

ANNEX I

Annex I. U.S. Trade in 2008

I. 2008 Overview

U.S. trade (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)¹ increased by 8.4 percent in 2008 to a value of over \$6.1 trillion.² This marked the fifth consecutive year of strong growth (trade was up 18 percent in 2004, 16 percent in 2005 and 2006, and 11 percent in 2007). The increase in trade in 2008 largely reflected the strong growth in U.S. goods and services trade. U.S. trade in goods and services increased by 14 percent -- U.S. trade of goods alone increased by 14 percent and U.S. trade of services alone increased by 13 percent. Exports of goods and services, and earnings on investment increased by 10.3 percent in 2008, more than 50 percent faster than the rate of imports of goods and services, and payments on investment (6.8 percent).

In 2007, 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 15 percent of world goods trade and for roughly 17 percent of world services trade.⁴ Through 2008, the value of U.S. trade has increased 45-fold since 1970, 225 percent since 1994 (the year before the start of the Uruguay Round implementation), and 86 percent since 2000 (figure 1).⁵ U.S. trade expansion was more rapid between 1970 and 2008 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, 6.5 percent versus 3.0 percent.

The value of trade in goods and services, including earnings and payments on investment, was a record 42.7 percent of the value of U.S. GDP in 2008 (figure 2). This represented an increase from the corresponding figure in 2007 (40.9 percent).⁶ For goods and services, excluding investment earnings and payments, U.S. trade represented a record 32 percent of the value of GDP in 2008, and was up from 29 percent in 2007.⁷

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, 2008 is estimated based on partial year data (January-November).

³ Germany is the largest goods exporter, having surpassed the United States in 2003. China is the 2nd largest goods exporter, having surpassed the United States in 2007.

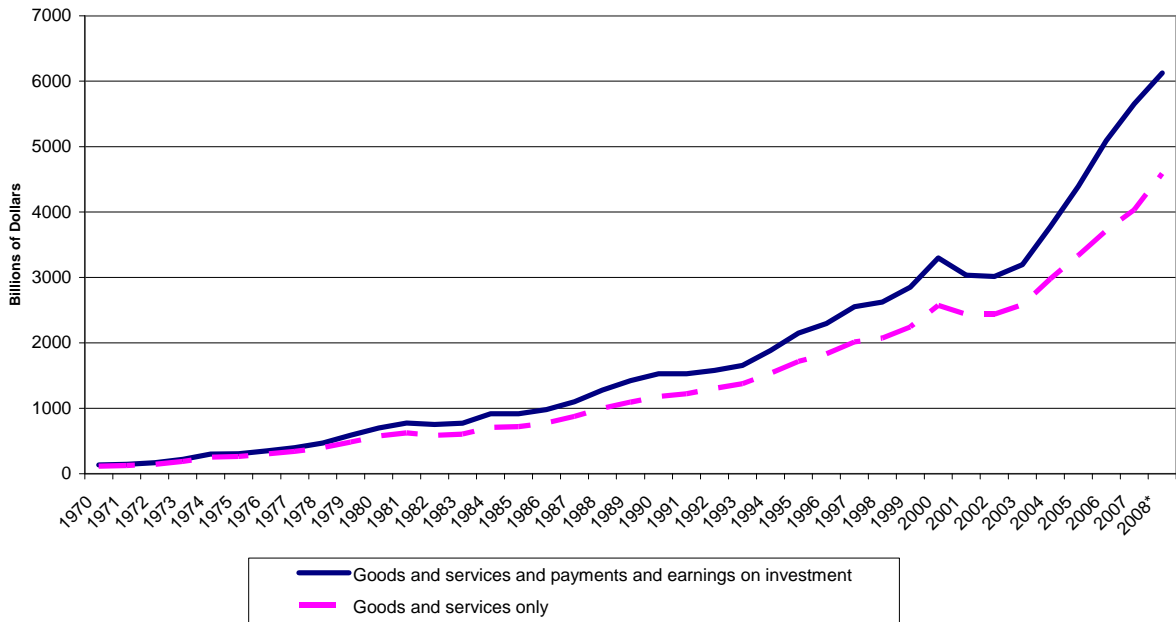
⁴ Trade in goods and services excluding intra-EU trade.

⁵ Trade in goods and services alone has increased 39-fold since 1970, 199 percent since 1994, and 78 percent since 2000.

⁶ 13 percent of the value of GDP in 1970, 27 percent in 1994, and 34 percent in 2000.

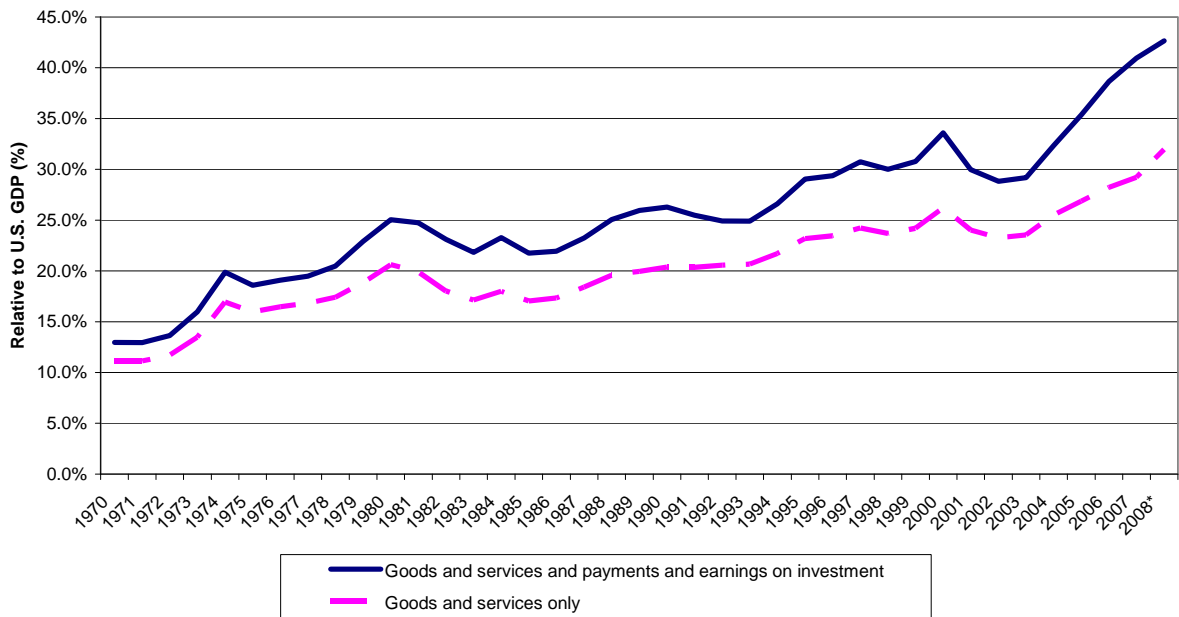
⁷ 11 percent of the value of GDP in 1970, 22 percent in 1994, and 26 percent in 2000.

**Figure 1:
U.S. Trade Growth 1970-2008***



Total exports + imports
 * Annualized based on January-November 2008 data.
 Source: U.S. Department of Commerce

**Figure 2:
Growing Importance of Trade in the U.S. Economy, 1970-2008***



Total exports + imports as a percentage of the value of U.S. GDP
 * Annualized based on January-November 2008 data.
 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 2008 are 38-fold greater than 1970, 207 percent greater than 1994, and 88 percent greater than 2000. U.S. imports of goods and services are 54-fold greater than 1970, 243 percent greater than 1994, and 84 percent greater than 2000.

The total deficit on goods and services trade (excluding earnings and payments on foreign investment) declined in 2008 by approximately \$13 billion from \$700 billion in 2007 to \$687 billion. This was the second consecutive year of deficit decline. As a share of GDP, the deficit declined from 5.1 percent of GDP in 2007 to approximately 4.8 percent of GDP in 2008. The U.S. deficit in goods trade alone increased by \$15 billion from \$819 billion in 2007 (5.9 percent of GDP) to \$834 billion in 2008 (5.8 percent of GDP), while the services trade surplus increased by \$28 billion from \$119 billion in 2007 (0.9% of GDP) to \$147 billion in 2007 (1.0 percent of GDP). The increase in the goods deficit was largely the result of the increase in oil prices, up 59 percent in 2008 as compared to 2007. The deficit in petroleum increased by 39 percent in 2008 and accounted for nearly 60 percent of the total goods and services deficit. In contrast, the non-petroleum goods deficit actually declined by 18 percent in 2008.

II. Goods Trade

A. Export Growth

U.S. goods exports increased by 15 percent in 2008, as compared to the 12 percent increase in the preceding year (*table 1 and figure 3*). Manufacturing exports, which accounted for 80 percent of total goods exports, were up 9 percent, while agriculture exports, which accounted for 9 percent of total goods exports, were up by 32 percent. High technology exports, a subset of manufacturing exports, accounted for 21 percent of total goods exports and were up 2 percent in 2008. U.S. goods exports increased for every major end-use category in 2008, with the largest increases in the foods, feeds, and beverages category, up 35 percent, and in the industrial supplies and materials category, up 27 percent.

U.S. goods exports in 2008 were up 71 percent compared to 2000, and were up 163 percent since 1994. U.S. agriculture exports grew faster than both manufacturing exports and high technology exports in both timeframes, up 135 percent since 2000 and up 167 percent since 1994. Of the major end-use categories, exports of foods, feeds, and beverages, and industrial supplies and materials led growth in both timeframes, with the former growing faster since 2000 (137 percent to 132 percent) and the latter growing faster over the longer period since 1994 (230 percent to 171 percent). Of the \$818 billion increase in goods exports since 1994, industrial supplies and materials accounted for 34 percent of the increase, capital goods accounted for 33 percent, and consumer goods accounted for 13 percent.

In 2008, U.S. goods exports increased to all major markets (*table 2*). U.S. goods exports were led by a growth rate of 32 percent to Latin America, excluding Mexico, 14 percent to China, and 12 percent to the EU27 and Mexico. U.S. exports increased 10 percent to

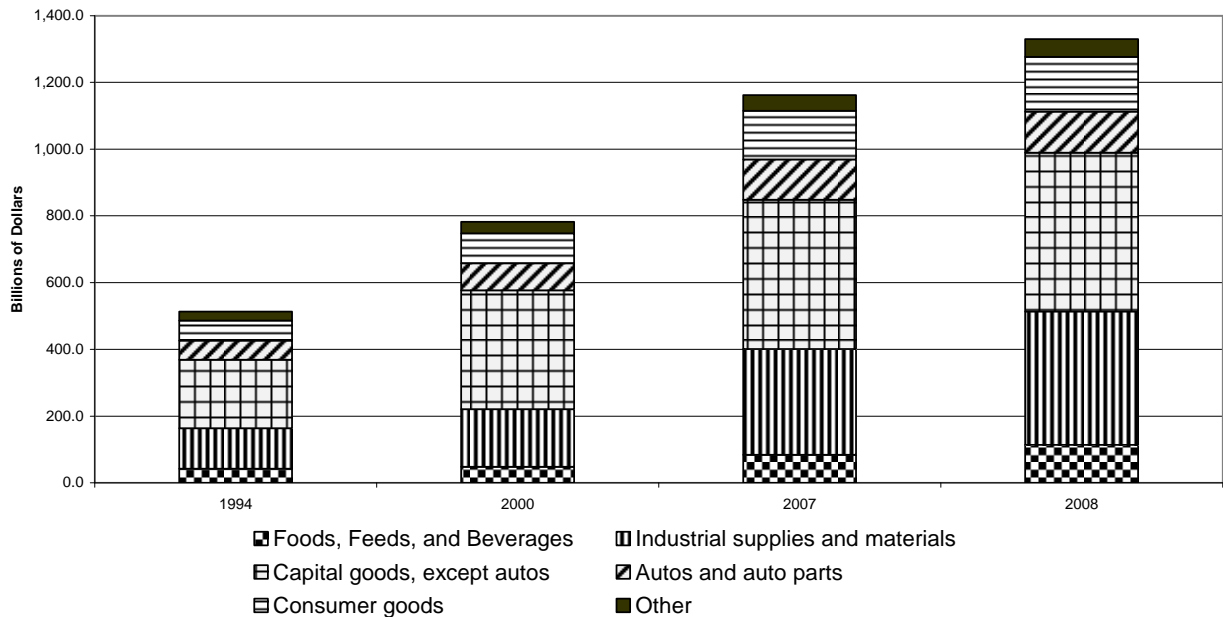
Table 1
U.S. Goods Exports

| Exports: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
|--|----------------------------|-------|---------|---------|------------------------|--------|---------|
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| Total (BOP basis) | 502.9 | 772.0 | 1,148.5 | 1,320.8 | 15.0% | 71.1% | 162.7% |
| Food, feeds, and beverages | 42.0 | 47.9 | 84.3 | 113.5 | 34.7% | 137.0% | 170.5% |
| Industrial supplies and materials | 121.4 | 172.6 | 316.3 | 400.4 | 26.6% | 132.0% | 229.8% |
| Capital goods, except autos | 205.0 | 356.9 | 447.4 | 475.0 | 6.2% | 33.1% | 131.7 % |
| Autos and auto parts | 57.8 | 80.4 | 121.0 | 124.1 | 2.5% | 54.4% | 114.7% |
| Consumer goods | 60.0 | 89.4 | 146.1 | 163.3 | 11.8% | 82.7% | 172.2% |
| Other | 26.5 | 34.8 | 47.3 | 53.8 | 13.7% | 54.6% | 102.9% |
| Addendum: Agriculture | 45.9 | 52.1 | 92.4 | 122.4 | 32.4% | 135.1% | 166.5% |
| Addendum: Manufacturing | 431.1 | 689.5 | 981.3 | 1,067.8 | 8.8% | 54.9% | 147.7% |
| Addendum: High Technology | 120.7 | 227.4 | 274.2 | 279.0 | 1.8% | 22.7% | 131.1% |

* Annualized based on January-November 2008 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 2008 data
Source: U.S. Department of Commerce

| Table 2 | | | | | | | |
|--|----------------------------|-------|-------|-------|------------------------|--------|--------|
| U.S. Goods Exports to Selected Countries/Regions | | | | | | | |
| Exports from: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| European Union (EU27) | 110.1 | 168.5 | 247.2 | 277.8 | 12.3% | 64.8% | 152.4% |
| Canada | 114.4 | 178.9 | 248.9 | 265.7 | 6.7% | 48.5% | 132.1% |
| Asian Pacific Rim, except Japan and China | 85.0 | 121.5 | 153.4 | 169.2 | 10.3% | 39.3% | 99.1% |
| Mexico | 50.8 | 111.3 | 136.1 | 152.7 | 12.2% | 37.1% | 200.3% |
| Latin America, except Mexico | 41.7 | 59.3 | 107.5 | 142.0 | 32.1% | 139.5% | 240.4% |
| China | 9.3 | 16.2 | 62.2 | 70.6 | 13.5% | 336.4% | 661.0% |
| Japan | 53.5 | 64.9 | 62.7 | 67.8 | 8.1% | 4.4% | 26.7% |
| Addendum: Industrial Countries** | 294.0 | 435.2 | 592.3 | 651.4 | 10.0% | 49.7% | 121.6% |
| Addendum: Developing Countries** | 218.6 | 346.7 | 570.2 | 675.1 | 18.4% | 94.7% | 208.8% |
| * Annualized based on January-November 2008 data. ** As defined by the International Monetary Fund. | | | | | | | |
| Source: U.S. Department of Commerce, Census basis. | | | | | | | |

industrial countries and 18 percent to developing countries. Since 1994, U.S. goods exports to developing countries exhibited higher growth rates than that to industrial countries, 209 percent compared to 122 percent. Due to this long term higher growth difference, 2008 marked the first year that the U.S. exported more to developing countries than to industrial countries, 51 percent to 49 percent.

U.S. exports to the European Union were up 12 percent in 2008 and became the largest export market for the United States accounting for 21 percent of aggregate U.S. exports (surpassing Canada). Capital goods, industrial supplies and materials, and consumer goods accounted for the majority of U.S. exports to the EU in 2008, 38 percent, 27 percent, and 19 percent, respectively. However, export growth in 2008 was led by industrial supplies and materials and agriculture, up 24 percent and 21 percent, respectively. U.S. exports to the EU have increased by 65 percent since 2000 and by 152 percent since 1994.

Exports to our NAFTA partners increased roughly 9 percent in 2008, and have increased 195 percent since 1993, the year before the start of NAFTA's entry into force. Approximately 32 percent of aggregate U.S. goods exports went to NAFTA countries in 2008 (\$418 billion).

U.S. exports to Canada, the largest single country U.S. export market accounting for 20 percent of U.S. exports, increased by 7 percent in 2008. Industrial supplies and materials, capital goods, and autos and auto parts accounted for more than three-quarters of total U.S. exports to Canada in 2008, 30 percent, 27 percent, and 21 percent, respectively. U.S. export growth to Canada was led by industrial supplies and materials (up 20 percent) and agriculture (up 17 percent). U.S. exports of consumer goods and capital goods increased by 8 percent and 6 percent, respectively, while exports of autos and auto parts declined by 10 percent. Overall, U.S. exports to Canada have increased by 49 percent since 2000 and by 132 percent since 1994.

U.S. exports to Mexico, the second largest country export market, accounting for 12 percent of U.S. goods exports, increased by 12 percent in 2008. Roughly two-thirds of U.S. exports were in the industrial supplies and capital goods categories, 36 percent and 30 percent, respectively. U.S. export growth to Mexico in 2008 was led by agricultural goods (up 28 percent) and by industrial supplies and materials (up 19 percent). U.S. goods exports to Mexico have increased by 37 percent since 2000 and by 200 percent since 1994.

U.S. exports to the Asian Pacific rim (excluding China and Japan) increased by 10 percent in 2008, and were up 39 percent since 2000 and 99 percent since 1994. Capital goods and industrial supplies and materials accounted for 75 percent of overall U.S. exports to the region, 51 percent and 24 percent, respectively. In 2008, U.S. exports of agriculture were up 44 percent and industrial supplies and materials were up 23 percent.

U.S. exports to Latin America (excluding Mexico) increased 32 percent in 2008, due mainly to strong export growth in agriculture (up 47 percent) and industrial supplies and materials (up 41 percent). Exports of capital goods were up a strong 27 percent, while consumer goods were up 15 percent. Overall, industrial supplies and capital goods accounted for most of U.S. exports to the region, each at 38 percent. U.S. exports to Latin America (excluding Mexico) have increased by 140 percent since 2000 and by 240 percent since 1994.

U.S. goods exports to China continued to increase in 2008, up 14 percent, the 9th straight year of double-digit growth. Capital goods accounted for 41 percent of U.S. exports to China in 2008, while exports of industrial supplies accounted for 39 percent.

U.S. exports of agricultural products to China, which accounted for 16 percent of total exports, increased by 56 percent in 2008, leading all other major categories. Industrial supplies and materials and consumer goods were the next two largest growth categories, each up 14 percent. U.S. exports to China have increased 336 percent since 2000 and were up 661 percent since 1994.

U.S. exports to Japan increased 8 percent in 2008, and were up only 27 percent since 1994 (up merely 4 percent since 2000). U.S. exports of agricultural products were up 35 percent in 2008, while exports of industrial supplies were up 5 percent. These two categories accounted for 46 percent of total U.S. exports to Japan in 2008 (industrial supplies 26 percent, agricultural products 20 percent). U.S. exports of capital goods and autos and auto parts both declined in 2008, by 3 percent and 1 percent, respectively.

B. Import Growth

U.S. goods imports increased 10 percent in 2008 (*table 3 and figure 4*) two-thirds more than the 5.7 percent growth rate in 2007. Manufacturing imports, accounting for 70 percent of total goods imports, increased 2 percent in 2008. High technology imports, accounting for 16 percent of total goods imports, increased by 3 percent, while agriculture imports, accounting for 4 percent of total goods imports, increased by 12 percent in 2008. U.S. goods imports increased for every major end-use category in 2008 except for autos and auto parts which declined by 8 percent. The category with the largest import increase was industrial supplies and materials, up 27 percent, primarily due to the 59 percent increase in oil prices in 2008. In fact, the increase in petroleum imports accounted for roughly three-quarters of the overall increase in goods imports in 2008. The three largest end-use categories for U.S. imports together accounted for more than 80 percent of total U.S. imports in 2008 (industrial supplies – 38 percent; consumer goods – 23 percent; and capital goods – 21 percent).

U.S. goods imports were up 76 percent compared to 2000, and were up 222 percent since 1994. U.S. agriculture imports grew twice as fast as manufacturing imports since 2000, but only grew 25 percent faster than manufacturing imports since 1994. For the major end-use categories, U.S. imports of industrial supplies and materials (including petroleum) led growth in both timeframes, up 170 percent since 2000 and 397 percent since 1994. Of the \$1.5 trillion increase in goods imports since 1994, industrial supplies and materials accounted for 44 percent of the increase, consumer goods for 23 percent, capital goods for 19 percent, and autos and auto parts for 8 percent.

On a major country and regional basis, U.S. goods imports increased 23 percent from Latin America excluding Mexico, 8 percent from Canada, 6 percent from China, 5 percent from the EU, 4 percent from Mexico, while imports declined by 3 percent from Japan, and by 0.9 percent from the Asian Pacific region excluding Japan and China (*table 4*). U.S. imports increased 13 percent from developing countries and 5 percent from industrial countries. Since 1994, U.S. goods imports from developing countries exhibited higher growth (more than double) than that from industrial countries, 345 percent compared with 132 percent. Accordingly, the share of U.S. imports from developing countries has increased from 43 percent in 1994 to 59 percent in 2008.

U.S. goods imports from the EU, accounting for 17 percent of total U.S. imports, increased by 5 percent in 2008. Roughly 81 percent of this increase was in the industrial supplies and materials category (up 9 percent) and in the capital goods category (up 6 percent). U.S. imports of agricultural products from the EU increased only 2 percent in 2008. Overall, U.S. imports from the EU increased 63 percent since 2000 and 204 percent since 1994.

Imports from our NAFTA partners increased 7 percent in 2008 and have increased by 272 percent since NAFTA entered into force in January 1994. NAFTA imports accounted for 26 percent of aggregate U.S. goods imports in 2008, slightly down from 27 percent in 1994.

In 2008, Canada surpassed China as the largest single country supplier of goods to the United States. Canada accounted for 16 percent of total U.S. imports, and imports

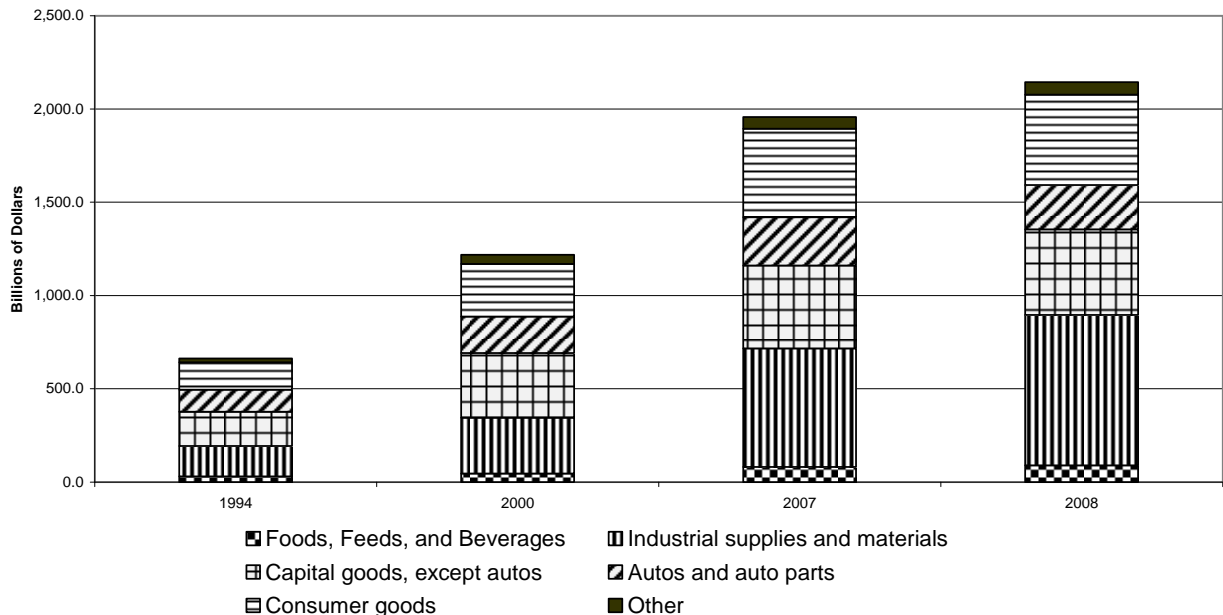
Table 3
U.S. Goods Imports

| Imports: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
|--|----------------------------|---------|---------|---------|------------------------|--------|---------|
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| Total (BOP basis) | 668.7 | 1,226.7 | 1,967.9 | 2,154.9 | 9.5% | 75.7% | 222.3% |
| Food, feeds, and beverages | 31.0 | 46.0 | 81.7 | 89.3 | 9.3% | 94.2% | 188.4% |
| Industrial supplies and materials | 162.1 | 299.0 | 634.7 | 806.4 | 27.0% | 169.7% | 397.4% |
| Capital goods, except autos | 184.4 | 347.0 | 444.5 | 458.3 | 3.1% | 32.1% | 148.6% |
| Autos and auto parts | 118.3 | 195.9 | 258.9 | 238.1 | -8.1% | 21.5% | 101.3% |
| Consumer goods | 146.3 | 281.8 | 474.9 | 485.3 | 2.2% | 72.2% | 231.8% |
| Other | 21.3 | 48.3 | 62.2 | 66.5 | 6.8% | 37.5% | 212.4% |
| Addendum: Agriculture | 26.0 | 39.2 | 72.1 | 80.9 | 12.3% | 106.6% | 211.9% |
| Addendum: Manufacturing | 557.3 | 1,013.5 | 1,480.0 | 1,503.6 | 1.6% | 48.4% | 169.8% |
| Addendum: High Technology | 98.1 | 222.1 | 326.8 | 335.4 | 2.6% | 51.0% | 241.8 % |

* Annualized based on January-November 2008 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 2008 data
Source: U.S. Department of Commerce

| Table 4 | | | | | | | |
|---|----------------------------|-------|---------|---------|------------------------|--------|--------|
| U.S. Goods Imports from Selected Countries/Regions | | | | | | | |
| Imports from: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| European Union (EU27) | 121.9 | 227.6 | 354.4 | 370.7 | 4.6% | 62.9% | 204.1% |
| Canada | 128.4 | 230.8 | 317.1 | 343.6 | 8.4% | 48.8% | 167.6% |
| China | 38.8 | 100.0 | 321.4 | 339.8 | 5.7% | 239.8% | 776.1% |
| Mexico | 49.5 | 135.9 | 210.7 | 219.1 | 4.0% | 61.2% | 342.6% |
| Asian Pacific Rim, except Japan and China | 103.2 | 171.5 | 180.9 | 179.2 | -0.9% | 4.5% | 73.7% |
| Latin America, except Mexico | 38.5 | 73.3 | 134.8 | 166.3 | 23.3% | 126.7% | 332.3% |
| Japan | 119.2 | 146.5 | 145.5 | 140.8 | -3.2% | -3.9% | 18.2% |
| Addendum: Industrial Countries** | 380.7 | 622.3 | 838.9 | 881.6 | 5.1% | 41.7% | 131.5% |
| Addendum: Developing Countries** | 282.5 | 595.7 | 1,118.1 | 1,258.7 | 12.5% | 111.2% | 345.3% |
| *Annualized based on January-November 2008 data. | | | | | | | |
| **As defined by the International Monetary Fund. | | | | | | | |
| Source: U.S. Department of Commerce, Census basis. | | | | | | | |

increased by 8 percent in 2008. This increase was mostly in the industrial supplies category (which contains petroleum), primarily due to increased oil prices. While imports of industrial supplies and materials were up 27 percent in 2008, imports of autos and auto parts were down 21 percent. U.S. imports of agricultural goods from Canada were up 20 percent in 2008. U.S. imports from Canada have increased by 49 percent since 2000 and by 168 percent since 1994.

U.S. imports from Mexico, the third largest single country supplier of goods to the United States, increased by 4 percent in 2008, again primarily due to increased imports in the industrial supplies and materials category (up 22 percent) as a result of the price increase in oil. Similar to Canada, U.S. imports of autos and auto parts from Mexico declined in 2008 (8 percent). U.S. imports of agriculture increased by 7 percent in 2008. U.S. imports from Mexico have grown 61 percent since 2000 and 343 percent since 1994.

Although U.S. goods imports continued its growth from China in 2008 (up 6 percent), this growth has declined over the past 4 years (29 percent growth in 2004, 24 percent growth in 2005, 18 percent growth in 2006, and 12 percent in 2007). Overall, U.S. imports from China have increased by 240 percent since 2000 and 776 percent since 1994. In 2008, China was the second largest single country supplier of imports to the United States, accounting for 16 percent of total U.S. imports, up from 6 percent in 1994, and 8 percent in 2000. Imports from China accounted for 20 percent of the overall

increase in U.S. imports from the world since 1994 (second to NAFTA's 26 percent but greater than the EU's 17 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 51 percent of U.S. imports from China in 2008, but grew only 2 percent in 2008. U.S. imports of agricultural products and industrial supplies and materials, however, each exhibited stronger growth in 2008, 21 percent and 20 percent, respectively.

Although imports from China have shown strong expansion, growth of non-China imports from Asia has slowed relative to overall U.S. imports as a result of 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 31 percent in 2008.

Imports from the Asian Pacific Rim (excluding Japan and China) declined slightly by less than 1 percent in 2008 and were up only 5 percent since 2000 (though up by 74 percent since 1994). Purchases from this region accounted for 8 percent of total U.S. imports in 2008, down from 16 percent in 1994. The largest import growth category in 2008 was agricultural products, up 17 percent. Imports of capital goods and consumer goods were each down 3 percent despite accounting for 39 percent and 26 percent of total U.S. imports from this region.

U.S. imports from Japan declined 3 percent in 2008, the second straight year of import decline. Since 2000, U.S. imports from Japan have similarly declined by 4 percent, while U.S. imports from Japan have only grown by 18 percent since 1994, far below the overall U.S. growth rate of 222 percent during the same timeframe. Purchases from Japan in 2008 accounted for 7 percent of total U.S. imports, as compared to 18 percent in 1994. The largest import growth category was agricultural products, up 14 percent. This category however only accounted for 0.4 percent of total imports from Japan in 2008. U.S. imports of consumer goods declined by 8 percent, while imports of autos and auto parts declined by 2 percent. Roughly 75 percent of total U.S. imports from Japan in 2008 were in the autos and auto parts category (40 percent) and the capital goods category (36 percent).

Imports from Latin America (excluding Mexico) increased by a strong 23 percent in 2008, again primarily due to increased oil prices. U.S. imports of industrial supplies and materials were the largest import growth category, up 34 percent in 2008. This category also accounted for 73 percent of total U.S. imports from the region. U.S. imports from Latin America have increased by 127 percent since 2000 and by 332 percent since 1994.

III. Services Trade

A. Export Growth

U.S. exports of services grew 12 percent in 2008 to a record \$556 billion, and have grown 86 percent since 2000 and 178 percent since 1994 (*table 5 and figure 5*). U.S. services exports accounted for 30 percent of the level of U.S. goods and services exports in 2008.

Nearly all of the major services export categories exhibited double digit growth rates in 2008, led by passenger fares (up 25 percent), other transportation (up 19 percent), and the travel category (up 17 percent). Of the \$59 billion increase in U.S. services exports in 2008, the other private services category accounted for 32 percent of the increase, and the travel category accounted for 28 percent.

Since 2000, export growth has been led by other private services (up 125 percent), royalties and licensing fees (up 111 percent), and the other transportation category (up 106 percent). Similarly, these three categories exhibited the strongest export growth since 1994 as well. Export growth has been led by the other private services category, up 298 percent, the royalties and licensing fees category, up 242 percent, and the other transportation category, up 158 percent. Of the \$356 billion increase in U.S. services exports between 1994 and 2008, the other private services category accounted for 51 percent of the increase, the royalties and licensing fees category accounted for 18 percent, and the travel category accounted for 15 percent.

Detailed sectoral breakdowns for exports of the other private services category as well as exports to countries/regions are available only through 2007.

In 2007, 33 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 2007 were: business, professional and technical services, \$108 billion; financial services, \$58 billion; and education, \$16 billion. The business, professional and technical services category were led by management and consulting services (\$25 billion), research and development and testing services (\$15 billion), computer and information services (\$13 billion), and operational leasing (\$12 billion).

The United Kingdom was the largest purchaser of U.S. private services exports in 2007, accounting for 13 percent of total U.S. private services exports. The next 4 largest purchasers of U.S. private services exports in 2007 were: Canada (\$43 billion), Japan (\$40 billion), Germany (\$25 billion), and Mexico (\$24 billion). Regionally, in 2007, the United States exported \$179 billion to the EU-27, \$105 billion to the Asia/Pacific Region (\$50 billion excluding Japan and China), \$67 billion to NAFTA countries, and \$33 billion to Latin America (excluding Mexico).

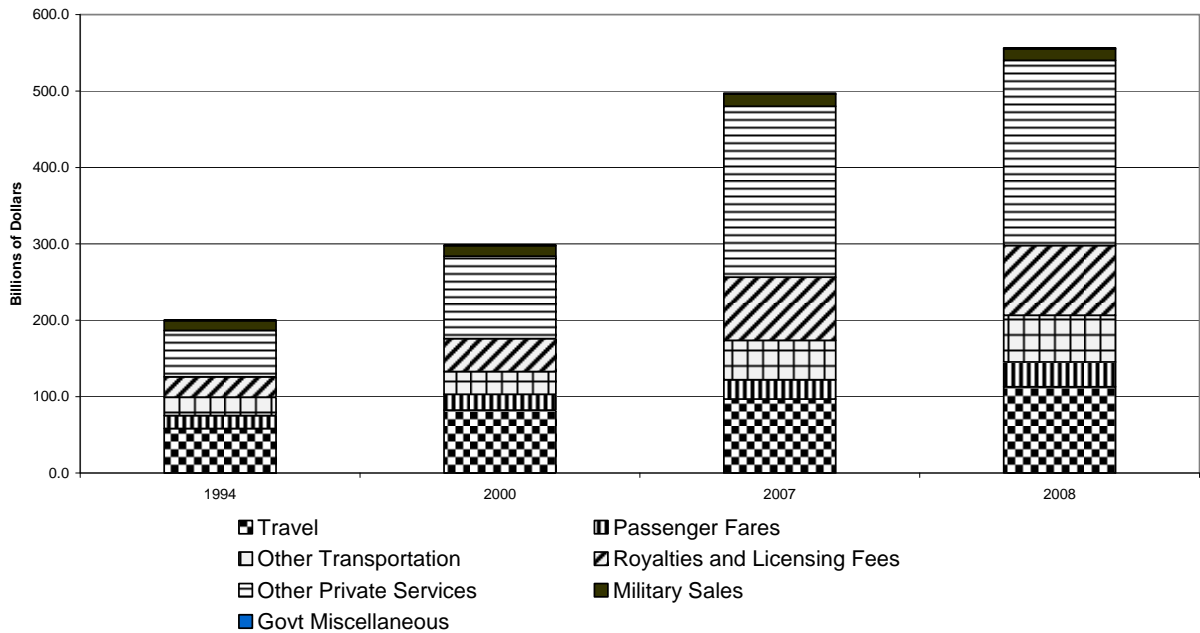
Table 5
U.S. Services Exports

| Exports: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
|--|----------------------------|-------|-------|-------|------------------------|--------|--------|
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| Total (BOP basis) | 200.4 | 298.6 | 497.2 | 556.4 | 11.9% | 86.3% | 177.7% |
| Travel | 58.4 | 82.4 | 96.7 | 113.2 | 17.0% | 37.3% | 93.7% |
| Passenger Fares | 17.0 | 20.7 | 25.6 | 32.1 | 25.4% | 55.1% | 88.8% |
| Other Transportation | 23.8 | 29.8 | 51.6 | 61.3 | 18.9% | 105.8% | 158.2% |
| Royalties and Licensing Fees | 26.7 | 43.2 | 82.6 | 91.3 | 10.5% | 111.2% | 241.8% |
| Other Private Services | 60.8 | 107.9 | 223.5 | 242.3 | 8.4% | 124.6% | 298.3% |
| Transfers under U.S. Military Sales Contracts | 12.8 | 13.8 | 16.1 | 15.1 | -6.1% | 9.3% | 17.8% |
| U.S. Government Miscellaneous Services | 0.9 | 0.8 | 1.2 | 1.2 | 2.2% | 57.5% | 39.6% |

*Annualized based on January-November 2008 data.

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

Figure 5:
U.S. Services Exports



2007 Annualized based on January-November 2008 data
Source: U.S. Department of Commerce

B. Import Growth

Services imports by the United States increased in 2008 by 8 percent to a record \$409 billion (*table 6, figure 6*). The other private services, royalties and licensing fees and other transportation categories exhibited the largest growth in 2008, ranging between 9 percent and 14 percent. Of the \$31 billion increase in U.S. services imports in 2008, other private services accounted for 32 percent and other transportation accounted for 20 percent. U.S. services imports accounted for 16 percent of the level of U.S. goods and services imports in 2008.

Since 2000, imports of services have grown by 83 percent. Import growth has been led by direct defense expenditures (up 168 percent), other private services (up 155 percent), other transportation (up 77 percent) and the royalties and licensing fees category (up 69 percent).

Since 1994, services imports grew by 208 percent. U.S. payments (imports) of other private services and royalties and licensing fees have nearly quintupled, while direct defense expenditures have more than tripled. Of the \$276 billion growth in imports since 1994, the other private services category accounted for 45 percent of the increase and the other transportation category accounted for 17 percent of the increase.

As with exports, detailed sectoral breakdowns for imports of other private services are available only through 2007. In 2007, 40 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 2007 were: business professional and technical services \$69 billion; insurance services, \$43 billion; and financial services, \$19 billion. The business, professional and technical services category were led by management, and consulting services (\$20 billion), computer and information services (\$15 billion), and research, development, and testing services (\$11 billion).

In the import sector, the United Kingdom remained our largest supplier of private services, providing \$43 billion to the United States in 2007. This accounted for 13% of total U.S. imports of private services in 2007. The United States imported \$25 billion from both Canada, our second largest supplier, and Japan our third largest supplier. Germany and Bermuda were our fourth and fifth largest import suppliers, exporting \$24 and \$17 billion, respectively, worth of services to the U.S. in 2007.

Regionally, the U.S. imported \$133 billion of services from the EU-27 in 2007, \$69 billion from the Asia/Pacific region (\$36 billion excluding Japan and China), \$40 billion from NAFTA, and \$17 billion from Latin America (excluding Mexico).

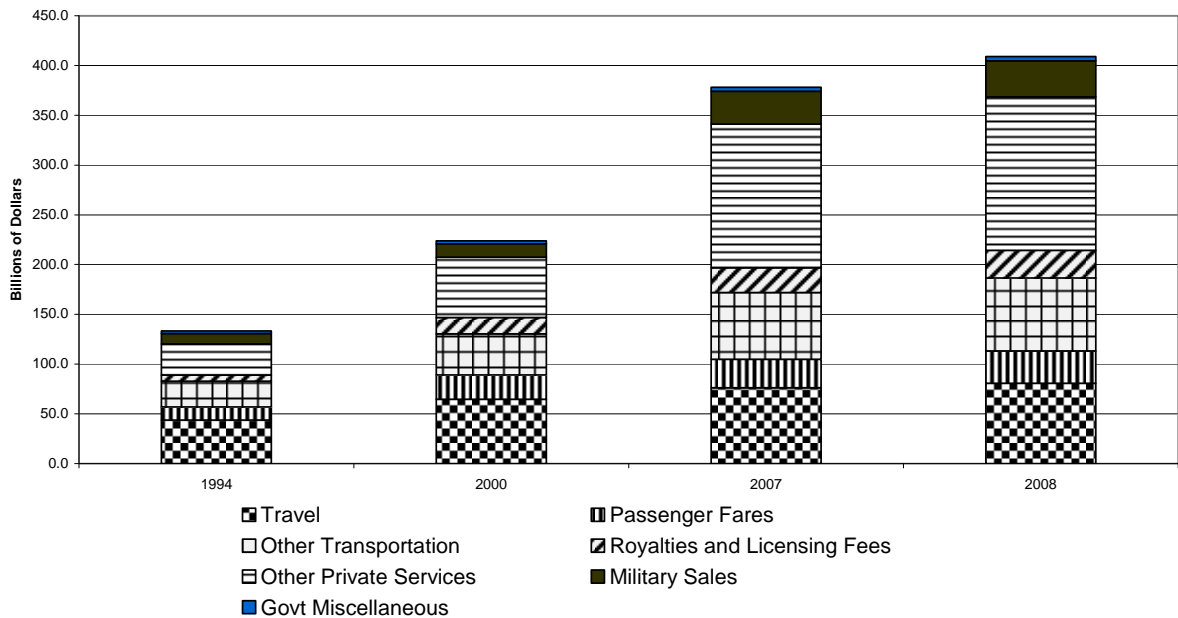
Table 6
U.S. Services Imports

| Imports: | 1994 | 2000 | 2007 | 2008* | 07-08* | 00-08* | 94-08* |
|---|----------------------------|-------|-------|-------|------------------------|--------|--------|
| | <i>Billions of Dollars</i> | | | | <i>Percent Changes</i> | | |
| Total (BOP basis) | 133.1 | 223.7 | 378.1 | 409.2 | 8.2% | 82.9% | 207.5% |
| Travel | 43.8 | 64.7 | 76.2 | 80.7 | 6.0% | 24.7% | 84.4% |
| Passenger Fares | 13.1 | 24.3 | 28.5 | 32.5 | 14.0% | 33.7% | 148.5% |
| Other Transportation | 26.0 | 41.4 | 67.1 | 73.3 | 9.4% | 77.1% | 181.9% |
| Royalties and Licensing Fees | 5.9 | 16.5 | 25.0 | 27.8 | 11.0% | 68.8% | 375.1% |
| Other Private Services | 31.6 | 60.5 | 144.4 | 154.3 | 6.9% | 155.0% | 389.0% |
| Direct Defense Expenditures | 10.2 | 13.5 | 32.8 | 36.1 | 10.0% | 168.1% | 253.5% |
| U.S. Government Miscellaneous Services | 2.6 | 2.9 | 4.2 | 4.4 | 4.9% | 52.3% | 71.5% |

*Annualized based on January-November 2008 data.

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

Figure 6:
U.S. Services Imports



2007 Annualized based on January-November 2008 data
Source: U.S. Department of Commerce

IV. The U.S. Trade Deficit

In 2008, the U.S. goods and services deficit decreased by \$13 billion to a level of \$687 billion (*table 7*), the second consecutive year of deficit decline. The U.S. deficit in goods trade alone increased by \$15 billion to \$834 billion in 2008, while the U.S. surplus in services trade increased by \$28 billion to \$147 billion. The increase in the goods deficit was largely the result of the increase in oil prices, up 59 percent in 2008 as compared to 2007. The deficit in petroleum increased by 39 percent in 2008 and accounted for nearly 60 percent of the total goods and services deficit. In contrast, the non-petroleum goods deficit actually declined by 18 percent in 2008.

As a share of U.S. GDP, the goods and services trade deficit declined from 5.1 percent of GDP in 2007 to 4.8 percent of GDP in 2008 (*table 8*). The goods trade deficit declined from 5.9 percent of GDP in 2007 to 5.8 percent of GDP in 2008, while the services trade surplus increased from 0.9 percent of GDP in 2007 to 1.0 percent of GDP in 2008.

The regional distribution of the goods trade deficit for 1994, 2000, and 2006-2007 is shown in *table 9*.

| Table 7 | | | | |
|---|----------------------------|-------------|-------------|--------------|
| U.S. Trade Balances with the World | | | | |
| Balance: | 1994 | 2000 | 2007 | 2008* |
| | <i>Billions of Dollars</i> | | | |
| Goods and Services (BOP Basis) | -98.5 | -379.8 | -700.3 | -686.8 |
| Goods (BOP Basis) | -165.8 | -454.7 | -819.4 | -834.1 |
| Services (BOP Basis) | 67.3 | 74.9 | 119.1 | 147.2 |
| * Annualized based on January-November 2008 data | | | | |
| Source: U.S. Department of Commerce | | | | |

| Table 8 | | | | |
|--|-----------------|-------------|-------------|--------------|
| U.S. Trade Balances as a Share of GDP | | | | |
| Share of GDP: | 1994 | 2000 | 2007 | 2008* |
| | <i>Percents</i> | | | |
| Goods and Services (BOP Basis) | -1.4 | -3.9 | -5.1 | -4.8 |
| Goods (BOP Basis) | -2.3 | -4.6 | -5.9 | -5.8 |
| Services (BOP Basis) | 1.0 | 0.8 | 0.9 | 1.0 |
| * Annualized based on January-November 2008 data | | | | |
| Source: U.S. Department of Commerce | | | | |

| Table 9 | | | | |
|--|----------------------------|-------------|-------------|--------------|
| U.S. Goods Trade Balances with Selected Countries/Regions | | | | |
| Balance: | 1994 | 2000 | 2007 | 2008* |
| | <i>Billions of Dollars</i> | | | |
| Canada | -14.0 | -51.9 | -68.2 | -77.9 |
| European Union (EU27) | -11.8 | -59.1 | -107.2 | -93.0 |
| Japan | -65.7 | -81.6 | -82.8 | -73.1 |
| Mexico | 1.4 | -24.6 | -74.6 | -66.4 |
| China | -29.5 | -83.8 | -259.2 | -269.2 |
| Asian Pacific Rim, except Japan and China | -18.2 | -50.0 | -27.5 | -10.0 |
| Latin America, except Mexico | 3.2 | -14.1 | -27.3 | -24.3 |
| Addendum: Industrial Countries** | -86.7 | -187.1 | -246.6 | -239.6 |
| Addendum: Developing Countries** | -63.9 | -249.0 | -547.9 | -598.5 |
| * Annualized based on January-November 2008 data | | | | |
| ** As defined by the International Monetary Fund | | | | |
| Source: U.S. Department of Commerce | | | | |