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International Trade Developments

Deregulation In Japan: Status and Benefits

U.S.-Vietnam Bilateral Trade Agreement Takes Effect, Heralding Lower Duties for Imports From Vietnam

New Trade and Investment Framework Agreement Between the United States and the Common Market for Eastern and Southern Africa

USITC Reports that CBERA Imports Will Likely Increase

U.S. Trade Developments

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TABLE OF CONTENTS

INTERNATIONAL TRADE DEVELOPMENTS

Deregulation in Japan: Status and Benefits

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Despite numerous deregulation plans over the years, Japan's economy remains highly regulated. Foreign companies face bureaucratic delays and regulations in attempting to enter or operate in the market. Nonetheless there has been some progress towards deregulation and a July 2001 study estimates that deregulation has created economic benefits worth about $127 billion during 1989-2000. Additional benefits will depend on the leadership of the Prime Minister.

Under the WTO, Japan has been urged to bring its standards, regulations and tariffs into line with those of other major trading partners. Although harmonization is taking place in some sectors, the pace of change is very slow. Despite various plans by Japan to deregulate its market, thousands of statutes and regulations continue to control many sectors of the economy. Foreign companies face bureaucratic delays and uncertainties that add to the cost of doing business in Japan. The Japanese bureaucracy is plagued by outdated techniques, poor facilities, and excessive paperwork that makes interaction with foreign companies cumbersome.[2] This article provides an overview of recent regulatory reform efforts by the Japanese Government and reviews the benefits to the economy of such efforts.

Overview of Recent Deregulation Efforts

In 2001, there were a series of both unilateral and bilateral deregulation measures put into effect, beginning with the adoption of a new Three-Year Regulatory Reform Promotion Plan by Japan's Cabinet on March 30, 2001. The plan was in response to structural changes in Japan–including globalization, an aging society, the information technology (IT) revolution, and growing environmental problems. The purpose of the plan was to promote regulatory reforms that will achieve sustainable growth, produce a fair economic society with a high level of transparency, give citizens more choice, and produce an open international economy. The three-year plan adopted a cross-cutting approach to deregulation, identifying common goals and common themes. Some of the cross-cutting themes included putting the interests of citizens first and emphasizing the need for transparency, fairness, accountability, competition, and policy evaluation. In addition, the plan included measures for revising the commercial code and for revitalizing the secondary housing market–two areas of interest to the United States. The plan supported U.S. efforts to implement reforms in the financial sector. Other sectors that were mentioned included: accounting measures, guidelines for internet sales of insurance products, medical device and pharmaceutical insurance reimbursement, and competition policy.

The plan was organized in three parts. The first part included common themes that span across all reform measures. The second part specified individual topics that cut across sectors such as information technology, the environment, competition policy, technical standards approval, and the licensing system. The third part examined individual sectors.

As part of the plan's implementation, it is to be revised annually based on the deliberations of the Comprehensive Regulatory Reform Conference

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

[2] American Chamber of Commerce in Japan, *1997 United States-Japan Trade White Paper,* 1997, pp. 14-16.

(CRRC),[3] in addition to submissions from foreign and domestic interests. Ministries and agencies were to be required to justify any decisions not to accede to requests received from domestic or foreign interests. The Cabinet Office would be responsible for monitoring implementation of the plan and reporting back to the CRRC.

The plan was criticized by the Japanese media and the Federation of Economic Organizations (Keidanren) as being a setback for regulatory reform. Keidanren complained that many of the requests for regulatory reform that it had submitted in October 2000 were not included. Keidanren said the plan was particularly weak in the area of medical services and the retail sector.[4] From the U.S. perspective, the plan had mixed results. For example, the plan did not include a proposal to scrap the holding company for the Nippon Telegraph and Telephone (NTT) Group. The plan supported reform of the energy sector, but did not mention an independent regulator.[5] The plan addressed some U.S. concerns regarding medical device and pharmaceutical insurance reimbursement, and third-party medical accreditations, but did not provide specific steps for achieving these.

In addition to the unilateral steps by the Government of Japan such as its three-year plan, bilateral efforts on deregulation have also been underway for a number of years. The United States has promoted deregulation in Japan in the belief that it will strengthen the foundations of the Japanese economy, increase business and employment opportunities throughout Japan, open Japan's markets to its trading partners, and improve the standard of living of the Japanese people.[6]

One important bilateral effort, the Fourth Joint Status Report under the Enhanced Initiative on Deregulation and Competition Policy, was released on June 30, 2001.[7] The report proposed measures in several sectors: telecommunications, information technology, energy, housing, medical devices, pharmaceuticals, financial services, competition policy, Commercial Code reform, legal reform, goods distribution, and transparency. The study provided background information, accomplishments, and benefits to the United States in each of the areas. For example, in the area of telecommunications, the study first discussed how NTT's control of 99 percent of subscriber lines and of 60 percent of mobile customers has hampered Japanese consumer access to innovative, low-cost services, particularly relating to fixed line Internet access. To address such problems, Japan was expected to enforce "dominant carrier regulation" and similar such measures designed to strengthen safeguards to prevent NTT from discriminating against competitors. These steps were expected to improve access opportunities for U.S. firms to Japan's telecommunications sector. Overall, the measures in the Fourth Joint Status Report represented progress in Japan's ongoing efforts to streamline and reduce the regulations that affect its economy.[8] The measures were intended to improve market access for competitive goods and services, enhance consumers interests, increase efficiency, and promote economic activity.[9]

In July, Japan adopted additional deregulation measures. The Council for Regulatory Reform (CRR) announced deregulation proposals for six sectors. The CRR preliminary report covered six areas: the medical sector, welfare, employment and labor, environment, urban renewal, and education. The CRR report set forth the CRR's schedule for the remainder of 2001. The CRR held hearings with interested parties between early September and mid-October. The hearings were to give interested parties an opportunity to request that the CRR take up issues of particular concern. Hearings were held with: doctors' associations, healthcare management groups, economic private sector groups, foreign entities (including the United States and the EU) and relevant ministries. The council is to have follow-up discussions with interested parties. It is expected to review the recommendations of the sectoral working groups, together with progress on the implementation of the three-year plan. An advisory report was prepared in early November and submitted to the Prime Minister. This scenario allowed the United States to make a comprehensive submission of deregulation proposals in the fall of 2001, as has been done in previous years or to make piecemeal submissions on individual sectors at different times.[10]

Most recently, on October 14, 2001, the United States presented 47 pages of wide-ranging recommen-

[3] The Comprehensive Regulatory Reform Conference (CRRC) was established on March 27, 2001 as part of the Cabinet Office that offers opinions directly to the Prime Minister. The CRRC has 12 or 13 members, and is responsible for managing implementation of the plan.

[4] U.S. Department of State telegram, "Japan - Transparency, Crosscutting Take Center Stage in New Three-Year Regulatory Reform Promotion Plan," message reference No. 02528, prepared by U.S. Embassy, Tokyo, Apr. 12, 2001.

[5] Ibid.

[6] USTR, "Submission by the Government of the United States to the Government of Japan Regarding deregulation, Competition Policy, and Transparency and Other Government Practices in Japan," Oct. 7, 1998.

[7] The Enhanced Initiative was agreed in June 1997 by former President Clinton and Prime Minister Hashimoto at the Denver G-8 Summit, establishing a bilateral forum to address deregulation and market access issues in Japan. This initiative focused initially on four principal sectors: telecommunications, housing, financial services , and pharmaceuticals. In addition, the initiative addressed structural issues in the areas of competition policy, distribution, transparency, and other government practices.

[8] USTR, "Fourth Joint Status Report Under the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy," June 30, 2001.

[9] Ibid.

[10] U.S. Department of State telegram, "Japan - Dereg Schedule - Implications for the EPG," message reference No. 05145, prepared by U.S. Embassy, Tokyo, July 27, 2001.

dations to Japan aimed at further deregulating the economy, increasing competition and opening markets in Japan. The recommendations focus on key sectors and cross-cutting areas that Japan has identified as important for reform including information technologies, telecommunications, medical, energy and competition policy. The proposals are to be discussed at bilateral meetings under the Regulatory Reform Initiative which began in July 2001, in coming weeks.[11]

Benefits of Deregulation

Recently, there have been two studies attempting to measure the effects of deregulation on the economy. In April 2001, Japan's Cabinet Office reported on the results of a survey covering six sectors of the economy to measure the effect on productivity of increased competition due to regulatory reform. The sectors covered in the study were telecommunications, aviation, electricity, manufactured gas ("town" gas), banking, and the retail sector. The study concluded that regulatory reform had enhanced competition in these sectors resulting in greater productivity while lowering so-called "inefficiency rates."[12] A separate study from the Ministry of Public Management reported that by the end of March 2001, Japan had implemented 72 percent of the reforms proposed during the 1998-2001 three-year regulatory reform plan.[13]

In July 2001, a Cabinet Office study estimated that deregulation in 13 sectors generated economic benefits worth about 15.7 trillion yen ($127 billion) during the period 1989 to 2000.[14] This is about 4 percent of Japan's FY2000 national income. The Cabinet Office study covered the following areas: domestic and international telecommunications; domestic civil air, railroad, taxi, and truck transportation; automobile transportation registration and inspection systems; electricity; manufactured gas; petroleum products; equity share transaction fees; rice; and beverages. The greatest gains were realized in the domestic telecommunications, truck and rail transportation, electric power utilities, and petroleum products sectors, which generated 12.4 trillion yen or about 75 percent of the total benefits in the sectors surveyed. The report noted that the growth rate in user benefits ultimately increased in the domestic telecommunications sector during 1989-2000 because the effect of the "drastic" reduction in cell phone fees was widely spread. Sectors with smaller markets such as the taxi business and manufactured gas experienced relatively smaller price reductions and therefore relatively smaller user benefits as measured by the study. The report concludes that since user benefits generated by regulatory reform have been quite substantial, regulatory reform should be seen as a valuable tool to improve the quality of living during severe economic conditions.[15]

Prospects for Further Reform

The future of regulatory reform is mainly dependent on the will and leadership of the Prime Minister. Strong will is required to overcome the opposition of the bureaucracy to regulatory reform. Prime Minister Koizumi is known for being very pro-reform; however, the LDP's coalition partner–Komeito–may restrain his reform efforts. Within society, there are contradictory signals. On the one hand, the agricultural sector opposes further regulatory reform. On the other hand, Japanese consumers understand the benefits of deregulation and view further liberalization as essential.[16] From the U.S. perspective, deregulation of the Japanese economy is essential for returning the Japanese

[11] USTR, "United States Presents Wide-Ranging Reform Proposals to Japan," press release no. 01-83, Oct. 16, 2001. The United States and Japan began three-day expert-level talks under the Regulatory Reform Initiative on Nov. 6, 2001.

[12] The report computes "inefficiency rates" by examining how much of the productivity of individual companies varies within an industry. The report posits that in competitive, non-regulated industries, companies with relatively low productivity cannot compete and therefore would not exist, but in regulated industries that restrict new entrants and control prices, companies with low productivity are protected. Thus, in regulated industries companies with high productivity and those with low productivity can exist side-by-side. Wide variations in the degree of productivity among companies are therefore a common characteristic of such regulated industries. The report uses the degree of productivity variation to compute the "inefficiency rate" of an industry. Based on this concept, as more competition is introduced to an industry through deregulation, non-productive companies are forced to drop out and the "inefficiency rate" drops accordingly.

[13] U.S. Department of State telegram, "Japan - Productivity Gains from Dereg - The GOJ Gives Itself a Passing Grade," message reference No. 02790, prepared by U.S. Embassy, Tokyo, Apr. 24, 2001.

[14] The report refers to changes in "consumer surplus" to indicate the benefits from regulatory reform. Consumer surplus is defined as the difference between the highest price consumers are willing to pay for goods and services and the

[14]—*Continued*
actual price consumers pay. This indicates the level of satisfaction consumers will receive through transactions. As prices and charges decline and consumption rises because of regulatory reform, consumer surplus will increase.

[15] U.S. Department of State telegram, "Japan - It's Official: Deregulation Benefits Consumers," message reference No. 05114, prepared by U.S. Embassy, Tokyo, July 26, 2001.

[16] U.S. Department of State telegram, "Deregulation - Gloomy Prognoses from Keidanren and Tokyo University," message reference No. 02154, prepared by U.S. Embassy, Tokyo, Mar. 30, 2001.

economy to sustainable growth and expanding market access for U.S. and other foreign companies exporting and operating in Japan. As Deputy USTR Richard Fisher has said concerning deregulation, ". . . [it] will be a long-term process of putting one foot in front of another, and we will have to monitor and watch carefully."[17]

[17] "U.S. Views Japan Deregulation Package as Positive," *Washington Trade Daily*, May 18, 1998.

U.S.-Vietnam Bilateral Trade Agreement Takes Effect, Heralding Lower Duties for Imports from Vietnam

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The U.S.-Vietnam Bilateral Trade Agreement (BTA) took effect on December 10, 2001, following an exchange of letters implementing the agreement by U.S. Trade Representative Robert B. Zoellick and Vietnamese Minister of Trade Vu Khoan. U.S. imports from Vietnam will now be subject to significantly lower duties under normal trade relations (NTR) status. U.S. imports from Vietnam are likely to increase substantially as NTR rates come into effect.

The U.S.-Vietnam Bilateral Trade Agreement (BTA) took effect on December 10, 2001, following an exchange of letters implementing the agreement by U.S. Trade Representative Robert B. Zoellick and Vietnamese Minister of Trade Vu Khoan.[2] U.S. imports from Vietnam will now be subject to significantly lower duties under normal trade relations (NTR)[3] status. The BTA was signed by the United States and Vietnam on July 13, 2000 after nearly 5 years of negotiations. President Bush transmitted the agreement to Congress for approval on July 8, 2001. In that year, the House approved the agreement on September 6, the Senate approved it on October 3, and President Bush signed the legislation on October 8. The National Assembly of Vietnam approved the resolution ratifying the agreement on November 28, and the President of Vietnam signed the legislation on December 4, 2001. U.S. imports from Vietnam are likely to increase substantially as NTR rates come into effect. Imports from Vietnam have been limited by the generally much higher column 2 duties that apply to nonmarket economies that have not met certain criteria set out in U.S. statutes. Since the United States resumed trading with Vietnam in 1994, imports from Vietnam have consisted mostly of items having free or very low column 2 duties and a few footwear and apparel items.

Background[4]

Following the end of the Vietnam war in 1975, Vietnam was subject to a trade embargo by the United States until President Clinton ended the embargo in February 1994. Since then, Vietnam has been denied NTR status as a nonmarket economy (NME) and has therefore been subject to column 2 duties under the *Harmonized Tariff Schedule of the United States* (*HTS*). Column 2 duty rates are, in general, the full rates that were established by the Tariff Act of 1930 (popularly known as the Hawley-Smoot Act) and in most cases are much higher than the column 1 (NTR) rates.[5]

President Clinton granted Vietnam a waiver in March 1998 under the Jackson-Vanik amendment of the Trade Act of 1974, a waiver that has been extended annually since then by Presidents Clinton and Bush. The immediate effect of the waiver was that U.S. businesses trading with or operating in Vietnam could take advantage of programs of the U.S. Overseas Private Investment Corporation (OPIC) and the Export-Import Bank (Ex-Im Bank). For a designated NME to obtain NTR status, it must pass muster under the Jackson-Vanik amendment. The President must either determine that the country is not in violation of the emigration

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

[2] USTR, "United States and Vietnam Trade Agreement Takes Effect Today," USTR press release 01-110, Dec. 10, 2001.

[3] Nondiscriminatory tariff treatment is historically known as "most-favored-nation" (MFN) status and is called "normal trade relations" (NTR) status in the United States.

[4] For further detail, see extensive background material available in Mark E. Manyin, "The Vietnam-U.S. Bilateral

[4]—*Continued*
Trade Agreement," *CRS Report for Congress*, updated Oct. 4, 2001; Mark E. Manyin, "The Vietnam-U.S. Normalization Process," *CRS Issue Brief*, updated Oct. 4, 2001; and Vladimir N. Pregelj, *Vietnam Trade Agreement: Approval and Implementing Procedure*, Congressional Research Service, order code RS20717, updated Sept. 7, 2001.

[5] Column 2 duty rates applied in the recent past to Communist countries and are now applied only to Afghanistan, Cuba, Laos, North Korea, and Yugoslavia (Serbia and Montenegro), in addition to Vietnam. Lower column 1 duty rates apply to countries with NTR status, that is, all countries other than those mentioned above, with the exception of free-trade agreement partners (Canada, Mexico, Israel, and Jordan) and certain developing countries that are granted trade preferences unilaterally by the United States (i.e., countries covered by the Generalized System of Preferences, the Caribbean Basin Economic Recovery Act, the Andean Trade Preference Act, and the Africa Growth and Opportunity Act).

criteria of the amendment or waive the requirement of full compliance with the criteria.[6] If the President finds compliance or grants a waiver, the country can conclude a BTA with United States, which is a requirement for an NME to obtain NTR status; and the country can obtain access to U.S. government financial facilities such as OPIC and the Ex-Im Bank to support U.S. business activity in the country.

The agreement provides for mutual extension of nondiscriminatory tariff treatment (that is, NTR, also called MFN, status).[7] The agreement also facilitates and expands the rights that U.S. business will have in conducting commercial transactions both within Vietnam and with Vietnamese nationals and business entities, and includes provisions dealing with settlement of commercial disputes, investment, financial transactions, and the establishment of government commercial offices. Vietnam also agreed to adopt standards for intellectual property protection that match the standards set forth in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.[8]

Prospects for Increased U.S. Imports from Vietnam

Imports from Vietnam make up a very small portion of total U.S. imports. In 2000, the United States imported $827.4 million dollars worth of goods from Vietnam, less than one-tenth of one percent (0.07 percent) of total U.S. imports. The small size of the Vietnamese economy relative to the U.S. economy and the lack of long-term commercial relations between the countries partially account for this small portion, but lack of NTR status has certainly impeded expansion of these imports.

Since the end of the U.S. embargo on trade with Vietnam, U.S. imports from Vietnam have consisted mostly of items having free or very low column 2 duties and a few footwear and apparel items as shown in table 1. The top four items–two shrimp items, coffee, and cashew nuts–accounted for 48.3 percent of the total value of U.S. imports from Vietnam in 2000. The shrimp items and coffee enter free of duty under column 2, and the column 2 (specific) duty on cashew nuts amounted to 0.9 percent ad valorem equivalent in 2000.

The product areas having the biggest potential for increased Vietnamese exports to the United States are apparel and footwear. The potential for increases in apparel exports is especially large, with estimates by World Bank economists of over 1500 percent ($384 million).[9] Vietnamese exports of apparel and footwear to Europe and Japan, where Vietnam enjoys MFN status, are quite extensive.[10] A look at the differences between U.S. column 1 and column 2 duty rates on major U.S. apparel import items illustrates the large duty savings from having NTR status.

Table 2 shows imports of the leading U.S. apparel items in 2000, along with their respective column 1 and column 2 duty rates. The difference between the column 1 and column 2 duty rates ranges from about 25 percentage points to over 80 percentage points. Interestingly the 2 items in table 2 with the lowest difference in duty rates–men's or boys' cotton shirts–are 2 of the top 3 apparel items imported from Vietnam (the third is cotton sweaters).

[6] Presidential waivers and determinations of compliance are subject to veto by majority votes in both houses of Congress. For a full discussion of the Jackson-Vanik amendment, see Vladimir N. Pregelj, *The Jackson-Vanik Amendment: a Survey,* Congressional Research Service, order code 98-545 E, updated Oct. 17, 2001.

[7] The United States has been subject to higher than MFN rates on exports to Vietnam. See Michael Barry and Souphala Chomsisengphet, "Vietnam: Its Changing Trade and Investment Regime," *International Economic Review,* USITC Publication 3298, April/May 2000, p. 11.

[8] George W. Bush, "Message to the Congress on Trade with Vietnam," *Weekly Compilation of Presidential Documents,* June 8, 2001, p. 869.

[9] Emiko Fukase and Will Martin, "The Effects of the United States Granting MFN Status to Vietnam," n.d., p. 14, available at Internet site *http://www.worldbank.org.vn/rep19/mfn.pdf* . The next largest export changes in dollar terms that Fukase and Martin found were for the light manufacturing sector, and the chemical, rubber, and plastics sector, both of which contain significant footwear components–footwear with leather parts in the former, and nonleather footwear in the latter. The sportswear firm, Nike, produces athletic footwear in Vietnam.

[10] Ibid., p. 8.

Table 1
Leading U.S. imports from Vietnam, column 1 and column 2 duty rates, 2000

HTS number	Description	Customs value	Col. 1 duty rate	Col. 2 duty rate
		1,000 dollars	*Percent*	
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	181,665	0	0
0901.11.00	Coffee, not roasted, not decaffeinated	110,828	0	0
1605.20.10	Shrimps and prawns, prepared or preserved, not containing fish meat, nesi	53,884	0	0
0801.32.00	Cashew nuts, fresh or dried, shelled	50,306	0	*0.9
6402.99.90	Footwear w/outer soles & uppers of rubber or plastics, nesi, n/cov. ankle, nesi, valued over $12/pair	34,743	20.0	35.0
6404.11.90	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/$12/pair	31,378	20.0	35.0
0304.20.60	Frozen fillets of fresh-water fish, flat fish, etc., nesi	30,152	0	*1.6
6403.99.60	Footwear w/outer soles of rubber/plastics/comp. leather & uppers of leather, n/cov. ankle, n/welt, for men, youths and boys, nesi	28,826	8.5	20.0
6403.99.90	Footwear w/outer soles of rubber/plastics/comp. leather & uppers of leather, n/cov. ankle, for women/child./infants, val. over $2.50/pair	22,213	10.0	20.0
2713.11.00	Coke, petroleum, not calcined	20,114	0	0
2710.00.05	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing under 25 degrees A.P.I.	19,125	*0.2	*0.7
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	17,479	*0.3	*0.6
0904.11.00	Pepper of the genus Piper, neither crushed nor ground	17,328	0	0
2710.00.10	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing 25 degrees A.P.I. or more	13,916	*0.4	*0.7
6205.20.20	Men's or boys' shirts, not knitted or crocheted, of cotton, nesi	13,187	20.1	45.0
9706.00.00	Antiques of an age exceeding one hundred years	12,198	0	0
2711.29.00	Petroleum gases and other gaseous hydrocarbons, except natural gas	9,342	0	0
0302.32.00	Yellowfin tunas, fresh or chilled, excluding fillets, other meat portions, livers and roes	8,954	0	0
2711.12.00	Propane, liquefied	8,441	0	0
9403.60.80	Furniture (o/than seats & o/than of 9402) of wooden (o/than bentwood) nesi	6,385	0	40.0
	Subtotal	690,465		
	Total	821,619		

* Ad valorem equivalent of specific duty.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2
Leading U.S. imports of apparel items, column 1 and column 2 duty rates, 2000

HTS number	Description	Customs value	Col. 1 duty rate	Col. 2 duty rate
		1,000 dollars	*Percent*	
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesi	5,384,261	17.8	50.0
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	4,806,133	16.9	90.0
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesi	4,352,444	16.9	90.0
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesi	3,068,413	32.7	90.0
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	2,988,600	17.8	90.0
6205.20.20	Men's or boys' shirts, not knitted or crocheted, of cotton, nesi	2,412,837	20.1	45.0
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	1,521,518	20.1	45.0
6206.30.30	Women's or girls' blouses and shirts, not knitted or crocheted, of cotton, nesi	1,193,502	15.7	90.0
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted	1,091,823	17.2	75.0
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c	982,369	28.4	90.0
6111.20.60	Babies' garments and clothing accessories, knitted or crocheted, of cotton, nesi	869,466	8.2	90.0
6204.63.35	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, nesi	851,040	29.1	90.0
6201.93.30	Men's or boys' anoraks, windbreakers and similar articles, not knitted or crocheted, of manmade fibers, nesi, water resistant	819,910	7.2	65.0
6206.40.30	Women's or girls' blouses and shirts, not knitted or crocheted, of manmade fibers, nesi	773,729	27.4	90.0
6110.10.20	Sweaters, pullovers, waistcoats (vests) and similar articles, knitted or crocheted, of wool or fine animal hair (excl. wholly of cashmere)	740,909	16.3	54.5

Source: Compiled from official statistics of the U.S. Department of Commerce.

New Trade and Investment Framework Agreement Between the United States and the Common Market for Eastern and Southern Africa

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The United States recently signed a Trade and Investment Framework Agreement with the Common Market for Eastern and Southern Africa–the first such agreement between the United States and a regional organization in sub-Saharan Africa. This article describes recent U.S.-COMESA trade and investment trends.

The Common Market for Eastern and Southern Africa (COMESA) is a regional grouping of twenty countries in eastern and southern Africa.[2] The COMESA forms one of the largest trading blocs in sub-Saharan Africa, with 380 million consumers and a combined gross domestic product (GDP) totaling over $175 billion in 2000.[3] On October 29, 2001, the United States concluded a Trade and Investment Framework Agreement (TIFA) with the COMESA–the first such agreement between the United States and a regional organization in sub-Saharan Africa. The TIFA establishes a formal mechanism for regular consultation on trade and investment issues between the United States and the COMESA region. The major goals of the United States in pursuing a TIFA with the COMESA is to develop and expand trade in goods and services; promote the adoption of appropriate measures to encourage and facilitate trade; and secure favorable conditions for long-term investment, development and diversification of trade.[4] The United States has existing TIFAs with three countries in sub-Saharan Africa–South Africa, Nigeria, and Ghana.[5] In the past, TIFA-shave been precursors to the negotiation of free-trade agreements.[6]

Trade and Investment Trends

U.S. trade with the COMESA region is very small. The COMESA countries, as a group, constituted less than 1 percent of the world market for U.S. exports, and supplied less than 1 percent of total U.S. imports in 2000. The COMESA region ranked 29th as a destination for U.S. exports among all nations, ahead of Turkey, but behind Sweden. Similarly, as a group, the COMESA countries were the 33rd largest U.S. supplier among single-country suppliers, larger than Iraq, but smaller than Norway. Figure 1 shows U.S. exports to COMESA rose from $4.2 billion in 1996 to a high of $4.8 billion in 1997, before falling back to $4.2 billion in 2000. This trend followed a similar pattern for economic growth which gained strength in 2000 for the second consecutive year, following the global slowdown in 1998. Moreover, U.S. exports to the COMESA region in the first nine months of 2001 increased 20 percent, to a total of $3.8 billion. The largest increase in U.S. exports to COMESA was in chemicals and related products (168 percent) (table 1). On the import side, figure 1 shows U.S. imports from the COMESA region declined from $4.4 billion in 1996 to a low of $3.9 billion in 1998, before rising significantly

[1] Staff economist and intern, respectively, at the U.S. International Trade Commission. The views expressed in this article are those of the authors. They are not the views of the U.S. International Trade Commission (USITC) as a whole or of any individual Commissioner.

[2] The members of COMESA agreement are: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

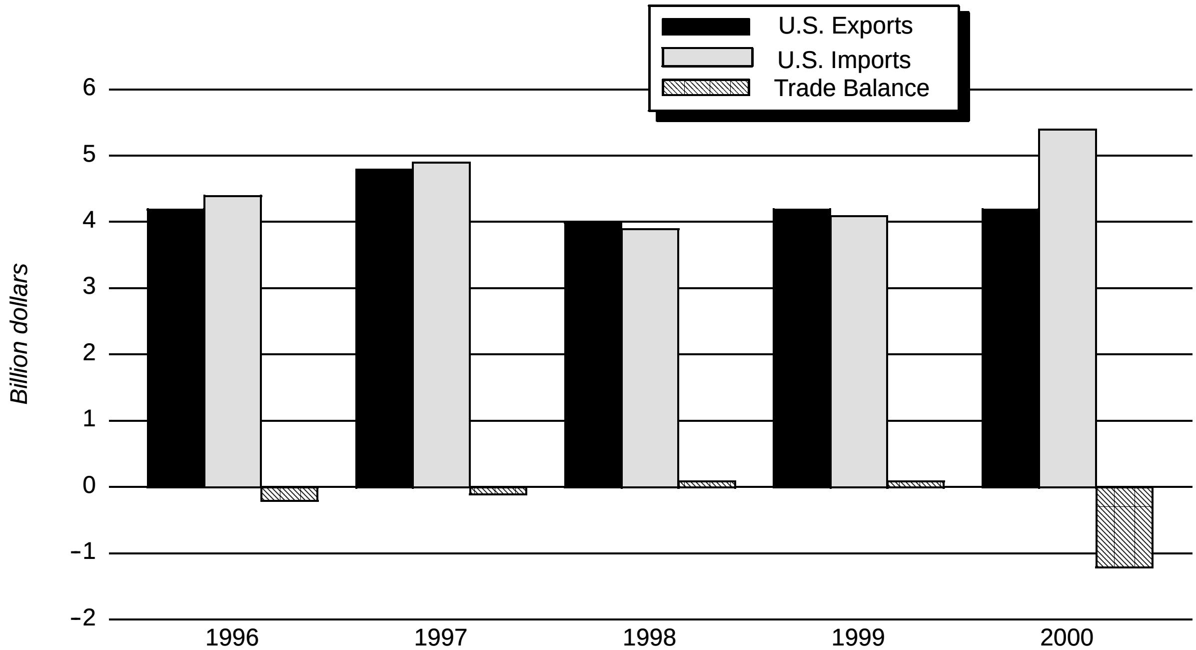
[3] USTR, "Remarks on the Signing of the U.S.-COMESA Trade and Investment Framework Agreement," Oct. 29, 2001.

[4] USTR, "Agreement Between the Government of the United States of America and the Common Market For Eastern and Southern Africa Concerning the Development of Trade and Investment Relations," Oct. 29, 2001.

[5] The U.S.-South Africa TIFA was signed on Feb. 18, 1999, the U.S.-Ghana TIFA on Feb. 26, 1999, and the U.S.-Nigeria TIFA was signed on Feb. 16, 2000.

[6] USTR, *U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act,* May 2001.

Figure 1
U.S. Trade with COMESA, 1996-2000



Source: Compiled from official statistics of the U.S. Department of Commerce.

to $5.4 billion in 2000. These changes were the result of a measure implemented in 1997 that made crude oil imports from least-developed beneficiary countries under the U.S. Generalized System of Preferences (GSP) program. This change in GSP policy resulted in significant shifts in U.S. imports from sub-Saharan Africa, especially in terms of energy-related imports and total imports from Angola. In the first nine months of 2001, imports from COMESA totaled $4 billion, an increase of 2 percent compared to the same period in the previous year. This was mainly due to an increase in U.S. imports from the following five countries: Madagascar, up $118 million (117%) as a result of increases in sales of chemicals and related products, agricultural products, miscellaneous manufactures and textiles and apparel; Kenya, up $17 million (21%) because of increases in sales of chemicals and related products, textiles and apparel, and agricultural products; Namibia, up $12 million (54%) due to increased U.S. imports of minerals and metals, and energy-related products; Mauritius, up $11 million (5%) due to increased U.S. imports of special provisions, machinery, chemicals and related products, and miscellaneous manufactures; and Swaziland, up $10 million (29%) due to increased U.S. imports of machinery, miscellaneous manufactures, textiles and apparel, and electronic products. The U.S. trade balance with COMESA moved from a surplus during 1998-1999 to a deficit in 2000, reflecting the sharp increase in U.S. imports from the COMESA region (figure 1). This turnaround in the U.S. trade balance was due, in large part, to an increase in imports of oil and energy-related products. In the first nine months of 2001, the U.S. trade deficit narrowed considerably.

The top U.S. exports to COMESA in 2000 by 1-digit SITC commodity classification were machinery and transport equipment, food and live animals, miscellaneous manufactured articles, and chemicals and related products (table 1). The top five U.S. commodity exports to COMESA were aircraft and aircraft equipment, wheat and meslin, arms and ammunition, maize, and telecommunications equipment. The largest U.S. export markets within the COMESA region were Egypt (77.7 percent), Kenya (5.6 percent), Angola (5.3 percent), Ethiopia (3.9 percent), and Namibia (1.9 percent). With respect to imports, the major items imported from the COMESA region in 2000 by 1-digit SITC commodity classification were mineral fuels, lubricants and related materials, miscellaneous manufactured articles, manufactured goods classified chiefly by material, and food and live animals (table 1). The top four U.S. commodity imports from COMESA were crude and non-crude oil, coats and jackets, textiles and

Table 1
U.S. trade with COMESA, by 1-digit SITC commodities, 1996-2000

(Million dollars)

Exports

SITC	Item	1996	1997	1998	1999	2000	Jan.-Sept. 2000	Jan.-Sept. 2001	Change Jan.-Sept. 2000 over Jan.-Sept.2001
0	Food and live animals	1290	1010	988	1012	1192	878	765	-13%
1	Beverages and tobacco	49	53	77	119	20	19	2	-89%
2	Crude materials, inedible, except fuels	146	111	94	90	94	70	89	27%
3	Mineral fuels, lubricants and related materials	72	66	48	29	47	26	40	54%
4	Animal and vegetable oils, fats and waxes	74	85	81	77	68	51	32	-37%
5	Chemicals and related products, n.e.s.	198	230	213	200	226	149	399	168%
6	Manufactured goods classified chiefly by material	199	164	167	134	133	96	112	17%
7	Machinery and transport equipment	1526	2207	1749	1880	1826	1417	1823	29%
8	Miscellaneous manufactured articles	528	782	505	539	498	373	378	1%
9	Commodities & transactions not classified elsewhere	69	92	105	91	115	78	150	92%
	Total	4151	4800	4027	4171	4219	3157	3790	20%

Imports

SITC	Item	1996	1997	1998	1999	2000	Jan.-Sept. 2000	Jan.-Sept. 2001	Change Jan.-Sept. 2000 over Jan.-Sept.2001
0	Food and live animals	194	305	230	175	209	150	200	33%
1	Beverages and tobacco	69	104	30	62	55	40	33	-18%
2	Crude materials, inedible, except fuels	89	75	62	67	74	56	41	-27%
3	Mineral fuels, lubricants and related materials	3051	3171	2337	2574	3665	2651	2587	-2%
4	Animal and vegetable oils, fats and waxes	1	0	0	0	0	0	0	0%
5	Chemicals and related products, n.e.s.	80	159	68	26	34	17	66	288%
6	Manufactured goods classified chiefly by material	332	370	357	343	268	187	196	5%
7	Machinery and transport equipment	23	13	9	18	18	13	9	-31%
8	Miscellaneous manufactured articles	540	646	760	779	947	686	802	17%
9	Commodities & transactions not classified elsewhere	50	100	55	47	137	105	55	-48%
	Total	4429	4943	3908	4091	5407	3905	3989	2%

Source: Compiled from official statistics of the U.S. Department of Commerce.

apparel, and floor coverings. Angola was the largest supplier of U.S. imports from the COMESA region, with $3.3 billion in sales (mostly of oil) to the United States, representing 61.6 percent of U.S. imports from COMESA in 2000. Egypt ranked second, with $925 million in sales and a 17.1 percent share. Third was Mauritius, with $286 million in sales, representing a 5.3 percent share. U.S. imports from DROC totaled $212 million, and from Madagascar $158 million.

Figure 2 shows foreign direct investment (FDI) inflows from all countries into the COMESA region from 1995 to 2000. During this period, foreign direct investment[7] to COMESA fell from $1.8 billion in 1995 to $1.5 billion in 1996, rose sharply to a high of $4.9 billion in 1999, before declining slightly to $4.6 billion in 2000 (figure 2). This reflects the sharp drop in inflows to Angola from $2.5 billion in 1999 to only $1.8 billion in 2000, as investment inflows to Angola's petroleum industry took a pause from the dynamic development in previous years.[8] FDI inflows to the COMESA region were unevenly distributed. In 2000, Angola and Egypt (the major COMESA oil producing countries) together accounted for 66.3 percent of inflows, the next four countries (Sudan, Mauritius, Uganda and Zambia) received 27.3 percent, while the remaining countries in COMESA shared the 6.4 percent balance.

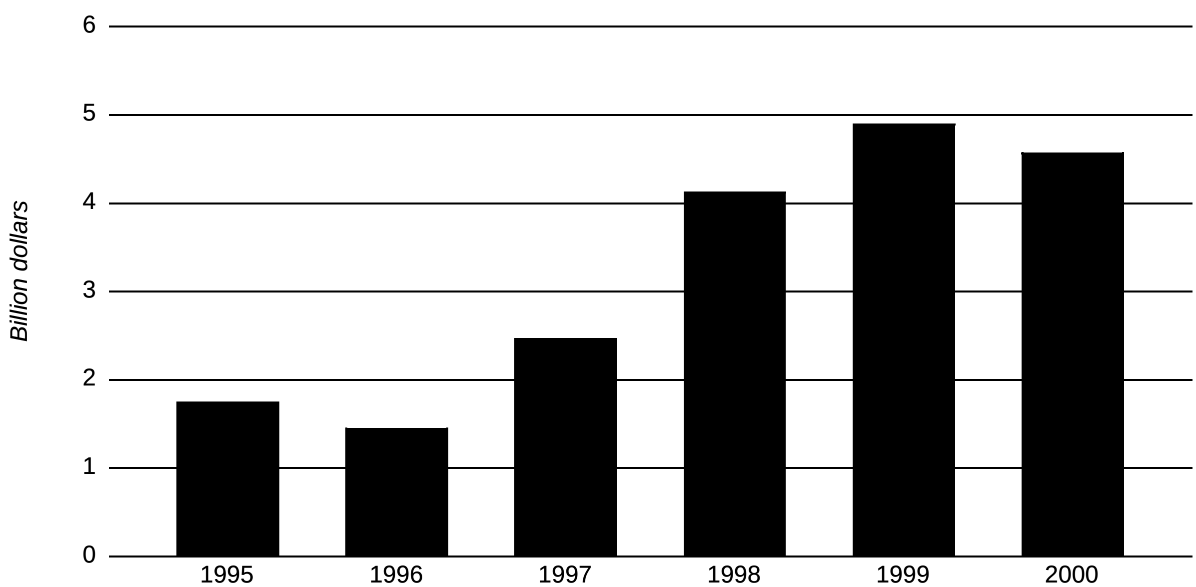
The COMESA countries hope that the recently signed TIFA will trigger significantly increased trade-related FDI inflows from the United States. There are also expectations that the African Growth and Opportunity Act (AGOA),[9] which improves market access for African exports on favorable terms, will increase the share of United States FDI going into the COMESA region.

[7] Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor.

[8] United Nations, *World Investment Report,* 2001, p. 20.

[9] The following 13 COMESA countries are AGOA beneficiaries: Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Uganda, and Zambia.

Figure 2
COMESA: Foreign Direct Investment Inflows, 1995-2000



Source: United Nations, *World Investment Report*, 2001.

USITC Reports that CBERA Imports Will Likely Increase

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As a result of a recently inaugurated expansion of the Caribbean Basin Economic Recovery Act (CBERA), U.S. imports from Central American and Caribbean beneficiary countries–particularly of textiles and apparel–have already increased. It is expected that this trend will increase and such imports will eventually dominate trade from the region.

The biennial report of the United States International Trade Commission (USITC, or the Commission) on the impact of trade with countries eligible under the U.S. Caribbean Basin Economic Recovery Act (CBERA) was released on November 6, 2001.[2] Section 215 of the CBERA requires the Commission to prepare a report assessing both the actual and the probable future effects of CBERA on the U.S. economy, on U.S. industries, and on U.S. consumers. The section was amended in May 2000 by the Caribbean Basin Trade Partnership Act (CBTPA), which instructed the Commission also to report on the impact of the overall preference program on beneficiary countries.

The Commission used partial-equilibrium analysis to estimate the impact of CBERA on the United States. The probable future effect of CBERA on the United States was estimated by an examination of export-oriented investment in the beneficiary countries. This year's report also provides an assessment of the effectiveness of CBERA in promoting export-led growth and export diversification in the beneficiary countries. This examination of the impact of the U.S. preference program on trading partners in the Caribbean and Central American region was conducted by means of an econometric analysis. Data sources for the report included: field interviews, on-site tours of agricultural and manufacturing facilities, interviews with government agencies, information from the U.S. Department of Commerce, data reported by international agencies and multilateral banks, as well as reports from U.S. embassies.

The CBERA entered into effect on January 1, 1984, and became permanent on August 20, 1990. It reduces or eliminates tariffs on eligible products of designated Caribbean, Central American, and South American countries and territories. The primary goal of CBERA is to promote export-oriented growth in these 3 groups of Caribbean Basin countries and territories, and to diversify their economies away from traditional agricultural products and raw materials. CBERA applies to many of the same tariff categories covered by the U.S. Generalized System of Preferences (GSP), but is broader than the GSP in that CBERA's benefits apply to additional products and the qualifying rules for trade in these products are more liberal.

The report looks at the CBERA from three vantage points: the trade-related activities resulting from the preference program in 1999-2000; its impacts on the United States, and the impacts on the beneficiary countries.

Trade-Related Activities

Total U.S. imports from CBERA beneficiary countries in 2000 amounted to $22.2 billion, of which $2.8 billion or 11.9 percent entered under CBERA preferences. An additional $157 million, or 0.7 percent of the total, entered under the CBTPA program, which became effective only during the last quarter of 2000 for some countries eligible for CBERA. The leading items afforded duty-free entry under CBERA in 2000 were cigars and other tobacco products, methyl alcohol (methanol), gold and platinum, jewelry, sugar, and pineapples. Four countries–the Dominican Republic, Costa Rica, Trinidad and Tobago, and Guatemala–accounted for more than 75 percent of all U.S. imports under CBERA.

The above-mentioned share of U.S. imports from CBERA countries entering under CBERA preferences decreased from shares of 18.8 percent in 1998, to 13.6

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

[2] USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report 1999-2000*, Inv. No. 332-227, USITC Publication 3447, September 2001.

percent in 1999, and to 11.9 percent in 2000. The decline in the relative significance of CBERA can be attributed principally to three factors: (1) the elimination of duty rates for some CBERA-eligible products that made preferential access unnecessary; (2) a smaller U.S. quota and quota allocations for sugar (a CBERA-eligible product) from most countries, including CBERA beneficiaries; and (3) a surge in the price of petroleum products that increased the import value for those products coming from outside CBERA.

The United States registered a collective trade deficit with CBERA countries in both 1999 and 2000–the first U.S. deficits in this trade since 1986. The 1999 deficit was $335.2 million; the 2000 deficit was $1.4 billion. These deficits resulted largely from price increases, particularly the higher import value of petroleum and natural gas products imported from CBERA countries.

Apparel products continued to dominate U.S. imports from CBERA countries. However, the share of apparel products by value in total imports from CBERA countries dipped from 48 percent in 1998 to 43 percent in 2000, due to competition in the U.S. market from Mexican apparel entering duty-free under the North American Free Trade Agreement (NAFTA).

Imports contracted from most CBERA countries under the program during 1999 and 2000. Increased imports of methyl alcohol from Trinidad and Tobago, of expandable polystyrene from the Bahamas, and of frozen orange juice from Belize boosted overall imports under CBERA from these three countries, making them major exceptions to the overall contraction.

The product composition of U.S. imports under CBERA has changed markedly since 1998 because of the lower tariffs resulting from the Uruguay Round of multilateral trade negotiations. Beginning in 1999, most instruments (HTS chapter 90) and footwear uppers (HTS chapter 64) that had been leading import categories in 1998, no longer entered under CBERA. As of 2000, many electrical machinery items no longer entered under CBERA. All of these items became duty-free rates under most-favored-nation status, known in the United States as normal trade relations status.

U.S. exports to CBERA countries totaled $20.7 billion in 2000, an 8.9 percent increase over 1999. CBERA countries' relative export market importance dipped slightly, from sixth in 1998 to ninth in 2000. The Dominican Republic, Honduras, Costa Rica, and Guatemala remained the principal U.S. markets, collectively accounting for 53.6 percent of U.S. exports to the region. The leading eight countries (top one third) have in recent years accounted for more than eighty percent of U.S. exports to CBERA countries.[3]

Goods provided for under HTS chapters for apparel, mineral fuels, vehicles (not railway), and cereals continued to dominate U.S. exports to the region. Six of the leading 20 export items fell under the textiles, apparel, or apparel parts category–trade driven primarily by production-sharing opportunities. Another four of the leading 20 export items fell under the category of mineral fuels and oil.

Impact of CBERA on the United States

Of the $2.8 billion in U.S. imports that entered under CBERA in 2000, imports amounting to $1.5 billion could not have received tariff preferences under any other program. The five leading items benefitting exclusively from CBERA in 2000 were methyl alcohol, higher priced cigars, pineapples, jewelry articles, and raw cane sugar.[4]

The overall effect of CBERA-exclusive imports on the U.S. economy and on consumers continued to be negligible in 2000. In that year, the value of U.S. imports under CBERA preferences was less than 0.03 percent of U.S. gross domestic product (GDP). The value of total U.S. imports from CBERA countries was 1.8 percent of total U.S. imports.

Fuel-grade ethyl alcohol provided the largest gain in consumer welfare (between $19.3 million and $27.7 million)[5] due to the lower prices resulting exclusively from CBERA tariff preferences in 2000.[6] Methyl alcohol provided the second largest gain in consumer welfare (between $19.0 million and $20.6 million). U.S. imports of the 20 leading CBERA-exclusive items (except for two sugar subheadings) produced net welfare gains for U.S. consumers in 2000.[7] For example, frozen concentrated orange juice yielded the largest net gain, valued at $4.2 million to $5.2 million, followed by fuel-grade ethyl alcohol and methyl alcohol.

[3] For a discussion of Caribbean exports to the United States, see related article by Magda Kornis, "U.S. Trade Measures and the Caribbean Export Profile," *International Economic Review*, November-December 2001.

[4] Ibid.

[5] The methodology employed in the analysis produces an upper and lower range estimate of the change in consumer welfare. As a result, a range of estimated effects is present here.

[6] The price U.S. consumers would have paid for imports of ethyl alcohol from CBERA countries would have been 49 percent higher (the ad valorem duty rate adjusted for freight and insurance charges) without CBERA. In general, items providing the largest gains in consumer welfare also have either the highest column 1 tariff rates, or the highest import volumes from CBERA countries, or both.

[7] Changes in consumer welfare are the result of lower prices.

No U.S. industries were identified as experiencing or potentially experiencing displacement of more than 5 percent of the value of U.S. production, based on an upper range estimate. The probable future effect of CBERA on the United States is expected to be minimal in most economic sectors. From field work, the Commission identified recent CBERA-related investments in the manufacturing and garment sectors, most likely focused on production-sharing arrangements. Thus, the largest future effect of CBERA on the United States is likely to result from enhanced preferences granted to certain apparel products under CBTPA in 2000.[8]

Impact of CBERA on Beneficiary Countries

The econometric analysis conducted in the USITC study examined the factors affecting exports and economic growth in the Caribbean region, attempting to isolate the impact of the CBERA program itself.[9] According to the analysis, CBERA appears to have had a small but positive effect on income growth in the beneficiary countries, but only during the years when these countries were undertaking their own trade and foreign exchange reforms. As expected, any impact CBERA may have had on growth has diminished as the U.S. trade regime has become more open over time.[10] Also, CBERA appears to have had no significant effect on overall investment in the beneficiary countries.

In contrast to CBERA, production-sharing has had a positive effect on growth of both investment and income in the beneficiary countries. This impact has also diminished as the U.S. market has become more open over time. NAFTA provisions, however, have also reduced the positive effects of the production-sharing program for the CBERA region, and directly diminished investment in the Caribbean beneficiary countries.

Unilateral trade reforms–such as the removal of quantitative restrictions, reductions in tariff levels, removal of export taxes, and the like–when undertaken by the beneficiary countries, were significant catalysts for increased investment in the CBERA region and increased income growth in the Caribbean. U.S. trade reforms have also had a significant, positive effect on investment in Central American beneficiary countries, and on income growth in Caribbean beneficiary countries. In 2000, investment in the region increased nearly 14 percent over 1999. Estimated investment flows to the region amounted to just over $74 billion in 2000.[11]

Recent Trade Statistics

While the preferences afforded to items previously excluded under the program–notably textiles and apparel–became effective in October 2000, items did not start to enter the United States officially as imports under the CBTPA. Such CBPTA imports accounted for 0.7 percent of total U.S. imports from the region, or approximately 8.4 percent on an annualized basis. Imports under CBERA accounted for 11.9 percent in 2000.

Trade statistics for 2001 indicate that the value of imports under the new CBTPA element of the CBERA preference program has increased markedly (table1). For 2001, imports under CBTPA account for nearly 46 percent of total U.S. imports from the region, with the share of imports under the CBERA program representing 14 percent during the same time period. Table 1 illustrates that imports under the CBTPA program with its added textile preferences were more than twice the magnitude of their CBERA counterparts during 2001. Thus, the expanded preferences under CBTPA are changing the footprint of trade between the United States and many countries of Central America and the Caribbean.

The USITC report, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report 1999-2000* (Inv. No. 332-227, USITC Publication No. 3447, September 2001) is available on the ITC's Internet site at ***www.usitc.gov***. A printed or CD-ROM version may be requested by calling 202-205-1809 or by writing to the Office of the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Requests may also be faxed to 202-205-2104.

[8] Preferences to the CBERA program were enhanced in 2000 by the CBTPA, which accounted for a liberalization of certain apparel articles entering from the CBERA region. The program also included reduced duty rates for certain products previously excluded that occurred concurrently with CBERA. These programs included liberalization already embodied from the Uruguay Round, unilateral trade liberalization, regional trade agreements, and the establishment of free-trade zones.

[9] The econometric analysis examined the impact of CBERA on average annual GDP growth and annual investment as a percent of GDP in the beneficiary countries, while controlling for the impact of other major policy reforms.

[10] This is the result of the erosion of CBERA trade preferences following the elimination of U.S. duties on a number of other products from liberalization brought about under other agreements or policies.

[11] A recent report by the U.S. Trade Representative to the Congress provided a periodic update on the CBERA program. It included a description of the Caribbean Basin Initiative that later became the CBERA, and an overview of recent trade between the CBERA region and the United States. The USTR report also reviewed the eligibility criteria on which Congress originally conditioned the granting of trade preferences to beneficiary countries. These criteria, reflecting a number of key U.S. policy objectives, must be met and maintained in order to retain eligibility for CBERA trade preferences. See Office of the United States Trade Representative, *Fourth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act* (USTR: Washington DC), Dec. 31, 2001.

Table 1
U.S. imports under CBERA and CBTPA, 1999-2001

(Million dollars)

	CBERA			CBTPA		
Country	**1999**	**2000**	**2001**	**1999**	**2000**	**2001**
Antigua and Barbuda	0	0	0	-	-	-
Aruba	0	0	0	-	-	-
The Bahamas	56	74	76	-	-	-
Barbados	25	10	12	-	-	-
Belize[1]	23	32	38	-	0	10
British Virgin Islands	0	0	0	-	-	-
Costa Rica[1]	683	601	585	-	16	427
Dominica	9	0	0	-	-	-
Dominican Republic[1]	820	805	810	-	47	1,554
El Salvador[1]	59	46	71	-	26	938
Grenada	11	17	7	-	-	-
Guatemala[1]	285	250	245	-	15	499
Guyana[1]	15	16	17	-	1	7
Haiti[1]	22	21	15	-	5	144
Honduras[1]	180	207	210	-	46	1,460
Jamaica[1]	90	87	84	-	2	111
Montserrat	0	0	0	-	-	-
Netherlands Antilles	2	4	6	-	-	-
Nicaragua[1]	51	57	67	-	0	81
Panama[1]	46	43	37	-	0	5
St. Kitts and Nevis	26	28	29	-	-	-
St. Lucia[2]	9	7	7	-	-	0
St. Vincent and the Grenadines	7	2	2	-	-	-
Trinidad and Tobago[2]	218	328	389	-	-	356
Total	2,637	2,636	2,706	-	157	5,593

[1] Country designated fully eligible for CBTPA benefits as of yearend 2000.
[2] Country designated fully eligible for CBTPA benefits beginning 2001.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. TRADE DEVELOPMENTS

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The U.S. Department of Commerce reported that seasonally adjusted total exports of goods and services of $78.2 billion and imports of $106.1 billion in November 2001 resulted in a goods and services trade deficit of $27.9 billion; this was $1.4 billion less than the $29.3 billion in October 2001.[2] November imports of goods and services at $106.1 billion were $0.9 billion less than October imports of $107.0 billion.

November 2001 merchandise exports decreased to $56.2 billion from $56.6 billion in October 2001. Merchandise imports decreased to $90.2 billion from $91.6 billion, causing the merchandise trade deficit to decrease in November by $1.1 billion to $34.0 billion from $35.1 billion in October. For services, exports increased to $22.0 billion from $21.1 billion, imports of services increased to $15.9 billion from $15.3 billion, resulting in a surplus of $6.1 billion, $0.4 billion higher than $5.7 billion surplus in October.

Exports of merchandise goods in October-November 2001 reflected decreases in industrial supplies and materials; consumer goods; "other goods" statistical category; and automotive vehicles, parts, and engines. Increases occurred in capital goods, and foods, feeds and beverages. Imports of goods reflected a decrease in industrial supplies and materials. Increases occurred in automotive vehicles, parts, and engines; and consumer goods. Capital goods; foods, feeds, and beverages; and the "other goods" statistical category were virtually unchanged. Additional information on U.S. trade developments in agriculture and specified manufacturing sectors in October-November 2001 are highlighted in tables 1 and 2 and figures 1 and 2. Services trade developments are highlighted in table 3.

In November 2001, exports of advanced technology products were $15.0 billion and imports of the same were $16.2 billion, resulting in a deficit of $1.2 billion, virtually the same as in October. The November 2001 trade data showed U.S. surpluses with Egypt, Australia, Hong Kong, Brazil and Singapore. Deficits were recorded with Canada, China, Japan, Korea, Mexico, OPEC member countries, Taiwan, and Western Europe.

The export of goods and services during January-November 2001 was $927.7 billion, down from $976.5 billion during January-November 2000. Imports of goods and services decreased to $1247.7 billion, from $1318.9 billion during the same period. As a consequence, the trade deficit on goods and services decreased to $320.0 billion for the January-November 2001 period, from $342.5 billion during January-November 2000, an increase of $22.5 billion.

The export of goods during January-November 2001 decreased to $667.4 billion from $707.6 billion during the same 2000 period, a decrease of $40.2 billion, and imports of goods were $1062.1 billion, down from $1120.5 billion in January-November 2000. Consequently, the merchandise trade deficit declined to $394.6 billion from $412.9 billion. Regarding trade in services, exports in January-November 2001 decreased to $260.3 billion, from $268.8 billion in the same period of 2000, a decrease of $8.5 billion. Imports of services decreased to $185.6 billion from $198.4 billion, a decrease of $12.8 billion. The surplus on trade in services increased to $74.7 billion in January-November 2001 from $70.4 billion in the same period in 2000, an increase of $4.3 billion.

The January-November 2001 exports of advanced technology products declined to $185.0 billion from $206.5 billion in January-November 2000. Imports declined to $180.2 billion in January-November 2001 from $202.6 billion in the same period of 2000. The trade surplus increased to $4.7 billion in January-November 2001 up from $3.9 billion in January-November 2000.

The January-November 2001 trade data in goods and services showed trade deficits with Canada, Mexico, Western Europe, the Euro area (EU-12), the European Union (EU-15), EFTA, Eastern Europe, China, Japan, Korea, Taiwan, and OPEC. Trade surpluses were recorded with Belgium, the Netherlands, Spain, Australia, Argentina, Brazil, and Egypt. U.S. trade developments with major trading partners are highlighted in table 4.

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

[2] Data for this article was taken largely from U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. International Trade in Goods and Services," *Commerce News*, FT–900, Jan. 18, 2002, found at *http://www.census.gov/foreign–trade/www/press.html#current*, retrieved Jan.18, 2002, as well as at Internet address *http://www.bea.doc.gov/bea/newsrel/*.

Table 1
U.S. trade in goods and services, seasonally adjusted, Oct.-Nov. 2001

(Billion dollars)

Item	Exports		Imports		Trade balance	
	November 2001	October 2001	November 2001	October 2001	November 2001	October 2001
Trade in goods (Current dollars) (see note)						
Including oil	56.216	56.590	90.185	91.635	-33.969	-35.045
Excluding oil	56.293	56.684	83.415	83.486	-27.122	-26.802
Trade in services (Current dollars)	21.988	21.050	15.906	15.330	6.082	5.720
Trade in goods and services (Current dollars)	78.204	77.640	106.091	106.965	-27.887	-29.325
Trade in goods (1996 dollars) (Census basis)	62.685	62.961	101.633	101.681	-38.948	-38.720
Advanced technology products (not seasonally adjusted)	14.973	15.699	16.195	16.927	-1.222	-1.228

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. Data may not add to totals due to rounding.

Source: Calculated from data of the U.S. Department of Commerce, "Exhibit 1. International Trade in Goods and Services," "Exhibit 9. Petroleum and Non-Petroleum End-Use Category Totals," "Exhibit 10. Exports and Imports of Goods by Principal End-Use Category (Constant Dollars),""Exhibit 16. Exports, Imports, and Balance of Advanced Technology Products," FT-900 release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

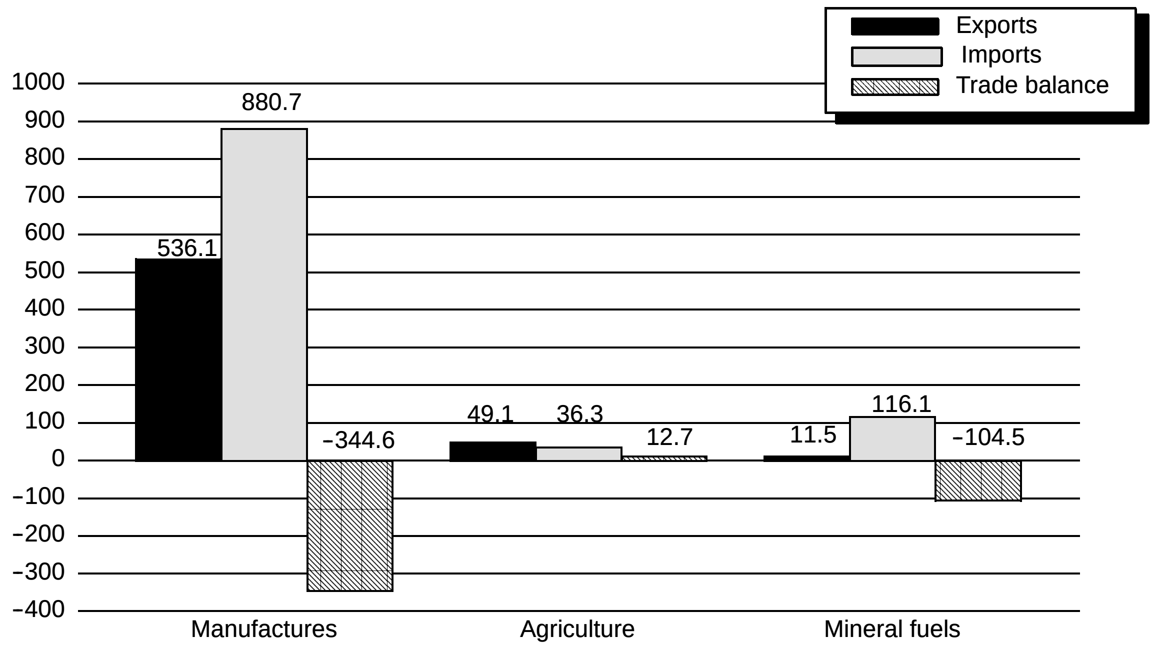
Table 2
Nominal U.S. exports and trade balances, agriculture and specified manufacturing sectors, Jan. 2000-Nov. 2001

	Exports		Imports	Exports	Imports			Trade balance	
	Nov. 2001	Jan.-Nov. 2001	Jan.-Nov. 2001	Jan.-Nov. 2000	Jan.-Nov. 2000	Change in exports, Jan.-Nov. 2001 over Jan.-Nov. 2000	Share of total exports, Jan.-Nov. 2001	Jan.-Nov. 2001	Jan.-Nov. 2000
	Billion dollars					*Percent*		*Billion dollars*	
ADP equipment & office machinery	2.789	36.007	69.893	41.991	84.556	-14.3	5.3	-33.886	-42.565
Airplane parts	1.179	14.489	5.793	13.736	5.126	5.5	2.1	8.696	8.610
Airplanes	2.074	24.990	13.202	22.315	10.758	12.0	3.7	11.788	11.557
Chemicals - inorganic	0.466	5.169	5.713	4.938	5.578	4.7	0.8	-0.544	-0.640
Chemicals - organic	1.292	15.341	27.860	16.565	26.571	-7.4	2.3	-12.519	-10.006
Electrical machinery	5.337	67.051	78.917	82.478	99.873	-18.7	9.9	-11.866	-17.395
General industrial machinery	2.463	29.711	30.847	30.459	32.089	-2.5	4.4	-1.136	-1.630
Iron & steel mill products	0.431	5.085	11.525	5.300	14.780	-4.1	0.8	-6.440	-9.480
Power-generating machinery	2.808	31.051	33.566	30.041	31.205	3.4	4.6	-2.515	-1.164
Scientific instruments	2.263	26.758	19.787	28.093	20.103	-4.8	4.0	6.971	7.990
Specialized industrial machinery	1.755	24.006	18.149	28.324	20.835	-15.2	3.6	5.857	7.489
Televisions, VCRs, etc.	1.946	22.238	58.054	25.566	64.374	-13.0	3.3	-35.816	-38.808
Textile yarns, fabrics and articles	0.794	9.414	13.558	9.758	14.062	-3.5	1.4	-4.144	-4.304
Vehicles	4.877	50.061	144.695	53.156	148.725	-5.8	7.4	-94.634	-95.569
Subtotal	30.474	361.371	531.559	392.720	578.635	-8.0	53.5	-170.188	-185.915
Other manufactures exports not included above	15.027	174.747	349.233	181.165	354.434	-3.5	25.9	-174.486	-173.269
Manufactures	45.501	536.118	880.792	573.885	933.069	-6.6	79.3	-344.674	-359.184
Agriculture	5.260	49.110	36.367	46.811	35.938	4.9	7.3	12.743	10.873
Subtotal	50.761	585.228	917.159	620.696	969.007	-5.7	86.6	-331.931	-348.311
Other exports, not included above	7.326	90.556	142.909	96.011	150.563	-5.7	13.4	-52.353	-54.552
Total	58.087	675.784	1060.068	716.707	1119.570	-5.7	100.0	-384.284	-402.863

Note.—Data may not add due to rounding. Data are presented on a Census Bureau basis.

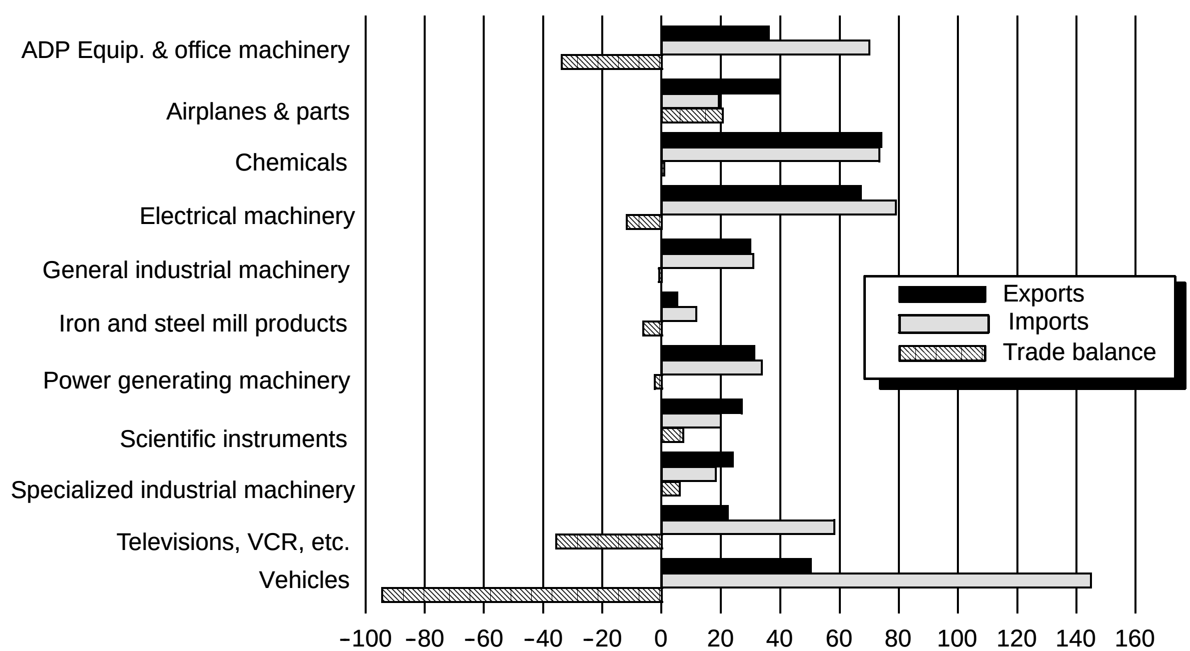
Source: Calculated from data of the U.S. Department of Commerce, “Exhibit 15. Exports and Imports of Goods by Principal SITC Commodity Groupings,” FT-900 release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current*.

Figure 1
U.S. trade by major commodity, billion dollars, Jan.-Sept. 2001



Source: Calculated from data from U.S. Department of Commerce, "Exhibit 15. Exports and Imports of Goods by Principal SITC Commodity Groupings," *FT-900* release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

Figure 2
U.S. trade in principal goods, billion dollars, Jan.-Sept. 2001



Source: Calculated from data from U.S. Department of Commerce, "Exhibit 15. Exports and Imports of Goods by Principal SITC Commodity Groupings," *FT-900* release of Sept 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

Table 3
Nominal U.S. exports and trade balances of services, by sectors, Jan. 2000-Nov. 2001, seasonally adjusted

Service sector	Exports Jan.-Nov. 2001	Exports Jan.-Nov. 2000	Change Jan.-Nov. 2001 over Jan.-Nov. 2000	Imports Jan.-Nov. 2001	Imports Jan.-Nov. 2000	Trade balance Jan.-Nov. 2001	Trade balance Jan.-Nov. 2000
	(Billion dollars)		*(Percent)*	*(Billion dollars)*		*(Billion dollars)*	
Travel	67.229	75.193	-10.6	52.684	59.198	14.545	15.995
Passenger fares	16.597	19.032	-12.8	20.929	22.160	-4.332	-3.128
Other transportation services	25.928	27.732	-6.5	35.134	37.517	-9.206	-9.785
Royalties and license fees	35.171	34.808	1.0	15.230	14.670	19.941	20.138
Other private sales	102.722	98.347	4.4	45.589	49.818	57.133	48.529
Transfers under U.S. military sales contracts	11.822	12.931	-8.6	13.357	12.432	-1.535	0.499
U.S. Government miscellaneous services	0.785	0.786	-0.1	2.679	2.636	-1.894	-1.850
Total	260.254	268.829	-3.2	185.602	198.431	74.652	70.398

Note.—Services trade data are on a balance-of-payments (BOP) basis. Data may not add to totals due to rounding and seasonal adjustments.

Source: Compiled from data of the U.S. Department of Commerce, “Exhibit 3. U.S. Services by Major Category — Exports,” “Exhibit 4. U.S. Services by Major Category — Imports,” FT-900 release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

Table 4
U.S. exports and imports of goods with major trading partners, Jan. 2000-Nov. 2001

(Billion dollars)

	Exports			Imports			Trade balance	
	Nov. 2001	Jan.-Nov. 2001	Jan.-Nov. 2000	Nov. 2001	Jan.-Nov. 2001	Jan.-Nov. 2000	Jan.-Nov. 2001	Jan.-Nov. 2000
Total	58.087	675.784	716.707	91.411	1060.068	1119.570	-384.284	-402.863
North America	21.573	246.544	268.763	27.892	323.919	337.666	-77.375	-68.903
Canada	13.205	152.366	165.551	17.021	201.816	211.849	-49.450	-46.298
Mexico	8.369	94.178	103.212	10.871	122.104	125.817	-27.926	-22.605
Western Europe	13.354	161.423	164.831	19.626	221.554	220.589	-60.131	-55.758
Euro Area	8.834	102.850	105.543	13.520	153.250	149.830	-50.400	-44.287
European Union (EU-15)	12.203	146.564	149.763	18.063	203.468	201.608	-56.904	-51.845
France	1.655	18.313	18.252	2.565	27.846	27.016	-9.533	-8.764
Germany	2.205	27.656	26.803	4.505	54.675	53.647	-27.019	-26.844
Italy	0.773	9.123	10.091	1.851	21.972	23.006	-12.849	-12.915
Netherlands	1.612	17.842	19.876	0.774	8.746	8.910	9.096	10.966
United Kingdom	2.936	37.830	37.576	3.499	38.483	39.808	-0.653	-2.232
Other EU	0.828	10.802	10.658	2.302	22.745	20.266	-11.943	-9.608
EFTA[1]	0.825	11.092	10.772	1.263	14.304	15.065	-3.212	-4.293
Eastern Europe/FSR[2]	0.591	6.326	5.367	1.003	13.265	14.882	-6.939	-9.515
Russia	0.266	2.519	1.934	0.378	5.858	7.149	-3.339	-5.215
Pacific Rim Countries	14.309	167.224	185.069	31.066	348.640	384.336	-181.416	-199.267
Australia	0.879	9.941	11.458	0.541	5.998	5.858	3.943	5.600
China	1.672	17.315	14.599	8.897	94.868	92.414	-77.553	-77.815
Japan	4.301	53.286	59.100	10.171	117.234	134.410	-63.948	-75.310
NICs[3]	5.794	66.689	77.592	7.618	86.398	102.458	-19.709	-24.866
Latin America	4.798	54.110	54.105	5.001	62.694	67.236	-8.584	-13.131
Argentina	0.245	3.719	4.318	0.256	2.795	2.844	0.924	1.474
Brazil	1.347	14.811	13.911	1.184	13.338	12.718	1.473	1.193
OPEC	1.598	18.519	17.493	3.697	56.226	61.566	-37.707	-44.073
Other Countries	2.462	28.974	27.958	4.837	57.393	59.863	-28.419	-31.905
Egypt	0.394	3.596	3.072	0.053	0.830	0.798	2.766	2.274
South Africa	0.172	2.733	2.839	0.333	4.145	3.900	-1.412	-1.061
Other	1.896	22.645	22.046	4.451	52.419	55.166	-29.774	-33.120

[1] The European Free Trade Area (EFTA) includes Iceland, Liechtenstein, Norway, and Switzerland.

[2] FSR = Former Soviet Republics.

[3] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

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: Calculated from data of the U.S. Department of Commerce, “Exhibit 14. Exports, Imports and Balance of Goods by Selected Countries and Geographic Areas,” FT-900 release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

INTERNATIONAL ECONOMIC COMPARISONS

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U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic Growth

The real gross domestic product (GDP) of the United States–the output of goods and services produced in the United States measured in 1996 prices–increased at an annual rate of 0.2 percent in the fourth quarter of 2001. In the third quarter, real GDP decreased at an annual rate of 1.3 percent following an increase of 0.3 percent in the second quarter of 2001, according to estimates by the U.S. Bureau of Economic Analysis.[2] For the year 2000, real GDP grew by 4.1 percent.

The annualized rate of real GDP growth in the third quarter of 2001 was -0.8 percent in Canada, 1.9 percent in France, -0.6 percent in Germany, 0.6 percent in Italy, -2.2 percent in Japan, and 1.7 percent in the United Kingdom. The annualized rate of real GDP growth in the third quarter was 0.4 percent for EU members linked by the Euro currency, the Euro area (EU-12).

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

[2] Data for this article were taken largely from the following sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross Domestic Product," *BEA News Release*, found at Internet address *http://www.bea.doc.gov/bea/newsrel/gdp.htm*; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 (419) Release, found at Internet address *http://www.federalreserve.gov/releases/G17/Current/*; U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index," *USDL–01*, found at Internet address *http://www.bls.gov/news.release/cpi.nr0.htm*; U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation," *USDL–01*, found at Internet address *http://www.bls.gov/news.release/empsit.nr0.htm*; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts," facsimile transmission, used with permission.

Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, G.17) reported that U.S. industrial production fell 0.1 percent in December 2001 following a decline of 0.4 percent in November 2001. Output in December 2001 was 5.8 percent below its level in December 2000. Manufacturing output declined 0.1 percent in December following a decline of 0.2 percent in November. Utilities production increased 0.4 percent and the output of mines fell 0.8 percent following a rise for both of 0.2 percent in November. For the fourth quarter as a whole, total industrial production declined at an annual rate of 7.2 percent. The rate of capacity utilization for total industry declined 0.1 percent in December, to 74.7 percent.

By market groups, the output of consumer goods was unchanged in December. Production of durable consumer goods rose 1.7 percent in December at an annualized rate; however, during the fourth quarter, production declined at an annual rate of 4.8 percent, the largest decline since the end of 1990. For the second consecutive quarter, the output in every major category except miscellaneous durable goods increased. However, only the output of automotive products, which increased 3.1 percent in December, was above its year-ago level. Production of motor vehicles assemblies jumped at an annual rate of 12.3 million units in December, a half-million units above the pace in November, and the highest rate since September 2000, when it reached 13 million units. Output for each major group of nondurable consumer goods declined in December, and the category overall decreased 0.5 percent. The output of consumer energy products declined 0.6 percent. The production of business equipment fell 0.9 percent; although output in each major category of business equipment declined, the output of computing equipment rose for a second month. For the fourth quarter, production of business equipment dropped at an annual rate of 15.2 percent. A sharp contraction in the production of commercial aircraft contributed to a 28.0 percent drop in transport equipment. The output of defense and space equipment rose 0.1 percent in December, its third consecutive monthly increase. The output of construction supplies and business supplies declined in each quarter of 2001.

Other G-7 member countries reported the following growth rates of industrial production for the year that ended in October 2001: Canada reported a decrease of 6.0 percent; France, a decrease of 0.3 percent; Germany, a decrease of 4.0 percent; Italy, an increase of 0.9 percent; and the United Kingdom reported a decrease of 4.2 percent. For the year ended November 2001, Japan reported a decrease of 13.1 percent. The Euro area reported a decrease of 2.7 percent for the year that ended in October 2001.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) declined by 0.4 percent in December 2001, according to the U.S. Department of Labor. For the year ended December 2001, consumer prices increased 1.6 percent.

During the 1-year period that ended in November 2001, prices increased by 0.7 percent in Canada, 1.2 percent in France, 2.4 percent in Italy, prices decreased by 1.0 percent in Japan, and increased by 0.9 percent in the United Kingdom. In Germany, prices increased by 1.7 percent in the year ending December 2001. Prices increased by 2.1 percent in the Euro area in the year that ended in November 2001.

Employment

The Bureau of Labor Statistics reported that the U.S. unemployment rate declined to 5.6 percent in January 2002 from 5.8 percent in December 2001. Job losses continued in manufacturing, and construction. These losses were partially offset by employment gains in services and government. In other G-7 countries, the latest unemployment rates were reported to be: 7.5 percent in Canada, 9.0 percent in France, 9.5 percent in Germany, 9.4 percent in Italy, 5.5 percent in Japan, and 5.1 percent in the United Kingdom. The unemployment rate in the Euro area was 8.4 percent.

Forecasts

The Board of Governors of the Federal Reserve System expects economic growth to remain slow in the near term, although it is anticipated that growth will pick up later in 2001.[3] The central tendency forecast for increases in real U.S. GDP over the four quarters of 2001 span a range of 1.25 percent to 2.0 percent and the central tendency forecast for increases in real U.S. GDP growth in 2002 is 3.0 percent to 3.25 percent. The civilian unemployment rate, which averaged 4.5 percent in the second quarter of 2001, is expected to move up to around 4.75 to 5.0 percent by the end of the year. With pressures in labor and product markets abating and with energy prices no longer soaring, inflation is expected to be well contained over the next 18 months, according to the Federal Reserve report.

The report added that, despite the projected increase in real GDP growth, the uncertainty about the near-term outlook remains considerable. This uncertainty arises not only from the difficulty of assessing when businesses will feel that conditions are sufficiently favorable to warrant increases in capital spending, but also from the difficulty of gauging where businesses stand in the inventory cycle. Nonetheless, the report foresees a return to solid growth by 2002. Inventory corrections are expected to be largely complete by then, and the monetary policy actions taken in 2001 as well the enacted tax rebate, are expected to provide appreciable support to final demand.

In addition, following the September 11 terrorist attacks, private forecasters lowered their economic growth projections. Seven major U.S. forecasters expect real GDP growth in the United States during the first quarter of 2002 to reach an average annualized rate of about 0.6 percent, but to increase in the second quarter of 2002 to a rate of 2.5 percent, to 3.5 percent in the third quarter, and to 3.8 percent in the fourth quarter. The overall growth rate for the year 2002 is expected to average about 1.5 percent. Table 1 shows macroeconomic projections for the U.S. economy from January to December 2002, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes from the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 6.0 percent in the first quarter of 2002, 6.2 percent in the second and third quarters, and 6.1 percent in the fourth quarter. For the year 2002, the unemployment rate is projected to reach 6.2 percent. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 1.7 percent in 2002.

[3] Federal Reserve Board, Monetary Policy and the Economic Outlook, *Federal Reserve Bulletin*, August 2001, found at Internet address *http://www.federalreserve.gov/boarddocs/hh/2001/July/ReportSection1.htm*.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 2002

(Percent)

	Conference Board	Macro-economic Advisers	DRI-WEFA	UCLA	Regional Financial Associates	Merrill Lynch Capital Markets	Northern Trust Co.	Mean of forecasts
GDP, constant dollars								
2002								
Jan.-Mar.	2.3	1.7	-0.3	-1.5	-0.5	0.5	1.7	0.6
Apr.-June	2.0	3.4	1.7	2.5	1.3	2.9	3.8	2.5
July-Sept.	3.6	3.3	3.0	3.2	3.0	5.0	3.7	3.5
Oct.-Dec.	3.2	2.6	4.3	3.6	4.5	5.0	3.1	3.8
Annual 2001	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0
Annual 2002	1.3	1.2	0.6	0.3	4.1	1.4	1.3	1.5
GDP price deflator								
2002								
Jan.-Mar.	2.2	1.5	1.3	2.8	1.8	0.8	2.1	1.8
Apr.-June	1.5	1.1	1.0	2.4	1.8	1.2	2.3	1.6
July-Sept.	1.1	1.1	0.8	2.5	1.8	1.0	2.5	1.5
Oct.-Dec.	1.4	1.8	2.1	2.2	2.2	1.1	2.5	1.9
Annual 2001	2.3	2.2	2.3	2.4	2.4	2.2	2.2	2.3
Annual 2002	1.7	1.4	1.3	2.5	1.9	1.0	1.9	1.7
Unemployment, average rate								
2002								
Jan.-Mar.	5.9	6.0	5.9	6.1	5.8	6.5	6.0	6.0
Apr.-June	6.3	6.1	6.2	6.3	6.1	6.7	5.9	6.2
July-Sept.	6.5	6.0	6.3	6.2	6.3	6.4	5.9	6.2
Oct.-Dec.	6.4	6.0	6.3	6.2	6.2	6.1	5.8	6.1
Annual 2001	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Annual 2002	6.3	6.0	6.2	6.2	6.1	6.4	5.9	6.2

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

Source: Calculated from data from the Conference Board. Used with permission. Forecast date, Dec. 2001.

STATISTICAL TABLES

Unemployment rates (civilian labor force basis)[1] in G-7 countries, by specified periods, 1998-Nov. 2001

(Percent)

Country	1998	1999 Q:I	1999 Q:II	1999 Q:III	1999 Q:IV	2000 Q:I	2000 Q:II	2000 Q:III	2000 Q:IV	2001 Q:I	2001 Q:II	2001 Q:III	2001 Oct.	2001 Nov.
United States	4.5	4.3	4.3	4.2	4.1	4.1	4.0	4.0	4.0	4.2	4.5	4.8	5.4	5.7
Canada	7.7	7.3	7.3	6.9	6.3	6.1	6.1	6.1	6.1	6.2	6.3	6.4	6.5	6.7
Japan	4.1	4.7	4.8	4.8	4.7	4.8	4.7	4.7	4.8	4.8	4.9	5.1	5.4	5.5
France	11.9	11.4	11.3	11.2	10.8	9.9	9.4	9.3	9.0	8.6	8.5	8.7	8.8	8.9
Germany	9.3	8.8	8.7	8.6	8.5	8.3	8.1	8.0	7.8	7.9	8.0	8.0	8.1	8.2
Italy	12.0	11.8	11.7	11.4	11.3	11.2	10.9	10.5	10.1	10.0	9.7	9.5		
United Kingdom . .	6.3	6.2	6.1	5.9	5.9	5.8	5.5	5.4	5.3	5.1	5.0	5.1		

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

Source: U.S. Department of Labor, Bureau of Labor Statistics, “Unemployment Rates in Nine Countries, Civilian Labor Force Basis, Approximating U.S. Concepts, Seasonally Adjusted, 1990-2001,” release of Jan. 4, 2002, found at Internet address *ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/flsjec.txt.*

Consumer prices of G-7 countries, by specified periods, 1998-Nov. 2001

(Percent, change from same period of previous year)

Country	1998	1999 Q:I	1999 Q:II	1999 Q:III	1999 Q:IV	2000 Q:I	2000 Q:II	2000 Q:III	2000 Q:IV	2001 Q:I	2001 Q:II	2001 Oct.	2001 Nov.
United States	1.6	1.7	2.1	2.3	2.6	3.2	3.3	3.5	3.4	3.4	3.4	2.1	1.9
Canada	0.9	0.8	1.6	2.2	2.4	2.7	2.4	2.7	3.1	2.8	3.6	1.9	0.7
Japan	0.6	-0.1	-0.3	0.0	-1.0	-0.7	-0.7	-0.7	-0.5	-0.4	-0.7	-0.8	-1.0
France	0.7	0.3	0.4	0.5	1.0	1.5	1.5	1.9	1.9	1.3	2.0	1.8	1.2
Germany	1.0	0.3	0.5	0.6	1.0	1.8	1.6	2.1	2.3	2.5	3.2	2.0	1.7
Italy	2.0	1.4	1.4	1.7	2.1	2.4	2.5	2.6	2.7	2.9	3.1	2.5	2.4
United Kingdom . .	3.4	2.2	1.4	1.2	1.5	2.3	3.1	3.2	3.1	2.5	1.9	1.6	0.9

Source: U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Prices in Nine Countries, Percent Change from Same Period of Previous Year, 1990-2001,” release of Jan. 4, 2002, found at Internet address *ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/flscpim.txt.*

U.S. trade balances by major commodity categories and by specified periods, Nov. 2000-Nov. 2001[1]

(Billion dollars)

Commodity categories	2000 Nov.	2000 Dec.	2001 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	2001 Nov.
Manufactured goods	-34.785	-27.186	-32.696	-25.220	-30.321	-29.452	-27.396	-28.402	-35.026	-33.165	-31.535	-38.591	-32.870
Agriculture .	1.406	1.381	0.961	1.452	1.422	0.897	0.790	0.848	0.692	1.257	0.825	1.746	1.855
Petroleum and selected products (unadjusted)	-10.123	-12.303	-12.099	-9.738	-9.844	-10.605	-10.900	-9.957	-9.718	-8.978	-8.233	-8.040	-6.442
Unit price (dollars) of U.S. imports of petroleum and selected products (unadjusted)	28.34	26.4	23.13	23.76	22.76	21.65	22.62	23.09	22.34	22.15	22.99	19.94	17.13

[1] Exports, f.a.s. value, not seasonally adjusted. Imports, customs value, not seasonally adjusted.

Source: Calculated from data of the U.S. Department of Commerce, “Exhibit 15. Exports and Imports of Goods by Principal SITC Commodity Groupings,” “Exhibit 17. Imports of Energy-Related Petroleum Products, Including Crude Petroleum,” FT-900 release of Jan. 18, 2002, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*