

# INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission  
Office of Economics

## International Trade Developments

*European Union and Mexico Conclude Free Trade Agreement*

*The United States Dwarfs the European Union in Mexican Trade  
and Investment*

*Dollarization: A Primer*

*Vietnam: Its Changing Trade and Investment Regime*

*Impact of the Caribbean Basin Economic Recovery Act Declines*

## U.S. Trade Developments

## International Economic Comparisons



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## OFFICE OF ECONOMICS

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Robert B. Koopman, *Director*

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# INTERNATIONAL TRADE DEVELOPMENTS

## European Union and Mexico Conclude Free Trade Agreement

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The recently signed free trade agreement (FTA) between the European Union (EU) and Mexico is the first such agreement the EU has reached with a Latin American country. Through this agreement, the EU aspires to raise the competitiveness of EU products in the Mexican market and to maintain parity with the North American Free Trade Agreement.

On November 24, 1999, the EU and Mexico concluded an FTA—the first such agreement for the EU with a Latin American country.<sup>2</sup> The European Commission estimates that the agreement covers 95 percent of EU-Mexican trade and, when tariff reductions are phased in by 2003, will offer the EU a playing field nearly level with that of the North American Free Trade Agreement (NAFTA).

The EU-Mexico FTA builds upon a previous bilateral agreement signed in December 1997, the Economic Partnership, Political Coordination and

Cooperation Agreement (the so-called Global Agreement), whose commercial goal was to liberalize EU-Mexican trade. An Interim Agreement, which enabled the parties to implement more quickly the provisions covering trade and trade-related matters, was signed at the same time and entered into effect on July 1, 1998. On July 14, 1998, a Joint Council set up by the Interim Agreement formally launched negotiations to pursue an FTA. Formal talks began in November 1998.

EU trade with Mexico is small compared with total EU trade (table 1). Historically, EU exports to Mexico have constituted a very small portion—less than 1 percent—of total EU exports, and EU imports from Mexico are even smaller. The EU has run a trade surplus with Mexico, with EU exports more than double EU imports in recent years. The U.S. Mission to the EU estimates that in 2000, even in the absence of an FTA, about 67 percent of EU imports from Mexico will enter duty free (55 percent under EU most-favored-nation commitments, and 12 percent under the EU Generalized System of Preferences).

One of the major goals of the EU in pursuing the FTA is to raise the competitiveness of EU products in the Mexican market and reverse a declining trend in its Mexican market share. In the EU view, the deteriorating EU market share resulted from NAFTA, which entered into effect on January 1, 1994. Table 1 shows that in 1995, EU exports to Mexico declined by

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

<sup>2</sup> Sources consulted for this article include: European Commission, *Communication from the Commission to the Council and the European Parliament, accompanying the final text of the draft decisions by the EC-Mexico Joint Council, COM(2000)9*, Brussels, Jan. 18, 2000; *Decision — covering trade in goods, procurement, cooperation for competition, consultation on intellectual property, dispute settlement*, (EU-Mexico Free Trade Agreement), found at Internet address <http://www.europa.eu.int/comm/trade/bilateral/mexico/fta.htm>, retrieved April 11, 2000; U.S. Department of State telegram, "EU-Mexico Free Trade Agreement: First Commission Reactions," message reference No. 7432, prepared by U.S. Mission to the EU, Brussels, Dec. 10, 1999; and U.S. Department of State telegram, "EU Trade Agreements Manual," message reference No. 5823, prepared by U.S. Mission to the EU, Brussels, Sept. 21, 1999.

**Table 1**  
**EU trade with Mexico, Mexican share of total EU exports, and EU share of total Mexican imports,  
1990-97**

Year	EU exports	EU imports	Trade balance	Mexican share of EU exports	EU share of Mexican imports
		1,000 dollars			Percent
1990 .....	5,069,368	3,521,297	1,548,071	.34	12.8
1991 .....	6,481,710	3,608,680	2,873,030	.42	13.3
1992 .....	7,807,195	3,725,654	4,081,541	.47	11.6
1993 .....	8,341,317	2,826,786	5,514,531	.51	12.1
1994 .....	9,279,079	2,815,747	6,463,332	.52	11.4
1995 .....	6,823,401	3,654,160	3,169,241	.32	9.4
1996 .....	7,418,839	3,717,369	3,701,470	.34	8.3
1997 .....	9,839,607	4,056,055	5,783,552	.45	9.1

Source: Statistics Canada, *World Trade Analyzer*, December 1999.

\$2.5 billion, reflecting the decline in overall exports to Mexico resulting from the collapse of the peso. However, the EU share of Mexican imports also fell from 11.4 percent in 1994 to 9.4 percent in 1995. Although EU exports to Mexico increased by nearly 9 percent in 1996, the EU share of the Mexican import market continued to fall. In 1997, the latest year for which data are available from Statistics Canada, the EU share increased, but remained below the shares recorded in each year during 1990-95. Although small, the Mexican share of EU exports declined by over one-third in 1995 following years of steady growth. By 1997, the Mexican share of EU exports still had not recovered to the levels reached in 1992-94.

Multinational investors are also hopeful that Mexico could become a major trade and investment hub because of its web of free trade agreements with major markets—those in the United States and Canada through NAFTA, the EU, and markets in certain Central and South American countries (see accompanying *IER* article in this issue). Other than Israel, Mexico is the only country to have free trade agreements with both the United States and the EU. The EU-Mexico FTA also appears to be part of a broader EU strategy to increase its participation in Latin America so as not to be locked out of its markets if/when the pending regional free trade arrangement, the Free Trade Area of the Americas, goes into effect.

The EU-Mexico FTA is a comprehensive agreement that covers the following areas: free trade in industrial and agricultural goods, a preferential agreement in services, public procurement, investment, competition and intellectual property rules, and dispute settlement. Industrial market access proved the most difficult to negotiate. The goal of the EU was to achieve parity with NAFTA provisions by 2003, the

year when the last NAFTA tariffs are scheduled to be phased out. According to the European Commission, the EU is to dismantle tariffs on 82 percent of industrial trade when the agreement enters into force, and on the remaining 18 percent by January 1, 2003. On the Mexican side, there are four categories for tariff phaseout: (1) 47 percent of industrial trade is to be liberalized when the agreement enters into force; (2) 4.5 percent of trade is scheduled to be liberalized over a 3-year period ending January 1, 2003; (3) 5.5 percent of trade is scheduled to be liberalized by January 1, 2005; and (4) the remaining 43 percent of industrial trade is to be liberalized by January 1, 2007. Tariffs on those EU products falling in the last two categories are scheduled to fall to no higher than 5 percent *ad valorem* by 2003, nearly satisfying the EU goal of parity with NAFTA by 2003.

The two sides also negotiated a special automotive package, which includes the gradual liberalization of a tariff quota on EU cars. Mexican tariffs on EU cars imported under quota are to decline from 20 to 3.3 percent *ad valorem* at the agreement's entry into force and are scheduled to be fully eliminated by January 1, 2003. EU cars, which currently represent approximately 2 percent of the Mexican market, are to face a tariff quota of 14 percent, and by 2004, 15 percent of the market. The quota is scheduled to be eliminated by January 1, 2007. EU tariffs on Mexican autos are scheduled to decline in four equal stages, with full elimination by January 1, 2003. After a transition period ending in 2005, the EU will require 60 percent local content on Mexican autos.

According to the European Commission, the FTA liberalizes 62 percent of current agricultural trade. Four tariff phaseout categories were established for both the EU and Mexico, resulting in liberalization immed-

iately, by 2003, 2008, or by 2010, depending on the sensitivity of the product. A fifth category of products is currently excluded from the agreement, and will be re-examined within 3 years of the agreement's entry into force. The excluded products cover primarily those subject to EU subsidies, such as dairy products, grains, meat, certain fruits and vegetables, and sugar. The European Commission noted that it obtained market access from Mexico with certain key products, including wines, spirits, and olive oil. Mexican tariffs on quality wines are to be eliminated in 2003 and on table wines in 2008, subject to negotiation of a separate agreement on the protection of geographic denominations and traditional expressions. In exchange, the EU indicated it agreed to partial liberalization for certain products of interest to Mexico, including concentrated orange juice, avocados, and cut flowers. The European Commission said that the FTA liberalizes 99 percent of current EU-Mexico trade in fishery products.

The agreement to liberalize trade in services covers all service sectors except audiovisual services, air transport, and maritime cabotage. Both sides agreed to an immediate standstill commitment to prevent the adoption of new or more discriminatory measures. Further liberalization is to take place within a 10-year period. According to the European Commission, "the

agreement will secure service operators from the EC with an access to the Mexican services market which will be equivalent if not superior to that currently enjoyed by operators from Mexico's other preferential partners, in particular the USA and Canada."<sup>3</sup>

According to the European Commission, the agreement on government procurement permits EU access to the Mexican procurement market that will be "basically equivalent" to the access granted to Mexico's NAFTA partners. The EU will grant Mexico access to its procurement market similar to that offered its partners in the WTO Government Procurement Agreement. The FTA only covers purchases by central governments.

The EU-Mexico FTA was formally signed on the sidelines of the EU summit meeting in Lisbon on March 23, 2000. As required for implementation, both the European Parliament and the Mexican Senate ratified the agreement in March. The provisions affecting industrial trade are scheduled to enter into effect on July 1, 2000; the remainder of the agreement is scheduled to enter into force once ratification of the 1997 Global Agreement by all EU member states is complete.

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<sup>3</sup> European Commission, *Communication from the Commission*, COM(2000)9.

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## The United States Dwarfs the European Union in Mexican Trade and Investment

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*The European Union (EU) ranks as a distant second to the United States among Mexico's trade partners and sources for foreign investment. This article describes recent EU-Mexican trade and investment trends in light of the recently signed EU-Mexican free trade agreement.*

The signing of a free-trade agreement (FTA) with the EU in November 1999 is generally seen as a major accomplishment in Mexico's quest to reduce its long-standing economic dependence on the United States. The United States had always been a powerful force in the Mexican economy, even long before the North American Free Trade Agreement (NAFTA). During the first 5 NAFTA years (1994-98), the United States accounted for well over four-fifths of Mexico's trade and 60 percent of its foreign direct investment (FDI) inflows.<sup>2</sup>

NAFTA, which took effect on January 1, 1994, benefitted Mexico in many ways. This was especially evident during Mexico's so-called "peso crisis," which erupted at the end of the first NAFTA year (see *IER*, March 1995 and May 1995). The Mexican people and authorities, including the current Government, generally value the advantages of a close association with the world's largest economy and of access to its vast market. Nonetheless, ever since taking office, the Zedillo government has expressed concern with Mexico's economic dependence on the United States and has sought to diversify the country's commercial partnerships. Under the Zedillo administration, Mexico concluded trade agreements with several Latin American and Central American countries, including Bolivia, Costa Rica, Colombia, Nicaragua, and Venezuela, and is currently negotiating such accords with others. An FTA with Chile has been in force since 1994.

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

<sup>2</sup> Trade and investment data cited in this article were obtained from the United Nations.

The Mexico-EU FTA was approved by the European Commission in January 2000 and by the European Parliament in March, despite concerns about Mexican human rights abuses and some misgivings on trade issues. Also in March, it was ratified by the Mexican Senate. This accord is the most important trade agreement Mexico has concluded since NAFTA. Besides Israel, Mexico is the only country to have free access to both the United States and Europe—the world's two largest markets.

### Trade

While the U.S. and EU markets are of roughly comparable size in world trade, the United States' share of Mexican foreign trade dwarfs the share of the EU, as is shown in figures 1 and 2. The figures also show that this imbalance widened in the course of the NAFTA years.

In 1994, the EU received 4.4 percent of Mexico's overall exports, while 84.9 percent went to the U.S. market. However, in 1998, only 3.3 percent of the total went to the EU (mostly to the United Kingdom, Spain, and the Netherlands), compared with 86.9 percent to the United States. Machinery and equipment, mineral fuels, mining products, organic chemicals, and steel account for most of Mexican exports to Europe.

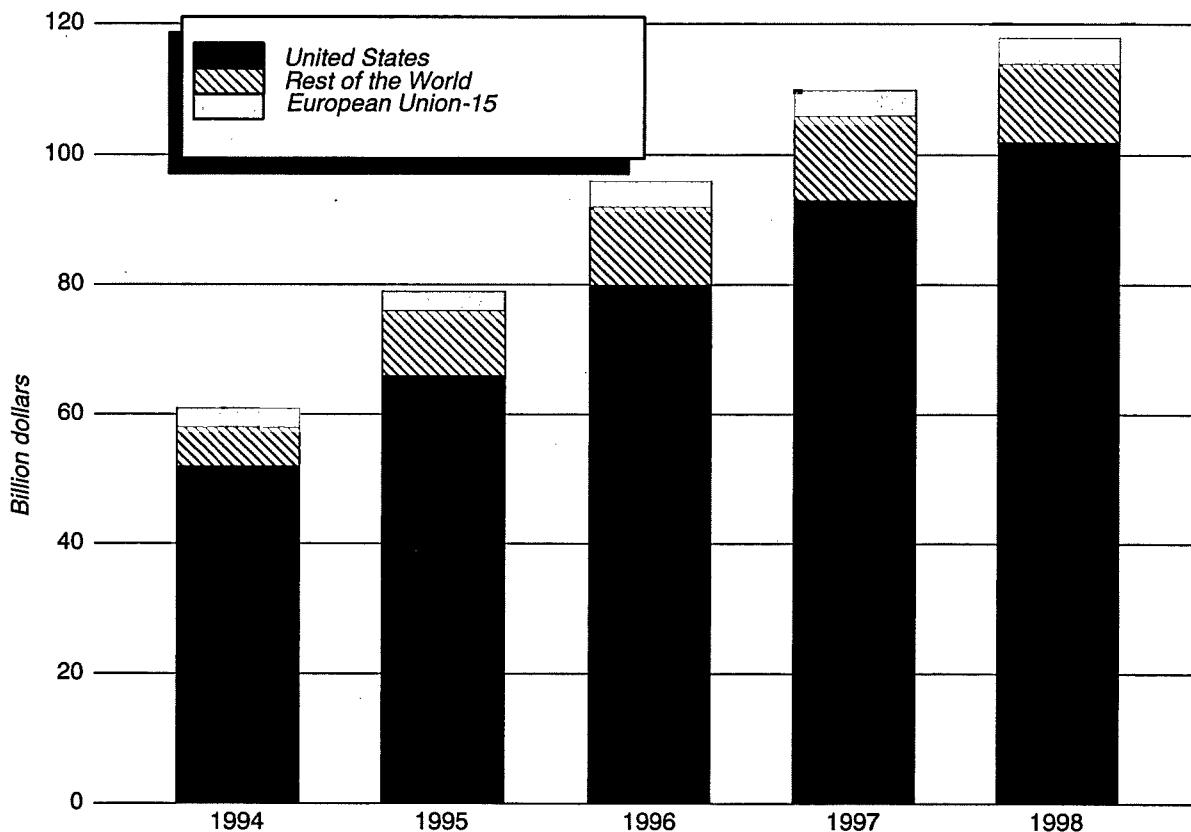
The EU fared somewhat better in relation to the United States as a supplier. In 1994, 11.4 percent of Mexico's total imports originated in the EU and 69.1 percent in the United States. With the collapse of the peso in 1995 resulting in a decline of overall Mexican imports, the EU share of these shrunken imports declined to 9.3 percent, and the U.S. share rose above three quarters of the total. Thus, the peso crisis and NAFTA combined apparently worked against the EU

on the Mexican market as well. In 1998, the EU (mostly Germany, Italy, and France) still accounted for only 9.4 percent of Mexico's total imports, whereas almost three quarters originated in the United States. Significant Mexican imports from Europe include iron and steel, machinery and equipment, automotive vehicles, pharmaceuticals, beverages and spirits, and dairy products.

The recent deterioration of the EU's share in the Mexican market, attributed to NAFTA, was the principal reason that disposed European officials in

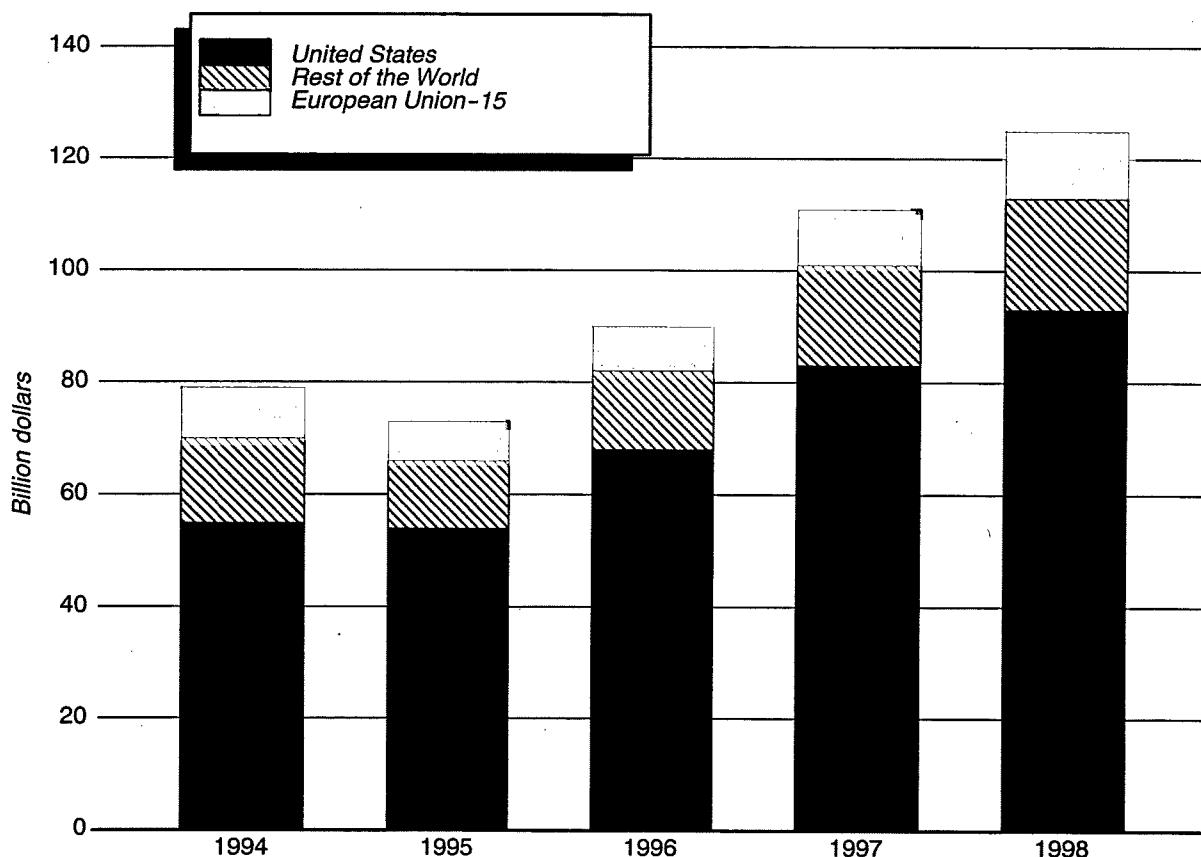
favor of an FTA with Mexico. Under the FTA, European manufacturing exports will be free of duty in Mexico by 2007. In addition to carving out a larger share of the Mexican market, European exporters hope that Mexico will serve as a launching pad to other markets in the Americas, including the U.S. and Canadian markets. European negotiators had to accept, however, that exports to North American countries will be limited by the NAFTA rules of origin. Thus, export opportunities promise to be greater in Latin American countries, particularly those with which the EU is pursuing separate FTAs as well.

**Figure 1**  
**Mexico: Exports by major partners 1994-98**



Source: United Nations trade statistics.

**Figure 2**  
**Mexico: Imports by Major Partners 1994-98**



Source: United Nations trade statistics.

Similarly, with the aid of the FTA, Mexico strives to increase its own market share in the EU, fearing that penetration of the United States by Mexican products may soon be reaching its limits. Indeed, when the new EU-Mexico accord takes effect on July 1, 2000, the EU will eliminate 82 percent of its tariffs on Mexico's manufactured products, greatly enhancing Mexican opportunities for carving out a larger market in Europe. EU tariffs for the remainder of Mexico's manufactured products will be lifted by 2003.

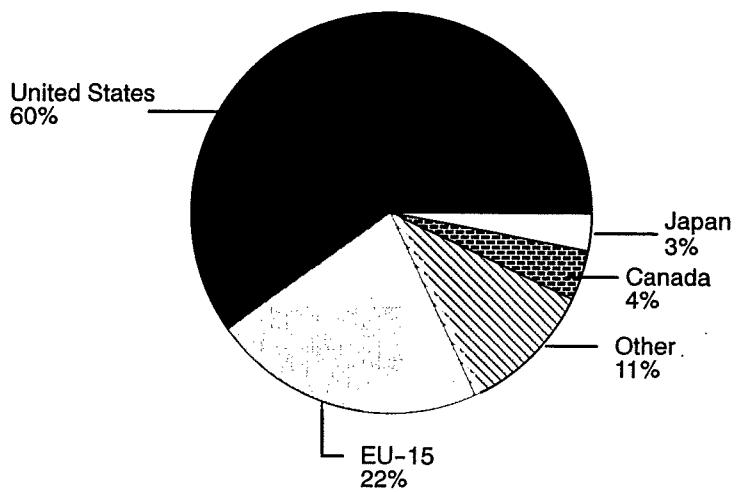
Although most "sensitive" agricultural products (grains, meats, dairy products, bananas, avocados), have been excluded from the FTA and placed on a "waiting list," the EU did grant Mexico some concessions for its fruit and vegetables exports, including quotas for orange juice concentrates. The accord also includes a special automotive package and provides for a future negotiation of a special wine agreement. By gaining better access to European markets, Mexico also hopes to reverse, or at least reduce, its current trade deficit vis-à-vis the EU.

## Investment

Europe has been comparatively more important as a source of investment than as a trading partner for Mexico.<sup>3</sup> Figure 3 shows that the EU had accounted for 22 percent, and the United States for 60 percent of all FDI inflows to Mexico during 1994-98. Though dwarfed by the United States, the EU is the second largest investor in Mexico. Especially the United Kingdom and the Netherlands—both 7 percent, more than Canada's 4 percent and Japan's 3 percent—have been active in Mexico, mostly in acquisitions in the agro-industry and financial services. Mexico hopes that the FTA will trigger substantially increased trade-related FDI inflows from Europe, much as it experienced an acceleration of FDI inflows from the United States and Canada after NAFTA came into force.

<sup>3</sup> FDI-related data in this article are based on Michael Mortimore, "Inversión Extranjera en América Latina y El Caribe, Informe, 1999, Capítulo 2: México," January 2000, prepared for the United Nations CEPAL, found at Internet address <http://www.cepal.org>.

**Figure 3**  
**Mexico: Sources of Direct Foreign Investment 1994-98**



Source: United Nations trade statistics.

## Dollarization: A Primer

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*Recent months have seen increased attention to globalization issues, the collapse of the attempted launch of another round of multilateral trade talks, and, in some quarters, added emphasis on the concept of regional trading blocks. On the periphery of serious discussions of these issues has frequently been some mention of a monetary phenomenon called dollarization. What is dollarization, why is it under consideration now, and what is its potential impact on international trade and economics?*

### Definition

Dollarization is the term given to the adoption of the U.S. dollar as the official currency of a country or territory other than the United States. The reasons that another country might take such seemingly drastic action vary, and often depend on the country's economic situation and its history. It is estimated that foreigners hold 55 to 70 percent of U.S. dollar notes currently in circulation. With approximately \$480 billion in U.S. currency currently circulating worldwide, that means that some \$300 billion in dollars is held by foreigners.

In a world of over 150 different national currencies there are 29 different countries or dependent territories that today use only foreign currencies. While dollarization is not in widespread use, it is receiving increased attention. Three types of dollarization exist—official, unofficial, and semiofficial. Official dollarization takes place when a country formally adopts the U.S. dollar as its official currency/unit of account, often abandoning its own form of currency or withdrawing any other form of currency. Official dollarization generally means that government employees, citizens, and debtors are paid in dollars, and payment of official debts and charges, such as taxes, duties, etc. is accepted in dollars. In such a country, the dollar becomes the major or sole legal tender. A dollarizing country's currency is phased out by the central bank buying back its national currency with dollar reserves.

The U.S. Virgin Islands, the Marshall Islands, American Samoa, Puerto Rico, Palau, Northern

Mariana Islands, Micronesia, and Guam all have officially dollarized their economies. Panama is currently the largest country to officially adopted the U.S. dollar as its official currency and has officially used U.S. dollars for most of the twentieth century. Panama, unlike some officially dollarized countries, also issues its own domestic currency, the balboa, in coin form, at the exchange rate of one balboa equals \$1.00.

Dollarization also occurs where citizens hold part of assets in a foreign currency alongside the domestic currency. This can occur unofficially, with no formal legal approval by the host government, or semiofficially, when there is a partial acceptance of the U.S. dollar or when both currencies circulate freely and either is acceptable as legal tender. For example, residents of high-inflation countries sometimes hold foreign currency bank deposits as a hedge against inflation. In such cases, the foreign currency is held for reasons that correspond to the textbook definition of money—a store of value, a unit of account, or a means of payment.

The U.S. dollar is the currency of choice in most unofficially dollarized countries. This is especially true of the dollarized Latin American and Caribbean countries, because the United States is a principal trading partner and major source of foreign investment. Estimates are that the U.S. dollar share of all bank accounts is 85 percent in Peru, 75 percent in Uruguay, and 65 percent in Argentina.<sup>2</sup> Just as the dollar is the preferred currency in the Western Hemisphere, other currencies have been preferred elsewhere—Kiribati

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

<sup>2</sup> Federal Reserve Bank of Dallas, *Dollarization: The Greenback Goes Global*, found at Internet address <http://www.dallasfed.org/htm/eyi/money.html>, retrieved Feb. 24, 2000.

uses the Australian dollar, the Balkans use the German mark, the Cook Islands use the New Zealand dollar, Liechtenstein uses the Swiss franc, Monaco uses the French franc, Northern Cyprus uses the Turkish lira, Vatican City uses the Italian lira, and the South African rand is widely used in Namibia and Lesotho.

Semiofficial dollarization occurs when two currencies officially co-exist, that is, a system of bi-monetaryization. In such a system, the foreign currency is typically the legal tender and generally accounts for the majority of bank deposits, while the domestic currency is used for wages, payments, and everyday cash expenses. The Bahamas, Cambodia, Haiti, Laos, and Liberia are semiofficially dollarized countries that use the U.S. dollar. Other bi-monetized countries include Bosnia (using the German mark), Brunei (the Singapore dollar), Lesotho (the South African rand), and Luxembourg (the Belgian franc).

## Applications

Official or full dollarization is rare today because of the symbolism countries attach to a national currency and the political impact of a perceived loss of sovereignty associated with the adoption of another country's unit of account and currency. When it does occur, it is principally implemented by small countries or territories that are closely associated politically, geographically, and/or through extensive economic and trade ties with the country whose currency is adopted.

There has been much recent discussion about official dollarization in Argentina and in Ecuador. Former Argentine President Menem and officials in Argentina's current administration have discussed the possibility of dollarization for Argentina. Dollars are legal tender in Argentina, along with the domestic currency, and Argentine banks have been authorized to accept foreign currency deposits since 1989. Since 1991, Argentina has pegged its currency, the peso, to the U.S. dollar at the exchange rate of 1 peso equals \$1.00. A currency control board manages the exchange rate policy, and the Argentine central bank has limited scope for discretionary monetary policy. Argentina already has sufficient dollar reserves to buy back all the pesos in circulation.

On January 9, 2000, Ecuadorean President Mahuad announced the official dollarization of the economy, setting the conversion rate at 25,000 sucres to the U.S. dollar. The measure entailed the conversion of sucro-denominated salaries and other assets into dollars. The action was taken in the face of an annual rate of inflation of 60.7 percent in 1999 and a decline in GNP

of over 7 percent. Ecuador was already heavily dollarized unofficially, with more than 80 percent of the country's financial assets denominated in U.S. dollars. On March 1, the Ecuadorean Congress approved the dollarization plan of new President Noboa. The policy officially took effect on March 9, 2000.

On January 24, United Nations officials announced that the dollar would be the official currency for East Timor. Most recently, the heads of the central banks of Argentina, Brazil, and Mexico attended a conference on the benefits of dollarization, sponsored March 6-7 by the Dallas Federal Reserve Bank.

## Why Dollarize?

There is a trade-off between a regime maintaining an independent currency with a certain degree of flexibility in monetary and exchange rate policy and a dollarized one, where no such flexibility exists. Official dollarization entails potential benefits and costs. Discussed briefly below are the advantages and disadvantages of dollarization.<sup>3</sup> Besides the gains and possible losses experienced by the dollarizing country, the issuing country itself can be affected by another country's decision to dollarize.

Benefits to the dollarizing country include the credibility and policy discipline that is derived from the implicit irrevocability of dollarization. Behind this lies the promise of lower interest and inflation rates, greater financial stability, and increased economic activity. Countries with a history of high inflation and financial instability often find the potential offered by dollarization to be quite attractive. Dollarization is considered to be one way of avoiding the capital outflows that often precede or accompany an embattled currency situation.

A major benefit of official dollarization is the decrease in transaction costs as a result of a common currency. The elimination of currency risk and hedging allows for more trade and more investment within the unified currency zone to occur. Another benefit is in the area of inflation. The choice of another currency necessarily means that the rate of inflation in the dollarized economy will be tied to that of the issuing country. To the extent that a more accepted, stable, recognized currency is chosen, lower inflation now and in the future can be expected to result from official dollarization. Finally, greater

<sup>3</sup> For further discussion, see Kurt Schuler, Senior Economist to the Chairman, *Basics of Dollarization*, Joint Economic Committee Staff Report, U.S. Congress, January 2000.

openness and transparency result from a system where exchange controls are unnecessary and balance of payments crises are minimized. Dollarization will not assure an absence of balance of payments difficulties, but it does ensure that such crises will be handled in a way that forces a government to deal with events in an open manner, rather than by printing money and contributing to inflation.

The principal cost to the dollarizing country is the renunciation of national monetary autonomy. One important element in the decision to adopt the dollar as the official currency is the choice of a conversion rate between the local currency and the dollar. Setting the conversion rate either too high or too low could adversely affect the near-term performance of the economy. These effects might be mitigated if a country already has committed itself to operating under a fixed exchange rate, thus establishing a certain credibility, degree of transparency, and level of experience with the established exchange rate. Dollarization need not, however, imply a fixed exchange rate that persists through time. If the domestic currency is totally replaced, then there will not be an exchange rate after a certain period of time.

A country's decision to adopt the U.S. dollar as legal tender does not require the assent of the United States. Nevertheless, while the decision is independent of any action by the U.S. Government or financial authorities, it can have potential positive and negative effects on the United States.

The United States would gain from increased seigniorage<sup>4</sup> as a result of another country's decision to dollarize. This potentially could reduce the cost of financing U.S. government debt and improve the U.S. fiscal balance. Other benefits include reduced transaction costs for U.S. resident traders, borrowers,

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<sup>4</sup> Seigniorage is the profit a country earns from issuing currency. It is the difference between the cost of production of a unit of currency and the face value of that unit of currency. For example, if a one dollar bill costs \$0.04 to produce, the profit would be \$0.96 per dollar. From another perspective, seigniorage could be viewed as the interest earned by the central bank on the dollar reserves held to back the domestic currency. Official dollarization increases the seigniorage earnings of the United States. The Mack bill (see text) would offer a share of the increased seigniorage earnings with countries that decide to dollarize. The measure would also encourage dollarization as a means of strengthening the international financial system. However, given the size of the U.S. economy relative to such countries as Panama, Argentina, and Ecuador, the gains from increased seigniorage are likely to be very small.

and lenders; and increased business for U.S. banks and other financial institutions.

One cost or burden on the United States as a result of another country's decision to dollarize is the possibility that the United States would be called upon to provide extra dollars to support the economic and financial stability of the dollarized country. To the extent that dollarization strengthens and encourages further economic ties between the United States and the dollarizing economy, both countries could benefit. On the other hand, U.S. monetary policy decisions could be criticized and deemed inappropriate when they result in difficulties for the dollarizing economy, thus fostering resentment and criticism.

## Outlook

Continuing efforts toward globalization and the establishment of more influential free trade areas could result in a decline in the number of independent currencies in the years and decades ahead. A recently proposed piece of legislation would address the issue of dollarization and even encourage other countries to make the official move to adopt the U.S. dollar as their "own" currency. S. 1879, introduced by Sen. Connie Mack (R-FL), would promote international monetary stability by sharing seigniorage with officially dollarized countries.

Dollarization could be considered one of several possible forms of monetary integration. With the inauguration of the euro on January 1, 1999, several currencies were linked into a newly created one. The successful operation of this new currency unit for more than a year has contributed to a belief in currency integration, particularly in areas already linked by trade pacts. While it is too early to conclude, Europe has the potential to become a showcase for the benefits of a single currency area. Dollarizing countries would have the chance to observe the same benefits of increased trade resulting from lower transaction costs, although at a higher cost in terms of national sovereignty.

The U.S. Administration does not have a view on the general advisability of dollarization. However, both Treasury Secretary Summers and Federal Reserve Chairman Greenspan have testified before committees of Congress that U.S. monetary policy would not be adjusted or reoriented in response to other countries' adoption of the dollar as their official currency. U.S. officials continue to stress that dollarization is not a substitute in any country for open, flexible markets, robust institutions, and sound macroeconomic policies.

# Vietnam: Its Changing Trade and Investment Regime

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*This article discusses Vietnam's trade and investment regime, including trade relations with the United States over the last decade. Among the most important developments was a July 1999 trade pact, which was reached in principle between the United States and Vietnam on comprehensive terms of a bilateral trade agreement.*

## Trade Regime

Vietnam has moved towards a more open trading system since it introduced market-oriented reforms. Over the past few years, imports and exports have expanded rapidly, although trade has slowed during the Asian financial crisis. According to the U.S. Department of Commerce, a growing Vietnamese trade deficit, combined with a policy tendency towards import substitution, has raised concern that high trade barriers will be maintained to protect certain sectors in Vietnam. At the same time, exports have become a higher priority in the government's economic development plans. Formal rules in many areas of the trading system have not been defined, while in others, the measures and their practical interpretation change frequently.<sup>2</sup>

A tariff schedule, issued by the Vietnamese Ministry of Finance and drawn up in accordance with the Harmonized System, entered into force on January 1, 1999. That schedule lists more than 7,000 tariff lines. Preferential tariffs are applied to goods imported from countries or organizations that have agreements on most favored nation (MFN) treatment with Vietnam, such as members of the Association of Southeast Asian Nations (ASEAN) Free Trade Area.<sup>3</sup> Ordinary tariffs, generally 50 percent higher than the preferential tariffs, are imposed on goods imported

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

<sup>2</sup> Information in this article is drawn from U.S. Department of Commerce, *Vietnam FY200: International Trade Administration Country Commercial Guide*, found at Internet address <http://www.usatrade.gov>.

<sup>3</sup> In 1995, Vietnam became a member of ASEAN and joined the ASEAN Free Trade Area (AFTA). Under the AFTA harmonization process called the Common Effective Preferential Tariff Scheme (CEPT), intra-regional tariffs of zero to 5 percent ad valorem, especially for manufactured goods, are scheduled to be implemented by the year 2003.

from countries that have yet to exchange MFN treatment with Vietnam.<sup>4</sup> Ordinary tariffs can be increased or reduced, but the margin is not to exceed 70 percent of the preferential tariffs. While U.S. imports are not eligible for Vietnam's MFN tariff treatment, U.S. goods imported into Vietnam receive preferential tariff treatment based on an annual review.

Imports of cement, fertilizers, pharmaceuticals, construction glass, petroleum products, and sugar are subject to Vietnam's import quotas system. Quotas are managed by the Ministry of Trade (MOT), in consultation with the Government Price Board and the relevant ministries (e.g. Ministry of Agriculture and Rural Development and Ministry of Construction). A few products are subject to less formal and temporary quantitative targets that MOT regulates to complement economic goals. MOT also administers Vietnam's import licensing system and issues licenses primarily to government-owned enterprises.

## Investment Climate

Vietnam was opened to foreign investment in 1988. For the 1996-2000 period, the Vietnamese government has estimated it needs and can attract \$14 billion of

### *<sup>3</sup>—Continued*

Vietnam has been granted a 3-year extension to comply with CEPT. ASEAN members include Brunei, Philippines, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia. Members of ASEAN are committed to making the Southeast Asia region a competitive trading area by exchanging preferential treatments in trade such as lower tariffs.

<sup>4</sup> Certain imports for foreign-invested projects qualify for tariff exemptions, including equipment and machinery for the formation of the fixed assets, construction materials to build fixed assets, materials and supplies for the local manufacture of equipment and machinery included in the technology process of the projects, certain specialized transportation equipment, and technology transfer considered as capital contribution by the foreign partner.

foreign direct investment (FDI) from foreign investors and \$7 billion of overseas development assistance (ODA) from foreign donors. In 1998, contracted FDI (not actual disbursements) and ODA totaled approximately \$4 billion and \$2 billion, respectively. Vietnam's main sources of cumulative FDI during 1988-98, were Singapore (\$5.6 billion), Taiwan (\$4.6 billion), Japan (\$3.4 billion), Hong Kong (\$3.3 billion), and South Korea (\$2.9 billion).

Vietnam has a number of characteristics that are attractive to foreign investors, including its low-wage labor resources, its recent strong macroeconomic performance, and its 1998 entry into the Asian Pacific Economic Cooperation (APEC) and close links to other Asian economies. The leading 5 sectors for FDI in the first half of 1999 were real estate and tourism, industry, construction, transportation and communication services, and oil and gas. The U.S. Department of Commerce lists the leading prospects for future U.S. exports and investment in Vietnam as electrical power systems, telecommunications equipment and services, computer hardware, software and services, and oil and gas exploration.

Despite the recent increase in foreign investment commitments and its continuous efforts to make improvements to its investment climate, Vietnam continues to face many challenges. According to the U.S. Department of Commerce, foreign investors are concerned with several issues:

- the long length of the contract negotiating process and the delays in obtaining project approvals from the government;
- the requirement of a foreign exchange license, and uncertainties and risks of foreign currency access and/or conversion rights;
- a poorly developed infrastructure;
- an underdeveloped legal and financial system;
- high startup costs; and
- a shortage of trained personnel.

## **Trade Relations with the United States**

In 1999, Vietnam ranked as the 72d largest trading partner of the United States in terms of trade turnover (exports plus imports). With the lifting of a U.S. trade embargo, U.S. exports to Vietnam increased from about \$7 million in 1993 to a peak of \$616 million in 1996, leveling off to \$260 million in 1999 (figure 1).

Meanwhile, imports from Vietnam also increased significantly—from zero in 1993 to \$560 million in 1999. The U.S. trade balance with Vietnam has moved from a surplus during 1994-96 to a deficit since 1996, reflecting the sharp decline in U.S. exports to Vietnam after 1996 due in large part to the economic crisis in Asia. The crisis led to the depreciation of the dong, which encouraged U.S. imports from Vietnam and dampened U.S. exports to that country.

The top U.S. exports to Vietnam in 1999 by 1-digit SITC commodity classification were machinery and transport equipment, chemicals and related products, miscellaneous manufactured articles, food and live animals, and manufactured goods chiefly classified by material (table 1). The top four U.S. commodity exports to Vietnam in 1999 were fertilizers, telecommunications equipment, footwear, and heating and cooling equipment. The U.S. has also continued to expand its imports from Vietnam. The top U.S. imports from Vietnam in 1999 by 1-digit SITC commodity classification were food and live animals, miscellaneous manufactured articles, and mineral fuels, lubricants and related materials (table 1). More specifically, the top five U.S. commodity imports from Vietnam were coffee and coffee substitutes, footwear, crude oil, crustaceans, and fruit and nuts.

Vietnam is one of six countries that does not have Normal Trading Relations (NTR) status from the United States. The United States has been negotiating a bilateral trade agreement with Vietnam since 1996. Such an agreement is a prerequisite for Vietnam to obtain NTR status with the United States. The United States granted a waiver to the Jackson-Vanik amendment<sup>5</sup> for Vietnam in 1998, which was renewed in 1999.

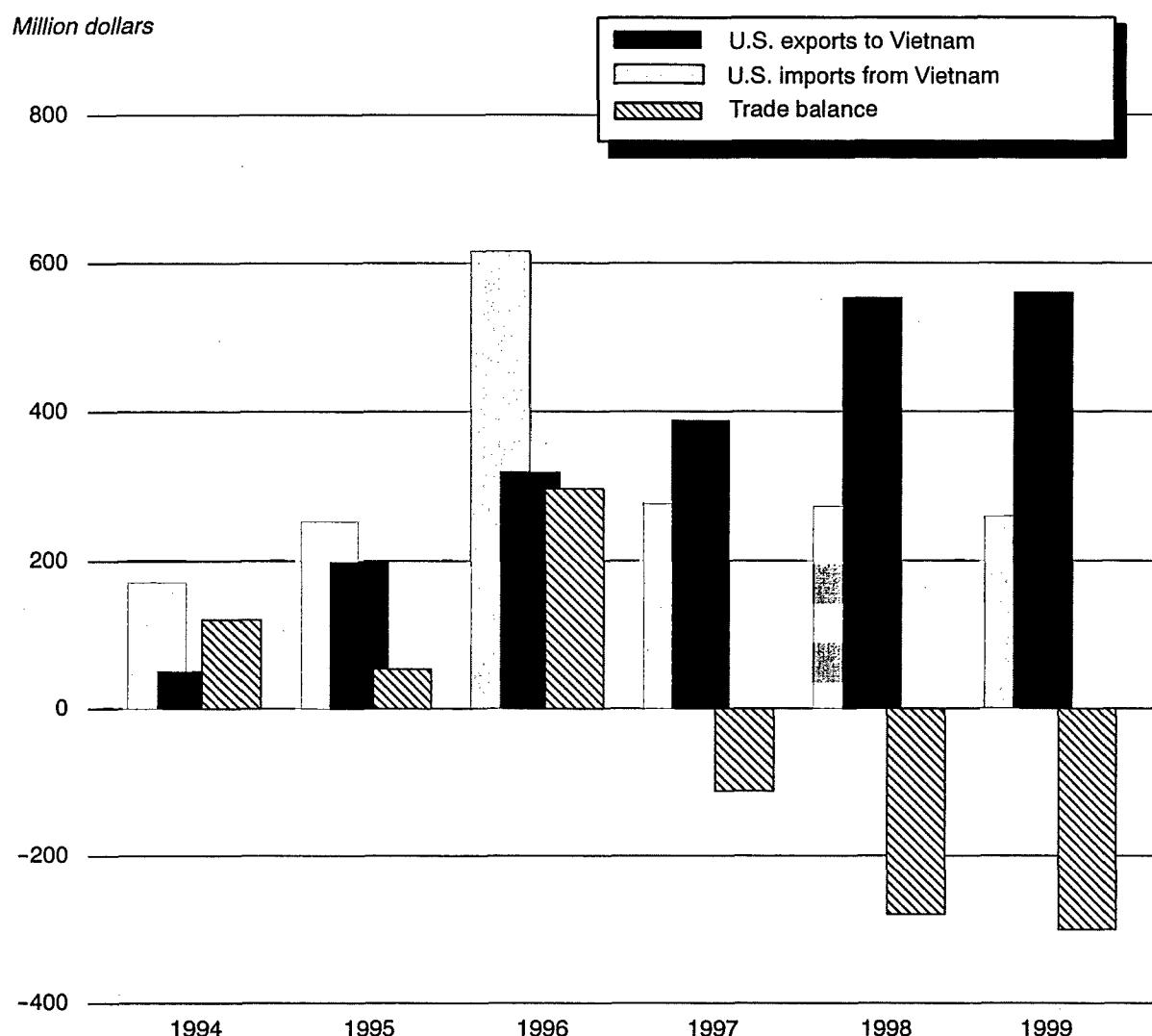
U.S.-Vietnamese bilateral relations have advanced since the U.S. trade embargo was lifted in 1994. In 1995, diplomatic relations between the United States and Vietnam were normalized and President Clinton initiated the process of normalizing economic relations with Vietnam. In July 1999, a trade pact was reached in principle by Deputy USTR Richard Fisher and Vietnam's Deputy Prime Minister Nguyen Thanh Dung and Trade Minister Truong Dinh Tuyen on comprehensive terms of a bilateral trade agreement (BTA). The draft agreement reportedly includes the following specific and detailed commitments by Vietnam with regard to market access, trade in services, intellectual property rights, and investment:

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<sup>5</sup> The Jackson-Vanik amendment prohibits the restoration of most-favored-nation status to certain socialist and formerly socialist countries that do not meet the freedom of emigration requirements.

**Figure 1**  
**U.S. trade with Vietnam, 1994-99**

Million dollars



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

**Table 1**  
**US trade with Vietnam, by 1 digit SITC commodities, 1994-99**

(Million dollars)

SITC	Item	1994	1995	1996	1997	1998	1999
<b>Exports</b>							
0	Food and live animals .....	3	15	18	27	16	26
1	Beverages and tobacco .....	2	1	0	1	0	0
2	Crude materials, inedible, except fuels .....	18	14	20	17	10	10
3	Mineral fuels, lubricants and related materials .....	0	1	4.7	5	1	1
4	Animal and vegetable oils, fats and waxes .....	0	0	0	0	0	0
5	Chemicals and related products, n.e.s. .....	24	51	77	32	64	74
6	Manufactured goods classified chiefly by material ...	4	21	38	31	26	20
7	Machinery and transport equipment .....	110	130	419	119	112	80
8	Miscellaneous manufactured articles .....	6	11	32	41	39	42
9	Commodities & transact not class elsewhere in SITC .....	5	9	6.4	6	6	6
	Total .....	172	253	616	277	274	260
<b>Imports</b>							
0	Food and live animals .....	42	170	165	212	280	262
1	Beverages and tobacco .....	0	0	1	0	0	1
2	Crude materials, inedible, except fuels .....	0	2	1	3	3	3
3	Mineral fuels, lubricants and related materials .....	1	0	81	37	107	101
4	Animal and vegetable oils, fats and waxes .....	1	0	0	0	0	0
5	Chemicals and related products, n.e.s. .....	0	2	1	1	1	0
6	Manufactured goods classified chiefly by material ...	1	2	2	4	7	10
7	Machinery and transport equipment .....	0	0	0	1	1	3
8	Miscellaneous manufactured articles .....	3	22	65	126	146	174
9	Commodities & transact not class elsewhere in SITC .....	1	2	44	5	7	5
	Total .....	51	199	319	388	553	560

Source: U.S. Department of Commerce.

- elimination of quotas on most imports that are not on the list of quantitative restrictions;
- MFN treatment for U.S. goods;
- nondiscriminatory treatment for imports;
- increased transparency in government procurement; and
- permission for U.S. investors to import intermediate inputs from the United States.<sup>6</sup>

The BTA has been outlined in principle, but has yet to be formally signed. Such an agreement would establish full normal bilateral commercial relations and would provide a strong basis for U.S. support for Vietnam's application to join the WTO. The benefits of this agreement for the United States include significantly enhanced market access for U.S. agricultural and industrial goods and services, protection for U.S. intellectual property rights, and increased investment opportunities.

<sup>6</sup> Mark I. Manyin, Congressional Research Service (CRS), *Report for Congress: The Vietnam-US Bilateral Trade Agreement*, February 1, 2000.

# Impact of Caribbean Basin Economic Recovery Act Declines

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*The value of total U.S. imports under the Caribbean Basin Economic Recovery Act (CBERA) declined by 18.2 percent from 1998 to 1999, even as the value of total imports from CBERA beneficiary countries increased by 13.1 percent. The main cause of the decline in import value under CBERA is the staged reduction of U.S. duties under the implementation of the Uruguay Round Agreements, under which the U.S. normal trade relations duty fell to zero for a large number of commodities in 1999. In addition, there were large declines in imports of two items that traditionally rank near the top of imports under CBERA.*

The impact of the Caribbean Basin Economic Recovery Act (CBERA) on the United States and on Caribbean Basin countries declined in 1999. CBERA is a part of the Caribbean Basin Initiative (CBI), begun by President Reagan in the early 1980s to provide tariff preferences for imports from eligible Caribbean, Central American, and South American countries. A total of 24 countries currently are designated as beneficiaries of the program.<sup>2</sup>

The value of total imports under the CBERA program declined by 18.2 percent from 1998 to 1999, even as the value of total U.S. imports from CBERA beneficiary countries increased by 13.1 percent. The main cause of the decline in import value under CBERA is the staged reduction of U.S. duties under the implementation of Uruguay Round Agreements (URA) of the World Trade Organization. Under the URA, the U.S. normal trade relations (NTR) duty fell to zero for a large number of commodities in 1999. A limited number of items in this category accounted for a large part of the decline in imports under CBERA. In addition, there were large declines in imports of two items that traditionally rank near the top of imports under CBERA.

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

<sup>2</sup> The 24 CBERA-eligible countries are Antigua, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

The impact of the CBERA program on imports from beneficiary countries has never been large, mainly because of the relatively small number of items that receive preferential treatment exclusively from CBERA. On the other hand, U.S. imports from CBERA countries have been dominated in recent years by assembly of apparel from U.S.-made fabric, which benefits from liberal quota treatment (as part of CBI but outside of CBERA). Most textile and apparel items are excluded from CBERA preferences. Duties are paid only on the value added by apparel assembly in CBERA countries for the items receiving liberal quota treatment. U.S. imports from CBERA countries have been dominated to a lesser extent by imports of items like coffee, bananas, and shrimp that have NTR rates of zero and by imports of petroleum and petroleum products, which are excluded from CBERA preferences but have low NTR duty rates.

## Recent History

Total U.S. imports from CBERA countries, total imports under CBERA provisions, and total imports benefiting exclusively from CBERA in 1995-99 are shown in table 1. Total imports from CBERA countries in 1999 rose a robust 13 percent from 1998 after a more subdued and hurricane-influenced 3-percent rise in 1998. Imports entered under CBERA fell by 18.2 percent in 1999, but more significantly, the percentage of such imports relative to the total from CBERA countries fell to 13.6 percent from the 18.8 percent of 1998, which was in the usual range of past years. The relatively low share of imports from CBERA countries that enter under CBERA provisions

**Table 1**  
**Total imports from CBERA beneficiaries, imports entered under CBERA provisions, and imports that benefited exclusively from CBERA provisions, 1995-99**

Item	1995	1996	1997	1998	1999
<b>Total imports from CBERA beneficiaries:</b>					
Value (million dollars) <sup>1</sup> .....	12,550	14,545	16,572	17,124	19,365
<b>Imports entered under CBERA provisions:<sup>2</sup></b>					
Value (million dollars) <sup>1</sup> .....	2,261	2,791	3,208	3,225	2,637
Percent of total .....	18.0	19.2	19.4	18.8	13.6
<b>Imports that benefited exclusively from CBERA provisions:</b>					
Value (million dollars) <sup>1</sup> .....	1,405	2,324	1,478	1,614	1,295
Percent of total .....	11.2	16.0	8.9	9.4	6.7

<sup>1</sup> Customs value.

<sup>2</sup> Includes articles entered free of duty or at reduced duties under CBERA provisions.

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

reflects the fact that a large portion of CBERA country products can enter free of duty under NTR rates, and a similarly large portion is excluded from CBERA preferences.

More useful for assessing the impact of CBERA on the United States or CBERA countries is the concept of imports that benefit exclusively from CBERA. These are imports that can enter the United States free of duty or at reduced duties only under CBERA provisions. They are defined as those items that enter under either CBERA duty-free or CBERA reduced-duty provisions and are not eligible to enter free of duty under NTR rates or under other programs, such as the Generalized System of Preferences (GSP). Consistent with this definition, GSP-eligible items imported from CBERA countries that entered under CBERA preferences are considered to benefit exclusively from CBERA only if they originated in a country that is not currently a designated GSP beneficiary or if imports of the item from a certain country exceeded competitive need limits.<sup>3</sup>

The share of imports that benefit exclusively from CBERA has typically been approximately one-half the value of imports that enter under CBERA in recent

years (with the exception of 1995 and 1996, when there were uncertainties about the renewal of GSP). This reflects the fact that many items that entered under CBERA could also have entered free of duty under GSP. In 1999, the share of imports benefiting exclusively from CBERA fell to 6.7 percent from 9.4 percent in 1998.

## A Closer Look

The drop in total imports under CBERA of \$587 million is roughly equal to the drop in imports under CBERA of 5 out of the 20 leading imports in 1998. Of these five items, three had NTR duties that fell to zero in 1999, resulting in no imports of these 3 items under CBERA provisions. These three items were medical instruments (HTS subheading 9018.90.80—imports under CBERA of \$222.2 million in 1998), leather footwear uppers (HTS subheading 6406.10.65—imports under CBERA of \$196.1 million in 1998), and certain fish (HTS subheading 0302.69.40—imports under CBERA of \$52.4 million in 1998), totaling \$470.7 million in 1998. The 1998 value of all items entered under CBERA that became NTR duty free in 1999 was \$622.4 million.

The other 2 items continued to be leading items in 1999 even after large drops in imports under CBERA (table 2). These were higher priced cigars (HTS subheading 2402.10.80) and raw cane sugar subject to tariff-rate quota (TRQ) (HTS subheading 1701.11.10). The decline in imports under CBERA for these 2 items totaled \$132.3 million, for a total drop for the 5 items of \$603.1 million. Changes in imports under CBERA for other items netted roughly to zero. The change in cigar imports reflects an apparent decline in cigar

<sup>3</sup> In 1999, The Netherlands Antilles, Aruba, Nicaragua, and The Bahamas were the only CBERA countries that were not designated GSP-beneficiary countries. A country loses GSP benefits for an eligible product when U.S. imports of the product exceed either a specific annually adjusted value or 50 percent of the value of total U.S. imports of the product in the preceding calendar year—the so-called competitive-need limits. CBERA has no competitive-need limits. Thus, eligible products that are excluded from duty-free entry under GSP because their competitive-need limits have been exceeded can still receive duty-free entry under CBERA.

consumption in the United States. The change in sugar imports resulted from a reduction in the sugar TRQ.

The story is similar for imports benefiting exclusively from CBERA, except that the \$319 million drop in the total was exceeded substantially by declines in 4 out of the 20 leading imports benefiting exclusively in 1998. The 4 items were the same as those cited above, except for certain fish (which was eligible for GSP). Medical instruments (\$214.5 million in imports benefiting exclusively in 1998) and leather footwear uppers (\$172.6 million in imports

benefiting exclusively in 1998) accounted for a \$387.1 million decrease between them. Declines in higher priced cigars and sugar subject to TRQ totaled \$109.7 million. (See table 3 for imports benefiting exclusively from CBERA in 1998 and 1999.)

The share of U.S. imports entering under CBERA provisions will continue to fall in the future as more duties are staged to zero under the URA implementation, although fewer items will be affected than in 1999.

**Table 2**  
**Leading U.S. imports for consumption under CBERA, 1998-99**

HTS number	Description	Value			Change 1998-99
		1998	1999	Percent	
— (1,000 dollars) —					
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over .....	307,542	231,678	-24.7	
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesi	170,422	173,217	1.6	
1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17 .....	213,234	156,758	-26.5	
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages .....	68,510	106,092	54.9	
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel .....	57,779	92,456	60.0	
1701.11.20	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols .....	47,981	78,813	64.3	
7213.91.30	Iron/nonalloy steel, nesi, hot-rolled bars & rods in irregularly wound coils, w/cir. x-sect. diam. <14mm, n/tempered/treated/ partly mfd .....	59,430	77,229	29.9	
0807.19.20	Cantaloupes, fresh, if entered during the periods from January 1 through July 31 or September 16 to December 31, inclusive .....	55,710	77,027	38.3	
8536.20.00	Automatic circuit breakers, for a voltage not exceeding 1,000 V .....	57,202	75,099	31.3	
8516.31.00	Electrothermic hair dryers .....	39,296	47,722	21.4	
8538.90.80	Other parts nesi, suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537 .....	36,597	46,390	26.8	
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, or nonbeverage purposes .....	33,659	45,115	34.0	
3903.11.00	Polystyrene, expandable, in primary forms .....	15,197	33,992	123.7	
4016.93.50	Gaskets, washers and other seals, of noncellular vulcanized rubber other than hard rubber .....	31,145	33,495	7.5	
6210.10.50	Nonwoven disposable apparel designed for hospitals, clinics, labs or contaminated area use, made up of fabric of 5602/5603, n/formed or lined w paper, not k/c .....	25,203	32,249	28.0	
8533.40.80	Electrical variable resistors, other than wirewound, including heostats and potentiometers .....	20,878	30,788	47.5	

**Table 2—Continued**  
**Leading U.S. imports for consumption under CBERA, 1998-99**

HTS number	Description	Value			Change 1998-99
		1998	1999	Percent	
— (1,000 dollars) — Percent					
2009.11.00	Orange juice, frozen, unfermented and not containing added spirit .....	39,742	30,560	-23.1	
8536.50.90	Switches nesi, for switching or making connections to or in electrical circuits, for a voltage not exceeding 1,000 V .....	30,355	29,685	-2.2	
0807.19.70	Other melons nesi, fresh, if entered during the period from December 1, in any year, to the following May 31, inclusive .....	30,189	25,298	-16.2	
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size .....	21,494	24,596	14.4	
	Total of above .....	1,361,566	1,448,259	6.4	
	Total, all commodities .....	3,224,564	2,637,200	-18.2	

Note.—The abbreviation "nesi" stands for "not elsewhere specified or included."

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

**Table 3**  
**Leading U.S. imports that benefited exclusively from CBERA, 1998 and 1999**

HTS number	Description	Value			Change 1998-99
		1998	1999	— (1,000 dollars) —	
— (1,000 dollars) — Percent					
2402.10.80 <sup>1</sup>	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over .....	229,195	171,885		-25.0
7113.19.50 <sup>2</sup>	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesi .....	124,138	122,753		-1.1
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages .....	68,510	106,092		54.9
2905.11.20 <sup>3</sup>	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	57,779	92,456		60.0
7213.91.30	Iron/nonalloy steel, nesi, hot-rolled bars & rods in irregularly wound coils, w/cir. x-sect. diam. <14mm, n/tempered/treated/partly mfd .....	59,430	77,229		30.0
1701.11.10 <sup>4</sup>	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17 .....	125,328	75,037		-40.1
1701.11.20 <sup>5</sup>	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols .....	22,990	61,693		168.3
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes .....	33,659	45,115		34.0
3903.11.00 <sup>6</sup>	Polystyrene, expandable, in primary forms .....	15,169	33,992		124.1
6210.10.50	Nonwoven disposable apparel designed for hospitals, clinics, labs or contaminated area use, made up of fabric of 5602/5603, n/formed or lined w paper, not k/c .....	25,203	32,249		28.0
8533.40.80	Electrical variable resistors, other than wirewound, including rheostats and potentiometers .....	20,878	30,788		47.5
2009.11.00	Orange juice, frozen, unfermented and not containing added spirit	39,742	30,560		-23.1
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size .....	21,494	24,596		14.4
0202.30.50	Bovine meat cuts, boneless, not processed, frozen, descr in add. US note 3 to Ch. 2 .....	18,659	24,091		29.1
4202.21.90 <sup>7</sup>	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, over \$20 ea. .....	16,592	22,910		38.1
2921.43.15	alpha,alpha,alpha-Trifluoro-2,6-dinitro-N,N-dipropyl-p-toluidine (Trifluralin) .....	26,518	19,749		-25.5
4202.12.80 <sup>7</sup>	Trunks, suitcases, vanity & attache cases, occupational luggage and similar containers, with outer surface of textile materials nesi .....	14,043	18,815		34.0
0201.30.50	Bovine meat cuts, boneless, not processed, fresh or chld., descr in add. US note 3 to Ch. 2 .....	16,823	18,127		7.8
2401.20.85	Tobacco, partly or wholly stemmed/stripped, threshed or similarly processed, not from cigar leaf , described in addl US note 5 to chap 24 .....	22,402	13,460		-39.9
2402.10.60	Cigars, cheroots and cigarillos containing tobacco, each valued 15 cents or over but less than 23 cents .....	3,785	13,210		249.0

**Table 3—Continued**  
**Leading U.S. imports that benefited exclusively from CBERA, 1998 and 1999**

<sup>1</sup> Includes only imports from the Dominican Republic, The Bahamas, Nicaragua and the Netherlands Antilles. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas, Nicaragua, and the Netherlands Antilles, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 1998 or 1999.

<sup>2</sup> Includes only imports from the Dominican Republic, The Bahamas, the Netherlands Antilles, and Aruba. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas, the Netherlands Antilles, and Aruba, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 1998 or 1999.

<sup>3</sup> Includes only imports from Trinidad and Tobago. Item is GSP-eligible, but imports from Trinidad and Tobago exceeded the competitive-need limit and thus were eligible for duty-free entry only under CBERA.

<sup>4</sup> Includes only imports from the Dominican Republic and Nicaragua. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from Nicaragua, another supplier of this item, were included because that country was not a designated GSP beneficiary in 1998 or 1999.

<sup>5</sup> Includes only imports from Guatemala and Nicaragua. Item is GSP-eligible, but imports from Guatemala exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from Nicaragua, another supplier of this item, were included because that country was not a designated GSP beneficiary in 1998 or 1999.

<sup>6</sup> Includes imports only from The Bahamas. Item is GSP-eligible, but The Bahamas was not a designated GSP beneficiary in 1998 or 1999.

<sup>7</sup> Subject to reduced duties under CBERA.

Note.—The abbreviation "nesi" stands for "not elsewhere specified or included."

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

# U.S. TRADE DEVELOPMENTS

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The U.S. Department of Commerce (Commerce News FT 900 99-12) reported that seasonally adjusted exports of goods and services of \$85.2 billion and imports of \$110.7 billion in December 1999 resulted in a goods and services trade deficit of \$25.6 billion, \$1.6 billion less than the \$27.1 billion deficit of the month of November. December exports were \$2.7 billion more than November exports of \$82.5 billion, but December imports were \$1.1 billion more than November imports of \$109.6 billion.

Exports of goods increased in December 1999 to \$61.7 billion from \$59.2 billion in November, but imports of goods increased to \$93.2 billion from \$92.1 billion and the deficit on goods decreased to \$31.5 billion from \$32.9 billion. For services, exports increased to \$23.4 billion from \$23.3 billion and imports of services decreased slightly to \$17.5 billion from \$17.6 billion, resulting in a surplus of \$5.9

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

**Table 1**  
**U.S. trade in goods and services, seasonally adjusted, Nov.-Dec. 1999**  
*(Billion dollars)*

<b>Item</b>	<b>Exports</b>		<b>Imports</b>		<b>Trade Balances</b>	
	<b>Dec. 1999</b>	<b>Nov. 1999</b>	<b>Dec. 1999</b>	<b>Nov. 1999</b>	<b>Dec. 1999</b>	<b>Nov. 1999</b>
Trade in goods (see note)						
Current dollars-						
Including oil .....	61.7	59.2	93.2	92.1	-31.5	-32.9
Excluding oil .....	61.7	59.0	85.4	84.1	-23.8	-25.0
Trade in services						
Current dollars .....	23.4	23.3	17.5	17.6	5.9	5.8
Trade in goods and services:						
Current dollars .....	85.2	82.5	110.7	109.6	-25.6	-27.1
Trade in goods (Census basis)						
1992 dollars .....	84.5	80.6	118.4	117.5	-33.9	-36.9
Advanced-technology products (not seasonally adjusted) .....	20.4	16.2	17.1	16.8	3.3	-0.6

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade, but include nonmonetary gold transactions and estimates of inland freight in Canada and Mexico not included in the Census Bureau data. Because of rounding details may not add to totals shown.

Source: U.S. Department of Commerce News (FT 900), Feb. 18, 2000.

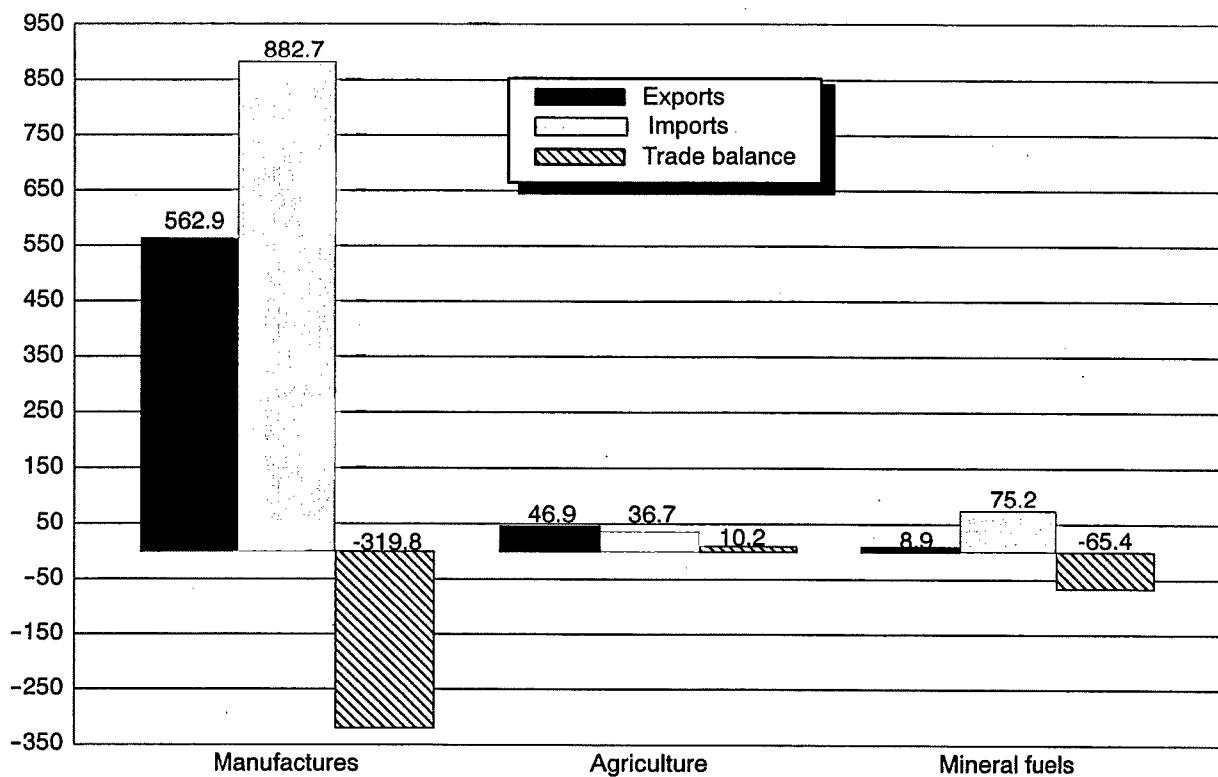
**Table 2**  
**Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1998–Dec. 1999**

	Exports		Change Jan.- Dec. 1999 over Jan.-Dec. 1998	Share of total Jan.- Dec. 1999	Trade balance	
	Dec. 1999	Jan. 1998- Dec. 1999			Jan.-Dec. 1998	Jan.-Dec. 1999
	<i>Billion dollars</i>			<i>Percentage</i>		<i>Billion dollars</i>
ADP equipment & office machinery .....	4.0	40.7	0.0	5.9	-43.7	-36.1
Airplanes .....	4.2	32.7	-7.1	4.7	23.9	28.1
Airplane parts .....	1.2	15.2	1.3	2.2	9.3	9.1
Electrical machinery .....	6.9	75.0	14.3	10.8	-13.6	-13.8
General industrial machinery .....	2.6	29.7	-1.3	4.3	-1.8	1.3
Iron & steel mill products .....	0.4	5.0	-9.1	0.7	-8.3	-11.7
Inorganic chemicals .....	0.4	4.6	-2.1	0.7	-0.6	-0.4
Organic chemicals .....	1.4	15.1	3.4	2.2	-6.5	-3.4
Power-generating machinery .....	2.8	30.7	7.0	4.4	-0.8	0.5
Scientific instruments .....	2.4	25.5	5.4	3.7	7.9	8.7
Specialized industrial machinery .....	2.3	24.8	-9.2	3.6	3.2	4.3
Televisions, VCRs, etc .....	2.6	24.4	4.3	3.5	-26.6	-19.1
Textile yarns, fabrics and articles .....	0.7	9.3	3.3	1.3	-4.3	-3.7
Vehicle parts .....	4.4	53.7	0.4	7.7	-92.5	-66.2
Exports not specified above .....	15.3	176.2	0.7	25.4	-165.4	-135.6
Total manufactures .....	15.6	462.5	0.9	81.1	-197.2	-263.1
Agriculture .....	4.3	46.9	-7.5	6.7	10.2	14.0
Other exports not included above .....	7.8	85.2	8.4	12.3	-20.4	-6.7
<b>Total exports of goods .....</b>	<b>63.7</b>	<b>695.0</b>	<b>1.9</b>	<b>100.0</b>	<b>-330.0</b>	<b>-229.8</b>

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

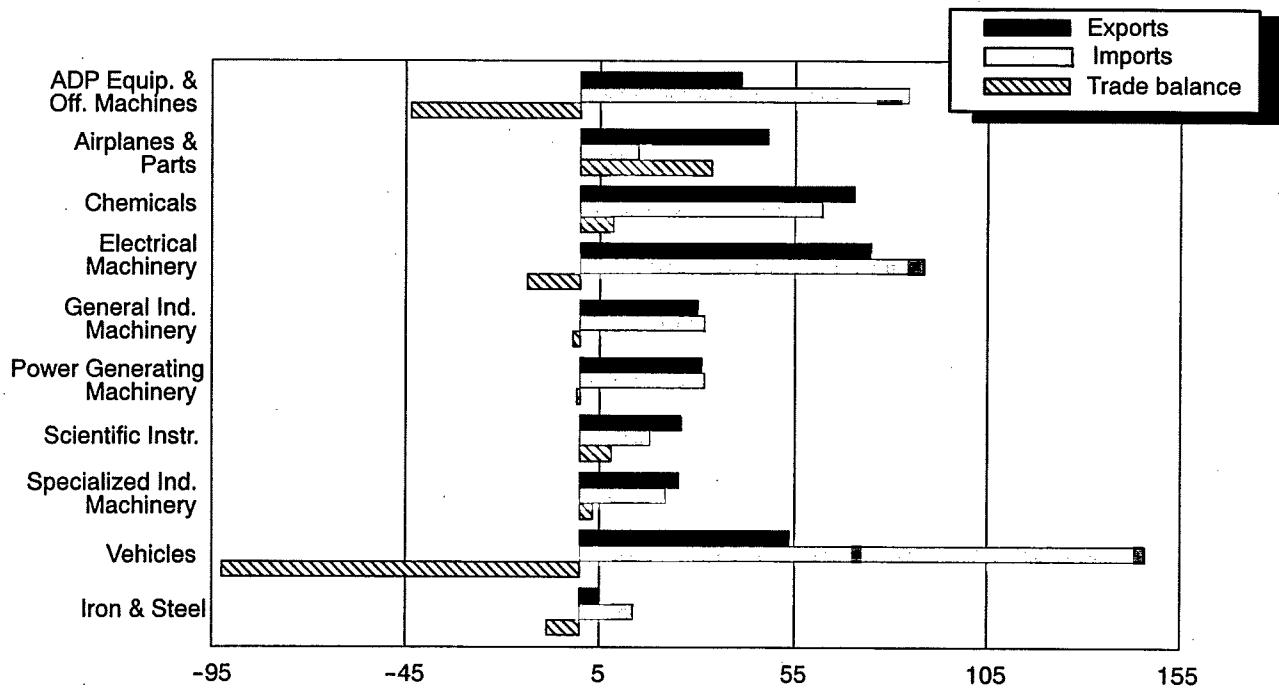
Source: U.S. Department of Commerce News (FT 900), Feb. 18, 2000.

**Figure 1**  
**U.S. trade by major commodity, billion dollars, Jan.-Dec. 1999**



Source: U.S. Department of Commerce.

**Figure 2**  
**U.S. trade in principal goods, billion dollars, Jan.-Dec. 1999**



Source: U.S. Department of Commerce.

**Table 3**  
**Nominal U.S. exports and trade balances of services, by sectors, Jan. 1998- Dec. 1999, seasonally adjusted**

	Exports		Change Jan.-Dec. 1999 over Jan.-Dec. 1998	Trade balances	
	Jan.- Dec. 1998	Jan.- Dec. 1999		Jan.- Dec. 1998	Jan.- Dec. 1999
	<i>Billion dollars</i>			<i>Percentage</i>	
Travel .....	73.1	73.7	3.4	15.2	13.0
Passenger fares .....	20.0	21.0	5.0	0.2	-0.4
Other transportation .....	25.5	27.3	7.1	-5.0	-7.3
Royalties and license fees .....	36.8	37.4	1.6	25.5	25.0
Other private sales .....	92.1	98.6	7.1	44.4	45.9
Transfers under U.S. military sales contracts .....	17.2	16.6	-3.5	4.4	1.6
U.S. Govt. miscellaneous service .....	0.8	0.9	12.5	-2.1	-2.0
Total .....	263.7	275.5	4.5	82.6	75.8

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

Source: U.S. Department of Commerce News (FT 900), Feb. 18, 2000.

U.S. exports of goods and services in January-December 1999 totaled \$958.5 billion, up from \$933.9 billion in calendar year 1998. Imports of goods and services totaled \$1.2 trillion, up from \$1.1 trillion. The U.S. trade deficit on goods and services increased by approximately 65.1 percent, to \$271.3 billion in calendar year 1998 from \$164.3 billion in 1998.

For calendar year 1999, U.S. exports of goods increased to \$683.0 billion from \$670.3 billion in 1998; imports of goods rose to \$1030.2 billion, up from \$917.2 billion in 1998; and the U.S. trade deficit on goods rose by about 40.6 percent to \$347.1 billion in 1999 from \$246.9 billion in 1998. Exports of advanced technology products totaled \$200.0 billion in calendar year 1999, up from \$186.4 billion in 1998; imports increased to \$180.7 billion from \$156.8 billion; and the U.S. trade surplus for advanced

technology products totaled \$19.4 billion in calendar year 1999, down from \$29.7 billion in 1998. U.S. exports of services in calendar year 1999 increased to \$275.5 billion up from \$263.7 billion in 1998; imports were \$199.7 billion, up from \$181.0 billion; and the U.S. trade surplus on services totaled \$75.8 billion in calendar year 1999, down from \$82.7 billion in 1998.

The January-December 1999 trade data showed trade deficits with Canada, Mexico, the 11 European Union (EU) members of the euro currency zone, the EU, EFTA, Eastern Europe, China, Japan, Korea, Singapore, Taiwan, and the members of OPEC. Trade surpluses were recorded with Belgium, the Netherlands, Spain, the United Kingdom, Australia, Argentina, Hong Kong, Brazil and Egypt. U.S. trade developments with major trading partners are highlighted in table 4.

**Table 4**  
**U.S. exports and imports of goods with major trading partners, Jan.-Dec. 1999**  
*(Billion dollars)*

Country/areas	Exports			Imports			Trade balances	
	Dec. 1999	Jan.-Dec. 1999	Jan.-Dec. 1998	Dec. 1999	Jan.-Dec. 1999	Jan.-Dec. 1998	Jan.-Dec. 1998	Jan.-Dec. 1999
Total .....	63.7	695.0	682.1	91.2	1,025.0	911.9	-330.0	-229.8
North America .....	22.3	253.1	235.4	26.6	308.0	222.3	-26.6	-32.5
Canada .....	13.7	166.2	156.6	17.1	198.3	143.6	-13.2	-16.7
Mexico .....	8.6	86.9	78.8	9.5	109.7	78.7	-13.3	-15.9
Western Europe .....	15.1	165.8	162.6	19.0	213.4	158.2	-23.1	-29.4
Euro Area .....	9.9	106.4	102.9	12.9	144.7	107.8	-22.7	-27.9
European Union (EU-15) ..	13.5	151.7	149.0	17.4	195.4	176.4	-43.7	-27.4
France .....	1.9	18.8	17.7	2.3	25.9	24.0	-7.1	-6.3
Germany .....	2.4	26.8	26.6	5.1	55.1	49.8	-28.3	-23.2
Italy .....	1.0	10.1	9.0	2.0	22.4	21.0	-12.3	-12.0
Netherlands .....	1.8	19.4	19.0	0.9	8.5	7.6	10.9	11.4
United Kingdom .....	3.1	38.3	39.1	3.5	39.2	34.8	-0.9	4.2
Other EU .....	0.9	11.2	10.4	1.2	16.1	12.9	-4.9	-2.5
FSR <sup>1</sup> /Eastern Europe .....	0.5	5.7	7.4	1.2	11.7	10.9	-6.0	-3.5
Russia .....	0.1	1.9	3.6	0.6	5.8	5.8	-4.0	-2.2
Pacific Rim Countries .....	16.1	173.7	167.4	32.0	360.4	327.7	-186.7	-160.4
Australia .....	1.0	11.8	11.9	0.5	5.3	5.4	6.5	6.5
China .....	1.1	13.1	14.3	6.7	81.1	71.2	-68.7	-56.9
Japan .....	5.2	57.5	57.8	12.1	131.4	121.9	-73.9	-64.0
NICs <sup>2</sup> .....	7.1	71.0	63.3	8.9	95.2	86.0	-24.2	-22.7
Latin America .....	4.7	55.2	63.4	5.5	58.4	50.3	3.2	-13.1
Argentina .....	0.5	4.9	5.9	0.3	2.6	2.2	2.3	3.7
Brazil .....	1.0	13.3	15.1	1.0	11.3	10.1	1.9	5.0
OPEC .....	3.1	20.1	25.2	4.3	41.8	33.9	-21.7	-8.8
Other Countries .....	2.6	28.4	29.3	4.6	52.1	47.7	-23.7	-18.5
Egypt .....	0.3	3.0	3.1	0.1	0.6	0.7	2.4	2.4
South Africa .....	0.2	2.6	3.6	0.3	3.2	3.1	-0.6	0.6
Other .....	2.1	22.8	22.6	4.2	48.3	44.0	-25.5	-21.5

<sup>1</sup> FSR indicates Former Soviet Republics.

<sup>2</sup> The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

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

Source: U.S. Department of Commerce News (FT 900), Feb. 18, 2000.



# INTERNATIONAL ECONOMIC COMPARISONS

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

Following is a comparison of U.S. economic growth, industrial production, prices, and employment with other Group of Seven (G-7) members based on the most recently available data as of this writing. The Statistical appendix provides more detailed economic data.

### *Economic Growth*

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 prices—grew at an annual rate of 6.9 percent in the fourth quarter of 1999 after increasing by 5.7 percent in the third quarter. The annualized rate of real GDP growth in the third quarter of 1999 was 3.7 percent in the United Kingdom, 4.7 percent in Canada, 4.2 percent in France, 2.9 percent in Germany, 3.8 percent in Italy, and -3.8 percent in Japan, and 4.0 percent in 11 European Union members of the euro currency zone (Euro-11).

### *Industrial Production*

The Federal Reserve Board reported that U.S. industrial production increased by 1.0 percent in January 2000 following advances of 0.4 percent in December and 0.3 percent in November 1999. Total industrial production in January 2000 was 5.5 percent higher than that in January 1999. Overall industrial capacity utilization was 4.0 percent higher in January 2000 than that in January 1999.

<sup>1</sup> The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

Other G-7 member countries reported the following growth rates of industrial production. For the year ended November 1999, the United Kingdom reported an increase of 2.1 percent, Japan reported an increase of 6.7 percent, France reported an increase of 4.5 percent, Italy reported an increase of 3.0 percent and Germany reported an increase of 2.0 percent. For the year ended October 1999, Canada reported an increase of 6.0 percent.

### *Prices*

Seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.2 percent in January 2000, the same increase as in the preceding months. For the 12-month period ended in January 2000, the CPI increased by 2.7 percent.

During the 1-year period ended January 2000, prices increased by 1.7 percent in Germany. During the 1-year period ended December 1999, prices increased by 2.6 percent in Canada, 1.3 percent in France, 2.1 percent in Italy, 1.8 percent in the United Kingdom, and 1.7 percent in the Euro-11. During the 1-year period ended November 1999, prices decreased by 1.2 percent in Japan.

### *Employment*

The Bureau of Labor Statistics reported that the unemployment rate was 4.0 percent in January 2000 following virtually the same rate as in December 1999. The rate has ranged between 4.0 percent or 4.2 percent each month since March 1999. Employment held steady in manufacturing and rose in construction and the services industry.

In other G-7 countries, their latest unemployment rates were 6.9 percent in Canada, 10.8 percent in France, 10.2 percent in Germany, 11.1 percent in Italy, 4.5 percent in Japan, 5.9 percent in the United Kingdom, and 9.8 percent in the Euro-11.

## Forecasts

Six major forecasters expect real growth in the United States to average about 3.3 percent (at an annual rate) in the first quarter of 2000, to decline slightly in the second, and to increase in the third and fourth quarters. Table 1 shows macroeconomic projections for the U.S. economy from January to December 2000 and the simple average of these forecasts. Forecasts of all the economic indicators,

except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of about 4.1 percent. Inflation (as measured by the GDP deflator) is expected to remain subdued ranging from about 2.5 percent in the first quarter and then decreasing in the second quarter.

**Table 1**  
**Projected changes in U.S. economic indicators, by quarters, January-December 2000**  
*(Percentage)*

Period	Confer- ence Board	E.I. Dup- ont	UCLA Business Forecast- ing Project	Merrill Lynch Capital Markets	Macro Econo- mic Advisers	Wharton WEFA Group	Mean of 6 fore- casts
<b>GDP current dollars</b>							
Apr.-June .....	3.0	5.5	3.9	4.8	5.3	4.2	4.5
July-Sept. ....	9.0	4.6	5.0	4.7	4.9	4.7	5.5
Oct.-Dec. ....	8.7	4.3	4.2	4.4	4.7	4.6	5.2
<b>GDP constant (chained 1992) dollars</b>							
Apr.-June .....	0.7	3.5	3.3	3.5	3.1	3.3	2.9
July-Sept. ....	5.4	2.6	3.0	3.5	2.9	2.7	3.4
Oct.-Dec. ....	5.1	2.4	2.9	3.2	2.5	3.4	3.3
<b>GDP deflator index</b>							
Apr.-June .....	2.3	1.9	0.8	1.5	2.3	0.8	1.6
July-Sept. ....	3.4	1.9	1.9	1.1	1.9	1.9	2.0
Oct.-Dec. ....	3.4	1.9	1.4	1.1	2.3	1.2	1.9
<b>Unemployment, average rate</b>							
Apr.-June. ....	4.0	3.9	4.4	3.9	4.1	4.3	4.1
July- Sept. ....	3.9	4.0	4.4	3.8	4.2	4.3	4.1
Oct.-Dec. ....	3.9	4.1	4.5	3.9	4.3	4.3	4.2

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, Jan. 2000.

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

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## STATISTICAL TABLES

**Consumer prices of G-7 countries, by specified periods, 1995-Feb. 2000**

(Percentage change from same period of previous year)

Country	1998				1999				2000				
	1995	1996	1997	I	II	III	IV	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
United States .....	2.8	3.0	2.3	1.5	1.6	1.6	1.5	2.6	2.6	2.6	2.7	2.7	3.2
Japan .....	-0.1	0.2	1.7	-0.1	-0.3	0.0	-1.0	-0.2	-0.7	-1.2	-1.1	-0.9	-0.6
Canada .....	2.2	1.6	1.6	0.8	1.6	2.2	2.4	2.6	2.3	2.2	2.6	2.3	2.7
Germany .....	1.7	1.4	1.9	0.3	0.5	0.6	1.0	0.7	0.8	1.0	1.2	1.6	1.8
United Kingdom .....				2.2	1.4	1.3		1.1	1.1	2.5	3.4	2.4	3.4
France .....	1.7	2.0	1.2	0.7	1.0	0.7	0.4	0.7	0.8	0.9	1.3	1.6	1.4
Italy .....	5.2	4.0	2.0	2.0	2.0	2.0	1.7	1.8	2.1	2.1	2.1	2.2	2.4

Source: Department of Labor, April 7, 1999.

**Unemployment rates (civilian labor force basis)<sup>1</sup> in G-7 countries, by specified periods, 1995-Feb. 2000**

Country	1999					2000					
	1995	1996	1996	1998	I	II	July	Aug.	Sep.	Jan.	Feb.
United States .....	5.6	5.4	4.9	4.5	4.3	4.3	4.3	4.2	4.2	4.0	4.1
Japan .....	3.2	3.4	3.4	4.1	4.7	4.8	4.9	4.7	4.7	4.7	4.9
Canada .....	9.5	9.7	9.2	8.3	7.8	8.0	7.7	7.8	7.5	6.8	6.8
Germany .....	6.5	7.2	7.8	7.5	7.2	7.2	7.1	7.1	9.1	8.7	8.6
United Kingdom .....	8.7	8.2	7.0	(?)	6.3	6.3	6.1	6.0	5.9	5.9	5.9
France .....	11.8	12.5	12.4	11.8	11.4	11.3	11.3	11.3	11.0	10.3	10.0
Italy .....	12.0	12.1	12.3	12.3	12.3	12.1	12.1	12.1	12.1	12.1	12.1

<sup>1</sup> Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.<sup>2</sup> Not available.Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, April 7, 1999.

**U.S. trade balances<sup>1</sup> by major commodity categories and by specified periods, 1995-Jan. 2000**  
*(In billions of dollars)*

<b>Commodity categories</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>						<b>2000</b>
					<b>July</b>	<b>Aug.</b>	<b>Sep.</b>	<b>Oct.</b>	<b>Nov.</b>	<b>Dec.</b>	
Agriculture . . . . .	25.6	26.7	20.5	14.9	0.8	0.8	0.9	1.4	1.4	1.0	1.0
Petroleum and selected products (unadjusted) . . .	-48.8	-60.9	-65.5	-43.4	-5.2	-5.9	-6.3	-6.4	-6.5	-6.0	-7.1
Manufactured goods . . . .	-173.5	-175.9	-179.5	-241.1	-31.8	-29.9	-29.3	-30.9	-31.1	-25.5	-27.9
Unit value of U.S. imports of petroleum and selected products (unadjusted) . . .	\$15.83	\$18.98	\$17.67	\$10.81	\$16.0	17.8	19.5	\$20.7	\$20.90	\$22.67	\$23.18

<sup>1</sup> Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, January 2000.



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# WORKING PAPERS

*The following is a list of recent Office of Economics working papers. Copies of papers can be downloaded from the Commission's Internet web site, <http://www.usitc.gov> (use the search option at the top of the Reports and Publications page), or may be obtained from the Office of Economics. Please request working papers by reference code, title, and author. All requests to the Office of Economics, U.S. International Trade Commission, 500 E Street, SW, Washington, DC 20436, USA, or by fax at (202) 205-2340.*

<b>Reference Code</b>	<b>Title</b>	<b>Author</b>
<b>2000</b>		
00-01-A	Exchange Rates: Definitions and Applications	Gerry Benedick and Peter Pogany
<b>1999</b>		
99-11-B	Preferential Trading Arrangements: Endogenous Response of the Excluded Country	Soamiely Andriamananjara
99-11-A	Inventing Around and Impacts on Modes of Entry in Japan: A Cross-Country Analysis of U.S. Affiliate Sales and Licensing	Christine McDaniel
99-10-A	Modeling the Effects of Trade Liberalization on Forest Cover: Some Methodological Issues	Michael J. Ferrantino
99-09-A	Regionalism and Incentives for Multilateralism	Soamiely Andriamananjara
99-04-A	An Overview of Quasiconcavity and its Applications in Economics	Peter Pogany



