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# INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

## International Trade Developments

*U.S Trade Measures and the Caribbean Export Profile*

*United States Trade With South Asia*

*AGOA Forum: So Far...Where Now?*

*EU Enlargement-An Overview*

## U.S. Trade Developments

## International Economic Comparisons

## OFFICE OF ECONOMICS

Robert B. Koopman, *Director*

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Editor, *International Economic Review*
Country and Regional Analysis Division/OE, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 205-3255

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# INTERNATIONAL TRADE DEVELOPMENTS

## U.S. Trade Measures and the Caribbean Export Profile

Magda Kornis[1]
mkornis@usitc.gov
202-205-3261

*The United States is the dominant trading partner for most Caribbean Basin countries, and Caribbean countries are an important source of certain U.S. import items. U.S. tariff and quota relief granted under production sharing provisions have had significant impact on income growth and investment, while less so under the Caribbean Basin Economic Recovery Act (CBERA). Both have been factors in shaping the profile of Caribbean exports to the United States.*

### U.S.-Caribbean Trade: its Significance for the Caribbean Basin and for the United States

The Caribbean Basin, a collective of 24 sovereign countries as defined for the purposes of this article, is a small trading partner for the United States. In the year 2000, the United States exported $20.7 billion dollars worth of goods to the region or 2.9 percent of all U.S. exports. In the same year, U.S. imports from the Caribbean countries amounted to $22.2 billion or 1.8 percent of all U.S. imports. The region ranked as the 9th largest recipient of U.S. exports during 2000, ahead of the Netherlands, but behind Taiwan, and the 12th largest U.S. supplier, ahead of Singapore, but behind Italy.

Global market developments and trade agreements are important factors in shaping the profile of U.S.-Caribbean trade, as is true for trade flows between all countries. However, U.S. trade measures and preferential programs have played an important role in molding this particular trade. As foreign trade is very important for many Caribbean countries and the United States is the dominant trading partner for most, U.S. trade measures and preferential programs appear to have affected the size and composition of Caribbean exports to the United States.[2]

U.S.-Caribbean trade, while small, is important for the United States as well. Between 1987 and 1998, the Caribbean region had been among the few trading partners with which the United States had consistently registered a collective trade surplus. In addition, the Caribbean Basin is one of the few major sites of production sharing for U.S. companies. These U.S. goods, co-produced in the Caribbean region with U.S. companies utilizing local labor and other resources, become more competitive in global markets. Finally, for a trading area so small, the region provides the United States with quite a few items of which it is either the principal supplier, or at least an important supplier, including hand-rolled cigars, methanol, liquified gas, and

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

[2] For further details, see U.S. International Trade Commission, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report 1999-2000*, Inv. No. 332-227, USITC Publication No. 3447, September 2000. The report showed that U.S. trade preferences involving production sharing had the most significant impact on income growth and investment in the Caribbean Basin countries. Although CBERA appeared to have had no evident effect on overall investment in the beneficiary countries, CBERA programs yielded small yet positive effects on income growth in those years when countries were undertaking at the same time their own trade and foreign-exchange reforms.

expandable polystyrene (see Appendix for a comprehensive list of these items).

Figure 1 shows U.S.-Caribbean bilateral trade and U.S. trade balances with the region in 4-year intervals during 1984-1996, and for the years 1998, 1999, and 2000.

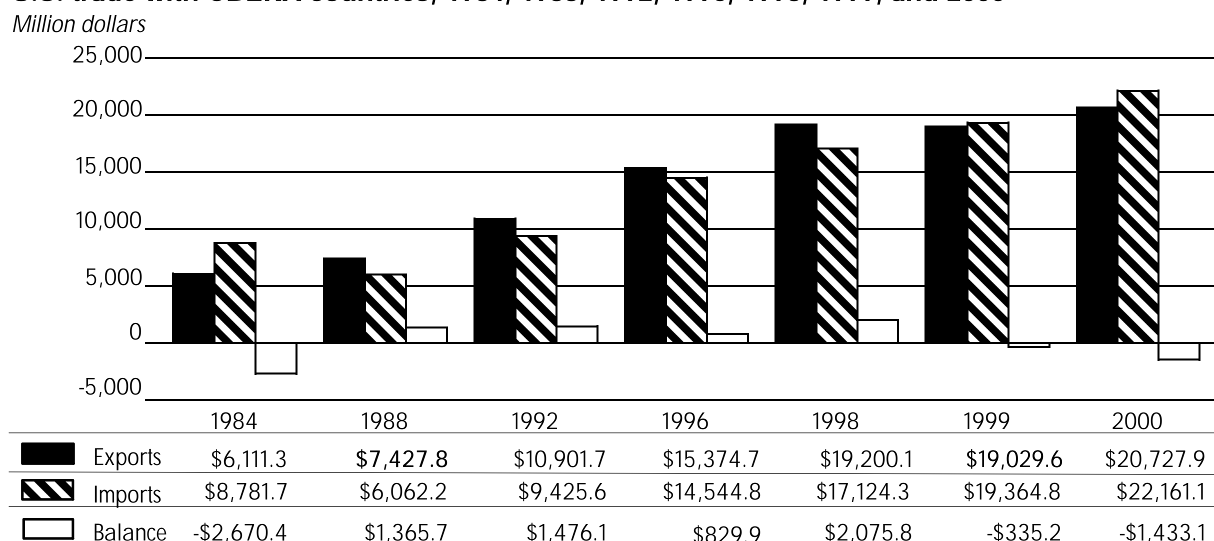
# Changes in the Caribbean Export Profile to the United States

The Caribbean export profile, examined here as the composition of U.S. imports from Caribbean Basin countries, experienced dramatic changes between 1984, 1998, and 2000 (figure 2). In 1984, mineral fuels accounted for nearly one half of U.S. imports from Caribbean countries; by 1998, their share dropped to less than 6 percent of the total, mainly because of a sharp decline of petroleum prices in the mid-1980s. Imports of petroleum derivatives were replaced with apparel as the dominant category. In 1984, apparel, not knitted, constituted only some 4 percent of total U.S. imports from the region, while knitted apparel imports were minimal. By 1998, however, apparel (knitted and not knitted combined) replaced mineral fuels as the principal import from Caribbean countries, accounting for nearly one half of the entire trade flow. Imports of mineral fuel rebounded somewhat in 2000, reflecting soaring energy prices on world markets that year. At the same time, although the dominance of the apparel group in U.S. imports from the Caribbean Basin prevailed, the share of apparel dipped a few percentage points compared with 1998. The reasons for these changes in the composition of this trade are discussed below.

# U.S. Trade Provisions as Incentives for Caribbean Export Diversification

During the period 1984-2000, all Caribbean countries were undertaking significant unilateral foreign trade and exchange reforms, which had beneficial effects on their exports and export diversification. At the same time, the Caribbean Basin benefitted from various U.S. tariff and non-tariff provisions that facilitated access for its products to the U.S. market. Table 1 shows the breakdown of U.S. imports from Caribbean countries by duty treatment in 1984, 1998, and 2000.

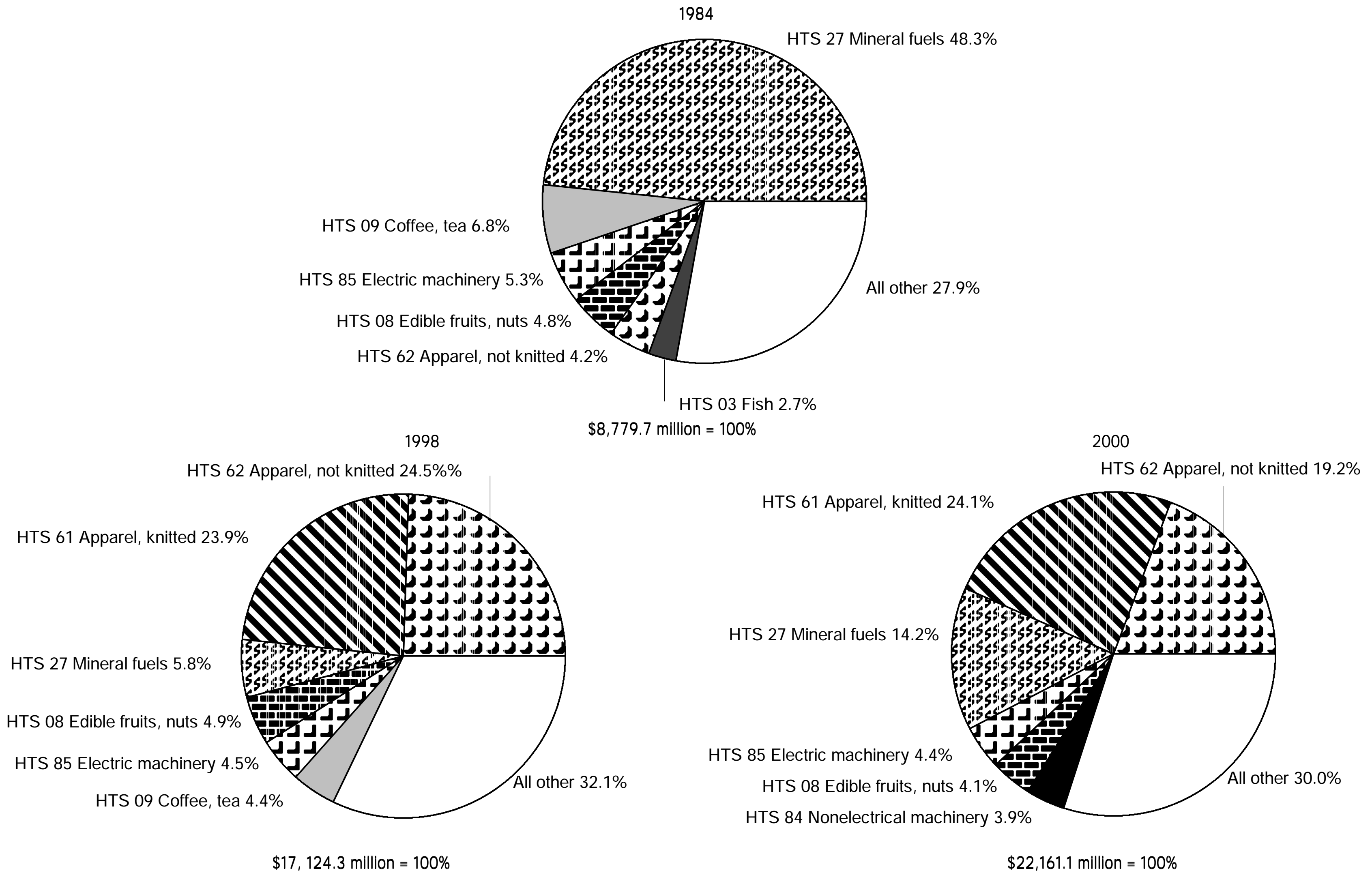
**Figure 1**
**U.S. trade with CBERA countries, 1984, 1988, 1992, 1996, 1998, 1999, and 2000**




| | 1984 | 1988 | 1992 | 1996 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|
| Exports | $6,111.3 | $7,427.8 | $10,901.7 | $15,374.7 | $19,200.1 | $19,029.6 | $20,727.9 |
| Imports | $8,781.7 | $6,062.2 | $9,425.6 | $14,544.8 | $17,124.3 | $19,364.8 | $22,161.1 |
| Balance | -$2,670.4 | $1,365.7 | $1,476.1 | $829.9 | $2,075.8 | -$335.2 | -$1,433.1 |

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

**Figure 2**
**U.S. imports from Caribbean countries, by major product category, 1984, 1998, and 2000**




Note.—Percentages may not add to 100 because of rounding.

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

**Table 1**
**U.S. Imports from Caribbean Countries by U.S. Trade Provisions**

| | 1984 | 1998 | 2000 |
|---|---|---|---|
| | | | *(Thousand dollars, customs value)* |
| **Free of Duty** | | | |
| Under HTS Column 1 (NTR) | 2,170,537 | 3,864,752 | 6,640,928 |
| Under Chapter 98 (production sharing) | 587,560 | 4,525,187 | 4,633,704 |
| Under CBERA | 575,994 | 3,096,758 | 2,735,711 |
| Under the General System of Preferences (GSP) | 592,249 | 195,407 | 202,062 |
| Other duty-free | 155,479 | 58,031 | 67,137 |
| Total, duty-free | 4,081,819 | 11,740,135 | 14,279,542 |
| **Dutiable** | | | |
| Under Chapter 98 (foreign value-added in shared production) | ([2]) | 2,670,309 | 2,810,910 |
| Reduced-duty under CBERA | ([3]) | 63,930 | 54,511 |
| Other dutiable | 4,567,416 | 2,713,838 | 4,978,325 |
| Total, dutiable | 4,567,416 | 5,384,147 | 7,789,235 |
| All imports | 8,649,235 | 17,124,281 | 22,057,117 |
| | | | *(Percent)* |
| **Free of Duty** | | | |
| Under HTS Column 1 (NTR) | 25.1 | 22.6 | 30.1 |
| Under Chapter 98 (production sharing) | 6.8 | 26.4 | 21.0 |
| Under CBERA | 6.7 | 18.1 | 12.4 |
| Under the General System of Preferences (GSP) | 6.8 | 0.5 | 0.9 |
| Other duty-free | 1.8 | 1.0 | 0.3 |
| Total, duty-free | 47.2 | 68.6 | 64.7 |
| **Dutiable** | | | |
| Under Chapter 98 (foreign value-added in shared production) | ([2]) | 15.6 | 12.7 |
| Reduced-duty under CBERA | ([3]) | 0.4 | 0.2 |
| Other dutiable | 52.8 | 15.5 | 22.3 |
| Total, dutiable | 52.8 | 31.4 | 35.3 |
| All imports | 100.0 | 100.0 | 100.0 |

[1] Includes CBTPA.
[2] Not available; included in "other dutiable."
[3] Not applicable; not yet in effect.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Whereas in 1984, 47 percent of imports from the Caribbean countries entered the United States free of duty, this percentage increased to 69 percent by 1998. The U.S. content of goods returning under production-sharing provisions accounted for most of this increase, and duty-free imports under the Caribbean Basin Economic Recovery Act (CBERA) for the remainder. Duty-free imports entering unconditionally free under Normal Trade Relations (NTR) rates dropped in this period from 25 percent in 1984 to 23 percent in 1998, in part, because apparel imports, which are dutiable, soared as a portion of the overall product mix.

Developments in 1999 and 2000 point in the opposite direction. The total duty-free portion of U.S. imports from Caribbean countries dropped to 65 percent in 2000, due to the shift that has taken place in the product mix of U.S. imports from the Caribbean Basin towards high-value petroleum and natural gas derivatives, which are dutiable. Meanwhile, the portion of U.S. imports from the Caribbean Basin entering unconditionally free of duty surged from 23 percent of the total in 1998 to 30 percent in 2000. The reason was that several major U.S. imports from the Caribbean Basin that had been free of duty only because of CBERA (or the General System of Preferences) or partially free because of production sharing became unconditionally free under NTR rates, in accordance with the Uruguay Round Agreements overseen by the World Trade Organization. Most leading products entering under CBERA or production sharing (medical and surgical instruments, leather footwear uppers, certain fish) became free of NTR duty in 1999, and therefore they left these programs. In 2000, some other major Caribbean

exports that had enjoyed tariff concessions, notably electrical variable resistors, also became unconditionally duty-free. As the implementation of the Uruguay Round Agreements pushed parts of the Caribbean trade flow into the unconditionally duty-free category, the margin of preference provided under U.S. trade measures suffered some erosion.

## HTS Heading 9802

During 1984, only 6.8 percent of U.S. imports from Caribbean countries were accounted for by U.S. inputs returning under the production-sharing provisions of heading 9802 of the Harmonized Tariff Schedules of the United States (HTS). By 1998, this amount had surged to 26 percent of U.S. imports entering under these HTS 9802 production-sharing arrangements, i.e. Caribbean value-added portion of shared production was 16 percent that year.

HTS 9802 provisions, enacted in 1984, extend partial duty exemption for articles assembled abroad in whole or part from U.S. components. These measures sought to enhance the global competitiveness of U.S. industries by enabling low-cost assembly in foreign countries using U.S.-origin content. Although any country is eligible to take advantage of this provision, Canada, Mexico, and Caribbean countries lent themselves best to cross-border manufacturing with the United States because of their proximity. As to Mexico and the Caribbean Basin–both developing areas–the typical production- sharing arrangement has the capital-intensive portion of the shared production process located in the United States, and the labor-intensive operations located in the developing countries.

The apparel industry accounts for over three fourths of U.S. imports from the region admitted under production sharing arrangements. In shared apparel production, U.S. firms ship garment parts to the region for sewing, and re-import the assembled articles. U.S. production sharing provisions triggered an unprecedented growth of the Caribbean apparel industry, especially from the late 1980s, when CBERA beneficiaries were granted large quotas, known as “guaranteed access levels” (GALs) to the U.S. market for apparel wholly made and cut from fabrics in the United States. Other product areas in which production sharing has taken place in the region included medical goods, footwear and parts, and electrical goods. Rapid growth of shared production fundamentally altered the economic and trade profile of some countries in the Caribbean Basin, especially the Dominican Republic and Costa Rica.

## CBERA

This unilateral preferential trade program was designed specifically to benefit the Caribbean Basin. It seeks to promote export-oriented growth and diversification in the region away from traditional agricultural and mineral raw materials production, by granting total (and to a small extent, partial) duty exemption for non-traditional imports from eligible Caribbean countries.

Notably, some major U.S. imports from the Caribbean Basin, including petroleum and most apparel, had been excluded from duty-free entry under CBERA. However, CBERA countries obtained virtually unlimited quotas for apparel products imported under the GALs production-sharing provisions mentioned above (commonly known as 807A imports); in that sense, their apparel production and exports benefitted from CBERA too.

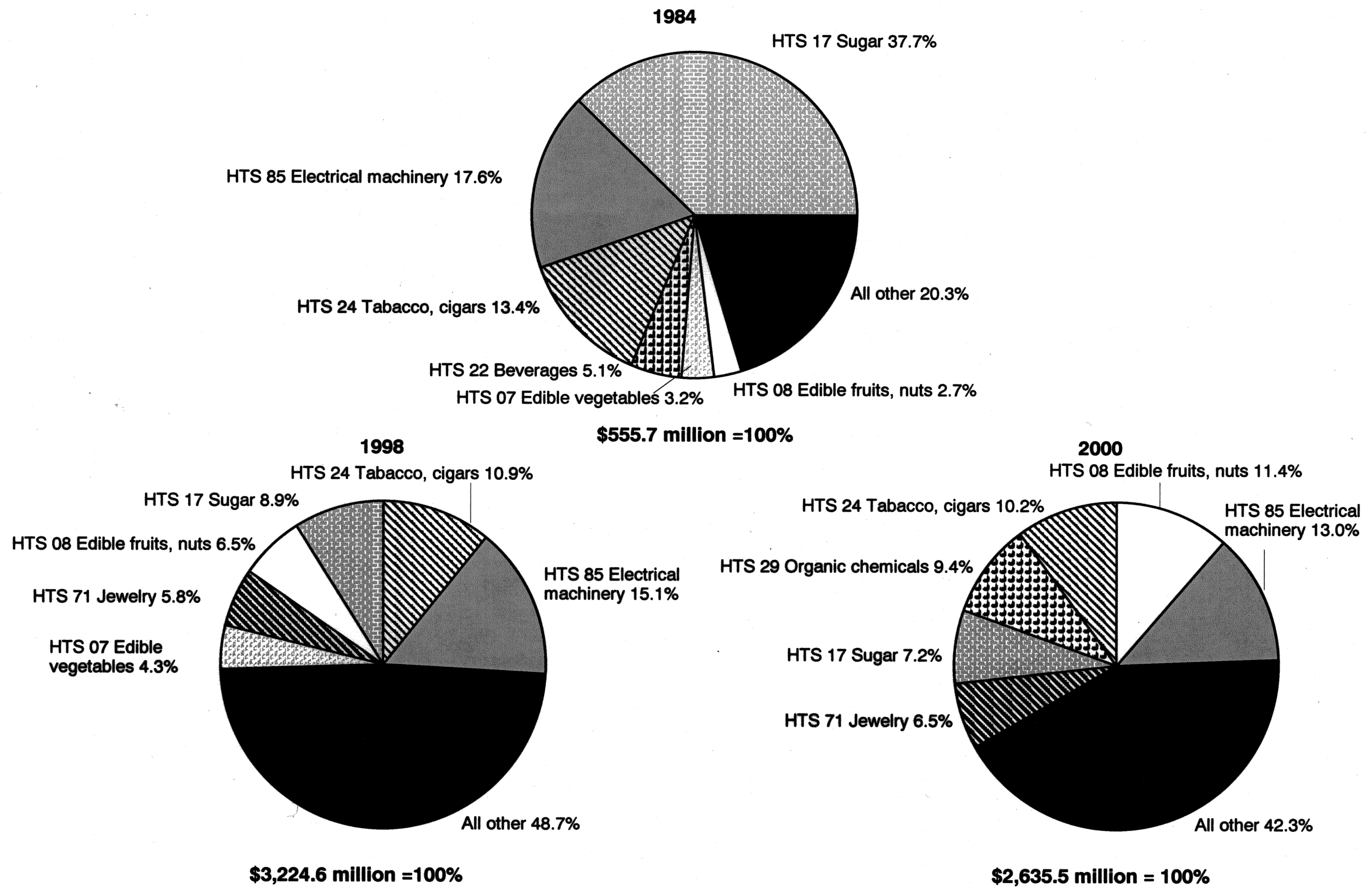
In 1984, the first year of CBERA, 6.7 percent of U.S. imports from Caribbean countries entered under this program. This share increased rapidly, peaking at 19.3 percent of the total in 1997, after which year it began to decline. The program provided incentives for the growth of nontraditional industries in the Caribbean Basin. Figure 3 illustrates Caribbean export diversification by showing changes in the composition of only those U.S. imports from Caribbean countries that entered under the CBERA program.

As shown in figure 3, in 1998 and 2000, jewelry and organic chemicals were leading import categories under CBERA. These sectors were virtually nonexistent in 1984. Other industries, such as edible vegetables and fruits were able to increase their share in U.S. imports under CBERA. The “all other” category was wider in 1998 and 2000 than it was in 1984, because this miscellaneous group accommodated several new, smaller categories of goods produced for exports to the United States in recent years, such as prepared food and plastics. This may be seen as a further indication that CBERA was influential in export diversification.

## Production Sharing and CBERA Compared

It should be noted that production sharing provisions, reinforced with liberal quota treatment for apparel under GALs, have generated more progress in the Caribbean economy than has the preferential CBERA, which was enacted solely on behalf of Caribbean countries. The principal reasons are: the number of major Caribbean export items that received preferential duty treatment exclusively because of CBERA was small; many items in which the Caribbean had a comparative advantage were excluded (apparel, petroleum products); other such goods were already duty-free under normal rates (coffee, bananas) or under GSP ( jewelry, sugar). For example, in 2000, only 6.8 percent of total U.S. imports from CBERA countries entered free of duty exclusively because of CBERA (cigars, methanol).

**Figure 3**
**U.S. imports under CBERA, by major product categories, 1984, 1998, and 2000**




Note.—Percentages may not add to 100 because of rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Caribbean utilization of production sharing provisions and CBERA is compared in the breakdown of U.S. imports from Caribbean countries by those U.S. trade measures under which they entered free of duty. Figure 4 (to be seen in conjunction with table 1) shows that in 1998, when the utilization of both of these programs had been near their peak, $4.5 billion (26 percent of all U.S. imports) entered free of duty under production sharing provisions, and $3.1 billion (18 percent of the total) under CBERA. In 2000, when both production sharing and CBERA lost some of their relative importance, the respective numbers were $4.6 billion (21 percent) and $2.7 billion (12 percent).

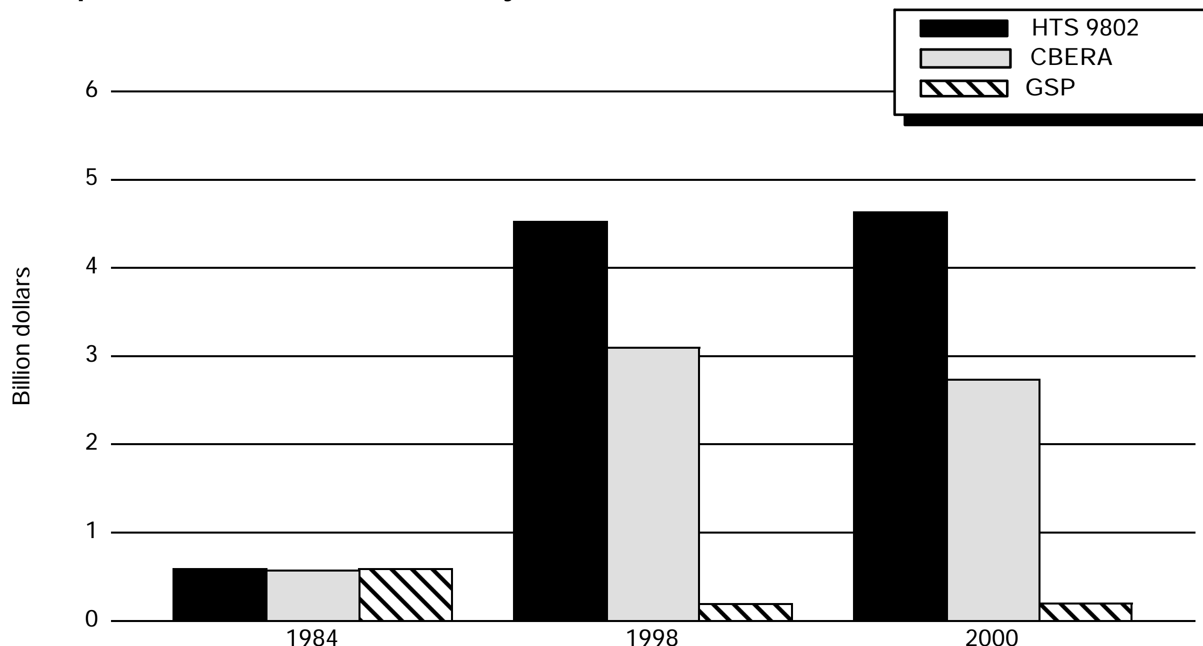
## CBTPA

Because of the North American Free Trade Agreement (NAFTA), a regional free trade accord of the United States with Canada and Mexico that entered into force in 1994, Caribbean countries found themselves in a position of competitive disadvantage with Mexico in the U.S. market for certain products, especially apparel. Under NAFTA, apparel from Mexico had gained completely duty-free access, while access for the Caribbean value-added portion of products imported under production-sharing provisions remained subject to duty.

As a result, Caribbean apparel has lost some ground in the U.S. market in recent years. The combined share of apparel goods (HTS chapters 62 and 61 combined) in total imports from Caribbean countries fell from 48 percent in 1998 to 43 percent in 2000. Accordingly, the years 1999 and 2000 brought a relative drop in imports under production sharing provisions (both in the dutiable and duty-free portions), as shown in table 1 and figure 4.

The competitive disadvantage faced by Caribbean countries due to NAFTA gave rise to the United States-Caribbean Basin Trade Partnership Act (CBTPA). This legislation seeks primarily to offset the adverse effects of NAFTA on Caribbean countries in the area of apparel, but acts as an enhancement of CBERA in other ways as well.

**Figure 4**
**U.S.imports from the Caribbean Basin by selected U.S. trade measures**




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

CBTPA entered into force on October 1, 2000. It is scheduled to expire in 2008, unless the Free Trade Area of the Americas (FTAA) or a comparable free trade agreement between the United States and CBERA beneficiaries enters into force earlier. CBTPA grants duty-free and quota-free treatment to imports of qualifying textile and apparel articles from Caribbean countries. Products other than textiles and apparel, which are excluded from CBERA, also receive NAFTA-equivalent preferential treatment under the CBTPA. The trade preferences granted by CBTPA are expected to boost growth of Caribbean production and exports in product areas for which they facilitate access to the U.S. market, especially for apparel.[3]

[3] Certain textile provisions of the CBTPA and their possible amendment have been an item of discussion in recent legislative sessions, held in December 2001, focused on renewing U.S. trade promotion authority. For further detail, see Warren Vieth, "How Pro-Textile Votes Held Sway in Trade Bill Passage," *Los Angeles Times*, Dec. 7, 2001; Edward Alden, "Trading nations count the cost of fast-track," *Financial Times*, Dec. 10, 2001, p. 8.

## APPENDIX

### Principal U.S. imports from the Caribbean region

*The Caribbean region is the only or a major U.S. supplier of the items listed*

| Item | Comments |
|---|---|
| ***Traditional Caribbean Export Items*** | |
| Sugar | The Dominican Republic is the number one U.S. supplier of raw cane sugar in solid form, followed by Brazil and the Philippines. Guatemala is the leading supplier of raw cane sugar used for re-export, followed by Colombia and Mexico. |
| Bananas | Costa Rica is the number one U.S. banana supplier. Guatemala is third after Ecuador, and Honduras fifth. The region as a whole provides well over one half of all bananas imported by the United States. |
| Coffee | The region is number one U.S. supplier , followed by Mexico and Colombia. Guatemala by itself is the third largest U.S. supplier, after Mexico and Colombia. El Salvador and Honduras are also important suppliers. |
| Rum | As the traditional principal U.S. source of rum , the region provides some four fifths of all U.S. imports. Jamaica is the number one U.S. supplier worldwide, accounting for 44.5 percent of the total. Barbados and the Bahamas are second and third. |
| ***Diversification into Raw and Processed Agricultural Items*** | |
| Hand-rolled Cigars | Over 90 percent of all U.S. imports originate in the region. The Dominican Republic alone provides 70 percent of the total; Honduras of 19 percent. |
| Frozen Orange Juice | After Brazil, the region is the second largest source of U.S. imports, accounting in 2000 for 31.1 percent of the total. Costa Rica alone, with one fifth of all U.S. imports that year is the second-largest U.S. supplier, having surpassed Mexico. Belize and Honduras are fourth and fifth largest suppliers. |
| Pineapples | Caribbean countries are the principal U.S. source of pineapples—especially Costa Rica, which provided more than four fifths of U.S. imports of pineapples from all countries of the world in 2000. Honduras, the number two U.S. supplier, provided some 10 percent of the total. |
| Cantaloupes | After Mexico, four Caribbean countries—Guatemala, Costa Rica, Honduras, and the Dominican Republic–are the principal U.S. suppliers of seasonal cantaloupes, collectively accounting for 65.6 percent of U.S. imports from all countries in 2000. (Mexico alone accounted for some 27 percent of the total). |
| Melons other than Cantaloupes | More than half of this fruit imported by the United States in 2000 originated in CBERA countries; most of the rest came from Mexico. |
| Ethyl Alcohol (Ethanol) | Ethanol is imported for use mostly as an additive to gasoline. Sugarcane is the major indigenous feedstock used in Caribbean ethanol production. All Caribbean ethanol enters the United States under CBERA. Jamaica, Costa Rica and El Salvador combined were the source of 42.9 percent of U.S. ethanol imports from all countries in 2000. Jamaica is the second leading U.S. supplier of ethanol after Saudi Arabia, and Costa Rica the third. |
| ***Diversification into Manufactured Items*** | |
| Apparel | The Caribbean collectively is number one source of certain apparel items, including T shirts of which Mexico is the leading country supplier. Sweaters are another example, of which Honduras is the leading supplier. The region is the second-largest U.S. source of men's or boys trousers and shorts, after Mexico. The Dominican Republic provides more than 10 percent of such imports. |
| Medical and Dental Instruments and Appliances | The region is the number one U.S. supplier. The Dominican Republic by itself is the number two supplier, not much behind Mexico. In 2000, Mexico provided 25.6 percent of U.S. imports and Mexico 23.4 percent. Costa Rica supplied 11.9 percent of the total. |
| Anhydrous Ammonia | Trinidad and Tobago provide more than half of all U.S. imports. Canada and the Ukraine are second and third suppliers. |

**APPENDIX—*Continued***
**Principal U.S. imports from the Caribbean region**
*The Caribbean region is the only or a major U.S. supplier of the items listed*

| Item | Comments |
|---|---|
| ***Diversification into Raw and Processed Agricultural Items—Continued*** | |
| Expandable Polystyrene | In 2000, the Bahamas provided more than half of all U.S. imports of expandable polystyrene beads, which are processed into styrofoam cups. Until as recently as 1998, Canada had been this product's principal supplier. |
| ***Goods Taking Advantage of Local Mineral Resources*** | |
| Distillate and residual fuel oils (bituminous), under 25 A.P.I. | Caribbean countries are the only source of U.S. imports; Trinidad and Tobago provide one third of the total. |
| Petroleum oils, under 25 degrees A.P.I. | Trinidad and Tobago supplies virtually all U.S. imports. |
| Methyl alcohol (methanol) | Trinidad and Tobago accounts for some 40 percent of U.S. methanol imports from all countries of the world. Venezuela, Chile, and Canada were second, third, and fourth suppliers in 2000. Trinidad and Tobago has been the number one U.S. supplier since 1998. The methanol manufactured in Trinidad and Tobago is made from natural gas and used as a fuel additive. |
| Liquified Gas | Trinidad and Tobago is the leading U.S. source, providing more than one half of all U.S. imports by value. |

# United States Trade with South Asia

Victoria Chomo[1]
vchomo@usitc.gov
202-205-3125

*The events following September 11, 2001 have focused world attention on the region of South Asia. This region is composed of the countries of Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. This article examines the economies, U.S. trade patterns, and U.S. trade policies with these countries. Some U.S. trade policies with these countries, especially with Pakistan and India, have come under the microscope in light of the recent events in the region.*

## The Macroeconomic and Development Indicators for South Asia

The countries of South Asia constitute 22 percent of the world's population, but earn only 2 percent of world income. With the exception of the Maldives and Sri Lanka, the South Asian nations experienced per capita national incomes of less than $500 in 2000 (table 1). The world average per capita national income in 2000 was more than 10 times this amount. Six of the eight countries are struggling with the basic underdevelopment issues of low adult literacy rates, high infant mortality, and low life expectancy compared to the rest of the world. These factors exacerbate low worker productivity and incomes, continuing the vicious circle of low income contributing to low socioeconomic conditions, and low socioeconomic conditions hindering income growth. The exceptions in South Asia are the Maldives and Sri Lanka, which score significantly higher on socioeconomic indicators, both relative to other South Asian countries and the world average. The average infant mortality rate for South Asia is 74 deaths per 1000 live births, compared to the world average of 54. The world average includes developed and developing countries. Life expectancy is lowest in Nepal and Afghanistan. The Maldives and Sri Lanka have life expectancies greater than the world average and adult literacy rates over 90 percent, which is equivalent to the developed countries. These are also the two South Asian countries with the highest per capita incomes. Excluding the Maldives and Sri Lanka, the average adult literacy rate for South Asia is 44 percent, well below the world average of 76 percent. Of course, these are country averages for both males and females. In reality, the literacy rate for females in this region is significantly lower than the country averages presented in table 1.

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

**Table 1**
**Economic and Social Indicators for South Asia, the United States, and the World**

| Country | GNP per capita | Infant mortality | Life expectancy | Adult literacy | Population |
|---|---|---|---|---|---|
| | *U.S. dollars* | *Per 1,000* | *Years* | *Percent* | *Millions* |
| United States | 34,266 | 7 | 77 | 100 | 281.6 |
| South Asia | 460 | 74 | 63 | 55 | 1,355.0 |
| Afghanistan | ([1]) | 147 | 46 | 37 | 26.6 |
| Bangladesh | 370 | 61 | 61 | 41 | 129.8 |
| Bhutan | 590 | 59 | 61 | 42 | 0.8 |
| India | 460 | 71 | 63 | 57 | 1,015.9 |
| Maldives | 1,960 | 29 | 68 | 96 | 0.3 |
| Nepal | 230 | 75 | 58 | 41 | 23.9 |
| Pakistan | 440 | 90 | 63 | 46 | 138.1 |
| Sri Lanka | 850 | 15 | 73 | 92 | 19.4 |
| World | 5,150 | 54 | 66 | 76 | 6,054.0 |

[1] Not available.
Source: World Bank, found at Internet address *http://www.worldbank.org*, retrieved on Oct. 23, 2001.

The Pakistan economy suffers from chronic debt problems and has experienced some international loan defaults. With an external debt of $38 billion in 2000, Pakistan sustained a debt to earnings ratio of 13 percent. Japan, the biggest bilateral lender to Pakistan, rescheduled $550 million of Pakistan's debt in 2001.[2] Pakistan is a regular international aid recipient, receiving $2 billion in economic aid in 2000. However, U.S. aid to Pakistan was halted in 1990, nearly a decade before U.S. economic sanctions were imposed on India and Pakistan in 1998. Pakistan is host to over two million Afghan refugees who began fleeing across their common border in 1978. Despite aid from the United Nations and international agencies, the refugees place an additional burden on limited Pakistani resources. Another large influx of Afghan refugees began in October 2001 following air strikes on Afghanistan by the U.S.-led coalition against terrorism, coupled with the economic effects of the worst drought in Afghanistan in three decades. Bangladesh had external debt of $17 billion in 2000, around an 8 percent debt to earnings ratio. International aid to Bangladesh was $1.6 billion in 2000. India had external debt of $60.8 billion in 1999, a debt to earnings ratio of less than 5 percent. India received $2.9 billion in international economic aid in the same year. Most U.S. aid to India was suspended in 1998 under the authority of the Glenn Amendment.

Bangladesh, India, and Pakistan maintain large populations of their workers abroad, receiving foreign exchange in the form of worker remittances sent to families remaining in South Asia. For example, remittances have been as high as one-third of Pakistan's foreign-exchange earnings. In effect, these South Asian economies benefit from the temporary exportation of factors of production (labor) rather than products, as they lack the necessary capital to productively employ the labor at home.

# U.S. Trade Flows With South Asia

U.S. merchandise imports from South Asia of $17.5 billion in 2000 accounted for 1.5 percent of total U.S. imports (table 2). The value of U.S. imports from South Asia rose 71 percent over the last five years, 1996-2000. Most of this $7 billion five-year growth in U.S. imports from South Asia is attributed to imports from India, Pakistan, and Bangladesh. The main U.S. imports from the region include apparel, textiles, carpets, and jewelry (HTS chapters 57, 61-63, and 71). U.S. imports from the region are representative of industrial country imports from developing countries. Developing countries typically rely on exports from light manufacturing sectors, such as textiles and apparel or food processing, to stimulate their industrialization and economic development. Light manufacturing sectors are historically used by countries with large populations of low-skilled labor and limited capital resources. For example, Pakistan employs 60 percent of its industrial labor force in the textiles and apparel sector.[3] Foreign exchange earned from light manufacturing exports can be invested in infrastructure, specialized equipment, and human capital for further industrialization and economic development.

U.S. merchandise exports to South Asia of $4.3 billion in 2000 accounted for 0.6 percent of total U.S. exports (table 2). The primary U.S. exports to the region include wheat, machinery and parts, aircraft and parts, and instruments (HTS chapters 10, 84, 85, 88, and 90). U.S. exports to South Asia fell 12 percent over the last five years, 1996-2000. Pakistan accounted for a significant portion of the decline in U.S. exports to the region. Pakistani imports from the United States fell 64 percent as a result of U.S. economic sanctions imposed May 13, 1998, while Pakistani imports from the world rose 33 percent over the same period. A discussion of U.S. sanctions imposed on Pakistan and India appears in the section on U.S. trade policies with South Asia (see below). Indian imports from the world grew by 62 percent between 1996-2000, while Indian imports from the United States grew by only 5 percent over the same period. The data in table 2 illustrate a continuation of the post-U.S. sanctions trend reported in a 1999 USITC study.[4]

The United States reported a $13.3 billion trade deficit with South Asia in 2000 (table 2). While U.S. imports from South Asia grew 71 percent between 1996-2000, U.S. exports to the region fell by 12 percent over the same period, enlarging the deficit over the last five years. The biggest bilateral U.S. trade deficit in the region was with India, at $7.3 billion. While U.S. exports to India have remained flat over the last five years under the nuclear proliferation sanctions program, U.S. imports have increased by 74 percent. The United States reported trade deficits of approximately $2 billion each with Bangladesh, Pakistan, and Sri Lanka. Recent liberalization of Indian trade restrictions on a large list of products should result in better export opportunities for U.S. companies and could reduce the growth in the U.S. trade deficit with South

[2] United Nations High Commissioner for Refugees, found at Internet address *http://www.unhcr.ch*, retrieved Nov. 9, 2001.

[3] L. Kaufman, "Companies Cut Textile Orders from Pakistan," *The New York Times*, Oct. 31, 2001.

[4] "The Glenn Amendment sanctions appeared to have had a relatively minimal overall impact on India, while they appeared to have had a more pronounced adverse impact on Pakistan." U.S International Trade Commission, *Overview and Analysis of the Economic Impact of U.S. Sanctions With Respect to India and Pakistan*, Publication No. 3236, Washington, DC, September 1999.

**Table 2**
**U.S. imports, exports, and trade balance with South Asian countries, 2000**

| | U.S. imports | U.S. exports | U.S. trade balance |
|---|---|---|---|
| | *(Million dollars)* | | |
| World | 1,205,339 | 712,287 | -493,052 |
| South Asia[1] | 17,587 | 4,305 | -13,282 |
| Afghanistan | 2 | 8 | 6 |
| Bangladesh | 2,416 | 232 | -2,184 |
| Bhutan | 1 | 1 | 0 |
| India | 10,680 | 3,373 | -7,307 |
| Maldives | 94 | 6 | -88 |
| Nepal | 229 | 35 | -194 |
| Pakistan | 2,164 | 453 | -1,711 |
| Sri Lanka | 2,002 | 198 | -1,804 |

[1] Totals may not add due to rounding.
Source: Derived from official statistics of the U.S. Department of Commerce.

Asia. Although Pakistan recently improved market access by reducing tariff levels and eliminating some nontariff barriers, U.S. economic sanctions on Pakistan continue to constrain U.S. exports.

## India, Pakistan, and Bangladesh

The United States was the number one destination for exports from India, Pakistan, and Bangladesh. U.S. merchandise imports from India grew from $6.1 billion in 1996 to $10.7 billion in 2000. The top U.S. import products from India were jewelry, accounting for $3.3 billion of U.S. import value and $2.7 billion from apparel, textiles and carpets combined. U.S. merchandise imports from Pakistan increased from $1.2 billion in 1996 to $2.2 billion in 2000. Apparel was the number one U.S. import from Pakistan in 2000, accounting for $926 million. Textiles contributed $479 million, yarn and cloth contributed over $280 million, and carpets contributed $105 million to U.S. imports from Pakistan. U.S. merchandise imports from Bangladesh increased from $1.3 billion in 1996 to $2.4 billion in 2000. Apparel accounted for approximately $2 billion of U.S. imports from Bangladesh in 2000.

The United States is the number one country supplier to India, although the European Union has a largest share when the individual members are combined. The top five U.S. export categories to India in 2000 included machinery (HTS 84), electrical machinery and equipment (HTS 85), aircraft and parts (HTS 88), organic chemicals (HTS 29), and instruments (HTS 90). These five HTS chapters accounted for 64 percent of the $3.4 billion U.S. exports to India in 2000. These products are typical of industrial country exports to developing countries. However, in the case of India, they also reflect the extensive trade barriers maintained by the Government of India on imports that compete with Indian producers under the development policy of industrialization through import substitution. Since India gained independence from the United Kingdom in 1947, it has relied on high average tariff rates, especially on consumer goods, and extensive nontariff barriers.[5] The United States recently challenged India's 50 year policy of import bans and licensing requirements through dispute settlement proceedings in the World Trade Organization (WTO). The WTO Appellate Body sided with the United States and India agreed to lift 1,400 trade restrictions for agriculture, textiles, consumer, and manufacturing goods by April 1, 2001.[6] U.S. exports to India should improve significantly in light of these recent trade liberalizations to comply with India's obligations under the WTO.

Saudi Arabia and the United Arab Emirates are the top suppliers for Pakistan, with the United States coming in a close third. The top U.S. exports to Pakistan were similar to India, with the exception of fertilizers. The top five U.S. exports to Pakistan in 2000 were machinery, organic chemicals (HTS 29), fertilizers (HTS 31), aircraft and parts, and electrical machinery and equipment. These five HTS chapters accounted for 59 percent of the $453 million U.S. exports to Pakistan in 2000. Although the Government of Pakistan supported protectionist policies in the past, it lowered the maximum import tariff on consumer goods from 45 percent to 35 percent on March 31, 1999 and committed to the conditional reduction of the maximum rate to between 25-35 percent by June 2000. The rates were also lowered for imports of intermediary goods (25 percent), chemicals (15 percent), and raw materials

[5] B.T. Johnson, K.R. Holmes, and M. Kirkpatrick, *1999 Index of Economic Freedom*, the Heritage Foundation and Dow Jones & Company, Inc., Washington, DC, 1999.

[6] Office of the United States Trade Representative, "U.S. and India Reach Landmark Agreement to Lift Longstanding Indian Import Restrictions," USTR Press Release 00-1, Jan. 10, 2000.

(10 percent). Previously banned or restricted items were allowed entry, on condition they did not violate religious, health, environmental, or security measures.[7]

India and the East Asian countries such as Singapore, Japan, and China, are the primary suppliers for Bangladesh. The top five U.S. exports to Bangladesh in 2000 were cotton yarns and fabrics (HTS 52), electrical machinery and equipment, machinery, aircraft and parts, and cereals (HTS 10). These five HTS chapters accounted for 62 percent of U.S. exports to Bangladesh in 2000. The top U.S. export to Bangladesh, cotton yarns and fabrics, is used as an input in the Bangladeshi apparel sector. Bangladesh maintains a high level of trade protection, with the average tariff rate over 20 percent. Extensive import procedures and corruption act as nontariff barriers.[8]

## Sri Lanka and the Maldives

The United States was the top destination for exports from the Maldives and Sri Lanka. U.S. merchandise imports from the Maldives increased from $11.5 million to $94 million over the five year period, 1996-2000. This 712 percent increase in U.S. imports from the Maldives was primarily apparel products. These products entered under HTS chapters 61 and 62, receiving no special import provisions, and paid average tariff rates[9] ranging from 13.7 and 17.2 percent from 1996-2000. U.S. imports from Sri Lanka increased from $1.4 billion to $2.0 billion over the last five years. Apparel was the primary U.S. import from the Maldives and Sri Lanka, which together supplied approximately $90 million of U.S. apparel imports.

The United States is not a major supplier for the Maldives or Sri Lanka. South and East Asian countries are the primary sources. U.S. exports to Sri Lanka and the Maldives in 2000 were only $198 million and $5.9 million, respectively. The top five U.S. exports to Sri Lanka were electrical machinery and equipment, cereals, machinery, textile fabrics (HTS 59), and instruments. The main U.S. exports to the Maldives included aircraft and parts, and machinery. Sri Lanka has a moderate level of trade protection. Sri Lanka has an average tariff rate of 8.5 percent, however, a defense levy, excise taxes, and surcharges can result in high tariff protection for specific items.[10]

## Nepal, Afghanistan, and Bhutan

The United States received approximately 25 percent of Nepal's exports, with similar shares each for India and Germany in 2000. The top U.S. imports from Nepal are apparel, carpets, textiles, and jewelry. The United States doubled its merchandise imports from Nepal over the period 1996-2000. Imports of $116 million in 1996 rose to $229 million by 2000. India is the primary destination for exports from Bhutan, while Afghanistan's major trade partners include neighboring countries in the Former Soviet Union, Pakistan, and Iran. U.S. merchandise imports from Afghanistan and Bhutan combined were less than $2 million in 2000, down from $9 million in 1996.

The primary supplier for Nepal and Bhutan is India. The United States exported only $43.7 million in merchandise to Afghanistan, Bhutan, and Nepal combined in 2000. The primary U.S. export to Afghanistan was wheat. Aircraft and parts was the top U.S. export category to Nepal. Electrical machinery and equipment was the top U.S. export to Bhutan and the number two export to Nepal in 2000. U.S. exports to Afghanistan dropped by half over the last five years, 1996-2000. U.S. exports to Bhutan doubled, while exports to Nepal increased more than 300 percent over the same period.

# U.S. Trade Policies With South Asia

Five South Asian countries participate in multilateral trade liberalization. India, Pakistan, and Sri Lanka were signatories of the General Agreement on Tariffs and Trade (GATT) in 1948. The Maldives signed the GATT in 1957. Bangladesh signed the GATT in 1972. All five of these countries joined the World Trade Organization in 1995. Under the trading rules of the WTO, these nations are entitled to most-favored-nation status with the United States. Bhutan and Nepal have WTO observer status.[11] Afghanistan is not a member of the WTO. In 1999, the United States successfully challenged India's trade restrictions using the WTO dispute resolution mechanism. India was compelled to comply with its WTO obligations per its accession package. On August 23, 1999, the WTO Appellate Body ruled against India's claim that balance-of-payments problems justified the continuation of market-access restrictions.

Developing country members of the WTO qualify for tariff relief under the U.S. Generalized System of Preferences (GSP)[12] for designated products. South

[7] Office of the United States Trade Representative, "Foreign Trade Barriers," found at Internet address *http://www.ustr.gov*, retrieved Oct. 23, 2001.

[8] B.T. Johnson, K.R. Holmes, and M. Kirkpatrick, *1999 Index of Economic Freedom*, the Heritage Foundation and Dow Jones & Company, Inc., Washington, DC, 1999.

[9] Ratio of duties to total imports, calculated from official statistics of the U.S. Department of Commerce.

[10] B.T. Johnson, K.R. Holmes, and M. Kirkpatrick, *1999 Index of Economic Freedom*, the Heritage Foundation and Dow Jones & Company, Inc., Washington, DC, 1999.

[11] Nondiscriminatory tariff treatment is commonly called "most-favored-nation" (MFN) status; in the United States, it is now known as normal trade relations (NTR) status.

[12] "The GSP program grants duty-free treatment to designated eligible articles that are imported from designated beneficiary developing countries. The GSP program is authorized by Title V of the Trade Act of 1974." *Federal Register*, Vol. 65, No. 212, page 65370, Nov. 1, 2000. The U.S.

Asian countries contributed $3.8 billion of products entering the United States under the GSP, approximately 23 percent of U.S. imports qualifying under the program. Over $1 billion of goods from India entered the United States under the GSP program in 2000. These included a wide variety of products in 72 different HTS 2-digit chapters. Indian products accounted for 18 percent of qualifying goods entering the United States under the GSP in 2000. India was the largest South Asian beneficiary of tariff relief under various U.S. special import programs. However, Indian products qualifying for tariff elimination under special import programs accounted for less than one percent of total U.S. imports from India in 2000. Organic chemicals were the primary Indian products qualifying under the pharmaceuticals[13] and dyes programs. For U.S. imports from Bangladesh, only $33.8 million worth of goods entered under GSP, out of a total of $2.4 billion. With the exception of 1998, an insignificant share of U.S. imports from Bhutan, not a WTO member, entered under the GSP program.[14] Nepal exported $7.3 million in merchandise to the United States under the GSP program in 2000, although 90 percent of U.S. imports from Nepal received no special import provisions. $93.2 million of U.S. imports from Pakistan qualified for GSP.[15] An additional $2.1 billion, approximately 96 percent, entered the United States without special program provisions. Six percent of U.S. imports from Sri Lanka qualified under the GSP. Afghanistan and the Maldives were the only South Asian nations not qualifying under special import programs for merchandise exports to the United States over the last five years.

[12]—*Continued*
GSP program expired on Sept. 30, 2001, but was extended through Dec. 31, 2002 by H.R. 3010.

[13] 7,000 designated pharmaceutical products are covered by reciprocal duty elimination under the Uruguay Round of the General Agreement on Tariffs and Trade, signed by 17 countries, including the United States. For more information see: D. Michels and E. Nesbitt, "The Uruguay Round Elimination of Duties on Pharmaceuticals: Developments in the 2 Years Since Implementation." *Industry, Trade, and Technology Review,* U.S. International Trade Commission, Washington, DC, October 1997.

[14] In 1998, $668,000 imports entered the United States from Bhutan under the GSP program.

[15] U.S. imports from Pakistan qualified under the civil aircraft special import program through 1998. No imports from Pakistan were qualified under this program in 1999 and 2000.

The following average U.S. tariff rate applied to U.S. imports from South Asia not qualifying under any special import programs in 2000. U.S. imports from Bhutan paid the lowest average tariff rate of 3.0 percent for 2000. However, total U.S. imports from Bhutan were less than $1 million. Indian products had the second lowest average tariff rate of 4.9 percent on $9.5 billion worth of goods entering the United States without qualifying for special import provisions. The highest average U.S. tariff rates for South Asian goods entering the United States were 15.5 percent for the Maldives and 15.3 percent for Sri Lanka. Ninty-nine percent of Bangladeshi products entered the United States without special import provisions, paying an average tariff rate of 14.4 percent in 2000. U.S. imports from Nepal paid an average tariff rate of 13.2 percent and U.S. imports from Pakistan paid an average tariff rate of 11.5 percent in 2000.

Economic sanctions were imposed on India (May 13, 1998) and Pakistan (May 30, 1998) by the President of the United States in response to nuclear tests conducted by the two countries. Under the authority of section 201 of the 1994 Arms Export Control Act (Glenn Amendment), the U.S. President was authorized to impose sanctions on any nonnuclear country that was actively involved in nuclear proliferation. Both India and Pakistan tested nuclear weapons in 1998. The Glenn Amendment sanctions allow: termination of foreign assistance by U.S. government agencies; denial of credit, credit guarantees, or financial assistance from any U.S. government agency; termination of defense sales or services; termination of military financing; opposition to any financial or technical assistance by any international financial institutions, except for humanitarian aid; prohibition of U.S. banks providing loans or credit, except for food purchases; and prohibition of exports of goods or technology having military or strategic uses. A subset of these sanctions was relaxed for one year by Presidential waiver under the authority of the India-Pakistan Relief Act. This Act was passed by Congress on October 21, 1998. For more details on the Glenn Amendment sanctions on India and Pakistan or the India-Pakistan Relief Act, refer to the U.S. International Trade Commission report on this topic.[16]

[16] *Overview and Analysis of the Economic Impact of U.S. Sanctions With Respect to India and Pakistan,* Publication No. 3236, U.S. International Trade Commission, Washington, DC, September 1999.

# AGOA Forum: So Far... Where Now?

**Nannette Christ**[1]
**nchrist@usitc.gov**
**202-205-3263**

*The first annual AGOA Forum was held in Washington, DC on October 29-30, 2001 between United States officials and African trade and finance delegates. This Forum reviewed the effects of AGOA to date and provided a venue for discussions on enhancing both the act and U.S.-Sub-Saharan African economic relations.*

## Introduction

The Africa Growth and Opportunities Act (AGOA) was signed into U.S. law on May 18, 2000 establishing a new framework for trade, investment, and development between the United States and Sub-Saharan Africa. The stated goal of the act is to foster political and economic development in Africa by promoting international economic ties with the United States. Specifically, AGOA seeks to increase the levels of trade and investment between Sub-Saharan Africa and the United States by providing nonreciprocal trade benefits for a period of eight years. The primary means for achieving this goal is to exempt most products from eligible countries from trade quotas and duties. In addition to the approximately 4,600 tariff lines under the Generalized System of Preferences (GSP), AGOA includes an additional 1,800 tariff line items for quota- and duty-free treatment. One of the most significant provisions is that imports of apparel made from U.S. components are granted unlimited access to the U.S. market. Between GSP and AGOA, all but 60 products imported from AGOA countries are eligible for quota- and duty-free access to the U.S. market. The act also seeks to increase investment in Sub-Saharan Africa by promoting access and opportunities in AGOA countries for U.S. investors and businesses through an increase in loans, loan guarantees, and investment insurance through the U.S. Overseas Private Investment Corporation (OPIC). Finally, AGOA seeks to promote stable and open markets under democratic governments by encouraging economic development and reform in AGOA countries. Through these incentives, the U.S. has signaled its intent to foster self-sustaining economic and political development based on trade rather than aid. Currently, 35 Sub-Saharan African countries are designated as eligible for AGOA benefits, 11 of which have completed apparel "visa" requirements[2] to receive preferential benefits for apparel exports to the United States. The law came into affect in January 2001, and the first AGOA products entered the United States the same month.

In May 2001, President Bush announced that the first annual trade and economic forum between African and U.S. officials, provided for in the AGOA legislation, would take place in October. The forum took place in Washington from October 29 to 30, 2001, where ministers assessed the benefits to date, reviewed developments thus far, and made recommendations on ways to increase the effectiveness of AGOA, including various implementation and communication issues. The forum also provided an opportunity for broader discussions regarding a further deepening of U.S.-African economic ties. All 35 AGOA eligible countries attended.

President Bush addressed a session where he outlined three new initiatives aimed at complementing AGOA. First, the creation of a $200 million OPIC support facility for investment projects in Sub-Saharan Africa. Second, the launch of the Trade for African Development and Enterprise Program, with an initial funding of $15 million to assist African businesses gain access to global markets. Third, the establishment of a regional office of the U.S. Trade and Development Agency (TDA) in Johannesburg, South Africa to provide guidance on trade liberalization and improving the investment climate.

## Trade

U.S. Forum representatives emphasized the importance of trade relations between Sub-Saharan Africa and the United States. For example, Sub-Saharan

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

[2] AGOA authorizes preferential treatment of apparel imports after countries have demonstrated the adoption of an effective textile and apparel "visa" system and associated procedures, to ensure the prevention of transshipment or use of counterfeit documents.

Africa provides 18 percent of U.S. petroleum imports, and the United States represents Sub-Saharan Africa's single largest export market. Despite this situation, Africa remains marginalized from the global economy to a large extent. Although global trade has tripled in value over the last two decades, Sub-Saharan Africa's trade volume and trade shares have continued to decline, a trend that the AGOA legislation attempts to address. President Bush and U.S. officials noted that U.S. imports from Sub-Saharan Africa in the first half of 2001 totaled nearly $12 billion (an increase of 12 percent over the first half of 2000), of which AGOA products represented 58 percent. (See figure 1.) Over the same time period, U.S. exports to the region increased by 36 percent, to nearly $4 billion, 92 percent of which were destined for AGOA countries. Regarding the issues of export diversification, United States Trade Representative (USTR) Zoellick pointed out that total trade in nonfuel goods increased by 25 percent during this period, citing more specifically that trade in textiles increased by 30 percent, mineral products by 14 percent, and machinery goods by 78 percent. Although from a small base, year-to-date data indicate the beginning of diversification across products and countries. (See table 1 and figure 2.)

## Additional U.S.-Africa Economic Relations Issues

The Forum witnessed numerous discussions surrounding African economic development issues and U.S.-Africa economic relations. A frequent concern of African Forum delegates was the limited level of foreign direct investment destined for Sub-Saharan Africa. The importance of investment in providing technology, management expertise, access to overseas markets, and capital, over and above current development assistance levels was stressed by a number of delegates. For example, according to a 2000 United Nations Conference on Trade and Development report, Sub-Saharan Africa continues to receive relatively low levels of foreign direct investment. USTR Zoellick noted that $120 million has been invested in Lesotho, four times the amount the country receives in economic aid. In his address, President Bush noted that incentives under the legislation have fostered nearly $1 billion in investment going to the region. U.S. OPIC officials noted that the Africa Millennium Fund, a $350 million private equity fund, represents the largest single fund created by OPIC. One suggestion was to raise the profile of Sub-Saharan African countries as investment destinations. For example, Stephen Hayes, President of the Corporate Council on Africa, recently estimated that 95 out of 100 U.S. businesses have never heard of the African Trade Bill, now passed as the AGOA.

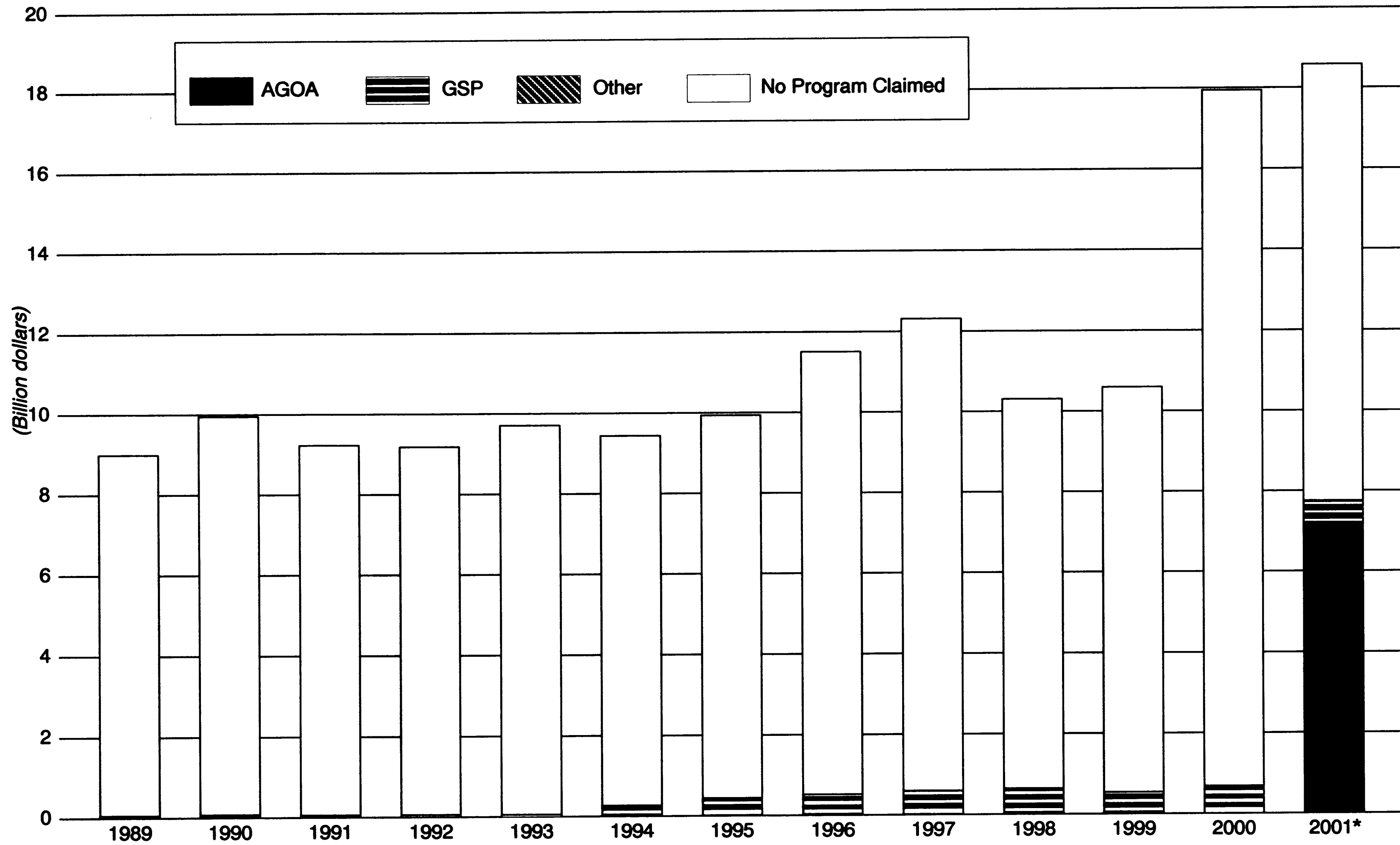
A significant social issue facing the ability of Sub-Saharan African countries to capitalize fully on AGOA benefits is the crisis in Africa involving Human Immune Virus (HIV) and its result Acquired Immune Deficiency Syndrome (AIDS). According to data presented at the forum by the United States Agency for International Development (USAID), 16 countries on the African continent for which there were data available have adult infection rates exceeding 10 percent, 22 countries have rates in the 2 percent to 10 percent range, and 4 countries have rates in the less than 2 percent category. USAID cited estimates that 1 in 12 workers in Sub-Saharan Africa are infected with HIV. Somewhat more optimistically, USAID officials stressed, however, that over 90 percent of all adults in AGOA-eligible countries are not infected with HIV. The spread of HIV/AIDS threatens AGOA's potential success by limiting trade and investment in various ways, such as constraining production or export capacity. Forum delegates pointed out that HIV/AIDS infection lowers the overall labor supply, lowers worker productivity, and disproportionately inflicts the most productive age groups. The magnitude of the infection raises associated investment risks, creating a poor business climate overall, and reduces profitability and overall investment returns by increasing production costs.

Another issue raised by African delegates centered around the 8-year time frame and the relative importance of the preferences given the extension of similar benefits to other developing countries, such as Caribbean countries. U.S. officials commented that an act with possible revisions and extensions of AGOA, dubbed AGOA II, is currently working its way through the U.S. Congress.

African delegates at the Forum expressed the usefulness of, and requested additional, technical assistance to help their countries understand not only requirements under the act, but also the intricacies of access to the U.S. market, potential investor location, and navigating sanitary and phytosanitary requirements for agricultural exports to the United States. Several delegates noted that gaining U.S. sanitary and phytosanitary approval is often a 5 year process, thereby reducing the available timeframe under AGOA. According to USTR Zoellick, the United States to date has provided over $50 million for trade-capacity building assistance and coordinated over 20 AGOA regional technical assistance and capacity building seminars.

Another recurring issue at the Forum was the negative economic effect of current external debt levels. For example, delegates noted that to escape pervasive poverty levels, Sub-Saharan Africa will need to achieve

**Figure 1**
**U.S. Imports from Sub-Saharan Africa**




*Data for 2001 is annualized based on information through August 2001. Other = imports involving civil aircraft, pharmaceuticals, or unknown countries.

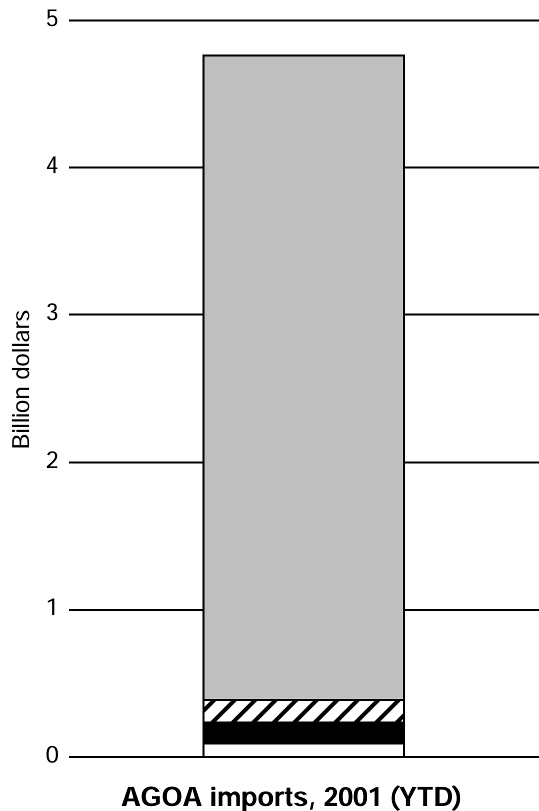
**Table 1**
**Leading AGOA Imports, 2001 (year-to-date)**

*Commodities with value greater than $1 million*

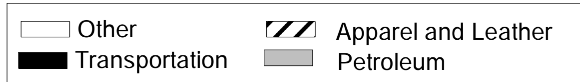
| HTS No. | Description | Million dollars |
|---|---|---|
| 2709 | Petroleum oils and oils from bituminous minerals, crude | 4,239.5 |
| 8703 | Motor cars and other motor vehicles designed to transport people (other than public-transport type), including station wagons and racing cars | 139.3 |
| 2710 | Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils | 132.7 |
| 6204 | Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (No swimwear), not knitted or crocheted | 48.7 |
| 6203 | Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (No swimwear), not knitted or crocheted | 42.8 |
| 6110 | Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted | 30.6 |
| 805 | Citrus fruit, fresh or dried | 17.7 |
| 7202 | Ferroalloys | 17.0 |
| 7209 | Flat-rolled iron or nonalloy steel products, 600 mm (23.6 in.) or more wide, cold-rolled, not clad, plated or coated | 13.4 |
| 2207 | Ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% vol. Or higher; ethyl alcohol and other spirits, denatured, of any strength | 7.5 |
| 6205 | Men's or boys' shirts, not knitted or crocheted | 7.0 |
| 6104 | Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, etc. (No swimwear), knitted or crocheted | 7.0 |
| 7207 | Semifinished products of iron or nonalloy steel | 6.0 |
| 7216 | Angles, shapes and sections of iron or nonalloy steel | 5.3 |
| 7210 | Flat-rolled iron or nonalloy steel products, 600 mm (23.6 in.) or more wide, clad, plated or coated | 4.5 |
| 8707 | Bodies (including cabs), for tractors, public-transport passenger vehicles, motor cars, goods transport vehicles and special purpose motor vehicles | 3.5 |
| 6105 | Men's or boys' shirts, knitted or crocheted | 3.2 |
| 7304 | Tubes, pipes and hollow profiles, seamless, of iron (other than cast) or steel | 3.1 |
| 802 | Nuts nesoi, fresh or dried | 2.8 |
| 2008 | Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sweetening or spirit, nesoi | 2.6 |
| 7306 | Tubes, pipes and hollow profiles nesoi (open seamed or welded, riveted or similarly closed), of iron or steel | 2.6 |
| 6103 | Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (no swimwear), knitted or crocheted | 2.2 |
| 6106 | Women's or girls' blouses and shirts, knitted or crocheted | 2.1 |
| 6109 | T-shirts, singlets, tank tops and similar garments, knitted or crocheted | 2.1 |
| 8708 | Parts and accessories for tractors, public-transport passenger vehicles, motor cars, goods transport motor vehicles and special purpose motor vehicles | 1.9 |
| 7214 | Bars and rods of iron or nonalloy steel nesoi, not further worked than forged, hot-rolled, hot-drawn etc., but including those twisted after rolling | 1.4 |
| 806 | Grapes, fresh or dried | 1.3 |
| 2204 | Wine of fresh grapes, including fortified wines; grape must (having an alcoholic strength by volume exceeding 0.5% vol.) nesoi | 1.3 |
| 7217 | Wire of iron or nonalloy steel | 1.0 |

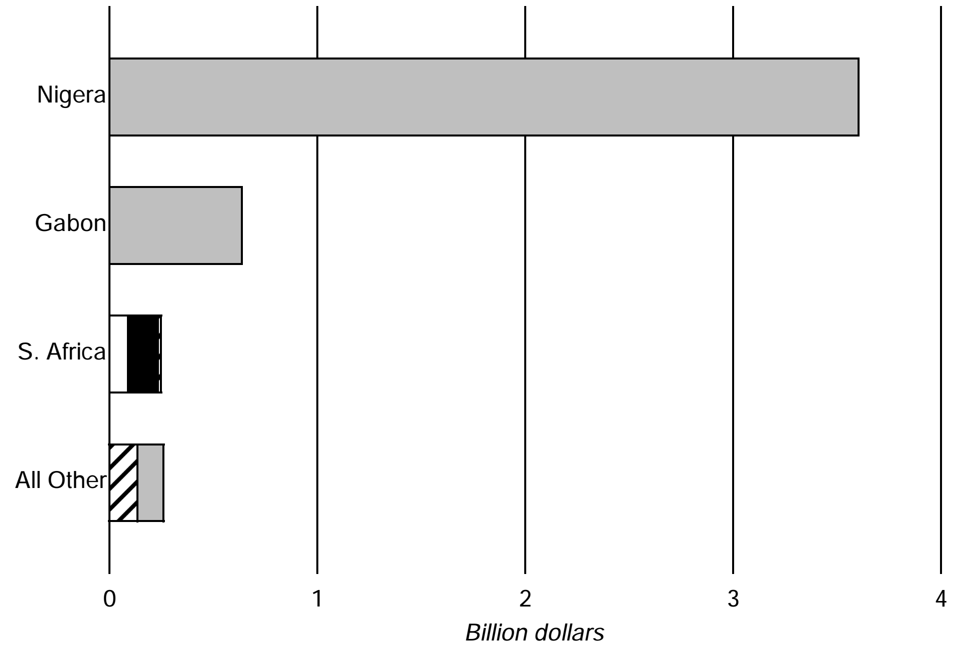
Source: Compiled from USITC dataweb.

**Figure 2**
**AGOA imports, 2001 (year-to-date), by major product category and selected countries**

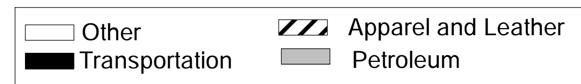



**AGOA imports, 2001 (YTD)**




**AGOA imports, 2001 (YTD) by main countries**



rates of economic growth similar to China, although China was not burdened with external debt to the same extent as most of Sub-Saharan Africa. President Bush reiterated his support for the judicious use of debt relief for heavily indebted African nations. In addition, U.S. Secretary of Treasury O'Neill clarified the Administration's focus on shifting assistance from loans to grants.

A working group at the Forum, the Private Sector Steering Committee, provided recommendations for enhancing the act's provisions including: expanding tax incentives for investing in Africa; increasing funding to combat HIV/AIDS; clarifying provisions regarding apparel imports; increasing funding for U.S. trade assistance agencies such as the Export-Import Bank, OPIC, and the TDA; providing supplemental risk insurance; further addressing sanitary and phytosanitary agricultural issues; increasing technical assistance related to customs and trade-capacity building; and encouraging increased air transport links to Africa.

Forum delegates listed several factors that continue to inhibit trade and investment which will require increased attention. Among the most prominent were the role of infrastructure, communication networks, and reliable power supplies. USTR Zoellick also recognized the need to increase the development of trade flows networks, and U.S. Secretary of State Powell pointed out that despite limited numbers, there has, nevertheless, been an increase in shipping lanes for exports from southern Africa.

# Conclusion

The Forum achieved its goal of providing U.S. officials and African delegates an opportunity to review achievements thus far and discuss opportunities for enhancing AGOA. As businesses advance along the learning curve, the role and benefits of AGOA should evolve and increase. As USTR Zoellick summarized, responsiveness to AGOA has varied and appears to depend largely on the development of infrastructure, political stability, and the regulatory environment in any given country in Sub-Saharan Africa. The ability of countries to capitalize on AGOA will depend ultimately on how Sub-Saharan Africa can address these fundamental structural issues.

# EU Enlargement–An Overview

Joanne Guth[1]
jguth@usitc.gov
202-205-3264

*The EU is expected to undergo the largest expansion of its borders ever. Up to 10 countries could join the EU in 2004, although some difficult areas for negotiations remain, including agriculture. The candidate countries, and to a lesser extent the EU, will likely benefit from enlargement.*

The European Union (EU) is about to undertake the biggest enlargement of its borders ever. Established in 1957 with 6 member countries,[2] the EU now has 15 member states after undergoing four separate enlargements. However, none reached the scope of the current enlargement. Thirteen countries have applied to join the EU and twelve countries (all but Turkey) are actively negotiating accession at present. The European Commission estimates that both the EU and the candidate countries will benefit from enlargement.

The U.S. Government supports EU enlargement as a means to build stability and cooperation across the European continent. U.S. companies are likely to benefit from reduced transactions costs resulting from the harmonization of standards and other regulations for doing business; for example, a single tariff schedule and one set of trade rules across Europe. U.S. exports to the candidate countries should face lower tariffs on accession, since the EU's common external tariff is generally lower than the tariffs currently applied by the candidates. In addition, opportunities for U.S. investment will expand as the candidates undertake economic reforms, create attractive financial markets, strive to improve firms' competitiveness, and adopt the EU's open and transparent investment regime.[3]

## Progress of the Negotiations

In June, at the semiannual summit of EU heads of state and government in Goteborg, Sweden, EU leaders took an important step in the enlargement process by making an official commitment to conclude enlargement negotiations by the end of 2002 and to accept the first wave of new members in 2004. The establishment of concrete target dates for both sides to meet should help remove some of the uncertainties in the enlargement process that have concerned the applicants and should encourage their parliaments to pass needed reforms more rapidly.[4]

To join the EU, each applicant must satisfy certain economic and political conditions (the so-called Copenhagen criteria):

1. Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities;
2. The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and
3. The ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

Each candidate country must adopt the EU's *acquis communautaire*, the entire body of EU laws and policies. To complete the accession process, each applicant must negotiate 31 sectoral chapters of the *acquis* covering such topics as free movement of goods, competition policy, and the environment. In addition, the candidate country must continue domestic reforms, in particular the strengthening of their administrative and judicial structures, so that they can effectively implement and enforce the *acquis*.

None of the candidate countries will have the option to opt-out of economic and monetary union and to remain outside the euro zone. However, each will first need to meet the so-called Maastricht criteria before

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

[2] Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and Turkey.

[3] U.S. Department of Commerce, various publications including *Trade and Investment Opportunities from Accession*, found at Internet address *http://www.mac.doc.gov/EEB-IC/euAccession/f7.htm*, retrieved Sept. 27, 2001; and David Fulton, "EU Expansion," *Export America*, U.S. Department of Commerce, June 2001, pp. 6-7.

[4] Agra Europe, Ltd., *Agra Food East Europe*, June 2001, cover page.

they can join the currency union. Fulfilling the Maastricht economic convergence criteria will only become a priority after the Copenhagen criteria for accession have been met.[5]

At the Goteborg summit, EU leaders did not set target accession dates for individual countries or groups of countries as accession will depend on each candidate's progress in meeting the membership requirements. Thus, it is unclear which countries will join first. Six countries–Czech Republic, Estonia, Hungary, Poland, Slovenia, and Cyprus–began accession negotiations in March 1998. The remaining six launched negotiations in February 2000. However, up to 10 countries (all but Bulgaria and Romania) could join in the first wave of accessions as 4 countries in the second group have actually caught up to the first group in terms of progress in negotiations; these 10 countries also agreed to a negotiating timetable set forth at the Goteborg summit.[6] As of the most recent negotiating session on December 12, 2001, all of the negotiating chapters had been opened with these 10 candidates except the chapter on institutional issues. Many of the chapters have already been provisionally closed: with Slovenia, 25 chapters have been concluded; with Cyprus and the Czech Republic, 24; with Hungary, 23; with Latvia, 22; with Lithuania and Slovakia, 21; with Estonia, 20; and with Malta and Poland, 19.[7] More formal progress reports for 2001 on each candidate's progress in meeting the economic and political conditions necessary to join were approved in November. These reports concluded that all candidate countries have made steady progress in meeting the accession conditions and in adopting EU legislation. However, to ensure that the candidates improve their ability to implement and apply the EU's *acquis*, the European Commission will prepare an action plan to help them reinforce their administrative and judicial capacity.

Many controversial chapters still need to be negotiated, including agriculture, competition policy, transport policy, taxation, regional policy and structural funds, cooperation on justice and home affairs, and financial and budgetary provisions. With respect to agriculture, veterinary, phytosanitary and other technical issues relating to agriculture are currently being addressed during the second half of 2001, whereas market support issues in agriculture, including direct aids and production quotas, will be undertaken in 2002.[8] Possibly complicating agriculture negotiations is the European Commission's plan to conduct a mid-term review of its Common Agriculture Policy (CAP) in the summer of 2002, which could include proposals for fundamental reforms.[9] Although some EU officials argued that agriculture should not be negotiated with the candidate countries until any such reforms are undertaken, to preserve the negotiating timetable it was agreed to negotiate the agriculture *acquis* as it stands now.[10] Any reforms to EU agriculture policy that may take place while accession negotiations are ongoing shall be taken into account in the accession negotiations.[11]

# The Candidates vis-a-vis the EU: Selected Statistics

On accession, the 12 candidate countries will account for almost one-quarter of the EU population. The EU's population will increase by 28 percent, from 376.4 million to 482.1 million,[12] a population amounting to 1.76 times that of the United States (274 million). Poland is by far the largest accession candidate, with 37 percent of the candidates' population, followed by Romania, with 21 percent.

Taken together, the 12 candidates are relatively small compared to the EU in terms of Gross Domestic Product (GDP). In 2000, the GDP of the 12 candidates accounted for 4.8 percent of the EU's GDP, roughly the size of the Netherlands' economy. This portion has been rising gradually over the past 5 years, from 4.1 percent of EU GDP in 1996. Again, Poland is the largest accession candidate, accounting for 42 percent of the candidates' GDP in 2000, followed by the Czech Republic (13 percent) and Hungary (12 percent).

The comparison can also be expressed using an artificial currency unit called PPS (Purchasing Power Standard), which takes into account the different price levels in countries. By using this standard, the candidates' GDP represented about 11 percent of EU GDP in 2000, the same portion recorded in each year since 1996.[13] In addition, Romania moved into second place

[5] European Commission, *Strategy Paper, Regular Reports from the Commission on Progress Towards Accession by Each of the Candidate Countries*, Nov. 8, 2000, found at Internet address *http://europa.eu.int/comm/enlargement/*, retrieved Oct. 3, 2001.

[6] Gunter Verheugen, member of the European Commission responsible for Enlargement, "Debate on EU Enlargement in the European Parliament," Strasbourg, Sept. 4, 2001.

[7] EurActiv Brussels Project, "Slovenia in the Lead in EU Enlargement Negotiations," found at Internet address *http://EurActiv.com*, retrieved Dec. 14, 2001.

[8] Agra Europe, Ltd., *Agra Food East Europe*, July 2001, p. 1.

[9] Agra Europe, Ltd., *Agra Food East Europe*, June 2001, pp. 4 and 6.

[10] Gunter Verheugen, member of the European Commission responsible for Enlargement, "Debate on EU Enlargement in the European Parliament," Strasbourg, Sept. 4, 2001.

[11] Ibid.

[12] Eurostat, "Demographic Consequences for the EU of the Accession of Twelve Candidate Countries," *Statistics in Focus*, Population and Social Conditions, No. 12/2001.

[13] Eurostat, "The GDP of the Candidate Countries," *Statistics in Focus*, Economy and Finance, No. 28/2001.

behind Poland in terms of size of GDP (in PPS). In the enlarged EU, eight out of the nine smallest economies would be those of the candidate countries.

The income gap between the candidates and current EU members is larger than in any previous enlargement. Table 1 shows the GDP per capita in PPS of the 12 candidates as a share (percent) of the EU average. In 2000, four EU member states registered a per capita GDP less than the EU average: Finland (99 percent of the EU average), Spain (81 percent), Portugal (74 percent), and Greece (68 percent). Only two of the twelve candidates recorded a GDP per head greater than Greece: Cyprus, with 82 percent of the EU average, and Slovenia, with 71 percent of the EU average. Four candidates recorded per capita GDP less than one-third of the EU average: Bulgaria, Romania, Latvia, and Lithuania. The Czech Republic and Romania showed the largest declines in per capita GDP in relation to the EU average over the 1996-2000 period; however, most candidate countries registered improvement.[14]

Most of the 12 candidates are small, open economies heavily dependent on trade. In 1999, exports accounted for greater than 50 percent of GDP in four of the candidate countries–Estonia, Malta, Slovakia, and Hungary. In just two countries–Poland and Cyprus–exports accounted for less than 20 percent of GDP.[15] The EU is by far the candidates' largest trading partner, accounting for 65 percent of their exports and 62 percent of their imports in 2000. This portion has been rising gradually over the past 5 years (see Table 2) and is now higher than intra-EU trade (62 percent). Poland, the Czech Republic, and Hungary are the EU's top trading partners among the 12 candidates, and ranked within the EU's top ten trading partners in 2000.[16] These three countries are also the largest trading partners of the United States among the 12 candidates. However, in 1999 the United States accounted for under 3 percent of exports from Poland and the Czech Republic, and just over 5 percent of Hungary's exports.[17] However, in each of these countries, the U.S. share of total exports has been climbing gradually over the period 1995-99.[18]

[14] Ibid.

[15] European Parliament, Task Force Enlargement, *Statistical Annex*, July 2001, p. 3.

# Economic Benefits of Enlargement

In June, the European Commission released a report estimating the economic impact of enlargement on both the EU and the candidate countries.[19] According to the study, many of the benefits of enlargement have already taken place through the deepening of integration that resulted after the fall of communism, and through the so-called trade-related Europe Agreements, which were concluded in the 1990s between the EU and each of the Central and Eastern European countries. Actual accession is expected to further boost economic growth. According to the study, EU growth

[16] Eurostat, "The 13 Candidate Countries' Trade with the EU in 2000," *Statistics in Focus*, External Trade, No. 8/2001.

[17] IMF, *Direction of Trade Statistics Yearbook*, 2000 (the latest edition available).

[18] Ibid.

[19] European Commission, Directorate General for Economic and Financial Affairs, *The Economic Impact of Enlargement*, June 2001, found at Internet address *http://europa.eu.int/economy_finance*, retrieved Sept. 7, 2001.

**Table 1**
**GDP per capita at current prices in PPS, share of EU-15 average, 1996-2000**

| Country | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| | | | *Percent* | | |
| Cyprus | 79 | 79 | 80 | 82 | 82 |
| Slovenia | 66 | 68 | 69 | 71 | 71 |
| Czech Rep. | 65 | 63 | 60 | 58 | 58 |
| Malta | 51 | 52 | 52 | 52 | 53 |
| Hungary | 46 | 48 | 49 | 51 | 52 |
| Slovakia | 46 | 48 | 49 | 48 | 48 |
| Poland | 36 | 37 | 38 | 39 | 39 |
| Estonia | 33 | 36 | 37 | 36 | 37 |
| Lithuania | 29 | 30 | 31 | 29 | 29 |
| Latvia | 25 | 27 | 28 | 28 | 29 |
| Romania | 33 | 31 | 28 | 27 | 27 |
| Bulgaria | 25 | 23 | 23 | 23 | 24 |
| EU-15 | 100 | 100 | 100 | 100 | 100 |

Source: European Commission.

**Table 2**
**Share of EU in total exports and imports of the candidate countries 1996-2000**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| | | | *Percent* | | |
| EU share of exports . . . | 57 | 59 | 64 | 68 | 65 |
| EU share of imports . . . | 57 | 57 | 62 | 62 | 62 |

Source: European Parliament, Task Force Enlargement, *Statistical Annex*, July 2001, based on IMF, *Direction of Trade Statistics* and data compiled by the European Commission (COMEXT, EUROSTAT).

could increase by 0.7 of a percentage point, on a cumulative basis, over the period 2000-2009, with half of the potential gains resulting from the boost to growth from migration flows and the remainder due to mark-up and trade integration effects. Such benefits are predicted to be greatest for Germany and Austria, which retain the closest ties with the candidate countries. The study estimates that the effect of enlargement on agriculture, at least in the first few years after enlargement, will be small for two primary reasons: lagging quality and health-related product standards in Eastern Europe and declining price differentials between the EU and candidates' farm products. According to the study, in the agriculture sector "It appears, therefore, that future production and trade developments in the candidate countries will be more influenced by productivity changes in these countries than by the extension of the CAP except probably in a narrow range of products."[20]

The study also points out that the effects of the Southern enlargement of the EU in the 1980s (the accession of Greece, Spain, and Portugal to the then EU-9), can be a useful benchmark for estimating the effects of the future enlargement on the EU, since some important similarities exist between these enlargements; in particular, the size in terms of population and GDP of the candidates vis-a-vis the EU. Indeed, the simulation results from the current study largely mirror the results of previous analyses showing a relatively small effect of the Southern enlargement on the EU, primarily reflecting the large size of the EU in relation to the candidates.

The study also concluded that "The candidate countries should greatly benefit from enlargement thanks to a more efficient allocation of resources, greater investment and higher productivity growth."[21] The study estimates that "accession could increase the average annual growth rate of the [accession countries][22] during the period 2000-2009 by between 1.3 and 2.1 percentage points," depending on whether additional reforms are undertaken.[23]

Other studies have reached similar conclusions. For example, the Austrian Institute of Economic Research (WIFO) concluded that both the candidate countries, and to a lesser extent, the EU, will benefit from enlargement. Some candidate countries could benefit from an additional 8-9 percentage point growth in real GDP over a 10-year period. The study estimates a small, positive effect on the EU, but significant differences in the effects among the member states. For example, those countries with strong ties to the candidates, including Germany, Austria, and Italy, will experience the largest benefits. Other member states, such as Spain and Portugal, stand to lose the most because they currently are large recipients of regional and agricultural funds from the EU budget.[24]

Like the Southern enlargement and current studies suggest, both the EU and the candidate countries are likely to benefit from enlargement. Since the fall of communism, deeper integration between the EU and those countries have generated economic growth. Enlargement is likely to further enhance trade and capital flows and accelerate growth, particularly for the developing country candidates. In other arrangements between developed and developing countries, such as the North American Free Trade Agreement, economic growth of the developing country partner (in this case, Mexico) accelerated following implementation of the agreement. Greece, Portugal, Spain, and particularly Ireland experienced a further acceleration of economic growth after joining the EU. Although it takes time, previous enlargements have shown that the income gap between EU members and poorer candidate countries tended to narrow. Such examples portend a favorable economic future for the European continent.

[20] Ibid., pp. 10-11.
[21] Ibid., p. 9.
[22] All Eastern European countries except Bulgaria and Romania.

[23] *The Economic Impact of Enlargement*, June 2001, p. 10.
[24] Fritz Breuss, Austrian Institute of Economic Research, "Makroökonomische Auswirkungen der EU-Erweiterung auf alte und neue Mitglieder," June 2001, found at Internet address http://wifo2000.wifo.ac.at/presse/2001/p010619_2.html, retrieved on Dec. 13, 2001.

# U.S. TRADE DEVELOPMENTS

Michael Youssef[1]
myoussef@usitc.gov
202-205-3269

The U.S. Department of Commerce reported that seasonally adjusted total exports of goods and services of $77.3 billion and imports of $96.0 billion in September 2001 resulted in a goods and services trade deficit of $18.7 billion; this was $8.4 billion less than the $27.1 billion in August 2001.[2] September imports of goods and services were $96.0 billion or $15.6 billion less than August imports of $111.6 billion.

September 2001 merchandise exports decreased to $55.5 billion from $59.5 billion in August 2001. Merchandise imports decreased to $91.5 billion from $93.6 billion, causing the merchandise trade deficit to increase in September by $1.8 billion to $35.9 billion from $34.1 billion in August. For services, exports decreased to $21.7 billion from $25.0 billion, imports of services were $4.5 billion down from $18.0 billion resulting in a surplus of $17.2 billion significantly higher than $7.0 billion surplus in August.

Exports of merchandise goods in August-September 2001 reflected decreases in capital goods; industrial supplies and materials; automotive vehicles, parts, and engines; the statistical category "Other Goods;" and foods, feeds, and beverages. An increase occurred in consumer foods, feeds and beverage goods. Imports of goods reflected decreases in industrial supplies and materials; capital goods; automotive vehicles, parts and engines; and consumer goods. Increases occurred in foods, feeds, and beverages; and in the "Other Goods" category. Additional information on U.S. trade developments in agriculture and specified manufacturing sectors in June-July 2001 are highlighted in tables 1 and 2 and figures 1 and 2. Services trade developments are highlighted in table 3.

[1] The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission 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, September 2001, found at *http://www.census.gov/foreign-trade/www/press.html#current*, retrieved Nov. 20, 2001, as well as *http://www.bea.doc.gov/bea/newsrel/*.

In July 2001, exports of advanced technology products were $15.1 billion and imports of the same were $16.5 billion, resulting in a deficit of $1.4 billion, following a surplus of $1.1 billion in June. The July 2001 trade data showed U.S. surpluses with Australia, Argentina, Brazil, Egypt, Hong Kong and Singapore. Deficits were recorded with Japan, China, Western Europe, Canada, Mexico, Korea, Taiwan, and OPEC member countries.

The export of goods and services during January-July 2001 increased to $613.4 billion, up from $612.6 billion during January-July 2000. However, imports of goods and services increased to $826.0 billion, up from $822.7 billion during the same period. As a consequence, the trade deficit increased to $212.6 billion for the January-July 2001 period, up from $210.1 billion during January-July 2000, an increase of $2.5 billion.

The export of goods during January-July 2001 decreased to $439.6 billion from $441.8 billion during the same 2000 period, a decrease of $2.2 billion, and imports of goods were $695.2 billion, down from $699.0 billion in January-July 2000. Consequently, the merchandise trade deficit declined to $255.6 billion from $257.2 billion. Regarding trade in services, exports in January-July 2001 increased to $173.7 billion, up from $170.8 billion in the same period of 2000, an increase of $2.9 billion. Imports of services rose to $130.8 billion up from $123.8 billion, an increase of $7.0 billion. The surplus on trade in services decreased to $42.9 billion in January-July 2001 from $47.0 billion in the same period in 2000.

The January-July 2001 exports of advanced technology products declined to $123.8 billion from $126.8 billion in January-June 2000. Imports declined to $116.9 billion in January -July 2001 from $119.7 billion in the same period of 2000. The trade surplus decreased to $6.8 billion in January-July 2001 from $7.1 billion in January-July 2000.

The January-July 2001 trade data in goods and services showed trade deficits with Canada, Mexico, Western Europe, the Euro area (EU-11), 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.

**Table 1**
**U.S. trade in goods and services, seasonally adjusted, August-September 2001**

| Item | Exports | | Imports | | Trade balance | |
|---|---|---|---|---|---|---|
| | September 2001 | August 2001 | September 2001 | August 2001 | September 2001 | August 2001 |
| | *(Billion dollars)* | | | | | |
| Trade in goods (Current dollars) (see note) | | | | | | |
| Including oil . . . . . . . . . . . . . . . . | 55.554 | 59.533 | 91.471 | 93.606 | -35.917 | -34.073 |
| Excluding oil . . . . . . . . . . . . . . . | 55.591 | 59.287 | 82.836 | 84.765 | -27.247 | -25.478 |
| Trade in services (Current dollars) . . . . . . . . . . . . . . | 21.739 | 24.980 | 4.514 | 18.013 | 17.225 | 6.967 |
| Trade in goods and services (Current dollars) . . . . . . . . . . . . . . | 77.293 | 84.513 | 95.985 | 111.619 | -18.692 | -27.106 |
| Trade in goods (1996 dollars) (Census basis) . . . . . . . . . . . . . . . | 61.372 | 65.514 | 99.286 | 101.590 | -37.914 | -36.076 |
| Advanced technology products (not seasonally adjusted) . . . . | 14.768 | 15.738 | 14.968 | 15.208 | -0.200 | 0.530 |

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 shown because of rounding details.

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 Nov. 20, 2001, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

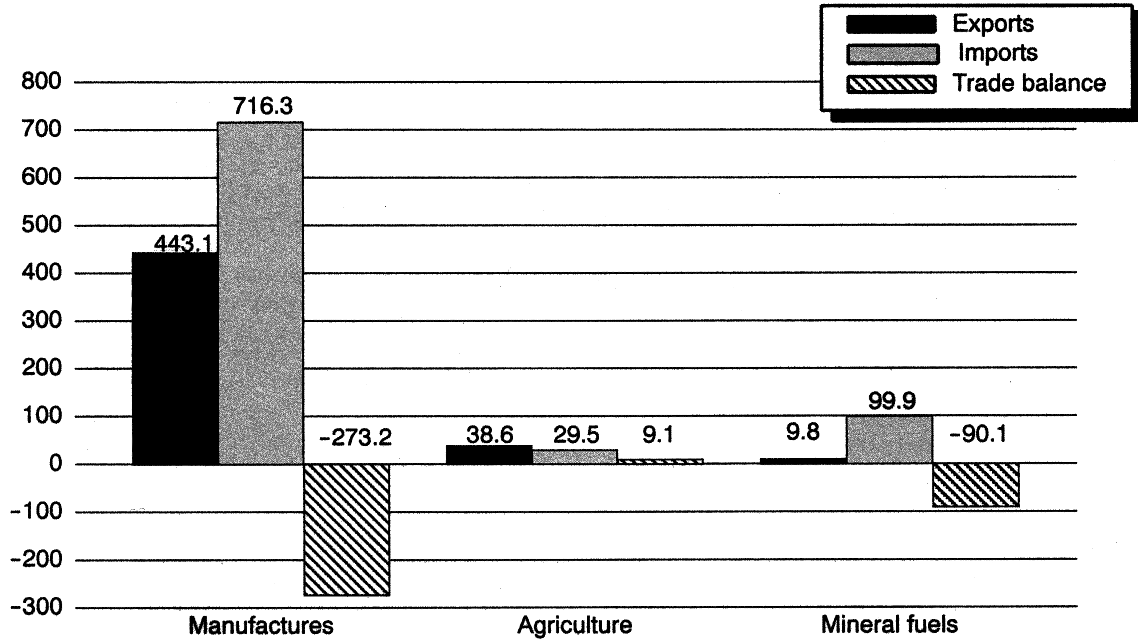
**Table 2**
**Nominal U.S. exports and trade balances, agriculture and specified manufacturing sectors, Jan. 2000-Sept. 2001**

| | | Exports | Imports | Exports | | Imports | | | Trade balance |
|---|---|---|---|---|---|---|---|---|---|
| | Sept. 2001 | Jan.-Sept. 2001 | Jan.-Sept. 2001 | Jan.-Sept. 2000 | Jan.-Sept. 2000 | Change in exports, Jan.-Sept. 2001 over Jan.-Sept. 2000 | Share of total exports, Jan.-Sept. 2001 | Jan.-Sept. 2001 | Jan.-Sept. 2000 |
| | | | | | *Billion dollars* | | *Percent* | | *Billion dollars* |
| ADP equipment & office machinery | 3.064 | 30.310 | 57.128 | 33.927 | 67.826 | -10.7 | 5.4 | -26.818 | -33.899 |
| Airplane parts | 1.198 | 11.985 | 4.774 | 11.133 | 4.107 | 7.7 | 2.2 | 7.211 | 7.026 |
| Airplanes | 1.722 | 20.446 | 10.706 | 18.366 | 8.436 | 11.3 | 3.7 | 9.740 | 9.930 |
| Chemicals - inorganic | 0.344 | 4.326 | 4.725 | 3.984 | 4.541 | 8.6 | 0.8 | -0.399 | -0.557 |
| Chemicals - organic | 1.286 | 12.646 | 22.385 | 13.348 | 20.885 | -5.3 | 2.3 | -9.739 | -7.537 |
| Electrical machinery | 5.301 | 56.104 | 65.206 | 66.436 | 80.067 | -15.6 | 10.1 | -9.102 | -13.631 |
| General industrial machinery | 2.377 | 24.621 | 25.473 | 24.779 | 26.351 | -0.6 | 4.4 | -0.852 | -1.572 |
| Iron & steel mill products | 0.444 | 4.164 | 9.366 | 4.295 | 12.493 | -3.1 | 0.7 | -5.202 | -8.198 |
| Power-generating machinery | 2.628 | 25.331 | 27.322 | 24.558 | 25.260 | 3.1 | 4.5 | -1.991 | -0.702 |
| Scientific instruments | 2.341 | 22.262 | 16.136 | 22.551 | 16.008 | -1.3 | 4.0 | 6.126 | 6.543 |
| Specialized industrial machinery | 1.757 | 20.304 | 15.202 | 23.051 | 17.164 | -11.9 | 3.6 | 5.102 | 5.887 |
| Televisions, VCRs, etc | 1.769 | 18.401 | 45.916 | 20.649 | 49.931 | -10.9 | 3.3 | -27.515 | -29.282 |
| Textile yarns, fabrics and articles | 0.812 | 7.756 | 11.072 | 7.922 | 11.558 | -2.1 | 1.4 | -3.316 | -3.636 |
| Vehicles | 4.456 | 40.231 | 116.511 | 43.321 | 119.223 | -7.1 | 7.2 | -76.280 | -75.902 |
| Subtotal | 29.499 | 298.887 | 431.922 | 318.320 | 463.850 | -6.1 | 53.7 | -133.035 | -145.530 |
| Other manufactures exports not included above | 14.346 | 144.204 | 284.382 | 146.912 | 285.589 | -1.8 | 25.9 | -140.178 | -138.677 |
| Manufactures | 43.845 | 443.091 | 716.304 | 465.232 | 749.439 | -4.8 | 79.6 | -273.213 | -284.207 |
| Agriculture | 3.891 | 38.597 | 29.455 | 37.109 | 29.401 | 4.0 | 6.9 | 9.142 | 7.708 |
| Subtotal | 47.736 | 481.688 | 745.759 | 502.341 | 778.840 | -4.1 | 86.5 | -264.071 | -276.499 |
| Other exports, not included above | 7.55 | 75.126 | 121.807 | 77.117 | 120.523 | -2.6 | 13.5 | -46.681 | -43.406 |
| Total | 55.292 | 556.814 | 867.566 | 579.458 | 899.363 | -3.9 | 100.0 | -310.752 | -319.905 |

Note.—Data may not add to totals shown because of rounding details. Data are presented on a Census basis.

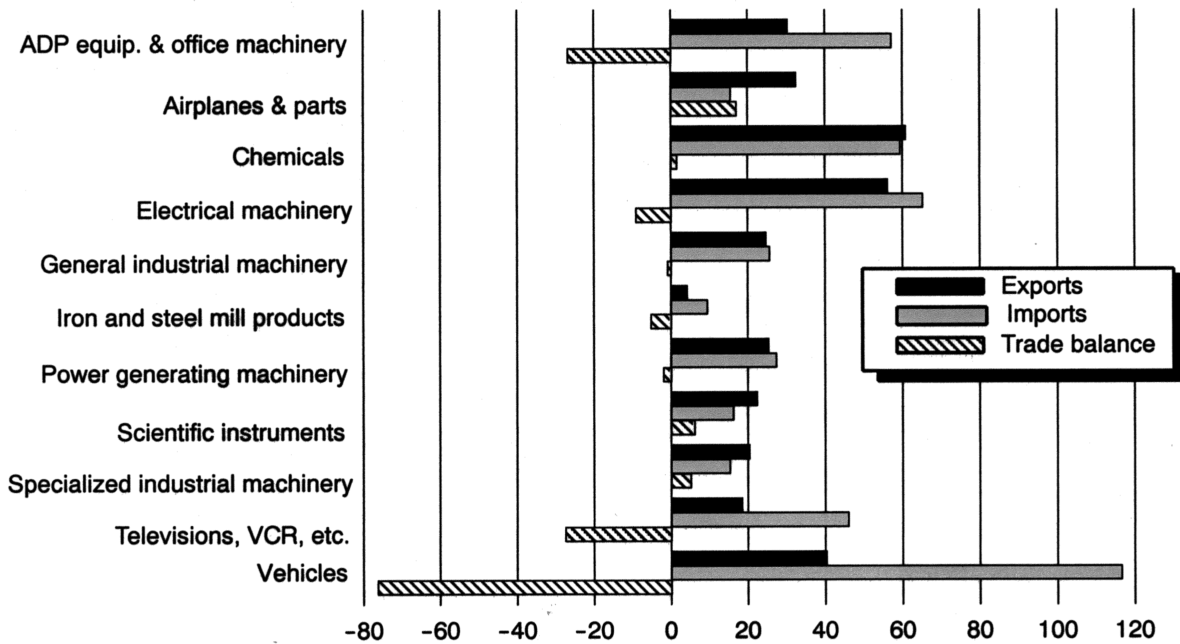
Source: Calculated from data of the U.S. Department of Commerce, "Exhibit 15. Exports and Imports of Goods by Principal SITC Commodity Groupings," FT-900 release of Nov. 20, 2001, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

**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 Nov. 20, 2001, 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 Nov. 20, 2001, 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-Sept. 2001, seasonally adjusted**

| Service sector | Exports | | | Imports | | Trade balances | |
|---|---|---|---|---|---|---|---|
| | Jan.-Sept. 2001 | Jan.-Sept. 2000 | Change Jan.-Sept. 2001 over Jan.-Sept. 2000 | Jan.-Sept. 2001 | Jan.-Sept. 2000 | Jan.-Sept. 2001 | Jan.-Sept. 2000 |
| | | *Billion dollars* | *Percentage* | | *Billion dollars* | | *Billion dollars* |
| Travel | 59.873 | 61.650 | -2.9 | 46.116 | 48.597 | 13.757 | 13.053 |
| Passenger fares | 14.684 | 15.568 | -5.7 | 18.216 | 18.177 | -3.532 | -2.609 |
| Other transportation services | 21.458 | 22.577 | -5.0 | 29.381 | 30.344 | -7.923 | -7.767 |
| Royalties and license fees | 29.195 | 28.408 | 2.8 | 12.213 | 11.854 | 16.982 | 16.554 |
| Other private sales | 84.024 | 80.122 | 4.9 | 34.492 | 40.052 | 49.532 | 40.070 |
| Transfers under U.S. military sales contracts | 10.536 | 10.640 | -1.0 | 10.598 | 10.185 | -0.062 | 0.455 |
| U.S. Government miscellaneous services | 0.674 | 0.637 | 5.8 | 2.208 | 2.152 | -1.534 | -1.515 |
| Total | 220.444 | 219.602 | -1.0 | 153.224 | 161.361 | 67.220 | 58.241 |

Note.—Services trade data are on a balance-of-payments (BOP) basis. Data may not add to totals shown 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 Nov. 20, 2001, 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-Sept. 2001**

*(Billion dollars)*

| | Exports | | | Imports | | | Trade balances | |
|---|---|---|---|---|---|---|---|---|
| | Sept. 2001 | Jan.-Sept. 2001 | Jan.-Sept. 2000 | Sept. 2001 | Jan.-Sept. 2001 | Jan.-Sept. 2000 | Jan.-Sept. 2001 | Jan.-Sept. 2000 |
| Total | 55.292 | 556.814 | 579.458 | 90.000 | 867.566 | 899.363 | -310.752 | -319.905 |
| North America | 20.148 | 201.735 | 217.620 | 27.374 | 266.405 | 272.442 | -64.670 | -54.822 |
| Canada | 12.426 | 125.246 | 134.666 | 16.677 | 167.084 | 171.379 | -41.838 | -36.713 |
| Mexico | 7.722 | 76.489 | 82.954 | 10.696 | 99.321 | 101.063 | -22.832 | -18.109 |
| Western Europe | 12.841 | 133.950 | 133.551 | 16.645 | 180.253 | 176.774 | -46.303 | -43.223 |
| Euro Area | 8.502 | 84.696 | 85.416 | 11.560 | 124.833 | 119.930 | -40.137 | -34.514 |
| European Union (EU-15) | 12.088 | 121.295 | 121.168 | 15.306 | 165.385 | 161.270 | -44.090 | -40.102 |
| France | 1.611 | 14.965 | 14.759 | 1.890 | 22.723 | 21.419 | -7.758 | -6.660 |
| Germany | 2.278 | 23.078 | 21.889 | 4.178 | 45.121 | 43.525 | -22.043 | -21.636 |
| Italy | 0.726 | 7.402 | 8.297 | 1.442 | 17.982 | 18.752 | -10.580 | -10.455 |
| Netherlands | 1.399 | 14.727 | 15.860 | 0.693 | 7.079 | 7.153 | 7.648 | 8.707 |
| United Kingdom | 3.162 | 31.677 | 30.258 | 2.724 | 31.036 | 31.905 | 0.641 | -1.647 |
| Other EU | 0.783 | 8.782 | 8.637 | 2.173 | 17.904 | 15.414 | -9.122 | -6.777 |
| EFTA[1] | 0.507 | 9.500 | 8.808 | 1.046 | 11.710 | 12.300 | -2.210 | -3.492 |
| Eastern Europe/FSR | 0.501 | 5.148 | 4.303 | 1.216 | 11.040 | 12.157 | -5.892 | -7.854 |
| Russia | 0.196 | 2.045 | 1.535 | 0.441 | 5.033 | 5.792 | -2.988 | -4.257 |
| Pacific Rim Countries | 14.358 | 138.515 | 150.201 | 31.354 | 282.212 | 307.117 | -143.697 | -156.916 |
| Australia | 0.895 | 8.122 | 9.480 | 0.617 | 4.865 | 4.763 | 3.257 | 4.717 |
| China | 1.445 | 13.998 | 11.661 | 9.948 | 75.175 | 72.735 | -61.177 | -61.074 |
| Japan | 4.318 | 44.636 | 47.794 | 9.677 | 95.757 | 107.884 | -51.121 | -60.090 |
| NICs[2] | 6.137 | 55.167 | 63.198 | 7.342 | 70.538 | 82.195 | -15.371 | -18.997 |
| Latin America | 4.306 | 44.653 | 43.545 | 5.351 | 52.413 | 54.465 | -7.760 | -10.920 |
| Argentina | 0.272 | 3.208 | 3.469 | 0.288 | 2.302 | 2.302 | 0.906 | 1.167 |
| Brazil | 1.248 | 12.336 | 11.126 | 1.296 | 10.946 | 10.605 | 1.390 | 0.521 |
| OPEC | 1.533 | 15.238 | 13.793 | 4.828 | 47.790 | 49.393 | -32.552 | -35.600 |
| Other Countries | 2.170 | 23.702 | 22.209 | 5.004 | 47.099 | 48.187 | -23.397 | -25.978 |
| Egypt | 0.225 | 2.519 | 2.543 | 0.057 | 0.712 | 0.654 | 1.807 | 1.889 |
| South Africa | 0.242 | 2.313 | 2.259 | 0.327 | 3.464 | 3.140 | -1.151 | -0.881 |
| Other | 1.703 | 18.871 | 17.407 | 4.621 | 42.923 | 44.393 | -24.052 | -26.986 |

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

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

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

Source: 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 Nov. 20, 2001, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*

# INTERNATIONAL ECONOMIC COMPARISONS

Michael Youssef[1]
myoussef@usitc.gov
202-205-3269

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

### Economic Growth

U.S. real GDP–the output of goods and services produced in the United States measured in 1996 prices–decreased at an annual rate of 1.1 percent in the third quarter 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 2.2 percent in the United Kingdom, 1.9 percent in Italy. The annualized rate of real GDP growth in the second quarter was 2.1 percent in Canada, 0.6 percent in Germany, 2.3 percent in France, and -0.7 percent in Japan. The annualized rate of real GDP growth in the second quarter was 1.7 percent for EU members linked by the Euro currency, the Euro area (EU-11).

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

[2] Data for this article was taken largely from the following sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross Domestic Product," *BEA News Release*, release of Sept. 28, 2001, found at Internet address *http://www.bea.doc.gov/bea/newsrel/gdp201f.htm*; Federal Reserve Board, "Industrial Production and Capacity Utilization," G.17 Release, release of Oct. 16, 2001, 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*, release of Sept. 18, 2001, 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*, release of Oct. 5, 2001, found at Internet address *http://www.bls.gov/news.release/empsit.nr0.htm*; and the Conference Board, Consumer Research Center, "Forecasters' Forecasts," facsimile transmission, October 2001, used with permission.

### Industrial Production

The Federal Reserve Board (*Federal Reserve Statistical Release*, (G.17) 419) reported that U.S. industrial production fell 1.0 percent in September 2001, its twelfth consecutive monthly decline. Industrial production in September 2001 was nearly 5.8 percent below its level in September 2000. For the third quarter as a whole total industrial production declined at an annual rate of 6.2 percent. Manufacturing output contracted 1.1 percent in September and was 6.7 percent below its year ago level. Utilities production fell 1.8 percent in September, but mining output increased 0.3 percent. Total capacity utilization in September 2001 was 2.9 percent higher than in September 2000.

By market groups, the output of consumer goods fell 0.7 percent in September and for the third quarter as a whole production dropped 3.2 percent at an annual rate, the largest quarterly decline since the first quarter of 1991. Both durable and nondurable goods fell in September. Among durables, home electronics dropped 3.0 percent and was 19.1 percent below its level in September 2000. The output of automotive products also fell about 3.0 percent while the other major categories of consumer durables registered smaller declines. The production of business equipment dropped 2.3 percent in September, for the third quarter as a whole it tumbled 13.4 percent at an annual rate.

Other G-7 member countries reported the following growth rates of industrial production for the year that ended in September 2001: the United Kingdom reported a decrease of 3.0 percent; Japan, a decrease of 12.7 percent; Germany, a decrease of 2.6 percent; and Italy, a decrease of 4.3 percent, but France reported an increase of 1.0 percent. For the year ended August 2001, Canada reported a decrease of 3.2 percent. The Euro area reported an increase of 0.4 percent for the year that ended in August 2001.

### *Prices*

The seasonally adjusted U.S. Consumer Price Index (CPI) declined by 0.3 percent in October 2001, according to the U.S. Department of Labor. For the year ended October 2001, consumer prices increased 2.1 percent.

During the 1-year period that ended in October 2001, prices increased by 2.0 percent in Germany, 1.6 percent in the United Kingdom, 2.6 percent in Canada, 2.6 percent in France, and 2.5 percent in Italy. During the year that ended in September 2001, prices fell by 0.8 percent Japan. Prices increased by 2.5 percent in the Euro area in the year that ended in September 2001.

## *Employment*

The Bureau of Labor Statistics reported that the U.S. unemployment rate rose to 5.4 percent in October. Job losses were spread across most industry groups, with specially large declines in manufacturing and services. In other G-7 countries, the latest unemployment rates were reported to be: 7.3 percent in Canada, 9.5 percent in Germany, 5.1 percent in the United Kingdom, 9.1 percent in France, 9.4 percent in Italy, and 4.7 percent in Japan. The unemployment rate in the Euro area was 8.3 percent.

## *Forecast*

The Board of Governors of the Federal Reserve System expects economic growth to remain slow in the near term, though 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 this year as well the recently enacted tax rebate, should be providing appreciable support to final demand.

In addition, following the September 11 terrorist attacks, forecasters lowered their economic growth projections. Seven major U.S. forecasters expect real GDP growth in the United States during the fourth quarter of 2001 to reach an average of about -1.7 percent at an annualized rate, but to increase in the first quarter of 2002 to a rate of 1.8 percent, 3.1 percent in the second quarter, and 4.2 percent in the third quarter. The overall growth rate for the year 2001 is expected to average about 1.1 percent, and 1.3 percent for the year 2002. Table 1 shows macroeconomic projections for the U.S. economy from October 2001 to September 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 5.5 percent in the fourth quarter of 2001, and rise to 6.0 percent in the third quarter. For the year 2001, the unemployment rate is projected to reach 4.8 percent and rise to 6.0 percent in 2002. Inflation, as measured by the GDP deflator, is expected to remain subdued, reaching an average of about 2.3 percent during 2001 and 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, Oct. 2001-Sept. 2002**

*(Percentage)*

| | Conference Board | Macro-economic Advisers | DRI-WEFA | Eaton Corp. | Regional Financial Associates | Merrill Lynch Capital Markets | E.I. Dupont | Mean of forecasts |
|---|---|---|---|---|---|---|---|---|
| **GDP, constant dollars** | | | | | | | | |
| **2001** | | | | | | | | |
| Oct.-Dec. | -1.4 | -3.4 | -1.3 | -0.9 | -1.4 | -1.5 | -2.0 | -1.7 |
| **2002** | | | | | | | | |
| Jan.-Mar. | 1.5 | 3.3 | 1.4 | 3.5 | 0.7 | 1.0 | 1.0 | 1.8 |
| Apr.-June | 1.1 | 4.9 | 3.4 | 5.0 | 2.4 | 3.0 | 2.0 | 3.1 |
| July-Sept. | 2.1 | 4.5 | 4.4 | 5.7 | 4.3 | 4.8 | 3.5 | 4.2 |
| Annual 2001 | 1.1 | 1.0 | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 | 1.1 |
| Annual 2002 | 0.9 | 1.8 | 0.9 | 2.6 | 1.2 | 1.3 | 0.6 | 1.3 |
| **GDP price deflator** | | | | | | | | |
| **2001** | | | | | | | | |
| Oct.-Dec. | 2.2 | 0.4 | 1.7 | 1.5 | 1.8 | 2.4 | 1.5 | 1.6 |
| **2002** | | | | | | | | |
| Jan.-Mar. | 1.9 | 1.5 | 1.8 | 1.0 | 1.8 | 1.7 | 1.5 | 1.6 |
| Apr.-June | 1.5 | 2.2 | 1.5 | 1.2 | 1.8 | 1.6 | 1.5 | 1.6 |
| July-Sept. | 1.6 | 2.2 | 1.4 | 1.2 | 1.8 | 1.3 | 1.8 | 1.6 |
| Annual 2001 | 2.3 | 2.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Annual 2002 | 1.8 | 1.6 | 1.8 | 1.4 | 1.9 | 1.5 | 1.6 | 1.7 |
| **Unemployment, average rate** | | | | | | | | |
| **2001** | | | | | | | | |
| Oct.-Dec. | 5.3 | 5.5 | 5.4 | 6.0 | 5.3 | 5.5 | 5.6 | 5.5 |
| **2002** | | | | | | | | |
| Jan.-Mar. | 5.8 | 5.6 | 5.8 | 6.4 | 5.8 | 6.0 | 6.2 | 5.9 |
| Apr.-June | 6.1 | 5.5 | 6.0 | 6.3 | 6.1 | 6.0 | 6.5 | 6.1 |
| July-Sept. | 6.3 | 5.4 | 6.0 | 6.0 | 6.3 | 5.8 | 6.2 | 6.0 |
| Annual 2001 | 4.7 | 4.8 | 4.7 | 4.9 | 4.7 | 4.8 | 4.8 | 4.8 |
| Annual 2002 | 6.0 | 5.5 | 5.9 | 6.1 | 6.1 | 5.9 | 6.2 | 6.0 |

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, Oct. 2001.

# STATISTICAL TABLES

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

*(Percentage rates)*

| | 1998 | 1999 | | | | 2000 | | | | 2001 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Country** | | **Q:I** | **Q:II** | **Q:III** | **Q:IV** | **Q:I** | **Q:II** | **Q:III** | **Q:IV** | **Q:I** | **Q:II** | **July** | **Aug.** | **Sept.** |
| United States . . . . | 4.5 | 4.3 | 4.3 | 4.2 | 4.1 | 4.1 | 4.0 | 4.0 | 4.0 | 4.2 | 4.5 | 4.5 | 4.9 | 4.9 |
| 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 | 5.0 | 8.1 |
| Canada . . . . . . . . . | 7.7 | 7.3 | 7.3 | 6.9 | 6.3 | 6.1 | 6.1 | 6.1 | 6.1 | 6.2 | 6.3 | 6.3 | 6.4 | 6.5 |
| Germany . . . . . . . . | 9.3 | 8.8 | 8.8 | 8.7 | 8.5 | 8.3 | 8.2 | 8.0 | 7.9 | 7.9 | 8.0 | 8.0 | 8.0 | 8.1 |
| 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 | | |
| France . . . . . . . . . . | 11.8 | 11.4 | 11.3 | 11.2 | 10.8 | 9.9 | 9.4 | 9.3 | 9.0 | 8.6 | 8.6 | 8.9 | 9.0 | 5.2 |
| 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 | 4.8 | |

[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 Nov. 20, 2001, found at Internet address *ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/flsjec.txt.*

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

*(Percentage change from same period of previous year)*

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

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 Nov. 20, 2001, 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, Sept. 2000-Sept. 2001[1]**

*(Billion dollars)*

| Commodity categories | 2000 Sept. | Oct. | Nov. | Dec. | 2001 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture . . . . . . . . | 1.152 | 1.690 | 1.406 | 1.381 | 0.961 | 1.452 | 1.422 | 0.897 | 0.790 | 0.848 | 0.692 | 1.257 | 0.825 |
| Petroleum and selected products (unadjusted) . . . . | -10.662 | -10.959 | -10.123 | -12.303 | -12.099 | -9.738 | -9.844 | -10.605 | -10.900 | -9.957 | -9.718 | -8.978 | -8.233 |
| Manufactured goods . . . . . . . . . . | -36.196 | -38.931 | -34.785 | -27.186 | -32.696 | -25.220 | -30.321 | -29.452 | -27.396 | -28.402 | -35.026 | -33.165 | -31.535 |
| Unit price (dollars) of U.S. imports of petroleum and selected products (unadjusted) . . . . | 29.03 | 28.57 | 28.34 | 26.40 | 23.13 | 23.76 | 22.76 | 21.65 | 22.62 | 23.09 | 22.34 | 22.15 | 22.99 |

[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," FT-900 release of Nov. 20, 2001, found at Internet address *http://www.census.gov/foreign-trade/www/press.html#current.*