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# INTERNATIONAL ECONOMIC COMPARISONS

## Summary of U.S. Economic Conditions

The U.S. Department of Commerce reported that real GNP grew in the third quarter of 1990 at a 1.8 percent annual rate, the strongest growth in a year and a half. A rise in consumer spending and strong productivity gains provided the momentum for growth. Consumer spending surged at an annual rate of 3.5 percent in the third quarter of 1990 compared to a rise of 0.2 percent in the second quarter. In addition, the U.S. Department of Labor reported that productivity of American workers in nonfarm businesses rose in the third quarter of 1990 at an annual rate of 1.6 percent, the fastest growth rate in 2 years.

Nevertheless, new home sales remain a soft spot. The U.S. Department of Commerce reported that new home sales dropped by 6.0 percent in September 1990, the ninth drop in a year and the worst in the last 6 months. The Department of Commerce also reported that business inventory rose 0.5 percent in September. However, the inventory accumulation rate in September was lower than the 0.7 percent accumulation rate recorded in August and the 0.8 percent rate recorded in July. Business sales dipped 0.5 percent in September, the first decline since July 1990.

Forecasters expect growth to slow in most industrial countries in 1990 and 1991, except in Germany and Japan. Tight labor markets in some countries, rising oil prices and less expansionary fiscal positions, have dampened expectations of growth. As a consequence, the International Monetary Fund (IMF) has revised overall growth projections downward for industrial countries to 2.6 percent in 1990, and to 2.4 percent in 1991, compared with 3.4 percent in 1989. Real GNP is expected to grow in major industrial countries at the following rates: Canada, 1.1 percent in 1990 and 1.3 percent in 1991; the United Kingdom, 1.4 percent in 1990 and 1.3 percent in 1991; and the United States, 1.3 percent in 1990 and 1.7 percent in 1991. In contrast, real GNP in Germany is expected to grow by 4.0 percent in 1990 and 3.75 percent in 1991. In Japan real GNP is expected to grow by 5.0 percent in 1990, and 3.75 percent in 1991. German growth is expected to remain strong as a result of the expansion in domestic demand and output and the relatively expansionary fiscal policies associated with the unification of the East and West Germany. Growth is expected to remain strong in Japan as a result of a buoyant domestic demand, strong consumer spending, and a surge in business spending.

## Economic Growth

Boosted by a rise in consumer spending and gains in productivity, the annualized rate of real economic growth in the United States in the third quarter reached 1.8 percent, much higher than the 0.4 percent growth rate recorded in the second quarter of 1990. The rate of growth registered in the first quarter was 1.7 percent. The annualized rate of real economic growth in the second quarter of 1990 was 1.4 percent in the United Kingdom, -3.5 percent in West Germany, 0.4 percent in France, 3.6 percent in Japan, -1.6 percent in Canada, and -0.8 percent in Italy.

## Industrial Production

U.S. industrial production dropped by 0.8 percent in October after increasing by 0.2 percent in September 1990. The October 1990 index was 1.8 percent higher than it was in October 1989. Total output in October 1990 dropped in consumer durables and utilities. A 4.5 percent fall in the output of motor vehicles and parts in October accounted for 25.0 percent of the decline in the index. Manufacturing output fell 0.8 percent whereas mining and utilities output fell 0.4 percent and 1.6 percent respectively. Capacity utilization in manufacturing, mining, and utilities dropped to 82.6 percent in October 1990, down from 83.5 percent in September 1990.

Other major industrial countries reported the following annual growth rates of industrial production. In the year ending September 1990, Japan reported an increase of 5.3 percent and Germany reported an increase of 6.1 percent. In the year ending August 1990, France reported an increase of 2.3 percent, Canada reported a decrease of 2.4 percent, and the United Kingdom reported a decrease of 1.8 percent. In the year ending July 1990, Italy reported a decrease of 0.8 percent.

## Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.6 percent in September 1990 from that of the previous month, and increased by 6.3 percent during the year ending October 1990. During the 1-year period ending October 1990, consumer prices increased by 3.3 percent in West Germany and 6.2 percent in Italy. During the year ending September 1990, consumer prices increased by 10.9 percent in the United Kingdom, 3.8 percent in France, 3.0 percent in Japan, and 4.2 percent in Canada.

## Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) remained un-

changed at 5.6 percent in October from that of September 1990. In October 1990, West Germany reported 6.9 percent unemployment. In September 1990, Canada reported 8.4 percent, Italy reported 9.9 percent, Japan reported 2.2 percent, the United Kingdom reported 5.8 percent, and France reported 8.9 percent unemployment. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

## Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for October 1990 to September 1991, by four major forecasters, and shows 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 forecasts point to sluggish growth in nominal GNP rates and negative growth in real GNP rates in the remainder of 1990 and the first quarter of 1991, followed by a slight improvement in the second and third quarters of 1991. The main reasons for the modest growth in 1990 and 1991 are the expected continuation of the Federal Reserve's tight monetary policy and the impact of high interest rates on U.S. business spending, the rise in oil prices if the Persian Gulf crisis continues or intensifies, the less expansionary fiscal positions adopted by the United States and other industrial countries and the possibly ensuing slowdown in U.S. exports. The average of the forecasts predicts an increase in the unemployment rate in the remainder of 1990 and the first three quarters of 1991. Inflation (measured by the GNP deflator index) is expected to rise initially and then dip in the second and third quarters of 1991.

**Table 1**
**Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91**

| *Quarter* | *UCLA Business Forecasting Project* | *Merrill Lynch Capital Markets* | *Data Resources Inc.* | *Wharton E.F.A. Inc.* | *Mean of 4 fore-casts* |
|---|---|---|---|---|---|
| **GNP:**[1] | | | | | |
| 1990: | | | | | |
| October-December | 4.6 | 2.6 | 1.8 | 3.8 | 3.2 |
| 1991: | | | | | |
| January-March | 2.8 | 3.7 | 1.7 | 3.4 | 2.9 |
| April-June | 2.7 | 4.5 | 3.5 | 6.8 | 4.4 |
| July-September | 5.7 | 6.5 | 6.3 | 7.0 | 6.4 |
| **GNP:**[2] | | | | | |
| 1990: | | | | | |
| October-December | -1.5 | -2.0 | -1.9 | -1.3 | -1.7 |
| 1991: | | | | | |
| January-March | -1.6 | -1.6 | -2.1 | -1.1 | -1.6 |
| April-June | -1.6 | 0.4 | -0.4 | 1.4 | -0.1 |
| July-September | 1.9 | 2.5 | 2.8 | 2.8 | 2.5 |
| **GNP deflator index:** | | | | | |
| 1990: | | | | | |
| October-December | 6.2 | 4.7 | 3.2 | 5.2 | 4.8 |
| 1991: | | | | | |
| January-March | 4.5 | 5.3 | 3.9 | 4.5 | 4.5 |
| April-June | 4.3 | 4.1 | 3.9 | 4.9 | 4.3 |
| July-September | 3.8 | 3.9 | 3.4 | 4.1 | 3.8 |
| **Unemployment, average rate:** | | | | | |
| 1990: | | | | | |
| October-December | 6.1 | 5.9 | 5.9 | 5.9 | 5.9 |
| 1991: | | | | | |
| January-March | 6.7 | 6.3 | 6.4 | 6.4 | 6.4 |
| April-June | 7.5 | 6.6 | 6.9 | 6.8 | 7.0 |
| July-September | 7.6 | 6.8 | 7.0 | 6.9 | 7.1 |

[1] Current dollars.
[2] Constant (1982) dollars.
Note.—Percentage changes in the forecast represent compounded annual rates of change from the preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data published by The Conference Board. Used with permission.

## U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit narrowed slightly in September 1990 due to the accelerated decline in imports over the decline in exports of industrial commodities, higher prices and higher volume of oil imports. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in the tabulation below.

The seasonally adjusted U.S. merchandise trade deficit in current dollars, including oil, declined by 3.3 percent in September to $9.4 billion from $9.7 billion in August 1990. The September 1990 deficit was 12.0 percent higher than the $8.4 billion average monthly deficit registered during the previous 12-month period, and 6.8 percent higher than the $8.8 billion deficit registered in September 1989. Excluding oil, the September merchandise trade deficit declined by 32.7 percent from August 1990.

In September 1990, both imports and exports of industrial goods declined. However, imports declined considerably faster than exports. Including oil, seasonally adjusted exports in current dollars declined by $700 million in September to $31.8 billion while imports declined by $1.1 billion to $41.2 billion. Excluding oil, U.S. imports declined by 6.4 percent to $35.0 billion in September from $37.4 billion in August 1990. The U.S. oil import bill increased to $6.22 billion in September from $4.87 billion in August 1980.

In contrast, on a cumulative January–September basis, the seasonally adjusted merchandise trade deficit declined markedly, by 10.1 percent from a year earlier to $72.1 billion from $80.2 billion. Exports increased by $20.9 billion whereas imports increased by $12.8 billion.

In seasonally adjusted constant dollars, the September trade deficit decreased by $1.5 billion from August 1990. The trade surplus in advanced-technology products increased to $3.0 billion in September from $2.6 billion in August 1990. (Advanced-technology products as defined by the U.S. Department of Commerce, include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Export changes on a monthly and cumulative year-to-date basis for specified major exporting sectors are shown in table 2. The September 1990 data show export increases over August in automatic data processing and office equipment, power-generating machinery, organic and inorganic chemicals, iron and steel mill products, scientific instruments and airplane parts. Exports decreased from August 1990 in textile yarns, fabrics and articles, general industrial machinery, followed by a decline in "other manufactured goods" category, airplanes, and vehicle parts.

Sectors that recorded the highest increases and contributed most to total exports for the January–September 1990 period compared with the same period of 1989 included electrical machinery, automatic data processing equipment and office machinery, "other manufactured goods", and airplanes.

The largest percentage import declines in September 1990 occurred in imports of clothes and footwear (down 20.4 percent), new passenger cars (down 16.5 percent), general industrial machinery (down 15.2 percent), iron and steel mill products (down 13.5 percent), specialized industrial machinery (down 11.9 percent), and electrical machinery (down 5.1 percent). The U.S. agricultural trade surplus declined slightly to $1.1 billion in September from $1.2 billion in August 1990.

U.S. bilateral trade balances on a monthly and cumulative year-to-date basis with major trading partners are shown in table 3. The United States experienced improvements in bilateral merchandise trade balances in September 1990 with Japan, the Federal Republic of Germany, the EC, the newly countries (NICs) and China, and worsening of trade balances with Canada, OPEC, and the U.S.S.R. The deficit with Japan narrowed by $780 million, and the deficit with the NICs narrowed by $510 million. Meanwhile, the deficit with the EC turned into a surplus of $1.03 billion, the deficit with the Federal Republic of Germany narrowed by $500 million, and the deficit with China declined by $70.0 million. In contrast, the deficit with Canada increased by $780 million, the deficit with OPEC widened from $2.16 billion to $2.84 billion, and the deficit with the U.S.S.R. increased slightly. On a year-to-date basis, however, significant improvements occurred in bilateral trade balances with Japan, Canada, the EC, and the NICs compared to those of a year earlier.

| | *Exports* | | *Imports* | | *Trade balance* | |
|---|---|---|---|---|---|---|
| | *Aug. 90* | *Sept. 90* | *Aug. 90* | *Sept. 90* | *Aug. 90* | *Sept 90* |
| Current dollars | | | | | | |
| including oil | 32.5 | 31.8 | 42.3 | 41.2 | -9.7 | -9.4 |
| excluding oil | 31.9 | 31.3 | 37.4 | 35.0 | -5.5 | -3.7 |
| 1987 dollars | 30.2 | 29.5 | 38.7 | 36.5 | -8.5 | -7.0 |
| Three-month-moving average | 33.0 | 32.2 | 41.0 | 41.6 | -8.1 | -9.4 |
| Advanced technology products (not seasonally adjusted) | 7.5 | 7.9 | 4.9 | 4.9 | 2.6 | 3.0 |

**Table 2**
**U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January 1989–September 1990.**

| Sector | January–September 1990 | September 1990 | January–September 1990 over January–September 1989 | September 1990 over August 1990 | January–September 1990 | September 1990 |
|---|---|---|---|---|---|---|
| | Billion dollars | | percent | | | |
| Manufactures | | | | | | |
| ADP equipment & office machinery | 18.25 | 2.14 | 3.5 | 12.0 | 6.2 | 6.8 |
| Airplanes | 14.82 | 1.43 | 33.0 | -2.1 | 5.1 | 4.6 |
| Airplane parts | 7.10 | 0.80 | 10.8 | 2.6 | 2.4 | 2.5 |
| Electrical machinery | 21.01 | 2.38 | 11.4 | 0.8 | 7.2 | 7.6 |
| General industrial machinery | 11.74 | 1.20 | 4.0 | -4.8 | 4.0 | 3.8 |
| Iron and steel mill products | 2.27 | 0.25 | -18.6 | 4.2 | 0.8 | 0.8 |
| Organic & inorganic chemicals | 10.43 | 1.21 | -9.7 | 4.3 | 3.6 | 3.9 |
| Power generating machinery | 11.51 | 1.26 | 1.0 | 5.0 | 3.9 | 4.0 |
| Scientific instruments | 8.98 | 1.02 | 5.0 | 3.0 | 3.1 | 3.3 |
| Specialized industrial machinery | 11.50 | 1.18 | 6.5 | 0.8 | 3.9 | 3.8 |
| Telecommunications | 6.71 | 0.81 | 13.7 | 2.5 | 2.3 | 2.6 |
| Textile yarns, fabrics and articles | 3.67 | 0.39 | 14.7 | -4.9 | 1.3 | 1.2 |
| Vehicle parts | 10.99 | 1.16 | 11.7 | -1.7 | 3.8 | 3.7 |
| Other manufactured goods[1] | 16.80 | 1.82 | 27.9 | -1.6 | 5.8 | 5.8 |
| Manufactured exports not included above | 65.60 | 6.85 | 8.4 | -4.2 | 22.5 | 21.9 |
| Total manufactures | 221.38 | 23.90 | 9.0 | -0.1 | 75.9 | 76.3 |
| Agriculture | 29.11 | 2.73 | -4.3 | -5.5 | 10.0 | 8.7 |
| Other exports | 41.33 | 4.69 | 10.4 | -3.5 | 14.2 | 15.0 |
| Total exports | 291.82 | 31.32 | 7.7 | -1.1 | 100.0 | 100.0 |

[1] This is an official U.S. Department of Commerce commodity grouping.

Note.—Detail lines may not add to totals because of rounding.

Source: U.S. Department of Commerce News (FT 900), November 1990.

**Table 3**
**U.S. merchandise trade deficits (-), surpluses (+) in billions of dollars, not seasonally adjusted, with specified areas.**

| Area and country | September 1990 | August 1990 | September 1989 | January–September 1990 | January–September 1990 |
|---|---|---|---|---|---|
| Japan | -3.00 | -3.78 | -4.24 | -29.39 | -36.60 |
| Canada | -1.25 | -0.47 | -0.69 | -4.74 | -6.34 |
| Fed. Republic of Germany | -0.64 | -1.14 | -0.42 | -7.11 | -6.05 |
| EC | +1.03 | -0.23 | +0.99 | +5.15 | +1.34 |
| Western Europe | +0.88 | -0.37 | +0.86 | +3.51 | -0.62 |
| NICs | -1.75 | -2.26 | -2.46 | -14.80 | -17.88 |
| U.S.S.R. | -0.12 | -0.04 | +0.03 | +2.03 | +2.69 |
| China | -1.07 | -1.14 | -0.75 | -7.41 | -4.08 |
| OPEC | -2.84 | -2.16 | -1.47 | -17.29 | -12.90 |
| Total trade balance | -9.66 | -10.51 | -8.97 | -72.06 | -80.18 |

Note.—NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Source: U.S. Department of Commerce News (FT-900), November 1990.

# INTERNATIONAL TRADE DEVELOPMENTS

## East European Economic Conditions Worsen: More Requests for Assistance Likely

Reports on mid-1990 economic performance and recently released projections for the full year showed deteriorating economic conditions in Eastern Europe. From the first half of 1989 to the first half of 1990, the decline of industrial production was 28.0 percent in Poland, 18.0 percent in Romania, 9.4 percent in Bulgaria, 9.6 percent in Hungary, 8.9 percent in the former East German territory, and 2.8 percent in Czechoslovakia.

Projections show inflation decelerating, from 744.0 percent in 1989 to 50.0 percent in the full year of 1990 in Poland. However, inflation is projected to accelerate over the same period, from 9.2 percent to 55.0 percent in Bulgaria, from 17.5 percent to 40.0 percent in Hungary, and from 1.4 percent to 15.0 percent in Czechoslovakia. East Germany's 2.0-percent inflation in 1989 is forecast to switch to a 5.5-percent deflation in 1990. (Although in October 1990, East Germany ceased to exist as an independent East European state, economic forecasts are still being made for the area.)

Forecasts show unemployment rising, from 3.3 percent at midyear 1990 to 15.2 percent by yearend 1990 in East Germany, from 4.1 percent to 8.2 percent in Poland, from 1.0 percent to 2.4 percent in Hungary, from 0.2 percent to 1.5 percent in Czechoslovakia, and from 0.8 percent to 1.7 percent in Bulgaria. Although East European unemployment rates are generally lower than those of Western Europe, East European countries have not yet succeeded in creating a sufficiently strong social safety net for the unemployed.

In addition to the inevitable temporary setbacks created by market reforms, the Gulf crisis and cuts in Soviet oil shipments are factors that further aggravate the region's economic situation. Not only has the recent crisis led to a near-doubling of oil prices, thereby raising the region's import expenses, but export revenues have also suffered. Iraq, a steadfast customer of East European machinery and equipment, has disappeared as a market, and higher energy prices have reduced the international competitiveness of East European products. Higher oil prices threaten the progress made by Poland and Hungary—the region's two most indebted nations—in restoring their external equilibrium. According to some calculations, even if oil prices—currently in the $30-34-per-barrel range—drop back to the $25–30 range during the rest of 1990, the $2 billion 1990 trade surplus projected for Poland and the $1 billion surplus projected for Hungary before the Gulf-conflict would most certainly be wiped out by higher oil import bills.

Another source of economic hardship for Eastern Europe is the reduction of Soviet energy deliveries to the region, the result of a decline in Soviet oil production and a possible redirection of Soviet oil and natural gas exports to the industrialized countries. For example, Soviet oil shipments to Poland, amounting to at least 13.0 million metric tons in 1989, are expected to amount to only 9.0 million in 1990, and to 6.0 million metric tons in 1991. Soviet oil shipments to Hungary are expected to fall from 6.4 million metric tons in 1989 to 5.1 million tons in 1990, and to 4.0 million tons in 1991. The average price of Soviet oil is projected to increase by roughly 40-to 60-percent from 1989 to 1991.

As a result of the deepening recession, living standards in Eastern Europe have come under the double pressure of lower employment and reduction in state price supports and other forms of consumer subsidization. There are food shortages in Bulgaria and Romania, but the relative deterioration of real incomes in Hungary, Poland, and Czechoslovakia, where the population is used to higher living standards, means dissatisfaction is also on the rise.

In its negotiations for 3-year standby agreements with Poland and Hungary, the International Monetary Fund (IMF) is reportedly taking into account the two countries' weakened economic position. (A standby agreement is essentially a contract between a debtor country and the IMF, obligating the debtor country to reduce its budget and current account deficits and the IMF to provide loans in the event of a balance of payments crisis. The existence of such an agreement facilitates private loans for a debtor country by raising the confidence of commercial banks in the debtor country's solvency.) The new agreements will likely contain less stringent targets for budget and current account deficit reduction than the 1-year agreements currently in effect.

Western aid committed to Eastern Europe, currently amounting to over $20 billion, is slated to increase via the expansion of existing projects and the introduction of new ones. Among the new projects may be counted Poland's future participation in the Brady debt-reduction plan and the financing of industrial restructuring through the newly created European Bank for Reconstruction and Development, beginning in 1991. Some analysts predict that East European countries will increase their demand for Western aid beyond what is planned and some countries will try to speed up the process of joining the European Community (EC). But it appears that the West will not be able to oblige East Europeans fully on either of these accounts. According to news reports, Western government finances have also been hurt by the Gulf crisis and eco-

nomic slowdown. Moreover, they do not want to raise expectations for more aid in the Third World by giving even more to Eastern Europe.

If public opinion expressed in press commentaries is any guide, the EC has most of its development assistance resources already claimed by the less developed countries within its own confines. It would like to see the East European countries stabilize and reform their economies before accepting them as members. Most Western analysts think that currency convertibility, which is often mentioned as a prerequisite for East European countries to join the EC, will not be achieved by any of them before 1997. Since the economic force for recovery will be only partially supplied from the West, the countries of Eastern Europe must strengthen economic cooperation among themselves and with the Soviet Union.

## GATT Ruling Leaves Thailand Smoking

In a case brought by the United States, a GATT dispute settlement panel ruled recently that Thailand's ban on imports of foreign cigarettes violates GATT rules. However, on another part of the U.S. complaint, the panel ruled that Thailand's excise taxes on cigarettes were consistent with the General Agreement.

Thai sources stressed that the import ban, enforced by the Thai Tobacco Monopoly, was designed to discourage smoking by limiting supply. Citing concerns about public health, Thai health activists criticized the United States for pursuing market access for foreign cigarettes in Thailand.

The second part of the U.S. complaint alleged that Thailand's excise taxes on imported cigarettes were contrary to GATT rules. The panel determined that the taxes are levied consistently with the GATT rule of national treatment.

The GATT cases stems from a section 301 petition filed by the U.S. Cigarette Export Association in April 1989. The group alleged that the Government of Thailand's practices regarding cigarette imports were unreasonable, discriminatory against imports, and restricted U.S. commerce. The petition alleged that Thailand discriminates against foreign cigarettes by allowing only the state-owned Thai Tobacco Monopoly to control cigarette production and distribution in Thailand. Consultations with the Government of Thailand began in late July 1989.

Citing a lack of progress in bilateral consultations, in February 1990, the United States requested establishment of a GATT dispute-settlement panel on the subject. Specifically, the United States asked the panel to study Thailand's practices affecting the importation of and taxation on cigarettes. The U.S. complaint argued that Thailand's ban on import of foreign cigarettes was inconsistent with GATT prohibition of import quotas (article XI). Also, the U.S. charged that the Thai cigarette monopoly enjoyed tax advantages over foreign cigarettes, in violation of the GATT national treatment rule (article III). The GATT council acted on the U.S. request and established a panel in April.

Resolution of the dispute averted U.S. retaliation, due by November 25 under the section 301 action. Failure to settle the complaint could have resulted in a U.S. ban on $100 million to $166 million per year of imports from Thailand—the estimated level of U.S. cigarette sales in Thailand without the import ban. Although the United States has pursued complaints over access for foreign cigarettes in other countries, such as Taiwan, South Korea and Japan, this is the first time the United States has taken such a dispute to the GATT.

## Brazil's New Government Opts For Open-door Policy

In a sharp break with the past, Fernando Collor de Mello, Brazil's new President, has begun to tear down the trade and investment barriers that made Brazil one of the most protected economies of the world. During the last four decades, Brazil pursued a policy of import substitution that had been implemented through a wide range of laws and administrative techniques (*IER*, January 1987, and *IER* March, May, and October, 1988.) But now, Brazil has decided to follow in the footsteps of Mexico and open up its economy. As Mexico has done since the mid-1980s, Brazil is now warming to the concept that national welfare is better served by cooperating with the outside world than by building a self-contained economy. In particular, the liberalization of imports is now seen by Brazil as a major weapon against the rapid inflation the previous administration was unable to control.

After taking office this March, the newly elected Government immediately set out to ease Brazil's protectionist regime. As one of its first official acts in May, the Government liberalized Brazil's prior import-licensing system, and revoked the country's outright ban on many import items. Officials also discontinued some other forms of quantitative import controls, including Brazil's "law of similars," the law that prohibited imports that were "similar" to items that could be made available from domestic sources. At the same time, Brazilian officials promised that all remaining nontariff import controls would be phased out, and duties would be relied on eventually as the only form of restrictions.

The trade-liberalizing measures and proposals—part of the administration's sweeping economic reform package—triggered a positive response from the U.S. Government. On May 21, the United States terminated its ongoing "super 301" investigation of Brazil's trade practices. U.S. officials initiated this investigation in June

1989, after naming Brazil—together with Japan and India—under the "super 301" provisions of the Omnibus Trade and Competitiveness Act of 1988. In June 1990, the United States also lifted punitive 100-percent tariffs on some $39 million worth of imports from Brazil that it levied in October 1988 on items including antibiotics, paper, TV components, microwave ovens, telephone-answering machines, and tape recorders. In addition, U.S. officials have restored the duty-free privileges of some Brazilian products under the U.S. Generalized System of Preferences.

On July 1, the Brazilian Government proceeded with its open-door policy by reducing or eliminating tariffs on textiles, petrochemicals, and some industrial inputs like ferrous and nonferrous metals. However, authorities disclosed that, to avoid a major surge of imports, they simultaneously announced a "new industrial incentives' policy" that favors a cautious approach to withdrawing protection from domestic industries. The incentives' policy provides, among other things, that state purchases favor local manufacturers. It provides incentives for strategic industrial sectors, and it grants incentives to foreign investors and for capital goods investments.

Also in July, the Collor de Mello administration announced additional important duty reductions to take effect in January 1991, and began discussions with industry representatives on still other duty-related changes. All in all, Brazil's tariff rates, still ranging as high as 105 percent, remain among the highest in the world. However, a new tariff schedule with maximum rates of 40 percent is expected to be in place by March 1995, i.e. by the end of the current administration's tenure.

Brazil's new trade and industrial policies augur well for ending a period of strained United States-Brazilian economic relations. The incentives Brazil recently granted for capital goods' purchases and for attracting foreign investments are expected to strengthen the United States even more as Brazil's leading trade and investment partner. (The United States is Brazil's number-one trading partner, surpassed only by Brazil's collective trade with the European Community.)

In its quest for openness, the Collor de Mello administration also welcomes foreign initiatives for economic cooperation, including both the renewed regional efforts under way between Latin American countries and the "Enterprise for the Americas" initiative of President Bush that would encompass the entire Western Hemisphere. Earlier efforts in the sixties and seventies by Latin American countries to form regional trading blocs failed, since they conflicted with the policy of most participants to attain self-sufficiency through import substitution. In contrast, the recent open-door policies of Brazil and some other Latin American countries create favorable conditions for both regional and hemispheric economic cooperation.

## Structural Impediments in Japan continue to receive attention

The original aim of the Structural Impediments Initiative (SII), which began in July 1989, was to identify and solve structural impediments to trade with the goal of a reduction in United States-Japanese bilateral payments imbalances. Over the past year, the SII negotiating topics raised by the United States included Japan's infrastructure, land policies, distribution system, exclusionary business practices, keiretsu relationships, and pricing mechanisms. The Japanese focused their discussions on U.S. savings and investment patterns, corporate investment activities and behavior, Government regulation, research and development, export promotion and workforce training.

On October 25 and 26, the United States and Japan held the first followup meeting on SII since an agreement was reached between the two countries in June. During the meeting, the United States reported progress on easing export controls, setting education targets and reducing the Federal budget deficit. U.S. negotiators stated that Japan had made progress towards opening its distribution sector, citing an increase in the number of applications for opening large stores since the end of May. Some observers believe that an increase in large retail outlets in Japan, which typically carry more imports than the "mom-and-pop" stores, will lead to an increase in sales of U.S. retail goods.

The United States also urged Japan to make an initial budgetary installment of 26.3 trillion yen for public works spending in accordance with its commitment under the June agreement. Japan is expected to spend 430 trillion yen ($2.3 trillion) to improve its infrastructure over the next 10 years. U.S. negotiators reportedly hoped that encouraging a shift in the Ministry of Finance's traditional tight fiscal policies toward greater domestic spending might have an impact on Japan's external balance.

On other negotiating topics, the United States continued to push Japan to raise the penalties for violations of the antimonopoly law in order to deter anticompetitive corporate activity. The United States indicated that the penalty should be higher than the 3 percent of sales as suggested by the Japanese. The anticompetitive or exclusionary nature of keiretsu relationships and the interpretation of pricing surveys were also discussed.

One week after the SII followup meeting, the USITC submitted the second phase of a report to the House Ways and Means Committee entitled, "Japan's Distribution System and Options for Improving U.S. Access." The report summarized the views of businesspersons, policymakers, and other United States-Japan trade experts on their

experiences with Japan's distribution. The study, based on information obtained through personal interviews, also reported the views of experts on the prospects for improved U.S. access as a result of SII.

In general, few participants in the USITC's study predicted that SII would result in an immediate increase in U.S. exports to Japan. However, some participants believed that the systemic approach to dealing with United States-Japan trade issues had been beneficial in holding off political pressures and in educating the two sides about each others' economies. Most participants believed that SII would not lead to fundamental changes in Japanese corporate behavior or attitudes—key problems seen by many U.S. firms exporting to Japan.

Participants in the study said that they favored U.S. negotiators' decision to focus on the Large Scale Retail Store Law and Antimonopoly Law. However, they doubted that changing formal policies and practices would result in increased U.S. access and predicted strong opposition to reform from politically powerful interests in Japan. Many participants said that the United States has relatively fewer competitive consumer goods to sell in Japan compared to Europe or the newly industrialized economies (NIEs) that have been successful in selling such items as luxury goods, autos, apparel, and household appliances to Japanese consumers. Others indicated that business attitudes and practices, including those of the keiretsu, may not be easily susceptible to change through tougher enforcement by the Japan Fair Trade Commission (JFTC), traditionally a politically weak agency.

## Standards Code Set For Improvement

The Uruguay Round Negotiating Group on MTN Agreements and Arrangements has moved closer to a consensus on changes that could substantially improve multilateral discipline over technical barriers to trade. A draft text revising the Tokyo Round Agreement on Technical Barriers to Trade, popularly referred to as the Standards Code, was tentatively agreed to at meetings ending on October 18, 1990. The changes represent an effort to minimize the trade-distorting impact of technical requirements for agricultural and industrial goods. These requirements take a variety of forms—including mandatory government regulations, voluntary standards, and conformity assessment procedures—and they affect products ranging from processed foods to pharmaceuticals and from cars to chemicals. While such requirements are tools to protect human health and safety, the environment, and consumers, they can also serve as potent nontariff barriers to trade.

The need for greater multilateral discipline has been cast in sharp relief by the European Community's (EC) 1992 program and recent U.S.-EC disputes on agricultural trade. The elimination of standards-related barriers among the EC member states is a cornerstone of the EC 1992 program, something that has been a source of both optimism and concern for U.S. industry. While welcoming the EC move from 12 separate sets of regulations and approval schemes to a single, uniform one, U.S. businesses have expressed concern that they have no direct means of influencing the Community-wide standards being framed. They also worry that the EC's proposed testing and certification requirements may place foreign suppliers at a disadvantage relative to producers in the EC. [For a detailed discussion of these issues, see USITC, Effects of Greater Economic Integration Within the European Community: Second Followup Report, Publication 2318, September 1990.]

In addition, the U.S. Government has complained that the EC is using technical requirements to ban products without sound scientific reasons for doing so. The United States and the EC have had a series of disputes on hormone-treated beef, meat-processing plants, and BST, a biotechnologically derived hormone that increases milk production in cows. Most recently, the EC banned imports of American pork in October and has threatened to ban imports of American beef effective January 1, 1991. The EC claims its actions, which have substantially slowed U.S. exports of affected products, are warranted, within its sovereign rights, and not inconsistent with its international obligations; the United States has argued that they reflect a desire by the Community to protect its bloated farming sector and assuage the unfounded concerns of European consumer and environmental groups at the expense of foreign suppliers. The *Financial Times* reported on November 15 that the EC markets for beef and pork "are in a distressed state," with both suffering from swelling stocks and depressed prices.

The revised draft code could mollify some of these U.S. concerns. Among other things, it broadens the scope of the agreement to cover a wider array of government regulations and obligates signatories to weigh the trade impact of proposed regulations against the risks associated with the product's nonconformance with such requirements. Moreover, the code requires parties to "give positive consideration to accepting as equivalent technical regulations in other parties." New language on what constitutes an "unnecessary obstacle to trade" was introduced to clarify the agreement's obligations. The language is loosely modelled after the jurisprudence built up in the EC since its landmark Cassis de Dijon decision, which obligates EC member states to choose the least burdensome alternative to achieve regulatory ends. Parties are also obliged to periodically review their technical regulations to ensure that unneeded regulations are removed and to take into consideration whether still-legiti-

mate regulatory goals can be achieved in a less trade-restrictive manner.

The code's coverage was also broadened to include processes and production methods (PPMs)—regulatory requirements stated in terms of the process or production method that must be used in making a product rather than the characteristics of the end-product itself. PPMs are used for innovative products such as pharmaceuticals and chemicals as well as for products for which it is difficult or impracticable to test conformance of products with established limits (e.g., pesticide residues on fruits and vegetables). An earlier effort to resolve the U.S.-EC hormone dispute in the standards code had foundered on the code's unclear coverage of PPMs.

Problems associated with conformity assessment have topped the list of U.S. complaints about standards-related barriers in foreign markets. U.S. suppliers are often forced to repeat tests already done for U.S. regulatory purposes in other markets and to undergo multiple inspections and certifications for the same product. Moreover, the EC has said it will not accept test results generated outside the Community for purposes of demonstrating conformity with certain EC regulations. The acceptance of foreign test results would, the EC said, hinge upon receipt of assurances that EC suppliers will be offered equivalent opportunities in foreign markets. This "reciprocity" criterion has been a bone of contention between the United States and the EC since July 1989, and has been at root of the fears by U.S. suppliers that they could face difficulties selling in Europe post-1992. U.S. testing laboratories and U.S. manufacturing firms have stressed the importance of EC acceptance of U.S.-generated test results.

The revised code may go a long way towards improving the situation. Among other things, it obligates parties to permit, as far as practicable, the acceptance of the results of conformity assessment procedures conducted by other parties, provided they are satisfied that the results offer a comparable degree of assurance as their own. The code does not sanction, as the EC had proposed it should, the use of other criteria such as balanced market access in making such determinations. It also formally encourages parties to enter into agreements with other parties on the mutual recognition of test results or of other aspects of conformity assessment, such as accreditation. A number of procedural guarantees of interest to U.S. business are also included, notably the obligation that "information requirements be limited to what is necessary to assess conformity and determine fees." The revised code also obligates parties to ensure that testing labs and other conformity assessors protect the confidentiality of sensitive business information, to promptly inform applicants of any deficiencies in their application, and to establish a mechanism to challenge conformity assessment decisions. Moreover, the conformity assessment procedures for slightly changed versions of previously approved products are to be limited to what is necessary to ensure the continued compliance of the product with relevant regulations and standards. Finally, the revised code encourages parties to permit testing laboratories and other conformity assessment bodies outside their territory to participate in their conformity assessment schemes. While this represents a step forward, U.S. testing labs had been pushing for guaranteed access.

The activities of Europe's regional standards bodies have also been a source of U.S. concern. These bodies are playing a critical role in the EC 1992 program, having been officially delegated the responsibility for developing the thousands of technical standards underpinning the Community's technical harmonization effort. U.S. suppliers do not have a direct means of participating in or obtaining information on such regional bodies' work, posing the prospect that the standards being framed could be disadvantageous to U.S. producers. The revised code obligates parties to ensure that such bodies operate in accordance with the code's principles and prohibits parties from taking measures "which have the effect of directly or indirectly" acting in a manner inconsistent with general principles of transparency and nondiscrimination. Among other things, such bodies are encouraged to provide adequate notice of standards-drafting work and reasonable opportunity to comment.

The EC also won some victories in the code negotiations. The revised code requires parties to use international standards and conformity assessment procedures unless such standards are inappropriate or insufficient. In theory, this provides U.S. suppliers with a means of influence through participation in international standards bodies. However, the national standards institutes of the EC have traditionally dominated international standards work. The code also contains a "Code of Good Practice" for nongovernmental standards-making bodies such as the American Society of Mechanical Engineers and Underwriters Labs that encourages harmonization of standards at the national level. The EC has complained that the plethora of standards and standards-making bodies in the United States is itself a nontariff barrier to trade. The U.S. standards system is largely privately funded and self-regulating within the context of U.S. antitrust law, which emphasizes competition and equal access—not uniformity—in standards development. Some major U.S. standards-writers say they are dubious about the need of the Code of Good Practice for prescriptive reporting requirements and greater government oversight over their activities.

On balance, the revised text appears to represent a step forward in the GATT's efforts to discipline nontariff barriers, particularly those related to testing requirements. However, the code's revisions are being folded into the Uru-

guay Round, whose outcome is uncertain at this point, and several technical issues are outstanding. Still to be resolved are the relationship of the code's obligations to the proposed arrangement on sanitary and phytosanitary measures being discussed in the Agriculture Negotiating Group. The code will also be reexamined in light of yet-to-be agreed changes in overall GATT dispute-settlement procedures. An issue of substance also remains: how Code obligations will apply to local government bodies has yet to be finally agreed upon. The EC is pushing for an increase in the notification and other requirements placed upon local governments. The United States, fearing a paperwork nightmare for the hundreds of U.S. States, cities, and other localities imposing technical requirements such as building codes and food labelling laws, would prefer the current code's "best efforts" language.

# STATISTICAL TABLES

**Industrial production, by selected countries and by specified periods, January 1987-August 1990**

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

| Country | 1987 | 1988 | 1989 | 1989 II | 1989 III | 1989 IV | 1990 I | 1990 II | Apr. | May | Jun. | Jul. | Aug. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | 4.9 | 5.4 | 2.6 | 2.9 | -1.3 | 0.2 | 0.6 | 4.3 | -1.1 | 6.8 | 8.0 | 2.2 | 1.1 |
| Japan | 3.4 | 9.5 | 6.0 | 0.0 | 0.8 | 2.9 | 3.5 | 7.7 | -11.1 | 35.2 | -1.9 | 23.3 | 3.8 |
| Canada | 2.7 | 4.4 | 2.3 | 1.3 | -0.2 | -1.9 | 1.7 | 1.3 | 0 | 3.7 | 0 | (1) | (1) |
| West Germany | .2 | 3.2 | 5.3 | 4.8 | 1.4 | 8.4 | 8.6 | -0.3 | -31.9 | 74.4 | -30.8 | 30.6 | -5.0 |
| United Kingdom | 3.4 | 3.6 | .8 | -0.7 | 6.1 | 0.2 | -1.0 | 7.8 | 16.2 | -10.2 | 25.1 | -33.6 | -6.4 |
| France | 2.1 | 4.4 | 3.8 | 8.7 | 1.2 | -1.2 | -2.2 | 5.8 | 18.8 | 2.2 | 4.3 | 28.7 | 0 |
| Italy | 2.6 | 6.9 | 3.7 | 3.7 | 9.4 | 0.6 | -6.3 | 1.1 | -6.8 | 3.7 | 0 | (1) | (1) |

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 2, 1990.

**Consumer prices, by selected countries and by specified periods, January 1987-September 1990**

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

| Country | 1987 | 1988 | 1989 | 1989 IV | 1990 I | 1990 II | 1990 III | May | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | 3.7 | 4.1 | 4.8 | 4.0 | 8.1 | 3.7 | 6.4 | 1.9 | 6.7 | 4.7 | 9.6 | 9.5 |
| Japan | .1 | .7 | 2.3 | 2.6 | 0.9 | 5.8 | 1.8 | 9.4 | -6.5 | -1.1 | 5.8 | 13.1 |
| Canada | 4.4 | 4.0 | 5.0 | 3.9 | 6.0 | 2.8 | 4.0 | 1.8 | 5.5 | 3.2 | 3.6 | 6.6 |
| West Germany | .2 | 1.3 | 2.8 | 3.0 | 2.5 | 1.7 | 3.6 | 1.5 | 1.9 | 2.2 | 6.6 | 6.4 |
| United Kingdom | 4.1 | 4.9 | 7.8 | 7.6 | 8.7 | 15.7 | 9.7 | 12.4 | 7.4 | 8.5 | 11.1 | 12.5 |
| France | 3.3 | 2.7 | 3.5 | 3.9 | 3.0 | 2.6 | 4.5 | 2.9 | 2.3 | 2.5 | 7.7 | 9.9 |
| Italy | 4.6 | 5.0 | 6.6 | 5.9 | 5.8 | 5.4 | 7.2 | 5.2 | 5.6 | 7.1 | 10.5 | 6.3 |

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 2, 1990

**Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1987-September 1990**

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

| Country | 1987 | 1988 | 1989 | 1989 III | 1989 IV | 1990 I | 1990 II | 1990 III | May | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | 6.1 | 5.4 | 5.2 | 5.2 | 5.3 | 5.2 | 5.2 | 5.5 | 5.3 | 5.1 | 5.4 | 5.5 | 5.6 |
| Japan | 2.9 | 2.5 | 2.3 | 2.2 | 2.2 | 2.1 | 2.1 | (3) | 2.1 | 2.2 | 2.1 | 2.1 | (3) |
| Canada | 8.8 | 7.7 | 7.5 | 7.3 | 7.5 | 7.5 | 7.4 | 8.1 | 7.6 | 7.5 | 7.8 | 8.3 | 8.3 |
| West Germany | 6.2 | 6.2 | 5.6 | 5.6 | 5.5 | 5.3 | 5.2 | 5.1 | 5.2 | 5.2 | 5.1 | 5.1 | 5.0 |
| United Kingdom | 10.2 | 8.2 | 6.4 | 6.2 | 5.8 | 6.1 | 6.1 | 6.2 | 6.1 | 6.1 | 6.2 | 6.2 | 6.3 |
| France | 10.5 | 10.1 | 9.9 | 9.9 | 9.8 | 9.3 | 9.3 | 9.3 | 9.3 | 9.4 | 9.3 | 9.3 | 9.3 |
| Italy | 7.7 | 7.8 | 7.7 | 7.7 | 7.5 | 7.2 | 6.6 | (3) | (2) | (2) | (2) | (2) | (2) |

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

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, November 1990.

**Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1987-September 1990**

*(Percentage change from previous period)*

| Item | 1987 | 1988 | 1989 | 1989 | 1990 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | IV | I | II | III | May | Jun. | Jul. | Aug. | Sep. | Oct. |
| Unadjusted: | | | | | | | | | | | | | |
| Index[1] .......... | 94.1 | 88.0 | 91.3 | 91.0 | 89.6 | 89.7 | 85.3 | 89.4 | 89.4 | 87.0 | 84.8 | 84.0 | 81.75 |
| Percentage change ......... | -11.2 | -6.5 | 6.4 | -1.9 | -.4 | .1 | -4.9 | -1.1 | 0 | -2.7 | -2.6 | -.9 | -2.8 |
| Adjusted: | | | | | | | | | | | | | |
| Index[1] .......... | 91.8 | 87.4 | 91.8 | 91.8 | 90.8 | 90.9 | 86.7 | 90.5 | 90.5 | 88.3 | 86.2 | 85.5 | 83.7 |
| Percentage change ......... | -10.6 | -4.8 | 6.8 | -1.1 | -1.1 | .1 | -4.8 | -1.2 | 0 | -2.5 | -2.4 | -.8 | -2.1 |

[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: Morgan Guaranty Trust Co. of New York, Novemeber 1990.

**Money-market interest rates,[1] by selected countries and by specified periods, January 1987-September 1990**

*(Percentage, annual rates)*

| Country | 1987 | 1988 | 1989 | 1989 | | | 1990 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | II | III | IV | I | II | III | Jun. | Jul. | Aug. | Sept. | Oct. |
| United States ..... | 7.0 | 7.8 | 9.3 | 9.7 | 8.9 | 8.6 | 8.4 | 8.4 | 8.1 | 8.2 | 8.1 | 8.1 | 8.1 | 8.1 |
| Japan ........... | 3.9 | 4.4 | 5.3 | 5.1 | 5.4 | 5.6 | 6.2 | 6.7 | (2) | 7.4 | 6.8 | 6.9 | 8.3 | (2) |
| Canada .......... | 8.4 | 9.6 | 12.2 | 12.3 | 12.3 | 12.4 | 12.9 | 13.7 | (2) | 13.7 | 13.6 | 13.2 | 12.5 | (2) |
| West Germany ... | 4.0 | 4.3 | 7.0 | 6.8 | 7.2 | 8.3 | 8.4 | 8.4 | 8.4 | 8.2 | 8.3 | 8.3 | 8.5 | (2) |
| United Kingdom ... | 9.6 | 8.9 | 13.3 | 13.5 | 14.0 | 15.2 | 15.2 | 15.1 | 15.0 | 14.8 | 15.0 | 15.0 | 14.9 | (2) |
| France .......... | 8.1 | 7.9 | 9.2 | 8.8 | 9.2 | 10.3 | 11.0 | 9.9 | 10.2 | 9.9 | 9.9 | 10.1 | 10.3 | (2) |
| Italy ............. | 11.2 | 11.0 | 12.7 | 12.5 | 12.9 | 13.3 | 13.3 | 12.8 | 11.8 | (2) | 12.1 | 11.9 | 11.3 | (2) |

[1] 90-day certificate of deposit.

[2] Not available.

Source: *Federal Reserve Statistical Release,* April 2, 1990 *Economic and Energy Indicators,* Central Intelligence Agency, November 2, 1990, *Selected Interest and Exchange Rates,* Board of Govenors Federal Reserve System, November 19, 1990.

**Trade balances, by selected countries and by specified periods, January 1987–September 1990**

*(In billions of U.S. dollars, f.o.b. basis, at an annual rate)*

| Country | 1987 | 1988 | 1989 | 1989 IV | 1990 I | 1990 II | 1990 III | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United States[1] | -152.1 | -118.5 | -108.7 | -112.9 | -101.2 | -87.6 | -113.1 | -64.0 | -109.4 | -116.8 | -113.0 |
| Japan | 96.3 | 94.9 | 77.3 | 57.2 | 64.8 | 58.4 | ([3]) | 79.2 | 57.6 | 67.2 | ([3]) |
| Canada | 8.6 | 8.0 | 6.4 | .8 | 6.0 | 10.8 | ([3]) | 18.0 | 12.0 | 9.6 | ([3]) |
| West Germany[2] | 65.7 | 72.7 | 72.1 | 65.2 | 90.0 | 62.0 | ([3]) | 48.0 | 63.6 | 57.6 | ([3]) |
| United Kingdom | -16.9 | -36.9 | -37.9 | -27.6 | -38.4 | -33.6 | ([3]) | -32.4 | -36.0 | -26.4 | ([3]) |
| France | -5.2 | -5.4 | -6.6 | -8.4 | -1.6 | -7.6 | ([3]) | -2.4 | -10.8 | -12.0 | ([3]) |
| Italy | -8.3 | -10.7 | -12.8 | -9.6 | -14.4 | -21.6 | ([3]) | -4.8 | -9.6 | -8.4 | ([3]) |

[1] 1986, exports, f.a.s.value, adjusted; imports, c.i.f.value, adjusted.Beginning with 1987, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f.value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 2, 1990 and *Advance Report on U.S. Merchandise Trade*, U.S.Department of Commerce, November 16, 1990.

**U.S. trade balance, [1] by major commodity categories,and by specified periods, January 1987–September 1990**

*(Percentage, annual rates)*

| Country | 1987 | 1988 | 1989 | 1989 IV | 1990 I | 1990 II | 1990 III | May | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodity categories: | | | | | | | | | | | | |
| Agriculture | 7.0 | 13.9 | 17.9 | 5.1 | 4.9 | 4.1 | 3.3 | 1.3 | 1.4 | 1.0 | 1.2 | 1.1 |
| Petroleum and selected product—(unadjusted) | -39.5 | -38.1 | -44.7 | -11.4 | -14.1 | -10.8 | -13.5 | -4.0 | -3.4 | -3.7 | -4.3 | -5.5 |
| Manufactured goods | -146.1 | -146.1 | -103.2 | -27.7 | -19.4 | -19.5 | -27.0 | -6.5 | -6.9 | -10.2 | -9.4 | -7.4 |
| Selected countries: | | | | | | | | | | | | |
| Western Europe | -27.9 | -12.5 | -1.3 | -.6 | 1.4 | 2.9 | -.8 | .8 | .8 | -1.3 | -.4 | .9 |
| Canada[2] | -11.5 | -9.7 | -9.6 | -2.8 | -.9 | -1.3 | -2.7 | -.6 | -.7 | -1.0 | -.5 | -1.2 |
| Japan | -58.0 | -51.7 | -49.0 | -12.2 | -9.6 | -9.9 | -9.9 | -2.9 | -3.1 | -3.0 | -3.8 | -3.1 |
| OPEC (unadjusted) | -13.7 | -8.9 | -17.3 | -4.3 | -1.8 | -4.3 | -6.6 | -1.7 | -1.2 | -1.6 | -2.2 | -2.8 |
| Unit value of U.S.imports of petroleum and selected products (unadjusted)[3] | $15.02 | $18.12 | $16.80 | $17.46 | $19.26 | $15.59 | $19.45 | $15.57 | $14.64 | $14.50 | $19.54 | $24.31 |

[1] Exports, f.a.s.value, unadjusted.1986-88 imports, c.i.f.value, unadjusted; 1989 imports, customs value, unadjusted.

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

[3] Beginning with 1988, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f.value.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Novenber 16, 1990.

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