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Robert A. Rogowsky, *Acting Director*

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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

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INTERNATIONAL TRADE DEVELOPMENTS

Cultural Protectionism and the MAI

In May of 1995, Ministers representing member countries of the Organization for Economic Cooperation and Development (OECD) established a Negotiation Group that would design an investment agreement that would apply worldwide, the Multilateral Agreement on Investment (MAI). Most recently, eight non-OECD countries, Brazil, Chile, Argentina, Slovakia, Estonia, Lithuania, Latvia, and Hong-Kong China, have joined the negotiation process.

A multilateral investment agreement seems the most logical "next step" following the successfully concluded agreements on goods and services arranged by the World Trade Organization (WTO). The OECD-sponsored MAI may also serve as an important precursor to similar negotiations at the WTO. Though many countries seek foreign direct investment (FDI) as a means to increase living standards and boost technological advancement, until the MAI, there has not been a set of multilateral guidelines on how a nation should manage FDI. In the past, risk and vulnerability have discouraged foreign investment. The proposed MAI would diminish such risk factors and create a more accommodating environment for foreign investment.

The attempt to formulate a global investment agreement, however, has been met with some obstacles. At the start of negotiations, many developing nations withdrew from the negotiation process fearing the dominance of larger, industrialized countries and, subsequently, a loss of control over foreign investment in their respective nations. This withdrawal and un-representation presents the first deterrent toward completion for the global agreement. Consequently, the OECD, rather than the WTO, began negotiations and drafting in Paris. However, the negotiation process was interrupted once again when a variety of special interest groups (e.g. labor unions, environmentalists) broadcast over the Internet their fear of a global agreement. The agreement process resumed and other problems developed. Among these, the reluctance of some Western countries, particularly France and Canada, to agree to the determined investment provisions. In April, this friction put a halt to the current round of negotiations, this difficulty will likely have significant ramifications on the outcome of the investment agreement.

Joining the OECD in its current round of MAI negotiations has been Canada's first active display of interest in the multilateral investment agreement. Realizing the MAI would increase exposure to foreign societies, particularly American culture, Canadian officials recognized the need to defend their country's national identity. Canadian officials insisted on having sufficient input and guidance into the agreement as, they maintained, the worldwide trade agreement would affect their social, economic, and political environment. Sheila Copps, the Canadian Minister of Heritage and Culture, charged the United States entertainment industry with intruding on Canadian culture and depreciating the value of Canada's unique history. First coined sixty years ago when British film makers attempted to satisfy government mandated quotas for all-English films, "cultural protectionism" made the headlines once again.

As of July 6, 1998, Copps had rallied twenty nations and called a meeting to discuss the means by which concerned nations can defend their distinct cultures. Anticipating the spread of Americanization, these twenty nations have come together to form a "cultural network." Working together to promote cultural uniqueness, their aim is to define those measures a nation can use in defense of their national identity. Distinguishing culture from commerce, they believe, is necessary to enhance and fortify cultural diversity worldwide. The network, including countries such as Mexico, Greece, and Sweden, plans to launch an international television service and develop a network of cultural web sites devoted to their cause, nonconformity.

Canada stands on a cultural platform. Canadian officials have claimed the United States entertainment industry has bombarded Canadian culture and poses a significant threat to cultural diversity worldwide. Canadian officials claim unregulated trade of films, television, books, and magazines will prove detrimental to a dynamic global community. They purport the American entertainment industry imposes American culture, ideals, morals, norms, and values on other nationalities. The United States, however, refutes these "charges of cultural imperialism." Hollywood representatives argue that it is not an issue of culture but rather one of marketplace competition. The U.S. officials contend that the market is driven by consumer demand, arguing that if Canada feels threatened by the U.S. entertainment industry, they should invest more in both the production and marketing of Canadian films and television programs. Francis Xavier Feeney, a U.S. film critic and scriptwriter, noted that Canadian film makers could improve simple techniques, such as dubbing, to add value to their productions. Yet, Copps protests, culture should not be mistaken for a "commodity;" she referred to the proverbial "widget" of economic theory. As a commodity, culture will be mass produced. Copps fears the formulation of a "monoculture," an Americanized culture where a single language, English, predominates.

Historically, Canadian trade legislation has protected such cultural industries. Courtney Tower of the *Journal of Commerce* notes that Canada's cultural protectionism can be traced back to the 1930s, the age of radios, when taxpayer support and legislation guarded them against American culture. Today, fuel is added to the fire when prices are considered. The proliferation of American popular culture on movie screens and magazine racks is compounded by lower prices. Canadian editions of American magazines are less expensive than Canadian publications, and therefore Canadian companies can advertise at a fraction of what it would cost in a Canadian magazine. In 1991, to address this situation, Canada levied an 80 percent excise tax on Canadian advertising profits in local editions of foreign magazines in an attempt to block these so-called split-run publications. The United States took the dispute to the WTO, which found that the Canadian policy violated multilateral obligations under the WTO accord on trade in goods. Canada was told to modify the policy.

On July 1, 1998 Canada planned to design yet another tax to impose on Canadian companies who take out ads in American magazines. However, Canadians quickly abandoned this plan, and on July 29, 1998 the Canadian Government banned foreign-owned magazines from publishing advertisements directed toward the Canadian audience. Copps claims this new tactic will increase literature tailored for the Canadian public and thus enhance and promote Canadian unique culture. Foreign companies who violate this policy will incur a large fine, as much as US$167,000. Canadian officials believe the new policy, distinguishing advertising as a service, will be supported by the WTO agreement on services. This legislation, to be implemented October 30, 1998, Canadians believe, will discourage the prevalence of American editions and readership. However, the same day Canada announced the enforcement of this new policy, the Office of the United States Trade Representative (USTR) issued a press release stating the United States' "disappointment". The United States Trade Representative (USTR), Ambassador Charlene Barshefsky, stated that the Canadians' approach "appears to simply represent a new prohibition against U.S. companies' ability to do business in Canada. Such an approach would be every bit as inconsistent with Canada's international trade obligations as its current discriminatory practices." Thus, the new policy may just be a new rendition of the "old story." Ambassador Barshefsky sent a "team of experts" to Ottawa to discuss U.S. concerns.

Canada's concern about magazines and publications is a reflection of a long-standing Canadian position that resulted in the implementation of investment regulations that would impede easy access to Canadian cultural industries. The goal of the MAI is to increase foreign investment worldwide in a fashion similar to those standards that guide the trade of goods and services defined in the General Agreement on Tariffs and Trade (GATT) and the Uruguay Round Agreement. Yet, Canadian officials fear that U.S. dominance in publishing and entertainment industries will directly influence those aspects of Canadian culture that differentiate their unique society from the rest of the world. Canada is concerned that the socially conscious foundation of their society will be eroded by American norms conveyed in the media. The media, officials claim, will affect culturally defined areas of Canadian society, such as, education, health and social services, programs for aborigines, and programs for other minorities.

While Canada's heritage may be described broadly as French and British, approximately 42 percent of the population has some other ethnic origin. The Government of Canada reports over 60 languages spoken by more than 70 ethnocultural groups throughout Canadian society. Among these groups are citizens of Aboriginal, German, Italian, Asian, and Jewish decent. The pursuit of cultural freedom has thus been in place for many years. For more than 80 years, ethnic newspapers have stocked the shelves of Canadian newspaper stands. Today, Toronto reports having in excess of 100 daily, weekly, monthly, or quarterly ethnic publications, magazines and newspapers written in ethnic languages, representing more than 40 cultures. Ethnic-based radio permeates Canadian air waves as well. In 1991, in an effort to preserve Canadian multiculturalism, Canada passed the Broadcasting Act, which requires the broadcasting system to represent and serve the diverse society, through employment and programming, "and reflect the multicultural and multiracial nature of Canada." Multiculturalism has obviously encouraged Canada to develop a strong social consciousness, inclusive and respectful of all nationalities and ethnicities.

Officials claim "we can live without [the MAI]." Further, Canada will continue to attract foreign investment "as a country known for the openness and fairness of its rules." In a statement published in May of 1998 by the Canadian Department of Foreign Affairs and International Trade (DFAIT) a favorable MAI was outlined. The required accommodations include:

- "a narrow interpretation of "expropriation" that makes it entirely clear that legislative or regulatory action by government in the public interest is not expropriation requiring compensation, even if it has adverse profitability consequences for companies or investors;
- ironclad reservations that would fully preserve Canada's freedom of action, at both the federal and provincial levels, in key areas including health care, social programs, education, Aboriginal matters and programs for minority groups, and no standstill or rollback requirements in any of these areas. In other words, no restriction on our freedom to pass future laws in these areas, and no commitment to gradually move our policies into conformity with MAI negotiations; the continued ability of the Government to preserve and promote Canadian culture and Canadian cultural industries;
- the continued ability of Canada to maintain its current measures relating to areas such as transportation and financial services, business service industries, communications, the auto industry, land and real estate, energy, fisheries, investment review, privatization practices, government finance, agriculture, the supply management regime, and the management of natural resources."

By participating in MAI negotiations Canada hopes to preserve the cultural freedoms that have been cultivated over the past century. Canadian officials assert culture is not negotiable and therefore will not sign the MAI until all of their concerns are addressed. They hope to form rules that will permit Canadians to "compete more effectively" in the increasingly global economy. Canada's quest to "curb" the United States entertainment industry, explained by Rosanna Tamburri of the Wall Street Journal, would give special consideration to cultural products and industries in trade legislation. Furthermore, the proposed regulations will also cater to Third World and Eastern Bloc countries, also afraid of losing their cultural traditions. A well defined MAI increases investment competition and inevitably increases research and development. More money in R&D, then translates into new technology, creates more jobs, and thus increases both consumption and savings. Ultimately, investment increases the flow of money in the economy and raises gross domestic product (GDP). Canadian officials argue, special treatment, not dissimilar to existing provisions in the North American Free Trade Agreement between the United States, Canada, and Mexico, or in the Helms-Burton Act, would level the playing field and protect Canadian culture simultaneously. In 1996, Canada amended their Foreign Extraterritorial Measures Act (FEMA) in an effort to protect Canadian companies against all foreign measures such as the U.S. Helms-Burton Act. The DFAIT legislation also stated that the Canadian Government will "continue to defend Canadian interests strongly, including through the NAFTA process."

However, while Canada considers U.S. culture to be an imposition on Canadian society, Canada's stance on the MAI may be inhibiting Canadian growth and prosperity. The United States argues that Canada and other countries aligned with Canada are creating a cultural exchange blockade, a front for trade barriers that constitute a form of trade protectionism. Such cultural and trade barriers eliminate potential markets by constraining global demand, discouraging foreign direct investment, and inhibiting global economic growth. A more efficient global economy would be suppressed by this special exemption as Canadian companies pass up potential investment opportunities and discourage foreign direct investment. If Canada's principal goal is to "compete more effectively" in the global economy, it could direct its efforts toward cooperating with the United States, a NAFTA partner, during the next round of MAI negotiations that begins in October of 1998.

Though American and Canadian views regarding the interplay between business and culture may clash, their goal is the same. It is no country's intention for the MAI to impede the recent progressive trend of trade agreements. The Multilateral Agreement on Investment must be well defined so as to treat each nation equally. Negotiations must focus on the key concerns of the agreement - expropriation as a public service; fair and prompt, nondiscrimination between investors; and full access to a dispute settlement mechanism. These concerns must be a priority and a goal underlying the effort displayed by all nations affected by the MAI.

USITC— The Year in Trade 1997

The U.S. International Trade Commission (USITC) recently released its annual *The Year in Trade 1997*, Operation of the Trade Agreements Program report. The study provides a comprehensive review of U.S. trade-related issues and activities, including major multilateral, regional, and bilateral developments in 1997. It also includes a review of international trade laws, a report on the operation of the World Trade Organization (WTO), a review of U.S. bilateral trade agreements with major trading partners, and a survey of actions under U.S. trade law.

Specifically, this year's report examines developments in several important regional arrangements —the North American Free Trade Agreement, the Free Trade Area of the Americas, and the Asia-Pacific Economic Cooperation forum— and includes a summary of recent U.S trade initiatives for Sub-Saharan Africa. Other major topics discussed include:

- global economic conditions and U.S. trade with major trading partners during 1997;
- significant activities in the WTO, including its dispute settlement mechanism, and in the Organization for Economic Cooperation and Development;
- bilateral trade issues with major U.S. trading partners, such as those with Canada on dairy pricing; with the European Union on the mutual recognition of conformity assessment procedures and the Helms-Burton Act; with Japan on airport transport services and harbor services; with Mexico on sweeteners and apples; with China on WTO accession and intellectual property protection; with Taiwan on insurance and WTO accession; and with Korea on telecommunications and automobiles;
- the operation of such programs as the U.S. Generalized System of Preferences, the Caribbean Basin Economic Recovery Act, the Andean Trade Preference Act, and the U.S. textile and apparel trade program; and,
- major U.S. trade sanctions activities involving Cuba, the Federal Republic of Yugoslavia (Serbia and Montenegro), Iran, Iraq, and Libya.

Published annually, *The Year in Trade* includes complete listings of antidumping, countervailing duty, intellectual property right infringement, and section 301 cases undertaken by the U.S. Government in 1997. Statistical tables highlight U.S. bilateral trade with major trading partners. This is the 49th issue in the series and is a useful reference for government officials and others with an interest in U.S. trade relations.

The Year in Trade (USITC Publication 3103, May 1998) is available on the USITC's Internet server at http://www.usitc.gov. The report also is expected to be available at federal depository libraries in the United States and at offices of the U.S. Information Agency abroad. A printed copy may be requested by calling 202-205-1809 or by writing to the Secretary, U.S. International Trade Commission, 500 E Street, SW, Washington, D.C. 20436. Requests also may be faxed to 202-205-2104.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Conditions

The U.S. Department of Commerce reported that U.S. real GDP grew in the second quarter of 1998 at an annual rate of 1.6 percent following a robust 5.5 percent growth in the first quarter. The sharp slowdown in inventory investment and the deceleration in producers' equipment investment were the main factors contributing to the decline in GDP growth in the second quarter.

The major contributors to real GDP growth in the second quarter were personal consumption spending, government spending, and residential structures investment. However, these were partially offset by a decrease in inventory investment, an increase in imports and a decrease in exports of goods and services.

Real personal consumption expenditures increased by 5.8 percent in the second quarter down from a 6.1 percent increase in the first quarter. Real nonresidential fixed investment increased by 12.6 percent in the second quarter down from an increase of 22.2 percent. Producers' durable equipment increased by 18.1 percent a sharp slowdown from the increase of 34.3 percent. Real residential fixed investment increased by 14.8 percent in the second quarter compared with an increase of 15.6 percent in the first. Business inventories investment slowed sharply in the second quarter from the first quarter. Businesses increased inventories by $39.1 billion in the second quarter following increases of $91.4 billion in the first quarter. The decline in inventories investment subtracted 2.6 percentage points from second quarter GDP after adding 1.2 percentage points in the first quarter.

Real exports of goods and services decreased by 7.4 percent to $972.9 billion in the second quarter following a decline of 2.8 percent in the first to $991.9 billion. Real imports of goods and services increased by 10.0 percent to $1219.2 billion following an increase of 15.7 percent in the first quarter to $1190.4 billion. As a result, the trade deficit on goods and services rose to $246.3 billion from $198.5 billion.

Inflation as measured by the GDP price index rose by 0.4 percent in the second quarter in contrast to a increase of 0.2 percent in the first.

Notwithstanding the increase in the GDP price deflator in the second quarter, inflation is expected to stay low due to the decline in import prices resulting from a strong dollar in terms of Asian and other currencies and the decline in several major commodity prices. Nonpetroleum import prices declined by 3.9 percent in the year ending July 1998 and will continue their decline due to falling Asian demand. Petroleum prices declined by 31.9 percent in the same period. In addition, U.S. labor productivity in manufacturing continues to rise, partially offsetting a rise in unit labor costs.

Nonetheless, the Asian financial woes are expected to further increase U.S. deficits on merchandise trade and the current account. U.S. exports to the Pacific Rim region have already dropped, declining by $13.5 billion in the period January-June 1998 from the same period of the previous year. Imports increased by $9.0 billion in the same period. The U.S. trade deficit with the Pacific Rim area increased to $73.0 billion from $50.4 billion. However, since foreign trade represents only around 13 percent of U.S. GDP, the deterioration in the U.S. trade balance will not have a significant impact on overall U.S. economic growth.

Japan's current financial and economic problems could have a much greater impact on the world economy particularly if the depreciating yen forces a devaluation of the Chinese currency. The region then, would have to increase exports which will affect the competitiveness of other exporting countries because of falling Asian demand and the depreciation of their currencies.

Japan has been an engine of growth for other Asian economies; however, Japan's economy is currently in recession. GDP fell by an annualized 5.3 percent in the three months to March, the second consecutive quarterly fall. Japan's unemployment rate stands at a post-war high of 4.1 percent. Japanese banks are working under the burden of bad loans. The Japanese yen had hit an eight-year low of 147 yen to the dollar before the Japanese and U.S. interventions to prop up its exchange value.

Japan's Government stimulus package, its biggest yet, and the weaker yen are expected to boost economic growth in the second half of this year. Also, Japan has recently taken further steps to liberalize and deregulate its economy (see *IER*, March/April/May, USITC Publication 3109 for detailed discussion of Japan's financial and deregulation packages). Moreover, the Japanese Government, reportedly, is considering a "bridge banks" plan that would take over the operation of troubled banks and continue to lend to troubled customers. Such a plan could shelter the banking and construction industries and restore consumer and investors confidence.

The Organization of Economic Cooperation and Development (OECD) recently assessed the impact of the Asian financial problems on other OECD members. OECD projects slower export market growth because of weaker Asian demand, exchange rate depreciations affecting competitiveness of other countries' exports to these markets, and the collapse of commodity prices particularly of oil. U.S. exports are projected to increase by 6.4 percent in 1998 and by 7.3 percent in 1999, down from 11.9 percent increase in 1997. U.S. real GDP is projected to grow by 2.7 percent in 1998 and by 2.1 percent in 1999, compared with the 3.8 percent growth rate in 1997. The U.S. current account deficit will increase to 2.5 percent of GDP in 1998 and to 2.8 percent in 1999.

U.S. Labor Productivity and Costs

U.S. labor productivity (as measured by output per hour of all persons) decreased in the business and nonfarm business sectors in the second quarter of this year compared with the first quarter. Productivity rose in the manufacturing sector. Data—for the second quarter of 1998 released by the Bureau of Labor Statistics show productivity changes as follows:

-0.6 percent in the business sector, and

-0.2 percent in the nonfarm business sector.

In both sectors, the decline in productivity growth in the second quarter was the first since the first-quarter of 1995. In manufacturing, productivity changes in the second quarter were:

3.3 percent in all manufacturing,

5.7 percent in durable goods manufacturing, and

0.2 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table 1.

The second-quarter increase in manufacturing productivity was the result of a small increase in output, 1.7 percent, combined with a drop in hours worked in the sector of 1.5 percent. Output and hours in manufacturing, which includes about 18 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than data for the more aggregate business and nonfarm business sectors.

However, the data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production independently prepared by the Board of Governors of the Federal Reserve System.

Business

From the first to the second quarter of 1998, business sector productivity fell at a 0.6 percent annual rate, since output rose by only 1.2 percent (down from a 6.0 percent output increase in the first quarter), but hours of all persons engaged in the sector rose at a rate of 1.8 percent faster than the increase in output. The second quarter output increase was the smallest recorded since a 0.3 percent rise in the second quarter of 1995. The revised measure of labor productivity for the first quarter shows that productivity rose by 4.1 percent as output and hours increased by 7.1 and 2.9 percent, respectively. Hourly compensation increased by 3.9 percent in the second quarter and by 4.9 percent in the first quarter of 1998. This measure includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Unit labor costs, which reflect changes in both hourly compensation and productivity, increased at a 4.5-percent annual rate during the second quarter. This was only the fourth time since 1990 that these costs increased more than 4 percent in a single quarter.

Real hourly compensation increased at a 1.9 percent annual rate during the second quarter of 1998 after rising 4.4 percent in the first quarter of 1998.

Nonfarm business

Productivity decreased slightly—0.2 percent—in the nonfarm business sector during the second quarter of 1998, after rising by 3.5 percent in the first quarter. Output rose by 1.3 percent during the second quarter,

Table 1
Productivity and costs: Second-quarter 1998 measures (seasonally adusted annual rates)

Sector	Productivity	Output	Hours	Hourly compen-sation	Real hourly compen-sation	Unit labor costs
	Percent change from preceding quarter					
Business	-0.6	1.2	1.8	3.9	1.9	4.5
Nonfarm business	-0.2	1.3	1.6	3.8	1.8	4.1
Manufacturing	3.3	1.7	-1.5	2.5	0.5	-0.7
Durable	5.7	3.6	-1.9	1.5	-0.5	-4.0
Nondurable	0.2	-0.7	-0.9	4.4	2.3	4.2
	Percent change from same quarter a year ago					
Business	2.0	4.2	2.1	4.5	2.9	2.5
Nonfarm business	1.9	4.2	2.3	4.3	2.7	2.4
Manufacturing	4.2	4.5	0.3	5.0	3.3	0.8
Durable	6.1	6.6	0.5	4.9	3.2	-1.2
Nondurable	2.0	2.0	0.0	5.2	3.5	3.2

Source: U.S. Bureau of Labor Statistics.

but hours of all persons working in the sector increased more rapidly, 1.6 percent. In the first quarter of the year, output had risen by 7.0 percent, the largest increase since an 8.4-percent increase occurred in the fourth quarter of 1992. Hours of all persons in the nonfarm business sector rose by 3.4 percent in the first quarter of 1998.

Hourly compensation increased by 3.8 percent in the second quarter, down from the 4.6 percent rise posted one quarter earlier. Real hourly compensation for the second quarter of the year rose by 1.8 percent. Unit labor costs grew by 4.1 percent in the second quarter and 1.1 percent in the previous quarter.

Manufacturing

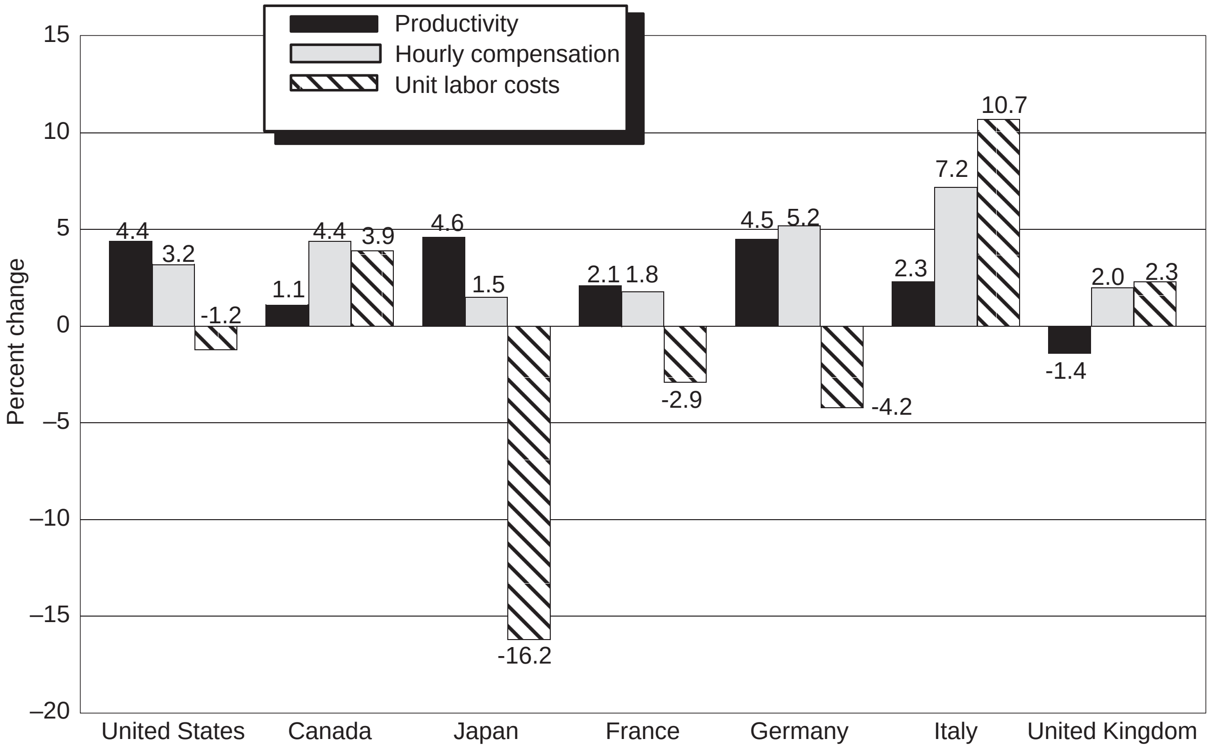
Productivity increased by 3.3 percent in manufacturing, largely due to the increase in output and the drop in employment. Output rose by 1.7 percent and hours of all persons dropped by 1.5 percent (seasonally adjusted annual rates). In the first quarter, productivity rose by 1.4 percent as output increased by 2.2 percent and hours increased 0.8 percent. Labor productivity in manufacturing has risen in every quarter since the third quarter of 1993, when it fell by 0.2 percent. In durable goods, productivity increased by 5.7 in the second quarter of 1998 as output rose by 3.6 percent while hours of all persons fell by 1.9 percent. In nondurable goods manufacturing, productivity rose by 0.2 percent in the second quarter as both output and hours dropped, 0.7 and 0.9 percent, respectively.

Hourly compensation of all manufacturing workers increased by 2.5 percent during the second quarter, less than the 4.1 percent increase in the first quarter. Real hourly compensation rose by 0.5 percent in the second quarter. Unit labor costs in manufacturing fell at a 0.7 percent annual rate in the second quarter. However, trends in unit labor costs in the two subsectors were quite different; unit labor costs fell 4.0 percent in durable goods manufacturing and rose 4.2 percent in nondurable goods manufacturing.

International Comparisons of Manufacturing Productivity and Unit Labor Costs For 1996

The U.S. Department of Labor has recently reported an update of the international comparative series on manufacturing productivity and unit labor costs. Manufacturing productivity in the United States rose by 4.4 percent in 1996, a smaller increase than in 1994 or 1995, figure 1. Nevertheless, the U.S. productivity growth rate was higher than the rates recorded for 8 of 10 foreign countries. Productivity growth in Germany (former West Germany) and Japan was slightly higher than in the U.S. U.K. productivity fell 1.4 percent. Although the three leaders in 1996 had approximately the same rates of productivity growth, the composition of that growth varied among the countries. German productivity increased, despite a slight drop in manufacturing output, due to a large drop in total hours worked. In contrast, Japan's increase in

Figure 1
Percent change in manufacturing productivity and unit labor costs in specified countries, 1995-96



Source: U.S. Department of Labor.

productivity was attributable entirely to a strong increase in output. The United States combined an increase in output with a modest decline in hours worked to achieve its productivity growth.

Unit labor costs - the cost of labor input required to produce one unit of output - fell 1.2 percent in the United States in 1996. Among the 13 foreign economies for which these data are available, only France, Japan, and Taiwan also had decreases in unit labor costs as measured in their national currencies. The largest unit labor cost increases occurred in Italy and Sweden. Unit labor costs can be computed either as labor cost in nominal terms divided by real output or, equivalently, as hourly labor cost divided by output per hour. An increase in productivity represents a decrease in the amount of labor input needed to produce a unit of output; thus, an increase in productivity can offset an increase in compensation per hour when calculating unit labor costs. The 2 percent decline in U.S. unit labor costs occurred because the 4.4 percent increase in productivity in the United States more than offset an hourly compensation increase of 3.2 percent.

Relative currency values play a role in international competitiveness. In order to make changes in unit labor costs more relevant for discussing competitiveness, foreign countries' costs are converted to U.S. dollars. Currency values relative to the U.S. dollar depreciated in all of the foreign economies in 1996, except in Canada, Italy, and Sweden. Unit labor costs of countries with depreciating currencies either: fell more, fell instead of rising, or grew at a slower rate when measured on a U.S. dollar basis rather than on a national currency basis.

Based on an index constructed on a national currency basis, U.S. manufacturing unit labor costs relative to 13 competitors decreased to 84 in 1996 from 100 in 1979. Based on an index constructed on a U.S. dollar basis, U.S. manufacturing labor costs decreased to 75.8 in 1996 in the same period. The 1996 measures of changes in manufacturing productivity, unit labor costs, and related variables for selected countries are shown in figure 1. Although the productivity measure relates output to the hours of persons employed in manufacturing, it does not measure the specific contributions of labor as a single factor of production. Rather, it reflects the joint effects of many influences, including new technology, capital investment, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

U.S. output measure

The U.S. output series used for international comparisons differs from the manufacturing series that BLS publishes in its news releases on quarterly measures of U.S. productivity and costs. While both series are based on annually-changing price weights, the quarterly U.S. manufacturing series is on a ”sectoral” output basis rather than on a value added basis. Sectoral output is gross output less intra-sector transactions.

The combination of an output increase of 3.9 percent and a 0.5 percent decrease in labor hours produced a manufacturing productivity (output per hour) growth rate of 4.4 percent in the United States in 1996. Germany and Belgium were the only economies to improve their productivity growth rates in 1996 relative to 1995. In the United Kingdom, productivity declined in both 1995 and 1996. In 1996, output growth of 0.3 percent combined with a 1.7 percent increase in hours worked led to a 1.4 percent drop in productivity.

Slower output growth was the norm in 1996, as none of the 14 economies was able to keep pace with its 1995 growth rate. The 3.9-percent output growth in the United States in 1996 was down from 6.7 percent in 1995 and 8.4 percent in 1994. In Japan, Korea, and Taiwan, 1996 output growth rates were higher than in the United States; growth rates were lower or negative in Canada and the European economies.

Labor input (as measured by total hours worked in manufacturing) declined or was essentially unchanged in 1996 in all economies except Norway and the United Kingdom. For the first time since 1992, the United States was among the countries with declining labor input.

Hourly compensation costs in manufacturing - which include wages and salaries, supplements, and employer payments for social security and other employer-financed benefit plans - rose by 3.2 percent in the United States in 1996, a rate approximately one-half percentage point higher than in each of the previous three years. The 3.2 percent increase put the United States in the middle of the range of countries, with the largest increases in Italy and Sweden and the smallest in France and Japan.

With productivity growth slightly outpacing the increase in hourly compensation costs, U.S. unit labor costs dropped for the third consecutive year in 1996, although the decline of 1.2 percent was less than the declines in the previous two years. The declines of the last three years have offset the effect of the unit labor cost increases that occurred during the first part of the decade, with the result that U.S. unit labor costs were approximately the same in 1996 as they were in 1990. In all other countries except Sweden, unit labor costs in national currency units increased over the 1990-96 period.

Unit labor costs in U.S. dollars

Changes in currency values relative to the U.S. dollar can have an important effect on changes in competitiveness as measured by U.S. dollar-based unit labor costs. While U.S. manufacturing unit labor costs went down by 1.2 percent during 1996, unit labor costs declined even more when expressed in terms of U.S. dollars in eight of the other 13 economies. This can be attributed primarily to currency depreciations. Japan had the largest decline in national currency-based unit labor costs and also the largest decline in currency value relative to the dollar. Consequently, Japanese unit labor costs measured in U.S. dollars plunged by 16.0 percent.

In 1996, the countries with the largest increases in unit labor costs measured on a national currency basis, Italy and Sweden, also had the largest increases in relative currency values. Thus, when measured on a U.S. dollar basis, these countries had unit labor cost increases of nearly 11.0 percent, far exceeding those of their competitors.

Trade-weighted unit labor costs

Because the economies covered by the BLS comparative data differ greatly in their relative importance to U.S. trade in manufactured goods, BLS constructs indexes of U.S. unit labor cost trends relative to a trade-weighted average of unit labor cost trends in the other economies.

U.S. International Transactions, First quarter 1998 Current account

The U.S. current-account deficit — the combined balances on trade in goods and services, investment income, and net unilateral transfers — increased to $47.2 billion in the first quarter of 1998 from $45.0

billion in the fourth quarter of 1997, according to preliminary estimates of the Commerce Department. An increase in the deficit on goods and services was partly offset by decreases in the deficit on investment income and in net unilateral transfers. A summary of U.S. current account is presented in table 2.

Goods and services

The deficit on goods and services increased to $34.9 billion in the first quarter from $28.5 billion in the fourth. The increase in the deficit reflected both a decrease in exports and in increase in imports. The deficit on goods increased to $55.7 billion in the first quarter from $49.8 billion in the fourth. Exports of goods decreased to $171.5 billion from $174.3 billion Nonagricultural exports decreased; the decrease was mainly in capital goods and in industrial supplies and materials. Agricultural exports also decreased. Imports of goods increased to $227.2 billion from $224.1 billion. Most categories of nonpetroleum imports increased: consumer goods, industrial supplies and materials, automotive vehicles and parts, and capital goods. Petroleum imports decreased sharply, as an increase in quantity was more than offset by a sharp drop in prices.

The surplus on services decreased to $20.8 billion in the first quarter from $21.4 billion in the fourth. Services receipts decreased to $64.9 billion from $65.2 billion. Decreases in “other” transportation and in “other” private services more than offset an increase in transfers under U.S. military agency sales contracts. Travel and passenger fares were virtually unchanged. Services payments increased to $44.1 billion from $43.8 billion. Travel, passenger fares, and royalties and fees increased. “Other” transportation and “other” private services decreased.

Investment income

The deficit on investment income decreased to $3.1 billion in the first quarter from $4.2 billion in the fourth. Income receipts increased to $61.5 billion from $60.4 billion. The increase was in direct investment income receipts and in ”other” private income receipts. U.S. Government income receipts were virtually unchanged. Income payments were virtually unchanged at $64.6 billion. An increase in “other” private income payments was nearly offset by decreases in direct investment income payments and in U.S. Government income payments.

Net unilateral transfers decreased to $9.2 billion in the first quarter from $12.3 billion in the fourth. Almost all of the decrease was in U.S. Government grants, which were boosted by an increase in grants to Israel in the fourth quarter.

Table 2
A summary of U.S. international transactions, 1996-98, (in billions of dollars, seasonally adjusted)

(Credits +, debits -)

	1996	1997	1997 I.Q	1997 IV.Q	1998 I.Q
Exports of goods	612.0	679.3	163.5	174.3	171.5
Imports of goods	-803.3	-8.77	-213.2	-224.1	-227.2
Balance of goods	-191.3	-198.0	-49.7	-49.8	-55.7
Exports of services	238.8	258.3	62.7	65.2	64.9
Imports of services	-156.0	-170.5	-41.1	-43.8	-44.1
Balance on services	82.8	87.8	21.6	21.4	20.8
Income received on U.S. assets abroad	213.2	241.8	57.6	60.4	61.5
Payments on foreign assets in the United States	-199.0	-247.1	-57.6	-64.6	-64.6
Balance on investment income	14.2	-5.3	0.1	-4.2	-3.1
Balance on goods, services and income	-94.3	-115.5	-28.1	-32.7	-9.2
Unilateral transfers, net	-40.6	-39.7	-8.9	-12.3	-9.2
Balance on current account, surplus (+), deficit (-)	-134.9	-155.2	-37.0	-45.0	-47.2
U.S. assets abroad, net (increase/capital outflows (-)) (increase/capital inflows (+))	-358.8	-478.5	-145.1	-123.4	-44.7
Foreign assets in the United States, net (Increase/capital inflows (+))	553.4	733.4	181.7	220.5	90.9
Capital inflows (+), outflows (-)	194.6	254.9	36.6	97.1	46.2

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

Source: U.S. Department of Commerce.

Capital transactions

Net recorded capital inflows were $46.2 billion in the first quarter, compared with $97.1 billion in the fourth. Recorded capital outflows and inflows both decreased sharply; however, the drop in net inflows for foreign assets in the United States was substantially larger than the drop in net outflows for U.S. assets abroad.

U.S. assets abroad

U.S. assets abroad increased $44.7 billion in the first quarter, compared with an increase of $123.4 billion in the fourth. The smaller first-quarter increase largely reflected a shift to a decrease in bank-reported claims. U.S. claims on foreigners reported by U.S. banks decreased $12.9 billion in the first quarter, in contrast to an increase of $27.5 billion in the fourth quarter. Banks sharply reduced interbank lending to the Caribbean and Japan, after providing especially large amounts of interbank funds during the unsettled period of the fourth quarter as developments in Asia unfolded.

Net U.S. purchases of foreign securities were $5.2 billion in the first quarter, down from $8.0 billion in the fourth quarter. Net U.S. purchases of foreign stocks were $2.3 billion, up from virtually zero in the fourth quarter; U.S. investors were slow to reinvest in foreign markets following the events related to the Asian financial situation in the fourth quarter, despite strong price gains in many European equity markets. Net U.S. purchases of foreign bonds were $2.8 billion, down from $8.1 billion, mostly as a result of a drop in newly issued foreign bonds in the U.S market.

Net outflows for U.S. direct investment abroad decreased to $30.9 billion in the first quarter from $35.5 billion in the fourth. Smaller net outflows for equity capital and for intercompany debt more than accounted for the decrease. Reinvested earnings were up slightly.

Foreign assets in the United States

Foreign assets in the United States increased by $90.9 billion in the first quarter, compared with an increase of $220.5 billion in the fourth. The smaller first-quarter increase was more than accounted for by a shift to a decrease in bank-reported liabilities. Record inflows occurred for U.S. securities other than U.S. Treasury securities. U.S. liabilities to foreigners reported by U.S. banks decreased $41.2 billion, in contrast to an increase of $89.6 billion in the fourth quarter. In the first quarter, U.S. banks repaid a large share of the exceptionally strong fourth-quarter interbank borrowing and receipt of funds related to developments in Asia.

Net foreign purchases of U.S securities other than U.S. Treasury securities were $76.7 billion in the first quarter, up from $36.8 billion in the fourth. Net foreign purchases of U.S. stocks jumped sharply to a new record of $29.4 billion; net purchases were $9.8 billion in the fourth quarter, reflecting heightened uncertainties in the financial markets stemming from problems in Asia. The previous record was $23.2 billion in the third quarter of 1997. Net foreign purchases of U.S. bonds also recovered, rising sharply to a new record of $47.3 billion from $26.9 billion in the fourth quarter. The previous record was $37.1 billion in the third quarter of 1997.

Net foreign private purchases of U.S. Treasury securities shifted to net sales of $1.4 billion in the first quarter from net purchases of $35.3 billion in the fourth quarter. Net purchases from Western Europe were down from the fourth quarter but remained strong, while transactions with the Caribbean shifted to net sales.

Net capital inflows for foreign direct investment in the United States decreased to $25.0 billion in the first quarter from $28.5 billion in the fourth. Smaller net inflows for intercompany debt and, to a far lesser extent, for equity and for reinvested earnings accounted for the decrease. Foreign official assets in the United States increased $10.2 billion in the first quarter, in contrast to a decrease of $27.0 billion in the fourth. In the first quarter, assets of industrial countries decreased a small amount, while assets of developing countries increased. The statistical discrepancy—errors and omissions in recorded transactions—was a positive $1.1 billion in the first quarter, in contrast to a negative $52.0 billion in the fourth quarter. In the fourth quarter, the large size of the discrepancy is believed to reflect the imperfect recording of short-term capital flows. In the first quarter, the U.S. dollar appreciated 3 percent on a trade-weighted quarterly average basis against the currencies of 10 industrial countries.

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 1.6 percent in the second quarter following a 5.5 percent growth rate in the first quarter of 1998. The annualized rate of real GDP growth in the second quarter of 1998 was 2.1 percent in the United Kingdom. The annualized rate of real GDP growth in the first quarter was 3.7 percent in Canada, 2.3 percent in France, and 3.9 percent in Germany. In the first quarter the annualized growth rates of real GDP declined by 0.4 percent in Italy and by 5.3 percent in Japan.

Industrial production

The Federal Reserve Board reported that U.S. industrial production declined by 0.6 percent in July following a drop of 1.1 percent in June. The June loss was mainly due to strikes in General Motors parts plants. Total industrial production in July 1998 was 1.8 percent higher than it was in July 1997. Manufacturing output declined by 0.7 percentage points in July 1998 following a 1.2 percent decrease in June but was 1.8 percent higher than it was in July 1997. Total industrial capacity utilization declined by 0.7 percent in July 1998 but was 4.5 percent higher than in July 1997. Total industrial capacity utilization in manufacturing declined by 0.9 percentage points but was 5.1 percent higher than in July 1997.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending May 1998, Japan reported a decline of 6.5 percent, the United Kingdom reported an increase of 0.8 percent, Germany reported an increase of 5.4 percent, France reported an increase of 6.3 percent, and Italy reported 0.5 percent increase. For the year ending April 1998 Canada reported a 3.6 percent increase.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.2 percent in July following a 0.1 percent in June l998. For the 12-month period ended in July 1998, the CPI increased by 1.7 percent.

During the 1-year period ending June 1998, prices increased 1.0 percent in Canada, 1.0 percent in France, 1.2 percent in Germany, 1.8 percent in Italy, 3.7 percent in the United Kingdom and 0.5 percent in Japan.

Employment

The Bureau of Labor Statistics reported that the unemployment rate edged up to 4.5 percent in July 1998 from May. Nonfarm payroll employment grew by 66,000 jobs. The gains were widespread across the major demographic groups. The jobless rates for the major demographic groups were—adult men (3.9 percent), adult women (4.0 percent), teenagers (13.8 percent), whites (3.8 percent), blacks (9.7 percent), and Hispanics (7.2 percent).

Among the major educational attainment categories, the jobless rate for persons 25 years and over who had not completed high school was 4.0 percent. Among those with higher levels of educational attainments — including high school graduates with no college experience—the jobless rate was 7.2 percent. For high school graduates with some college experience but with no bachelor’s degree the jobless rate was 2.9 percent. And for college graduates the jobless rate dropped to 1.7 percent.

In other G-7 countries, their latest unemployment rates were: 8.4 percent in Canada, 11.9 percent in France, 11.0 percent in Germany, 12.0 percent in Italy, 4.1 percent in Japan, and 6.5 percent in the United Kingdom.

Forecasts

Six major forecasters expect real growth in the United States to average around 2.1 percent (at an annual rate) in the second quarter of 1998 and to range from 2.4 percent to 2.7 percent in the remainder of the year. Table 3 shows macroeconomic projections for the U.S. economy from April to December 1998, 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 4.5 percent in the second and third quarters and then increases slightly in the fourth quarter. Inflation (as measured by the GDP deflator) is expected to remain subdued at 1.7 percent in the second quarter and then rise afterwards to an average rate of about 2.1 percent to 2.3 percent.

Table 3
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	Macro Economic Advisers	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1998:							
Jan.- Mar.	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Apr.-June	3.7	3.0	5.7	3.2	3.5	3.7	3.8
Apr.-June							
July-Sep	6.3	3.8	5.8	3.4	3.3	4.7	4.6
Oct.-Dec	5.4	3.5	4.9	3.6	4.1	4.5	4.3
Annual average	5.2	5.2	5.4	3.9	4.0	4.5	4.7
	GDP constant (chained 1992) dollars						
1998:							
Jan.- Mar.	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Apr.-June	2.1	1.4	3.2	1.5	2.2	2.3	2.1
July-Sep.	3.3	2.0	3.1	2.0	2.0	1.9	2.4
Oct.-Dec.	2.5	1.7	2.1	2.3	1.7	2.2	2.1
Annual average	3.0	2.3	3.2	2.5	2.5	2.7	2.7
	GDP deflator index						
1998:							
Jan.- Mar.	0.7	0.7	0.8	0.7	0.7	0.9	0.8
Apr.-June	1.8	1.4	2.5	1.5	1.4	1.4	1.7
July-Sep.	2.8	1.5	2.6	1.4	1.8	2.7	2.1
Oct.-Dec.	2.8	2.1	2.7	1.4	2.6	2.5	2.3
Annual average	2.0	1.4	2.2	1.3	1.6	1.9	1.7
	Unemployment, average rate						
1998:							
Jan.- Mar.	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Apr.-June	4.3	4.5	4.5	4.5	4.7	4.5	4.5
July-Sep.	4.2	4.7	4.2	4.5	4.7	4.5	4.5
Oct.-Dec.	4.1	4.9	4.2	4.9	4.7	4.7	4.6
Annual average	4.3	4.7	4.7	4.7	4.7	4.6	4.6

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, May. 98.

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

THE INTERNATIONAL INVESTMENT POSITION OF THE UNITED STATES IN 1997

The U.S. Department of Commerce reported that the net international investment position of the United States—U.S. assets abroad less foreign assets in the United States—at year-end 1997 increased by $456.5 billion to a negative $1,223.6 billion with direct investment valued at the current cost of tangible assets, and it increased by $578.8 billion to a negative $1,322.5 billion with direct investment valued at the current market value of owners' equity. Tables A-1 to A-5 show a breakdown of investment positions by type of investment, country and major industry.

The net position on both bases became more negative primarily as a result of large net capital inflows, particularly for U.S. securities, price changes, and exchange rate changes that mainly affected U.S. assets abroad. That adjustment reflected the large decrease in the value of U.S. assets denominated in foreign currencies, as most major currencies and the currencies of many emerging Asian countries declined against the dollar from year-end 1996 to year-end 1997. The price adjustment reflected a sizable rise in the stock market value of foreign portfolio investment and of foreign direct investment in the United States.

In 1997, U.S. assets abroad increased strongly as continued large capital outflows and price appreciation in foreign stocks and in direct investment more than offset the exchange rate depreciation. In 1997 total U.S. assets abroad (at current cost) increased to $4,237.3 billion from $3,767.0 billion in 1996, and increased (at market value) to $5,007.1 billion from $4,347.2 billion in 1996. Total foreign assets in the United States (at current cost) increased to $5,460.9 billion in 1997 from $4,534.1 in 1996 and increased (at market value) to $6,329.6 billion in 1997 from $5,090.8 billion in 1996, table A-1.

Direct Investment Positions for 1997

Country and Industry Detail

In 1997 US direct investment abroad (USDIA) and foreign direct investment in the United States (FDIUS) positions on a historical cost basis were $860.7 billion and $681.7 billion, respectively. On a current-cost basis USDIA and FDIUS positions were $1,023.9 billion and $751.8 billion, compared with $1,793.7 billion and $1,620.5 billion on a market value basis. Figures 2 and 3 show U.S. direct invesrment abroad on a historical-cost basis and foreign direct investment in the United States by major industries for 1996 and 1997. Figures 4 and 5 show U.S.direct investment abroad by major recepient country/area and foreign direct investment in the United States by major investing country/area on a historial-cost basis, 1996 and 1997.

Historical cost estimates reflect prices at the time of investment rather than current prices: therefore they tend to underestimate the current values of positions. On a historical cost basis, the USDIA position grew 11 percent in 1997, and the FDIUS position grew 15 percent. The FDIUS rate of increase in 1997 was the largest since 1989. The growth in both measures was largely attributable to favorable economic conditions in the United States, Canada and several European countries which enhanced the profit potential of direct investments and boosted the earnings of affiliates and their parent companies. Strong earnings by affiliates, coupled with unusually high rates of reinvestment, generated a source of financing and strong earnings by parents provided a source of funds for new investments.

Unfavorable economic conditions in much of Asia have affected currency values, stock prices, and caused financial asset values to decline, particularly during the last half of the year. Also, the financial problems in Asia may have resulted in some investments in the United States that otherwise would have been made in that area itself. Growth in USDIA may also have reflected U.S. acquisitions by utility companies—energy and telephone companies—acquiring several foreign companies, largely in response to the new investment opportunities created by privatization of government$owned utilities abroad. The increase in FDIUS may have mainly reflected foreign insurance companies' desire to diversify acquiring U.S. insurance companies.

Figure 2
U.S. direct investment abroad by industry on a historical cost basis at year end 1996 and 1997 in billion dollars

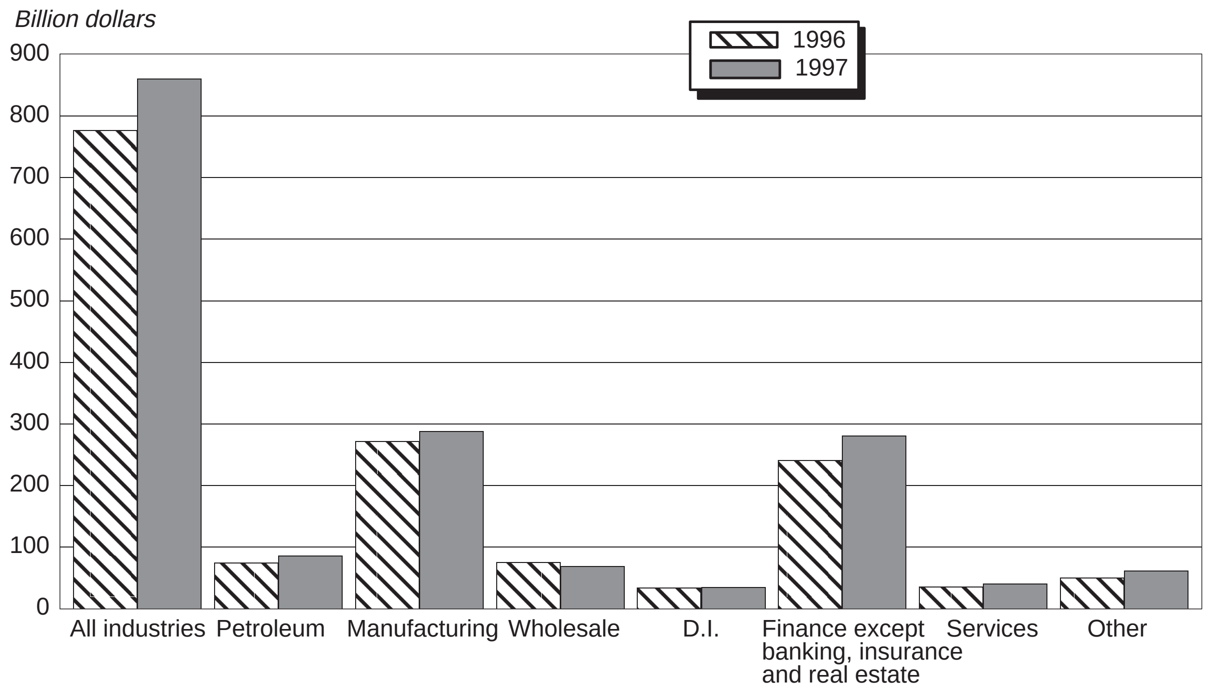
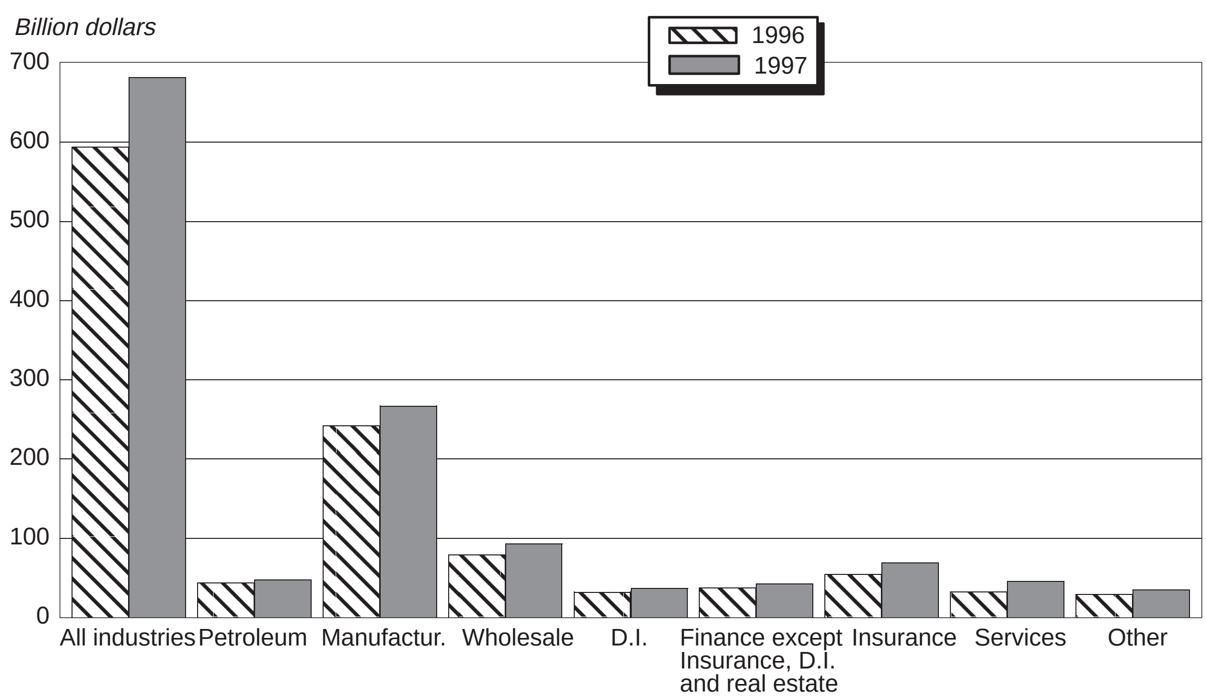


Figure 3
Foreign direct investment in the United States by industry on a historical cost basis at year end 1996 and 1997 in billion dollars



Source: U.S. Department of Commerce.

Figure 4
U.S. direct investment position by specified countries and areas on a historical cost basis at year end 1996 and 1997 in billion dollars

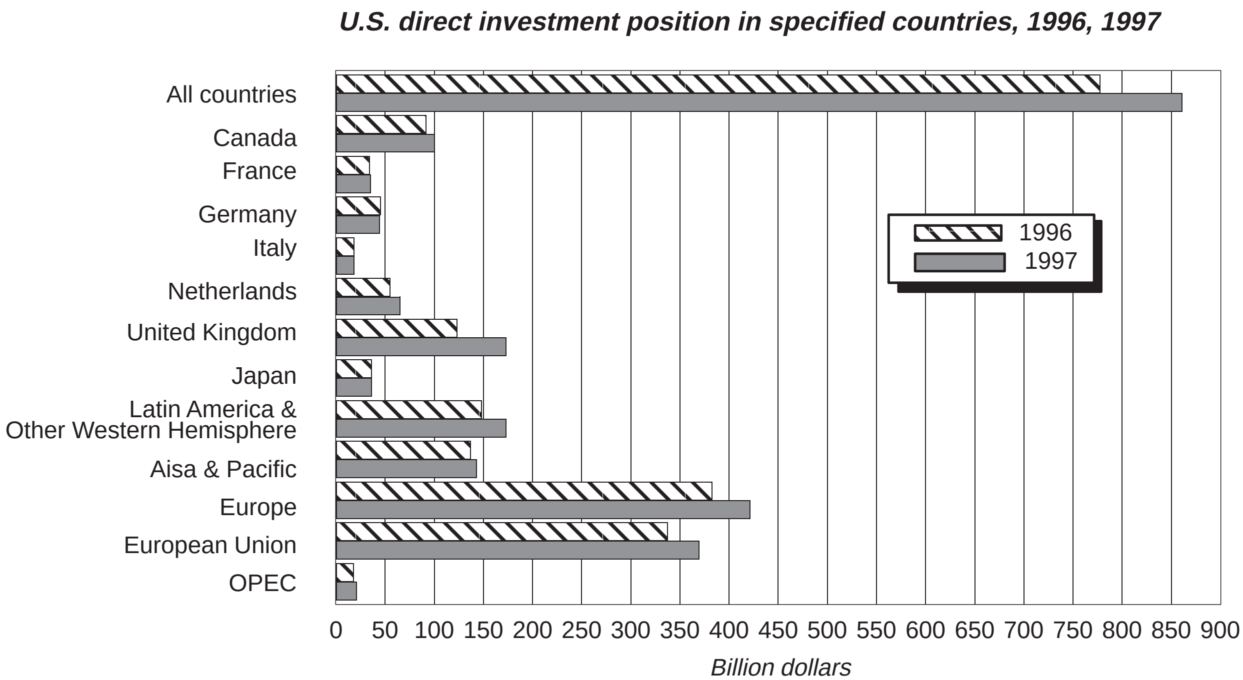
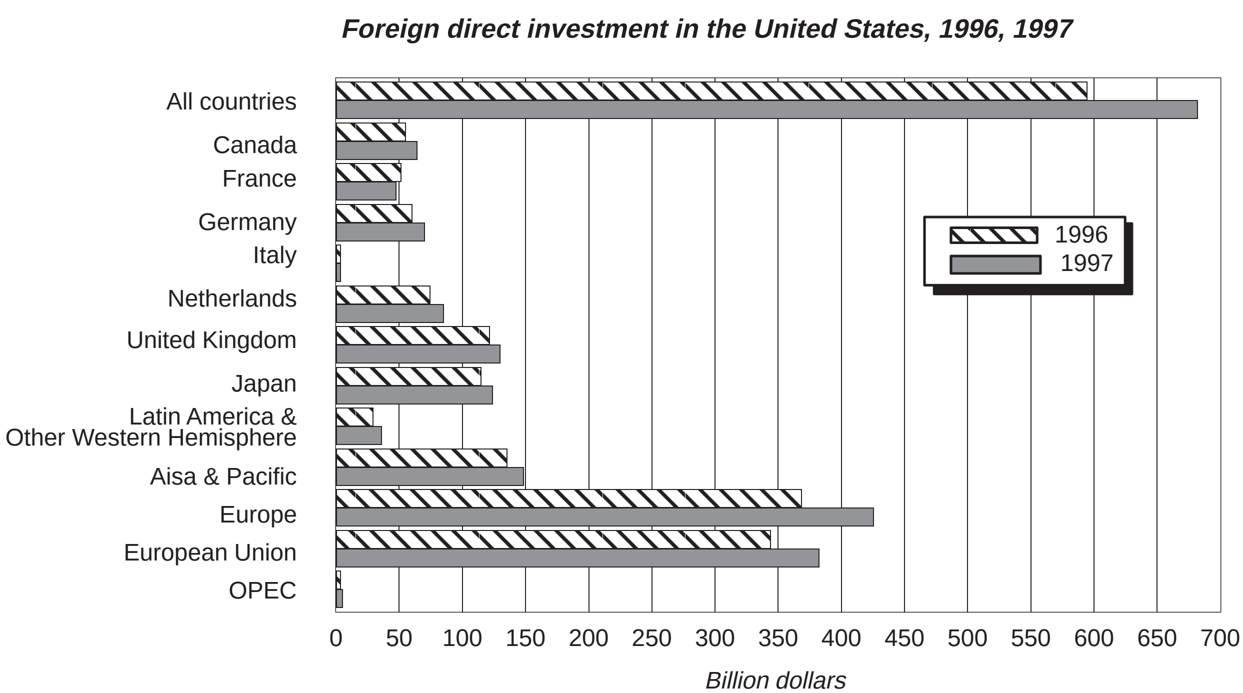


Figure 5
Foreign direct investment in the United States by specified investing countries/areas on a historical cost basis at year end 1996 and 1997 in billion dollars



Source: U.S. Department of Commerce.

In addition, acquisitions of investment companies have boosted both direct investment positions, reflecting the trend towards integration of the global securities markets and the recent growth in the equity markets in the United States and Europe.

U.S. Direct Investment Abroad (USDIA)

The U.S. direct investment position abroad (USDIA) valued at historical cost —reached $860.7 billion at the end of 1997. In 1997, the USDIA position increased $83.5 billion, or 11 percent—the same rate as in 1996. The largest U.S. positions remained those in the United Kingdom ($138.8 billion, or 16 percent of the total), in Canada ($99.9 billion, or 12 percent of the total), and in the Netherlands ($64.6 billion, or 8 percent of the total). Tables A- 4 and A-5 show estimates of U.S. direct investment positions in 1996 and 1997, by countries and major industries.

The USDIA position in Europe increased 10 percent and accounted for nearly half of the increase worldwide. Within Europe, the largest increase was in the United Kingdom, followed by the Netherlands, Switzerland, and Ireland. In each of the four countries, a substantial portion of the increase was accounted for by holding companies—classified within finance (except depository institutions), insurance, and real estate (“FIRE”).

The largest increases in Mexico were in FIRE, “other industries” (primarily retail trade), and food manufacturing. The increase in FIRE primarily reflected reinvested earnings of holding companies. The increases in retail trade and food manufacturing reflected equity capital outflows for acquisitions. In Panama, the increase reflected the capital gains and the reinvested earnings of affiliates in FIRE. The U.S. position in Canada increased 9 percent. Two-thirds of the increase was accounted for by reinvested earnings.

The U.S. position in Asia and Pacific increased 5 percent, the smallest percentage increase of any major area. Within Asia and the Pacific, the largest increases in positions were in Hong Kong and Singapore. In Hong Kong, the increase resulted from acquisition-related U.S. outflows of equity capital reflecting the global expansion by U.S. utility companies. In Singapore, most of the increase resulted from reinvested earnings—particularly in industrial machinery and electronic equipment. The increases in Hong Kong and Singapore were partly offset by decreases elsewhere in Asia and the Pacific, particularly Australia and Thailand.

Foreign Direct Investment Position in the United States (FDIUS)

The foreign direct investment position in the United States valued at historical cost was $681.7 billion at the end of 1997. The largest positions remained those of the United Kingdom ($129.6 billion, or 19 percent of the total), Japan ($123.5 billion, or 18 percent), and the Netherlands ($84.9 billion, or 12 percent).

In 1997, the FDIUS position increased $87.6 billion or 15 percent, following an increase of 11 percent in 1996. Growth in the U.S. economy attracted new investments from abroad and expanded the earnings of existing U.S. affiliates. Financial problems in Japan made it difficult for Japanese investors—who in recent years have accounted for a large share of foreign investment in the United States—to finance new overseas investments. Japanese investors’ outlays to acquire or establish U.S. businesses fell 79 percent in 1997. In addition, financial difficulties in Asia may have indirectly boosted investment in the United States by reducing the attractiveness of potential investments in Asia. The largest increases in the position of British parent companies were in insurance, wholesale trade, and metals. The largest increases in the position of French parent companies were in chemical manufacturing (particularly pharmaceuticals), food manufacturing, and finance. The increase in pharmaceuticals resulted from equity capital inflows for acquisitions, reflecting the trend toward global consolidation of the pharmaceutical industry. In food manufacturing and finance, the increase resulted from affiliate borrowing. More than half of the increase in the position of Japanese parent companies was accounted for by equity capital inflows—primarily capital contributions to existing affiliates rather than acquisitions.

By industry, the increase was concentrated in wholesale trade and in services. In wholesale trade, the increase reflected equity capital contributions to existing affiliates, reinvested earnings, and valuation adjustments The increase in services reflected valuation adjustments. The increase in the position of Australian parent companies was more than accounted for by services reflecting valuation adjustments, acquisition$related equity capital inflows, and affiliate borrowing. More than half of the increase in the position of Canadian parents was accounted for by equity capital inflows.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $76.2 billion and imports of $90.3 billion in June 1998 resulted in a goods and services trade deficit of $14.2 billion, $1.4 billion less than the May deficit of $15.5 billion. The June 1998 deficit on goods and services was approximately $6.0 billion more than the $8.2 billion deficit in June 1997, and was approximately $3.5 billion more than the average monthly deficit registered during the previous 12 months, $10.7 billion.

The June 1998 trade deficit on goods was $20.9 billion, $1.7 billion lower than the May deficit ($22.6 billion). The April services surplus was $6.8 billion, slightly less than the May surplus.

In June 1998 exports of goods declined slightly to $54.6 billion from $54.7. Imports of goods declined to $75.5 billion from $77.3 billion. Exports of services of $21.6 billion, were slightly less than in the previous month, and imports of services decreased slightly to $14.8 billion.

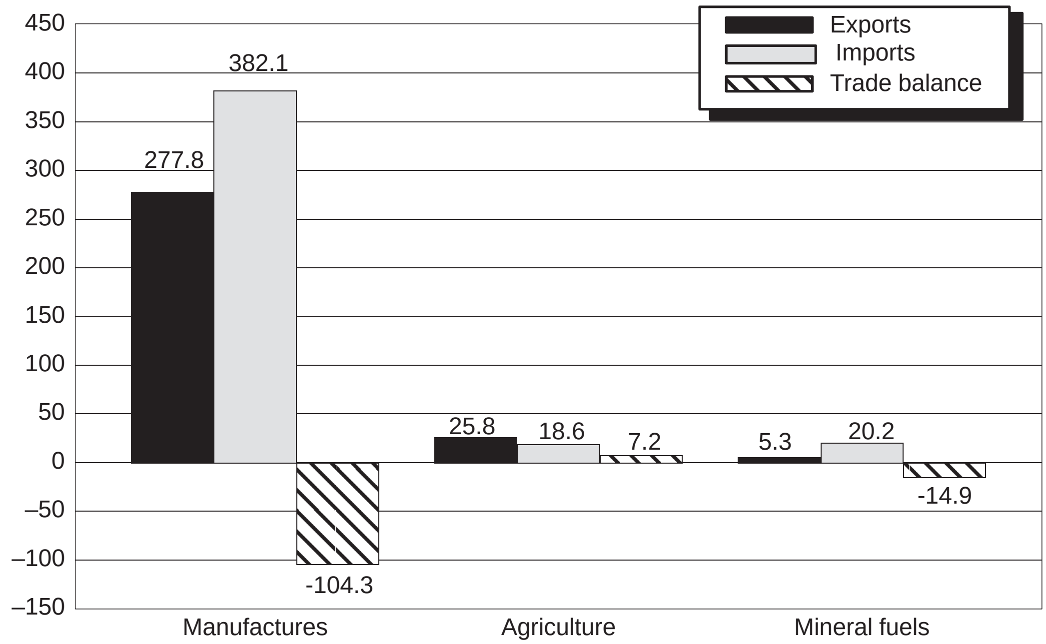
The May to June change in exports of goods reflected decreases in industrial supplies and material (primarily organic chemicals and platinum), automotive vehicles, parts and engines, and other goods. Increases occurred in capital and consumer goods. The May to June change in imports of goods reflected decreases in capital goods (primarily computer accessories and semiconductors) , industrial supplies and materials and automotive vehicles, parts and engines. Increases occurred in consumer goods, food, feeds and beverages, and other goods.

The June 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 $15.6 billion in June and imports were $13.4 billion, resulting in a surplus of $2.1 billion, $144 million less than the May surplus.

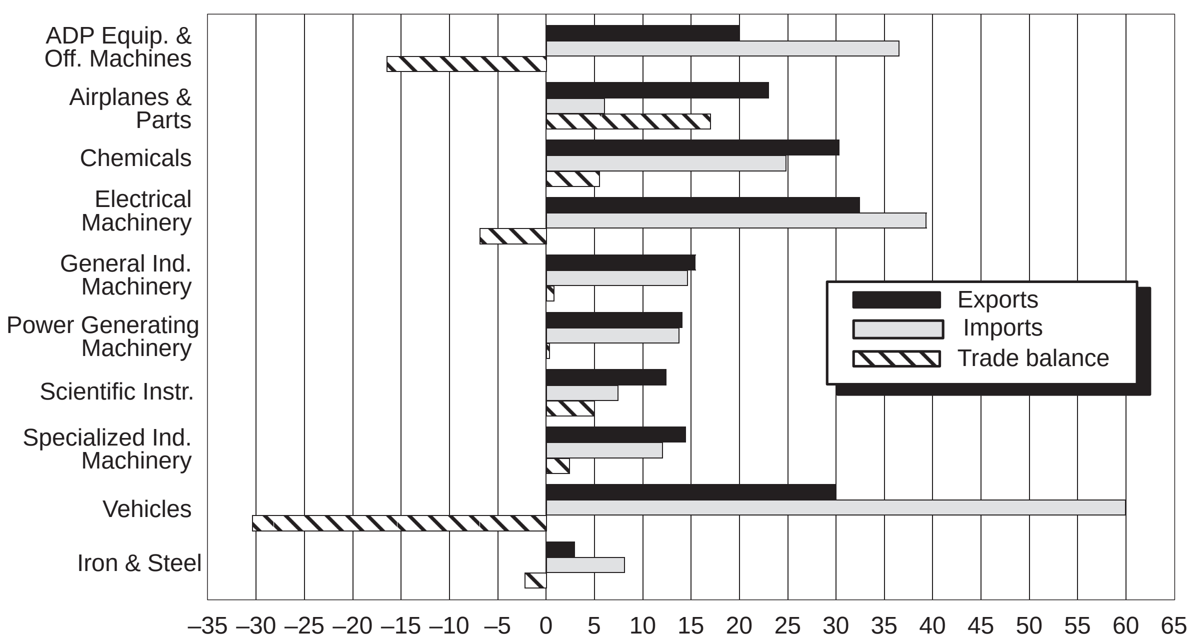
U.S. trade developments are highlighted in figures 6, 7, and 8. Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 4. Nominal export changes and trade balances for specific major commodity sectors are shown in table 5. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 6, and U.S. trade in services by major category is shown in table 7.

Figure 6
U.S. trade by major commodity, billion dollars, Jan.-June 1998



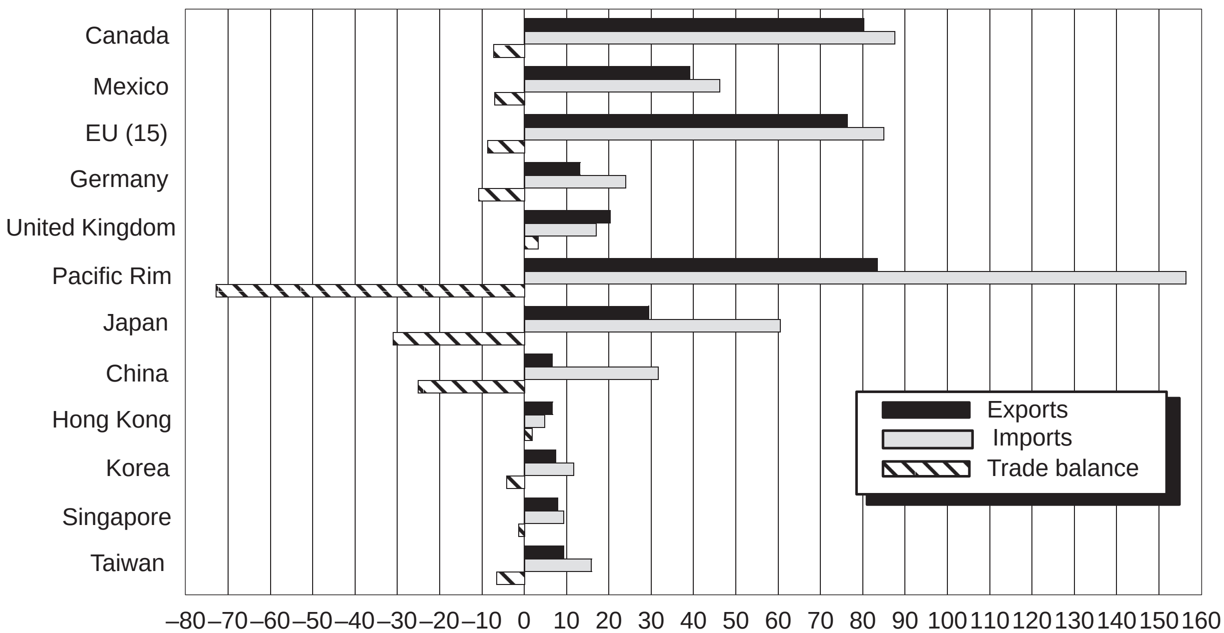
Source: U.S. Department of Commerce.

Figure 7
U.S. trade in principal goods, billion dollars, Jan.-June 1998



Source: U.S. Department of Commerce.

Figure 8
U.S. trade with major trading partners, billion dollars, Jan.-June 1998



Source: U.S. Department of Commerce.

Table 4
U.S. trade in goods and services, seasonally adjusted, May-June 98

(Billion dollars)

Item	Exports June 1998	Exports May 1998	Imports June 1998	Imports May 1998	Trade balance June 1998	Trade balance May 1998
Trade in goods (BOP basis)						
Current dollars—						
Including oil	54.6	54.7	75.5	77.3	-20.9	-22.6
Excluding oil	54.9	54.8	70.9	72.4	-16.0	-17.6
Trade in services						
Current dollars	21.6	21.9	14.8	14.8	6.8	7.0
Trade in goods and services:						
Current dollars	76.2	76.6	90.3	92.1	-14.1	-15.5
Trade in goods (Census basis) 1992 dollars	69.7	68.9	94.0	96.2	-24.3	-27.3
Advanced-technology products (not seasonally adjusted)	15.6	14.6	13.4	12.3	2.1	2.3

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), August 18, 1998.

Table 5
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1997-June 1998

	Exports		Change Jan-June1998 over Jan.-June1997	Share of total, Jan.-June 98	Trade balances	
	June 1998	Jan.-June 1998			Jan-June 1998	Jan.-June 1997
	Billion dollars			*Percentage*		*Billion dollars*
ADP equipment & office machinery	3.6	20.0	-4.3	5.8	-16.5	-14.1
Airplanes	3.1	15.9	21.4	4.6	12.7	11.3
Airplane parts	1.2	7.2	10.8	2.1	4.3	4.1
Electrical machinery	5.3	32.4	2.5	9.4	-6.9	-6.2
General industrial machinery	2.6	15.4	2.0	4.5	0.8	1.8
Iron & steel mill products	0.5	2.9	7.4	0.8	-5.2	-4.5
Inorganic chemicals	0.4	2.4	-7.7	0.7	0.0	-0.2
Organic chemicals	1.2	7.9	-7.1	2.3	-0.1	-0.3
Power-generating machinery	2.5	14.0	1.4	4.1	0.3	1.8
Scientific instruments	2.0	12.4	6.0	3.6	5.0	5.2
Specialized industrial machinery	2.4	14.4	4.3	4.2	2.4	3.3
TVS, VCRs, etc	1.9	11.7	6.4	3.4	-7.4	-5.2
Textile yarns, fabrics and articles	0.8	4.7	6.8	1.4	-1.7	-1.4
Vehicle parts	4.4	29.5	3.5	8.6	- 30.4	-28.4
Manufactured exports not included above	14.7	87.0	-0.1	25.3	-60.0	- 43.3
Total manufactures	46.6	277.8	2.4	80.9	-104.3	- 75.3
Agriculture	3.9	25.8	- 5.5	7.5	7.2	9.4
Other exports not included above	6.5	39.8	-3.6	11.6	-4.0	-11.8
Total exports of goods	57.0	343.4	1.0	100.0	-101.1	- 77.7

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

Source: U.S. Department of Commerce News (FT 900), August 18, 1998.

Table 6
U.S. exports and imports of goods with major trading partners, Jan. 1997-June 1998

(Billion dollars)

	Exports			Imports			Trade Balances	
Country/areas	**June 1998**	**Jan.- June 1998**	**Jan.- June 1997**	**June 1998**	**Jan.- June 1998**	**Jan.- June 1997**	**Jan. June 1998**	**Jan.- June 1997**
Total	57.0	343.4	339.9	77.3	444.5	417.6	-101.1	-77.7
North America	19.6	119.2	108.3	22.5	133.6	125.0	-14.5	-16.7
Canada	13.2	80.2	75.6	14.4	87.5	84.0	-7.3	-8.4
Mexico	6.4	39.0	32.7	8.0	46.1	41.0	-7.1	-8.3
Western Europe	13.6	82.4	79.7	16.5	92.6	83.3	-10.2	-3.6
European Union (EU-15)	12.5	78.3	71.1	15.2	84.9	75.7	-8.7	-4.7
France	1.4	9.1	7.9	2.3	11.6	9.6	-2.5	-1.7
Germany	2.3	13.1	12.5	4.0	23.9	21.1	-10.8	-8.6
Italy	0.8	4.6	4.6	1.8	10.2	9.3	-5.7	-4.7
Netherland	1.6	9.6	9.6	0.7	3.6	3.4	6.0	6.3
United Kingdom	3.3	20.2	19.1	3.0	17.0	15.6	3.2	3.5
Other EU	1.0	5.3	4.3	1.1	6.0	4.5	-0.7	-0.2
EFTA[1]	0.6	3.9	6.3	1.0	5.9	6.0	-2.0	0.3
FSR/Eastern Europe	0.9	4.3	4.0	1.1	5.3	3.9	-1.0	0.1
Russia	0.5	2.2	1.6	0.6	2.9	1.9	-0.7	-0.4
Pacific Rim Countries	13.6	83.4	96.9	27.5	156.3	147.3	-73.0	-50.4
Australia	1.0	6.1	6.0	0.5	2.7	2.1	3.4	3.9
China	1.3	6.5	5.8	6.0	31.6	27.0	-25.1	-21.2
Japan	4.8	29.4	33.5	10.0	60.4	59.7	-31.0	-26.0
NICs[2]	5.1	30.9	39.2	7.5	41.4	40.2	-10.4	-1.0
South/Central America	5.4	31.9	29.5	4.4	25.1	26.4	6.8	3.1
Argentina	0.6	3.0	2.6	0.2	1.2	1.1	1.8	1.5
Brazil	1.3	7.3	7.3	0.9	5.0	4.8	2.4	2.4
OPEC	2.1	12.7	11.4	2.8	17.7	21.6	-5.0	- 10.2
Other Countries	2.6	14.2	15.3	4.0	23.3	20.9	-9.1	- 5.7
Egypt	0.2	1.3	1.7	0.1	0.3	0.3	1.0	1.4
South Africa	0.4	1.7	1.5	0.3	1.5	1.1	0.2	0.3
Other	1.9	11.1	12.1	3.7	21.5	19.5	-10.3	- 7.5

[1] EFTA includes Iceland, Liechtenstein, Norway, and Switzerland.

[2] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan. FSR = 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 country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 900), August 18, 1998.

Table 7
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1997-June1998, seasonally adjusted

	Exports		Change Jan.-June 1998 over Jan.-June 1997	Trade balance	
	Jan.-June 1998	Jan.-June 1997		Jan.-June 1998	Jan.-June 1997
	Billion dollars		*Percent*	*Billion dollars*	
Travel	36.8	36.7	0.3	10.3	11.2
Passenger fares	10.8	10.3	4.9	1.6	1.3
Other transportation	13.2	13.4	-1.5	-1.4	-1.0
Royalties and license fees	16.6	16.7	-0.6	11.1	12.4
Other private sales	43.7	40.7	7.4	18.6	17.4
Transfers under U.S. military sales contracts	8.8	9.2	-4.3	2.5	3.7
U.S. Govt. miscellaneous service	0.4	0.4	0.0	-1.0	-1.0
Total	130.3	127.4	2.3	41.7	44.0

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

Source: U.S. Department of Commerce News (FT 900), August 18, 1988.

APPENDIX A

Table A-1
Alternative international investment position of the United States at yearend, 1996 and 1997

(Millions of dollars)

Type of investment	Position 1996	Changes in position in 1997 (decrease (–)) attributable to: Capital flows	Price changes	Exchange rate changes	Other changes	Position 1997
Net						
U.S. Net international investment position :						
With direct investment positions at current cost	–767,076	–254,939	–51,669	–127,725	–22,159	–1,223,568
With direct investment positions at market value	–743,656	–254,939	–116,094	–197,805	–9,96	1,322,455
U.S. assets abroad:						
With direct investment positions at current cost	3,767,018	478,502	175,135	–155,352	-27,992	4,237,311
With direct investment positions at market value	4,347,148	478,502	416,045	–224,102	10,474	5,007,119
U.S. private assets:						
With direct investment a current cost	3,524,602	477,666	195,897	–149,191	–27,982	4,020,992
With direct investment at market value	4,104,732	477,666	436,807	–217,941	–10,464	4,790,800
U.S. Direct investment abroad:						
At current cost	936,954	121,843	9,325	–28,998	–15,252	1,023,872
At market value	1,517,084	121,843	250,235	–97,748	2,266	1,793,680
Foreign securities	1,280,159	87,981	186,572	–108,411	-	1,446,301
Foreign assets in the United States:						
With direct investment at current cost	4,534,094	733,441	226,804	27,627	–5,833	5,460,879
With direct investment at market value	5,090,804	733,441	532,139	–26,297	513	6,329,574
Foreign Direct investment in the United States:						
At current cost	666,962	93,449	–2,680	–1,330	4,556	751,845
At market value	1,223,672	93,449	302,655	-	764	1,620,540
U.S. Treasury securities	504,792	146,710	10,459	-	-	661,961

Source: U.S. Department of Commerce

Table A-2
Alternative direct investment position estimates 1996 and 1997

(Millions of dollars)

Valuation method	Position at yearend 1996	Changes in 1997 (decrease (-))			Position at yearend 1997
		Total	Capital flows	Valuation	
	U. S. direct investment abroad				
Historical cost	777,203	3,521	114,537	–31,016	860,723
Current cost	936,954	86,918	121,843	–34,925	1,023,872
Market value	1,517,084	276,596	121,843	154,753	1,793,680
	Foreign direct investment in the United States				
Historical cost	594,088	87,563	90,748	–3,185	681,651
Current cost	666,962	84,883	93,449	–8,566	751,845
Market value	1,223,672	396,868	93,449	303,419	1,620,540

Source: U.S. Department of Commerce.

Table A-3
U.S. direct investment position abroad and foreign direct investment position in the United States on a historical-cost basis, 1982–97

Yearend	U.S. direct Investment Position Abroad	Foreign direct Investment Position in the United States	U.S. direct Investment Position Abroad	Foreign direct Investment Position in the United States
	Million of dollars		*Percent change from preceding year*	
1982	207,752	124,677	-	-
1983	212,150	137,061	2.1	9.9
1984	218,093	164,583	2.8	20.1
1985	238,369	184,615	9.3	12.2
1986	270,472	220,414	3.5	19.4
1987	326,253	263,394	20.6	19.5
1988	347,179	314,754	6.4	19.5
1989	381,781	368,924	10.0	17.2
1990	430,52	394,911	12.8	7.0
1991	467,844	419,108	8.7	6.1
1992	502,063	423,131	7.3	1.0
1993	564,283	467,412	12.4	10.5
1994	612,893	480,667	([1])	([1])
1995	699,015	535,553	14.1	11.4
1996	777,203	594,088	11.2	10.9
1997	860,723	681,651	10.7	14.7

Note.—The USDIA and FDIUS positions reflect a discontinuity between 1993 and 1994 due to the reclassification from direct investment to other investment accounts of intercompany debt between parent companies and affiliates that are nondepository financial intermediaries.

Source: U.S. Department of Commerce.

Table A-4
U.S. direct investment position abroad on a historical-cost basis, yearend, 1996 and 1997
(Millions of dollars)

Country	All industries	Petroleum	Total manfactures	Wholesale trade	Depository institutions (DI)	Finance except DI insurance & real estate	Services	Other
All countries:								
1996	777,203	74,499	272,244	69,638	33,673	240,972	35,793	50,384
1997	860,723	85,726	288,290	69,080	34,359	280,920	40,874	61,475
Canada:								
1996	91,301	11,331	42,257	7,931	1,014	16,777	4,066	7,925
1997	99,859	12,738	45,892	7,307	1,047	19,050	4,667	9,159
Europe:								
1996.	382,366	27,153	138,269	34,874	14,735	129,121	21,722	16,493
1997	420,934	29,793	142,528	34,620	17,312	153,625	24,824	18,232
Austria:								
1996	2,929	(D)	1,059	645	14	(D)	127	5
1997	2,621	(D)	946	398	(D)	1,009	144	–14
Belgium:								
1996	17,985	224	8,251	2,221	280	4,814	1,329	865
1987	17,403	237	8,788	2,102	252	4,066	1,364	594
Denmark:								
1996	2,664	470	(D)	715	(*)	846	70	(D)
1997	2,576	404	575	701	(*)	(D)	42	(D)
Finland:								
1996	1,115	(D)	545	295	82	20	(D)	64
1997	1,338	(D)	765	267	20	(D)	91	49
France:								
1996	33,746	1,111	16,591	3,299	830	7,368	3,586	962
1997	34,615	1,045	15,887	2,857	781	8,996	4,118	930
Germany:								
1996	44,651	(D)	21,495	2,912	805	12,946	1,941	(D)
1997	43,931	2,648	20,462	2,538	1,065	13,816	1,713	1,689
Greece:								
1996	567	(D)	112	111	87	67	(D)	(D)
1997	638	71	115	94	154	108	56	40
Ireland:								
1996	10,198	(D)	6,012	357	(D)	3,105	601	18
1997	14,476	(D)	8,462	352	(D)	5,113	321	22
Italy:								
1996	17,994	(D)	11,982	2,238	369	919	1,176	(D)
1997	17,749	(D)	12,223	2,122	379	842	1,089	(D)
Luxembourg:								
1996	7,666	42	(D)	58	(D)	5,298	19	24
1997	9,796	47	1,800	123	252	7,490	63	21
Netherlands:								
1996	54,437	2,025	16,820	3,710	122	26,805	3,233	1,722
1997	64,648	2,623	14,682	4,936	(D)	35,732	4,617	(D)
Norway:								
1996	5,787	3,814	735	313	(D)	459	241	(D)
1997	6,262	4,272	757	289	(D)	500	216	(D)
Portugal:								
1996	1,490	(D)	426	468	107	268	136	(D)
1997	1,498	(D)	364	455	220	322	145	(D)
Spain:								
1996	12,227	195	6,802	1,572	1,980	638	511	529
1997	11,642	194	6,432	1,472	2,031	639	432	442
Sweden:								
1996	6,823	82	4,994	296	0	715	732	4
1997	7,299	82	5,082	166	0	989	934	46
Switzerland:								
1996	30,208	1,617	3,363	7745	2,180	13,727	1,437	158
1997	35,203	1,144	3,723	8,161	3,341	16,786	1,880	177
Turkey:								
1996	1,059	128	621	82	72	5	28	123
1997	1,076	116	581	61	150	7	34	126
United Kingdom:								
1996	122,692	13,412	33,540	7,715	6,161	48,289	6,331	7,244
1997	138,765	14,228	38,267	7,389	6,886	54,023	7,569	10,402

Table A-4—*Continued*
U.S. direct investment position abroad on a historical-cost basis, yearend, 1996 and 1997

(Millions of dollars)

Country	All industries	Petroleum	Total manfactures	Wholesale trade	Depository institutions (DI)	Finance except DI insurance & real estate	Services	Other
Other:								
1996	8,127	916	2,393	121	(D)	1,876	95	(D)
1997	9,396	1,560	2,616	147	(D)	2,279	95	(D)
Latin America and Other Western Hemisphere:								
1996	147,535	6,584	41,233	7,727	5,719	70,912	4,389	10,971
1997	172,481	9,462	47,496	8,358	4,939	81,403	5,424	15,399
South America:								
1996	55,687	5,013	27,203	2,416	3,293	7,683	2,115	7,963
1997	67,112	6,824	31,005	2,297	3,851	9,395	2,779	10,962
Argentina:								
1996	7,930	788	3,616	407	877	1,269	579	395
1997	9,766	1,427	4,017	506	1,181	1,337	711	588
Brazil:								
1996	28,699	1,116	19,304	874	1,301	3,529	1,326	1,250
1997	35,727	1,769	22,584	656	1,489	4,711	1,602	2,915
Chile:								
1996	7,075	(D)	647	495	619	2,210	82	(D)
1997	7,767	(D)	743	437	639	2,480	218	(D)
Colombia:								
1996	3,610	1,172	1,251	140	(D)	350	51	(D)
1997	3,727	1,120	1,210	135	(D)	529	84	(D)
Ecuador:								
1996	920	705	110	64	(D)	17	3	(D)
1997	1,175	730	193	67	(D)	23	(D)	
Peru:								
1996	2,094	132	152	90	(D)	212	32	(D)
1997	2,595	166	201	123	(D)	218	45	(D)
Venezuela:								
1996	4,346	742	1,933	299	(D)	(D)	12	1,242
1997	5,176	1,232	1,833	294	(D)	59	87	(D)
Other:								
1996	1,013	(D)	190	47	226	(D)	31	377
1997	1,177	(D)	225	79	242	38	30	(D)
Central America:								
1996	38,007	1,057	13,109	2,287	527	17,703	738	2,587
1997	48,881	1,264	15,919	5,355	622	23,758	971	3,873
Costa Rica:								
1996	1,284	(D)	336	869	0	(D)	2	46
1997	1,580	(D)	342	1,057	0	(D)	1	56
Mexico:								
1996	19,900	84	12,407	826	442	2,873	685	2,583
1997	25,395	109	15,119	862	510	4,079	924	3,792
Panama:								
1996	16,065	689	89	548	66	14,740	(D)	(D)
1997	20,958	724	102	509	89	19,585	33	–83
Other:								
1996	298	188	25	23	(D)	(D)	(D)	43
1997	408	(D)	36	24	(D)	(D)	8	(D)
Other Western Hemisphere:								
1996	53,841	514	921	3,023	1,899	45,527	1,536	421
1997	56,489	1,374	557	3,587	466	48,250	1,674	565
Bahamas:								
1996	1,836	66	74	141	430	1,047	29	49
1997	1,515	57	80	164	–297	1,434	28	51
Barbados:								
1996	922	98	4	255	20	326	188	31
1997	801	76	5	237	20	(D)	159	(D)

Table A-4—*Continued*
U.S. direct investment position abroad on a historical-cost basis, yearend, 1996 and 1997

(Millions of dollars)

Country	All industries	Petroleum	Total manfactures	Wholesale trade	Depository institutions (DI)	Finance except DI insurance & real estate	Services	Other
Bermuda:								
1996	30,919	(D)	(D)	1,141	0	28,942	1,173	12
1997	33,092	150	(D)	1,607	0	29,822	1,407	(D)
Jamaica:								
1996	1,494	(D)	105	1,254	15	5	26	(D)
1997	1,687	(D)	139	1,401	15	6	33	(D)
Netherlands Antilles:								
1996	7,401	9	4	36	(D)	7,349	(D)	(*)
1997	5,393	9	4	38	4	5,316	(D)	(D)
Trinidad and Tobago:								
1996	786	282	(D)	16	(D)	(D)	1	124
1997	602	327	60	18	(D)	13	(D)	170
U K Islands, Caribbean:								
1996	9,492	156	(D)	161	1,325	7,522	96	(D)
1997	12,143	236	(D)	102	634	11,040	24	(D)
Other:								
1996	589	(D)	58	(D)	(*)	(D)	(D)	(D)
1997	778	402	73	22	(D)	(D)	4	(D)
Africa:								
1996	6,832	3,616	1,526	187	312	706	106	378
1997	10,253	5,872	1,899	198	299	834	115	1,038
Egypt:								
1996	1,297	1,055	180	–50	158	0	6	–39
1997	1,570	1,263	283	–54	134	0	–4	–52
Nigeria:								
1996	627	549	51	8	40	(D)	0	(D)
1997	1,465	1,373	54	15	43	(D)	0	(D)
South Africa:								
1996	1,488	(D)	797	102	(D)	66	89	109
1997	2,347	(D)	1,013	136	(D)	27	82	747
Other:								
1996	3,420	(D)	498	128	(D)	(D)	23	(D)
1997	4,872	(D)	549	156	(D)	(D)	37	(D)
Middle East:								
1996	7,793	3,038	1,503	318	646	1,652	276	359
1997	8,959	3,438	1,744	271	741	1,878	408	479
Israel:								
1996	2,062	(D)	1,334	192	0	292	107	(D)
1997	2,286	49	1,582	111	0	344	112	105
Saudi Arabia:								
1996	2,592	196	127	60	538	1,357	125	189
1997	3,079	298	139	86	(D)	1,453	(D)	330
United Arab Emirates:								
1996	594	274	55	66	(D)	(D)	58	40
1997	682	370	59	91	(D)	(D)	97	(D)
Other:								
1996	2,545	(D)	–14	1	(D)	(D)	–14	(D)
1997	778	402	73	22	(D)	(D)	4	(D)
Asia and Pacific:								
1996	136,481	19,187	47,457	18,602	11,247	21,804	5,233	12,951
1997	142,704	20,442	48,731	18,327	10,020	24,131	5,437	15,616
Australia:								
1996	28,409	1,603	7,476	2,133	3,783	4,833	1,822	6,760
1997	26,125	1,206	7,506	2,569	2,181	4,779	1,805	6,080
China:								
1996	3,843	1,017	1,823	234	86	402	76	204
1997	5,013	899	2,696	363	107	636	63	250

Table A-4—*Continued*
U.S. direct investment position abroad on a historical-cost basis, yearend, 1996 and 1997
(Millions of dollars)

Country	All industries	Petroleum	Total manfactures	Wholesale trade	Depository institutions (DI)	Finance except DI insurance & real estate	Services	Other
Hong Kong:								
1996	14,690	543	2,563	5,322	1,578	2,863	992	828
1997	19,065	624	2,755	5,237	1,859	3,049	1,155	4,387
India:								
1996	1,353	58	423	64	524	191	29	65
1997	1,684	175	380	43	598	206	47	235
Indonesia:								
1996	7,520	4,387	440	34	(D)	443	26	(D)
1997	7,395	4.768	358	39	(D)	42	31	(D)
Japan:								
1996	35,684	4,385	15,894	6,745	378	6,709	1,237	336
1997	35,569	4,686	14,293	5,628	565	8,839	1,177	380
Korea, Republic of:								
1996	6,516	(D)	2,486	909	1,900	(D)	295	31
1997	6,528	(D)	2,674	715	1,784	–15	294	(D)
Malaysia:								
1996	5,300	840	3,237	289	383	433	88	30
1997	5,623	1,367	3,222	235	(D)	407	90	(D)
New Zealand:								
1996	5,225	419	1,016	290	(D)	1,441	84	(D)
1997	5,191	451	1,067	263	(D)	1,545	62	(D)
Philippines:								
1996	3,519	333	1,627	266	307	993	(D)	(D)
1997	3,403	342	1,616	229	269	956	–93	85
Singapore:								
1996	14,019	2,900	5,834	1,406	488	2,768	431	193
1997	17,514	3,329	7,851	1,874	694	3,154	528	85
Taiwan:								
1996	4,640	36	2,926	454	573	326	184	141
1997	4,944	40	3,193	526	615	288	204	77
Thailand:								
1996	4,777	1,467	1,656	423	577	233	34	387
1997	3,537	930	1,090	567	437	84	42	389
Other:								
1996	986	(D)	55	33	310	(D)	(D)	(D)
1997	1,113	(D)	29	40	336	161	33	(D)
International[1]:								
1996	4,896	3,589						1,307
1997	5,533	3,982						1,551
Addenda:								
Eastern Europe[2]:								
1996	6,651	908	2,179	89	(D)	1,657	25	(D)
1997	7,743	1,558	2,341	104	(D)	2,061	18	(D)
European Union (15)[3]:								
1996	337,184	20,678	131,157	26,613	11,057	113,053	19,921	14,706
1997	368,887	22,701	134,651	25,972	12,168	123,053	22,598	16,654
OPEC[4]:								
1996	17,641	7,952	2,600	466	986	1,825	226	3,587
1997	20,554	10,485	2,414	524	1,012	1,577	436	4,106

* Less than $500,000 (±).
D Suppressed to avoid disclosure of data of individual companies.
[1] "International" consists of affiliates that have operations spanning more than one country and that are engaged in petroleum shipping, other water transportation, or offshore oil and gas drilling.
[2] "Eastern Europe" comprises Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovakia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.
[3] The European Union (15) comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.
[4] OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
Source: U.S. Department of Commerce.

Table A-5
Foreign direct investment position in the United States on a historical-cost Basis, 1996 and 1887

(Millions of dollars)

Country	All industries	Petroleum	Total manufactures	Wholesale trade	Retail trade	Depository institutions (DI)	Finance except (DI)	Insurance	Real estate	Services	Other
All countries:											
1966	594,088	43,770	242,320	75,115	13,733	32,161	37,658	54,715	33,179	32,358	29,080
1997	681,651	47,679	267,070	87,564	16,093	37,099	42,526	69,092	34,118	45,604	34,806
Canada:											
1996	54,799	3,515	22,298	4,020	849	2,243	4,946	6,055	4,126	1,642	5,105
1997	64,022	3,446	27,759	3,273	1,376	2,134	5,683	6,735	4,382	1,754	7,481
Europe:											
1996	368,322	29,285	174,326	32,743	8,188	17,451	10,051	42,887	12,330	21,082	19,978
1997	425,220	32,627	195,135	41,289	9,196	21,363	10,990	54,494	12,455	24,443	23,229
Austria:											
1996	1,769	(D)	251	361	(D)	(D)	(D)	(D)	3	9	1
1997	1,831	(D)	306	301	849	(D)	(D)	(D)	5	4	–1
Belgium:											
1996	4,838	(D)	2,219	482	806	(D)	75	(D)	57	129	423
1997	6,771	1,265	3,690	812	882	(D)	(D)	(D)	56	122	433
Denmark:											
1996	2,765	5	745	1,455	23	114	(D)	–2	(D)	223	191
1997	3.025	5	636	1,892	19	(D)	-1	-3	(D)	(D)	204
Finland:											
1996	2,495	(D)	1, 798	369	–30	2	–8	(D)	4	(D)	163
1997	3,089	(D)	2,387	(D)	1	(D)	(D)	(D)	(D)	(D)	–4
France:											
1996	41,132	429	26,978	1,694	209	2,311	1,671	3,381	240	2,281	1,939
1997	47,088	(D)	29,157	2,507	231	2,071	2,879	4,209	188	3,176	(D)
Germany:											
1996	59,863	(D)	28,752	10,176	1,453	2,439	1,614	6,850	1,608	2,764	(D)
1997	69,701	(D)	33,063	12,468	1,654	3,993	1,849	7,304	2,152	3,034	(D)
Ireland:											
1996	6,621	401	2,125	1,067	(D)	1,382	17	476	(D)	566	148
1997	10,514	390	2,919	1,157	190	(D)	271	(D)	113	570	(D)
Italy:											
1996	3,327	(D)	738	558	362	770	(D)	(D)	69	53	70
1997	3,318	579	591	444	(D)	803	(D)	(D)	87	23	81
Luxembourg:											
1996	4,276	0	2,127	1,344	(D)	0	275	(D)	162	77	(D)
1997	6,218	0	2,820	2,494	(D)	0	216	(D)	184	290	–356

Table A-5—*Continued*
Foreign direct investment position in the United States on a historical-cost basis, 1996 and 1997

(Millions of dollars)

Country	All industries	Petroleum	Total manufactures	Wholesale trade	Retail trade	Depository institutions (DI)	Finance except (DI)	Insurance	Real estate	Services	Other
Netherlands:											
1996	74,320	12,516	25,914	5,651	1,616	5,077	2,195	9,596	6,281	3,577	1,897
1997	84,862	13,561	29,411	5,074	1,628	6,241	2,470	14,360	6,222	3,840	2,055
Norway:											
1996	2,484	356	1,490	82	7	(D)	–7	(D)	37	156	191
1997	3,971	(D)	1,601	(D)	2	22	(D)	(D)	42	66	150
Spain:											
1996	2,405	–1	449	111	74	1,567	15	161	11	–7	25
1997	2,543	4	632	113	88	1.586	11	166	(D)	-9	(D)
Sweden:											
1996	9,479	(D)	6,463	1,962	(D)	82	38	–237	546	–13	276
1997	13,147	(D)	7,683	2,077	(D)	85	(D)	(D)	649	(D)	295
Switzerland:											
1996	30,390	478	15,602	1,850	230	980	2,266	5,692	910	2,132	251
1997	38,574	195	18,923	3,326	272	1,654	3,010	8,116	716	2,250	112
United Kingdom:											
1996	121,288	10,856	58,554	5,176	2,374	2,798	1,622	15,917	2,118	9,200	12,672
1997	129,551	11,568	61,204	7,465	2,912	2,876	–141	18,457	1,931	9,333	13,946
Latin America and Other Western Hemisphere:											
1996	29,180	3,160	4,333	1,275	2,803	3,691	3,635	4,734	3,645	1,497	406
1997	35,701	3,766	3,861	1,779	3,185	3,848	5,781	6,600	3,734	1,710	1,436
South and Central America:											
1996	8,802	–98	355	99	18	3,112	1,000	(D)	340	(*)	(D)
1997	10,049	3	148	176	21	3,156	1,020	(D)	275	311	(D)
Brazil:											
1996	689	(D)	–168	60	4	839	(D)	7	12	–2	7
1997	698	(D)	–174	56	5	804	–3	(D)	11	4	–10
Mexico:											
1996	1,436	–18	504	149	7	215	324	(D)	109	(D)	187
1997	1,723	–12	470	222	8	174	298	–5	88	249	230
Panama:											
1996	5,817	(D)	166	–41	–3	(D)	698	(D)	200	(D)	55
1997	6,645	–71	–49	–49	-4	(D)	715	(D)	170	60	302

Table A-5—*Continued*
Foreign direct investment position in the United States on a historical-cost basis, 1996 and 1997

(Millions of dollars)

Country	All industries	Petroleum	Total manufactures	Wholesale trade	Retail trade	Depository institutions (DI)	Finance except (DI)	Insurance	Real estate	Services	Other
Other Western Hemisphere:											
1996	20,378	3,258	3,978	1,176	2,784	579	2,635	(D)	3,306	1,496	(D)
1997	25,652	3,763	3,712	1,603	3,165	692	4,762	(D)	3,458	1,399	(D)
Bahamas:											
1996	1,806	(D)	151	263	(D)	(D)	(D)	0	399	264	160
1997	1,986	(D)	130	355	(D)	(*)	386	0	363	432	199
Bermuda:											
1996	1,411	141	–187	251	122	(D)	122	478	166	238	(D)
1997	3,423	142	427	238	138	5	–10	1,764	220	290	208
Netherlands Antilles:											
1996	9,311	2,701	2,510	(D)	(D)	175	128	(D)	683	162	133
1997	7,701	2,561	1,168	207	(D)	188	89	(D)	393	130	123
U K Islands, Caribbean:											
1996	7,614	(D)	1,453	500	112	419	1,915	(D)	1,342	735	–283
1997	11,954	(D)	1,942	748	83	499	4,302	(D)	2,269	498	319
Africa:											
1996	645	(D)	219	–4	3	(D)	(D)	0	149	–307	126
1997	1,608	(D)	204	–53	(D)	(D)	(D)	(*)	144	(D)	155
Middle East:											
1996	5,977	(D)	942	119	39	(D)	(D)	3	2,554	130	–36
1997	6,882	(D)	480	420	(D)	(D)	(D)	(*)	2,953	(D)	-49
Israel:											
1996	1,857	0	914	109	(D)	574	160	0	(D)	114	(D)
1997	2,292	0	459	410	(D)	703	220	0	(D)	114	(D)
Kuwait:											
1996	2,572	4	(D)	2	0	(D)	(D)	4	2,471	(D)	(*)
1997	2,881	4	7	2	0	(D)	(D)	0	(D)	(D)	(*)
Saudi Arabia:											
1996	1,390	(D)	–1	8	(D)	5	0	(*)	(D)	(D)	–5
1997	1,573	(D)	–1	9	(D)	(D)	0	(*)	(*)	–1	–1
Asia and Pacific:											
1996	135,166	6,454	40,201	36,961	1,851	8,054	18,420	1,035	10,374	8,314	3,502
1997	148,218	6,350	39,631	40,856	1,892	8,919	19,368	1,264	10,550	16,831	2,555
Australia:											
1996	13,877	(D)	2,890	274	4	76	580	(D)	626	643	1,700
1997	16,229	6,528	3,130	12	9	109	777	383	617	4,499	165

Table A-5—*Continued*
Foreign direct investment position in the United States on a historical-cost basis, 1996 and 1997

(Millions of dollars)

Country	All industries	Petroleum	Total manufactures	Wholesale trade	Retail trade	Depository institutions (DI)	Finance except (DI)	Insurance	Real estate	Services	Other
Hong Kong:											
1996	1,644	4	235	647	16	146	26	2	244	255	70
1997	1,757	–16	313	637	16	217	16	0	253	277	44
Japan:											
1996	114,534	118	35,178	34,972	1,783	6,570	17,593	773	8,755	7,120	1,670
1997	123,514	214	33,379	39,567	1,815	7,102	18,347	849	8,820	11,707	1,714
Korea, Republic of:											
1996	310	(D)	59	377	(D)	162	(D)	(D)	24	74	–11
1997	–327	(D)	9	–220	(D)	112	(D)	(D)	50	130	–15
Malaysia:											
1996	475	(D)	296	12	(*)	(D)	0	0	3	126	–7
1997	465	(D)	72	58	0	(D)	(D)	0	3	110	–1
Singapore:											
1996	1,232	–13	273	142	(*)	97	63	(*)	642	14	15
1997	2,776	23	1,085	212	–1	110	48	(*)	733	16	551
Taiwan:											
1996	2,225	–1	1,201	375	(D)	474	(D)	7	42	58	42
1997	2,778	–1	1,552	373	8	661	20	1	44	78	42
Addenda:											
European Union (15) 1:											
1996	334,714	28,449	157,136	30,401	7,928	16,355	7,783	37,038	11,304	18,835	19,485
1997	381,927	30,710	174,518	37,345	8,905	19,538	7,963	46,217	11,643	22,172	22,916
OPEC 2:											
1996	4,235	1,003	-64	27	2	642	–5	3	2,535	16	76
1997	4,715	1,116	–51	17	8	637	(D)	1	2,831	51	(D)

* Less than $500,000 (±).

D Suppressed to avoid disclosure of data of individual companies.

[1] The European Union (15) comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

[2] OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

Source: U.S. Department of Commerce.

STATISTICAL TABLES

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

(Total industrial production, 1990=100)

				1997							1998				
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**
United States[1]	115.8	119.8	125.8	123.3	124.6	126.5	128.7	127.9	128.9	129.2	128.7	128.7	129.2	129.6	130.2
Japan	96.2	98.8	102.8	103.6	103.6	101.2	101.0	103.9	98.9	100.1	103.0	98.5	96.3	95.4	([2])
Canada[3]	112.7	114.4	120.0	117.8	119.3	121.2	121.9	121.8	121.6	122.4	118.9	122.7	124.3	([2])	([2])
Germany	98.9	99.3	103.3	101.3	102.6	104.6	104.7	104.7	104.5	104.7	107.2	107.6	109.3	108.8	([2])
United Kingdom	106.7	108.0	109.5	108.7	109.2	110.3	109.3	109.6	109.1	109.2	109.2	108.6	109.5	110.6	([2])
France	99.6	99.8	103.6	100.0	103.0	104.8	106.5	106.8	105.2	107.6	106.4	107.3	109.2	([2])	([2])
Italy	107.9	104.8	107.7	105.1	107.4	107.9	109.2	108.9	109.4	109.3	110.3	109.2	108.2	([2])	([2])

[1] U.S. index base year was switched from 1992=98.9 to 1990 = 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, April 1998, *Federal Reserve Statistical Release,* June 17, 1998.

Consumer prices, by selected countries and by specified periods, Jan. 1995– June. 1998

(Percentage change from same period of previous year)

				1997								1998					
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**
United States	2.8	3.0	2.3	2.9	2.3	2.2	1.9	2.2	2.1	1.8	1.7	1.6	1.4	1.4	1.4	1.7	1.7
Japan	–0.1	0.2	1.7	0.6	2.0	2.1	2.1	2.4	2.5	2.1	1.8	1.8	1.9	2.2	0.4	0.5	0.1
Canada	1.7	1.6	1.6	2.1	1.6	1.7	1.0	1.6	1.5	0.9	0.7	1.1	1.1	0.9	0.8	1.1	1.0
Germany	1.7	1.4	1.7	1.7	1.5	1.9	1.7	1.8	1.7	1.8	1.7	1.8	1.0	1.4	1.4	1.3	1.1
United Kingdom	3.4	2.4	3.1	2.7	2.7	3.5	3.7	3.6	3.7	3.7	3.6	3.3	3.4	3.5	4.0	4.2	3.7
France	1.7	2.0	1.2	1.5	0.9	1.3	1.1	1.3	1.0	1.2	1.1	0.5	0.7	0.8	1.0	1.0	1.0
Italy	5.2	3.9	2.0	2.5	1.8	1.9	1.9	1.9	2.0	1.9	1.9	2.0	2.1	1.9	2.0	2.0	2.0

[1] Not available.

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

Unemployment rates (civilian labor force basis)[1], by selected countries and by specified periods, Jan. 1995–June. 1998

			1997								1998					
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**
United States	5.6	5.4	4.9	5.3	4.9	4.9	4.7	4.9	4.8	4.6	4.7	4.7	4.7	4.3	4.3	4.5
Japan	3.2	3.4	3.4	3.3	3.5	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.9	4.2	4.2	4.3
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9	9.1	9.0	8.6	8.9	8.6	8.5	8.4	8.4	8.4
Germany	6.5	7.2	7.8	7.7	7.8	7.8	7.8	7.9	7.8	7.8	7.7	7.6	7.6	7.6	7.5	7.5
United Kingdom	8.8	8.3	7.1	7.6	7.3	6.9	6.6	6.7	6.6	6.5	6.5	6.4	6.4	6.3	([2])	([2])
France	12.3	12.4	12.7	12.7	12.7	12.7	12.6	12.7	12.6	12.4	12.2	12.2	12.1	12.0	11.8	11.7
Italy	12.0	12.1	12.3	12.3	12.7	11.9	12.2	12.2	12.2	12.2	12.2	12.2	12.1	12.4	([3])	12.4

[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, July 1998.

Short–termt interest rates,[1] by selected countries and by specified periods, Jan. 1995–May. 1998

(Percentage, annual rates)

				1996	1997							1998				
Country	**1995**	**1996**	**1997**	**IV**	**I**	**II**	**III**	**IV**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**
United States/1	5.8	5.4	5.6	5.4	5.4	5.7	5.6	5.7	5.6	5.7	5.8	5.5	5.5	5.5	5.5	5.5
Japan	1.2	.5	([2])	0.5	0.5	0.5	0.5	([2])	0.5	0.5	0.5	0.7	0.5	0.7	0.7	0.6
Canada	7.1	4.4	([2])	3.2	3.1	3.3	3.6	([2])	3.8	4.0	4.6	4.7	5.0	4.9	4.9	5.1
Germany	4.4	3.2	([2])	3.0	3.0	3.0	3.1	([2])	3.5	3.6	3.6	3.5	3.5	3.4	3.6	3.6
United Kingdom	6.6	5.9	([2])	6.1	6.1	6.4	7.0	([2])	7.2	7.5	7.6	7.5	7.5	7.5	7.4	7.4
France	6.4	3.8	([2])	3.3	3.2	3.3	3.2	([2])	3.4	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Italy	10.4	8.7	([2])	7.5	7.3	6.9	6.8	([2])	6.6	6.6	6.1	6.1	6.1	5.6	5.1	5.0

[1] 8–months certificate of deposit
[2] Not available.

Source: *Federal Reserve Statistical Release*, June 29, 1998; *Federal Reserve Bulletin*, July, 1998.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1995–June 1998

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

				1997					1998					
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**
United States[1]	–158.8	–170.2	–181.8	–181.7	–167.1	–190.4	–185.4	–196.1	–194.4	–162.5	–181.3	228.0	211,2	259.2
Japan	106.0	68.2	82.4	51.3	93.3	86.6	102.5	74.9	100.2	110.0	83.9	111.6	([2])	([2])
Canada[3]	27.8	30.7	18.4	28.8	16.5	15.0	11.4	19.0	17.3	13.9	11.6	([2])	([2])	([2])
Germany	63.6	65.5	73.1	68.0	79.0	76.7	72.4	75.7	56.2	80.8	90.0	([2])	([2])	([2])
United Kingdom	–22.4	–25.3	–26.5	–17.0	–23.0	–25.0	–31.7	–30.2	–31.7	–49.3	–33.0	([2])	([2])	([2])
France[3]	20.0	17.8	30.2	22.5	34.4	31.0	33.7	35.3	32.5	27.0	26.4	([2])	([2])	([2])
Italy	27.6	43.9	38.3	32.0	30.6	30.4	33.1	8.3	20.0	20.0	([2])	([2])	([2])	([2])
Major seven	51.0	23.3	23.5	–6.0	49.9	23.6	26.5	–5.5	–14.9	–7.9	–11.2	([2])	([2])	([2])
EU(15)	95.9	120.0	127.9	118.7	132.2	149.9	111.0	105.1	81.1	111.0	([2])	([2])	([2])	([2])
OECD Europe	92.5	116.8	118.0	109.4	126.2	136.8	99.6	91.6	53.0	91.8	([2])	([2])	([2])	([2])
OECD Total	62.0	38.8	38.5	6.2	73.6	46.8	27.4	–13.8	–39.1	0,4	–32.4	([2])	([2])	([2])

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

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 18, 1998; *Main Economic Indicators;* Organization for Economic Cooperation and Development, June 1998.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1995–June 1998

(In billions of dollars)

				1997				1998					
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**
Commodity categories:													
Agriculture	25.6	26.7	20.5	5.7	3.5	3.9	7.0	1.7	1.7	1.2	0.9	0.8	0.9
Petroleum and selected product— (unadjusted)	–48.8	–60.9	–65.5	–18.6	–16.1	–15.0	–15.9	–4.2	–3.9	–3.6	–4.1	–3.6	–4.0
Manufactured goods	–173.5	–175.9	–179.5	–37.1	–37.7	–54.5	–49.9	–15.5	–14.6	–17.3	–19.0	–20.3	–17.6
Selected countries:													
Western Europe	–10.6	–10.4	–17.5	–.6	–2.3	–7.3	–6.7	–0.4	–0.3	–1.6	–3.2	–1.7	–3.0
Canada	–18.1	–22.8	–16.6	–4.4	–3.7	–4.0	–4.4	–1.5	–1.6	–1.1	–1.3	–1.3	–1.2
Japan	–59.1	–47.6	–55.6	–13.1	–12.4	–14.7	–15.1	–4.4	–5.3	–5.8	–5.4	–5.0	–5.3
OPEC (unadjusted)	–15.7	–19.8	–20.5	–5.5	–5.2	–5.5	–3.8	–0.9	–0.6	–0.5	–1.2	–0.7	–1.1
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	$17.13	$16.21	$14.42	11.80	$11.80	$11.23

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

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