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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Latest monthly statistics indicate that the U.S. economy appears to be growing by fits and starts, but quarterly and yearly statistics show that the U.S. economy is really on a sustainable path of moderate growth. Statistics released by the U.S. Department of Commerce for April 1992 show a 0.9-percent gain in retail sales, following a 1.0-percent drop in March, a decline in the unemployment rate by 0.1 percent, a rise in the Nation's output by 0.5 percent, but a 17-percent plunge in housing starts.

A brighter picture of the economy emerges, however, from the data recently released by Commerce for the first quarter of 1992. Contrary to the monthly data that show the economy recovering unevenly, the first-quarter statistics show a sustained, but moderate pace of recovery. The rate of real economic growth for the first quarter of 1992, an annualized 2.4 percent, was the highest since the first quarter of 1989, when the Gross Domestic Product (GDP) grew at an annual rate of 2.5 percent. Increases in consumer spending, in exports, in residential investment spending, in government spending, and in corporate profits all contributed to GDP growth. Real consumer spending (in 1987 prices) rose 5.3 percent at an annual rate over the first quarter of 1992, real exports of goods and services increased by 1.0 percent, real residential investment increased by a healthy 15.8 percent, and real government spending rose 2.8 percent. More important, consumer spending on durable goods rose 18.3 percent, and spending on nondurables rose 4.6 percent, which led to a precipitous decline in business inventories. The decline in business inventories (21 percent) is likely to generate new rounds of production to replenish the depleted stocks. More production will exert minimal pressure on inflation because the manufacturing sector still has idle productive capacity. Finally, corporate profits rose by 3.1 percent, following a paltry increase of 0.9 percent in the fourth quarter of 1991. Financial observers expect business profits to increase 50 percent during the remainder of 1992.

Exports still remain the brightest spot in the economy, however. Record export increases resulted in the lowest monthly merchandise trade deficits since May 1983. In the first quarter of 1992, the merchandise trade deficit declined by 10 percent from $16.5 billion to $14.9 billion, from the corresponding period in 1991. There was a precipitous decline in the current account deficit from 1990 to 1991. Data recently released by Commerce show that a $27 billion rise in exports and an $8 billion decline in imports in 1991 led to a $35 billion drop in the merchandise trade deficit for the year. An increased surplus on services from $26.4 billion in 1990 to $35.9 billion in 1991, coupled with a shift in net unilateral transfers from a deficit of $22.3 billion in 1990 to a surplus of $19.7 billion in 1991, led to the narrowing of the current account deficit to $8.6 billion in 1991, down from $92.1 billion in 1990. The large shift in unilateral transfers was due to the receipt of cash contributions from the coalition partners in Operation Desert Storm to defray the expenses of operations in the Persian Gulf.

Because inflation rose at a moderate rate of 3.2 percent for the year ending April 1992, economists are optimistic that the recovery is gathering momentum. The reason for optimism is that low inflation rates will lay the groundwork for a sustainable upturn, with lower pressures on wages and interest rates.

Economic Growth

GDP increased in the first quarter of 1992 by 2.0 percent, up from an increase of 0.4 percent in the fourth quarter of 1991. The output of goods and services (i.e. real GDP measured in 1987 prices) declined by 0.7 percent for all of 1991, the first annual decline since 1982.

The annualized rate of real economic growth in the fourth quarter of 1991 was -1.1 percent in the United Kingdom, -1.4 percent in Germany, nil in France, -0.8 percent in Canada, 0.1 percent in Japan, and 1.2 percent in Italy.

Industrial Production

Seasonally adjusted U.S. industrial production increased in nominal terms by 0.5 percent in April, following an upward revised gain of 0.4 percent in March 1992. The April increase was due to the sharp rise in auto production. Total industrial output in April 1992 was 2.5-percent higher than in April 1991. Capacity utilization in manufacturing, mining, and utilities increased to 78.7 percent from 78.4 percent in February 1992. Manufacturing production climbed 0.5 percent, and mining output increased 0.8 percent. Output of durable goods rose 0.8 percent, and output of nondurables increased 0.3 percent.

Other major industrial countries reported the following changes in industrial production: for the year ending March 1992, Japan reported a decrease of 5.3 percent, and Germany reported an decrease of 1.1 percent. For the year ending February 1992, France reported an increase of 0.3 percent, the United Kingdom reported a decrease of 1.6 percent, Canada reported a decrease of 0.2 percent, and Italy reported a decrease of 0.3 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.2 percent in April after rising by 0.3 percent in March 1992. The CPI rose by 3.2 percent during the 12 months ending March 1992.

During the 1-year period ending April 1992, prices increased 5.5 percent in Italy and 4.6 percent in Germany. During the 1-year period ending March 1992, consumer prices increased by 1.6 percent in Canada, 3.2 percent in France, 4.0 percent in the United Kingdom, and 2.0 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States declined to 7.2 percent in April from 7.3 percent in March.

In April 1992, unemployment was 6.4 percent in Germany and 11.0 percent in Canada. In March 1992, unemployment was 9.4 percent in the United Kingdom, 2.1 percent in Japan, 9.9 percent in France, and 10.9 percent in Italy. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Forecasts point to a moderate rebound of real economic growth in the remainder of 1992, followed by slightly stronger growth in the first half of 1993. Moderating the economic recovery in the first half of 1992 will be a general slowdown in global economic growth, particularly in industrialized countries. Consumer and business spending is expected to rise only moderately due to uncertainty about future growth, and the high level of consumer and business indebtedness. Although business sentiment and consumer confidence improved, and their indebtedness eased up a little, consumers and businesses are still exercising caution or guarded optimism in their spending. Table 1 shows macroeconomic projections for the U.S. economy for April 1992 to June 1993, by four major forecasters, and the simple average of

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, April 1992-March 1993

Quarter	*UCLA Business Fore-casting Project*	*Merrill Lynch Capital Markets*	*Data Resources Inc.*	*Wharton E.F.A. Inc.*	*Mean of 4 fore-casts*
			GDP current dollars		
1992					
April-June	2.7	6.7	7.1	5.1	5.4
July-September	6.0	6.6	6.7	7.1	6.6
October-December	6.8	6.7	6.1	6.1	6.4
1993					
January-March	7.3	7.0	7.7	6.6	7.1
April-June	6.6	6.5	6.1	6.1	6.3
			GDP constant (1987) dollars		
1992					
April-June	1.8	3.3	3.5	2.8	2.9
July-September	2.7	3.1	3.8	3.4	3.3
October-December	3.0	3.1	3.2	3.0	3.0
1993					
January-March	3.6	3.0	4.2	3.1	3.5
April-June	3.5	2.9	3.1	3.2	3.2
			GDP deflator index (1987 = 100)		
1992					
April-June	0.9	3.4	3.5	2.2	2.5
July-September	3.2	3.4	2.8	3.6	3.2
October-December	3.0	3.5	2.8	3.0	3.2
1993					
January-March	3.6	3.8	3.4	3.4	3.7
April-June	3.0	3.4	3.0	2.8	3.1
			Unemployment, average rate		
1992					
April-June	7.4	7.3	7.2	7.3	7.3
July-September	7.5	7.1	7.1	7.3	7.2
October-December	7.4	7.0	6.9	7.2	7.1
1993					
January-March	7.3	6.8	6.7	7.0	6.9
April-June	7.1	6.6	6.5	6.7	6.7

Note.—Except for the unemployment rate, percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: May 1992.

Source: Compiled from data provided by The Conference Board. Used with permission.

these forecasts. Forecasts of all the economic indicators except unemployment are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

Several factors appear to be working in favor of stronger growth in the first half of 1993. A surge in consumer confidence and spending due to gains in employment and incomes is expected. Business spending is also expected to rise due to the moderation of wage increases that may result from cost-cutting and corporate restructuring. Interest and inflation rates should remain low. Export growth should surge as a result of the relative moderation of the foreign value of the dollar. Analysts anticipate improvement in the industrial countries' economic conditions, which should increase foreign demand for U.S. exports. Finally, a buildup of the currently low levels of business inventories should generate new rounds of production that could propel the recovery in the industrial sector. The average of the forecasts points to a slight decline in the unemployment rate in the second half of 1992 and a larger decline in the first half of 1993. Inflation (as measured by the GDP deflator) is expected to rise in the second quarter of 1992 and throughout the first quarter of 1993, but then slow down in the second quarter.

U.S. TRADE DEVELOPMENTS

The seasonally adjusted U.S. merchandise trade deficit increased from $3.3 billion in February to $5.8 billion in March 1992. A $700 million decline in March exports and a $1.8 billion increase in imports accounted for the worsening in the monthly balance. Exports declined to $37.0 billion in March and imports increased to $42.8 billion. The quarterly trade deficit dropped to $14.9 billion in January-March 1992 from $16.6 billion in the corresponding period of 1991.

Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in table 2.

The March 1992 deficit was 11.5-percent higher than the $5.2 billion average monthly deficit registered during the previous 12-month period and 32-percent higher than the $4.4 billion deficit registered in March 1991. When oil is excluded, the March 1992 merchandise trade deficit increased by $2.4 billion from the previous month.

Nominal export changes and trade balances in March 1992 for specified major commodity sectors are shown in table 3. Automatic data processing and office machinery, telecommunications, organic chemicals, power generating machinery, vehicle parts, and general industrial machinery recorded the largest export increases from February to March 1992. Airplanes led the sectors that recorded trade surpluses in January-March 1992. The U.S. agricultural trade surplus decreased from $1.9 billion in February to $1.6 billion in March 1992.

U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 4. In March 1992, the United States registered declines in bilateral merchandise trade deficits with Canada and China, and increased deficits with Japan, Germany, the European Free Trade Association (EFTA), newly industrialized countries (NICs), and Oil Producing Exporting Countries (OPEC). The U.S. deficit with Japan increased by $1 billion. U.S. trade surpluses with the EC, Western Europe, and Mexico showed little change. From January-March 1991 to the corresponding period in 1992, the United States registered declines in its bilateral trade deficits with Germany, and OPEC, and deficit increases with Japan, Canada, EFTA, NICs, and China. The U.S. trade surpluses with the EC, Western Europe, and Mexico increased.

Table 2
U.S. merchandise trade, seasonally adjusted

Item	*Exports*		*Imports*		*Trade balance*	
	February 1992	*March 1992*	*February 1992*	*March 1992*	*February 1992*	*March 1992*
Current dollars—						
Including oil	37.7	37.0	41.0	42.8	-3.3	-5.8
Excluding oil	37.2	36.5	37.6	39.4	-0.5	-2.9
1987 dollars	35.4	34.7	38.4	40.3	-3.0	-5.6
Three-month-moving average	36.4	36.7	41.3	41.7	-4.9	-5.0
Advanced-technology products (not seasonally adjusted)	9.2	10.1	5.1	6.0	+4.1	+4.1

Source: *U.S. Department of Commerce News, (FT 900)*, May 1992.

Table 3
Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors, January 1991-March 1992

Sector	*Exports January-March 1992*	*March 1992*	*Change January-March 1992 over January-March 1991*	*March 1992 over February 1992*	*Share of total January-March 1992*	*Trade balances January-March 1992*
	Billion dollars		*Percent*			*Billion dollars*
ADP equipment & office machinery	6.6	2.5	0	17.8	6.0	-1.24
Airplanes	7.8	3.0	60.7	2.8	7.0	7.01
Airplane parts	2.4	0.8	-3.7	5.1	2.1	1.45
Electrical machinery	7.8	2.7	5.8	4.2	7.0	-1.42
General industrial machinery	4.6	1.7	16.7	12.2	4.2	0.81
Iron & steel mill products	0.9	0.3	-6.1	0	0.8	-1.10
Inorganic chemicals	1.0	0.3	7.5	-9.1	0.9	0.10
Organic chemicals	2.7	1.0	-13.8	14.3	2.4	0.40
Power-generating machinery	4.3	1.5	7.8	13.4	3.9	0.53
Scientific instruments	3.6	1.3	9.1	6.7	3.3	1.86
Specialized industrial machinery	4.0	1.4	1.8	4.4	3.6	1.26
Telecommunications	2.6	1.0	13.0	14.3	2.3	-3.07
Textile yarns, fabrics and articles	1.4	0.5	11.7	13.0	1.3	-0.48
Vehicle parts	4.0	1.5	30.3	12.8	3.6	0.23
Other manufactured goods[1]	6.8	2.4	20.7	8.1	6.1	-0.92
Manufactured exports not included above	25.3	9.2	7.0	14.2	22.8	5.41
Total manufactures	85.9	31.0	11.0	9.5	77.4	-14.61
Agriculture	11.1	3.7	8.2	-2.6	10.0	5.04
Other exports	14.0	5.0	-7.3	4.8	12.6	-1.77
Total	111.0	39.7	8.0	7.7	100.0	-11.34

[1] This is an official U.S. Department of Commerce commodity grouping.

Note: Because of rounding, figures may not add to total shown.

Source: *U.S. Department of Commerce News, (FT 900)*, May 1992.

Table 4
U.S. merchandise trade deficits (-) and surpluses (+), not seasonally adjusted, by specified areas, by specified periods, January 1991-March 1992

(Billion dollars)

Area or country	*March 1992*	*February 1992*	*March 1991*	*January-March 1992*	*January-March 1991*
Japan	-4.00	-2.97	-3.67	-10.77	-10.36
Canada	-0.51	-0.66	-0.51	-1.43	-1.38
Germany	-0.35	-0.07	-0.38	-0.65	-1.39
EC	+2.45	+2.47	+2.91	+6.80	+5.74
Western Europe	+2.26	+2.63	+3.28	+6.59	+5.80
EFTA	-0.22	-0.03	+0.18	-0.45	-0.23
NICS[1]	-0.76	-0.63	-0.21	-2.70	-1.75
USSR (former)	+0.19	+0.26	+0.39	+0.74	+0.88
China	-0.80	-1.23	-0.50	-3.43	-2.18
Mexico	+0.59	+0.58	-0.06	+1.75	+0.03
OPEC	-0.42	-0.37	-0.86	-1.52	-4.06
Total trade balance	-3.70	-2.24	-1.75	-11.34	-12.74

[1] NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Note.—The difference between trade balances shown in total exports table and those shown in the above (country/area) table represents exports of certain grains, oilseeds, and satellites that are not included in the country/area exports.

Source: *U.S. Department of Commerce News (FT-900)*, May 1992.

INTERNATIONAL TRADE DEVELOPMENTS

United States and Japan Reach Agreement on Paper Market

Japan is the world's second-largest consumer and producer of paper and paperboard. However, according to U.S. industry estimates, imports accounted for only 4.1 percent of Japan's $27 billion paper and paperboard market in 1991, with the U.S. share totaling 2.1 percent. During 1991, the United States held three rounds of talks with Japan to increase foreign access to Japan's market for printing and writing paper and paperboard packaging products. U.S. paper manufacturers have experienced difficulties in marketing paper and paperboard in Japan. According to the Japan Fair Trade Commission (JFTC), distribution channels for paper are reportedly characterized by long-term, close relationships (including financial ties) between manufacturers, intermediaries, and customers.

On January 9, 1992, the White House announced that the United States and Japan would agree by March 1992 on measures to substantially increase access to Japan's paper market for foreign paper products and that the JFTC would initiate a study of competition in the paper sector to be completed within the same time period. Recently, 37 Japanese paper distribution companies expressed an interest in developing business relationships with foreign suppliers in conjunction with the Ministry of International Trade and Industry's (MITI) Business Initiative for Global Partnership.[1] On April 5, 1992, through an exchange of letters, the two countries agreed to "Measures to Increase Market Access in Japan for Foreign Products" whose objective was to increase "substantially market access in Japan" for foreign paper products. The measures were incorporated in the "U.S.-Japan Market Access Agreement" signed by Deputy U.S. Trade Representative Michael Moskow and Japan's Ambassador to the United States Takakazu Kuriyama on April 23, 1992. Among the measures agreed to were that the Government of Japan would encourage Japanese paper and paperboard producers, distributors, converters, and printers to implement internal programs to ensure compliance with the Antimonopoly Law. The Government also made a committment to encourage major Japanese paper companies to promote "effective long-term buyer-supplier relationships with foreign producers of paper products to increase market access for competitive foreign paper products." In addition, to encourage major end-users to increase purchases of foreign paper products, the Government of Japan agreed to urge them to adopt and implement open and nondiscriminatory purchasing for foreign and domestic paper products. The Government of Japan also agreed to assist foreign paper suppliers in obtaining information on Japanese import incentives and promotion programs. The two countries agreed to hold bilateral meetings twice each year to review implementation of the agreement.[2] The first followup meeting will be held in the fall of 1992. The American Paper Institute (API) was very pleased with the agreement and called it a "major achievement." At the same time, representatives of the U.S. paper industry noted that they would be closely monitoring whether the agreed-upon measures are implemented properly and whether they result in significantly increased access to the Japanese market.

In developments leading up to the 1992 agreement, the American Paper Institute, in hearings before the Senate Finance Committee in October 1991, had offered several suggestions for improving access to Japan's paper market. The suggestions included establishing a mechanism for monitoring the progress of Japanese imports of paper products, getting commitments from Japan to enforce the Antimonopoly Law, and initiating an investigation of distribution and other business practices in Japan's paper sector.

Cuba: A Post-Soviet Economic Survival Plan

Cuba, one of the world's few remaining nonmarket economies, continues to reel from the economic impact of the dissolution of the U.S.S.R.—formerly Cuba's largest aid donor. Fidel Castro's regime grew to rely on massive Soviet economic assistance to keep the Cuban economy afloat after the United States and other Western Hemisphere members of the Organization of American States (OAS) imposed an embargo on trade with Cuba in 1962. This Soviet assistance, which included purchases of Cuban sugar and nickel at above-market prices and combinations of barter exchanges and subsidized sales of petroleum (some of which Cuba resold in world markets for hard currency), totaled over $4 billion annually by 1990. Soviet economic assistance to Cuba fell off sharply during the 1991 breakup of the U.S.S.R. As a result, the Cuban economy contracted by as much as 20 percent in 1991, according to some unofficial estimates.

The Soviet Union began cutting back its assistance to Cuba even before 1991. Soviet shipments of fuel oil (actually provided by Venezuela under a trilateral oil swap arrangement) were cut dramatically, severely crippling the Cuban economy. Of 13 million metric tons of oil promised by the U.S.S.R. in 1990, Cuba received only 10 million tons—insufficient to meet Cuba's domestic fuel needs. Shipments of food and consumer goods from the Soviet Union also fell sharply. Fidel Castro declared a "peacetime special period" in October 1990—an economic state of emergency in which factories were closed or their

[1] Fact sheet on paper, The White House, Office of the Press Secretary, Jan. 9, 1992.

[2] Letters between Takakazu Kuriyama, Ambassador to Japan, and Michael Moskow, Acting United States Trade Representative, Apr. 5, 1992.

operations restricted, and rationing programs were implemented for fuel and food. Agricultural production and food distribution were hurt by shortages of fuel, fertilizer, and pesticides. The Cuban Government implemented an emergency food self-sufficiency program using agricultural brigades composed largely of workers from factories that had been shut down due to shortages of imported fuel and other inputs. The brigades were established to help expand domestic food production. Farmers were asked to increase their use of draft animals to save fuel.

The Soviet Government programmed further reductions into its 1991 economic agreement with Cuba (Soviet economic agreements with Cuba before 1991 covered 5 years). The U.S.S.R. agreed to supply Cuba with only 10 million tons of oil during the year, mandated that all trade (except trade in sugar) between the two countries be conducted at prevailing world market prices, established provisions for Havana to settle its trade accounts in hard currency, and required Cuba to begin sharing shipping costs. Political and economic dislocations in the Soviet Union during 1991 forced Moscow to further pare back its Cuban economic aid program. The Soviet Government managed to deliver, on a delayed schedule, only about 8 million tons of oil to Cuba in 1991. By mid-1991, widespread fuel shortages prompted Havana to order from China some 500,000 bicycles for public transportation. Soviet food shipments to Cuba actually ceased during the first 5 months of 1991. Even when they resumed, these shipments were far less than Cuba had been promised.

Cuba has moved quickly to establish trade relations with Russia and other former Soviet republics since the dissolution of the U.S.S.R. From the outset, the Russian Government stated that any assistance it provides to Cuba would be pared back from the levels established by the former Soviet Government, and all Russian-Cuban trade would be conducted at prevailing world market prices. The Russian Government agreed to a 1992 barter arrangement in which the Russian Oil & Gas Corp. (through a trilateral oil swap arrangement with Venezuela) will provide Cuba some 900,000 tons of crude oil in exchange for 500,000 tons of sugar. Havana also has signed other trade agreements, primarily involving bartering oil for sugar and other Cuban products, with Kazakhstan, Ukraine, and the mayoralty of St. Petersburg. In early 1992, Cuba was exploring a barter arrangement involving consumer and capital goods with Latvia and Lithuania.

The Cuban Government is also seeking to expand commercial relations with other countries. China, one of Cuba's most important trade partners, will import Cuban nickel, sugar, citrus, and medical products and will export food, medicine, and spare parts and machinery under the 1992 Chinese-Cuban trade protocol. Spain, Canada, and Japan also rank among Cuba's leading trade partners. Iran has provided technical assistance for Cuba's oil-refining industry and is interested in acquiring a recently built oil refinery in Cienfuegos, Cuba. India reportedly is considering a Cuban request for rice on a "deferred payment" basis. Cuban commercial relations with other Latin American nations have developed slowly even though the OAS has authorized members to normalize relations with Cuba since 1975. The Cuban Government is strengthening its commercial ties with Brazil to develop the Cuban citrus- fruit-growing and juice-processing industry. Havana also is approaching Colombia, Mexico, and Venezuela for oil and for technical assistance to develop the nascent Cuban oil-refining industry. Cuba's drive to diversify and expand its foreign commercial relations recently has encountered two significant failures. Japan, which holds nearly $2 billion of Cuba's estimated $7 billion foreign hard currency debt, refused a 1991 Cuban request for debt rescheduling and increased assistance and investment until the Cuban Government clears its debt arrears. (Havana stopped paying interest on debts to Japan in 1989.) In February 1992, the European Community did not approve a Cuban request for admission into the Lomé Convention, the Community's main vehicle for providing trade preferences and economic aid to developing countries.

Although Fidel Castro continues to assert that he will not pursue the policies of "perestroika" or implement market-based economic reforms, he has in recent months expressed a desire to open up the Cuban economy to foreign investment and joint-venture operations. In his November 1991 speech at the opening of the Havana International Trade Fair, Castro underscored the importance of foreign investment to the Cuban economy. He stated that foreign investors in Cuba would be guaranteed the right to repatriate their capital. The Cuban president cautioned, however, that foreign investors would not be allowed to become "owners of our country," an apparent critical reference to the extensive U.S. investments in pre-Castro Cuba. Other Cuban officials have made encouraging remarks about the prospects for improving the foreign investment climate in Cuba. Ideas under consideration cited in recent press reports from Cuba include provisions to establish free-trade zones and to allow foreign investors to become majority owners in Cuban companies.

The Cuban Government is actively seeking private foreign investors to develop the island's hard-currency-generating industries, especially oil exploration and tourism. French, Brazilian, and Swedish companies have already signed oil exploration agreements. One French company has negotiated a production-sharing arrangement with Cuba in the event it discovers oil. The Cuban Government also hopes to significantly expand the tourism sector. Tourist arrivals, primarily from Canada and Europe, already are increasing by 20,000 annually. The Cuban Government hopes to be able to increase the number of visitors from 350,000 in 1991 to 1 million by 1995 through new hotel construction and expansion of the tourism infrastructure. Developers from Mexico, Spain, Germany, and Jamaica and other Caribbean countries are involved in hotel construction projects in Cuba. Havana is reported to offer foreign developers tax holidays and unlimited profit repatriation for 7 to 10 years with subsequent profit-sharing arrangements.

In another reflection of the Castro government's growing receptiveness to foreign investment, a London-based company will sponsor a conference on business opportunities in Cuba for investors from Canada, Europe, Latin America, and the United States. The conference, scheduled for June 1992, will be held in Mexico and will feature a trip to Cuba for meetings with Cuban Government officials responsible for banking, planning, and trade.

The United States, which was pre-Castro Cuba's most important trade partner, has maintained an embargo on trade with Cuba since February 3, 1962. Regulations governing transactions with Cuba (Cuban Assets Control Regulations, 31 CFR Part 515) allow foreign subsidiaries of U.S. companies to sell certain goods to Cuba (majority-U.S.-owned companies are prohibited) with approval from the U.S. Treasury Department's Office of Foreign Assets Control. Such subsidiaries have increased their trade with Cuba in recent years. In its July 1991 report, the Office of Foreign Assets Control calculated that total licensed trade turnover (exports plus imports) between U.S. subsidiaries and Cuba mushroomed in 1990 to $705 million—more than double the value of trade in 1989, although actual trade may be lower than licensed trade.

At the request of President Bush, the Treasury Department expanded U.S. sanctions in April 1992 to further isolate the Cuban economy and spur Cuba's return to democratic rule. The new amendments to the Cuban Assets Control Regulations prohibit cargo and cruise ships engaged in trade with Cuba from entering U.S. ports. They require that parcels mailed to Cuba from the United States be licensed to ensure that such humanitarian shipments do not violate the embargo. In 1991, the U.S. Congress approved legislation with provisions that would prohibit foreign subsidiaries of U.S. companies from trading with Cuba. The Bush administration has indicated its opposition to such measures on the grounds that they would be difficult to enforce. This legislation, which is part of the Export Administration Act, is awaiting further action in a House-Senate conference committee. In 1992, even more restrictive legislation was introduced that would, among other things, prohibit U.S. assistance to any country that aids Cuba or provides Cuba with favorable trade terms.

Cuba's economic hardships most likely will continue through 1992 as fuel and energy shortages persist. Although the Cuban Government reported an increase in food production in April 1992, agricultural output is a long way from Castro's goal of food self-sufficiency. Many basics such as feed grains, fertilizers, and cooking oil remain in short supply, and fuel shortages make internal distribution of all goods a problem. According to press reports, however, some leading Cuban officials believe that the worst of the fallout from the loss of Soviet economic assistance is over. Their optimistic outlook may be based more on hopes of major oil finds and an upswing in tourism than on real improvements in Cuban economic performance. However, development of an oil extraction industry and increased tourism are both contingent on massive new foreign investment. Significant increases in hard currency earnings from either of these industries could take years. Moreover, in the short term, foreign investors may find few incentives in Castro's unabated anticapitalist rhetoric, the Cuban leadership's indecisiveness as to how far to open up the island to private investment, and Cuba's deteriorating economic infrastructure.

Mexico on the Threshold of a Historic Agricultural Reform

At the end of last year, the Mexican Congress passed a bill revising article 27 of Mexico's constitution, which deals with land tenure. The reform was proposed by President Carlos Salinas de Gortari last November. It was the latest of many sweeping changes initiated by this president, and his predecessor Miguel de la Madrid Hurtado, to modernize the Mexican economic system and adapt each sector for integration with world markets.

The "ejido" system, a network of small cooperative farms, was born under the banner of "Land and Liberty" in Mexico's 1910-17 revolution. The Government expropriated the large, privately owned "haciendas," and over the past 70 years, divided nearly 260 million acres into 28,000 ejidos. The Government retained land ownership; the land was distributed for the ejidos' use only. The objective of land redistribution was to improve the standard of living for Mexicans, a large majority of whom were then peasant farmers. Land reform seemed the ultimate in social justice at the time, and it became a prominent symbol of the Mexican revolution.

The inefficiency of the ejido system became more and more evident as time passed. Farming families who individually operated the parcels conceded to them by their ejido were not allowed to mortgage, sell, or rent the land, but only to pass on the use of their plots to their offspring. The rapid increase of the Mexican farm population in turn caused the family holdings to shrink from one generation to another as the parents' holdings were split among their children. As a result, the ejido farms became less and less viable, and eventually they were unable to support the families cultivating them. Even though the redistribution of farmland continued in principle, and the Government has not stopped accepting petitions for additional land, less and less land has been available to meet new demand.

The farmers' problem of insufficient plot size has been compounded by their inability to raise credit for improvements, since they had no title to their plots. Poverty in rural areas has increased dramatically, prompting many sons to abandon farming and to seek their fortunes in Mexican cities or in the United States. Mexican examples of cooperative success, are the exceptions.

The proposal to revise the ejido system was prompted by the Salinas government's alarm about the growing weakness of Mexican farming. The agriculture contribution to the GDP dwindled from over 20 percent in 1950 to less than 8 percent in 1991, making Mexico greatly dependent on imports of food, especially grains. The Mexican farm sector's decline was accompanied by a relative shrinkage of the rural population from 70 percent of all Mexicans in 1920 to some 30 percent today. Despite clear indications that Mexican farming urgently needed a change, the administration's proposal on reforming the ejido system was a bold move because it challenged one of Mexico's most sacred revolutionary legacies.

According to current interpretations, the constitutional amendment passed last December would provide ejido farmers with legal title to the land they cultivate and allow them to form larger units by entering into joint farming associations with others within and outside the ejido—even private owners. Cooperative farmers would be allowed to hire labor, buy new land, or even to sell their plots to private buyers, subject to their ejido's approval. The principal objective of the constitutional amendment appears to be to create conditions in agriculture for increased participation of the private sector, and to form larger production units. Very large agricultural estates will still continue to be considered undesirable in Mexico. Therefore, legal upper limits on farm size will stay in effect.

The implementing rules and regulations are not yet finalized. Many details are still undetermined about limits to be imposed on the farmers' ownership rights and on the extent of private and foreign involvement that will eventually be permitted. However, the bill is seen even now by some as a sure way to bring substantial foreign investment into Mexican farmland, either directly or through joint ventures with Mexican companies.

If this happens, observers see U.S. and Canadian food processors as those foreign investors who stand to benefit most from this new development, especially in the context of the North-American Free-Trade Agreement (NAFTA). Already quite a few U.S. companies are operating in Mexico, including General Foods, Campbell Soup, Kellogg's, Coca-Cola, Pepsico, and Kraft. Some of these and other North American companies, such as Heinz, Gerber, and the Canadian Ault Foods of Toronto, have been pinpointed as likely beneficiaries of the new legislation.

In the area of trade, the Mexican landownership reform is expected to have some negative implications for U.S. interests. Mexico is presently the third-largest export market for U.S. agricultural products, mostly cereals and soybeans. But even though agriculture is a weak sector in the Mexican economy, Mexico is still a leading world producer of fruits and vegetables, and the major foreign supplier to the U.S. fruit and vegetable market. It is likely that California and Florida farmers would lose some of their share of the U.S. citrus fruit and winter vegetables market to Mexico as Mexican producers become more efficient in supplying these already competitive crops.

Although the constitutional reform proposal on the ejido system cleared the Mexican legislature in 1991, it is widely believed that the real political battle is yet to come. This will most probably happen once the implementing regulations are released. Not surprisingly, the agrarian reform bill is very controversial. Only the question of opening up Mexico's state-owned petroleum industry to foreign investors is a more highly charged issue in Mexico. The agrarian reform raises the specter of readmitting into Mexican agriculture those foreign investors—especially from the United States—who have been perceived as exploitative since the time of the revolution.

Constitutional Developments in Quebec

During the past several years, Canada has been in a constitutional crisis of growing severity over the status of the French-speaking Province of Quebec in the Canadian federal structure. Should Canada and Quebec remain unified?

The Canadian Constitution of 1982 had been drawn up with the approval of all Canadian Provinces except Quebec. To secure Quebec's acceptance of the Constitution, in 1987 Prime Minister Mulroney and the 10 Provincial premiers drafted the Meech Lake Constitutional Accord. The accord would have amended the Constitution to designate Quebec a "distinct society" within Canada, entitling it to special consideration in protecting its French linguistic and cultural heritage. Parliament and eight of the Provinces approved the accord in June 1990; Manitoba and Newfoundland withheld approval. In an attempt to break the impasse, proposals were made to reopen the accord to amendments, among them special recognition on women's and native people's rights, but Quebec has refused to consider any deviations from the terms of the original accord.

Since the failure of the accord, pressures for secession have grown in Quebec. The possibility of secession has led to considerable study by both government and private institutions on the possible political and economic impact of an independent Quebec. In response to the Meech Lake failure, Prime Minister Brian Mulroney established a forum which conducted public consultations across Canada. Quebec also established various committees to study options for the future of the Province, such as the Allaire Committee and the Belanger-Campeau Commission, whose work resulted in a list of options ranging all the way from a simple decentralization of power to a total separation between Quebec and Canada.

On September 24, 1991, Prime Minister Mulroney put forth a 28-point package of constitutional reforms aimed at strengthening Canada's federal structure and easing secessionist pressures in Quebec. The reform package included the following economic measures: (1) the removal of inter-provincial trade barriers, (2) strengthening the Bank of Canada's mandate to fight inflation, but also amending the Bank of Canada Act so that the Provinces would have a voice in selecting bank directors, (3) closer cooperation between Ottawa and the Provinces on budget and fiscal matters, (4) a constitutional amendment that would allow Parliament to make laws for the efficient functioning of the economic union, (5) strengthening of the constitution's "common market" clause to extend not only to the movement of goods but also to the full mobility of capital, services, and people.

The proposed changes went before an all-party parliamentary commission in September 1991 for 5 months of public hearings. The Federal Government is expected to present its formal constitutional amendments during the summer of 1992. The Quebec Government, however, has stated that if Ottawa fails to propose an acceptable set of constitutional reforms, it will hold a referendum on sovereignty no later than October 1992. Quebec is seeking increased political, cultural, and language rights and would like greater Provincial power over economic decision making. In June 1991 Quebec's legislature voted to set October 26, 1992 as the last day for a referendum on sovereignty, with the provision that Quebec should "acquire the status of a foreign state one year to the day" if the vote chose separation from Canada.

Some Quebec spokesmen have proposed separation from Canada while maintaining the benefits of the U.S.-Canada Free-Trade Agreement (FTA) and also continuing the use of the Canadian dollar. This has prompted an "all or nothing" response from the Canadian Government. Mulroney stated during a speech in Quebec, "They say Canada is unacceptable, but Canadian currency is acceptable. Canada is unacceptable, but the benefits of the Canadian economic union are acceptable. Canada is unacceptable, but Canadian citizenship is acceptable. These dream merchants have to learn once and for all that Canada is not a buffet where you can pick the choicest morsels, then walk out the door." In the same speech Mulroney stated, "you can't be part-time Canadian." This type of response raises the question of the applicabilty of the FTA to Quebec in the event of its separation from the rest of Canada. It is debatable whether Canada would allow Quebec to remain involved in the FTA if Quebec became a separate nation. In such an event, either negotiations would have to begin to construct a new agreement with Quebec, or Quebec would not be given status as a free trading partner. In either case, the secession of Quebec could have a resounding effect upon Canadian-U.S. trade.

Although the constitutional crisis facing Canada is not economic in origin, economics and trade continue to be important factors in the debate over constitutional reform and Quebec independence. Whether Quebec moves to secede or whether a package of constitutional reforms is approved and federalism is renewed, economic restructuring will be an important element in Canada's future, and could well have an impact on economic relations with the United States.

Second perhaps only to Ontario, Quebec is dependent for its economic growth upon exports (to other Canadian Provinces as well as to other countries). A survey of Quebec's trade patterns indicated that shipments to other Provinces and the rest of the world accounted for roughly 40 percent of the Province's GDP in 1987. Quebec's main exports are paper, aluminum and aluminum alloys, automobiles, telecommunications equipment, and airplane engines. Further, it was estimated that the United States was Quebec's largest partner in international trade, accounting for approximately 77 percent of Quebec's exports outside of Canada in 1987. The leading items exported to and imported from the United States by Quebec in 1991 are shown in table 5. While exports from Quebec to the United States declined by 4.3 percent from 1990 to 1991, imports into the Province dropped by 7.4 percent. The Province has a positive trade balance (equalling about $5.9 billion in 1991) with the United States, but a negative trade balance ($3.0 billion) with the world as a whole. This overall dependence upon trade and the preeminent position of the United States as a trading partner has led to some concern within Quebec about the possible impact of withdrawing from the Canadian Confederation, particularly with regard to how an independent Quebec might maintain the privileges it currently enjoys as a Canadian Province under the FTA. In the event of an acrimonious breakup with Canada, an FTA between the United States and Quebec might not be possible. This could greatly affect the proportion of goods Quebec would be exporting to the United States, especially the main export industries.

A study by the C.D. Howe Institute analyzed the current Quebec separatist problem and the further problems the Province would have in the event of a breakup.[1] The report's general conclusion was that Quebec secession would result in long-term problems for the Province and not merely a short-term adjustment period as suggested by many Quebec economists. Three specific conclusions of the institute study are as follows:

- Firstly, it stated that it is unrealistic to believe an agreement, such as sovereignty association, could be constructed to maintain an economic union or to create a common market structure between Quebec and Canada.

[1] *Free Trade: Year Three. Put to the Test,* Strategico Inc., Dec. 1991, p. 14. This section is based on "Putting Humpty Dumpty Together Again: Free Trade, the Breakup Scenario," in *Broken Links: Trade Relations after a Quebec Secession,* ed. John McCallum, C.D. Howe Institute.

Table 5
Leading categories of trade between the United States and the Province of Quebec, 1989-91
(Thousands of U.S. dollars)

Description	*1989*	*1990*	*1991*
Quebec exports:			
Telecommunications equipment	1,165,997	2,326,646	2,632,135
Newsprint	2,124,857	2,113,518	2,079,466
Aluminum, including alloys	1,608,330	1,457,917	1,452,519
Special commercial	221,158	1,100,665	1,022,309
Certain autos & chassis	1,557,658	1,485,238	601,726
Airplanes, including motors	258,891	348,115	505,885
Airplane motors & parts	493,027	457,494	362,823
Copper & alloys	327,036	287,074	317,250
Softwood lumber	393,714	304,715	285,719
Wood pulp	321,005	298,355	247,696
Subtotal, 10 principal products	8,471,674	10,179,736	9,507,530
Total all commodities	14,797,859	17,329,270	16,587,080
Quebec imports:			
Certain autos & chassis	1,844,100	1,565,603	1,588,707
Electric tubes & semiconductors	814,295	909,911	832,189
Telecommunications equipment	418,379	1,327,355	815,920
Trucks, tractors, bodies & chassis	426,177	414,257	447,636
Special commercial transactions	245,760	272,013	361,524
Airplane motors & parts	334,869	338,331	319,501
Inorganic chemicals	340,334	260,384	311,020
Airplane parts, except motors	277,065	271,004	275,898
Computers	275,651	238,249	229,756
Organic chemicals	175,669	222,359	202,509
Subtotal, 10 principal products	5,152,301	5,819,468	5,384,658
Total all commodities	10,755,909	11,525,364	10,667,494

Source: Compiled from data compiled by the Bureau de la statistique de Québec.

- Secondly, the study claimed that a free trade agreement would be the most that could be negotiated. This still would result in increased border control to monitor the flow of people, services, and goods.
- Thirdly, the report concluded that some industries in Quebec would suffer from dissolved protection. This would greatly affect the dairy industry and the textiles, clothing, footwear, and furniture sectors.

The Howe report offers an overview that predicts a disruption of trade between the United States and parts of present day Canada in the event of a formal split. The report also suggests that it would be economically unwise for Quebec to leave Canada. However, what motivates the separation movement is much more than economics. There is a cultural difference pushing the Quebeckers and "the rest of Canada" away from each other and away from the benefits of a tight federalist state.

The United States has traditionally followed a two-track policy with regard to Quebec's aspirations for independence. On the one hand, successive U.S. administrations, including that of President Bush, have declared that the issue is one for Canadians to resolve. On the second track, however, U.S. policy has been inclined to support a united Canada. Nevertheless, were Quebec to secede from the rest of Canada, the question of whether the United States would move to extend the current FTA to include Quebec as part of the overall goal of establishing the NAFTA would be an open issue. Extension of the FTA to an independent Quebec would not be automatic, and it would require congressional approval—a process which would likely result in efforts to restructure the agreement. As an independent state, Quebec's trading practices would no longer be shielded from the full rigors of an FTA, and the new state would likely face demands to eliminate the program of government subsidies so crucial to the so-called "Quebec Inc." strategy[2] before entering into an FTA with the United States.

Concern over access to markets within Canada as well as remaining a part of an FTA with the United States will undoubtedly be important issues in Quebec's Provincial referendum scheduled for October 1992. The current recession and high levels of unemployment (12.5 percent in the Province as of March 1992), however, could very well inhibit the

[2] The most notable subsidy program presently in use by Quebec is the practice of supplying cut-rate electric power to certain industries through Hydro-Quebec—a government-owned hydroelectric power company. Supplying differential energy prices to domestic customers would likely constitute a violation of the U.S.-Canada FTA, and would probably be a point of contention between Quebec and the United States in the negotiation of a new bilateral FTA agreement, according to Jeffrey Simpson in "Something for Quebeckers to Ponder as Their Powerhouse Goes on Show," *The Globe and Mail*, Dec. 5, 1991.

strong political desire for independence, making economic uncertainty a stronger influence on the outcome of the issue than previously acknowledged.

India Reforms Trade and Investment Policies

The Government of India has recently made significant reforms to its trading regime as part of an overall effort to integrate India more closely into the world economy. Since gaining independence in 1947, India's strategy for economic development has been based on import substitution programs and a concept of economic self-reliance. Faced with potential bankruptcy from enormous trade and budget deficits, however, the government of Prime Minister Narasimha Rao is now making efforts to shift India away from its inward-looking economic strategies toward more liberal trade and foreign exchange regimes. If fully implemented, the new policies could lead to a significant increase in the level of U.S.-Indian trade and investment in coming years.

On March 31, 1992, India's Minister of Commerce, Palaniappan Chidambaram, announced the Government's new trade policy to the National Parliament. The new policy will run concurrently with the eighth 5-year economic plan, which began April 1, 1992. The new policy seeks to raise the share of trade in India's GDP from 13 to 20 percent, and to remove unnecessary restrictions to the flow of goods and services. Although the Government of India will continue to restrict imports of all consumer goods, the new policy will restrict only 5 percent of nonconsumer products—down from 40 percent under the previous trade regime. Further, the number of items that were previously channeled through public sector import agencies or "canalized," will be reduced from 28 to 8 under the new policy. On the export side, 62 items will be restricted, 7 banned, and 10 canalized—estimated by Chidambaram as an 80-percent reduction of export restraints.

As part of the new policy, India imposed a ceiling of 110 percent on basic tariff rates—down from 150 percent under a previous trade policy. India has also committed itself to further tariff reductions and binding of tariffs as part of the Uruguay Round market access negotiations. Despite the new tariff ceiling, however, India's tariffs remain exceptionally high—especially for goods that can be produced domestically. The World Bank, for example, in a 1989 survey of 10 countries at a similar level of development, found that India's duties on manufactured goods were by far the highest—some 20 percent above those of the second-ranked country.

The new policy also makes significant changes to India's advance import-licensing system. Previously, traders could import items (excluding consumer goods) duty-free under an advance license system that required re-export within a certain period. Chidambaram's policy retains this system, but expands it to include not only duty-free imports of specific quantities of nonconsumer goods, but also duty-free importation based on the value added to the goods before they are re-exported. The Ministry of Commerce has recently published a guide to the new licensing system, *Export-Import Policy 1992-97: Standard Input-Output and Value Addition Norms*, which will determine how flexible the new policy will be in practice.

Another important aspect of the new policy is reform of the foreign exchange system. The new exchange rate system, announced at the end of February 1992 by Finance Minister Manmohan Singh, will replace the "exim scrip" system introduced in July 1991, by which exporters kept 30 percent of their foreign earnings as tradable entitlements to foreign exchange at the official rate. The scrip could be used to import any product from the restricted, limited permissible, and open general import license lists. The Government also allowed the scrip to be traded openly on secondary markets at market-determined rates. Reportedly, banks and other financial institutions in India were quite active in exim scrip, trading at premiums of 20 to 40 percent of face value. The new system establishes a two-tiered exchange rate. Foreign exchange earners will now be allowed to sell 60 percent of their earnings at market-determined exchange rates that, if similar to the current black market rate, will be far lower than today's official rate. The remaining 40 percent of foreign exchange earnings must be sold to India's central bank at an official rate, and will be used to finance Government purchases of essential commodities or other official trade transactions.

Foreign investment regulations have been another target of reform for the Rao government. In the past, Indian Government policies have restricted potential foreign investment and placed considerable burdens on foreign firms already operating in India. When allowed, foreign investment has been limited to sectors where it served narrowly defined national goals. Restrictions have included local content requirements, a 40-percent ceiling on foreign equity for most investments, export obligations, and Government review of technology transfer. A new policy announced on July 24, 1991, and implemented during remaining months of that year, marked a significant shift from the traditional antiforeign investment approach by relaxing or eliminating many restrictions and simplifying the investment approval process. Under the new policy, the foreign equity ceiling was raised to 51 percent for most firms, and is now even permitted to reach 75 to 100 percent for selected high-technology, export-oriented, or tourism industries. The Government has also published a list of 34 industries in which foreign investment proposals will be "automatically" approved.

Reportedly, the new trade and investment policies of the Rao government have met with the approval of the Indian private sector. Following Commerce Minister Chidambaram's announcement of the trade reforms, several prominent business leaders praised the administration's efforts to reform India's inefficient import/export policies. Not surprisingly, however, some representatives of public-sector import agencies criticized the new policies and warned of the losses that would occur as a result of "decanalization" of certain products. Observers have noted that, although political resistance and lobbying by some domestic industries may slow the trade reform process, it is doubtful that the recent shift towards liberalization of India's import/export regime will stop. Trade liberalization reportedly has broad support within the Indian Congress and even within the major opposition parties. Some experts have warned, however, that a significant increase in protectionism by India's major trading partners could push India back to the autarkic policies of the past.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1989–February 1992

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1989	1990	1991	1991 I	1991 II	1991 III	1991 IV	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.
United States	2.6	1.0	–1.9	–9.6	2.4	6.8	–0.5	2.2	0	–3.3	–7.5	–8.6	7.0
Japan	6.2	4.5	2.2	–0.5	–2.7	1.3	–4.2	5.8	–0.9	0	–14.9	–9.1	–6.5
Canada	2.0	0.3	–0.9	–1.2	–6.4	–3.3	–1.0	–2.2	0	–1.1	–1.1	1.1	10.5
Germany	5.3	5.9	3.3	0.6	8.4	–4.7	–1.3	18.3	–5.7	–1.0	–13.8	10.5	(1)
United Kingdom	0.3	–0.6	–3.0	–1.1	–4.4	4.2	–0.6	1.1	8.2	–5.5	–4.4	–14.8	(1)
France	3.7	1.3	0.4	1.0	3.1	2.0	–1.7	–15.6	14.7	–8.1	–13.8	24.9	(1)
Italy	3.9	–0.6	–2.3	3.9	–3.2	–9.1	5.2	51.7	–3.1	25.6	–31.3	27.2	(1)

1 Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanies are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, April 17, 1992.

Consumer prices, by selected countries and by specified periods, January 1989–March 1992

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1989	1990	1991	1991 I	1991 II	1991 III	1991 IV	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 I	1992 Jan.	1992 Feb.	1992 Mar.
United States	4.8	5.4	4.2	3.5	2.1	2.7	3.6	4.5	0.9	4.5	2.6	2.8	0.9	3.5	6.2
Japan	2.3	3.1	3.3	4.3	1.0	2.0	3.8	–3.9	7.7	9.0	–0.9	0.1	–1.5	0	–1.6
Canada	5.0	4.8	5.6	11.3	2.9	1.8	0.2	0	–2.8	2.9	0	(1)	1.0	1.9	(1)
Germany	2.8	2.7	3.5	1.4	3.5	7.6	3.4	3.3	3.3	5.5	1.1	(1)	0	6.6	(1)
United Kingdom	7.8	9.5	5.9	4.2	4.1	4.2	4.1	3.3	3.7	5.3	5.9	4.3	3.3	4.0	3.7
France	3.5	3.4	3.1	2.3	2.2	3.1	3.6	2.9	3.7	4.2	3.7	(1)	2.4	3.5	(1)
Italy	6.6	6.1	6.5	6.9	6.2	5.7	5.7	5.2	5.7	7.2	4.5	4.9	7.7	–0.1	5.7

1 Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanies are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, April 17, 1992.

Unemployment rates, (civilian labor force basis)[1] by selected countries and by specified periods, January 1989–March 1992

Country	1989	1990	1991	1991 II	1991 III	1991 IV	1991 Oct.	1991 Nov.	1991 Dec.	1992 I	1992 Jan.	1992 Feb.	1992 Mar.
United States	5.3	5.5	6.7	6.7	6.8	6.9	6.9	6.9	7.1	7.2	7.1	7.3	7.3
Japan	2.3	2.1	2.1	2.1	2.2	2.2	2.1	2.2	2.2	(4)	2.1	2.0	(4)
Canada	7.5	8.1	10.3	10.3	10.4	10.3	10.3	10.3	10.3	10.7	10.4	10.6	11.1
Germany	5.7	5.2	4.4	4.4	4.4	4.4	4.6	4.4	4.4	4.4	4.4	4.4	4.4
United Kingdom	7.1	6.9	8.9	8.7	9.4	9.8	10.2	10.3	10.5	10.2	10.1	10.3	10.3
France	9.6	9.2	9.8	9.8	10.0	10.3	10.2	10.3	10.3	(4)	10.1	10.1	(4)
Italy[2]	7.8	7.0	6.9	7.0	6.7	6.9	(3)	(3)	(3)	7.0	7.0	(3)	(3)

1 Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

2 Many Italians reported as unemployed did not actively seek work in the past 30 days, and they have been excluded for comparability with U.S. concepts. Inclusion of such persons would increase the unemployment rate to 11–12 percent in 1989–1990.

3 Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

4 Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, March 1992.

Money–market interest rates,[1] by selected countries and by specified periods, January 1989–April 1992

(Percentage, annual rates)

				1991									1992		
Country	*1989*	*1990*	*1991*	*III*	*IV*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*I*	*Jan.*	*Feb.*	*Mar.*	*Apr.*
United States	9.3	8.3	5.9	5.8	5.0	5.6	5.5	5.3	4.9	4.4	4.2	4.5	4.1	4.4	4.0
Japan	5.3	6.9	7.5	7.6	7.2	7.6	7.6	7.4	7.3	7.0	6.8	6.8	6.8	6.8	(2)
Canada	12.2	13.0	9.0	8.7	7.8	8.7	8.6	8.3	7.7	7.5	7.3	7.3	7.3	7.5	(2)
Germany	7.1	8.5	9.2	9.2	9.5	9.2	9.2	9.2	9.4	9.6	9.6	9.5	9.6	9.7	(2)
United Kingdom	13.9	14.8	11.5	10.7	10.6	10.9	10.2	11.5	10.5	10.8	10.5	10.6	10.4	10.8	(2)
France	9.4	10.3	9.6	9.5	9.6	9.5	9.4	10.4	9.5	10.1	9.9	9.9	9.9	10.0	(2)
Italy	12.8	12.7	12.1	11.8	12.0	11.9	11.7	11.5	11.9	12.6	12.2	12.1	12.2	12.3	(2)

[1] 90–day certificate of deposit.

[2] Not available.

Note.— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanies are available they will be used.

Source: *Federal Reserve Statistical Release*, May 11, 1992 *Economic and Energy Indicators*, Central Intelligence Agency, April 17, 1992.

Effective exchange rates of the U.S. dollar, by specified periods, January 1989–April 1992

(Percentage change from previous period)

				1991								1992		
Item	*1989*	*1990*	*1991*	*II*	*III*	*IV*	*Oct.*	*Nov.*	*Dec.*	*I*	*Jan.*	*Feb.*	*Mar.*	*Apr.*
Unadjusted:														
Index[1]	91.3	86.5	85.5	87.7	87.6	84.0	85.3	83.8	82.8	84.8	83.0	84.8	86.8	86.4
Percentage change	6.4	–5.3	–1.2	5.6	–.1	–4.1	–.9	–1.7	–1.2	.8	.2	2.1	2.3	–.4
Adjusted: Index[1]	91.8	88.1	87.0	89.6	88.4	85.6	86.9	85.4	84.4	86.7	84.6	86.4	88.6	88.2
Percentage change	6.8	–4.0	–1.2	4.9	–.1	–3.2	–1.0	–1.7	–1.2	1.3	.2	3.1	2.5	–.4

[1] 1980–82 average=100.

Note.—The foreign–currency value of the U.S. dollar is a trade–weighted average in terms of the currencies of 15 other major nations.The inflation–adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co.of New York, May 1992.

Trade balances, by selected countries and by specified periods, January 1989–March 1992

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

Country	1989	1990	1991	1991 III	1991 IV	1991 Nov.	1991 Dec.	1992 I	1992 Jan.	1992 Feb.	1992 Mar.
United States[1]	–109.1	–101.7	–65.4	–72.4	–66.8	–50.0	–71.9	–59.6	–69.6	–39.5	–69.8
Japan	77.4	63.5	103.3	110.0	119.6	112.8	129.6	(3)	123.6	140.4	(3)
Canada	6.0	9.4	6.4	3.2	3.2	2.4	7.2	(3)	10.8	(3)	(3)
Germany[2]	71.8	57.3	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
United Kingdom	–40.4	–33.4	–17.9	–14.4	–18.0	–20.4	–15.6	(3)	–25.2	–22.8	(3)
France	–7.0	–9.1	–5.3	–7.6	2.0	1.2	–9.6	(3)	8.4	8.4	(3)
Italy	–13.0	–11.7	–12.9	–18.4	–12.0	–13.2	–6.0	(3)	–2.4	–15.6	(3)

[1] Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f.value.
[2] Imports, c.i.f value, adjusted.
[3] Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanies are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, March 20, 1992 and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, May 20, 1992

U.S. trade balance, [1] by major commodity categories,and by specified periods, January 1989–March 1992

(In billions of dollars)

Country	1989	1990	1991	1991 IV	1991 Nov.	1991 Dec.	1992 I	1992 Jan.	1992 Feb.	1992 Mar.
Commodity categories:										
Agriculture	17.9	16.3	16.2	5.4	2.1	1.8	5.1	1.6	1.9	1.6
Petroleum and selected product— (unadjusted)	–44.7	–54.6	–42.3	10.0	–3.3	–3.2	–8.1	–3.0	–2.2	–2.9
Manufactured goods	–103.2	–90.1	–67.2	–21.5	–6.0	–6.2	–14.5	–5.7	–3.9	–4.9
Selected countries:										
Western Europe	–1.3	4.0	16.1	3.3	1.7	1.1	6.6	1.7	2.6	2.3
Canada	–9.6	–7.7	–6.0	–2.1	–.9	–.9	–1.4	–.2	–.7	–.5
Japan	–49.0	–41.0	–43.4	–12.4	–3.4	–4.4	–10.8	–3.8	–3.0	–4.0
OPEC (unadjusted)	–17.3	–24.3	–13.8	–2.5	–.8	–.6	–1.5	–.7	–.4	–.4
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$16.80	$19.75	$17.49	$17.52	$18.04	$16.55	$14.59	$14.85	$14.42	$14.46

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, May 20, 1992.

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