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UNITED STATES
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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

A slump in factory orders and consumer and investment spending, as well as an expected slowdown in industrial countries growth, suggest that the U.S. economic recovery in 1991 will be moderate at best. The U.S. Department of Commerce reported that orders of durable goods (cars, appliances, and heavy machinery) from manufacturers fell in March 1991 by 6.2 percent, to the lowest level since August 1987. The March 1991 decline followed declines of 0.2 percent in February and 2.0 percent in January. These declines signal that the demand in the manufacturing sector is weak, and that the economy is still sliding, although at a slower rate. Moreover, recent reports released by Standard & Poors and other brokerage and banking investment firms show that corporate profits are declining because of the appreciating dollar and the dwindling demand for the products of most of the blue chip companies. As corporate earnings decline, dividends will also decline. This, in addition to the rise in excise taxes and the high level of consumer indebtedness, will reduce consumers' disposable income suggesting a smaller rebound at the end of the recession. Also, real capital spending by businesses on plant and equipment will rise at a slower rate. According to the U.S. Department of Commerce, capital spending is rising at only 3.2 percent in 1991, the slowest pace in 5 years. Real capital spending increased by 4.5 percent in 1990. Finally, an expected slump in foreign demand could further slow the U.S. economic recovery. The International Monetary Fund (IMF) in its most recently released forecast reported that economic growth in the industrialized world will slow to 1.4 percent in the remainder of 1991, from the 2.5 percent rate of last year.

As a consequence, most economic forecasts tend to point to a weak recovery. The Blue Chip Economic Indicators newsletter predicts that the economy will pull out of the recession during the current quarter, but expects a moderate recovery of 0.1 percent in 1991. Four other major forecasts predict an annual average real growth of 1.3 percent. All forecasts predict a moderate recovery starting the second quarter and strengthening throughout 1991. Several forces that contribute to stronger growth seem to be gathering momentum: (1) low interest and inflation rates that will encourage borrowing and boost consumer and business spending; (2) extraordinarily low levels of business inventories that will induce businesses to invest more on stock replenishment once the recovery starts; and (3) the strengthening of investors' confidence in banks and in the financial system because of the buildup of bank reserves and the boosting of their networth.

Economic Growth

The annualized rate of real economic growth in the United States in the first quarter of 1991 fell by 2.8 percent. In the fourth quarter of 1990 the growth rate was revised upward to a negative 1.6 percent, from the -2.1 percent estimated earlier. The real growth rate was 1.4 percent in the third quarter, 0.4 percent in the second quarter, and 1.7 percent in the first quarter of 1990. The real growth rate for all of 1990 was 0.9 percent. The annualized rate of real economic growth in the fourth quarter of 1990 was -3.8 percent in the United Kingdom, 1.5 percent in Germany, -1.6 percent in France, 2.1 percent in Japan, -4.0 percent in Canada, and 2.7 percent in Italy.

Industrial Production

U.S. industrial production dropped by 0.3 percent in March 1991 after the revised declines of 0.9 percent in February and 0.5 percent in January 1991. The March 1991 index was 3.3 percent lower than it was in March 1990. The March decline mainly reflected the continued weakness in the production of business equipment, construction supplies, and durable materials. Auto and truck production rose 2.5 percent in March 1991. For the first quarter of 1991 as a whole, industrial production fell at an annual rate of about 9.25 percent, after falling at a 7-percent rate in the previous quarter. Capacity utilization in manufacturing, mining, and utilities dropped in March 1991 by 0.4 percent to 78.7 percent, its lowest level since September 1986 of 78.6 percent.

Other major industrial countries reported the following annual growth rates of industrial production: for the year ending February 1991, Germany reported an increase of 4.0 percent and Japan reported an increase of 7.1 percent; for the year ending January 1991, the United Kingdom reported a decrease of 3.8 percent, France reported an increase of 0.7 percent, Canada reported a decrease of 4.8 percent, and Italy reported an increase of 0.4 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index declined by 0.1 percent in March 1991, after rising by 0.2 percent in February 1991, and increased by 4.9 percent during the year ending March 1991.

During the 1-year period ending March 1991, consumer prices increased by 6.6 percent in Italy and 2.5 percent in Germany. During the 1-year period ending February 1991, consumer prices increased by 8.9 percent in the United Kingdom, 3.5 percent in France, 6.2 percent in Canada, and 3.9 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor-force basis, including military personnel) increased to 6.8 percent in March 1991, from 6.4 percent in February and 6.1 percent in January 1991.

In March 1991, Germany reported 6.1 percent unemployment, and Canada 10.5 percent. In February 1991, the United Kingdom reported 7.0 percent unemployment; Japan 2.0 percent; Italy 9.6 percent; and France 9.2 percent. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for January-December 1991, 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.

The average forecasts point to a rebound in GNP nominal and real growth rates, starting the second quarter of 1991 followed by moderate growth in the remainder of the year. The following are possible reasons for the slow recovery in 1991: the general slowdown in the world economy and particularly in the industrialized countries; the sluggish rise in consumer spending, particularly consumer spending on durable goods as a result of the sharp increases in prices; the increase in excise taxes introduced in the new budget plan and the high level of consumer indebtedness; the expected sharp decline in investment spending because of reduced business expectations and the reduction in available credit as a result of the S & L crisis; and the less expansionary fiscal policies adopted by other industrial countries. However, several forces appear to be working in favor of stronger growth: the increase in home sales which started in February 1991 after several months of decline, the decline in interest rates and inflation rates, and, most importantly, the buildup of business inventories. These factors, if persistent, could accelerate the economic recovery by the middle of the year. The average of the forecasts predicts an increase in the unemployment rate in the second and third quarters and a decline afterwards. Inflation (measured by the GNP deflator index) is expected to dip in the remainder of 1991, after a slight increase in the first quarter.

U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit declined in February 1991 on account of the accelerated decline in imports over the decline in exports of industrial commodities. The February 1991 deficit of $5.3 billion was the lowest since September 1983. Seasonally adjusted U.S. merchandise trade in billions of dollars, as reported by the U.S. Department of Commerce, is shown in the tabulation on the next page.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, 1991

(In Percent)

Quarter	*UCLA Business Forecasting Project*	*Merrill Lynch Capital Markets*	*Data Resources Inc.*	*Wharton E.F.A. Inc.*	*Mean of 4 forecasts*
GNP—Current Dollars:					
January-March	1.5	2.4	1.2	3.9	2.2
April-June	3.1	3.8	3.4	7.0	4.3
July-September	5.4	4.4	7.4	7.1	6.1
October-December	6.2	7.1	6.5	6.1	6.5
GNP—Constant (1982) Dollars:					
January-March	-2.9	-2.3	-2.3	-.5	-2.0
April-June	-.5	-.4	.5	3.6	.8
July-September	2.4	.4	4.3	4.2	2.8
October-December	3.6	3.1	3.5	3.2	3.3
GNP deflator index:					
January-March	4.5	4.7	3.6	4.4	4.3
April-June	3.6	4.2	2.8	3.2	3.4
July-September	3.0	4.0	3.0	2.8	3.2
October-December	2.5	3.9	2.9	2.8	3.0
Unemployment, average rate, excl. military:					
January-March	6.5	6.5	6.5	6.5	6.5
April-June	6.9	7.0	6.9	6.9	6.9
July-September	7.1	7.0	6.8	6.6	6.9
October-December	7.1	6.9	6.7	6.3	6.7

Note.—Except for the unemployment rate, 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.

	Exports		Imports		Trade balance	
	Jan. 91	Feb. 91	Jan. 91	Feb. 91	Jan.91	Feb.91
Current dollars						
Including oil	34.3	33.5	41.5	38.8	-7.2	-5.3
Excluding oil	34.3	33.5	37.6	36.0	-3.3	-2.5
1987 dollars	31.5	30.9	36.8	35.3	-5.3	-4.4
Three-month-moving average	33.9	33.7	41.4	40.0	-7.4	-6.3
Advanced technology products (not seasonally adjusted)	7.6	7.1	4.4	4.6	+3.2	+2.5

When oil is included, the seasonally adjusted U.S. merchandise trade deficit in current dollars declined by 26.4 percent in February 1991 to $5.3 billion from $7.2 billion in January 1991. The February 1991 deficit was 34.6 percent lower than the $8.1 billion average monthly deficit registered during the previous 12-month period, and 25.4 percent lower than the $7.1 billion deficit registered in February 1990. When oil is excluded, the February 1991 merchandise trade deficit declined 24.2 percent from the previous month.

In February 1991, both imports and exports declined. However, imports declined considerably faster than exports. Including oil, seasonally adjusted exports in current dollars declined by $800 million in February to $33.5 billion whereas imports declined by $2.7 billion to $38.8 billion. Excluding oil, U.S. imports declined by $1.6 billion to $36.0 billion in February from January 1991. The U.S. oil import bill declined to $2.8 billion in February, from $3.9 billion in January 1991.

In seasonally adjusted constant dollars, the February 1991 trade deficit declined by $1.1 billion from January 1991. The trade surplus in advanced-technology products declined to $2.5 billion in February 1991, from $3.2 billion in January 1991. (Advanced-technology products as defined by the U.S. Department of Commerce include about 500 products from recognized high-technology fields—such as, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Nominal export changes in February 1991 for specified major exporting sectors are shown in table 2. The February 1991 data show monthly increases in exports of inorganic and organic chemicals and scientific instruments. Exports declined in airplanes and airplane parts, telecommunications, vehicle parts, power generating machinery, and other sectors.

The U.S. Department of Commerce also reported that the U.S. agricultural trade surplus rose to $1.6 billion in February, from $1.3 billion in January 1990.

U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 3. The United States experienced improvements in bilateral merchandise trade balances in February 1991 with Japan, the EC, Western Europe, OPEC, the Newly Industrializing Countries (NICs), the U.S.S.R., and China, and a little worsening with Canada and Germany. The deficit with Japan declined by $300 million; with the NICs by $430 million; with OPEC by $680 million; and with China by $140 million. The trade deficit with Canada and Germany worsened slightly. The surplus with the EC rose to $1.42 billion and the surplus with the U.S.S.R. rose to $320 million. On a cumulative year-to-date basis, the United States experienced improvements in its bilateral trade balances from a year earlier with almost all trading partners, except Japan, Canada, and China.

INTERNATIONAL TRADE DEVELOPMENTS

Uruguay Round Talks Resume

February TNC Meeting

At a meeting of the Trade Negotiations Committee (TNC) on February 26, 1991, the GATT Director-General Arthur Dunkel announced the formal resumption of the Uruguay Round of multilateral trade negotiations, having first consulted with key participants in the Round. He outlined his work program to continue technical-level talks grouped into seven issue-specific areas which delegations approved during his informal consultations following the December 1990 Brussels conference. These areas encompass the greater part of the 15 Uruguay Round negotiating groups and allow for discussion of issues in common that might cut across lines drawn by the original negotiating groups. The schedule of the initial 1991 meetings of such areas is as follows: agriculture, March 1; textiles, March 5; services, March 8; GATT rulemaking, March 25; intellectual property rights (TRIPs) and investment measures (TRIMs), March 18; dispute settlement and the final act, March 20; and market access, March 21.

Table 2
U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January 1990-February 1991

Sector	Exports: February 1991	Change: January–February 1991 over January-February 1990	Change: February 1991 over January 1991	Share of total: February 1991
	Billion dollars	Percent		
Manufactures				
ADP equipment and office machinery	1.99	4.9	- 2.9	6.1
Airplanes	1.28	-17.7	-14.7	3.9
Airplane parts	.76	5.2	-12.6	2.3
Electrical machinery	2.35	9.0	-.4	7.2
General industrial machinery	1.22	.8	-3.2	3.7
Iron and steel mill products	.33	42.5	-2.9	1.0
Inorganic chemicals	.32	5.2	10.3	1.0
Organic chemicals	1.02	22.1	5.1	3.1
Power-generating machinery	1.24	1.6	-6.1	3.8
Scientific instruments	1.06	12.4	2.9	3.2
Specialized industrial machinery	1.24	5.9	-2.4	3.8
Telecommunications	.68	-10.0	-10.5	2.1
Textile yarns, fabrics and articles	.41	7.9	0	1.2
Vehicle parts	.96	-7.0	-5.9	2.9
Other manufactured goods[1]	1.92	8.1	-.5	5.9
Other manufactured exports not included above	7.42	14.5	-5.4	22.7
Total manufactures	24.20	7.2	-4.0	74.1
Agriculture	3.43	-8.1	8.5	10.5
All other exports	5.04	20.1	5.7	15.4
Total exports	32.67	7.2	-1.4	100.0

[1] This is an official U.S. Department of Commerce commodity grouping.

Note: Detail lines may not add to totals because of rounding.

Source: *U.S. Department of Commerce News (FT 900)*, April 1991.

Table 3
U.S. merchandise trade deficits (-), surpluses (+) in billions of dollars, not seasonally adjusted, with specified areas, 1990-91

Area and country	February 1991	January 1991	February 1990	January–February 1991	January–February 1990
Japan	-3.16	-3.46	-3.12	-6.62	-5.98
Canada	-.48	-.45	-.23	-.93	-.86
Fed. Republic of Germany.	-.56	-.42	-.67	-.98	-1.43
EC	+1.42	+1.34	-1.14	+2.76	+1.08
Western Europe	+1.36	+1.10	+.96	+2.64	+0.64
NICs[1]	-.56	-.99	-1.01	-1.55	-3.17
U.S.S.R	+.32	+.15	+.30	+.47	+.59
China	-.77	-.91	-.46	-1.69	-1.30
OPEC	-1.33	-2.01	-2.01	-3.34	-4.61
Total trade balance	-4.47	-7.02	-6.21	-11.49	-16.02

[1] NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Note.—The difference between trade balances shown in table 2, and those shown in table 3 above represents exports of certain grains, oilseeds, and satellites that are not included in the country/area exports in table 3.

Source: *U.S. Department of Commerce News (FT-900)*, April 1991.

In informal discussions leading up to the TNC meeting, Dunkel reaffirmed with key participants that the resumed negotiations will be based on the principles and objectives laid out in the Punta del Este Declaration that inaugurated the Round in 1986 and will incorporate the decisions agreed at the Mid-Term Review that concluded in April 1989. For agriculture in particular, Director-General Dunkel confirmed the decision of the participants to conduct negotiations in order to reach specific binding commitments in each of the three areas under discussion—internal supports, market access, and export competition—and to agree on agricultural sanitary and phytosanitary regulations.

Dunkel noted that agreements reached at the Mid-Term Review are still valid, despite the adjournment of the Uruguay Round at Brussels without its final conclusion as called for in the Punta del Este Declaration. These agreements include: (1) greater involvement of trade ministers in GATT deliberations, (2) increased efforts to achieve coherence in global economic policy making, (3) continuation of the commitments to standstill and rollback made in the Punta del Este Declaration, (4) the expedited dispute settlement procedures and (5) the trade policy review mechanism. Standstill is a commitment made by participants at the start of the Round to avoid taking new trade restrictive measures and rollback is a commitment to repeal existing restrictive measures. The Trade Policy Review Mechanism (TPRM) institutes a review process by the GATT contracting parties of a member's trade policies and their effects on the multilateral trade system. The three latter agreements are to be reviewed at the conclusion of the Uruguay Round while the two former ones, he noted, are on-going.

U.S. Fast-Track Authority Request

No deadline was set for completing the talks although Dunkel felt that one would develop as discussions progressed. A major consideration underlying continuation of technical-level discussions in the Round until summer is whether the U.S. "fast-track" negotiating authority is renewed. By virtue of the importance of the United States in world trade, multilateral trade negotiations, such as the Uruguay Round, are frequently intertwined with the duration and form of U.S. negotiating authority. This authority, which expires May 31, 1991, is provided for under sections of the Omnibus Trade Act of 1988 and of the Trade Act of 1974. The fast-track procedures assures the President that Congress will approve or disapprove without amendment any final trade agreement including implementing legislation within 90 legislative days. In return, the procedure requires the President to consult actively with Congress and the private sector throughout the negotiations.

The Omnibus Trade Act provides for an automatic 2-year extension of fast-track authority should the President submit his request for renewal to the Congress along with a report on progress made in the Uruguay Round negotiations by March 1, 1991. Although the President's report to the Congress and his request for extension of fast-track authority were transmitted as required, the Congress may veto this extension by a majority vote from either House before June 1, 1991, or by resolutions to disapprove fast-track authority from both Houses at anytime, as long as they are passed within 60 days of each other.

Uruguay Round Predicted to Succeed

A recent forum held at the Brookings Institution reviewed the Uruguay Round's accomplishments and alternatives, with panelists suggesting few true alternatives to a multilateral approach to trade policy. Speakers at the conference included representatives from the private sector, including former U.S. Government officials, academics from policy think tanks such as the Brookings Institution, and Government officials from both the United States and the European Community (EC).

Participants were of the view that the Uruguay Round of multilateral trade negotiations was likely to succeed, taking precedence over bilateral or plurilateral approaches to U.S. trade policy in upcoming years. Because negotiations with 108 participants in the Round are slow and cumbersome, broad multilateral support is necessary to achieve broad gains. Panelists suggested that trade diversion, rather than the net trade creation sought by multilateral talks, will be the likely outcome should bilateral or plurilateral negotiations become the dominant trade policy approach.

However, the use of bilateral or plurilateral arrangements, such as the Canada-United States Free Trade Area (FTA) or the possible Mexico-United States FTA or a joint North America FTA, was not entirely dismissed as a poor alternative to multilateral talks. Instead, these arrangements were seen as adjuncts, rather than substitutes to on-going multilateral talks, with such particular advantages as speedier conclusion of agreements and increased ability to address participants' concerns directly.

Less Evident Successes

Reviewing the accomplishments of the Uruguay Round to date, two panelists—one U.S. and one EC official—pointed out a number of successes that might be overlooked if the finally agreed texts were the sole criterion considered. The U.S. official noted that the simple undertaking of multilateral talks seems to shift attention to broader considerations of national interest. This shift helps reduce tensions in the daily conduct of trade policy, helps provide broader and longer-range thinking on the part of private and public leaders, mitigates the influence of vested interests, and can lead to more comprehensive national decisionmaking than might have occurred without such talks being underway. Liberalization of the Swedish and Australian banking sectors, agricultural reforms underway in several Nordic countries, and the EC internal debate on agricultural reform were offered as examples of domestic reform discussions likely stimulated by the Uruguay Round.

The U.S. official also suggested that some of the benefits of the Uruguay Round are indirect, such as the transformation of the world trade institution itself, the General Agreement on Tariffs and Trade (GATT). Whereas previously the GATT served primarily as a forum for tariff concessions, the current Round has expanded the GATT's political dimension as a trade policy management tool. Examples of this transformation include the formal multilateral review of world trade developments and of individual country trade policies, as well as improvements in dispute settlement procedures. Other changes in the GATT considered to be successes include the broadening of the definition of what constitutes a trade issue, the negotiations over domestic agricultural policies being a prime example, and the integration of the developing countries more fully into the GATT world trade system. In previous rounds, the less developed countries (LDCs) attempted to advance their interests as a not-so-homogeneous bloc. Now, however, the LDCs have increasingly joined coalitions and taken positions on economic issues that cut across previous "North-South" divisions. The Cairns Group coalition of industrial and developing countries, pressing for substantial reform of agricultural trade rules, provides a major example.

Finally, the U.S. official set out successes likely to result directly from the Uruguay Round from a U.S. Government perspective. The mere discussion of several issues was considered indicative of success, such as the trade-distorting effects of domestic agricultural policies mentioned previously; the fact that the "new issues," not previously considered in the GATT, of intellectual property rights, investment measures, and services were now valid items for negotiation; and the simple existence of framework texts for telecommunications, financial services, and intellectual property rights, even if lacking details or finally agreed language at present. Other actual or near agreements awaiting a final Uruguay Round package were considered additional successes. These include agreements on preshipment inspection, rules of origin, import licensing, customs valuation, extension of the standards code, improvements in dispute settlement procedures, and the likelihood of a safeguards agreement. The results were tenuous only in the area of subsidies and antidumping negotiations.

EC Perspective

A representative from the EC Commission gave another point of view on the accomplishments of the Uruguay Round in relation to five priority areas sought by the Community. He categorized these areas as (1) agriculture; (2) LDC integration; (3) the new issues of intellectual property rights, investment measures, and services; (4) textiles; and (5) improved GATT rules, such as dispute settlement and safeguards. He dwelled more on the continued EC concerns regarding several of these areas as opposed to the U.S. point of view that multilateral discussion on these subjects was likely to lead to success in these areas.

In agriculture, the EC representative described the EC as engaged in three separate exercises: (1) its annual price setting for commodities covered by the EC's Common Agricultural Policy, which continues until summer 1991; (2) long-term agricultural reform, which will not resume until the annual price setting finishes; and (3) Uruguay Round negotiations on agriculture, which await renewal of U.S. fast-track negotiating authority by June 1, 1991. While the latter negotiations will resume based on separate reductions in domestic support, in market access barriers, and in export subsidies, he stressed that the three kinds of reductions are still nonetheless linked.

The EC also seeks greater LDC involvement in intellectual property rights negotiations, where discussions have hitherto been largely among industrial countries. One such example is the remaining issue over first-to-invent versus first-to-file patent protection, championed by the United States and the EC, respectively. In services, the EC insists on the principle of full most-favored-nation (MFN) treatment, although initial derogations from MFN treatment for particular sectors are acceptable if they are to be phased out. While "GATT-plus" agreements may arise outside the Uruguay Round, such as maritime and air transport agreements, the EC representative noted that their clear reference would nonetheless be the principles and rules guiding the GATT multilateral trading system.

The EC representative stressed that the discussion over and prospect of integration of textiles into the GATT was likely to be a considerable success to come out of the Uruguay Round. Under the market access negotiations, which combined tariff and nontariff measures talks with those on natural-resource-based products and tropical products, the EC representative mentioned that the U.S. "zero-for-zero" initiatives did not address EC concerns over tariff peaks, such as for stoneware, glass, and ceramics. These initiatives proposed eliminating duties for a number of product categories in return for reciprocal treatment. The EC panelist also believes that the improved dispute settlement procedures are a noteworthy advance of the Round, although countries may be on "politically good behavior" while the Uruguay Round is under way. In the area of procurement, the EC official counts the opening of EC telecommunications and electric utilities as a likely success, provided that guarantees of market access to U.S. utilities are forthcoming. However, the EC panelist is concerned that a "drift" into new disputes may occur if the Uruguay Round is not concluded by the end of 1991, allowing for ratification in 1992.

Mexicans Favor a Free-Trade Agreement

While opposition to a free-trade agreement (FTA)—and especially to the extension of the President's "fast-track" authority to negotiate it—is currently building in the United States, Mexican support for an FTA reportedly runs very high. According to a survey published in the April edition of the new Mexican magazine *Este Pais*, 80 percent of Mexicans favor a broadly defined FTA, compared with 56 percent of Canadian and 42 percent of U.S. citizens. Such high level of support may be surprising in view of Mexico's long-standing hostility to the United States and its steadfast resistance to an FTA even long after a thaw in bilateral relations.

As reported in an earlier article, U.S. authorities and academics have been speculating about the possibility of a United States-Mexican FTA since the early 1980s (*IER*, July 1990). However, although bilateral relations markedly improved in the past few years, Mexico consistently refused to consider such an accord until April 1990, when high-ranking officials from both countries started to discuss this option.

There are several explanations for the surprising transformation of Mexican thinking. Increased economic opportunities is the most important factor among them. The international academic community generally holds that economic integration between countries at different levels of development primarily benefits the country with the smaller economy. For example, the just released "Analysis of Economic Effects of a Free Trade Area between the United States and Mexico" concludes that ". . . an FTA will stand to benefit Mexico proportionally more than the U.S., because the U.S. economy is twenty-six times the size of Mexico's . . ." (The citation is from a preliminary summary of this analysis, released on February 27, 1991. The study, which was sponsored by the United States-Mexican Business Committee, was prepared by the accounting and economics consulting firm KPMG Peat Marwick of Washington D.C.) Supporters of an FTA also generally perceive Mexico as the greater beneficiary of the two countries, or the greatest of all three countries if Canada is included. Mexicans hope to reap from an FTA considerable benefits in terms of jobs, capital, advanced technology, a wider selection of consumer goods, and higher living standards. Rogelio Ramirez de la O, of the Mexican consulting firm Ecanal, estimates that the FTA should boost Mexican GDP by an additional 1.2 percent per year. Also, as reported in an earlier article (*IER*, July 1990), strengthening regional linkages among European and Western Pacific countries convinced Mexico that the time for closer regional relations with North American (and, recently, also with South American) countries has arrived.

Some Mexicans also hope that closer economic ties with the United States will benefit areas other than trade and investment. These would include better working conditions including occupational safety, more sensitivity to human rights, and better implementation of environmmental laws. Some also believe that an FTA would strengthen democracy in their country, bringing it closer to the model practiced in the United States. Even though the Salinas Government's current official position would narrow the FTA negotiations to strictly trade and trade-related investment issues, expectations of wider benefits apparently run high in some Mexican circles.

Besides the prospect of economic and noneconomic benefits, positive Mexican reaction to the FTA is also attributable to a gradual change in the population's overall perception of the United States—the very change the Mexican president was hoping for. The traditional Mexican defiance of the rich Northern neighbor is seen as slowly abating. According to some analysts, Mexico's young, increasingly urban and better educated population is now more exposed to American ways than before, through television programs, imported consumer goods, and the maquiladora establishments—work places with sometimes higher safety standards and more amenities than those available at local companies.

There are, of course, reservations about the FTA on the Mexican side even though they are muted or, as some charge, repressed by the authorities. For example, in his testimony on Capitol Hill before the House Subcommittee on International Economic Policy and Trade in March, Adolfo Aguilar Zinser, a Mexican specialist in U.S.-Mexican relations, warned that Mexico's expectations of benefits from a narrowly defined FTA are too high. Viewing the maquiladora industry and the border economy as predictors of an FTA's impact on Mexico, he made the following statement regarding wages: ". . . even if it is true that salaries in the maquiladoras are perceptibly higher than average salaries in the rest of the Mexican industry, the income levels of the maquiladora workers have not risen significantly in this period, certainly not at the same rate labor productivity has increased."

About the integration of the United States and Mexican economies on the border, Zinser said that ". . . such integration has not automatically induced a harmonization of norms regarding the protection of the environment, occupational safety and other working conditions. On the contrary, the most characteristic features of the Mexican border environment—cheap labor and poor environmental controls—are seen as incentives to foreign investors." He concluded that "Without a social and an environmental charter, wage differentials between our three countries will not necessarily be reduced . . . social conditions will not automatically improve and there will not be a spontaneous enforcement of environmental protection measures." Motivated primarily by protecting U.S. economic interests, several U.S. witnesses at the congressional hearings (and subsequently U.S. leaders as well) also called for "a social charter," environmental standards, and other broader issues to be included in the FTA negotiations.

Cuahtemoc Cardenas, head of Mexico's Party of Democratic Revolution (the major opposition party), has also suggested that an FTA must make Mexico adopt the health and safety standards, collective bargaining rights, and the legal framework of its prospective partners. "Low [Mexican] wages cannot be a permanent feature of North American economic relationships" pronounced several prominent Mexicans, including former Finance Minister Jesus Silva Herzog and author Carlos Fuentes.

Mexican business is now ideologically in favor of an FTA, but the ability of many Mexican products to compete with U.S. products remains a concern. The old fear that the superior U.S. industrial base will drive many Mexican companies out of business or swallow them up in corporate buyouts is still very much alive.

United States-Canada Dispute Settlement Process Comes Under Close Scrutiny

A little-known provision of the United States-Canada Free-Trade Agreement (FTA) was implemented on March 29th when U.S. Trade Representative Carla Hills announced that the United States was requesting the formation of an extraordinary challenge committee (ECC) to review a decision of a binational dispute settlement panel created under the FTA. This action set in motion for the first time the possibility for judicial review of a decision taken under the bilateral trade pact.

Under the terms of the FTA, either government can, in certain well-defined circumstances, invoke an extraordinary challenge procedure. As specified in Article 1904.13 of the FTA, a Party may "avail itself of the extraordinary challenge procedure" if one of three conditions exists:

i) a member of the panel was guilty of gross misconduct, bias, or a serious conflict of interest, or otherwise materially violated the rules of conduct;

ii) the panel seriously departed from a fundamental rule of procedure; or

iii) the panel manifestly exceeded its powers, authority or jurisdiction set forth in this article.

In addition, it must be the case that one of the above conditions has materially affected the panel's decision and threatens the integrity of the binational panel review process.

Following a remand from a binational dispute settlement panel established under the terms of the FTA (see *IER*, March 1991), an ECC was set up as a result of the recent decision of the USITC in a case involving Canadian pork. The United States based its invocation of the ECC on the belief that the panel in its determination to remand the case on pork a second time exceeded its authority. The USTR decision was based in large part on the opinion contained in the Commission remand decision (*Fresh, Chilled or Frozen Pork from Canada*, Views on Second Remand in Investigation No. 701-TA-298 (Final), USITC publication 2362, February 1991) and largely followed in the legal brief presented to the USTR by the National Pork Producers Council, the original petitioner in the case. The USITC remand decision overturned an earlier USITC ruling stating that subsidized Canadian pork threatened to injure the U.S. pork industry. According to the majority USITC opinion, ". . . [the] second panel decision violates fundamental principles of the U.S.-Canada Free-Trade Agreement and contains egregious errors under the U.S. law."

USTR cited five examples of how the binational panel exceeded its authority in the pork remand to the USITC. Among these were applying a principle of due process that does not exist in the FTA, relying on evidence outside the administrative record of the case, precluding the USITC from considering further evidence in the case, and insisting that underselling was a necessary condition to any finding of injury or threat thereof.

The extraordinary challenge procedure involves a panel of three former judges—one from each country and the third chosen either by joint selection of the first two or by lot—who will determine the validity of any allegations of impropriety and whether or not a new panel will be required to review the issues being challenged. Membership of the committee, announced in mid-April, consists of two Canadians and one American—a former justice of the Canadian Supreme Court, a former chief justice of the Ontario Provincial Supreme Court, and a former Federal Appellate Court judge.

Under the terms of the FTA, each country gave up its right for domestic judicial review of the actions of a binational panel. Article 1904.11 of the FTA states: "A final determination shall not be reviewed under any judicial review procedures of the importing Party if either Party requests a panel with respect to that determination within the time limits set forth in this Article. Neither Party shall provide in its domestic legislation for an appeal from a panel decision to its domestic courts."

The ECC will decide whether the basis for a challenge exists, and then either remand the case to the binational panel for further action, vacate the decision (in which case a new panel would be established), or affirm the panel's decision—in effect, denying the validity of the challenge.

The FTA purposely incorporated strict time limits into its review process. Under the terms of the ECC, a decision "typically" is to be made within 30 days of the committee's establishment, although extensions beyond 30 days are possible. Since this procedure has never before been invoked, there is some uncertainty as to how the deliberations will take place. In this case there will be an opportunity for briefs and reply briefs. Oral arguments are scheduled for May 15th. A decision is due by June 14th.

Analysts have speculated about the role of politics in the USTR decision to convene an ECC. The

Administration is still deeply involved in the fight to authorize fast-track authority for both the Uruguay Round and the North American FTA. The degree of impact created by the letters sent to Ambassador Hills from over 51 members of the House and 38 Senators, calling on her to take action in the pork case, remains unknown. However, it is a fact that the deliberations of the ECC will take place during what is considered to be "prime time" for any action on the Congressional decision to withold fast-track authority. Such a decision must be made by June 1. The fact that the final ECC decision will not come until after the deadline for fast-track, effectively removes some of the politicization surrounding the bilateral pork issue.

Meanwhile, Canadian reaction to the call for an ECC has been predictable. Prior to the USTR decision to call for the establishment of an ECC, the Government of Canada made plain its position on the issue. In both a diplomatic note and public statements by Prime Minister Mulroney, the Canadians asserted that there were no grounds for the extraordinary challenge process to be activated. Ottawa's position is that the ECC should not be used as a court of appeals for panel decisions, that the ECC process should be used sparingly, and that the dispute settlement process is "trivialized" when the ECC is used in any way beyond those conditions spelled out in the accord. In effect, the Canadian position denies that there was any overstepping of the jurisdictional authority of the panel. Canadian Agriculture Minister Mazankowski has called the ECC decision in this case a setback for Canadian industry and for the FTA. Prime Minister Mulroney has recently commented that a challenge, if successful, would cause Canadians to question their country's commitment to the existing FTA and could greatly affect Canadian willingness to enter into any broader free-trade pact. The precise point of contention—whether the bilateral dispute settlement panel "manifestly exceeded" its authority—is what each side will argue before the ECC. The outcome of that argument will determine the outcome of the pork case.

Health Standards Plague U.S.-EC Relations

Standards-related disputes have been a major source of U.S.-EC trade tension in recent years (see *IER*, December 1990). Currently, three disputes related to health standards remain unresolved. Two of the disputes—EC bans on the use of the dairy-enhancing hormone BST and on the sale of meat from animals treated with growth-promoting hormones—remain on hold. The third dispute, the halting of U.S. pork and beef exports to the Community under the EC's third country meat directive, may lead to GATT dispute settlement proceedings if no progress is made soon.

The United States rejects all of the EC measures on the grounds that there is no scientific evidence to support them. Indeed, the U.S. Government is trying to prevent such regulations from becoming trade barriers in the Uruguay Round, notably in negotiations on sanitary and phytosanitary measures for agriculture. The United States supports a Uruguay Round agreement that would permit the use of "equivalent" standards and would require sanitary and phytosanitary standards to be based on sound scientific evidence. (Equivalency means that a nation can meet the level of health protection mandated in another country by using equivalent, rather than identical, standards.) Similar negotiations are also taking place under the Standards Code.

Third Country Meat Directive

The EC's third country meat directive requires foreign meat producers to comply with certain technical standards in order to export to the EC. EC reluctance to certify certain U.S. meat plants erupted into a bilateral dispute in 1987, but was later resolved when the EC delayed implementation of the directive until April 1988 to provide time for U.S. firms to bring their meat plants into compliance with EC requirements. The bilateral issue appeared resolved until October 1990 when EC inspectors deleted most U.S. meat producers from the list of certified plants.

In October 1990, the EC informed the United States that it would effectively ban U.S. pork imports on November 1, 1990 and U.S. beef imports on January 1, 1991 because poor hygiene in U.S. meat plants posed a health hazard to EC consumers. U.S. officials rejected the EC claim saying that there was no scientific basis for prohibiting U.S. imports. The U.S. administration urged the EC to postpone implementation of the ban until Uruguay Round talks were complete. But the ban was implemented on schedule.

On November 28, the National Pork Producers Council and the American Meat Institute filed a complaint with the USTR to demand retaliation under Section 301 of the Trade Act of 1974. The petition alleges that the EC's actions violate the GATT and discriminate against U.S. exports. The petitioners claim that the inspection requirements for U.S. meat exports are not the same as those for meat produced and consumed in individual EC member states and that the requirements are not fully enforced in plants shipping across national boundaries within the EC.

On January 10, 1991, the USTR initiated an investigation of the EC's inspection requirements in response to the petition. Because bilateral discussions are under way, the USTR delayed dispute settlement for up to 90 days. However, current talks have failed to resolve the issue. The EC continues to reject the U.S. argument that, although U.S. standards are not identical to the EC requirements, they are equivalent. According to the USTR, if consultations do not resolve the issue, the United States will refer the matter to GATT dispute settlement proceedings and thereafter determine what action to take under Section 301.

BST and Meat Hormones

In September 1989, the EC Commission instituted a ban on the use of the dairy-enhancing hormone bovine somatotropin (BST) until December 31, 1990. The purpose of the ban was to provide time to conduct scientific studies of BST and consultations with third countries to determine whether BST should be authorized for use in the EC. Of particular concern to the United States is the fact that the EC will judge BST based not only on the traditional criteria of safety, quality, and effectiveness but also socioeconomic considerations. The United States opposes the introduction of socioeconomic factors in approving new substances on the grounds that only scientific criteria are relevant. The EC Council had intended to render a decision by December 31, 1990, but the ban was extended until December 31, 1991, to provide more time to conduct research.

The EC's ban on the sale of red meat from animals treated with growth-promoting hormones entered into effect for the United States on January 1, 1989. On the same day, the United States imposed retaliatory duties on a variety of imports from the EC. The U.S. Government argues that there is no scientific evidence to suggest that cattle raised with the aid of hormones pose a health hazard. The EC's ban and modified U.S. retaliatory measures remain in effect. Efforts to resolve this issue in the GATT have been unsuccessful.

Second Generation of Association Agreements Strengthens Ties Between the European Community and Eastern European Countries

The EC Commission is now pressing forward to conclude a second generation of bilateral association agreements with the countries of central and eastern Europe. A first generation of agreements was completed in 1990, but a desire on both sides to forge closer ties has led to the rapid initiation of talks on the next set of agreements.

By the end of 1990, the EC had concluded bilateral trade, commercial, and economic cooperation agreements with Poland, Hungary, the Soviet Union, Czechoslovakia, Bulgaria, and Romania. A similar agreement with East Germany was superceded by the unification of East and West Germany and the automatic accession of East Germany into the EC. These accords generally cover a 10-year period and provide for reciprocal most-favored-nation status. The EC agreed to suspend or eliminate most quantitative restrictions (quotas) imposed on their imports from eastern and central Europe in exchange for improved market access for EC products and investment guarantees for Community firms. The agreements also improve economic cooperation in a wide range of areas. However, they do not apply to products covered by the treaty establishing the European Coal and Steel Community, nor to textiles or agricultural products already subject to existing agreements.

In August 1990, the EC Commission released a "communication" announcing its intention to initiate a second generation of agreements, known as the European Association Agreements or Europe Agreements. The EC Commission hopes these agreements will give central and eastern Europe the means to create a climate of confidence and stability to encourage trade and investment and strengthen political and economic reforms. The new agreements will replace the existing bilateral trade and economic cooperation pacts and are intended to provide benefits almost equal to those enjoyed by Community members through preferential trade arrangements within the GATT framework.

The general framework for the new agreements was outlined in the EC Commission's communication. The Europe Agreements will cover the free movement of goods, services, people, and capital; will promote economic, financial, and cultural cooperation; and will offer an institutional framework for political dialog. More specifically, an agreement would gradually establish a free trade area by phasing out tariffs, quantitative restrictions, and other import rules on both sides. Textiles, steel, and processed agricultural products would be covered in separate protocols. Fish and agricultural products would be covered by special provisions, depending on the sensitivity of the product. The laws of the associated countries would also progressively approximate those of the EC, including company law, company accounts and taxes, financial services, rules of competition, health and safety at work, consumer protection, the environment, indirect taxation, technical rules and standards, transport, and intellectual property.

The precondition set by the EC for negotiation of such an agreement is that the associated country must demonstrate meeting certain democratic and market economy principles. The first round of negotiations for the new bilateral association agreements began in December 1990 with Poland, Hungary, and Czechoslovakia—the more established democracies and more reform-minded countries in the region. The EC will monitor political developments and economic reforms in Bulgaria and Romania with a view toward eventually signing association agreements with these countries. Yugoslavia, which has had a trade agreement with the EC since 1973, is another candidate for an association agreement, but the Soviet Union is currently not under consideration.

After three rounds of negotiations, the basic outline for each agreement is emerging. The EC envisages a 10-year agreement divided into two 5-year stages. Import restrictions would be lifted gradually over the entire 10-year period, depending on the sensitivity of the product. During the first phase, the EC would relax its trade restrictions more rapidly than the associated country. During the second phase, the associated country would accelerate its trade liberalization in order to match the improvements in EC market access.

Both sides hope to complete negotiations by July 1991 so that the agreements can enter into effect on January 1, 1992. However, negotiations recently stalled when the EC refused to compromise on some of the major concerns of the non-EC partners. One concern was the EC's unwillingness to ease import restrictions on textiles, steel, and agricultural products. EC reluctance to lift these restrictions stems from the political sensitivity of the sectors and a desire to await the outcome of the Uruguay Round. Nonetheless, recent reports now indicate that the EC will phase out restrictions affecting imports of textiles from associated countries in 10 years, and those affecting steel in 5 years, provided the associated countries eliminate subsidies in these sectors. The EC also suggested it would consider concessions covering agricultural products, as long as the non-EC partners take reciprocal action.

Poland, Hungary, and Czechoslovakia had also opposed the EC's decision to refrain from explicitly referring to eventual EC membership in an agreement. The EC now indicates that the preamble can refer to the prospect of ultimate accession to the EC, although EC membership would not be automatic. All three countries, currently negotiating an association agreement with the Community, have clearly stated their long-term goal to join the EC as the best means to achieve a successful market-based economy.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1988–January 1991

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

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep	Oct..	Nov.	Dec.	1991 Jan.
United States	5.4	2.6	1.0	0.2	0.6	4.3	4.0	–7.5	1.1	–8.3	–17.1	–12.5	–5.5
Japan	9.5	6.2	4.6	2.9	3.5	7.7	9.8	7.5	–11.6	44.1	–8.9	–5.4	10.8
Canada	4.4	2.3	0.2	–1.9	1.7	0.7	0.5	4.2	([1])	([1])	2.2	0	0
Germany	3.2	5.2	5.8	8.4	8.4	0.8	8.5	10.5	–2.0	7.3	–2.9	2.0	([1])
United Kingdom	3.7	0.3	–0.7	0.2	–0.2	7.3	–12.0	–6.1	–6.4	2.2	–16.4	–4.4	([1])
France	4.1	3.6	1.2	–1.2	–1.7	6.1	5.9	–10.4	–18.1	–1.1	–21.8	–16.0	([1])
Italy	6.9	3.9	–0.5	0.6	–6.2	1.0	1.2	–10.1	–10.4	–20.8	–12.5	–5.1	([1])

[1] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators,* U.S. Central Intelligence Agency, March 22, 1991.

Consumer prices, by selected countries and by specified periods, January 1988–January 1991

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

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.	1991 Jan.
United States	4.1	4.8	5.4	4.0	8.1	3.9	6.9	7.0	9.5	7.5	3.7	3.6	5.5
Japan	0.7	2.3	3.1	2.6	0.9	2.3	3.2	6.2	11.8	12.9	5.7	0.9	6.7
Canada	4.0	5.0	4.8	3.9	6.0	2.8	4.1	6.9	5.9	10.3	8.3	1.5	([1])
Germany	1.3	2.8	2.7	3.0	2.5	1.8	3.6	4.2	5.3	8.4	–2.3	1.0	2.1
United Kingdom	4.9	7.8	9.5	7.6	8.8	15.5	9.8	6.1	10.9	7.8	–2.2	4.1	([1])
France	2.7	3.5	3.4	3.9	3.1	2.7	4.2	4.5	7.6	6.0	–0.5	1.5	([1])
Italy	5.0	6.6	6.1	5.9	5.8	5.4	7.2	6.8	6.5	6.5	6.8	5.7	7.3

[1] Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators,* U.S. Central Intelligence Agency, March 22, 1991.

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1988–February 1991

(Percent)

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Oct.	Nov.	Dec.	1991 Jan.	Feb.
United States	5.4	5.2	5.4	5.2	5.2	5.2	5.5	5.8	5.6	5.8	6.0	6.1	6.4
Japan	2.5	2.3	2.1	2.2	2.1	2.1	2.1	2.1	2.3	2.1	2.0	2.0	([3])
Canada	7.7	7.5	8.1	7.5	7.5	7.4	8.1	9.1	8.7	9.0	9.3	9.6	10.2
Germany	6.2	5.6	5.1	5.5	5.3	5.2	5.1	4.8	4.9	4.7	4.7	4.5	4.5
United Kingdom	8.2	6.4	6.4	5.8	6.1	6.1	6.2	6.7	6.5	6.7	7.0	7.7	8.1
France	10.1	9.9	9.2	9.8	9.2	9.2	9.2	9.3	9.4	9.4	9.3	9.3	9.5
Italy	7.8	7.7	6.9	7.5	7.2	6.7	6.7	6.8	6.8	([2])	([2])	([2])	([2])

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

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

[3] Not available.

Source: *Unemployment Rates in Nine Countries,* U.S. Department of Labor, April 1991.

Money–market interest rates,[1] by selected countries and by specified periods, January 1988–March 1991

(Percentage, annual rates)

				1989	1990								1991		
Country	*1988*	*1989*	*1990*	*IV*	*I*	*II*	*III*	*IV*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*	*Mar.*
United States	7.8	9.3	8.3	8.6	8.4	8.4	8.2	8.1	8.1	8.1	8.0	7.8	7.2	6.5	6.5
Japan	4.4	5.3	6.9	5.6	6.2	6.7	6.9	7.5	8.3	(2)	7.5	7.7	(2)	(2)	(2)
Canada	9.6	12.2	13.0	12.4	12.9	13.7	13.1	12.3	12.6	12.5	12.4	11.9	11.1	(2)	(2)
Germany	4.3	7.0	8.5	8.3	8.4	8.3	8.4	8.9	8.5	8.6	8.9	9.2	9.3	(2)	(2)
United Kingdom	8.9	13.3	14.8	15.2	15.2	15.1	14.9	13.8	14.9	13.9	13.6	13.8	13.9	(2)	(2)
France	7.9	9.2	10.3	10.3	11.0	9.9	10.2	10.1	10.3	10.0	10.1	10.2	10.3	(2)	(2)
Italy	11.0	12.7	12.7	13.3	13.3	12.7	11.8	13.0	11.3	11.7	13.1	14.0	11.1	(2)	(2)

1 90–day certificate of deposit.

2 Not available.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Federal Reserve Statistical Release, April 22, 1991 Economic and Energy Indicators,* Central Intelligence Agency, March 22, 1991, *Selected Interest and Exchange Rates,* Board of Govenors Federal Reserve System, April 22, 1991.

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1988–March 1991

(Percentage change from previous period)

				1990						1991			
Item	*1988*	*1989*	*1990*	*II*	*III*	*IV*	*Oct.*	*Nov.*	*Dec.*	*I*	*Jan.*	*Feb.*	*Mar.*
Unadjusted:													
Index[1]	88.0	91.3	86.5	89.7	85.3	81.7	81.8	81.1	82.2	82.8	82.2	81.1	87.4
Percentage change	–6.5	6.4	–5.3	.1	–5.1	–4.2	–2.8	–.8	1.3	1.3	0	–1.3	7.2
Adjusted:													
Index[1]	87.4	91.8	88.1	90.9	86.8	84.1	83.9	83.4	84.7	85.2	84.9	84.0	85.1
Percentage change	–4.8	6.8	–4.0	.1	–4.7	–3.1	–2.0	–.5	1.5	1.3	.2	–1.1	1.3

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, April 1991.

Trade balances, by selected countries and by specified periods, January 1988–February 1991

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

Country	1988	1989	1990	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.	1991 Jan.	Feb.
United States[1]	–118.5	–109.4	–101.0	–101.2	–87.6	–113.1	–104.6	–111.9	–131.8	–106.9	–75.3	–85.9	–64.0
Japan	94.8	77.3	63.5	65.2	56.8	65.2	66.4	72.0	66.0	66.0	68.4	([3])	([3])
Canada	8.3	5.8	9.3	5.6	9.6	12.4	9.6	15.6	8.4	13.2	10.8	([3])	([3])
Germany[2]	72.8	72.0	([3])	89.6	61.6	50.8	([3])	56.4	68.4	22.8	([3])	([3])	([3])
United Kingdom	–37.4	–39.2	–31.2	–38.4	–35.2	–28.8	–22.8	–18.0	–25.2	–24.0	–19.2	–28.8	([3])
France	–5.4	–7.0	–9.3	–1.6	–7.6	–15.6	–12.8	–24.0	–15.6	–1.2	–21.6	–13.2	([3])
Italy	–10.7	–12.9	–11.7	–14.0	–6.4	–10.4	–16.8	–13.2	–25.2	–28.8	2.4	([3])	([3])

[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.

Note.—Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, March 22, 1991 and *Advance Report on U.S. Merchandise Trade*, U.S.Department of Commerce, April 18, 1991.

U.S. trade balance,[1] by major commodity categories, and by specified periods, January 1988–February 1991

(In billions of dollars)

Country	1988	1989	1990	1989 I	II	1990 III	IV	Aug.	Sep.	Oct.	Nov.	Dec.	1991 Jan.	Feb.
Commodity categories:														
Agriculture	13.9	17.9	16.3	4.9	4.1	3.3	4.2	1.2	1.1	1.2	1.6	1.4	1.2	1.6
Petroleum and selected product—(unadjusted)	–38.1	–44.7	–54.6	–14.1	–10.8	–13.5	–16.2	–4.3	–5.5	–6.4	–5.4	–4.3	–4.5	–2.8
Manufactured goods	–146.1	–103.2	–90.1	–19.4	–19.5	–27.0	–24.3	–9.4	–7.3	–10.4	–8.6	–5.3	–5.8	–5.7
Selected countries:														
Western Europe	–12.5	–1.3	4.0	1.4	2.9	–.8	.6	–.4	.9	–.6	–.4	1.6	1.1	1.4
Canada[2]	–9.7	–9.6	–7.5	–.9	–1.3	–2.7	–2.8	–.5	–1.2	–1.3	–.6	–.9	–.4	–.5
Japan	–51.7	–49.0	–41.0	–9.6	–9.9	–9.9	–11.7	–3.8	–3.1	–4.5	–3.8	–3.4	–3.5	–3.2
OPEC (unadjusted)	–8.9	–17.3	–24.3	–1.8	–4.3	–6.6	–7.1	–2.2	–2.8	–2.7	–2.5	–1.9	–2.0	–1.3
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$18.12	$16.80	$20.34	$19.26	$15.59	$19.45	$28.20	$19.11	$23.60	$30.09	$29.56	$25.70	$22.98	$18.58

[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, April 18, 1991.