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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

The latest indicators released by the U.S. Department of Commerce show gains in several economic activities. Real gross domestic product (GDP) grew at a stronger than expected rate. Personal income continued to rise, new orders for durable goods increased, and retail sales and the index of leading indicators edged up.

The Department of Commerce reported that real GDP—the output of goods and services produced in the United States measured in 1987 prices—grew at an annual rate of 2.8 percent (by $35.9 billion) to a level of $5.14 trillion in the third quarter.

The GDP increase was mainly due to an increase in consumption. Consumer spending rose despite the weakening of consumer confidence reported in recent surveys. Real personal consumption expenditures increased by $35.2 billion in the third quarter after rising by $28.9 billion in the second. Other GDP components also increased in the third quarter, albeit by less than in the second quarter. Real nonresidential fixed investment increased by $9.0 billion compared with an increase of $22.0 billion in the second. Producers' durable equipment purchases increased by $9.4 billion compared with an increase of $19.1 billion in the previous quarter. Businesses increased their inventories by $7.3 billion in the third quarter following an increase of $13.0 billion in the second.

Real net exports of goods and services decreased by $4.9 billion in the third quarter, following a decrease of $15.3 billion in the second. Real U.S. Government spending decreased by $5.6 billion after increasing by $1.8 billion in the second quarter.

GDP growth was bolstered by a rise in productivity. The Department of Labor reported that productivity (measured as output per hour of all persons) rose in the third quarter at a seasonally adjusted annual rate of 3.3 percent in the business sector. Productivity increased by 3.9 percent in the nonfarm business sector. The slower growth in the overall business sector, that is, in both farm and nonfarm output, was largely attributable to flooding in the Midwest and drought in the Southeast.

Productivity in manufacturing, which includes about 20 percent of U.S. business-sector employment, increased by 2.4 percent in the third quarter. This represented an increase of 3.1 percent in durable goods manufacturing and 1.3 percent in nondurable goods manufacturing.

Nominal personal income rose by $36.5 billion in the third quarter after increasing by $118.5 billion in the second. The third-quarter figure includes adjustments of about $12 billion for income losses due to the Midwest floods and Southeast drought. Real disposable personal income increased by $10 billion (1.1 percent) in the third quarter after increasing by $51.8 billion (5.8 percent) in the second quarter.

Monthly statistics show a strengthening of demand for manufactured goods. Commerce reported that seasonally adjusted new orders for manufactured durable goods increased in September by 0.7 percent ($1.8 billion) after rising by 1.2 percent in August. During the 12 months ending September 1993, new orders rose 5.9 percent. Analysts believe that the decline in long-term interest rates has bolstered the demand for durables, particularly the demand for motor vehicles and parts, electronic equipment, and other industrial machinery and equipment.

Shipments, a gauge of capacity utilization in manufacturing, increased by 1.4 percent to $260.2 billion in September, the highest level on record, according to the Department of Commerce. This followed a 1.9-percent increase in August and was the third increase in the last 4 months. The September 1993 figure was 5.6 percent above the level of shipments in September 1992.

Increased consumer spending caused retail sales to grow. Seasonally adjusted retail sales edged up 0.1 percent in September following an increase of 0.5 percent in August. Longer-term statistics, however, show a healthier rate of increase. Retail sales in the third quarter of 1993 grew by 6.6 percent compared with their level in the third quarter of 1992. Sales of durable goods increased by 10 percent during the year ending September 1993, with automotive and furniture sales rising by 11.4 percent and 12.6 percent, respectively.

Boosted by increased retail sales, together with gains in new orders of durable goods and other component indicators, the composite index of leading indicators rose 0.5 percent in September. On the basis of revised estimates, the index increased by 0.9 percent in August and was unchanged in July.

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

Economic Growth

The 2.8-percent annualized rate of growth in the U.S. real GDP in the third quarter of 1993 followed a revised annualized rate of 1.9 percent in the second quarter and a growth rate of 0.8 percent in the first quarter.

The annualized rate of real economic growth in the second quarter of 1993 was 2.3 percent in Germany, 2.1 percent in the United Kingdom, -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. industrial production, measured in current prices, increased by 0.2 percent in September following increases of 0.1 percent in August and 0.2 percent in July. Total industrial capacity utilization in manufacturing, mining, and utilities remained virtually unchanged from August at 81.6 percent. Capacity utilization in manufactures increased to 80.8 percent in September from 80.6 percent in August. For the year ending September 1993, industrial production increased by 4.6 percent, and total capacity utilization grew by 1.6 percent. During the same period, capacity utilization in manufactures grew by 1.8 percent.

The output of motor vehicles and parts rose by 4 percent in September, boosting the output of durable goods. Nondurable goods production declined because of a decrease in utilities output. The output of business equipment and construction supplies rose in September while the output of defense and space equipment declined.

Other G-7 member countries reported the following annual growth rates of industrial production. For the year ending August 1993, Japan reported a decrease of 2.6 percent, Germany reported a decrease of 6.7 percent, and the United Kingdom reported an increase of 2.3 percent. For the year ending July 1993, Italy reported a decrease of 3.6 percent, Canada reported an increase of 4.6 percent, and France reported a decrease of 2.9 percent.

Prices

The seasonally adjusted Consumer Price Index (CPI) remained unchanged in September after advancing 0.3 percent in August. The CPI advanced 2.7 percent during the 12 months ending September 1993.

During the 1-year period ending September 1993, prices increased by 4.0 percent in Germany, 4.2 percent in Italy, 1.9 percent in Canada, 2.3 percent in France, 1.8 percent in the United Kingdom, and 1.9 percent in Japan.

Employment

In September 1993, the U.S. unemployment rate remained unchanged from its August level of 6.7 percent. The unemployment rate was 6.8 percent in July 1993.

In other G-7 countries, unemployment in September 1993 was 8.6 percent in Germany, 11.2 percent in Canada, 11.2 percent in Italy, 10.3 percent in the United Kingdom, 11.7 percent in France, and 2.5 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 economic growth in the United States to increase to 3.6 percent in the fourth quarter. The growth rate for the remainder of 1993 and the first half of 1994 is expected to average 3.2 percent. Factors that are likely to restrain the recovery include the adverse effect on U.S. exports of the slowdown in economic growth in Germany and other EC countries and particularly in Japan and the ongoing U.S. structural adjustments in both the financial and nonfinancial sectors, which are weakening domestic demand, incomes, and employment. Although real disposable personal income has recently recorded gains, consumer spending has increased only modestly, and forecasters do not expect consumer spending to grow faster unless personal incomes keep rising and employment prospects improve. Also, the upcoming tax increase and the cuts in Government spending, unless counterbalanced by monetary expansion, could have dampening effects on consumer spending and confidence and thus further moderate the recovery in

1993 and 1994. Table 1 shows macroeconomic projections for the U.S. economy from July 1993 to June 1994, based on the models of four major forecasters, and 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 a decline to 6.5 percent in the second quarter of 1994. The slow rise in wages and compensations are expected to keep inflation (as measured by the GDP deflator) within the 3-percent range throughout 1993 and 1994.

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

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:					
July-Sept.	6.6	4.2	4.8	5.3	5.2
Oct.-Dec.	7.1	5.6	6.1	6.2	6.3
1994:					
Jan.-Mar.	7.2	5.9	6.4	5.8	6.3
Apr.-June	6.4	5.3	6.2	6.9	6.2
			GDP constant (1987) dollars		
1993:					
July-Sept.	3.1	2.2	2.7	3.1	2.8
Oct.-Dec.	3.8	4.2	2.9	3.4	3.6
1994:					
Jan.-Mar.	3.3	2.9	3.3	3.0	3.1
Apr.-June	3.4	2.9	3.7	2.8	3.2
			GDP deflator index		
1993:					
July-Sept.	3.4	1.9	2.1	2.1	2.4
Oct.-Dec.	3.2	2.2	3.1	2.7	2.8
1994:					
Jan.-Mar.	3.7	2.9	3.0	3.7	3.3
Apr.-June	3.0	2.4	2.4	3.0	2.7
			Unemployment, average rate		
1993:					
July-Sept.	6.7	6.8	6.8	6.7	6.7
Oct.-Dec.	6.7	6.8	6.7	6.7	6.7
1994:					
Jan.-Mar.	6.6	6.8	6.5	6.6	6.6
Apr.-June	6.4	6.7	6.4	6.5	6.5

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: Oct. 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 $38.2 billion and imports of $47.9 billion in August 1993 resulted in a merchandise trade deficit of $9.7 billion, $711 million smaller than the July deficit of $10.4 billion. The August deficit was 11.5 percent larger than the deficit registered in August 1992 ($8.7 billion) and 10.2 percent larger than the average monthly deficit registered during the previous 12 months ($8.8 billion). In January-August 1993, the trade deficit reached $76.8 billion, 45.7 percent larger than the January-August 1992 deficit ($52.7 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. Additional trade data are shown in tables 3 and 4.

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

	Exports		Imports		Trade balance	
Item	Aug.	July	Aug.	July	Aug.	July
Current dollars—						
Including oil	38.2	37.1	47.9	47.5	-9.7	-10.4
Excluding oil	37.7	36.5	43.9	43.2	-6.2	-6.6
1987 dollars	36.8	35.8	46.8	46.5	-10.0	-10.7
3-month-moving average	37.6	37.9	48.4	48.2	-10.7	-10.3
Advanced-technology products (not seasonally adjusted)	8.8	7.8	6.8	6.9	2.0	0.9

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

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

Sector	1993 Exports Jan.-Aug. 1993	1993 Exports Aug. 1993	Change Jan.-Aug. 1993 over Jan.-Aug. 1992	Change Aug. 1993 over July 1993	Share of total Jan.-Aug. 1993	Trade balances Jan-Aug. 1993
	Billion dollars		Percent			Billion dollars
ADP equipment & office machinery	17.4	2.1	.6	0	5.7	-9.97
Airplanes	14.3	1.8	-20.8	83.7	4.7	12.05
Airplane parts	6.2	.8	-1.3	-1.3	2.0	4.41
Electrical machinery	23.9	3.1	13.8	5.1	7.9	-5.87
General industrial machinery	13.0	1.7	4.5	7.1	4.3	1.59
Iron & steel mill products	2.3	.3	-7.0	0	.7	-3.27
Inorganic chemicals	2.7	.2	-7.0	-29.4	.9	.51
Organic chemicals	7.4	.9	-0.9	-5.4	2.4	1.20
Power-generating machinery	12.7	1.5	9.3	5.6	4.2	1.54
Scientific instruments	10.1	1.2	6.5	2.5	3.3	4.67
Specialized industrial machinery	11.6	1.4	4.5	-8.6	3.8	2.69
Telecommunications	8.2	1.1	15.0	2.9	2.7	-8.63
Textile yarns, fabrics and articles	3.9	.5	2.1	13.3	1.3	-1.70
Vehicle parts	12.4	1.5	12.6	42.9	4.1	.81
Other manufactured goods[1]	17.6	2.2	-3.4	3.8	5.8	-5.20
Manufactured exportsnot included above	74.5	8.9	7.7	-0.1	24.5	-65.10
Total manufactures	238.1	29.0	3.8	5.7	78.4	-70.27
Agriculture	27.0	2.9	-.7	-4.3	8.9	11.25
Other exports	38.7	4.9	0.9	-3.6	12.7	-12.84
Total	303.9	36.8	3.0	-3.5	100.0	-71.86

[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), Oct. 1993.

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

(Billion dollars)

Area or country	Aug. 1993	July 1993	Aug. 1992	Jan.-Aug. 1993	Jan.-Aug. 1992
Canada	-.48	-.65	-.85	-6.49	-4.19
Mexico	.11	.11	.15	1.85	3.89
Western Europe	-0.81	-1.78	-.12	.08	6.93
European Community (EC)	-0.85	-1.60	.05	.30	8.40
Germany	-0.87	-1.10	-.71	-5.78	-4.02
European Free Trade Association (EFTA)[1]	-0.14	-.36	-.31	-1.93	-2.53
Japan	-5.26	-4.74	-4.03	-36.88	-30.37
China	-2.43	-2.26	-1.88	-14.19	-11.19
NICs[2]	-1.46	-1.44	-2.09	-7.37	-9.07
FSU[3]/Eastern Europe	.14	.19	.29	1.76	2.21
FSU.	.12	.18	.26	1.16	1.97
Russia	.10	.10	.21	.65	1.02
OPEC	-1.21	-1.31	-1.30	-9.46	-6.65
Trade balance	-11.62	-12.61	-10.22	-71.85	-49.18

[1] EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.
[2] NICs includes 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), Oct. 1993.

INTERNATIONAL TRADE DEVELOPMENTS

U.S. Government and Business Continue To Develop Ties With Republics of Former Yugoslavia

In 1991 and 1992, the six republics that constituted the former Yugoslavia gradually became the independent nation states of Bosnia-Hercegovina, Croatia, Macedonia (Skopje), Slovenia, and a federation between Serbia and Montenegro, called the Federal Republic of Yugoslavia (FRY). In accordance with United Nations resolutions, the United States imposed a trade embargo on the FRY on May 30, 1992. The United States, however, has developed considerable commercial relations with the rest of the successor states to the former Yugoslavia.

Bosnia-Hercegovina, Croatia, Macedonia (Skopje), and Slovenia have most-favored nation (MFN) status with the United States. In addition, they have become eligible for tariff concessions under the General System of Preferences (GSP). The U.S. Overseas Private Investment Corporation (OPIC) has made investment financing and political risk insurance available for potential U.S. investors in Bosnia-Hercegovina, Croatia, and Slovenia. Slovenia is the first among the new states to become eligible for the services of the U.S. Export and Import Bank (Eximbank), a U.S. Government agency that facilitates the export of U.S. goods and services through short- and medium-term credit insurance and medium- and long-term loans and loan guarantees. Slovenia is also the first among the former Yugoslav republics to be entitled to the purchase of low-priced U.S. wheat and other agricultural products under the U.S. Government's Export Enhancement Program. Data on U.S. trade with the successor states to the former Yugoslavia are available since June 1992.

Based on partial-year 1993 data, U.S. trade with the former Yugoslav republics is projected to reach the following levels during the full year of 1993 (*in millions of dollars*):

	U.S. exports	U.S. imports
Slovenia	88.1	219.8
Croatia	92.2	115.5
Macedonia (Skopje)	10.2	116.6
Bosnia-Hercegovina	3.8	10.2
Serbia and Montenegro (FRY)	2.1	0.2

The FRY import figure reflects shipments that arrived before the embargo was implemented and shipments in transit prior to the implementation of the embargo. U.S. exports to the same area reflect shipments that departed before the embargo was implemented.

The level of U.S. trade turnover with the nonembargoed successor states corresponds to their respective economic conditions; that is, economic conditions are the most favorable in Slovenia and the least favorable in Bosnia-Hercegovina. Comparing the last 7 months of 1992 (June-December) with the first 7 months of 1993 (January-July), U.S. trade expanded with Slovenia but declined with the rest of these countries.

During January-July 1993, wheat, office machines, and automatic data processing equipment topped U.S. exports to Slovenia. Furniture and glassware were the leading U.S. imports. In trade with Croatia, inorganic chemicals, office machines, and automatic data processing equipment were the leading items among U.S. exports. Ferroalloys and footwear were the leading imports.

Among U.S. exports to Macedonia (Skopje), wheat and machinery and equipment were the leading items. Tobacco and tobacco products and articles of apparel and clothing accessories were the largest U.S. imports. In trade with Bosnia-Hercegovina, soybean oil and wheat flour were the leading U.S. exports and furniture and textile yarns were the leading imports.

Until mid-1992, the former Yugoslavia was the most significant U.S. trading partner in the East European region, which also includes Bulgaria, the Czech and Slovak Federal Republic, Hungary, Poland, and Romania. Even after declining by 22.4 percent to $1.0 billion during 1991, annual U.S. trade with the former Yugoslavia was 29.9 percent higher than U.S. trade with Poland, which is now the largest U.S. trading partner among the area's emerging market economies. At the time of Yugoslavia's dissolution, the United States was the country's sixth-largest trading partner, after Germany, the former Soviet Union, Italy, Austria, and France. Capital commitments that had been made by U.S. firms at that time amounted to an estimated $650 million to $750 million, exceeding those made by firms from Germany, Italy, and Austria. Most of these U.S. investments were made in Serbia, Slovenia, and Croatia. (Under the embargo, U.S. firms are legally barred from accessing and/or operating existing investment projects in Serbia.)

Businessmen are apparently more optimistic about the prospects than economists and politicians. Although Slovenia is at present the only successor state where economic recovery can be predicted with certainty and fears of widespread military conflicts in the Balkans continue, U.S. firms seem to have a renewed interest in the former Yugoslav area. According to the President of the Washington-based U.S. Business Council for South-East Europe (the successor organization to the U.S.-Yugoslav Economic Council), the number of firms joining the council to do business with the nonembargoed portion of the former Yugoslavia is on the rise. Many of the new members are small businesses.

The bargain prices that firms in the successor states offer for their wares to earn convertible currencies is stimulating imports from them. Assistance offered by individual developed country governments and by international organizations (e.g., the World Bank), enabling the successor states to purchase goods in world markets, is stimulating exports to them. Export support to the successor states is particularly significant in Germany, Italy, and Austria.

Viewing prospects over the longer term, U.S. and other foreign firms are drawn to the former Yugoslav area by its richness in natural resources and skilled labor. Geographic proximity to many countries in the European Community, the East European region, and the Balkans makes the successor states ideal staging grounds for exports to these areas. Analysts are unanimous in their belief that once peace is restored in Bosnia-Hercegovina and Croatia, trade and economic cooperation among the former Yugoslav republics will begin to recover. Progress towards the reestablishment of the free flow of goods and services will enlarge the market for U.S. distributors and manufacturers in the area. During the ensuing years, many companies, particularly construction and construction-material firms, expect sales opportunities to grow as international financial assistance for the reconstruction of the war-torn infrastructure in Bosnia-Hercegovina and Croatia starts to flow.

U.S. companies are showing a remarkable flexibility in dealing with the new partner states. For example, firms interested in Slovenia and Croatia often open offices in both countries, realizing that local presence is required to deal with two increasingly divergent sets of laws, regulations, and institutions. U.S. firms dealing with the new countries also appear prepared for an extended period of uncertainty. Most companies, for example, Pepsi Cola and Black and Decker, clearly focus on the long term for their investments. Other U.S. companies, often those with only a toe-hold in the area, have created the conditions necessary to expand trade, should peace suddenly return to Bosnia-Hercegovina and Croatia and trade among the successor states begin to recover.

Mexican Congress Passes a Series of Economic Reforms

Ardently hoping for the passage of the North American Free-Trade Agreement (NAFTA) but cognizant of the potential defeat of the accord in the U.S. Congress, the Salinas administration continues to demonstrate its commitment to the modernization and liberalization of the Mexican economy. With his 6-year term over at the end of 1994, Mexican President Carlos Salinas de Gortari has continued to be active in submitting new laws to the Mexican Congress. On its part, the Mexican Congress also has moved on a wide range of issues this year and done much more than play its usual rubber stamp role. During the latest legislative session, Congress submitted proposals independently of the administration and reshaped executive initiatives.

In the time-span of 1 year—from the last quarter of 1992 and to date in 1993—the Mexican Congress passed legislation on antitrust, customs, and foreign trade; a constitutional amendment providing for the independence of the Central Bank of Mexico; and a measure that privatizes port functions. These legislative reforms are intended to improve the Mexican climate for foreign trade and investment, primarily to accommodate NAFTA partners. However, they should also facilitate economic relations with any foreign partner if NAFTA fails. On the other hand, Mexico has not enacted a new foreign investment law, which has been urged by the U.S. Government for many years. A summary of recent key developments in new Mexican economic legislation follows.

Antitrust Law

The Mexican business scene has long been characterized by the presence of cartels, which routinely engage in price fixing. Mexico's previous anti- monopoly laws, written in the 1930s, did not cover many forms of anticompetitive behavior. A new antitrust law, modeled after U.S., Canadian and Spanish laws, passed Congress on December 24, 1992, and became effective in June 1993. The law establishes a Federal Competition Commission to regulate monopolies and authorize certain mergers, acquisitions, and horizontal and vertical integrations. The primary objective of the new law is to harmonize Mexico's laws on competition with those of the United States and Canada. Beyond that, the Government of Mexico hopes that the new law will bring Mexico to parity with advanced market economies in general, thus making the country more appealing to all foreign investors.

The law makes exceptions, however, and allows continued anticompetitive practices in several sectors. Government-owned operations, many of which have survived in areas where virtually no competition exists, account for some of these exceptions. Enforcement of antitrust provisions in Mexico also appears to face numerous difficulties. Existing monopolies and oligopolies stand to discourage new entries by their sheer size, and the secretive nature of Mexican financial records will make it difficult for authorities to fight monopolistic practices.

A limited survey suggests that U.S. companies operating in Mexico generally expect "business as usual" to continue as long as they adhere to U.S. antimonopoly practices in their operations. Some fear, however, that the new law may be pursued with greater vigor against foreign than against domestic companies. A final analysis of the probable effects of the new antitrust law on foreign operations must be suspended until Mexico's long-awaited foreign investment law has been passed. Though rumored to be imminent for over a year, the new foreign investment law reportedly will not be submitted for congressional consideration until the fate of NAFTA is known.

Financial Laws and Regulations

Through a constitutional change passed in the Mexican Congress on June 22, 1993, the Bank of Mexico was granted autonomy. The Bank is now conceived to operate similarly to the Federal Reserve Board of the United States. The President will appoint the members of the Board for staggered terms. The measure depoliticizes monetary policy; notably, it eliminates the Bank's obligation to lend to the Government. The step has been interpreted by some as a capstone to the Salinas administration's inflation-fighting efforts and as a means to make their reversal more difficult.

In addition, during the summer of 1993, regulations were announced in the *Diario Official* that defined the authority and activities of various financial institutions, such as development banks, credit institutions, and insurance and bonding agents. Further regulations concerning securities operations are under consideration.

Customs Law

Customs reforms were also passed last June. The new customs legislation aims to simplify and expedite customs processing by reducing paperwork. It also clarifies the powers of the customs authorities. Notably, the law gives domestic producers access to information on all commercial transactions recorded by customs, thereby allowing them to substantiate their antidumping complaints. A significant provision of the law deals with the problem of underbilling imports and the resulting partial evasion of duties in transactions between parent companies and subsidiaries.

Privatization

On June 22, 1993, Congress passed a new law on ports that allows many port functions traditionally run by the State to be turned over to private industry. Anxious to attract domestic and foreign investment in the improvement of its infrastructure, Mexico has developed probably the world's most ambitious privately financed infrastructure program, which includes the construction and operation of toll roads, airports, and certain railroad functions. Pressing ahead on ports reaffirms the Government's understanding that without a sound infrastructure Mexico would remain uncompetitive within NAFTA and the world economy.

Major sectors of the Mexican economy that have already been privatized since the mid-1980s include telecommunications, airlines, steel, the production of fertilizers, and banking. Among the most recent plans for privatization are a major sell off of the state's media holdings, including two television channels, a chain of cinemas, a cinema studio, and the newspaper *El Nacional*.

Foreign Trade Law

Mexico published a new foreign trade law in the *Diario Official* on July 27, 1993, updating its predecessor of 1987. Among the stated objectives of the new law are to increase competitiveness and facilitate the integration of the Mexican economy into the international economy. Mexican authorities claim that the law will provide conformity with Mexico's commitments under NAFTA, bring greater transparency through the use of public hearings, and curb the Government's discretionary power.

The law's antidumping and countervailing provisions, which admittedly were weak in the prior foreign trade law, represent a major legislative development. The new provisions are modeled after the U.S. law, although there are procedural differences. The law also establishes rules of origin for the first time and creates a new legal entity for export promotion. In addition, it makes tariff and nontariff restrictions more transparent by codifying them. To date, however, accompanying regulations, without which the product is incomplete, have not been issued. Probably for this reason, no in-depth analysis of this significant piece of legislation is yet available.

STATISTICAL TABLES

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

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

				1992	1993								
Country	1990	1991	1992	IV	I	II	Mar.	Apr.	May	June	July	Aug.	Sept.
United States	1.0	-1.9	2.1	3.9	2.4	1.9	2.4	3.6	-2.4	2.4	2.4	1.2	2.4
Japan	4.5	2.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Canada	0.3	-1.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Germany	5.9	3.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
United Kingdom	-0.6	-3.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
France	1.3	0.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Italy	-0.6	-1.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Nov. 20, 1992; *Federal Reserve Statistical Release*, Oct. 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 previous period, seasonally adjusted at annual rate)

				1992			1993							
Country	1990	1991	1992	II	III	IV	I	II	Mar.	Apr.	May	Jun.	Jul.	Aug.
United States	5.4	4.2	2.7	3.4	3.2	1.7	4.0	2.9	1.2	4.8	1.2	0	1.2	3.6
Japan	3.1	3.3	(1)	2.6	5.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Canada	4.8	5.6	(1)	1.9	1.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Germany	2.7	3.5	(1)	4.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
United Kingdom	9.5	5.9	(1)	4.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
France	3.4	3.1	(1)	2.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Italy	6.1	6.5	(1)	5.6	4.4	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

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

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

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

				1992	1993								
Country	1990	1991	1992	IV	I	II	Feb.	Mar.	Apr.	May	June	July	Aug.
United States	5.5	6.7	7.4	7.3	7.0	7.0	7.0	7.0	7.0	6.9	7.0	6.8	6.7
Japan	2.1	2.1	2.2	2.3	2.3	2.4	2.4	2.3	2.3	2.6	2.6	2.6	(5)
Canada	8.1	10.3	11.3	11.4	11.0	11.4	10.8	11.0	11.4	11.4	11.3	11.6	11.3
Germany[2]	5.2	4.4	4.7	5.0	5.4	5.8	5.5	5.6	5.7	5.8	5.9	6.0	6.1
United Kingdom	6.9	8.9	10.0	10.6	10.7	10.5	10.6	10.6	10.5	10.4	10.4	10.5	10.5
France	9.2	9.8	10.2	10.5	10.6	11.0	10.6	10.8	10.9	11.0	11.2	11.3	(5)
Italy[3]	7.0	6.9	7.3	8.3	9.4	10.8	(4)	(4)	(4)	(4)	(4)	10.6	(4)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
[2] Formerly West Germany.
[3] 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.
[4] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.
[5] Not available.

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

Money-market interest rates,[1] by selected countries and by specified periods, Jan. 1990-Sept. 1993

(Percentage, annual rates)

Country	1990	1991	1992	1992 IV	1992 Dec.	1993 I	1993 II	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
United States	8.3	5.9	3.6	3.3	3.4	3.2	3.1	3.2	3.2	3.1	3.1	3.2	3.1	3.1	3.1
Japan	7.7	7.3	4.4	3.8	3.7	3.4	3.2	3.3	3.3	3.2	3.2	3.2	3.2	(2)	(2)
Canada	13.0	9.0	6.7	7.6	7.9	6.3	5.1	6.4	5.6	5.4	5.2	4.9	4.5	(2)	(2)
Germany	8.4	9.1	9.4	8.8	8.9	8.2	7.5	8.3	7.8	7.8	7.4	7.5	7.1	(2)	(2)
United Kingdom	14.7	11.5	9.5	7.5	7.1	6.3	5.8	6.1	5.9	5.9	5.9	5.8	5.8	(2)	(2)
France	10.2	9.5	10.1	10.3	10.7	11.4	7.7	11.7	10.9	8.7	7.4	7.1	7.7	(2)	(2)
Italy	12.1	12.0	13.9	14.5	13.6	11.7	10.7	11.4	11.3	11.4	10.7	10.1	9.4	(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. When data for the combined Germanies are available, they will be used.

Source: *Federal Reserve Statistical Release*, Oct. 4, 1993, *Federal Reserve Bulletin*, Sept. 1993.

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

(Percentage change from previous period)

Item	1990	1991	1992	1992 IV	1993 I	1993 II	1993 III	Mar.	Apr.	May	June	July	Aug.	Sept.
Unadjusted:														
Index[1]	86.5	85.5	84.5	86.3	88.7	86.2	87.8	88.1	86.1	85.9	86.7	88.2	88.0	87.3
Percentage change	-5.3	-1.2	-1.1	5.6	2.7	-2.9	1.8	-1.1	-2.3	-.2	.9	1.7	-.2	-.8
Adjusted:														
Index[1]	88.1	87.0	86.4	88.3	91.2	89.2	90.1	90.7	88.7	88.8	89.8	91.1	91.0	89.4
Percentage change	-4.0	-1.2	-.7	5.8	3.1	-2.2	.9	-.4	-2.2	.1	1.1	1.4	-.1	-1.7

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, Oct.1993.

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

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

				1992	1993						
Country	1990	1991	1992	IV	I	II	Apr.	May	June	July	Aug.
United States[1]	-101.7	-65.4	-84.3	-86.3	-103.1	-122.5	-122.2	-100.4	-144.7	-125.0	-116.5
Japan	63.7	103.1	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Canada	9.4	6.4	(3)	(3)	(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)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
France	-9.2	-5.4	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Italy	-10.0	-12.8	(3)	(3)	(3)	(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, October 15, 1993.

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

(In billions of dollars)

				1992	1993						
Country	1990	1991	1992	IV	I	II	Apr.	May	June	July	Aug.
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
Petroleum and selected product—(unadjusted)	-54.6	-42.3	-43.9	-11.7	-11.0	-12.7	-4.3	-4.2	-4.2	-3.8	-3.7
Manufactured goods	-90.1	-67.2	-86.7	-26.5	-21.0	-25.3	-8.0	-6.3	-11.0	-12.3	-11.3
Selected countries:											
Western Europe	4.0	16.1	6.2	-.8	3.5	-0.9	.4	.3	-1.6	-1.7	-.8
Canada[2]	-7.7	-6.0	-7.9	-2.8	-2.5	-2.8	-.9	-.9	-1.0	-.5	-.3
Japan	-41.0	-43.4	-49.4	-14.7	-13.2	-14.4	-5.5	-3.7	-4.3	-4.7	-5.2
OPEC (unadjusted)	-24.3	-13.8	-11.2	-3.4	-3.0	-3.4	-1.4	-1.0	-1.4	-1.3	-1.2
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$19.75	$17.42	$16.80	$17.37	$16.24	$16.49	$16.71	$16.72	$16.06	$15.00	$14.53

[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, Oct. 15, 1993.

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