

# U.S. Trade in 2002

## I. 2002 Overview

U.S. trade (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)<sup>1</sup> declined by 4 percent in 2002 to a value of approximately \$2.9 trillion.<sup>2</sup> This was the second consecutive annual decline in trade (down 8.5 percent in 2001). Prior to 2001, 1982 marked the last year where trade declined (down 3 percent). The decline in trade in 2002 largely reflected the slower growth of the U.S. economy and a slowdown in a number of trade partners' economies. U.S. trade of goods and services and U.S. trade of goods alone exhibited similar declines, down 1 percent and 3 percent respectively. U.S. trade in services, however, increased, up 5 percent in the past year. Exports of goods and services, and earnings on investment declined by 7 percent, and imports of goods and services, and payments on investment declined by 1 percent in 2002.

Despite the trade decline in 2002, the United States remained the largest trading nation in the world for both exports and imports of goods and services. The United States accounts for roughly 20 percent of world goods trade and for roughly 16 percent of world services trade.<sup>3</sup> The value of trade has increased 22-fold since 1970, and 54 percent since 1994, the year before the start of the Uruguay Round implementation (*figure 1*).<sup>4</sup> U.S. trade expansion was more rapid in the 1970-2002 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 10.1 percent per year since 1970, compared to U.S. gross domestic product (GDP) whose average annual growth over the same period was 7.4 percent. In real terms, the average annual growth in trade was double the pace of GDP growth, 6.2 percent versus 3.1 percent.

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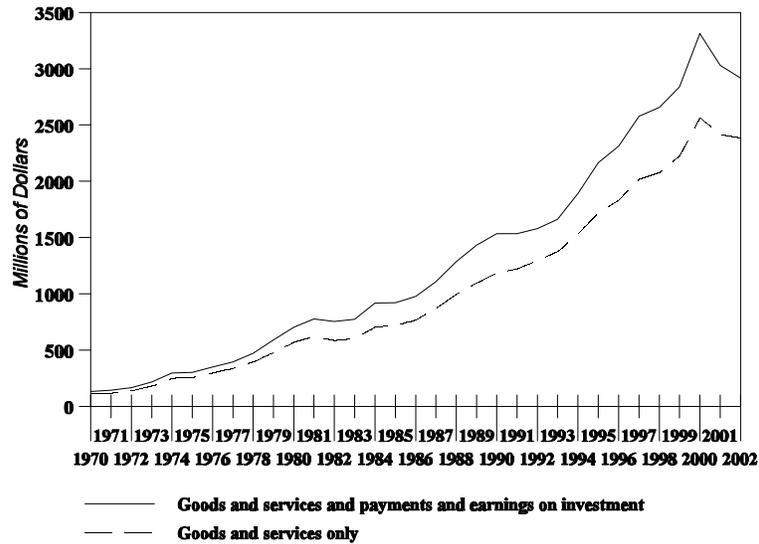
<sup>1</sup> Earnings on foreign investment are considered trade because they are conceptually the payment made to foreign residents for the service rendered by the use of foreign capital. Beyond the overview section, however, this chapter deals with goods and services trade, excluding foreign investment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

<sup>2</sup> In this Chapter, 2002 is estimated based on partial year data (January-November).

<sup>3</sup> Goods trade excluding intra-EU trade.

<sup>4</sup> Trade in goods and services alone has increased 21-fold since 1970 and 55 percent since 1994.

**Figure 1:  
U.S. Trade Growth**



**Total exports + imports**

**Source: U.S. Department of Commerce.**

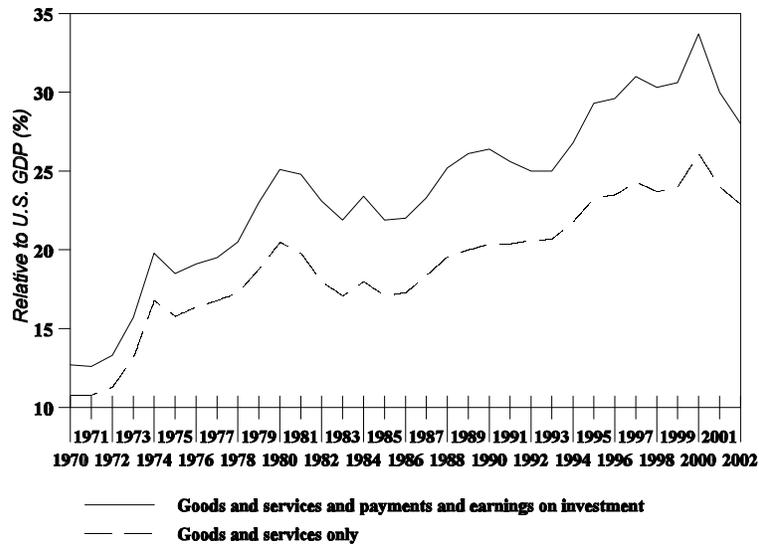
The value of trade in goods and services, including earnings and payments on investment, was 28 percent of the value of U.S. GDP in 2002 (*figure 2*). This represented a decline from the corresponding figure in 2001 (30 percent) and from its high point in 2000 (34 percent) but was still above the ratio in 1994 (27 percent), and 1970 (13 percent). For goods and services, excluding investment earnings and payments, U.S. trade represented 22.9 percent of the value of GDP in 2002, down from 24 percent in 2001 and from its high of 26 percent in 2000, but still up from 22 percent in 1994, and 11 percent in 1970.

This growth in trade has occurred in both U.S. exports and imports. U.S. exports of goods and services (including investment earnings) in 2002 are 18-fold greater than 1970 and 38 percent greater than 1994. U.S. imports of goods and services are 27-fold greater than 1970 and 70 percent greater than 1994.

With the value of U.S. exports declining more than imports, the total deficit on goods and services trade (excluding earnings and payments on foreign investment) increased by approximately \$65 billion from \$358 billion in 2001 (3.6 percent of GDP) to \$423 billion in 2002 (4.1 percent of GDP). The U.S. deficit in goods trade alone increased by \$43 billion from \$427 billion in 2001 (4.2 percent of GDP) to \$470 billion in 2002 (4.5% of GDP). The services trade surplus declined from \$69 billion in 2001 (0.7 percent of GDP) to \$47 billion in 2002 (0.5 percent of GDP).

**Figure 2:**

**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.**

## II. Goods Trade

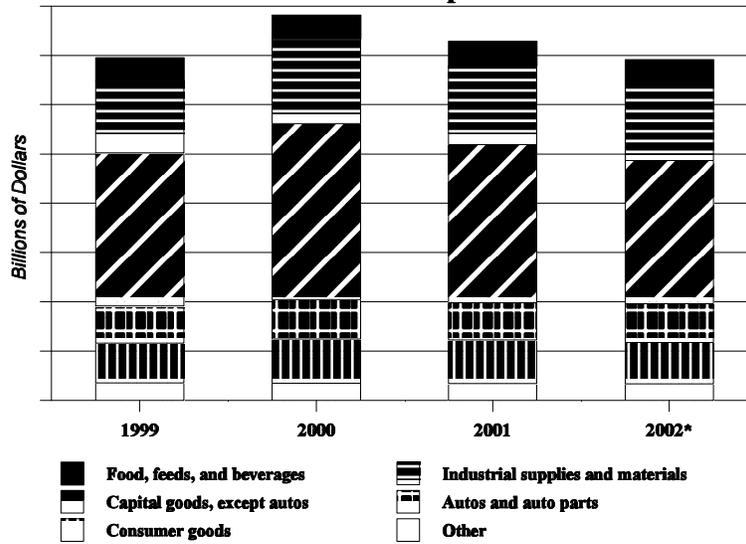
### A. Export Growth

U.S. goods exports decreased by 5 percent in 2002, as compared to the 7 percent decrease in the preceding year. Manufacturing exports accounted for 88 percent of total goods exports, high technology exports, a subset of manufacturing exports, accounted for 26 percent. Agriculture exports accounted for 8 percent of total goods exports (*table 1*).

Except for autos and auto parts, the value of each major end-use category for goods exports declined in 2002, with the largest decline in capital goods, down 10 percent. Since 1994, exports of capital goods and consumer goods have each risen roughly 40 percent, and autos and auto parts have increased 36 percent. Manufacturing exports, of which capital goods and high technology products are subcomponents, increased 40 percent since 1994 and this growth was more pronounced in advanced technology products, which increased 47 percent over the period.

<b>Table 1: U.S. Goods Exports</b>						
<b>Exports:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>	<b>01-02*</b>	<b>94-02*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	684.0	772.0	718.8	680.1	-5.4	35.2
<b>Food, feeds, and beverages</b>	46.0	47.9	49.4	49.2	-0.5	17.2
<b>Industrial supplies and materials</b>	147.5	172.6	160.1	155.4	-2.9	28.0
<b>Capital goods, except autos</b>	310.8	356.9	321.7	290.4	-9.7	41.7
<b>Autos and auto parts</b>	75.3	80.4	75.4	78.4	3.9	35.7
<b>Consumer goods</b>	80.9	89.4	88.3	84.4	-4.4	40.8
<b>Other</b>	35.3	34.8	34.1	33.3	-2.4	25.7
<b>Addendum: Agriculture</b>	48.2	52.0	55.2	54.3	-1.6	17.3
<b>Addendum: Manufacturing</b>	611.8	689.5	640.2	604.0	-5.7	40.1
<b>Addendum: High technology</b>	200.3	227.4	199.6	177.9	-10.9	47.3
<b>* Annualized based on January-November 2002 data.</b>						
<b>Source: U.S. Department of Commerce, Balance of Payments Basis for Total, Census Basis for Sectors.</b>						

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



\* Annualized based on January-November 2002 data

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

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

Exports to:	1999	2000	2001	2002*	01-02*	94-02*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Canada	166.6	178.9	163.4	159.7	-2.3	39.6
European Union	151.8	165.1	158.8	143.5	-9.6	33.1
Japan	57.5	64.9	57.5	51.2	-11.0	-4.4
Mexico	86.9	111.3	101.3	97.2	-4.1	91.1
China	13.1	16.2	19.2	22.2	15.5	138.6
Pacific Rim, except Japan and China	103.2	121.5	104.8	104.7	-0.1	23.1
Latin America, except Mexico	55.2	59.3	58.2	51.3	-11.7	23.1
<b>Addendum: High Income Countries</b>	406.3	442.9	411.6	384.6	-6.6	28.4

<b>Addendum: Low to Middle Income Countries</b>	289.1	338.7	317.3	305.2	-3.8	43.4
<b>* Annualized based on January-November 2002 data.</b>						
<b>Source: U.S. Department of Commerce, Census Basis.</b>						

Exports of agricultural products have increased 17 percent since 1994. Of the \$177 billion increase in goods exports since 1994, capital goods accounted for 48 percent of the increase, industrial materials and supplies accounted for 19 percent and consumer goods accounted for 14 percent.

U.S. goods exports declined to nearly all major markets in 2002 (table 2). Of the top 25 country export markets, exports to six markets increased: Australia (up 19 percent), Malaysia (up 14 percent), China (up 15 percent), Taiwan (up 1 percent), South Korea (up 0.6 percent), and Italy (up 0.5 percent). U.S. exports declined 7 percent to high income countries and 4 percent to middle and low income countries. Since 1994, U.S. goods exports to low and middle income countries exhibited higher growth than that to high income countries, 43 percent compared to 28 percent. However, excluding Mexico and China, U.S. goods exports to middle and low income countries grew by just 22 percent.

Goods exports to China continued to increase in 2002, up 16 percent, or \$3 billion. Most of the U.S. export growth to China was in capital goods, which were up 15 percent. Exports of capital goods and industrial supplies accounted for 86 percent of U.S. exports to China. U.S. exports to China have more than doubled since 1994.

U.S. exports to Latin America (excluding Mexico) were down 12 percent in 2002 or nearly \$7 billion. U.S. exports to Latin America have increased by 23 percent since 1994.

Exports to our NAFTA partners declined 3 percent in 2002, but have increased 81 percent since 1993, the year before NAFTA was implemented. Over 37 percent of aggregate U.S. goods exports went to NAFTA countries in 2002, up from nearly 33 percent in 1993.

U.S. exports to Canada declined by 2 percent in 2002. Canada is the largest U.S. export market, accounting for 23 percent of U.S. exports. Growth areas of U.S. exports to Canada include autos and auto parts (up 10 percent), food and beverages (up 7 percent), and consumer goods (up 2 percent), while capital goods and industrial supplies exports decreased 13 percent and 3 percent, respectively. Overall, U.S. exports to Canada are up by nearly 40 percent since 1994.

U.S. exports to Mexico, the second largest single country export market, declined by roughly 5 percent in 2002. Mexico accounted for 14 percent of U.S. exports. The decline in U.S. exports to Mexico marked the second straight year of declining exports (down 9 percent in 2001). This decline was present throughout all major categories, most notably capital goods, which declined by 7 percent. Since 1994, however, U.S. exports to Mexico have increased 91 percent.

Export sales to Japan declined 11 percent in 2002. U.S. exports to Japan have declined in five of the past six years. Japan continues to be mired in economic stagnation, and GDP for 2002 is estimated to decline by 0.3 percent after an increase of 0.3 percent in 2001. Accordingly, U.S. exports to Japan are down in

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all major categories except for autos and auto parts which were up 4 percent. Exports of consumer goods and capital goods were down 18 percent and 16 percent, respectively. Since 1994, U.S. exports to Japan are down 4 percent.

Goods exports from the United States to the Asian Pacific Rim countries (excluding Japan and China) were relatively flat, declining by 0.1 percent in 2002. Since 1994, U.S. exports to this region increased 23 percent.

U.S. exports to the European Union were down nearly 10 percent in 2002. Exports grew in autos and auto parts (up 5 percent) and foods and beverages (up 2 percent), but declined in capital goods (down 16 percent), industrial supplies (down 6 percent), and consumer goods (down 2 percent). In 2002, the EU accounted for 21 percent of aggregate U.S. exports. Since 1994, U.S. exports to the EU have increased by 33 percent.

## **B. Import Growth**

U.S. goods imports increased 0.4 percent in 2002, after declining 6 percent in 2001 (*table 3 and figure 4*). Manufacturing imports, accounting for 84 percent of total goods imports, increased

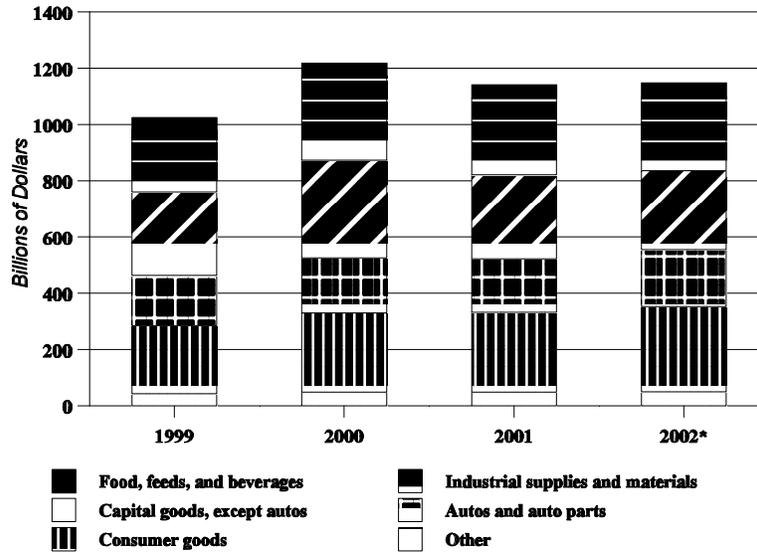
**Table 3:  
U.S. Goods Imports**

<b>Imports:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>	<b>01-02*</b>	<b>94-02*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP Basis)</b>	1,030. 0	1,224. 4	1,145. 9	1,150. 4	0.4	72.0
<b>Food, feeds, and beverages</b>	43.6	46.0	46.6	49.2	5.6	59.0
<b>Industrial supplies and materials</b>	221.4	299.0	273.9	262.3	-4.2	61.8
<b>Capital goods, except autos</b>	295.7	347.0	298.0	280.5	-5.9	52.1
<b>Autos and auto parts</b>	179.0	195.9	189.8	202.8	6.9	71.5
<b>Consumer goods</b>	241.9	281.8	284.3	303.3	6.7	107.3
<b>Other</b>	43.0	48.3	48.4	49.3	1.9	131.9
<b>Addendum: Agriculture</b>	36.7	39.2	39.5	41.6	5.1	60.2
<b>Addendum: Manufacturing</b>	882.7	1,013. 5	950.7	963.3	1.3	72.9
<b>Addendum: High technology</b>	181.2	222.1	195.2	193.6	-0.8	97.3

\* Annualized based on January-November 2002 data.

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

**Figure 4:  
U.S. Goods Imports**



\* Annualized based on January-November 2002 data.

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

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

Imports from:	1999	2000	2001	2002*	01-02*	94-02*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	198.7	230.8	216.3	208.5	-3.6	62.4
<b>European Union</b>	195.2	220.0	220.1	222.1	0.9	85.9
<b>Japan</b>	130.9	146.5	126.5	119.0	-5.9	-0.2
<b>Mexico</b>	109.7	135.9	131.3	134.1	2.1	171.0
<b>China</b>	81.8	100.0	102.3	122.4	19.7	215.5
<b>Pacific Rim, except Japan and China</b>	147.1	171.5	147.3	145.2	-1.4	40.7
<b>Latin America, except Mexico</b>	58.5	73.3	67.4	68.4	1.5	77.8
<b>Addendum: High Income Countries</b>	552.8	630.7	595.3	581.7	-2.3	51.1

<b>Addendum: Low to Middle Income Countries</b>	471.9	587.3	545.7	563.9	3.3	102.6
<b>* Annualized based on January-November 2002 data.</b>						
<b>Source: U.S. Department of Commerce, Census Basis.</b>						

slightly (1 percent) in 2002. High technology imports, a subset of manufacturing imports, declined by 1 percent in 2002. However, agriculture imports, accounting for 4 percent of total goods imports, increased by 5 percent in 2002.

Considering goods imports in terms of major end use categories, capital goods and industrial supplies imports were down roughly 6 percent and 4 percent, respectively, in 2002. Imports from the remaining categories increased, including foods, feeds and beverages (up 6 percent), autos and auto parts (up 7 percent), consumer goods (up 7 percent) and other goods (up 2 percent). Consumer goods, capital goods and industrial supplies accounted for 74 percent of U.S. imports in 2002.

Since 1994, U.S. imports of consumer goods have more than doubled, while imports of autos and auto parts, industrial supplies and materials, and capital goods have increased 72 percent, 62 percent, and 52 percent, respectively. In terms of high technology, overall manufacturing, and agriculture, imports have increased by 97 percent, 73 percent, and 60 percent, respectively. Increases in manufacturing imports accounted for a large share (84 percent) of the \$482 billion increase in goods imports since 1994, with 32 percent of the increase attributed to consumer goods.

On a regional basis, U.S. goods imports increased from China, Mexico, Latin America (excluding Mexico) and the European Union, and declined from Canada, Japan, and Pacific Rim (excluding Japan and China) (*table 4*). The larger changes in U.S. imports were from Japan (down 6 percent) and from China (up 20 percent). Since 1994, the share of U.S. imports from low and middle income countries has increased from 42 percent to 49 percent. These figures largely reflect imports from Mexico and China, and excluding these countries, the share of U.S. imports from low and middle income countries actually fell slightly from 29 percent to 27 percent.

U.S. goods imports from the European Union, accounting for 19 percent of total U.S. imports, increased by 1 percent in 2002. Increasing import categories included foods, feed and beverages (up 10 percent), consumer goods (up 9 percent), and autos and auto parts (up 11 percent). Imports of capital goods declined 10 percent. Imports from the EU have increased 86 percent since 1994.

Imports from our NAFTA partners declined 1 percent in 2002, but are up 127 percent since 1993, the year prior to the implementation of NAFTA. NAFTA imports accounted for 30 percent of aggregate U.S. goods imports in 2002, up from 27 percent in 1994.

U.S. imports from Canada, the largest single country supplier of goods to the United States, accounting for 18 percent of U.S. imports, declined by 4 percent in 2002 (the second consecutive annual decline after a 6 percent decline in 2001). This decline was driven by a decrease in U.S. imports of capital goods and industrial supplies, down 14 percent and 9 percent, respectively. However, imports of foods, feeds,

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and beverages, and autos and auto parts were up 4 percent, and consumer goods imports were up 2 percent. U.S. imports from Canada have grown by 62 percent since 1994.

U.S. imports from Mexico, the second largest single country supplier of goods to the United States, accounting for nearly 12 percent of U.S. imports, increased by 2 percent in 2002. U.S. imports of capital goods declined by 3 percent in 2002, while imports of industrial supplies and autos and auto parts increased 12 percent and 4 percent, respectively. Since 1994, U.S. imports from Mexico have grown 171 percent.

Imports from Japan declined 6 percent in 2002, and by 0.2 percent since 1994. Overall, Japan accounted for a smaller share of U.S. goods imports in 2002 compared to 1994 (10 percent compared to 18 percent). U.S. imports from Japan declined in nearly all of the major end use categories in 2002: down 18 percent in capital goods, 7 percent in industrial supplies, and 6 percent in consumer goods. The two categories that exhibited growth in imports included autos and auto parts and food and beverages, up 8 percent and 3 percent, respectively.

U.S. imports from China increased by 20 percent in 2002 and 216 percent since 1994. Eleven percent of U.S. imports were sourced from China in 2002, up from 6 percent in 1994. 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 made up 64 percent of U.S. imports from China in 2002.

Imports from Latin America (excluding Mexico) remained relatively flat in 2002 (up 1.5 percent) and increased 78 percent since 1994. Imports from the Pacific Rim (excluding Japan and China) also remained relatively flat in 2002 (down 1 percent), but increased 41 percent since 1994.

### **III. Services Trade**

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

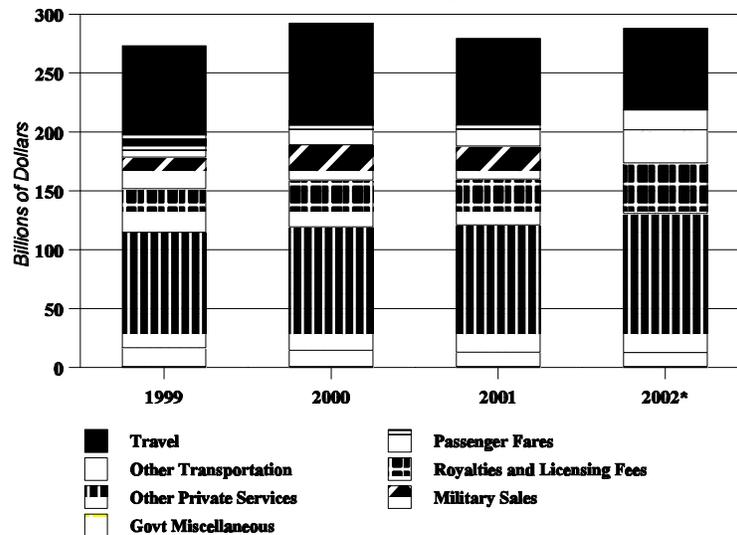
U.S. exports of services grew by 3 percent in 2002, and are up 43 percent since 1994. U.S. services exports accounted for 30 percent of the level of U.S. goods and services exports in 2002, compared to 29 percent in 1994.

The growth in U.S. services exports in 2002 was driven by the other private services category and royalties and licensing fees, up \$9.7 billion and \$4.4 billion. Other private services and royalties and licensing fees accounted for 41 percent and 15 percent, respectively, of total U.S. services exports, and increased 9 percent and 11 percent, respectively, from the previous year. All other major services categories exports declined.

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

<b>Exports:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>	<b>01-02*</b>	<b>94-02*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	273.2	292.2	279.3	287.7	3.0	43.1
<b>Travel</b>	74.7	82.3	73.1	69.0	-5.6	18.1
<b>Passenger Fares</b>	19.8	20.8	18.0	17.1	-5.2	0.4
<b>Other Transportation</b>	26.9	30.1	28.3	28.0	-1.2	17.7
<b>Royalties and Licensing Fees</b>	36.9	39.6	38.7	43.1	11.4	61.2
<b>Other Private Services</b>	98.2	104.7	108.1	117.8	9.0	91.7
<b>Transfers under U.S. Military Sales Contracts</b>	15.8	14.0	12.2	12.1	-1.0	-5.4
<b>U.S. Government Miscellaneous Services</b>	0.9	0.8	0.8	0.8	-5.5	-11.4
<b>* Annualized based on January-November 2002 data.</b>						
<b>Source: U.S. Department of Commerce, Balance of Payments Basis.</b>						

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



\* Annualized based on January-November 2000 data

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

Since 1994, nearly all of the major services export categories have grown. Export growth has been led by the other private services category (up 92 percent) and the royalties and licensing fees category (up 61 percent). The travel and other transportation categories each were up 18 percent. Of the \$86.7 billion increase in U.S. services exports between 1994 and 2002, the other private services category accounted for 65 percent of the increase, the royalties and licensing fees category accounted for 19 percent of the increase, and the travel services category accounted for 12 percent of the increase.

Detailed sectoral breakdowns for exports of the other private services category are available only through 2001. In 2001, other private services exports totaled \$108 billion. Of this, U.S. exports to business related parties (to a foreign parent or affiliate) accounted for \$36 billion, or 34 percent of total other private services exports. For the remaining exports of other private services to unaffiliated parties, the values of exports in 2001 were: business, professional and technical services, \$26 billion; financial services, \$15 billion; education, \$11 billion; insurance premiums, \$9 billion; and telecommunications, \$5 billion.

Japan was the largest purchaser of U.S. private services exports in 2001, accounting for 12 percent of total U.S. private services exports. The top 5 purchasers of U.S. services exports in 2001 were: Japan (\$31 billion), the United Kingdom (\$29 billion), Canada (\$24 billion), Germany (\$15 billion), and Mexico (\$15 billion).

Regionally, in 2001, the United States exported \$73 billion to the Asia/Pacific Region (\$43 billion excluding Japan), \$86 billion to the EU, \$39 billion to NAFTA countries, and \$26 billion to Latin America (excluding Mexico).

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## **B. Import Growth**

Services imports by the United States increased in 2002 by 14 percent to \$240 billion (*table 6, figure 6*). While services import growth was greater than export growth in 2002 (14 percent compared to 3 percent) the United States remained a net exporter of services. Growth in U.S. imports of services in 2002 was led by the other private services category (up 49 percent). The increase in this category accounted for nearly 90 percent of the growth in services imports in 2002.

The three of the six major services import categories that declined in 2002 were travel (down 3 percent), passenger fares (down 8 percent), and other transportation (down 2 percent). Services imports grew 82 percent or \$109 billion, since 1994. Since 1994, import of royalties and licensing fees were up 246 percent and other private services were up 167 percent. The other private services category accounted for 48 percent of the increase, and the travel and royalties and licensing fees categories each accounted for roughly 13 percent of the increase.

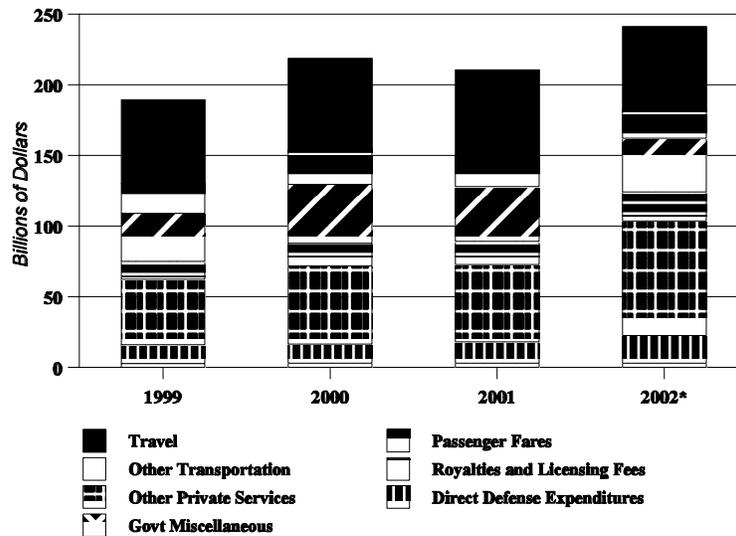
**Table 6:  
U.S. Services Imports**

Imports:	1999	2000	2001	2002*	01-02*	94-02*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	189.4	218.5	210.4	240.4	14.3	82.3
<b>Travel</b>	58.9	64.8	60.1	58.6	-2.5	33.8
<b>Passenger Fares</b>	21.3	24.3	22.4	20.6	-8.3	57.4
<b>Other Transportation</b>	34.1	41.6	38.8	38.0	-2.1	46.1
<b>Royalties and Licensing Fees</b>	12.6	16.1	16.4	20.3	23.9	246.4
<b>Other Private Services</b>	46.3	55.3	54.6	81.2	48.7	167.1
<b>Direct Defense Expenditures</b>	13.3	13.6	15.2	19.6	28.7	91.4
<b>U.S. Government Miscellaneous Services</b>	2.8	2.9	2.9	2.9	1.0	13.7

\* Annualized based on January-November 2002 data.

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

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



\* Annualized based on January-November 2002 data

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

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As with exports, detailed sectoral breakdowns for imports of other private services are available only through 2001. In 2001, other private services imports totaled \$55 billion. Of this, U.S. imports from business related parties (from a foreign parent or affiliate) accounted for \$28 billion or 52 percent of total other private service imports. For the remaining imports of other private services from unaffiliated parties, the value of imports in 2001 were: insurance premiums, \$40 billion; business professional and technical services, \$10 billion; telecommunications, \$4 billion; financial services, \$4 billion; and education, \$2 billion.

In the import sector, the United Kingdom remained our largest supplier of private services, providing \$23 billion to the United States in 2001. This accounted for 12% of total U.S. imports of private services in 2001. The United States imported \$18 billion from Canada, our second largest supplier, and \$17 billion from Japan, our third largest supplier. Mexico and Bermuda were our fourth and fifth largest import suppliers, each exporting \$11 billion worth of services to the U.S., respectively, in 2001.

Regionally, the U.S. imported \$66 billion of services from the EU, \$49 billion from the Asia/Pacific region (\$32 billion excluding Japan), \$29 billion from NAFTA, and \$10 billion from Latin America (excluding Mexico).

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

The U.S. goods and services deficit increased by \$65 billion in 2002 to a level of \$423 billion (*table 7*). The U.S. goods trade deficit alone increased by \$43 billion to \$470 billion in 2002. The services trade surplus dropped from \$69 billion in 2001 to \$47 billion in 2002.

As a share of U.S. GDP, the goods and services trade deficit was 4.1 percent of GDP in 2002, an increase of 0.5 percentage points from the 3.6 percent level in 2001 (*table 8*). The goods trade deficit was 4.5 percent of GDP in 2002, up from 4.2 percent in 2001. The services trade surplus was 0.5 percent of GDP in 2002, down from 0.7 percent in 2001.

The regional distribution of the goods trade deficit for the past 4 years is shown in table 9.

<b>Table 7</b>				
<b>U.S. Trade Balances with the World</b>				
<b>Balance:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>
	<i>Billions of Dollars</i>			
<b>Goods and Services (BOP Basis)</b>	-262.2	-378.7	-358.3	-423.0
<b>Goods (BOP Basis)</b>	-346.0	-452.4	-427.2	-470.3
<b>Services (BOP Basis)</b>	83.8	73.7	68.9	47.3
<b>* Annualized based on January-November 2002 data.</b>				
<b>Source: U.S. Department of Commerce, Balance of Payments Basis for World.</b>				

<b>Table 8</b>				
<b>U.S. Trade Balances as a share of GDP</b>				
<b>Share of GDP:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>
	<i>Percent</i>			
<b>Goods and Services (BOP Basis)</b>	-2.8	-3.9	-3.6	-4.1
<b>Goods (BOP Basis)</b>	-3.7	-4.6	-4.2	-4.5
<b>Services (BOP Basis)</b>	0.9	0.8	0.7	0.5
<b>* Annualized based on January-November 2002 data.</b>				
<b>Source: U.S. Department of Commerce.</b>				

<b>Table 9</b>				
<b>U.S. Goods Trade Balances with Selected Countries/Regions</b>				
<b>Balance:</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>
	<i>Billions of Dollars</i>			
<b>Canada</b>	-32.1	-51.9	-52.8	-48.8
<b>European Union</b>	-43.4	-55.0	-61.3	-78.7
<b>Japan</b>	-73.4	-81.6	-69.0	-67.8
<b>Mexico</b>	-22.8	-24.6	-30.0	-36.9
<b>China</b>	-68.7	-83.8	-83.1	-100.2
<b>Pacific Rim, except Japan and China</b>	-43.9	-50.0	-42.6	-40.6
<b>Latin America, except Mexico</b>	-3.3	-14.1	-9.2	-17.1
<b>Addendum: High Income Countries</b>	-146.4	-187.8	-183.7	-197.1
<b>Addendum: Low to Middle Income Countries</b>	-182.8	-248.6	-228.5	-258.7
<b>* Annualized based on January-November 2002 data.</b>				
<b>Source: U.S. Department of Commerce, Census Basis.</b>				