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INTERNATIONAL TRADE DEVELOPMENTS

Mexico Attains its Goal of Single-Digit Inflation

For the first time since 1972, Mexican inflation stands within the single-digit range. However, this accomplishment may be partly attributable to a marked slow-down in Mexico's economic growth. As a result, the latest extension of Mexico's long-term economic program includes some measures designed to reactivate growth, while seeking a still lower inflation rate for 1994.

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Virtual Hemispheric Free Trade: What Mexico (and Chile) Bring to NAFTA

A number of Latin American and Caribbean countries have stepped up efforts to conclude free-trade agreements with Mexico and Chile. These agreements may help some countries become offshore platforms for the NAFTA market. Ultimately, they may facilitate an eventual enlargement of NAFTA to other countries in the hemisphere.

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SPECIAL FOCUS

Endgame Negotiations in the Uruguay Round

High-level U.S. and EC negotiators continue to parley in Washington and Brussels in an effort to wrap-up outstanding issues between them. If successful, the two sides can then present a framework agreement to the other participants in Geneva to conclude the Uruguay Round by its December 15, 1993 deadline.

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

The latest statistics show economic gains in sectors characterized by strong linkage, both backward and forward, to overall economic growth; such gains should strengthen the economic recovery in the remainder of 1993 and thereafter.

Output of motor vehicles and parts rose by 3.9 percent in September and by 7.3 percent in October. This turnaround contributed to strong October gains of 1.3 percent in the output of durable consumer goods, business equipment, and durable goods material. This was the biggest increase in 11 months, according to data released by the Federal Reserve.

Construction projects, both private and public, expanded sharply. Construction expenditures, adjusted for inflation, increased by 0.7 percent in September, the fifth monthly increase in a row. Single-family home construction increased sharply for the second month, after having declined in the first half of this year. Public construction also contributed to the September gain.

In the third quarter, total construction posted a fairly strong increase, led by public and residential construction. Public construction jumped by 23 percent and residential construction rose by 8.2 percent at annual rates. Gains were realized in both single family and multifamily construction.

Moreover, consumers seem to be spending more, perhaps sensing an improvement in employment opportunities or encouraged by falling interest rates and prices. Debt and mortgage refinancing at lower interest rates appears to have given consumers additional cash to spend. The Department of Commerce reported that seasonally adjusted U.S. retail sales increased by 1.5 percent in October following an increase of 0.1 percent in September 1993. From October 1992 to October 1993, sales were 6.2 percent above those of 1 year earlier. In the third quarter, total sales were 6.4 percent above the same period a year ago.

Durable goods sales increased by 2.6 percent from September and were 10.6 percent above those of the previous year. Automotive dealers and building materials sales in October were up by 11.4 and 13.5 percent, respectively, from such sales in the previous year.

Sales of nondurable goods increased by 0.8 percent from September and were 3.6 percent above those of 1 year ago. General-merchandise store sales increased by 1.1 percent from sales of the previous month and were 8.8 percent above those in October 1992. Expanded sales caused inventories to rise only modestly among retailers and wholesalers, while inventories declined among manufacturers.

The moderate increase in consumer prices (0.4 percent in October, following no change in September) encouraged the rise in retail sales, particularly sales of cars. Retail prices for new cars rose moderately in October after adjustment for seasonal patterns and for quality changes in prices of the 1994 model passenger cars. So far in 1993, overall consumer prices have posted their smallest advance since 1986, and "core" prices posted their smallest rise since 1972.[1]

In addition, productivity gains and low labor costs have led to healthy growth in the manufacturing sector. Recently released data by the Department of Labor for the third quarter show that manufacturing productivity continued its advance at a 2.4-percent annual rate. This is the 10th consecutive quarter of solid growth. Unit-labor costs in manufacturing rose by 1.2 percent at an annual rate in the third quarter after a large decline in the first half of the year. Costs have shown no net growth since the end of 1990, following an average annual rise of 3.8 percent in the previous 3 years.

So far in 1993, the manufacturing sector continues to outperform the broader nonfarm business sector in productivity growth as it has during most of the last 30 years. Analysts observe that the rise in manufacturing productivity in this recovery nearly matches the strong growth during the recoveries in the 1960's and 1970's.

[1] "Core" inflation is the consumer price index with the 2 largest and most volatile components of energy and food prices factored out.

In the nonfarm business sector, productivity rose by 3.9 percent at an annual rate in the third quarter. Unit-labor costs decreased by 0.4 percent at an annual rate in the third quarter and rose by less than 2 percent during the last four quarters. Growth in nonfarm business costs has slowed to an annual rate of 2.1 percent since 1990 from a 4.5-percent rate in the previous 3 years.

Productivity growth in manufacturing has been supported by a healthy expansion in the demand for manufactures. The Department of Commerce reported that new orders for manufactured durable goods rose by 2.0 percent in October, to $135.8 billion, the highest level on record. This follows a 1.1-percent increase in September and is the third consecutive monthly increase. The largest increase, 5.5 percent, was in transportation equipment industries.

Excluding transport industries, new orders rose by 0.9 percent in October, their fifth gain in a row. Year-to-date, new orders increased by 8.3 percent compared with those in the corresponding period of the previous year.

Shipments of durable goods rose by 0.1 percent in October following a 2.2-percent increase in September. Rising demand for durables and increased shipments prompted a decline in the level of inventories. This inventory decline should encourage new production to replenish depleted stocks and meet rising demand in the closing months of the year.

Reflecting productivity gains in construction spending, retail sales, and new manufacturing orders, the index of leading indicators rose by 0.5 percent in October preceded by a 0.2 percent increase in September. Gains were spread broadly among 9 of the 11 components that improved in October. This is the third consecutive monthly gain, following only a small net decline during the first 7 months of the year, and is consistent with expectations that overall economic growth will improve in the fourth quarter, according to the Department of Commerce.

U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic Growth

Real GDP—the output of goods and services produced in the United States measured in 1987 prices—grew at a 2.7-percent annual rate in the third quarter following a revised annual rate of 1.9 percent in the second quarter of 1993 and a growth rate of 0.8 percent in the first quarter. The annualized rate of real economic growth in the third quarter was 2.5 percent in the United Kingdom; the annualized rate of real economic growth in the second quarter of 1993 was 2.3 percent in Germany, -1.6 percent in Japan, 3.4 percent in Canada, -0.3 percent in France, and 3.1 percent in Italy.

Industrial Production

Seasonally adjusted U.S. nominal industrial production increased by 0.8 percent in October following a revised gain of 0.4 percent in September. The acceleration was fueled by gains in October of 7.3 percent in the production of motor vehicles and parts, after 4 months of negative or flat growth. For the year ended October 1993, industrial production increased by 4.4 percent above its level in October 1992, and manufacturing output increased by 5.1 percent.

Total capacity utilization in manufacturing, mining, and utilities grew by 0.5 percent, to 82.4 percent, in October from September 1993, and capacity utilization in manufactures grew by 0.6 percent, to 81.7 percent. Over the period October 1992 to October 1993, total capacity utilization increased by 1.6 percent and capacity utilization in manufacturing increased by 1.8 percent.

Other G-7 member countries reported the following annual growth rates of industrial production for the year ending September 1993: Japan, a decrease of 5.1 percent; Germany, a decrease of 7.6 percent; and the United Kingdom, an increase of 2.1 percent. For the year ended August 1993, France reported a decrease of 2.9 percent; Italy, an increase of 0.3 percent; and Canada, an increase of 4.3 percent.

Prices

The seasonally adjusted Consumer Price Index rose by 0.4 percent in October after no change in September 1993. The CPI advanced by 2.7 percent during the 12 months ended October 1993. During the 1-year period ended October 1993, prices increased by 3.9 percent in Germany, 4.2 percent in Italy, 1.9 percent in Canada, 2.2 percent in France, 1.4 percent in the United Kingdom, and 1.5 percent in Japan.

Employment

In November 1993, the unemployment rate declined to 6.4 percent from its October level of 6.7 percent. In other G-7 countries, unemployment in October 1993 was 8.8 percent in Germany, 11.1 percent in Canada, 11.2 percent in Italy, 10.2 percent in the United Kingdom, 11.8 percent in France, and 2.6

percent in Japan. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Forecasters expect real growth in the United States to improve in the fourth quarter to a 3.6-percent annual rate compared with the second quarter's growth rate of 2.8 percent. The real growth rate for the first half of 1994 is expected to average 3.1 percent. Factors that are likely to restrain the recovery to such a moderate rate include the general slowdown in foreign economic growth—which is expected to continue into 1994—and the ongoing structural adjustments in the financial and nonfinancial sectors. Slow growth is expected particularly in Japan, but also in Germany and other EC countries, while structural readjustments are currently dampening domestic demand, incomes, and employment. Although consumer spending has increased modestly in recent months, forecasters expect consumer spending to increase more slowly unless personal incomes rise more strongly than at present and employment prospects improve sufficiently to encourage further spending. Also, upcoming tax increases and cuts in government spending could have a dampening effect on consumer spending and confidence, and thus further moderate the recovery in 1993 and 1994, unless counterbalanced by monetary and fiscal expansion targeting more productive sectors. Table 1 shows macroeconomic projections for the U.S. economy for October 1993 to September 1994, by four major forecasters, as well as the simple average of 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.

The average of the forecasts points to an unemployment rate of 6.7 percent throughout 1993 and then declines to 6.4 percent in the second quarter of 1994. Inflation (as measured by the GDP deflator) is expected to rise to an average of about 3.0 percent. Productivity growth combined with a slow rise in labor, wage, and compensation costs is expected to hold down inflation to about 3 percent throughout 1994.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, July 1993-June 1994

(In percent)

Period	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				
1993:					
Oct.-Dec.	7.3	6.8	5.6	5.6	6.3
1994:					
Jan.-Mar.	7.4	5.6	6.2	6.8	6.5
Apr.-June	6.6	5.3	5.9	6.2	6.0
July-Sept.	6.9	5.8	5.4	6.3	6.1
	GDP (*constant (1987) dollars*)				
1993:					
Oct.-Dec.	3.9	4.2	3.1	3.4	3.6
1994:					
Jan.-Mar.	3.5	2.7	3.1	3.0	3.1
Apr.-June	3.5	2.9	3.3	2.9	3.1
July-Sept.	3.4	3.1	2.9	3.1	3.1
	GDP deflator index				
1993:					
Oct.-Dec.	3.2	2.5	2.4	2.1	2.5
1994:					
Jan.-Mar.	3.8	2.8	3.1	3.4	3.3
Apr.-June	3.0	2.3	2.5	3.2	2.7
July-Sept	3.4	2.6	2.5	3.1	2.9
	Unemployment, average rate				
1993:					
Oct.-Dec.	6.7	6.7	6.7	6.6	6.7
1994:					
Jan.-Mar.	6.6	6.7	6.5	6.5	6.6
Apr.-June	6.4	6.6	6.3	6.4	6.4
July-Sept.	6.3	6.5	6.2	6.4	6.3

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: Nov. 1993.

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

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of $38.9 billion and imports of $49.7 billion in September 1993 resulted in a merchandise trade deficit of $10.9 billion, $800 million more than the August deficit of $10.1 billion. The September deficit was 31.3 percent higher than the deficit registered in September 1992 ($8.3 billion) and 21.1 percent higher than the average monthly deficit registered during the previous 12 months ($9.0 billion). In January-September 1993, the trade deficit reached $88.0 billion, 44.3 percent higher than the January-September 1992 deficit ($61.0 billion).

Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in table 2. Nominal export changes and trade balances for specific major commodity sectors are shown in table 3. U.S. bilateral trade balances with major trading partners are shown in table 4 on a monthly and year-to-date basis.

Table 2
U.S. merchandise trade, seasonally adjusted, Aug.-Sept. 1993
(Billion dollars)

	Exports		Imports		Trade balance	
Item	Sept.	Aug.	Sept.	Aug.	Sept.	Aug.
Current dollars—						
Including oil	38.9	38.0	49.7	48.1	-10.9	-10.1
Excluding oil	38.4	37.6	45.5	44.1	-7.1	-6.6
1987 dollars	37.7	36.6	48.5	47.0	-10.8	-10.3
3-month-moving average	38.0	37.6	48.5	48.4	-10.4	-10.8
Advanced-technology products (not seasonally adjusted)	8.5	8.8	7.2	6.8	1.3	2.0

Source: *U.S. Department of Commerce News (FT 900)*, Nov. 1993.

Table 3
Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors and agriculture, Jan. 1992-Sept. 1993

	1993 Exports		Change			
Sector	Jan.-Sept. 1993	Sept. 1993	Jan.-Sept. 1993 over Jan.-Sept. 1992	Sept. 1993 over Aug. 1993	Share of total Jan.-Sept. 1993	Trade balances Jan.-Sept. 1993
	Billion dollars		Percent			Billion dollars
ADP equipment & office machinery	19.7	2.3	-.1	12.2	5.8	-11.57
Airplane	15.5	1.2	-21.7	-34.8	4.5	12.92
Airplane parts	7.0	.8	-2.0	2.6	2.0	4.98
Electrical machinery	27.0	3.1	13.3	1.0	7.9	-6.96
General industrial machinery	14.6	1.6	4.8	-3.0	4.3	1.85
Iron & steel mill products	2.5	.3	-7.3	3.7	.7	-3.82
Inorganic chemicals	2.9	.3	-7.9	8.3	.9	.47
Organic chemicals	8.3	.9	-1.3	2.3	2.4	1.33
Power-generating machinery	14.3	1.6	7.7	3.3	4.2	1.68
Scientific instruments	11.4	1.3	6.2	6.6	3.3	5.24
Specialized industrial machinery	13.1	1.4	4.6	2.9	3.8	3.04
Telecommunications	9.4	1.2	15.2	12.4	2.7	-10.07
Textile yarns, fabrics and articles	4.4	.5	1.8	-3.9	1.3	-1.92
Vehicle parts	14.1	1.7	13.5	13.3	4.1	1.05
Other manufactured goods[1]	19.6	2.2	-3.0	4.8	5.8	-6.11
Manufactured exports not included above	84.3	9.8	8.5	10.0	24.7	-74.95
Total manufactures	268.1	30.1	3.9	3.9	78.4	-82.84
Agriculture	30.2	3.2	-1.1	9.7	8.8	12.51
Other exports	43.5	4.8	0.5	0.2	12.8	-14.65
Total	341.7	38.0	3.0	3.9	100.0	-84.98

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

Note.—Because of rounding, figures may not add to the totals shown.

Source: *U.S. Department of Commerce News (FT 900)*, Nov. 1993.

Table 4
U.S. merchandise trade deficits and surpluses, not seasonally adjusted, with specified areas, Jan. 1992-Sept. 1993

(Billion dollars)

Area or country	Sept. 1993	Aug. 1993	Sept. 1992	Jan.- Sept. 1993	Jan.- Sept. 1992
Canada	-1.12	-.58	-.77	-7.72	-4.97
Mexico	-.10	.11	.52	1.75	4.42
Western Europe	-.39	-.81	.24	-.31	7.18
European Community (EC)	-.27	-.85	.58	.03	8.98
Germany	-.88	-.87	-.72	-6.66	-4.74
European Free-Trade Association(EFTA)[1]	-.24	-.14	-.47	-2.17	-2.99
Japan	-5.32	-5.26	-4.50	-42.20	-34.86
China	-2.51	-2.43	-2.27	-16.69	-13.47
NICs[2]	-1.60	-1.46	-1.78	-8.96	-10.85
FSU[3]/Eastern Europe	.08	.14	.21	1.84	2.42
FSU	.06	.12	.16	1.23	2.12
Russia	.03	.10	.12	.68	1.15
OPEC	-1.09	-1.21	-1.15	-10.55	-7.80
Trade balance	-12.80	-11.95	- 9.69	-84.98	-58.87

[1] EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.

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

[3] Former Soviet Union.

Note.—Because of rounding, country/area figures may not add to the totals shown. Also, exports of certain grains, oilseeds and satellites were excluded from country/area exports but were included in total export table.

Source: *U.S. Department of Commerce News (FT 900)*, Nov. 1993.

INTERNATIONAL TRADE DEVELOPMENTS

Mexico Attains its Goal of Single-Digit Inflation

Reducing inflation to single-digit rates has been the main target of the Salinas administration's economic policy, especially since the North American Free Trade Agreement (NAFTA) has been on the horizon. NAFTA would team up Mexico economically with the United States and Canada, countries whose currencies are stable. Mexico attained its goal of single-digit inflation this June, when inflation dipped below 10 percent, and inflation has stayed in the single-digit range ever since. On an annual basis, a rate of 8.2 percent is targeted for 1993 and 5 percent is projected for 1994.

The record of President Salinas on inflation control is quite impressive; the rate decreased to its current single-digit level from a 52-percent rate prevailing when he took office in December 1988. (The 52-percent rate was already an accomplishment of Miguel de la Madrid, Mexico's previous President, who brought inflation down to that level from triple-digit rates in 1987.)

In the first years of the Salinas administration, progress in inflation control went hand-in-hand with vigorous economic growth: a 3.3-percent increase of the gross domestic product (GDP) in 1989, 4.4 percent in 1990, and 3.6 percent in 1991, when the annual inflation rate was already down to 18.8 percent. In the second half of 1992, however, when inflation dipped further to 11.9 percent, economic growth also began to slow to 2.6 percent. And in the first half of this year, when Mexican growth came almost to a halt with a 1.3-percent annualized rate, many analysts blamed officials for their pursuit of single-digit inflation.[2]

What analysts questioned was the wisdom of the Mexican Government's austerity policy, which was the major tool of inflation control. Austerity policy pushed up interest rates, thereby slowing economic growth. This effect was compounded by consequences of competition from imports, which resulted from the Government's open market policies. Competition by foreign goods—mostly from the United States—put many formerly protected Mexican businesses under great pressure. Defaults on debt payments increased. Even as new investment created additional employment opportunities, failed businesses—principally of small and medium size—caused job losses, especially in textiles, furniture, and electrical products' manufacturing.[3]

Other factors depressing Mexico's economy included uncertainty about the outcome of the NAFTA, a sluggish U.S. economy, recessions in Mexico's other trading-partner countries, and concern of foreign investors that the overvalued peso might have to be devalued soon. The Mexican stock market lost its dynamism of 1991 and early 1992 and became quite sensitive to the ups and downs of the NAFTA's prospects. Nonetheless, high yields continued to attract foreign investors into Mexican securities.

The latest extension of Mexico's 6-year old economic program "The Pact for Stability, Competitiveness and Employment"[4] addressed concerns about Mexico's economic slowdown by emphasizing reactivation of economic growth. Like the prior phases of the "Pacto"—as the administration's economic program is colloquially referred to—this latest one is also billed by the Government as a negotiated accord between itself, business, labor, and agriculture. The latest extension, which is covering the remainder of the Salinas administration's term through December 1994, was signed by the representatives of these four groups on October 3, 1993.

The new program includes provisions to be submitted shortly to the Mexican legislature. The provisions call for (1) a rise in disposable income to stimulate the economy through relief from Mexico's very progressive tax system both for individuals and businesses, (2) a 5-percent increase in the country's $129 monthly minimum wage, and (3) pledges of additional wage boosts in line with future productivity increases. Although businesses stand to be adversely affected by wage increases, they will benefit from tax relief, accelerated depreciation for specified investments, and savings from lower prices for industrial electricity, diesel fuel, and railroad cargo

[2] U.S. International Trade Commission, *International Economic Review*, Jan. 1993, p. 7.

[3] Ibid.

[4] Ibid.

rates. There are also provisions for extending direct assistance to the country's farms and rural zones. "Today, the most generous pact has been signed," said Mr. Salinas upon concluding the negotiations with the three interest groups.

At the same time, the Salinas government has not given up on further reducing the rate of inflation which, as mentioned, is projected at only 5 percent for 1994. A broad-based package for reducing the controlled prices for still other industrial inputs is expected to be introduced shortly. The private sector is committed to transfer the benefits from these price cuts to consumers, thereby furthering a 1.5-percent reduction in the national consumer price index. The government also promised a 5-percent cap on the increase of gasoline and electricity prices for domestic use. The new "Pacto," along with higher minimum wages, also includes some wage caps. This made those labor leaders who are not supporting the Salinas government question the program's net benefits to Mexican workers.

Virtual Hemispheric Free Trade: What Mexico (and Chile) Bring to NAFTA

Latin American and Caribbean countries have closely monitored developments as the United States, Canada, and Mexico move to implement the North American Free-Trade Agreement (NAFTA). Although some Caribbean and Central American countries initially were concerned that Mexico would divert some of their North American trade and investment under NAFTA, they now support NAFTA implementation and see potential gains from the enlarged North American market of over 360 million people and over $6 trillion in annual output that NAFTA will create. They have been particularly heartened by signals that President Clinton may be prepared to follow up on a Bush administration pledge to negotiate free-trade agreements (FTAs) with other Latin American and Caribbean countries — with Chile most likely to be the first candidate. Such subsequent FTAs could be negotiated either bilaterally with the United States or with all three NAFTA partners under the NAFTA accession clause (article 2205).

Latin American and Caribbean countries continue to build on a gradually expanding network of regional free-trade agreements as part of their efforts to introduce market-oriented economic reforms and to liberalize trade on a regional basis.[5] These efforts have been led by the three large regional trade blocs: the Caribbean Community (CARICOM), the Central American Common Market (CACM), the Latin American Integration Association (LAIA) including two LAIA subregional trade blocs: the Andean Group and the Southern Common Market (MERCOSUR).[6]

Most Latin American and Caribbean countries also have stepped up efforts to conclude FTAs with Mexico to benefit from the new NAFTA market. Free-trade links with Mexico could leave a number of countries favorably positioned as low-cost offshore production platforms for Mexican industries that produce for the NAFTA market. Although goods generally must be wholly of North American origin to qualify under NAFTA, under certain conditions non-North American materials may be considered North American if the materials are sufficiently transformed in the NAFTA region so as to undergo a specific change in tariff classification or contain a specified percentage of North American content in addition to meeting the tariff classification requirement.

Some Latin American and Caribbean countries also are pursuing bilateral or multilateral FTAs with both Mexico and Chile in anticipation that NAFTA eventually may be enlarged into a hemispheric FTA. Mexico and Chile have the most successful records of introducing market-oriented economic reforms in the region to date. Free-trade links with either of these countries could help other Latin American countries reduce tariff and nontariff barriers and bring their trade and investment regimes closer to the NAFTA standard.

The following is a summary of FTAs implemented or under negotiation by Latin American and Caribbean countries with Mexico and Chile.

FTAs with Mexico

Chile.—Chile was the first Latin American country to sign a bilateral FTA with Mexico. This FTA, which entered into force January 1, 1992, is scheduled to phase out most tariffs and eliminate nontariff barriers by January 1, 1996. The FTA also has an accession clause permitting other LAIA countries to join.

[5] USITC, *International Economic Review*, April 1991, p. 6; USITC, *International Economic Review*, October 1992, p. 17.

[6] CARICOM members are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. CACM members are Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. LAIA comprises Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Andean Group members are Bolivia, Colombia, Ecuador, Peru, and Venezuela. MERCOSUR members are Argentina, Brazil, Paraguay, and Uruguay.

Colombia and Venezuela.—In September 1990, Mexico, Colombia, and Venezuela (known as the Group of Three) signed an agreement to expand their economic ties and to create common energy projects on the continental rim of the Caribbean basin. While a trilateral FTA does not appear to be an immediate goal, the three nations are discussing the creation of an enlarged Caribbean "economic space" with the CARICOM countries (see below).

CARICOM.—In October 1993, following a meeting of the heads of state of CARICOM and the Group of Three, an official communique called for the creation of an Association of Caribbean States (ACS) to establish closer economic and political ties and to create an enlarged Caribbean "economic space" to promote increased intraregional trade and to contribute to regional economic integration. The Caribbean countries are scheduled to discuss the future role of ACS at the June 1994 CARICOM summit.

CACM.—In January 1991, the Presidents of Mexico and the CACM countries signed a framework agreement that envisions the formation of a Mexico-Central America FTA by December 31, 1996. The framework requires each CACM country to negotiate a separate bilateral agreement with Mexico to allow the less developed and less competitive of the CACM countries an opportunity to integrate with Mexico at a slower pace. The CACM nations are scheduled to implement their own regional FTA by December 31, 1995.

Bolivia.—The two countries have initiated discussions for a bilateral FTA.

Brazil.—The two countries have initiated discussions for a bilateral FTA.

FTAs with Chile

Other countries are pursuing FTAs with Chile. Chile was a founding member of the Andean Group, but exited the pact in 1976 to pursue an independent economic development policy course. Until recently, the Chilean Government has turned down requests from other Latin American countries to enter into FTAs.

Bolivia.—Despite having had no diplomatic relations since 1962 (except for the period 1975-1978) due to a longstanding border dispute, Chile and Bolivia signed an FTA agreement in April 1993. The agreement establishes immediate duty-free trade for 80 bilaterally-traded products and for 30 Bolivian products. Tariffs on a number of other products will be phased out over a 10-year period.

Venezuela.—In April 1993, Venezuela and Chile signed an agreement that schedules to phase out tariffs on most bilaterally-traded products by January 1997.

Brazil.—The two countries have initiated discussions for a bilateral FTA despite Chilean statements in the past that it would not negotiate with the MERCOSUR countries until they (widely interpreted as Brazil, which has been unable to cure chronic inflation and stagnate growth) stabilize their economies.

Colombia.—The two countries have neared the completion of negotiations for a bilateral FTA. The agreement reportedly will schedule the elimination of tariffs on most bilaterally-traded products by 1999.

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SPECIAL FOCUS

Endgame Negotiations in the Uruguay Round

With the passage of the North American Free-Trade Agreement (NAFTA) by the U.S. Congress in November 1993, followed directly by the summit meeting of the Asia-Pacific Economic Cooperation countries in Seattle, WA, the U.S. administration has turned its full attention to trying to wrap-up the multilateral trade negotiations (known as the Uruguay Round) that have been ongoing since September 1986. The United States and the European Community (EC) still dominate the discussion even as the negotiations go down to the wire in the final weeks of November and early December. The following presents the state of play in negotiations known through December 8th, that is, in the week prior to the scheduled conclusion of the round.

In recent weeks, intensive, at times virtually round-the-clock, talks have taken place between the United States' chief trade negotiator, Trade Representative Mickey Kantor, and his EC counterpart, Sir Leon Brittan. EC Commissioner Brittan held meetings with USTR Kantor in Washington on November 29-30, followed by a change of venue with Kantor and staff moving to Brussels for further talks beginning December 2. At this writing, these bilateral talks continued in Brussels through December 6, making good progress according to press reports but remaining snagged primarily over the audiovisual issue, sketched out below, but also to a lesser extent over issues of civil aircraft and agriculture.

The GATT Director-General, Peter Sutherland, had called on the United States and the EC to present their bilateral results to the other participants in the round at a meeting of the Trade Negotiating Committee (TNC) in Geneva on December 7, so that a final week of feverish talks among all participants can be held in an effort to augment and finalize a multilateral package by the agreed deadline of December 15, 1993.[7] Instead, in view of the unfinished nature of the U.S.-EC negotiations, only EC Commissioner Brittan proceeded to Geneva to introduce to other delegations what had been agreed bilaterally to date.

Market Access

Market access concerns have been foremost on the U.S. administration agenda since the beginning of the year. Concerted efforts by the so-called "quadrilateral" or "quad" countries—Canada, the EC, Japan, and the United States—led to a major market access package announced at the economic summit of the seven largest industrialized democracies (G-7)[8] held in Tokyo in July.[9]

Since then, the United States has been engaged with the EC primarily in seeking to consolidate and extend the pledges made at the summit concerning mutual tariff elimination (so-called "zero-for-zero" offers), tariff reductions, and tariff harmonization for certain sectors. The United States has continued to pursue zero-for-zero offers[10] for additional sectors with the EC, and by extension with other Uruguay Round participants. The EC for its part has been greatly interested in having the United States reduce its so-called "tariff peaks"—tariffs that exceed 15 percent—on textiles and clothing, particularly woolen goods. Press reports on the U.S.-EC bilateral discussions through early December indicate that the United States has offered an average 26-percent reduction in U.S. textile tariffs as part of a final Uruguay Round market access deal, and the EC has agreed to expand market access for toys, wood and paper products, nonferrous metals, as well as greater market access to begin in July 1995 for agricultural products such as wheat, corn, beef and other meats, and cheeses.

Agreement on a multilateral steel agreement (MSA) was considered a prerequisite at the Tokyo summit in order to include steel in the zero-for-zero market-access package. However, continued disagreement over the use of subsidies in the steel sector, such as for environmental purposes or for retraining workers from closed steel plants, is just one issue that has to date prevented concluding an MSA. As of early December, the focus of negotiators appears to be on zero-for-zero mutual tariff elimination for

[7] December 15th is the expiration date of the so-called "fast-track" authority, granted by the U.S. Congress to the President to facilitate such trade negotiations. This authority ensures that the Congress can vote only for or against the entire package of agreements, rather than amend different parts, which is widely seen as the only practical way to elicit the best offers from other countries during such negotiations.

[8] The G-7 countries are composed of the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada.

[9] USITC, *International Economic Review*, August 1993, p. 8.

[10] The 8 sectors agreed upon by the quad countries at the Tokyo summit targeted for mutual tariff elimination were: (1) pharmaceuticals, (2) construction equipment, (3) medical equipment, (4) steel (subject to an MSA), (5) beer, and subject to certain exemptions the sectors of (6) furniture, (7) farm equipment, and (8) spirits.

steel trade, without seeking a full-fledged MSA by the round's December 15 deadline.

In October, the EC submitted a new market-access package offer for industrial products to all participants in the round, conditioned on the presentation by others of like offers. The EC offer aims to cut tariff peaks by at least half for over three-quarters of its industrial tariff peaks, covering mainly textiles, footwear, electronics, and vehicle chassis. In chemicals, the EC offer proposed a 24-percent tariff cut in line with the reductions worked out in discussions among North American and European private industry representatives. In textiles and clothing, the EC offer would cut textile tariffs by an average of 28 percent and clothing tariffs by 12 percent, with cuts in all textile peaks of at least 50 percent, conditioned on similar offers from other participants. Overall, the October EC offer proposed cuts that fell into three broad categories: (1) 15-20 percent—nonferrous metals, cars and trucks, ceramics, agricultural equipment, consumer electronics; (2) 25-30 percent—most industrial goods, particularly footwear, leather, glass and rubber; and (3) over 35 percent—industrial electronics, wood and paper, and scientific equipment.

Agriculture

In agriculture, France has kept up vocal public opposition to the terms of the Blair House agreement, reached in November 1992 between U.S. and EC negotiators that settled both bilateral U.S.-EC issues on agriculture as well as to reach U.S.-EC agreement on agricultural issues in the multilateral Uruguay Round negotiations. France has threatened to veto any EC consensus on an overall Uruguay Round result unless it receives satisfaction for its farmers to offset what it sees as the onerous terms reached under the Blair House accord. However, because the U.S. position is that the Blair House accord is only just acceptable, USTR Kantor has stated that the Blair House agreement would not be reopened and that the EC and France should settle their differences over the accord internally.

As a result, in October 1993, EC negotiators agreed at France's instigation to seek "further clarification and interpretation" of the Blair House accord with the United States without renegotiating the agreement. U.S. and EC negotiators finally met at the technical level and reportedly have come to a provisional understanding about the terms of the Blair House agreement that could come into play once all other parts of the Uruguay Round negotiations are settled. This understanding would rest on the following elements.

(1) An extension of the so-called "peace clause" of the Blair House accord beyond the 6-year timespan already agreed, whereby the United States would not seek GATT dispute settlement concerning the agricultural goods involved in the agreement provided the terms of the Blair House agreement were being met. Reports on the most recent U.S.-EC discussions indicate a "peace clause" of 9 years under discussion.

(2) A phase-in of the agreed 21-percent subsidy cut that would take place more slowly or at a pace different from a straightline 3.5-percent reduction per year. The prospect of this reduction has been considered particularly onerous for French farmers, in part because France has been exporting aggressively in recent years with the use of agricultural export subsidies. As a result, their current exports are significantly higher than those reflected in the 1986-90 base period given in the current text of the Draft Final Act (DFA) and consequent cuts would be steep.

According to reports of the U.S.-EC talks through early December, negotiators agreed to update the base period used from 1986-90 to 1990-92 as part of their efforts to resolve bilateral differences and move on to the multilateral talks in Geneva. A more recent base period would have the effect of imposing less of a constraint on EC subsidized exports in volume terms. In addition, the French have also been persistent in pressing EC negotiators to seek to ensure that these subsidy reductions not be left commodity-specific (so-called "disaggregation"). Instead, the French are pushing to aggregate, or combine, different commodity groups so that more subsidy reduction in some and less in other commodity groups will satisfy the terms of the final agriculture agreement.

(3) Some mutual understanding between other exporters and the EC on how to reduce large EC intervention stocks of farm produce without being in violation of the accord and undercutting world market prices. The EC holds significant stocks of grains and meat. Reports of the high-level bilateral discussions in early December indicate that supplementary quotas may be drawn up for the export of these subsidized stockpiled commodities, in the area of 8.1 million metric tons of wheat and flour (roughly 33 percent of EC stocks) and around 362,000 metric tons for beef meat (about 65 percent of EC stocks). In addition, the recent December negotiations are reported to have agreed on annual consultations concerning possible adjustments to both the agreed export and import limits in the agreement, that is, possible increases regarding subsidized agricultural exports for EC producers as well as possible increases concerning agricultural imports into the EC in line with increases in world economic growth. Also reported was the settlement of the U.S.-EC dispute over lost grain markets resulting

from the 1986 enlargement of the European Community with the accession of Spain and Portugal.

Services

Good progress has been achieved in finalizing the text of the general agreement on services (GATS) and its annexes, according to the new GATT Director-General, Peter Sutherland. However, although the framework agreement and annexes have advanced in recent months, certain items are still in doubt.

In talks on transport services, the United States has endeavored to retain a bilateral approach to maritime services, rather than include these services in the transportation annex to the multilateral services framework agreement. Although the U.S. negotiators have been successful to date in excluding from negotiation items like intracoastal cabotage under the U.S. Jones Act or cargo preference laws for U.S. military or food aid shipments, the bilateral approach to maritime dispute settlement matters, currently marshalled under the Federal Maritime Commission, is reported as being possibly relinquished in favor of stronger multilateral dispute settlement procedures under the GATS. The most recent U.S. proposal concerning maritime services has offered to consider removing restrictions on third-country carriers hauling U.S. cargo, contingent on better maritime offers from developing countries.

In talks on audiovisual services, a primary focus has been over the EC broadcast directive, which allows EC member states to reserve a quota of up to 50 percent of their national television programming for EC producers.

In earlier talks, the two sides had reached an understanding that trade in audiovisual products could well be considered different from trade in more traditional commodities. However, the United States has consistently rejected the insistent French position that the final Uruguay Round agreement contain a strong "cultural exemption" that would protect European producers of programs considered part of national culture from being "overwhelmed" by larger foreign audiovisual industries such as the U.S. film and video industry in Hollywood.

In this regard, the two sides attempted during their recent negotiations to reach a compromise agreement that would resolve a number of bilateral differences concerning audiovisual and intellectual property rights issues arising from recent or prospective EC legislation. One such compromise deal that was initially reported during the early December discussions appeared to have the United States accepting the 50-percent quota under the broadcast directive in exchange for agreement not to apply the quota to future broadcast technologies such as satellite and pay-per-view TV cable transmission. Such a deal would also be likely to equalize treatment regarding unreimbursed tax revenues levied on audio and video cassettes and used to support European film producers, as done in France. Such revenues are shared with other European governments with similar tax arrangements, but not with the United States.

In talks on financial services, the United States has announced that it does not intend to extend the same taxation treatment to foreign investors that it gives to domestic ones. This exemption from national treatment principles in taxation matters has introduced a great deal of controversy into the services negotiations, where the agency leading the U.S. financial services team (the U.S. Treasury) has offered as its rationale that the GATT is ill-equipped to oversee the complications inherent in international taxation. The United States considers that the financial services rules as presently drafted are not specific enough and that such tax matters are better handled through bilateral tax treaties. Nonetheless, virtually every other participant is strenuously resisting this exemption from national treatment principles.

The United States is also seeking to condition or preempt application of particular agreements, such as on financial services, to certain countries contingent on their further market liberalization through future actions. This "non-application" of an agreement, reserved at the time of acceptance of the overall Uruguay Round package, would provide the United States, as well as other participants, such as the EC, with leverage to further liberalize other countries' domestic markets in the area of these select agreements. This approach is widely seen as aimed at Japan, as well as at the industrializing Asian countries, from which the United States, the EC, and others have received what they deem as inadequate offers in the area of financial services.

Antidumping

Rules regarding dumping, as well as the related field of subsidies, reflect some of the most historical and fundamental elements of international economics and trade. Because these rules can affect such a broad spectrum of countries and embrace so many commodities, negotiations concerning them can mobilize significant interest. The Draft Final Act of December 20, 1991, was issued as the first complete compilation of agreements reached in the round and reflected this broad concern about the subject. Although the GATT Secretariat overseeing the round was able to include in the DFA draft texts based on agreements reached since talks began in 1986, negotiators were unable to agree during that time on an antidumping or subsidies text. As a result, the GATT Secretariat inserted into the DFA what it considered a possible compromise text for an antidumping and a subsidies agreement in order to complete the package.

Strong and effective antidumping and subsidy rules have been a longstanding priority of the United States, most notably reflected perhaps by vocal advocates in the U.S. Congress. Interest in maintaining strong antidumping legislation by retaining national laws if stronger international ones are unavailable is a fundamental focus of Congress as it watches negotiations develop in the Uruguay Round.

In December 1992, a year following issuance of the DFA, the changes proposed by the United States for the antidumping text focused on three areas: (1) circumvention of duties, (2) automatic termination of dumping orders (so-called "sunset" provisions), and (3) the international panel review process. The United States also sought to adjust the antidumping text to reflect related provisions in the subsidies draft, in particular to harmonize the concept of "cumulation" of import impact in each text regarding domestic industry injury determinations.[11]

On circumvention, the U.S. changes sought the ability to extend a dumping order on one country to suppliers in another country to prevent assembly operations from being relocated elsewhere to avoid antidumping duties being levied. The United States also proposed deleting all references to anticircumvention measures in the DFA text if the U.S. clarifications were not accepted, so as to preserve countries' scope for redressing cases where circumvention of duties occur.

On automatic termination of dumping orders, U.S. negotiators proposed to shift the burden of proof from an automatic end to dumping orders after 5 years, unless a review finds the duty "necessary to prevent the continuation or recurrence of injury by dumped imports," to a review that must demonstrate the continuation of the duty is "not necessary to deter or prevent the continuation or recurrence of injury."

On panel review of antidumping orders, the U.S. proposal would limit the "scope and standard of review" for GATT panels overseeing such cases. Under the U.S. proposal, a panel would be unable to overturn an injury decision or margin finding by national authorities "if that action is consistent with a reasonable interpretation of the provisions of this agreement, even if a panel considers other interpretations preferable or better supported."

On cumulation, the United States is seeking to "harmonize" the antidumping text with the subsidies text. The DFA subsidies text allows cumulation (although excluding "negligible" import volumes or subsidies below the de minimis level of 1 percent), whereas there is no specific mention of cumulation in the DFA antidumping draft.

Although the EC has indicated that it has fewer difficulties with the antidumping text set out in the DFA text, provided it has effective rules against circumvention of duties, a number of delegations—such as Brazil, Hong Kong, India, Japan, Korea, Mexico, Singapore, and Sweden—see these changes as undermining the ability of GATT panels to enforce the new rules under the DFA and may be expected to provide stout resistance to a number of such changes.

Government Procurement

Although not technically part of the Uruguay Round, negotiations on the GATT Agreement on Government Procurement have also been underway since 1986 with an aim to finish in tandem with the round, now set for December 15, 1993. These negotiations have two central aims:

(1) expanding the scope of coverage under the agreement to subcentral levels of government[12] and to entities such as agencies involved in procurement that are substantially linked to central, regional, or local government, such as public utilities. The negotiations also aim to expand the agreement to include services, including construction services, in addition to the current coverage of goods.

(2) improving the present text of the agreement, particularly to provide a bid-challenge or protest procedure for situations where a foreign supplier may feel that a procurement contract did not properly apply the rules under the agreement.

Negotiations resumed in June 1993 and have largely settled on a revised text of the agreement. The remaining issues involve agreement on the lists of entities involved in government procurement for each signatory. While those included on the country lists are well advanced for central governments, negotiations are focused on which entities will be included for subcentral governments and other entities such as utilities.

[11] Cumulation refers to the aggregation of imports from all foreign countries in determining domestic industry injury.

[12] Subcentral governments are those below the central or federal level, such as, regional, provincial, state, local, municipal, and so forth.

Civil Aircraft

The most recent negotiations in Brussels in December broke up over U.S.-EC differences regarding trade in civil aircraft, as well as over audiovisual issues. In July 1992, the United States and the EC signed a bilateral agreement addressing longstanding U.S. complaints over direct government subsidy by European governments of aircraft production through the Airbus Industrie consortium, composed of Deutsche Airbus of Germany, Aerospatiale of France, British Aerospace of the United Kingdom, and Construcciones Aeronauticas of Spain.[13] One aspect of the U.S.-EC bilateral aircraft agreement was the intent to "multilateralize" it under GATT auspices as a revision of the current GATT Code on Trade in Civil Aircraft. The U.S.-EC agreement limits subsidies for aircraft development to one third of total development costs and eliminates subsidies for sales and marketing. Although audiovisual issues dominated the recent December negotiations between the two sides in Brussels, differences over civil aircraft also proved a barrier to U.S.-EC agreement where the United States considered EC loans to Airbus Industrie not sufficiently accounted for in order to broaden the agreement to other members.

MTO and Dispute Settlement

Lastly, an issue related to the implementation of the entire package of Uruguay Round agreements is that of the prospective multilateral trade organization (MTO). The MTO was initially conceived in negotiations in the round as a means by which to give institutional solidity to the somewhat tenuous nature of the GATT Secretariat workforce based in Geneva, Switzerland that oversees the execution of the multilateral charter—the actual General Agreement on Tariffs and Trade, or in short, the General Agreement. GATT membership currently comprises 111 countries and territories that apply the General Agreement, as well as additional scores of countries that apply the agreement on a de facto basis.

In the DFA text, a primary objective of the MTO would be to consolidate the various dispute settlement procedures arising out of the multiple agreements overseen under the GATT umbrella organization. This would provide for a more standardized approach to the dispute process, allowing for more consistency in the formation of dispute panels, in their scope and coverage, and especially in the results and interpretations arising from dispute settlement cases.

Changes sought by the United States in the DFA text regarding the MTO would leave the changes in the dispute settlement mechanism already agreed in the round intact in substance but would change the form by which countries agree that the package of Uruguay Round agreements would be carried out. Rather than directly establishing an institution per se to carry out these agreements, the changes proposed by the United States would convoke an international conference—not unlike the Havana Conference of 1947 at which the General Agreement was adopted—to allow countries to accept or reject the Uruguay Round package.

The resultant MTO could then carry out on a consistent basis the Uruguay Round agreements reached, with a General Council that oversees day-to-day affairs reporting to a Ministerial Council on a regular basis, much like the present annual meeting of the Contracting Parties to the GATT. New, more specific bodies would arise through the new agreements—such as a Council for Trade in Goods, a Council for Trade in Services, and a Council for Trade-Related Aspects of Intellectual Property Rights, as well as a Trade-Policy Review Body—but other bodies such as a Secretariat with a Director-General and a committee structure similar to the present organization would look familiar. These committees would include ones focused on the special needs of developing countries, such as a Committee on Trade and Development and a Committee on Balance-of-Payments Restrictions, plus standard institutional ones such as a Committee on Budget, Finance, and Administration.

[13] USITC, *International Economic Review*, September 1992, p. 7.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, Jan. 1990-Oct. 1993

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

			1992	1993								
Country	1990	1991	1992	I	II	III	May	June	July	Aug.	Sept.	Oct.
United States	0.0	-1.8	2.3	5.5	2.3	2.4	-2.4	2.4	2.4	1.2	4.8	9.6
Japan	4.5	2.2	-7.6	(1)	(1)	(1)	(1)	-2.9	1.9	-2.2	(1)	(1)
Canada	0.3	-1.0	0.5	(1)	(1)	(1)	(1)	-0.2	1.2	-2.2	(1)	(1)
Germany	5.9	3.2	-1.4	(1)	(1)	(1)	(1)	1.0	-0.3	(1)	(1)	(1)
United Kingdom	-0.6	-3.0	-0.3	(1)	(1)	(1)	(1)	2.1	-0.5	(1)	(1)	(1)
France	1.3	0.6	-1.3	(1)	(1)	(1)	(1)	0.2	-0.3	(1)	(1)	(1)
Italy	-0.6	-1.8	-0.6	(1)	(1)	(1)	(1)	5.1	-2.8	(1)	(1)	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Nov. 20, 1992; *Federal Reserve Statistical Release*; Nov. 15, 1993; and *International Financial Statistics*, International Monetary Fund, June 1993.

Consumer prices, by selected countries and by specified periods, Jan. 1990-Aug. 1993

(Percentage change from same period of previous year)

				1992	1993									
Country	1990	1991	1992	IV	I	II	III	Mar.	Apr.	May	June	July	Aug.	Sept.
United States	5.4	4.2	3.0	3.0	3.2	3.1	2.7	3.6	3.6	1.2	1.2	0.0	3.6	2.4
Japan	3.1	3.3	1.6	1.0	1.3	0.9	(1)	3.6	8.4	1.2	-1.2	3.6	3.6	(1)
Canada	4.8	5.6	1.5	1.8	2.1	1.7	1.7	-1.2	0.0	2.4	1.2	3.6	1.2	1.2
Germany	2.7	3.5	4.0	3.7	4.3	4.2	4.2	3.6	3.6	3.6	2.4	2.4	0.0	1.2
United Kingdom	9.5	5.9	3.7	3.0	1.8	1.3	1.6	4.8	10.8	4.8	-1.2	-2.4	4.8	4.8
France	3.4	3.2	2.4	1.8	2.1	2.0	2.2	6.0	1.2	2.4	-1.2	1.2	0.0	4.8
Italy	6.4	6.4	5.1	4.7	4.5	4.5	(1)	4.8	3.6	6.0	6.0	4.8	1.2	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Nov. 20, 1992; *Consumer Price Index data*, U.S. Department of Labor, August 19, 1993 and *Consumer Price Indexes, Fifteen Countries*, U.S. Department of Labor, Nov. 1993.

Unemployment rates, (civilian labor force basis)[1] by selected countries and by specified periods, January 1990-September 1993

				1993									
Country	1990	1991	1992	I	II	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
United States	5.5	6.7	7.4	7.0	7.0	6.7	7.0	7.0	6.9	7.0	6.8	6.7	6.7
Japan	2.1	2.1	2.2	2.3	2.4	(2)	2.3	2.3	2.6	2.6	2.6	2.6	(2)
Canada	8.1	10.3	11.3	11.0	11.4	11.4	11.0	11.4	11.4	11.3	11.6	11.3	11.2
Germany[3]	5.2	4.4	4.7	5.4	5.8	6.1	5.6	5.7	5.8	5.9	6.0	6.1	6.2
United Kingdom	6.9	8.9	10.0	10.7	10.5	(2)	10.6	10.5	10.4	10.4	10.5	10.5	(2)
France	9.2	9.8	10.2	10.6	11.0	(2)	10.8	10.9	11.0	11.2	11.3	11.3	(2)
Italy[4]	7.0	6.9	7.3	9.4	10.8	10.6	(5)	(5)	(5)	(5)	10.6	(5)	(2)

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

[2] Not available.

[3] Formerly West Germany.

[4] 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.

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

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, November 1993.

.ey-market interest rates,[1] by selected countries and by specified , Js, Jan. 1990-Oct. 1993

(Percentage, annual rates)

				1993											
Country	1990	1991	1992	I	II	III	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
United States	8.3	5.9	3.6	3.2	3.1	3.1	3.2	3.2	3.1	3.1	3.2	3.1	3.1	3.1	3.2
Japan	7.7	7.3	4.4	3.4	3.2	(2)	3.3	3.3	3.2	3.2	3.2	3.2	3.0	(2)	(2)
Canada	13.0	9.0	6.7	6.3	5.1	(2)	6.4	5.6	5.4	5.2	4.9	4.5	4.5	(2)	(2)
Germany	8.4	9.1	9.4	8.2	7.5	(2)	8.3	7.8	7.8	7.4	7.5	7.1	6.4	(2)	(2)
United Kingdom	14.7	11.5	9.5	6.3	5.8	(2)	6.1	5.9	5.9	5.9	5.8	5.8	5.7	(2)	(2)
France	10.2	9.5	10.1	11.4	7.7	(2)	11.7	10.9	8.7	7.4	7.1	7.7	7.4	(2)	(2)
Italy	12.1	12.0	13.9	11.7	10.7	(2)	11.4	11.3	11.4	10.7	10.1	9.4	9.2	(2)	(2)

[1] 90-day certificate of deposit.
[2] Not available.

Source: *Federal Reserve Statistical Release,* Nov. 8, 1993 *Federal Reserve Bulletin,* Oct. 1993.

Effective exchange rates of the U.S. dollar, by specified periods, Jan. 1990-Oct. 1993

(Percentage change from previous period)

				1992	1993									
Item	1990	1991	1992	IV	I	II	III	Apr.	May	June	July	Aug.	Sept.	Oct.
Unadjusted:														
Index[1]	86.5	85.5	84.5	86.3	88.7	86.2	87.8	86.1	85.9	86.7	88.2	88.0	87.3	88.2
Percentage change	-5.3	-1.2	-1.1	5.6	2.7	-2.9	1.8	-2.3	-.2	.9	1.7	-.2	-.8	1.0
Adjusted: Index[1] ...	91.3	92.5	92.4	94.6	97.2	95.1	96.1	94.8	94.9	95.6	97.3	95.8	95.1	95.8
Percentage[2] change	-4.0	1.2	-.1		2.6	-2.2	1.0		1.0	.7	1.7	-1.5	-.7	.7

[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, Nov. 1993.

Trade balances, by selected countries and by specified periods, Jan. 1990-Sept. 1993

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

				1992	1993						
Country	1990	1991	1992	IV	I	II	III	June	July	Aug.	Sept.
United States[1]	-101.7	-65.4	-84.3	-86.3	-103.1	-122.5	-125.4	-144.7	-125.0	-120.5	-130.6
Japan[3]	63.7	103.1	132.4	142	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Canada	9.4	6.4	8.9	14.4	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Germany[3]	65.6	13.5	32.0	28.8	35.2	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom[3]	-33.3	-17.9	-24.5	-14.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
France[3]	-9.2	-5.4	1.7	3.6	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Italy[3]	-10.0	-12.8	2.1	12.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[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] Not available.
[3] Converted from ECU to dollars.

Source: *Economic and Energy Indicators,* U.S. Central Intelligence Agency, Nov. 20, 1992; *Advance Report on U.S. Merchandise Trade,* U.S. Department of Commerce, Nov. 19, 1993; *Canadian Economic Observer,* Sept. 1993 and *Eurostatistics Short-term Trends,* Oct. 1993.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1990-Sept. 1993

(In billions of dollars)

				1992	1993						
Country	**1990**	**1991**	**1992**	**IV**	**I**	**II**	**III**	**June**	**July**	**Aug.**	**Sept.**
Commodity categories:											
Agriculture	16.3	16.2	18.6	5.7	4.9	3.9	1.5	1.3	1.1	1.2	1.0
Commodity categories:											
Agriculture	16.3	16.2	18.6	5.7	4.9	3.9	3.4	1.1	1.2	1.0	1.2
Petroleum and selected product-- (unadjusted)	-54.6	-42.3	-43.9	-11.7	-11.0	-12.7	-11.3	-4.2	-3.8	-3.7	-3.8
Manufactured goods	-90.1	-67.2	-86.7	-26.5	-21.0	-25.3	-36.2	-11.0	-12.3	-11.5	-12.4
Selected countries:											
Western Europe	4.0	16.1	6.2	-.8	3.5	-0.9	-2.8	-1.6	-1.7	-.8	-.3
Canada[2]	-7.7	-6.0	-7.9	-2.8	-2.5	-2.8	-2.1	-1.0	-.5	-.5	-1.1
Japan	-41.0	-43.4	-49.4	-14.7	-13.2	-14.4	-15.2	-4.3	-4.7	-5.2	-5.3
OPEC (unadjusted)	-24.3	-13.8	-11.2	-3.4	-3.0	-3.4	-3.6	-1.4	-1.3	-1.2	-1.1
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$19.75	$17.42	$16.80	$17.37	$16.24	$16.49	$14.63	$16.06	$15.00	$14.53	$14.37

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

[2] Beginning with 1989, figures include previously undocumented exports to Canada.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Nov. 19, 1993.