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INTERNATIONAL ECONOMIC COMPARISONS

The majority of forecasters call for continued economic expansion in all the leading industrial countries during 1988 and 1989. The rate of expansion is expected to decelerate from the 1987 level in the United States, United Kingdom, and Japan, but accelerate slightly in West Germany. Analysts foresee further progress in reducing the trade imbalances among the major industrial powers and only modest increases in inflation rates.

In the United States many analysts have scaled down their expectations about the growth-generating effects of the economy's two strongest elements—capital investment and exports. Nonetheless, the current U.S. economic picture remains favorable. Industrial capacity utilization is high, the latest trade figures are encouraging, and worries about a drastic spurt in the price level have subsided.

Economic Growth

The rate of real economic growth (latest available quarterly GNP/Gross Domestic Product (GDP) growth, annualized) was 6.3 percent in Canada, 4.9 percent in France, 0.8 percent in Italy, 7.0 percent in Japan, 1.0 percent in the United Kingdom, 3.9 percent in the United States, and 5.7 percent in West Germany. The average growth rate for the "Group of 7" (using 1986 GDP's as weights) was 5.9 percent.

Industrial Production

U.S. industrial production rose by 0.4 percent in May following a 0.6-percent increase in April. In May, U.S. factories, utilities, and mines operated at 82.9-percent capacity, their highest rate in over 8 years. Some signs indicate that U.S. industries may be shifting from producing for domestic consumption towards producing for domestic investment and exports. The output of consumer durables rose by only 1.8 percent from March 1987 to March 1988, whereas the output of non-defense-related producers' equipment rose by 7.4 percent over the period.

The annual rates of industrial growth in the major industrialized countries, calculated by comparing the latest available monthly output with output in the corresponding month of the previous year, were as follows: Canada, 6.0 percent; France, 2.9 percent; Italy, 2.9 percent; Japan, 12.4 percent; the United Kingdom, 1.6 percent; the United States, 6.4 percent; and West Germany, 2.8 percent.

Professor Lawrence A. Mishel of the Economic Policy Institute estimates that the share of manufacturing in the GNP declined from 22 to 19 percent in the United States over the past 6 years and increased from 28 to 35 percent in Japan. This view contrasts with the often-quoted official statistic that the share of manufacturing output in the U.S. GNP has remained at 22 percent for the past 25 years.

Investment

According to the latest survey of the U.S. Department of Commerce, the Nation's businesses plan a 10.7-percent boost in capital outlays in 1988. The previous survey indicated a projected increase of only 8.8 percent. However, The Conference Board estimates that as much as one-half of the capital spending may involve imports, limiting the investment boom's beneficial effects to domestic producers.

Trade

West Germany's surplus in merchandise trade was $5.0 billion in March, up slightly from $4.8 billion in February but considerably below the $5.8 billion surplus registered for March 1987. The country's current account surplus fell from $11.9 billion during the January–April 1987 to $9.7 billion during the corresponding period of 1988. (The current account combines the merchandise trade account with the accounts on service trade and payments on investments.)

Japan's surplus in merchandise trade totaled $5.1 billion in May 1988, down from $6.8 billion in April and from $6.4 billion in May 1987. This most recent decline was the 13th consecutive monthly decrease compared with trade surpluses in the corresponding months of the previous year. At the current rate of exchange, Japan's trade surplus declined from $27.7 billion during January–March 1987 to $26.0 billion during January–March 1988. However, this figure exceeded the $22.8 billion surplus posted for the fourth quarter of 1987, even if the dollar's depreciation against the yen during the first quarter of 1988 is taken into account.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis including military personnel) increased slightly, from 5.4 percent in April to 5.5 percent in May.

The West German Government reported that the country's rate of unemployment was 8.9 percent in May. The national statistical offices of other countries reported the following unemployment rates in April: 7.7 percent in Canada, 15.6 percent in Italy, 2.6 percent in Japan, and 8.8 percent in the United Kingdom. The March unemployment rate was 10.3 percent in France. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Prices

The seasonally adjusted U.S. Consumer Price Index rose by a moderate 0.3 percent in May, but at an annual rate of 5.0 percent during the 3-month period of March–May.

The average rate of inflation during the 1-year period ended May 1988 was 1.1 percent in West Germany. The average rate of inflation during the 1-year period ended April 1988 was 4.0 percent in Canada, 2.5 percent in France, 5.0 percent in Italy, zero percent in Japan, and 3.9 percent in both the United Kingdom and the United States.

Inflation in the Third World was higher in 1987 than in 1986, but it was lower than in 1985. For example, consumer price increases in the developing countries of the Western Hemisphere averaged 118.7 percent in 1987 compared with 82.2 percent in 1986 and 161.4 percent in 1985. Inflation in the developing countries of Asia was 6.9 percent in 1987, up from 5.4 percent in 1986 but down from 7.8 percent in 1985.

During the second half of 1987, nonfuel commodity prices in world markets fell to their lowest level since 1973, but they recovered and continued to rise during the first quarter of 1988. In terms of the Special Drawing Rights (SDR), the International Monetary Fund's accounting unit, nonfuel commodity prices rose by 19 percent from the first quarter of 1987 to the first quarter of 1988. (Since the drastic depreciation of the dollar, many analysts use the SDR in making international economic comparisons.)

Forecasts

U.S. external deficits

Morgan Guaranty Trust Co. predicts a $35 billion decline in the U.S. merchandise trade deficit, from $171 billion in 1987 to $136 billion in 1988. The bank's projection for the Nation's current account deficit—that it will decline by only $4 billion, from $154 billion to $150 billion, over the period—coincides with the prediction of the Organization for Economic Cooperation and Development (OECD). All forecasters expect smaller declines in the current account than in the merchandise trade deficit. The reason is that foreign assets in the United States exceed U.S. assets abroad by over $400 billion. Consequently, U.S. payments of interest, dividends, and profits to foreigners will outstrip similar kinds of U.S. receipts from abroad. Since the stock of debt owed to foreigners grows until the current account is balanced, there will be periods when the U.S. debt to foreigners will grow as the trade deficit shrinks or even shows a small surplus.

Prices

The Swiss Bank Corporation (SBC) forecasts that U.S. consumer prices will rise by 4.1 percent in 1988 and by 4.8 percent in 1989. For the other major industrialized countries, SBC projects the following increases in consumer prices: France, 3.2 percent in 1988 and 3.5 percent in 1989; Italy, 5.4 percent in 1987 and 5.6 percent in 1989; Japan, 1.0 percent in 1987 and 1.3 percent in 1989; the United Kingdom, 4.3 percent in 1987 and 5.5 percent in 1989; and West Germany, 1.3 percent in 1987 and 1.8 percent in 1989. Thus, like most forecasters, SBC foresees an acceleration in price rises throughout the industrialized world. This forecast rests mostly on the expectation that long-running business expansions will run into capacity constraints; that the growth of money supplies will continue to exceed real economic growth in the five key industrialized countries; and that food prices will rise worldwide in the wake of relatively tight supplies of grains and soybeans.

U.S. TRADE DEVELOPMENTS

The seasonally adjusted U.S. merchandise trade deficit dropped by 15.4 percent, from $11.7 billion in March to $9.9 billion in April. This was the net effect of a 2.6-percent decrease in exports and a 6.5-percent decline in imports. The deficit narrowed in trade with Canada, Japan, and Western Europe but increased with the East Asian Newly Industrialized Countries (including Hong Kong, Korea, Singapore, and Taiwan.) The April deficit was significantly below the average monthly deficit of $12.5 billion during the first quarter of 1988 and that of $14.2 billion during the whole of 1987. The cumulative January–April deficit declined from $55.3 billion in 1987 to $47.3 billion in 1988. If the trade performance of the first 4 months holds for the rest of the year, the annual U.S. merchandise trade imbalance will amount to

$141.8 billion, representing a significant drop from 1987's record $170.3 billion. Since both import and export prices increased over the period, and the increase in import prices exceeded the increase in export prices, the reduction in the volume of the deficit was even more significant.

When an international buyer goes comparison shopping in undifferentiated product markets, he has a relatively easy task. All he has to do is compare prices without as much as looking at the product. (For example, the protein content of soybeans is measured the same way around the globe.) The depreciation of the dollar gave the largest boost to U.S. exports of these products over the past 12-month period. From April 1987 to April 1988, exports of crude materials (soybeans, lumber, pulp, metal ores, and other products classified under Standard International Trade Classification {SITC} sec. 2) rose by 36.7 percent. In the more fragmented markets of differentiated products, where technological characteristics and real or perceived quality differences hamper penetration, the effect of the depreciation was smaller. U.S. exports of machinery and transport equipment (SITC sec. 7) rose by 24.3 percent over the period.

In markets for highly differentiated products, it is difficult to gain market shares and relatively easy to hang on to them. U.S. imports of machinery and transport equipment rose by 9.2 percent from April 1987 to April 1988. Deflating this rise with the estimated 6.8-percent increase in import prices for these goods, we find that the volume of U.S. machinery and transport equipment imports rose by 2.2 percent over the period.

Owing chiefly to heavy U.S. payments of investment income to foreigners, the U.S. current account deficit increased from $33.5 billion during the fourth quarter of 1987 to $39.8 billion during the first quarter of 1988. Over the same period, the U.S. merchandise trade deficit declined from $41.2 billion to $35.9 billion.

INTERNATIONAL TRADE DEVELOPMENTS

The Composition of U.S. Imports From the Caribbean Basin Changes

Although the United States has registered record merchandise trade deficits with most of its trading partners during the last 4 years, its collective deficit with the Caribbean Basin countries narrowed and turned into a small surplus in 1987. The value of total U.S. imports from the Basin declined during 1983–87, despite the duty-free treatment extended to certain Caribbean products under the Caribbean Basin Economic Recovery Act (CBERA) program.

The contraction of U.S. imports was accompanied by a major change in their composition. Figure 1 shows total imports from the 22 beneficiary countries of the CBERA during 1983–87 and the principal components of this trade flow (See also *IER*, March 1986, and *IER*, September 1987). CBERA beneficiaries accounted for virtually all imports from the region (98 percent in 1987).

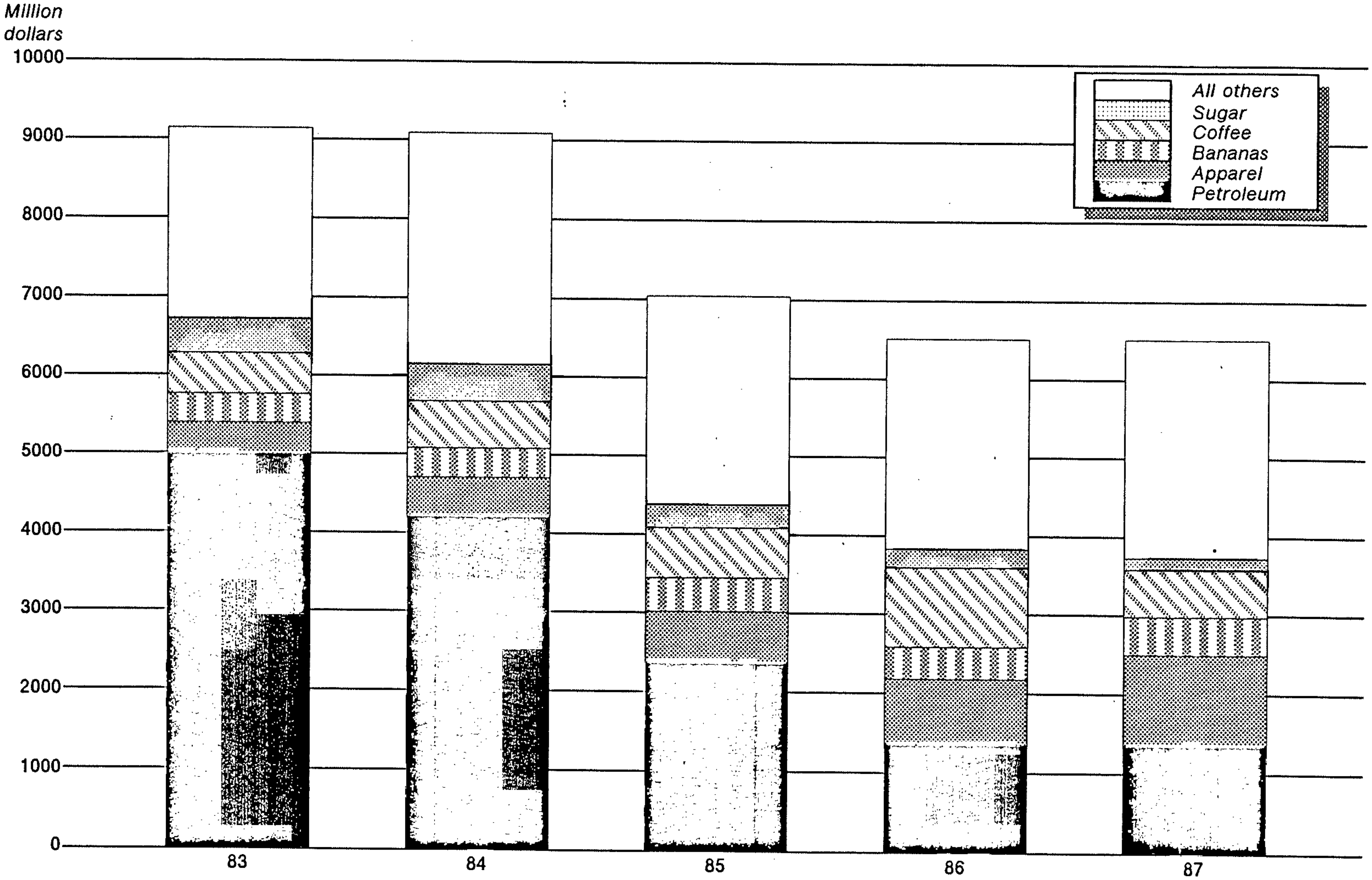
Caribbean exports have traditionally consisted of only a few items, of which petroleum products were the most important. As the figure shows, during 1983–86, the value of the region's petroleum exports to the United States plummeted by 73 percent and was primarily responsible for the overall decline in this trade. Petroleum products accounted for 57 percent of the total value of U.S. imports from the Caribbean Basin countries in 1983, but for only a 23-percent share in 1986 and 1987. Both total U.S. imports and petroleum-related imports from the Caribbean stopped falling in 1987.

The figure shows some other important changes in the composition of U.S. trade with these countries, including the steady decline in sugar imports. Along with other foreign suppliers, Caribbean exporters have suffered from cutbacks in U.S. sugar import quotas. Their coffee exports to the United States increased rapidly during 1983–86 but fell sharply in 1987, in part reflecting major increases in coffee prices. Exports of bananas and shellfish to the United States increased during the same period.

The most notable change in the composition of this trade was the growth in U.S. imports of Caribbean textiles and apparel—consisting mostly of garments. These products represent a nontraditional export category for the Caribbean Basin. Textiles and apparel rose from 4.5 percent of total U.S. imports from the Caribbean countries in 1983 to 19.0 percent in 1987.

In addition, imports of "all others" increased only moderately, but increased considerably as a share of declining total imports. In 1983, this category accounted for only 19 percent of total U.S. imports from the region. However, Caribbean exports became more diversified, some nontraditional items in addition to garments acquired a meaningful place in the export spectrum, and the U.S. import share of this mixed group of products gradually increased to 30 percent of the total by 1987.

Figure 1
Principal U.S. imports from the Caribbean Basin countries, 1983-87



The role of CBERA

What was the CBERA's role in these developments? Among the major Caribbean export items shown individually, sugar is only one eligible for duty-free treatment under the CBERA. Although this benefit has been diminished by higher U.S. sugar quotas, CBERA does provide duty-free treatment to those sugar imports from countries under the program that were previously excluded from such treatment under the competitive need limitations of the Generalized System of Preferences (GSP). The other items shown are either duty free independently of the CBERA or are still dutiable as CBERA-ineligible items. Nor is the spectacular growth of Caribbean garment exports attributable to the CBERA, since textiles and apparel are also ineligible for its duty-free privileges. Instead, Caribbean garment exporters have benefited from other U.S. trade legislation such as the Tariff Schedules of the United States (TSUS) 807.00 provisions and, more recently, from bilateral agreements between the United States and five CBERA beneficiary countries. (These accords guarantee access to the U.S. market for items cut and finished from fabrics produced in the United States.)

On the other hand, some nontraditional Caribbean exports other than garments, including certain fresh and processed fruits and vegetables and electronic products, have benefited from the CBERA. These items are not shown separately in figure 1 since they still represent a small percentage of total Caribbean exports to the U.S. market. Grouped together among "all others," they nonetheless have contributed to enlarging this miscellaneous category. Such items under the CBERA accounted for 14.7 percent all U.S. imports from the Caribbean Basin countries in 1987, or nearly one-half of the total value of those products classified as "all others." The share of this miscellaneous group of CBERA-eligible imports was 6.5 percent in 1984, the first year of the program, and has increased each subsequent year.

The CBERA is a 12-year program featuring preferential access to the U.S. market for Caribbean exports as its key component. The period considered in figure 1 coincides with the first 4 years of the CBERA's implementation (1984–87.) The decline of the Caribbean trade flow in this period has prompted widespread criticism of the program—principally from Caribbean political and business leaders. They place most of the blame on the exclusion from the CBERA of certain important Caribbean exports, such as petroleum products, garments, and certain footwear and other leather goods. Criticism also has focused on the U.S. treatment of sugar which, although CBERA eligible, remains subject to increasingly stringent quota restraints.

However, the CBERA has defenders who argue that the program is being unfairly criticized. CBERA supporters point out that in recent years external market forces worked against the exports of the region's traditional mainstays: petroleum, coffee, sugar, and bauxite. Although the CBERA attracts new investment and has already generated certain nontraditional Caribbean exports, these accomplishments of the program have been overwhelmed thus far by the losses suffered in the region's still fundamentally undiversified, traditional export base.

Even advocates admit, however, that the CBERA has some major shortcomings that prevent the program from being as effective as it could be. New legislative proposals are currently under consideration that would, among other things, extend the life of the program for another 12 years, provide preferential treatment for products currently excluded, and relieve Caribbean countries from the serious effects of U.S. sugar quota cutbacks.

Agriculture in the Uruguay Round: On the Outside Looking In

United States Trade Representative Yeutter and Secretary of Agriculture Lyng have stated that this Round of the General Agreement on Tariffs and Trade (GATT) is "an historic opportunity to move the world away from confrontation and conflict by addressing the root cause of the problem of agriculture." Expanding on this point, they said, "We believe the negotiations must focus on phasing out distortive government support programs, including export subsidization." In the same vein, Deputy Secretary of State Whitehead, in a speech presented this spring in Canada, stated that agriculture "must, at a minimum, be brought under normal GATT discipline."

Despite the strong U.S. emphasis on the importance of progress in agricultural issues to the success of the Uruguay Round of Multilateral Trade Negotiations, Ambassador Yeutter acknowledged in a recent speech to the Swiss Farmers' Union that the talks on agriculture thus far have failed to make significant headway. It is hoped that the negotiating group will achieve some results by year end. A midterm review of activities in the GATT negotiating groups is scheduled for December 5 in Montreal, Canada. Member countries of the Organization for Economic Cooperation and Development (OECD) agreed in their May Ministerial Communique that a framework approach to agricultural issues should be sought at the December meeting. The Cairns group (a group of 14 nonsubsidizing agricultural exporters consisting of both developed and developing countries) is reportedly working on a framework that would combine short-and long-term changes in agriculture regimes.

Many developing countries see the talks on agriculture as a battle between the giants, the United States and the European Community (EC). Nevertheless, Ambassador Yeutter pointed out in his speech in Switzerland that developing countries are the major losers under the current agricultural import barriers and production policies, because they cannot compete with the expensive farm-support measures.

The United States has called for the gradual elimination of all agricultural supports in which price guarantees or income transfers are linked to production and marketing, but not of those programs used by nations for domestic and international food aid or for food security. According the U.S. view, however, food security policies are not intended to be defined too broadly. In meetings held on June 9 and 10, the United States informed the other negotiators that it will not accept as "food security" the argument that countries must be self-sufficient in food production. Japan is one of the leading adherents of this view. The U.S. proposal is consistent with proposals put forward by Canada and the Cairns group.

The EC has proposed emergency price stabilization measures for grains, beef, sugar, and dairy products. In June, it added to this proposal a suggestion that countries strive to reduce subsidies over a 3- to 4-year time frame as a short-term effort to stem the agricultural crisis.

Although the United States welcomed the EC support of multilateral reductions of incentives to production, it was not pleased with the aspects of the EC proposal that implied the continuation of extensive export subsidies and restrictive trade practices. The United States sees much of the EC proposal as leading to an increase in the role governments play in setting prices, controlling production, and carving up the world market for agricultural products among the existing players. Moreover, the United States argues that the EC proposal make no distinction between efficient and inefficient producers.

Clearly, sharp differences in the kinds of solutions sought by the major players remain an obstacle to achieving results in the negotiating group on agriculture by December. The Cairns group is continuing its effort to seek an acceptable middle ground between the positions of the EC and the United States.

OECD Ministers Agree on Trade and Economic Issues

On May 18 and 19, representatives from the member countries of the Organization for Economic Cooperation and Development (OECD) met in Paris for their annual ministerial conference. Highlights of the conference were (1) an agreement to develop a "framework approach" for all the Uruguay Round negotiating topics by yearend; (2) the observation that there are encouraging features in the current economic situation; (3) a reaffirmation of international cooperation as an important element of both macroeconomic and microeconomic policies; and (4) an assessment that the management of developing country debt should continue on a case-by-case basis. The ministers also discussed general economic conditions and recommended policy goals for certain countries.

The OECD ministerial declaration observed that work in the Uruguay Round negotiations has been proceeding at a satisfactory pace. The ministers sought to ensure the momentum of the negotiations, many of which are entering a difficult phase, by urging the "greatest possible advance" in the coming months. To that end, the ministers agreed to develop a "framework approach" on all negotiating topics by the December midterm review of the Uruguay Round to allow successful completion of the negotiations within the next 2 years.

The ministers agreed that there are several "encouraging features" of the current economic situation. For example, they noted that growth in OECD countries quickened in the second half of 1987, with expansion entering its sixth year. The ministers also pointed out that world trade is "growing robustly" and that major external imbalances are narrowing gradually. In addition, the ministers observed that OECD economies proved "more resilient" to the October stock market crisis than expected. OECD governments agreed to build upon these and other recent economic developments to enhance job-creating, noninflationary growth.

In the declaration, the ministers identified international cooperation as "an important ingredient" of both macroeconomic and microeconomic policies. In this vein, member governments agreed to pursue monetary and fiscal policies aimed at creating employment and supporting noninflationary growth, to correct external imbalances, to contain budget deficits (strike appropriate balances between domestic saving and investment), to maintain orderly financial markets, and to achieve greater exchange-rate stability. Ministers also resolved to intensify action, both domestic and international, to reform structural policies, particularly in trade, agriculture, industrial subsidies, tax systems, financial markets, and international investment.

On the subject of developing country debt, the ministers agreed that management of debt issues should proceed on a case-by-case basis. They noted that although most developing countries still face debt difficulties, growing world trade, firmer commodity prices, the adjustment policies followed by many debtor countries, and a widening menu of techniques to deal with debt problems have eased some of the debt difficulties. The ministers agreed that generalized approaches or across-the-board measures are inappropriate to counteract the differing problems of indebted developing countries.

Another area of agreement was general economic policy goals for certain member countries. The ministers identified cutting the federal budget deficit as "the essential requirement" for the United States economy. In the case of Japan, they agreed that economic growth led by domestic demand and rising imports must continue. For Europe, the ministers cited continued structural reforms and the flexible implementation of macroeconomic policies as essential for sustained growth in European demand and production.

China Renews Efforts to Improve Investment Climate

Investment data released by China's Ministry of Foreign Economic Relations and Trade (MOFERT) show that by yearend 1987 the number of foreign-funded enterprises in China exceeded 10,000, of which 4,000 were operational. MOFERT also reported that the total amount of foreign funds committed had reached $21.96 billion, although only $8.47 billion of this amount represented paid-in capital. Hong Kong has supplied both the bulk of the investors and the dollar commitments to China. However, the United States continued to rank second in 1987 in terms of total investment pledged and was third, following Japan, in terms of establishing the largest number of investment operations. During 1980–87, U.S. firms signed over 300 investment contracts with China and committed over $3.0 billion to these joint Sino-American and wholly U.S.-owned ventures.

Yet despite China's considerable success in opening its economy to direct foreign investment since the adoption of this policy in 1978, the investment climate still fails to attract many U.S. and other foreign companies. As part of the new policy of promoting more export-oriented investment to accelerate the economic development of China's coastal areas (*IER*, May 1988), Government leaders have once again reaffirmed their commitment to improving the investment environment. However, in launching this most recent effort to attract more foreign investment, they have begun by placing particular emphasis on measures to resolve the more pressing problems of foreign companies already operating enterprises in China.

A foreign-exchange imbalance is consistently cited by foreign investors in China as the most serious problem they encounter in their operations. Since the renminbi (RMB), China's currency, is not convertible, the Chinese Government expects joint ventures and other foreign-invested enterprises to balance their foreign-exchange expenditures with export earnings. During the first years of a venture, however, before production reaches a level that enables the enterprise to purchase its raw materials locally at competitive prices and exports begin, foreign investors usually have found they cannot maintain a foreign-exchange balance sufficient to keep the factory running continuously and pay expatriate employees. After this problem was highly publicized in 1986—e.g., the Sino-U.S. Beijing Jeep Corp. closed for 2 months because it lacked hard currency to import parts and other materials—the Chinese Government issued legislation outlining methods that foreign-invested enterprises can use to obtain limited amounts of foreign exchange for short periods of time. However, none of these options provide the dependable long-term foreign-exchange support investors need, especially if they are undertaking large manufacturing projects.

In response to this problem, the Government has recently announced a much more promising alternative: national foreign-exchange adjustment centers. Although a few local centers already exist where foreign-invested enterprises with a hard-currency shortage can exchange their earnings in RMB for foreign exchange supplied by enterprises with a surplus, the "swaps" are almost always made at a substantial premium (30 to 65 percent) over the current official exchange rate of RMB3.72:$1. An enterprise may meet its immediate hard-currency needs, but at a cost that significantly reduces or eliminates profits. Still another result of the demand for foreign exchange normally exceeding the supply available in these centers is that those enterprises operating within the jurisdiction of the exchange are favored by local government officials. Even in Beijing, where a large number of joint-venture hotels generate foreign-exchange revenues far greater than their hard-currency needs, an enterprise with a foreign-exchange shortage may find it difficult to obtain funds, in this case because some of the hotels are registered as Government enterprises and some are registered as municipal ventures and different swapping rules apply.

The national foreign-exchange adjustment centers are expected not only to largely eliminate these various problems encountered at local centers but, since they will be open to wholly Chinese as well as foreign-invested enterprises, to provide access to a much larger supply of foreign exchange. Further help also may be forthcoming. In recent months, a number of Chinese Government officials have made statements, without providing any details, that steps are being considered to ease foreign-exchange controls.

A movement is also underway, launched by Government officials at the highest level and supported by a media campaign, to ensure that local government officials investigate the problems of each foreign investment enterprise in their area and adopt measures to solve them. One point China's leaders have reportedly emphasized in recent statements is that foreign investors are entitled to a profit. Local governments have responded quickly to this call by holding meetings with foreign investors and promising various improvements. The real test will be whether or not these promises are fulfulled. However, the pressure on local officials will almost certainly continue since what they do to ensure the success of foreign investors will become increasingly important as China moves ahead with its program to decentralize the economy.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1985–May 1988

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	Dec. 1987	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May
United States	1.9	1.1	3.8	3.1	4.3	8.7	7.1	4.0	4.9	4.6	0	2.4	7.4	4.9
Canada	2.8	.8	2.6	1.8	5.3	5.8	4.4	2.9	-1.0	6.9	-4.7	1.9	([1])	([1])
Japan	3.7	-.4	2.9	5.6	-.8	15.2	15.7	14.0	17.7	6.8	29.8	4.4	([1])	([1])
West Germany ...	3.9	2.2	-.3	-1.8	-1.3	2.2	2.9	5.1	([1])	24.6	-1.1	7.1	([1])	([1])
United Kingdom ..	4.7	1.5	3.2	2.7	3.5	6.3	3.8	([1])	([1])	-4.1	-27.2	([1])	([1])	([1])
France	6	.8	2.2	1.3	6.7	2.6	3.9	([1])	([1])	0	-10.8	([1])	([1])	([1])
Italy	1.2	2.7	4.0	12.8	8.1	-10.8	14.0	([1])	([1])	177.2	-42.6	([1])	([1])	([1])

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, June 3, 1988.

Consumer prices, by selected countries and by specified periods, January 1985–May 1988

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	Dec. 1987	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May
United States	3.6	1.9	3.7	5.3	4.9	3.9	3.6	3.4	1.2	4.2	2.1	6.4	4.9	4.9
Canada	4.0	4.2	4.4	3.6	5.4	4.4	3.5	3.1	([1])	2.7	2.8	5.9	([1])	([1])
Japan	2.0	.6	.1	-2.2	5.0	-.8	1.1	-2.1	([1])	-3.5	-2.4	4.9	6.1	([1])
West Germany ...	2.2	-.2	.3	1.0	1.4	1.5	0	.7	([1])	-1.0	2.7	2.0	2.0	([1])
United Kingdom ..	6.1	3.4	4.1	5.6	2.3	3.9	4.9	2.2	([1])	1.4	1.8	4.8	([1])	([1])
France	5.8	2.5	3.3	5.2	2.3	2.7	2.4	2.2	([1])	1.0	2.8	2.9	([1])	([1])
Italy	8.6	6.1	4.6	4.1	4.5	6.5	5.7	3.1	([1])	3.1	1.9	5.2	4.9	([1])

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, June 3, 1988.

Unemployment rates,[1] by selected countries and by specified periods, January 1985–May 1988

(In percent)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	Dec. 1987	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May
United States	7.2	7.0	6.2	6.6	6.3	6.0	5.9	5.7	5.8	5.8	5.7	5.6	5.4	5.6
Canada	10.5	9.6	8.9	9.6	9.1	8.8	8.2	7.9	8.1	8.1	7.8	7.8	7.7	([2])
Japan	2.6	2.8	2.9	3.0	3.1	2.8	2.8	([2])	2.7	2.7	2.7	([2])	([2])	([2])
West Germany ...	7.5	7.0	6.9	6.8	6.9	7.0	7.0	6.9	7.3	6.9	6.9	6.9	7.0	([2])
United Kingdom ..	11.2	11.2	10.3	11.0	10.6	10.0	9.5	9.0	9.3	9.1	9.0	8.9	8.8	([2])
France	10.4	10.7	11.1	11.2	11.2	11.1	10.8	10.9	10.8	10.9	10.9	10.7	([2])	([2])
Italy	6.0	7.5	7.9	7.6	7.8	8.1	8.0	8.0	([2])	8.0	([2])	([2])	([2])	([2])

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
[2] Not available.

Note.—Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: Statistics provided by Bureau of Labor Statistics, U.S. Department of Labor, June 1988.

Trade balances, by selected countries and by specified periods, January 1985-April 1988

(In billions of U.S. dollars, f.o.b. basis)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.
United States [1]	-132.8	-149.3	-153.3	-145.6	-149.2	-158.8	-157.6	(1)	-140.4	-127.2	-121.2	-157.2	-114.0	-118.8
Canada	12.4	7.5	7.8	9.6	9.2	8.4	4.4	(1)	6.0	(2)	6.0	13.2	(2)	(2)
Japan	55.8	92.5	96.2	110.8	94.8	89.2	91.6	103.2	86.4	(2)	104.4	104.4	100.8	(2)
West Germany	25.4	52.6	65.5	64.4	61.2	62.8	74.0	(1)	75.6	(2)	73.2	(2)	(2)	(2)
United Kingdom	-2.6	-12.4	-15.9	-6.8	-15.6	-20.0	-21.2	-26.0	-25.2	(2)	-31.2	-27.6	-19.2	(2)
France	-2.6	.1	-5.3	-4.0	-8.8	-4.4	-4.4	-2.8	-1.2	(2)	-1.2	-10.8	3.6	(2)
Italy	-12.1	-2.1	-8.8	-6.8	-12.0	-6.4	-10.8	(1)	-2.4	(2)	-10.8	-2.4	(2)	(2)

[1] Exports, f.a.s. value, unadjusted; imports, customs value, unadjusted. Beginning with 1986, figures include previously undocumented exports to Canada. Data for individual quarters do not reflect similar adjustments.

[2] Not available.

Note.—Beginning with January 1986, the U.S. Department of Commerce stopped reporting export and import data on a seasonally adjusted basis. U.S. data for prior periods have been changed accordingly. This does not affect the comparability of U.S. and foreign trade balances on an annual basis. Beginning with April 1988, the U.S. Department of Commerce reintroduced data on a seasonally adjusted basis.

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, June 3, 1988.

U.S. trade balance, by major commodity categories, by selected countries, and by specified periods, January 1988-April 1988

(In billions of U.S. dollars, customs value basis for imports)

Item	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.
Commodity categories:														
Agriculture	9.6	4.5	8.0	1.4	1.3	2.1	3.2	3.6	1.1	1.3	1.0	1.2	1.2	1.4
Petroleum and selectedproducts, unadj	-45.9	-31.8	-38.4	-7.6	-9.0	-11.7	-10.1	-8.9	-3.4	-2.9	-3.0	-3.2	-2.9	-3.0
Manufactured goods	-102.0	-134.3	-140.1	-32.7	-34.9	-36.3	-36.2	-32.0	-11.1	-11.6	-10.7	-11.7	-10.7	-8.7
Selected countries:														
Western Europe	-23.3	-28.2	-25.7	-5.2	-6.6	-7.0	-6.9	3.2	-2.0	-2.3	-1.5	-1.2	-.9	-.8
Canada 1/	-21.7	-23.0	-11.4	-3.2	-2.3	-2.8	-3.1	-4.1	-1.2	-.6	-1.3	-1.4	-1.1	-1.1
Japan	-46.5	-55.3	-56.4	-13.6	-14.5	-13.8	-14.5	-12.5	-4.5	-4.5	-4.1	-4.2	-4.5	-4.4
OPEC, unadj	-10.2	-8.9	-13.1	-2.4	-2.8	-4.6	-3.3	-2.2	-1.0	-.8	-.6	-1.1	-.7	-.9
Unit value (per barrel)of U.S. imports ofpetroleum and selected products, unadj	$26.59	$15.02	$17.01	$15.55	$17.23	$17.99	$17.28	$15.14	$17.54	$16.78	$15.57	$15.29	$14.56	$15.69

[1] Beginning with February 1987, figures include previously undocumented exports to Canada.

Note.—Beginning with January 1986, the U.S. Department of Commerce stopped reporting export and import data on a seasonally adjusted basis. U.S. data for prior periods have been changed accordingly. This does not affect the comparability of U.S. and foreign trade balances on an annual basis.

Source: *Summary of U.S. Export and Import Merchandise Trade*, U.S. Department of Commerce, April 1988.

Money-market interest rates,[1] by selected countries and by specified periods, January 1985–May 1988

(Percentage, annual rates)

				1987				I	Dec.	1988				
Item	1985	1986	1987	I	II	III	IV	1988	1987	Jan.	Feb.	Mar.	Apr.	May
United States	8.3	6.5	6.8	6.1	6.8	6.8	7.6	6.7	7.7	6.9	6.4	6.9	7.2	7.2
Canada	9.7	8.6	8.4	7.4	8.0	9.2	9.0	8.7	8.9	8.7	8.6	8.7	8.9	([2])
Japan	6.5	4.9	3.9	4.1	3.7	3.7	3.9	3.8	3.9	3.9	3.8	3.8	3.8	([2])
West Germany	5.5	4.6	4.0	3.9	3.7	4.2	4.1	3.3	3.7	3.2	3.3	3.4	3.6	([2])
United Kingdom	12.1	10.8	9.8	10.5	9.3	10.0	9.2	8.9	8.9	8.6	9.3	8.7	8.3	([2])
France	10.0	7.7	8.2	8.2	8.1	7.9	8.5	7.9	8.7	8.1	7.4	7.9	7.9	([2])
Italy	15.0	12.8	11.3	10.9	10.7	11.9	11.6	11.0	11.5	10.8	11.1	10.4	10.4	([2])

[1] 90-day certificate of deposit.

[2] Not available.

Note.—The figure for a quarter is the average rate for the last week of the quarter.

Source: Statistics provided by Federal Reserve Board.

Effective exchange rates of the U.S. dollar, unadjusted and adjusted for inflation differential, by specified periods, January 1985–May 1988

(Index numbers, 1980–82, average=100; percentage change from previous period)

				1987				I	1987	1988	1988			
Item	1985	1986	1987	I	II	III	IV	1988	Nov.	Jan.	Feb.	Mar.	Apr.	May
Unadjusted:														
Index number[1] ...	127.1	106.0	94.2	97.1	94.1	95.2	90.3	87.5	90.0	87.4	88.2	86.8	85.7	86.7
Percentage change	3.8	-16.6	-11.1	-5.5	-3.1	1.2	-5.1	-3.1	-3.7	-2.9	.9	-1.6	-1.3	1.2
Adjusted:														
Index number[1] ...	121.7	100.9	90.2	93.4	90.5	87.0	87.4	84.9	86.6	84.3	85.4	84.7	83.4	84.5
Percentage change	1.8	-17.1	-10.6	-5.0	-2.9	-3.9	-2.1	-2.9	-3.8	-2.7	.9	-.8	-1.5	1.3

[1] 1980-82 average=100

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: *World Financial Markets*, Morgan Guaranty Trust Co. of New York.