INTERNATIONAL ECONOMIC REVIEW

May 1986

In This Issue:

Office of Economics

U.S. International Trade Commission

Washington, DC 20436

OFFICE OF ECONOMICS

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INTERNATIONAL ECONOMIC COMPARISONS

Growth-promoting economic policies in the United States and other industrialized nations are pointing Western economies upward. Falling oil prices, subdued inflation, and consensus reached at the recent Tokyo Economic Summit on the urgency of coordinating economic policies form the basis for optimism. All official and most private analysts herald a speedup in the growth of Western economies later this year. A very conservative forecaster, the Organization for Economic Cooperation and Development (OECD), has revised its projection for 1986 growth in the combined economies of the member nations from 2.5 percent to 3.0 percent. (The actual growth in the OECD area was 2.75 percent in 1985.) Thus the OECD now projects an acceleration rather than deceleration in Western economic growth.

Major U.S. industries are experiencing slow growth. Also, consumer spending, the most significant element in shaping business cycles, has shown little sign of strength so far this year. Fiscal and monetary measures are apparently not stimulating current production and consumption as much as expected and are instead helping to increase private holdings of liquid assets. But consumer spending could regain momentum with the tax reform currently on the congressional drawing board. The long-awaited U.S. export offensive will also help keep aggregate demand from faltering.

Industrial Production

U.S. industrial production has not been sharing fully in the current economic recovery. Following a 0.1-percent increase in January 1986, U.S. industrial production declined by a revised 0.7 percent in February and 0.5 percent in March. This was the first 2-month decline in industrial production since September–October 1984. The drop was concentrated in oil- and gas-drilling equipment, automotive assemblies, and steel.

The annual rates of industrial growth in the major industrialized countries, calculated by comparing the latest available monthly output with the output in the corresponding month of the previous year, were as follows: Canada, 5.4 percent; France, 0.8 percent; Italy, 6.6 percent; Japan, 1.8 percent; the United Kingdom, 4.2 percent; the United States, 0.9 percent; and West Germany, 3.9 percent.

Investment

Business fixed investment in the United States, in inflation-adjusted terms, fell at an annual rate of 13.6 percent in the first quarter of 1986. The largest decline in capital outlays occurred in the oil and mining industries. The below-average capacity utilization of plant and equipment partially explains this downturn in investment during the first quarter. The expected rush to invest in order to beat the elimination of investment tax credit, as proposed in various tax reform bills, so far has not materialized. Some analysts maintain that, contrary to expectation, uncertainties surrounding the effects of such a reform is acting as a deterrent to invest. The Commerce Department's survey projects only 0.9-percent real growth in U.S. capital spending in 1986.

Employment

The rate of unemployment in the United States (on a total labor force basis including military personnel) declined to 7.0 percent in April from 7.1 percent in March and 7.2 percent in February. The January rate was 6.6 percent. In April, employment declines in manufacturing and in the oil- and gas-drilling industry were more than compensated by growth in construction and service employment. The national statistical offices of other countries reported the following unemployment rates: the March rate was 9.6 percent in Canada, 13.2 percent in the United Kingdom, and 9.2 percent in West Germany; the February rate was 10.5 percent in France, 2.6 percent in Japan, and 14.0 percent in Italy. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the back of this issue.)

External Balances

The deficit in U.S. merchandise trade increased from $12.5 billion in February to $14.5 billion in March 1986. The U.S. deficit in merchandise trade with Japan reached an alltime monthly high of $5.5 billion in March. The deficit with Western Europe amounted to $2.7 billion during the same month.

According to the General Agreement on Tariffs and Trade (GATT), the volume of global merchandise trade expanded by 3 percent in 1985 compared with 9 percent in 1984. As a result of a 2.5-percent decline in world market prices, the dollar value of merchandise trade increased by less than 1.0 percent in 1985 compared with a 5.5-percent increase in 1984.

Prices

The U.S. consumer price index dropped 0.4 percent in March, the same as in February.

Prices in West Germany were 0.1 percent lower in April 1986 than during the corresponding month of 1985. The inflation rate over the 1-year period ending in March was 4.1 percent in Canada; 7.2 percent in Italy; 1.2 percent in Japan; 4.2 percent in the United Kingdom; and

2.3 percent in the United States. The rate for the 1-year period ending in February was 3.5 percent in France.

Forecasts

Economic growth

The Governments of the United States, Japan, and the Federal Republic of Germany are sticking to their guns in predicting 4.0-percent real growth for their respective economies in 1986. The Conference Board predicts 4.2-percent real growth in the U.S. economy during the second half of 1986; Wharton Econometric Forecasting Associates, 4.9 percent; and the 50 economists polled by *Blue Chip Economic Indicators*, 4.4 percent.

Some analysts believe that the 3.2-percent inflation-adjusted growth reported for the first quarter of 1986 will be revised downward. There is also a widespread feeling that an even worse second-quarter growth rate (e.g., 2.0 percent) will precede acceleration later this year.

Federal deficits

The Administration projects a $203 billion budget deficit for fiscal year 1986 and a $144 billion deficit for fiscal year 1987. Many private analysts also believe that the U.S. budget has turned the corner, and several of them have forecast a deficit of $181 billion or less for fiscal year 1987. Martin Feldstein, a former Chairman of the Council of Economic Advisers, for example, forecasts a $171 billion deficit for fiscal 1987. There are strong indications, however, that the budget deficit is not about to disappear on its own. During the first 5 months of the current fiscal year, the deficit amounted to $106.2 billion, exceeding the $100.5 billion deficit during the corresponding period of the previous fiscal year.

Trade deficits

The widening of the U.S. merchandise trade deficit in March has not deterred analysts from predicting a decline in the deficit later this year. Initially, the weaker dollar is expected to increase import prices, often increasing the value of total imports and enlarging the deficit. There is usually a lag before increased import prices lead to a significant reduction in the volume of imports. Administration officials expect that the exchange rate movements to date will take full effect only by late 1987.

The Treasury Department forecasts another trade deficit of $125 billion (balance of payments basis) for 1986 and a reduction below $100 billion for 1987. The administration's forecast for a reduction of the deficit beyond 1987 is contingent upon strong economic growth in the rest of the industrial world.

INTERNATIONAL TRADE DEVELOPMENTS

The Grapes of Gatt: Wine Case Blocked To Force Action on Wheatflour and Pasta

The GATT panel examining the wine industry definition contained in the U.S. Trade and Tariff Act of 1984 recently issued findings that the U.S. definition was not consistent with GATT obligations. In order to be formally adopted, the panel findings must be accepted by all Subsidies Code signatories. In discussions of the code committee, however, the United States has blocked adoption of the panel report. The United States argues that the law has had no effect on its trading partners because it has never been used and, in any event, will expire in September 1986. Moreover, the United States has clearly indicated unwillingness to move on this case unless the EC agrees to resolve the long-pending cases involving U.S. complaints on EC wheat flour and pasta subsidies.

By linking the three cases, the United States is driving home the point that disputes are resolved through cooperation, not intransigence. Many disputes are resolved in their early stages through bilateral settlement and compromise. In cases such as those on pasta and wheat flour, however, in which the parties could not reach a settlement, dispute settlement has dragged on for long periods.

U.S. complaints against EC subsidies on wheat flour and pasta have been under examination in the Subsidies Code committee since 1982. In both cases, the panel reports sent to the committee last year remain stalemated. In the pasta case, a majority of the panel ruled in favor of the U.S. position that the pasta subsidies were illegal, but a dissenting opinion by one panelist has complicated report adoption. In the wheat flour case, the U.S. position was partly supported, but the panel side-stepped ruling on a pivotal U.S. contention that the subsidies allow the EC to reap a "more than equitable share" of world markets. As a result, the EC interprets the panel report as not condemning its measures.

In 1984, the EC requested a Subsidies Code panel to examine the GATT consistency of the U.S. legislation that temporarily defines the term "industry" to include grape growers as well as wine producers with regard to U.S. antidumping and countervailing duty cases on wine imports. Following an early 1984 determination by the U.S. International Trade Commission that grape growers did not have standing to file an antidumping or countervailing duty case against wine imports, the provision was added to U.S. law to give grape growers' complaints a chance for a hearing. Most GATT members, except Canada, support the EC position that the U.S. law is GATT-inconsistent. Moreover, the U.S. provision is seen as setting a bad precedent that other countries might follow to satisfy strong agricultural constituencies. According to the panel report, U.S. provisions including grape growers within the definition of the wine industry contravene GATT rules that ordinarily define industry as the producers of the product concerned, i.e., only wine producers in this instance.

The dispute over the wine industry definition will continue into June, when the panel findings will be discussed again in the code committee. The EC has stated that if this provision of U.S. law is exercised before that time, it will call for an emergency meeting of the committee.

New Export Policy Responses to Mexico's Financial Plight

Mexico has been widely admired in recent years for coping with a debt crisis that shook the international financial community in 1982. However, the dramatic plunge in world oil prices since the end of last year has triggered new financial problems of crisis proportion in Mexico. Since last September, Mexico has also been suffering from the economic effects of a major earthquake (*IER*, October 1985).

Despite the efforts of its current administration to diversify the country's economic base, Mexico continues to rely on oil for over two-thirds of its export revenues. With its oil prices plunging from about $27 a barrel in November 1985 to about $11 a barrel in April 1986, Mexico is the most affected among those countries whose economies are being disrupted by collapsing petroleum prices. On the basis of the value of its shipments during the first quarter of 1986, Mexico expects a shortfall of some $8 billion in oil export revenues for the year as a whole. As a result, there is a consensus that Mexico will find it next to impossible to make scheduled payments on its massive foreign debt (close to $100 billion) in the foreseeable future. Moreover, most analysts agree that Mexico will have to face continued austerity measures of probably intolerable proportions socially and politically.

One of the Mexican Government's responses to the new crisis—to seek new loans and easier debt repayment terms from the international financial community—has been widely reported. Less known are the Mexican administration's most recent efforts in the area of international trade policy. The Mexican Government believes that the widening of Mexico's merchandise trade surplus—principally by vigorously boosting both oil and nonoil exports—is now more imperative than ever before. (Mexico has been registering annual trade surpluses for the last 4 years.)

Oil pricing policy

On March 31, PEMEX (the Mexican state petroleum monopoly) abandoned its long-standing policy of setting oil prices monthly and adopted a "market-responsive" daily pricing formula. This change in the pricing system reflected a belated recognition that Mexico must adopt the aggressive price-cutting strategies of other world oil suppliers if it wants to recover markets lost because of uncompetitive prices.

Until mid-1985, Mexico had consistently achieved its daily oil export target of 1.5 million barrels. Subsequently, however, exports began to decline as Mexico failed to keep up with the price reductions of many other oil-exporting countries. Since the beginning of this year, Mexico has been exporting only an average 1.1 million barrels a day. The combination of lower prices and declining sales volume caused Mexico's oil revenues to shrink during 1985 and to plummet during the first quarter of this year. According to unofficial estimates, Mexico collected about $1.6 billion from oil exports in the first 3 months of 1986 compared with $3.5 billion in the same period of 1985.

The United States, Mexico's principal oil customer, is among the countries that shifted part of its purchases away from Mexico to Middle Eastern suppliers. A major objective of Mexico's new pricing strategy is to regain U.S. market share, including the opportunity to make continued sales under the U.S. strategic petroleum reserve program.

Overall nonoil export drive

In March, President de la Madrid announced that his Government soon will put into effect new, ambitious measures aimed at boosting and diversifying Mexico's nonoil exports. Although focused primarily on manufactured products, the program is also intended to bolster Mexico's exports of fish and produce. The new measures will help private exporters to earn hard currency by reducing their taxes, providing export financing for them, and freeing them from many cumbersome export and import controls.

Exporters will be allowed to keep all of their hard currency earnings to import capital goods and materials, instead of the 50 percent that is currently allowed. (Because this might lead to an undesirable rise in imports, it is expected that stricter exchange controls will be instituted before the new measure becomes effective.) Another important provision of the package will extend financial assistance to "indirect exporters" (domestic suppliers of direct exporters) as well as to direct exporters.

Mexican officials stress that the new measures will not try to indiscriminately support any exports at any cost. Instead, these provisions will aim at creating a diversified export base consisting of items that Mexico can produce efficiently.

The initial response of exporters to the program was favorable. However, some companies expressed concern that the United States might consider some forms of financial assistance outlined in the package equivalent to subsidies and make them subject to countervailing duties.

Taiwan and Toyota Make a Deal— But Is It Fair?

Taiwan and the Toyota Motor Co. of Japan finally reached an agreement in February on a joint venture to produce automobiles in Taiwan. Last year, a joint venture arrangement fell through following years of talks. In that venture, about 300,000 units were scheduled for annual production beginning in 1986. However, despite numerous attempts at compromise, negotiators from both sides were unable to surmount two difficult issues: the plant's export ratio and the cars' local content proportion. Taiwanese authorities asked that half of the target production be exported and that 90 percent of the car parts be procured locally.

Eager to join the world auto market, Taiwan has now granted Toyota permission to build an automobile plant—in a joint venture with Kuojui Motor Co.—still subject to the condition that a certain percentage of the factory's output be exported. The export requirement, which will begin in the third year of production, ranges from an initial 12.5 percent to as much as 50 percent by the 1990's. Toyota has also received approval to invest in a $95.8 million stamping factory for producing auto body parts and components, molds, and units. The first Toyota-produced Taiwanese cars are expected to be manufactured in 1988.

The Reagan administration is concerned that most of these exports are likely to be directed to the United States. Moreover, two other Japanese auto makers are exploring joint venture possibilities with Taiwan. On March 31, concerned that export requirements could become common policy in Taiwan and other nations if unchallenged, the President directed the U.S. Trade Representative to initiate an unfair trade practice investigation into Taiwan's automobile industry investment practices under authority of section 307 of the Trade and Tariff Act of 1984. Section 307 is specifically aimed at combatting what are perceived as performance requirement abuses. This is the first case to be brought under the section.

Under section 307, The Trade Representative, rather than the President, has the authority to impose duties or other import restrictions, including exclusion from entry into the United States, on products or services found to stem from performance clauses in local investment licenses. Such curbs would remain in effect as long as the Trade Representative deems them appropriate. The United States will also seek to discipline such policies in the forthcoming GATT trade round.

China Joins Asian Development Bank

After nearly 3 years of negotiations, China has become the 47th member country of the Asian Development Bank (ADB). The issue that for many months had delayed China's entry was finally resolved when the Republic of China (Taiwan), one of the founding members of the ADB, softened its stand and conceded to remaining in the bank under a different name: "Taipai, China." When China initially sought admission to the ADB in early 1983, it insisted that Taiwan be ousted, but subsequently agreed to its retention under a designation that would satisfy the mainland's position that the island of Taiwan is part of China. In resolving the nomenclature issue, China and Taiwan now, for the first time, both belong to an organization in which the members participate as governments, rather than as only representatives of cultural, sports, or academic organizations.

Unlike other international organizations in which China's admission resulted in the termination of Taiwan's membership—the United Nations, the International Monetary Fund, and the World Bank—the ADB offered a legal loophole that permitted Taiwan to remain a member. China had joined the other organizations prior to the founding of Taiwan, but since the ADB was not founded until some 15 years after the Communist revolution, Taiwan had joined as only Taiwan proper and not as a representative of the whole of China. Pressure applied by the United States may have also helped. Shortly after China expressed formal interest in membership in the ADB, Reagan administration officials told the Chinese that the United States was not opposed to China's joining but that it would have to reconsider its own support for the bank if Taiwan were forced out.

Recent developments may have also served to create a more conciliatory environment. The compromise that was reached followed the 1984 Sino-British accord, under which Hong Kong will become an administrative region of China in 1997 but, at the same time, will retain a high degree of autonomy. The flexibility that China displayed in concluding that agreement may have carried over into its negotiations on Taiwan's status in the ADB, inasmuch as China is seeking eventual reunification with Taiwan. Meanwhile, indirect trade between China and Taiwan has increased sharply in recent years. This trade, mainly via Hong Kong, amounted to $560 million in 1984 and is estimated to have reached approximately $1 billion in 1985. However, regardless of the reasons that both China and Taiwan were willing to make concessions and sit together in the ADB, a precedent has been set that could lead to the participation of the two rival governments in other international organizations and appears to be a positive step toward their political reconciliation.

The membership of the ADB now consists of 32 developing and newly industrializing countries (NIC's) in the Asian-Pacific region and 15 industrialized nations, including Japan and the United States. With the admission of China, the bank's authorized capital stock was increased to Special Drawing Rights (SDR) 15.9 billion, the equivalent of approximately US$18.4 billion at current exchange rates. China has subscribed to 114,000 shares of capital stock valued at SDR 1,140 million (the equivalent of US$1,317.7 million at current rates). Of this amount, about 12 percent is the paid-in share and the balance represents callable shares.

The ADB is similar in its operations to the World Bank, concentrating on loans and technical assistance projects to upgrade a country's basic economic structure and its health, housing, and educational facilities. Chinese Government officials have stated that their principal interest in joining the bank is to expand China's role in the development of the region as a whole. However, the ADB could also become an important additional source of funds for China at a time when its own economic modernization program is expected to require increased international borrowing.

New Trade Round Momentum Maintained

For the first time, all 24 member nations of the Organization for Economic Cooperation and Development (OECD) strongly endorsed a comprehensive new round of multilateral trade negotiations anticipated to begin in September. At their annual Ministerial-level meeting on April 17–18, OECD ministers agreed that the main purpose of the GATT talks should be to "improve the provisions and disciplines of the GATT, expand its coverage, extend its application to new areas, promote a substantial further liberalization of trade and consider trade aspects of other international economic policies." In this context, they supported a comprehensive agenda including the issues of trade in services, trade-related intellectual property rights, and foreign direct investment. These are all areas of great interest to the United States, but they have long been unpopular with many developing countries. The strong endorsement is expected to maintain the momentum of the new round and to signal to those nations still wary about participating the determination of the largest trading partners to include new issues.

In a concerted effort to reverse protectionist trends, the 1985 Ministerial communique requested OECD countries to submit proposals on all trade restrictions that could be phased out over a fixed period. The results were reviewed at the April meeting. Although progress on actions to relax existing trade restrictions was deemed "modest," the communique issued at the recent meeting noted that new protectionist measures have been introduced at a "markedly slower rate" and some restrictions have been abolished or relaxed over the past year. To improve the environment for the new round, the ministers reaffirmed their commitment to avoid new protectionist measures and reduce existing restrictions.

Efforts to tighten the OECD rules governing the use of mixed credits were blocked by Japan, angering U.S. officials who had thought an accord was near. Mixed credits combine commercial credits with scarce foreign assistance funds to promote exports. The aid portion of a mixed credit offer effectively lowers the interest rate on the combined package of financing. The U.S. goal is to raise the minimum allowable level of aid in a mixed credit package to a height that would discourage the use of subsidized credits by making them prohibitively expensive. At the annual meeting, a longstanding dispute between the United States and the European Community over the required grant element moved closer to resolution (*IER*, November 1985). The United States had originally sought to raise the aid element from 25 percent to 50 percent, but signaled its intention of accepting a 40-percent minimum. At the same time, the European Community expressed its willingness to accept a 35-percent aid level. While a compromise seemed imminent, this issue was overshadowed by Japanese resistance to a proposal to modify the complex formula for calculating the grant element. The proposed change would adversely affect those countries with low interest rates, such as Japan, who blocked further negotiation of the issue.

In other developments, OECD ministers recognized growing tensions in agricultural trade and stated that "it is urgent that OECD countries . . . make strenuous efforts to reorient policies which have an effect on agriculture in order to encourage structural adjustment, to bring down budget expenditures, to correct market imbalances and to reduce tensions internationally."

On the macroeconomic policy front, U.S. Treasury Secretary James Baker had sought to secure a clear commitment from Japan and European countries to close the "growth gap" between the United States and these nations; however, the ministers agreed to a more generally worded communique that committed OECD countries to take advantage of lower oil prices and lower inflation to promote stronger growth. OECD members also agreed to strengthen cooperation in eliminating trade imbalances and to support exchange rate changes "consistent with economic fundamentals." Specific details on the current pattern of exchange rates were not discussed.

STATISTICAL TABLES

Industrial production

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

Country	1983	1984	1985	1984 IV	1985 I	II	III	IV	1985 Oct.	Nov.	Dec.	1986 Jan.	Feb.	Mar.
United States	5.9	11.6	2.3	-2.3	2.1	1.3	2.1	1.9	-7.4	7.0	9.0	1.9	-8.2	-5.6
Canada	5.3	8.8	4.3	0.7	0.7	4.5	9.4	6.1	8.4	10.1		-0.8	8.2	
Japan	3.5	11.1	4.7	11.6	-2.6	11.2	-0.4	-2.9	12.5	-11.1	7.1	-6.7	1.0	-6.7
West Germany ...	0.3	2.4	5.0	5.5	-2.4	12.2	0.1	0.8	11.0	-11.9		23.4	-3.4	
United Kingdom ..	3.9	1.3	4.6	3.4	11.5	7.6	0.4	0.7	0	15.2	-24.0	8.1	21.9	
France	1.1	2.5	0.4	-9.5	-3.0	4.1	7.3	0.0	9.4	30.4	-36.0	-8.7	19.9	
Italy	-3.2	3.3	1.2	-6.9	7.4	1.1	-2.5	-1.8	-32.9	31.8	-39.3	36.7	23.1	

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, May 9, 1986.

Consumer prices

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

Country	1983	1984	1985	1985 I	II	III	IV	1986 I	1985 Oct.	Nov.	Dec.	1986 Jan.	Feb.	Mar.
United States	3.2	4.3	1.4	3.3	4.2	2.6	4.3	1.4	3.8	6.9	5.3	4.1	-4.6	-5.0
Canada	5.8	4.3	4.0	5.4	3.8	3.4	4.3	5.0	2.4	3.9	9.6	5.4	2.6	3.0
Japan	1.8	2.3	2.0	2.4	1.3	2.1	2.1	0.0	9.1	-0.7	7.6	0.2	0	-6.2
West Germany ...	3.3	2.4	2.2	3.5	2.5	0.2	1.0	-0.9	-0.2	2.2	1.4	-1.1	-3.2	-2.1
United Kingdom ..	4.6	5.0	6.1	7.1	9.1	3.0	3.2	4.8	1.5	4.5	5.9	5.9	3.4	1.4
France	9.5	7.7	5.8	5.8	6.0	4.3	3.2	0.7	2.4	4.2	4.5	-0.6	-3.1	0.9
Italy	14.9	10.6	8.6	10.1	10.2	7.2	6.8	6.2	7.2	6.6	13.7	3.6	5.3	5.3

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, May 9, 1986.

Unemployment rates

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

Country	1983	1984	1985	1985 I	II	III	IV	1986 I	1985 Oct.	Nov.	1986 Jan.	Feb.	Mar.	Apr.
United States	9.6	7.5	7.2	7.3	7.3	7.2	7.0	7.1	7.0	6.9	6.7	7.3	7.2	7.1
Canada	11.9	11.3	10.5	11.1	10.6	10.2	10.1	9.7	10.2	10.0	9.8	9.8	9.6	
Japan	2.7	2.8	2.6	2.6	2.6	2.7	2.9		2.9	2.9	2.7	2.6		
West Germany ...	7.5	7.8	7.9	7.9	8.0	7.9	7.8	7.8	7.9	7.8	7.8	7.8	7.8	
United Kingdom ..	12.8	13.0	13.2	13.1	13.3	13.4	13.1		13.1	13.2	13.2	13.2		
France	8.6	10.1	10.3	10.4	10.3	10.5	10.1	10.2	10.1	10.0	10.2	10.2	10.3	
Italy	5.3	5.9	6.0	5.9	5.8	6.0	6.3	6.3			6.3			

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, May 1986.

Trade balances

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

Country	1983	1984	1985	1985 I	1985 II	1985 III	1985 IV	1986 I	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
United States[1] ...	-57.5	-107.9	-132.8	-114.8	-135.2	-131.6	-154.2	-157.2	-129.6	-147.6	-164.4	-180.0	-134.4	157.2
Canada	14.4	15.9	12.3	16.0	12.8	8.8	11.6		19.2	4.8	10.8	8.4	1.2	
Japan	31.5	44.0	55.9	46.4	52.4	57.2	67.6	70.8	61.2	73.2	70.8	70.8	64.8	76.8
West Germany ...	16.6	18.8	25.3	18.4	25.6	27.6	30.0	40.4	27.6	27.6	33.6	43.2	39.6	38.4
United Kingdom ..	-1.6	-5.3	-2.5	-5.6	-1.2	-2.4	-1.2	-8.0	0	-2.4	2.4	2.4	6.0	-20.4
France	-5.9	-2.8	-2.6	-4.4	-1.6	-3.2	-1.6	0.4	1.2	1.2	-4.8	6.0	0	-4.8
Italy	-7.9	-10.9	-11.9	-15.2	-14.8	-4.0	-13.6	-14.4	-7.2	-19.2	-13.2	-19.2	-8.4	-12.0

[1] Exports, f.a.s. value, unadjusted; imports, customs value, unadjusted.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, May 9, 1986.

Note.—The U.S. Department of Commerce reports monthly exports and imports without seasonal adjustment beginning with January 1986. U.S. data for prior periods have been accordingly changed. This does not affect the comparability of U.S. and foreign trade balances on an annual basis.

U.S. trade balance, by major commodity categories and by selected countries

(Billions of U.S. dollars, customs value basis for imports, seasonally adjusted unless otherwise indicated)

Item	1983	1984	1985	1985 I	1985 II	1985 III	1985 IV	1986 I	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
Commodity categories:														
Agriculture	20.0	18.4	9.6	3.3	2.1	1.7	2.5	1.7	0.9	1.2	0.8	0.5	0.7	0.5
Petroleum and selected products, unadj.	-49.1	-52.5	-45.9	-9.5	-12.8	-11.0	-12.6	-10.6	-4.0	-4.1	-4.5	-4.6	-3.2	-2.8
Manufactured goods .	-31.3	-78.9	-102.0	-23.2	-24.2	-24.9	-29.7	-31.1	-8.2	-9.9	-10.4	-11.1	-9.1	-10.9
Selected countries:														
Western Europe	1.2	-14.1	-23.3	-4.5	-6.0	-5.7	-7.1	-6.6	-1.6	-2.3	-2.9	-2.7	-1.6	-2.3
Canada	-12.1	-20.1	-21.7	-4.9	-5.3	-4.7	-6.8	-5.9	-2.0	-2.0	-2.7	-1.7	-1.9	-2.3
Japan	-19.6	-33.8	-46.5	-10.2	-11.8	-12.0	-12.5	-14.3	-3.4	-4.0	-4.5	-5.1	-4.0	-5.2
OPEC, unadj	-8.2	-12.3	-10.2	-1.3	-2.8	-2.4	-3.7	-3.5	-1.2	-1.4	-1.4	-1.8	-1.0	-0.7
Unit Value (per barrel) of U.S. imports of petroleum and selected products, unadj.	$28.60	$28.11	$26.59	$26.96	$27.09	$25.98	$26.35	$22.70	$25.97	$26.25	$26.53	$26.02	$23.70	$18.39

Source: *Summary of U.S. Export and Import Merchandise Trade*, U.S. Dept. of Commerce, March 1986.

Note.—The U.S. Department of Commerce reports monthly exports and imports without seasonal adjustment beginning with January 1986. U.S. data for prior periods have been accordingly changed. This does not affect the comparability of U.S. and foreign trade balances on an annual basis.

Money-market interest rates

(Percent, annual rate)

Country	1983	1984	1985	1984	1985			1986	1985		1986			
				I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
United States	9.2	10.7	8.3	8.8	8.6	7.9	7.8	7.6	7.8	7.9	7.8	7.7	7.2	6.0
Canada	9.5	11.3	9.7	10.6	9.9	9.1	9.0	11.1	8.9	9.4	10.5	11.8	10.9	9.6
Japan	6.8	6.7	6.5	6.5	6.3	6.3	7.0	6.0	7.3	7.1	6.5	6.0	5.5	4.9
West Germany ...	5.7	6.0	5.5	6.1	6.0	4.9	4.8	4.5	4.8	4.8	4.6	4.5	4.5	4.5
United Kingdom ..	10.1	9.9	12.1	12.8	12.6	11.5	11.6	11.9	11.5	11.7	11.6	12.6	11.7	10.4
France	12.4	11.7	10.0	10.6	10.5	9.7	9.1	8.7	9.0	9.0	8.9	8.8	8.3	7.7
Italy	18.2	15.9	15.0	15.8	15.4	14.4	14.3	15.5	14.3	14.3	14.4	15.9	16.1	13.6

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	1983	1984	1985	1985				1986	1985			1986		
				I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Unadjusted:														
Index number ..	114.2	122.4	127.1	135.1	131.3	125.0	117.3	117.8	117.0	116.1	115.0	111.2	109.0	108.0
Percentage change	4.0	7.2	3.8	5.4	-2.8	-4.8	-6.2	0.4	-1.6	-0.7	-0.9	-3.3	-2.0	-0.9
Adjusted:														
Index number ..	112.7	118.2	121.3	128.8	124.3	119.4	112.0	106.3	112.7	111.9	110.3	105.2	103.3	100.2
Percentage change	2.5	4.9	2.6	4.7	-3.5	-3.9	-6.2	-5.1	-1.3	-0.7	-0.5	-5.5	-1.8	-3.0

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.

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