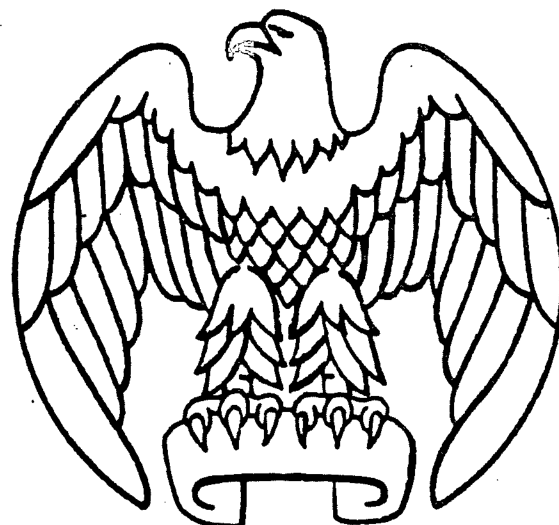
INTERNATIONAL ECONOMIC REVIEW



OCTOBER 1984

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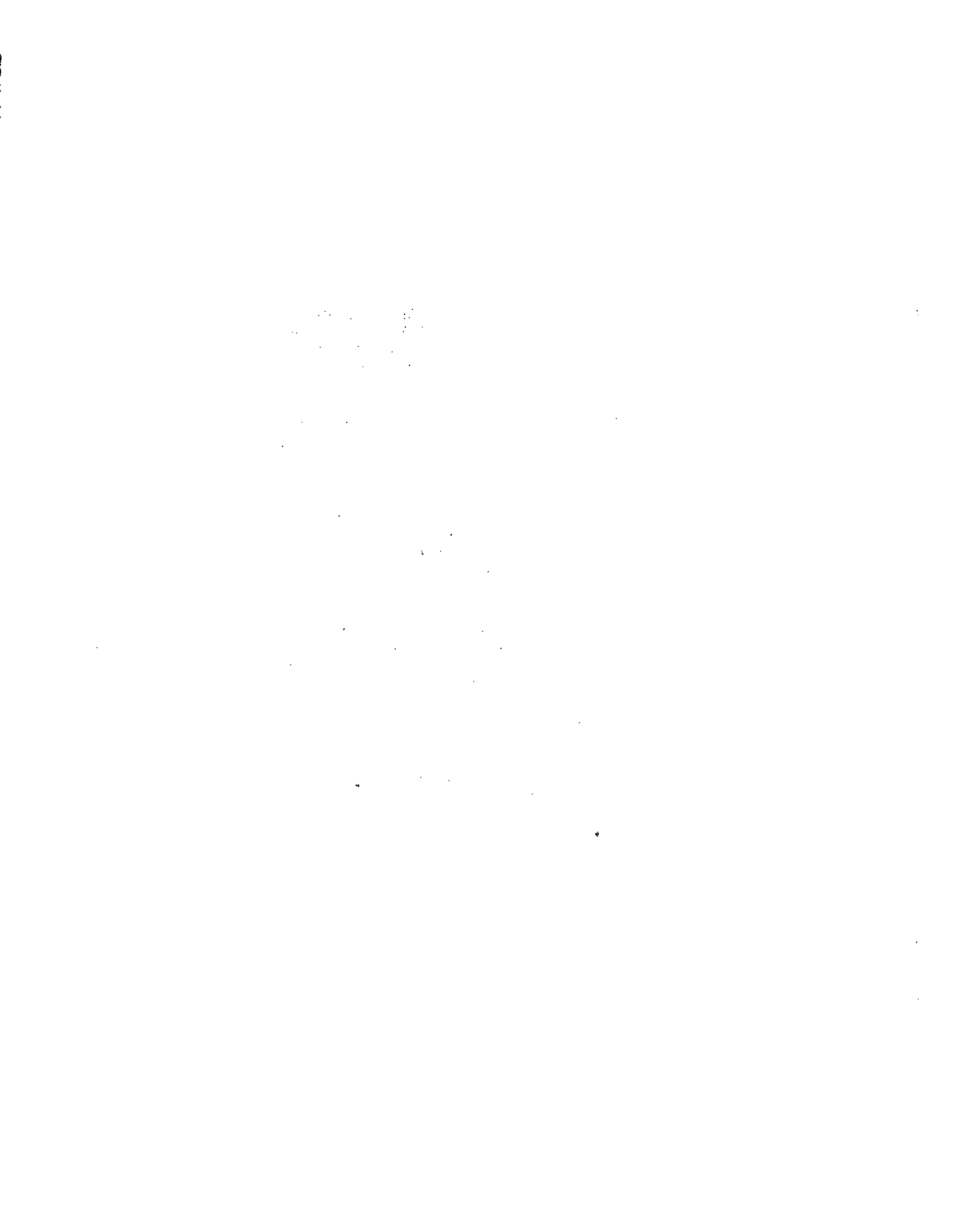


International Economic Indicators

The pace of economic growth in the United States and Japan continues to sustain world economic recovery. Although growth is expected to slow in the key industrialized nations in 1985, leading forecasters agree that the revitalization of Western economies will not run into major snags next year.

Industrial production

Industrial output in the United States grew by 0.2 percent in August. The combined industrial production of the United States, Japan, West Germany, France, and the United Kingdom increased by 8.7 percent from July 1983 to July 1984. Industrial output increased by 10.6 percent in the United States, 12.7 percent in Japan, and 8.0 percent in West Germany. Handicapped by the miners' and dockworkers' strikes, British industrial output showed a steady decline this year.

Employment

The rate of unemployment in the United States was 7.3 percent in September (on a total labor force basis). Unemployment in the United Kingdom jumped from 12.9 percent in July and August to 13.6 percent in September. In a recent bulletin, the Bank of England said that there is no end in sight to the 10,000-15,000 average monthly increase in British unemployment. According to the IMF, seasonally adjusted rates of unemployment in the other three major industrial countries were as follows: West Germany, 8.3 percent (August); France, 10.1 percent (July); and Japan 3.0 percent (July). The combined rate of unemployment in the five major industrial countries increased slightly from 7.2 percent in July to 7.3 percent in August.

Western Europe continues to struggle with its persistent unemployment problem. During 1973-1983, 18 million jobs were created in North America and 5 million jobs in Japan, but there were 1.5 million jobs lost in Europe, according to the OECD. With West European demand for coal-generated energy declining, coal miners in the United Kingdom and France are being particularly hard hit by unemployment.

External balances

The seasonally adjusted U.S. merchandise trade deficit dropped to $8.5 billion in August from a record high $12.4 billion in July. The reduction was the net effect of a larger decline in imports than in exports. A reduction in exports of manufactured goods contributed significantly to the decrease in total U.S. exports in August. A decline in the average price of petroleum products reinforced the decline in the value of a broad spectrum of U.S. imports from July to August.

Japan's $3.2-billion July merchandise trade surplus with the United States decreased slightly in August. The annual U.S. deficit in trade with Japan is projected to reach $30 billion. The international economic press is in apparent agreement that the persistent bilateral imbalance is due to a higher savings rate in Japan than in the United States, and that its correction ultimately depends on the success of the United States in reducing federal deficits. Japanese surpluses give rise to worries among several Asian countries also. The deficit of Southeast Asian countries in their trade with Japan tripled from $2.2 billion in 1982 to $6.6 billion in 1983, and it increased further this year.

The total external debt of the 16 West European countries now exceeds $500 billion. Gold holdings and foreign exchange reserves reduce this to a net debt of $227 billion. At the end of 1983, West Germany's external debts amounted to $76.8 billion; France's, to $54.0 billion; Italy's, to $54.6 billion; Belgium's, to $39.2 billion; and those of the Netherlands, to $16.4 billion. As a result of significant improvement in the current account balances of these countries, this stock of external debts is expected to decline. The aggregate West European deficit of $53 billion in 1981-1982 was practically eliminated in 1983, and a $25-billion surplus is projected for 1984-1985. The latest available data show, however, that improvement in Western Europe's external balance is uneven. West Germany's July surplus amounted to $1.4 billion, whereas France's deficit was $0.1 billion, and the United Kingdom's deficit was $0.2 billion. After reducing its merchandise deficit from an alltime high of $1.8 billion in May to roughly $600 million in June, Italy reported a $421-million trade surplus for July. This still leaves Italy's trade balance for the seven months through July more than $5 billion in deficit, which is about 38 percent higher than the deficit in January-July 1983.

The United Kingdom's current account deficit was $398 million in August. This was its first since April, and it is believed to be the result of an influx of imports after the end of the July dock strike.

Prices

The U.S. consumer price index rose 0.5 percent in August. The rate of consumer price growth in the major industrialized nations has continued to decelerate in the past few months. The aggregate consumer price index of OECD nations rose at a monthly rate of 0.3 percent in both June and July. The 5.3 percent annual rate of change in July was the fourth consecutive decline and the lowest rate recorded this year. Consumer prices in August were 1.7 percent higher in West Germany and 2.1 percent higher in Japan than during the same month of 1983. The annual rate of inflation in France has been 7 percent in recent months, according to the Chemical Bank of New York.

Forecasts

U.S. Government analysts predict a 3.6-percent annualized real growth for the U.S. economy during the third quarter of 1984. The apparent consensus among forecasters is that Western economic expansion will continue during the next year. There is concern among forecasters, however, that Europe's industrial countries may not be able to provide the driving force for the world economic recovery when, as expected, the growth of U.S. production settles to a more moderate pace in 1985.

The OECD foresees that unemployment in OECD Europe will increase from 11.0 percent in 1984 to 11.5 percent in 1985. Among these countries the worst increases in unemployment during the next 18 months are expected in France, Belgium, Greece, Ireland, and Turkey.

According to Blue Chip Economic Worldscan's poll of projections, the following increases in inflation rates are expected to occur from 1984 to 1985: United States, from 4.5 percent to 5.6 percent; Japan, from 2.5 percent to 3.0 percent; Canada, from 5.3 percent to 6.1 percent; West Germany, from 2.9 percent to 3.1 percent; and the United Kingdom, from 5.4 percent to 6.0 percent. In France and Italy, however, inflation is expected to decline from 1984 to 1985.

At the recent 1984 Pacific Northwest World Trade Conference there was optimism about 1985 world trade but uncertainty about the prospects beyond. A keynote speaker at the conference said that--although a reduction in imports by the United States and Canada will harm some exporting nations in the near future--world trade will expand 10 percent in 1985. The Security Pacific National Bank and several other private forecasters predict strong increases in world trade through 1985. Many international trade experts claim that the relative importance of countertrade in total world trade will grow during the rest of the 1980's. The levels of debt in the Third World and the requirements by multilateral organizations for debtor nations to show rapid improvement in their trade balances give credence to these predictions.

International Trade Developments

New country-of-origin regulations for U.S. apparel imports threaten China's role in Hong Kong's knitwear industry

Tighter regulations governing the origin of textiles and apparel entering the United States became effective September 7 for all new import orders placed on or after August 3, the date the regulations were announced. The new rules, which were implemented on an interim basis until public comments can be considered, provide that textile articles of materials produced or manufactured in one country must have undergone a "substantial transformation" in another country in order to enter the United States under the second country's import quota. The regulations specifically state that "no article or material shall be considered to have been substantially transformed . . . by virtue of having merely undergone . . . joining together by sewing, looping, linking or other means of attaching otherwise completed component parts; cutting or otherwise separating of articles from material which has been previously marked with cutting lines . . .; or processing such as dyeing, printing, showerproofing, superwashing, or other finishing operations." These criteria are ostensibly designed to end the practice of transshipment, especially between countries in Asia, for the purpose of evading U.S. textile quotas. However, the consensus among analysts of textile trade is that the new rules will have their most adverse impact on the joint production of knitwear by China and Hong Kong--a division of labor that was established to cut Hong Kong's production costs, but was not intended to serve as a means of circumventing import limits.

For economic reasons, it has been a standard practice in textiles trade for yarn produced in one country to be woven into fabric in another, and cut or partially sewn garments are sometimes shipped to yet another country for final finishing. As both U.S. and EC restrictions on imported textile products have increased, however, the textile supplying countries have also increased their transshipments for the purpose of circumventing import limits. Frequently, the major apparel exporters such as Hong Kong, Taiwan, South Korea, and China fill their annual quotas early in the year. To avoid surpassing quotas, they have already-cut garments sewn together in less restricted countries such as Indonesia or Bangladesh, which then are designated the countries of origin for export purposes. On the other hand, in the joint-venture arrangements between Hong Kong companies and the China National Textile Import and Export Corp. (CHINATEX) for the production of sweaters and other knitwear, garment panels knitted in China are shipped to Hong Kong for assembly, and the finished garments are exported to the United States carrying the "made in Hong Kong" label. The new U.S. rules of origin will eliminate fraudulent practices, but they will also affect such legitimate co-production operations. This partnership in knitwear manufacturing may have to end under the new regulations, since compliance will require that the entire garment be produced in Hong Kong if Hong Kong is to be designated the country of origin.

Some 50,000 Chinese workers could lose their jobs, and Hong Kong's knitwear industry, which for years has had the cost advantage provided by China's cheap labor, could be seriously threatened. Hong Kong knitwear exports to the United States currently amount to approximately $280 million annually, or nearly 15 percent of its total textile sales to this country. Chinese labor represents 20 to 30 percent of the value of Hong Kong's total knitwear exports. If China were designated the country of origin, the present production arrangement could be continued under the stricter regulations. However, U.S. imports of all types of sweaters from China--cotton, manmade-fiber, and wool--are subject to quantitative restraints under the U.S.-Chinese textile agreement, making this option virtually impossible unless U.S. quotas for Chinese sweaters are substantially increased. It is therefore likely that Hong Kong's knitwear manufacturers will undertake a major conversion of their operations, installing technically advanced computerized knitting machines to obviate the need for China's large supply of cheap labor.

Both China and Hong Kong have delivered formal protests to U.S. authorities and to the Textile Committee of the General Agreement on Tariffs and Trade (GATT). They are charging that the new regulations discriminate against countries with bilateral accords, violate their bilateral agreements with the United States, and violate the Multifiber Arrangement, which operates under the auspices of GATT. China has also hinted to the United States that it might repeat retaliatory actions similar to those it took during the bilateral textile dispute before a new U.S.-Chinese agreement on trade in textiles was signed in August 1983. This dispute is estimated to have cost the United States the loss of approximately $500 million in wheat and other agricultural exports to China.

Maritime boundary dispute is settled

A long-standing boundary dispute between the United States and Canada was resolved with a decision of the International Court of Justice delimiting the continental shelf and the 200-mile fishing zones off the east coast of both countries. It resolves the bilateral issues of fishing rights and off-shore oil exporation and development; it also sets an international precedent for the resolution of maritime boundary disputes.

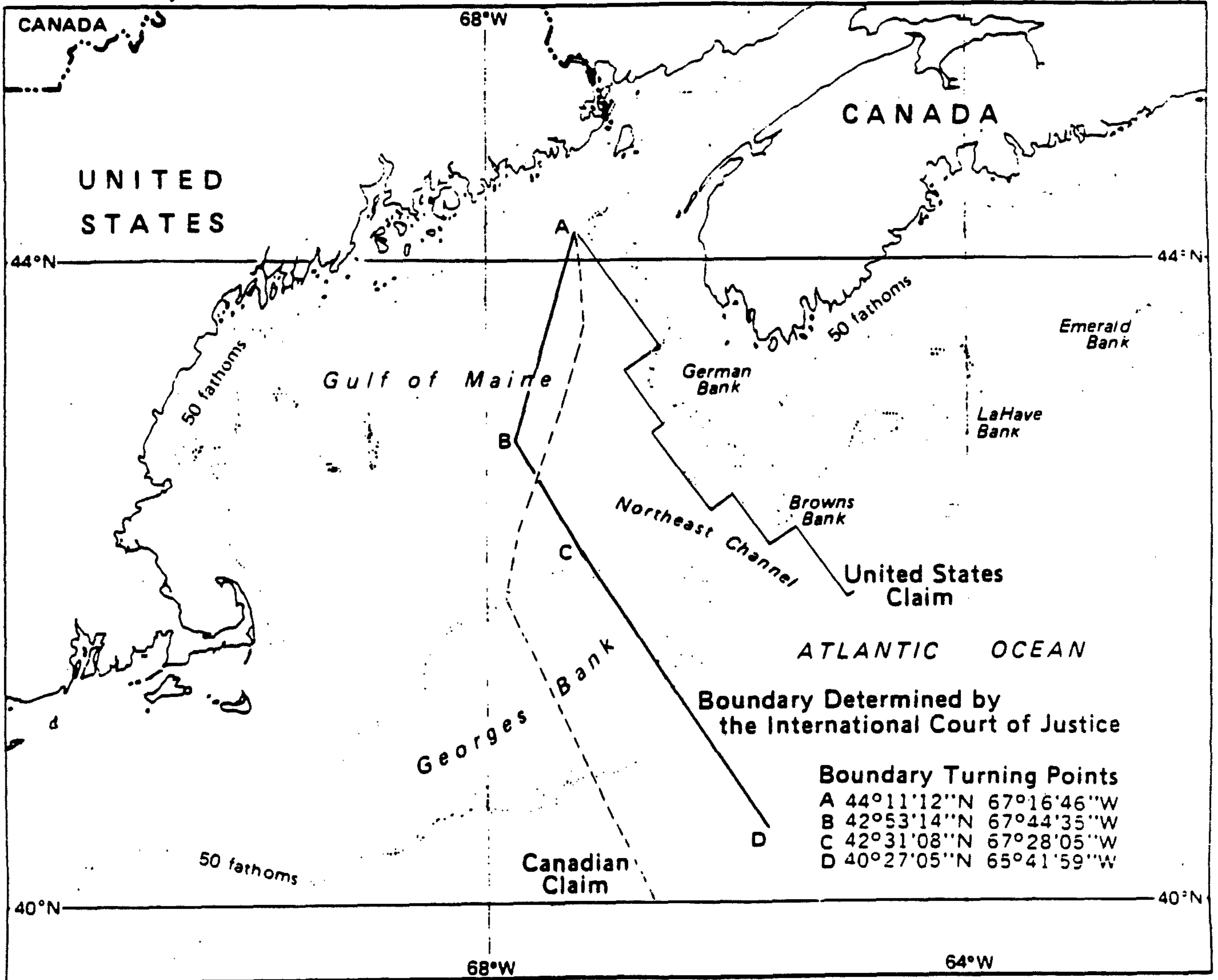
U.S. fishermen have been working the area of Georges Bank since 1820. Canadian fishermen only began significant fishing in the area in the 1960's. When both the United States and Canada extended their fishing jurisdiction to 200 miles in 1977, overlapping boundary claims resulted in the Gulf of Maine (see chart). The resolution of these claims is of considerable significance for the fishing rights of each country. Fish and shellfish landed from the disputed portion of Georges Bank are worth over $100 million per year. Scallops are the principal catch in the area. The disputed area is between 13,000 and 15,000 square nautical miles in size; it includes one of the world's richest fishing grounds, the northeastern half of the Georges Bank.

The dispute appeared to be moving toward settlement in 1979 through two linked treaties: one on the boundary, the other on fisheries. But the treaties were not ratified, and progress toward resolution of the dispute stalled in early 1981. In a treaty that entered into force on November 20, 1981, each country agreed to ask the World Court to adjudicate the dispute and to accept the Court's decision in the case. Three sets of written pleadings were followed by oral arguments in May of this year. The Hague decision, announced on October 12, essentially divides the disputed area in half, but does give Canada maritime jurisdiction over a particularly rich portion of the waters and the sea bed.

The ITC is currently studying the conditions of competition affecting the groundfish and scallop industries in the northeastern United States. U.S. imports of such fish were valued at $449 million in 1982, and Canada is the leading source. Canada accounted for 76 percent of the value of northeast U.S. scallop imports during 1979-83. Pending the Court's decision, fishermen of both countries were fishing in the disputed area, with neither country enforcing its laws against the other's fishermen. Following the decision, Canada and the United States agreed to a 14-day grace period during which fisherman are to return to their respective sides of the new boundary.

The Gulf of Maine case is the first case to be decided at The Hague since the 200 mile exclusive economic zone concept was fully accepted as international law. In 1977 the United States and Canada extended their fisheries jurisdictions as a reaction to the overfishing of the Northeast Atlantic fishing grounds by fleets from Japan and both Eastern and Western Europe. Such extensions of coastal-state jurisdictions seaward to 200 nautical miles have become more frequent in the last two decades, leaving in their wake hundreds of maritime boundary disputes. Settlement of the Gulf of Maine dispute by the Court further develops international law in an area of exceptional importance to the international legal community.

United States - Canada Maritime Boundary
Determined by the International Court of Justice



Sour grapes embitter U.S.-EC bilateral trade relations

Background.--Many informed sources fear that enactment of The Wine Equity and Export Expansion Act of 1984 will spur a wave of new trade restrictions hitting hard on both shores of the North Atlantic. Passage may tempt the European Community (EC) to impose restrictions on imports of U.S. corn gluten feed (already being seriously considered), citrus fruit, soybeans, and other products. The bill was introduced in the House on August 4, 1983, and in the Senate on November 18, 1983. On September 20, the Senate cleared its version of the bill, with the House following on October 3. The bill went to House-Senate conference on October 4 and subsequently passed as part of the omnibus trade bill. Since the bill was first introduced in Congress, the President has threatened to veto it because of its protectionist overtones. However, the wine bill had since been lumped into the massive legislative trade package that included other bills that the President strongly supported--such as the free trade accord with Israel and GSP renewal. As of this printing, the President has not yet signed the bill into law but is expected to do so shortly.

The thrust of the proposed law is to eliminate the myriad of tariff and nontariff barriers faced by U.S. wine exports in foreign markets, giving U.S. producers greater foreign market access. Critics state that it is an attempt by the California wineries to limit wine imports into the U.S. market. The bill authorizes the President to direct the U.S. Trade Representative to consult with major wine trading countries to reduce and eliminate trade barriers on U.S. wine exports. The President must report to Congress on an annual basis on the extent and effect of efforts to expand wine exports during the previous year. If he believes that trade barriers impede U.S. wine exports, he may take action under section 301 to enforce U.S. rights or to obtain their elimination. The bill also provides for a wine export promotion program in cooperation with nongovernmental trade associations representing U.S. wineries.

One of the most controversial measures of the omnibus trade bill--one that was not included in its original House and Senate versions--allows growers of grapes used to make wine to be considered part of the domestic wine industry and thus be allowed to bring unfair trade cases against wine imports. This provision will be in effect for two years. California wine makers and grape growers have argued that the Europeans heavily subsidize their grapes and that the measure is needed to allow the U.S. producers to compete on equal footing. Earlier this year, the U.S. International Trade Commission ruled that the grape growers who lodged antidumping and countervailing duty petitions against imports of Italian and French wine were not a part of the relevant wine industry.

The EC's response.--The EC issued a sharp warning to the U.S. Congress not to enact this legislation. Wine is Europe's largest single farm product exported to the United States with sales valued at about $700 million annually. Europeans are particularly disturbed over extending the definition of the wine industry to include grape growers for the purposes of countervailing duty and antidumping investigations. The EC stated that passage could force the Europeans to adopt similar measures. More generally, the EC criticized the bill for its inconsistency with the concept of a liberal world trade order that is based on overall--not sectoral--reciprocity.

The Commission--the EC body that initiates and implements policy--has warned that it would propose to the Council--the EC's decision-making body--to act immediately to offset the injury that would be caused by passage of the U.S. law. According to a Commission press release, farm goods would be a logical candidate for retaliation, given the large U.S. farm trade surplus with the EC. The retaliation list could include products that would most hurt California farm producers: citrus fruit, almonds, raisins, and walnuts. Passage of the U.S. law would also add momentum to the EC's serious consideration of imposing a tariff quota on imports of U.S. corn gluten and other nongrain feeds.

Response of U.S. soybean producers and corn refiners.--U.S. soybean and corn farmers are worried that EC retaliation in response to the Wine Equity and Export Expansion Act will be aimed at their lucrative export trade with Europe. Soybean producers enjoy a GATT-bound zero-duty rate on their 4 billion dollars' worth of annual exports to the EC. Corn gluten feed producers also enjoy a GATT-bound zero-duty rate on their 700 million dollars' worth of annual exports to the EC. Both are worried that the EC will withdraw their duty-free status. Already, the EC is seeking negotiations with the U.S. under GATT article 28 to unbind the zero tariff on corn gluten and other nongrain feeds. The National Soybean Processors Association strongly urged Congress to strike down the wine equity legislation, particularly its provision to extend the definition of the wine industry to include grape producers. The group has claimed that the legislation will jeopardize its European market for U.S. soybeans and soybean products and that it will disrupt the delicate negotiations with the EC on limitations of nongrain feed ingredient imports from the United States. The industry feels that the EC's unbinding of the zero duties on corn gluten could set the stage for similar action by the EC to impair the zero duty on soybeans and soybean meal into the EC. The wine bill could give the EC the excuse to move against soybean and soybean meal imports and could give the EC the chance to renew its periodic drive to impose a so-called consumption tax on oils and fats. Such a tax, according to the U.S. soybean industry, would indirectly impair the value of the zero duty binding on soybeans and soybean meal imported into the EC.

Commerce revamps proposed regulations for export licenses

Responding to comments by the business community and the recommendations of an internal task force, the Commerce Department on September 12 published a revised version of its new regulations for distribution licenses. The latest rules modify the ones published on January 19. Both versions are designed to strengthen the existing safeguards against diversion to the Soviet bloc of U.S. commodities controlled for national security purposes. Distribution licenses facilitate an estimated 20 billion dollars' worth of annual U.S. exports by allowing firms to ship certain commodities to pre-approved consignees in non-Communist countries without having to apply for a separate authorization, a validated license, for each individual transaction. In FY 1983, 701 distribution licenses were active, covering 20,000 consignees. The consignee may be a distributor or end-user and, in many cases, is a foreign subsidiary of a U.S. firm.

The January regulations elicited a strong response. Commerce received 250 written comments from U.S. businesses and 10 or 11 from foreign governments. In the view of many business representatives, several of the provisions of the new regulations would impede legal trade and could cause U.S. firms to lose business to foreign competitors. Several European governments reportedly criticized the regulations' extraterritorial reach. The September regulations have also received some criticism. Senator Jake Garn (R-Utah) reportedly views them as representing a reversal of the progress toward tighter control made in the January revision.

The September revisions do represent a substantial change from the earlier regulations. In Commerce's view, they retain the essential control elements of the earlier proposal, while eliminating provisions that could impede legal trade without contributing to national security. A key change requires license holders to establish an internal control program, which must meet certain minimum standards, to assure compliance with the regulations. Certification of the applicant's program by Commerce's Office of Export Administration (OEA) is a pre-condition for license approval. Commerce believes this requirement allows it to be more flexible on other provisions of the regulations.

An important provision of the January regulations that was substantially modified was a requirement that license holders submit lists of their consignees' customers in most countries and update them quarterly. This requirement was not to apply to customers in countries listed in Supplement No. 2 of the regulations, which includes all U.S. COCOM partners except Canada, to which few U.S. export controls are applicable, and three non-members--Australia, Iceland and New Zealand. Commerce dropped this requirement partly in response to comments that it could pose legal problems in some countries, would be unduly burdensome, and might lead foreign distributors to switch to non-U.S. suppliers to avoid having to disclose their customer lists. The internal task force's conclusion that a meaningful review of the lists would be nearly impossible since they would collectively contain at least a million names was cited as another important reason for the decision. Instead, Commerce now proposes to limit shipments of some commodities to customers approved in advance by OEA and to review consignees' customers during audits.

The January proposal would also have required the consignee to obtain written assurances from customers not located in countries listed in Supplement No. 2 of the regulations that the commodities would not be reexported without U.S. authorization. Again, respondents argued that the change could raise legal problems overseas and lead to a loss of business for U.S. firms. The Commerce task force concluded that requiring reexport assurances could lead to delays that would offset the advantages of this special licensing procedure. This requirement was replaced with a requirement that the distributor notify customers in countries not on the supplement that unauthorized reexports are prohibited.

Other provisions were also modified. The validity period of the license was extended from 1 to 2 years with a possible 2 year-extension. Eligibility standards for license holders were eased for the benefit of small firms. Instead of having to show that a distribution license would replace 50 validated licenses annually, a firm must have "a reasonable expectation" that the bulk license will replace 25 individual licenses each year. The January version would have required a firm to have a business relationship of at least 1 year with a consignee other than a subsidiary to qualify, but under the September version an applicant may substitute other evidence of the consignee's reliability. The list of ineligible commodities was narrowed. A January proposal that would have barred direct shipments by a license holder to a consignee's customers outside the consignee's country was deleted, but some qualifications for direct shipments were added. To insure that distributors would be familiar enough with their sales territories to assure adequate controls, the January proposal would have required a minimum of six sales each year in each country in the distributor's sales territory. This requirement was modified to apply only to sales territories in countries not listed in Supplement No. 2.

Several provisions were not changed substantially. Provisions calling for expanded pre-licensing review and auditing of licensees and consignees were retained. A new penalty for misuse of a distribution license--loss of the license itself or restrictions on it--was retained. A requirement that exporters felt would be particularly burdensome--identifying the commodities to be shipped under the license by entry and subparagraph of the Commodity Control List on the license application--was modified only slightly to exclude parts needed for servicing license holders' exports.

The September regulations were issued in proposed form, giving the public an opportunity to comment on them before they go into effect. The comment period ends on November 13. Another element in the controversy is the Defense Department's involvement in distribution licenses. Until recently, Commerce generally referred to Defense only those license applications involving Soviet bloc countries or China. In March 1984, however, the White House announced that the President had granted Defense "authority in principle" to review distribution licenses. The announcement indicated that review by Defense would be phased-in depending on success in implementing a Memorandum of Understanding between the two agencies. That memorandum provided for Defense Department review of some applications for validated licenses to export commodities subject to national security controls to selected non-Communist countries.

GATT report says discriminatory practices are threatening the world trading system

The latest annual report of the General Agreement on Tariffs and Trade (GATT), International Trade 1983/84, recommends strengthening the most-favored-nation (MFN) principle in order to avoid further discriminatory policies and consequent deterioration of the world trading system. It also described import controls as responsible for the world economy's weak response to the recovery in the United States--rather than high U.S. interest rates. The GATT report argues that import restrictions deter companies from investing in new export capacity. In its summary, the report concludes that movement away from observance of the MFN principle is the single most important cause of the increasing number of trade disputes.

GATT is based on the MFN principle--which states that the full benefits of negotiated trade concessions should be extended to all countries that are parties to the multinational agreement. Thus, preferential bilateral trade agreements and bilateral restrictions are contrary to the spirit of progressive trade liberalization that is intended to result from the operation of the MFN clause.

According to the GATT Secretariat, protection in the form of quantitative restrictions has increased in the past 10 to 15 years. Restrictions under so-called voluntary export restraints were specifically cited. Examples of voluntary restraints recently negotiated by the United States include those with the Japanese auto industry and with the steel industry of the European Community. The report points out that the application of such bilateral restraints is discriminatory by definition since it prevents the price mechanism from reflecting scarcity values and leads to uncertainty because markets perform imperfectly. The GATT Secretariat concludes that these conditions will lead to deterioration of the international trading system unless a renewed commitment to the MFN principle is made.

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

Country	1981	1982	1983	1983 I	1983 II	1983 III	1983 IV	1984 I	1984 March	1984 April	1984 May	1984 June	1984 July	1984 Aug.
United States---	2.6	-8.1	6.4	9.9	18.4	21.8	10.1	11.4	6.2	10.1	4.5	10.8	11.5	2.4
Canada----------	0.9	-10.7	5.9	22.1	13.1	18.5	13.8	2.4	13.1	2.6	5.4	4.4		
Japan-----------	1.0	0.4	3.5	3.6	6.5	14.0	10.3	13.5	-14.7	10.0	32.6	6.4	2.1	
West Germany----	-2.3	-3.2	0.4	4.4	6.0	4.9	9.0	-0.7	39.6	5.2	25.2	21.7		
United Kingdom--	-3.9	2.0	2.9	5.3	0.5	5.7	3.3	-1.7	-12.1	-15.3	-12.3	-7.0		
France----------	-2.6	-1.5	1.2	1.0	4.2	3.1	1.0	6.3	19.9	-30.7	44.3			
Italy-----------	-2.4	-2.2	-4.8	-2.0	-10.4	-4.9	17.6	4.2		-39.9	5.4	1.3		

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, September 28, 1984.

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

Country	1981	1982	1983	1983 II	1983 III	1983 IV	1984 I	1984 II	1984 March	1984 April	1984 May	1984 June	1984 July	1984 Aug.
United States---	10.3	6.2	3.2	4.3	4.2	4.4	5.0	3.7	2.8	5.6	2.4	2.0	3.5	6.2
Canada----------	12.5	10.8	5.8	4.6	6.3	4.2	5.8	2.5	0	6.0	2.0	0.6	7.0	
Japan-----------	4.9	2.6	1.8	1.6	0.6	3.6	3.5	0.9	-0.2	-0.7	1.6	-4.5	6.5	-3.6
West Germany----	6.0	5.3	3.6	1.6	5.0	3.0	2.1	1.7	2.6	1.0	1.8	1.4	-0.6	0.6
United Kingdom--	11.9	8.6	4.6	2.2	8.2	6.1	4.3	2.7	2.3	0.7	3.3	5.2	2.1	
France----------	13.3	12.0	9.5	10.4	9.3	8.6	7.2	6.2	6.4	3.7	7.6	8.0	6.7	
Italy-----------	19.3	16.4	14.9	14.4	12.5	11.1	11.1	10.8	11.4	10.9	9.2	10.3	6.2	12.1

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, September 28, 1984.

Unemployment rates
(Percent; seasonally adjusted; rates of foreign countries adjusted to be roughly comparable to U.S. rate)

Country	1981	1982	1983	1983 II	1983 III	1983 IV	1984 I	1984 II	1984 April	1984 May	1984 June	1984 July	1984 Aug.	1984 Sept.
United States---	7.6	9.7	9.6	10.1	9.4	8.5	7.9	7.5	7.8	7.5	7.1	7.5	7.5	7.4
Canada----------	7.5	11.0	11.9	12.2	11.6	11.2	11.3	11.4	11.4	11.7	11.2	11.0	11.2	
Japan-----------	2.2	2.4	2.7	2.7	2.7	2.6	2.8	2.7	2.6	2.7	2.8	2.8		
West Germany----	4.1	5.9	7.3	7.4	7.5	7.3	7.2	7.4	7.4	7.4	7.5	7.5	7.5	
United Kingdom--	10.5	12.2	13.4	13.3	13.3	13.0	13.2	13.3	13.7	13.3	13.4	13.5		
France----------	7.7	8.7	8.8	8.8	8.8	9.0	9.5	10.0	10.0	10.0	10.1	10.2	10.2	
Italy-----------	4.3	4.8	5.3	5.5	5.2	5.5	5.5	5.8						

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

Source: Statistics provided by Bureau of Labor Statistics, U.S. Department of Labor, October 1984.

Trade balances
(Billions of U.S. dollars, f.o.b. basis, seasonally adjusted at annual rate)

Country	1981	1982	1983	1983 II	1983 III	1983 IV	1984 I	1984 II	1984 March	1984 April	1984 May	1984 June	1984 July	1984 Aug.
United States 1/	-27.5	-31.6	-57.4	-54.8	-65.2	-77.6	-104.8	-104.8	-108.0	-129.6	-91.2	-92.4	-148.8	-102.0
Canada	6.2	14.8	14.6	16.8	13.2	14.8	14.4	18.4	13.2	16.8	15.6	19.2		
Japan	20.1	18.5	31.6	31.6	33.2	34.8	40.0	43.2	40.8	44.4	42.0	68.4	39.6	
West Germany	11.9	21.1	16.5	16.8	15.2	12.4	19.2	12.8	15.6	14.4	19.2	4.8	16.8	
United Kingdom	6.4	3.6	-0.8	-4.0	2.4	0.8	-0.4	-7.2	-3.6	-14.4	-4.8	-2.4	-2.4	
France	-9.3	-14.0	-5.9	-6.8	-1.6	-0.8	-6.0	-4.8	-3.6	-6.0	0.0	-7.2	-1.2	
Italy	-16.0	-13.0	-8.1	-5.6	-10.0	-3.2	-9.2		-16.8	-15.6	-13.2			

1/ Exports, f.a.s. value; imports, customs value.

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, September 28, 1984.

U.S. trade balance, by major commodity categories and by selected countries
(Billions of U.S. dollars, customs value basis for imports, 1/ seasonally adjusted unless otherwise indicated)

Item	1981	1982	1983	1983 II	1983 III	1983 IV	1984 I	1984 II	1984 March	1984 April	1984 May	1984 June	1984 July	1984 Aug.
Commodity categories:														
Agriculture	26.8	21.6	20.0	4.4	5.2	5.4	5.2	4.4	1.7	1.4	1.7	1.3	1.1	1.4
Petroleum and selected products, unadj	-73.0	-54.6	-49.1	-11.3	-14.6	-13.2	-13.1	-13.4	-4.5	-5.0	-3.9	-4.5	-4.9	-4.2
Manufactured goods	11.5	-4.9	-31.3	-7.0	-7.9	-11.2	-19.0	-18.1	-6.7	-7.2	-5.8	-5.1	-9.4	-6.6
Selected countries:														
Western Europe	13.5	7.6	1.2	-0.6	-0.1	0.2	-3.6	-2.9	-1.7	-1.3	-.9	-.7	-1.7	-1.0
Canada	-6.9	-12.6	-12.1	-4.1	-3.4	-3.7	-4.3	-5.1	-1.4	-2.3	-1.1	-1.7	-1.8	-1.2
Japan	-15.8	-17.0	-19.6	-4.3	-4.4	-6.2	-7.0	-7.8	-2.4	-2.4	-3.0	-2.5	-4.3	-2.9
OPEC, unadj	-27.9	-8.3	-8.2	-1.1	-3.5	-3.1	-2.6	-3.7	-.7	-1.4	-1.0	-1.3	-1.4	-1.3
Unit Value (per barrel) of U.S. imports of petroleum and selected products, unadj	$34.28	$31.48	$28.60	$27.79	$28.49	$28.43	$28.31	$28.45	$28.49	$28.48	$28.50	$28.36	$28.41	27.90

1/ Effective January 1982, the Census Bureau replaced f.a.s. value with customs value in various reports on the U.S. trade balance. Data presented in this table for January 1982 and thereafter reflect the customs value for imports. Data presented for December 1981 and before reflect the f.a.s. value.

Source: Summary of U.S. Export and Import Merchandise Trade, U.S. Dept. of Commerce, August 1984.

Money-market interest rates
(Percent, annual rate)

Country	1981	1982	1983	1983 III	1983 IV	1984 I	1984 II	1984 II	1984 April	May	June	July	Aug.	Sept.
United States	15.9	12.4	9.1	9.6	9.4	9.7	10.9	11.5	10.4	11.1	11.3	11.6	11.5	11.3
Canada	18.4	14.4	9.5	9.4	9.5	10.0	11.4	12.5	10.8	11.5	11.9	13.0	12.4	12.2
Japan	7.5	6.8	6.8	6.6	7.6	6.4	6.3	6.3	6.3	6.2	6.4	6.3	6.4	6.3
West Germany	12.1	8.8	5.7	5.7	6.1	5.9	6.0	6.0	5.8	6.1	6.1	6.1	6.0	5.8
United Kingdom	13.8	12.2	10.1	9.7	9.4	9.2	9.2	11.1	8.8	9.3	9.4	11.4	11.1	10.8
France	15.3	14.6	12.4	12.3	12.3	12.4	12.3	11.4	12.5	12.2	12.2	11.7	11.4	11.0
Italy	20.0	20.0	18.0	17.5	17.5	17.5	17.0	16.8	17.4	16.8	16.8	16.7	16.5	17.3

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

Source: Statistics provided by Federal Reserve Board.

Effective exchange rates of the U.S. dollar, unadjusted and adjusted for inflation differential
(Index numbers, 1980-82 average=100; and percentage change from previous period)

Item	1981	1982	1983	1983 III	1983 IV	1984 I	1984 II	1984 III	1984 April	May	June	July	Aug.	Sept.
Unadjusted:														
Index number	99.5	109.8	114.2	116.3	116.4	117.2	118.8	125.1	116.7	119.5	120.2	124.1	124.0	127.3
Percentage change	9.7	10.4	4.0	2.9	0.1	0.7	1.4	5.3	1.2	2.4	0.6	3.2	-0.1	2.7
Adjusted:														
Index number	100.7	109.8	112.4	114.1	114.3	114.4	114.9	120.8	113.1	115.9	116.3	119.8	119.9	122.6
Percentage change	12.5	9.0	2.4	2.7	0.2	0.1	0.5	5.1	0.7	2.0	0.6	3.0	0.1	2.3

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

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