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NOTICE TO THE READER

The Office of Economics will not publish an April 1993 issue of the *International Economic Review*. Publication is expected to resume in May.

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Gains in U.S. productivity, a surge in consumer and investment spending, and a rise in personal income strengthened the recovery in the fourth quarter of 1992. Monthly indicators affirm that the recovery is continuing.

Productivity in business rose by 4.1 percent in the fourth quarter and by 2.8 percent in 1992 as a whole, the largest gains since the 1970s, according to the Department of Labor. (See U.S. productivity and costs in the following section.) A decline in hours of labor input and unit labor costs combined with strong growth in output resulted in the largest productivity gains in two decades. Output as measured by real GDP increased in the fourth quarter at an annualized rate of 4.8 percent ($57.8 billion), the strongest growth in 5 years. Real GDP increased at an annual rate of 3.4 percent ($41.3 billion) in the third quarter. Total 1992 GDP growth was 2.1 percent ($98.9 billion), the highest in 3 years.

Output growth was stimulated by the marked increase in consumer and business spending, the GDP components that together comprise 85.7 percent of total output. Real consumption expenditures were spurred by an improvement in consumer confidence and by a rise in personal income. Business expenditures were stimulated by a record increase in the demand for manufactures and by the large productivity gains in the business sector.

Real personal consumption expenditures increased by $39.3 billion in the fourth quarter of 1992, compared with an increase of $29.9 billion in the third. Personal income in current dollars expanded by $93.7 billion in the fourth quarter, compared with a rise of $33.1 billion in the third. Disposable personal income increased by $79.3 billion in the fourth quarter, compared with an increase of $21.4 billion in the third.

The rising demand for manufactured goods combined with lower interest rates, lower labor costs, and enhanced productivity encouraged more spending on fixed investment and business equipment. Real nonresidential fixed investment increased by $12.4 billion in the fourth quarter, compared with an increase of $4.0 billion in the third. Producers' durable equipment purchases increased by $12.8 billion, compared with an increase of $8.4 billion in the previous quarter.

Monthly economic indicators show continued advances in several key sectors. In the manufacturing sector, demand posted record increases, with new orders for durable goods rising by 9.6 percent ($11.2 billion) to a total of $134.5 billion in December. This was the largest increase since July 1991, according to the Department of Commerce. Shipments of durable goods increased by 3.7 percent ($4.7 billion) to a total of $132.8 billion in December, following a 2.3-percent rise in November. Unfilled orders for durable goods, an indicator of future investment expansion, increased in December by 0.4 percent ($1.7 billion) to a total of $450.2 billion.

In January 1993, orders for durable goods excluding defense and transportation, the two most volatile sectors, increased by 0.7 percent. Transportation equipment was the sector registering the largest decline in January, down 8.2 percent following a 24.6-percent increase in December 1992. This was primarily due to the decline in orders for aircraft and parts. Shipments of durable goods decreased by 2.2 percent in January, but unfilled orders increased by 0.4 percent. Despite the January decline in shipments, the underlying trend in new orders for manufactured durable goods indicates a continued strengthening of the manufacturing sector.

Retail sales grew by 0.8 percent in December and by 0.3 percent in January. Department store and auto sales showed marked strength. Sales in the fourth quarter increased by 11.4 percent at an annual rate—the largest quarterly advance in 4 years. Sales in December were 7.2 percent higher than a year earlier, according to the Department of Commerce.

Job prospects appear to be slowly improving. Growth in domestic demand pushed down the unemployment rate in January 1993 to 7.1 percent, the lowest since January 1992. Total employment in January increased by 106,000, and new hiring in manufacturing increased by 30,000 from December 1992, according to the Department of Labor.

The faster pace of recovery pushed up the composite index of leading economic indicators by 1.9 percent in December, the highest monthly increase in a decade. The rise in December's index followed an increase of 0.7 percent in November and 0.5 percent in October. Nine of the 11 components of the composite index showed improvement. In the order of their

contribution to recovery, they were (1) consumer expectations, (2) average weekly initial claims for State unemployment insurance (including claims made under the July 1992 Emergency Unemployment Compensation amendments), (3) manufacturers' new orders for consumer goods and materials in 1982 dollars, (4) contracts and orders for plant and equipment in 1982 dollars, (5) change in manufacturers' unfilled orders in 1982 dollars, (6) building permits, (7) stock prices, (8) average workweek, and (9) vendor performance (slower deliveries diffusion index).

U.S. Productivity and Costs

U.S. productivity (output per hour of all persons) posted large gains in the fourth quarter and in all of 1992. Annualized productivity gains and costs in the fourth quarter, as reported by the Department of Labor, are shown in table 1 and annual productivity changes from 1983-92 are shown in table 2.

In the fourth quarter of 1992, the productivity of all U.S. business increased at a seasonally adjusted annual rate of 4.1 percent over the previous quarter as output grew by 4.6 percent and hours worked rose by only 0.5 percent. Productivity in the manufacturing sector rose by a seasonally adjusted annual rate of 3.8 percent in the fourth quarter, compared with a 5.3-percent increase in both the second and third quarters. Output rose a strong 4.1 percent in the fourth quarter, and the hours worked by all persons in business increased 0.3 percent. Although both the durable and nondurable goods industries registered productivity increases in the fourth quarter, it was durable goods manufacturing that led the overall rise in business productivity.

On an annual basis, productivity in business posted the largest gains since the 1970s. Output grew in 1992 as hours of labor input declined. Business productivity increased on average by 2.8 percent in 1992, compared with a rise of 0.3 percent in 1991. The gain in 1992 was the largest annual increase since 1976, when a 2.9-percent productivity increase occurred. Output grew by 2.2 percent in 1992, and hours of all persons engaged in business decreased by 0.6 percent.

Hourly compensation in business increased by 3.8 percent in 1992, compared with a 4.9-percent increase during 1991. Real hourly compensation increased by 0.7 percent, matching the rise in 1991.

Unit labor costs increased by only 0.9 percent during 1992, compared with a 4.6-percent increase a year earlier. The slower growth in these costs during 1992 reflects the much greater rise in productivity, in addition to the slowing of the rate of gain in hourly compensation.

Manufacturing productivity increased in 1992 by 3.0 percent over the 1991 level. Output rose by 2.0 percent in 1992, and hours worked by all persons declined by 0.9 percent. During 1991, manufacturing productivity rose by 1.9 percent, output fell by 2.3 percent, and hours decreased by 4.1 percent.

Hourly compensation of workers in manufacturing increased by 2.5 percent in 1992, but was down 0.5 percent in real terms. Unit labor costs fell 0.5 percent, the first such decline since 1988, reflecting both faster productivity growth and a smaller gain in compensation per hour.

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 an annualized rate of 4.8 percent in the fourth quarter of 1992 following an increase of 3.4 percent in the third quarter. The annualized rate of real economic growth in the third quarter of 1992 was 0.4 percent in the United Kingdom, 1.2 percent in France, -1.9 percent in Germany, 1.4 percent in Canada, -1.5 percent in Japan, and -2.4 percent in Italy.

Industrial Production

Seasonally adjusted U.S. nominal industrial production rose by 0.4 percent in January 1993 following revised gains of 0.2 percent in December 1992 and 0.5 percent in November. The January 1993 increase was largely due to significant hikes in the production of motor vehicles and parts (4.7 percent) and to increases in the output of consumer goods, business equipment, and construction goods. Capacity utilization in manufacturing, mining, and utilities increased by 0.2 percentage points in January to 79.5 percent, the highest rate since October 1991. Total industrial output in January 1993 was 4.0 percent above its level in January 1992.

U.S. industrial production increased by 2.9 percent in 1992. Other G-7 member countries reported the following annual growth rates in industrial production: For the year ending December 1992, Japan reported a decrease of 8.2 percent, Germany reported a decrease of 3.7 percent, and the United Kingdom reported an increase of 0.6 percent. For the year ending November 1992, France reported a decrease of 3.8 percent, Italy reported a decrease of 4.4 percent, and Canada reported an increase of 1.6 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.5 percent in January 1993 following a

Table 1
Productivity and costs: Preliminary fourth-quarter 1992 measures
(Seasonally adjusted annual rates)

Sector	Productivity[1]	Output[2]	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
All business	4.1	4.6	0.5	4.6	1.2	0.5
Nonfarm business	4.0	4.5	0.5	4.6	1.2	0.6
Manufacturing	3.8	4.1	0.3	5.3	1.9	1.5
Durable	5.1	5.4	0.2	8.6	5.0	3.3
Nondurable	2.0	2.4	0.4	0.6	-2.6	-1.3
	Percent change from same quarter a year ago					
All business	3.1	3.0	-0.1	3.8	0.7	0.7
Nonfarm business	3.0	3.0	-0.1	3.7	0.7	0.7
Manufacturing	3.3	2.3	-0.9	2.5	-0.5	-0.7
Durable	3.9	2.4	-1.5	2.7	-0.3	-1.2
Nondurable	2.5	2.3	-0.2	2.4	-0.6	-0.1

[1] Productivity measures describe the relationship between real output (GDP) and the labor time involved in its production. These measures relate output to hours at work of all persons engaged in a sector, but they do not measure the specific contributions of each factor of production, labor, capital technology changes. Rather, these measures reflect the joint effects of all these factors.

[2] Business sector output is equal to GDP in 1987 dollars less general government, output of nonprofit institutions, output of paid employees of private households, rental value of owner-occupied dwellings and statistical discrepancy. In 1992, business output was about 78 percent of GDP, of which nonfarm business output farms was about 77 percent.

Source: U.S. Department of Labor, *Productivity and Costs, Preliminary Fourth Quarter and Annual Averages, 1992.*

Table 2
Annual changes in productivity and related measures, 1983-1992

Sector and measure	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
All business:										
Productivity	2.2	2.3	1.4	2.0	1.0	0.9	-0.8	0.3	0.3	2.8
Output	4.1	8.2	3.6	2.8	4.1	4.3	1.7	0.2	-2.2	2.2
Hours	1.8	5.7	2.1	0.7	3.1	3.3	2.6	0.0	-2.5	-0.6
Hourly compensation	3.7	4.2	4.5	4.9	3.5	4.3	3.4	5.6	4.9	3.8
Real hourly compensation	0.5	-0.1	0.9	3.0	-0.1	0.1	-1.4	0.2	0.7	0.7
Unit labor costs	1.5	1.9	3.0	2.8	2.5	3.3	4.2	5.3	4.6	0.9
Nonfarm Business:										
Productivity	2.4	2.1	0.8	1.9	0.8	0.9	-1.0	0.0	0.5	2.7
Output	4.4	8.2	3.4	2.8	4.1	4.4	1.7	0.1	-2.2	2.2
Hours	2.0	6.0	2.5	0.9	3.3	3.5	2.7	0.1	-2.6	-0.5
Hourly compensation	3.9	4.0	4.2	4.9	3.4	4.1	3.2	5.4	5.1	3.7
Real hourly compensation	0.7	-0.3	0.6	3.0	-0.2	0.0	-1.5	0.0	0.8	0.7
Unit labor costs	1.5	1.9	3.3	2.9	2.6	3.2	4.3	5.4	4.6	1.0
Manufacturing:										
Productivity	2.9	2.6	2.3	4.3	4.1	4.0	0.5	2.6	1.9	3.0
Output	4.0	9.4	1.5	2.8	4.9	7.1	0.9	0.3	-2.3	2.0
Hours	1.2	6.6	-0.8	-1.4	0.7	2.9	0.4	-2.2	-4.1	-0.9
Hourly compensation	2.5	3.1	5.0	4.0	2.2	3.9	3.9	5.1	5.1	2.5
Real hourly compensation	-0.7	-1.1	1.4	2.1	-1.4	-0.2	-0.9	-0.3	0.8	-0.5
Unit labor costs	-0.4	0.5	2.7	-0.3	-1.8	-0.2	3.4	2.5	3.2	-0.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

rise of 0.2 percent in December 1992. The consumer price index rose by 3.3 percent during the 12 months ending January 1993.

During the 1-year period ending January 1993, prices increased by 4.4 percent in Germany, 4.2 percent in Italy, 2.1 percent in Canada, 2.0 percent in France, 1.7 percent in the United Kingdom, and 1.2 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States declined to 7.1 percent in January 1993 from 7.3 percent in December 1992. In January 1993, unemployment was 11.0 percent in Canada, 7.5 percent in Germany, and 9.7 percent in Italy. In December 1992, unemployment was 10.5 percent in France, 2.4 percent in Japan, and 10.5 percent in the United Kingdom. (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 average about 3.1 percent (at an annual rate) during the first quarter of 1993. The real growth rate is expected to be only a little slower during the second and third quarters and to improve slightly in the fourth. The average growth rate for the year is expected to be 3.1 percent. Factors that are likely to restrain the U.S. recovery include the general slowdown in foreign economic growth, particularly in other industrialized countries, and uncompleted structural adjustments in both the financial and nonfinancial sectors of the U.S. economy. Although consumer confidence and spending have improved in recent months, forecasters expect consumer spending to moderate unless personal incomes keep rising strongly enough to encourage more spending. Also, the expected tax increases and cuts in fiscal spending, if passed by the Congress, could choke the recovery. Table 3 shows the quarterly changes in the U.S. economy during 1993 projected by four major forecasters and the simple average of these forecasts. With the exception of unemployment, these economic indicators are presented as percentage changes from the preceding quarter on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

Several factors could be working in favor of stronger growth rates in 1993 than those currently projected. These factors include—

- Probable improvement in general economic conditions as the adjustments in the business sector continue and as consumer confidence, income, and spending strengthen;
- Expected gains in employment and subsequent rise in incomes due to future fiscal stimuli;
- An expected rise in investment spending due to the recent gains in productivity, moderation of wage increases, cost cutting and corporate restructuring, declining long-term interest rates, and the moderation of inflation rates;
- An expected increase in export growth as a result of the relative moderation of the foreign value of the dollar and the anticipated improvement in the industrial countries' economic conditions.

The average of the forecasts points to a small decline in unemployment throughout 1993. The inflation rate (as measured by the GDP deflator) is expected to rise slightly in the third quarter of 1993 due to an increase in general economic activity and to the expected fiscal stimulus and then moderate a little in the fourth quarter.

Table 3
Projected quarterly percentage changes of selected U.S. economic indicators, January-December 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		
1993					
January-March	5.6	5.6	5.8	5.8	5.7
April-June	5.7	5.2	5.1	6.0	5.5
July-September	5.7	5.8	4.8	6.6	5.7
October-December	5.5	5.8	5.5	6.4	5.8
			GDP (constant (1987) dollars)		
1993					
January-March	3.2	2.9	3.2	3.1	3.1
April-June	3.0	2.8	2.8	3.2	3.0
July-September	3.0	3.1	2.4	3.6	3.0
October-December	2.8	3.2	3.1	3.8	3.2
			GDP deflator index		
1993					
January-March	2.2	2.6	2.5	2.7	2.5
April-June	2.6	2.4	2.3	2.7	2.5
July-September	2.6	2.7	2.3	2.9	2.6
October-December	2.6	2.6	2.3	2.5	2.5
			Unemployment, average rate *(percent)*		
1993					
January-March	7.6	7.3	7.2	7.3	7.4
April-June	7.6	7.1	7.1	7.1	7.2
July-September	7.6	7.1	6.9	7.0	7.2
October-December	7.6	7.0	6.8	6.8	7.1

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: February 1992.

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 $39.7 billion and imports of $46.7 billion in December 1992 resulted in a merchandise trade deficit of $7.0 billion, $0.4 billion less than the November deficit (table 4). The December 1992 deficit was 23.7 percent higher than the deficit registered in December 1991 and 2.9 percent higher than the average monthly deficit registered during the previous 12 months.

December exports of manufactured goods amounted to $29.8 billion, $0.9 billion more than in November and $0.9 billion more than the January to November 1992 monthly average. Imports of manufactured goods amounted to $37.7 billion, $0.3 billion less than in November and $1.6 billion more than the January to November 1992 monthly average. Imports of crude oil amounted to $3.1 billion in December, down from $3.5 billion in November.

For 1992, exports of $448.2 billion and imports of $532.5 billion resulted in a merchandise trade deficit of $84.3 billion, $18.9 billion more than the 1991 deficit of $65.4 billion. Exports were up $26.4 billion, and imports were up $45.4 billion.

Nominal U.S. exports and trade balances in specified major commodity sectors for December 1992 and the year are shown in table 5. U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 6. Japan accounted for 58.6 percent of the 1992 merchandise trade deficit, China accounted for 21.6 percent, and the newly industrialized countries (NICs) accounted for 16.5 percent. The three combined accounted for 96.7 percent of the 1992 deficit.

Table 4
U.S. merchandise trade, seasonally adjusted

Item	Exports		Imports		Trade balance	
	December 92	November 92	December 92	November 92	December 92	November 92
Current dollars—						
Including oil	39.7	38.2	46.7	45.6	-7.0	-7.4
Excluding oil	39.0	37.6	42.5	41.0	-3.5	-3.4
1987 dollars	37.9	36.4	44.8	43.1	-6.9	-6.7
Three-month-moving average	39.0	38.4	46.2	46.1	-7.2	-7.7
Advanced-technology products (not seasonally adjusted)	9.7	8.4	6.8	6.3	+2.9	+2.1

Source: *U.S. Department of Commerce New, FT (900)*, February 1993.

Table 5
Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors and agriculture, January 1991-December 1992

Sector	Exports: Jan.-Dec. 1992	Exports: Dec. 1992	Change: Jan.-Dec. 1992 over Jan.-Dec. 1991	Change: Dec. 1992 over Nov. 1992	Share of total Jan.-Dec. 1992	Trade balances Jan.-Dec. 1992
	Billion dollars		Percent			Billion dollars
ADP equipment & office machinery	27.0	2.8	3.9	8.7	6.0	-9.39
Airplanes	26.4	2.4	8.5	25.8	5.9	22.49
Airplane parts	9.3	0.8	-9.3	8.3	2.1	5.93
Electrical machinery	32.1	2.7	6.6	- 2.2	7.2	-7.69
General industrial machinery	18.5	1.5	7.5	1.4	4.1	2.92
Iron & steel mill products	3.6	0.3	-14.5	-3.5	0.8	-4.72
Inorganic chemicals	4.1	0.3	1.0	15.4	0.9	0.82
Organic chemicals	11.0	0.8	0.9	2.5	2.5	1.63
Power-generating machinery	18.0	1.6	5.8	8.7	4.0	2.04
Scientific instruments	14.4	1.3	6.4	6.8	3.2	6.77
Specialized industrial machinery	16.7	1.4	-0.6	6.7	3.7	4.85
Telecommunication	11.2	1.0	12.1	6.3	2.5	-14.61
Textile yarns, fabrics and articles	5.8	0.5	5.1	-8.3	1.3	-2.08
Vehicle parts	16.6	1.3	15.2	-18.9	3.7	0.71
Other manufactured goods[1]	27.6	2.1	12.2	-9.1	6.2	-5.39
Manufactured exports not included above	105.5	9.1	8.3	3.3	23.5	-91.03
Total manufactures	347.5	29.8	6.6	3.1	77.5	-86.75
Agriculture	42.1	3.7	9.3	-2.4	9.4	18.65
Other exports	58.6	5.0	2.3	-0.8	13.1	-16.24
Total	448.2	38.5	6.3	2.0	100.0	-84.34

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

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

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

Table 6
U.S. merchandise trade deficits (-) and surpluses (+), not seasonally adjusted, with specified areas, January 1991-December 1992

Area or country	December 1992	November 1992	December 1991	January-December 1992	January-December 1991
	(Billion dollars)				
Japan	-5.10	-4.77	-4.48	-49.42	-43.39
Canada	-1.18	-0.72	-1.00	-7.94	-5.91
Western Europe	-0.31	-0.64	+1.12	+6.19	+16.42
EC	-0.20	-0.29	+1.12	+8.80	+16.97
Germany	-0.99	-1.05	-0.61	-7.59	-4.83
European Free Trade Association(EFTA)[1]	-0.29	-0.45	-0.04	-4.19	-1.80
NICs[2]	-0.66	-1.04	-1.14	-13.88	-13.65
USSR (former)	+0.14	+0.37	+0.29	+2.81	+2.78
China	-1.16	-1.62	-1.01	-18.26	-12.69
Mexico	+0.55	+0.38	+0.51	+ 5.41	+2.15
OPEC	-1.04	-1.31	-0.68	-11.23	-13.59
Rest of the world	+1.36	+0.85	+0.63	+ 1.98	+2.48
Trade balance	-7.40	-8.50	-5.76	-84.34	-65.40

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

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

Note.—Country/area figures might not add to totals because of rounding. 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)*, Feb. 1993.

INTERNATIONAL TRADE DEVELOPMENTS

North American Steel Conflict: Are the United States and Canada Dumping on Each Other?

Tensions between the United States and Canada grew in late January and early February as both countries issued antidumping rulings against one another's steel producers. These rulings concluded several months of investigations. On January 27, the U.S. Department of Commerce announced the imposition of antidumping duties on steel producers of 19 countries. Although the duties were announced only 6 days after the start of the Clinton administration, the investigations were formally launched in June 1992 after several U.S. firms filed petitions. Dumping duties on the 19 countries involved ranged from under 10 percent to as high as 110 percent. Dumping duties on Canadian steel were provisionally assessed at 12 percent. Following this U.S. action, Canada concluded its own antidumping investigation on January 29 and decided against several U.S. steel firms. The dispute was described by one Canadian steel executive as "just one battle in a trade war that promises mutual assured destruction."

The dispute actually began on June 30, 1992, when 12 U.S. producers of flat-rolled carbon steel products filed petitions with the U.S. International Trade Commission (USITC) and the U.S. Department of Commerce that initiated 48 antidumping and 36 countervailing-duty (subsidy) cases against foreign steel makers. The petitions against Canada alleged dumping by Canadian firms, but contained no allegations of Canadian subsidization. The petitioners included such steel giants as LTV, Bethlehem, and U.S. Steel, and the accused Canadian firms included Stelco Inc., Dofasco Inc, and Algoma Steel Corp.

The U.S. steel petitioners also alleged that foreign producers were "massively subsidized" over the last 12 years by at least $100 billion. The U.S. producers claimed that they had invested heavily over the past decade while downsizing by over 50 percent in a successful effort to become competitive and that only subsidies allowed foreign firms to underprice them. The U.S. firms filed their petitions after the expiration of voluntary restraint agreements (VRAs) governing steel exports to the United States. The VRAs were negotiated with most major steel exporters in 1984 and expired in March 1992. After the VRAs ended, the steel makers were told by the Bush administration to resort to U.S. trade law to protest against unfair foreign actions.

The U.S. steel makers filing the unfair trade petitions claim that there is a global structural crisis in steel, characterized by a massive overcapacity due to foreign subsidies. They included Canadian producers in their list of offending firms while conceding that the Canadian system most closely resembles the U.S. system. Still, they claim that the Canadian steel market is relatively consolidated and isolated, thus fitting into the traditional model of dumping, where a firm in an imperfectly competitive industry (consolidated) is able to set prices and where the dumping firm's market is segmented from other markets (isolated). Under this model, a company can earn high profits at home while underpricing abroad to gain market share.

The Canadian firms responded to the U.S. investigation by taking their own antidumping action against the United States and others in retaliation. Canadian petitions were filed on several types of steel in both September and November of 1992. The Canadian petitioners claim that the U.S. firms are pricing below cost and causing material injury to Canadian firms—a claim closely resembling the accusations of U.S. firms against the Canadians. A statement by Revenue Canada, Customs and Excise, the Government agency that investigates dumping petitions, announced antidumping investigations on as many as 110 firms, including several American steel makers. The alleged average dumping margins for the U.S. firms are about 17.6 percent.

Both countries' actions were decided in late January 1993. On January 27, the U.S. Commerce Department issued its ruling that steel firms from 19 nations are dumping in the U.S. market. The duties on Canada range from less than 1 percent to as high as 68 percent (on certain steel from Stelco). The Canadian producers must post a cash deposit with U.S. Customs while they wait for the ITC to rule on whether the dumping is causing injury to U.S. firms. Sensing the possibility that foreign governments might see the duties as a turn to protectionism by the new Clinton administration, Commerce Secretary Ron Brown insisted that the rulings were "not a policy statement," but the result of a thorough investigation mandated by law.

Although the Canadians expressed regret and denounced the decision, many were surprised by the low penalties imposed on Canadian producers. Except for the large dumping margins against Stelco and some plate steel makers, the margins were lower than expected. Canadian steel maker IPSCO, for example, claimed that it was "not displeased" with the ruling. One steel executive considered the ruling a vindication of the Canadian belief that North America was a single steel market. Nevertheless, just 2 days after the U.S. decision, Revenue Canada announced the preliminary results of the investigation instituted in retaliation against the U.S. antidumping action. Several U.S. firms were accused of dumping, and fines averaging 12 percent were instituted. Most American producers, like the Canadians before them, had a moderate response to the fines.

Reciprocal dumping is theoretically possible, but the situation struck many as making little economic sense. Canadian Minister of International Trade Michael Wilson spoke out against "the counterproductive nature of both countries taking antidumping action against imports from each other." Meanwhile, members of Canada's Liberal opposition party used the dispute to criticize the Free Trade Agreement (FTA) between the United States and Canada, as well as the proposed North American Free Trade Agreement (NAFTA). Prime Minister Mulroney defended the FTA, claiming that Canada was the only nation named in the U.S. action that had the right to petition a binational panel composed of both Canadians and Americans. Trade Minister Wilson repeated this sentiment, but stated that Canada's final remedy was a change in U.S. trade laws with respect to antidumping investigations, especially through approval of the Dunkel Text of the Uruguay Round. This text would address such topics as requirements for the initiation of proceedings, "sunset" rules dealing with the phasing out of dumping duties, and the methodology used to determine dumping margins.

Many in the Canadian steel industry want both sides to drop the antidumping actions against one another because of the "unique integration" they claim exists between the U.S. and Canadian steel markets. Both Stelco Inc. and Algoma Steel Inc. said that the similarity of the duties each country applied to one another proved that the steel market is integrated. Total steel trade between the United States and Canada was over $3 billion in 1991, and the two countries also share a common market in the biggest steel consumer, automobiles. Thus, the Canadian firms want both countries to recognize this integration and to negotiate a bilateral steel pact similar to that in the automobile industry. This proposed agreement, the North American Steel Sector Agreement (NASSA), would include the appointment of a panel of high-level steel executives, who would examine the trade laws of both countries, recognizing the integration of the two steel markets. The Canadian Government endorsed this idea and proposed negotiations on such a pact to both the Bush and Clinton administrations.

The United States, however, has called for a Multilateral Steel Agreement (MSA), similar to the Multifibre Arrangement (MFA) governing world textile trade. Although U.S. producers have shown some interest in the Canadian approach, they have also favored pursuing the current antidumping investigations. Marshall Casse, in charge of economic affairs at the U.S. Embassy in Ottawa, claims that the U.S. Government prefers a MSA rather than a bilateral agreement. Previous MSA talks have included discussion of disciplining national subsidies for steel firms, the elimination of steel tariffs, and a disputes settlement procedure. Negotiations, however, have remained at an impasse over the restraining of state subsidies. A round of talks held immediately after the end of the U.S. VRAs failed to resolve differences. The United States has continued to press for the continuation of these negotiations, and talks were held for 2 days at the end of February. They will resume in April, but, because of the differences between the United States and other countries over subsidies, it is unclear whether a settlement can be reached in the near future.

The final USITC determination on the question of injury is due in June. An affirmative decision would result in the dumping duties against Canadian steel becoming permanent, although any action by either country is subject to appeal under the terms of the bilateral FTA. Regardless of the outcome of this current trade dispute, the use of antidumping statutes by both the United States and Canada has spurred new debate over the legitimacy of these laws. Editorials in both U.S. and foreign newspapers have called the dumping fines "protectionist," claiming that they are shielding steel firms at the expense of both foreign firms and domestic steel consumers. Steel firms claim that the dumping laws are a necessary response to unfair foreign subsidies and pricing practices, but many others have questioned not only the accuracy of this claim but also the value of raising steel prices as a response. Recently, attention was focused on the possibility of U.S. auto makers filing a petition against Japanese auto makers, which would have resulted in the largest antidumping investigation in U.S. history. Although the Big Three decided not to file, the mere possibility focused even more attention on the subject of dumping. This debate will likely go on for some time.

Mexico Gears up to Attain Competitiveness and Consumer Protection

Mexico's current economic program, the "Pact for Stability and Competitiveness," calls for the pursuit of corporate and national competitiveness "through effective microeconomic policies" as well as "macroeconomic and financial management policies," as stated by President Salinas de Gortari in his

INFORME (state of-the-nation address) on November 1, 1992 (*IER*, January 1993). Some new reforms on the Salinas administration's drawing board, which also include measures in anticipation of the implementation of the North American Free Trade Agreement (NAFTA), reflect this microeconomic management approach. Speaking before Mexico's private advisory group for the NAFTA (COECE) shortly after the INFORME, Mexico's Secretary of Commerce, Jaime Serra Puche, detailed additional reforms that the Government is preparing "to promote the competitiveness of individual businesses and the country." The highlights of this presentation and some developments that took place since are discussed below.

Replacement of the 1973 foreign investment law

Although still on the books, the restrictive 1973 law has been greatly modified by regulatory decrees to accommodate Mexico's quest for foreign investment. As described by Mr. Puche last November, a new foreign investment law is in preparation that would expand the concept of "neutral" treatment of investments in terms of their national origin but maintain constitutional restrictions such as the exclusion of foreigners from the petroleum industry. The new law, said Mr. Puche, would enhance the country's ability to attract foreign funds in the present intense international competition for capital.

The draft of the foreign investment law is expected to be presented to the Mexican Congress in April, when a new congressional session begins. Based on a draft proposal prepared last October, a key element would be the elimination of current performance requirements, which have a restrictive effect on foreign investment. Foreign investors would also be free to transfer profits and debt repayment monies out of the country.

Legislation against anticompetitive practices

The Salinas Government sent a Federal bill to the Mexican Congress late last November that was designed to control anticompetitive practices, both domestic and foreign. The proposed legislation would revise existing antitrust laws and would effectively prevent price fixing and actions that limit production or carve up markets.

Although the proposed law does not include measures that would break up existing monopolies, it would guarantee access for new entrants in formerly monopolized economic sectors. A Federal Competitive Commission would be established to study mergers and acquisitions that could lead to new monopolies, with the authority to prohibit their formation. The proposed commission would also put an end to the Secretary of Commerce's discretion under the current antitrust law to grant exemptions.

Further privatization plans mentioned by Mr. Puche seem to tie in with the Government's antimonopoly strategies. Particularly noteworthy is a planned change in Mexico's electric energy service law, which would allow private participation in the electricity-generating sector. A private company could operate in collaboration with Mexico's Federal Electricity Commission (CFE), the current monopoly power in the sector, but could also operate independently of CFE. Further privatization is also planned in sectors such as Mexico's ports and airports.

Miscellaneous measures to promote competitiveness and fairness

Mr. Puche also reported on a new foreign trade law in the making, designed to establish the legal framework for addressing unfair trade practices such as dumping. This would create some of the mechanisms and institutional arrangements envisioned in the NAFTA as well. He also cited efforts to improve Mexico's tariff law by reducing the uncertainty of foreign vendors with respect to the classification of goods and minimizing discretionary interpretations by customs.

Work to strengthen the regulations for the protection of intellectual property rights (IPR) and to bring such rights into line with Mexico's recently revised IPR laws and the NAFTA are also in progress. This effort would contribute to creating the kind of environment that attracts foreign investment.

In addition, the Government is active in bringing Mexican calibration, testing, and certification mechanisms on par with those of the United States and Canada. This is also necessary to win broad international acceptance for Mexican products, including acceptance by the United States and Canada.

Public sector efficiency will be improved by applying international standards and prices to the tradeable goods and services of public entities. Those goods and services of public entities that are inputs in manufacturing, such as gas, will be sold at prices similar to those prevailing on world markets rather than at the current below-market rates.

Finally, providing support to small and medium-sized industries, including textiles, clothing, leather tanning, and footwear, are a major part of the Salinas Government's microeconomic efforts to boost employment and competitiveness (*IER*, January 1993).

Consumer protection

In addition to increasing competitiveness, the protection of the Mexican consumer appears to be a

major economic policy objective of the Salinas administration. Consumer protection is still a fairly new concept in Mexico, and the little legislation directed at providing it is rarely enforced. The Mexican authorities, however, already enforce existing labeling requirements for imported consumer goods. Authorities now perform quality and safety testing on imported goods as well. Mexican officials insist that these measures focusing on imported items are part of a comprehensive effort to improve consumer safety and quality standards, whether domestic or foreign. However, U.S. exporters regard them as a new form of import containment (*IER*, February 1993.)

In the way of general consumer protection, the Salinas administration recently introduced legislation to enhance Mexico's existing, albeit weak, consumer protection laws. Special provisions in this bill deal with the dissemination of consumer product information. The responsibility for implementing measures that protect the consumer would be assigned to PROFECO (Procuraduria del Consumidor). This agency has been in existence since 1986, but with very limited effectiveness thus far.

China Reports Big Annual Gains in Foreign Investment and Trade

In January 1992, China's paramount leader Deng Xiaoping toured the southern and southeastern coastal region of the country, where the modernization program he initiated has developed most rapidly. Observing the prosperity that market-oriented reforms and the highest concentration of foreign-funded investment in China have brought to this area, he rallied other Government leaders to accelerate the pace of market reforms throughout the country and to widen the opening of the economy to the outside world. By the time the 14th Communist Party Congress was concluded in October, Deng had won enough support for an endorsement of his program to put China firmly back on the path of not only continuing but significantly expanding his reform policies. Party leaders officially launched the "socialist market economy"—one in which China is to essentially operate as a capitalist economy but State ownership will be retained, presumably without Government planning or interference.

New reforms are likely to take place slowly in most sectors of the economy since they will involve the dismantling of a massive bureaucracy and carry risks of social dislocation and political instability. In two sectors, however, where the Chinese have for more than a dozen years been most exposed to competitive conditions in the outside world, the foreign-funded enterprise sector and foreign trade, further reforms are already underway and, recently released data suggests, reaping impressive results.

Foreign investment

During 1992, Chinese Government authorities reportedly approved over 40,000 foreign-funded investment projects with a total value of $46 billion. Although these figures are probably inflated and many of the commitments made are unlikely to get beyond the paperwork, the actual direct foreign investment in China last year amounted to $8.3 billion, up from $4.2 billion during 1991. Put another way, the actual investment during 1992 represents approximately 27 percent of all foreign funds invested in China since open-door policies were implemented in 1979. Companies from Hong Kong were the largest source of foreign investment in China during 1992, followed by those from Taiwan, Japan, and the United States.

Chinese officials attribute the increase in foreign-funded projects last year to the Government's further liberalization of the rules and regulations governing foreign investment and to the strong performance of the economy in 1992. More regions of the country were opened to foreign investment, including all inland provincial capitals, 5 cities along the Yangtze River, and 13 inland border cities. These cities can now apply the same preferential policies for attracting overseas investment as are available to the open coastal cities. As a result of this more widespread opening up of the country, China has recently been most actively seeking to attract foreign firms to build roads, power plants, communication systems, and other basic facilities. Investment in other industries is limited without an expansion and upgrading of the infrastructure in the newly designated areas, and more of these facilities also are needed to support the recent rapid increase in foreign investment in the coastal region.

Sectors of the economy where foreign involvement was previously not allowed or severely restricted were also opened in 1992. Restrictions were largely lifted in service sectors such as banking, insurance, accounting, real estate, trade, tourism, and retailing. In addition, the Chinese authorities began relaxing restrictions that had essentially banned the sale of goods produced by foreign-funded enterprises in China on the domestic market and had instead forced them to export all or most of their output. The easing of these restrictions has been long awaited by foreign companies attracted to China by the prospect of a share in this market of over 1 billion people.

Foreign trade

China's total foreign merchandise trade amounted to $165.5 billion in 1992, an increase of 22.1 percent over the record $135.7 billion reported by Chinese Customs for 1991. Approximately one-quarter of this trade in 1992 was generated by enterprises with foreign investment. Exports expanded by 18.2 percent to $85.0 billion, and imports grew by 26.3 percent to $80.6 billion. As a result of the larger increase in imports relative to exports, China's worldwide trade

surplus declined from $8.1 billion in 1991 to $4.4 billion in 1992.

Hong Kong continued to be China's largest trading partner in 1992, in part because Chinese statistics fail to take into account its entrepôt role. China counts as trade with Hong Kong both its imports that initially enter through Hong Kong and are then re-exported to China and its exports that pass through Hong Kong en route to other countries. On the other hand, the United States counts these transshipments through Hong Kong as trade with China, resulting in a wide discrepancy between U.S. and Chinese statistics. China reported exports of $8.6 billion to the United States in 1992 and imports from the United States of $8.9 billion, resulting in a bilateral trade deficit for China of $0.3 billion, whereas the United States reported exports to China of $7.3 billion and imports from China of $25.5 billion, for a U.S. trade deficit with China of $18.2 billion. These figures indicate that nearly two-thirds of all U.S. imports from China in 1992 passed through Hong Kong, a pattern of trade that partly reflects the heavy concentration of China's export-oriented industries in the southern and southeastern coastal region of the country.

As a result of reforms that have gradually evolved, albeit with some setbacks, China's foreign trade is largely decentralized, with most operations handled by some 3,700 general trading companies scattered throughout the country. The prices of tradable goods were brought into line with those on the international market by series of devaluations that began in the mid-1980s, and China began to diversify its exports in 1985, producing for export a rapidly increasing variety and volume of labor-intensive manufactures that reflect its comparative advantage.

With the exception of 16 commodities that are handled by State-designated companies, central government controls on exports have been largely eliminated. All State subsidies to promote exports were withdrawn in 1991, although some provincial and local governments continue to provide incentives to encourage production for export, such as tax preferences and access to raw materials at lower cost.

On the other hand, the State still maintains a highly restrictive system of tariff and nontariff barriers. During 1992, however, China began to gradually reduce tariffs and to dismantle its nontariff barriers, partly because of the commitments it made to United States in the 301 market-access investigation concluded in October (*IER*, December 1992) and partly because of its interest in meeting the requirements for membership in the General Agreement on Tariffs and Trade (GATT). In December, Government authorities announced tariff reductions on 3,371 imports and took steps to accelerate the reform of China's nontariff import controls.

Major Economic Policy Decisions Face the Government of Japan

There will likely be a number of challenges to U.S.-Japan relations in upcoming months, especially given the U.S. bilateral trade deficit of $48.9 billion in 1992. Key tests for policymakers in Washington and Tokyo will involve both multilateral and bilateral trade issues (rice, semiconductors, and autos, to name a few). How these issues will evolve could be affected not only by the economic problems currently preoccupying the Clinton administration but also by domestic economic concerns now confronting Government leaders in Japan.

For the past few months, the Government of Japan and the press in Tokyo have been speculating on the prospective policies of President Clinton's administration. Although U.S.-Japan trade issues did not become a major theme of the Presidential campaign, there continues to be some concern about both the overall direction of U.S. policy towards Japan and the U.S. Government's position on specific sectoral issues. In December, for example, a group of some of Japan's most influential business executives submitted a report to the Ministry of Foreign Affairs urging the Government of Japan to take actions to deter unilateral trade actions by the U.S. Government and calling for an end to the Structural Impediments Initiative. The report recommended the establishment of a dispute resolution panel to handle bilateral trade and economic issues. Shortly thereafter, Japan's Ministry of Foreign Affairs indicated its support for the creation such a panel. In January, U.S. Ambassador to Japan Michael Armacost stated that he did not know whether the Structural Impediments Initiative would continue under the Clinton administration, but that in his view a similar process was required to work towards "harmonizing our respective industrial structures and business practices."

In the meantime, Japan continues to be preoccupied with its own economic downturn. On December 20, 1992, the Government released its official economic growth forecast of 3.3-percent real GNP for FY 1993. However, this forecast is considered to be overly optimistic by many observers. Private forecasts average 2.7 percent with a range of 1.7 percent to 4.0 percent. The Government was forced to revise its original FY 1992 forecast of 3.5-percent growth in real GNP downward to 1.6 percent after fourth-quarter growth registered only 0.4 percent. Industrial production, retail sales, and corporate earnings declined in 1992 while inventories and unemployment rose.

The Government of Japan is hoping that the impending marriage of the Emperor's eldest son (scheduled for June 3) will increase consumer spending

by up to ¥3.3 trillion, which would increase GNP by 0.8 percentage points. Such projections are based on the fact that the 1958 engagement of the Emperor and Empress resulted in increased consumer spending of 1.4 percent. The royal marriage is expected to encourage other ones, resulting in housing sales and purchases of home appliances, furniture, and other big ticket items.

On December 10, the Diet approved a supplement to the FY 1992 general account budget and Fiscal Investment and Loan Program (FILP), a separately funded budget directed primarily at capital spending. Prime Minister Miyazawa had announced a stimulus package in August, hoping it would be passed by the Diet in October (*IER*, October 1992). However, opposition parties held up action on the legislation until November 20. A central part of the package is a stimulus program of ¥2.2 trillion ($17.6 billion) for public works funding in the general account budget and ¥790 billion ($6.3 billion) for public works in the FILP. On the general account side, however, the Government expects a shortfall in tax revenues of ¥1.9 trillion ($15.4 billion) from corporations because of lower corporate profits and of ¥3.1 trillion ($25.1 billion) from individuals because of slow income growth. There is speculation that the Government could be forced to float deficit financing bonds to offset the tax shortfall for FY 1992. On January 25, Prime Minister Miyazawa offered a public apology for not taking stimulus measures earlier.

With a stimulus package in hand, the Government is busy working on the regular budget for FY 1993, and it appears that fiscal policy will be conservative. The proposal for FY 1993 calls for the general account budget to be increased by only 0.2 percent, reflecting the Ministry of Finance's desire to curtail spending. It is expected to be set at ¥72.2 trillion ($577.6 billion), which would be about the same as the initial FY 1992 budget. Since tax revenues are expected to total only ¥61.3 trillion ($490.4 billion), the Government plans to cut tax grants to local governments to avoid the use of deficit financing bonds. In addition, ¥8.0 trillion ($64 billion) in construction bonds, or 4.8 percent more than in 1992, will be issued to cover public works spending. On the expenditure side of the budget, Government ministries and agencies are expected to reduce spending by 3 percent, to the lowest level since 1989.

Several items did see increases, however. Of potential interest to U.S. trade policymakers, the FY 1993 budget for Japan's Patent Office shows an increase of 4.7 percent. This increase could help speed up processing of patent applications as requested under the Structural Impediments Initiative. In addition, the immigration staff under the Ministry of Justice was increased. Japan's Official Development Assistance (ODA) outlays under the general budget will total ¥1.01 trillion ($8.1 billion), a 6.5-percent increase over FY 1992. This will be supplemented by ¥675 billion ($5.4 billion) from the FILP. The ODA budget represents a compromise between the Ministry of Foreign Affairs, which favored an increase, and the Ministry of Finance, which wanted to see ODA reduced. The Overseas Economic Cooperation Fund (OECF), which is responsible for concessionary loans, will receive ¥930 billion ($7.4 billion) to disburse.

Several interest groups have been pressuring the Government for tax cuts and other economic stimulus measures. Nikkeiren (Japan Federation of Employers' Associations) has called for a $40.3 billion tax cut. Keidanren has said that emergency fiscal and monetary measures may be needed. Japan's Ministry of Finance has been resisting any type of stimulus package, including a tax cut. The Ministry believes that a tax cut would result in increased savings, not consumption. However, there are currently hints that the Government would be willing to consider tax cuts once the regular 1993 budget is passed.

In passing a supplemental budget to stimulate domestic demand and to increase spending on public works projects, the Government of Japan has to some extent begun to introduce measures that the United States has been pressing it to adopt during the past several years of bilateral talks. During his visit to Washington in February, Japan's Foreign Minister Watanabe pledged that, in addition to continuing its current programs to stimulate domestic demand, the Japanese Government would carry forward structural adjustment and market-opening measures. Trade issues were not discussed in detail, but President Clinton stated that the United States would be working "very firmly" with Japan to bring the U.S. bilateral trade deficit down.

Debate on Japan's Rice Policy Takes on a New Urgency

One of the major dilemmas facing Japan's political leaders is whether or not to accept the agriculture tariffication proposal put forth in the Uruguay Round, which requires all farm import barriers to be changed into tariffs and would commit Japan to liberalize its policies towards imported rice. As of mid-December, over 50 editorials had appeared in the Japanese press noting that Japan must bear some responsibility for the future of the world trading system and warning of the potentially detrimental effect on Japanese exports if the Uruguay Round collapses due to the country's intransigence. However, changes to Japan's current rice policy, which amounts to a virtual ban on rice imports, would have political, economic and social consequences as discussed below.

Background

Many observers have noted that before Japan can accept liberalization of its rice policies, it must first change its farm subsidy program. However, there are several obstacles to this. Since World War II, Japan's imports of rice have been under the Government's

direct control in accordance with the Food Control Law of 1942. The law was originally enacted to ration food distribution in an effort to cope with wartime shortages. After the war, the distribution of most other products was liberalized; however, rice remained under Government control and rice farmers continue to receive subsidized prices for their crops. There are approximately 5 million farms in Japan averaging less than 1 hectare each. At least 70 percent are owned by part-time farmers. Rice growing is particularly attractive to part-time farmers because it is a stable crop offering a high rate of return on only intermittent labor. Rice farming is a highly standardized process with little difference in production levels between full-time and part-time farms. There is little incentive to consolidate farmland into larger, more productive areas for several reasons. The price of land has risen since most farmers made their original investment or inherited the land, and it would require a major investment to further increase the size of their holdings. There is a also a fear among current owners that once their land is sold, it is gone forever. So those who own farm land continue to grow rice to be sold at subsidized prices rather than sell it.

Japan has historically argued that it must protect its rice farms for reasons of national food security. However some observers have questioned whether Japan can achieve self-sufficiency, noting that rice farming has declined over the past 20 years and is likely to continue declining primarily due to socio-economic changes in Japan. Young Japanese are not entering into farming, primarily because incomes are lower in the agriculture sector compared to the secondary or tertiary sectors. Older farmers, especially those born in the 1930s, will be retiring during the next decade, resulting in further declines in the farm population.

One Japanese economist has estimated that 700,000 to 800,000 tons of rice would be imported within 6 years of liberalizing Japan's imports of rice. Proponents of agricultural reform have noted that if rice imports increased and agricultural reform were carried out, only the "part-time" farmers or those depending on farming for only a portion of their income would be hurt immediately. Some analysts argue that rice imports would not benefit consumers because any increase in supply would be offset by acreage controls imposed under the present food control system to maintain producer prices. Therefore, the domestic food control system must be changed before liberalization can occur.

Recent developments

The Ministry of Agriculture, Forestry and Fisheries continues to be strongly opposed to the tariffication proposal put forth in the Uruguay Round and to any changes to Japan's rice policies that would be required under it. Nonetheless, there are signals that it is proceeding with "contingency" plans in preparation for eventual liberalization of the rice market. The Agricultural Policy Council, an advisory body to the Prime Minister, released an interim report describing how the competitiveness of Japan's agricultural sector could be increased by setting up "core farming households." Under these recommendations, small farms would be allowed to form legal corporations. Agricultural cooperatives, local governments and businesses would be allowed to buy shares of the farming companies. The plan would reduce about 80 percent of Japan's 3 million farmers to less than 500,000. It would raise the current average size of farmland per household from 0.7-0.9 hectares to 10-20 hectares by the year 2000. Several bills are expected to be introduced in the Diet to implement the policy.

On December 15, 1992, Prime Minister Miyazawa's stated that the Uruguay Round was entering its final stages and that Japan could not stand in the way of a successful conclusion to the Round. Miyazawa said that while Japan could not accept tariffication without exceptions, he did not want Japan to wreck the Uruguay Round. His comments were widely interpreted as meaning that Japan would have no other choice but to accept the tariffication proposal. In a reaction to the Prime Minister's statement, 32 Liberal Democratic Party members set up a group, called the "Special Dietman's League to Protect Japanese Agriculture," to oppose revision of Japanese laws that would allow for liberalization of rice. The group indicated that it would call for Miyazawa's immediate resignation if the rice market were opened.

A public display of pressure on the Government occurred on February 2, 1993, when over 100 university professors, businessmen and journalists called on the Government to accept the tariffication proposal in order to avoid a collapse in the Uruguay Round negotiations. The group argued that there would be plenty of time for Japan to adjust its rice policies even after the tariffication scheme were adopted. A sign of the political sensitivity of the rice liberalization issue occurred on February 4 when the Secretary General of Japan's Social Democratic Party was forced to retract statements he had made a day earlier suggesting that he might be willing to support the opening of Japan's rice market if farmers were compensated. His statements were strongly criticized by other members of the party, which has consistently supported the ban on rice imports. As part of the Secretary-General's repentance, he committed himself to spearheading the party's continuing campaign to oppose rice reform.

Although U.S. rice exporters may eventually have an opportunity to market their products in Japan, they are not expected to benefit much. Rice exporters in Thailand are likely to benefit the most from liberalization of Japan's rice policy since they produce "Japonaise" rice, the strain reportedly preferred by most Japanese consumers.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1990-January 1993

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

Country	1990	1991	1992	1992 I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	1993 Jan.
United States	1.0	-1.9	2.1	-2.9	5.2	2.3	3.9	2.4	2.4	8.7	4.9	3.6	4.8
Japan	4.5	2.2	(1)	-4.5	-2.6	3.0	(1)	-4.7	4.8	(1)	(1)	(1)	(1)
Canada	0.3	-1.0	(1)	2.1	2.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Germany	5.9	3.2	(1)	4.6	-2.2	-2.2	(1)	2.0	-2.5	(1)	(1)	(1)	(1)
United Kingdom	-0.6	-3.0	(1)	-3.3	-0.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
France	1.3	0.6	(1)	0.6	-0.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Italy	-0.6	-1.8	(1)	3.4	-1.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 20, 1992; the *Federal Reserve Statistical Release*, February 18, 1993; and *International Financial Statistics*, International Monetary Fund, February 1993.

Consumer prices, by selected countries and by specified periods, January 1990-Janaury 1993

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

Country	1990	1991	1992	1992 I	II	III	IV	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	1993 Jan.
United States	5.4	4.2	2.7	2.8	3.4	3.2	1.7	4.4	2.6	3.5	3.4	4.3	1.7	-0.8	6.0
Japan	3.1	3.3	(1)	0.7	2.6	5.8	(1)	4.9	-4.0	3.8	17.7	(1)	(1)	(1)	(1)
Canada	4.8	5.6	(1)	1.6	1.9	1.0	(1)	1.9	1.9	1.9	-0.9	1.8	2.7	(1)	(1)
Germany	2.7	3.5	(1)	3.0	4.1	(1)	(1)	3.2	2.1	4.2	(1)	(1)	(1)	(1)	(1)
United Kingdom	9.5	5.9	(1)	4.3	4.0	(1)	(1)	0.5	2.3	1.0	(1)	(1)	(1)	(1)	(1)
France	3.4	3.1	(1)	3.2	2.7	(1)	(1)	2.1	1.5	1.1	(1)	(1)	(1)	(1)	(1)
Italy	6.1	6.5	(1)	5.1	5.6	4.4	(1)	4.8	5.0	3.4	5.0	(1)	(1)	(1)	(1)

[1] Not available.

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

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 20, 1992, and *Consumer Price Index data*, U.S. Department of Labor, February 18, 1993.

Unemployment rates, (civilian labor force basis)[1] by selected countries and by specified periods, January 1990-December 1992

Country	1990	1991	1992	1992 I	II	III	IV	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
United States	5.5	6.7	7.4	7.3	7.5	7.5	7.3	7.7	7.6	7.5	7.4	7.3	7.3
Japan	2.1	2.1	(2)	2.1	2.1	2.2	(2)	2.2	2.2	2.3	2.2	(2)	(2)
Canada	8.1	10.3	11.3	10.7	11.3	11.5	11.4	11.6	11.6	11.4	11.3	11.5	11.5
Germany[3]	5.2	4.4	4.7	4.4	4.6	4.8	5.0	4.7	4.8	4.8	5.0	5.0	5.1
United Kingdom	6.9	8.9	10.0	9.6	9.7	10.1	10.6	9.9	10.1	10.2	10.3	10.6	10.8
France	9.2	9.8	10.2	10.0	10.2	10.2	10.4	10.2	10.1	10.2	10.3	10.4	10.4
Italy[4]	7.0	6.9	(2)	7.0	6.9	6.9	(2)	(5)	(5)	(5)	(5)	(5)	(5)

[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 1990-91.
[5] ...lian unemployment surveys are conducted only once a quarter, in the ... onth of the quarter.
...*nemployment Rates in Nine Countries*, U.S. Department of Labor, ... 1993.

Money-market interest rates,[1] by selected countries and by specified periods, January 1989-February 1993
(Percentage, annual rates)

Country	1990	1991	1992	1992 I	II	III	IV	Jul.	Aug.	Sept.	Oct.	Nov	Dec.	1993 Jan.	Feb.
United States	8.3	5.9	3.6	4.2	3.9	3.2	3.3	3.4	3.3	3.1	3.2	3.5	3.4	3.3	3.2
Japan	7.7	7.3	([2])	6.6	6.3	4.0	([2])	4.3	3.9	3.9	3.8	3.8	([2])	([2])	([2])
Canada	13.0	9.0	([2])	7.3	6.5	5.3	([2])	5.6	5.2	5.3	7.5	7.6	([2])	([2])	([2])
Germany	8.4	9.1	([2])	9.6	9.8	9.6	([2])	9.7	9.8	9.4	8.8	8.8	([2])	([2])	([2])
United Kingdom	14.7	11.5	([2])	10.5	10.2	10.0	([2])	10.1	10.2	9.9	8.2	7.1	([2])	([2])	([2])
France	10.2	9.5	([2])	9.9	9.9	10.3	([2])	10.1	10.3	10.5	10.8	9.5	([2])	([2])	([2])
Italy	12.1	12.0	([2])	12.2	12.9	16.1	([2])	15.5	15.3	17.5	15.5	14.4	([2])	([2])	([2])

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

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

Source: *Federal Reserve Statistical Release*, March 1, 1993, and *Federal Reserve Bulletin*, January 1993.

Effective exchange rates of the U.S. dollar, by specified periods, January 1990-February 1993
(Percentage change from previous period)

Item	1990	1991	1992	1992 I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	1993 Jan.	Feb.
Unadjusted:														
Index[1]	86.5	85.5	84.5	84.8	85.2	81.4	86.3		81.7	83.8	89.1	87.5	88.9	89.1
Percentage change	-5.3	-1.2	-1.1	.8	.4	-3.8	5.6	-.9	.9	2.5	5.9	-1.8	1.5	.2
Adjusted: Index[1]	88.1	87.0	86.4	86.7	86.9	83.1	88.3	82.7	83.3	85.5	87.1	89.7	91.1	91.1
Percentage change	-4.0	-1.2	-.7	1.3	.2	-3.8	5.8	-.7	.7	2.5	1.8	2.8	1.5	0

[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, February 1993.

Trade balances, by selected countries and by specified periods, January 1990-December 1992
(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

Country	1990	1991	1992	1992 I	II	III	IV	Sept.	Oct.	Nov.	Dec.
United States[1]	-101.7	-65.4	-84.3	-59.6	-91.2	-99.2	-86.3	-102.9	-84.4	-91.0	-83.4
Japan	63.7	103.1	(3)	131.6	129.2	(3)	(3)	(3)	(3)	(3)	(3)
Canada	9.4	6.4	(3)	6.8	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Germany[2]	65.6	13.5	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
United Kingdom	-33.3	-17.9	(3)	-21.6	-22.4	(3)	(3)	(3)	(3)	(3)	(3)
France	-9.2	-5.4	(3)	3.6	8.0	(3)	(3)	(3)	(3)	(3)	(3)
Italy	-10.0	-12.8	(3)	-10.4	-18.4	(3)	(3)	(3)	(3)	(3)	(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.

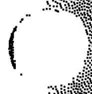
Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 20, 1992 and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, February 18, 1993.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1990-December 1992
(In billions of dollars)

Country	1990	1991	1992	1992 I	II	III	IV	Sept.	Oct.	Nov.	Dec.
Commodity categories:											
Agriculture	16.3	16.2	18.6	5.1	3.7	4.0	5.7	1.5	2.1	1.9	1.7
Petroleum and selected product—(unadjusted)	-54.6	-42.3	-43.9	-8.1	-10.8	-12.2	-11.7	-4.1	-4.3	-3.9	-3.5
Manufactured goods	-90.1	-67.2	-86.7	-14.5	-16.9	-27.9	-26.5	-9.1	-9.6	-9.0	-7.8
Selected countries:											
Western Europe	4.0	16.1	6.2	6.6	1.4	-1.4	-.8	.2	.1	-.6	-.3
Canada[2]	-7.7	-6.0	-7.9	-1.4	-1.8	-1.8	-2.8	-.7	-1.0	-.7	-1.1
Japan	-41.0	-43.4	-49.4	-10.8	-11.1	-12.0	-14.7	-4.4	-4.9	-4.7	-5.1
OPEC (unadjusted)	-24.3	-13.8	-11.2	-1.5	-2.2	-3.9	-3.4	-1.1	-1.1	-1.3	-1.0
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$19.75	$17.42	$16.80	$14.57	$16.82	$18.00	$17.37	$17.86	$18.15	$17.72	$16.24

[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, February 18, 1993.



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