

ANNEX I

U.S. Trade in 2007

I. 2007 Overview

U.S. trade (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)¹ increased by over ten percent in 2007 to a value of over \$5.5 trillion.² This marked the fourth consecutive year of strong growth (trade was up 18 percent in 2004, and 15 percent in 2005 and 2006). The increase in trade in 2007 largely reflected growth in foreign demand for U.S. products, the expansion of domestic production, and changes in exchange rates. U.S. trade in goods and services increased by seven percent, while U.S. trade of goods alone increased by six percent and U.S. trade of services alone increased by nine percent. Exports of goods and services and earnings on investment increased by 14 percent in 2007; this represents twice the rate of imports of goods and services and payments on investment (seven percent).

In 2006, the latest year in which data is available, the United States was the world's largest trading nation for both exports and imports of goods and services.³ The United States accounts for roughly 16 percent of world goods trade and for roughly 17 percent of world services trade.⁴ Through 2007 the value of U.S. trade has increased 41-fold since 1970, and 194 percent since 1994, the year before the start of the Uruguay Round implementation (figure 1).⁵ U.S. trade expansion was more rapid in the 1970-2007 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 10.6 percent per year since 1970, compared to U.S. gross domestic product (GDP) whose average growth over the same period was 7.2 percent. In real terms, the average annual growth in trade was double the pace of GDP growth, 6.6 percent versus 3.1 percent.

The value of trade in goods and services, including earnings and payments on investment, was a record 40 percent of the value of U.S. GDP in 2007 (figure 2). This represented an increase from the corresponding figure in 2006 (38 percent).⁶ For goods and services, excluding investment earnings and payments, U.S. trade represented a record 29 percent of the value of GDP in 2007 and was up from 28 percent in 2006.⁷

¹ 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.

² In this Chapter, 2007 is estimated based on partial year data (January-November).

³ Germany is the largest goods exporter, having surpassed the United States in 2003.

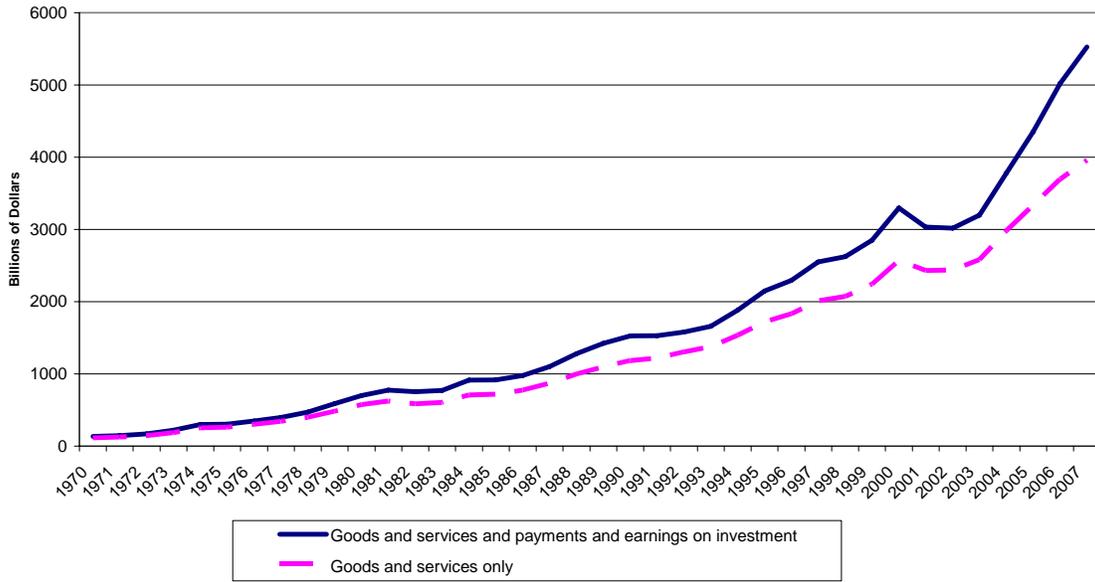
⁴ Trade in goods and services excluding intra-EU trade.

⁵ Trade in goods and services alone has increased 34-fold since 1970 and 158 percent since 1994.

⁶ Thirteen percent of the value of GDP in 1970 and 27 percent in 1994.

⁷ Eleven percent of the value of GDP in 1970 and 22 percent in 1994.

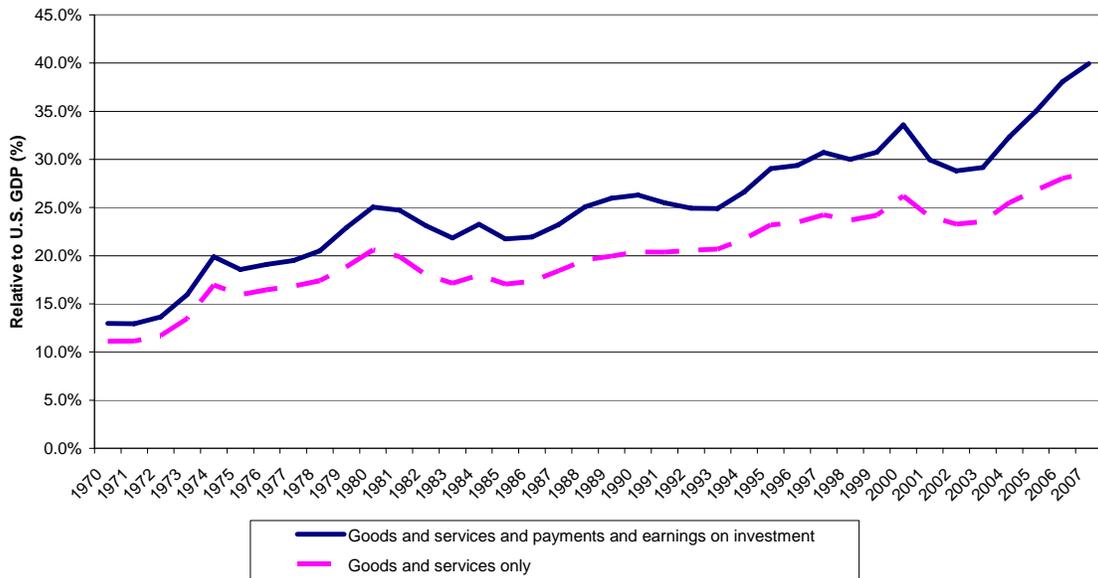
**Figure 1:
U.S. Trade Growth**



Total exports + imports

Source: U.S. Department of Commerce

**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

This growth in trade has occurred in both U.S. exports and imports. U.S. exports of goods and services (including investment earnings) in 2007 are 34-fold greater than 1970 and 171 percent greater than 1994. U.S. imports of goods and services are 49-fold greater than 1970 and 215 percent greater than 1994.

With the value of U.S. exports increasing more than that of imports, the total deficit on goods and services trade (excluding earnings and payments on foreign investment) declined by approximately \$53 billion from \$759 billion in 2006 (5.7 percent of GDP) to \$705 billion in 2007 (approximately 5.1 percent of GDP). The U.S. deficit in goods trade alone declined by \$28 billion from \$838 billion in 2006 (6.4 percent of GDP) to \$810 billion in 2007 (5.9 percent of GDP). The services trade surplus increased by \$25 billion from \$80 billion in 2006 (0.6% of GDP) to \$105 billion in 2007 (0.8 percent of GDP).

II. Goods Trade

A. Export Growth

U.S. goods exports increased by 12 percent in 2007, as compared to the 14 percent increase in the preceding year (*table 1 and figure 3*). Manufacturing exports, which accounted for 85 percent of total goods exports, were up ten percent, while agriculture exports, which accounted for eight percent of total goods exports, were up by 25 percent. High technology exports, a subset of manufacturing exports, accounted for 24 percent of total goods exports and were up eight percent in 2007. U.S. goods exports increased for every major end-use category in 2007, with the largest increase in the foods, feeds, and beverages category, up 28 percent.

Since 1994 U.S. goods exports are up 129 percent. Manufacturing exports increased 128 percent, while high technology exports increased 127 percent, and agriculture exports nearly doubled. Exports of every major end-use category have more than doubled, led by the industrial supplies and materials category, up 159 percent. Of the \$647 billion increase in goods exports since 1994, capital goods accounted for 37 percent of the increase, industrial supplies and materials accounted for 30 percent, and consumer goods accounted for 13 percent.

In 2007 U.S. goods exports increased to all major markets (*table 2*). U.S. goods exports were led by a growth rate of 20 percent to Latin America, excluding Mexico, 17 percent to China, and 16 percent to the EU27. U.S. exports increased 11 percent to industrial countries and 14 percent to developing countries. Since 1994 U.S. goods exports to developing countries exhibited higher growth rates than that to industrial countries, 160 percent compared to 101 percent. However, the United States still exports a slightly greater share of its goods to industrial countries, roughly 51 percent in 2007.

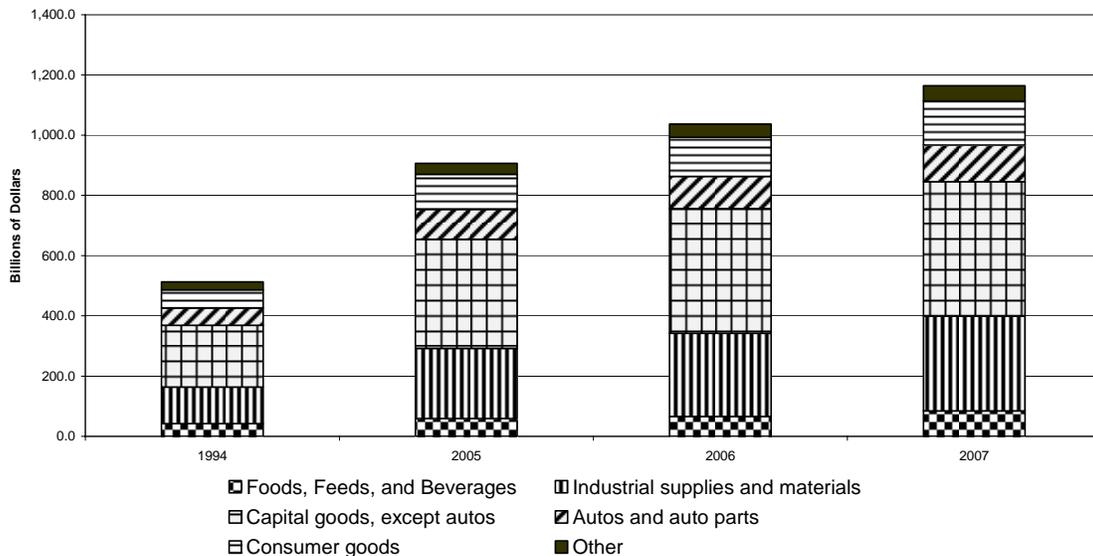
Table 1
U.S. Goods Exports

Exports:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Total (BOP basis)	502.9	894.6	1,023.1	1,149.8	12.4%	128.6%
Food, feeds, and beverages	42.0	59.0	66.0	84.3	27.8%	100.9%
Industrial supplies and materials	121.4	233.1	276.0	314.8	14.0%	159.3%
Capital goods, except autos	205.0	362.7	413.9	446.2	7.8%	117.6%
Autos and auto parts	57.8	98.6	107.2	121.7	13.6%	110.6%
Consumer goods	60.0	116.1	130.0	146.6	12.8%	144.4%
Other	26.5	37.0	43.6	50.8	16.5%	91.7%
Addendum: Agriculture	45.9	65.2	73.2	91.7	25.2%	99.6%
Addendum: Manufacturing	431.1	783.3	890.0	982.2	10.4%	127.9%
Addendum: High Technology	120.7	216.1	252.7	273.5	8.2%	126.5%

* Annualized based on January-November 2007 data

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

Figure 3:
U.S. Goods Exports



2007 Annualized based on January-November 2007 data
Source: U.S. Department of Commerce

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

Exports to:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Canada	114.4	211.9	230.7	248.5	7.7%	117.1%
European Union (EU27)	110.1	187.3	214.8	248.2	15.5%	125.5%
Japan	53.5	55.5	59.6	62.6	5.0%	17.0%
Mexico	50.8	120.4	134.0	136.6	1.9%	168.6%
China	9.3	41.9	55.2	64.4	16.7%	594.0%
Asian Pacific Rim, except Japan and China	85.0	125.9	142.2	153.7	8.1%	80.8%
Latin America, except Mexico	41.8	72.4	89.0	106.5	19.7%	155.4%
Addendum: Industrial Countries**	294.0	480.8	535.7	592.0	10.5%	101.4%
Addendum: Developing Countries**	218.6	425.2	500.9	569.1	13.6%	160.3%
* Annualized based on January-November 2007 data						
** As defined by the International Monetary Fund						
Source: U.S. Department of Commerce, Census Basis.						

China became the third largest export market in 2007, surpassing Japan. Goods exports to China continued to increase in 2007, up 17 percent, the 8th straight year of double-digit growth. Exports of foods, feeds, and beverages, as well as automobiles and automotive parts were the largest growth categories, up 40 percent and 38 percent, respectively. Overall, capital goods accounted for 45 percent of U.S. exports to China in 2007, while exports of industrial supplies accounted for 38 percent. Foods, feeds and beverages, and automobiles and automotive parts accounted for nine percent and three percent, respectively. Agriculture exports increased by 13 percent in 2007, and accounted for 12 percent of total U.S. exports to China. U.S. exports to China have increased nearly 600 percent since 1994.

U.S. exports to Latin America (excluding Mexico) increased 20 percent in 2007, due mainly to strong export growth in capital goods (up 22 percent) and industrial supplies (up 20 percent). These two categories accounted for 74 percent of total exports to the region. Exports of foods, feeds, and beverages were up 37 percent, but only accounted for seven percent of total exports, while exports of automobiles and automotive parts were up a strong 26 percent, but only accounted for five percent of total exports. U.S. exports to Latin America (excluding Mexico) have increased by 155 percent since 1994.

Exports to our NAFTA partners increased roughly six percent in 2007 and have increased 171 percent since 1993, the year before the start of NAFTA's entry into force. Approximately 33 percent of aggregate U.S. goods exports went to NAFTA countries in 2007 (\$385 billion).

U.S. exports to Canada, the largest U.S. export market, accounting for 21 percent of U.S. exports, increased by eight percent in 2007. U.S. exports to Canada were led by agricultural products (up 21 percent). U.S. exports of consumer goods, industrial supplies and autos and auto parts all increased between seven percent and nine percent. Overall, U.S. exports to Canada have increased by 117 percent since 1994.

U.S. exports to Mexico, which is the second largest country export market and accounts for 12 percent of U.S. goods exports, increased by only two percent in 2007. U.S. exports were up 19 percent for agricultural goods and ten percent for autos and parts. U.S. exports of capital goods declined six percent. Since 1994 U.S. exports to Mexico have increased nearly 169 percent.

U.S. exports to the European Union were up 16 percent in 2007. Export growth was led by automobiles and automotive parts (up 29 percent) and agricultural products (up 25 percent). In 2007 the EU accounted for 21 percent of aggregate U.S. exports. Capital goods, industrial supplies, and consumer goods accounted for the majority of U.S. exports to the EU in 2007, 41 percent, 24 percent, and 19 percent, respectively. Since 1994, U.S. exports to the EU have increased by 126 percent.

U.S. exports to the Asian Pacific rim (excluding China and Japan) increased by 8 percent in 2007 and are up 81 percent since 1994. U.S. exports of agriculture were up 25 percent and automobiles and automotive parts were up 22 percent, though only accounted for eight percent and two percent of total exports to the region, respectively. Capital goods (55 percent) and industrial supplies (21 percent) accounted for most of U.S. exports to the region in 2007.

U.S. exports to Japan increased five percent in 2007 and are only up 17 percent since 1994. U.S. exports of agricultural products were up 21 percent, while exports of industrial supplies were up 13 percent in 2007. These two categories accounted for only 40 percent of total U.S. exports to Japan in 2007 (industrial supplies 24 percent, agricultural products 16 percent). U.S. exports of both capital goods and consumer goods declined by roughly one percent in 2007.

B. Import Growth

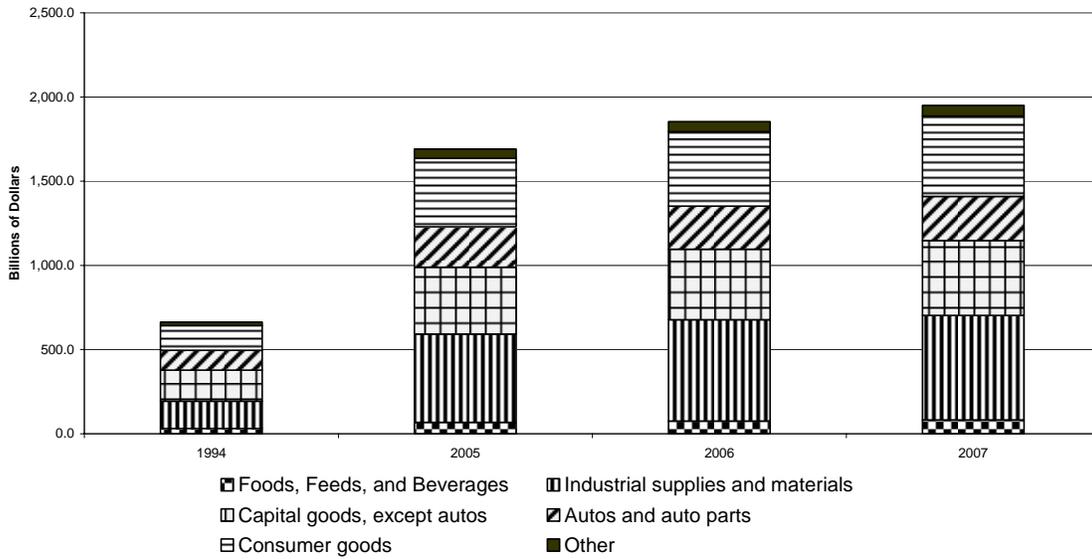
U.S. goods imports increased five percent in 2007 (*table 3 and figure 4*) less than half the 11 percent growth rate in 2006. Manufacturing imports, accounting for 76 percent of total goods imports, increased five percent in 2007. High technology imports, accounting for 17 percent of total goods imports, increased by 13 percent, while agriculture imports, accounting for four percent of total goods imports, increased by ten percent in 2007. U.S. goods imports increased for every major end-use category in 2007, with the largest increase in foods, feeds, and beverages (up 9.4 percent). The three largest end-use categories for U.S. imports together accounted for 79 percent of total U.S. imports in 2007 (industrial supplies – 32 percent; consumer goods – 24 percent; and capital goods – 23 percent).

Table 3 U.S. Goods Imports						
Imports:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Total (BOP basis)	668.7	1,681.8	1,861.4	1,960.1	5.3%	193.1%
Food, feeds, and beverages	31.0	68.1	74.9	82.0	9.4%	164.8%
Industrial supplies and materials	162.1	523.8	602.0	620.7	3.1%	282.9%
Capital goods, except autos	184.4	397.3	418.3	445.2	6.4%	141.5%
Autos and auto parts	118.3	239.5	256.7	261.7	1.9%	121.2%
Consumer goods	146.3	407.2	442.6	476.7	7.7%	225.9%
Other	21.3	55.6	59.5	62.6	5.2%	194.2%
Addendum: Agriculture	26.0	59.5	65.5	72.1	10.1%	177.8%
Addendum: Manufacturing	557.3	1,287.4	1,416.3	1,485.1	4.9%	166.5%
Addendum: High Technology	98.1	259.7	290.8	327.6	12.7%	233.9%

*** Annualized based on January-November 2007 data**

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

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



2007 Annualized based on January-November 2007 data
Source: U.S. Department of Commerce

Since 1994 U.S. goods imports are up 193 percent, nearly 50 percent larger than the growth of U.S. exports. U.S. imports of agricultural products and manufactured products increased by 178 percent and 167 percent, respectively. U.S. imports of advanced technology products increased by 234 percent. For major end-use categories, U.S. imports of industrial supplies increased by 283 percent since 1994, while imports of consumer goods increased by 226 percent. Of the \$1.3 trillion increase in goods imports since 1994, industrial supplies and materials accounted for 36 percent of the increase, consumer goods for 26 percent, capital goods for 20 percent, and automobiles and automotive parts for 11 percent.

On a regional basis, U.S. goods imports increased by 12 percent from China, seven percent from the EU, and six percent from Mexico in 2007, while imports declined by two percent from Japan, one percent from Latin America, excluding Mexico, and the Asian Pacific region, excluding Japan and China (*table 4*). U.S. imports increased by six percent from developing countries and by four percent from industrial countries. Since 1994 U.S. goods imports from developing countries exhibited higher growth (more than double) than that from industrial countries, 293 percent compared with 120 percent. Accordingly, the share of U.S. imports from developing countries has increased from 43 percent in 1994 to 57 percent in 2007.

Although U.S. goods imports continued its growth from China in 2007 (up 12 percent), this growth has declined over the past four years (29 percent growth in 2004, 24 percent growth in 2005, and 18 percent growth in 2006). U.S. imports from China have increased by over 730 percent since 1994. In 2007 China surpassed Canada and became the largest single country supplier of goods to the United States. It accounted for 17 percent of total U.S. imports in 2007, up from six percent in 1994. Imports from China accounted for 22 percent of the overall increase in U.S. imports from the world since 1994 (second to NAFTA's 31 percent but greater than the EU's 18 percent). Much of U.S. imports from China are low value-added consumer goods, such as toys, footwear, apparel, and some areas of consumer electronics. Consumer goods made up 54 percent of U.S. imports from China in 2007 and grew 11 percent in 2007. U.S. imports of autos and parts and capital goods, however, each exhibited stronger growth in 2007, 25 percent and 16 percent, respectively. U.S. imports of agricultural products from China increased by 22 percent in 2007.

Although imports from China have shown strong growth, non-China imports from Asia have slowed relative to overall U.S. imports, resulting from production shifting from other Asian countries to China. When U.S. imports from China, Japan, and the other Asian-Pacific Rim countries are considered together, however, the region's share of U.S. imports has actually declined from 39 percent in 1994 to 33 percent in 2007.

Imports from the Asian Pacific Rim (excluding Japan and China) declined by one percent in 2007, but were up by 76 percent since 1994. Purchases from this region accounted for 9 percent of total U.S. imports in 2007, down from 16 percent in 1994. The largest import growth category in 2007 was agricultural products, which increased nine percent. The largest import decline from this region in 2007 was capital goods, down three percent. Despite this decline, capital goods imports still accounted for 40 percent of total U.S. imports from this region.

Table 4						
U.S. Goods Imports from Selected Countries/Regions						
Imports from:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Canada	128.4	290.4	302.4	313.4	3.6%	144.1%
European Union (EU27)	121.9	310.4	332.1	355.8	7.2%	191.9%
Japan	119.2	138.0	148.2	145.8	- 1.6%	22.4%
Mexico	49.5	170.1	198.3	210.0	5.9%	324.3%
China	38.8	243.5	287.8	322.9	12.2%	732.4%
Asian Pacific Rim, except Japan and China	103.2	169.9	182.6	181.1	-0.8%	75.5%
Latin America, except Mexico	38.5	122.9	133.7	132.2	- 1.1%	243.6%
Addendum: Industrial Countries**	380.7	758.1	803.4	837.1	4.2%	119.9%
Addendum: Developing Countries**	282.5	915.3	1,050.5	1,111.3	5.8%	293.4%
* Annualized based on January-November 2007 data						
** As defined by the International Monetary Fund						
Source: U.S. Department of Commerce, Census Basis.						

Similarly, U.S. imports from Japan declined in 2007, down nearly two percent. Since 1994 U.S. imports from Japan have only grown by 22 percent, far below the overall U.S. growth rate of 193 percent during this timeframe. Purchases from Japan in 2007 accounted for seven percent of total U.S. imports, as compared to 18 percent in 1994. The largest import growth category was foods, feeds and beverages, which increased five percent. This category, however, only accounted for 0.4 percent of total imports from Japan in 2007. Roughly 75 percent of total U.S. imports from Japan in 2007 were in the automobiles and automotive parts category (41 percent) and the capital goods category (35 percent).

Imports from Latin America (excluding Mexico) declined by 1 percent in 2007, accounting for seven percent of total U.S. imports in 2007. U.S. imports of agricultural products increased by nine percent in 2007, while imports of automobiles and automotive parts and consumer goods declined by 16 percent and seven percent, respectively. U.S. imports from Latin America have increased by 244 percent since 1994.

Imports from our NAFTA partners increased five percent in 2007 and have increased by 246 percent since NAFTA entered into force in 1994. NAFTA imports accounted for 27 percent of aggregate U.S. goods imports in 2007, which is unchanged from 1994.

U.S. imports from Canada, which is the second largest single country supplier of goods to the United States and accounts for 16 percent of U.S. imports, increased by four percent in 2007. Nearly 70 percent of this increase was in the industrial supplies (38 percent) and capital goods (30 percent) categories. U.S. imports from these categories were up by three percent and eight percent, respectively, in 2007. U.S. imports of agricultural goods from Canada were up 13 percent in 2007, while imports of consumer goods were up six percent. U.S. imports from Canada have increased by 144 percent since 1994.

U.S. imports from Mexico, the third largest single country supplier of goods to the United States, increased by six percent in 2007. Roughly 39 percent of this increase was in the consumer goods category (up 13 percent) and another 30 percent in the capital goods category (up 8 percent). U.S. imports of agriculture also increased by eight percent in 2007. U.S. imports from Mexico have grown 324 percent since 1994.

U.S. goods imports from the EU, accounting for 18 percent of total U.S. imports, increased by seven percent in 2007. Roughly 70 percent of this increase was in the consumer goods category (up 11 percent) and in the capital goods category (up eight percent). U.S. imports of agricultural products from the EU also increased by eight percent. U.S. imports from the EU have increased by 192 percent since 1994.

III. Services Trade

A. Export Growth

U.S. exports of services grew 12 percent in 2007 to a record \$473 billion, and since 1994 U.S. services exports have increased by 136 percent (*table 5 and figure 5*). U.S. services exports accounted for 29 percent of the level of U.S. goods and services exports in 2007.

Nearly all of the major services export categories exhibited double digit growth rates in 2007, ranging between ten percent and 14 percent. Of the \$51 billion increase in U.S. services exports in 2007, the other private services category accounted for nearly 48 percent of the increase and the travel category accounted for 23 percent.

Since 1994 all of the major services exports categories have grown. Export growth has been led by the other private services category, up 248 percent, the royalties and licensing fees category, up 164 percent, and the other transportation category, up 116 percent. Of the \$273 billion increase in U.S. services exports between 1994 and 2007, the other private services category accounted for 55 percent of the increase, the royalties and licensing fees category accounted for 16 percent, and the travel category accounted for 14 percent.

Detailed sectoral breakdowns for exports of the other private services category are available only through 2006.

In 2006 31 percent of U.S. exports of other private services were to business related parties (to a foreign parent or affiliate). The largest categories for U.S. exports of other private services to related and unrelated parties in 2006 were: business, professional and technical services (\$96 billion); financial services (\$43 billion); and education (\$15 billion). The business, professional and technical services category was led by research and development and testing services (\$13 billion), operational leasing (\$11 billion), computer and information services (\$10 billion),

management and consulting services (\$7 billion), and the installation, maintenance, and repair of equipment (\$7 billion).⁸

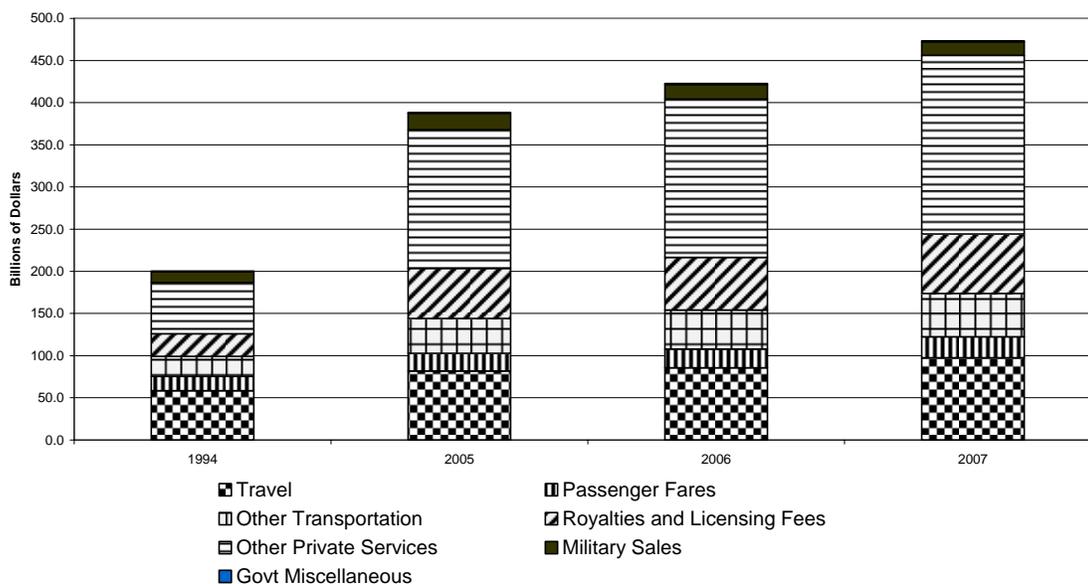
The United Kingdom was the largest purchaser of U.S. private services exports in 2006, accounting for 12 percent of total U.S. private services exports. The top five purchasers of U.S. private services exports in 2006 were: the United Kingdom (\$48 billion), Japan (\$41 billion), Canada (\$39 billion), Mexico (\$22 billion), and Germany (\$21 billion).

Regionally, in 2006 the United States exported \$140 billion to the EU-25, \$109 billion to the Asia/Pacific Region (\$57 billion excluding Japan and China), \$60 billion to NAFTA countries, and \$27 billion to Latin America (excluding Mexico).

Table 5 U.S. Services Exports						
Exports:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Total (BOP basis)	200.4	388.4	422.6	473.3	12.0%	136.2%
Travel	58.4	81.8	85.7	97.5	13.8%	66.9%
Passenger Fares	17.0	21.0	22.2	24.8	11.6%	45.7%
Other Transportation	23.8	41.3	46.3	51.3	10.8%	116.0%
Royalties and Licensing Fees	26.7	59.4	62.4	70.6	13.1%	164.2%
Other Private Services	60.8	164.3	187.8	211.9	12.8%	248.2%
Transfers under U.S. Military Sales Contracts	12.8	19.5	17.1	16.1	- 5.6%	26.3%
U.S. Government Miscellaneous Services	0.9	1.1	1.2	1.2	0.5%	30.8%
* Annualized based on January-November 2007 data						
Source: U.S. Department of Commerce, Balance of Payments Basis.						

⁸ Installation, maintenance, and repair of equipment services value for unaffiliated sales only.

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



2007 Annualized based on January-November 2007 data
Source: U.S. Department of Commerce

B. Import Growth

Services imports by the United States increased in 2007 by seven percent to a record \$368 billion (*table 6, figure 6*). The other private services category accounted for roughly 61 percent of the \$26 billion growth in U.S. imports of services in 2007. It was also the category which exhibited the largest percentage import growth rates in 2007, up 13 percent. U.S. services imports accounted for 16 percent of the level of U.S. goods and services imports in 2007.

Since 1994 services imports grew by 177 percent or \$235 billion. This growth was driven by the other private services category (accounting for 43 percent of the increase) and the other transportation category (accounting for 17 percent of the increase). All of the major service categories grew since 1994. U.S. payments (imports) of royalties and licensing fees, and other private services have quadrupled, while direct defense expenditures have more than tripled.

As with exports, detailed sectoral breakdowns for imports of other private services are available only through 2006. In 2006 41 percent of U.S. imports of other private services were from business related parties (from a foreign parent or affiliate). The largest categories for U.S. imports of other private services from related and unrelated parties in 2006 were: business professional and technical services (\$58 billion); insurance services (\$34 billion); and financial services (\$14 billion). The business, professional and technical services category were led by the computer and information services (\$11 billion), research, development, and testing services (\$9 billion), and management, and consulting services (\$7 billion).

In the import sector the United Kingdom remained our largest supplier of private services, providing \$37 billion to the United States in 2006. This accounted for 12% of total U.S. imports of private services in 2006. The United States imported \$12 billion from both Japan, our second largest supplier, and Canada our third largest supplier. Germany and Bermuda were our fourth and fifth largest import suppliers, exporting \$21 and \$15 billion, respectively, worth of services to the U.S. in 2006.

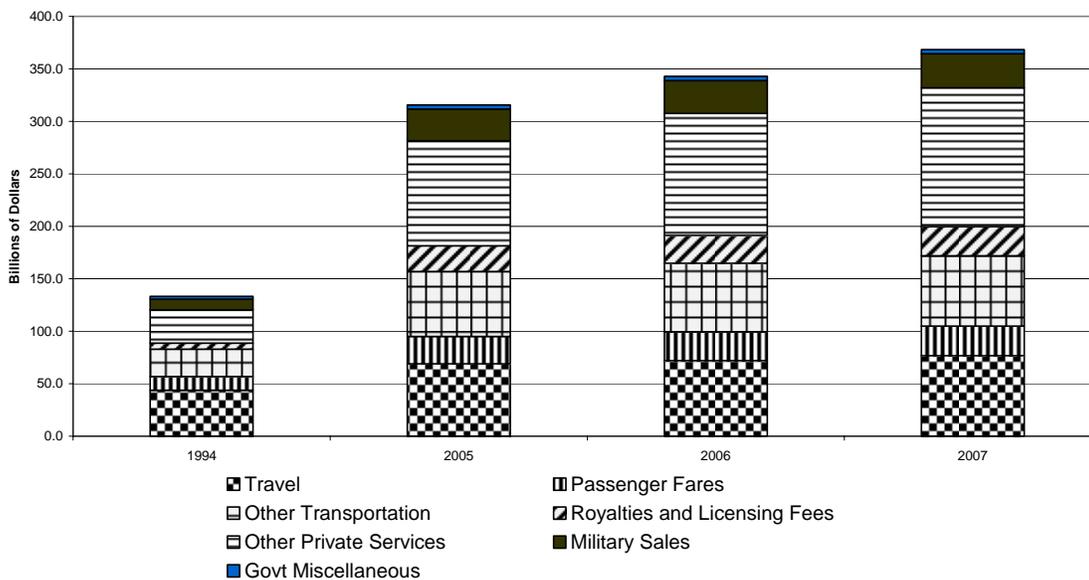
Regionally, in 2006 the U.S. imported \$117 billion of services from the EU-25, \$75 billion from the Asia/Pacific region (\$44 billion excluding Japan and China), \$38 billion from NAFTA, and \$15 billion from Latin America (excluding Mexico).

Table 6						
U.S. Services Imports						
Imports:	1994	2005	2006	2007*	06-07*	94-07*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
Total (BOP basis)	133.1	315.7	342.8	368.3	7.4%	176.8%
Travel	43.8	69.0	72.0	76.6	6.3%	74.9%
Passenger Fares	13.1	26.1	27.5	28.3	2.9%	116.7%
Other Transportation	26.0	61.9	65.3	67.0	2.6%	157.5%
Royalties and Licensing Fees	5.9	24.6	26.4	27.9	5.6%	377.2%
Other Private Services	31.6	99.9	116.5	132.1	13.4%	318.5%
Direct Defense Expenditures	10.2	30.1	31.1	32.4	4.4%	217.2%
U.S. Government Miscellaneous Services	2.6	4.0	4.0	4.0	0.6%	58.0%

*** Annualized based on January-November 2007 data**

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

Figure 6:
U.S. Services Imports



2007 Annualized based on January-November 2007 data
Source: U.S. Department of Commerce

IV. The U.S. Trade Deficit

In 2007 the U.S. goods and services deficit declined by \$53 billion to a level of \$705 billion (*table 7*). This was the first decline of the deficit recorded since 2001. The decline in the deficit was nearly equally divided between a decline in the goods trade deficit (down \$28 billion to \$810 billion) and an increase in the services surplus (up \$25 billion to a record surplus of \$105 billion).

As a share of U.S. GDP, the goods and services trade deficit declined from 5.7 percent of GDP in 2006 to nearly 5.1 percent of GDP in 2007 (*table 8*). The goods trade deficit declined from 6.4 percent of GDP in 2006 to 5.9 percent of GDP in 2007, while the services trade surplus increased from 0.6 percent of GDP in 2006 to 0.8 percent of GDP in 2007.

The regional distribution of the goods trade deficit for 2005-2007 and 1994 is shown in table 9.

Table 7				
U.S. Trade Balances with the World				
Balance:	1994	2005	2006	2007*
	<i>Billions of Dollars</i>			
Goods and Services (BOP Basis)	-98.5	-714.4	-758.5	-705.3
Goods (BOP Basis)	-165.8	-787.1	-838.3	-810.3
Services (BOP Basis)	67.3	72.8	79.7	105.0
* Annualized based on January-November 2007 data				
Source: U.S. Department of Commerce				

Table 8				
U.S. Trade Balances as a Share of GDP				
Share of GDP:	1994	2005	2006	2007*
	<i>Percents</i>			
Goods and Services (BOP Basis)	-1.4	-5.7	-5.7	-5.1
Goods (BOP Basis)	-2.3	-6.3	-6.4	-5.9
Services (BOP Basis)	1.0	0.6	0.6	0.8
* Annualized based on January-November 2007 data				
Source: U.S. Department of Commerce				

Table 9
U.S. Goods Trade Balances with Selected Countries/Regions

Balance:	1994	2005	2006	2007*
	<i>Billions of Dollars</i>			
Canada	-14.0	-78.5	-71.8	-65.0
European Union (EU27)	-11.8	-123.1	-117.2	-107.6
Japan	-65.7	-82.5	-88.6	-83.2
Mexico	1.4	-49.7	-64.3	-73.5
China	-29.5	-201.5	-232.6	-258.4
Asian Pacific Rim, except Japan and China	-18.2	-44.0	-40.4	-27.4
Latin America, except Mexico	3.2	-50.5	-44.7	-25.7
Addendum: Industrial Countries**	-86.7	-277.3	-267.7	-245.0
Addendum: Developing Countries**	-63.9	-490.1	-549.6	-542.2

* Annualized based on January-November 2007 data

** As defined by the International Monetary Fund

Source: U.S. Department of Commerce