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INTERNATIONAL ECONOMIC COMPARISONS

U.S. economic growth will abate in the second half of 1988 inasmuch as domestic exports will not offset the slack created by weakening domestic demand. Most economists believe that inflation will remain under control at the 2.5–3.0 percent rate of expansion expected during the second half of 1988. The consensus forecast of private economists calls for further slowdown but no recession during 1989. Japan's hectic pace of economic growth is moderating, and the West German Government is confident that the country's economy will finally climb out of the doldrums this year. West Germany's internal debate over its stimulative fiscal policies is marred by a fear of inflation.

Although the world economy is always at a low ebb during summer months, pessimistic assessments are conspicuously few at present. This may be attributed to a combination of factors: overall economic performance of the industrialized countries is good; economic policy coordination aimed at slowing U.S. expansion and encouraging Japanese and European expansion appears to be taking hold; the past 14 economic summits have convinced many analysts that harmony and cooperation will not break down among the leading industrialized nations; East-West relations are improving; further progress in European integration promises new business gains; and often repeated predictions of recession and disruptions in the international financial order have failed to materialize.

Economic Growth

The rate of real economic growth (measured by the latest available quarterly Gross National Product (GNP) or Gross Domestic Product (GDP), annualized) was 3.4 percent in Canada, 4.5 percent in France, 0.8 percent in Italy, 11.3 percent in Japan, 2.7 percent in the United Kingdom, 3.6 percent in the United States, and 5.7 percent in West Germany. The average growth rate for the seven leading industrialized countries (using 1986 GDP's as weights) was 5.3 percent.

Industrial Production

U.S. industrial production rose by 0.4 percent in June after 0.5 percent growth in May. The gain in June reflected increased production of business equipment and electricity, the latter mainly for air-conditioning. 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, 6.8 percent; France, 2.9 percent; Italy, 1.3 percent; Japan, 11.7 percent; the United Kingdom, 4.3 percent; the United States, 6.1 percent; and West Germany, 0.6 percent.

The International Iron and Steel Institute reported that the combined steel production of Western nations in May 1988, was 6.6 percent above its level of the previous year. Steel production over the period increased by 16.1 percent in the United States, 6.8 percent in Japan, 1.5 percent in the European Community (EC), and 5.6 percent in the rest of the Western nations. The steel output in May was 11.5 million metric tons (Mt) in the EC, 8.7 Mt in Japan, and 8.0 Mt in the United States.

Employment

The rate of unemployment in the United States (on a total labor-force basis, including military personnel) declined from 5.5 percent in May to a 14-year low of 5.2 percent in June. Nonfarm employment gains of 346,000, exceeded the monthly average of the previous 12-month period. Manufacturing employment surpassed its June 1987 level by 2.9 percent and service employment increased by 5.1 percent in the same period.

The national statistical offices of other countries reported unemployment rates for June at 7.6 percent in Canada and 8.9 percent in West Germany. Rates for May were reported by others as follows: 10.4 percent in France; 15.7 percent in Italy; 2.5 percent in Japan; and 8.7 percent in the United Kingdom. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the back of this issue.)

Prices

The U.S. Consumer Price Index rose at a seasonally adjusted rate of 0.3 percent in June 1988, the same as that in May. The average rate of inflation for Italy and West Germany during the 1-year period ending in June 1988 was 4.9 percent and 1.1 percent, respectively. Covering a 1-year period ending in May, the average rate of inflation was 4.1 percent in Canada, 2.6 percent in France, 0.2 percent in Japan, 4.2 percent in the United Kingdom, and 3.9 percent in the United States.

Tradeoff Between Unemployment and Inflation

The inverse relationship between unemployment and inflation observed as a long-term phenomenon until 1972 (often portrayed by the so-called Phillips curve) has no longer held true since 1972, except in the short term. Data published by the Federal Reserve Bank of St. Louis show that during the past 15 years an inverse quantitative relationship held steady only in Japan and West Germany among the seven leading industrialized countries (G-7). During 1973-80, the rate of unemployment increased by 0.7 percentage point in Japan and by 2.2 percentage points in West Germany, whereas the rate of inflation declined by 3.5 percentage points in Japan and by 1.5 percentage points in West Germany. During 1980-87, the unemployment rate increased by 0.8 percentage points in Japan and by 4.3 percentage points in West Germany, whereas the inflation rate declined by 7.4 percentage points in Japan and by 5.0 percentage points in West Germany. In contrast, the two variables have moved in the same direction in the United States during the last 15 years. During 1973-80, the U.S. unemployment rate increased by 2.3 percentage points and the rate of inflation by 6.6 percentage points. During 1980-87, the unemployment rate declined by 1.0 percentage point and the inflation rate by 9.0 percentage points. In the other G-7 countries (Canada, France, Italy, and the United Kingdom), inflation and unemployment moved in the same direction during 1973-80 and in opposite directions during 1980-87.

This record may help to explain the strong West German and Japanese reluctance to embark on stimulative economic policies during the past two years. It may also help to explain why many contemporary U.S. economists have discarded the long-held belief that government must choose between high levels of employment and price stability to smooth business fluctuations. For example, the popular theory of rational expectations claims that both inflation and unemployment are strongly influenced by the public's assumptions about the government's next move in managing the economy. The adherents of this school of thought contend that both unemployment and inflation will be kept at bay in a fundamentally sound economy as long as steady, unsurprising economic policies show the government to be a rational player in the economic arena. The West Germans and the Japanese seem most convinced, and Americans least convinced, that the trade-off between unemployment and inflation provides the basic choices for economic policymakers. Views on this subject probably fall between these two extremes in the rest of the G-7 countries.

Trade

United Nations statistics show that the five leading industrialized countries had increased both their exports and imports of machine and transport equipment (SITC sec. 7) by 1986 from what they were in 1984. Moreover, the proportion of both exports and imports of these commodities increased among total national exports and imports. The proportion of machine and transport equipment among total exports increased from 1984 to 1986 as shown in the following tabulations (in percent):

Country	*1984*	*1986*
Japan	60.8	64.2
United States	50.2	52.7
West Germany	47.4	50.5
France	39.0	40.0
United Kingdom	32.7	37.7

The proportion of machine and transport equipment imports among total imports increased as shown below (in percent):

Country	*1984*	*1986*
United States	37.3	44.4
United Kingdom	33.5	37.2
France	25.8	32.7
West Germany	23.8	29.3
Japan	9.1	13.1

The relative increase in the prices of manufactured goods to those of nonmanufactured goods (mainly agricultural and other prime commodities) during the mid-1980's largely explain the growing proportion of both exports and imports in the trade of industrialized countries. (For more on U.S. machinery and transport equipment trade, see section on U.S. trade developments.)

Military Expenditures

According to statistics released by the U.S. Arms Control and Disarmament Agency, military expenditures represented 6.6 percent of the GNP in the United States and 12.5 percent in the Soviet Union in 1987. The comparable rate was 5.4 percent for the NATO countries and 10.7 percent for members of the Warsaw Pact. The Soviet Union is the world's leading arms exporter. During 1982-86, Soviet arms sales amounted to $87 billion, compared with $51 billion of U.S. arms sales over the period. Military expenditures are a vital part of many national economies, helping maintain employment, boosting industrial production and exports, and improving technical skills and production technology. Despite this, economists agree that a shift from military to civilian expenditures would benefit both the national economies concerned and the world economy as a whole. The higher proportion of military expenditures in the Communist countries, combined with comparatively low levels of personal consumption, means that the Soviet bloc might draw a relatively greater economic benefit than the NATO countries from future reductions of military expenditures.

Economic Growth Forecasts

The U.S. administration's current forecast calls for 2.9 percent real growth in the Nation's GNP in 1988 and 3.1 percent in 1989. Most private forecasts for 1988 real growth in GNP fall into the 2.9 to 3.7 percent range. But unlike the administration, most private forecasters project a slowdown in economic growth from 1988 to 1989.

The European Community Commission has revised upward its forecast for real GDP growth in the 12-nation EC from 2.0 percent to 2.6 percent. The West German Government predicts that its economy—which plays a pivotal role in the European economy—will grow by 2.3 to 2.5 percent in 1988. The average current forecast for Japan's 1988 real GNP growth is 4.8 percent. (The Japanese Government does not issue official forecasts for calendar years.)

U.S. TRADE DEVELOPMENTS

Despite a $0.6-billion increase in the seasonally adjusted monthly deficit on the U.S. merchandise trade account from April to May, the declining trend of the trade deficit remains in strong evidence. At $10.9 billion, the seasonally adjusted U.S. merchandise trade deficit for May 1988 was significantly lower than the $13.6 billion average deficit during the previous 12-month period. During May 1987–April 1988, the deficit was at its highest ($15.6 billion) in October 1987 and at its lowest ($10.3 billion) in April 1988. The ratio of imports to exports was 1.41 in May, compared with an average of 1.46 during January–April 1988, and 1.67 during 1987.

The deficit in U.S. machinery and transport equipment trade declined from $31.2 billion during January–May 1987 to $25.5 billion during January–May 1988. This was the net result of a 29.1-percent increase in exports and 11.5-percent increase in imports. The share of machinery and transport equipment in total U.S. exports declined, but remained virtually unchanged as a share of imports over the same period. Reflecting increases in both the price and volume of imported oil, the U.S. oil import bill rose from $3.3 billion in April to $3.9 billion in May. On the basis of the first 5 months of 1988, the annualized rate of U.S. surplus in agricultural trade was $13.5 billion. The actual surplus was $6.5 billion in 1987.

The U.S. trade deficit with Japan ran at an annual rate of $51.8 billion during January–May 1988, down from 1987's record $59.8 billion shortfall. The U.S. deficit in trade with the 12-nation European Community declined from $24.3 billion during 1987 to an annual rate of $10.9 billion during the first 5 months of 1988. Similar improvements were registered in trade with Mexico and the newly industrialized Countries of East Asia. However, in trade with Canada, the U.S. deficit widened from $11.7 billion during 1987 to an annual rate of $14.0 billion during January–May 1988.

Both West Germany and Japan remain heavily dependent on their export sectors for economic prosperity. Exports made up 31.5 percent of West Germany's and 12.7 percent of Japan's GNP in 1987. (The comparable figure for the United States was 7.4 percent.) According to United Nations statistics, West Germany's exports amounted to $322.0 billion and the value of its trade surplus totaled $79.4 billion in 1987. Japan's exports were $316.4 billion, its trade surplus totaled $133.5 billion. Between these two countries, Japan derives a larger proportion of its surplus from trade with the United States than with West Germany. The diminution of the U.S. share within the total surplus is also less definitive in trade with Japan. The following tabulation shows the percentage of surplus these two countries derive from trade with the United States within their total surpluses over the past 3 years (in percent):

Year	*West Germany*	*Japan*
1985	24.2	46.5
1986	20.2	38.4
1987	17.1	39.8

Data for 1988—available only from Japan—show practically no change in the percentage of the U.S. share in Japan's overall trade surplus during January–April.

INTERNATIONAL TRADE DEVELOPMENTS

The European Community-Hungary Accord: Opening a Pandora's Box?

The 12-nation European Community (EC) and Hungary have agreed to establish diplomatic relations and have concluded a 10-year trade and cooperation accord. This follows closely on the heels of a June statement of recognition between the EC and the Council for Mutual Economic Assistance (CEMA), the Soviet bloc's common market. In addition to the Soviet Union and the centrally planned economy countries of Eastern Europe, CEMA also includes Cuba, Mongolia, and Vietnam. The Soviet Union, East Germany, Bulgaria, and Czechoslovakia have also expressed their desire to strengthen relations with the EC. If the economic ties envisaged by the EC-Hungary link provide any guide for future EC-CEMA relations, new problems for U.S. trade policies may be in store.

The agreement between the EC and Hungary calls for a three-stage lifting of all current quotas on Hungarian exports to the EC and for an increase in access by EC firms to the Hungarian market. Hungary has promised to give "non-discriminatory treatment" to EC firms in awarding contracts, to improve the climate for Western investment, to help EC firms become established in Hungary by providing them with full legal protection of their intellectual property, and to provide assistance in recruiting manpower. The two sides have pledged to enter into negotiations on the EC's participation in Hungary's energy and transportation sectors, scientific research, environmental protection, and tourism. Hungary has also agreed to reduce pressure on EC firms to enter into barter and countertrade, a well-known practice of Communist countries strapped for convertible currencies.

Although EC exports to the CEMA continued to decline in 1987, EC commercial ties with the CEMA began to strengthen. For example, in the 6 East European countries, 91 joint ventures between CEMA and Western firms were established during 1987 compared with only 5 during 1981. After decades of shutting out Western capital, the Soviet Union permitted 33 joint ventures with Western firms from January 1987 through the first quarter of 1988. The bulk of the capital committed to new joint ventures with CEMA originated in the EC.

The motivations of both the EC and CEMA are clear. The Soviets and East Europeans need to import Western capital in order to pay their debts. West Europeans want to get established in the CEMA market before exporters from the United States, Japan, and the newly industrialized countries get there. The risks and consequences of this policy are much less clear than the motivation.

Among the CEMA countries, Czechoslovakia, Hungary, Poland, and Romania are signatories to the General Agreement on Tariffs and Trade (GATT). Although a foremost principle of the GATT is the "most-favored-nation" (MFN) clause, which requires tariff reductions to be extended to all members, Western nations often depart from the rule in their trade with Communist countries. The EC uses quantitative restrictions under GATT rules to protect itself against the potentially disruptive effects of trade with Communist countries. If the EC removes this protection, imports from CEMA countries might cause disruption on some of its domestic markets. To minimize this risk, EC officials strongly endorse economic reforms in the Communist states, and they might make the existence of a radical reform program, like the one in Hungary, a sina qua non for concluding long-term agreements with these countries. Such policy rests on the assumption that economic reforms can reduce state control in centrally planned economies enough to put their producers on an equal footing with Western firms. Extrapolating from the current trends of EC-CEMA relations, the EC will most likely drop objections to Soviet accession to the GATT before the United States will do so. Furthermore, it is also conceivable that close EC-CEMA ties will weaken Western export controls more than warranted by progress in U.S.-U.S.S.R. political-military relations.

Western trade with the Soviet Union and Eastern Europe is relatively insignificant. In 1987, trade with these countries made up less than 1.0 percent of total U.S. trade and less than 2.0 percent of total West German trade. But the long-run significance of trade with CEMA countries may be immense for the West. As the climate of U.S.-Soviet relations improves, competition among Western nations for CEMA markets and resources will increase along with the risks and consequences as yet of an unknown scale.

Uruguay Round Update

Uruguay Round negotiating groups held another cycle of meetings in Geneva during the month of June to make progress before breaking for summer holidays. In the fall, the groups will turn their attention to the December 1988 midterm review and the need to demonstrate achievements. Significant strides were made in the groups of tariffs and tropical products. The group on safeguards noted an evolving consensus, and the subsidies group exchanged more new proposals. Various other groups continued their debate on substantive issues under their mandates.

A comprehensive proposal was presented in the group on tariffs by Australia, Canada, Hong Kong, Hungary, Republic of Korea, New Zealand, and Switzerland. The joint proposal was described as a major step forward. It addressed the issues of base rates, negotiating approach, tariff bindings, and participation. In reference to the tariff base rates, the submission proposed using the most-favored-nation (MFN) rate applied as of January 1, 1988. As a negotiating approach, the group proposed a tariff-cutting formula like that used in the Tokyo Round. The group also proposed binding all negotiated tariff reductions (a formal commitment not to raise MTN tariffs without compensation) and increasing the number of bindings of developing countries. Finally, their submission urged the participation of all developed and developing country members, while taking into account the individual needs of developing countries. Many participants strongly supported the proposal, particularly the use of a tariff-cutting formula, but some requested further clarification of certain aspects.

The group on tropical products held its first round of multilateral consultations in early June. Each delegation reviewed the indicative lists submitted by 34 countries on export products, offers, and negotiating approaches. In seven product areas selected as a basis for negotiations, delegations reviewed tariff and nontariff barriers in developed country markets. In the group's wrap-up session, some members observed that negotiating techniques and modalities were not yet finalized. Some participants stressed the importance of reduction or elimination of barriers on specific products, and others emphasized the need for truly multilateral negotiations. Some delegations criticized the position taken by the United States that progress in tropical products should be linked to negotiations in the agriculture group. During July, the group was scheduled to complete an assessment of success of consultations and is planning for further negotiations aimed at achieving results by the December review.

In discussions under way in the group on safeguards (actions to grant emergency relief to a suffering industry), negotiators generally agreed on certain elements that a safeguards agreement might contain. These elements include the imposition of a time limit on safeguard actions and the so-called digressiveness of actions (progressive reduction of a safeguard measure over its duration). Two new proposals were tabled in June. Several countries proposed drawing up rules and disciplines on the withdrawal of concessions. Currently, GATT Article XIX requires a country taking safeguard actions to negotiate compensation with fellow GATT members to offset the effects of the action on their exports, but sets out few specific procedures. Another delegation suggested the establishment of a surveillance body or a safeguards committee to review actions that are taken. The delegation proposed that such a body could authorize the readjustment of tariff concessions (under article XXVIII) or industrial restructuring, once a safeguard action had exceeded specified time limits.

In meetings of the group on subsidies and countervailing measures, negotiators considered communications from the United States and Switzerland. The United States called for "clear and precise disciplines over all trade-related subsidies and other substantially equivalent forms of government assistance." The U.S. submission called for the examination of export and domestic subsidies, industrial targeting, agricultural and natural resource subsidies, and diversionary practices. The United States urged that the disciplines be supported by effective dispute settlement to ensure compliance. Some delegations, concerned about excessive or abusive use of countervailing measures, called the submission "unbalanced" in its emphasis on stronger discipline over subsidies but not over countervailing duties.

Switzerland suggested a redefining of certain categories of subsidies and a new classification scheme for subsidies, based on their legal results. The new scheme proposed by Switzerland would consist of three classes: prohibited subsidies, actionable subsidies, and nonactionable subsidies. Several delegates questioned this method of classification.

Other negotiating groups that met throughout June included those on agriculture, textiles, trade-related investment measures (TRIMS), the functioning of the GATT system (FOGS), and dispute settlement. The Surveillance Body also met to discuss issues related to the standstill and rollback of protectionist measures.

The agriculture group discussed submissions from the EC and the United States. The EC proposed as a "first phase" the use of short-term measures to restore healthy market conditions in the areas of cereals, rice, sugar, oilseeds, dairy products, and beef and veal. The United States elaborated upon the concept of food security outlined earlier in its comprehensive agriculture proposal, arguing that food security did not require food self-sufficiency. Discussions on trade-related investment measures (TRIMS) focused on proposals tabled by Japan and the United States. Japan proposed the examination of TRIMS in two classes—those that are inconsistent with the GATT and others that may be relevant to GATT provisions. The United States suggested the application of major GATT principles to TRIMS. The central topic of the group on the functioning of the GATT system (FOGS) was the question of how to achieve greater ministerial involvement in the GATT. Ways to improve procedures and a paper submitted by Mexico were discussed in the dispute settlement group.

In late June, the Surveillance Body reviewed a large number of notifications of alleged breaches of the standstill commitment contained in the Uruguay Round Ministerial Declaration. Notifications tabled by the United States involved trade measures taken by Canada, Greece, the EC, and Switzerland. Lack of use of rollback exercises was debated, and it was noted that the few rollback consultations that had taken place had not resulted in action.

RECENT RESEARCH

Revenue and Profit Losses From Intellectual Property Infringements

The U.S. International Trade Commission reported recently in *Foreign Protection of Intellectual Property Rights and the Effects on U.S. Industry and Trade,* USITC Publication 2065 (February 1988), on various measures of the economic losses to U.S. businesses caused by inadequate foreign protection of intellectual property. Intellectual property includes copyrights, patents, trademarks, trade secrets, semiconductor mask works, and proprietary technical data. Among the results of that study are (1) 193 firms estimated their aggregate worldwide losses as a result of inadequate foreign intellectual property protection in 1986 at $23.8 billion, or 2.2 percent of their total worldwide sales; (2) 93 companies estimated that infringing product sales amounted to $9.5 billion, or 2.7 percent of their total worldwide sales—this percentage varied from a high of 14 percent for companies in the entertainment sector to a low of 0.4 percent for companies in the extractive and primary chemical industries; (3) the costs of identifying infringements and enforcing intellectual property rights abroad were reported by 199 companies and were surprisingly small, at $271 million, or 0.03 percent of worldwide sales. The data for 1986 were obtained from questionnaires sent to 736 U.S. companies, including all of the Fortune 500 firms and smaller firms that are concentrated in industries known to depend heavily on intellectual property protection.

Further analysis was performed on a sample of 45 of the reporting companies that provided the most complete responses to the questionnaire. For these firms, lost profits, gains to producers that infringed on their sales, and short-run gains to consumers were estimated. The gains to consumers arise from the increased competition that infringing producers bring to the market. Lost profits were estimated to average about 2 percent of total sales, although they ranged as high as 4 percent for the entertainment sector. In every industry sector, the estimated loss in profits to legitimate producers is greater than the gains to infringers.

The estimated gain to consumers is similar in size but larger than the estimated loss in profits to legitimate producers in every sector except the extractive industries (where it is only slightly smaller). The gains to infringers and consumers combined always exceeded the losses to the legitimate producers. These results do not suggest that infringements should be condoned because there are important costs to both consumers and producers that were not measured. These include costs imposed on consumers by deceptive counterfeiting and costs to producers that arise when infringement discourages expenditure on informative advertising or investment in innovative activity.

The ratio of reported identification and enforcement costs to lost profits of legitimate producers ranged from 1.4 percent for the computer products sector to 10 percent for the extractive sector; the average for all 45 firms was 1.7 percent. Although these ratios seem small, they most likely reflect the low return from devoting resources to prevent infringements of intellectual property rights, especially in the relatively high-technology sectors.

New Tool Assists in the Analysis of the Effects of Dumping

One of the major responsibilities of the International Trade Commission is to determine whether a U.S. industry has been, or is threatened with being, materially injured by reason of dumped imports. Dumping most commonly means that a foreign producer is exporting to the United States at a price below what it charges in its home market.

To help the Commission address the effect of dumping, research economists in the Commission have developed an analytic framework for estimating the effect of dumping on the price and volume for the U.S. industry's product. The framework estimates how much higher the domestic product's price and quantity would be had the dumping not occurred. In other words, it simulates the quantity of sales and price that would have prevailed had the exporter charged the same price in both its home and U.S. export markets.

The framework follows three steps. First, it analyzes what single price the exporter would have charged in both markets, which is usually accomplished by lowering the home-market price and raising the U.S. export price. In doing so, the exporter takes into account the relative importance of the home market and the U.S. export market. If most of the sales are in the home market, it would raise the export price by more than it would lower the home price.

Second, it estimates the increase in demand for the U.S.-like product that would result from higher import prices. In general, because sales of the U.S. like product and the dumped import are virtually never identical, even when the relationship between the prices of the imported and domestic products changes, consumers will continue to buy some of both.

Finally, this approach estimates the supply response to the increase in demand for the U.S. product that would have taken place in the absence of dumping. As demand rises following the hypothetical end to dumping, U.S. producers respond by increasing both production and price. U.S. producers and their employees are harmed to the extent that dumping causes price and volume to fall.

In every dumping case, the staff develops the information needed to apply the analytical framework. In several recent dumping cases, opposing parties have presented results to the Commission based on the staff's new approach.

The methodology is fully described in a two-part, ITC Office of Economics report, *Assessing the Effects on the Domestic Industry of Price Dumping*.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1985–June 1988

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

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
United States	1.9	1.1	3.8	3.1	4.3	8.7	7.1	4.0	4.6	0	2.7	7.4	6.2	4.9
Canada	2.8	.8	2.6	1.8	5.3	5.8	4.4	3.5	6.9	-5.6	2.9	5.9	1.9	([1])
Japan	3.7	-.4	2.9	5.6	-.8	15.2	15.7	13.5	6.8	32.7	6.6	-10.2	-18.7	([1])
West Germany ...	3.9	2.2	-.3	-1.8	-1.3	2.2	2.9	6.6	24.6	-1.1	21.3	-18.5	([1])	([1])
United Kingdom ..	4.7	1.5	3.2	2.7	3.5	6.3	3.8	-3.1	-4.1	-22.4	23.5	19.3	([1])	([1])
France	6	.8	2.2	1.3	6.7	2.6	3.9	2.6	0	0	0	-10.8	([1])	([1])
Italy	1.2	2.7	4.0	12.8	8.1	-10.8	14.0	9.6	177.2	-39.3	12.8	34.2	([1])	([1])

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 15, 1988.

Consumer prices, by selected countries and by specified periods, January 1985–June 1988

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

Country	1985	1986	1987	1987 II	1987 III	1987 IV	1988 I	1988 II	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
United States	3.6	1.9	3.7	4.9	3.9	3.6	3.4	4.4	4.2	2.1	6.4	5.3	4.2	3.7
Canada	4.0	4.2	4.4	5.4	4.4	3.5	3.2	([1])	2.7	2.8	6.0	4.9	6.6	([1])
Japan	2.0	.6	.1	5.0	-.8	1.1	-2.1	2.8	-3.5	-2.4	4.9	6.1	2.2	-2.3
West Germany ...	2.2	-.2	.3	1.4	1.5	0	.6	1.9	-1.0	2.7	2.0	2.1	1.8	.8
United Kingdom ..	6.1	3.4	4.1	2.3	3.9	4.9	2.4	([1])	1.4	1.8	4.5	7.2	6.5	([1])
France	5.8	2.5	3.2	2.3	2.7	2.4	2.3	([1])	1.0	2.8	2.8	2.7	2.6	([1])
Italy	8.6	6.1	4.6	4.5	6.5	5.7	3.1	4.7	3.1	1.9	5.4	5.1	4.1	5.8

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 15, 1988.

Unemployment rates,[1] by selected countries and by specified periods, January 1985–June 1988

(In percent)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
United States	7.2	7.0	6.2	6.6	6.3	6.0	5.9	5.7	5.8	5.7	5.6	5.4	5.6	5.3
Canada	10.5	9.6	8.9	9.6	9.1	8.8	8.	7.9	8.1	7.8	7.8	7.7	9.3	([2])
Japan	2.6	2.8	2.9	3.0	3.1	2.8	2.7	2.7	2.7	2.7	2.7	2.6	3.8	([2])
West Germany ...	7.5	7.0	6.9	6.8	6.9	7.0	7.0	6.9	6.9	6.9	6.9	7.0	3.6	([2])
United Kingdom ..	11.2	11.2	10.3	11.0	10.6	10.0	9.5	9.0	9.1	9.0	8.9	8.8	7.8	([2])
France	10.4	10.7	11.1	11.2	11.2	11.1	10.8	10.9	10.9	10.9	10.7	10.7	([2])	([2])
Italy	6.0	7.5	7.9	7.6	7.8	8.1	8.0	8.0	8.0	1	([2])	([2])	11.0	([2])

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.
[2] Not available.

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, July 1988.

Trade balances, by selected countries and by specified periods, January 1985–May 1988

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

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	Dec. 1987	1988 Jan.	Feb.	Mar.	Apr.	May
United States [1] ...	-132.8	-149.3	-153.3	-145.6	-149.2	-158.8	-157.6	([1])	-127.2	-135.6	-172.8	-140.4	-123.6	-130.8
Canada	12.4	7.5	7.8	9.6	9.2	8.4	4.4	([1])	([2])	6.0	9.6	7.2	6.0	([1])
Japan	55.8	92.5	96.2	110.8	94.8	89.2	91.6	103.2	([2])	104.4	103.2	99.6	96.0	([1])
West Germany ...	25.4	52.6	65.5	64.4	61.2	62.8	74.0	([1])	([2])	73.2	62.4	62.4	([2])	([1])
United Kingdom ..	-2.6	-12.4	-15.9	-6.8	-15.6	-20.0	-21.2	-26.0	([2])	-31.2	-28.8	-19.2-	25.2	([1])
France	-2.6	.1	-5.3	-4.0	-8.8	-4.4	-4.4	-2.8	([2])	-1.2	-10.8	-3.6	-4.8	([1])
Italy	-12.1	-2.1	-8.8	-6.8	-12.0	-6.4	-10.8	([1])	([2])	-10.8	-4.8	-22.8	-6.0	([1])

[1] Exports, f.a.s. value, unadjusted; imports, customs value, unadjusted. Beginning with 1986, figures include previously undocumented exports to Canada. Data for individual quarters do not reflect similar adjustments.

[2] Not available.

Note.—Beginning with April 1988, the U.S. Department of Commerce reintroduced data on a seasonally adjusted basis. Data for prior periods are unadjusted.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, June 15, 1988.

U.S. trade balance, by major commodity categories, by selected countries, and by specified periods, January 1985–May 1988

(In billions of U.S. dollars, c.i.f. value basis for imports)

Item	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	Dec. 1987	1988 Jan.	Feb.	Mar	Apr.	May
Commodity categories:														
Agriculture	9.6	4.5	7.0	1.0	0.7	2.1	3.2	3.0	1.1	0.8	1.0	1.2	1.2	1.2
Petroleum and selected products, unadj	-45.9	-31.8	-39.5	-8.1	-9.6	-11.7	-10.1	-9.7	-3.1	-3.3	-3.5	-2.9	-3.1	-3.6
Manufactured goods	-102.0	-134.3	-146.1	-35.5	-38.1	-36.3	-36.2	-35.0	-12.7	-11.7	-12.8	-10.5	-10.9	-11.0
Selected countries:														
Western Europe ..	-23.3	-28.2	-27.9	-6.2	-7.8	-7.0	-6.9	4.0	-2.7	-1.3	-1.6	-.9	-.8	-1.2
Canada [1]	-21.7	-23.0	-11.5	-3.3	-2.3	-2.8	-3.1	-3.8	-.6	-1.1	-1.5	-1.1	-1.9	-1.1
Japan	-46.5	-55.3	-58.0	-14.4	-15.3	-13.8	-14.5	-13.1	-4.8	-3.9	-4.5	-4.5	-4.1	-4.4
OPEC, unadj	-10.2	-8.9	-13.7	-2.7	-3.1	-4.6	-3.3	-2.6	-.9	-1.0	-1.3	-.7	-.9	-1.1
Unit value (per barrel) of U.S. imports of petroleum and selected products, unadj ..	$26.59	$15.02	$18.12	$16.48	$18.22	$18.99	$18.38	$16.35	$17.97	$16.92	$16.42	$15.70	$15.69	$16.40

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

Note.—Beginning with April 1988, the U.S. Department of Commerce reintroduced data on a seasonally adjusted basis. Data for prior periods are unadjusted.

Source: *Summary of U.S. Export and Import Merchandise Trade*, U.S. Department of Commerce, April 1988.

Money-market interest rates,[1] by selected countries and by specified periods, January 1985–June 1988

(In percent, annual rates)

Country	1985	1986	1987	1987 I	1987 II	1987 III	1987 IV	I 1988	1988 Jan.	Feb.	Mar.	Apr.	May	June
United States	8.3	6.5	6.8	6.1	6.8	6.8	7.6	6.7	6.9	6.4	6.9	7.2	7.2	7.5
Canada	9.7	8.6	8.4	7.4	8.0	9.2	9.0	8.7	8.7	8.6	8.7	8.9	9.3	([2])
Japan	6.5	4.9	3.9	4.1	3.7	3.7	3.9	3.8	3.9	3.8	3.8	3.8	3.8	([2])
West Germany	5.5	4.6	4.0	3.9	3.7	4.2	4.1	3.3	3.2	3.3	3.4	3.6	3.6	([2])
United Kingdom	12.1	10.8	9.8	10.5	9.3	10.0	9.2	8.9	8.6	9.3	8.7	8.3	7.8	([2])
France	10.0	7.7	8.2	8.2	8.1	7.9	8.5	7.9	8.1	7.4	7.9	7.9	([2])	([2])
Italy	15.0	12.8	11.3	10.9	10.7	11.9	11.6	11.0	10.8	11.1	10.4	10.4	11.0	([2])

[1] 90-day certificate of deposit.
[2] Not available.
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, by specified periods, January 1985–June 1988

(Percentage change from previous period)

Item	1985	1986	1987	1987 II	1987 III	1987 IV	1988 I	1988 II	1988 Jan.	Feb.	Mar.	Apr.	May	June
Unadjusted:														
Index number	127.1	106.0	94.2	94.1	95.2	90.3	87.5	86.5	87.4	88.2	86.8	85.8	86.1	87.6
Percentage change	3.8	-16.6	-11.1	-3.1	1.2	-5.1	-3.1	-1.1	-2.9	.9	-1.6	-1.2	1.5	1.7
Adjusted:														
Index number [1] ...	121.7	100.9	90.2	90.5	87.0	87.4	84.9	84.2	84.3	85.3	84.7	83.4	83.8	85.3
Percentage change	1.8	-17.1	-10.6	-2.9	-3.9	-2.1	-2.9	-.8	-2.7	1.2	-.8	-1.5	.5	1.8

[1] 1980-82 average=100
Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

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

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