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Robert A. Rogowsky, *Acting Director*

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Editor, *International Economic Review*
Trade Reports Division/OE, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 205-3255

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Recent economic indicators show moderate but sustainable rates of economic growth based on rising labor productivity, strong consumer and investment spending, and stable rates of inflation. (All rates of change in the following sections are seasonally adjusted annual rates.)

Real GDP growth rate in the first quarter of 1996 (2.2 percent following 0.5 percent growth in the previous quarter) was boosted by a strong consumer demand combined with rising investment spending. Consumer spending strengthened in the first quarter, rising by 3.6 percent following a smaller increase of 1.2 percent in the fourth quarter. Real nonresidential investment spending increased by 12.4 percent in the first quarter following an increase of 3.1 percent in the previous quarter. An increase in U.S. labor productivity, up by 2.8 percent in the business sector and by 6.3 percent in manufacturing in the first quarter, combined with declining unit labor costs to encourage increased hiring. The bulk of the employment increase, however, occurred in the services sector.

The upward monthly swings in several economic indicators led to a rise in the index of composite leading indicators following several months of decline. A gauge of future economic activity, the index rose by 0.3 percent in April following the same percentage increase in March and a larger increase of 1.3 percent in February, according to estimates prepared by The Conference Board. In April 1996, seven of the eleven indicators included in the index made positive contributions. The most significant upward changes were manufacturers new orders of consumer goods and materials, changes in sensitive material prices, and average weekly initial claims for state employment insurance. Four indicators made negative contributions. The most significant downward changes were changes in contracts for plant and equipment, consumer expectations, and money supply in 1987 prices.

Moreover, manufacturing output seems to be strengthening based on sizable gains in the production

of business equipment and durable goods materials. New orders for manufactured durable goods increased to a record high. The Department of Commerce reported that new orders for manufactured durable goods in May increased by 3.3 percent following a 1.8 percent increase in April, representing the largest increase since August 1995. For the year to date, new orders are 4.4 percent above those in the corresponding period a year ago.

Economic growth is expected to continue in the second and third quarters unless restrained by Federal Reserve monetary policy aimed to keep inflation at bay. Monetary policy easing since mid-1995 has contributed to declines in short-term market interest rates. Intermediate and long-term interest rates have also moved downward from the highs reached in previous years. In the business sector, there are signs that inventory accumulation that has slowed production in some industries has been slowing down as businesses strive to adjust inventory to sales levels. Low interest rates and a conducive investment environment encouraged new investment. Increased sales of durable goods are also expected to bring inventory accumulation down into better alignment with sales. In the household sector, lower interest rates and increased financial wealth brought on by the rise in the stock market caused increased consumer spending on homes and on durable goods.

Economic projections for 1996 and 1997 by the OECD show moderate growth in major OECD countries combined with low inflation and improvements in foreign balances. According to OECD projections, GDP growth rates should range between 2.3 percent in 1996 and 2.0 percent in 1997 for the United States; 2.2 percent and 2.4 percent for Japan; and 0.5 percent and 2.4 percent for Germany. OECD Europe average growth rates should range from 1.6 percent in 1996 to 2.7 percent in 1997.

Inflation should range from 2.1 percent in 1996 to 2.2 percent in 1997 in the United States; -0.3 percent to 0.3 percent in Japan; and 1.5 percent to 1.3 percent in Germany. The average inflation rate for OECD Europe should reach 2.6 percent in 1996 and 2.2 percent in 1997.

Unemployment rates should range between 5.5 in 1996 and 5.6 percent in 1997 in the United States; 3.3 and 3.2 percent in Japan; and 10.3 and 10.4 percent in Germany. The average employment rate in OECD Europe should range between 10.5 and 10.4 percent.

Current account imbalances as a percent of GDP are expected to improve in major OECD countries. The U.S. deficit on current account is expected to decline to 2.0 percent of GDP in 1996 and to 1.8 percent in 1997; Japan's current account surplus is forecast to decline to 1.8 percent of GDP in 1996 and 1.6 percent in 1997; and Germany's current account deficit is anticipated to decline to 0.5 percent of GDP in 1996 and 0.3 percent of GDP in 1997.

U.S. Economic Performance Relative to other Group of Seven (G-7) Members

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 chain-weighted prices—grew at a revised annual rate of 2.2 percent in the first quarter of 1996 following an increase of 0.5 percent in the fourth quarter of 1995.

The annualized rate of real GDP growth in the first quarter of 1996 was 1.2 percent in Canada, 5.0 percent in France, -1.5 percent in Germany, 2.0 percent in Italy, 12.7 percent in Japan, and 1.5 percent in the United Kingdom.

Industrial production

The Federal Reserve Board reported that industrial production increased 0.5 percent in June after a revised gain of 0.5 percent in May. The output of consumer durables, business equipment, construction supplies, and materials advanced nearly 1 percent or more. The production of consumer nondurable goods fell as electricity output slackened. Industrial production in June 1996 was 3.5 percent higher than in June 1995. For the second quarter, industrial production increased at a seasonally adjusted annual rate of 5.6 percent, up from 3.0 percent in the first quarter; the recovery in the output of motor vehicles and parts after the General Motors strike in March accounted for the acceleration.

Industrial capacity utilization increased by 0.1 percentage points in June 1996, to 83.2 percent. Manufacturing output advanced 0.6 percent in June, following a 0.3 percent gain in May. Gains were widespread among industries in durable

manufacturing; the only easing was in the output of furniture and fixtures, which increased 2.2 percent in May. Production increased more than 1 percent for computers, electrical machinery, steel, and motor vehicles and parts. The output of nondurables rose 0.1 percent, the same amount as in May. Although output advanced in most of the industries within nondurable manufacturing, the declines in the output of foods and paper and products offset most of the gains. After an increase in May, the production in mining rose 1.5 percent and output for utilities fell 1.5 percent. Total capacity utilization rose 0.1 percent in June 1996 and was 3.9 percent higher than in June 1995. Capacity utilization in manufacturing rose 0.2 percent in June and was 4.4 percent higher than a year earlier.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending May 1996, Japan reported an increase of 2.7 percent; Germany, a decrease of 2.1 percent; Italy, a decrease of 2.5 percent; and the United Kingdom, an increase of 1.4 percent. For the year ended April 1996, France reported a decrease of 0.8 percent and Canada reported no change.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.1 percent in June 1996 following a 0.2-percent increase in May. For the 12-month period ended in December 1995, the CPI increased by 2.8 percent. During the 1-year period ended June 1996, prices increased by 1.5 percent in Canada, 2.4 percent in France, 1.4 percent in Germany, 3.9 percent in Italy, 0.3 percent in Japan, and 2.1 percent in the United Kingdom.

Employment

The U.S. Bureau of Labor Statistics reported in June 1996 that the unemployment rate decreased to 5.3 percent and that the number of payroll jobs rose by 239,000 over the month, led by gains in the services and retail trade industries. There were also substantial gains in both average hourly earnings and the length of the workweek.

The jobless rate ranged between 5.3 and 5.8 percent from October 1994 through June 1996. Among the major worker groups, the jobless rates for all whites and for adult women—both 4.6 percent—dropped in June, while those for adult men (4.6 percent), teenagers (15.9 percent), blacks (10.1 percent), and Hispanics (8.8 percent) were little changed. Employment in the services industry rose by 99,000 in June. Business services continued to show strength, adding 38,000 jobs. Most of the growth was

concentrated in supply services, which has added 192,000 jobs over the year. Engineering and management services continued its strong growth trend in June. Among the highly seasonal industries, hotels and agricultural services both experienced robust job gains over the month, while amusement and recreation employment declined, after seasonal adjustment. Job growth in health services was weak, reflecting a small decline in hospital employment.

Retail trade employment was up by 75,000 in June, the third straight month of particularly large gains. Nearly half of the June increase was in eating and drinking establishments, which had shown little net growth this year through May. Auto dealers and service stations, retailers of building materials and garden supplies, and furniture and home furnishings stores all experienced substantial growth over the month. Wholesale trade continued to show modest job growth (12,000) in June, which was evenly split between the durable and nondurable goods components.

Finance, insurance, and real estate employment experienced modest job growth (11,000) over the month. Gains were concentrated in finance, particularly commercial banks and savings institutions; finance has added nearly 100,000 jobs over the past year. Real estate establishments recorded about average growth, while insurance employment was roughly unchanged. Manufacturing employment was about unchanged in June as well.

During the second quarter of the year, several industries experienced modest growth, including transportation equipment, fabricated metals, lumber, and rubber and miscellaneous plastics products. In contrast, several nondurable goods industries, particularly food, apparel, and chemicals manufacturing, continued to reduce their payrolls during the quarter.

In other G-7 countries, the latest available unemployment rates were 10.0 percent in Canada, 12.4 percent in France, 9.9 percent in Germany, 12.6 percent in Italy, 3.5 percent in Japan, and 7.7 percent in the United Kingdom.

Forecasts

Forecasters expect real growth in the United States to average 3.0 percent (annual rate) in the second quarter and 2.5 percent in the third quarter. Factors that might restrain growth in the second and third quarters of 1996 include slowing consumer spending due to consumer debt overhang, a slowdown in producers' demand for new goods and a resulting slowdown in industrial output and factory employment, and the contractionary impact of the decline in government spending and investment if not accompanied by monetary policy easing. Table 1 shows macroeconomic projections by six major forecasters for the U.S. economy from April to December 1996 and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 5.6 percent in 1996. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.5 to 2.2 percent. The slowdown in general economic activity during 1996 is expected to keep inflation down and unemployment high in spite of the Federal Reserve easing of monetary policy.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, Apr.-Dec. 1996

(Percent)

Period	Confer- ence Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 fore- casts
GDP current dollars							
1996							
Apr.-June	7.2	4.5	4.7	5.5	5.2	5.7	5.5
July-Sep.	6.3	4.7	5.0	4.1	4.9	4.7	4.9
Oct.-Dec.	5.2	4.5	4.8	2.5	3.8	4.3	4.2
GDP constant (1987) dollars							
1996:							
Apr.-June	4.1	2.2	2.9	2.8	2.4	3.5	3.0
July-Sep.	3.4	2.1	2.7	2.0	2.8	1.8	2.5
Oct.-Dec.	3.4	2.0	2.8	1.0	1.8	1.8	2.1
GDP deflator index							
1996:							
Apr.-June	3.0	2.2	1.8	2.8	2.8	2.2	2.5
July-Sep.	2.7	2.5	2.3	2.1	2.2	2.8	2.4
Oct.-Dec.	2.7	2.5	2.1	1.5	2.0	2.4	2.2
Unemployment, average rate							
1996:							
Apr.-June	5.4	5.7	5.7	5.8	5.5	5.5	5.6
July-Sep.	5.3	5.7	5.7	5.8	5.4	5.6	5.6
Oct.-Dec.	5.3	5.8	5.7	5.7	5.4	5.7	5.6

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: July 1996.

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

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of \$69.8 billion and imports of \$80.6 billion in May 1996 resulted in a goods and services trade deficit of \$10.9 billion, \$1.3 billion more than the \$9.6 billion deficit in April. The May 1996 deficit was approximately \$390 million more than the deficit registered in May 1995 (\$10.5 billion) and \$2.7 billion less than the average monthly deficit registered during the previous 12 months (\$8.2 billion). The May 1996 trade deficit on goods was \$16.9 billion, approximately \$1.3 billion higher than the April 1996 deficit. The May 1996, services surplus was \$6.0 billion, slightly higher than the April 1996 services surplus.

In the January-May period, total U.S. exports increased by \$25 billion over the corresponding period of previous year, to a record of \$343.7 billion. Total imports increased by roughly \$2.0 billion to \$388.5 billion. Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 2. Nominal export changes and trade balances for specific major commodity sectors are shown in table 3. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 4, and U.S. trade in automobiles and automotive parts is shown in table 5, and U.S. trade in services by major category is shown in table 6.

Table 2
U.S. trade in goods and services, seasonally adjusted, May-Apr. 1996.

(Billion dollars)

Item	Exports		Imports		Trade balance	
	May 1996	Apr. 1996	May 1996	Apr. 1996	May 1996	Apr. 1996
Trade in goods (BOP basis)						
Current dollars—						
Including oil	51.3	50.7	68.1	66.3	-16.9	-15.6
Excluding oil	51.7	51.0	60.8	58.9	- 9.1	- 7.9
Trade in services						
Current dollars	18.5	18.2	12.5	12.3	6.0	6.0
Trade in goods and services						
Current dollars	69.8	69.0	80.6	78.6	-10.9	- 9.6
Trade in goods (Census basis)						
1987 dollars	53.6	52.7	67.6	65.3	-14.0	-12.6
Advanced-technology products (not seasonally adjusted)	12.8	12.6	10.4	10.6	2.4	1.9

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

Source: U.S. Department of Commerce News (FT 900), July 18, 1996

Table 3
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1995-May 1996

Sector	Exports		Change			
	May 1996	Jan.-May 1996	May 1996 over Apr. 1996	Jan.-May 1996 over Jan.-May 1995	Share of total, Jan.-May 1996	Trade balances, Jan.-May 1996
	<i>Billion dollars</i>		<i>Percent</i>		<i>Billion dollars</i>	
ADP equipment & office machinery	3.1	16.7	-3.1	21.9	6.5	- 9.6
Airplane	1.9	6.3	26.7	- 1.6	2.4	4.7
Airplane parts	1.0	4.7	11.1	14.6	1.8	3.4
Electrical machinery	4.9	23.7	4.3	13.9	9.2	- 8.3
General industrial machinery	2.3	11.0	-4.2	11.1	4.3	0.2
Iron & steel mill products . . . . .	.4	2.1	0	16.7	0.8	-3.0
Inorganic chemicals . . . . .	.4	1.8	0	-5.3	0.7	-0.3
Organic chemicals	1.3	6.4	0	-4.5	2.5	-2.0
Power-generating machinery	1.8	9.2	0	2.2	3.6	-0.1
Scientific instruments	1.7	8.4	0	12.0	3.2	3.5
Specialized industrial machinery	2.2	10.8	-4.3	14.9	4.2	2.8
TVs, VCRs, etc	1.7	7.8	13.3	4.0	3.0	- 4.6
Textile yarns, fabrics and articles . . . . .	.7	3.2	0	6.7	1.2	-0.8
Vehicle parts	4.7	21.1	6.8	-3.2	8.2	-21.9
Manufactured exports not included above	14.2	67.0	-2.1	9.1	25.9	- 30.4
Total manufactures	42.3	200.2	1.4	8.3	77.3	- 64.6
Agriculture	4.7	25.8	-6.0	13.7	10.0	12.0
Other exports not incl.above	7.9	32.8	46.3	4.8	12.7	- 5.1
Total exports of goods	53.4	258.8	2.5	8.3	100.0	- 57.7

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

Source: U.S. Department of Commerce News (FT 900), July 18, 1996.

Table 4
U.S. exports and imports of goods with major trading partners, Jan. 1995-May 1996

(Billion dollars)

Country/area	Exports			Imports		
	May 1996	Jan.-May 1996	Jan.-May 1995	May 1996	Jan.-May 1996	Jan.-May 1995
North America	16.1	78.0	72.8	20.2	93.5	85.4
Canada	11.4	55.9	54.0	13.9	64.6	89.5
Mexico	4.7	22.1	18.8	6.3	28.9	24.9
Western Europe	12.8	60.9	56.0	13.6	63.9	59.0
European Union (EU)	11.5	55.0	51.3	12.4	57.9	53.5
Germany	2.1	10.0	9.1	3.4	15.7	14.6
European Free-Trade Association (EFTA) ¹	1.0	4.3	3.3	1.0	5.0	4.4
Former Soviet Union/ Eastern Europe	0.6	3.0	2.1	0.6	2.5	3.2
Former Soviet Union	0.4	2.1	1.4	0.4	1.6	2.3
Russia	0.2	1.5	1.1	0.3	1.3	1.9
Pacific Rim Countries	16.2	78.9	71.4	23.1	114.6	113.1
Australia	1.1	5.1	4.4	0.3	1.4	1.4
China	0.9	4.9	4.6	3.9	17.3	16.2
Japan	5.9	28.7	25.4	9.1	47.7	52.4
NICs ²	6.6	31.3	29.7	6.9	33.9	30.5
South/Central America	4.4	20.2	20.5	4.3	19.3	17.1
Argentina	0.4	1.7	1.7	0.2	0.9	0.7
Brazil	1.0	4.5	4.9	0.7	3.5	3.5
OPEC	1.8	8.5	8.1	3.7	15.9	14.2
Total	53.4	258.8	238.9	66.7	316.5	299.3

¹ EFTA includes Iceland, Liechtenstein, Norway, and Switzerland. (Austria, Finland, and Sweden were EFTA members formerly, but became members of the EU on Jan. 1, 1995.)

² The newly industrializing countries (NICs) include Hong Kong, 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), July 18, 1996.

Table 5
U.S. exports and imports of motor vehicles (cars, trucks, and auto parts) to specified countries, Jan.-May 1996

(Million dollars)

	Exports		Imports	
	May 1996	Cumulative Jan.-May 1996	May 1996	Cumulative Jan.-May 1996
Australia	121	457	9	44
Austria	72	362	22	89
Belgium	67	317	60	372
Brazil	75	243	66	376
Canada	3,297	15,055	4,507	20,062
Germany	190	897	901	3,918
Japan	446	2,124	2,995	14,416
Korea	82	327	248	1,065
Mexico	739	3,177	2,115	9,722
Saudi Arabia	108	501	0	0
Sweden	19	98	200	930
Taiwan	69	370	77	349
United Kingdom	79	377	186	1,014
Other	680	3,083	379	1,830
Total	6,044	27,398	11,765	54,187

Source: U.S. Department of Commerce News (FT 900), July 18, 1996.

Table 6
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1995-May 1996, seasonally adjusted

Sector	Exports		Change	Trade balances	
	Jan.- May 1996	Jan.- May 1995	Jan.- May 1996 over Jan.- May 1995	Jan.- May 1996	Jan.- May 1995
	<i>Billion dollars</i>		<i>Percent</i>	<i>Billion dollars</i>	
Travel	27.0	24.8	8.9	6.7	5.7
Passenger fares	8.1	7.3	11.0	2.1	1.5
Other transportation	11.9	11.4	3.5	0	-0.8
Royalties and license fees	11.7	10.7	9.3	8.8	8.2
Other private services ¹	27.6	25.1	10.0	12.6	11.3
Transfers under U.S. military sales contracts	5.0	5.3	-5.7	0.7	1.1
U.S. Govt. miscellaneous services	0.3	0.3	0	-0.8	-0.9
Total	91.5	84.9	7.8	30.1	26.1

¹ "Other private services" consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, financial, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering, consulting, etc.

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

Source: U.S. Department of Commerce News (FT 900), July 18, 1996.

APEC Trade Ministers Review Progress on Liberalization

The process of liberalizing trade in the APEC context moved forward this month with a high-level meeting to take stock of national and collective efforts to remove barriers and facilitate commerce. Meeting at Christchurch, New Zealand, on July 15-16, 1996, trade ministers from the 18 APEC member economies reviewed current progress in formulating concrete steps to achieve the goal of attaining free trade and investment in the Asia-Pacific region by the year 2020. The ministers also discussed their objectives and strategy for the Singapore WTO Ministerial to be held on December 9-13, 1996. The fact that all 18 members had submitted Action Plans as scheduled itself bodes well for making progress in APEC this year. Work on analyzing, comparing, and refining plans continues.

Institutional Background

The Asia Pacific Economic Cooperation (APEC) forum has rapidly become one of the premier fora in which the United States is pursuing its goals of

expanded, freer trade in general and closer economic and other linkages with Asia in particular. Economies in the region have become leading U.S. trading partners and fast growing destinations for U.S. foreign direct investment. Since its founding in 1989 as a small, loose forum for consultation and cooperation on a range of economic matters, APEC has expanded its membership, adopted an ambitious trade agenda, and initiated a number of specific actions intended to facilitate commerce (for additional background, see *IER*, September 1995 and January 1995).

Today, APEC is a more formalized institution that includes all of the major economies in the region and is recognized by participants as integral to achieving the shared goals of attaining stability, security, and prosperity in the Asia-Pacific region. APEC members, which have been referred to as "economies" rather than countries since APEC's founding, now number 18: Australia, Brunei, Canada, Chile, the People's Republic of China, Chinese Taipei (Taiwan), Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Thailand, and the United States. Many of those members are also engaged in subregional efforts to liberalize trade, such as the North American Free Trade Agreement and the ASEAN Free Trade Area

(AFTA) among Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

The forum's progress is marked by annual ministerial meetings. The host for each year's ministerial also serves as the organization's chair throughout the year, providing leadership and organizational support. The Philippines is host for the 1996 Ministerial, to be held at Subic Bay in November. Leaders' meetings, first convened by the United States to cap the 1993 Seattle Ministerial, have served to provide political impetus and visionary focus. The 1993 Leaders meeting, hosted by President Clinton,

bolstered APEC's role in the trade area. By November 1995, APEC members including the United States had agreed to begin by January 1, 1997, a program of liberalization, facilitation, and cooperation intended to attain the goal of free and open trade and investment among the economies of the region by 2020.

A brief recap of events, including an outline of key decisions by ministers and Leaders and the process envisioned for further promoting the free flow of goods, services, and capital among APEC's 18 member economies, is contained in figure 1:

Figure 1
Time line of APEC developments

November 6-7, 1989	First APEC Ministerial held in Canberra, Australia, with 12 economies participating.
November 14, 1991	<i>Seoul APEC Declaration</i> issued, formally establishing APEC and setting forth APEC's objectives, scope of activity, and mode of operation. China, Hong Kong, and Chinese Taipei are admitted as APEC members.
November 20, 1993	APEC Leaders, meeting at Blake Island, Seattle, issue a statement setting forth their vision of "a community of Asia-Pacific economies" in which trade and investment barriers are reduced, trade within the region and with the world expands, and goods, services, capital, and investment flow freely among economies in the region. The Leaders also "ask APEC to undertake work aimed at deepening and broadening the outcome of the Uruguay Round, strengthening trade and investment liberalization in the region, and facilitating regional cooperation." ¹ Mexico and Papua New Guinea officially join APEC.
November 15, 1994	Meeting in Bogor, Indonesia, APEC Leaders issue the <i>Declaration of Common Resolve</i> , or Bogor Declaration, setting the objectives of APEC leadership in strengthening the open multilateral trading system, enhancing trade and investment liberalization in the Asia-Pacific region, and intensifying Asia-Pacific development cooperation. The Leaders adopt the long-term goal of free and open trade and investment in the Asia-Pacific region, and announce their commitment to attain this goal by no later than the year 2020. The declaration states that "The pace of implementation will take into account differing levels of economic development among APEC economies, with industrialized countries achieving the goal of free and open trade by no later than the year 2010 and developing economies no later than the year 2020." Elaborating on APEC's long-standing commitment to "open regionalism," APEC Leaders state that "the outcome of trade and investment liberalization in the Asia-Pacific will not only be the actual reduction of barriers among APEC economies but also between APEC economies and non-APEC economies." Leaders also commit their economies to carry out Uruguay Round commitments fully and without delay and to continue the process of liberalization. They adopt a standstill under which their economies will refrain from instituting measures that would have the effect of increasing levels of protection. Agreement reached on a Code of Nonbinding Investment Principles, APEC's first effort to deal with the issue of the treatment of foreign direct investment.

Figure continued on next page

Figure 1—Continued
Time line of APEC developments

November 19, 1995	<p>APEC Leaders adopt <i>The Osaka Action Agenda</i>, the first stage in a process designed to turn the goals set out at Blake Island and Bogor into reality. The <i>Action Agenda</i> sets forth a blueprint to guide the implementation of free and open trade and investment in the Asia-Pacific region. It provides broad principles such as comprehensiveness, WTO-consistency, nondiscrimination, and comparability. Members also announce initial “down payments” to implement the Bogor goal.</p> <p>The <i>Action Agenda</i> recognizes both liberalization and facilitation steps as integral to attaining APEC’s goals. The 14 concrete issue areas in which trade liberalization and facilitation will be pursued include tariffs and nontariff measures, trade in services, investment, intellectual property rights (IPR), standards and conformance, government procurement, customs procedures, and competition policy. Basic approaches to each area are also outlined.</p> <p>The Leaders agreed that the goal of free and open trade and investment will be attained by voluntary liberalization in the region, collective actions, and contributing to further momentum for global liberalization. They directed ministers and officials to immediately begin preparation of concrete and substantive Action Plans. These Action Plans will be submitted to the November 1996 Ministerial Meeting in the Philippines for assessment. Overall implementation of the Action Plans is to begin in January 1997 and will be reviewed annually.</p>
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¹ “APEC Leaders Economic Vision Statement, Blake Island, Seattle, Nov. 20, 1993,” reprinted in *Selected APEC Documents, 1989-94*, (Alexandria Point, Singapore: APEC Secretariat, Feb. 1995).

APEC’s move toward free and open trade is different from prior bilateral and multilateral trade negotiations in which the United States has been engaged. The voluntary measures APEC members are slated to announce in their 1996 Individual (economy-by-economy) and Collective (APEC collectively) Action Plans are somewhat similar to the “offers” typical in more formal trade negotiations. However, they are technically unilateral and nonbinding in nature and will be only loosely connected in terms of timing and scope. The United States has made it clear that comprehensiveness, comparability, and continuous contributions by all will be key elements in ensuring the viability of the endeavor.¹ Periodic reviews and oversight by Leaders are the primary means by which these principles will be assured. The end result of APEC liberalization efforts will not be a NAFTA-like agreement, nor will it have the formality of the OECD codes of liberalization. Rather, a series of national trade and economic reforms, joint programs and other cooperative measures, and multilateral initiatives will embody APEC’s trade liberalization results.

¹ See, for example, *Prepared remarks by Ambassador Michael Kantor before the Center for Strategic and International Studies on the Importance of the President’s Trip to Osaka*, Washington, DC, Nov. 9, 1995 and the ministerial intervention by Secretary of State Warren Christopher of Nov. 16, 1995, reprinted in *U.S. Department of State Dispatch*, Nov. 20, 1995, vol. 6, No. 47.

1996 Developments

APEC trade officials have been meeting to discuss the format of Collective Action Plans, many of which are now finalized. Draft Individual Action Plans were submitted by each of the 18 member economies at the May 22-25, 1996 Senior Officials Meeting. They are presently being reviewed by other member economies. In its IAP, the United States included an offer to eliminate tariffs on a reciprocal basis in the information technology area, an important component of U.S.-APEC trade and investment and a key result the United States is hoping to attain at the December 1996 Singapore WTO Ministerial. It also offered to pursue tariff liberalization in other sectors for which the President currently has authority to proclaim duty modifications. Provided in Sec. 111 (b) of the Uruguay Round Agreements Act, the President’s existing authority covers those sectors for which the United States pursued tariff elimination during the Round through so-called zero-for-zero initiatives. A variety of products are covered by such authority, including sectors where the United States has a particular interest in greater tariff liberalization by its trading partners, such as oilseeds and oilseed products, wood and wood products, white spirits, and nonferrous metals.

The July 15-16, 1996 Trade Ministerial provided political impetus to work underway in the WTO and in APEC. In an agreed statement, the ministers:

- underlined APEC's commitment to "open regionalism in support of the multilateral trading system," and the need to ensure convergence between regional and multilateral liberalization initiatives;
- recognized the importance of the Singapore WTO Ministerial meeting in advancing trade liberalization, particularly in establishing a future work program entailing: (a) the built-in agenda of actions agreed as part of the Uruguay Round (see *IER*, September 1995 for a timeline of already planned negotiations), (b) analysis and information exchange, (c) improved market access for industrial products;
- pledged their economies to become current in implementing existing WTO obligations by the time of the Singapore WTO Ministerial;
- expressed determination to make progress in continued WTO negotiations on financial, basic telecommunications, and maritime services;
- stressed the importance of ensuring that trade and environmental policies be mutually supportive of sustainable development and of the work of the WTO Committee on Trade and Environment; and,
- called for greater transparency, comparability and dynamism by APEC economies in formulating revised Individual Action Plans.

Of particular interest to U.S. industry, the APEC Trade Ministers pledged to give further consideration to the Information Technology Agreement in the lead up to the Singapore Ministerial Conference and, building upon work already underway in APEC and the WTO, to consider broader discussion in the WTO on transparency, openness and due process in government procurement.

The U.S. International Trade Commission recently submitted a report to the USTR on *U.S. Interests in APEC Trade Liberalization*. The two-part report, identifying remaining barriers in the region and assessing tariff liberalization, was requested by USTR on September 28, 1995 and has been classified as Confidential. In the article below, some factual information on the U.S. economic stake in the fast-growing region is reviewed. Next month's *IER* will summarize some of the key issues raised by U.S. business in the public written statements and hearing testimony submitted in connection with that investigation.

The Importance of the Asia-Pacific Region in World and U.S. Commerce

The APEC Region in the World Economy

The Asia-Pacific region is already the world's largest and most dynamic in terms of combined Gross Domestic Product (GDP) and has fast assumed a major role in world trade. APEC includes several of the world's biggest existing markets; 11 individual APEC economies together constitute 4 of the 10 so-called Big Emerging Markets identified by the Commerce Department as posing the best future prospects for U.S. exporters.² Indeed, some 2 million American jobs already depend on trade with the East Asian members of APEC.³

APEC's dominance of world merchandise trade is suggested by regional aggregations prepared by the WTO. When intra-EU trade is netted out, the Asian region⁴ accounted for 34 percent of world merchandise trade in 1994, compared with North America's 21 percent and the EU's 22 percent shares (table 7).

According to estimates prepared by the World Bank,⁵ the East Asian developing economies⁶—most of which are APEC members—were the world's fastest growing exporters and importers from 1981-1993, as figure 2 illustrates. East Asian developing economies are projected to remain so during 1995-2004.

² The ten Big Emerging Markets identified by Commerce are: Argentina, Brazil, Mexico, ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), Chinese Economic Area (China, Hong Kong, and Taiwan), India, Korea, Poland, South Africa, and Turkey. For extensive analysis, see U.S. Department of Commerce, International Trade Administration, *The Big Emerging Markets: 1996 Outlook and Sourcebook* (Lanham, MD: Bernana Press, Sept. 1995).

³ USTR calculations based on Commerce Department estimates of the jobs supported by U.S. exports.

⁴ The WTO's "Asia" grouping includes two subgroups, South Asia and East Asia (including Oceania). The second subgroup includes all APEC-14 economies (i.e., all APEC members except the three NAFTA partners and Chile). Of the non-APEC economies included in the WTO Asia grouping, only India, Pakistan, and Vietnam had appreciable exports, but their exports together were less than those of Indonesia alone (\$40.0 billion versus \$40.9 billion).

⁵ The World Bank, *Global Economic Prospects and the Developing Countries* (Washington, DC: Apr. 1995), pp. 5 and 7.

⁶ Also included in the World Bank "East Asian" group of developing economies are Cambodia, Vietnam, and various smaller countries and territories.

Table 7
Total world merchandise exports by region, 1994 billion U.S. dollars (excludes intra-regional EU trade)

1994 To:					
From:	Asia	North America	Latin America	Western Europe	World
Asia	535.3	286.2	27.3	179.7	1103.2
North America	171.1	250.1	95.6	128.1	678.3
Latin America	17.3	89.1	37.2	32.8	183.9
Western Europe	170.1	148.1	44.3	348.2 ¹	914.7 ¹
World	976.1	808.8	211.5	835.2	3215.6 ¹

¹ USITC staff calculations. To avoid overstating trade among EU economies, intra-EU trade has been netted out. Total for World includes other regions not specified.

Source: WTO, *International Trade 1995 Trends and Statistics* (1995).

Economic Performance

Behind APEC's dynamism lies complex and disparate economies. The industrialized members of APEC grew, on average, more slowly than developing APEC members during 1981-93 (figure 2). Although there is some variance in the forecasts, developing APEC economies are expected to continue to grow twice as fast as industrial APEC economies over the next 5 years (table 8).

At the same time, the industrial economies continue to account for the majority of APEC economic activity. The United States and Japan make up over 78.4 percent of APEC GDP (exchange rate basis), with the U.S. GDP alone comprising nearly half

of APEC GDP. Table 9 shows that GDP per capita ranges from under \$450 a year in China to over \$36,000 in Japan. The 13-year average annual GDP growth rates also vary significantly, from -0.6 percent by the Philippines to China and Korea's impressive 8.2 percent. Although nominal 1994 inflation rates differ, all economies except China had single-digit inflation rates. Over one-half of the population in APEC is concentrated in China. The next most populated economy, the United States, is merely one-fifth of China's size. Other evidence of APEC economies' heterogeneity is found when comparing the sectors that dominate economically. Papua New Guinea and the Philippines remain largely agricultural, whereas others, such as Hong Kong and Singapore, have no significant agricultural sector.

Table 8
APEC average annual GDP growth rates, historical and projected
(Percent)

Category	1985-90	1991-95	1996-2000
Industrial economies (<i>Canada, United States, Japan, Australia and New Zealand</i>)	3.9	2.1	2.1 ¹ 2.9 ² 3.0 ³
Developing economies (<i>all APEC members not listed above</i>)	7.3	6.9	6.9 ¹ 6.2 ² 7.2 ³
APEC average	4.4	2.7	2.7 ¹ 3.4 ² 3.6 ³

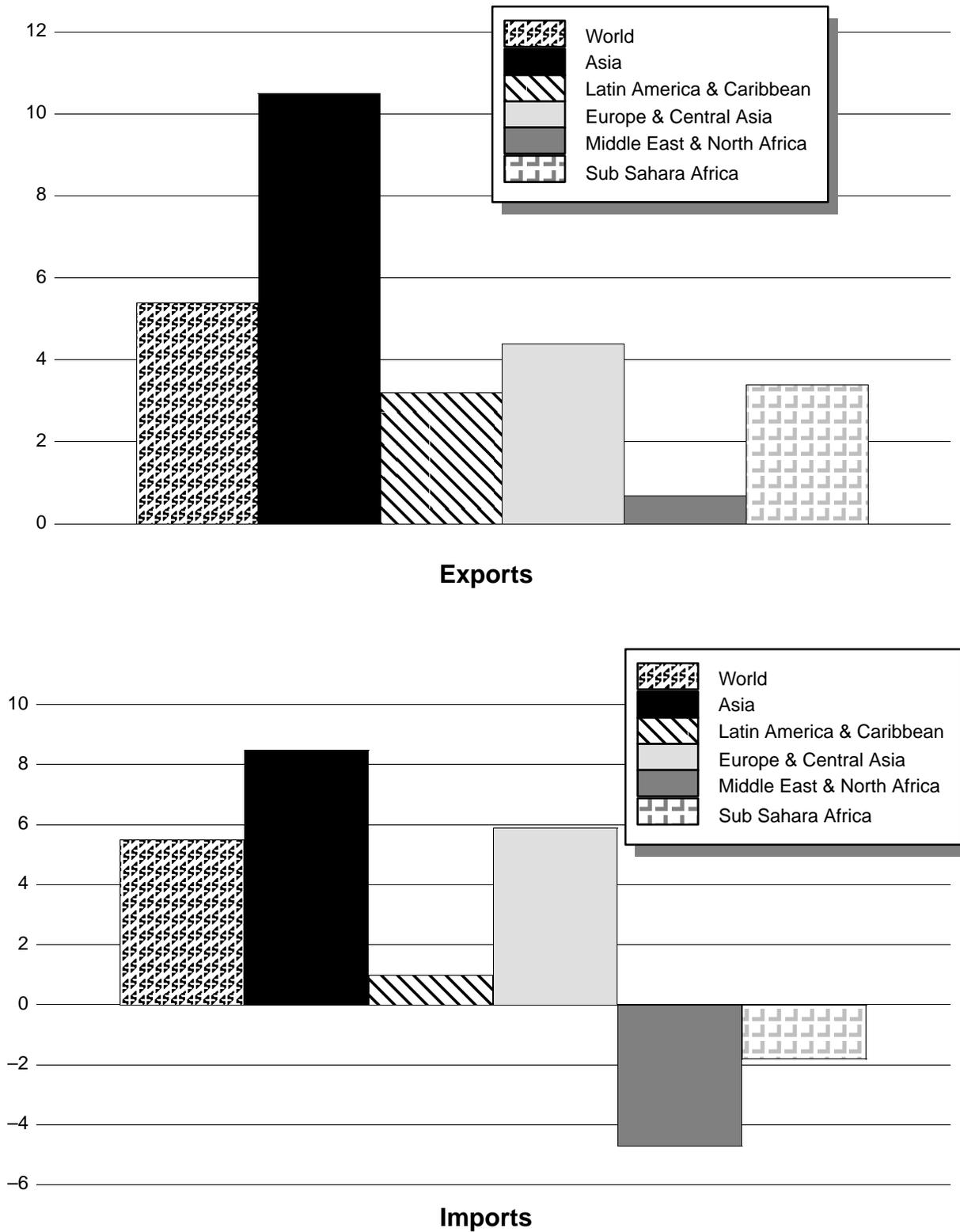
¹ Based on extrapolation of the average growth rate for 1991-95.

² Based on official or quasi-official figures.

³ Based on medium-term forecast by the WEFA Group, formerly Wharton Econometrics Forecasting Associates.

Source: APEC Economic Committee, *1995 APEC Economic Outlook* (Nov. 1995).

Figure 2
Average world trade growth, 1981-93, in percent: Rates by world and by regions of developing countries



Source: WTO, *International Trade Trends and Statistics* (1995).

Table 9
Macroeconomic data for APEC economies, 1994 unless otherwise noted

Economy ¹	GDP (US\$ billions)	Population (Millions)	Inflation rate 1994 (Percent)	GDP per capita (US\$)	Average annual GDP growth rates in % (1980-93) ²
United States	6,738.4	260.7	2.6	25,847	2.5
Japan	4,590.9	125.0	2.9	36,739	3.4
Canada	549.3	29.3	0.2	18,777	1.4
China	508.2	1,203.1	25.5	422	8.2
Korea	379.6	44.5	5.6	8,540	8.2
Mexico	377.1	91.2	7.1 ³	4,134	-0.5
Australia	322.7	17.8	2.5	18,086	1.6
Taiwan	243.9	21.1	5.2	11,562	NA
Indonesia	174.6	192.2	9.3	909	4.2
Thailand	143.2	59.4	5.0	2,410	6.4
Hong Kong	119.4 ⁴	5.4	8.5	21,542 ⁴	5.4
Malaysia	70.6	19.7	3.7	3,580	3.5
Singapore	68.1	2.9	3.6	23,228	6.1
Philippines	63.9	67.0	7.1	953	-0.6
Chile	52.2	14.0	8.7	3,729	3.6
New Zealand	46.9	3.5	1.6	13,444	0.7
Papua New Guinea	5.0	3.9	1.6	1,277	0.6
Brunei	3.9 ⁴	0.3	2.5	13,339 ⁴	NA
Total	14,454.0	2,160.7	-	6,690	-

¹ Economies are ordered in this table by economic size (GDP) and this ordering is consistent throughout other chapter tables.

² The growth rate is calculated by taking the $e^{[(\ln x_n - \ln x_0)/n \text{ years}] - 1}$, where x_n and x_0 are GDP in 1993 and 1980.

³ The inflationary effects of the Mexican peso devaluation of December 1994 are not included in this rate.

⁴ GDP numbers are estimates by USITC staff, based on 1993 data.

Source: IMF, *International Financial Statistics* (Washington, DC: IMF, Feb. 1996), Taiwan authorities, and World Bank, *World Development Report 1995* (NY: Oxford University Press, 1995), unless otherwise noted. NA signifies not available.

Export, Import and Investment Trends

APEC economies have experienced rapid increases in trade and investment, especially since 1980 (table 10). Linkages among the economies in the region, largely driven by private commercial considerations, have expanded greatly in recent years. Evidence of integration among member economies is found in data from the Pacific Economic Cooperation Council (PECC) for APEC, showing that 71 percent of 1993 total imports and exports of APEC economies were accounted for by other APEC members.⁷

Since 1980, average annual export growth rates have been highest in Hong Kong, China, Thailand, Singapore, and Malaysia (table 10). At just over 5 percent per annum, the United States experienced a relatively low rate of growth in exports since 1980. The Philippines had the lowest export growth rate at 3.4 percent. Import growth rates have also been strong, particularly for Thailand, Hong Kong, Korea, Taiwan, China, Malaysia, and Singapore. The rate of growth for imports over 1980-93 has been lower than that for exports for all APEC economies except for the United States, Japan, Mexico, the Philippines, and Taiwan.

⁷ PECC, *Survey of Impediments to Trade and Investment*, (Singapore: APEC Secretariat, Nov. 1995), pp. 21-22.

Trade in services as a share of the total trade of APEC economies increased from 18 percent in 1985 to 20 percent in 1993. All but four members—Malaysia,

Table 10
APEC merchandise trade and investment, 1993 (Shaded data are average annual rates, in percentages)

Economy	Merchandise Trade				Gross domestic investment growth rates 1980-93
	Exports		Imports		
	Value (US\$ m) 1993	Growth rates 1980-93	Value (US\$ m) 1993	Growth rates 1980-93	
United States	464,773	5.1	603,438	6.0	2.5
Japan	362,244	4.2	241,624	6.3	5.5
Canada	145,178	5.6	131,675	5.5	3.6
China	91,744	11.5	103,088	9.7	11.1
Korea	82,236	12.3	83,800	11.4	11.8
Mexico	30,241	5.4	50,147	6.7	0.1
Australia	42,723	6.2	42,259	4.7	1.2
Taiwan	92,847	10.0	77,099	11.4	NA
Indonesia	33,612	6.7	28,086	4.5	7.1
Thailand	36,800	15.5	46,058	13.8	11.4
Hong Kong	135,248	15.8	138,658	11.9	5.0
Malaysia	47,122	12.6	45,657	9.7	6.3
Singapore	74,012	12.7	85,243	9.7	5.7
Philippines	11,089	3.4	18,757	4.5	-0.1
Chile	9,328	6.6	10,596	4.3	9.6
New Zealand	10,537	6.6	9,636	4.3	2.4
Papua New Guinea	1,790	6.0	1,299	1.2	0.3
Brunei ¹	2,331	NA	1,274	NA	NA

¹ Data refers to total import and export trade. Taken from official data from the Department of Commerce.

Sources: World Bank, *World Development Report 1995* (NY: Oxford University Press, 1995), various tables; Taiwan authorities. NA signifies not available.

New Zealand, Singapore, and the Philippines—have experienced greater growth in services trade than in goods trade during the 1985 to 1993.⁸

Direct foreign investment by multinational firms in APEC has grown rapidly in recent years, with the stock growing from approximately \$288 billion in 1980 to \$1.076 trillion in 1992, an annual rate of increase of nearly 12 percent.⁹ During the same period, the stock of U.S. direct foreign investment in the Asian members of APEC¹⁰ increased from over \$14 billion to nearly

\$59 billion, an annual increase of nearly 13 percent; while the stock of direct foreign investment by the Asian members of APEC in the United States increased from approximately \$5 billion to nearly \$103 billion, an annual increase of nearly 29 percent. The share of worldwide U.S. direct foreign investment located in Asian APEC has increased from 6 to 12 percent of the total, while the share of foreign direct investment in the United States from all sources originating in Asian APEC has increased from 6 percent to over 24 percent of the total.¹¹ The pattern of U.S. investment links with Asia has expanded from a focus on Japan to include increasing inward and outward linkages with most economies in the region.

Growth rates of domestic investment in APEC economies vary, as illustrated in table 10. Korea,

⁸ PECC, *Survey of Impediments to Trade and Investment* (Singapore: APEC Secretariat, Nov. 1995), pp. 65-67.

⁹ Based on data compiled by Industry Canada, cited in APEC Economic Committee, *1995 APEC Economic Outlook* (Singapore: APEC Secretariat, Nov. 1995), attachment table 9.

¹⁰ Data include China, Hong Kong, Japan, Taiwan, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

¹¹ APEC Economic Committee, *1995 APEC Economic Outlook* (Singapore: APEC Secretariat, 1995), USITC staff calculations from data in attachment table 9.

Thailand, and China recorded high double-digit annual investment growth. Australia, Papua New Guinea, and Mexico have experienced stagnant gross domestic investment growth, but the worst showing is by far the Philippines, which on average has experienced disinvestment at the rate of 0.1 percent per year.

Merchandise Trade with the United States

The United States consistently ranks among the top three export destinations for all APEC economies except for the two smallest, Papua New Guinea and Brunei (table 11). The United States is among the top three import suppliers for all other APEC economies except for Papua New Guinea and Hong Kong. U.S. exports to the APEC-14 (18 APEC economies minus the present NAFTA partners and Chile) grew by 32 percent from 1990-94, slightly more than the 29-percent growth recorded in total U.S. exports during the same timeframe.¹²

By 1994, the APEC-14 accounted for some 30 percent of total U.S. merchandise exports, whereas the NAFTA partners accounted for 39 percent of total U.S. exports and the EU accounted for 20 percent of total U.S. exports. The APEC-14 partners are even more important on the import side, accounting for 41 percent of total U.S. imports in 1994. Such imports were up by 43 percent over 1990 levels, compared with the 34-percent growth in U.S. imports overall during the 1990-94 period.¹³

U.S. exports to APEC economies totaled \$336.9 billion in 1995, and U.S. imports reached \$550.7 billion (table 12). Much of this trade (47 percent of exports and 38 percent of imports) is with its two NAFTA partners. Japan was the United States' second-largest APEC export market and import supplier. The United States ran trade surpluses with 6 APEC economies and deficits with 11 in 1994, of which three (Japan, China, and Canada) account for most of the aggregate U.S. deficit in merchandise trade.

¹² Compiled by the staff of the USITC from official statistics of the U.S. Department of Commerce. Imports are Census-basis imports for consumption at Customs value. Exports are Census-basis domestic exports at f.a.s. (free along side) value. The underlying data are presented in USITC Office of Economics, *IER Chartbook* (Washington, DC: U.S. International Trade Commission, June 1995).

¹³ Compiled by the staff of the USITC from official statistics of the U.S. Department of Commerce. Imports are Census-basis imports for consumption at Customs value. Exports are Census-basis domestic exports at f.a.s. value.

Services Trade with the United States

Services currently account for almost 25 percent of trade within the APEC region and continue growing.¹⁴ Table 13 illustrates the levels of services trade worldwide, disaggregated by WTO regional groupings. From 1984 to 1993, the share of Asia in world service exports increased while other regions experienced much smaller changes, or in the case of Latin America, a significant decrease. In general, services trade remains highly regulated across all sectors¹⁵ and in some is considered completely closed.¹⁶

The United States trades more services with APEC economies than with any other region (table 14). The United States purchases fewer services from the EU than it does from APEC, but sells almost 50 percent more services to APEC. U.S. trade in services¹⁷ with the world for 1994 amount to \$311.3 billion, an increase of almost \$21.7 billion from the level in 1993.¹⁸ Bilateral U.S. trade with major APEC economies is presented in table 14. Japan and Canada are the largest U.S. service trading partners, and Mexico is a distant third. The United States consistently sells more services than it buys from all APEC economies.

The Asia-Pacific is clearly important to U.S. trade and commercial interests. U.S. business already has substantial stakes in the region, and U.S. export prospects are excellent in many key goods and services areas. As outlines of national plans for implementing APEC's ambitious goals emerge, it appears that some key developing members are prepared to use APEC as a springboard for meaningful liberalization. Other members, however, have yet to move beyond existing commitments and previously-announced liberalizations. Nevertheless, APEC economies may still announce real liberalization at the November 1996 ministerial, a development that would surely contribute momentum to the December WTO Ministerial.

¹⁴ PECC, *Survey of Impediments to Trade and Investment in the APEC Region* (1995), p. 14.

¹⁵ *Ibid*, Executive Summary.

¹⁶ *Ibid*, p. 14.

¹⁷ Services include hotels and other lodging, advertising, equipment rental and leasing (except automobiles and computers), computer and data processing services, motion pictures (including television tape and film), engineering, architectural and surveying services, accounting, research, management and related services, health services and others not previously specified. For more specific information, see Michael A. Mann and Sylvia E. Bargas, "U.S. International Sales and Purchases of Private Services," *Survey of Current Business* (USDOC, BEA, Sept. 1995), p. 68.

¹⁸ Services data measures (1) cross-border trade in services between U.S. residents and foreign residents and (2) services transactions by majority-owned affiliates. For more specific sectors and methodology, see BEA, *Survey of Current Business* (Sept. 1995).

Table 11
Top trading partners of APEC economies, 1993 (percentage of economy's total trade in parentheses)

Economy	Top export trading partners	Top import trading partners
United States	Canada (20), Japan (10), Mexico (10)	Canada (19), Japan (18), Mexico (7)
Japan	US (29), Taiwan (6), Hong Kong (6)	US (23), China (7), Australia (5)
Mexico	US (82), Canada (5), Spain (2)	US (75), Japan (15), Germany (3)
Canada	US (80), Japan (5), UK (0.02)	US (70), Japan (6), UK (2)
China	Hong Kong (26), US (19), Japan (17)	Japan (34), Taiwan (15), US (10)
Korea	US (21), Japan (21), Saudi Arabia (5)	Japan (25), US (21), Saudi Arabia (5)
Australia	Japan (33), US (10), S. Korea (9)	US (21), Japan (18), UK (6)
Taiwan	US (22), Japan (14), Hong Kong (8)	Japan (34), US (26), Hong Kong (6)
Indonesia	Japan (30), US (16), Singapore (6)	Japan (21), US (11), Hong Kong (8)
Thailand	US (22), Japan (17), Singapore (12)	Japan (30), US (10), Singapore (9)
Hong Kong	China (32), US (23), Japan (5), Germany (5)	China (22), Japan (20), Taiwan (11)
Malaysia	Singapore (25), US (19), Japan (13)	Singapore (28), Japan (26), US (17)
Singapore	US (20), Malaysia (14), Hong Kong (9)	Japan (20), Malaysia (17), US (14)
Philippines	US (39), Japan (16), Germany (6)	Japan (21), Taiwan (17), US (14)
Chile	Japan (16), US (15), Argentina (7)	US (30), Brazil (11), Japan (8)
New Zealand	Australia (19), Japan (15), US (12)	Australia (23), US (17), Japan (7)
Papua New Guinea	Australia (34), Japan (26), S. Korea (12)	Japan (30), Singapore (25), New Zealand (10)
Brunei	Japan (52), UK (18), S. Korea (10)	Singapore (31), US (24), UK (24)

Source: *Statistics Canada* (1995)

Table 12
U.S. 1995 merchandise exports, imports, and trade balances with APEC economies, million U.S. dollars

U.S. trading partner	U.S. exports, f.a.s. value	U.S. imports, Customs value	Trade balance
Japan	60,962	122,402	-61,441
Canada	113,216	144,882	-31,621
China	11,613	45,370	-33,757
Korea	24,483	24,026	-457
Mexico	44,031	61,721	-17,690
Australia	10,243	3,275	6,969
Taiwan	18,036	28,875	-10,839
Indonesia	3,317	7,340	-4,023
Thailand	6,158	11,337	-5,178
Hong Kong	12,705	10,232	2,473
Malaysia	8,191	17,401	-9,210
Singapore	13,648	18,493	-4,845
Philippines	5,072	6,990	-1,919
Chile	3,446	1,875	1,572
New Zealand	1,655	1,440	215
Papua New Guinea	51	46	5
Brunei	85	38	47
Total	336,957	550,741	-168,785

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

Table 13
World services exports by region, 1993, and 1984 billion U.S. dollars

Region	1993	Share of world trade, 1993 (%)	1984	Share of world trade, 1984 (%)
Asia	220.0	21.6	63.8	15.9
North America	184.0	18.1	65.5	16.3
Latin America	41.8	4.1	18.7	10.4
Western Europe	483.7 ¹	47.6	190.2 ¹	47.3
World	1,016.0¹		402.0¹	

¹ USITC staff calculations. To avoid overstating trade among EU economies, intra-EU trade has been netted out. Total for World includes other regions not specified.

Source: WTO, *International Trade 1995 Trends and Statistics* (1995)

Table 14
U.S. services exports and imports, 1994 billion U.S. dollars

Region	Exports	Imports
APEC	81.680	49.137
European Union (EU)	54.795	42.555
Latin America and other Western Hemisphere ¹	30.314	23.847
Africa and Middle East	8.519	4.651
Total U.S. trade with world²	185.419	125.902

¹ All countries in hemisphere except NAFTA signatories.

² Includes all regions including those not specified.

Source: *Survey of Current Business* (Sept. 1995).

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1994		
94-12-C	Regional Trade Arrangements and Global Welfare	*Nancy Benjamin
94-12-B	The General Equilibrium Implications of Fixed Export Costs on Market Structure and Global Welfare	*Michael P. Gallaway
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STATISTICAL TABLES

Indexes of industrial production, by selected countries and by specified periods, Jan. 1993-June 1996
(Total industrial production, 1991=100)

Country	1993	1994	1995		1996		Jan.	Feb.	Mar.	Apr.	May	June	
			IV	Dec.	I	II							
United States ¹	112.0	118.1	122.3	122.6	122.8	123.3	125.1	122.5	124.1	123.5	124.4	125.3	125.7
Japan	92.0	93.1	96.0	98.0	97.6	(²)	(²)	68.6	16.2	(²)	(²)	(²)	(²)
Canada ³	101.4	105.7	107.7	108.1	41.5	(²)	(²)	31.9	22.2	(²)	(²)	(²)	(²)
Germany	90.5	93.9	94.7	98.2	94.7	(²)	(²)	89.4	91.3	99.5	(²)	(²)	(²)
United Kingdom	98.0	103.1	105.4	109.5	104.6	(²)	(²)	106.3	109.1	(²)	(²)	(²)	(²)
France	95.3	99.2	(²)	(²)	96.7	(²)	(²)	105.0	102.0	(²)	(²)	(²)	(²)
Italy	95.7	102.2	107.8	113.0	109.4	(²)	(²)	102.1	112.6	(²)	(²)	(²)	(²)

¹ 1987=100.

² Not available.

³ Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators*, Organization for Economic Cooperation and Development, June 1996, *Federal Reserve Statistical Release*, July 18, 1996.

Consumer prices, by selected countries and by specified periods, Jan. 1993-May 1996
(Percentage change from same period of previous year)

Country	1993	1994	1995	1995							1996					
				IV	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	May
United States	3.0	2.6	2.8	2.7	2.8	2.6	2.5	2.8	2.6	2.5	2.7	2.7	2.7	2.8	2.9	2.9
Japan	1.3	0.7	-0.1	-0.5	0.1	-0.2	0.2	0.2	-0.6	-0.7	-0.2	-0.4	-0.2	0.1	0.4	0.3
Canada	1.8	0.2	1.7	2.1	2.5	2.3	2.3	2.4	2.1	1.7	1.4	1.6	1.3	1.4	1.4	1.5
Germany	4.2	3.0	1.7	1.5	2.4	2.0	1.8	1.6	1.4	1.5	1.4	1.4	1.4	1.4	1.3	1.5
United Kingdom	1.6	2.5	3.4	3.2	3.5	3.6	3.9	3.2	3.1	3.2	2.8	2.9	2.7	2.7	2.4	2.2
France	2.0	1.7	1.7	1.9	1.5	1.9	2.0	1.8	1.9	2.1	2.1	2.0	2.0	2.3	2.4	2.4
Italy	4.4	1.0	5.2	5.6	5.4	5.6	5.6	5.6	5.6	5.6	5.0	5.4	5.0	4.5	4.5	4.3

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, July 1996.

Unemployment rates (civilian labor force basis)¹, by selected countries and by specified periods, Jan. 1993-April 1996

Country	1993	1994	1995	1995							1996					
				III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	
United States	6.8	6.1	5.6	5.6	5.5	5.6	5.6	5.5	5.6	5.6	5.6	5.6	5.8	5.5	5.6	5.4
Japan	2.5	2.9	3.2	3.2	3.4	3.2	3.2	3.3	3.4	3.4	3.3	3.4	3.3	3.1	3.5	3.5
Canada	11.2	10.4	9.5	9.5	9.4	9.6	9.2	9.4	9.4	9.4	9.5	9.6	9.6	9.3	9.4	9.4
Germany	5.8	6.5	6.5	6.6	6.7	6.6	(²)	6.6	6.7	6.8	7.0	7.0	7.0	7.1	(²)	(²)
United Kingdom	10.4	9.6	8.8	8.8	8.6	8.8	8.6	8.6	8.6	8.6	8.5	8.5	8.5	8.5	8.3	8.5
France	11.3	12.3	12.3	12.1	12.3	12.1	(²)	(²)	(²)	12.4	12.5	12.5	12.6	12.6	(²)	(²)
Italy	10.3	11.4	12.0	12.0	12.0	(³)	(³)	12.0	(³)	(³)	(³)	12.0	(³)	(³)	(³)	(³)

¹ Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

² Not available.

³ Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, June 1996.

Money-market interest rates,¹ by selected countries and by specified periods, Jan. 1993-May 1996

(Percentage, annual rates)

Country				1995						1996						
	1993	1994	1995	III	IV	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	May	June
United States	3.2	4.6	5.8	5.7	5.6	5.7	5.7	5.6	5.5	5.2	5.2	5.1	5.2	5.3	5.3	5.4
Japan	2.9	2.2	1.2	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.6	0.6	(2)	(2)	(2)
Canada	5.1	5.5	7.1	6.6	6.1	6.6	6.6	6.0	5.9	5.3	5.5	5.2	5.2	(2)	(2)	(2)
Germany	7.1	5.2	4.4	4.1	3.9	4.1	4.0	3.9	3.8	3.3	3.5	3.2	3.2	(2)	(2)	(2)
United Kingdom	5.8	5.4	6.6	6.6	6.5	6.7	6.6	6.6	6.4	6.2	6.3	6.1	6.0	(2)	(2)	(2)
France	8.3	5.7	6.4	6.0	5.9	5.7	6.7	5.7	5.4	4.3	4.5	4.2	4.1	(2)	(2)	(2)
Italy	10.0	8.4	10.4	10.4	10.6	10.3	10.7	10.6	10.5	9.9	10.0	9.9	9.8	(2)	(2)	(2)

¹ 90-day certificate of deposit.

² Not available.

Source: *Federal Reserve Statistical Release*, July 1, 1996; *Federal Reserve Bulletin*, June 1996.

Effective exchange rate of the U.S. dollar, by specified periods, Jan. 1993-May 1996

(Percentage change from previous period)

Item				1995				1996					
	1993	1994	1995	III	IV	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	May
Unadjusted:													
Index ¹	100.1	98.5	92.9	93.4	94.3	94.1	94.9	96.4	96.3	96.6	96.5	97.2	97.6
Percentage change ..	3.1	-1.6	-5.6	3.7	.9	.4	.8	2.1	1.4	.3	-.1	.7	.4
Adjusted:													
Index ¹	104.2	101.5	93.9	92.5	95.2	95.1	95.9	97.9	97.2	98.1	98.6	99.5	100.2
Percentage change ..	3.3	-2.7	-7.4	1.7	2.9	.7	.8	2.7	1.3	.9	.5	.9	.7

¹ 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 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, June 1996.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1993-May 1996

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

Country	1993	1994	1995				1996						
			1995	IV	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	May
United States ¹	-115.7	-150.6	-159.6	-138.9	-150.2	-136.3	-135.2	-153.8	-174.3	-139.3	-147.9	-157.1	-173.7
Japan	120.3	121.2	106.0	90.3	62.1	111.3	97.6	(2)	(2)	(2)	(2)	(2)	(2)
Canada ³	13.4	17.0	27.8	34.2	32.5	28.5	41.5	(2)	(2)	(2)	(2)	(2)	(2)
Germany	35.8	45.6	(2)	(2)	71.4	65.2	87.2	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom	-25.5	-22.5	-22.4	-24.8	-37.0	-20.1	-17.1	(2)	(2)	(2)	(2)	(2)	(2)
France ³	15.6	14.7	21.1	21.7	15.1	33.1	17.0	(2)	(2)	(2)	(2)	(2)	(2)
Italy	20.6	22.0	(2)	(2)	26.4	46.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)

¹ Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

² Not available.

³ Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, July 18, 1996; *Main Economic Indicators*; Organization for Economic Cooperation and Development, Mar. 1996.

U.S. trade balance,¹ by major commodity categories and by specified periods, Jan. 1993-May 1996

(In billions of dollars)

Country	1993	1994	1995	1995				1996					
				IV	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.	May
Commodity categories:													
Agriculture	17.8	19.0	25.6	8.0	2.5	2.6	2.9	7.9	2.8	2.6	2.5	2.0	1.9
Petroleum and selected product— (unadjusted)	-45.7	-47.5	-48.8	-11.3	-3.6	-3.9	-3.8	-12.4	-4.6	-3.7	-4.1	-5.2	-5.44
Manufactured goods	-115.3	-155.7	-173.5	-44.9	-18.4	-15.4	-11.1	-30.5	-12.7	-10.0	-7.8	-11.7	-12.7
Selected countries:													
Western Europe	-1.4	-12.5	-10.6	-2.8	-1.1	-8	-9	-1.6	-1.0	-4	-2	-4	-8
Canada	-18.6	-25.1	-31.6	-5.6	-1.9	-1.7	-2.0	-4.4	-1.9	-1.2	-1.3	-1.6	-2.5
Japan	-60.1	-66.4	-61.4	-12.2	-4.7	-4.1	-3.4	-11.7	-3.8	-3.8	-4.1	-4.0	-3.1
OPEC (unadjusted)	-11.6	-13.8	-15.7	-3.7	-1.2	-1.2	-1.3	-3.8	-1.7	-1.2	-9	-1.6	-1.9
Unit value of U.S. imports of petroleum and selected products (unadjusted)	\$15.13	\$14.22	\$15.83	\$15.41	\$15.24	\$15.13	\$15.86	\$16.64	\$16.45	\$16.18	\$17.33	\$19.33	\$18.95

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

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, July 18, 1996.