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# U.S. Trade in 2000

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## I. 2000 Overview

The United States is the largest trading nation in the world. It is the largest goods trading country in the world (both exporting and importing) as well as the largest services trading country in the world. Trade (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)<sup>1</sup> has increased 25-fold since 1970 and nearly 120 percent since 1990. In 2000<sup>2</sup>, the value of U.S. trade reached a record \$3.4 trillion. U.S. trade increased by 11.6 percent in 1997, but growth dipped to just 3.1 percent in 1998 under the impact of global financial and economic difficulties. The rate of trade growth then partially recovered to 7.5 percent in 1999, though mostly due to the rapid expansion in U.S. imports. In 2000, trade increased by a strong 18 percent reflecting both strong export and import expansion.

Exports of goods and services, and earnings on investment doubled between 1990 and 2000. Exports increased by 15 percent in 2000, rebounding from low growth in the preceding two years (0.3 percent in 1998 and 3.6 percent in 1999). In 2000 exports expanded at their

fastest rate since 1995. Improved export growth in 2000 was due to the continued recovery of countries affected by financial crises and the improved growth in other trading partners.

Imports of goods and services, and payments on investment expanded by 138 percent between 1990 and 2000. Imports increased by 20 percent in 2000, their highest growth rate since 1984. The stronger growth of U.S. imports than of U.S. exports expanded the overall U.S. trade deficit in 2000. Strong U.S. growth in the 2000's first half, substantial recent gains in household wealth and income, and strong investment demand contributed to the sizable increase in U.S. imports.

Even with the temporary slowdown, U.S. trade expansion was more rapid in the 1970-2000 period than the growth of the overall U.S. economy, in both nominal and real terms. In nominal terms, trade has grown at an annual average rate of 11.4 percent per year since 1970, compared to U.S. gross domestic product (GDP) whose growth was 7.8 percent. In real terms, the growth in trade was more than double the pace of GDP growth, 7.0 percent versus 3.2 percent. The value of trade in goods and services, including earnings and payments on investment, reached a record 33.7 percent of the value of U.S. GDP in 2000 (*figure 1*). This represented an increase from the corresponding figures for 1999 (31 percent), 1990 (26 percent) and 1970 (13 percent). For goods and services, excluding investment earnings and payments, U.S. trade reached 26.0 percent of the valuation of GDP 2000, up from 24 percent in 1999, 20 percent in 1990 and 11 percent in 1970.

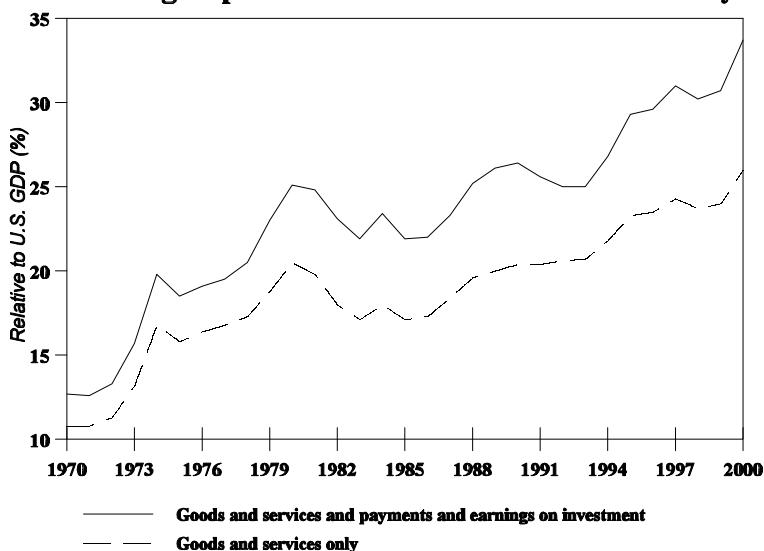
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<sup>1</sup> Earnings on foreign investment are considered trade because they are conceptually the payment made to foreign residents for the service rendered by the use of foreign capital. The rest of this chapter, however deals with goods and services trade, excluding foreign investment earnings . All trade values are nominal unless otherwise indicated.

<sup>2</sup> In this Chapter, 2000 is estimated based on partial year data (January-November).

**Figure 1:**

**Growing Importance of Trade in the U.S. Economy**



**Total exports + imports as a percentage of the value of U.S. GDP**

Source: U.S. Department of Commerce.

U.S. exports of goods and services (excluding investment earnings) in 2000 increased by 12 percent to \$1.1 trillion, more than five times the growth rate in 1999 (2.5 percent). U.S. exports of goods and services have doubled in value since 1990. Reflecting continued strong U.S. economic growth, imports of goods and services grew 18 percent in 2000 to over \$1.4 trillion, significantly above the 11 percent growth rate in 1999 and the 6 percent growth rate in 1998. U.S. imports of goods and services have increased 135 percent since 1990.

With U.S. import growth overall outpacing that of exports, the total deficit on goods and services trade rose from \$265 billion in 1999 (2.8 percent of GDP) to \$371 billion in 2000 (3.7 percent of GDP). The U.S. deficit in goods

trade alone increased from \$346 billion in 1999 (3.7 percent of GDP) to \$451 billion in 2000 (4.5 percent of GDP). The increase in the goods deficit was somewhat offset by the surplus on trade in services. The services trade surplus decreased slightly from \$80.6 billion in 1999 to \$80.1 billion in 2000. The rise in the trade deficit in recent years has largely reflected the strength of the U.S. economy – in both consumer demand and investment expansion – and financial and economic difficulties experienced by a number of trade partners. In the period 1994-1997, prior to the Asian financial crisis, the U.S. goods and services deficit was roughly stable as a share of GDP (at 1.3 percent to 1.4 percent).

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## II. Goods Trade

### A. Export Growth

The goods exports of the United States increased 14 percent in 2000, as compared to the 2 percent increase of the preceding year. Growth was lead by industrial supplies (up 18 percent), capital goods except autos (up 15 percent) and consumer goods (up 11 percent; *table 1 and figure 2*). Further, recoveries abroad from the Asian financial crisis and improved growth in other U.S. trading partners helped reverse the declining trend in the exports of foods, feeds, and beverages.

Since 1990, exports of capital goods have risen 135 percent, and accounted for 46 percent of total goods exports in 2000. Exports of advanced technology products increased by 14 percent in 2000, and by 276 percent since 1990. Exports of manufactured products overall, of which capital goods and high technology products are subcomponents, rose 13 percent in 2000 and have increased 121 percent since 1990. Exports of agricultural products increased 32 percent since 1990, including an increase of 8 percent in 2000, reflecting the recovery of the Asian financial crisis and greater growth in our other trading partners.

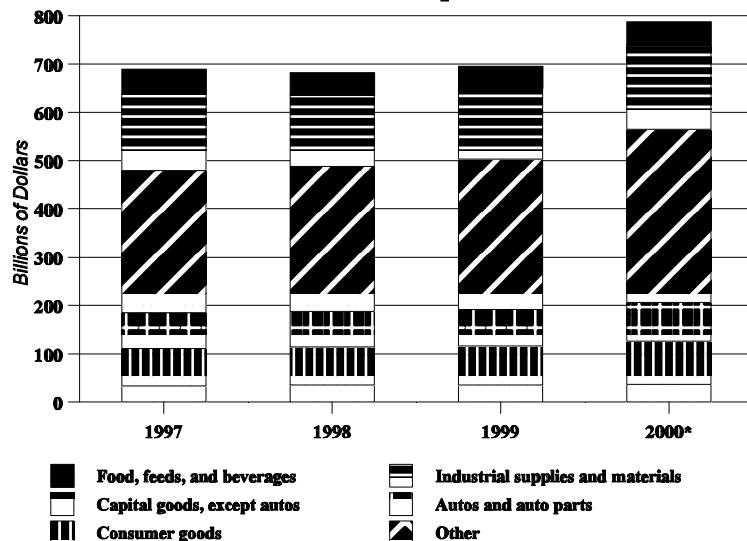
**Table 1:**  
**U.S. Goods Exports**

Exports:	1997	1998	1999	2000*	99-00*	90-00*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	679.7	670.3	684.4	778.0	13.7	99.8
<b>Food, feeds, and beverages</b>	51.5	46.4	45.5	48.1	5.6	37.0
<b>Industrial supplies and materials</b>	158.2	148.3	147.0	173.9	18.3	66.6
<b>Capital goods, except autos</b>	294.5	299.6	311.4	358.7	15.2	134.9
<b>Autos and auto parts</b>	74.0	73.2	75.8	80.4	6.2	115.1
<b>Consumer goods</b>	77.4	79.3	80.8	89.5	10.9	106.8
<b>Other</b>	33.6	35.3	35.3	36.4	3.0	75.8
<b>Addendum: Agriculture</b>	57.1	51.7	48.4	52.3	8.0	31.7
<b>Addendum: Manufacturing</b>	592.5	606.6	614.5	694.8	13.1	120.6
<b>Addendum: High technology</b>	179.5	186.4	200.3	229.3	14.5	275.6

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Balance of Payments Basis for Total, Census Basis for Sectors.

**Figure 2:**  
**U.S. Goods Exports**



\* Annualized based on January-November 2000 data

Source: U.S. Department of Commerce, Census Basis.

In 2000, goods exports increased to all major regions (*table 2*). Further signaling a recovery from the effects of Asia's financial crisis, U.S. goods exports to the Pacific Rim (excluding Japan and China) increased by 20 percent in 2000. This completes the reversal of the very sharp U.S. export decline of 17 percent in 1998 – bringing exports to this region above pre-Asian financial crisis levels. The export growth has, in fact, been mostly due to the economic recoveries in a number of the countries affected by the Asian crisis. For example, real GDP in 2000 is estimated to increase by 8.9 percent for South Korea, 4.1 percent for the Philippines, 9.4 percent for Singapore and 6.5 percent for Taiwan. The goods exports of the United States

to these same countries increased sharply: by 25 percent to South Korea, 21 percent to the Philippines, 10 percent to Singapore, and 31 percent to Taiwan. U.S. exports to the Pacific Rim (excluding Japan and China) are up 111 percent since 1990, despite the significant export decline to this region in 1998.

Exports to our NAFTA partners increased by 16 percent in 2000 and are up 107 percent since 1994, when NAFTA entered into force. Over 37 percent of U.S. goods exports to the world went to NAFTA countries in 2000, up from nearly 31 percent in 1993, the year before NAFTA's implementation began.

**Table 2:**  
**U.S. Goods Exports to Selected Countries/Region**

Exports to:	1997	1998	1999	2000*	99-00*	90-00*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	151.8	156.6	166.6	180.4	8.3	115.5
<b>European Union</b>	140.8	149.0	151.8	164.0	8.0	58.5
<b>Japan</b>	65.7	57.8	57.5	65.0	13.1	33.7
<b>Mexico</b>	71.4	78.8	86.9	113.9	31.1	302.5
<b>China</b>	12.8	14.2	13.1	16.0	22.0	233.3
<b>Pacific Rim, except Japan and China</b>	115.3	95.3	103.2	123.4	19.5	111.3
<b>Latin America, except Mexico</b>	63.0	63.4	55.2	59.1	7.2	130.4
<b>Addendum: High Income Countries</b>	389.7	394.4	406.3	443.9	9.3	72.9
<b>Addendum: Low to Middle Income Countries</b>	299.1	287.3	289.1	344.4	19.1	152.7

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Census Basis.

Continued growth of the Canadian economy in 2000 (GDP up an estimated 4.7 percent) resulted in a 8 percent increase in U.S. goods exports to Canada (the United States' largest trading partner). Since 1990, exports to Canada have increased 116 percent. Some 23 percent of all U.S. goods exports last year went to our northern neighbor. U.S. exports to Mexico (our second largest country export market), increased by 31 percent (\$27 billion), reaching nearly \$114 billion in 2000. Exports to Mexico have increased over 300 percent since 1990.

Export sales to Japan, after decreasing 0.5 percent in 1999, increased 13 percent in 2000 (to \$65 billion). This reversal was due largely to some improvement in the still weak Japanese economy, with GDP estimated to be up 1.7 percent in 2000 as compared to an increase of less than 1 percent in 1999 and a decline of 2.5 percent in 1998.

Since 1990, exports to Japan have risen by only 34 percent. This increase has accounted for just

4 percent of the growth of U.S. goods exports to the world. Since the start of 1990, however, Japan has experienced a decline in GDP in 15 out of 43 quarters. Real industrial production for Japan has increased by only 3 percent in Japan since 1990, while growing by roughly 50 percent in the United States.

Goods exports from the United States to China increased 22 percent in 2000, significantly reversing the 8 percent export decline in 1999. This acceleration in export growth largely resulted from increases in two major sectors: machinery (computers and other office machines) and electrical machinery (integrated circuits, semiconductors, and telephone and parts). Exports to China in these categories increased by 34 percent and 35 percent, respectively, in 2000. Despite the export decline in 1999, U.S. exports to China have increased by 233 percent since 1990. Exports to China are dominated by higher-valued capital goods and industrial supplies, which account for some 83 percent of U.S. exports to China.

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Goods exports to Latin America (excluding Mexico) increased by 7 percent in 2000, reversing the 13 percent decline in 1999. U.S. exports have increased 130 percent to Latin America since 1990, despite the downturn in 1999.

## B. Import Growth

With the continued U.S. economic expansion and foreign preferences for investment in the United States, U.S. goods imports climbed in 2000, up 19 percent from the previous year. Over the last decade, goods imports have risen 147 percent as the economy moved out of the recession of the early 1990s into a period of sustained expansion, albeit with a sharp slowdown in 2000's second half (*table 3 and figure 3*).

Import growth appears to be driven importantly by demands created by U.S. income and economic expansion (from 1990 to 2000, U.S. real GDP rose about 39 percent, or at an average annual rate of 3.3 percent). Growth has been especially strong in the past three years. In the first half of 2000, real GDP surged, growing at annualized rates of 4.8 percent in the first quarter and 5.6 percent in the second quarter.

As a result, the rate of unemployment fell to 3.9 percent in October 2000, its lowest level in thirty years. However, in the third quarter, real GDP growth at annualized rates slowed to 2.2 percent, and in the fourth quarter, it further fell to 1.4 percent.

Imports of capital goods led the way, rising 203 percent since 1990 and 19 percent in 2000 alone. The share of capital goods in total imports has risen from 23.5 percent in 1990 to nearly 29 percent in 2000. Capital goods account for 32 percent of total U.S. goods import growth between 1990 and 2000.

Imports of industrial supplies and materials rose 109 percent since 1990 and 35 percent in 1999 alone due to the rising price of petroleum. U.S. imports of industrial goods accounted for 24 percent of all goods imports in 2000. Together capital goods and industrial supplies and materials account for nearly 54 percent of total goods import growth between 1990 and 2000.

In 2000, the price of petroleum imports increased 74 percent over the preceding year. Petroleum accounted for 27 percent of the increase in 2000 imports.

**Table 3:**  
**U.S. Goods Imports**

<b>Imports:</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000*</b>	<b>99-00*</b>	<b>90-00*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP Basis)</b>	876.4	917.2	1029.9	1229.5	19.4	146.7
<b>Food, feeds, and beverages</b>	39.7	41.2	43.6	46.2	5.9	73.6
<b>Industrial supplies and materials</b>	213.8	200.1	222.0	299.8	35.0	109.4
<b>Capital goods, except autos</b>	253.3	269.6	297.0	353.0	18.8	203.3
<b>Autos and auto parts</b>	139.8	149.1	179.4	199.1	11.0	128.1
<b>Consumer goods</b>	193.8	216.5	239.5	276.5	15.5	161.6
<b>Other</b>	29.3	35.4	43.1	48.7	13.2	202.7
<b>Addendum: Agriculture</b>	36.0	36.7	36.7	38.0	3.7	69.4
<b>Addendum: Manufacturing</b>	728.9	790.8	882.0	1023.2	16.0	162.6
<b>Addendum: High technology</b>	147.3	156.8	181.2	223.7	23.5	1416.7

\* Annualized based on January-November 2000 data.

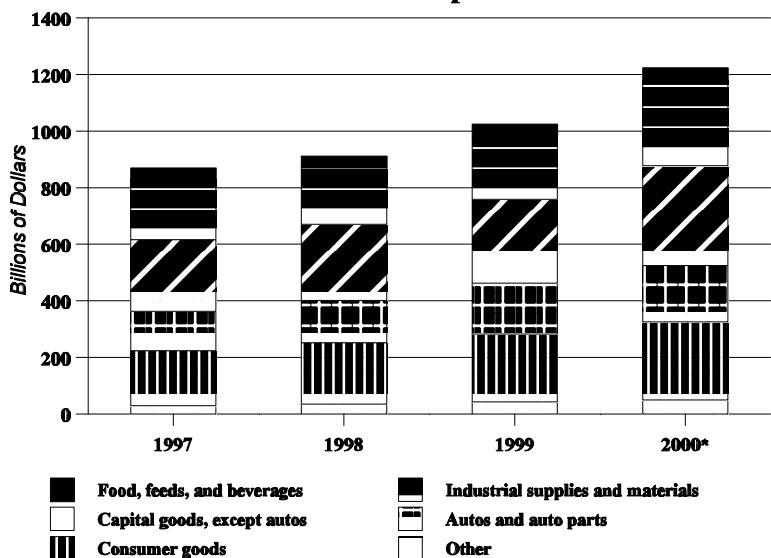
Source: U.S. Department of Commerce, Balance of Payments Basis for Total, Census Basis for Sectors.

Imports of consumer goods increased 16 percent in 2000, as compared to the 11 percent increase in 1999. Consumer goods accounted for nearly 23 percent of total goods imports in 2000. Continuing a trend of steady growth, in part arising from the integration of the North American automobile industry, purchases of foreign autos and auto parts grew 11 percent in 2000. Since 1990, imports of consumer goods and automotive products have risen by 162 percent and 128 percent, respectively. The share of these two categories in total imports was 39 percent in 2000, somewhat down from 41 percent in 1999.

Purchases of foods, feeds, and beverages rose 6 percent in 2000. This sector's share of imports has fallen from 5 percent of goods imports in 1990 to 4 percent in 2000.

Imports of high technology products increased 24 percent in 2000, and are up more than 1,400 percent since 1990. Imports of manufactured products, of which capital goods and high technology products are subcomponents, rose 16 percent in 2000, and are up 163 percent since 1990.

**Figure 3:**  
**U.S. Goods Imports**



\* Annualized based on January-November 2000 data.

**Source:** U.S. Department of Commerce, Census Basis.

U.S. imports from low and middle income countries increased more rapidly in 2000 than imports from high income countries, 26 percent versus 15 percent (*table 4*). Imports from Mexico increased 25 percent in 2000 and have more than tripled in the last decade, reaching nearly \$138 billion in 2000. The strength of import growth from Mexico during 1995-2000 is related to the strong growth of the U.S. economy, and the increasing co-production between the two countries.

China continued to be among the fastest growing suppliers of U.S. goods imports. Purchases from China increased by 23 percent in 2000 and have increased more than six-fold since 1990. Still, U.S. imports from China accounted for only 8 percent of total U.S. goods imports in 2000. The increase in imports from China appears to be associated, in part, with the shifting of production processes dependent on lower skilled workers from elsewhere in Asia. U.S. imports from China are primarily low

value-added consumer goods, such as toys, footwear, apparel, and some areas of consumer electronics. Consumer goods now make up nearly 65 percent of U.S. imports from China.

As China's share of such U.S. imports has risen, those of other Asian countries have fallen, reflecting displacement by China of goods from other suppliers. For example, China's share of U.S. imports of footwear has increased from 9 percent to 62 percent between 1989 and 2000, while the share from four Asian countries (Hong Kong, Taiwan, South Korea, and Japan) fell from a collective 51 percent to 2 percent. Similarly, for U.S. imports of toys and sporting goods, China's share increased from 22 percent to 65 percent, while the share for the four Asian countries declined from a collective 58 percent to 18 percent. For U.S. imports of radio broadcast receivers, China's share increased from 11 percent to 34 percent, while the share for the four Asian countries declined from a collective 49 percent to 13 percent. For 35 mm

cameras, China's share increased from 4 percent to 51 percent, while the share for the four Asian countries declined from a collective 84 percent to 10 percent.

Imports from Latin America (excluding Mexico) have risen 120 percent since 1990, with an increase of 27 percent in 2000 due to the strong U.S. economic growth, the dollar's strength and the significant increase in the price of petroleum.

Imports from the Pacific Rim (excluding Japan and China) have risen 56 percent since 1990, including a 20 percent increase in 2000. This region represented 10 percent of total U.S.

imports in 2000.

Imports from Canada were up 16 percent in 2000 (more than 150 percent since 1990) and represented 19 percent of U.S. goods imports in 2000. Imports from the European Union rose 13 percent in 2000 (up 123 percent in the last 10 years) and represented 18 percent of U.S. goods imports in 2000.

Imports from Japan increased 13 percent in 2000, and have increased 66 percent since 1990, reflecting a slowdown in import growth from Japan since the 1980s. Purchases from Japan in 2000 represented 12 percent of total U.S. imports, as compared to 18 percent during 1990.

**Table 4:**  
**U.S. Goods Imports from Selected Countries/Regions**

<b>Imports from:</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000*</b>	<b>99-00*</b>	<b>90-00*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	167.2	173.3	198.7	229.9	15.7	151.6
<b>European Union</b>	157.5	176.4	195.2	221.4	13.4	122.7
<b>Japan</b>	121.7	131.8	130.9	148.4	13.4	65.5
<b>Mexico</b>	85.9	94.6	109.7	137.6	25.4	356.3
<b>China</b>	62.6	71.2	81.8	100.6	23.1	560.2
<b>Pacific Rim, except Japan and China</b>	115.3	95.3	103.2	123.4	19.5	56.1
<b>Latin America, except Mexico</b>	53.7	50.3	58.5	74.3	27.0	120.4
<b>Addendum: High Income Countries</b>	470.5	497.2	552.8	633.4	14.6	113.0
<b>Addendum: Low to Middle Income Countries</b>	399.2	414.7	471.9	593.3	25.7	199.8

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Census Basis.

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### **III. Services Trade**

The American service sector includes a vast array of industries: from finance and telecommunications to distribution, health, education, environmental, travel and tourism, construction, law, engineering, architecture and more. These industries provide 86 million private-sector jobs and over \$6.0 trillion worth of production – more than 62 percent of America's private-sector economic production, and more than one dollar in seven of world production.

American service industries are highly successful exporters. In fact, the United States is by far the world's leading exporter of commercial services, with \$281 billion worth of private-sector services exports in 2000 (the U.S. government also exported approximately \$14 billion in services). Private sector services imports of the United States in 2000 were valued at \$199 billion.

Altogether, the two-way services trade of the United States makes up roughly 20 percent of the total \$1.4 trillion in world services trade. The pattern of U.S. trade in these industries is somewhat different from our trade in goods. In particular, the European Union and Japan take 42 percent (\$115 billion) of our private sector services exports, as opposed to 28 percent of our goods exports.

#### **A. Export Growth**

Exports of services continued to grow, increasing more than twice as fast in 2000 as in 1999. U.S. services exports reached \$295 billion in 2000, up 8.5 percent compared to the 3.5 percent increase in 1999 (*table 5 and figure 4*). Services exports have nearly doubled in the last 10 years.

U.S. exports of services to the world were led by two of the six major services export categories: the other private services category (including business and professional services, education, and financial services) and the travel category. These two categories accounted for 65 percent of the total services exports in 2000. Travel services were the area of largest export growth in 2000 (up 13 percent) and the third largest since 1990 (up 97 percent). Other private services were the second largest export growth category in 2000 (up 10 percent) and the largest since 1990 (up 163 percent). Other transportation services exports were the third largest export category in 2000 (up 11 percent), but ranked 5<sup>th</sup> in export growth since 1990 (up only 36 percent).<sup>3</sup> U.S. foreign earnings of royalties and licensing fees were the second largest services export growth category since 1990 (up 120 percent). Of the \$147 billion increase in U.S. services exports between 1990 and 2000, nearly half (45 percent) was in the other private services (up \$66 billion) and over one-quarter (28 percent) of the export growth was in travel services (up \$42 billion).

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<sup>3</sup> Other transportation services are charges for the transportation of goods by ocean, air, waterway, pipeline, and rail carriers to and from the United States.

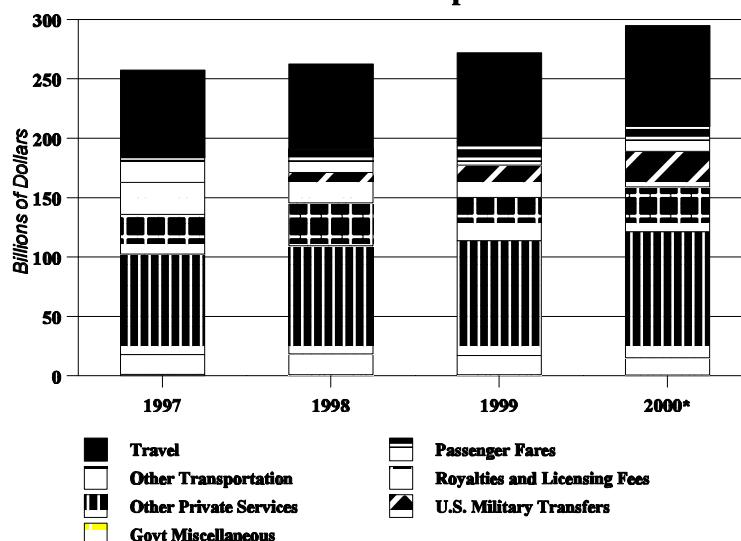
**Table 5:**  
**U.S. Services Exports**

Exports:	1997	1998	1999	2000*	99-00*	90-00*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	257.2	262.7	271.9	295.0	8.5	99.5
<b>Travel</b>	73.4	71.3	74.9	84.8	13.3	97.2
<b>Passenger Fares</b>	20.9	20.1	19.8	21.3	7.9	39.5
<b>Other Transportation</b>	27.0	25.6	27.0	29.9	10.7	36.0
<b>Royalties and Licensing Fees</b>	33.6	36.2	36.5	37.7	3.3	120.3
<b>Other Private Services</b>	84.5	90.9	96.5	106.0	9.8	163.0
<b>Transfers under U.S. Military Sales Contracts</b>	16.8	17.6	16.3	14.5	-11.5	49.1
<b>U.S. Government Miscellaneous Services</b>	1.0	0.9	0.9	0.8	-4.2	21.1

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Balance of Payments Basis.

**Figure 4:**  
**U.S. Services Exports**



\* Annualized based on January-November 2000 data

Source: U.S. Department of Commerce, Balance of Payments Basis.

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Detailed sectoral breakdowns for exports of the other private services category are available only through 1999. In 1999, other private services exports totaled \$96.5 billion. Of this, U.S. exports to business related parties (to a foreign parent or affiliate) accounted for \$28.9 billion, or 30 percent of total other private service exports. For the remaining exports of other private services to unaffiliated parties, the values of export in 1999 are as follows: business, professional and technical services, \$24.4 billion; financial services, \$13.9 billion; education, \$9.6 billion; insurance premiums, \$8.3 billion; and telecommunications, \$4.5 billion. The largest exporting categories within the business, professional and technical services category are construction, engineering, architectural, and mining services (\$4.1 billion) and installation, maintenance and repair of equipment services (\$3.5 billion).

Japan was the largest purchaser of U.S. private services exports in 1999 (latest data available), accounting for 12 percent of total U.S. private services exports. The top 5 purchasers of U.S. services exports in 1999 were: Japan (\$30.5 billion), the United Kingdom (\$27.2 billion), Canada (\$21.1 billion), Germany (\$15.3 billion), and Mexico (\$12.5 billion). Regionally, the United States exported \$69.5 billion to the Asia/Pacific Region (\$39.0 billion excluding Japan), \$84.7 billion to the EU, \$33.7 billion to NAFTA countries, and \$26.2 billion to Latin America (excluding Mexico).

## B. Import Growth

Services imports by the United States were up 12 percent in 2000 to nearly \$215 billion (*table 6, figure 5*). Although import growth surpassed export growth in 2000 (12.3 percent vs. 8.5 percent), import growth has been less than export growth during the last 10 years (up 79.1 percent vs 99.5 percent). Services imports from the world were led by two of the six major services import categories: the travel category

and other private services category (led by telecommunications and by the business, professional, and technical services subcategories). These two categories accounted for nearly 55 percent of total services imports in 2000.

Nearly all of the major services import categories exhibited strong growth in 2000, mostly ranging between 10 percent and 20 percent. Payment of royalties and licensing fees was the largest services import growth category in 2000 (up 20 percent) as well as the largest services import growth category in the last 10 years (up nearly 400 percent). Passenger fares and Other Private Services were the next two largest import growth categories between 1990 and 2000, up 130 percent and 113 percent, respectively. Of the \$94.9 billion increase in U.S. services imports between 1990 and 2000, the travel services category accounted for 30 percent (\$28 billion) of the increase and the other private services category accounted for 29 percent (\$28 billion) of the increase.

As with exports, detailed sectoral breakdowns for imports of other private services are available only through 1999. In 1999, other private services imports totaled \$46.7 billion. Of this, U.S. imports from business related parties (from a foreign parent or affiliate) accounted for \$22.4 billion or 48 percent of total other private service imports. For the remaining imports of other private services from unaffiliated parties, the values of import in 1999 are as follows: insurance premiums, \$21.2 billion; business professional and technical services \$7.4 billion; telecommunications, \$6.8 billion; financial services, \$3.6 billion; and education, \$1.8 billion. The largest importing categories within the business, professional and technical services category are management, consulting and public relations services (\$867 million) and legal services (\$844 million).

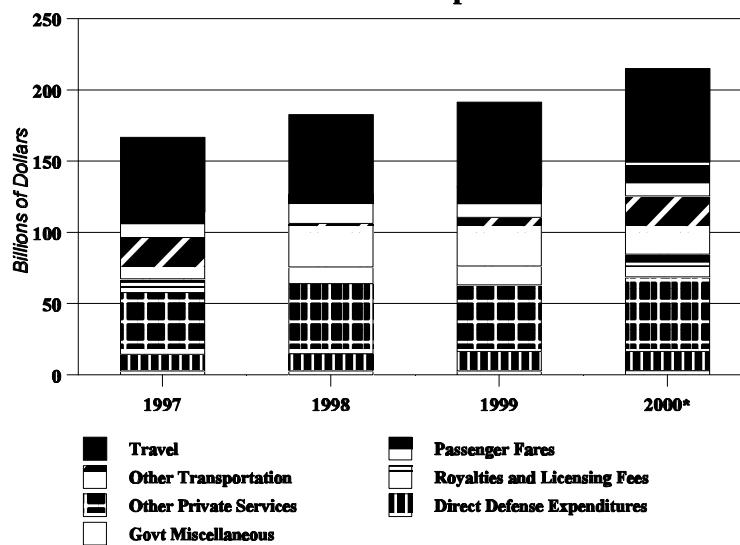
**Table 6:**  
**U.S. Services Imports**

<b>Imports:</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000*</b>	<b>99-00*</b>	<b>90-00*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	166.5	182.7	191.3	214.9	12.3	79.1
<b>Travel</b>	52.1	56.5	59.4	65.3	10.0	75.1
<b>Passenger Fares</b>	18.1	20.0	21.4	24.1	12.8	130.0
<b>Other Transportation</b>	29.0	30.4	34.1	40.8	19.5	63.2
<b>Royalties and Licensing Fees</b>	9.6	11.7	13.3	15.9	19.8	396.8
<b>Other Private Services</b>	43.3	49.1	46.7	52.3	12.1	112.6
<b>Transfers under U.S. Military Sales Contracts</b>	11.7	12.2	13.7	13.6	-0.5	-22.4
<b>U.S. Government Miscellaneous Services</b>	2.8	2.8	2.8	2.9	1.2	50.3

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Balance of Payments Basis.

**Figure 5:**  
**U.S. Services Imports**



\*Annualized based on January-November 2000 data

Source: U.S. Department of Commerce, Balance of Payments Basis.

The United Kingdom remained the largest supplier of private services to the United States, providing \$23.8 billion in services in 1999 (latest data available). This accounted for 13.6 percent of total U.S. imports of private services in 1999. The United States imported \$15.7 billion from Japan, our second largest supplier, and \$15.2 billion from Canada, our third largest supplier. Germany and Mexico were our fourth and fifth largest import suppliers, exporting \$10.2 billion and \$9.8 billion worth of services to the United States, respectively, in 1999. Regionally, the United States imported \$62.5 billion of services from the EU-15, \$46.5 billion from the Asia/Pacific region (\$30.8 billion excluding Japan), \$25.0 billion from NAFTA, and \$10.3 billion from Latin America (excluding Mexico).

#### **IV. The U.S. Trade Deficit**

The U.S. goods and services deficit increased significantly from 1999 to 2000, by \$106 billion to a level of \$371 billion (*table 7*). The U.S. goods trade deficit alone increased by 106 billion to \$451 billion in 2000. The services trade surplus slightly decreased by \$0.5 billion to \$80.1 billion in 2000.

The rise in the trade deficit was associated with several factors. The U.S. economy expanded extremely rapidly in 2000's first half with GDP growing at a 5.0 percent annualized rate, though moderating in the year's third quarter to an annualized GDP growth rate of 2.2 percent and in the fourth quarter to 1.4 percent. In addition to strong U.S. demand for imports in 2000, rising prices for petroleum imports also added substantially to the U.S. import bill. In quantity terms, U.S. imports of energy related petroleum products increased 4 percent in 2000, but price per barrel for crude increased by 74 percent (both figures comparing the first 11 months of 2000 to the same period of 1999). As a result, the value of U.S. petroleum imports rose from \$68 billion in 1999 to \$122 billion in 2000, or a one year increase of \$54 billion.

On the export side for goods and services, the strong recovery of growth in 2000 (up 12 percent from 1999) still left the export expansion rate considerably lower than that for U.S. imports (up 18 percent from 1999). The export expansion in 2000 came after two years of little growth (down 0.4 percent in 1998 and up 2.5 percent in 1999). The weak performance of exports in 1998 and 1999 reflected the Asian financial crisis and other sources of weakness in growth and demand in many of the foreign markets to which the United States exports. Recovery of these markets from the recent financial crisis and generally better growth performance abroad gave a considerable boost to U.S. exports. Still, the stronger growth for imports from an initial higher value in 1999 meant that U.S. imports rose by \$223 billion in 2000 while U.S. exports rose by \$117 billion.

Another factor contributing to the recent increases in the U.S. trade deficit has been the desire of foreign residents to participate in the U.S. market through investment. The U.S. market acted as a safe haven in the face of foreign financial disruptions in recent years. In addition, the rapid adoption of new technologies, the renovation and global advance of U.S. productive capacity and the possible increase in U.S. growth potential have all served to encourage institutions and individuals from around the globe to invest in the United States. While such net capital inflows, or surpluses, have permitted gross investment in the United States to substantially exceed the level of domestic saving, they have also been associated with corresponding deficits in the U.S. current account which is dominated by trade in goods and services.

Another way of looking at the trade deficit is to normalize it relative to the growing size of the U.S. economy. As a share of U.S. GDP, the goods and services trade deficit has risen substantially in just the past few years. The deficit was 0.5 percent of GDP in 1991 – during the most recent recession – and rose to just 1.3 percent of GDP by 1997, an increase of 0.8

percentage points. As growth and investment in the United States accelerated and U.S. foreign export markets experienced slow growth or worse, the goods and service deficit as a percentage of GDP jumped by 0.6 points in 1998, 0.9 points in 1999 and 0.9 points again in 2000, reaching a level of 3.7 percent of GDP.

For goods alone, the trade deficit was 4.5 percent of GDP in 2000, up 2.1 percentage points from three years earlier. For services alone the U.S. trade surplus was 0.8 percent of GDP in 2000, down 0.3 percentage points from three years earlier (*table 8*).

**Table 7**  
**U.S. Trade Balances with the World**

<b>Balance:</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000*</b>
	<i>Billions of Dollars</i>			
<b>Goods and Services (BOP)</b>	-105.9	-166.9	-265.0	-371.3
<b>Goods (BOP Basis)</b>	-196.7	-246.9	-345.6	-451.5
<b>Services (BOP Basis)</b>	90.7	80.0	80.6	80.1

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce, Balance of Payments Basis for World.

**Table 8**  
**U.S. Trade Balances as a share of GDP**

<b>Share of GDP:</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000*</b>
	<i>Percent</i>			
<b>Goods and Services (BOP Basis)</b>	-1.3	-1.9	-2.8	-3.7
<b>Goods (BOP Basis)</b>	-2.4	-2.8	-3.7	-4.5
<b>Services (BOP Basis)</b>	1.1	0.9	0.9	0.8

\* Annualized based on January-November 2000 data.

Source: U.S. Department of Commerce.

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Economists generally believe that aggregate trade deficits, *per se*, are neither good nor bad. The reasons for the trade deficit are more relevant. While sharply rising oil prices and poor growth conditions abroad are regrettable aspects of the trade deficit increase in recent years, other aspects of the deficit increase such as the strong growth of, and investment in, the U.S. economy, are positive developments.

The fact, however, that the trade deficit has reached a high level relative to the U.S. economy – nearly 4 percent of GDP – has raised concerns in some quarters regarding its sustainability. A recent report by the U.S. Trade Deficit Review Commission, available on line at [www.ustdrc.gov](http://www.ustdrc.gov), discusses the issue of the U.S. trade deficit extensively.