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John W. Suomela, *Director*

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Editor, *International Economic Review*
Trade Reports Division/EC, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 252-1255

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

The U.S. economy is showing more resilience than previously reported. The Department of Commerce revised its estimate of the GNP growth rate for the fourth quarter of 1989 upward to 0.9 percent from 0.6 percent. The upward revision was mainly due to much stronger exports of goods in December 1989. Although the 0.9-percent revised growth rate is lower than the 3.0-percent growth rate of the third quarter, analysts were nonetheless encouraged by the upward revision. Moreover, the slower increase in the accumulation of business inventories in January (0.2 percent) and the higher increase in business sales (0.3 percent) than originally reported by Commerce generated guarded optimism that industrial output will further increase as businesses place higher orders for new goods. Other encouraging developments were the report that auto makers plan to increase auto production by 18.6 percent in the second quarter over the first quarter of 1990, in spite of a 3.8-percent decline in auto sales in early March. The low level of dealers' overall inventories prompted an increase in planned output to accommodate possible demand for popular models.

In the foreign sector, the Department of Commerce reported that the U.S. current-account deficit narrowed by 16.3 percent, from $126.5 billion in 1988 to $105.9 billion in 1989. This deficit is the lowest since 1984. The cumulative book value of direct foreign investment in the United States soared in 1989 to $390 billion, while the book value of U.S. direct investment abroad reached $359 billion. The cumulative book value of direct and indirect (portfolio) foreign investment in the United States approximated $2.0 trillion in 1989. The book value of cumulative direct and indirect U.S. investment abroad approximated $1.4 trillion, leaving the United States with a negative external balance of around $600 billion.

Economic Growth

The annualized rate of real economic growth in the United States was 3.0 percent in the third quarter of 1989 and 0.9 percent in the fourth. The annualized rate of real economic growth in the fourth quarter of 1989 was 2.4 percent in the United Kingdom, 2.0 percent in Canada, 3.7 percent in West Germany, and 4.5 percent in France. The real rate of growth in the third quarter of 1989 was 3.2 percent in Italy and 12.2 percent in Japan.

Industrial Production

U.S. industrial production rose by 0.6 percent in February after a decline of 1.0 percent (revised) in January 1990. The index was just 0.9 percent higher than it was 1 year earlier. The February 1990 increase was due to a rebound in the output of trucks, motor vehicles and parts--up 17.6 percent.

Capacity utilization in manufacturing, mining, and utilities increased by 0.3 percentage points (to 82.3 percent) from January, 1990, to February, again due to the increases in auto and truck assembly. The operating rate in mining declined to 84.4 percent in February from 84.8 percent in January 1990.

Other major industrial countries reported the following growth rates of industrial production. In the year ending January 1990, Japan reported an increase of 2.0 percent and West Germany reported an increase of 4.2 percent. In the year ending December 1989, France reported an increase of 1.8 percent, the United Kingdom reported an increase of 1.6 percent, and Canada reported an increase of 1.0 percent. For the year ending November 1989, Italy reported an increase of 2.0 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.5 percent from January to February 1990 and was 5.3 percent higher than it was 1 year ago.

During the 1-year period ending February 1990, consumer prices increased by 2.6 percent in West Germany and 6.3 percent in Italy. During the year ending January 1990, consumer prices increased by 5.5 percent in Canada, 7.7 percent in the United Kingdom, 3.4 percent in France and 3.0 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, includ ing military personnel) remained unchanged in February 1990 for the second month in a row at 5.2 percent.

In February 1990, West Germany reported a 7.4-percent unemployment rate; in January 1990, Italy reported 10.9 percent, Canada reported 7.8 percent, Japan reported 2.2 percent, and the United Kingdom reported a 5.7-percent unemployment rate. In December 1989, France reported a 9.4-percent unemployment rate. For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.

The U.S. Budget

Table 1 shows the U.S. administration's budget estimates for 1990 to 1995, and the economic assumptions underlying the forecast receipts and outlays. The baseline budget estimates show outlays and receipts if the current programs and policies remain unchanged; the Administration budget estimates show outlays and receipts if the President's recommended budget were adopted.

Table 1
U.S. fiscal budget estimates

(In billions of dollars)

	Actual	*Estimates (fiscal years ending September 30)*					
	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*
Baseline estimates:							
Receipts	990.7	1,072.8	1,156.3	1,234.9	1,323.5	1,401.9	1,480.8
Outlays	1,142.6	1,194.8	1,241.0	1,290.4	1,343.6	1,394.0	1,444.4
Deficit(-) or surplus (+)	-152.0	-122.0	-84.7	-55.5	-20.1	7.9	36.3
Administration budget:							
Receipts	990.7	1,073.5	1,170.2	1,246.4	1,327.6	1,408.6	1,486.3
Outlays	1,142.6	1,107.2	1,233.3	1,271.4	1,321.8	1,398.0	1,476.9
Deficit (-) or surplus (+)	-152.0	-123.8	-63.1	-25.1	5.7	10.7	9.4
Gramm-Rudman-Hollings deficit targets	-136.0	-100.0	-64.0	-28.0	0	([1])	([1])
Economic assumptions:							
	Percent change, fourth calendar quarter from previous fourth quarter						
GNP–							
current dollars	6.7	7.0	7.6	7.1	6.7	6.3	6.0
1982 dollars	2.7	2.6	3.3	3.2	3.1	3.0	3.0
GNP deflator	4.0	4.2	4.1	3.8	3.5	3.2	2.9
CPI	4.4	4.1	4.0	3.8	3.5	3.2	2.9
Unemployment rate ..	5.3	5.4	5.2	5.2	5.1	5.0	5.0
Interest rate, 90-day treasury bill	8.1	6.7	5.4	5.3	5.0	4.7	4.4

[1] Not applicable.

Source: "Budget of the U.S. Government, Fiscal Year 1991," *IMF Survey*, Feb. 19, 1990.

Under the baseline scenario, the administration estimates that the fiscal deficit would be reduced to $20.1 billion by 1993. In 1994, the budget would swing into surplus, reaching $36.3 billion by 1995. Thus, the Gramm-Rudman-Hollings target of eliminat ing the dificit by 1993 would not be met by the baseline budget, but would be under the administration's proposed budget.

Both the baseline and recommended budget estimates are based on the assumptions of an economic growth rate hovering around 3.0 percent, an unemployment rate declining from 5.4 percent in 1990 to 5.0 percent in 1995, an inflation rate declining from 4.2 percent to 2.9 percent, and an interest rate declining from 6.7 percent to 4.4 percent.

Forecasts

Table 2 shows macroeconomic projections for the U.S. economy for January to December 1990 by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators except unemployment are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter. All the forecasts project sluggish growth in the nominal and real growth rates of GNP for the remainder of 1990. Real GNP growth is forecast to rise by a percentage point in the second quarter of the year. The average of the forecasts predicts a slight increase in the unemployment rate in 1990. The causes of the predicted economic growth are (1) a projected rebound in export growth due to the higher growth rates in Western Europe and the opening of the EC and other markets to U.S. exports; and (2) a projected boost in U.S. domestic investment due to the strengthening of export orders and strong consumer spending. Inflation (measured by the GNP deflator index) is expected to rise slightly after the first quarter of 1990.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce introduced 3 new methods in reporting trade statistics effective January, 1990: monthly inflation-adjusted exports and imports, a 3-month moving average of imports and exports, and a new table that reports data on products embodying leading-edge technology. U.S. exports, imports, and trade balances in current and constant dollars and on a 3-month moving average basis are shown in the following tabulation (in billions of dollars):

	Exports		Imports		Trade balance	
	Dec. 89	Jan. 90	Dec. 89	Jan. 90	Dec. 89	Jan. 90
Current dollars . . .	30.8	32.1	38.5	41.3	-7.7	-9.2
1987 dollars	28.6	29.6	36.1	38.0	-7.5	-8.4
Three-month moving average . .	31.0	31.2	40.4	40.2	-9.4	-9.0
Advanced technology products	7.7	6.9	5.1	4.6	2.6	2.3

The seasonally adjusted U.S. merchandise trade deficit in current dollars increased by 19.5 percent to $9.2 billion in January 1990 from $7.7 billion in December 1989. The January 1990 deficit was 1.5 percent higher than the $9.1 billion average monthly deficit registered during the previous 12-month period, and 8.6 percent higher than the deficit registered in January 1989.

Seasonally adjusted U.S. exports increased 4.2 percent in January 1990, to $32.1 billion from $30.8 billion in December 1989. Meanwhile, imports increased considerably faster: up 7.3 percent, to $41.3 billion in January 1990 from $38.5 billion in December 1989.

Export increases in January 1990 were recorded in several sectors, including general industrial machinery, power generating machinery, and specialized industrial machinery. (See table 3 for monthly export changes and contributions of exporting sectors to total exports in January 1990.)

Import increases in January 1990 were concentrated in oil (up 43.7 percent), organic and inorganic chemicals (up 27.6 percent), iron- and steel-mill products (up 23.0 percent), power generating machinery (up 5.7 percent), and general industrial machinery (up 8.4 percent). Import declines were recorded in automatic data processing equipment and office machinery (down 12.4 percent) and electrical machinery (down 4.6 percent).

Meanwhile, the U.S. agricultural trade surplus declined to $1.6 billion in January 1990 from $1.8 billion in December 1989. In addition, the U.S. oil-import bill increased to $5.9 billion in January 1990 from $4.1 billion in December 1989.

Table 2
Projected quarterly percentage changes in selected U.S. economic indicators, 1990

Quarter	UCLA Business Forecast Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	Mean of 4 fore-casts
GNP:[1]					
January-March	7.6	6.8	5.7	6.5	6.6
April-June	6.4	6.7	6.2	5.9	6.3
July-September	6.0	6.9	5.8	6.2	6.1
October-December	6.2	6.9	5.9	5.9	6.1
GNP:[2]					
January-March	1.6	1.0	0.9	1.3	1.4
April-June	2.1	2.3	3.1	2.0	2.4
July-September	2.3	2.4	2.3	2.5	2.4
October-December	2.3	2.3	2.4	2.4	2.3
GNP deflator index:					
January-March	5.9	5.8	4.7	5.1	5.4
April-June	4.2	4.3	3.0	3.8	3.8
July-September	3.6	4.4	3.4	3.7	3.8
October-December	3.8	4.5	3.4	3.5	3.8
Unemployment, average rate:					
January-March	5.6	5.4	5.4	5.5	5.5
April-June	5.8	5.5	5.4	5.6	5.6
July-September	5.8	5.5	5.4	5.7	5.6
October-December	5.8	5.5	5.4	5.8	5.6

[1] Current dollars.
[2] Constant (1982) dollars.

Note.--Percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted.

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

The United States recorded improvement in its merchandise trade balance in January 1990 with Canada and Japan, and deficit increases with other trading partners. The U.S. trade deficit with Canada declined to $628 million from $922 million and the deficit with Japan declined from $3.5 billion to $2.9 billion. Meanwhile, the surplus with the EC of $580 million turned into a deficit of $49 million; the deficit with China widened from $498 million to $840 million; the deficit with OPEC widened to $2.6 billion from $1.2 billion. The deficit with the newly industrialized countries increased from $1.4 billion to $2.1 billion. Moreover, the trade surplus with the U.S.S.R. declined from $402 million to $297 million.

INTERNATIONAL TRADE DEVELOPMENTS

EC and East Europe Forge New Links

The extraordinary reforms that are sweeping Eastern Europe are destined to have a major impact on the EC's relations with these countries. Already the EC is establishing a network of bilateral trade and

Table 3
Value of exports, not seasonally adjusted, percentage changes in exports, and contribution of specified sectors as a share of total exports, February 1990

Sector	Value of exports	Change from last month	Total exports
	Billion dollars	Percent	
Electrical machinery	2.2	7.6	7.0
ADP equipment, office machinery	2.0	-12.0	6.5
Other manufactured goods	1.9	-3.6	6.2
Power generating machinery	1.3	7.9	4.4
General industrial machinery	1.2	14.4	4.0
Specialized industrial machinery	1.2	4.7	3.9
Chemicals organic and inorganic	1.2	5.5	3.8
Airplanes	1.1	-13.2	3.6
Scientific instruments	1.0	-.5	3.3
Vehicle parts	1.0	4.0	3.1
Airplane parts	0.8	-6.8	2.6
Telecommunications	0.6	-7.2	2.0
Textile yarns, fabrics, and articles	0.4	24.5	1.3
Metal manufacturers, n.s.p.f.	0.4	25.3	1.2
Iron and steel mill products	0.3	12.1	0.1
Total manufactures	22.7	-2.2	74.2
Agriculture	3.7	4.4	12.1
Other	4.2	5.0	13.7
Total exports	30.6	-0.6	100.0

Source: *U.S. Department of Commerce News*, February 16, 1990.

economic cooperation agreements with Eastern European countries and has announced its intention to intensify these linkages through a second generation of bilateral agreements. The special status of East Germany under the plan for German reunification adds a further dimension to EC-Eastern European relations.

During 1988 and 1989, the EC signed trade, commercial, and economic cooperation agreements with Czechoslovakia, Hungary, Poland, and the U.S.S.R. With the exception of the EC-Czechoslovak trade agreement, which is more limited in scope, these agreements cover trade in industrial and agricultural products (with a few exceptions), and provide for reciprocal most-favored-nation status. The agreements also call for the eventual removal of existing quantitative restrictions (quotas) on imports that are currently imposed by the EC. In return, these countries pledge to provide EC products greater access to their markets and to foster economic cooperation in a variety of sectors.

Slight modifications were made to the original accords with Hungary and Poland because of the special status granted to them by the Group of 24 industrialized countries under the PHARE program (Poland Hungary Aid for Restructuring of Economies). Under the PHARE plan, the EC agreed to shorten the timeframe for eliminating all quantitative restrictions imposed on exports from Hungary and Poland. The EC also granted Hungary and Poland access to the EC's Generalized System of Preferences program for 1990.

During the first half of 1990, the EC anticipates concluding similar bilateral accords with East Germany and Bulgaria and upgrading its existing agreements with Czechoslovakia and Romania. (The EC signed a trade agreement with Romania in 1980, but it was limited in scope.) In addition, in February the EC Commission announced its intention to explore other forms of association with the Eastern European countries. In particular, the EC will examine the possibility of concluding "association agreements" with these countries and will submit its findings to the EC Council by June.

In a preliminary assessment, the EC Commission listed the principal elements of a common framework for association: trade liberalization, improved cooperation, technical assistance and financial support, joint infrastructure projects, political dialog, and information exchange and cultural cooperation. All of these elements would require adjustment in response to the needs, capacities, and progress of reforms of each country.

The EC Commission noted that efforts to negotiate association agreements "should be distinguished from any commitment concerning the question of accession [to the EC]." Because the current tendency in the EC is towards "deepening" the links among the current 12 member states rather than "widening" or enlarging the Community, the EC Commission does not anticipate that Eastern European countries will become EC members until after 1992, even assuming that they would meet the political and economic criteria.

The one exception to this outlook is East Germany. The process of German reunification has committed the EC Commission to "paying particular attention to developments in the German Democratic Republic." Should East Germany become a part of an enlarged Federal Republic of Germany, East Germany could automatically become part of the EC. However, it is unlikely that East Germany, with its remnants of a command economy including heavy reliance on state subsidies, could submit to Community rules immediately. Some observers suggest that East German integration into the EC would require revision of the Treaty of Rome, the founding treaty of the Community. At the least, entry terms would have to be negotiated, probably incorporating a long transition period.

Although EC officials maintain that German reunification and East German integration into the EC is a matter for the Germans to decide, it will have major repercussions on all of Europe. The EC Commission recently formed a special group to meet regularly to examine the implications of East German entry into the EC and the initiatives the Community could take to facilitate the process. During its first meeting, the group's members supported economic and monetary union between the two Germanies as vital and urgent but added that radical and rapid economic reforms must be made by the East Germans.

The speed at which German reunification is progressing and East European countries are binding themselves to the Community is remarkable. These processes, together with EC efforts to strengthen the ties among its member states by 1992 and to forge new links with the six nations of the European Free Trade Association, seem likely to build a new Europe with worldwide economic and political repercussions.

Germany Likely to Play a Leading Role in Eastern-Bloc Trade

East Germany counted as a highly developed country among the members of the Council for Mutual Economic Assistance (CMEA), the trading bloc of nonmarket economies. (In addition to East Germany, CMEA includes the Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Bulgaria, Cuba, Mongolia, and Vietnam.) East German automobiles (although they were the butt of endless jokes in West Germany) have been among an impressive list of consumer goods and capital equipment eagerly sought by other East Europeans. In exchange for high value-added manufactured goods, East Germany has imported mainly raw materials, food items, and semimanufactures from its CMEA partners. Trade with CMEA countries now accounts for 70 percent of total East German trade (exports plus imports).

In sharp contrast to its technologically sophisticated position in trade with the CMEA, East Germany will probably find it difficult to locate profitable markets for its industrial exports in the West. A recent study published by the prestigious Hamburg-based West German economic journal *Wirtschaftsdienst* (December 1989, p. 614) considered this issue. It concluded that if East Germany—as a hypothetically sovereign country—abandoned the subsidization of industry, replaced centrally determined prices with market prices, dropped out of CMEA, and pursued a full-fledged integration into Western trade, it would become a supplier of semimanufactures and low value-added capital goods and a purchaser of high value-added capital and consumer goods. Even with the heavy subsidization of "high-tech" industries, East Germany has imported twice as much in capital goods from members of the OECD as it exported to these countries during the past few years.

Both West German analytical works and statements by public officials suggest that a united Germany would cultivate East Germany's CMEA connections rather than sever them. According to these sources, abandoning CMEA would be likely to waste the human and physical capital invested in East Germany's modestly successful industries and could condemn the region to long-term poverty. Also, these sources suggest it would be a reversal of the long-term strategy of West German businesses that have worked to establish decisive market shares in Eastern Europe and the Soviet Union.

Nevertheless, West German firms now scurrying to establish footholds in East Germany seem likely to retain their technological superiority over their East German partners. According to newspaper reports, West German firms will send only their second- or third-line technologies to the East to assure compliance with export controls on high-technology items to the Eastern Bloc under rules of COCOM (Coordinating Committee for Multilateral Export Controls.)

Germany's expected participation in the former Soviet Bloc's internal trade could advance economic reforms in the area by injecting more hard currency, internationally competitive goods, and market-oriented attitudes into trade among the CMEA countries. Progress in market-oriented reforms in Eastern Europe and the Soviet Union, should they lead to economic recovery, could in turn help raise the region's overall demand for U.S. industrial exports. Finally, East German industrial firms, revitalized through reform and West German assistance, might be of interest to U.S. corporate investors, particularly those who want to sell in Eastern European and Soviet markets.

Waiting—but not Watching—Is Over for Japan's Latest Import-Promotion Scheme

The latest import-promotion plan of the Japanese Government, announced with great fanfare late last year, is due to go into effect shortly. Barring unforeseen difficulties with the Japanese Diet's approval of the proposed budget, a package consisting of tax incentives and loan programs for imports and the elimination of tariffs on 1,004 products was due to be put in place on April 1, the start of Japan's 1990 fiscal year.

The promotion package comes on line as Japan attempts to disarm critics on Capitol Hill and elsewhere of its trade practices and its seemingly intractable trade surplus with the United States. It is also timed to occur just ahead of deadlines this spring for important U.S. Government determinations in a host of Japan-related trade actions.

The Government of Japan has gone to great lengths to emphasize that this program— "unparalleled in history"—goes beyond a succession of largely empty "action programs" put forward over the last decade. This package, the Government maintains, seeks to mirror the highly successful export-promotion program established in the 1960s by Japan. The near-term objective of the program, which in effect amounts to import subsidies, is to continue the 20- to 30-percent growth in Japan's annual import of finished products in recent years.

On the optimistic side, the Ministry of International Trade and Industry has predicted both a 10-percent rise in imports and a $3 billion decline in its overall trade surplus for FY 1990 as a result of the promotions. Most international observers, however, see a renewed increase in Japan's current account surplus for the coming year, spurred by the recent depreciation of the yen.

Frustrated by the earlier liberalization packages and concerned about how the loan programs will be implemented, U.S. trade officials are viewing the import-promotion package warily. Some in the administration fear that an "artificial" stimulus to imports will detract from the attention recently being given to fundamental structural barriers to adjustment such as the savings-investment balance and the restrictive nature of Japan's corporate group relations. Similarly, at least one prominent economist has attacked the plan on macroeconomic grounds, warning that the net effect on our bilateral trade balance with Japan could actually be the opposite of what is billed.

A point that is not often appreciated in the current political debate over U.S.-Japan trade relations is that the appreciation of the yen in the mid-1980s has already brought about a substantial adjustment in Japan's global trade balance. The current account surplus is down from a peak level of 4.4 percent of GNP in 1986 to 2.4 percent in the first half of 1989. In 1988 the volume of imports grew by more than 16 percent, the highest annual growth rate for the last two decades. Meanwhile imports of manufactured goods more than doubled in volume between 1985 and 1988.

On the other hand, it must be granted that this increase in manufactured imports (a modest 22-percent rise when it is calculated in terms of yen) still leaves Japan with manufactured goods accounting for only

40-50 percent of its total imports, in contrast to the 70-80 percent exhibited in the trade patterns of the United States and European countries. Japan's ratio of imports to GNP remains relatively low as well.

The new import-promotion program has four prongs, chief among which are tax incentives for importers of manufactured goods and $1.5 billion in loans and import credits. Manufacturers who increase the value of their imports of certain qualified goods will be given a tax credit of 5 percent of the amount of the increase, and wholesalers and retailers will be able to reserve funds from taxable income to be used for market development of those imports.

The products eligible for the tax incentives currently have a zero tariff and account for about 50 percent of Japan's total manufactured imports. The Government of Japan claims that it will lose approximately $1 billion in tariff revenue, a feature that made the program a tough sell at the Ministry of Finance. Whereas the United States has a 23-percent share of Japan's manufactured imports, it has a 40-percent share of those products listed as eligible for tax breaks, indicating that the careful selection of products was intended to favor U.S. exports over European and Asian suppliers.

Secondly, low-interest financing will be extended to domestic wholesalers and retailers to enhance or expand their import-related operations. Loans for warehousing and other import-infrastructure projects have been available in the past, but for the first time foreign companies will be eligible for the loans, including funds for equipment related to foreign direct investment in Japan. Although the funding levels may not appear imposing, often when the Japanese Government offers money for such purposes it serves as a signal to lenders to make further funds available.

Another new element of the package is an eight-fold increase in the Government's budget appropriation for import expansion in the coming year, to $100 million. Most of the new funding will go toward new data networks covering trade opportunities, support of direct consumer imports, and an increased number of trade fairs and missions. Perhaps more significant, however, will be the establishment of regional centers that will study the controversial issue of the internal/external price differential, and efforts to provide information on Japanese distribution channels and business practices compared to those overseas.

Finally, the package entails the elimination of tariffs on 1,004 products and the reduction of duties on four others, at a reported cost in lost government revenues of $300 million. While not unwelcome, the tariff measures are probably among the least significant for United-States-Japanese trade, considering the generally low level of duties already in effect on imported manufactures and the relatively minor impact tariffs have on the competitiveness of important capital goods that the U.S. exports.

Ultimately, the success of this latest import-promotion package will depend on how the Japanese Government implements its key provisions and how Japanese companies respond. The Government's hope is that the tax incentive may provide the added impetus that U.S. (and even European and Asian) firms need to gain access to Japanese distributors, infamous for their reluctance to purchase from companies with whom they have not established a deep relationship.

Private trade analysts reportedly believe that the program will probably reduce Japan's surplus to some degree. But to analyze the proposal strictly in economic terms misses the crucial point that it could have a larger symbolic importance. The proposal itself is the most open statement yet to come from the Japanese Government about Japan's responsibility to help resolve its trade problem with the rest of the world, and its persistent $50 billion trade surplus with the United States in particular.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1987–January 1990

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

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.
United States	3.8	5.7	3.3	2.2	3.2	1.1	-0.2	4.1	1.7	4.3	-12.7
Canada	2.7	4.2	2.3	4.3	1.3	-.6	-2.2	-2.7	-2.1	-3.6	.9
Japan	3.4	9.4	6.0	13.2	0	.8	2.6	5.2	9.8	2.0	4.1
West Germany	.2	3.1	5.0	9.1	3.3	0.4	10.1	7.8	([1])	([1])	([1])
United Kingdom	3.4	3.8	.9	-2.6	-1.2	5.7	2.4	10.2	([1])	([1])	([1])
France	2.2	4.3	4.1	3.7	7.4	3.6	-2.3	23.7	([1])	([1])	([1])
Italy	2.6	5.9	3.2	-3.9	.2	11.7	-0.1	-3.0	([1])	([1])	([1])

[1] Not available.

Source: *Economic and Energy Indicators*, U.S.Central Intelligence Agency, Mar. 9, 1990.

Consumer prices, by selected countries and by specified periods, January 1987–February 1990

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

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.
United States	3.7	4.1	4.8	5.4	6.0	2.8	4.0	5.9	4.9	4.9	14.1	([1])
Canada	4.4	4.0	5.0	5.1	6.2	5.4	4.0	3.7	3.5	([1])	10.7	([1])
Japan	.1	.7	2.3	-2.2	9.8	.6	2.6	14.6	-11.8	5.9	([1])	([1])
West Germany	.3	1.2	2.8	3.8	3.3	1.9	3.0	6.2	2.3	3.5	2.2	1.3
United Kingdom	4.1	4.9	7.8	7.8	8.3	6.6	7.6	6.6	10.1	3.1	9.4	([1])
France	3.3	2.7	3.5	3.8	3.9	2.8	3.9	5.0	3.7	1.3	2.8	([1])
Italy	4.6	5.0	6.5	7.3	7.6	5.6	5.9	9.0	2.9	0.9	4.7	6.5

[1] Not available.

Source: *Economic and Energy Indicators*, U.S.Central Intelligence Agency, Mar. 9, 1990.

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1987–January 1990

(In percent)

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.
United States	6.1	5.4	5.2	5.1	5.2	5.2	5.3	5.2	5.3	5.3	5.2
Canada	8.8	7.7	7.5	7.5	7.6	7.3	7.5	7.4	7.5	7.7	7.8
Japan	2.9	2.5	([2])	2.4	2.3	2.3	([2])	2.3	2.2	2.1	2.2
West Germany	6.2	6.2	5.6	5.8	5.7	5.6	5.5	5.5	5.6	5.5	5.4
United Kingdom	10.2	8.2	6.4	7.0	6.5	6.2	5.8	25.9	5.8	5.8	5.7
France	10.5	10.1	9.9	9.9	9.9	9.9	9.8	9.9	9.8	9.7	9.8
Italy	7.7	7.8	7.7	7.6	7.8	7.7	7.5	7.5	([2])	([2])	([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, March 1990.

Money-market interest rates,[1] by selected countries and by specified periods, January 1987–February 1990

(Percentage, annual rates)

				1989							1990	
Country	*1987*	*1988*	*1989*	*I*	*II*	*III*	*IV*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*
United States	7.0	7.8	9.3	9.7	9.7	8.9	8.6	8.6	8.3	8.3	7.6	8.2
Canada	8.4	9.6	12.2	11.7	12.3	12.3	12.4	(2)	(2)	(2)	(2)	(2)
Japan	3.9	4.4	(2)	4.9	5.1	5.4	(2)	(2)	(2)	(2)	(2)	(2)
West Germany	4.0	4.3	7.0	6.2	6.8	7.2	8.3	8.2	8.3	(2)	8.4	(2)
United Kingdom	9.6	8.9	13.3	13.0	13.5	14.0	15.2	15.1	15.1	(2)	15.1	(2)
France	8.1	7.9	9.2	9.0	8.8	9.2	10.3	9.9	10.5	(2)	11.5	(2)
Italy	11.2	11.0	12.7	12.4	12.5	12.9	13.3	13.1	13.4	(2)	13.5	(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: *Federal Reserve Statistical Release* Mar. 20, 1990, *Economic and Energy Indicators*, Central Intelligence Agency, Mar. 9, 1990.

Effective exchange rates of the U.S.dollar, unadjusted and adjusted for inflation differential, by specified periods, January 1987–February 1990

(Percentage change from previous period)

				1989							1990	
Item	*1987*	*1988*	*1989*	*I*	*II*	*III*	*IV*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*
Unadjusted:												
Index[1]	94.1	88.0	91.3	88.8	92.5	92.8	91.0	91.8	91.4	89.7	89.0	89.1
Percentage change	-11.2	-6.5	6.4	1.7	4.1	.3	-1.9	-2.1	-.4	-1.8	-.7	.1
Adjusted:												
Index[1]	90.2	85.9	91.8	89.4	92.8	92.9	91.8	92.3	92.5	90.5	91.3	90.4
Percentage change	-10.6	-4.8	6.8	4.3	3.8	.1	-1.1	-1.5	.2	-2.0	.8	-.9

[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: Morgan Guaranty Trust Co. of New York, Mar. 22, 1990.

Trade balances, by selected countries and by specified periods, January 1986–January 1990

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

Country	1986	1987	1988	1989	1989 I	II	III	IV	Oct.	Nov.	Dec.	1990 Jan.
United States[1]	-137.5	-152.1	-118.5	-108.9	-111.2	-103.4	-107.2	-112.9	-124.8	-121.3	-92.1	-111.0
Canada	7.1	8.6	8.0	3.9	7.6	3.6	3.6	.8	4.8	(3)	(3)	(3)
Japan	92.5	96.2	94.8	77.4	96.8	80.0	76.0	56.8	58.8	64.8	48.0	(3)
West Germany[2]	52.6	65.6	72.6	72.0	80.8	68.4	75.6	63.6	67.2	(3)	(3)	(3)
United Kingdom	-12.6	-16.9	-36.9	-37.9	-41.6	-38.4	-42.8	-27.6	-34.8	-28.8	-22.8	-39.6
France	.1	-5.2	-5.4	-7.2	-2.4	-8.4	-9.2	-8.8	-16.8	(3)	-4.8	-1.2
Italy	-2.0	-8.7	-10.7	-12.7	-17.2	-12.0	-11.6	-11.2	-14.4	-19.2	-3.6	-20.4

[1] 1986, exports, f.a.s.value, adjusted; imports, c.i.f.value, adjusted.Beginning with 1987, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f.value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S.Central Intelligence Agency, March 9, 1990, and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Mar. 20, 1990.

U.S. trade balance,[1] by major commodity categories, by selected countries, and by specified periods, January 1986–January 1990

(In billions of U.S. dollars, customs value basis for imports)

Country	1986	1987	1988	1989	1989 I	II	III	IV	Oct.	Nov.	Dec.	1990 Jan.
Commodity categories:												
Agriculture	4.5	7.0	13.9	17.9	4.9	4.2	3.5	5.1	1.5	1.8	1.8	1.6
Petroleum and selected products (unadjusted)	-31.8	-39.5	-38.1	-44.7	-9.5	-12.1	-11.4	-11.4	-3.9	-3.9	-3.6	-5.4
Manufactured goods	-134.3	-146.1	-146.1	-103.2	-25.3	-23.5	-27.1	-27.7	-10.6	-10.3	-6.8	-7.7
Selected countries:												
Western Europe	-28.2	-27.9	-12.5	-1.3	-.8	-.08	-.3	-.6	-.4	-.7	.5	.-.3
Canada[2]	-23.0	-11.5	-9.7	-9.6	-2.8	-1.6	-2.2	-2.8	-.8	-1.1	-.9	-.6
Japan	-55.3	-58.0	-51.7	-49.0	-12.3	-12.1	-12.0	-12.2	-4.9	-3.9	-3.4	-2.8
OPEC (unadjusted)	-8.9	-13.7	-8.9	-17.3	-2.9	-4.7	-5.0	-4.3	-1.5	-1.7	-1.1	-2.6
Unit value of U.S. imports of petroleum and selected products (unadjusted)[3]	$15.02	$18.12	$14.19	$16.80	$17.96	$16.54	$16.38	$17.46	$17.09	$17.33	$17.97	$20.13

[1] Exports, f.a.s. value, unadjusted. 1986–88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

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

[3] Beginning with 1988, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Feb. 16, 1990.

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