UNITED NATIONS

ECONOMIC COMMISSION
FOR LATIN AMERICA
AND THE CARIBBEAN

Distr.
LIMITED
LC/WAS/L.48
16 June 1998

ORIGINAL: ENGLISH

ECONOMIC SURVEY OF THE UNITES STATES

1997

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PART ONE

THE EVOLUTION OF THE UNITED STATES ECONOMY IN 1997

I. THE DOMESTIC ECONOMY

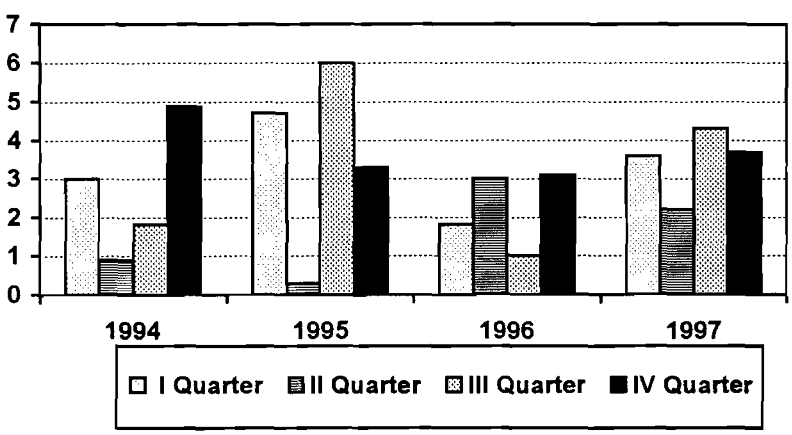
The U.S. economy turned in another exceptional performance in 1997. Growth over the year was 3.8%, the highest annual growth in about a decade. Inflation declined to 2.3% for the year as a whole, more than a 30-year low, and the rate of unemployment declined by about ¾ percentage point to 4.9%, a quarter-century low.

The fiscal deficit declined for the fifth consecutive year to a 0.3% share of GDP, the lowest since 1970. This disciplined fiscal policy was accompanied by a monetary policy that changed little during the year, helping deliver low inflation. Notwithstanding the contribution of policy to the inflation environment, several favorable shocks that included a decline in oil prices and in import prices, technological innovations, and improved crops that dampened food prices, all helped to restrain inflation.

However, as 1997 ended, there was uncertainty about whether or not the economy is operating beyond the point of sustainable capacity. Considerable uncertainty existed as well about the drag exerted by Asia's crisis on slowing the U.S. expansion in 1998.

1. Macroeconomic Aggregates

Figure 1 USA: Gross Domestic Product (Quarterly % Change)

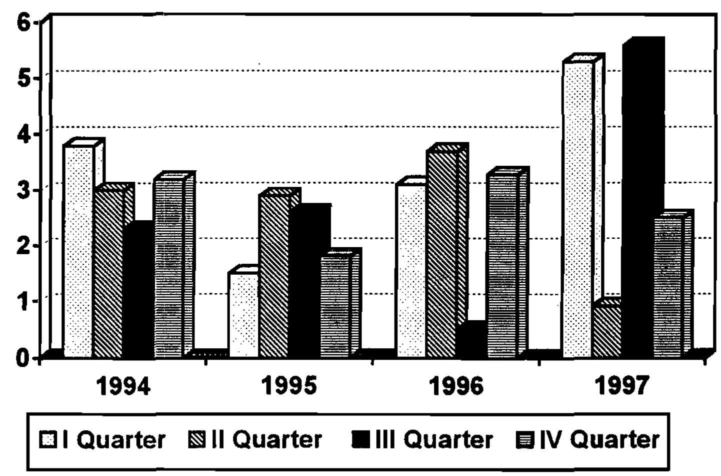


After growing 2.8% in 1996, real GDP posted a robust increase of 3.8% during the year, the largest such gain since 1987. Growth was exceptionally solid, with the overall performance of the U.S. economy continuing to exceed expectations (appendix, table 1-2). As of December 1997, the current economic expansion had lasted 81 months, making it the third longest in the postwar period.

Economic growth in 1997 was driven by private domestic demand --the sum of consumption, private fixed investment and residential construction-- only partially offset by a decline in net exports. Households and firms increased their spending at robust rates. The strength of demand was sustained by increasingly favorable financial conditions –a strong stock market, in particular- that has continued to support growth.

Real personal consumption moved up 3.3% in 1997, after rising 2.6% in 1996, in response to factors such as high consumer confidence, the wealth effects from strong stock markets (year-end stock market values were up about 30 % from a year earlier), and a surge in mortgage refinancing spurred by lower interest rates. Expenditures strengthened considerably for a wide number of durable goods, particularly outlays on home computers and home appliances. Expenditures on services increased by 3.5%, the largest gain since 1988, with large increases recorded in recreation, transportation, and education.

Figure 2 USA: Personal Consumption (Quarterly % Change)



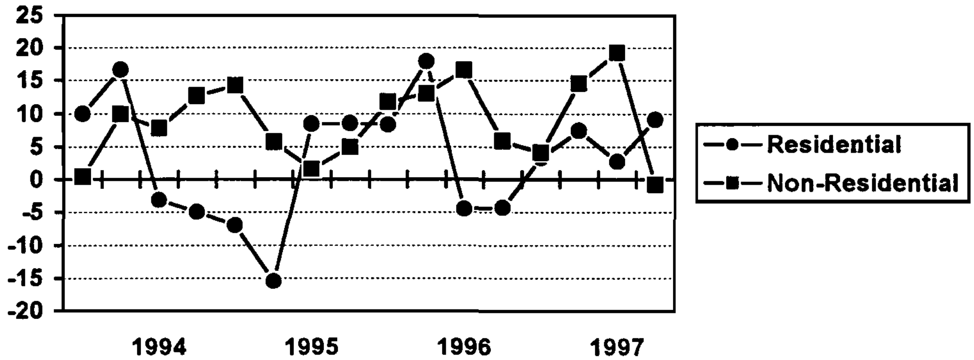
The optimism of consumers in 1997 was affirmed by the 7.8% gain in fixed investment stimulated by positive financial conditions and attractive purchase prices for new equipment. Outlays for equipment (which account for more than three-fourths of total business fixed investment) increased 12.5% during 1997, the fifth year in which gains have exceeded 10%. This strong growth in equipment investment reflects several factors, including a rise in profit margins resulting from declines falling interest costs, cost-saving corporate restructuring, and fast-paced advances in information technology. As in previous years, investment rose fastest for computers. Investment in structures grew more modestly, by 3.6%, as this sector continued to be somewhat affected by the excess supply resulting from overbuilding in the 1980s. Residential investment, which had rebounded in 1996, grew about 2.7% in 1997.

After firms accumulated inventories quite cautiously in 1996, accumulation picked up considerably in 1997, about 5% over the course of the year. The demand for inventories was likely a result of strong final sales, which increased faster than inventories over the first three quarters of 1997. Consequently, stocks remained lean in relation to sales. Inventory accumulation was especially fast in the commercial aircraft industry.

At the government level, combined real outlays for consumption and investment barely grew 0.9% during 1997, following measures taken in previous years to reduce the size of the federal deficit. Defense outlays, which account for about two-thirds of this spending, declined slightly, thus offsetting a slight increase in other outlays. Over recent years, declines in outlays have been such that by 1997 real outlays for consumption and investment had dropped about 14% relative to the end of 1980. In particular, the level of defense spending in 1997 was 22% lower when compared to the end of the 1980s.

Net exports became more negative in 1997 as import growth was fueled by both the vigorous expansion of the economy as well as the appreciation of the U.S. dollar. Imports and exports of goods and services grew about 14% and 12%, respectively.

Figure 3 USA: Residential & Non-Residential Investment (Quarterly % Change)



Last, the personal saving rate moved from 4.3% in 1996 to only 3.9% in 1997, the lowest since 1939 as outlays grew even faster than income. Support for spending came from the rise in the stock market, such that the low saving rate may reflect increased net worth associated with rising stock prices, which reduced the need for households to save out of current income (appendix, table 1-3). However, the improvement in the federal government's saving position in past years has more than accounted for a rise in the total gross saving of households, businesses, and governments to about 17.3% in 1997.

2. Sectoral Developments

Industrial production grew strongly by 6% during 1997, with manufacturing growing briskly at a pace of 6.5% during the year. Led by big advances in computer, semiconductor, and communications equipment industries, which together grew about 30%, output in durable manufacturing expanded by 9.5% during the year. As in earlier years, the fast growth in output was accompanied by declining prices. Also, transportation equipment performed strongly, advancing 11.5% in response to the boom in commercial aircraft. By contrast, nondurable goods continued to grow slowly due largely to declines in apparel and footwear. And, only the production of defense and space equipment declined (appendix, tables 1-4 and 1-5).

Although growth of the housing sector slowed from the brisk pace of the previous year, the housing market operated at a high level in 1997. New home sales climbed in 1997 to their highest level in nearly two decades, and resales reached a record. Strong job creation, solid income gains and favorable mortgage rates explain the strength of housing market activity. At the same time, demographic trends are affecting the market as aging baby boomers move into more expensive homes, while younger families and minorities move into starter homes. Sales of conventionally built single-family homes rose by nearly 4% to a record 5 million units. In total, builders started about 1.15 million new single-family homes during the year.

In the agricultural sector, productivity increases continued in 1997. Very prosperous conditions for crop production were registered as U.S. farmers harvested a bumper wheat crop with total production exceeding that of 1996 by 1%, despite a 6% decline in the total area harvested. The soybean crop was up about 14% and corn up 1% relative to 1996. Citrus-fruit production also expanded, with supplies of most other fruits and vegetables abundant. In contrast to the gains enjoyed by farmers in 1997, cattle ranchers suffered severe losses due to extreme winter conditions in the northern plains from January to March.

3. Employment

Labor markets remained very strong throughout the year with brisk employment growth and a decline in the unemployment rate to a 24-year low.

Job growth in 1997 was quite brisk as the number of jobs on non-farm payrolls increased about 3.2 million in 1997, an average of 267,000 per month –a considerably faster rate than in 1996 and 1995. As in previous years, most jobs created were in the private service-producing sector. Manufacturing, construction, trade, transportation, and services posted strong employment gains, with substantial increases in industries such as data processing, computer services, education, and recreation (appendix, table 1-6).

Robust job creation led to record levels in the employment-to-population ratio and in the participation rate (67%). After moving up in 1996, the labor force participation rate continued to rise in 1997, indicating that the economy continues to operate at a very high level of labor utilization. The unemployment rate fell from 5.4% in 1996 to 4.9% in 1997. However, without the increased labor supply from higher labor force participation over the past two years, the rate of unemployment would have fallen even more.

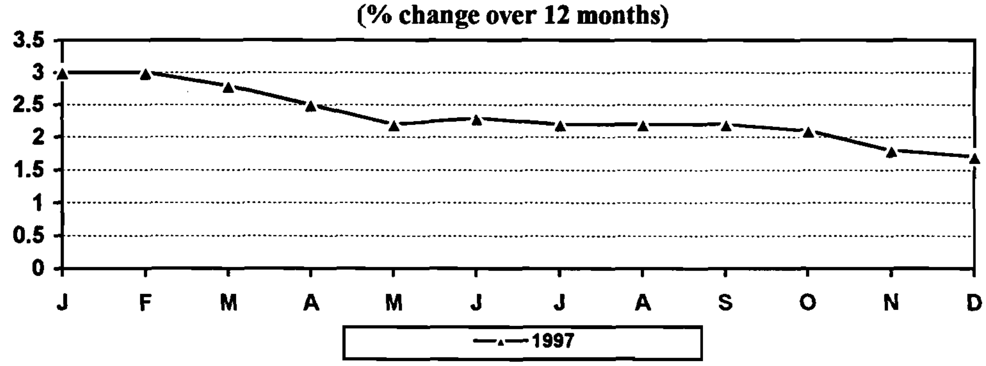
Growth in labor productivity picked up sharply in 1997. Over the year, non-farm business productivity (real output per hour worked) rose by about 2.2%, a notorious improvement over the three previous years. The pickup in productivity growth is significant because it exceeded the long-term trend growth rate of 1.1% per year. Also, because it occurred at a time when hourly compensation showed signs of acceleration. However, it seems unclear whether this is a normal cyclical rebound or a significant increase in trend productivity growth.

4. Prices and incomes

Inflation and costs remained subdued during 1997 as the decline in energy prices, accompanied by a slowing down in increases in food prices, kept inflation well behaved while labor costs remained low despite rising wages.

The rate of inflation --as measured by the consumer price index (CPI)—decreased to 1.7% on a December-December basis, down from 3.3% in 1996, due for the most part to the drop in energy and the slowdown in food prices. This was the smallest increase in the CPI since 1986. Deceleration on other consumer prices and a slowdown in the growth of medical care costs also contributed to restrain CPI behavior. Indications of slowing inflation were widespread as well in other various measures of aggregate price changes. For instance, core inflation --excluding the volatile food and energy components-- decreased from 2.6% in 1996 to only 2.2% (appendix, table 1-7).

Figure 4 USA: Evolution of Domestic Prices
(% change over 12 months)



At the producer level, declining energy and food prices caused finished prices to fall such that the producer price index for 1997 fell 1.2% for the year as a whole, after increasing 2.6% in 1996.

Increases in hourly compensation during the year, as measured by the employment cost index, remained relatively subdued. Wages started to creep, but growth of productivity more than offset gains in hourly compensation. With this, unit labor costs rose by only 1.8% during the year. Many analysts expected the increase in labor market pressures to spark price inflation, however, increases in hourly compensation in the past years have fallen short of the historical relationship between the degree of labor market tightness and compensation gains (appendix, table 1-8).

Last, growth in real disposable personal income during the year reached 3.7% in 1997, the highest since 1992 as strong job creation and rising wage gains contributed to income gains.

5. Fiscal Policy

Fiscal policy was tight in 1997. The budget deficit dropped to $22 billion in 1997, down from $107 billion in 1996, and considerably less, for instance, than the $290.4 billion posted in fiscal 1992. Therefore, the federal budget deficit has improved in each of the last five years and, as a share of GDP, the deficit was 0.3% in 1997, the lowest share since 1970. As it had been the case in the previous year, the budget's performance was much better than projected. If current spending and revenue trends continue, the federal budget will show surpluses earlier than anticipated in the Balanced Budget and Taxpayer Relief Acts of 1997.

Much of the progress on the deficit can be traced to tax and spending legislation and adherence to the budgetary restraints of the Budget Enforcement Act of 1990 and the Omnibus Budgetary Reconciliation Act of 1993. However, the substantial improvement that took place in 1997 was due to a boost in revenues on account of unusually heavy growth in personal income and corporate profits, in capital gains realizations, and in tax receipts.

During fiscal year 1997, federal revenues rose by 8.8%, while federal outlays grew only by 2.6% (appendix, table 1-9). Overall income taxes increased substantially, with corporations paying 6.1% more in 1996, while individual contributions grew by 12.4%. The strength of revenues is largely explained by unexpectedly strong boost in individual income tax receipts in response to growth of personal income and high realizations of capital gains. In addition, higher receipts from payroll taxes for social insurance programs that followed the rise in wages was responsible for another $5 billion of the revenue increase. The reinstatement of some excise taxes in 1997 contributed an additional $3 billion.

Of the estimated total federal tax collections, about 45% came from individual income taxes, 36% from social-insurance taxes and contributions for Social Security and Medicare, and 12% from taxes on profits from corporations. Excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts made up the remaining 7% of federal-tax collections.

Growth in federal spending was restrained to 2.6% in 1997. Slower growth in outlays reflects large spectrum action proceeds and asset sales in the deposit insurance account (both treated as negative outlays in budget accounting). Also, the share of the budget devoted to defense, around 16% in 1997, has been gradually reduced over the past three decades. In 1962, for instance, defense spending amounted to about half of the federal budget.

At the state and local government level, tax revenues were projected at about $1 trillion in FY 1997 as many continued to enjoy the benefits of U.S. economic growth. In this way, for the third consecutive year, nearly one half of the states used their surpluses to reduce income taxes or to increase tax credits. Total state-tax cuts totaled $1.4 billion in 1997, following reductions of $4 billion in FY 1996 and $3.3 billion in FY 1995.

The decline in the federal budget deficit has slowed the increase in the national debt sufficiently, such that the ratio of the national debt to GDP has remained roughly constant for the past four fiscal years. The gross federal debt amounted to $5.3 trillion in 1997. With the reduction in the federal deficit, the federal government exerts no longer a negative influence on the level of national saving, and has more than accounted for the rise in the total gross saving of households businesses and governments. Given the low rate of private savings, it is necessary to run a current account deficit and borrow abroad to make up the gap between savings and investment.

Finally, with regards to policy-making, the passage of the Tax Relief Act of 1997 (TRA-97) completed two and one half years of budget negotiations between Congress and the

Administration, with the ultimate goal of balancing the federal budget while providing tax relief. A crucial feature of TRA-97 is a net tax cut worth about $95 billion over five years.

6. Monetary policy

Monetary policy changed little during 1997. After raising the Federal funds rate target by one-quarter of a point in March 1997, to 5.50%, the Federal Reserve Board did not alter monetary policy. Since January 1996, the discount rate has remained at 5%. This target has been consistent with subdued inflationary pressures, robust economic performance, and the uncertainty surrounding the potential effects of the Asian financial crisis on the U.S. economy (appendix, table 1-10).

In line with the relative constancy of the federal funds rate, short-term interest rates fluctuated within a narrow range over the year. Long-term rates fell after the Spring of 97 and remained low. The yield on 10-year Treasury notes remained within 50 basis points of its 30-year low, and the 30-year Treasury yield was at its lowest level since 1977, mostly due to expectations of low future inflation as well as progress in deficit reduction. Further, mortgage rates have followed suit, thus spurring a new wave of mortgage refinancing and providing stimulus to the housing market.

Growth of the monetary aggregates M2 and M3 was strong in 1997. In particular, M3 jumped a brisk 8.7%, due to robust credit growth at depositories and shifts in cash management. M3 growth was well over the 2% to 6% annual range, and 3% points faster than nominal GDP, thus a large decline in M3 velocity.

Growth of M2 was 5.6% during the year. M2 velocity was unchanged as growth was about the same as nominal GDP. In this regard, M2 growth returned to a path consistent with historical patterns, that is, predictable using income growth and opportunity cost factors. Earlier in the decade, M2 velocity had risen substantially and atypically, partly in response to households' shifting funds out of lower-yielding M2 deposits into higher-yielding stock and bond mutual funds, which raised M2 velocity even as opportunity costs were declining[1].

By contrast with the behavior of other aggregates, narrow money, M1, fell in 1997. In recent years, growth of M1 has been restrained due to the expansion of bank arrangements which "sweep" excess balances out of reservable retail transactions accounts into non-reservable non-transactions accounts, normally savings accounts (appendix, table 1-11).

Growth of the debt of nonfinancial sectors slowed in 1997 to 4.75%, less than the 5.25% registered the previous year, in response to the strong growth in federal receipts which lowered the federal government's need to borrow for the fourth consecutive year. Nonfederal debt grew 6%, somewhat more than in 1996, due to a pickup in business borrowing that more than offset the deceleration of household debt. The ongoing buildup of household sector debt, though persistent, does not seem to pose major pressing concerns since household assets have risen even faster and debt servicing appears under control. Overall, the 4.75% growth of the

[1] Federal Reserve Board, <u>1998 Monetary Policy Objectives</u>, 24 February, 1998, pp. 8-9

debt of the nonfinancial sectors remained near the middle of the monitoring range of 3% to 7% established by the Federal Open Market Committee (FOMC) in February.

Finally, with respect to financial developments, 1997 was an outstanding year for equity markets as major indexes more than double over the past three years. The boom in equity markets is attributed, to a large extent, to continued high profitability in the corporate sector, as well as to expectations of strong future earnings. In 1997, all three major stock price indexes –the Dow Jones Industrial Average, the Standard & Poor's 500, and the NASDAQ composite—broke previous records. The Dow Jones, the most largely followed stock market indicator, rose more than 24% above its 1996 high, but it was marked by increasing volatility. Despite fears that the market was exceeding long-term valuation norms, investors continued to flood it. Much of the money went into mutual funds, which numbered more than 6,000 with assets valued at more than $4 trillion.

II. INTERNATIONAL TRANSACTIONS

The U.S. current account deficit increased to $166.4 billion in 1997, or 2.1% of GDP, up from $148.2 billion the previous year. The widening deficit mainly reflected the shift of investment income from surplus to deficit (the first since 1914), reflecting for the most part interest payments on the growing foreign holdings of U.S. Treasury securities. The merchandise trade deficit also deteriorated in 1997, but the surplus on services improved.

In the capital account, large increases were reported in both foreign ownership of assets in the U.S. and U.S. ownership of assets abroad, largely explained by the trend towards globalization of financial markets. Direct investment flows (both inward and outward) and private purchases of U.S. securities were particularly strong. Overall, net recorded capital inflows reached $263.6 billion in 1997, compared with $195.1 billion in 1996, responding to a larger step-up of foreign assets in the U.S. relative to the increase in foreign assets abroad.

1. Exchange rates

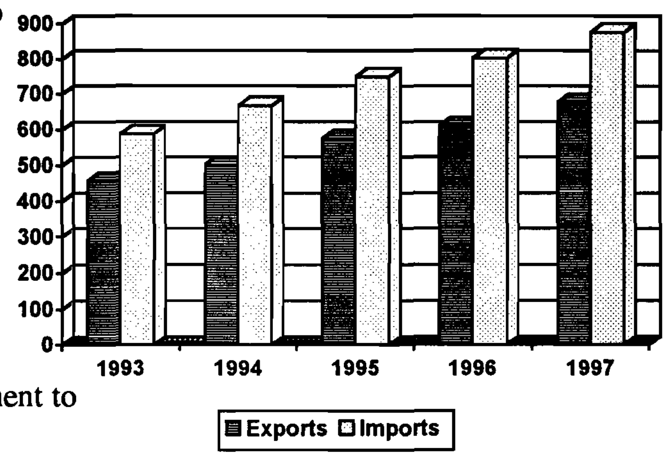
Building on the rise that started around mid-1995, the U.S. dollar continued to appreciate in 1997. The foreign exchange value of the dollar --based on the Federal Reserve Board's trade-weighted index of the dollar in terms of the currencies of the other G-10 countries-- rose by 11% during the year, more than the 4% increase of 1996. The dollar's strength is attributed to the economy's cyclical position and, to some extent, to interest-rate differentials. The trading desk of the New York Federal Reserve Bank did not intervene in foreign exchange markets during 1997.

Among the G-10 currencies, the appreciation of the U.S. dollar was the greatest against the yen and the mark. Appreciation was even larger against the currencies of countries in Asia, as financial crises dominated developments during the last two quarters of 1997 leading to currency devaluations (appendix, table 2-1).

2. Merchandise Trade

The merchandise trade deficit widened to $198.9 billion in 1997 from $191.2 billion the previous year. Both exports and imports increased, but the faster pace of U.S. economic growth relative to its main trading partners brought in imports more rapidly than exports.

Figure 5 USA: Merchandise Exports and Imports



In 1997, total U.S. exports amounted to $678.3 billion, a brisk increase of 11% attributed to expansions in some industrial economies and in Latin America, particularly Mexico (appendix, table 2-2). Nonagricultural exports increased by 13% compared to 6% the previous year. Exports of capital goods posted a strong growth of 16% in 1997, with about one-fourth of the increase in exports of civilian aircraft, engines, and parts. Exports of semiconductors and telecommunications equipment to Mexico and Brazil continued to rise. Exports of automotive products were also particularly strong, rising by 13% to $73.4 billion in 1997. Shipments of engines and parts to Mexico surged by 17%, while those to Canada accelerated as well, reflecting a continuing relocation of production to both countries. By contrast, agricultural exports was the only major export category that registered a decline --due to a drop in prices-- with reductions in shipments of corn and wheat more than accounting for the decrease.

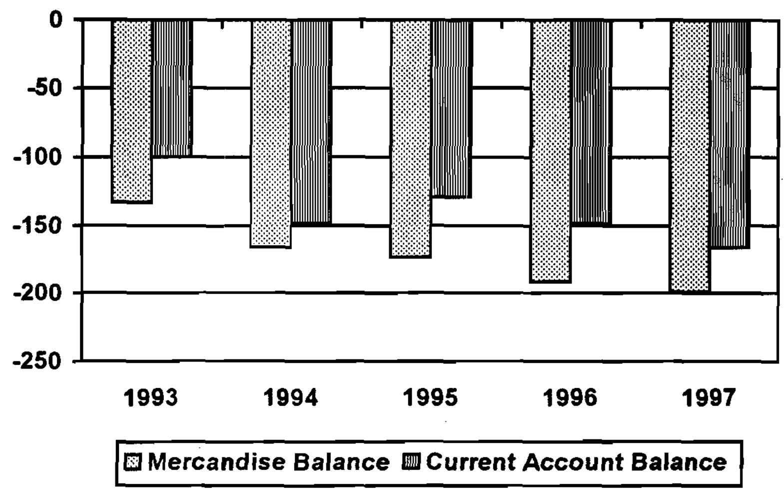
U.S. imports expanded by 9% in 1997, to $877.3 billion, reflecting faster growth in the U.S. economy. With the exception of oil imports, which declined due to a fall in prices to an average of $18.58 per barrel, from $19.71 per barrel, increases were recorded in all major import categories (appendix, table 2-3).

Finally by area, trade deficits with Canada, Mexico, Western Europe, and Latin America decreased to $19 billion, $15.5 billion, $22.9 billion, and $8.9 billion, respectively. With respect to Latin America, exports increased briskly, mostly of capital goods, industrial supplies, and automotive products. By contrast, the deficit with Japan increased to $56.8 billion and that of Asia (excluding Japan) to $90 billion, mostly due to an acceleration of imports of capital goods.

3. Current Account

The surplus in real services increased to $29.4 billion in 1997, a smaller rise than in 1996. The net surplus in travel and transportation amounted to $25.6 billion in 1997 due to some pickup in travel. The surplus in military transactions, remained at about the same level as the previous two years, at $3.8 billion. Transfers under U.S. military sales contracts increased slightly due to deliveries of aircraft, missiles, and weapons systems to Turkey, Saudi Arabia, and Taiwan. There was also a step-up in outlays due to personnel expenditures (appendix, table 2-4).

Figure 6: Current Account



Net direct investment income increased to $67.7 billion. Direct receipts increased by a similar amount than in 1996, mostly due to a rise in earnings in finance, wholesale trade, and services. Payments, however, were a record $41.5 billion, with increases in earnings in insurance and finance, and manufacturing. Further, all other investment receipts increased strongly, led by higher interest income receipts by banks and nonbanks, in response to higher outstanding claims on foreigners. For its part, the increase in payments was largely due to higher interest payments on bonds. Payments of interest on U.S. corporate bonds increased the most, due to higher foreign holdings. Also, payments on U.S. government liabilities were a record $91.1 billion, as a result of a large increase in foreign holdings of U.S. Treasury securities.

Net unilateral transfers amounted to $38.5 billion in 1997, compared with $40 billion the previous year, as government grants decreased to $11.7 billion from $14.9 billion in 1996. Most of the increase during the previous year responded to a step up of U.S. government grants, including some grants delayed due to the government shutdown and budget impasse at the end of 1995.

4. Capital Movements

During 1997, there was a large increase in foreign assets in the U.S. compared to the rise in U.S. assets abroad. Net recorded capital inflows were $263.6 billion in 1997, compared with $195 billion in 1996.

U.S. assets abroad increased $426.9 billion in 1997, compared with an increase of $352.4 billion in 1996. Both the 1997 increase in U.S. claims on foreigners reported by U.S. banks ($151.1 billion) and in U.S. direct investment abroad ($119.4 billion) were higher than in 1996. The increase in credit extended by U.S. banks is due, in part, to the intensification of financial activity overseas, including mergers and acquisitions. Strong equity capital outflows and increases in reinvested earnings accounted, in turn, for the increase in U.S. direct investment outflows. By contrast, net U.S. purchases of foreign securities were lower --$79.3 billion in 1997, compared with $108.2 billion in 1996—in response to sharp declines in the last months of the year in response to the uncertainties of Asia's financial crisis.

Foreign assets in the U.S. increased $690.5 billion in 1997, compared to $547.5 billion in 1996. With the exception of the increase in foreign official assets in the U.S., which was considerably smaller than in 1996, the increases in U.S. liabilities reported by U.S. banks, in net inflows on foreign direct investment, and in net foreign purchases of U.S. securities were all larger in 1997 than in the previous year.

U.S. liabilities to foreigners reported by U.S. banks (excluding U.S. Treasury securities), which increased $9.8 billion in 1996, reached $142.5 billion in 1997 with exceptional inflows in the last quarter. Net foreign purchases of U.S Treasury securities were a record $163.1 billion, as low inflation and dollar appreciation increased their attractiveness of U.S treasury bonds. Net foreign purchases of U.S. securities other than U.S. Treasury securities were a record as well, $189.3 billion, as net foreign purchases of U.S. stocks increased more than fivefold to $66.9 billion and net foreign purchases of U.S. bonds were a record $122.4 billion. U.S. stock prices rose to record highs in response to low U.S. inflation, declining interest rates, and strong corporate earnings. The rise in demand for U.S. stocks came from Western Europe, particularly acceleration in purchases by the United Kingdom, Germany, and Switzerland. In the case of U.S. bonds, there was continued strong demand from Western Europe.

Net capital inflows for foreign direct investment in the U.S. were a record $107 billion in 1997 due to a continued strong pace of mergers and acquisitions of U.S. companies by foreigners.

Last, with net-recorded capital inflows to the U.S. exceeding the large U.S. current account deficit, a large negative statistical discrepancy was recorded in the balance of payments.

PART TWO

I. UNITED STATES TRADE WITH THE WESTERN HEMISPHERE

Trade plays an increasingly important role in the U.S. economy. By 1997, exports represented 12% of gross domestic product (GDP) and imports were 13%, after growing since 1970 faster than overall economic growth. By contrast, U.S. exports and imports combined rarely amounted to more than one-tenth of GDP until 1970. More than a third of U.S. economic growth is estimated to have come directly from exports over the past four years.[2]

Moreover, the importance of trade has spread throughout the economy. While the North Central and Pacific States --the largest sources of exports-- continue to enjoy strong export growth, the highest rates of export growth in recent years have been recorded in regions and States in the center of the country. For instance, in the last four years, exports from California were up 45%, Michigan 68%, Illinois 64%, Ohio 42%, Texas 40%, Nebraska 54%, North Dakota 76%, and Montana 52%. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%. States from New York to Utah also have posted double digit increases. Overall, across the U.S., exports have increased substantially, with 47 of 50 states registering significant export growth in the last four years.

Table 1

United States: Merchandise Imports and Exports by Area, 1997
(billions of dollars)

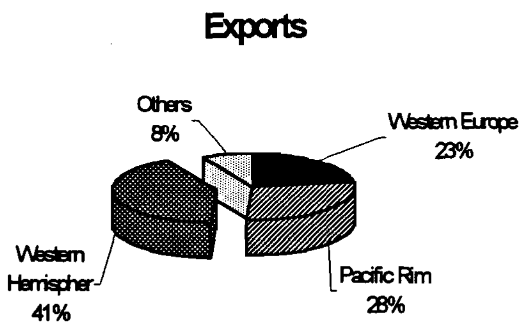
	Exports	Imports	Trade Balance
Total	688.9	870.7	-181.8
Western Hemisphere	285.8	307.5	-21.7
Western Europe	155.4	172.9	-17.5
Pacific Rim	193.9	315.0	-121.1
Others	53.8	75.3	-23.5

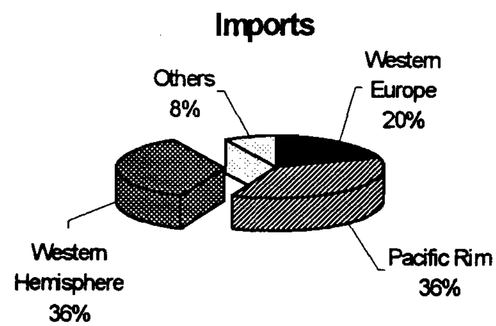
Trade has risen rapidly with both industrialized and developing partners. In particular, U.S. trade with the Western Hemisphere has expanded at a very brisk pace, faster than with any other region. U.S. exports to the Hemisphere, the largest regional destination for merchandise goods, increased by 108% between 1990 and 1997, while U.S. exports to the world expanded by 73%.

By 1997, two-way trade with the Western Hemisphere amounted to over $600 billion. With this, the Western Hemisphere accounted for 42% of U.S. exports and 36% of U.S. imports in 1997, compared to 35% and 31%, respectively, in 1990. U.S. exports to the Pacific Rim and Europe amounted to 29% and 23%, respectively, in 1997.

[2] Council of Economic Advisers, Economic Report of the President, Government Printing Office, Washington D.C. February 1998, p.216.

Figure 7
U.S.: Direction of Trade 1997





1. U.S.-Canada share the largest trade relationship in the world

The U.S. and Canada, are the largest market for each others' goods, sharing the largest trading relationship among any pair of countries in the world. Merchandise trade between Canada and the United States amounted to $319 billion in 1997, half of all trade within the Western Hemisphere.

U.S. trade with Canada has evolved and deepened over the years, strengthened by the U.S-Canada Free Trade Agreement (CFTA) of 1989 and the North American Free Trade Agreement (NAFTA) of 1994. The phase-out of bilateral tariffs, which was already completed by January 1, 1998, together with the overall commitments of free trade agreements have intensified the postwar trend of economic integration between Canada and the U.S.. Therefore, this has resulted in export opportunities, increases in market shares, and a more favorable pattern of specialization across industries.

Table 2
Ten Largest States Exporting to Canada
(Billions of Dollars)

State	1997
Michigan	18.5
Ohio	12.5
California	10.8
New York	10.7
Illinois	9
Texas	9
Indiana	5.9
Pennsylvania	5.7
North Carolina	4.2
New Jersey	3.7

The prime example of the close integration of both economies is automotive trade –the major export between these two trading partners. Seven of the top 20 items Canada exports to the U.S. are in the automotive sector. Similarly, eight of the top 20 commodities imported from the U.S. fall in the automotive category and account for well over half of the total for the top 20 imported items.[3] Machinery and equipment accounted for more than one-half of the entire U.S.-Canadian trade flows in 1997. By contrast, more than 90% of Canadian exports in 1960 were primary or semi-processed commodities such that, three decades ago, Canada was dependent on the export of unprocessed or commodities.

[3] USITC, The Year in Trade 48th Report, (Publication 3024), Washington D.C., April 1997, pp.55-56.

2. U.S. trade with Mexico grows at unprecedented rate

While Canada continues to be the largest market for the U.S., trade with Mexico under NAFTA, has grown at an unprecedented rate, more rapidly than with any other country. Mexico --the third largest trading partner of the U.S.-- became in 1997 the second largest market for U.S. exports displacing Japan. Two-way trade with Mexico reached $157.2 billion in 1997, as U.S. exports and imports stood at $71.4 billion and $85.8 billion, respectively. This was more than the total amount exported by the U.S. to China, Korea, and Singapore combined.

Table 3

Mexico's Ranking as Worldwide Export Market for Selected States

State	Rank 1993	Rank 1997
Alabama	4	2
California	3	2
Colorado	7	5
North Carolina	7	3
Rhode Island	8	4
South Carolina	11	3
South Dakota	9	5
Texas	1	1
Wisconsin	7	4
Wyoming	14	3

States Exporting More than $1 Billion to Mexico, 1997

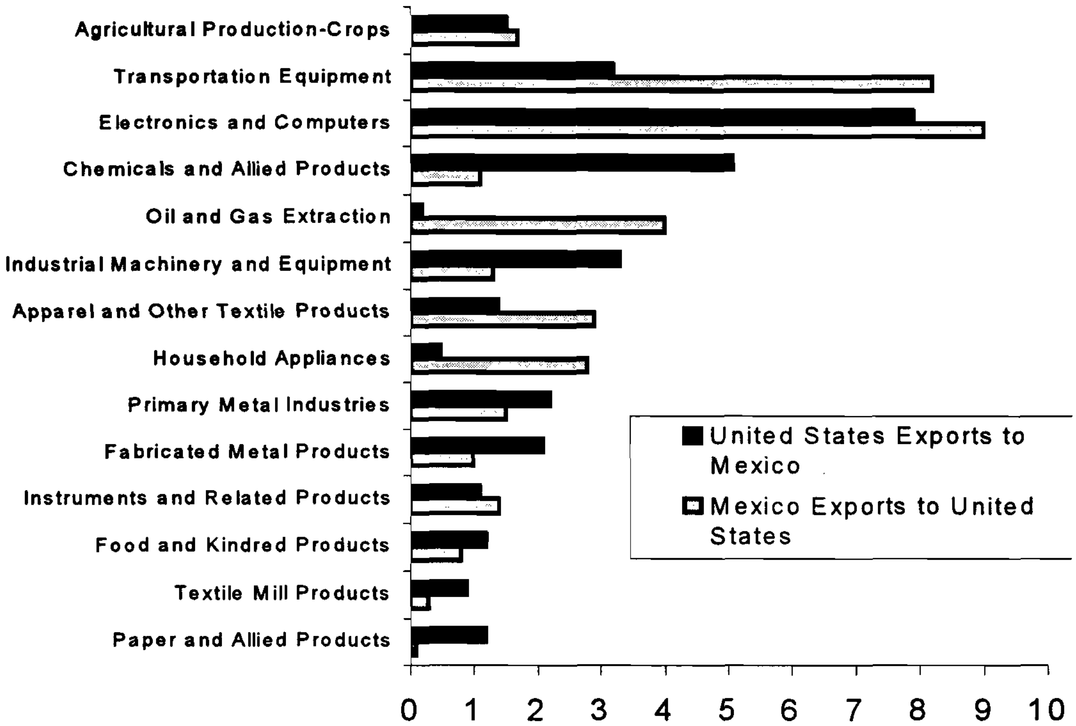
State	Total
Texas	31.2
California	12.1
Michigan	6.2
Arizona	2.4
Illinois	1.7
New York	1.2
North Carolina	1.1
Ohio	1.1
Pennsylvania	1.1
Alabama	1

Since implementation of the NAFTA in 1994, U.S. exports to Mexico have grown by 72%. Export growth has been widespread, not just in the coastal and border areas. The highest growth rates have been among states in the Mountain, Southern and North Central regions. Since 1993, Wyoming, South Dakota and Alaska recorded the fastest export growth rates. Moreover, Mexico has become an increasingly important export market for several states and, it has displaced Canada as the second-largest market for California products after Japan.

The figures reveal that a considerable volume of trade takes place in the same categories as a result of complementary production in sectors such as electronics, textiles and automobiles. NAFTA has helped advance the degree of underlying industrial integration. In part, increased production-sharing has been facilitated by the reduction of tariffs on U.S.-Mexico trade which, according to schedule, have been reduced considerably since 1994.[4]

[4] ECLAC, NAFTA Implementation in the United States: The First Two Years, (LC/WAS/L.34), Washington D.C., June 1996.

Figure 8
Total Exports
January-June 1997
(billions of dollar)



Since NAFTA entered into effect, the average U.S. tariff on Mexican imports has fallen from 4.0 to 0.8%, while the average Mexican tariff on U.S. products has declined from 10% to 2.9%. Thus, U.S. firms have obtained more than a seven-percentage point margin of preference compared to non-NAFTA competitors, while Mexican firms have obtained roughly a three-percentage point margin of preference in the U.S.[5]

In total, U.S. two-way trade with both Mexico and Canada has boomed 44% since NAFTA was implemented compared with 33% for the rest of the world. U.S. trade with North American partners, which reached approximately $500 million in 1997, accounts for nearly one-third of U.S. trade with the world.

3. Unreleased potential in hemispheric trade

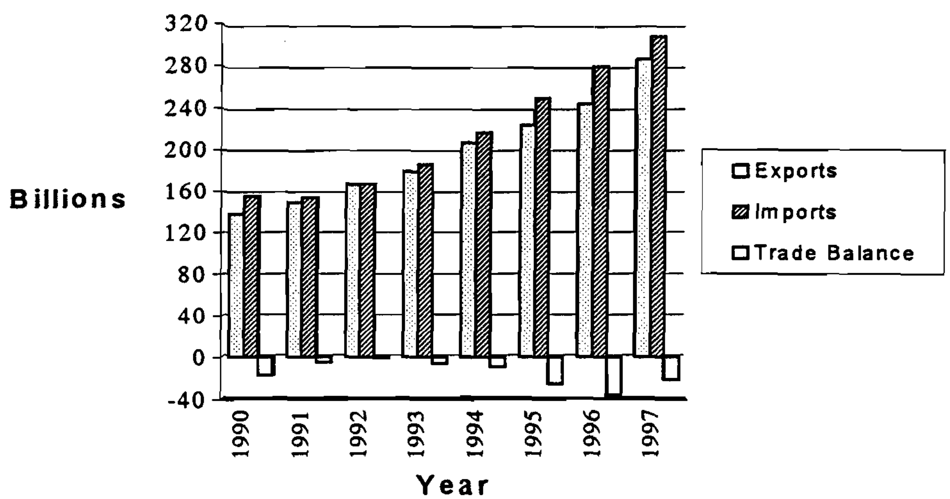
Excluding Canada and Mexico, two-way trade between the U.S. and the Western Hemisphere amounted to $116.7 billion in 1997, an increase of 97% since 1990, but still only one third of total trade within North America. Trade has grown at a very brisk pace in the nineties, stimulated by economic growth and the re-orientation of trade policy in the region. For example, between 1990 and 1997, U.S. exports to Argentina and Brazil boomed by 392% and 215%, respectively, between 1990 and 1997 while those to Colombia, Chile, the Dominican Republic and Mexico grew about 150% during the same period (appendix table 3-1).

[5] USTR, 1998 Trade Policy Agenda and 1997 Annual Report, Washington D.C., March 1998, p. 168.

In general, the trade performance of Latin American and Caribbean countries has been less dynamic than between the U.S., Canada and Mexico. This is the case between U.S. and Brazil, the largest market in South America. While U.S. exports to Brazil grew at an average annual rate of 18% between 1990 and 1997, to reach $15.9 billion in 1997, imports from Brazil have stagnated at around $9 billion for the past four years. Though in 1997, imports from Brazil expanded by 9.7%, they only grew at an average annual rate of 2.3% during the period 1990-1996. Two-way trade, at $25.5 billion in 1997, places Brazil as the top 15[th] U.S. trade partner. This is far below its potential, particularly considering that for Brazil, besides MERCOSUR, the United States remains the most important market for its non-traditional exports and most sophisticated manufactures.

In the case of other main trading partners in the Hemisphere, such as Venezuela and Colombia, which rank as fourth and fifth largest U.S. trade partners in the Hemisphere, trade has declined in importance relative to other countries in the region.

Figure 9
U.S.: Merchandise Trade with the Western Hemisphere



U.S. exports to the Andean countries have grown at an average rate of 13.5% per year between 1990 and 1997, lower than to MERCOSUR, Chile, and Mexico with growth rates of 18%, 15% and 14.8%, respectively. U.S. imports from the Andean Community have grown faster, by 18%, than from MERCOSUR 3.7%, however, they compare less favorable to those of Mexico (16.3%) and Chile (8.6%). This has occurred despite unilateral preferential treatment granted by the U.S. in the nineties and the fact that Venezuela, providing about 17% of U.S. petroleum imports, is the single largest supplier of petroleum to the U.S.

Different factors seem to account for the timid behavior of exports in the nineties. In some countries, the export mix is often mentioned as the culprit. In countries where basic commodities with modest-valued added weigh heavily in the export mix --primary products including oil, mining, and agricultural products-- the performance of exports was vulnerable to fluctuations in international commodity prices.

In others, as in Brazil, the appreciation of the exchange rate has generally favored imports over exports in recent years.

Notwithstanding the constraints affecting the behavior of exports, there is a large potential not yet exploited in hemispheric trade. If the goal is to enhance trade within the Western Hemisphere, to and from the U.S. in particular, there is a need to emphasize overcoming the barriers that are hindering the development of further trade. If successfully completed, as promised by 2005, the negotiations of a Free Trade Area of the Americas will be a stimulus to trade throughout the Hemisphere.

Table 4

U.S.: Imports
(Millions of Dollars)

Country	1990	1997	% change 1990-1997
Argentina	1,511	2,212	46.4
Brazil	7,898	9,630	21.9
Canada	91,380	168,051	83.9
Colombia	3,168	4,724	49.1
Chile	1,313	2,299	75.1
Dominican Republic	1,752	4,329	147.1
Mexico	30,157	85,830	184.6
Venezuela	9,480	13,449	41.9

U.S.: Exports
(Millions of Dollars)

Country	1990	1997	% change 1990-1997
Argentina	1,179	5,808	392.6
Brazil	5,048	15,912	215.2
Canada	83,674	151,451	81.0
Colombia	2,029	5,199	156.2
Chile	1,664	4,375	162.9
Dominican Republic	1,565	3,928	151.0
Mexico	28,279	71,378	152.4
Venezuela	3,108	6,608	112.6

II. U.S. IMPORTS UNDER PREFERENTIAL PROGRAMS

Several preferential schemes granting duty-free treatment to specified products, have been unilaterally established by the United States to encourage trade and promote economic growth and development. The schemes designed for Latin American and Caribbean beneficiaries include the Caribbean Basin Economic Recovery Act (CBERA) and the Andean Trade Preference (ATP) Act. In addition, most countries in the region participate in the Generalized System of Preferences (GSP), where more than 140 designated developing countries and territories are beneficiaries.

1. Caribbean Basin Economic Recovery Act (CBERA)

The Caribbean Basin Economic Recovery Act, in operation since 1984, eliminates or in some cases reduces tariffs on products of 24 designated Caribbean Basin countries, with the purpose of encouraging export-led growth and economic diversification.[6] U.S. duties are

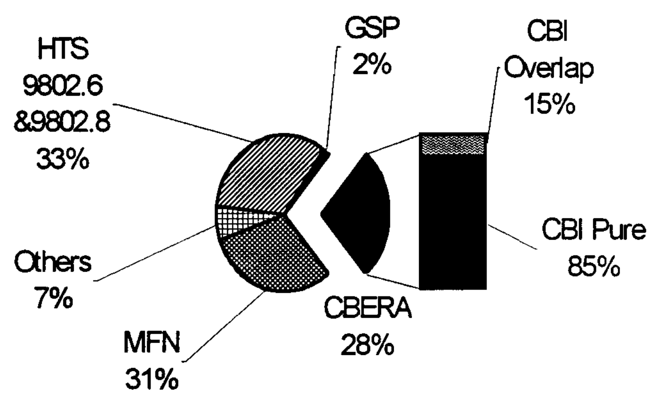
[6] The 24 countries eligible for CBERA include all five members of the Central American Common Market and the thirteen members of the Caribbean Community, plus. Aruba, British Virgin Islands, Dominican Republic, Haiti, Netherlands Antilles, and Panama. Anguilla, the Cayman Islands, Suriname, and the Turks and Caicos Islands are potentially eligible but have not formally requested designation for benefits under CBERA. To receive duty free

eliminated on all products except for textile and apparel products subject to specific agreements, petroleum; canned tuna; footwear; certain leather goods (which are eligible for reduced duties); and certain watches and watch parts. Sugar imports are duty free up to the level of individual country quotas.

The share of total imports from CBERA countries in 1996 that entered duty free under CBERA reached a record 18% percent, or $2.8 billion. The step-up is partly explained by the absence of GSP during most of 1996, which prompted exporters to claim duty-free treatment under CBERA. Notwithstanding the latter, the duty-free CBERA portion of total imports has increased considerably over the years as Caribbean Basin beneficiaries have continued to take greater advantage of CBERA benefits for their exports to the U.S.. The first year of CBERA, in 1984, the duty-free portion amounted to just $577 million or 7%.

Total U.S. imports from CBERA countries amounted to $14.5 billion in 1996. CBERA totals include two separate categories: 1) CBI pure, the real benefit of the CBI program, which includes products not eligible for duty-free entry under the GSP and MFN; and 2) the remainder, or CBI overlap, products that could have also qualified under the GSP and MFN, but were classified instead under CBI duty free treatment.

Figure 10
U.S.: Duty Free Imports From CBERA 1996



In 1996, the value of U.S. imports under CBI pure segment grew substantially, a 65% increase over 1995, to reach $2.3 billion. With this, the value of CBI pure came to represent 16% of total U.S merchandise imports from CBI participants in 1996.

The sharp rise in the CBI pure share from 63% of total CBI duty-free imports in 1995 to 84.6% in 1996 is almost all attributable to the lapse in the GSP program from August 1995 through September 1996. Since the beginning, the CBI pure share has accounted for a relatively small portion of total imports from CBERA countries. During the eighties, the CBI pure segment remained practically flat as the relative importance of CBI pure imports grew only marginally, from 4% in 1984 to 5% in 1989. There was no perceptible increase in real benefits but rather a shift from one method of duty-free entry to another. Most of the growth

entry into the United States under the CBERA, products must be either of CBERA country origin, of Puerto Rican origin with value added in a CBERA country, or of the United States origin assembled in a CBERA country.

experienced over these years was in the CBI overlap segment. The relative importance of all CBI duty free imports, both pure and overlap, as a percentage of total U.S. merchandise imports from CBI countries doubled from 7% in 1984 to nearly 14% in 1989.

The CBERA utilization ratio in 1996 reached 66.4%. Utilization of the program has been highly concentrated in a few countries. Principal beneficiaries of the CBERA program have been the Dominican Republic and Costa Rica, which together account for more than 50% of CBI-duty free imports. In 1996, the Dominican Republic and Costa Rica continue to be the leading CBERA suppliers, with imports totaling $932 million and $657 million, respectively. Guatemala and Honduras follow with shares of 10% and 7%, respectively.

Leading import items benefiting exclusively from CBERA in 1996 included raw sugar, leather footwear uppers, higher priced cigars, certain jewelry and methanol. Overall, non-traditional agricultural products have increased substantially. Apparel, not eligible for CBERA tariff preferences, is the fastest growing category of U.S imports from CBERA countries with its share of overall U.S. imports from the region growing from 5.5% in 1984 to 41% in 1996, or $6 billion.

During the period 1994-1996, apparel imports from CBERA countries grew by just 15%, while imports from Mexico increased by 44 percent. In 1996, U.S apparel imports from CBERA rose by 11%, the smallest increase since 1990. By contrast, three years prior to the passage of NAFTA, U.S. apparel imports from CBERA countries and those from Mexico rose at similar rates of around 26% per year. (cite USITC 3058, p.11)

The slower rate of growth is generally attributed to Mexico's preferred access to the U.S. market under NAFTA. Such concern over trade and investment diversion propelled the U.S. Administration and Congress to work toward the extension of NAFTA tariff benefits to the member countries of the CBI. Different versions of CBI parity bills have been introduced over the past years without success.

The latest proposed legislation, entitled the United States Caribbean Basin Trade Enhancement was introduced in the House as H.R. 2096 on June 26, 1997 by Rep. Rangel, and in the Senate by Sen. Graham as S. 984 on June 27, 1997. Under this bill, CBERA beneficiaries would become eligible for a 50-percent reduction in applicable duty rates for all products currently ineligible for CBERA duty-free treatment and would enjoy quota-free treatment for all textiles and apparel meeting the rule of origin criteria.[7] After three years, the U.S. President would be permitted to extend full NAFTA parity to the CBERA nations that met criteria for eligibility and complied with WTO regulations.

On November 4, 1997 the bill was defeated in the House by a margin of 234 to 182. The bill's most vocal opposition has been among some sectors of the U.S. apparel industry, such as knitwear, who fear NAFTA parity will contribute to ongoing import related declines in production and employment. The American Textile Manufacturers Institute (ATMI) supported parity if the exemption of tariffs and quotas only applies to goods made from fabric cut and formed in the U.S. and yarn spun in the U.S. By contrast, the American Apparel

[7] Eligible countries must also comply with WTO regulations, adhere to international recognized workers rights and to commitments for the protection of intellectual property rights and investment.

Manufacturers Association (AAMA) strongly supported the bill as well as improved access for CBERA suppliers to be largely modeled on NAFTA.

2. Andean Trade Preference Act (ATPA)

The Andean Trade Preference Act provides tariff benefits comparable to those granted under CBERA to Bolivia, Colombia, Ecuador and Peru for a period of ten years, beginning December 1991 and continuing, under present law, until December 2001. It is intended to expand economic alternatives to drug production and trafficking by diversification of the export base.

For a product to be considered eligible for ATPA treatment either it must be wholly grown, produced or manufactured in a designated ATPA country or it must be an original (new or different) article formed with "substantially transformed" non-ATPA inputs. ATPA applies to the same product categories covered by the GSP program but offers broader product coverage and more liberal product-qualifying rules. Items not eligible for ATPA treatment include most textile and apparel items, certain categories of footwear, certain petroleum categories, canned tuna, certain watches and watch parts, certain sugar products, and rum.

In 1996, the U.S. imported $12.7 billion under ATPA provisions, amounting to 15.8% of all U.S. imports from these countries. In 1994 and 1995, U.S. imports under ATPA provisions accounted for 11.3% and 13.7% of all ATPA imports.

Colombia was once again the leading beneficiary of the program with $560.6 million or 44% of total ATPA imports to the U.S. market. Peru follows with about 30% of all U.S. imports under ATPA, while Ecuador and Bolivia held a 17% and 8% share, respectively.

Reliance by beneficiary countries on the program varies considerably. In 1996, 39% of Bolivia's exports to the U.S. were ATPA products while in the case of Peru it was 32%. By contrast, 12% of Colombia's exports and 11% of Ecuador's entered the U.S. market under ATPA provisions.

ATPA imports are divided into two categories: 1) <u>ATPA pure</u>, or duty-free imports ineligible for duty-free entry under GSP and MFN; and 2) the remainder, <u>ATPA overlap</u>, imports that are eligible for entry under GSP or MFN but were admitted under ATPA duty-free. In 1996, designated <u>ATPA pure</u> imports totaled $1.0 billion, an 81% share of total ATPA duty-free imports into the United States. The ATPA utilization ratio increased considerably from 70% in 1995 to 90% in 1996.[8]

[8] U.S.ITC. <u>CBERA & the ATPA, Impact on the U.S.</u> (Publication 3058), September 1997. P. 67.

Table 5
U.S. IMPORTS FOR CONSUMPTION FROM ATPA COUNTRIES BY DUTY TREATMENT, 1996

Millions of $	Bolivia	Colombia	Ecuador	Peru	Total
Total imports	**268.4**	**4421.5**	**1975.0**	**1202.8**	**7867.7**
Duty-free value	237.7	2312.8	1191.5	746.7	4488.7
MFN	126.1	1520.5	941.5	277.8	2865.9
GSP	2.4	45.5	17.8	64.8	130.5
ATPA	105.8	560.6	218.4	385.3	1270.1
ATPA "pure"	*	*	*	*	1033.0
ATPA "overlap"	*	*	*	*	237.1
Reduced Duty	1.5	23.5	.2	.02	25.22
HTS 9802.60 & 80	2.1	126.2	1.7	1.0	131.0
Other duty-free	2.7	83.5	12.2	17.8	116.2

Flower products continued to dominate imports under ATPA provisions in 1996. Chrysanthemums, carnations, anthuriums, orchids and fresh cut roses, accounted for over one-third of all entries under ATPA provisions.

3. Generalized System of Preferences (GSP)

Under the Generalized System of Preferences, designed to foster economic development and diversification in developing nations, over 4,400 products or product categories (determined under the U.S. Harmonized Tariff Schedule or HTS) are eligible for duty-free entry from GSP beneficiary countries. GSP grants duty-free treatment to specified products imported from more than 140 countries.

The list of eligible GSP products is reviewed each year beginning June 1. The submitted petitions for modification are considered and changes by the following year after the President has completed the review. "Import sensitive" products are excluded from preferential treatment under GSP.

In 1996, the overall value of GSP duty-free imports into the U.S. market was $16.9 billion, down from $18.3 billion in 1995. GSP imports from Latin America and the Caribbean decreased by 9% to $3.66 billion in 1996. Specifically, duty-free imports from the region have declined considerably relative to 1993, since Mexico, once the largest GSP beneficiary (with 28% of the total GSP imports in 1993,) no longer receives duty-free entry under the GSP program but rather through NAFTA. In addition, the number of products receiving preferential treatment under the CBI has increased.

In return for duty-free access to the U.S. market, beneficiary countries are expected to meet certain requirements, such as the protection of basic worker rights and intellectual property rights.

On August 5, 1997, GSP was extended until June 30, 1998 when it will again come up for review. The last year the GSP program functioned normally was 1994. Efforts to create a long-term proposal have faced a number of financial and political obstacles.

4. Sugar Import Quotas

The United States global sugar import quotas equaled $1.7 million metric tons (raw value). Latin America and the Caribbean exported 1.1 million metric tons, or 65% of this total. Over half this amount, 54%, was exported by Brazil, the Dominican Republic and Guatemala. The import quota period covered the 1996-1997 fiscal year, from October 1, 1996 to September 30, 1997.

Most countries in Latin America and the Caribbean were exempt from the 0.625-cent duty, since they were beneficiaries under the Generalized System of Preferences (GSP). The only country in Latin America whose sugar exports do not receive duty-free treatment under the GSP is Brazil, due to its competitive advantage in this industry.

Table 6 shows the country-by-country allocation based on historical trade patterns of raw and refined sugar by percentage of total U.S. imports. The total level of imports that may enter the U.S. at the lower duty for fiscal year 1998 is 1,400,000 metric tons. The total level of sugar imports that may enter the U.S. from Latin America and the Caribbean for fiscal year 1998 is 905,086 metric tons, which is 454,638 metric tons less than in 1997. Latin America and the Caribbean will supply nearly 65 percent of total U.S. sugar imports during fiscal year 1998.[9]

[9] USTR, Allocation of Tariff-Rate Quota for Raw Cane Sugar, (Press Release 98-25), Washington D.C., 12 March, 1998.

Table 6: U.S. Sugar Tariff-Rate Quota

(October 1, 1996 - September 30, 1997)

Country	% of total US Imports	Metric tons
Argentina	4.1	56,832
Barbados	0.6	7830
Belize	1.0	14,538
Bolivia	0.8	10,573
Brazil	13.7	191,642
Colombia	2.3	31,720
Costa Rica	1.4	19,825
Dominican Republic	16.6	232,614
Ecuador	1.0	14,538
El Salvador	2.5	34,363
Guyana	1.1	15,860
Guatemala	4.5	63,440
Haiti	0.5	7,258
Honduras	.9	13,217
Jamaica	1.0	14,538
Mexico	1.8	25,000
Nicaragua	2.0	27,755
Panama	2.7	38,328
Paraguay	0.5	7,258
Peru	3.9	54,189
St. Kitts & Nevis	0.5	7,258
Trinidad & Tobago	0.7	9,252
Uruguay	0.5	7,258
LAC Total	**64.6**	**1,359,724**

Source: ECLAC, on the basis of data from the U.S. Trade Representative

PART THREE

STATISTICAL APPENDIX

Table 1-1
United States: Main Economic Indicators

	1993	1994	1995	1996	1997
Gross Domestic Product					
(billions of chained 1992 dollars)	6389.6	6610.7	6742.1	6298.4	7188.8
Per Capita GDP	24715.0	25333.0	25636.0	26014.0	26834.0
Population (millions)	258.3	260.7	263.0	265.5	267.9
			Growth Rates		
GDP	2.2	3.5	1.9	2.7	3.7
Per Capita GDP	1.1	2.5	1.2	1.5	3.1
Implicit GDP Deflator	2.6	2.4	2.5	2.3	2.0
Consumer Prices (Dec. to Dec.)	2.7	2.7	2.5	3.3	1.7
Per Capita Disposable Income	0.1	1.2	2.3	1.4	2.0
Real Wages	0.0	0.7	-0.6	0.2	2.1
Money (M1)	10.2	1.8	-1.9	-4.1	-0.6
			Percentages		
Unemployment Rate	6.9	6.1	5.6	5.4	4.9
Fiscal Deficit (% of GDP)	3.9	2.9	2.3	1.4	0.3
			Billions of Dollars		
Trade Balance	-132.6	-166.1	-173.6	-191.2	-198.9
Investment Income (net)	9.7	-4.1	6.8	2.8	-14.3
Balance on Current Account	-99.9	-148.4	-129.2	-148.2	-166.4
Balance on Capital Account	101.2	151.2	138.8	141.5	167.4

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

Table 1-2
United States: Real Gross Domestic Product

	Billions of chained (1992) Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Global Supply	7118.0	7427.7	7632.2	7899.9	8298.0	3.0	4.4	2.8	3.5	5.0
GDP	6389.6	6610.7	6742.1	6298.4	7188.8	2.3	3.5	2.0	2.8	3.7
Imports	728.4	817.0	890.1	971.5	1109.2	8.9	12.2	9.0	9.2	14.1
Global Demand	7117.5	7426.4	7629.9	7898.1	8296.8	--------	4.3	2.7	3.5	5.0
Consumption	5595.7	5738.3	5847.2	5972.0	6137.1	2.0	2.6	1.9	2.1	2.7
Private	4343.6	4486.0	4595.3	4714.1	4867.5	2.9	3.3	2.4	2.6	3.3
Government	1252.1	1252.3	1251.9	1257.9	1269.6	-0.9	0.0	0.0	0.5	0.9
Investment	863.6	975.7	991.5	1069.1	1197.0	--------	13.0	1.6	7.8	12.0
Fixed	842.8	915.4	962.1	1041.7	1123.6	7.6	8.6	5.1	8.3	7.8
Residential	242.6	267.0	257.0	272.1	279.5	7.5	10.1	-3.8	5.9	2.7
Non-Residential	600.2	648.4	706.5	771.7	848.3	7.6	8.0	9.0	9.2	10.0
Stock Variation	22.1	60.6	27.3	25.0	65.7	--------	---------	---------	---------	---------
Exports	658.2	712.4	791.2	857.0	962.7	2.9	8.2	11.1	8.3	12.3

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

Table 1-3
United States: Evolution of Gross Savings

	Billions of Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Gross Savings	949.5	1079.2	1165.5	1267.8	1394.3	5	13.7	8	8.8	10.0
Private	979.3	1030.2	1093.1	1125.5	1164.2	0.9	5.2	6.1	3	3.4
Personal	248.5	210.6	254.6	239.6	226.7	-13	-15.3	20.9	-5.9	-5.4
Business	730.8	819.6	838.5	885.9	937.5	6.7	12.2	2.3	5.7	5.8
Government	-29.8	49	72.4	142.3	230	-55.2				
Federal	-182.7	-117.2	-103.6	-39.2	42.8	-15				
State & Local	152.9	166.2	176	181.5	187.3	2.9				
	Coefficients (percentages)									
Gross Savings/GNP	14.4	15.5	16	16.6	17.3	-0.7				
Personal Savings/ Personal Disposable Income	4.9	4.1	4.6	4.3	3.9	-24.6				

Source: ECLAC, on the basis of data from the U.S. Department of Commerce, Bureau of Economic Analysis.

Table 1-4
United States: Gross Domestic Product by Industry

	Billions of chained (1992) Dollars			Growth Rates	
	1994	1995	1996	1995	1996
G.D.P.	6610.7	6742.1	6928.4	2.0	2.8
Private Industries	5763.6	5921.4	6094.1	2.7	2.9
Agriculture, forestry & fishing	119.1	111.4	111.7	-6.5	0.3
Mining	102.5	108.4	101.9	5.8	-6.0
Construction	249.8	254.1	264.3	1.7	4.0
Manufacturing	1193.2	1273.7	1323.7	6.7	3.9
Durable goods	671.3	731.2	785.5	8.9	7.4
Non-durable goods	522.0	543.2	541.0	4.1	-0.4
Transportation	584.1	593.8	608.9	1.7	2.5
Communications	176.9	178.4	181.6	0.8	1.8
Electricity, gas and sanitary services	193.1	199.6	207.0	3.4	3.7
Wholesale trade	448.6	457.5	493.3	2.0	7.8
Retail trade	601.2	622.5	648.5	3.5	4.2
Finance, insurance and Real estate	1196.9	1231.1	1258.5	2.9	2.2
Services	1256.5	1298.8	1342.9	3.4	3.4
Statistical Discrepancy	13.9	-26.3	-54.7	-289.2	108.0
Federal Government	306.9	297.1	290.6	-3.2	-2.2
State and local	571.3	580.3	583.4	1.6	0.5

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

Table 1-5
United States: Industrial Production

	Index 1992=100				
	1993	1994	1995	1996	1997
Total Index	103.6	109.2	114.5	118.5	124.5
Manufacturing	103.8	110.0	116.0	120.2	127.0
Durables	105.7	114.4	123.9	131.7	142.3
Non-durables	101.7	105.2	107.4	108.0	111.1
Mining	100.1	102.6	102.3	103.9	106.0
Utilities	103.9	105.3	109.0	112.5	112.5
Capacity utilization rate %					
Total Industry	81.3	83.1	83.4	82.4	82.7
Manufacturing	80.5	82.5	82.8	81.4	81.7

Source: ECLAC, on the basis of data from the Council of Economic Advisers.
a Preliminary.

Table 1-6
United States: Civilian Employment and Unemployment

	Thousands of Persons					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Civilian Labor Force	129200	131056	132304	133943	136297	0.9	1.4	1.0	1.2	1.8
Participation Rate (%)	66.3	66.6	66.6	66.8	67.1					
Civilian Employment	120259	123060	124900	126708	129558	1.5	2.3	1.5	1.4	2.2
Agricultural	3115	3409	3440	3443	3399	-4.1	9.4	0.9	0.1	-1.3
Non-Agricultural	117144	119651	121460	123264	126159	1.6	2.1	1.5	1.5	2.3
Non-Agricultural Payroll										
Employment	110713	114163	117191	119523	122259	2	3.1	2.7	2.0	2.3
Goods Producing Ind.	23352	23908	24265	24431	24739	0.5	2.4	1.5	0.7	1.3
Manufacturing	18075	18321	18524	18457	18537	-0.2	1.4	1.1	-0.4	0.4
Construction	4668	4986	5160	5400	5629	3.9	6.8	3.5	4.7	4.2
Service Producing Ind.	87361	90256	92925	95092	97520	2.3	3.3	3.0	2.3	2.6
Transportation	5811	5984	6132	6261	6425	1.9	3.0	2.5	2.1	2.6
Trade	5981	6162	6378	6483	6657	1.6	3.0	3.5	1.6	2.7
Finance, Insurance & Real Estate	6757	6896	6806	6899	7053	2.3	2.1	-1.3	1.4	2.2
Government	18841	19128	19305	19447	19654	1.1	1.5	0.9	0.7	1.1
Other Services	30197	31579	33117	34377	35595	3.9	4.6	4.9	3.8	3.5
Unemployment Rate	6.9	6.1	5.6	5.4	4.9					

Source: ECLAC, on the basis of data from the U.S. Department of Labor, Bureau of Labor Statistics.

Table 1-7
United States: Consumer and Producer Prices

	1993	1994	1995	1996	1997
	December to December				
Consumer Prices[a]	2.7	2.7	2.5	3.3	1.7
Housing	2.7	2.2	3.0	2.9	2.4
Food	2.9	2.9	2.1	4.3	1.5
Energy[b]	-1.4	2.2	-1.3	8.6	-3.4
All items less food and energy	3.2	2.6	3.0	2.6	2.2
Producer Prices					
Finished Goods	0.2	1.7	2.3	2.8	-1.2
Consumer Goods	-1.4	2.0	2.3	3.7	-1.5
Capital Equipment	1.8	2.0	2.2	0.4	-0.5
Intermediate Materials[c]	0.9	6.9	3.3	1.3	-0.8
Crude Materials	-0.4	-1.7	4.1	12.3	-11.8
			Year to Year		
Consumer Prices	3.0	2.6	2.8	3.0	2.3
Housing	2.7	2.2	3.0	2.9	2.6
Food	2.2	2.4	2.8	3.3	2.6
Energy	1.2	0.4	0.6	4.6	1.3
All items less food and energy	3.2	2.6	3.0	2.6	2.4
Producer Prices					
Finished Goods	1.2	0.6	1.9	2.6	0.3
Consumer Goods	0.7	-0.1	1.9	2.9	0.5
Capital Equipment	1.8	2.1	1.9	1.2	0
Intermediate Materials	1.3	2.0	5.4	0.6	-0.1
Crude Materials	2.0	-0.6	0.8	10.5	-2.5

Source: ECLAC, on the basis of data from the U.S. Department of Labor, Bureau of Labor Statistics. a Prices for all urban consumers. b Fuel oil, coal and bottled gas; gas (piped) and electricity; and motor fuel. Motor oil, coolant, etc. also included through 1982. c. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

Table 1-8
United States: Income and Wage Indicators

						Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Income										
Per Capita Disposable Personal[a]	18,221	18,431	18,861	19,116	19,493	0.1	1.2	2.3	1.4	2.0
Median Family Income[b]	40,131	41,059	41,810	42,300	-	-1.9	2.3	1.8	1.2	
Persons below Poverty Level (%)[c]	15.1	14.5	13.8	13.7	-	-1.9	-4.0	-4.8	-0.7	
Wages										
Average Gross Weekly Earnings, private non-agricultural (1982 dollars)	254.87	256.73	255.07	255.51	260.89	-0.2	0.7	-0.6	0.2	2.1
Current Dollars	373.64	385.86	394.34	406.26	424.2	2.7	3.3	2.2	3.0	4.4
Manufacturing	486.04	506.94	514.59	531.65	553.14	3.3	4.3	1.5	3.3	4.0
Construction	553.63	573.0	587.0	602.94	622.4	0.8	3.5	2.4	2.7	3.2
Retail Trade	209.95	216.46	221.47	230.11	241.03	3.6	3.1	2.3	3.9	4.7

Source: ECLAC, on the basis of data from the U.S. Department of Commerce, Bureau of the Census, and the U.S. Department of Labor Statistics. a. Yearly income in chained (1992) dollars b. Yearly income in 1995 dollars c. Based on poverty index adopted by a Federal interagency committee in 1969.

Table 1-9
United States: Federal Receipts, Outlays and Debt

	Billions of Dollars, fiscal year					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Total Receipts[a]	1153.5	1257.7	1351.8	1453.1	1579.3	5.8	9.0	7.5	7.5	8.7
Income Taxes	627.2	683.5	747.2	828.2	919.8	8.7	9.0	9.3	10.8	11.1
Individuals	509.7	543.1	590.2	656.4	737.5	7.1	6.6	8.7	11.2	12.4
Corporations	117.5	140.4	157.0	171.8	182.3	17.1	19.5	11.8	9.4	6.1
Social Insurance										
Taxes & Contributions	428.3	461.5	484.5	509.4	539.4	3.5	7.8	5.0	5.1	5.9
Other Receipts	98.0	135.1	120.1	115.4	120.1	-2.5	37.8	-11.1	-3.9	4.1
Total Outlays	1408.7	1460.9	1515.7	1560.3	1601.2	2.0	3.7	3.8	2.9	2.6
National Defense	291.1	281.6	272.1	265.7	270.4	-2.4	-3.3	-3.4	-2.4	1.8
Social Services[b]	827.5	869.3	923.8	958.2	1002.3	7.0	5.1	6.3	3.7	4.6
Net Interest	198.8	203.0	232.2	241.1	244.0	-0.3	2.1	14.4	3.8	1.2
Other Outlays	91.3	107.0	87.6	95.3	84.5	-16.6	17.2	-18.1	8.7	-11.3
Total Surplus or Deficit	-255.1	-203.2	-163.9	-107.3	-21.9	-12.2	-20.3	-19.3	-34.5	-79.6
as % of GDP	3.9	2.9	2.3	1.4	0.3					
Gross Federal Debt										
(end of period)	4351.4	4643.7	4921.0	5181.9	5369.7	8.7	6.7	6.0	5.3	3.6
as %of GDP	66.4	67.0	67.9	68.4	66.4					

Source: ECLAC, on the basis of data from the U.S. Department of the Treasury, Office of Management and Budget, and the U.S. Department of Commerce, Bureau of Economic Analysis.

a. On and Off-Budget. Refunds of receipts are excluded from receipts and outlays.

b. Includes education, training, employment and social services; Health; Medicare; Income Security; Social Security (on and off-budget); and Veterans Benefits and Services.

Table 1-10
United States: Bond Yields and Interest Rates

	Nominal Rates; Percent Per Annum				
	1993	1994	1995	1996	1997
Short Term Rates					
Discount Rates[a]	3.0	3.4	5.2	5.0	5.0
Prime Rate[b]	6.0	7.2	8.8	8.3	8.4
3-Month Treasury Bonds[c]	3.0	4.3	5.5	5.0	5.1
Long Term Rates					
10-Year Treasury Bonds[d]	5.9	7.1	6.6	6.4	6.4
Moody's AAA-Rated Corporate Bonds[e]	7.2	8.0	7.6	7.4	7.3
New Home Mortgage Yields[f]	7.2	7.5	7.9	7.8	7.7

Source: ECLAC, on the basis of data from the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and Moody's Investors Service.
a. Federal Reserve Bank of New York. b. Charged by banks.
c. Bank discount basis. d. Yields on the more actively traded issues adjusted to constant maturities by the Treasury Department.
e. Excludes public utilities issues for January 17, 1984 through October 11, 1984, due to the lack of appropriate issues.
f. Effective rate on the primary market on conventional mortgages reflecting fees and charges as well as contract rates and assuming, on the average, repayment at end of 10 years.

Table 1-11
United States: Money Stock, Liquid Assets, and Debt Measures

	Billions of Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Monetary Base	386.6	418.2	434.2	452.5	480.6	10.1	8.2	3.8	4.2	6.2
Concepts of Money & Liquid Assets[a]										
M1	1129.9	1150.7	1128.7	1082.8	1076.0	10.2	1.8	-1.9	-4.1	-0.6
M2	3487.5	3503.0	3651.2	3826.1	4040.2	1.5	0.4	4.2	4.8	5.6
M3	4258.9	4333.6	4595.6	4935.5	5382.6	1.5	1.8	6.0	7.4	9.1
L	5173.3	5344.6	5732.7	6116.3	6645.4	1.8	3.3	7.3	6.7	8.7
Debt and Debt Components										
Debt	12514.5	13000.6	13699.8	14419.3	15153.5	5.3	3.9	5.4	5.3	5.1
Federal	3323.3	3491.9	3638.5	3780.0	3797.3	8.3	5.1	4.2	3.9	0.5
Nonfederal	9191.2	9506.7	10060.7	10639.9	11356.2	4.3	3.4	5.8	5.8	6.7

Source: ECLAC, on the basis of data from the Board of Governors of the Federal Reserve System.
a. Seasonally adjusted.

Table 1-12
United States: Net Credit Market Borrowing By Domestic Non-Financial Sectors

	Billions of Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Total	629.5	621.3	719.8	747.4	758.8	15.6	-1.3	15.9	3.8	1.5
Federal Government	256.1	155.9	144.4	145	23.2	-15.8	-39.1	-7.4	0.4	-84.0
Nonfederal	373.4	465.4	575.4	602.4	735.7	55.3	24.6	23.6	4.7	22.1
By Borrowing Sector										
Households	257.3	372.4	381.1	395.3	364.1	28.5	44.7	2.3	3.7	22.1
Nonfinancial Business	52.3	141.9	245.7	190.3	311.7	179.7	171.3	73.2	-22.5	63.8
Others[a]	62.3	-45.3	-49	1.3	59.9	195.3	-172.7	8.2	-102.7	4507.7

Source: ECLAC, on the basis of data from the Board of Governors of the Federal Reserve System.
a. State and local governments.

Table 2-1
United States: Indexes of Foreign Currency Price of the U.S. Dollar

	March 1973=100				
	1996	1997			
	IV	I	II	III	IV
Trade-weighted average against 10 currencies	88	93.7	95.7	98.6	97.4
Selected Currencies					
Canada	135.5	136.4	139.1	139.0	141.3
European Currencies:					
Belgium	80.1	86.8	89.8	94.7	92.0
France	114.6	123.9	128.0	134.7	130.3
Germany	54.4	58.9	61.0	64.2	62.4
Italy	267.9	288.3	297.6	310.1	302.8
Netherlands	59.8	64.9	67.2	70.9	68.9
Switzerland	40.0	44.6	44.9	46.3	44.5
United Kingdom	151.0	151.6	151.2	152.2	148.9
Japan	43.1	46.3	45.7	45.1	47.9

Source: ECLAC, on the basis of Survey of Current Business.

Table 2-2
United States: Merchandise Exports

	Billions of Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Total Exports	456.9	502.5	575.9	612.1	678.3	3.7	10.0	14.6	6.3	10.8
Foods, Feeds, and Beverages	40.6	41.9	50.5	55.5	51.3	0.7	3.4	20.5	9.9	-7.6
Industrial Supplies and Materials	145.6	162.1	146.4	148.0	158.1	11.3	-9.7	1.1	1.1	6.8
Capital Goods, except automotiv	181.7	205.0	233.8	253.1	294.1	12.8	14.0	8.3	8.3	16.2
Automotive Vehicles	52.4	57.8	61.8	65.0	73.4	10.3	6.9	5.2	5.2	12.9
Consumer Goods	54.7	59.9	64.4	70.1	77.4	6.4	9.5	7.5	8.9	10.4
Others	15.0	16.5	19.0	20.2	23.9	-5.7	10.0	15.2	6.3	18.3

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

Table 2-3
United States: Merchandise Imports

	Billions of Dollars					Growth Rates				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Total Imports	589.4	668.6	749.4	803.2	877.3	9.9	13.4	12.1	7.2	9.2
Foods, Feeds, and Beverages	27.9	30.9	33.2	35.7	39.7	10.8	7.4	7.4	7.5	11.2
Industrial supplies and materials	145.6	162.1	185.0	209.5	217.4	11.3	14.1	14.1	13.2	3.8
Capital Goods, except automotiv	152.4	184.4	221.4	229.0	254.2	21.0	20.1	20.1	3.4	11.0
Automotive Vehicles	102.4	118.3	123.8	128.9	140.7	15.5	4.6	4.6	4.1	9.2
Consumer Goods	134.0	146.3	159.9	171.0	192.9	9.2	9.2	9.3	6.9	12.8
Others	20.3	23.8	26.1	29.0	32.3	—	17.2	9.7	11.1	11.4

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

Table 2-4
United States: Balance of Payments

	Billions of Dollars				
	1993	1994	1995	1996	1997
Balance on Current Account	-99.9	-148.4	-129.2	-148.2	-166.4
Merchandise Trade Balance	-132.6	-166.1	-173.6	-191.2	-198.9
Exports (goods)	456.8	502.5	575.9	612.1	678.3
Imports (goods)	-589.4	-668.6	-749.4	-803.2	-877.3
Real Services (net)	20.3	21.4	25.1	28.5	29.4
Travel & Transportation	19.9	19.3	21.2	24.7	25.6
Military Transactions	0.4	2.3	3.9	3.8	3.8
Factor Income (net)	46.5	29.1	53.4	54.5	41.6
Direct Investment Income	56.3	45.1	60.0	66.8	67.7
Receipts	61.6	67.7	90.3	98.9	109.2
Payments	-5.3	-22.6	-30.3	-32.1	-41.5
Financial Investment Income	-47.2	-54.4	-53.2	-63.9	-82.0
Receipts	57.7	69.9	106.5	107.5	126.8
Payments	-104.9	-124.3	-159.7	-171.4	-208.8
Other Factor Services[a]	37.4	38.4	46.6	51.6	55.9
Unilateral Transfers[b]	-34.1	-35.8	-34.0	-40.0	-38.5
Balance on Capital Account	101.2	151.2	138.8	141.5	167.4
Direct Investment	-31.5	-4.8	-19.2	-10.9	-11.5
Outflows	-72.6	-54.5	-86.7	-87.8	-119.4
Inflows	41.1	49.7	67.5	77.0	107.9
Portfolio Investment[c]	-37.9	31.0	108.1	198.5	297.8
Outflows	-141.8	-60.3	-100.1	-108.2	-79.3
Inflows	103.9	91.2	208.2	306.7	377.1
Other Capital Movements (Net)	134.7	117.5	64.8	0.8	-21.8
Official[d]	71.8	39.1	110.2	121.7	18.3
Private	62.9	78.4	-45.3	-120.9	-40.1
Net Errors & Omissions	35.9	-14.3	-14.9	-46.9	-97.1
Global Balance	1.3	-5.4	9.6	-6.7	1.0
Counterparts:					
Variation of Official Reserve Assets [(-) means increase]	-1.4	5.4	-9.7	6.7	-1.0

Source: ECLAC, on the basis of data from the U.S. Department of Commerce.

a. Preliminary

b. Includes royalties and license fees, as well as other net payments on government and private services. c. Includes U.S. Government pensions, private remittances, and other transfers d. By private capital holders only.

Table 3-1
U.S. Merchandise Trade by Regional Trading Group

U.S. Exports
(Billions of Dollars)

Region/Country	1990	1991	1992	1993	1994	1995	1996	1997	Average annual rate of growth 1990-1997
World	393.6	421.7	448.2	465.1	512.6	584.7	625.1	688.9	8.4
NAFTA	112.0	118.5	131.2	142.0	165.3	173.5	191.0	222.8	10.4
MERCOSUR	6.7	8.8	9.6	10.6	13.7	17.0	18.6	232.0	180.0
Andean Community	6.7	8.6	11.0	10.2	10.9	12.8	12.8	15.6	13.6
CACM	2.9	3.3	4.0	4.8	5.4	6.0	6.4	7.5	14.5
CARICOM	2.7	2.7	2.6	2.9	2.8	3.4	3.6	4.1	6.3
Chile	1.7	1.8	2.5	2.6	2.8	3.6	4.1	4.4	15.1
Others	4.4	4.5	4.8	5.1	5.7	6.3	6.4	6.6	5.9

U.S. Imports
(Billions of Dollars)

Region/Country	1990	1991	1992	1993	1994	1995	1996	1997	Average annual rate of growth 1990- 1997
World	495.3	488.5	532.7	580.7	663.3	743.4	795.3	869.9	8.5
NAFTA	121.5	122.2	133.8	151.1	177.9	206.5	230.2	253.9	11.2
MERCOSUR	9.7	8.3	9.2	9.0	10.7	10.8	11.4	12.1	3.7
Andean Community	15.0	13.2	13.3	13.5	14.4	16.8	21.1	22.2	6.3
CACM	2.5	3.0	3.7	4.3	4.8	5.9	6.8	8.4	18.7
CARICOM	2.3	2.1	2.3	2.1	2.3	2.4	2.6	2.4	0.9
Chile	1.3	1.3	1.4	1.5	1.8	1.9	2.3	2.3	8.6
Others	2.9	3.4	3.7	4.1	4.5	4.6	5.4	6.3	11.9