INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

Washington DC
20436

March/April/May 1998

In This Issue:

USITC Publication 3109

UNITED STATES
INTERNATIONAL
TRADE COMMISSION

OFFICE OF ECONOMICS

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INTERNATIONAL TRADE DEVELOPMENTS

Free Trade Area of the Americas

In December 1994, the 34 democratically-elected heads of state of the Western Hemisphere met in Miami for the first hemispheric summit since 1967 (see table 1). At the Miami Summit, President Clinton and the other leaders committed to "to begin immediately to construct the Free Trade Area of the Americas (FTAA) in which barriers to trade and investment will be progressively eliminated. . . . to conclude the negotiations of the Free Trade Area of the Americas no later than 2005, and agree that concrete progress toward the attainment of this objective will be made by the end of this century."

Since the 1994 Miami Summit, hemispheric trade ministers, vice ministers, and their representatives have met on numerous occasions in anticipation of the formal launch of the FTAA negotiations. In addition, twelve working groups were created to lay the groundwork for eventual FTAA negotiations. The working groups covered: dispute settlement (established in May 1997); market access; customs procedures and rules of origin; investment; sanitary and phytosanitary measures; standards and technical barriers to trade; subsidies, antidumping and countervailing duties; smaller economies; competition policy; government procurement; intellectual property rights; and services. Each working group was directed to compile inventories of hemispheric practices; identify areas of commonality and divergence; and provide recommendations on how to proceed in the construction of the FTAA in each respective area.

The U.S. Administration periodically has provided specific recommendations to the Congress on the FTAA negotiations. In its September 1997 report, the Administration stated that the FTAA "needs to go beyond the WTO and be future-oriented. . . . be responsive to new technologies and new ways of doing business, and . . . be the 'state-of-the-art' in trade and investment agreements when it is concluded."

As the FTAA process entered 1997, several countries had expressed different opinions and tabled specific proposals for the scope and the timing of the FTAA negotiations. Among the issues about which opinions differed were—

- compatibility of the FTAA with existing or new sub-regional economic groupings;
- phasing and scope of the FTAA negotiations; and,
- the role of input from labor in the negotiations.

At the September 1996 FTAA Vice Ministerial Meeting in Florianopolis, Brazil, the United States put forward a position paper listing 12 issues for discussion at subsequent meetings during 1997. Among other things, the United States proposed that the FTAA negotiations commence with a first stage of negotiations focusing on hemisphere-wide disciplines—namely, investment; services; government procurement; standards and technical barriers to trade; sanitary and phytosanitary procedures; customs procedures; intellectual property rights; and market access for industrial and agricultural products. The proposed second stage of the negotiations, beginning approximately at the turn of the century, would address subsidies; safeguards; antidumping and countervailing duties; competition policy; and dispute settlement. The United States also proposed that the FTAA "incorporate the best appropriate elements of the WTO or existing sub-regional integration arrangements," that the FTAA "strive to further secure the observance and promotion of worker rights," and that the FTAA be a "hemisphere-wide" and "comprehensive agreement."

Table 1
FTAA Time line

Date	Event
December 9-11,1994	At Summit of Americas, leaders of the 34 democratically elected heads of state of the Western Hemisphere agree to begin immediately to construct the Free Trade Area of the Americas (FTAA) in which barriers to trade and investment will be progressively eliminated.
June 30, 1995	At first trade ministerial meeting at Denver, Colorado, issue a joint declaration and initial a work program for creating a hemispheric free trade zone by 2005. The ministers agreed that the FTAA would be fully consistent with the WTO, be balanced and comprehensive in scope, and represent a single undertaking comprising mutual rights and obligations. Seven working groups were established.
March 21, 1996	Meeting in Cartagena, Colombia, FTAA trade ministers agree to establish an additional four working groups.
May 13-16, 1997	Third FTAA Trade Ministerial held in Belo Horizonte Brazil. Among other things, Ministers commit to formally launch FTAA negotiations at the April 1998 Summit of the Americas and that consensus would be the basis of decision making in the FTAA.
June 1, 1997	First FTAA Preparatory Committee meeting results in approval of the agenda to be negotiated for the 1998 Summit including a U.S. proposed reference to labor standards.
March 17, 1998	Fourth FTAA Preparatory Committee held in San Jose, Costa Rica. Agreement reached on the structure, organization, and venue for FTAA negotiations. A Trade Negotiations Committee was established to oversee the negotiations, meeting twice a year beginning on June 30, 1998. Nine negotiating groups were established.
April 18-19, 1998	Heads of State direct Ministers Responsible for Trade to formally launch negotiations for the FTAA, in accordance with the March 1998 Ministerial Declaration of San Jose.

Final Phase Discussions Before Negotiations

The year 1997 marked the final phase of discussions among the FTAA members leading up to the April 1998 launch of formal negotiations. The hemispheric vice ministers met in February (Recife, Brazil) and in April (Rio de Janeiro, Brazil) 1997 to address the U.S. proposals as well as the ongoing differences of opinions. By the April 1997 meeting, there was agreement in favor of a comprehensive launch of FTAA negotiations at the 1998 Summit meeting. However, the United States and several Latin American countries continued to differ in their respective proposals on how and what to negotiate. Brazil had proposed a slower timetable for negotiations in 3 phases, with primarily "business facilitation" measures such as the harmonization of customs procedures and certain standards to be negotiated first, with tariff-reducing market access talks not scheduled until a later phase closer to the 2005 deadline.

At the Third FTAA Trade Ministerial Meeting held in Belo Horizonte, Brazil, on May 13-16, 1997, the foreign trade ministers reviewed the FTAA work program; evaluated the progress that has been achieved in trade liberalization in the hemisphere since the 1994 Miami Summit, noting in particular the increasing widening and deepening of existing sub-regional and bilateral agreements; and considered the work undertaken by the vice ministers regarding the various approaches for construction of the FTAA. In their Joint Ministerial Declaration, the ministers committed to formally launch the FTAA negotiations at the April 1998 FTAA Summit of the Americas in Santiago, Chile, and agreed to so recommend to their respective heads of state. However, because of ongoing differences of opinions, the ministers agreed to leave the formulation of the FTAA negotiation procedures, including such issues as objectives, approaches, structure, and venue of the negotiations, for their next (fourth) meeting scheduled for March 1998. The ministers also reached agreement in the following areas during the Belo Horizonte meeting:

- to use consensus as the basis of decision making in the FTAA process;
- to ensure that the outcome of the FTAA negotiations will constitute a "comprehensive single undertaking" that can co-exist with bilateral and sub-regional agreements "to the extent that the rights and obligations under these agreements are not covered by or go beyond the rights and obligations of the FTAA";
- to make the FTAA consistent with the WTO;
- to allow countries to negotiate and join the FTAA individually or as members of a sub-regional integration group negotiating as a unit;
- to give special attention to the needs and economic conditions of smaller economies in the FTAA process;
- to establish a temporary administrative secretariat to support the FTAA negotiations;
- to conclude the FTAA negotiations by the year 2005, at the latest;
- to consider the inputs from stakeholders, including labor, and to encourage all countries to take such inputs into account during the negotiations; and
- to establish a Preparatory Committee (PrepCom) consisting of the 34 vice ministers responsible for trade, with the responsibility of intensifying their efforts to build consensus and to complete recommendations on the remaining issues—namely the objectives, approaches, structure, and venue for the FTAA negotiations—for decision by the Ministers at their next meeting in San José, Costa Rica in March 1998.

The first FTAA PrepCom meeting took place in Lima, Peru on June 1, 1997. At that meeting, senior trade officials approved the outline of the agenda to be negotiated for the April 1998 Summit including a U.S.-proposed reference to labor standards. Differences among participants again surfaced during the second PrepCom meeting that took place October 27-30, 1997 in Costa Rica. At that meeting, the MERCOSUR countries presented their request that FTAA negotiations be based on the principles of "balance, simultaneity, and gradualism"; other countries expressed the concern that "gradualism" could slow the pace of the negotiations. Other key issues left unresolved at the Costa Rica meeting were:

- the site for the FTAA negotiations—the United States had proposed Miami, while several Latin American nations had proposed Rio de Janeiro among other locations;
- the structure of the negotiations, including the oversight, advisory, and support bodies needed;
- the number of working groups that will be set up as negotiating groups once formal FTAA negotiations begin—various participants have proposed that from as few as 5 to as many as 12 negotiating groups be established;
- trade in agricultural products, including a decision as to whether to create a separate negotiating group on agriculture or to address agricultural matters in the market access group; and
- the question of whether to include labor and environmental issues in the FTAA negotiations.

These and other issues were addressed again at the third PrepCom meeting in San José, Costa Rica, February 10-12, 1998, but again no resolution was made.

FTAA Negotiation Framework

All outstanding issues were resolved at the fourth PrepCom meeting in San José, Costa Rica, March 17, 1998, and the subsequent meeting of hemispheric trade ministers on March 19, 1998. In describing the final FTAA negotiation framework, Ambassador Barshefsky stated that "[t]he United States achieved all of its key objectives . . . setting the stage for a comprehensive and successful launch of substantive negotiations at the [April 1998] Santiago Summit."

In their Joint Declaration issued at the conclusion of their meeting, the trade ministers—

- reaffirmed their commitments to the declarations made at the 1994 Miami Summit;
- pledged to recommend to their respective heads of state to initiate negotiation of the FTAA during the Second Summit of the Americas held in Santiago, Chile, on April 18-19, 1998;
- reaffirmed their commitment to concluding the negotiations no later than 2005;
- reaffirmed their commitment to achieve concrete progress in the negotiations by the

year 2000, setting as a specific goal the conclusion of agreements on business facilitation in such areas as customs procedures, professional services, and intellectual property rights by the turn of the century; and

- established an expert government-private sector working group that will make recommendations at the next FTAA meeting on the topic of electronic commerce in the hemisphere.

Agreement was also reached on matters concerning the structure, organization, and venue of the negotiations. The initial structure is intended to be flexible and may be modified over time as required to facilitate the negotiations. Moreover, a Trade Negotiations Committee (TNC) was established at the vice-ministerial level with the responsibility of ensuring the full participation of all the countries in the FTAA process. The TNC is required to meet at least twice a year beginning June 30, 1998.

Negotiating Groups

Nine negotiating groups were established at the March 1998 meeting. The negotiating groups (and their respective initial chairman and vice-chairman) are for: market access (Colombia/Bolivia); investment (Costa Rica/Dominican Republic); services (Nicaragua/Barbados); government procurement (United States/Honduras); dispute settlement (Chile/Uruguay and Paraguay); agriculture (Argentina/el Salvador); intellectual property rights (Venezuela/Ecuador); subsidies, antidumping, and countervailing duties (Brazil/Chile); and competition policy (Peru/Trinidad and Tobago). The TNC is responsible for guiding the work of the negotiating groups.

Venue

The meetings of the negotiating groups will be held in a single venue, which will rotate among the following three countries according to a specified timetable:

- Miami, United States, from May 1, 1998 to February 28, 2001;
- Panama City, Panama, from March 1, 2001 to February 28, 2003; and
- Mexico City, Mexico, from March 1, 2003 to December 31, 2004 (or until the conclusion of the negotiations).

Chairmanship of the FTAA Process

The chairmanship and vice-chairmanship of the FTAA process will rotate among different countries at the end of each subsequent ministerial meeting among the following countries and in the following order:

- chairman: Canada; vice-chairman: Argentina, May 1, 1998-October 31, 1999;
- chairman: Argentina; vice-chairman: Ecuador, November 1, 1999-April 30, 2001;
- chairman: Ecuador; vice-chairman: Chile, May 1, 2001-October 31, 2002; and
- co-chairman: Brazil and the United States; no vice-chairman; November 1, 2002-December 31, 2004 (or until the conclusion of the negotiations).

Participation of Civil Society

The FTAA process will establish a committee (chairmanship to be decided at a later date) of government representatives, open to all member countries, to receive inputs from business and other sectors of production, labor, environmental, and academic groups, to analyze their inputs, and to present the range of views for consideration in the FTAA process.

Launch of Negotiations

On April 18-19, 1998, the democratically-elected Heads of States and Governments of the countries of the Americas met in Santiago, Chile, issuing *The Declaration of Santiago* at the conclusion of the second summit of the Americas. In it, they:

- reaffirmed their will to continue this most important undertaking which requires sustained national efforts and dynamic international cooperation;
- approved the Plan of Action and undertook to carry out its initiatives;
- expressed confidence "that the Free Trade Area of the Americas will improve the well being of all our people;"
- directed Ministers Responsible for Trade to begin negotiations for the FTAA, in accordance with the March 1998 Ministerial Declaration of San Jose;
- reaffirmed their determination to conclude the negotiation of the FTAA no later than 2005, and to make concrete progress by the end of this century;
- stated that the FTAA agreement will be "balanced, comprehensive, WTO-consistent, and constitute a single undertaking;"

- said the FTAA process will be transparent, and take into account the differences in levels of development and size of the economies in the Americas, in order to create opportunities for participation by all countries; and
- encouraged all segments of civil society to participate in and contribute to the process in a constructive manner.

President Clinton highlighted the advances registered in the last three and half years since the Miami Summit, noting that the regional economy grew 15 percent last year and inflation was the lowest level in the last fifty years. Other achievements cited by Clinton were Chile's and Uruguay's fights against poverty, the reduction of inflation in Brazil and Argentina, foreign investment attracted by Bolivia, investment in the energy resources of Venezuela and the fact that Peru and Ecuador were able to move towards peace.

The U.S. President reconfirmed before the thirty-three leaders U.S. willingness to move toward the realization of the FTAA stating that "it is something we must do." He also called for deepening democracy and human rights in the region and adoption of measures against corruption and drugs. In informal remarks on April 30, 1998, however, President Clinton indicated that he would not renew his request for fast track negotiating authority until after this Fall's Congressional elections. Such authority is considered essential to formally concluding an FTAA.

Shortly after the Summit, President Clinton also accepted the resignation of Thomas (Mac) MacLarty, who had served as his Special Envoy to the Americas and is credited with helping strengthen U.S. relations with the region.

In 1997, Mexico Outranked Japan For the First Time as the Second-Largest U.S. Export Market

In 1997, Mexico's overall merchandise trade surplus largely disappeared. The surplus, which Mexico attained as part of the austerity regime it adopted following the 1994 peso crisis, shrank from $6.5 billion in 1996 to a mere $582 million, in 1997 (table 2). The shift reflected the country's impressive recovery from the crisis, as witnessed by the 7-percent economic growth rate Mexico registered in 1997—the highest in 16 years. Demand in Mexico for foreign capital goods and consumer goods surged once again, spurring imports, which grew at a rate of 23 percent. By contrast, Mexican exports increased by only 15 percent, as the world market price of petroleum—which still accounted for some 10 percent of overall Mexican exports in 1997—fell steeply.

According to official Mexican data, the United States was responsible for 85.3 percent of Mexico's exports in 1997, compared with 77.3 percent in 1996 (table 3, figure 1), and for 71.8 percent of Mexico's

Table 2
Mexico's Foreign Merchandise Trade 1994-97

(Billion dollars)

	1994	1995	1996	1997
Mexico's total exports	60.8	79.5	96.0	110.4
Mexico's total imports	79.4	72.5	89.5	109.8
Trade balance	-18.5	7.0	6.5	0.6

Source: Official Mexican trade data.

Table 3
Mexico's Foreign Merchandise Trade and U.S. share, 1994-97[1]

	1994	1995	1996	1997
Mexico's total exports *(billion dollars)*	60.8	79.5	96.0	110.4
Exports to U.S. *(billion dollars)*	51.6	61.7	74.2	94.2
U.S. share in total *(percent)*	84.9	77.6	77.3	85.3
Mexico's total imports *(billion dollars)*	79.4	72.5	89.5	109.8
Imports from U.S. *(billion dollars)*	54.8	46.3	56.8	78.8
U.S. share *(percent)*	69.0	63.9	63.5	71.8

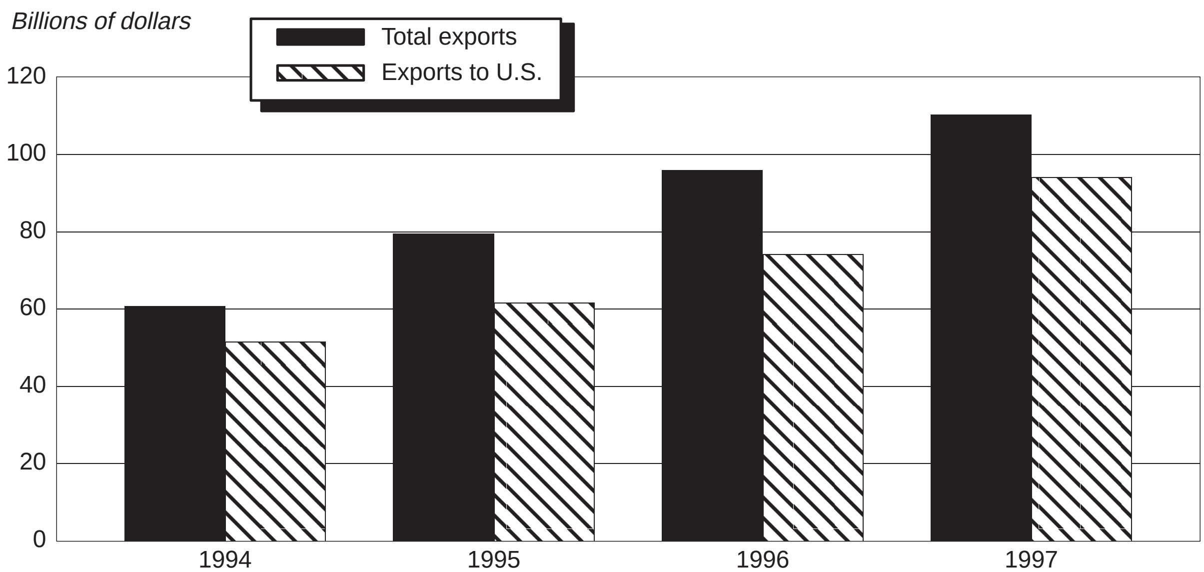
[1] U.S. Department of State telegram, "Mexico's Trade by Country for January-September 1997," prepared by U.S. Embassy, Mexico City, message reference No. 12482, Dec. 31, 1997, "Mexico: Economic and Financial Report, prepared by U.S. Embassy, Mexico City, August 1997, and memo of Director of Industries to Director of External Relations on "Update of U.S.-Mexico Trade Table," Feb. 4, 1998.

Source: Official Mexican data.

imports, compared with 63.5 percent in 1996 (table 3, figure 2). This commanding and still growing role of the United States in Mexico's foreign trade explains why bilateral trade trends largely mirror Mexico's trade trends overall. These trends are shown below, based on U.S. census data (table 4, figure 3).

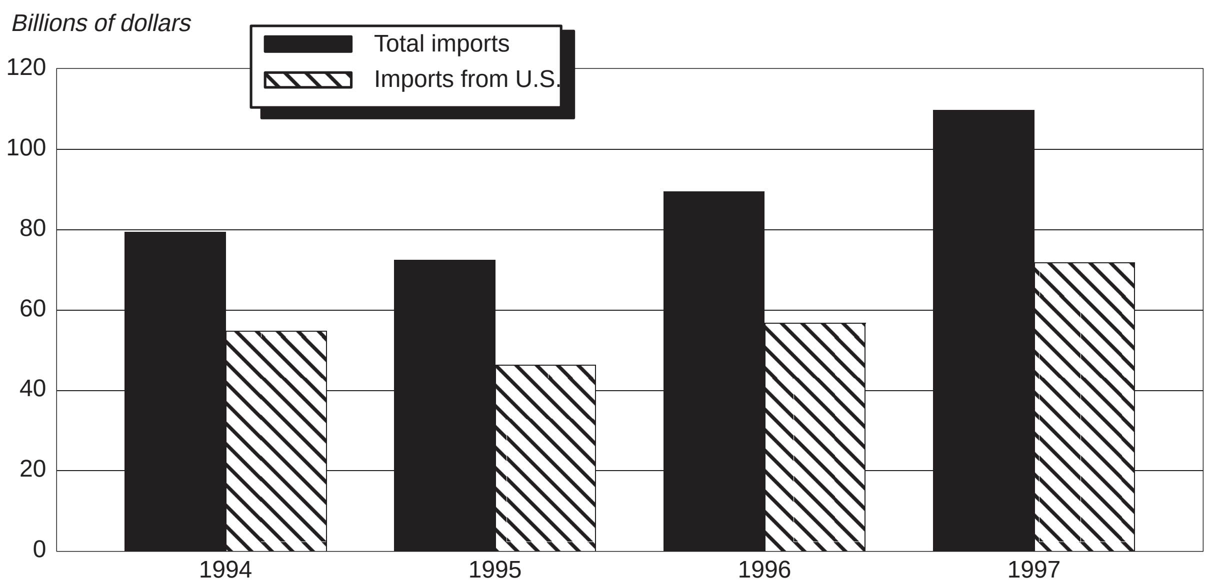
The U.S. deficit narrowed for the first time since NAFTA's entry into force in 1994, dropping back to its 1995 level of $16.6 billion. This was the first improvement in the U.S. trade balance with Mexico since 1992. Each year throughout the 1990s, U.S.-Mexican two-way trade surged at an impressive rate, amounting to $153.4 billion in 1997 (table 4).

Figure 1
Mexico's total exports and exports to the United States, 1994-97



Source: Compiled from official Mexican trade statistics.

Figure 2
Mexico's total imports and imports from the United States, 1994-97



Source: Compiled from official Mexican trade statistics.

Table 4
U.S.—Mexico trade, 1994-97

	1994	1995	1996	1997	Percent change 1996/97
	Value (million dollars)				
Total imports from Mexico	48,605.3	61,721.0	74,179.1	85,004.8	14.6
U.S. imports under production-sharing provisions (PSP) of *HTS* Chapter 98:[1]					
Total value	23,068.2	24,962.3	27,924.7	28,883.3	3.4
Percent of total imports	47.5	40.4	37.6	34.0	-
U.S. components in *HTS* PSP imports:					
Total value	11,608.4	12,832.8	14,649.2	15,482.6	5.7
Percent of *HTS* PSP imports	50.3	51.4	52.5	53.6	-
Percent of total imports	23.9	20.8	19.7	18.2	-
U.S. imports under NAFTA:[2]					
Total value	30,953.6	43,926.6	55,075.9	62,837.5	14.1
Percent of total imports	63.7	71.2	74.2	73.9	-
U.S. imports entering under both NAFTA and *HTS* production-sharing provisions:					
Total value	14,504.5	16,721.1	20,388.5	20,806.6	2.1
U. S. content	7,215.1	8,674.4	10,848.9	11,209.3	3.3
Total exports to Mexico	49,136.0	44,880.8	54,685.9	68,393.2	25.1
U.S. exports of components[3] to production-sharing operations as a percent of total U.S. exports	23.6	28.6	26.8	22.0	-
U.S. merchandise trade balance with Mexico[4]	530.8	16,840.2	-19,493.3	-16,611.6	14.8

[1] The production-sharing provisions of *HTS* Chapter 98 are 9802.00.60, 9802.00.80, and 9802.00.90.
[2] Some import entries from Mexico declare eligibility for preferential tariff treatment under both NAFTA and the *HTS* production-sharing provisions (PSP); such entries are reported in the totals for both imports under *HTS* PSP (and U.S.-made components in *HTS* PSP imports) as well as imports under NAFTA.
[3] Represents the total value of U.S. components in *HTS* production-sharing provision imports.
[4] The hyphen (-) symbol indicates a loss or trade deficit, or not applicable.

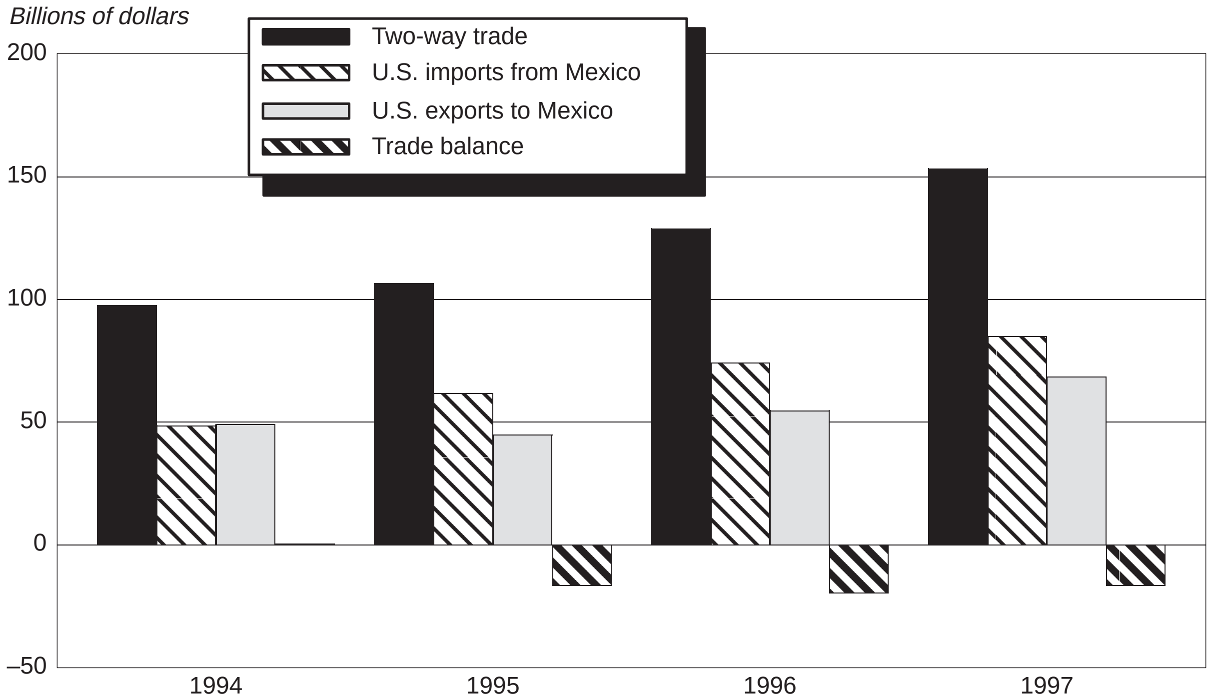
Source: Compiled by U.S. International Trade Commission staff from official statistics of the U.S. Department of Commerce.

U.S. exports

In 1997, Mexico overtook Japan for the first time as the second-largest market for U.S. goods, trailing only Canada. In addition, U.S. exports to Mexico have become the fastest growing among exports to all U.S. trading partners as Mexico continued to cut tariffs vis-a-vis the United States in line with its NAFTA obligations.

Mexico augmented its share of total U.S. exports from 9.4 in 1996 to 10.6 in 1997 (table 5). Mirroring the surge of overall Mexican imports in 1997, U.S. exports to Mexico were up by 25 percent to a record $68.4 billion. With Mexico's 1997 imports rising principally in the capital goods and intermediate goods category, U.S. exports to Mexico were concentrated in these groups. Electrical and electronic machinery and equipment; transportation equipment (especially automotive); nonelectrical machinery; chemical and allied products; and rubber, plastic, and metal products constituted the top U.S. export categories. Exports of some consumer goods—notably of automotive vehicles—also increased. Cloth for the fast-growing Mexican apparel industry, and agricultural products—especially soybeans—were also leading U.S. export items. Exports to Mexico of soybeans almost doubled during the 1994-97 period.

Figure 3
U.S. trade with Mexico, 1994-97



Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 5
Mexico's Share in U.S. Foreign Merchandise Trade 1994-97

	1994	1995	1996	1997
Total U.S. exports (*billions of dollars*)	481.9	546.5	582.1	643.2
U.S. exports to Mexico (*billions of dollars*)	49.1	44.9	54.7	68.4
Share of Mexico in total U.S. exports (*percent*)	10.1	8.2	9.4	10.6
Total U.S. imports (*billions of dollars*)	657.9	739.7	790.5	862.4
U.S. imports from Mexico (*billions of dollars*)	48.6	61.7	74.2	85.0
Share of Mexico in total U.S. imports (*percent*)	7.4	8.3	9.4	9.9

Source: Compiled from official statistics of the U.S. Department of Commerce.

During the first three NAFTA years, U.S. exports to production-sharing operations in Mexico—in-bond operations referred to as maquilas—continued to increase, because they depended on U.S. components and materials. In fact, as the peso crisis depressed U.S. exports to other Mexican companies, exports to production-sharing operations gained in relative importance. Such exports accounted for 28.6 percent of total U.S. exports in compared with 23.6 percent in 1994, reflecting in particular sustained demand of the Mexican motor-vehicle and parts industry for U.S. components and other production inputs. In the past two years, however, the share in total U.S. exports to Mexico of inputs for production-sharing operations dropped to 26.8 and 22.0 percent, respectively (table 4).

U.S. imports

On the U.S. import side, Mexico continued to rank as the third-largest U.S. source of foreign goods, after Canada and Japan. Mexico's share of the U.S. market consistently increased during each NAFTA year, from 7.4 percent in 1994 to almost 10 percent in 1997 (table 5). U.S. imports from Mexico rose in 1997 by 14.6 percent to $85 billion. Crude petroleum continued to be the top item in this trade, with Mexico supplying 17.1 percent by value of all U.S. crude oil imports.

Nonetheless, imports declined in quantity and also in price, as petroleum prices plummeted.

After crude oil, electrical and electronic machinery and equipment, transportation equipment (especially automotive), and nonelectrical machinery were the top U.S. import categories in 1997, as they were on the U.S. export side. Also notable was the continued surge of U.S. apparel imports from Mexico during the year. U.S. imports of men's and boys' trousers were up by 85 percent, and imports of women's and girls' trousers by 61 percent. Shared production—apparel cut and sewn in Mexican maquilas from U.S. fabric and then returned to the United States—predominate in this trade. Since NAFTA permits duty-free entry of apparel from Mexico that is sewn from U.S.-cut fabric, many U.S. companies have established sewing operations in that country. The majority of these firms have shifted operations from Asia, where Asian fabric was typically employed, boosting thereby U.S. textile mill exports to Mexico. To a lesser extent, the Caribbean Basin, has also been affected by the shift in U.S. source of patterns, prompting calls for "NAFTA Parity" for Caribbean suppliers (IER, October/November 1997, Secretary of State, Madeline Albright reiterated the Administrations intention to push for such benefits during April 4-6, 1998 meetings in the Caribbean).

Production of electrical and electronic components and automotive production-sharing operations are also concentrated in Mexico's maquiladora sector. Products resulting from production sharing reenter the United States under Chapter 98 of the Harmonized Tariff System (HTS), dutiable only for the value-added portion of the shared product's value. In relative terms, U.S. imports under production-sharing provisions (PSP) have declined during the NAFTA period. PSP imports were responsible for 34.0 percent of total U.S. imports from Mexico in 1997 compared with 37.6 percent in 1996, 40.4 percent in 1995, 47.5 percent in 1994, and 49.1 percent in 1993. The portion of U.S. components returning from production-sharing operations in Mexico was 18.2 percent of total U.S. imports from Mexico in 1997, the lowest in many years (table 4).

In October 1996, the Government of Mexico put several modifications of the maquiladora program in effect, simplifying administrative procedures, providing incentives for the use of more Mexican and other North American content in the sector's production, and promoting greater integration of the maquiladora into the Mexican economy. By the year 2001, maquilas will operate as any other Mexican firm. While the ongoing integration of the maquiladora into the Mexican economy might explain to some extent the apparent decline of formal production sharing as a portion of total trade, there are other reasons beyond the scope of this report, such as the growing preferences non-maquiladora types of operations using U.S. inputs enjoy under NAFTA. In fact, imports can enter under both NAFTA and PSP provisions. U.S. imports from Mexico reported under both NAFTA and PSP provisions, amounted to $20.8 billion or 24.5 percent of all U.S. imports from Mexico in 1997.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Conditions

Real GDP grew by 4.8 percent annual rate in the first quarter of 1998, following a 3.6 percent increase in the previous quarter, according to estimates released by the U.S. Department of Commerce. GDP growth in the first quarter reflected a sharp rise in personal consumption expenditures on goods and services, in producers' durable equipment, in inventory investment and in residential investment. The contributions of these components were partially offset by an increase in imports of goods and services and deceases in government spending and in exports of goods and services.

Real personal consumption expenditures increased by 6.1 percent in the first quarter, compared with an increase of 2.5 percent in the fourth quarter. Real nonresidential fixed investment increased by 17.2 percent in contrast to a decrease of 0.8 percent in the fourth quarter. Producers' durable equipment increased by 27.5 percent in contrast to a decrease of 0.3 percent in the previous quarter.

Real exports of goods and services declined by 3.0 percent to $985.0 billion in the first quarter in contrast to the increase of 8.3 percent to $992.7 billion in the fourth. Real imports of goods and services increased by 17.7 percent to $1,199.8 billion following an increase of 5.3 percent to $1,151.8 billion in the fourth quarter. The trade deficit on goods and services increased to $214.8 billion from $159.1 billion.

Real exports of goods and services declined by 3.4 percent to $984.1 billion in the first quarter following an increase of 8.3 percent to $992.7 billion in the fourth. Real imports of goods and services increased by 11.6 percent to $1,183.8 billion following an increase of 5.3 percent to 1,151.8 billion in the fourth quarter. The trade deficit on goods and services increased to $199.7 billion from $159.1 billion.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, was unchanged in the first quarter following an increase of 1.4 percent in the fourth quarter.

The Asian financial crisis which started in July of the past year first in Thailand, then in Korea, Malaysia and Indonesia seems to have had some effect on U.S. merchandise trading position and the U.S. current account. Although U.S. economic growth is mainly driven by domestic investment and consumption expenditures, the U.S. merchandise trade and the current account position have started to show some reverberations related to the East Asian crisis as deficits on both accounts have increased. Declining demand for aircraft and petroleum products lowered U.S. exports and declining import prices increased U.S. imports.

Japan's Financial and Deregulation Packages

On March 26, 1998, Japan, which is relatively more dependent on trade with Asian emerging economies, launched a spending package hoping to lift its economy up from its present state of stagnation and help lead South East Asian economies out of their financial troubles.

Japan announced that it will spend 16.65 trillion yen (or about $138.75 billion dollar) over the next two years including 12 trillion yen ($100 billion) in tax cuts and new public works. The package was much bigger than the previous ones, however, much depends on how the money is spent rather than how much money is involved. Several economists observed, that the tax cut is only a temporary relief package and it is not clear if Japanese consumers will spend the money or save it in anticipation of the tax rates rising two years later. It is widely maintained that the tax cut could help keep the Japanese economy from contracting but would not lead to long term recovery because it does not deal with Japan's basic structural problems. The U.S. government has been prodding Japan to cut taxes rather than spend on infrastructure projects, arguing that big and lasting tax cuts would be more effective in stimulating domestic demand.

On March 31, Japan announced a new plan to deregulate its economy. Japan's new program covers a wide range of sectoral and structural issues including telecommunications, financial services, medical devices and pharmaceuticals, competition, distribution, legal services and regulatory transparency. These issues have been subject of extensive discussions between the U.S. and the Japanese governments under the Enhanced Initiative on Deregulation and Competition Policy (Enhanced Initiative). The U.S. Trade Representative welcomed Japan's initiative for economic deregulation, saying it represented some progress. However, she said the plan fell short of expectations, being vague on key issues and often delaying implementation of important regulatory changes for several years. It is critical for Japan to open its telecommunications sector for competition according to WTO commitments and to open its markets to innovative pharmaceutical and building materials, Ambassador Barshefsky said.

On April 24, 1998 Prime Minister Rytaro Hashimoto signed off on a record-setting series of fiscal, regulatory and other measures aimed at jolting the Japanese economy back to growth and helping neighboring Asian economies overcome their financial problems. The Japanese Government believes that the package will increase GDP growth by 2 percentage points. The key points of the financial package include:

1) A 12.3 trillion yen in actual fiscal spending by central and local governments that is expected to directly affect the economy in a relatively short period. Public spending by the central and local governments, forming 7.7 trillion yen of the package, is directed chiefly to projects linked to environmental conservation, energy, information and telecommunications, as well as welfare and medical services.

2) Additional income tax cuts worth 2 trillion yen each for 1998 and 1999 on top of 2 trillion yen in income tax cuts offered earlier.

3) 2.3 trillion yen for measures to promote disposal of bad loans at financial institutions and to revitalize the land market.

4) 700 billion yen to be used for stabilization of Asian economies provided in concert with the International Monetary Fund and other international institutions.

5) Measures will be taken to facilitate trade financing by using loans from the government-linked export-import Bank of Japan.

Prime Minister Ryutaro Hashimoto said Japan's economy was in “quite a serious state” and needed new stimulus. Japan is the second largest economy in the world and a tax cut was advocated by economists to stimulate Japanese domestic demand and boost imports. Before the cabinet approved Japan's biggest stimulus package, Mr. Hashimoto presented a list of proposed amendments to the Fiscal Structural Reform Act of 1997, the fiscal austerity law that he had helped to draft and shepherd through the Diet and which sharply limited Japan's ability to spend its way out of the current slowdown. Specifically these amendments are:

- The deadline for reducing the combined current deficit of central and local governments to 3 percent or less of GDP is extended to March 31, 2006 from March 31, 2004.
- No new issues of general revenue (deficit financing) bonds after the end of FY 2005. The previous deadline was the end of FY 2003.
- The annual ceiling on new issues of general revenue bonds can be suspended if any of three conditions is met: 1) The annualized growth rate of real GDP is less than 1 percent for two consecutive quarters; 2) The annualized growth rate of real GDP is less than 1 percent for one quarter and subsequent consumption, capital investment and employment indicators are conspicuously negative, or 3) An unforseen event at home or abroad causes a sharp decrease in economic activity.
- The 2-percent annual cap on increases in social security outlays will be suspended during FY 1999.

World Trade in 1997

World trade grew in 1997 despite the turmoil in some Asian financial markets, according to a press release for the World Trade Organization (WTO).

The volume of world merchandise exports grew by 9.5 percent in 1997, the second highest rate in more than two decades. World output grew by 3.0 percent matching the best performance since 1989. Trade and output growth last year were more evenly spread across countries and regions than in 1996. Despite the Asian financial crisis and the resulting likelihood of decline in world trade, the WTO expects world merchandise trade would still grow above the average rate recorded in the first half of the 1990s. Highlights of WTO other findings include the following:

- Trade growth in North America and South America was strong. Both regions recorded a higher share in world trade than they have attained in more than a decade. Trade growth was attributable to economic dynamism in both regions.
- World exports of merchandise and commercial services exceeded $6.5 trillion in 1997, with merchandise exports amounting to $5.3 trillion and commercial services to $1.3 trillion.
- Manufactures were the most dynamic category, expanding at a rate higher than total merchandise trade growth.
- The trade effects of the Asian financial crisis will be felt most within the Asian region. The bulk of trade in countries affected by the Asian financial crisis —Korea, Malaysia, Thailand, Indonesia and the Philippines-takes place within the region and this is where the trade effects will be most apparent. Moreover, because the affected countries account for relatively small shares of world output and trade, the impact of the financial crisis on trade will be limited. The five most affected Asian countries account for 3.6 percent of world GDP, about 7 percent of world trade, 6 percent of global foreign direct investment (FDI) inflows, 4 percent of FDI stocks and less than 4 percent of gross international banking lending (table 6).
- Among the world's leading exporters in 1997, the United States ranked first, with total exports increasing by 10 percent to $688.9 billion and a world share of 12.6 percent. Germany ranked second, with total exports decreasing by 2 percent to $511.7 billion and a world share of 9.4 percent. Japan ranked third with total exports increasing by 2 percent to $421.1 billion and a world share of 7.7 percent. France ranked fourth with total exports remaining unchanged to $287.8 billion and a world share of 5.3 percent. The United Kingdom ranked fifth with total exports increasing by 7 percent to $280.1 billion and a world share of 5.1 percent. Italy ranked sixth with total exports decreasing by 5 percent to $238.9 billion and a world share of 4.4 percent. Canada ranked seventh with total exports increasing by 6 percent to $214.4 billion and a world share of 3.9 percent. China, superseded by the Netherlands and Hong Kong ranked tenth with total exports increasing by 21 percent to $182.7 billion and a world share of 3.3 percent.
- On a regional basis and excluding EU intra-trade, the European Union (EU) ranked first on the leading exporter with total exports rising by 3.0 percent to $823.0 billion and a world share of 19.7 percent.
- Total world exports were $5,455 billion. Excluding EU intra-trade total world exports were $4,180 billion.
- Among the world's leading merchandise importers in 1997, the United States ranked first with total imports increasing by 9.0 percent to $899.2 billion and a world share of 16.1 percent. Germany ranked second with total imports decreasing by 4.0 percent to $441.5 and a world share of 7.9 percent. Japan ranked third with total imports decreasing by 3.0 percent to $338.4 billion and a world share of 6.0 percent. The United Kingdom ranked fourth with total imports increasing by 7.0 percent to $307.2 billion and a world share of 5.5 percent. France ranked fifth with total imports decreasing by 5.0 percent to $266.8 billion and a world share of 4.8 percent. Italy superseded by Hong Kong ranked seventh with total imports increasing by 1.0 percent to $208.6 billion and world share of 3.7 percent. Canada ranked eighth with total imports increasing by 15.0 percent to $201.0 billion and a world share of 3.6 percent. China, superseded by the Netherlands, Belgium and Luxembourg and the Republic of Korea, ranked twelfth with total imports increasing by 3.0 percent to $142.4 billion and a world share of 2.5 percent.
- Excluding intra-EU trade, the European Union (EU) ranked second to the United States on the list of leading importers, with total imports increasing by 2.0 percent to $768.2 billion and a world share of 17.8 percent. The United States ranked first with total imports increasing by 9 percent to $899.2 billion and a world share of 20.8 percent.
- Total world imports were $5,600 billion. Excluding EU intra-trade total world imports were $4,320 billion.

Table 6
World merchandise trade of selected Asian countries, 1990-97

	Exports value	Annual percentage change				Share in world exports	Imports value	Annual percentage change				Share in world imports
Area/Country	**1997**	**1990-95**	**1995**	**1996**	**1997**	**1997**	**1997**	**1990-1995**	**1995**	**1996**	**1997**	**1997**
	Billion dollars						*Billion dollars*					
Total selected Asian countries .	352	16.1	25.8	4.9	6.0	6.5	367	16.1	30.2	7.6	-3.0	6.6
Korea, Rep. of . .	137	14.0	30.3	3.7	5.0	2.5	145	14.1	32.0	11.3	-4.0	2.6
Malaysia	79	20.3	26.0	5.8	0	1.5	79	21.6	30.5	0.9	0	1.4
Thailand	58	19.6	25.1	-1.3	5.0	1.1	65	16.2	30.0	3.8	-12.0	1.2
Indonesia	54	12.1	13.4	9.7	7.0	1.0	42	13.2	27.0	5.7	-3.0	0.8
Philippines	25	16.8	31.6	16.7	23.0	0.5	37	16.8	25.7	20.4	9.0	0.7

Source: World Trade Organization Press Release 98.

U.S. International Transactions, 1997

The U.S. current-account deficit increased to $166.5 billion in 1997 from $148.2 billion in 1996, according to the Commerce Department. The increase in the overall deficit has been mainly attributed to the increase in the deficit on goods and services and investment income to $127.9 billion from $108.2 billion in 1996, table 7.

In 1997, the deficit on goods and services and income increased to $127.9 billion from $108.2 billion in 1996 due to the large increase in the deficit on goods. The merchandise trade deficit (on a current account basis) increased to $198.9 billion in 1997 from $191.2 billion in 1996. Goods exports increased to $678.4 billion in 1997 from $612.1 billion; both nonagricultural and agricultural exports increased. Goods imports increased to $877.3 billion in 1997 from $803.2 billion; both nonpetroleum and petroleum imports increased.

The surplus on services increased to $85.3 billion in 1997 from $80.1 billion in 1996. Services receipts increased to $253.2 billion from $236.8 billion. ”Other” private services, travel, and royalties and license fees increased the most, to a record $82.7 billion, compared with $73.6 billion in 1996. Services payments increased to $167.9 billion from $156.6 billion.

The surplus on investment income of $2.8 billion in 1996 turned into a deficit of $14.3 billion in 1997. Income receipts on U.S. assets abroad increased to a record $236.0 billion from $206.4 billion as both direct investment income and ”other” private income substantially increased. Income payments on foreign assets in the United States, however, increased to $250.3 billion, far more than the increase in income receipts on U.S. foreign assets abroad. This was mostly as a result of the large increases in direct investment payments which rose by $9.4 billion, other private payments (up by $17.6 billion) and U.S. Government payments (up by $19.7 billion). The increased payments on foreign assets in the United States reflected relatively higher U.S. economic growth rates and profit margins.

Capital transactions

Net recorded capital inflows were $263.6 billion in 1997, compared with $195.2 billion in 1996, as foreign assets flows in the United States accelerated. U.S. assets abroad increased by $426.9 billion in 1997, compared with an increase of $352.4 billion in 1996. Net U.S. purchases of foreign securities and the increase in U.S. claims on foreigners reported by U.S. banks were higher in 1997 than in 1996. Net U.S. purchases of foreign securities were $79.3 billion in 1997, down from $108.2 billion in 1996, but were well below the previous record of $146.3 billion in 1993.

Net capital outflows for U.S. direct investment abroad were $119.4 billion in 1997, up from $87.8 billion in 1996. An increase in equity capital outflows more than accounted for the increase.

Foreign assets in the United States increased by $690.5 billion from $547.6 billion in 1996. Net foreign purchases of U.S. Treasury securities, net foreign purchases of securities other than U.S.

Table 7
A summary of U.S. international transactions 1996-97, billion dollars

	1996	1997
Exports of goods	612.1	678.4
Imports of goods	-803.2	-877.3
Balance on goods	-191.2	-198.9
Exports of services	236.8	253.2
Imports of services	-156.6	-167.9
Balance on services	80.1	85.3
Income received on assets abroad	206.4	236.0
Payment on foreign assets in the United States	-203.6	-250.3
Balance on investment income	2.8	-14.3
Balance on goods, services and income	-108.2	-127.9
U.S. assets abroad (increase/capital outflow(-))	-352.4	-426.9
Foreign assets in the United States-, net (increase/capital inflow(+))	547.6	690.5
Capital inflows (+), outflows (-)	195.2	263.6
Balance on current account	-148.2	-166.5

Source: U.S. Department of Commerce.

Treasury securities, and foreign direct investment inflows to the United States were sharply higher in 1997 than in 1996. Net foreign purchases of U.S.Treasury securities by private foreigners were a record $187.9 billion in 1997, up from the previous record of $172.9 billion in 1996. The surge was attributable to rising bond prices, particularly in the last half of the year, large interest-rate differentials in favor of U.S. Treasury bonds, and dollar appreciation. Net foreign purchases of U.S. securities other than U.S. Treasury securities were $189.3 billion in 1997, compared with the previous record of $133.8 billion in 1996. The step-up was more than accounted for by net foreign purchases of bonds.

Net capital inflows for foreign direct investment in the United States were a record $107.9 billion in 1997, compared with $77.0 billion in 1996 and the previous record of $67.7 billion in 1989. Both equity and intercompany debt inflows increased strongly.

Foreign official assets in the United States increased by $18.2 billion in 1997, compared with an increase of $122.4 billion in 1996. Dollar assets of industrial and developing countries each accounted for about half of the increase in 1997.

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 prices—grew at an annual rate of 4.8 percent in the first quarter of 1998 following a 3.6 percent growth in the fourth quarter of 1997.

The annualized rate of real GDP growth in the first quarter of 1998 was 1.8 percent in the United Kingdom. The annualized rates of real GDP in the fourth quarter of 1997 were 3.0 percent in Canada, 3.1 percent in France, 1.1 percent in Germany and 0.7 percent in Italy. Japan's GDP declined by 0.7 percent in the fourth quarter of 1997.

Industrial production

The Federal Reserve Board reported that U.S. industrial production (IP) increased in April by 0.1 percent following a 0.3 percent increase in March and declines in both January and February. Manufacturing output rose 0.3 percent after two months of decline. Total industrial production in April 1998 was 3.8 percent higher than it was in April 1997. Manufacturing output increased by 4.3 percent in April 98 from April 97. Total industrial capacity utilization edged down 0.3 percent in April 1998 but was 4.7 percent higher than in April 1997.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending March 1998, Japan reported a decline of 5.3 percent. For the year ending February 1998, France reported 7.5 percent increase, Germany reported 4.3 percent increase, Italy reported 1.9 percent increase, and the United Kingdom reported 0.2 percent decrease. For the year ending January 1998, Canada reported 1.4 percent increase.

Prices

Seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.2 percent in April 1998 following no change in March 1998. For the 12-month period ended in March 1998, the CPI increased by 1.4 percent.

During the 1-year period ending March 1998, prices increased 0.9 percent in Canada, 0.8 percent in France, 1.1 percent in Germany, 1.7 percent in Italy, 3.5 percent in the United Kingdom. During the 1-year period ending in February 1998 prices increased 1.9 percent in Japan.

Employment

The Bureau of Labor Statistics reported that the unemployment rate declined to 4.3 percent in April 1998 from 4.7 percent in March 1998. Nonfarm payroll employment grew by 262,000 jobs. The gains were widespread across the major demographic groups. The jobless rates for the major demographic groups declined to—adult men (3.4 percent), adult women (4.1 percent), teenagers (13.1 percent), whites (3.6 percent), blacks (8.9 percent), and Hispanics (6.5 percent).

Among the major educational attainment categories, the jobless rate for persons 25 years and over who had not completed high school dropped to 3.9 percent. Among those with higher levels of educational attainments — including high school graduates with no college experience—the jobless rate dropped to 2.7 percent. For high school graduates with some college experience but with no bachelor's degree the jobless rate dropped to 2.7 percent. And for college graduates the jobless rate dropped to 1.7 percent.

In other G-7 countries, their latest unemployment rates were: 8.5 percent in Canada, 12.0 percent in France, 11.5 percent in Germany, 12.0 percent in Italy, 3.9 percent in Japan, and 6.4 percent in the United Kingdom.

Forecasts

Six major forecasters expect real growth in the United States to average around 2.0 percent to 2.4 percent (at an annual rate) in the first half of 1998. Table 8 shows macroeconomic projections for the U.S. economy from January to December, 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 5.3 percent in the first half of the year. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.1 to 2.7 percent.

Table 8
Projected changes in U.S. economic indicators, by quarters, Jan.-Dec. 98

(Percentage)

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						
1998:							
Jan.-March	6.1	5.2	5.2	3.8	5.7	4.1	5.0
Apr.-June	4.8	4.9	5.1	4.1	4.1	4.2	4.5
July-Sep	5.1	4.5	5.3	4.5	4.4	4.7	4.8
Oct.-Dec	5.1	5.1	4.9	4.5	4.4	4.0	4.8
Annual average	5.3	6.6	5.1	4.2	4.7	4.5	5.1
	GDP constant (chained 1992) dollars						
1998:							
Jan.-March	4.0	2.4	2.4	1.7	1.7	2.3	2.4
Apr.-June	2.2	2.3	2.3	2.0	2.0	2.1	2.2
July-Sep.	2.2	2.6	2.2	2.6	2.6	2.0	2.4
Oct.-Dec.	1.8	1.8	1.9	2.6	2.6	1.9	2.1
Annual average	2.6	2.3	2.2	2.2	2.2	2.1	2.3
	GDP deflator index						
1998:							
Jan.-March	2.0	2.5	2.7	1.8	1.8	1.8	2.1
Apr.-June	2.3	2.5	2.8	2.1	2.1	2.1	2.3
July-Sep.	2.8	2.5	3.0	1.8	1.8	2.7	2.4
Oct.-Dec.	3.2	2.8	3.0	1.8	1.8	3.0	2.6
Annual average	2.6	2.6	2.9	1.9	1.9	2.4	2.4
	Unemployment, average rate						
1998:							
Jan.-March	4.6	4.7	4.8	4.8	4.8	4.5	4.7
Apr.-June	4.5	4.7	5.0	5.1	4.9	4.5	4.8
July-Sep.	4.5	4.8	5.2	5.2	5.0	4.6	4.9
Oct.-Dec.	4.5	4.9	5.5	5.2	5.1	4.7	5.0
Annual average	4.5	4.8	5.1	5.1	5.0	4.6	4.8

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, Dec. 97.
Source: Compiled from data of 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 $79.4 billion and imports of $92.4 billion in March 1998 resulted in a goods and services trade deficit of $13.0 billion, $0.8 billion more than the February 1998 deficit of $12.2 billion. The March 1998 deficit on goods and services was $5.2 billion more than the $7.8 billion deficit in March 1997, and was approximately $2.5 billion more than the average monthly deficit registered during the previous 12 months, $10.5 billion.

The March 1998 trade deficit on goods was $20.2 billion, approximately $1.7 billion higher than the March deficit ($18.5 billion). The March 1998 services surplus was $7.2 billion, $0.8 billion more than the February surplus.

In March 1998 exports of goods increased to $57.7 billion from $55.5 billion. Imports of goods increased to $77.7 billion from $74.1 billion. Exports of services of $21.9 billion were approximately $0.6 billion higher than in the previous month, imports of services decreased by about 0.3 billion to $14.7 billion.

The February to March change in exports of goods reflected increases in capital goods (primarily civilian aircraft); automotive vehicles, parts, and engines; industrial supplies and materials; other goods and consumer goods. A decrease occurred in foods, feeds, and beverages.

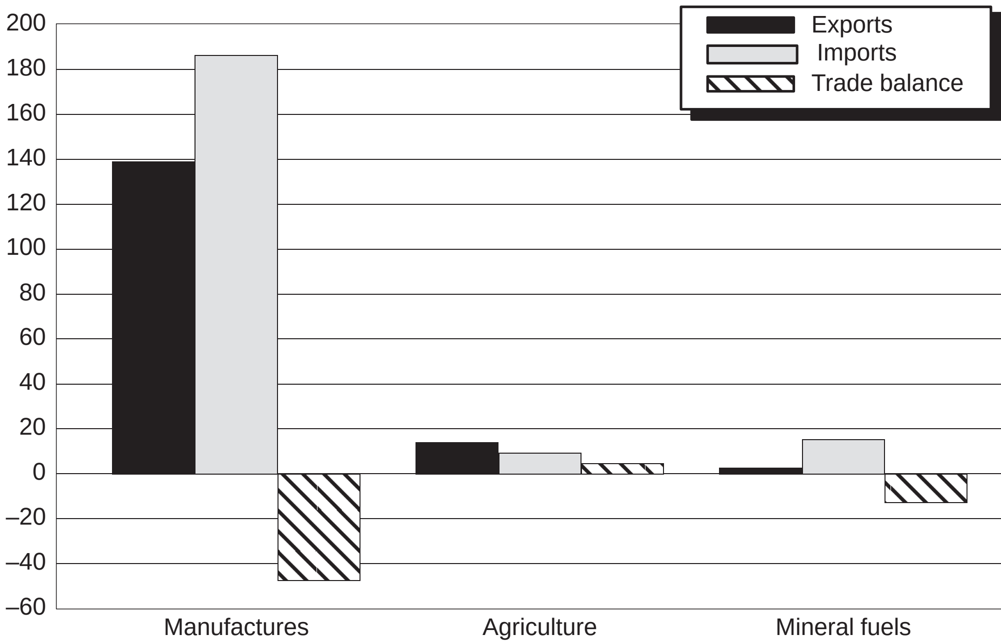
The February to March change in imports of goods reflected increases in capital goods (primarily engines for civilian aircraft and civilian aircraft); consumer goods; automotive vehicles, parts, and engines; industrial supplies and materials; and foods, feeds and beverages. Other goods were virtually unchanged.

The February to March figures showed surpluses with Australia, Hong Kong, Brazil, Argentina and Egypt. Deficits were recorded with Japan, China, Canada, Taiwan, OPEC, Korea, Singapore, Mexico and Western Europe.

Advanced technology products (ATP) exports were $17.0 billion in March and imports were $13.9 billion, resulting in a surplus of $3.1 billion, virtually the same as in February.

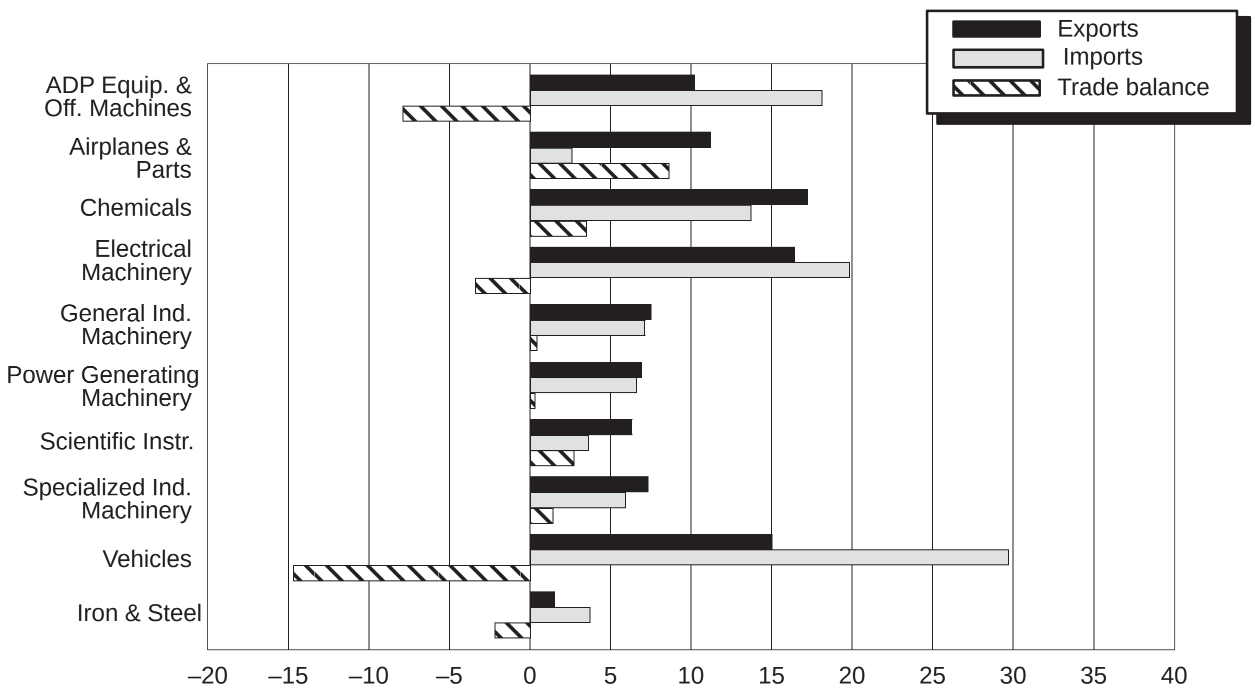
U.S. trade developments are highlighted in figures 4, 5, and 6. Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 9. Nominal export changes and trade balances for specific major commodity sectors are shown in table 10. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 11, and U.S. trade in services by major category is shown in table 12.

Figure 4
U.S. trade by major commodity, billion dollars, Jan.-Mar. 1998



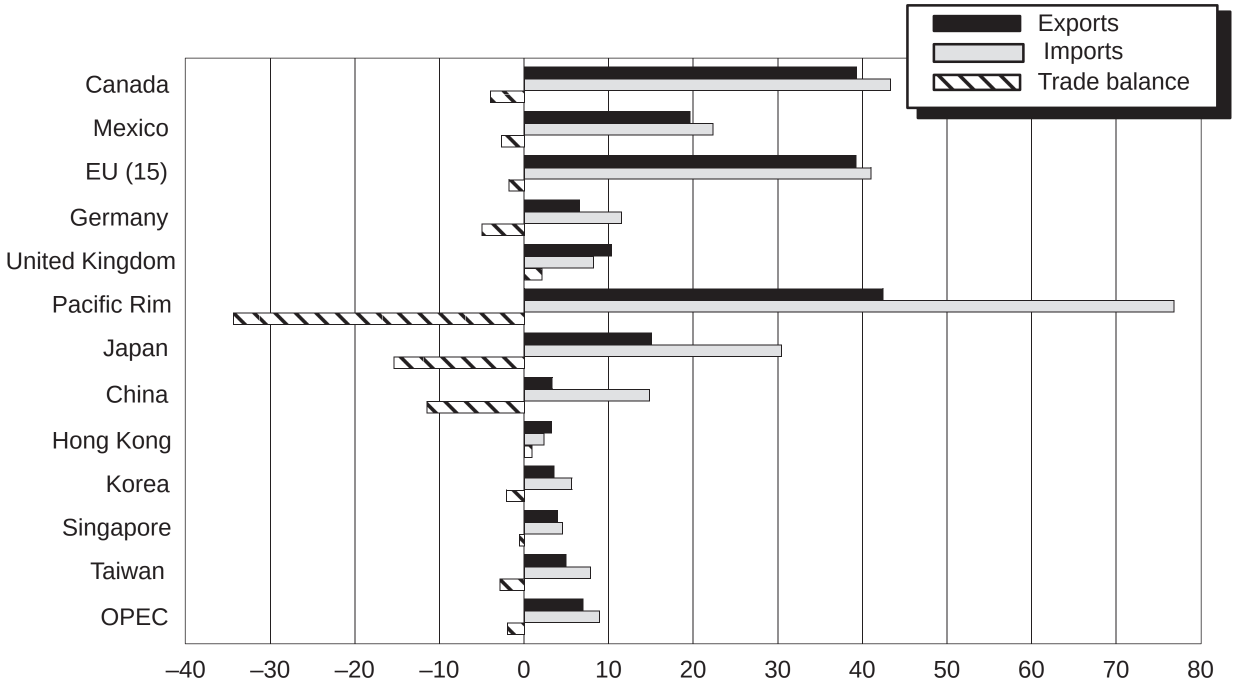
Source: U.S. Department of Commerce.

Figure 5
U.S. trade in principal goods, billion dollars, Jan.-Mar. 1998



Source: U.S. Department of Commerce.

Figure 6
U.S. trade with major trading partners, billion dollars, Jan.-Mar 1998



Source: U.S. Department of Commerce.

Table 9
U.S. trade in goods and services, seasonally adjusted, Jan-Mar. 98

(Billion dollars)

Item	Exports Mar. 1998	Exports Feb. 1998	Imports Mar. 1998	Imports Feb. 1998	Trade balance Mar. 1998	Trade balance Feb. 1998
Trade in goods (BOP basis)						
Current dollars—						
Including oil	57.5	55.5	77.7	74.1	-20.2	-18.5
Excluding oil	57.7	55.7	73.0	69.3	-15.2	-13.7
Trade in services						
Current dollars	21.9	21.3	14.7	15.0	7.2	6.4
Trade in goods and services						
Current dollars	79.4	76.9	92.4	89.1	- 13.0	-12.2
Trade in goods (Census basis)						
1992 dollars	74.0	72.8	99.8	95.3	-25.8	-22.5
Advanced-technology products						
(not seasonally adjusted)	17.0	14.2	13.9	11.1	3.1	3.1

Source: U.S. Department of Commerce News (FT 900), May 20, 1998.

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.

Table 10
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1997-Mar. 98

	Exports		Change	Share of	Trade balances	
	Mar. 1998	Jan.-Mar. 1998	Jan.-Mar. 1998 over–Jan. Mar. 1997	total, Jan.-Mar. 98	Jan.-Mar. 1998	Jan.-Mar. 1997
	— Billion dollars —		— Percentage —		— Billion dollars —	
ADP equipment & office machinery	3.7	10.2	–1.9	5.0	–7.9	–6.4
Airplanes	3.4	7.8	41.8	4.5	6.5	4.7
Airplane parts	1.2	3.4	9.7	2.0	2.1	2.0
Electrical machinery	5.7	16.4	7.2	9.5	5.6	–2.9
General industrial machinery	2.8	7.5	2.7	4.3	0.4	0.9
Iron & Steel mill products	0.5	1.5	7.1	0.9	-2.2	-2.1
Inorganic chemicals	0.4	1.1	-8.3	0.6	0.0	-0.2
Organic Chemicals	1.4	4.1	2.5	2.4	-0.1	-0.3
Power generating machinery	2.5	6.9	4.5	4.0	0.3	0.7
Scientific instruments	2.3	6.3	75.0	3.6	2.7	0.5
Specialized industrial machinery	2.6	7.3	10.6	4.2	1.4	1.8
TVs, VCRs, etc	2.2	5.9	15.7	3.4	-3.0	-2.5
Textile yarns, fabrics and articles	0.9	2.3	9.5	1.3	-0.8	-0.6
Vehicle parts	5.4	15.0	10.3	8.7	-14.7	-14.4
Maufactured exports not included above	15.5	43.2	-1.1	25.0	-37.0	-18.6
Total manufactures	50.5	138.9	7.3	80.4	-47.4	-37.2
Agriculture	4.6	14.0	-4.1	8.1	4.6	5.8
Other exports not included above	7.0	19.8	-5.3	11.5	-2.0	-6.3
Total exports of goods	62.1	172.7	4.7	100.0	-44.8	-37.7

Source: U.S. Department of Commerce News (FT 900), May 20, 1998

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

Table 11
U.S. exports and imports of goods with major trading partners, Jan. 1997-Mar. 98

Country/areas	Exports			Imports			Trade balances	
	Mar. 1998	Jan. -Mar. 1998	Jan.-Mar. 1997	Mar. 1998	Jan.-Mar. 1998	Jan.-Mar. 1997	Jan.-Mar. 1998	Jan.-Mar. 1997
Total	62.1	172.7	165.0	78.3	217.5	202.7	-44.8	-37.7
North America	21.3	59.8	52.5	23.8	65.6	60.9	-6.7	-8.4
Canada	14.4	39.3	36.8	15.5	43.3	41.3	-4.0	-4.5
Mexico	7.0	19.6	15.7	8.3	22.3	19.6	-2.7	-3.9
Western Europe	15.3	42.2	39.1	17.0	44.6	39.8	-2.4	-0.7
Europe Union (EU–15)	14.2	39.2	35.6	15.6	41.0	36.2	-1.7	-0.6
France	1.7	4.7	3.9	2.1	5.5	4.6	-0.8	-0.7
Germany	2.3	6.5	6.2	4.7	11.5	10.0	-5.1	-3.8
Italy	0.8	2.4	2.3	1.9	5.1	4.5	-2.7	-2.3
Netherlands	1.8	5.2	4.8	0.6	1.7	1.6	3.5	3.2
United Kingdom	4.0	10.3	9.7	3.0	8.2	7.6	2.1	2.1
Other EU	1.0	2.7	1.4	1.1	2.8	2.2	-0.1	0.0
EFTA[1]	0.6	1.9	2.5	1.0	2.7	2.9	0.9	0.4
FSR[3]/Eastern Europe	0.9	2.0	1.8	0.9	2.4	1.9	-0.4	-0.1
Russia	0.6	1.1	0.7	0.4	1.3	0.9	-0.2	-0.2
Pacific Rim Countries	14.7	42.4	46.8	26.8	76.8	71.1	-34.4	-24.3
Australia	1.1	3.1	2.9	0.5	1.3	0.9	1.9	2.0
China	1.0	3.3	2.8	4.8	14.8	12.5	-11.5	-9.7
Japan	5.2	15.0	16.7	11.0	30.4	29.8	-15.4	-13.2
NICs[2]	5.4	15.6	18.9	7.1	20.3	19.0	-4.7	-0.1
South/Central America	5.7	15.6	13.9	4.3	12.3	9.0	3.3	0.9
Argentina	0.5	1.4	1.2	0.2	0.6	0.6	0.8	0.7
Brazil	1.3	3.5	3.4	0.8	2.3	2.4	1.2	1.0
OPEC	2.5	6.9	5.2	3.0	8.9	10.3	-2.0	-5.0
Egypt	0.2	0.7	0.9	0.1	0.2	0.1	0.6	0.8
South Africa	0.3	0.7	0.7	0.3	0.7	0.5	0	0.2
Other	2.0	5.8	6.2	3.8	10.9	9.9	-5.2	-3.7

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

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

Source: U.S. Department of Commerce news (FT 900), May 20, 1998.

Table 12
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1997-March,1998, seasonally adjusted

	Exports		Change	Trade balances	
	Jan.-Mar. 1998	Jan.-Mar.. 1997	Jan.-Mar. 1998 over Jan.-Mar. 1997	Jan.-Mar. 1998	Jan.-Mar. 1997
	Billion dollars		*Percent*	*Billion dollars*	
Travel	18.3	18.6	-1.6	4.8	5.6
Passenger fares	5.4	5.3	1.9	1.0	1.0
Other transportation	7.2	7.0	2.9	-0.3	-0.4
Royalties and license fees	7.4	7.7	-3.9	5.1	5.9
Other private services	21.2	19.7	7.6	8.7	8.4
Transfers under U.S. military sales contracts	4.5	3.2	40.6	1.4	0.4
U.S. Govt. miscellaneous service	0.2	0.2	0.0	-0.5	-0.5
Total	64.2	61.7	4.1	20.2	20.4

Source: U.S. Department of Commerce News (FT 900), May 20, 1998

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

STATISTICAL TABLES

Indexes of industrial production, by selected countries and by specified periods, Jan. 1995–Jan. 1998

(Total Industrial production, 1991=100)

Country	1995	1996	1997	1997 I	II	III	IV	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	1998 Jan.
United States[1]	112.1	115.2	121.7	118.5	119.5	121.6	127.3	119.9	120.9	121.5	122.4	126.5	127.4	127.9	127.9
Japan	96.0	98.7	(2)	103.0	102.4	103.2	(2)	105.4	108.7	94.6	106.3	(2)	(2)	(2)	(2)
Canada[3]	107.6	109.3	(2)	108.1	113.4	(2)	(2)	115.6	110.6	118.5	(2)	(2)	(2)	(2)	(2)
Germany	95.9	96.0	(2)	96.0	99.3	(2)	(2)	102.9	101.6	88.5	(2)	(2)	(2)	(2)	(2)
United Kingdom	105.9	107.6	(2)	111.1	107.0	104.1	(2)	106.2	106.0	95.8	110.4	(2)	(2)	(2)	(2)
France	99.0	99.7	(2)	103.4	104.6	(2)	(2)	105.3	101.5	79.5	(2)	(2)	(2)	(2)	(2)
Italy	107.8	104.8	(2)	109.7	114.3	(2)	(2)	116.1	113.0	54.6	(2)	(2)	(2)	(2)	(2)

[1] 1992=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, November 1997, *Federal Reserve Statistical Release,* February 17, 1998.

Consumer prices, by selected countries and by specified periods, Jan. 1995– Dec. 1997

(Percentage change from same period of previous year)

Country	1995	1996	1997	1997 I	II	III	IV	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
United States	2.8	3.0	2.3	2.9	2.3	2.2	1.9	3.0	2.8	2.5	2.2	2.3	2.2	2.2	2.2	2.1	1.8	1.7
Japan	–0.1	0.2	1.7	0.6	2.0	2.1	2.1	0.5	0.5	1.8	1.8	2.2	1.8	2.1	2.4	2.5	2.1	1.8
Canada	1.7	1.6	1.6	2.1	1.6	1.7	1.0	2.2	2.0	1.7	1.5	1.8	1.8	1.8	1.6	1.5	0.9	0.7
Germany	1.7	1.4	1.7	1.7	1.5	1.9	1.7	1.7	1.6	1.3	1.5	1.7	1.7	2.0	1.8	1.7	1.8	1.7
United Kingdom	3.4	2.4	3.1	2.7	2.7	3.5	3.7	2.7	2.6	2.4	2.6	2.9	3.3	3.5	3.6	3.7	3.7	3.6
France	1.7	2.0	1.2	1.5	0.9	1.3	1.1	1.6	1.1	0.9	0.9	1.0	1.0	1.5	1.3	1.0	1.2	1.1
Italy	5.2	3.9	2.0	2.5	1.8	1.9	1.9	2.6	2.2	1.8	1.7	1.6	1.8	1.8	1.9	2.0	1.9	1.9

[1] Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, February 1998.

Unemployment rates (civilian labor force basis)[1], by selected countries and by specified periods, Jan. 1995–Dec. 1997

			1997													
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Apr.**	**May**	**Jun.**	**Jul.**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**
United States	5.6	5.4	4.9	5.3	4.9	4.9	4.7	4.9	4.8	5.0	4.8	4.9	4.9	4.8	4.6	4.7
Japan	3.2	3.4	3.4	3.3	3.5	3.4	3.5	3.4	3.6	3.5	3.5	3.4	3.5	3.5	3.5	3.5
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9	9.6	9.5	9.1	9.0	9.0	9.0	9.1	9.0	8.6
Germany	6.5	7.2	(2)	7.7	7.8	7.8	(2)	7.8	7.8	7.8	7.8	7.8	7.8	7.9	7.8	(2)
United Kingdom	8.8	8.3	7.1	7.6	7.3	6.9	6.6	7.0	7.3	7.1	7.1	6.9	6.8	6.7	6.6	.5
France	12.3	12.4	12.7	12.7	12.7	12.7	12.6	(2)	12.7	12.7	12.7	(2)	12.7	12.7	12.6	12.4
Italy	12.0	12.1	12.3	12.3	12.7	11.9	12.2	(3)	(3)	(3)	11.9	(3)	(3)	12.2	(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, February 1998.

Money–market interest rates,[1] by selected countries and by specified periods, Jan. 1995–Jan. 1998

(Percentage, annual rates)

				1996	1997											1998
Country	**1995**	**1996**	**1997**	**IV**	**I**	**II**	**III**	**IV**	**Jun.**	**Jul.**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**
United States	5.8	5.4	5.6	5.4	5.4	5.7	5.6	5.7	5.6	5.6	5.6	5.6	5.6	5.7	5.8	5.5
Japan	1.2	.5	(2)	0.5	0.5	0.5	0.5	(2)	0.6	0.6	0.5	0.5	0.5	0.5	0.7	(2)
Canada	7.1	4.4	(2)	3.2	3.1	3.3	3.6	(2)	3.3	3.5	3.6	3.6	3.8	4.0	4.6	(2)
Germany	4.4	3.2	(2)	3.0	3.0	3.0	3.1	(2)	3.0	3.0	3.1	3.2	3.5	3.6	3.6	(2)
United Kingdom	6.6	5.9	(2)	6.1	6.1	6.4	7.0	(2)	6.6	6.9	7.1	7.1	7.2	7.5	7.6	(2)
France	6.4	3.8	(2)	3.3	3.2	3.3	3.2	(2)	3.3	3.2	3.3	3.2	3.4	3.5	3.5	(2)
Italy	10.4	8.7	(2)	7.5	7.3	6.9	6.8	(2)	6.8	6.8	6.8	6.6	6.6	6.6	6.0	(2)

[1] 90–day certificate of deposit.
[2] Not available.

Source: *Federal Reserve Statistical Release*, February 17, 1998; *Federal Reserve Bulletin*, February, 1998.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1995–Dec. 1997

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

Country	1995	1996	1997	1997 I	II	III	IV	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
United States[1]	–158.8	–170.2	–181.8	–181.7	–167.1	–190.4	–185.4	–161.9	–187.0	–183.2	–201.0	–182.3	–177.9	–196.1
Japan	106.0	68.2	([2])	51.3	93.3	86.6	([2])	90.7	75.8	109.6	74.5	([2])	([2])	([2])
Canada[3]	27.8	30.7	([2])	28.8	16.5	([2])	([2])	13.8	12.0	19.0	([2])	([2])	([2])	([2])
Germany	63.6	65.5	([2])	68.0	79.0	([2])	([2])	87.6	73.6	56.0	([2])	([2])	([2])	([2])
United Kingdom	–22.4	–25.3	([2])	–17.0	–23.0	([2])	([2])	–21.8	–19.5	–15.2	([2])	([2])	([2])	([2])
France[3]	20.0	17.8	([2])	22.5	34.4	([2])	([2])	37.6	42.6	21.1	([2])	([2])	([2])	([2])
Italy	27.6	43.9	([2])	32.0	30.6	([2])	([2])	27.1	38.4	([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, February 19, 1998; *Main Economic Indicators;* Organization for Economic Cooperation and Development, November 1997.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1995–Dec. 1997

(In billions of dollars)

Country	1995	1996	1997	1997 I	II	III	IV	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Commodity categories:													
Agriculture	25.6	26.7	20.5	5.7	3.5	3.9	7.0	0.9	1.5	1.5	2.4	2.6	2.0
Petroleum and selected product— (unadjusted)	–48.8	–60.9	–65.5	–18.6	–16.1	–15.0	–15.9	–5.2	–5.4	–5.4	–5.9	–4.8	–5.2
Manufactured goods	–173.5	–175.9	–179.5	–37.1	–37.7	–54.5	–49.9	–19.3	–16.6	–18.6	–19.9	–14.5	–15.5
Selected countries:													
Western Europe	–10.6	–10.4	–17.5	–.6	–2.3	–7.3	–6.7	–4.3	–1.9	–1.1	–2.8	–1.5	–2.4
Canada	–18.1	–22.8	–16.6	–4.4	–3.7	–4.0	–4.4	–1.4	–1.3	–1.3	–0.8	–1.5	–2.2
Japan	–59.1	–47.6	–55.6	–13.1	–12.4	–14.7	–15.1	–5.1	–4.5	–5.1	–5.8	–4.2	–5.1
OPEC (unadjusted)	–15.7	–19.8	–20.5	–5.5	–5.2	–5.5	–3.8	–1.8	–1.9	–1.8	–2.2	–1.4	–0.2
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$15.83	$18.98	$17.67	$20.37	$17.08	$16.72	$16.99	$16.50	$16.94	$16.72	$17.65	$17.13	$16.21

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

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, February 19, 1998.