INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

Washington DC
20436

March 1991

In This Issue:

UNITED STATES
INTERNATIONAL
TRADE COMMISSION

OFFICE OF ECONOMICS

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The *International Economic Review* is a monthly staff publication of the Office of Economics, U.S. International Trade Commission. The opinions and conclusions it contains are those of the authors and do not necessarily reflect the views of the Commission or of any individual Commissioner. The *Review* is produced as part of the Commission's international trade monitoring program. Its purpose is to keep the Commission informed about significant developments in international economics and trade, and to maintain the Commission's readiness to carry out its responsibility to provide technical information and advice on international trade matters to policymakers in the Congress and the Executive branch. The *Review* is available to Government officials outside the Commission on a request basis. Inquiries or comment on items appearing in the *Review* may be made directly to the author, or to:

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

The U.S. Department of Labor reported that productivity of U.S. workers declined by 0.8 percent in 1990, the steepest decline since 1982. U.S. productivity declined by 0.7 percent in 1989. In contrast, productivity gains averaged 1.6 percent a year over the period 1982-89 and 2.5 percent per year during the 1950s and the 1960s. Productivity loss may be due to a number of factors, such as declining labor skills, declining rates of investment in modernizing old plants and equipment, or growth in low-productivity sectors such as services. In the manufacturing sector, productivity grew by 3.0 percent for all 1990 but fell in the fourth quarter of 1990 by 2.4 percent annual rate, the largest drop since 1981.

Meanwhile, the U.S. Department of Commerce reported that the 1990 U.S. merchandise trade deficit declined to $101.0 billion, its lowest level in 7 years. Manufacturing exports, particularly advanced-technology products, showed vigorous export performance. Trade in advanced technology products ran a surplus of $34.1 billion in 1990.

Economic Growth

The annualized rate of real economic growth in the United States in the fourth quarter of 1990 was a negative 2.1 percent. In contrast, the real growth rate was 1.4 percent in the third quarter, 0.4 percent in the second quarter, and 1.7 percent in the first quarter of 1990. The annualized rate of real economic growth in the third quarter of 1990 was -4.0 percent in the United Kingdom, 6.8 in West Germany, 5.3 in France, 4.1 in Japan, -1.0 in Canada, and 2.7 in Italy.

Industrial Production

U.S. industrial production dropped by 0.4 percent in January 1991 after revised declines of 1.1 percent in December and 1.6 percent in November 1990. The Federal Reserve's index of industrial production was 0.9 percent lower in January 1991 than it was in January 1990. A drop in auto and truck production along with declines in other related industries accounted for a large part of the January 1991 decline. Capacity utilization in manufacturing, mining, and utilities dropped in January 1991 by 0.5 percent to 79.9 percent, three percentage points below the January 1990 level.

Other major industrial countries reported the following annual growth rates of industrial production. For the year ending December 1990, Japan reported an increase of 6.3 percent. For the year ending November 1990, Germany reported an increase of 6.0 percent; the United Kingdom, a decrease of 2.8 percent; France, a decrease of 0.8 percent; and Italy, a decrease of 3.4 percent. For the year ending October 1990, Canada reported a decrease of 2.8 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.4 percent in January 1991, from December 1990, and increased by 5.7 percent during the year ending January 1991. During the 1-year period ending December 1990, consumer prices increased by 2.8 percent in Germany, 6.4 in Italy, 9.3 in the United Kingdom, 3.3 in France, 5.0 in Canada, and 3.8 in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) increased to 6.1 percent in January 1991 from 6.0 percent in December 1990. In December 1990, Germany reported 6.6 percent, Canada reported 9.3 percent, and the United Kingdom reported 6.5 percent unemployment. In November 1990, Japan reported 2.1 percent, Canada 9.3 percent, Italy 9.6, and France 9.0 percent unemployment. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for January-December 1991, by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter. The average forecasts point to a sluggish growth in nominal GNP rates and continued negative growth in real GNP rates in the first two quarters of 1991 followed by a modest recovery in the third and fourth quarters of 1991. There are many possible reasons for the economic slowdown in 1991: the flattening of consumer spending on durable goods and housing, particularly as a result of the sharp increases in consumer prices fueled by the rise in oil prices and the increase in excise taxes introduced in the new budget plan; the expected sharp decline in investment spending because of reduced business expectations and the reduction in available credit as a result of the S & L crisis, and the less expansionary fiscal positions adopted by other industrial countries; and the uncertainty introduced by the Gulf crisis. The average of the forecasts predicts an increase in the unemployment rate in the first three quarters of 1991. Inflation (measured by the GNP deflator index) is expected to rise initially and then dip in the remainder of 1991. However, if the Gulf crisis ends quickly, the reduction in underlying uncertainty might help to shorten the recession.

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91

Quarter	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	Mean of 4 fore-casts
GNP:[1]					
1991:					
January-March	1.0	2.8	1.6	4.1	2.4
April-June	1.3	1.8	2.7	8.7	3.6
July-September	3.8	4.6	6.7	6.8	5.5
October-December	7.7	6.9	5.5	6.6	6.7
GNP:[2]					
1991:					
January-March	-2.9	-1.6	-1.8	0.7	-1.3
April-June	-2.1	-2.5	0	5.6	0.2
July-September	0.8	0.4	3.7	4.5	2.3
October-December	5.3	3.1	2.7	3.9	3.7
GNP deflator index:					
1991:					
January-March	4.0	4.5	3.5	3.3	3.8
April-June	3.4	4.4	2.7	2.9	3.3
July-September	3.0	4.1	2.8	2.2	3.0
October-December	2.3	3.7	2.7	2.6	2.8
Unemployment, average rate:					
1991:					
January-March	6.7	6.5	6.5	6.3	6.5
April-June	7.2	7.0	6.9	6.2	6.8
July-September	7.4	7.1	7.0	6.2	6.9
October-December	7.1	6.9	6.9	6.1	6.7

[1] Current dollars.
[2] Constant (1982) dollars.
Date of forecast February 1991.

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

Source: Compiled from data published by The Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit narrowed in December 1990 due to the accelerated decline in imports relative to the decline in exports of industrial commodities. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in the tabulation at the bottom of the page.

Including oil, the seasonally adjusted U.S. merchandise trade deficit in current dollars declined by 30.3 percent in December to $6.2 billion from $8.9 billion in November 1990. The December 1990 deficit was 31.9 percent lower than the $9.1 billion average monthly deficit registered during the previous 12-month period, and 8.8 percent lower than the $6.8 billion deficit registered in December 1989. Excluding oil, the December 1990 merchandise trade deficit declined by 47.1 percent from November 1990.

In December 1990, both imports and exports declined. However, imports declined considerably faster than exports. Including oil, seasonally adjusted exports in current dollars declined by $734 million in December to $33.5 billion while imports declined by $3.4 billion to $39.7 billion. Excluding oil, U.S. imports declined by $2.2 billion to $34.5 billion in December from November 1990. The U.S. oil import bill climbed to $6.4 billion in December from $5.2 billion in November 1990.

On a cumulative January-December basis, the merchandise trade deficit in current dollars declined by 7.7 percent from a year earlier to $101.0 billion from $109.4 billion. Exports increased by $31.0 billion to $394.0 billion. Imports increased by $22.0 billion to $495.0 billion.

	Exports		Imports		Trade balance	
	Nov. 90	Dec. 90	Nov. 90	Dec. 90	Nov. 90	Dec. 90
Current dollars						
Including oil	34.2	33.5	43.1	39.7	-8.9	-6.2
Excluding oil	33.3	32.7	36.7	34.5	-3.4	-1.8
1987 dollars	31.3	30.8	37.2	34.9	-5.8	-4.1
Three-month-moving average	33.7	34.2	43.5	42.9	-9.7	-8.7
Advanced technology products (not seasonally adjusted)	7.4	8.5	5.3	5.5	2.0	3.0

In seasonally adjusted constant dollars, the December 1990 trade deficit declined by $1.8 billion from November 1990. The trade surplus in advanced-technology products rose to $3.0 billion in December from $2.0 billion in November 1990. (Advanced-technology products as defined by the U.S. Department of Commerce, include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Nominal export changes on a monthly and cumulative year-to-date basis for specified major exporting sectors are shown in table 2. The December 1990 data show export increases over November 1990 in airplanes, automatic data processing equipment & office machinery, specialized industrial machinery, scientific instruments and power-generating machinery. Exports declined in vehicle parts, electrical machinery, and some other sectors.

Sectors that recorded the highest increases and contributed most to total exports for the January-December 1990 period compared with the same period of 1989 included electrical machinery, automatic data processing equipment & office machinery, "other manufactured goods" category, and airplanes. The U.S. agricultural trade surplus declined to $1.4 billion in December 1990 from $1.6 billion in November 1990.

U.S. bilateral trade balances on a monthly and cumulative year-to-date basis with major trading partners are shown in table 3. The United States experienced improvements in bilateral merchandise trade balances in December 1990 with Japan, the European Community (EC), the Federal Republic of Germany, the Newly Industrializing Countries (NICS),[1] China, the U.S.S.R. and the Organization of Petroleum Exporting Countries (OPEC). The deficit with Japan declined by $350 million, the deficit with the NICS declined by $390 million, the deficit with China declined by $350 million and the deficit with OPEC declined by $660 million, and the deficit with the EC turned into a surplus of $1.3 billion. The deficit with Canada increased slightly. On a year-to-date basis, however, significant improvements occurred in bilateral trade balances with Japan, Canada, the EC and the NICS compared to balances a year earlier.

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

Table 2
Nominal U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January 1989-December 1990.

Sector	Exports: January December-1990	Exports: December 1990	Change: January-December 1990 over January-December 1989	Change: December 1990 over November 1990	Share of total: January-December 1990	Share of total: December 1990
	Billion dollars		*Percent*			
Manufactures						
ADP equipment & office machinery	24.73	2.33	3.0	18.9	6.3	7.0
Airplanes	19.61	1.92	35.9	33.3	5.0	5.8
Airplane parts	9.55	0.80	8.6	0	2.4	2.4
Electrical machinery	28.22	2.22	11.1	-25.2	7.2	6.7
General industrial machinery	15.69	1.26	4.4	-1.6	4.0	3.8
Iron and steel mill products	3.24	0.31	-9.0	-6.1	0.8	0.9
Organic & inorganic chemicals	14.21	1.23	-3.4	3.4	3.6	3.7
Power-generating machinery	15.57	1.31	1.4	6.5	3.9	4.0
Scientific instruments	12.11	1.06	5.4	7.1	3.1	3.2
Specialized industrial machinery	15.25	1.26	6.3	9.6	3.9	3.8
Telecommunications	9.11	0.76	12.0	-2.6	2.3	2.3
Textile yarns, fabrics and articles	4.92	0.39	14.4	-7.1	1.2	1.2
Vehicle parts	14.55	0.91	10.1	-28.3	3.7	2.7
Other manufactured goods[1]	23.86	2.57	31.1	2.8	6.0	7.8
Manufactured exports not included above	88.07	6.89	8.5	0.4	22.3	20.8
Total manufactures	298.69	25.22	9.7	0.2	75.8	76.3
Agriculture	38.72	3.12	-6.3	-9.8	9.8	9.4
Other exports	56.63	4.73	12.5	-6.5	14.4	14.3
Total exports	394.04	33.07	8.3	-1.8	100.0	100.0

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

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

Source: U.S. Department of Commerce News (FT 900), January 1990.

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

Area and country	December 1990	November 1990	December 1989	January December 1990	January December 1989
Japan	-3.44	-3.79	-3.54	-41.07	-49.06
Canada	-0.92	-0.59-	0.85	7.51	9.14
Fed. Republic of Germany	-0.49	-0.92	-0.62	9.44	8.01
EC	1.29	-0.05	+0.48	+ 6.13	+ 1.13
Western Europe	1.60	-0.41	+0.43	+ 4.05	1.64
NICS	-1.20	-1.59	-1.52	-19.75	-24.34
U.S.S.R.	+0.03	-0.03	+0.41	+ 2.02	+ 3.57
China	-0.75	-1.10	-0.53	-10.42	6.23
OPEC	-1.86	-2.52	-1.22	-24.34	-17.41
Total trade balance	-6.22	-10.00	-6.69	-101.00	-109.40

Source: U.S. Department of Commerce News (FT-900), February 1990.

INTERNATIONAL TRADE DEVELOPMENTS

Resumption of Development Loans to China

In the immediate aftermath of the Chinese Government's military crackdown on the student-led pro-democracy demonstrators on June 4, 1989, the United States, the EC, and Japan all included among their sanctions against China the deferral of any new Government-to-Government loans to support Chinese economic modernization. In addition, the World Bank and the Asian Development Bank (ADB), China's major sources of multilateral development assistance, postponed their approval of all funding for new projects in China. In recent months, however, Japan has reached final agreement with China on the first installment of a 6-year development assistance package and several West European countries have agreed to reactivate loans frozen since June 1989. The ADB has also approved a new project involving both financial and technical assistance. The World Bank, which in February 1990 resumed its lending to China for new projects supporting "basic human needs," has recently announced three projects that go beyond this narrow definition.

Although the United States remains opposed to broadening the scope of World Bank loans and to reactivating official bilateral lending on a "business as usual" basis, it has refrained from actively exerting pressure to block the resumption of development assistance to China. As the largest contributor to the World Bank, the United States led the opposition in June 1989 to any new loans to China by international financial institutions. At that time, its position appeared to be unanimously supported by the other major industrial countries—Canada, Germany, France, Italy, Japan, and the United Kingdom which also moved quickly to suspend their bilateral loans to China, exempting only those projects involving contract arrangements close to completion. By early 1990, however, consensus within the Group of Seven (G-7) had begun to weaken. At the Houston summit held in July 1990, the G-7 tentatively agreed to explore "other World Bank loans that would contribute to reform of the Chinese economy, especially loans that would address environmental concerns," thereby effectively opening the door to projects that extended beyond those that directly addressed "basic human needs." In addition, Japan announced during the summit that it intended to resume discussions with China on a development aid package originally planned for disbursement over the period 1990 through 1995. Following these initiatives, the EC lifted its economic sanctions against China in October 1990, although it has retained a ban on military cooperation and sales.

Marking the resumption of official development assistance to China, Japan announced in October that it would shortly release Y36.5 billion ($270.4 million at Y135 to $1.00) worth of yen loans as the first installment of the Y810 billion ($6 billion at Y135 to $1.00) in loans projected to be reactivated over a 6-year period. The total loan package, which provides for an interest rate of 2.5 percent and a term of 30 years, will fund the construction of two dams, a water supply system, several bridges, and three chemical fertilizer plants.

The Asian Development Bank, which traditionally is chaired by a Japanese, lifted its suspension of development assistance to China at the end of November, approving a $50 million loan to the Agricultural Bank of China and a $480,000 technical assistance grant to improve the loan analysis abilities of the bank. According to the ADB, the funds will be used to modernize and expand agricultural facilities in poor rural areas. The United States is a member of the ADB but abstained from voting on the loan.

The first World Bank project since June 1989 to directly support economic development in China was approved in early December. The mixed loan of $114.3 million, consisting of $50 million in commercial credits and a $64.3 million interest-free loan with a 35-year repayment period from the International Development Association (IDA), a World Bank subsidiary, will be used to help rural industrial enterprises adopt new technologies and management systems. Another mixed World Bank/IDA loan, totaling $168.4 million, was approved in January to support comprehensive planning and economic reforms in three medium-size Chinese cities, and a third development loan, consisting of $150 million in World Bank credits for the city of Shanghai, was approved on February 1. The Shanghai project will support the implementation of a technological and organizational restructuring program in four priority industrial subsectors: electronic components, precision instruments, electrical apparatus, and printing machinery. Because of its continuing opposition to returning to "business as usual" in China, the United States also abstained from voting on these three World Bank projects.

According to the Chinese Ministry of Foreign Economic Relations and Trade, some of the EC countries will soon restore financial assistance for projects that had been decided on prior to June 1989. Among the bilateral negotiations under way are Sino-French talks involving a loan of 1.3 million francs (about $250 million) for projects that include building a program controlled telephone exchange, power station, airport, and hospitals. Also, China and Germany have recently signed a number of agreements involving loans totaling DM170 million (about $110 million) to finance a project for the technical transformation of heavy-duty trucks, a gas purification project, and a number of other projects to modernize small and medium-scale enterprises. Germany has further agreed to reactivate a 1989 loan of DM220 million (about $150 million) to fund several industrial projects, and both the United Kingdom and Italy reportedly have agreed to unfreeze project loans to China that were suspended in 1989. The new assistance packages being offered to China by these countries are reported to be extremely competitive because the loans include substantial grant elements.

To ensure the participation of U.S. firms in an internationally arranged project for which the German and French Governments had already authorized funding, the U.S. Export-Import Bank (Eximbank) resumed financing U.S. business activities in China in February 1990 and has made final commitments on five additional projects in China since that time. However, the commitment for a loan or loan guarantee supporting U.S. exports to China is made by Eximbank only when a project decision is imminent, the contracts of the U.S. firms involved in the project would be jeopardized if the loan authorization were delayed, and a human rights clearance for the project has been obtained from the U.S. State Department.

What Role Should the United States Play in the Mexican Oil Industry After a Free Trade Agreement?

Although the United States and Mexico have come to enjoy economic relations of unprecedented cordiality, certain touchy issues remain. Perhaps the most delicate among them is defining the U.S. role in the Mexican oil industry for the new era of a United States-Mexico free trade-area (FTA), which is now a serious possibility. One likely U.S. demand in the FTA negotiations will be unrestricted access to direct investment in all sectors of the Mexican economy. However, citing constitutional constraints, Mexico will persist in its opposition to allowing oil exploration and refinement (and some other activities) to be part of the investment access rights to be granted in an FTA.

The Mexican Constitution reserves oil exploration and refinement for the state on grounds that all subsoil rights are vested in the state. Although constitutional amendments are not unprecedented in Mexico, President Salinas has vowed that the Constitution will not be amended as far as oil is concerned. Mexico owns the eighth-largest petroleum reserves in the world (larger than those of the United States), and was heralded some time ago as the Spanish-speaking Kuwait. In recent years, deep cuts in the Mexican budget have reduced the exploration and development of the country's state-owned-and-controlled oil resources. As a result, Mexico is now unable to take full advantage of the sellers market created by the current Middle-Eastern crisis. PEMEX, Mexico's state-owned petroleum monopoly is seriously undercapitalized. Some refineries are old and inadequately maintained, and the infrastructure for transporting petroleum is inefficient. It is widely believed that the productivity of the Mexican oil industry is considerably below that of Venezuela's, Mexico's Latin American competitor for the U.S. market.

Experts believe that PEMEX will take several years before being able to substantially exceed the production of 2.5 million barrels per day (b/d), the output recorded in 1989 and the first half of 1990. Although Mexico agreed after the Gulf crisis to step up crude exports by 150,000 b/d (destined largely for the U.S. market), this commitment is regarded as a considerable strain on the country's oil production capacity. There is a consensus that the Mexican oil sector must be urgently modernized, and that this effort will require considerable amounts of capital. Funds are expected to come principally from a surge of oil export revenues in the wake of the the Gulf crisis, and from the sale of bonds. Many are doubtful, however, that these sources will yield the capital needed.

Active U.S. participation in the oil industry's modernization under the umbrella of an FTA is an obvious option for Mexico to alleviate the capital crunch. The more so, since Mexico is presently in the process of disincorporating its state-owned operations, i.e. "privatizing" the economy at a fast clip. It is also generally encouraging foreign investors to participate in bidding for the units on sale. However, the Government's policy of granting concessions to foreign investment does not apply to the oil industry.

Nonetheless, Mexico has recently shown interest in certain forms of U.S. (and other foreign) assistance to its oil industry, provided they do not involve equity participation. PEMEX requested a $1.5 billion loan guarantee from the Eximbank to help finance oil-exploration drilling services by U.S. companies, and also approached international financial institutions for their assistance. Mexican officials are frequently quoted as favoring "creative financial formulas" that would bring foreign capital to the oil industry. These officials invariably stress, however, that ownership must continue to be reserved for Mexican nationals.

Juan Eibenschutz, chief adviser to the Mexican secretary of energy and mines, discussed the issue of foreign participation in the Mexican oil industry at a conference sponsored by the Washington, D.C.-based "Citizens Network" in San Diego, January 9-11. He too emphasized that foreign investors must view the Mexican oil sector in terms of existing constitutional restraints. At the same time, Mr. Eibenschutz called attention to opportunities for participation by foreign interests that may be overlooked, such as forming joint ventures with PEMEX. He also noted that, despite constitutional limitations, an FTA will open up major business opportunities for U.S. interests in the Mexican oil (and other energy) sector in the form of service and technical-assistance contracts, and of sales of equipment and other supplies.

Commission Responds to Second Remand on Canadian Pork

In September 1989, the USITC determined that an industry in the United States was threatened with material injury by reason of imports of subsidized fresh, chilled, or frozen pork from Canada.[2] Among the unusual factors considered in the case were the following: whether the industry concerned consisted of only pork producers (i.e. packers/processors) or both producers and live swine growers; the extent to which a subsidy to a primary product may be passed along in the production process; and the degree to which threat of injury can be evinced from the evidence before the Commission.

The case was remanded to the Commission in August 1990 after a statistical discrepancy was discovered in the data on which at least part of the determination was based. This was the first remand proceeding under the United States-Canada FTA. After the correction resulted in a change to the data on Canadian pork production, the Commission reaffirmed its prior determination. The only difference at this point was that two Commissioners, on opposite sides of the case in the original determination, had since left the agency. So the decision was 2-1 in favor of threat of injury, as opposed to 3-2 in favor of threat originally.

At the same time that the disputed case was being reviewed bilaterally under the terms of the FTA, it was also being pursued multilaterally in the General Agreement on Tariffs and Trade (GATT), where Canada had taken the case after the initial USITC determination. The central issue in the GATT case was the question of a pass-through of a benefit from one level of production to another. The United States held that Canadian pork producers benefited (and U.S. pork producers were threatened with injury) because of subsidies paid to pig farmers at the primary production level in Canada. The GATT process resulted in a finding that supported the Canadian contention, and effectively overturned the logic of the U.S. case. The GATT panel found that the U.S. countervailing duties on pork from Canada were being levied in a manner that was inconsistent with GATT rules.[3] The case is still awaiting resolution in the GATT, because the United States has not yet accepted the GATT panel report.

Meanwhile, the saga continued as the binational panel that reviewed the U.S. case in the summer of 1990 returned to the issue and remanded the case yet again to the Commission in January 1991. This is the first instance of a case being remanded for a second time under the bilateral trade pact. The language of the panel's second remand was unusually blunt: "The Panel has found that the ITC's failure to follow its own notice was an error of law and that the majority Commissioners' findings of a threat of imminent material injury are not supported by substantial evidence." The Commission was given 3 weeks to report back to the binational panel. It did so on February 12th, when it unanimously determined that there was no injury or threat thereof to a domestic industry in the United States. The opinion included a blast at the binational panel[4] and the logic of the panel's remand.

The pork case presents a particularly interesting example of operations under the relatively new trade agreement on two fronts: on the one hand, one of the partners to the agreement saw fit to take an issue multilaterally to the GATT, after determining that its concern could not be adequately considered under the terms of the binational panel's mandate. On the other, the case also illustrates the dynamic that has been put into place between the bilateral review mechanism established by the FTA and the national agencies that execute countervailing duty and antidumping laws.

[2] The affirmative decision was made by three Commissioners. Two others found in the negative, while a sixth Commissioner did not participate.

[3] The GATT panel report states: "The U.S. may impose a countervailing duty on pork only if a subsidy has been determined to have been bestowed on the production of pork; the mere fact that trade in pork is affected by the subsidies granted to production of swine is not significant." However, the panel also made clear that it had not made a finding that the countervailing duty should not have been levied at all. The panel noted that its mandate led it to rule merely that the subsidy determination in the case was not in conformity with the GATT article in question, Article VI:3.

[4] The opinion states: "Notwithstanding this determination, this Second Panel Decision violates fundamental principles of the United States-Canada Free-Trade Agreement (FTA) and contains egregious errors under the U.S. law. Had this decision come from the Court of International Trade,. . . we would have directed counsel to appeal it to the Court of Appeals for the Federal Circuit . . . thus, we will not change our practice or procedure to conform with [certain] aspects of the Panel opinion . . . ."

"We disagree with what we consider to be the Panel's faulty disposition of the appeal in this investigation. However, because we are bound by the Panel's determination that there is no substantial evidence of any likelihood of product shifting, or of causation, we determine that a domestic industry is not materially injured . . . Due, however, to the number of legal errors and violations of the FTA contained in the Panel's Second Remand Decision, we will not, in future investigations, regard as persuasive or follow the procedural of substantive decisions contained in this Decision."

STATISTICAL TABLES

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

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

Country	1987	1988	1989	1989 III	1989 IV	1990 I	1990 II	1990 III	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
United States	4.9	5.4	2.6	−1.3	0.2	0.6	4.3	4.0	8.0	2.2	0	1.1	−8.3	−19.8
Japan	3.4	9.5	6.0	0.8	2.9	3.5	7.7	9.8	−1.9	23.3	3.8	−11.6	44.1	−11.4
Canada	2.7	4.4	2.3	−0.2	−1.9	1.7	1.3	([1])	0	([1])	([1])	([1])	([1])	([1])
Germany	.2	3.2	5.3	1.4	8.4	8.3	−0.2	7.3	−30.8	30.6	0	−2.0	7.3	([1])
United Kingdom	3.4	3.6	.8	6.1	0.2	−0.1	7.7	−11.1	25.1	−33.6	−6.4	−6.4	2.2	([1])
France	2.1	4.4	3.8	1.2	−1.2	−1.7	6.0	6.3	4.3	28.7	0	−18.1	−1.1	([1])
Italy	2.6	6.9	3.7	9.4	0.6	−6.2	1.0	1.2	0	−7.8	28.7	−10.4	−20.8	([1])

[1] Not available.

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

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 25, 1991.

Consumer prices, by selected countries and by specified periods, January 1988–December 1990

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

Country	1988	1989	1990	1989 IV	1990 I	1990 II	1990 III	1990 IV	Aug.	Sep.	Oct.	Nov.	Dec.
United States	4.1	4.8	5.4	4.0	8.1	3.7	6.4	6.9	9.6	9.5	7.5	3.7	3.7
Japan	.7	2.3	3.1	2.6	0.9	5.8	1.6	6.4	5.8	11.8	12.9	−4.3	−9.5
Canada	4.0	5.0	([1])	3.9	6.0	2.7	4.1	([1])	3.9	5.9	10.3	8.3	([1])
Germany	1.3	2.8	2.7	3.0	2.5	1.7	3.6	4.3	7.5	5.3	8.4	−2.1	0.7
United Kingdom	4.9	7.8	([1])	7.6	8.8	15.7	9.8	([1])	11.5	10.9	7.8	−2.1	([1])
France	2.7	3.5	3.4	3.9	3.1	2.7	4.2	4.3	7.8	7.6	6.0	−0.5	−0.7
Italy	5.0	6.6	6.1	5.9	5.8	5.5	7.2	6.8	10.0	6.5	6.5	6.9	5.8

[1] Not available.

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

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 25, 1991

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

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

Country	1987	1988	1989	1989 IV	1990 I	1990 II	1990 III	1990 IV	Aug.	Sep.	Oct.	Nov.	Dec.
United States	6.1	5.4	5.2	5.2	5.2	5.2	5.5	5.8	5.5	5.6	5.6	5.8	6.0
Japan	2.9	2.5	2.3	2.2	2.1	2.1	2.1	([3])	2.1	2.3	2.3	2.1	([3])
Canada	8.8	7.7	7.5	7.5	7.5	7.4	8.1	9.0	8.3	8.3	8.7	9.0	9.3
Germany	6.2	6.2	5.6	5.5	5.3	5.2	5.1	4.7	5.1	5.0	4.9	4.7	4.7
United Kingdom	10.2	8.2	6.4	5.8	6.1	6.1	6.2	6.7	6.3	6.4	6.5	6.7	7.0
France	10.5	10.1	9.9	9.8	9.2	9.2	9.2	9.3	9.3	9.3	9.4	9.4	9.3
Italy	7.7	7.8	7.7	7.5	7.2	6.7	6.7	6.8	([2])	([2])	6.8	([2])	([2])

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

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

[3] Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Deapartment of Labor, February 1991.

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

(Percentage, annual rates)

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	1991 Jan.
United States	7.8	9.3	8.3	8.6	8.4	8.4	8.2	8.1	8.1	8.1	8.1	8.0	7.8	7.2
Japan	4.4	5.3	(2)	5.6	6.2	6.7	6.7	(2)	6.9	8.3	(2)	(2)	(2)	(2)
Canada	9.6	12.2	13.0	12.4	12.9	13.7	13.1	12.3	13.2	12.6	12.5	12.4	11.9	(2)
Germany	4.3	7.0	8.5	8.3	8.4	8.4	8.4	8.9	8.3	8.5	8.6	8.9	9.1	(2)
United Kingdom	8.9	13.3	14.8	15.2	15.2	15.1	14.9	13.8	15.0	14.9	13.9	13.6	13.6	13.8
France	7.9	9.2	10.3	10.3	11.0	9.9	10.2	10.1	10.1	10.3	10.0	10.1	10.0	10.2
Italy	11.0	12.7	12.7	13.3	13.3	12.8	11.8	13.0	11.9	11.3	11.7	13.1	13.3	14.0

[1] 90-day certificate of deposit.

[2] Not available.

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

Source: *Federal Reserve Statistical Release, April 2, 1990 Economic and Energy Indicators*, Central Intelligence Agency, January 25, 1991, *Selected Interest and Exchange Rates*, Board of Govenors Federal Reserve System, February 4, 1991.

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

(Percentage change from previous period)

Item	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.	1991 Jan.
Unadjusted:													
Index[1]	88.0	91.3	86.5	91.0	89.6	89.7	85.3	81.7	84.0	81.8	81.1	82.2	82.2
Percentage change	–6.5	6.4	–5.3	–1.9	–.4	.1	–5.1	–4.2	–.9	–2.8	–.8	1.3	0
Adjusted:													
Index[1]	87.4	91.8	88.1	91.8	90.8	90.9	86.8	84.1	85.6	83.9	83.4	84.7	84.9
Percentage change	–4.8	6.8	–4.0	–1.1	–1.1	.1	–4.7	–3.1	–.8	–2.0	–.5	1.5	.2

[1] 1980–82 average=100.

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

Source: Morgan Guaranty Trust Co. of New York, February 1991.

Trade balances, by selected countries and by specified periods, January 1988–December 1990

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

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Sep.	Oct.	Nov.	Dec.
United States[1]	–118.5	–109.4	–101.0	–112.9	–101.2	–87.6	–113.1	–104.6	–111.9	–131.8	–106.9	–75.0
Japan	94.9	77.3	([3])	57.2	64.8	57.2	66.0	([3])	72.0	66.0	66.0	([3])
Canada	8.0	6.4	([3])	.8	6.0	11.2	11.2	([3])	15.6	8.4	([3])	([3])
Germany[2]	72.7	72.1	([3])	65.2	90.0	62.4	67.2	([3])	56.4	68.4	10.8	([3])
United Kingdom	–36.9	–37.9	([3])	–27.6	–38.4	–34.8	–28.4	([3])	–18.0	–25.2	–22.8	([3])
France	–5.4	–6.6	([3])	–8.4	–1.6	–7.6	–15.6	([3])	–24.0	–15.6	–1.2	([3])
Italy	–10.7	–12.8	([3])	–9.6	–14.4	–7.6	–10.0	([3])	–13.2	–25.2	–34.8	([3])

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

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

[3] Not available.

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

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 25, 1991 and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, February 15, 1991.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1988–December 1990

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

Country	1988	1989	1990	1989 IV	1990 I	II	III	IV	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Commodity categories:														
Agriculture	13.9	17.9	16.3	5.1	4.9	4.1	3.3	4.2	1.0	1.2	1.1	1.2	1.6	1.4
Petroleum and selected product—(unadjusted)	–38.1	–44.7	–54.6	–11.4	–14.1	–10.8	–13.5	–16.2	–3.7	–4.3	–5.5	–6.4	–5.4	–4.4
Manufactured goods	–146.1	–103.2	–90.1	–27.7	–19.4	–19.5	–27.0	–24.3	–10.2	–9.4	–7.3	–10.4	–8.6	–5.3
Selected countries:														
Western Europe	–12.5	–1.3	4.0	–.6	1.4	2.9	–.8	.6	–1.3	–.4	.9	–.6	–.4	1.6
Canada[2]	–9.7	–9.6	–7.5	–2.8	–.9	–1.3	–2.7	–2.8	–1.0	–.5	–1.2	–1.3	–.6	–.9
Japan	–51.7	–49.0	–41.0	–12.2	–9.6	–9.9	–9.9	–11.7	–3.0	–3.8	–3.1	–4.5	–3.8	–3.4
OPEC (unadjusted)	–8.9	–17.3	–24.3	–4.3	–1.8	–4.3	–6.6	–7.1	–1.6	–2.2	–2.8	–2.7	–2.5	–1.9
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$18.12	$16.80	$20.34	$17.46	$19.26	$15.59	$19.45	$28.20	$14.50	$19.54	$24.31	$29.04	$29.44	$26.07

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

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

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

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, February 15, 1991.

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