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At A Glance . . .

WTO

Estonia stands to become the 135th member of the WTO. WTO accession negotiations for Estonia concluded successfully in May 1999, after the WTO General Council adopted Estonia's Working Party Report and Protocol of Accession. Thirty other governments are in various stages of accession to the WTO.

United States–Canada

On May 26, 1999, the United States and Canada announced an agreement settling a longstanding dispute over advertising aimed primarily at the Canadian market in foreign magazines sold in Canada. The agreement addresses concerns that led the United States to file and win a WTO case, and includes commitments from Canada in the areas of investment, tax, and market access for U.S. periodicals carrying advertisements directed primarily for the Canadian market. In return, the United States committed not to take action against Canada on this issue under the WTO, NAFTA, or section 301 of U.S. trade law.

United States–China, Belarus, Vietnam

On June 3, 1999, President Clinton recommended to Congress that China's most–favored nation (MFN) status—i.e., normal trade relations—be maintained for another year. The President also made similar recommendations for Belarus and Vietnam. The extension of MFN status for those countries will continue for 1 year unless Congress passes a resolution of disapproval within 90 days.

EU–Canada

According to a recent Industry Canada paper, the EU has had more success in lowering trade barriers in 40 years than Canada has been able to demonstrate in 130 years. That paper reports that the EU supranational strategy has reduced more regulatory trade barriers in the European common market than Canada's attempts to lower interprovincial trade barriers. The inefficiencies resulting from such internal barriers, the paper concludes, could impede Canada's response to the challenge of globalization.

EU–Latin America

Officials at the June 28–29, 1999 EU–Latin America summit meeting of heads of State in Rio de Janeiro discussed a range of bi–regional issues, including an eventual EU–Latin American trade agreement. The leaders agreed to launch formal talks for a trans–Atlantic trade accord between the EU and the Mercosur Southern Common Market (Argentina, Brazil, Paraguay, and Uruguay) by as soon as 2001. Separately, Mexico and the EU continue negotiations for a planned EU–Mexico free–trade agreement.

Argentina

Argentine officials, including President Carlos Menem and central bank president Pedro Pou, continue to publicly ponder dollarization—using the U.S. dollar as the official currency of Argentina. It is argued that dollarization would eliminate exchange risk and thus benefit the Argentine economy. President Menem reportedly has called dollarization a "top priority" for 1999. Under consideration by Argentine officials are plans that would pay government employees in dollars, have government agencies pay their suppliers in dollars, and permit the public to pay taxes in dollars. With prices (especially for big–ticket items) in Argentina often quoted in dollars, some argue that the Argentine economy already is de facto dollarized.

INTERNATIONAL TRADE DEVELOPMENTS

European Union Hormone Ban: WTO Authorizes U.S. Retaliation

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May 13, 1999 marked deadline imposed by the World Trade Organization (WTO) for the European Union (EU) to remove its ban on meat from animals treated with growth-promoting hormones. Because the EU did not lift the ban, the United States sought WTO authorization to retaliate. On July 12, WTO arbitrators ruled that the United States was entitled to impose retaliatory measures worth $116.8 million, which it could impose by July 26, when the WTO dispute settlement body holds its next regular meeting.

A 1997 WTO dispute settlement panel report and a subsequent appellate report issued in early 1998 had both concluded that the EU 1989 ban on imports of meat and meat products from cattle treated with growth-promoting hormones was inconsistent with the provisions of the WTO Sanitary and Phytosanitary (SPS) Agreement. A WTO panel examining the EU ban on behalf of Canada made a similar finding. The EU requested 4 years to comply with the WTO findings—2 years to conduct additional risk assessments to determine whether the hormone-treated meat is safe, and 2 years to modify its measures to reflect the findings of the new risk assessments. However, a WTO arbitrator concluded that "it would not be proper to include in the reasonable period of time . . . an initial phase of two years for the conduct and completion of scientific studies" and therefore granted the EU 15 months, until May 13, 1999, to comply.

[1] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

As the deadline approached, U.S. and EU officials discussed possible solutions. The United States proposed labeling U.S. meat in conjunction with lifting the ban. However, the EU responded that it wanted to complete additional risk assessments before it committed to removing the ban. The EU has requested 17 risk assessment studies, some of which are not likely to be completed until the year 2000. In addition, the United States and EU have disagreed on appropriate labeling. U.S. officials have proposed labeling U.S. exports of meat as sourced from the United States, whereas the EU prefers a label that indicates that the meat has been treated with growth-promoting hormones. Moreover, lifting the ban and adopting labeling regulations would require the EU to carry out legislative procedures that could take at least 18 months.

On March 22, the USTR published a notice in the *Federal Register* listing products on which 100-percent duties could be imposed in retaliation should the EU fail to meet its WTO obligations by the May 13 deadline. The list covered over $900 million worth of EU products, including primarily food items such as meat, Roquefort cheese, and tomatoes. A final, definitive list of EU products subject to retaliatory measures will be chosen from this original list.

On May 5, the EU announced that an independent committee of European scientists had issued preliminary findings showing health risks linked to beef growth hormones. Ambassador Hugo Paemen, the EU chief envoy to the United States, said that based on these findings, the EU "is not in a position to lift the ban," and it remains in place.

As a result, on May 17 the United States requested WTO authorization to retaliate against the EU. The retaliatory measures were valued at $202 million, an estimate of the annual harm done to U.S. exports as a result of the ban. The EU requested arbitration of the amount of the retaliation, arguing that the retaliatory measures should be valued at $53 million. On July 12, WTO arbitrators ruled that $116.8 million worth of annual U.S. exports of beef to the EU had been lost. The United States will now compile a final list of EU products (taken from the list published on March 22) on which 100–percent retaliatory tariffs will be imposed. The WTO must formally authorize the U.S. suspension of tariff concessions, which could happen on July 26, the date of the next regularly scheduled meeting of the WTO dispute settlement body.

India: Recent Economic Developments

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The following overview of recent economic developments in India highlights banking, foreign investment, external borrowing, the budget, privatization, insurance, telecommunications, and patents. The views of U.S. industries are noted as appropriate.

Banking

India's banking sector is largely controlled by the government, which owns 80 percent of the banks. Approximately 40 to50 percent of the private banks lends a large part of its assets to the government. According to some experts, this is one main reason that the banks are unlikely to collapse because of bad debts. On the other hand, India's banking system does not play the vital role of allocating credit to the private sector—a key to economic development and growth—and banks are severely undercapitalized. During the mid–1990's there were high levels of foreign investment flows that provided streams of money to the private sector and alleviated the "crowding out" syndrome by the government. Recently, however, as foreign investment has slowed, remaining flows have become more volatile, making the crowding–out problem more serious. More efficient allocation of capital is needed to sustain higher levels of growth. However, more lending to the private sector could lead to instability because the private sector banks are inexperienced at lending and risk management and have high levels of nonperforming assets as a percentage of their nongovernment lending. India's weak accounting and disclosure rules make it difficult to assess the creditworthiness of borrowers. The government has agreed that the Reserve Bank of India (RBI) should not hold shares in public–sector banks and that these banks should be privatized. However, the government may have trouble financing the high fiscal deficit if banks shift most of their assets into private lending.

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Foreign Investment

In 1991, India lifted or relaxed many restrictions on investment and simplified the investment approval process. However, many of these policies have yet to be implemented by the parliament. The Foreign Exchange Regulation Exchange Act has been amended to increase access for foreign investment in India. The Reserve Bank of India grants automatic approval for existing foreign investments of up to 51 percent in 35 industries. Equity investments of up to 74 percent are in areas such as mining services, electricity generation and transmission, and infrastructure construction. Technology imports have been liberalized by allowing both private and public projects to import technology without restrictions. Major complaints from industry concern the to stringent and nontransparent regulations and procedures governing local shareholding.

With regard to U.S. foreign direct investment in India, a recent U.S. Department of State survey indicates that the total market value for 118 companies surveyed was $10 billion. In terms of sectors, manufacturing accounted for 55.3 percent of the total, energy for 29 percent, telecom 4.5 percent, banking 4.1 percent and software/computers 3.4 percent. With regard to geographic distribution of investment, U.S. companies are concentrated in the major metropolitan areas of Mumbai, Delhi, and Banglalore. Other states such as Tamil Nadu, Haryana, and Gujarat are also attracting investment. However, large sections of North, Central and East India continue to have little or no U.S. investment. The major concerns cited by U.S. businesses as affecting their operations in India include red tape, high taxes, poor telecommunications services, corruption, and inadequate transport.

External Borrowing

The Indian Ministry of Finance relaxed the external commercial borrowing rule for exporters and project developers to allow them to access debt funds abroad. The new policy was effective May 5, 1999.

The government fixed a total on the external commercial borrowing of $8.6 dollars for fiscal year 1999. In accordance with the new guidelines, Indian corporate borrowers are eligible to pre-pay 10 percent of their outstanding external loans or all of those loans with a residual maturity of up to 1 year. The Ministry of Finance has raised the external commercial borrowing of exporters to $200 million from $100 million. All these steps and others indicate that the interim government intends to push forward with the liberalization process.

Budget

In March, the Indian Government proposed a conservative budget for 1999–2000. The budget does not propose major changes, including large new spending initiatives or bailout packages for favorite industries. Defense receives a small increase under the budget, but industries such as Air India, public banks and the auto industry do not receive large increases in spending. In addition, the budget does not include major tax changes. Tax reforms were proposed for mergers, acquisitions and breakups. Some sectors such as pharmaceuticals, housing, information technology, entertainment and research and development received some tax breaks.

Privatization

There are 246 companies owned by the central government in India and approximately 1,000 owned by state governments. The central government has focused its attention more on privatization than the state governments. The primary obstacle to disinvestment is unemployment. Of the 246 central government owned companies, 100 lose money consistently, 8 have been selected for closure, and 60 are bankrupt. The government has approved disinvestment in state–owned airlines, reducing government holdings to below 26 percent in most firms and public offerings of four large profitable publicly owned firms. However, few of these decisions have been implemented. Problems with implementation consist of inexperience within the bureaucracy and the fact that no agency has been created to handle the process of disinvestment. In addition, the disinvestment program has not been directed at reforming and improving public sector firms and their performance. Instead it is being driven the need for the government to raise revenue and alleviate the fiscal deficit.

Insurance

All Indian insurance companies are owned by the government except for a few private sector firms which provide reinsurance brokerage services. Foreign insurance companies have no direct access to the domestic insurance market. A bill has been introduced in parliament that proposes to open the insurance sector and includes the following provisions: (1) limits on foreign equity participation to 26 percent and (2) requirement that Indian companies must reduce their equity holding to 26 percent within 10 years. The paid–up capital for the reinsurance business has been set at RS 2 billion ($47 million) and held at RS 1 billion ($23.5 million for life and nonlife). Recent assessments of the bill's chance for passage indicate that if it is brought to the floor of the legislature it stands a good chance of being passed, along with technical amendments.

Telecommunications

On March 26, the Indian Cabinet approved a new telecommunications policy that came into effect on April 1. Under the new policy, existing basic and cellular licensees may continue under their existing contracts and new licensees will be brought into vacant circles. A fee will be charged to new licensees and they will be subject to a revenue–sharing agreement. As of January 1, 2000, national long–distance service beyond service areas will be open to private operators for competition. Spectrum allocations will be reviewed for effective and efficient spectrum management. A spectrum usage fee will be charged. Cellular mobile service providers will be able to provide public call office services. The U.S. Embassy in New Delhi reports that U.S. telecom providers operating in India are "mildly optimistic" about the policy and hope that their difficulties will be resolved over the medium/longer term.

Patents

According to the USTR, U.S. patent protection is weak, particularly with regard to enforcement of laws regarding pharmaceuticals and chemicals. According to existing law, the processes for making foods, chemicals and drugs are patentable, but the patent term for the processes (5 to 7 years) is typically less than the time needed to obtain regulatory approval to market the product. Strict compulsory licensing prevision can render patent protection almost meaningless. Broad "licenses of right" apply to food and drug patents. India does not protect a host of other biotechnological inventions. In February 1999, the United States held bilateral consultation with India on their patent regime. Although there continue to be differences amongst the two parties, the U.S. Embassy in New Delhi recently characterized the consultations as "very useful."

Mexico: Recent Economic Performance and Economic Outlook

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The vigor of the Mexican economy was still in evidence in 1998 even though, at 4.8 percent, the Gross Domestic Product (GDP) grew at a slower rate than the 7 percent recorded for 1997 and 5.2 percent for 1996. Following the Russian and South American financial crises that began in August, Mexican President Ernesto Zedillo warned in September in his annual "State of the Union" address to the nation, that "circumstances in which our economy will operate in the near future will be difficult." This statement echoed the study of 25 leading Mexican analysts, released earlier in August 1998, who predicted a marked deterioration of the economy in the short term.

The annual 1998 economic performance of Mexico showed, indeed, the effects of these crises in the second half of the year; it also showed the effects of other negative factors in the international environment. Depressed world market prices of major Mexican exports like petroleum, copper, and steel, and the resulting much slower growth of exports (6.4 percent) than imports (14.1 percent), pushed Mexico's trade balance into a deficit ($7.7 billion), following surpluses recorded in the 3 prior consecutive years. The last year when Mexico registered a trade deficit was 1994. Petroleum exports amounted to $7.1 billion in 1998—a decrease of 36.9 percent from 1997. The average price of crude oil was $10.16 per barrel, $6.31 lower than in 1997.

Further negative economic indicators for 1998 included the volatility and weakening of the Mexican peso (worth 8.08 pesos to the U.S. dollar at the beginning of 1998, and 9.87 pesos at the end); the decline of the stock market by 36 percent; high interest rates imposed to contend with the instability of international financial markets; and further growth of foreign debt. In late August and early September, pressure on Mexico's floating exchange rate began to build. The resulting depreciation of the peso pushed up the rate of inflation; the average yearly increase of the price index for urban consumers was 18.6 percent in 1998, compared with 15.7 percent in 1997. Poor weather conditions and their impact on food prices, including the price of tortillas were another factor stoking inflation. Interest rates rose throughout the year; they began at less than 20 percent and ended in excess of 36 percent. Mexico's foreign debt obligations grew from $149.2 billion at the end of 1997 to $161.3 billion by the end of 1998.

Foreign direct investment (FDI) into Mexico also slowed in 1998, totaling $9 billion—down from 12.5 billion in 1997. High interest rates were to be blamed, in part. Trade–related foreign investment flows also declined in response to Mexico's shrinking export markets. The depreciation of Brazil's currency, the real, hurt some Mexican companies that are dependent on the Brazilian market, such as automotive products companies. Still another factor that depressed foreign investment was the perception reportedly developed in the wake of the Asian, Russian, and Brazilian crises, that investors ought to exercise caution in emerging countries, because these have revealed themselves as poor risks. This perception may have hurt Mexico too, discouraging not only potential new direct investors, but also reducing the reinvestment programs of foreign companies that have already established themselves.

The Government of Mexico took several steps to counter the adverse effects of the international economic environment. Mexico's Central Bank tightened monetary policy to contain contagion from the financial crises in East Asia, Russia, and Latin America. The Government of Mexico, which still owns petroleum production, cut fiscal expenditures three times during the year to adjust to revenue losses caused by falling oil prices. These measures, although unavoidable, had the effect of depressing the economy.

To generate additional revenue, the Government raised tariffs on imports of nonessential consumer goods by 10 percent, and on intermediate and capital goods by 3 percent, effective January 1, 1999. The tariff increases applied to imports from all countries except those with which Mexico had concluded trade

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agreements, such as the United States and Canada, Mexico's trading partners in the North American Free–Trade Agreement (NAFTA).

Close ties to the U.S. economy and partnership in NAFTA helped to prevent a serious downturn of Mexico's economy. U.S.–Mexican trade, which accounts for the bulk of Mexico's foreign trade, continued to boom in 1998. Mexico was once again the second–largest U.S. export market after Canada but before Japan, after having pushed Japan for the first time in 1997 to third place. Mexico remained the third–largest U.S. supplier after Canada and Japan, and continued to be the third–ranking U.S. trading partner in terms of two–way trade, but only slightly behind Japan.

According to official Mexican statistics, exports to the United States increased by 9.3 percent in 1998, while Mexican exports to all other major markets have declined–to Asia by 8.1 percent, to Europe by 3.3 percent, and to South America by 20.7 percent. Mexican imports were up from all major sources—the United States Asia, Europe and South America. However, they increased less from the United States (13.5 percent) than from Asia (14.0 percent) and Europe (17.4 percent). Consequently, Mexico's $7.7 billion overall trade deficit, especially its large deficits vis–à–vis Asia and Europe, resulted from trade with third countries. In fact, the Mexican deficit was reduced in a large measure by a $10 billion surplus that Mexico registered vis–à–vis the United States.

The outlook for Mexico's economy, which was dim in the second half of 1998, began to improve in 1999. The Government's consistently tight fiscal and monetary policies began to be recognized and widely credited for the relative stability Mexico managed to maintain throughout the Latin American crisis and the period of plummeting oil prices. This recognition, bolstered by newly rising petroleum prices (in response to OPEC's March 1999 decision to cut oil production) earned new confidence for Mexico. A $1 billion bond issue by the Government of Mexico was well received by U.S. and European investors. The peso began to rally, and the stock market rebounded. Although economic growth for 1999 is projected register only 2 percent, this figure compares favorably with the economic contractions that are expected in Brazil and Venezuela.

Trade Disputes: Canadian Conference Examines the Role of the WTO Dispute Settlement Mechanism

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Since the World Trade Organization (WTO) was established in 1995, its Member States have requested consultations on trade policy differences more than 163 times. The figure contrasts sharply with the infrequent requests under the old General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO, in the years from 1947 through 1994. The less–than–5–year history of the WTO has seen almost one–half as many requests for consultations as the GATT saw in almost 50 years.

The original signers of the 1947 GATT represented 22 countries as Contracting Parties, of which most were developed economy states. Now, the WTO has 135 Member States, including countries with developed, developing, and transitional economies. Another 30 countries are seeking accession to the WTO. The focus of WTO attention on such newsworthy issues as bananas, beef hormones, and magazines, had drawn the interest of trade policy observers to this revived trade agenda and how it examines and settles trade policy disputes. One example of this attention was a recent conference in Ottawa, Canada, entitled "Managing International Trade Disputes at the Turn of the Century." The conference was sponsored jointly by the Centre for Trade Policy and Law of Carleton University and the Trade Law Division of the Canadian Department of Foreign Affairs and International Trade (DFAIT). This article reflects opinions of some contributors and discussions at the conference. Despite Canada's recent lack of much success in the WTO dispute settlement process, the conference focused on the philosophy of dispute settlement and the WTO rather than on any specific cases.

Discussants at the Ottawa conference observed that the evolution of an increasingly rule–based trading system managed by the WTO has increased both the volume and complexity of trade litigation. The increasing number of international trade disputes is related in part to the increase in the number of regional and sub–regional trade agreements over the past several years, and the attempts to embody within those agreements a mechanism to settle disputes arising from the agreements themselves. In Canada, the U.S.–Canada Free–Trade Agreement (CFTA) and the North American Free–Trade Agreement (NAFTA) have in many ways led the liberalization of trade in those countries during the past 10 years. More recently, however, Canada has negotiated other free–trade agreements with Chile and Israel, and is currently negotiating a similar trade agreement with the European Union (EU). The increasing resort to formal bilateral and multilateral trade agreements is in large part driven by three broad, international trends: the globalization/internationalization of production of goods and services; the tendency to judicialize public policy issues; and the increased attention given to individual versus public rights. As a result, discussants found that the role of trade lawyers has expanded, as has the necessity for further cooperation between both public– and private–sector attorneys and economists.

Because trade accounts for 40 percent of Canada's gross domestic product, interest in the successful resolution of trade disputes receives significant attention from both Canadian public policy makers and private–sector entrepreneurs. The first part of the conference devoted considerable time to a detailed consideration of the procedure for launching a trade dispute. This is the stage when public and private lawyers work together very closely, when the natural tension that often underlies this relationship can undermine the management of a dispute settlement case. Private counsel to the complaining firm(s) has the responsibility of communicating effectively with government officials while realistically managing a client's expectations.

Discussants noted that one special difficulty in the WTO dispute–settlement procedure is the lack of adequate protection of confidential business information. Firms are often reluctant to disclose information that might otherwise further advance their

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case. The United States and Canada are among the major proponents of the view that the current WTO dispute–settlement (DS) system is not sustainable. Some conferees observed that leaking of information is a foregone assumption, particularly given the number of stakeholders and their interests typically involved in any given dispute. Although nondisclosure agreements between a government and a private party are common, neither party has any protection after information is passed on to a WTO dispute panel. The United States maintains that the review of the WTO Dispute Settlement Understanding (DSU), currently underway, should result in procedural and administrative modifications that address the issue of business confidentiality.

The actual panel process of the WTO dispute–settlement procedure—as well as the new appeals process available through the WTO Appellate Body—was also examined in detail by the conferees. Whether to officially elevate a particular dispute to the level of WTO dispute settlement is heavily influenced by political realities. The legal considerations in such decisions are typically secondary or incidental. Discussants observed that the process is heavily driven by the prospects for political success.

In terms of panel selection, the names for consideration for the dispute panel are put forward by the WTO Secretariat, chosen from a roster of several hundred qualified individuals whose names are submitted by WTO member governments. It generally takes 3 to4 months to compose a panel, as a matter of negotiation. According to some conferees, it is accepted that complainants and possibly interested parties are likely to try to tilt the panel selection toward individuals who reflect their particular interests in the case.

Discussants mentioned that the issue of whether to appeal is likewise significant. It is possible that more can be lost on appeal than was gained (or lost) by the panel process itself. Contrary to original expectations, the appeals procedure has now been used in most of the WTO DS cases that have been heard. Of the first 21 panel decisions, 17 went on to appeal. Members of the Appellate Body are jurists who serve fixed terms. Out of seven members, three are assigned to a given case. Differing from the dispute panel members, the Parties have no choice in the selection of their Appellate Body members. The timetable for the appeals process is tight—the total time being 60 days for the hearing, circulation of findings, and adoption of the final report. The Appellate Body has the authority to uphold, modify, or overturn only the legal aspects of a panel decision, with no right of remand to the original panel. In other words, the AB may adjust the panel interpretations of the provisions involved in the dispute. However, WTO members have the final authority to decide on a definitive interpretation of trade provisions implemented by the WTO through the General Council, although no such definitive interpretation has been settled to date.

Conferees observed that an area of particular recent interest is the timely implementation of panel decisions. Discussants asked how much time the DSU allows for the implementation of a panel report. A reading of the DSU indicates a preference for rather immediate compliance. An alternative is mutual agreement of the parties, which can allow for a different schedule. However, if agreement is not possible, resort to arbitration frequently results. (To date, arbitrators have always come from the AB.) Prior to arbitration, either the panel or the AB may suggest a schedule for implementation since 15 months informally evolved as a guideline for the length of time during which a ruling is to be carried out. For example, this was the agreed upon deadline in the U.S.–Canada case on magazines. However, the beef hormone case is an example of the defending party that failed to comply with an arbitration panel schedule of 15 months to implement the ruling.

The recent banana case between the EU and the United States brought WTO dispute–settlement implementation into sharp relief. The main parties to the case each undertook a course of action that the opposing party questioned. Specifically, the United States charged the EU with not implementing the changes called for by the panel, while the EU argued that the United States had no right to question the EU right to modify its banana policy as it saw fit. Each cited an article of the DSU as the basis for its stance. The informal view in Geneva, as reported at the Ottawa conference, is that certain articles of the DSU—specifically, DSU Articles 21 (Surveillance of Implementation of Recommendations and Rulings) and 22 (Compensation and the Suspension of Concessions)—are ambiguous as written. The language is sufficiently unclear that either side has a narrow way within which it can argue the logic of its interpretation.

Canada has recently made proposals regarding provisions of the DSU, and these changes could serve as the basis for reform of the WTO dispute–settlement system, particularly the issues of implementation of WTO rulings and compensation for noncompliance. The Canadian proposal calls for new, multilateral procedures to determine compliance with DS panel decisions. Another proposal calls for either the panelists in a case or the Appellate Body to determine whether a country has correctly implemented a ruling. Canada argues that enhanced compliance could be ensured by strengthening the DSU along these lines.

The Ottawa conference explored the issue of retaliation and the possible responses to noncompliance with a WTO dispute panel ruling. The conference considered questions such as: How is retaliation triggered? Is it prompted by a multilateral or unilateral determination? Are the time limits suggested by the DSU merely procedural, or are they substantive? These are some of the issues currently being examined as part of the ongoing review of the DSU.

The conference emphasized that the WTO DSU is an effort to avoid disputes. The DSU strives to minimize formal disputes, accentuate consultation, and encourage an ongoing dialogue between public, private, academic, and commercial interests. Dispute settlement cannot make up for the failure of negotiations. Scorecards are inappropriate and improper. As a major user of the WTO DS system, the Canadian aim is to continue the search for a rules–based system that is coherent, predictable, and multilaterally anchored. Although the system is working far better than its GATT predecessor, certain issues—both institutional and procedural—are beginning to accumulate. Institutional issues relate to such questions as developing country access to the WTO DS system, transparency, and public documents vs. the confidentiality of business information. Among the procedural issues are questions on the role of third parties, the ultimate authority of the Appellate Body, the settlement of cases prior to completion of the DS process, and the issue of sequential panels, that is, another complainant bringing a similar charge against a member, after a complaint is already in process. The issues will continue to be addressed during the DSU review period, scheduled to continue until July. However, it is entirely likely that continued questions regarding these proposals and others could become part of the new round, to be launched at the WTO Third Ministerial Conference in Seattle beginning November 30, 1999.

Preparation for Future WTO Trade Negotiations

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The Third Session of the Ministerial Conference of the World Trade Organization (WTO) is scheduled for November 30 to December 3, 1999, in Seattle, Washington. WTO Members are widely expected to launch a new round of multilateral trade negotiations at the conference, and during 1999 are discussing what subjects might be included in such negotiations.

Preparations for Third WTO Ministerial Conference

The Ministerial Declaration from the second Ministerial Conference of the World Trade Organization, held in May 1998 in Geneva, directed the General Council to meet in September 1998 and thereafter to prepare for the third Ministerial Conference. On September 24–25, 1998, the WTO General Council met to open discussion on what additional subjects might be included in trade negotiations scheduled to stem from the Seattle Conference. Virtually all countries speaking at the September meeting concurred that mandated negotiations set by the "built-in" agenda—notably on agriculture and services—should proceed as planned in 2000. Views were mixed, however, as to whether additional subjects should be included, whether a new round of multilateral trade negotiations should be launched and, if so, whether a new round should aim to be comprehensive. Among advocates for a new trade round, views differed as to which new subjects ought to be included.

Overall, developed-country and transition-economy Members considered that industrial tariffs, investment, competition policy, and regional trade agreements were likely candidates for negotiation in any new trade round, in addition to agriculture and services. On the other hand, a number of developing country Members considered that implementation of the current Uruguay Round Agreements was inadequate in many respects, such that new negotiations should await full implementation of already existing agreements. Other Members were simply unwilling to take on further commitments until their present obligations were more certainly under control. The delegate from India, in particular, expressed the view that the Uruguay Round Agreements had "failed" in a number of areas of interest to India where special treatment for developing countries appeared to go unhonored. In particular, India cited the subject of textiles, but also provisions in the Uruguay Round Agreements concerning balance-of-payments, sanitary and phytosanitary standards, subsidies, and services. India favored beginning the mandated negotiations as scheduled—agriculture in particular because of India's high priority on food security—but its delegate said that India was not prepared to endorse a new round of multilateral trade negotiations. A range of developing countries echoed caution about launching a new round of trade negotiations, including Colombia, Egypt, Guatemala, Jamaica, Pakistan, Sri Lanka, Tanzania, and Uganda.

First Preparatory Meeting on Uruguay Round Implementation

On October 26–27, 1998, the WTO General Council held the first formal preparatory meeting to plan for the third WTO Ministerial Conference, focusing on the status of implementation of the Uruguay Round Agreements. The United States was the sole delegation to circulate a paper in advance, setting out its preliminary views on Uruguay Round implementation concerns as well as possible solutions. Although India and Egypt circulated papers with their views on implementation issues during the session, contributions from most delegations including the European Union (EU) were negligible.

[5] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

Developing Country Member Views

A number of developing country Members did voice serious dissatisfaction with the implementation of the Agreement on Textiles and Clothing, charging that developed country Members were implementing the letter rather than the spirit of the agreement by integrating into the GATT only those textile product categories that gave no market–access improvement to developing countries' textile exports. Some added that antidumping action or discriminatory origin rules supplemented this protection. Overall, the discussion exhibited a division between developed and developing country Members that went beyond the standard issue of technical assistance, although India was alone in saying that the overall results of the Uruguay Round were inherently biased in favor of the developed countries and that a number of existing Uruguay Round Agreements warranted renegotiation. Whereas many countries criticized actions such as the use of antidumping measures in general, India alone criticized particular provisions such as the Agreement on Trade–Related Investment Measures ("TRIMS Agreement"), which it said should be reopened to permit developing countries to use local content requirements; the Antidumping Agreement, which it said should alter the special "standard of review" concerning antidumping duties[6]; or the Dispute Settlement Understanding (DSU), which India thought should automatically award developing countries a 3–year time period in which to implement dispute–panel recommendations in cases lost to developed countries.

Developed country Members ruled out renegotiation of existing agreements, but expressed sympathy for many of the implementation problems borne by developing country Members, pointing out the need for developing country Members to take up technical assistance available through the WTO Secretariat. Other countries complained about the lack of workable procedures to examine the consistency of regional trade agreements with GATT article XXIV, as well as the lack of agreed procedures for the operation of tariff–rate quotas (TRQs) in the case of agricultural trade.

[6] The special standard of review under the Antidumping Agreement provides that a WTO panel may not reevaluate the factual findings of a national authority's determination, if objective and unbiased, regardless of what other conclusion a WTO panel might reach.

Discussion of the Built-in Agenda

On November 23–24, 1998, the General Council discussed the "built–in agenda," so–called because of mandated negotiations and implementation reviews embedded in various Uruguay Round Agreements. The discussion focused mainly on possible recommendations to be forwarded to Ministers at the third Ministerial Conference for adoption and action, with the remainder focused on reviewing WTO agreements.

Agriculture

Regarding mandated negotiations on agriculture, the Cairns Group[7] members—representing 15 self–proclaimed nonsubsidizing agricultural exporters—raised issues of TRQ administration, domestic support measures, reduction of market–access barriers, and clarifying commitments made under the Agreement on Sanitary and Phytosanitary Measures ("SPS Agreement") and the WTO Agreement on Technical Barriers to Trade ("TBT Agreement"). Possible talks regarding agricultural biotechnology were also mentioned. The EU, Japan, Norway, Switzerland, and others with a sensitivity to agricultural imports, stressed the idea of the "multifunctionality" of agriculture. Several developing country Members—Egypt, India, and Peru—pointed out that negotiations on export subsidy reductions should take account of the impact on net food importing countries. Other mostly Central American and Caribbean countries suggested that developing countries should be permitted to use certain production subsidies not permitted to developed country Members.

At informal preparatory meetings held in April 1999, WTO Members focused the8r attention nearly exclusively on upcoming agricultural negotiations. Australia recalled its objective for the next round was to see the full integration of agriculture into the WTO on the same basis as industrial production, including the total elimination of all export subsidies in the

[7] The Cairns Group was formed in the mid–1980s as a group of 14 self–styled "fair trading" agricultural exporting nations, composed of Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Philippines, South Africa, Thailand, and Uruguay. Since then, Paraguay has joined to comprise 15 Cairns Group members.

agricultural sector. Australia's position was supported by a number of like–minded countries, including Argentina, the ASEAN countries, Brazil, Canada, Chile, New Zealand, Guatemala, and Uruguay. Delegations opposing this approach defended the "multifunctionality" of the agricultural sector and the need for certain policy instruments to foster non–trade concerns, countries such as Japan, Korea, Norway, and Switzerland. The EU reminded the Cairns Group that it would not agree to narrowing the scope of upcoming agriculture negotiations to preclude nontrade concerns. Developing countries such as the Dominican Republic, Egypt, Pakistan, and Sri Lanka, stressed the need for greater market access for their agricultural products.

Services

Regarding mandated negotiations on services, most Members supported further broadening and deepening of services commitments, meaning respectively additional service sectors and improved rules and market access. A number of Members called for the completion of the ongoing work on services rules, such as services safeguards measures. Pakistan raised the issue of movement of persons (i.e. labor mobility), which received support from India and other developing countries. Other delegations focused on reducing services exemptions from most-favored–nation (MFN) and national treatment, and better defining the services "modes of delivery" set out in the General Agreement on Trade in Services (GATS).

Additional Issues

India raised the issue that upcoming negotiations should begin as scheduled and focus solely on the "built–in agenda," with no linkage to other subjects as sought by other delegations looking for a "comprehensive" new trade round. In contrast, other countries called for a comprehensive round, including Australia, CEFTA (Central European) countries, Chile, Hong Kong China, Mexico, Norway, and Switzerland. Developing country Members of the Association of Southeast Asian Nations (ASEAN) took up the call to revisit the TRIMS Agreement phase–out of trade–distorting investment measures, whereas Pakistan called for a review of the Antidumping Agreement's special standard of review, the DSU provision regarding cross–retaliation, and the Appellate Body exceeding its mandate regarding participation by nongovernmental organizations in the dispute–settlement process. Others noted that the importance of ongoing work on trade and environment warranted its inclusion in future trade negotiations.

Informal Preparatory Sessions

On December 14 and 16, 1998, the General Council held informal meetings to prepare for the third Ministerial Conference. The discussion centered around recommendations to be made to the ministers in November 1999 regarding issues set out in the May 1998 Ministerial Declaration in paragraph 9. Paragraph 9 calls for the WTO General Council to establish a process that will permit full implementation of existing agreements and prepare for the "Third Session of the Ministerial Conference." The process envisioned under paragraph 9 will permit the "General Council to submit recommendations regarding the WTO's work program, including further liberalization sufficiently broad–based to respond to the range of interests and concerns of all Members, within the WTO framework." These submissions are to encompass—

- Under paragraph 9(a), recommendations concerning (i) implementation of existing agreements and decisions, (ii) negotiations already mandated at Marrakesh, (iii) future work already provided for under other existing agreements and decisions taken at Marrakesh;[8]
- Under paragraph 9(b), recommendations concerning other possible future work based on the Singapore work program;
- Under paragraph 9(c), recommendations on the followup to the High–Level Meeting on Least–Developed Countries; and
- Under paragraph 9(d), recommendations arising from consideration of other matters proposed and agreed to by members concerning their multilateral trade relations.

On January 27 and February 2, 1999, the General Council continued its informal meetings, ending the first phase of meetings designed to identify and discuss issues that might form the basis for recommendations to ministers at the third Ministerial Conference. Overall, three main topics were discussed: (1) the work program adopted at the first Ministerial Conference held in Singapore in December 1996, (2) issues not specifically identified in the May 1998 Ministerial Declaration, and (3) ideas on organization and

[8] The Uruguay Round negotiations were concluded in December 1993 and signed April 15, 1994 at the Marrakesh Ministerial Conference.

management of the remainder of the preparatory process for the third Ministerial Conference. Discussion of the Singapore Ministerial work program covered issues concerning trade and investment, trade and competition policy, trade facilitation, transparency in government procurement, core labor standards, industrial tariff negotiations, trade and environment, as well as other issues.

Trade and Investment

A number of Members supported a recommendation to ministers to pursue negotiations on a multilateral framework of investment rules—including Canada, Costa Rica, the EU, Japan, Mexico, New Zealand, Peru, Senegal, and Turkey. Others—including Australia, Brazil, Pakistan, the United States, Venezuela, and Zimbabwe—pointed out that it was too early to second guess possible recommendations forthcoming from the Singapore Working Group on Trade and Investment. No delegation appeared to strongly oppose initiation of such investment negotiations.

Trade and Competition Policy

Supported by Japan, the EU championed a recommendation that would begin negotiations on trade and competition policy as part of a comprehensive new round of multilateral trade negotiations. In general, others were cooler to negotiations on competition policy than on investment, believing that further study and discussion was warranted in the area of competition policy. Zimbabwe pointed out the special technical assistance needs that would be required for developing countries to take on such a complex area. Japan, Korea, and Mexico emphasized that negotiations regarding competition policy *per se* missed the point but rather that negotiations should reformulate existing GATT/WTO rules so as to inject competition policy concepts and principles.

Trade Facilitation

The EU also championed the idea of a comprehensive agreement on trade facilitation that would address issues such as harmonization of regulations, standards, documentation requirements, as well as others. Canada, New Zealand, and the United States supported additional work regarding trade facilitation provided that it complemented rather than delayed elements in this area that were already part of the WTO system.

Transparency in Government Procurement

Whereas a number of delegations—Canada, Korea, Mexico, New Zealand, Pakistan, Senegal, Turkey, Venezuela, and Zimbabwe—supported a call by the United States for an agreement on transparency in government procurement by the time of the third Ministerial Conference, they underscored the point that such an agreement would not in any way be a market–access agreement.

Core Labor Standards

The United States called for a recommendation to Ministers to establish a work program to examine trade issues related to labor standards, where Members might benefit from further information and analysis. The United States also suggested that the issue of labor standards might be included in the upcoming High–Level Meeting on Trade and Development. The EU noted that the WTO should cooperate more closely with the International Labor Organization (ILO) in this area. A number of delegations— ASEAN members, Cuba, Egypt, India, Mexico, Nigeria, and Pakistan—voiced opposition to discussion of labor standards, although rather less strongly than before.

Industrial Tariffs

Australia championed the call for a recommendation to Ministers to initiate broad industrial tariff negotiations as part of the next round, supported by Canada, the EU, Japan, Korea, New Zealand, Norway, and Switzerland. As the 1999 chair of the Asia–Pacific Economic Cooperation forum (APEC), New Zealand advocated prompt action on industrial tariffs following endorsement in November 1998 by APEC Ministers to refer tariff elements of the nine sectors involved in APEC's Early Voluntary Sectoral Liberalization (EVSL) Initiative[9] to the WTO. The EU stated its opposition to sectoral liberalization initiatives or sectoral exceptions and exemptions that undermined broad–based tariff negotiations.

[9] The EVSL is now known as the Advanced Tariff Liberalization (ATL) Initiative. Its nine sectors cover chemicals, energy goods and services, environmental goods and services, fish, forestry and paper products, gems and jewelry, medical equipment, telecommunications (through a mutual recognition agreement), and toys.

Trade and Environment

Canada championed a recommendation to Ministers to include environment issues across the board in new trade negotiations, an idea supported by Norway. In contrast, Cuba, Egypt, and India expressed satisfaction with the process currently underway in the Committee on Trade and Environment, calling it premature to consider negotiations on environmental issues.

Other Issues

Raising other issues, the United States put forward the idea of greater transparency and improved relations with nongovernmental organizations and intergovernmental organizations. The EU sought to expand coverage of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement"). Japan and Korea sought a recommendation to open negotiations to reform antidumping measures as well as to develop rules to help determine the consistency of regional trade agreements with GATT article XXIV. Egypt and Norway both expressed strong interest in the area of electronic commerce.

Second Preparatory Meeting

On February 25, 1999, the WTO General Council held the second formal preparatory meeting to organize for the third WTO Ministerial Conference. The WTO Secretariat first summarized preparatory work undertaken formally and informally since September 1998, and then proceeded to set out a proposed calendar of 1999 meetings for the second phase of preparatory meetings (see the preparatory meeting schedule following this article).

Views on Proposed Calendar and Negotiations

India continued to express its view of the fundamental imbalance in the Uruguay Round Agreements, saying how it would be difficult for India and other developing countries to consider undertaking new obligations given the failure to address India's concerns on current implementation of the Uruguay Round Agreements. The EU reiterated its view of the desirability for a comprehensive new round, including in particular negotiations on investment, competition policy, and trade facilitation. The EU identified two items as candidates for agreement at the third Ministerial Conference in November 1999: (1) binding all duties at zero for products from least developed countries, and (2) loosening WTO accession standards to speed up accessions by developing countries seeking to join the WTO, particularly the least developed countries. The CEFTA (Central European) members, Japan, Hong Kong China, Mexico, and Norway spoke in favor of a comprehensive trade round, while Australia, Canada, New Zealand, and the United States supported a round without it necessarily embracing all topics. India, Egypt, and Pakistan again argued against a comprehensive trade round. Canada and the United States identified WTO institutional reforms as an important objective for the third Ministerial Conference and beyond. Korea and Mexico identified antidumping reform as an issue for upcoming negotiations, and Korea also sought revised WTO rules on regional trade agreements.

Third Preparatory Meeting

On March 24, 1999, the WTO General Council held the first session opening the second phase of preparatory work undertaken for the third WTO Ministerial Conference.[10] The next formal preparatory meeting was re-scheduled for May 3-4, 1999, and the next informal meeting of the General Council was re-scheduled to May 10-11, 1999. During the meeting, delegations highlighted issues that foreshadowed proposals likely to be forthcoming, touching on agriculture, textiles, investment measures, antidumping, subsidies, services, intellectual property rights, and other issues.

Agriculture

Australia indicated it would likely submit a proposal on the structure and timeframe of the negotiations, supported by Argentina, Canada, Costa Rica, and New Zealand. The aim of the proposal would be the full integration of agricultural trade into the WTO on the same basis as industrial goods.

[10] The first phase, from September 1998 to February 1999, sought to gather initial ideas from Members. The second phase, from March through July 1999, seeks to organize these ideas into a form amenable to adoption and action by ministers at the third Ministerial Conference. The third phase from September until November is likely to be intensive final preparation and negotiations leading up to the opening of the conference on November 30, 1999.

Developing countries (as voiced by Egypt) and countries traditionally sensitive to agricultural imports (as voiced by Japan, Korea, Norway, Switzerland) again expressed the "multifunctionality" of agriculture in response.

Textiles and Clothing

Developing countries (such as Egypt, India, Pakistan) said they would submit proposals concerning the phaseout schedules of the Agreement on Textiles and Clothing.

Trade–Related Investment Measures

ASEAN members reiterated their call to extend the phaseout period for investment measures inconsistent with the GATT, as well as to revisit other basic precepts of the TRIMS Agreement.

Antidumping Measures

Proposals to reform antidumping rules are expected from countries such as the ASEAN members, Egypt, India, Japan, Korea, and Pakistan, focusing either on lifting the provision regarding the special standard of review or by injecting competition policy.

Subsidies

Several Central American and Caribbean Members (Cuba, El Salvador, Honduras, Nicaragua) argued for reforming the area of subsidies to allow developing country Members to use prohibited subsidies, a position supported by ASEAN members, Egypt, and India.

Services

Developing country Members indicated forthcoming submissions concerning the movement of natural persons (Egypt, Pakistan); domestic services regulation, the elimination of grey areas, as well as licensing and technical requirements (ASEAN members).

Intellectual Property Rights

Several Central American and Caribbean Members (Cuba, Dominican Republic, Honduras, Nicaragua) foreshadowed forthcoming proposals regarding the TRIPS Agreement. Some topics suggested might touch on conditions surrounding compulsory licensing, geographical indications, intellectual property protection for holders of "traditional knowledge," and provisions related to transfer of technology.

Other Issues

Egypt and India indicated forthcoming proposals regarding the SPS and TBT Agreements; Pakistan indicated a proposal concerning the Dispute Settlement Understanding; and Japan and Korea suggested proposals concerning systemic WTO rules as they apply to regional trade arrangements as deserving of future consideration.

Preparatory 1999 Meeting Schedule For The Third WTO Ministerial Conference

Jan. 27, Feb. 2	Informal sessions of the General Council.
Feb. 25	General Council in Special Session (Second Preparatory Meeting)—focus on organization and of the preparatory process for the third Ministerial Conference.
Mar. 24	General Council in Special Session (Third Preparatory Meeting)—focus on proposals regarding implementation of the URA, built–in agenda of negotiations, and other future WTO work already agreed in para. 9(a) of the Ministerial Declaration.
Apr. 12–13	Informal session of the General Council.
Apr. 22–23	General Council in Special Session—focus to be on proposals on the Singapore work program, least–developed countries, and "other matters" in para. 9(b)–(d) of the Ministerial Declaration (rescheduled at third preparatory meeting to May 3-4).
May 3–4	Informal session of the General Council.
May 20–21	General Council in Special Session—further discussion of proposals submitted regarding issues covered in para. 9 of the Ministerial Declaration.
June 7–8	Informal session of the General Council.
June 21–22	General Council in Special Session—focus to be on proposals regarding organization and management of the work program arising from recommendations to ministers, such as scope, structure and timeframes covered in para. 10 of the Ministerial Declaration.
July 6–7	Informal session of the General Council.
July 9	General Council in Special Session—further discussion of proposals submitted regarding issues covered in para. 9 and 10 of the Ministerial Declaration.
July 28–29	General Council in Special Session—further discussion of proposals submitted regarding issues covered in para. 9 and 10 of the Ministerial Declaration, as well as discussion of the organization of any future work plan.
Nov. 30–Dec. 1	Third Session of the Ministerial Conference of the WTO at Seattle, Washington.

Update on the U.S.-EU Thrd-Generation Mobile Phone Technology Debate: Who's Calling the Shots on Standards?

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This article updates an article on this topic that appeared in the January/February 1999 issue of this publication.

The European Union (EU) adopted the Decision on Universal Mobile Telecommunications (UMTS) on December 14, 1998. This decision deals with the implementation of standards for third–generation (3G) mobile communications. The United States has expressed two concerns: that the EU action might unduly influence the International Telecommunications Union (ITU) in its choice of a global standard, and that the adoption of a single mandatory EU standard could create market access barriers for U.S. mobile communications equipment vendors that have business interests in the EU. However, a preliminary decision regarding a global standard reached by the ITU in March 1999 may resolve this dilemma.

The World Trade Organization (WTO) Agreement on Technical Barriers to Trade prohibits the creation of exclusionary standards—such as standards for telecommunications—that create unnecessary barriers to trade. The United States believes that the EU should wait for a final global standard ruling for 3G mobile communications by the ITU (scheduled for December 31, 1999) before implementing an EU–wide standard. The ITU is a treaty organization of the United Nations that is coordinating global 3G standards by establishing recommendations that will allow the global intercompatibility of mobile communications. The ITU standard, called IMT–2000, seeks to minimize the number of radio interfaces and to maximize their commonalities.

The United States is concerned that domestic licensing activities in Europe (based on UMTS) could prejudice the ITU multilateral approval process toward adopting a single 3G standard based on UMTS rather than multiple or converged standards. The digital standards currently used for mobile communications in the United States differ from those of Europe and reflect differences in the standards–setting processes. The United States has left the responsibility for determining digital standards with industry. Although the laissez–faire U.S. approach to standards facilitates the ongoing development of improved technologies, this approach has delayed deployment of digital technology and resulted in a digital network comprised of three incompatible standards—(1) Code Division Multiple Access (CDMA), (2) Time Division Multiple Access (TDMA), the predominant digital standards in the United States, and (3) Global System for Mobile Communications (GSM). Roaming, the use of a mobile telephone outside the user's home service area, is possible only among networks that share the same standard, unless the subscriber uses one of the recently introduced multimode telephones.

Advocates of a U.S.–style multiple standard approach argue that the adoption of a single 3G standard would prevent the development of more efficient technologies and that the benefits of a single standard have been overstated. For example, the technology likely to be used in most 3G systems would not have been developed if the United States had chosen a single standard during the 1980s. Further, the growing availability of multimode phones will increasingly link networks using different standards, making these differences invisible to users.

In Europe, the European Telecommunications Standards Institute (ETSI) was created to develop a single EU–wide digital standard. The GSM standard, which resulted from ETSI's efforts, was adopted as an EU–wide standard in the late 1980s. The rapid

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development of an acceptable standard allowed Europe to design and build a GSM digital mobile communications network long before the United States. In fact, more than 90 percent of European mobile subscribers use the more advanced digital technology, while two–thirds of U.S. mobile telephone subscribers still communicate using analog technology. The creation of a large domestic market for digital mobile communications based on a common standard provided the major European manufacturers of this equipment with significant economies of scale, which have lowered production costs. Competitive prices combined with proven technology have given GSM an advantage in many global markets over the major competing digital technologies. Largely because of these factors, GSM is by far the most widely used digital standard globally.

The EU hoped to match its success with GSM by taking the same approach with the new UMTS and adopting a single EU–wide standard that has the potential to become the world standard for 3G mobile telephony. The new standard is called Wideband CDMA (W–CDMA). This new generation of mobile telephones will provide regular telephony as well as enhanced multimedia features such as Internet access, faxing capability, Email, and audio–visual. However, W–CDMA technology is not backward compatible with the CDMA systems used in the United States or with other mobile phone technology.

The EU adoption of UMTS as a European standard prompted a strong reaction from U.S. Government officials. Secretary of State Madeline Albright, United States Trade Representative Charlene Barshefsky, Secretary of Commerce William Daley, and Federal Communications Commission Chairman William Kennard stressed the importance of abiding by the six key principles of standardization in a December 1998 letter to Martin Bangemann, the EU Commissioner for Industrial Affairs and Information and Telecommunications Technologies. These principles were—

- Minimal government regulation;
- Reliance on market forces;
- Interoperability of networks;
- Continued government talks on frequency allocation and licensing consistent with ITU recommendations;
- Recognition of operator requirements for evolution of current systems to meet ITU recommendations; and
- Facilitation of open, global standards to support greater reciprocal acceptance of standards developed by other regions.

These officials expressed their support for a new standard achieved by market–driven approaches as well as a standard harmonized to the fullest extent. Their letter expressed concern for possible "government–driven industrial policy considerations" in lieu of "legitimate commercial or technical requirement" considerations. The United States is immediately concerned with service provider licenses that EU member states will begin issuing this year. The aforementioned trade officials wish to see regulatory flexibility that will best serve customers' needs rather than limit the choice of technologies and radio spectrum.

Commissioner Bangemann responded to these concerns in a January 1999 letter to Secretary Albright stating that the EU's early adoption of UMTS was intended to allow EU companies to launch 3G services as soon as possible. He also stated that the EU allows industry and market forces to determine global standards. The EU claims that UMTS is not limiting and that other standards may be used through licenses obtained through appropriate national licensing procedures. Furthermore, the EU maintains that while the UMTS does not provide for backward compatibility, the EU encourages the coexistence of different systems in order to support interoperability efforts.

The United States supports a multistandard approach to licensing. According to U.S. officials, and despite EU claims, the EU does not have such a clear multistandard approach, especially in its newly adopted UMTS. The EU maintains that technical specifications have not been made and will only be made in accordance with ITU guidelines. Finnish and Dutch telecommunications officials have begun the licensing process based on UMTS guidelines and have noted that U.S. standards have not been excluded from the bidding process. The United States remains concerned about the low level of interoperability the EU standard will offer, and that such a minimum interoperability will favor European technology over U.S. technology as a global standard. However, a preliminary decision by the ITU in March, which follows a similar recommendation by the TransAtlantic Business Dialogue (a U.S.–EU industry–led organization that attempts to achieve consensus on issues and specific actions for their respective governments to take to facilitate bilateral trade and investment), provides for a single flexible standard with a choice of multiple access methods. Those multiple access methods include include W–CDMA (supported primarily by

European mobile communications manufacturers), CDMA2000 (backed by a North American group led by Qualcomm), and TDMA (supported by groups such as the Universal Wireless Communications Consortium, which includes AT&T Wireless and BellSouth Cellular).

U.S. TRADE DEVELOPMENTS

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The U.S. Department of Commerce (*Commerce News* FT–900 99–03) reported that seasonally adjusted U.S. exports of goods and services of $77.5 billion and imports of $97.2 billion in March 1999 resulted in a U.S. goods and services trade deficit of $19.7 billion, approximately $600 million more than the February 1999 deficit of $19.1 billion. Exports of goods increased to $54.9 billion from $54.4 billion in February, but imports of goods increased to $81.3 billion from $80.3 billion. For services, exports increased to $22.6 billion, and imports were up slightly to $15.9 billion resulting in a surplus of $6.8 billion—virtually unchanged from the previous month. More detailed information on U.S. trade developments in January–March 1999, are highlighted in tables 1 and 2 and figures 1 and 2.

U.S. exports of services increased to $22.6 billion in March from $22.4 billion in the previous month, and imports increased to $15.9 billion from $15.7 billion. The services trade surplus remained virtually unchanged at $6.8 billion in February and March 1999. More detailed information on U.S. trade in services during the first quarter of 1999 compared with the first quarter of 1998 is presented in table 3.

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Table 1
U.S. trade in goods and services, seasonally adjusted, April-May 1999

(Billion dollars)

	Exports		Imports		Trade balance	
Item	Apr. 1999	May 1999	Apr. 1999	May 1999	Apr. 1999	May 1999
Trade in goods (see note)						
Current dollars:						
Including oil	55.1	54.3	80.7	80.0	-25.6	-25.7
Excluding oil	55.5	54.8	75.7	76.1	-20.2	-21.3
Trade in services:						
Current dollars	22.9	22.7	16.3	16.0	6.6	6.7
Trade in goods and services:						
Current dollars	78.0	77.1	97.0	96.0	-19.0	-18.9
Trade in goods (Census basis)						
1992 dollars	75.2	73.1	106.3	103.5	-31.1	-30.4
Advanced-technology products(not seasonally adjusted)	16.1	18.0	13.7	14.5	2.4	3.5

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau.The major adjustments on BOP basis exclude military trade, but include nonmonetary gold transactions and estimates of inland freight in Canada and Mexico not included in the Census Bureau data. Because of rounding details may not add to totals shown.

Source: U.S. Department of Commerce News (FT 900), June 17,1999.

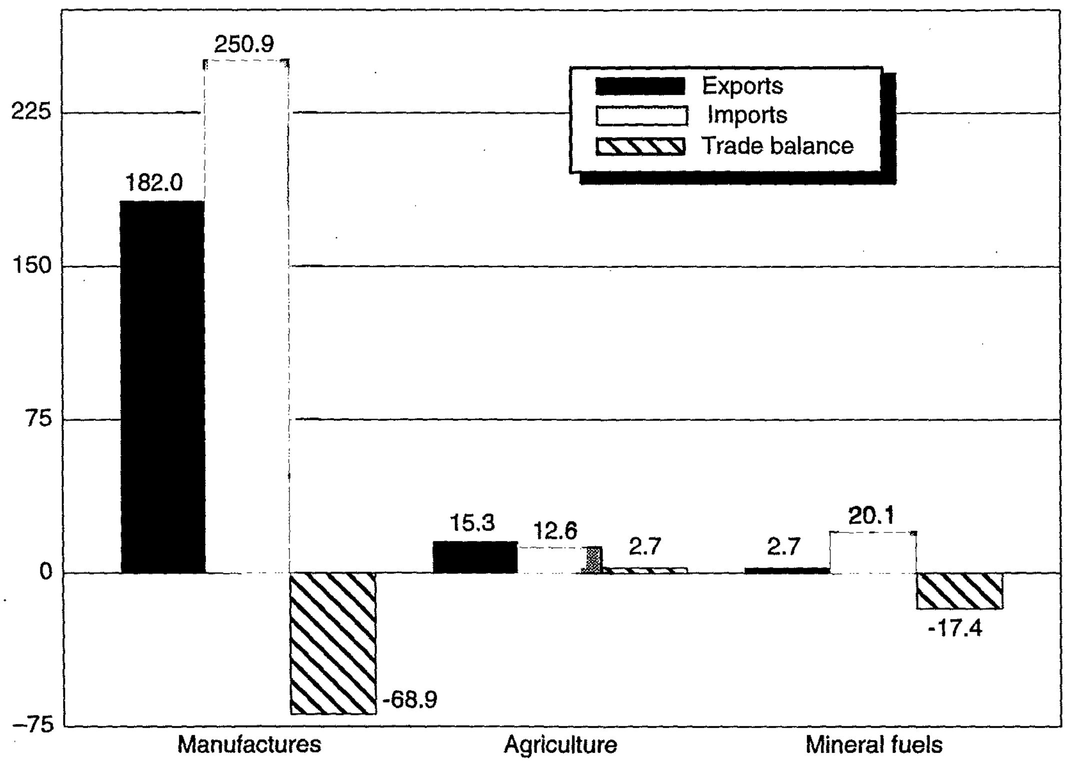
Table 2
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1998-April 1999

	Exports		Change Jan-Apr. 1999 over Jan.-Apr. 1998	Share of total, Jan.-Apr. 99	Trade balances	
	April 1999	Jan.-Apr. 1999			Jan-Apr. 1999	Jan.-Apr. 1998
	Billion dollars		*Percentage*		*Billion dollars*	
ADP equipment & office machinery	3.1	13.3	-2.3	5.8	-12.7	-10.8
Airplanes	2.9	11.7	17.0	5.2	9.4	8.3
Airplane parts	1.3	5.2	10.6	2.3	3.2	2.9
Electrical machinery	6.0	23.6	7.8	10.6	-2.8	- 4.5
General industrial machinery	2.6	9.9	-2.9	4.4	-0.5	0.5
Iron & steel mill products	0.4	1.6	-20.0	0.7	-2.6	- 3.1
Inorganic chemicals	0.4	1.4	-12.5	0.6	0.0	-0.2
Organic chemicals	1.2	4.8	-9.2	2.1	-0.1	-0.3
Power-generating machinery	2.6	10.1	9.8	4.5	-0.1	0.2
Scientific instruments	2.1	8.2	-2.4	3.7	2.8	3.5
Specialized industrial machinery	2.1	7.8	-19.6	3.5	0.2	1.7
Televisions, VCRs, etc	1.9	7.6	-2.6	3.4	-5.7	-4.3
Textile yarns, fabrics and articles	0.8	3.0	-3.2	1.3	-1.3	-1.1
Vehicle parts	5.0	18.1	-9.0	8.1	-29.0	-19.6
Manufactured exports not included above	14.4	56.0	-3.6	25.0	-47.9	-38.1
Total manufactures	46.8	182.0	-1.7	81.4	-89.5	-65.7
Agriculture	3.8	15.3	-15.5	6.8	2.7	5.5
Other exports not included above	6.5	26.3	0.8	11.8	-0.1	-2.9
Total exports of goods	57.1	223.6	-2.5	100.0	-86.7	-63.1

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

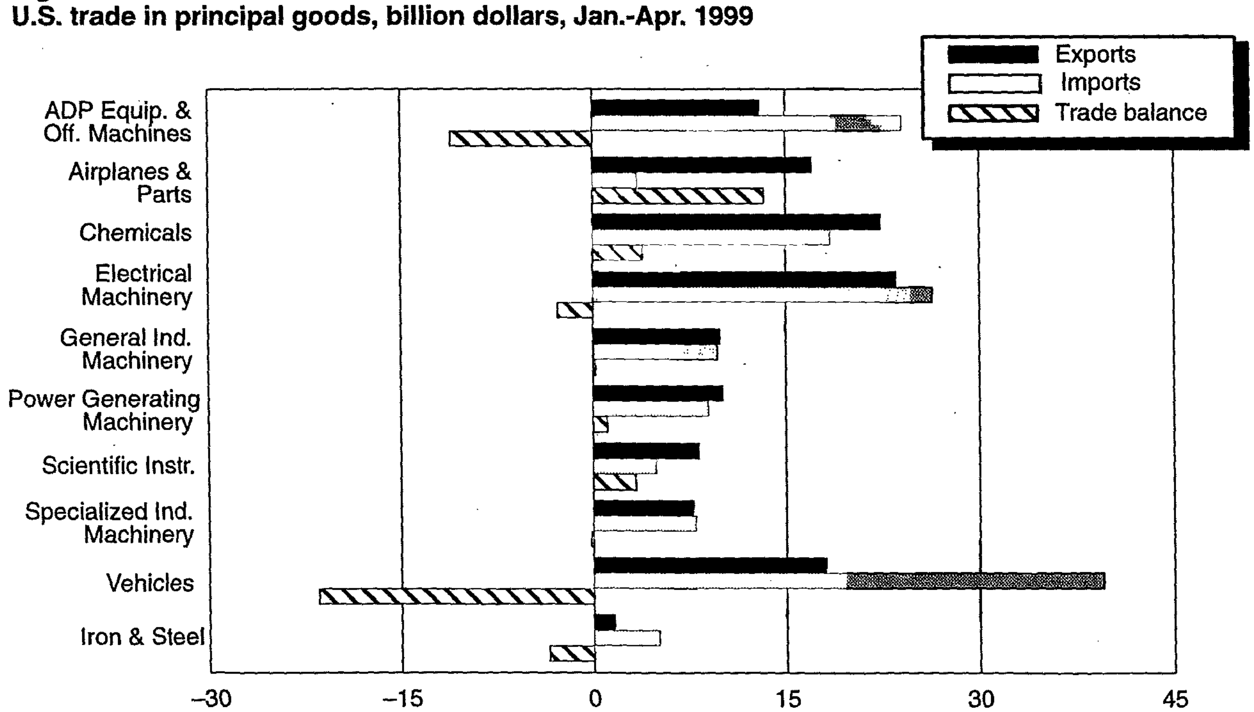
Source: U.S. Department of Commerce News (FT 900), June 17 1999

Figure 1
U.S. trade by major commodity, billion dollars, Jan.-Apr. 1999



Source: U.S. Department of Commerce.

Figure 2
U.S. trade in principal goods, billion dollars, Jan.-Apr. 1999



Source: U.S. Department of Commerce.

Table 3
Nominal U.S. exports and trade balances of services, by sectors, Jan.1998–Apr. 1999, seasonally adjusted

	Exports Jan. Apr. 1999	Exports Jan. Apr. 1998	Change Jan.-Apr. 1999 over Jan.-Sept. 1998	Trade balances Jan. Apr. 1999	Trade balances Jan. Apr. 1998
	Billion dollars		*Percent*	*Billion dollars*	
Travel	24.3	24.3	0.0	4.6	5.8
Passenger fares	6.6	6.7	-1.5	-0.4	0.4
Other transportation	8.9	8.5	4.7	-1.6	-1.4
Royalties and license fees	12.6	11.9	5.9	8.4	8.0
Other private sales	32.3	30.1	7.3	15.7	14.9
Transfers under U.S. military sales contracts	5.7	6.2	-8.1	0.9	2.1
U.S. Govt. miscellaneous service	0.3	0.3	0.0	-0.7	-0.6
Total	90.7	88.0	3.1	26.9	29.2

Note.—Services trade data are on a balance–of–payments (BOP) basis.Numbers may not add to totals because of seasonal adjustment and rounding.
Source: U.S. Department of Commerce News (FT 900), June 17, 1999

Table 4 presents data showing U.S. trade patterns with major trading partners and regions for March 1999 and the first quarters of 1999 and 1998. The data show that the United States recorded trade surpluses with Australia, Argentina, Brazil, and Egypt. Deficits were recorded with Japan, China, Canada, the OPEC countries, Mexico, and both the European Union and the euro zone countries.

January–March 1999 U.S. exports of goods and services totaled $231.4 billion, down from $236.2 billion in January–March 1998. Imports of goods and services totaled $287.1 billion, up from $271.6 billion The first quarter 1999 deficit on goods and services increased by 57.4 percent to $55.7 billion from $35.4 billion in the same quarter of 1998.

January–March 1999 U.S. exports of goods totaled $164.4 billion, down from $171.2 billion in January–March 1998. Imports of goods totaled $240.1 billion, up from $227.2 billion in January–March 1998. The first quarter 1999 trade deficit on goods rose by 35.2 percent to $75.7 billion from $56.0 billion in the same quarter of 1998.

As to services, U.S. exports in January–March 1999 increased to $67.0 billion from $65.0 billion in the same quarter of 1998. The U.S. surplus on services trade decreased slightly to about $20.0 billion from $20.7 billion in the same quarter of 1998.

Table 4
U.S. exports and imports of goods with major trading partners, Jan. 1998-Apr. 1999

(Billion dollars)

Country/areas	Exports			Imports			Trade Balances	
	Apr. 1999	Jan.-Apr. 1999	Jan.-Apr. 1998	Apr. 1999	Jan.-Apr. 1999	Jan.-Apr. 1998	Jan.-Apr. 1999	Jan.-Apr. 1998
Total	57.1	223.6	229.4	80.0	310.3	292.5	-86.8	-63.1
North America	20.6	79.4	79.5	24.6	96.3	87.7	-16.8	-8.2
Canada	13.9	54.0	53.5	16.1	63.2	57.6	-9.2	-4.0
Mexico	6.7	25.4	26.0	8.4	33.1	30.1	-7.7	-4.1
Western Europe	14.2	56.0	54.9	17.1	65.7	60.8	-9.7	-5.9
Euro Area	9.0	36.2	35.3	11.5	44.8	41.2	-8.6	-5.9
European Union (EU-15)	12.08	51.9	50.8	15.7	60.5	55.7	-8.7	-4.9
France	1.6	6.6	6.3	2.1	8.2	7.4	-1.5	-1.1
Germany	2.3	9.3	8.6	4.5	17.0	15.8	-7.7	-7.2
Italy	1.1	3.4	3.1	1.8	7.0	6.7	-3.6	-3.6
Netherland	1.6	6.4	6.6	0.7	2.5	2.4	3.9	4.2
United Kingdom	3.2	13.2	13.2	3.2	12.1	11.2	1.0	2.0
Other EU	0.8	3.9	3.5	1.2	4.7	3.9	-0.8	-0.4
FSR/Estern Europe	0.6	1.8	2.7	1.1	3.5	3.4	-1.7	-0.6
Russia	0.1	0.4	1.4	0.7	1.9	1.8	-1.5	-0.5
Pacific Rim Countries	14.1	54.7	56.3	27.4	107.1	103.0	-52.4	-46.7
Australia	0.9	3.4	4.1	0.4	1.5	1.7	1.9	2.4
China	1.1	3.8	4.3	5.8	22.3	20.1	-18.4	-15.8
Japan	4.8	19.5	19.9	10.5	41.6	40.7	-22.1	-20.8
NICs[1]	5.8	21.7	20.7	7.2	28.1	27.1	-6.3	-6.5
South/Central America	4.6	18.0	21.0	4.6	16.9	16.4	1.1	4.6
Argentina	0.4	1.5	1.9	0.2	0.8	0.8	0.7	1.1
Brazil	1.1	4.1	4.7	0.9	3.3	3.1	0.8	1.6
OPEC	1.4	6.8	8.7	3.2	10.61	11.81	-3.8	-3.1
Other Countries	2.3	9.1	9.5	3.9	15.7	15.7	-6.6	-6.1
Egypt	0.3	1.0	1.0	0.1	0.2	0.2	0.8	0.7
South Africa	0.2	0.8	1.0	0.2	1.0	1.0	-0.1	-0.1
Other	1.8	7.3	7.6	3.6	14.5	14.4	-7.2	-6.9

[1] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.
FSR = Former Soviet Republics.

Note.—Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds, and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 900), June 17, 1999.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Performance Relative to Other Group of Seven Members

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A comparison follows of U.S. economic growth, industrial growth, prices, and employment with other Group of Seven (G-7) members. The Statistical Appendix provides more detailed economic data.

Economic Growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 prices—grew at an annual rate of 6.1 percent in the fourth quarter of 1998. Real GDP increased by 3.9 percent in 1998, from the 1997 annual level. According to the OECD (*Main Economic Indicators*, April 1999), the annual rate of real GDP growth[14] in 1998 was 3.1 percent in France, 3.0 percent in Canada, 2.7 percent in the United Kingdom, 1.5 percent in Italy, and -2.6 percent in Japan.

Trade

The United States recorded a merchandise trade deficit of $248 billion in 1998. The United Kingdom, the only other G-7 country with a merchandise trade deficit, recorded a trade deficit of $43.2 billion in the third quarter of 1998, nearly double the $25 billion trade deficit it registered in the third quarter of 1997.

[13] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

[14] GDP calculated at 1990 prices and 1990 exchange rates.

Industrial production

The Federal Reserve Board reported that U.S. industrial production was unchanged in January 1999. Manufacturing output increased by 0.1 percent and utility output increased by 0.2 percent. Total industrial production in January 1999 was 1.7 percent higher than in January 1998. Manufacturing output was 2.2 percent higher than in January 1998. Total industrial capacity utilization fell by 0.3 percentage point in January 1999, but was 4.9 percent higher than in January 1998.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending December 1998, the United Kingdom reported an increase of 0.1 percent, Germany reported a decrease of 0.3 percent, Japan reported a decrease of 6.4 percent, and Italy reported a decrease of 3.9 percent. For the year ending November 1998, Canada reported 2.2-percent increase, and France reported a 4.8-percent increase.

Prices

The seasonally adjusted U.S. consumer price index (CPI) rose 0.1 percent in January 1999, the same as in December 1998. For the 12-month period ended in January 1999, the CPI has increased by 1.7 percent. During the 1-year period ending January 1999, prices increased by 2.4 percent in the United Kingdom. During the 1-year period ending December 1998, prices increased by 1.0 percent in Canada, 0.3 percent in France, 0.5 percent in Germany, 1.5 percent in Italy, and 0.6 percent in Japan.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate remained virtually unchanged in January 1999 at 4.3 percent. In January 1999, the number of nonfarm payroll jobs increased by 245,000 about in line with the average for the prior 12 months. Services added 114,000 jobs and employment in business services increased by 48,000 jobs in January 1999, but the number of manufacturing jobs declined. In other G–7 countries, their latest unemployment rates were 7.8 percent in Canada, 11.5 percent in France, 10.6 percent in Germany, 12.3 percent in Italy, 4.3 percent in Japan, and 6.2 percent in the United Kingdom.

Summary of U.S. Economic Conditions

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Strong domestic demand, rising labor productivity and declining unit labor costs have kept the U.S. economy expanding at an impressive pace, with inflation essentially subdued. According to the Department of Commerce (Bureau of Economic Analysis, *News Release*, BEA–99–14, May 27, 1999), personal consumption and fixed investment expenditures were the major contributors to strong growth of the U.S. gross domestic product (GDP) of 4.1 percent (at an annual rate[16]) during the first quarter of 1999. This increase in real GDP in the first quarter was lower than the 6.0 percent increase of the previous quarter, but was higher than many observers expected.

Real personal consumption expenditures increased by 6.8 percent in the first quarter of 1999, following an increase of 5.0 percent in the previous quarter. Real residential fixed investment expenditures increased by 15.4 percent in the first quarter of 1999, following an increase of 10.0 percent in the fourth quarter, and real nonresidential fixed investment expenditures increased by 7.9 percent following an increase of 14.6 percent in the fourth quarter of 1998.

Despite such strong growth rates, inflation (as measured by the price index for gross domestic purchases—measuring prices paid by U.S. residents) increased slightly by 1.1 percent in the first quarter of 1999, following an increase of 0.9 percent in the fourth quarter of 1998

GDP growth would have been higher had the contributions of these two components not been partially offset by the decline in exports and the increase in imports. Real exports of goods and services decreased by 6.8 percent in the first quarter of 1999 to $992.0 billion from $1,009.6 billion in the fourth quarter of 1998. Imports of goods and services increased by 14.2 percent to $1,302.1 billion in the first quarter of 1999 from $1,259.6 billion in the fourth quarter of 1998. The U.S. trade deficit on goods and services rose to $310.1 billion in the first quarter of 1999 from $250.0 billion in the previous quarter.

Although the rising merchandise trade deficit represented a drag on U.S. economic growth, cheaper imports, partly because of appreciation of the dollar against several Asian currencies, are helped restrain inflation and improve U.S. household buying power. Consumer spending, accounting for approximately two–thirds of real GDP, has been a major driving force of U.S. economic growth over the past 9 years. Consumer optimism has been underpinned by strong economic fundamentals—the lowest U.S. jobless rate in almost 30 years; favorable financial conditions (in the form of low interest rates, equity price gains, and credit availability); and gains from stock market earnings. The Conference Board's May 1999 index of consumer confidence rose for the seventh consecutive month by 0.9 percent from April 1999.

There are also encouraging signs that the industrial sector is regaining strength. The index of industrial production rose by 0.7 percent in March 1999 and by 0.4 percent in April 1999 after being virtually flat between October 1998 and February 1999. Profitability in several major industries has been rising, as labor productivity gains keep unit labor costs at bay. Recent data released by the U.S. Department of Commerce on corporate profits show that profits from current production (profits before tax with inventory valuation and capital consumption adjustments) increased in the first quarter of 1999 following a decline in the fourth quarter of 1998. U.S. labor productivity gains in the business and non–farm business sectors led to the moderation of unit labor costs, despite rising employment. According to a recent news release of the U.S. Bureau of Labor Statistics (*Quarterly Labor Productivity*, June 8, 1999), productivity in the business sector grew strongly by 4.1 percent and by 3.5 percent in the nonfarm business sector in the first quarter of 1999 from the previous quarter. In manufacturing, productivity grew by 6.2 percent and by 8.7 percent in durable goods manufacturing in the first quarter of 1999. Also in the first quarter of 1999, unit labor costs increased by 0.9

[15] The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission or any individual Commissioner.

[16] Quarterly estimates are seasonally adjusted at annual rates.

percent in the business sector and by 0.7 percent in the non–farm business sector, but declined by 1.1 percent in manufacturing and by 3.4 percent in durable manufacturing.

In the foreign sector, the growing deficit on the current account reached $233 billion in 1998 or about 2.7 percent of GDP. Net foreign capital inflows for direct investment in the United States more than doubled to $196.2 billion in 1998, from $93.4 billion inflows in 1997. A large share of foreign capital inflows has taken the form of foreign direct investment in U.S. businesses. Also, a significant portion of U.S. imports are capital goods destined to boost hi–tech investment.

Forecasts

Six major forecasters expect real growth in the United States to average about 2.8 percent (at an annual rate) in the second quarter of 1999, and to range from 2.9 percent to 3.0 percent in the second half of the year. Table 5 shows macroeconomic projections for the U.S. economy from January to December 1999, 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.

Table 5
Projected changes in U.S. economic indicators, by quarters, January–December 1999
(Percentage)

Period	Confer-ence Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Macro Economic Advisers	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1999:							
Jan.–Mar	6.0	6.0	6.6	4.0	6.0	6.0	5.8
Apr.–June	4.1	3.8	3.5	4.8	4.4	5.9	4.4
July–Sept.	5.7	3.9	5.4	4.1	3.7	4.9	4.6
Oct.–Dec	5.6	4.4	5.0	4.1	4.1	4.3	4.6
Annual average	5.4	4.5	5.1	4.3	4.6	5.3	4.9
	GDP constant (chained 1992) dollars						
1999:							
Jan.–Mar	4.5	4.5	4.5	3.5	4.5	4.5	4.3
Apr.–June	2.6	2.2	2.4	3.4	2.8	3.5	2.8
July–Sept.	3.9	2.1	3.6	3.3	2.0	3.2	3.0
Oct.–Dec.	4.0	2.6	2.4	3.7	2.0	2.5	2.9
Annual average	3.8	2.9	3.2	3.5	2.8	3.4	3.3
	GDP deflator index						
1999:							
Jan.–Mar	1.4	1.4	2.1	0.5	1.4	1.3	1.4
Apr.–June	1.4	1.4	1.1	1.4	1.4	1.2	1.3
July– Sept.	1.8	1.8	1.7	0.7	1.5	1.7	1.5
Oct.–Dec.	1.4	1.6	2.5	0.4	2.1	1.7	1.6
Annual average	1.5	1.6	1.9	0.8	1.6	1.5	1.5
	Unemployment, average rate						
1999:							
Jan.–Mar.	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Apr.–June	4.2	4.3	4.1	4.2	4.2	4.0	4.2
July– Sept.	4.1	4.4	4.2	4.1	4.2	4.1	4.2
Oct.– Dec.	4.1	4.5	4.5	4.0	4.2	4.3	4.3
Annual average	4.2	4.4	4.3	4.2	4.2	4.2	4.2

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, May1999.

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

STATISTICAL TABLES

Merchandise trade balances of G-7 countries, by specified periods, 1995-99

(Billion U.S. dollars, exports less imports [f.o.b - c.i.f], at annual rates)

Country	1995	1996	1997	1998 II	1998 III	1998 IV	1999 I	1999 Apr
United States	-158.8	-170.2	-181.8	-224.4	-280.1	-271.2	-255.2	-274.8
Japan	106.0	68.2	82.4	114.0	107.3	122.8	126.7	125.6
Canada[3]	26.8	31.7	19.4	10.3	15.2	11.2	14.2	15.8
Germany	63.6	65.5	73.1	80.4	79.2	79.2	75.7	76.4
United Kingdom	-22.4	-24.3	-26.5	-36.7	-43.2	([2])	-37.5	-39.7
France	20.0	17.8	30.2	26.4	31.6	23.6	([2])	24.2
Italy	27.6	43.9	38.3	30.0	31.3	([2])	27.4	25.5

[1] Figures are on Census basis and 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] Not available.
[3] Imports are f.o.b.

Source: U.S. Department of Commerce, *Advance Report on U.S. Merchandise Trade*, June 17,1999, and Organization for Economic Cooperation and Development (OECD), *Main Economic Indicators;* several issues.

Indexes of industrial production of G-7 countries, by specified periods, Jan. 1995-Apr. 1999

(Total industrial production, 1990=100)

Country	1995	1996	1997	1998 III	1998 IV	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.
United States	115.8	119.8	125.8	133.0	134.0	133.9	134.0	134.2	135.4
Japan	96.2	98.5	101.9	92.1	91.4	92.1	91.5	94.0	([1])
Canada[2]	113.2	114.7	120.7	123.0	124.5	125.9	125.8	([1])	([1])
Germany	97.2	97.6	101.1	110.5	108.0	109.7	107.1	([1])	([1])
United Kingdom	106.4	107.5	108.4	104.3	103.2	102.8	102.7	102.9	([1])
France	99.6	99.8	103.6	108.8	108.6	108.0	107.5	108.4	([1])
Italy	107.9	104.8	107.7	110.2	108.9	109.1	108.3	109.8	([1]).

[1] Not Available.
[2] Real domestic product in industry and factor cost and 1986 prices.

Source: OECD, *Main Economic Indicators*, Sept. 1998, and Federal Reserve Statistical Release, May 14, 1999.

Consumer prices of G-7 countries, by specified periods, Jan. 1995- May 1999

(Percentage change from same period of previous year)

				1998				1999				
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**
United States	2.8	3.0	2.3	1.5	1.6	1.6.	1.5	1.7	1.6	1.7	2.3	2.1
Japan	-0.1	0.2	1.7	2.0	0.3	-0.2	0.5	0.2	-0.1	-0.4	-0.1	-0.4
Canada	1.7	1.6	1.6	1.0	1.0	0.9	1.1	0.6	0.7	1.0	1.7	1.6
Germany	1.7	1.4	1.7	1.1	1.3	0.8	0.6	0.3	0.2	0.5	0.7	0.4
United Kingdom	3.4	2.4	3.1	3.4	4.0	3.3	3.0	2.4	2.1	2.1	1.6	1.3
France	1.7	2.0	1.2	0.7	1.0	0.7	0.4	0.4	0.3	0.4	0.4	0.4
Italy	5.2	3.9	2.0	2.0	2.0	2.0	1.7	1.4	1.3	1.4	1.6	1.7

[1] Not available.

Source: U.S. Department of Labor, *Consumer Price Indexes, Nine Countries*, July 2, 1999.

Unemployment rates (civilian labor force basis)[1] in G-7 countries, by specified periods, 1995-98

Country	**1995**	**1996**	**1997**	**1998**	**1999–IQ**
United States	5.6	5.4	4.9	4.5	4.3
Japan	3.2	3.4	3.4	4.1	4.7
Canada	9.5	9.7	9.2	8.3	7.8
Germany	6.5	7.2	7.8	7.5	7.2
United Kingdom	8.7	8.2	7.0	([2])	6.3
France	11.8	12.5	12.4	11.8	11.4
Italy	12.0	12.1	12.3	12.3	12.3

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

Source: U.S. Department of Labor, *Unemployment Rates in Nine Countries*, June 4,1999.

U.S. trade balances by major commodity categories and by specified periods, Jan. 1995 - Apr. 1999

(Billion dollars)

Commodity categories	1995	1996	1997	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.
Agriculture	25.6	26.7	20.5	1.7	1.6	0.8	1.6	0.6	0.5
Petroleum and selected products (unadjusted)	-48.8	-60.9	-65.5	-2.8	-2.7	-2.8	-2.8	-3.0	-4.1
Manufactured goods	-173.5	-175.9	-179.5	-21.7	-19.6	-20.2	-19.6	-24.8	-22.4
Unit value of U.S. imports of petroleum and selected products (unadjusted)	$15.83	$18.98	$17.67	$10.81	$ 9.43	$9.19	$9.43	$10.43	$12.71

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

Source: U.S. Department of Commerce, *Advance Report on U.S. Merchandise Trade*, July 17, 1999.

WORKING PAPERS

The following is a list of recent Office of Economics working papers. Copies of unpublished papers which are currently available can be obtained from the Office of Economics. Please request working papers by reference code, title, and author. All requests to the Office of Economics, U.S. International Trade Commission, 500 E Street, S.W., Washington, DC 20436, USA, or by fax at (202) 205–2340. (* indicates nonstaff member.)

Reference Code	Title	Author
1999		
98–09–A	The Income Elasticity of Trade: Theory, Evidence, and Implications	Peter Pogany and William A. Donnelly
98–03–A	Trade, Trade Policy, and Productivity Growth In OECD Manufacturing	Nancy Benjamin and Michael Ferrantino
1997		
97–09–A	Liberalizing Services Trade in APEC	Nancy Benjamin and *Xinshen Diao.
97–06–A	Integration and Competitiveness in the Americas: A General Equilibrium Model for Analysis	Nancy Benjamin and Peter Pogany
97–04–A	R & D Activity and Acquisitions in High Technology Industries	*Bruce A. Blonigen and Christopher T. Taylor
97–02–A	The Effect of U.S. MFN Status on China	Hugh M. Arce and Christopher T. Taylor
97–02–B	APEC: Organization, Goals and Approach Diane L. Manifold	
98-09-A	The Income Elasticity of Trade: Theory, Evidence, and Implications	Peter Pogany and William A. Donnelly
98-03-A	Trade, Trade Policy, and Productivity Growth In OECD Manufacturing	Nancy Benjamin and Michael Ferrantino