude oil was $10.16 per barrel, $6.31 lower than in 1997.

Mercosur

Effective Jan. 1, 1999, trade virtually all trade between Argentina and Brazil became duty free (duties remain on a few goods like autos and sugar) under Mercosur—the customs union joining Argentina, Brazil, Paraguay, and Uruguay. All intra-Mercosur trade is to become duty free by 2006.

Brazil

As its financial crisis mounted in early 1999, Brazil formally permitted its currency, the real, to trade freely against other currencies beginning Jan. 13, 1999. The real had been pegged to the U.S. dollar since 1994.

Chile

Effective Jan. 1, 1999, the Chile’s uniform tariff rate of 11 percent declined to 10 percent. Most imports into Chile are subject to this flat tariff, although tariffs on wheat, flour, vegetable oil, and sugar are much higher. Chile has pledged to cut the flat tariff rate by 1 percentage point every year to reach a final rate of 6 percent on Jan. 1, 2003.

INTERNATIONAL TRADE DEVELOPMENTS

European Union Gains Single Currency, Plans Expansion, and Pursues Free Trade with Mexico, Mercosur, and South Africa

James Stamps[1]
jstamps@usitc.gov
202-205-3227

The 15-member European Union (EU) continues its process of economic integration. On January 1, 1999, the euro became the official currency of 11 of the EU member states—Austria, Belgium, Germany, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. The other four EU members, Denmark, Greece, Sweden, and the United Kingdom, chose not to participate in EU monetary union at this time. Monetary union creates an 11-country single currency euro zone of 292 million people, accounting for nearly 20 percent of global GDP and 18 percent of total world trade.

National currencies of the euro zone countries will continue to be used for retail cash transactions during a 3-year transition period, but are scheduled to be phased out by July 2002. Euro banknotes and coins will begin to circulate in January 1, 2002, although transactions using euro-denominated checks, bank transfers, and credit/debit cards have already begun. While a single currency will more closely integrate the EU economies, efforts to enlarge the EU also are underway. Such efforts include both the addition of new EU members and free trade agreements with non-European countries.

EU Expansion

The Central and East European countries (CEECs) have sought EU membership since the breakup of the former Soviet Union. (The former German Democratic Republic entered the EU as part of a united Germany in October 1990.) In December 1991, the EU signed Europe Agreements—the closest form of bilateral association with the EU—with Poland, Hungary, Czechoslovakia, and eventually also with Bulgaria, Romania, Estonia, Latvia, Lithuania, and Slovenia. Agreements were signed separately with the Czech Republic and Slovakia in 1992, following the breakup of Czechoslovakia, bringing a total of 10 CEECs in line for eventual EU membership. By June 1996, all 10 CEECs had formally applied for EU membership. In addition to paving the way to eventual EU membership, Europe Agreements permit partners to participate in certain EU programs. Interim Agreements and Cooperation Agreements governed relations between the EU and each of the CEECs pending ratification of the Europe Agreements. Following its ratification, Slovenia's Europe Agreement entered into force on February 1, 1999—marking the final CEEC Europe Agreement to become fully operative.

Although no fixed timetable for accession exists, the EU remains committed to enlargement some time after the year 2000. In June 1993, the EU pledged to offer membership to eligible applicants meeting the criteria of maintaining a stable democracy and respect for human rights and the rule of law, having a functioning market economy, and being ready to assume obligations of EU membership. The EU July 1997 *Agenda 2000* report outlined recommendations to improve the readiness of each of the CEECs as well as

[1] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

recommendations for reforms of the EU itself must undertake, including proposals for reform of the Common Agriculture Policy and changes to EU decision-making procedures.

Cyprus, Malta, and Turkey also have applied for EU membership. Although the EU has affirmed Turkey's eligibility for EU membership, the EU has determined that Turkey does not yet meet the criteria for full membership and, in 1998, recommended a nonmembership path for Turkey to build a closer relationship with the EU. In March 1998, the EU formally opened negotiations on full EU membership with Cyprus, Czech Republic, Estonia, Hungary, Poland, and Slovenia. (Malta was not considered because that country froze its application for EU membership in 1996; a newly elected administration in Malta re-activated the application in September 1998.) The EU noted, however, that the talks were to be inclusive and that other countries may catch up or overtake those six beginning the negotiations.

EU Free Trade Negotiations

Mexico

Drawing on a 1991 bilateral cooperation agreement, the EU and Mexico initiated a dialog on improving their commercial relations in 1993. A 1995 Joint Declaration paved the way for further political dialog and future trade liberalization. In December 1997, the EU and Mexico signed an Economic Partnership, Political Coordination, and Cooperation Agreement to liberalize trade and increase high-level contacts. Also in December 1997, the EU and Mexico signed an Interim Agreement on Trade and Trade-Related Aspects. Following ratification by both parties, the Interim Agreement entered into force on July 1, 1998.

The entry into force of the Interim Agreement launched formal EU-Mexican negotiations for a free trade agreement (FTA). Both parties have stated their goal of establishing bilateral, preferential, reciprocal phased liberalization of trade in goods and services in accordance with relevant World Trade Organization (WTO) rules. EU and Mexican FTA negotiation teams have committed to meeting approximately every 6 weeks. The first negotiating round was held in Mexico in November 1998, and the second round in Brussels in January 1999. Negotiations have been grouped into three main areas—trade in goods; services and capital movements; and public procurement, competition, intellectual property, dispute settlement, general exemptions, and unfair practices.

Mercosur

The EU signed its first official agreement with the Southern Common Market (commonly referred to by the Spanish acronym Mercosur) in November 1994. Mercosur members are Argentina, Brazil, Paraguay, and Uruguay. The 1994 EU-Mercosur agreement sought to strengthen bilateral economic and political relations between the two economic zones. A December 1994 Joint Declaration by the EU and Mercosur set forth a process to create a future EU-Mercosur framework agreement on trade and economic cooperation that ultimately would lead to an FTA.

In December 1995, the EU and Mercosur signed a Framework Cooperation Agreement to, among other things, liberalize trade through dialog on customs duties, market access, standards, and rules of origin, with the ultimate goal of achieving a free trade zone by the year 2005. Working groups, chaired by each of the Mercosur countries, were created in the areas of border controls, agriculture, standards, and statistics. An EU-Mercosur Joint Commission was established in June 1996 to meet regularly to discuss trade liberalization. In 1997, this EU-Mercosur consultative process was expanded to include Bolivia and Chile after those countries joined the Mercosur free-trade area.

EU-Mercosur dialog has made limited headway to date. Liberalization of trade in agricultural goods has proved particularly difficult. European agricultural producers reportedly are concerned about the economic effects of opening the EU market to cereals, meat, and sugar from Mercosur countries. At the first meeting of the EU-Mercosur business forum, held in February 1999, Mercosur representatives called on the EU to eliminate agricultural subsidies before entering into an EU-Mercosur agreement. An EU-Mercosur summit meeting of heads of state is scheduled for June 1999, when the preparatory phase for FTA negotiations may be launched.

South Africa

The draft text of an EU-South Africa FTA was initialed by negotiators on January 29, 1999. The agreement awaits ratification by the Government of South Africa and the 15 EU members before it enters into force. Negotiations for an EU-South Africa FTA began in June 1995. From the outset, South Africa has insisted that any agreement reached must (1) take into account trade liberalization and economic restructuring already underway in South Africa; (2) be consistent with restructuring of the Southern African Customs Union (SACU), which joins the countries of South Africa, Botswana, Lesotho, Namibia, and Swaziland; and (3) support the process of regional economic integration in Southern Africa.

As initially conceived, the negotiations were to proceed on a "fast track," with an agreement envisioned by mid-1998. Both parties agreed that the basic terms for an EU-South Africa FTA should cover trade in goods in all sectors (although it was also agreed to provide separate treatment for sensitive sectors within the EU, South Africa, and SACU), liberalize trade in services, provide for the free movement of capital, and comply with WTO rules. They also have agreed on a maximum 10-year transition period for the EU to open its markets to South African products, and 12 years for the relatively less developed South Africa to open its market to EU products. Following the June 1998 trade talks (the 19th round of negotiations), improved offers by both sides were estimated to result in an agreement that would cover over 86 percent of South African imports from the EU, and approximately 95 percent of EU imports from South Africa.

According to press reports, the EU-South Africa FTA negotiations proved more difficult than either side had anticipated—to the point when, in July 1998, South African President Nelson Mandela intervened to secure a pledge from the EU that negotiations would be completed by yearend 1998. Since the start of the negotiations, both sides had difficulties reconciling the proposed EU-South Africa FTA with South Africa's regional commitments to SACU. SACU uses a revenue-sharing formula that allocates fixed proportions of regional tariff revenues to its members. One recent estimate (Eileen Sudworth and Kathleen Van Hove, *European Union–South Africa Trade Negotiations*, ECDPM working paper No. 57, April 1998) is that SACU customs revenues provide 14.5 percent of total government revenue for Botswana, 58 percent for Lesotho, 44 percent for Namibia, and 32 percent for Swaziland; SACU members are concerned that an EU-South Africa FTA will adversely affect their economies by reducing regional customs revenue.

The EU-South Africa market access negotiations encountered several difficulties. Talks were briefly suspended during 1998 before the two sides came to an agreement permitting EU members access to South African fisheries. Another longstanding problem was that of "appellations" (i.e., the use of names) of wines and spirits. The EU had demanded that South Africa drop the use of the names "port" and "sherry" for South African fortified wines produced both for export and for the domestic market. Portugal and Spain argue that the two names should apply only to certain products of specific regions of their respective countries. In the final text, South Africa will retain the use of the names "port" and "sherry" within the domestic (including SADC) market, but will phase out the name for exported products over a period of 12 years in exchange for EU financial assistance in marketing South African wines—reportedly one of the last negotiating concessions needed to conclude the agreement in January 1999.

Although the agreement has been completed by negotiators and its ratification is pending, press reports in early 1999 indicated that some EU members may seek to modify or even renegotiate the agreement. France, Greece, Italy, Portugal, and Spain reportedly have expressed discontent with the degree of market access the draft text gives to South African agricultural products. In addition, France and Italy reportedly have joined with Portugal and Spain in indicating their desire that the text contain a clear commitment from South Africa to ending the use of the terms "port" and "sherry." Negotiators hope to address all outstanding concerns about the draft EU-South Africa FTA by the end of March 1999.

Update on U.S.-EU Trade Issues

Joanne Guth[2]
jguth@usitc.gov
202-205-3264

U.S.-EU relations have been marked by both cooperation and confrontation over the past few months. In December 1998, U.S. and EU officials launched a major new trade initiative—the Transatlantic Economic Partnership (TEP). During the same month, they implemented a mutual recognition agreement (MRA) to reduce standards-related barriers to trade in six sectors. However, trade officials have also been addressing a number of disputes, most notably the WTO consistency of the EU's recently modified banana import regime. The following section briefly summarizes a few of the major trade issues on the bilateral agenda. Another article in this issue addresses current U.S.-EU discussions on mobile telephone standards.

Transatlantic Economic Partnership and Mutual Recognition Agreements

Formally launched at the U.S.-EU semiannual summit in December 1998, the TEP establishes an organized, concrete agenda to "intensify and extend multilateral and bilateral cooperation and common actions in the field of trade and investment." The TEP grew out of the broader bilateral initiative launched in 1995, the New Transatlantic Agenda (NTA), which established a framework for cooperation in economic, political, and security areas. Under the TEP, a joint action plan, or agenda, sets out a specific timetable for achieving concrete results by the year 2000. The action plan contains specific steps to facilitate trade on a bilateral basis and to strengthen the multilateral trading system through cooperation in the run-up to the next WTO ministerial later in 1999. The TEP calls for business, labor, consumers, and environmental organizations to actively participate in each of the TEP initiatives.

[2] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

Multilaterally, the United States and EU agreed under the TEP to meet regularly "to reach a closer understanding on the key issues" that will be raised during the next trade round and to "coordinate approaches and objectives wherever possible across the agenda." Bilaterally, both sides agreed to remove regulatory barriers to trade through closer cooperation between regulators and negotiations of mutual recognition agreements in new sectors, including service sectors. In the areas of food safety, plant and animal health, and biotechnology, the plan calls for increased regulatory and scientific cooperation, including an "early warning" food-safety system that would inform one side of the legislative/regulatory initiatives of the other. With respect to government procurement, the two sides will seek "balanced expansion of market access opportunities for their companies [including] cooperation to ensure compatibility between each other's electronic procurement notification and tendering systems." The United States and EU agreed to work together to improve the protection of intellectual property and will pursue some short-term goals, such as reducing the costs of patent protection, as well as long-term goals, such as examining the appropriate means to grant patent protection to inventions related to computer programs.

One of the most important components of the TEP bilateral agenda, and precursor NTA, is the conclusion of mutual recognition agreements (MRAs) to remove regulatory barriers to trade. The MRA establishes the conditions under which regulatory authorities in the United States and the EU will directly accept the results of conformity assessment procedures (for example, testing, inspecting, and certifying) generated by bodies in the other party, obviating the need for costly and sometimes duplicative tests and inspections. Following a 2-month delay resulting from some technical issues, an MRA covering six sectors was implemented on December 1. The sectors are (1) telecommunications and information technology equipment; (2) network and electromagnetic compatibility for electrical products; (3) electrical safety for electrical products; (4) good manufacturing practices (GMP) for pharmaceutical products; (5) GMP and product assessment for certain medical devices; and (6) safety of recreational craft. U.S. and EU officials are currently trying to identify sectors for a possible new MRA. In December, the USTR requested public comments on three sectors: marine safety equipment, road safety equipment, and calibration services.

Bananas

The long-running U.S.-EU banana dispute has created substantial tensions in the bilateral relationship. Following a WTO dispute-settlement ruling in 1997, the EU was granted until January 1, 1999, to make its banana import regime WTO-consistent (see *IER*, Nov./Dec. 1998). In the months leading up to the January implementation date, U.S. officials along with the Latin American complainants in the WTO case argued that the EU's proposed modified regime did not take sufficient steps to comply with the WTO decision. As no further changes were made to the regime, at the end of 1998 the United States initiated procedures required under WTO rules to request authorization to retaliate against EU products. However, the EU has continued to argue that its modified regime is WTO-compatible and that the United States cannot consider imposing sanctions before a WTO panel rules on the EU's modified regime.

The U.S.-EU banana dispute is the first major controversial case to progress so far through the WTO's dispute settlement system established under the 1995 Dispute Settlement Understanding. According to Ambassador Barshefsky, "What this dispute raises . . . is that the WTO dispute settlement rules themselves are not entirely clear in cases such as we face with Europe where a party essentially refuses or fails adequately to comply." Moreover, Ambassador Barshefsky said, "[t]he implications of the EU's actions go far beyond this dispute, threatening the effectiveness of the multilateral trading system as a whole."

The original dispute settlement panel was scheduled to determine on March 2 the appropriate value of the U.S. proposed retaliatory measures, which the United States estimated at $520 million; however, the panel said that it would need more time to make a decision. Around April 12, the same panel is scheduled to determine whether the EU's modified banana regime is WTO consistent. In the meantime, both parties agreed to enter into consultations to try to find a mutually agreed solution.

Data Privacy

On October 25, 1998, a new EU directive on the protection of personal data entered into effect. Such data can be collected by companies from a wide variety of activities, such as telephone calls and credit card transactions. The directive ensures "both a high level of protection for the privacy of individuals in all member states and the free movement of personal data within the EU." It only permits data transfers to third countries that are judged to provide an adequate level of protection. U.S. and EU officials have been meeting regularly to work out a plan that would ensure that the United States, which prefers company-based self regulation on data privacy issues, provides effective protection. Details concerning the rights of individuals to access personal data also remain at issue. Both sides hope to resolve the dispute by June 1999. In the meantime, the United States remains concerned that data transfers to the United States could be interrupted.

The U.S.-EU Third-Generation Mobile Phone Technology Debate: Who's Calling the Shots on Standards?

Joanne Guth
and staff intern Robert Noravian[3]
jguth@usitc.gov
202-205-3264

The EU adopted the Decision on Universal Mobile Telecommunications (UMTS) on December 14, 1998. This policy deals with the implementation of standards for third-generation (3G) mobile communications. The United States claims that UMTS could create market access barriers for U.S. mobile communications companies that have business interests in the EU and that 3G standards should be driven by industry not by government decree. A tentative agreement reached during the February 1999 meeting of the TransAtlantic Business Dialogue (TABD) in Washington has apparently produced a solution to this dilemma.[3]

The World Trade Organization (WTO) Agreement on Technical Barriers to Trade prohibits the creation of exclusionary standards that create unnecessary barriers to trade. The United States believes that the EU should wait for a global standard ruling (the final recommendation deadline is December 31, 1999) by the International Telecommunications Union (ITU) before implementing a EU-wide standard. The ITU is a treaty organization of the United Nations that is coordinating global 3G standards by establishing recommendations that will allow the global inter-compatibility of mobile communications. The United States has expressed the concern that domestic licensing activities in Europe (based on UMTS) could prejudice the multilateral process of approving 3G standards through the ITU, in that multiple or converged 3G standards may not win ITU approval. The EU claims that UMTS does not define technical content nor does it define a specific standard and therefore allows for an industry-led policy free of trade barriers. The EU has submitted the UMTS to the ITU for ratification which will make a preliminary standards ruling in March 1999.

The United States and Europe currently have different standards in their mobile communications sectors. The United States has multiple communications networks that use a combination of analog (older) and digital (newer) technologies. These technologies, driven by competition, have created a market that uses different competing standards connected by a system of roaming (internetwork compatibility) agreements between the various service providers. The United States has three competing digital standards and claims the UMTS standard is incompatible with all three. Although competitive approaches to the development of mobile phone technologies have not provided the United States with a single digital standard, U.S. manufacturers intend to provide compatibility through new mobile handsets capable of functioning on two to three networks. The downside to this proposal is that the phones themselves will be larger and costlier. A downside to the current U.S. mobile network is that customers have to pay for both incoming and outgoing calls, unlike European customers who only have to pay for outgoing calls.

Certain advantages have arisen from the United States patchwork mobile communication network. Some carriers offer local and long distance rates of 10 to 15 cents per minute that are competitive with current fixed line services. Rates in EU countries can range from an average of 31 cents to an average of 64 cents. Competition among U.S. companies produced code division multiple access technology (CDMA), the basis to a leading contender for third-generation technology called CDMA2000.

The EU has a single mobile communications network, the Global System for Mobile Communications (GSM). The EU adopted GSM as a European-wide standard in the late 1980s and has since led the

[3] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

[4] The TABD is an industry-led organization that attempts to achieve consensus among U.S. and European business leaders on issues and specific actions for their respective governments to take to facilitate bilateral trade and investment.

world market. As a result, 90 percent of the phones sold in Europe are digital compared to 15 percent in the United States. The EU has taken the same approach towards the new UMTS by adopting a single EU-wide standard that has the potential to become the world standard for mobile telephony. The new standard is called Wideband CDMA (W-CDMA). There are two groups of manufacturers backing this proposal, one led by Ericsson and Nokia and the other led by Siemens, Alcatel, and Nortel. This new generation of phones will provide regular telephony as well as enhanced multimedia features such as browsing the Internet, sending faxes, checking e-mail, and watching audio-visual news clips. A problem with W-CDMA technology is that it would not be readily backward compatible with existing and future U.S. mobile phone technology.

The EU has adopted UMTS as a European standard. The ITU will make a preliminary ruling on key characteristics of 3G standards in March 1999. This places European companies in a position to dominate the 3G mobile communications market because UMTS's adoption as a world standard would allow European manufacturers to maintain their lead in 3G technology. Secretary of State Madeline Albright, United States Trade Representative USTR Charlene Barshefsky, Secretary of Commerce William Daley, and Federal Communications Commission Chairman William Kennard stressed the importance of abiding by the six key principles of standardization discussed at the Fall 1998 United States-EU TABD meeting in a December 1998 letter to Martin Bangemann, the EU Commissioner for Industrial Affairs and Information and Telecommunications Technologies. They were—

- ❑ Minimal government regulation;
- ❑ Reliance on market forces;
- ❑ Interoperable networks;
- ❑ Continued government talks on frequency allocation and licensing consistent with ITU recommendations;
- ❑ Recognition of operator requirements for evolution of current systems to meet ITUrecommendations; and
- ❑ Facilitation of open, global standards to support greater reciprocal acceptance of standards developed by other regions.

These officials expressed their support of a new standard achieved by market-driven approaches as well as a standard harmonized to the fullest extent. Their letter expressed concern of possible "government-driven industrial considerations" in lieu of "legitimate commercial or technical requirement" considerations. The United States is immediately concerned with service provider licenses that EU member states will begin issuing this year. The aforementioned trade officials wish to see regulatory flexibility that will best serve customers' needs instead of a narrow spectrum of regulation that will limit not only full industrial participation but ultimately consumer preferences.

Commissioner Bangermann's response to these concerns came in a January letter addressed to Secretary Albright in which he said the reason for such early EU action for UMTS was that EU companies plan to launch 3G services as soon as possible. He also expressed the EU intent to allow industry and market forces to drive the determination of a new global standard. The EU claims that UMTS is not limiting and that other standards may be used through licenses obtained through appropriate national licensing procedures. The UMTS does not encourage backward compatibility but does encourage the coexistence of different systems in order to support interoperability efforts. The EU adopted this standard, however, before the ITU March 1999 preliminary ruling.

The United States supports a multi-standard approach to licensing. According to U.S. officials, and despite EU claims, the EU does not have such a clear multi-standard approach, especially in their newly adopted UMTS. The EU maintains that technical specifications have not been made and will only be made in accordance with ITU guidelines. Finnish and Dutch telecommunications officials have begun the licensing process based on UMTS guidelines and have noted that U.S. standards have not been excluded from the bidding process. The United States remains concerned about the low level of interoperability the EU standard will offer and that such a minimum interoperability will favor European technology over U.S. technology as a global standard. However, a recent decision by industry leaders at the February TABD meeting in Washington indicated that both the EU and the United States will now "encourage" a 3G CDMA standard to be backward compatible with existing systems. The goal is to produce the least expensive handset that works on the maximum amount of mobile networks. Apparently industry leaders in the United States are now discouraging the Clinton administration from threatening Super 301 action against the EU for its allegedly discriminatory UMTS policy.

U.S. TRADE DEVELOPMENTS IN 1998

Michael Youssef[5]
myoussef@usitc.gov
202-205-3269

The U.S. Department of Commerce reported that seasonally adjusted U.S. exports of goods and services of $931 billion and imports of $1,099.9 billion in 1998 resulted in a goods and services trade deficit of $168.6 billion, approximately 53 percent ($58.4 billion) more than the 1997 deficit of $110.2 billion (table 1). Exports of goods decreased by $8.3 billion from $679.3 billion in 1997, and imports increased by $41.8 billion from $877.3 billion in 1997, resulting in a record high deficit of $248 billion in 1998. For services, exports were $2.0 billion higher than in 1997 and imports were up by $10.3 billion, resulting in a surplus of $79.4 billion—$8.4 billion less than the 1997 surplus of $87.7 billion.

The overall decrease 1997-98 U.S. exports of goods reflected decreases in exports of industrial supplies and materials (especially petroleum products, finished textile supplies, and organic chemicals) of $10.3 billion, and food, feeds, and beverages (especially soybeans and corn) of $5.1 billion, and automobiles, parts, and engines of $1.3 billion. Exports of nonautomotive capital goods, led by civilian aircraft, rose by $5.0 billion. The largest increases in 1997-98 U.S. imports were in consumer goods (apparel products and pharmaceutical products increased the most) of $22.6 billion, nonautomotive capital goods (telecommunications equipment, civilian aircraft, and computer accessories increased the most) of $16.2 billion, and automobiles, parts, and engines of $9.9 billion. Industrial supplies and materials decreased by $13.4 billion, largely accounted for by a decrease in crude oil imports. Exports of advanced-technology products were $186.6 billion in 1998 and imports rose to $156.7 billion, resulting in a 1998 surplus on advanced technology trade of $29.9 billion, down from $32.3 billion in 1997. Additional information on U.S. trade developments in 1998 are highlighted in table 2 and figures 1 and 2.

The decrease in the 1997-98 U.S. surplus in trade in services was due to several factors. Increases in exports of other private services (mostly business, professional, and technical services and financial services) and in royalties and license fees were largely offset by decreases in travel (foreign residents traveling to the United States) transfers under U.S. military sales contracts, and freight and port transportation-related expenditures in the United States. The increase in U.S. imports of services due to increases in other private services, travel (U.S. residents traveling abroad), and royalties and license fees.

The 1998 trade data (table 3) show U.S. surpluses with Australia, Brazil, Argentina, Egypt, and South Africa. Deficits were recorded with Japan, China, the European Union, the newly industrialized countries (NICS, which includes Hong Kong, Korea, Singapore, and Taiwan), Canada, Mexico, the oil producing and exporting countries (OPEC), and Russia.

[5] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

Table 1
U.S. trade in goods and services, seasonally adjusted, 1997-98

(Billion dollars)

Item	Exports		Imports		Trade balance	
	1997	1998	1997	1998	1997	1998
Trade in goods and services:						
Current dollars	937.6	931.3	1,047.8	1,099.9	-110.2	-168.6
Trade in goods (see note)						
Current dollars–						
Including oil	679.3	671.1	877.3	919.0	-198.0	-248.0
Excluding oil	678.8	675.2	798.9	862.7	-120.1	-187.5
Trade in services						
Current dollars	258.3	260.3	170.5	180.9	87.8	79.4
Trade in goods (Census basis)						
1992 dollars	827.1	853.4	972.2	1,073.5	-145.1	-220.1
Advanced-technology products (not seasonally adjusted)	179.5	186.6	147.3	156.7	32.3	29.9

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 nonmonetary 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), Feb.19, 1999.

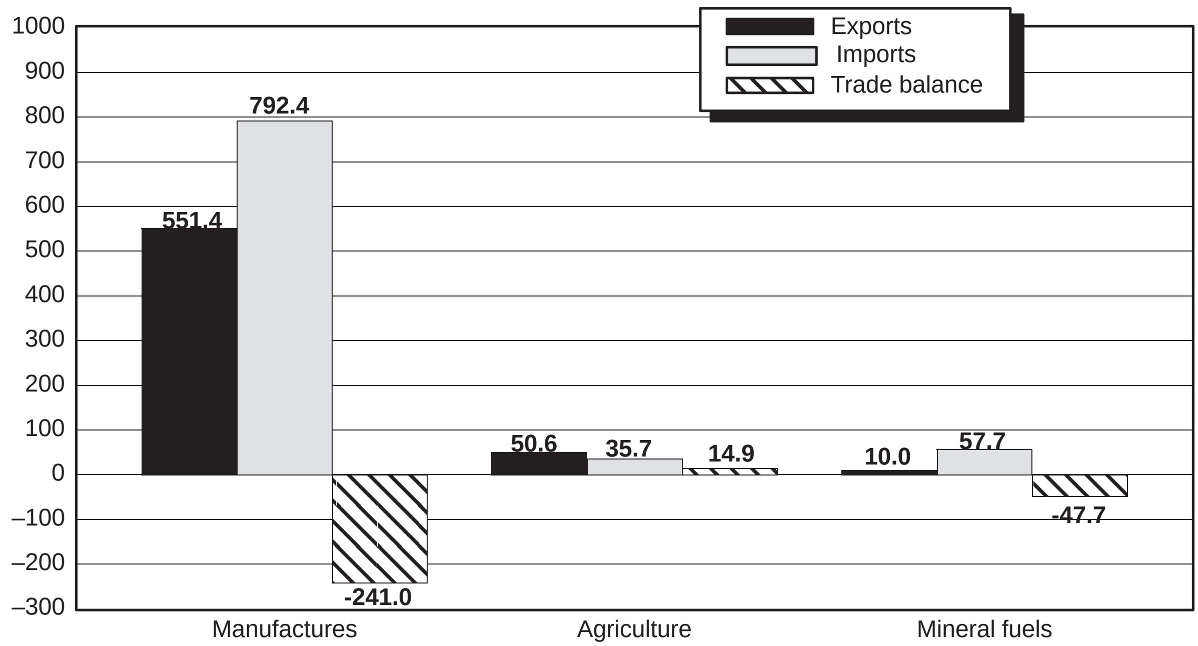
Table 2
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, 1997-98

	Exports		Change 1998 over 1997	Share of total 1998	Trade balances	
	1997	1998			1998	1997
	Billion dollars		*Percentage*		*Billion dollars*	
ADP equipment & office machinery	43.7	40.7	-6.9	6.0	-31.3	-36.1
Airplanes	25.2	35.2	37.5	5.2	21.0	28.3
Airplane parts	13.3	15.0	13.5	2.2	8.4	9.2
Electrical machinery	65.8	65.4	-0.6	9.6	-14.6	-14.0
General industrial machinery	30.6	30.0	-2.0	4.4	4.3	1.2
Iron & steel mill products	5.6	5.4	-1.8	0.8	-8.7	-11.7
Inorganic chemicals	5.3	4.7	-11.3	0.7	-0.2	0.0
Organic chemicals	16.4	14.9	-9.2	2.2	-0.3	-0.1
Power-generating machinery	27.2	28.6	5.1	4.2	2.6	0.5
Scientific instruments	24.0	24.1	0.4	3.5	10.0	8.6
Specialized industrial machinery	29.1	27.3	-6.5	4.0	8.0	4.3
Televisions, VCRs, etc	24.1	23.4	-2.9	3.4	-12.7	-19.1
Textile yarns, fabrics and articles	8.9	9.0	0.0	1.3	-3.9	-3.9
Vehicle parts	55.6	53.4	-4.1	7.8	- 57.2	-67.9
Manufactured exports not included above	175.4	173.3	-9.1	25.5	-230.3	- 136.6
Total manufactures	550.5	551.4	0.2	80.7	-340.2	-241.0
Agriculture	55.6	50.6	- 9.0	7.4	20.4	14.9
Other exports not included above	83.1	81.0	-2.5	11.9	-118.3	-4.7
Total exports of goods	689.2	683.0	-0.9	100.0	-181.5	-230.8

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

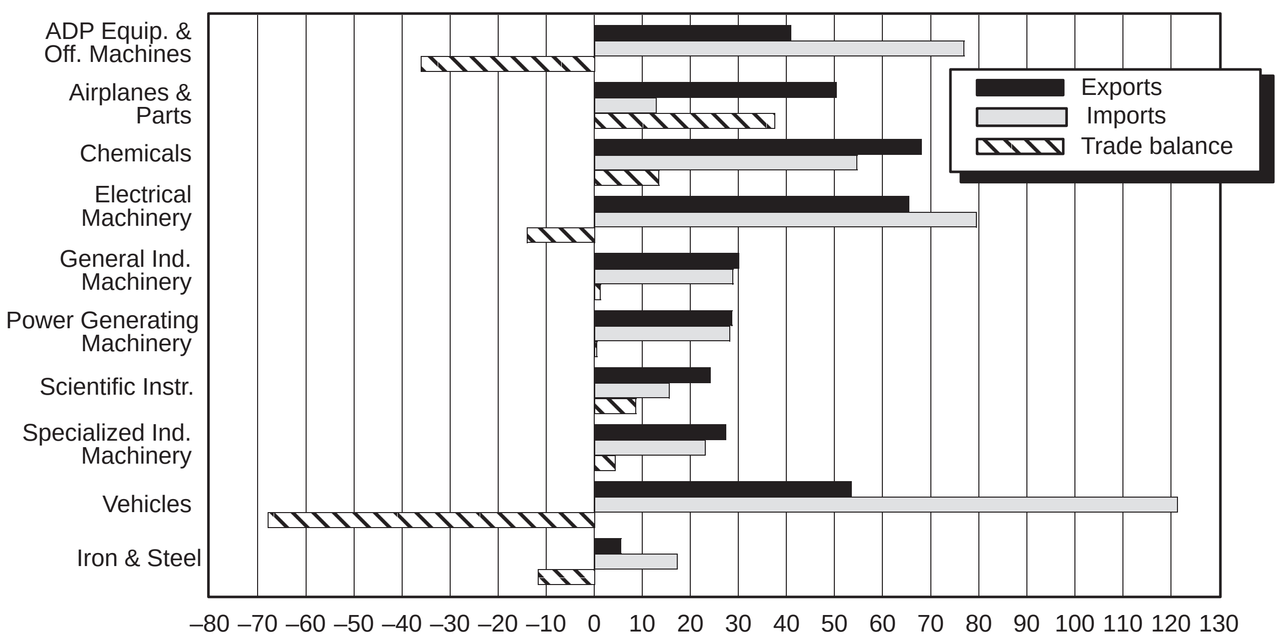
Source: U.S. Department of Commerce News (FT 900), Feb. 19 1999.

Figure 1
U.S. trade by major commodity, billion dollars, 1998



Source: U.S. Department of Commerce.

Figure 2
U.S. trade in principal goods, billion dollars, 1998



Source: U.S. Department of Commerce.

Table 3
U.S. exports and imports of goods with major trading partners, 1997-98

(Billion dollars)

Country/areas	Exports		Imports		Trade balance	
	1997	1998	1997	1998	1997	1998
Total	689.2	683.0	870.7	913.8	-181.5	-230.9
North America	223.2	235.3	254.1	269.6	-31.0	-34.2
Canada	151.8	156.3	168.2	174.8	-16.4	-18.5
Mexico	71.4	79.0	85.9	94.7	-14.6	-15.7
Europe	155.4	163.0	173.0	192.0	-17.6	-28.9
European Union (EU-15)	140.8	149.5	157.5	176.4	-16.8	-26.9
France	16.0	17.7	20.6	24.1	-4.7	-6.4
Germany	24.5	26.6	43.1	49.8	-18.7	-23.2
Italy	9.0	9.0	19.4	21.0	-10.4	-12.0
Netherlands	19.8	19.0	7.3	7.6	12.5	11.4
United Kingdom	36.4	39.1	32.7	34.8	3.8	4.3
Other EU	9.0	10.4	9.8	12.9	-0.8	-2.5
FSR/Eastern Europe[1]	7.9	7.5	8.5	10.9	-0.6	-3.4
Russia	3.4	3.6	4.3	5.7	-1.0	-2.2
Pacific Rim Countries	193.7	167.5	315.4	327.9	-121.6	-160.4
Australia	12.1	11.9	4.6	5.4	7.5	6.6
China	12.9	14.3	62.6	71.2	-49.7	-56.9
Japan	65.6	57.9	121.7	122.0	-56.1	-64.1
NICs[2]	78.2	63.3	86.2	86.0	-7.9	-22.7
South/Central America	63.0	63.4	53.7	50.4	9.3	13.0
Argentina	5.8	5.9	2.2	2.3	3.6	3.6
Brazil	15.9	15.2	9.6	10.1	6.3	5.0
OPEC	25.5	25.1	44.0	34.1	-18.5	- 9.0
Other Countries	31.3	29.2	44.7	47.4	-13.4	- 18.5
Egypt	3.8	3.1	0.7	0.7	3.2	2.4
South Africa	3.0	3.6	2.5	3.1	0.6	0.6

[1] FSR indicates the former Soviet republics.
[2] The newly industrializing countries (NICs) include Hong Kong, 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 may be included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 900), Feb.19, 1999

INTERNATIONAL ECONOMIC COMPARISONS

Michael Youssef[6]
myoussef@usitc.gov
202-205-3269

U.S. Economic Performance Relative to Other Group of Seven Members

A comparison follows of U.S. economic growth, industrial growth, prices, and employment with other Group of Seven (G-7) members. The Statistical Appendix provides more detailed economic data.

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 prices—grew at an annual rate of 6.1 percent in the fourth quarter following a 3.7–percent increase in the third quarter of 1998. Real GDP increased by 3.9 percent in 1998, from the 1997 annual level, the same increase as in 1997.

The annualized rate of real GDP growth in the fourth quarter of 1998 was 0.7 percent in the United Kingdom. The annualized GDP growth in the third quarter was 1.8 percent in Canada, 2.1 percent in France, 3.5 percent in Germany, 2.0 percent in Italy, and was a negative 2.6 percent in Japan. The annualized rate of real GDP growth rate was 2.8 percent in the 11 EU countries participating in the euro currency zone.

Trade

The United States recorded a merchandise trade deficit of $248 billion in 1998. The United Kingdom, the only other G-7 country with a merchandise trade deficit, recorded a trade deficit of $43.2 billion in the third quarter of 1998, nearly double the $25 billion trade deficit it registered in the third quarter of 1997.

Industrial production

The Federal Reserve Board reported that U.S. industrial production was unchanged in January 1999. Manufacturing output increased by 0.1 percent and utility output increased by 0.2 percent. Total industrial production in January 1999 was 1.7 percent higher than in January 1998. Manufacturing output was 2.2 percent higher than in January 1998. Total industrial capacity utilization fell by 0.3 percentage point in January 1999, but was 4.9 percent higher than in January 1998.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending December 1998, the United Kingdom reported an increase of 0.1 percent, Germany reported a decrease of 0.3 percent, Japan reported a decrease of 6.4 percent, and Italy reported a decrease of 3.9 percent. For the year ending November 1998, Canada reported 2.2–percent increase, and France reported a 4.8–percent increase.

Prices

The seasonally adjusted U.S. consumer price index (CPI) rose 0.1 percent in January 1999, the same as in December l998. For the 12-month period ended in January 1999, the CPI has increased by 1.7 percent. During the 1-year period ending January 1999, prices increased by 2.4 percent in the United Kingdom. During the 1-year period ending December 1998, prices increased by 1.0 percent in Canada, 0.3 percent in France, 0.5 percent in Germany, 1.5 percent in Italy, and 0.6 percent in Japan.

[6] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate remained virtually unchanged in January 1999 at 4.3 percent. In January 1999, the number of nonfarm payroll jobs increased by 245,000 about in line with the average for the prior 12 months. Services added 114,000 jobs and employment in business services increased by 48,000 jobs in January 1999, but the number of manufacturing jobs declined. In other G-7 countries, their latest unemployment rates were: 7.8 percent in Canada, 11.5 percent in France, 10.6 percent in Germany, 12.3 percent in Italy, 4.3 percent in Japan, and 6.2 percent in the United Kingdom.

Summary of U.S. Economic Conditions

The major contributors to the unexpected high U.S. GDP growth of 6.1 percent in the fourth quarter of 1998—3.9 percent GDP growth for 1998 as a whole—were personal consumption and investment spending. Real personal consumption spending rose by 4.8 percent in 1998 and personal spending on durable goods increased by 10.1 percent. Real gross investment spending increased by 10.4 percent, and producers' durable equipment spending grew by a healthy 16.7 percent. Nonresidential fixed investment increased by 11.9 percent and residential fixed investment increased by 10.4 percent. Rising incomes and equity prices fueled consumer spending and encouraged additional investment.

Consumer confidence is strong and growing. Household real income has been rising strongly and outlays for credit-sensitive goods are up, with services accounting for about 80 percent of spending growth in the past half year. Low interest rates and income growth will only reinforce these trends. The Conference Board Consumer Confidence Index inched up, gaining about one point in January 1999 over the prior month. Favorable employment conditions continue to lift consumer confidence levels, reports the Conference Board Consumer Research Center, as consumers' appraisal of the current state of the economy is running at decade-high levels.

U.S. monetary policy by the Federal Reserve has been a driving force maintaining strong economic growth combined with low rates of inflation and low interest rates. Low interest rates and declining commodity prices are boosting housing and demand for home-related durable goods. Lower mortgage rates have increased the demand for housing. Sales of new single-family homes soared in January, matching the 11-year high. Sales in the past 3 months are the highest since 1978, and construction outlays by homebuilders have surged in recent months amid declining inventories. Falling commodity prices, especially for oil, are cutting production costs. Cheaper imports, in part a result of the Asian financial crisis, are further helping to hold down inflation, giving household buying power an additional lift at a time when wage growth is accelerating. Rising labor productivity and small increases in unit labor costs also have helped keep inflation low.

The January 1999 Federal Reserve Beige Book, which reports on economic activity based on business contacts in the 12 Federal Reserve districts, stated that most regions were showing solid economic growth overall despite mixed or weak results for individual sectors in some areas. While the pace of growth for some sectors had slowed, most districts reported generally stable or declining prices for both producers and consumers. Reports from all districts mentioned labor market tightness, with few districts recording heightened wage pressures. Business contacts in most districts reportedly remained optimistic about 1999, especially the first half, and expect business activity to accelerate early in the year. Sales of consumer durables were reported to be strong in every district, with the most robust results in home appliances, home furnishings, consumer electronics, and automobiles. Job growth appears generally strong in the business services sector.

The U.S. manufacturing sector has not been particularly hard hit by reduced exports to Asia as a result of the Asian financial crisis. This is because strong U.S. domestic demand has more than made up for declining Asian demand for U.S. goods. U.S. purchasing managers recently reported that industrial activity remained steady and that, while export orders fell, overall bookings remained strong. Moreover, the service sector accounts for one-half of U.S. output and employs three-fourths of private-sector workers, and has been largely immune to the Asian crisis. Households, which buy two-thirds of U.S. output, have been helped by cheaper imports due in part to the Asian crisis. Prices of U.S. imports of all goods declined by 5.2 percent in the year ending December 1997 and by 6.1 percent in the year ending December 1998; prices of petroleum imports fell by 25.5 percent and by 40.0 percent, respectively. Finally, there are signs that the immediate impact from the Asian financial crisis abated in the second half of 1998, and that some of the severely affected Asian economies have started to re-build their foreign reserves and may be poised for economic recovery. Recovery of the Asian economies will improve U.S. export prospects to that region.

Productivity and costs in 1998

U.S. labor productivity in the manufacturing sector increased and unit labor costs declined in 1998, continuing a 6-year trend of rising productivity and declining unit labor costs. Manufacturing productivity grew by 4.3 percent in 1998 as output rose by 4.2 percent and hours worked fell by 0.1 percent. Productivity growth in 1998 was the highest in 10 years except for 1992 and 1997. The average hourly compensation of manufacturing workers increased by 4.5 percent in 1998 following an increase of 4.2 percent in 1997, but real hourly compensation rose by 2.9 percent in 1998 following a real increase of 1.8 percent in the previous year.

In the more inclusive business sector, productivity increased by 2.3 percent in 1998, output rose 4.6 percent, and hours of all persons engaged in the sector grew 2.2 percent. Productivity growth in the business sector was the highest in 10 years except for 1992 and 1996.

In the nonfarm business sector, productivity increased by 2.2 percent in 1998, the highest in 10 years except for 1992 and 1996, while output increased by 4.6 percent. Hours worked increased by 2.4 percent in 1998 versus 3.2 percent in 1997. Hourly compensation increased by 4.2 percent in 1998 following an increase of 3.5 percent in 1997. Unit labor costs rose by 2.0 percent in 1998 following an increase of 2.3 percent in1997.

Forecasts

Six major forecasters expect real U.S. economic growth to average about 2.2 percent (at an annual rate) in the second quarter of 1999, and to range from 2.5 percent to 2.9 percent in the second half of the year. Table 4 shows macroeconomic projections for the U.S. economy from January to December1999, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 4.7 percent in the second quarter of 1999 and then increases slightly in the second half of 1999. Inflation (as measured by the GDP deflator) is expected to remain subdued at about 1.2 percent in the second quarter of 1999 and then to average about 1.8 percent to 2.1 percent in the second half of 1999.

Table 4
Projected changes in U.S. economic indicators, by quarters, January-December 1999

(Percentage)

Period	Confer-ence Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Macro Economic Advisers	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1999:							
Jan.-Mar	4.0	3.0	3.0	2.2	4.2	4.2	3.4
Apr.-June	4.7	3.2	3.3	2.1	3.7	3.7	3.5
July-Sept.	6.3	4.4	4.5	2.3	4.9	4.9	4.5
Oct.-Dec	7.3	5.8	5.4	2.3	5.1	5.1	5.1
Annual average	5.6	4.1	4.1	2.2	4.5	4.5	4.1
	GDP constant (chained 1992) dollars						
1999:							
Jan.-Mar	2.0	1.5	1.8	1.1	2.7	2.7	1.9
Apr.-June	3.4	1.5	1.8	1.2	2.8	2.8	2.2
July-Sept.	3.5	2.3	2.6	1.3	2.5	2.5	2.5
Oct.-Dec.	4.0	3.5	3.4	1.3	2.4	2.4	2.9
Annual average	3.2	2.2	2.4	1.2	2.6	2.6	2.4
	GDP deflator index						
1999:							
Jan.-Mar..	1.4	1.4	1.1	1.1	1.4	1.4	1.3
Apr.-June	1.1	1.3	1.5	0.7	1.0	1.0	1.2
July- Sept.	2.6	2.1	1.8	0.7	2.3	2.3	1.8
Oct.-Dec.	3.2	2.1	1.9	0.4	2.6	2.6	2.1
Annual average	2.1	1.7	1.6	0.7	1.8	1.8	1.6
	Unemployment, average rate						
1999:							
Jan.-Mar.	4.4	4.5	4.8	4.8	4.4	4.4	4.6
Apr.-June	4.4	4.9	5.1	5.0	4.3	4.3	4.7
July- Sept.	4.5	5.0	5.0	5.2	4.4	4.4	4.8
Oct.- Dec.	4.4	5.0	5.0	5.2	4.6	4.6	4.8
Annual average	4.4	4.9	5.0	5.1	4.4	4.4	4.7

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, January-February 1999.

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

STATISTICAL TABLES

Merchandise trade balances of G-7 countries, by specified periods, 1995-98

(Billion U.S. dollars, exports less imports [f.o.b - c.i.f], at annual rates)

				1997				1998					
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**I**	**II**	**III**	**Oct.**	**Nov.**	**Dec.**
United States	-158.8	-170.2	-181.8	-153.6	-158.4	-226.6	-192.0	-177.6	-224.4	-280.1	-271.2	-242.4	-248.0
Japan	106.0	68.2	82.4	51.3	93.3	86.6	102.5	98.0	114.0	107.3	144.0	([2])	([2])
Canada[3]	26.8	31.7	19.4	28.8	16.5	15.0	11.4	12.7	10.3	15.2	([2])	([2])	([2])
Germany	63.6	65.5	73.1	68.0	79.0	76.7	72.4	72.1	80.4	79.2	([2])	([2])	([2])
United Kingdom ...	-22.4	-24.3	-26.5	-17.0	-23.0	-25.0	-31.7	-37.4	-36.7	-43.2	([2])	([2])	([2])
France	20.0	17.8	30.2	22.5	34.4	31.0	35.3	25.4	26.4	31.6	([2])	([2])	([2])
Italy	27.6	43.9	38.3	32.0	30.6	30.4	8.3	25.4	30.0	31.3	([2])	([2])	([2])

[1] Figures are on Census basis and were 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, Feb..18, 1998; *Main Economic Indicators;* Organization for Economic Cooperation and Development, Dec. 1998.

Indexes of industrial production of G-7 countries, by specified periods, Jan. 1995-Jan. 1999

(Total Industrial production, 1990=100)

				1997		1998					1999
Country	**1995**	**1996**	**1997**	**III**	**IV**	**III**	**IV**	**Oct.**	**Nov.**	**Dec.**	**Jan.**
United States	115.8	119.8	125.8	126.5	128.7	129.6	129.8	130.3	128.9	132.5	132.5
Japan	96.2	98.5	101.9	102.5	100.1	94.3	94.9	94.7	([1])	([1])	([1])
Canada[2]	113.2	114.7	120.7	121.5	122.3	123.1	123.2	([1])	([1])	([1])	([1])
Germany	97.2	97.6	101.1	102.2	102.8	107.4	([1])	([1])	([1])	([1])	([1])
United Kingdom	106.4	107.5	108.4	110.3	108.0	109.4	([1])	108.8	([1])	([1])	([1])
France	99.6	99.8	103.6	105.4	106.3	108.6	([1])	([1])	([1])	([1])	([1])
Italy	107.9	104.8	107.7	108.2	109.2	108.2	([1])	([1])	([1])	([1])	([1])

[1] Not available.
[2] Real domestic product in industry at factor cost and 1986 prices. U.S. IPI 1990=98.9.

Source: *Main Economic Indicators,* Organization for Economic Cooperation and Development, Sep. 1998, *Federal Reserve Statistical Release,* Oct. 17, 1998.

Consumer prices of G-7 countries, by specified periods, Jan. 1995- Dec. 1998

(Percentage change from same period of previous year)

Country	1995	1996	1997	1997 I	II	III	IV	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
United States	2.8	3.0	2.3	2.9	2.3	2.2	1.9	1.4	1.4	1.4	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.6
Japan	-0.1	0.2	1.7	0.6	2.0	2.1	2.1	1.9	2.2	0.4	0.5	0.1	-0.1	0.3	-0.2	0.2	0.8	0.6
Canada	1.7	1.6	1.6	2.1	1.6	1.7	1.0	1.1	0.9	0.8	1.1	1.0	1.0	0.8	0.7	1.0	1.2	1.0
Germany	1.7	1.4	1.7	1.7	1.5	1.9	1.7	1.0	1.4	1.4	1.3	1.1	0.9	0.7	0.7	0.7	0.6	0.5
United Kingdom	3.4	2.4	3.1	2.7	2.7	3.5	3.7	3.4	3.5	4.0	4.2	3.7	3.5	3.3	3.2	3.1	3.0	2.8
France	1.7	2.0	1.2	1.5	0.9	1.3	1.1	0.8	1.0	1.0	1.0	0.8	0.7	0.5	0.5	0.4	0.3	0.3
Italy	5.2	3.9	2.0	2.5	1.8	1.9	1.9	2.1	1.9	2.0	1.9	2.0	2.0	2.0	2.0	1.7	1.5	1.6

[1] Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, Jan.1999.

Unemployment rates (civilian labor force basis)[1] in G-7 countries, by specified periods, 1995-98

(percentage)

Country	1995	1996	1997	1998
United States	5.6	5.4	4.9	4.5
Japan	3.2	3.4	3.4	4.1
Canada	9.5	9.7	9.2	8.3
Germany	6.5	7.2	7.8	7.5
United Kingdom	8.7	8.2	7.0	([2])
France	11.8	12.5	12.4	11.8
Italy	12.0	12.1	12.3	12.3

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

[2] Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, Jan.1999.

U.S. trade balances by major commodity categories and by specified periods, Jan. 1995- Dec. 1998

(Billion dollars)

Commodity categories	1995	1996	1997	1998 May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Agriculture	25.6	26.7	20.5	0.8	0.9	1.0	0.9	0.6	1.8	1.7	1.6
Petroleum and . . . . selected products (unadjusted)	-48.8	-60.9	-65.5	-3.6	-4.0	-3.5	-3.5	-3.3	-3.8	-3.5	-2.8
Manufactured goods . . .	-173.5	-175.9	-179.5	-20.3	-17.6	-24.6	-23.2	-23.4	-24.1	-21.7	-19.6
Unit value of U.S. imports . . . of petroleum and selected products (unadjusted)	$15.83	$18.98	$17.67	$11.80	$11.23	$10.71	$10.63	$10.96	$11.59	$10.81	$9.43

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

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Feb. 18,1998.

Annual changes in U.S. productivity and related measures, 1989-98

Measure	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Business:										
Productivity	0.8	0.7	0.6	3.4	0.1	0.6	0.3	2.7	1.5	2.3
Output	3.4	0.8	-1.7	3.2	2.7	4.1	2.7	4.2	4.6	4.6
Hours	2.5	0.2	-2.3	-0.2	2.6	3.5	2.4	1.5	3.1	2.2
Hourly compensation	2.8	5.7	4.8	5.2	2.5	1.8	2.3	3.6	3.6	4.3
Real hourly compensation	-1.9	0.3	0.5	2.1	-0.5	-0.7	-0.5	0.7	1.2	2.7
Unit labor costs	1.9	5.0	4.1	1.7	2.4	1.2	2.0	0.9	2.1	2.0
Nonfarm business:										
Productivity	0.6	0.5	0.7	3.1	0.1	0.5	0.6	2.4	1.2	2.2
Output	3.2	0.7	-1.8	3.0	3.0	3.9	3.0	4.1	4.5	4.6
Hours	2.6	0.3	-2.4	-0.1	2.9	3.3	2.4	1.6	3.2	2.4
Hourly compensation	2.7	5.5	4.9	5.1	2.2	1.9	2.4	3.5	3.5	4.2
Real hourly compensation	-2.0	0.1	0.7	2.1	-0.7	-0.6	-0.5	0.6	1.2	2.6
Unit labor costs	2.1	5.0	4.2	1.9	2.2	1.4	1.8	1.1	2.3	2.0
Manufacturing:										
Productivity	0.2	2.5	2.3	5.1	2.2	3.0	3.9	4.1	4.9	4.3
Output	0.7	0.4	-2.0	4.7	3.6	5.3	4.3	3.7	6.5	4.2
Hours	0.5	-2.1	-4.2	-0.4	1.4	2.2	0.4	-0.4	1.6	-0.1
Hourly compensation	3.2	4.7	5.3	4.3	2.9	2.8	2.4	2.2	4.2	4.5
Real hourly compensation	-1.6	-0.6	1.1	1.3	-0.1	0.2	-0.4	-0.8	1.8	2.9
Unit labor costs	3.0	2.2	2.9	-0.7	0.7	-0.3	-1.4	-1.8	-0.7	0.2

Source: U.S. Department of Labor.