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NORWAY: ECONOMY IN GOOD SHAPE ON ELECTION EVE

Going into Norway's 12 September parliamentary elections, the minority Labor government of Prime Minister Odvar Nordli can claim credit for managing one of the most buoyant economies in Western Europe. While opposition parties have been pointing a finger at high taxes and 9-percent inflation, the average Norwegian knows his living standard has continued to rise. Registered unemployment is less than 1 percent, a remarkable figure in a Europe frustrated by inadequate economic recovery.

The Labor Party, the largest political force in Norway, is running neck-and-neck in the polls with a group of nonsocialist parties. The Conservatives, the second largest party, and two smaller groups, the Christian Democrats and the Center Party, have said they will form a coalition government if they command a majority of seats in the new parliament. A victory for the coalition could mean slower exploitation of North Sea petroleum and reduced influence over wage settlements.

Oil Policy

Under Labor, Oslo has adopted a fairly cautious approach toward development of the oil and gas riches of the North Sea. This policy responds to the concern of many Norwegians about the potentially disruptive economic and social effects of rapid development as well as the environmental impact. Such fears were brought to a head last April when a spectacular blowout occured at the Ekofisk field.

The Nordli government has been able to mute Ekofisk as an election issue because major political parties realized that certain risks are inherent in development of oil resources. Moreover, no substantial damage appears to have been done to aquatic life and no oil slicks reached coastal areas. After the disaster, the Prime Minister was quick to announce that exploration north of the 62d parallel, previously expected to start next summer, would be postponed at least until 1979. Environmentalists and local fishermen strenously opposed development in this area, citing potential damage to fish stocks.

The Ekofisk blowout has provided the Center Party and the Christian Democrats an opportunity to renew their efforts to slow the pace of exploration and development even further. The Center Party advocates a ceiling of 1 million b/d on oil production, compared with the generally accepted limit of 1.3 million b/d. Through June, oil production was averaging 270,000 b/d; gas production is expected to start later this year. If the three-party coalition comes to power, the Conservative Party—which generally supports the Labor government's oil policies—presumably will have to accept some slowdown in development in order to keep the new government together.

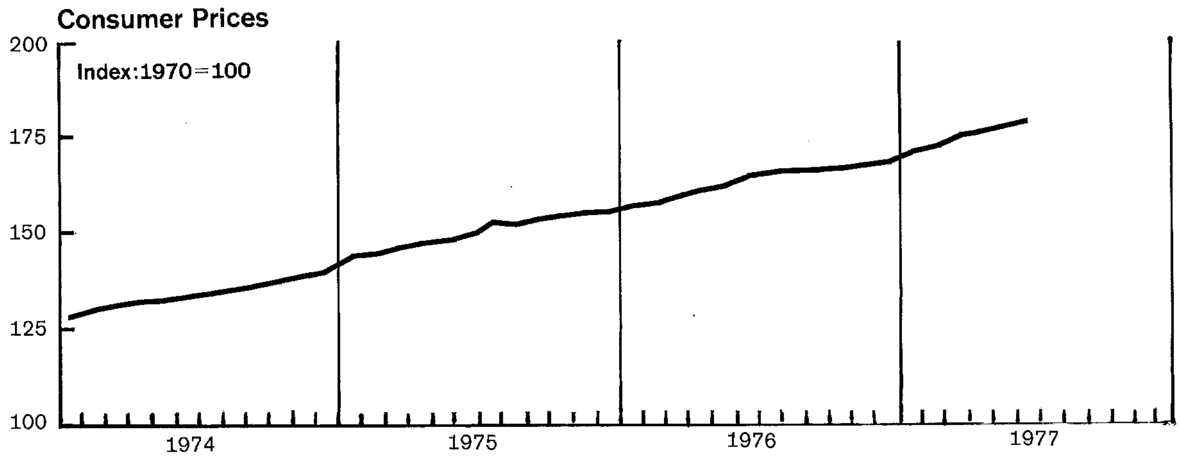
State of the Economy

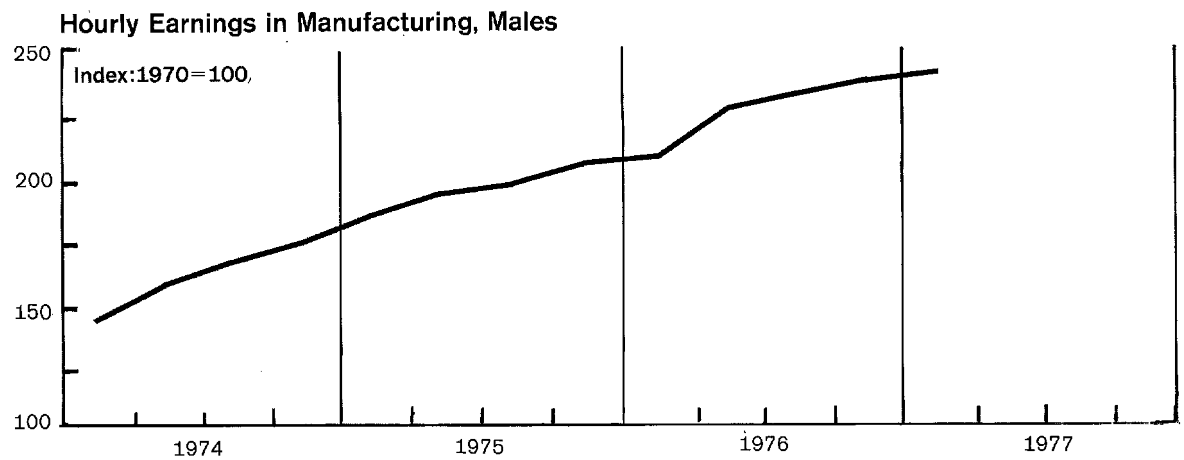
The Norwegian economy weathered the recent global recession better than the almost any other Western economy. Real economic growth slowed to 3.5 percent in 1975 but rebounded to 6 percent last year and is expected to hold that rate in 1977. The Labor government turned to expansionary fiscal and monetary policies to bolster demand, in effect mortgaging future oil earnings to finance the resulting large current account deficits. Consumer spending is being fed by rising real disposable income; with oil revenues on the increase, the government is gradually reducing tax rates.

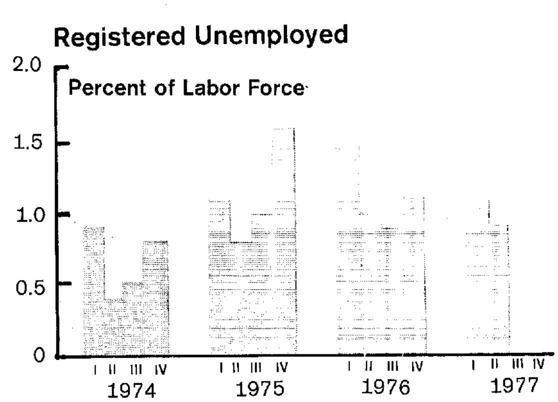
Manufacturing output, which declined in 1975 and increased just 2 percent last year, continues sluggish in 1977. Expanded oil and gas production accounted for most of the 7-percent growth in total industrial output achieved in both 1975 and 1976. Surveys indicate continued strong investment spending, although last year's 12-percent real increase almost certainly will not be matched in 1977—oil-related investment is tapering off.

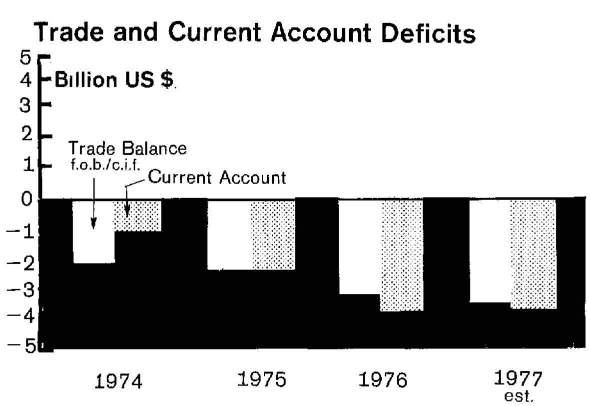
Norway is one of the few countries in Western Europe to trim its unemployment rate this year. Now that unemployment is down to prerecession levels, the government is easing up on various programs designed to keep people at work—for example, loans, purchases of stock in private companies, and subsidies.

NORWAY: Selected Economic Indicators









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Registered unemployment, which had reached a high of 1.6 percent in fourth quarter 1975, was only 0.8 percent by June of this year.

With unemployment abating, attention is now focused on inflation. The government has resorted to temporary price freezes—most recently in April—to hold inflation near the promised target rate of 8.5 percent. First half 1977 prices averaged 8.9 percent above first half 1976. Concern over inflation and the competitiveness of Norway's traditional exports has led the Nordli government to assume a more active role in annual wage negotiations. With earnings in manufacturing rising an average 18 percent a year since 1973, Oslo's strategy has involved limiting nominal wage increases and thus cost pressures for producers. At the same time the government is ensuring increases in real disposable incomes through tax cuts. Last spring unions agreed to a 2.9-percent wage increase above cost-of-living allowances in return for about $200 million in tax concessions and continuation of certain food subsidies. Real disposable income rose 3.5 percent in 1976 and is expected to increase 2.5 percent this year.

Government concern about improving Norway's competitive position in world markets is justified by deterioration in the foreign trade account. The trade deficit probably will be at least $3.5 billion this year, up from last year's record $3.2 billion. In first quarter 1977, the volume of exports, excluding ships, was 1.3 percent below the same period last year, while import volume was up 7.3 percent. Brisk domestic demand will boost imports by more than enough to offset a pickup in oil and gas exports later in the year.

Little if any reduction is expected from last year's record current account deficit of $3.7 billion. Norway's traditionally large surplus on services disappeared in 1976, and earnings from shipping, normally a key contributor to the surplus, are likely to remain depressed. Oslo is not anticipating a current account surplus based on oil earnings until 1979. Even though net foreign debt is equivalent to an alarming 29 percent of GNP, Norway is having little trouble borrowing against future oil revenues to cover its deficits.

If Labor Loses

Besides a decision to slow North Sea development, victory for the nonsocialist coalition could lead to declining influence over wage negotiations. A center-right government would have fewer ties with the unions than the present socialist regime. It could hardly replace the influence and prestige of the current finance minister, Per Kleppe, who has masterminded the socialist government's efforts in wage deliberations. As a result, labor-management discord might increase.

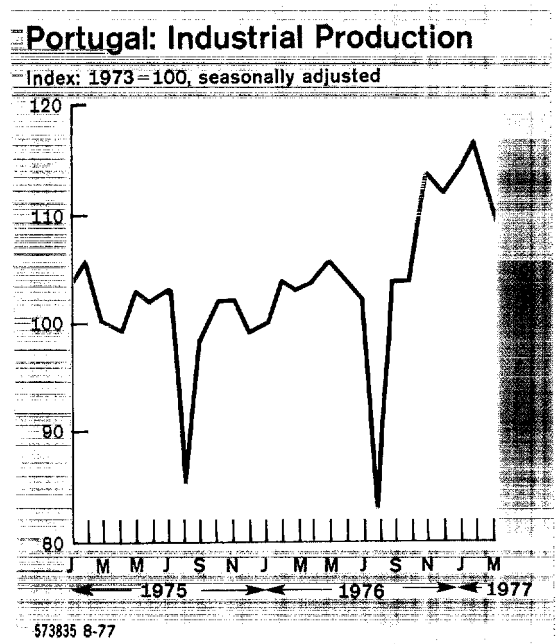
While a nonsocialist government would not extend state ownership of industry, we doubt it would liquidate current holdings. The coalition would concede that Oslo must continue to play a role in ailing industries, particularly shipbuilding. Changes in the status of Statoil and Noroil, the two state-owned oil companies, are unlikely because all parties favor active state participation in oil activities. (Confidential)

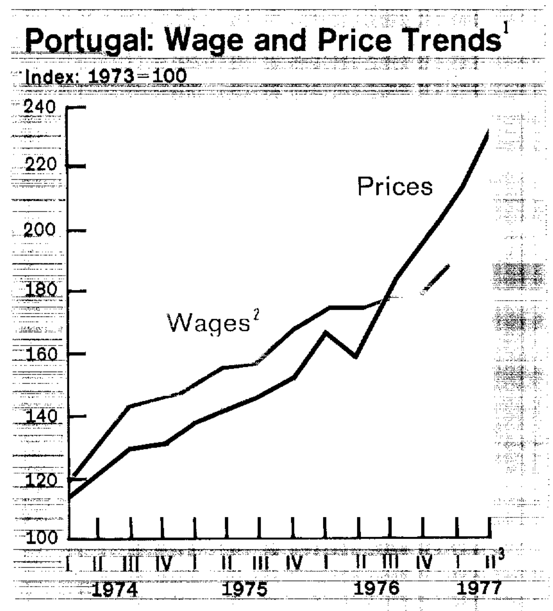
PORTUGAL: ANOTHER MILD DOSE OF AUSTERITY

Lisbon last week announced another belt-tightening program aimed mainly at slowing the outflow of foreign-exchange reserves. While the new program supplements steps taken earlier to limit imports and shift resources to exports and investment, it is not bold enough to have much near-term impact. The government will continue to depend heavily on foreign credits as it gropes along the path of economic and political recovery.

Economic Trends Disappointing

Portuguese economic trends are mixed. On the plus side, industrial production reportedly was 10 percent greater in first half 1977 than in the same 1976 period. We expect real GNP to grow 5.5 percent for the year, following an estimated increase of only 3.3 percent in 1976 and a drop of perhaps 7 percent in 1975. At the same time, about 15 percent of the labor force remains unemployed. Inflation has accelerated and may average 35 percent for 1977, even though Lisbon this year has been generally successful in





1. Prices and wages for Lisbon.
2. Industry and transportation only.
3. April-May.

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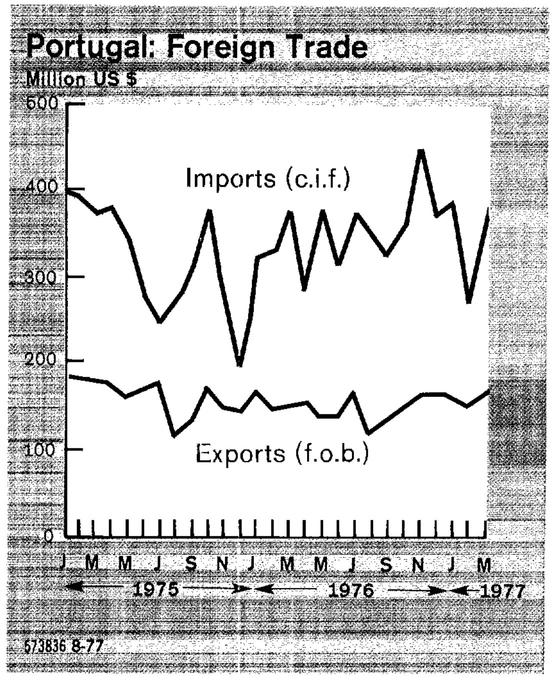
limiting wage increases to 15 percent. Real wages have been eroded to prerevolutionary levels, fueling worker discontent but contributing to hopes for stronger revival of investment.



Dwindling foreign exchange reserves remain Lisbon's most pressing economic problem. Despite a doubling of emigrant remittances and a jump in tourist earnings, the current account deficit was $550 million in first half 1977, only $100 million less than in first half 1976. The trade deficit—boosted by a 48-percent rise in imports—reached $1,025 million in the first half. A continuing large deficit is assured because of this year's poor harvest—the result of bad weather and unsettled conditions in the farm sector.

Reflecting the large payments imbalance and speculation on further devaluation of the escudo, foreign exchange reserves dipped to a meager $50 million in mid-July 1977 before being replenished by a $100 million loan from the Bank for International Settlements. Due to seasonally higher receipts from tourism and the renegotiation of several short-term credits, foreign exchange reserves declined at a slower pace during the first half of August and stood at $120 million on 17 August. While Lisbon continues to hold gold reserves worth about $4 billion at the market price, much of this already has been pledged to secure loans.

Early this summer, 11 countries, including the United States, West Germany, and Japan, agreed to provide $750 million in medium-term credits to Portugal over the next 18 months. In return, Lisbon promised to work out a new economic stabilization program in collaboration with the International Monetary Fund (IMF). Disbursement of these bilateral loans is expected to begin some time in October, following the conclusion of negotiations with the IMF for a $50 million second *tranche* loan. In August, Manufacturers Hanover Trust announced approval of a $30 million loan to Portugal, to be repaid out of the first disbursement of the US portion of the $750 million package.

Corrective Measures

Before the National Assembly adjourned on 10 August, it gave final approval to several new measures aimed at encouraging investment. It allotted $2.6 billion to reimburse persons whose property had been nationalized, hoping to give businessmen both the means and the will to invest. However, compensation is to be paid in low-interest government bonds over periods of up to 27 years, and the principal amounts fall far short of investor claims. To attract foreign investors, the National Assembly liberalized the foreign investment code. Other measures to promote investment include laws specifying the areas of economic activity to be left to the private sector and limiting the constitutionally guaranteed worker control over enterprises.

The National Assembly also passed a controversial agrarian reform law, which replaces a law enacted by the left-wing provisional government in 1975. The new law is designed to limit Communist Party influence in southern Portugal, where large areas have been turned into collective farms. It gives broad discretionary powers to the Minister of Agriculture in determining the size of farming units and in controlling access to official sources of credit. The new law also raises the minimum size of farms subject to expropriation and guarantees that no landowner can be deprived of all his property.

On 25 August, Prime Minister Soares announced a new package of austerity measures intended to supplement the devaluation and other steps taken last February. The principal elements in the package are:

- A crawling peg regime for the escudo. The Bank of Portugal expects a downward adjustment of 1 percent monthly, beginning this month.

- An average rise in petroleum-based fuel prices of 25 percent. The Prime Minister warned that gasoline rationing will be imposed by yearend unless consumption falls drastically.

- Authorization for banks to open foreign currency accounts for nonresidents.

- Credit controls and an average increase in interest rates—for both savings accounts and loans—of four percentage points.

- A reduction in government expenditure of 10 to 20 percent. Cuts, to the extent they can be realized, presumably would fall most heavily on subsidy programs.

- Permission for firms threatened with bankruptcy to suspend certain costly provisions in labor contracts and dismiss redundant workers.

The contractionary nature of the package is softened by provision for a National Development Fund to finance investment in key sectors.

Limited Short-Term Impact

The new austerity program is a step in the right direction, but it will have little impact in the short run. Moreover, expectations for the program must be tempered by recognition that Lisbon often does not fully implement unpopular measures. Even so, Portugal's recent success in arranging short-term loans should enable it to avoid a serious liquidity crunch until the big package of bilateral loans becomes available in the fall.

By announcing a relatively moderate austerity program, the government undoubtedly hopes to mute criticism from its vocal leftist opposition while mollifying foreign creditors. Since recent press campaigns had seemed to prepare the public for more severe measures, the government may have lost an excellent psychological opportunity to adopt a tougher, more effective program.

Recent measures aimed at investment probably will add little impetus to the sorely needed recovery in this area. Most notably, the compensation law falls far short of investor hopes. In the agricultural sector, some provisions of the new agrarian reform law will be difficult to enforce, for instance, the return of some land to former owners. (Confidential Noforn)

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EGYPTIAN FINANCIAL GAP: REACHING A PEAK

Despite a record financial gap* this year, there is cause for guarded optimism about Egypt's international financial condition during the next few years. In the past, Arab aid to Egypt had been supplied in a stop-and-go fashion—partly because of Cairo's resistance to economic and administrative reform. By reaching an agreement with the IMF that entails a politically acceptable measure of austerity, Cairo

*This article is the eleventh in a series on the foreign financial gap faced by individual LDCs. In these articles, ***financial gap*** is defined as the current account deficit plus amortization of medium- and long-term debt. Shifts in short-term capital ordinarily are not included; in the case of Egypt, an exception was made because of their importance in Cairo's debt-service commitments. Previous articles have covered [redacted] the Philippines, South Korea, Argentina, Brazil, Taiwan, Peru, Jamaica, Zaire, and Chile. 25X6 stands a good chance of regularizing the flow of Arab aid. Rapidly increasing earnings from oil, the Suez Canal, and tourism will also help to alleviate foreign exchange contraints over the next several years. In these circumstances the Egyptian economy should be able to attract additional private investment and to maintain real GNP gains on the order of 6 percent annually during 1977-80.

Pattern of Deficits, 1970-74

The Sadat government, which came to power in 1970, inherited an economy plagued with inefficient economic institutions, persistent fiscal imbalance, a chronic payments deficit, and a huge external debt. In an effort to court the West and open up new lines of credit, Cairo moved cautiously to modify Egypt's socialist economy by relaxing controls on foreign investment. Attempts to reduce the payments deficit, however, were scuttled because of the government's inability to impose the austerity measures needed to cut imports. As it was, real per capita GNP hardly increased between 1970 and 1973, while the current account deficit hovered at $500 million to $600 million annually.

For a brief period following the 1973 war, Egypt was able to largely ignore its external financial problems. Arab affluence, Egypt's pivotal position in the Middle East, and Sadat's efforts to undo the Nasir years brought a record inflow of cash and credit, allowing Egypt to increase its imports sharply for the first time in a decade. Between 1972 and 1974, imports more than doubled and the financial gap swelled to $2 billion. By alleviating shortages of raw materials and intermediate goods, the rise in imports enabled Egyptian industry to substantially increase its capacity utilization rates.

Reconstruction of the war-torn Suez Canal area proceeded rapidly, giving a strong push to investment spending, which rose from an average of only 12 percent of GNP in 1967-72 to about 18 percent of GNP in 1975. Real GNP growth increased from a high of 3-4 percent in the interwar period to 6-7 percent in 1975.

Prelude to Reform, 1975-76

The honeymoon with Arab donors ended abruptly in 1975 when aid terms were substantially hardened. Although Arab disbursements for the year amounted to $2.5 billion, most of it came in the second half to forestall an impending liquidity crisis. To avoid another payments crunch in 1976, Cairo was forced to defer repayments on $450 million in short-term debt service obligations and draw down inventories of imported goods rather than place new import orders. As a result, the financial gap was held to $2.7 billion, while the current account deficit was kept to about $2.0 billion. Again the gap was filled only with the help of last minute Arab and Western emergency aid.

Egypt: Foreign Financial Gap

				Million US $
	1975	**1976**[1]	**1977**[2]	**1978**[2]
Exports[3]	1,570	1,800	2,400	2,800
Imports[4]	4,540	4,700	5,700	6,000
Net services[5]	450	900	1,100	1,300
Current account deficit	-2,520	-2,000	-2,200	-1,900
Debt amortization, medium and long term	-570	-980	-800	-500
Change in short-term indebtedness	-260	240	-700	-200
Financial gap	**-3,350**	**-2,740**	**-3,700**	**-2,600**
Foreign aid and other capital inflows	3,530	2,240	3,700	NA
Errors and omissions	-240	545[6]	NA	NA
Change in reserves	60	-45	NA	NA

[1] Provisional.
[2] Projected.
[3] Including Egyptian portion of oil export earnings.
[4] Based on partner country trade data.
[5] Net service receipts have been adjusted upward to compensate for inclusion in imports of purchases financed with private funds held abroad.
[6] Consists preponderantly of deferred payment of obligations.

In exchange for emergency aid to pay off arrears, the Sadat government in late 1976 agreed with Arab donors to more rapid implementation of economic reforms recommended by the IMF. The difficulties in imposing these tough measures were highlighted in January of this year when Cairo's badly bungled attempt to reduce consumer subsidies led to the worst urban riots in two decades. Armed with the threat of further civil disorder, the Sadat government subsequently negotiated a compromise standby IMF loan agreement requiring:

- A *de facto* devaluation to be accomplished by a staged shift from the official rate of 1 Egyptian pound = $2.55 to the substantially lower "tourist rate" of $1.43.

- A modest reduction in existing price subsidies, exempting for the time being the most politically sensitive items such as wheat.

- Reduction in the public sector deficit by increasing revenue collection from higher income groups—through tax reforms, tariffs on luxuries, and a crackdown on tax evasion.

- Decreased use of high-cost, short-term bank loans as a means of financing the government's international obligations.

To partially compensate for the decline in real wages inherent in the above terms, the agreement permits substantial pay increases for public sector workers and a rise in private sector wage ceilings.

Living up to the agreement is proving difficult. Egyptian authorities, for example, had been counting on increased revenue collection and falling prices of imported wheat to reduce the size of subsidy cuts needed to comply with IMF expenditures guidelines. So far these improvements have not been sufficient to offset above-budget expenditure by some government departments during first half 1977. Other ways of reducing state spending–cutting the public sector labor force or curtailing investment–would be both politically and economically disruptive. Cairo is particularly reluctant to cut government investment spending, which remains the driving element in this year's expected 6-percent gain in real GNP.

The 1977 Payments Outlook

We expect the financial gap to approximate $3.7 billion this year, up $960 million from 1976. Most of the increase reflects higher debt amortization costs, particularly repayment of short-term debt accumulated last year. Under terms of the IMF standby agreement, Cairo is obligated to pay $700 million of this debt by yearend 1977 in addition to repaying $800 million in medium- and long-term obligations. Most of the outside support needed to meet these payments and cover the remainder of the financial gap has already been lined up. About $2.5 billion has been committed by Arab states and small additional Arab funds may be forthcoming. Another $1 billion or so will come from the US government and other sources. We project that Cairo will arrange sufficient financing to essentially cover the $3.7 billion gap.

Despite a surge in imports, the 1977 current account deficit will probably be held to $2.2 billion, only slightly above the 1976 level. We expect the import bill to increase $1 billion and reach $5.7 billion, partly reflecting the need to rebuild inventories of industrial raw materials and intermediate goods drawn down during last year's exchange squeeze. Although price hikes associated with devaluation of the Egyptian pound will help contain growth in purchases of foreign goods, pent-up demand for consumer durables remains strong. Altogether, the levels we project of imports for the industrial sector should support real GNP gains of about 6 percent in 1977.

Rapidly increasing earnings from oil, tourism, and Suez transit fees will offset most of the rise in import costs this year. Thanks to discovery of a new high-pressure areas in Amoco's July Field in the Gulf of Suez, Egyptian oil output has already risen one-third over the 1976 level of 330,000 b/d and may approach 500,000 b/d by yearend. As a result, net foreign exchange earnings from oil should increase about $300 million this year. Increased receipts from tourism plus another record increase in Suez Canal revenues will boost net service earnings this year to $1.1 billion compared with $900 million in 1976 and $450 million in 1975.

The 1978 Outlook and Beyond

The financial gap should begin to decline in 1978, dropping to perhaps $2.6 billion. The big change again will be in debt amortization costs, which should be cut roughly in half, to $700 million. A projected $300 million gain in net oil receipts will bring the current account deficit below $2 billion for the first time since 1974. This assumes (a) Cairo prices the bulk of imports at the depreciated exchange rate, and (b) non-oil exports hold roughly steady. At this time, the major risk is that falling cotton prices will offset the gain in other non-oil exports, which are benefiting most from the currency change. As for financing we estimate that as much as $1.5 billion in aid commitments have already been lined up for the next year.

This pattern of a diminishing external gap should hold through 1980. Aid requirements will tend to shrink faster than the overall gap, especially if foreign investment picks up in response to improvements in the Egyptian investment climate. In any case, foreign investment in oil, tourism, and other sectors that already have a high degree of foreign participation should continue to increase unless political upheaval or war intervenes. Cairo will also be benefiting from increased remittances from Egyptians working in other Arab countries.

With foreign exchange constraints thus eased, the economy should be able to grow at about the 6-percent rate of 1975-77. Much of the growth will continue to be concentrated in the Suez area and other "frontier" regions on the Red Sea coast and west of Alexandria. Except in the case of tourism, growth in the interior will lag in view of obsolete infrastructure and limited private investment opportunities.

Egypt's ability to sustain growth and payments gains beyond 1980 is questionable. Quite likely the postwar tourist and canal traffic booms will be leveling off by the end of the decade. If major new oil fields are not discovered quickly, growth in oil output also may come to a halt. Tourism, oil, and increased private remittances can help hold down the financial gap for several years. Nonetheless, Egypt over the longer run will have to develop new export markets in order to achieve sustained growth of 6 percent and reasonable balance-of-payments stability. This in turn would require rapid expansion of export-oriented industries—preferably labor-intensive—and accelerated development of the small private sector. Although reform measures taken by the Sadat government over the past several years provide some incentives, more basic bureaucratic and institutional reforms are needed to spark development of a broad-based private sector. (Confidential)

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SOVIET MERCHANT FLEET: LIMITED RESPONSE TO PRICE-CUTTING COMPLAINTS

Faced with threats of retaliatory measures by US and other non-Communist governments, the USSR is taking limited steps to end alleged unfair price cutting by the Soviet merchant fleet.

The penetration by cut-rate Soviet liner services of key trade routes linking the United States, Western Europe, and Japan has (a) boosted annual hard-currency earnings of the Soviet fleet to more than $500 million, and (b) taken business away from Western liner operators, who claim that Soviet rates do not cover costs. Complaints by Western owners have led governments in the United States, Western Europe, and Japan to consider legislation that would induce the Soviets to raise rates and to join more conferences.* Some proposed laws would reduce or end Soviet access to profitable routes if differentials between Soviet and conference rates remain substantial. In response, Moscow has narrowed the differentials in certain trades by raising its rates, but it has resisted pressures to join conferences. Most Soviet liner rates are now within 10 to 15 percent of conference rates, a range traditionally acceptable for independent lines.

Growing Prominence of Soviet Ships in Liner Trade

Soviet cargo liner services are the chief irritant to Western shipowners. The Soviet Union controls the third largest liner fleet in the world, exceeded only by the Greek and Japanese fleets. By mid-1977, the total number of Soviet international lines** had grown to 72, with 26 involved in the cross trades, that is, moving cargoes between non-Soviet ports in competition with ships of other nations. Soviet ships now carry roughly 2 percent of world liner cargo.

In managing its international liner services, the USSR has preferred to operate as an independent outside the conference system. By late 1976, only seven Soviet cargo lines were affiliated with conferences, and only one had joined a conference since 1973. The USSR has avoided conference membership because it lacks ships fast and modern enough to compete in terms of service, the principal form of competition among conference members. As nonmembers, the Soviets are not bound by conference rate structures and are free to compete by cutting rates.

The pace and extent of the USSR's penetration of key world liner routes are best illustrated by its movement into US liner trades. By focusing on shippers of

*A *conference* is an association of liner owners operating in a given direction on a given trade route. The conference sets rates charged by its members and allots sailings among them. Other companies operating on the same route are referred to as "outsiders" or "independents."

**A *line* is scheduled common carrier service for movements of general cargo on a prescribed trade route.

containerized cargo for whom speed of delivery is not the prime consideration, Soviet lines linking the United States with Western and Mediterranean Europe on the Atlantic and with Japan and other Asian trading partners on the Pacific have taken over almost 3 percent of US liner trade in the past six years. More than 95 percent of Soviet carriage in US trade consists of cross-trade goods between the United States and other trading partners (principally Western Europe, Japan, Hong Kong, and Southeast Asia).

Soviet Carriage of Liner Cargo in US Trade

	Total US Liner Trade (Million Tons)	In Soviet Ships	
		Tonnage (Million Tons)	Percent[1]
1971	44.2	0.2	0.4
1972	44.6	0.4	0.8
1973	51.3	0.5	0.9
1974	51.4	1.1	2.1
1975	44.3	1.0	2.3
1976	50.0	1.4	2.9

[1] Derived from unrounded data.

Western Response to Soviet Liner Practices

Price-cutting tactics in Soviet liner operations have generated complaints by Western shipowners who have lost business to the Soviets. In response, various Western governments have been studying the problem and some have taken steps to check Soviet inroads.

Legislation already passed in the Netherlands and under consideration in the United States, West Germany, and Japan would curb Soviet lines serving those countries if excessively low rates persist. The Kremlin cannot afford to ignore these developments, which might jeopardize Soviet hard-currency earnings of a half billion dollars annually.

Soviet Concessions Under Western Pressure

The USSR has recently reduced its differentials on two of the three major liner routes where hard-currency earnings have been greatest, namely, on the North

Pacific between the United States and Japan and in Japanese/European trade. On the third major route, the North Atlantic, differentials are already within the 10 to 15 percent range traditional for nonconference operators. Efforts to get the Soviets to increase their participation in the conference system have not been as successful as those to narrow the gap between Soviet and conference rates.

On the North Pacific

In May 1977, the Soviet-owned Far East Steamship Company (FESCO) announced a general rate increase of about 15 percent on the North Pacific. This change brought FESCO's rates to within 10 percent of the higher conference rates. FESCO had previously eliminated some paper rates—charges for commodities not actually moving in the trade—and had altered commodity classifications to make rate increases easier.

In July 1976, the Soviets had entered into an understanding with Chairman Bakke of the US Federal Maritime Commission (FMC) eventually to bring into conferences all their lines involved in US trade. Efforts to enroll key Soviet lines on the North Pacific nonetheless have been fruitless. For instance, at a series of four meetings with leading Pacific conference lines between October 1976 and January 1977, FESCO refused to place its Japan - US West Coast lines in conferences.

One of the USSR's standard excuses for remaining outside of the North Pacific conferences is the inability of its ships to compete on equal terms. To illustrate, even though FESCO operates three of the USSR's best containerships (units of the Khudozhnik Saryan class), these 14,000-dwt, 21-knot vessels are inferior in both speed and size to the best Western containerships on the route. Furthermore, even these not-up-to-scratch containerships account for less than a third of the capacity assigned to the USSR's container lines on the route. Conventional cargo liners predominate.

On the North Atlantic

The North Atlantic is the second major trading area served by Soviet liners. The differential there between Soviet and conference rates has never deviated greatly from the 10 to 15 percent traditional for outsiders. At the same time, at least one other independent on the route is charging even lower rates. As a result, less pressure has been put on the Soviets to narrow the differential.

In July of this year, Soviet plans to join seven conferences in the North Atlantic trade between the United States and Western Europe were scuttled. Two of the conferences were seeking FMC approval of a scheme that would have permitted Soviet lines to join the conferences while charging lower rates than other conference members. This two-tier arrangement—to last until Soviet equipment and service were brought up to conference standards—had been challenged by the US Departments of Justice and Transportation as a deterrent to competition. Faced with drawn-out hearings and negotiations, the two conferences decided that pursuit of special status for the Soviets was no longer worth the time and expense.

Because Soviet entry into the additional five conferences—originally agreed to at a meeting in Amsterdam with the major North Atlantic conferences in September 1976—was part of a package deal involving the other two conferences that have been challenged, the USSR will apparently not join them either. The two conferences that offered the Soviets special status control the most important segment of the trade—that between US east coast ports and Continental ports from Antwerp to Hamburg. The other five cover routes to Scandinavia, the United Kingdom, and France where traffic volumes are lower. The USSR was willing to accept regular status (and conference rates) from these five in return for special status in the two key conferences.

The Soviets refused to join the Continental conferences without authorization to continue charging lower rates because ships of its Baltic Steamship Company assigned to North Atlantic service cannot compete with the ships of the conference lines. Most liner cargoes crossing the Atlantic are containerized. The conference ships assigned are fast, modern, cellular containerships tailored for the trade. Almost two-thirds of the Soviet tonnage on the route consists of slow, inefficient, conventional cargo liners. The other third consists of advanced roll-on/roll-off ships capable of carrying containers but designed primarily for vehicles and other wheeled cargo. Although transit times of these ro/ro ships are competitive, their growing involvement with vehicular cargoes reduces their ability to compete with containerships.

Between Japan and Europe

As for trade between Japan and Europe, Soviet rate cutting on the Trans-Siberian Landbridge—a through service for containerized cargo moving between Western Europe and Japan using both Soviet railways and container lines—affects conference lines on the all-sea route. In the past, the Landbridge has attracted cargoes with rates as much as 40 percent below those of the all-sea conference lines. Last April, however, its rates were raised to within 10 percent of conference rates. A subsequent rise in conference rates widened the differential again, but it remains smaller than at any time prior to April 1976.

Outlook

Soviet lines will generally remain outside of the conference system, charging rates 10 to 15 percent below conference rates, so long as (a) the Soviet liner fleets in the North Atlantic and North Pacific trades remain uncompetitive or (b) the Soviets cannot arrange for a two-tier pricing system within the conferences. During talks with British officials in London in June, Soviet Minister of the Maritime Fleet Guzhenko told reporters that FESCO container lines on the North Pacific would remain independent until all of their conventional ships have been replaced by modern containerships. With deliveries of such ships running between one and two per year, FESCO may not join the conferences until 1979. Despite plans to put cellular containerships on the North Atlantic routes, membership in those conferences may come no sooner.

The USSR will have a strong incentive to keep most of its rates within 15 percent of conference rates to preserve the vital hard-currency revenues accruing from participation in the key trades that link the United States, Western Europe, and Japan. Rate cutting in excess of this figure would only mean increased retaliatory measures, a development Moscow cannot afford, especially at this time of a hard-currency squeeze. (Confidential)

* * * * *

Notes

Sino-Soviet Trade: No Big Deals

Both the value and the volume of Sino-Soviet trade are likely to fall this year. Soviet statistics for first half 1977 show two-way trade running at about 75 percent of the level for the corresponding period in 1976. With the recent stabilization of economic policy in Peking, both Chinese imports from and exports to the USSR probably will pick up for the remainder of the year. Indeed, Chinese and Soviet diplomats have stated privately that trade will be only slightly lower than in 1976.

China: Trade with the USSR

Million US $

	Exports To	**Imports From**
1975		
1st half	42	39
2d half	108	90
1976		
1st half	85	86
2d half	93	152
1977		
1st half	66	60

The Chinese have not received any Soviet aircraft since second half 1976, when the last known contract (for AN-26 and AN-30 transport aircraft) was fulfilled. Last year the Chinese informed the Soviets that they would not buy any aircraft or power-generating equipment from the USSR, items that in the past have comprised about one-third of Soviet exports to China. A recent report suggests that the Chinese may buy three more AN-30s—a very small number compared with previous years. Peking probably cut purchases because the Soviets demanded too high a price.

In 1976, the value of trade (measured in current US dollars) increased about 50 percent over 1975. A trade imbalance developed with Soviet exports—$238 million—substantially exceeding Chinese exports—$178 million. The real value of trade (measured in 1970 US dollars) increased only about 15 percent over 1975, with the entire increase attributable to higher Soviet exports. The volume of Chinese exports almost certainly declined; transportation tieups in northeast China resulting from the Tangshan earthquake delayed planned deliveries of Chinese goods to the Soviet border in the second half of the year. (Secret Noforn)

Guyana: Economic Problems Mount

Guyana's economic difficulties, brought on by a foreign exchange shortage, have worsened markedly in recent weeks. Mounting industrial layoffs and labor strife, including a sugar strike called last week by the Marxist opposition, have boosted the unemployment rate beyond 20 percent and spell growing political trouble for Prime Minister Burnham.

Depressed export earnings have shown little improvement. Continuing low sugar prices are overshadowing the gains from a record spring rice crop and slowly rising bauxite sales. We expect that existing import restrictions will cut imports by 16 percent from last year, reducing the record current account deficit by about two-fifths in 1977, to roughly $105 million.

Even though the current account deficit is smaller, Guyana this year faces a foreign payments gap of about $50 million, as yet uncovered by foreign funds. Gross foreign exchange holdings reportedly are down to less than $20 million—only three weeks' import cover—and will provide little help. Hope is rapidly fading for $45 million from Trinidad and Tobago, which recently canceled a similar offer to Jamaica. Unless Guyana can garner additional foreign financing, tougher import controls will be necessary. The result would be a further economic slowdown and more bitter labor strife. (Confidential)

* * * * *

Publications of Interest*

OPEC Countries: Size and Distribution of Official Foreign Assets on 31 December 1976 (ER 77-10464, August 1976, Secret Noforn)

This memorandum examines the pattern of investment by OPEC countries during 1976 and presents detailed estimates of the distribution of official foreign assets by type of investment, location, and currency denomination.

*Copies of these publications may be ordered by calling [redacted]

25X1A

OECD Countries: Medium-Term Economic Prospects and Some Alternative Policy Scenarios (ER 77-10517, August 1977, Confidential)

This report discusses likely trends in GNP, inflation, unemployment, and balance of payments in OECD countries during 1977 and 1978. Emphasis is placed on economic activity and government policy in the major foreign developed countries. [redacted]

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ECONOMIC INDICATORS

Prepared by

The Office of Economic Research

ER EI 77-035
1 September 1977

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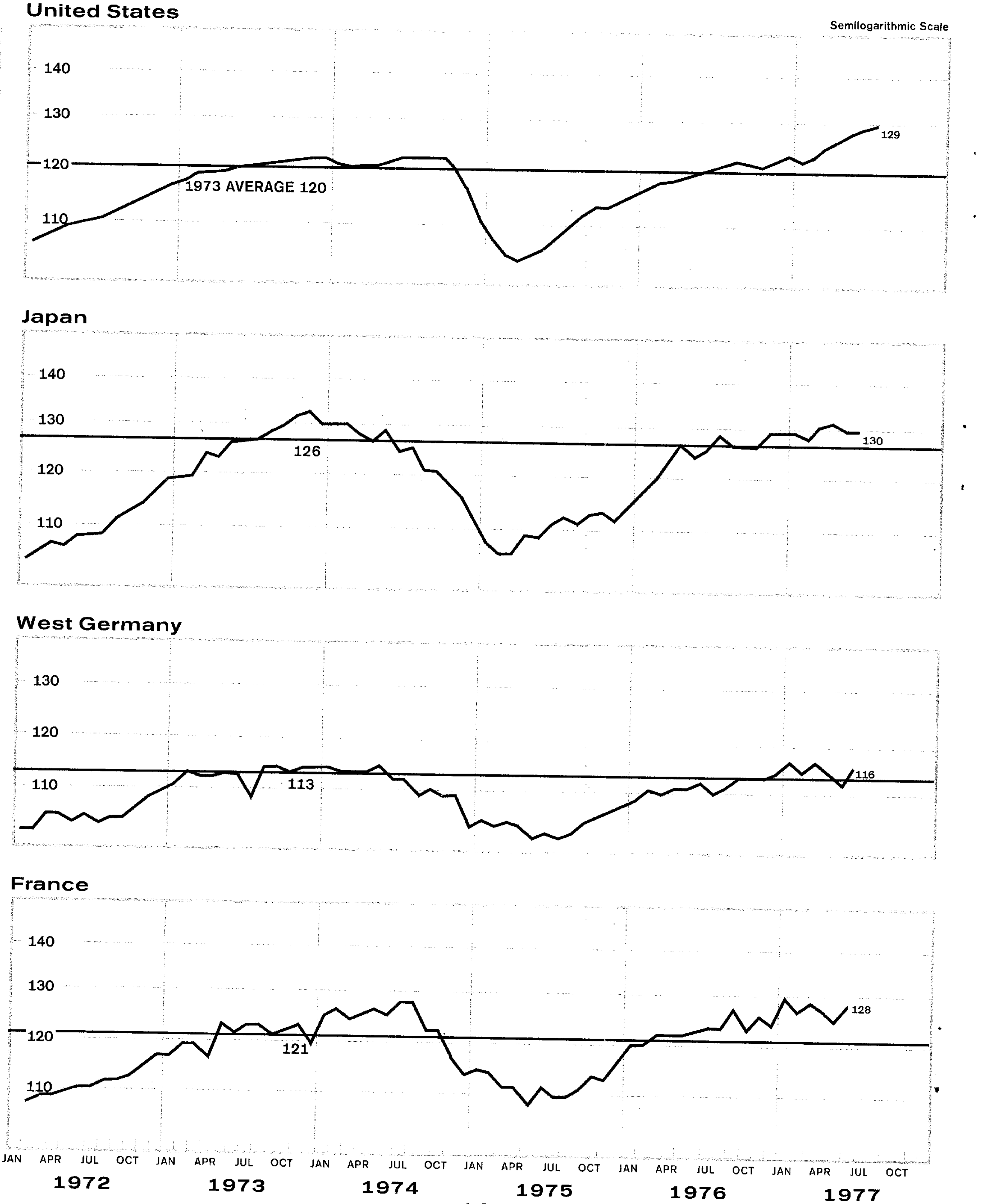
FOREWORD

1. The **Economic Indicators** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators** are revised every few months. The most recent date of publication of source notes is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

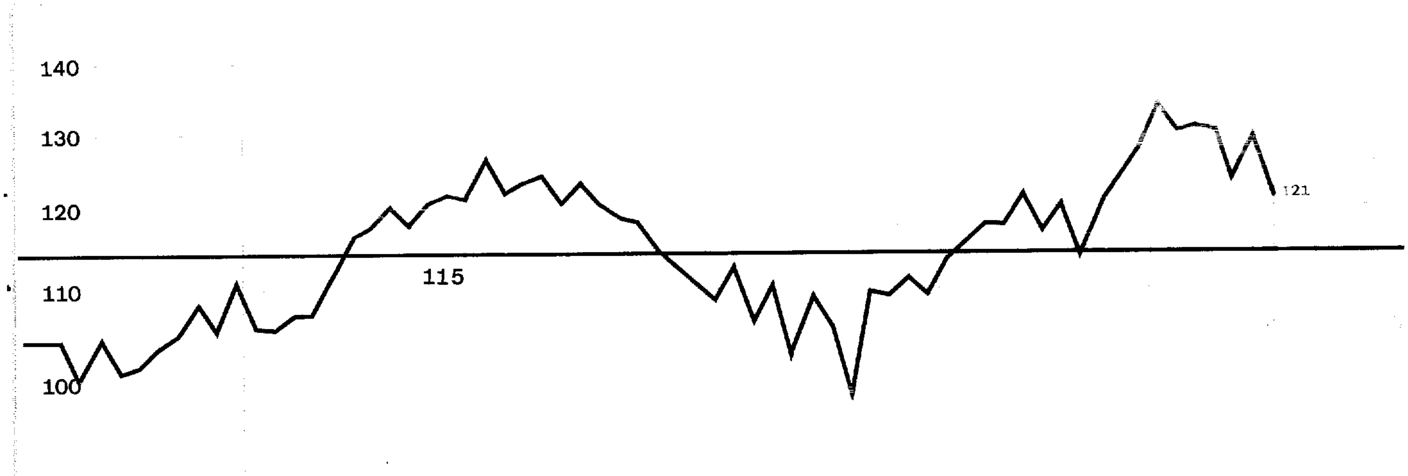
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted



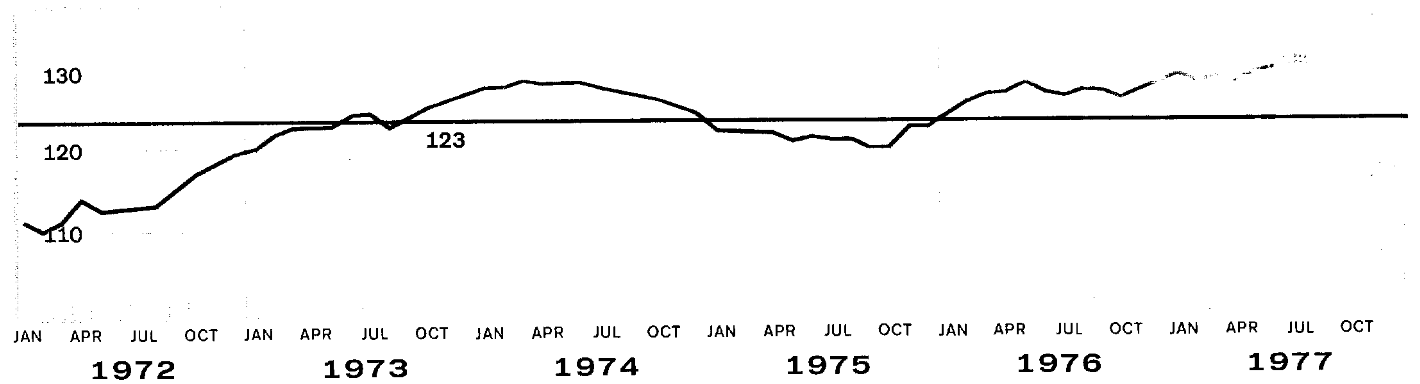
United Kingdom

Semilogarithmic Scale

Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	JUL 77	0.5	3.7	6.4	10.4
Japan	JUN 77	0.5	3.9	3.4	3.0
West Germany	JUN 77	1.8	2.2	3.6	−6.6
France	JUN 77	2.4	3.6	4.1	−6.1
United Kingdom	JUN 77	−5.1	0.1	0.2	5.6
Italy	JUN 77	−7.2	2.7	3.3	−16.9
Canada	JUN 77	0.3	4.1	4.5	1.4

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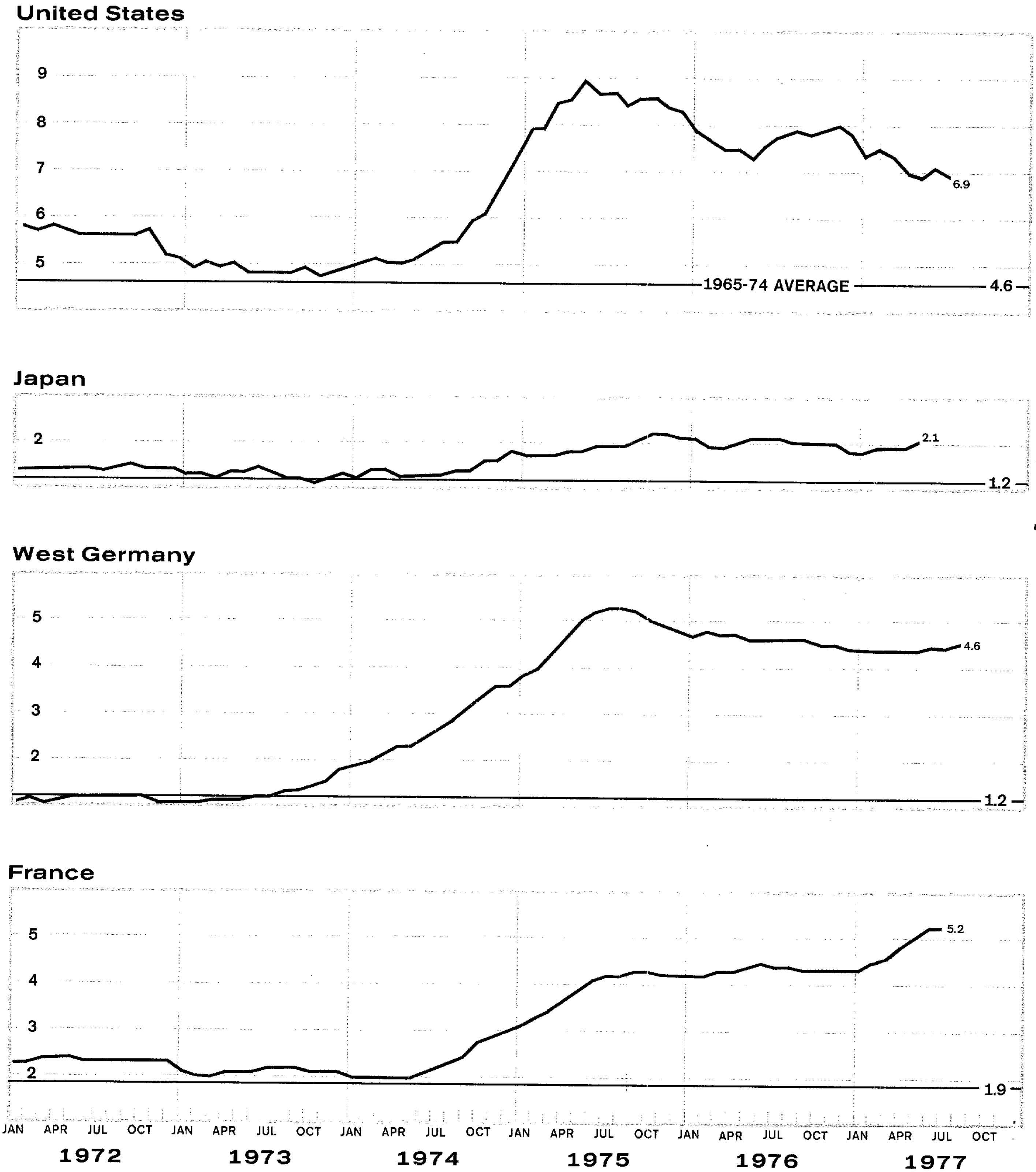
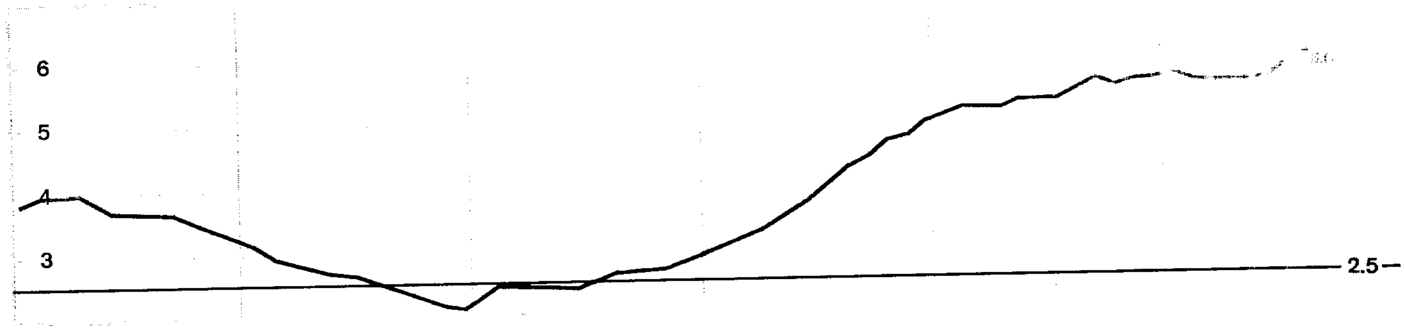
[1]Average for latest 3 months compared with average for previous 3 months.

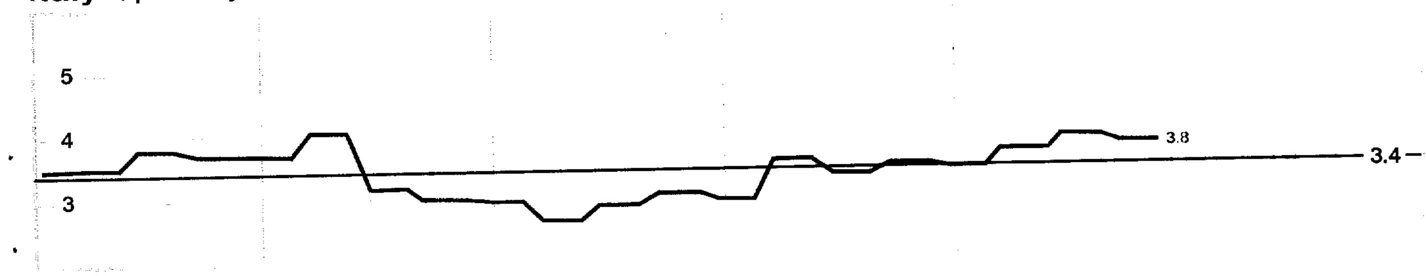
UNEMPLOYMENT PERCENT OF LABOR FORCE



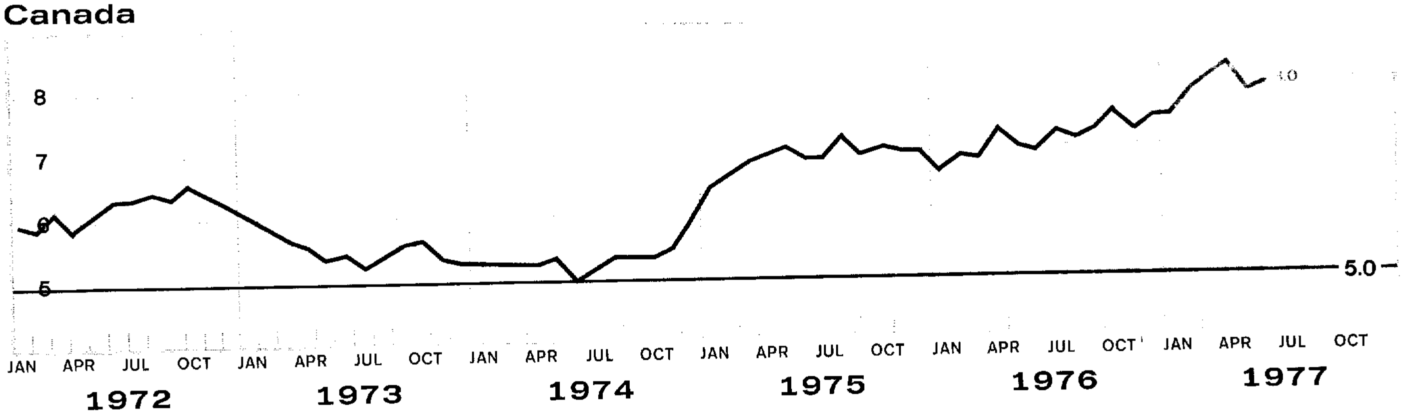
United Kingdom



Italy (quarterly)



Canada



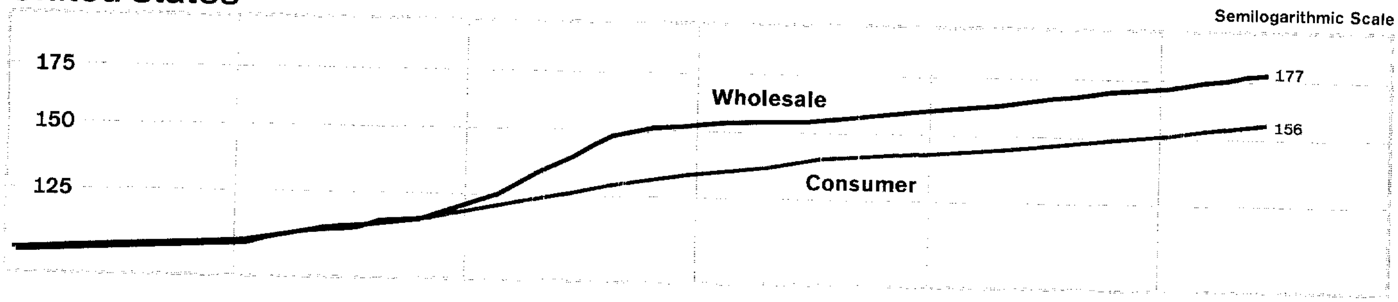
THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	JUL 77	6,744	7,406	6,737
Japan	MAY 77	1,140	1,120	1,030
West Germany	JUL 77	1,049	1,050	1,009
France	JUL 77	1,180	950	1,039
United Kingdom	AUG 77	1,414	1,309	1,316
Italy	76 IV	777	699	776
Canada	JUN 77	847	/22	856

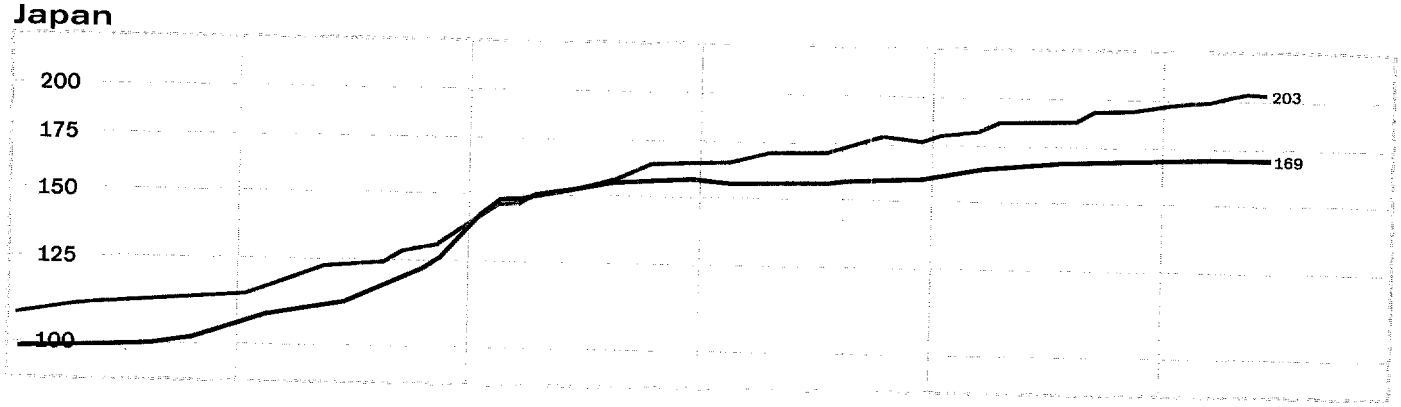
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

DOMESTIC PRICES[1] INDEX: 1970=100

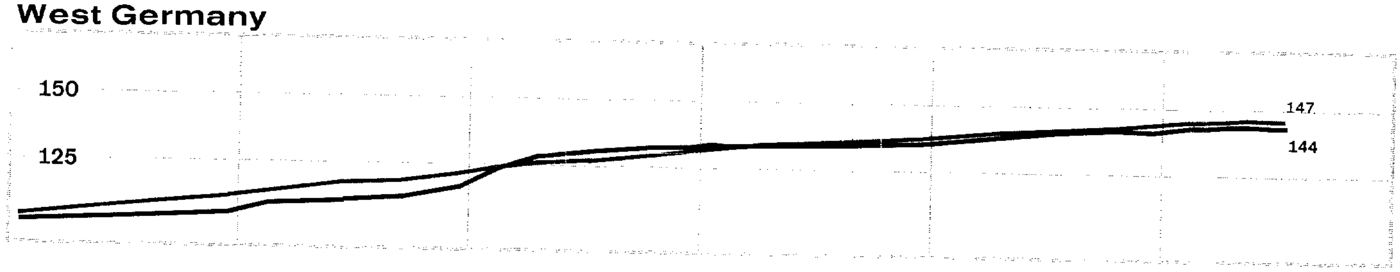
United States



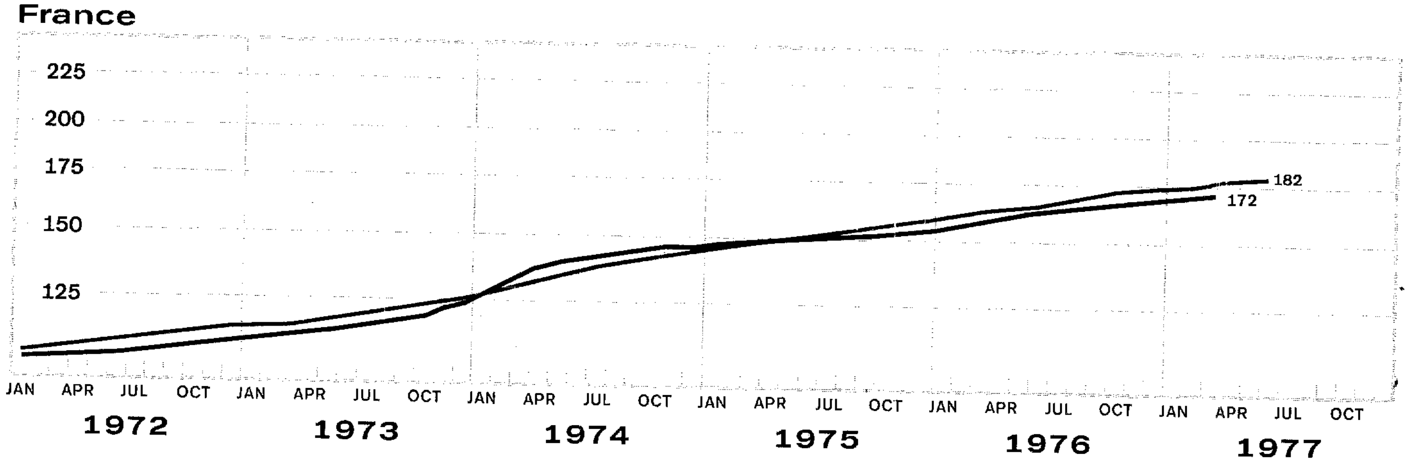
Japan



West Germany



France



[1]Wholesale price indexes cover industrial goods.

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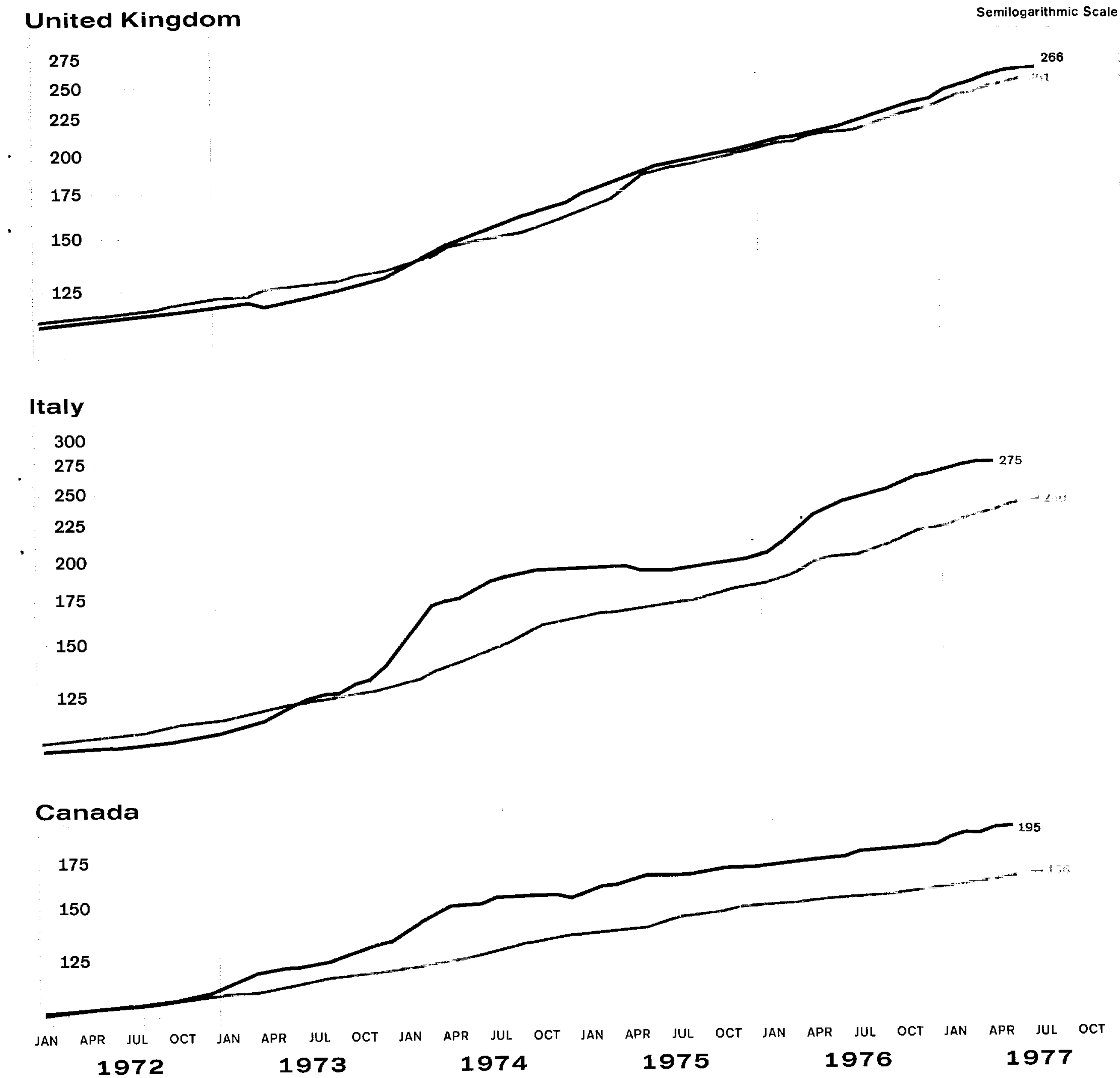


	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United States	JUL 77	0.6	8.5	7.2	5.5
	JUN 77	0.7	6.6	6.9	8.3
Japan	JUN 77	-0.2	7.9	2.6	−0.7
	JUN 77	−0.5	10.7	8.5	8.5
West Germany	JUN 77	0	5.3	2.7	1.7
	JUL 77	−0.1	5.6	4.3	3.1
France	MAR 77	0.9	8.4	8.2	7.6
	JUN 77	0.8	9.0	10.1	12.5

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United Kingdom	JUL 77	1.3	14.9	20.9	17.1
	JUL 77	0.1	14.0	17.6	8.0
Italy	MAY 77	0.6	16.0	17.7	9.2
	JUL 77	0.8	13.2	20.3	14.3
Canada	MAY 77	−0.1	10.2	10.1	10.4
	JUL 77	0.9	7.5	8 [illegible]	10.3

GNP [1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 II	1.6	3.2	4.7	6.4
Japan	77 I	2.5	5.5	4.9	10.2
West Germany	76 IV	1.8	2.5	4.5	7.3
France	76 IV	0	3.9	4.9	0
United Kingdom	76 IV	2.1	2.0	2.6	8.8
Italy	76 IV	4.8	3.4	9.4	20.6
Canada	76 IV	−0.6	4.8	3.4	−2.5

[1] Seasonally adjusted.

RETAIL SALES [1]

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Jun 77	−0.2	3.2	4.1	3.3
Japan	Apr 77	3.1	10.7	6.4	16.0
West Germany	Jun 77	0.9	2.4	4.4	−8.7
France	May 77	−1.1	−1.4	−7.1	−13.2
United Kingdom	Jul 77	3.6	1.2	−1.2	4.6
Italy	Mar 77	0.2	2.9	−0.3	16.3
Canada	May 77	−0.8	4.2	1.8	−13.6

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT [1]

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 II	2.2	2.1	9.6	9.0
Japan	77 I	0.2	0.9	3.9	0.8
West Germany	76 IV	3.3	1.1	5.0	13.8
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 I	−2.4	−0.2	2.0	−9.2
Italy	76 IV	10.6	3.1	15.7	49.6
Canada	76 IV	8.5	6.8	5.1	38.7

[1] Seasonally adjusted.

WAGES IN MANUFACTURING [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Jul 77	0.6	7.5	7.6	8.1
Japan	May 77	1.4	17.3	10.6	7.3
West Germany	77 I	4.0	9.6	7.7	17.1
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Jun 77	0.3	15.7	3.4	3.6
Italy	May 77	5.3	21.1	29.4	33.2
Canada	Apr 77	0.8	11.4	11.6	13.4

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commerical paper	Aug 24	5.89	5.35	5.50	5.38
Japan	Call money	Aug 26	5.75	7.25	5.38	5.75
West Germany	Interbank loans (3 months)	Aug 24	4.06	4.50	4.33	4.12
France	Call money	Aug 26	8.25	9.56	9.00	8.63
United Kingdom	Sterling interbank loans (3 months)	Aug 24	6.60	11.08	7.83	7.74
Canada	Finance paper	Aug 24	7.47	9.40	7.13	7.28
Eurodollars	Three-month deposits	Aug 24	6.36	5.63	6.70	5.78

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	−0.4	9.8	5.6	2.5
Japan	Jun 77	2.0	10.8	14.9	10.1
West Germany	Jun 77	−0.5	11.3	11.6	5.4
France	May 77	0.9	11.3	7.1	3.6
United Kingdom	Jul 77	0.6	10.6	12.9	11.1
Italy	Mar 77	0.5	11.3	16.9	16.7
Canada	Apr 77	2.9	10.1	10.9	24.7

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	−0.4	9.8	5.6	2.5
Japan	Jun 77	0.4	6.5	4.7	−1.0
West Germany	Jun 77	−0.5	4.5	2.0	−0.9
France	May 77	0.6	9.5	12.8	1.3
United Kingdom	Jul 77	0.4	16.0	17.0	9.7
Italy	Mar 77	−1.1	16.8	22.9	17.1
Canada	Apr 77	2.9	8.5	7.2	7.1

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	−1.4	13.5	7.9	2.1
Japan	Jun 77	−0.8	10.9	0.3	−14.8
West Germany	Jun 77	−0.1	4.4	1.7	3.0
France	May 77	−0.5	10.5	17.4	2.5
United Kingdom	Jul 77	0.7	19.7	15.7	6.6
Italy	Mar 77	−1.9	21.2	24.6	25.8
Canada	Apr 77	1.1	9.3	8.5	10.3

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	19.2	14.5	18.5	19.1
Japan	Jun 77	17.4	4.1	15.4	17.0
West Germany	May 77	34.3	8.8	33.6	34.5
France	Mar 77	9.8	4.4	11.1	9.7
United Kingdom	Jun 77	11.6	2.8	5.3	9.7
Italy	Sep 76	5.1	4.7	5.8	5.2
Canada	May 77	5.2	4.3	5.8	5.3

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States [2]	77 I	−4,317	−4,317	540	−4,857
Japan	Jul 77	1,530	4,637	1,242	3,395
West Germany	Jul 77	−566	1,618	1,188	429
France	77 I	−1,660	−1,660	−1,316	−345
United Kingdom	77 I	−773	−773	−502	−271
Italy	76 IV	−882	N.A.	N.A.	N.A.
Canada	77 I	−1,624	−1,624	−1,911	287

[1] Converted to US dollars at the current market rates of exchange.
[2] Seasonally adjusted.

BASIC BALANCE [1]
Current and Long-Term-Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States		No longer published [2]			
Japan	Jul 77	1,340	3,493	1,629	1,864
West Germany	Jun 77	−630	−1,256	1,105	−2,361
France	77 I	−1,351	−1,351	−2,015	663
United Kingdom	76 IV	−277	N.A.	N.A.	N.A.
Italy	76 III	779	N.A.	N.A.	N.A.
Canada	77 I	−583	−583	882	−1,465

[1] Converted to US dollars at the current market rates of exchange.
[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate
As of 26 Aug 77

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	19 Aug 77
Japan (yen)	0.0037	−1.53	8.08	3.74	0.03
West Germany (Deutsche mark)	0.4321	22.02	9.03	1.76	0.56
France (franc)	0.2040	−7.46	0.91	0.89	0.24
United Kingdom (pound sterling)	1.7418	−29.22	−1.59	1.40	0.09
Italy (lira)	0.0011	−35.93	−4.55	0.44	0.18
Canada (dollar)	0.9307	−6.72	−8.44	−1.95	0.10

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 26 Aug 77

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	19 Aug 77
United States	6.06	1.27	−0.09	−0.19
Japan	4.25	10.25	3.74	−0.15
West Germany	25.76	6.83	1.24	0.26
France	−7.86	−2.42	0.35	−0.12
United Kingdom	−29.85	−3.25	1.17	−0.19
Italy	−38.69	−7.74	−0.34	−0.20
Canada	−4.69	−8.87	−2.25	0.04

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade [1]

Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC [2]	Communist	Other	World	Big Seven	Other OECD	OPEC [2]	Communist	Other
UNITED STATES [3]												
1974	97,908	45,884	16,870	6,690	2,258	26,206	107,997	53,332	10,912	17,256	1,078	25,419
1975	107,191	46,941	16,180	10,768	3,421	29,881	103,414	49,807	8,818	18,371	1,253	25,165
1976	114,997	51,298	17,607	12,552	3,935	29,605	129,565	60,387	9,738	24,995	1,572	32,873
1st Qtr	27,360	12,184	4,159	2,751	1,144	7,122	29,339	13,717	2,479	5,570	356	7,217
2d Qtr	29,695	13,383	4,527	3,113	1,036	7,636	31,650	15,247	2,491	5,582	333	7,997
3d Qtr	27,437	11,944	4,114	3,103	850	7,426	33,734	16,693	2,401	7,156	423	7,061
4th Qtr	30,505	13,787	4,807	3,585	905	7,421	34,842	14,730	2,367	6,687	460	10,598
1977												
1st Qtr	29,458	13,681	4,602	3,602	951	7,162	37,361	16,070	2,745	8,324	397	9,825
Apr	10,548	4,686	1,613	1,080	352	2,817	13,249	5,714	873	3,060	152	3,450
JAPAN												
1974	54,480	19,101	7,477	5,446	3,915	18,541	62,046	18,780	7,303	19,965	3,119	12,879
1975	54,822	16,567	6,091	8,406	5,283	18,475	57,856	16,929	6,084	19,427	3,383	12,033
1976	67,364	22,406	8,588	9,277	5,049	22,044	64,895	17,534	7,778	21,877	2,926	14,780
1st Qtr	14,429	4,848	1,827	1,872	1,289	4,593	14,832	4,083	1,696	5,213	671	3,169
2d Qtr	16,431	5,402	2,092	2,271	1,348	5,318	15,903	4,347	1,943	5,400	677	3,536
3d Qtr	17,542	5,897	2,272	2,476	1,135	5,762	16,818	4,497	2,137	5,406	747	4,031
4th Qtr	18,962	6,259	2,397	2,659	1,277	6,370	17,342	4,607	2,002	5,858	831	4,044
1977												
1st Qtr	17,911	5,848	2,449	2,459	1,409	5,746	17,452	4,717	1,845	6,246	801	3,843
Apr	6,870	2,241	846	967	464	2,352	5,766	1,537	664	1,776	298	1,491
WEST GERMANY												
1974	89,188	30,998	37,605	4,268	6,884	9,433	68,962	23,762	26,079	8,406	3,209	7,506
1975	90,063	28,331	36,407	6,777	9,029	9,519	74,986	27,085	27,755	8,228	4,167	7,751
1976	101,989	33,372	41,720	8,231	8,575	10,091	88,230	31,008	31,351	9,718	5,050	11,103
1st Qtr	22,467	7,855	9,437	1,705	2,064	1,406	20,147	6,790	7,114	2,189	1,046	3,008
2d Qtr	24,570	8,147	10,019	1,832	1,771	2,801	21,571	7,478	7,778	2,222	1,127	2,966
3d Qtr	26,147	8,134	10,445	2,235	2,385	2,948	21,792	8,136	7,900	2,575	1,550	1,631
4th Qtr	28,805	9,236	11,819	2,459	2,355	2,936	24,720	8,604	8,559	2,731	1,327	3,499
1977												
1st Qtr	27,804	9,281	11,609	2,307	2,156	2,451	24,084	8,465	8,828	2,578	1,270	2,943
Apr	9,230	3,058	3,849	799	694	830	7,991	2,892	2,949	756	428	966
FRANCE												
1974	46,388	19,345	15,245	3,164	1,874	6,760	52,820	22,040	13,874	8,848	1,547	6,511
1975	53,005	19,959	15,183	4,952	3,094	9,817	54,238	23,040	14,350	9,448	1,591	5,809
1976	55,680	22,438	16,081	5,080	3,558	8,523	64,255	27,750	16,894	11,359	2,384	5,868
1st Qtr	13,639	5,524	3,921	1,240	917	2,037	15,529	6,567	4,157	2,817	595	1,393
2d Qtr	14,769	5,911	4,395	1,222	1,059	2,182	16,187	7,149	4,324	2,610	593	1,511
3d Qtr	12,409	4,922	3,446	1,292	729	2,020	14,840	6,431	3,733	2,746	577	1,352
4th Qtr	14,863	6,081	4,319	1,326	853	2,284	17,699	7,603	4,680	3,185	619	1,612
1977												
Jan–Feb	9,644	3,938	2,852	873	499	1,482	11,278	4,659	3,044	2,023	367	1,185
UNITED KINGDOM												
1974	37,160	11,765	17,006	2,567	1,197	4,625	54,510	18,272	18,253	8,020	1,849	8,116
1975	41,731	12,339	16,515	4,553	1,480	6,844	53,147	18,301	18,274	6,962	1,771	7,839
1976	46,352	14,026	17,803	5,132	1,625	7,768	56,224	19,332	19,271	7,291	2,240	8,090
1st Qtr	11,615	3,409	4,414	1,238	433	2,121	13,639	4,357	4,975	1,825	510	1,972
2d Qtr	11,560	3,531	4,379	1,254	422	1,974	14,133	5,058	4,626	1,738	590	2,121
3d Qtr	11,089	3,437	4,186	1,265	389	1,812	13,861	4,746	4,573	1,891	597	2,054
4th Qtr	12,088	3,649	4,821	1,376	381	1,861	14,591	5,171	5,097	1,836	543	1,944
1977												
1st Qtr	13,150	4,008	5,145	1,516	413	2,068	15,575	5,786	5,068	1,784	514	2,423
Apr	4,427	1,264	1,754	531	152	726	5,064	1,875	1,666	501	185	837

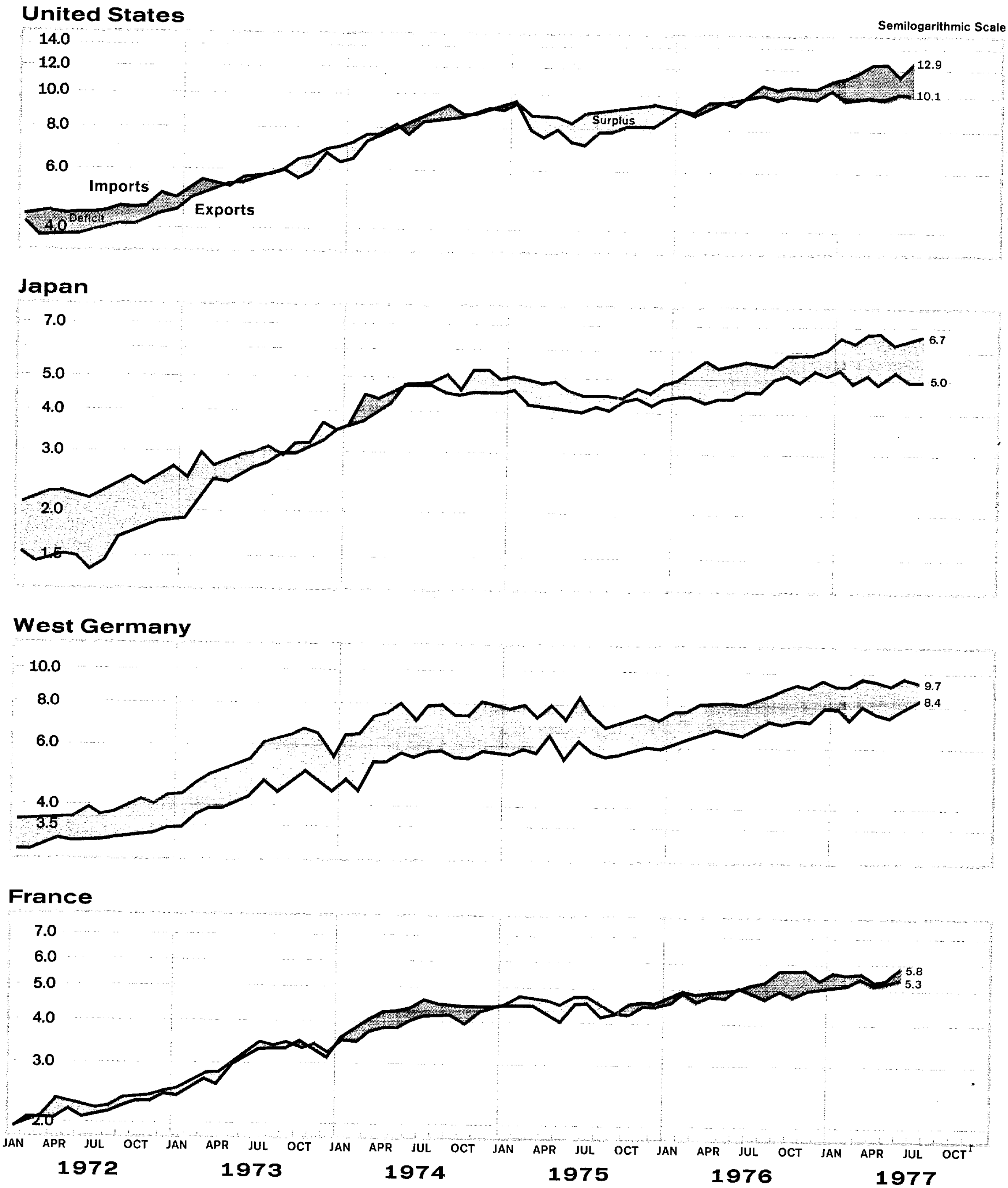
Developed Countries: Direction of Trade [1]
(Continued)

Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC [2]	Com-munist	Other	World	Big Seven	Other OECD	OPEC [2]	Com-munist	Other
ITALY												
1974	30,261	13,796	7,681	2,427	1,721	4,636	40,977	18,003	7,216	9,313	1,944	4,501
1975	34,230	15,345	7,468	3,710	2,895	4,812	37,793	17,072	6,367	6,993	2,304	5,057
1976	35,364	16,698	8,276	4,165	2,591	3,634	41,789	18,585	7,759	8,124	3,000	4,321
1st Qtr	7,398	3,513	1,713	811	597	764	9,092	4,063	1,708	1,816	608	897
2d Qtr	8,705	4,157	2,040	958	623	927	10,716	4,786	1,918	2,106	744	1,162
3d Qtr	9,398	4,505	2,191	1,056	656	990	10,335	4,497	1,860	2,029	792	1,157
4th Qtr	9,863	4,523	2,332	1,340	715	953	11,646	5,239	2,273	2,173	856	1,105
1977												
1st Qtr	9,668	4,520	2,264	1,236	655	993	11,299	4,964	2,130	2,166	720	1,319
CANADA [4]												
1974	32,904	27,092	2,004	548	659	2,601	33,309	26,727	1,777	2,698	257	1,850
1975	32,201	26,582	1,689	700	1,153	2,077	35,435	27,887	1,621	3,174	310	2,443
1976	36,840	30,783	2,077	928	1,259	1,793	38,705	31,118	2,034	3,154	369	2,030
1st Qtr	8,422	7,103	381	167	328	443	9,404	7,572	473	868	87	404
2d Qtr	9,964	8,408	480	184	346	546	10,244	8,174	683	930	96	361
3d Qtr	9,112	7,465	576	270	349	452	9,378	7,417	473	715	96	677
4th Qtr	9,342	7,807	640	307	236	352	9,679	7,955	405	642	90	587
1977												
1st Qtr	9,670	8,201	524	230	231	484	10,025	8,164	406	772	90	593

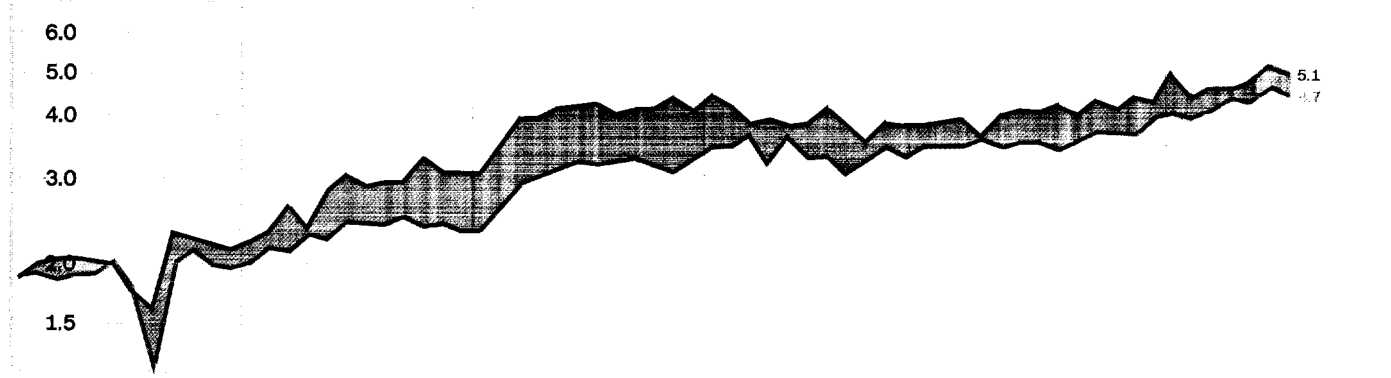
[1] Data are unadjusted. Because of rounding, components may not add to the totals shown.
[2] Including Gabon.
[3] Import data are f.a.s.
[4] Import data are f.o.b.

FOREIGN TRADE BILLION US $, f.o.b., seasonally adjusted

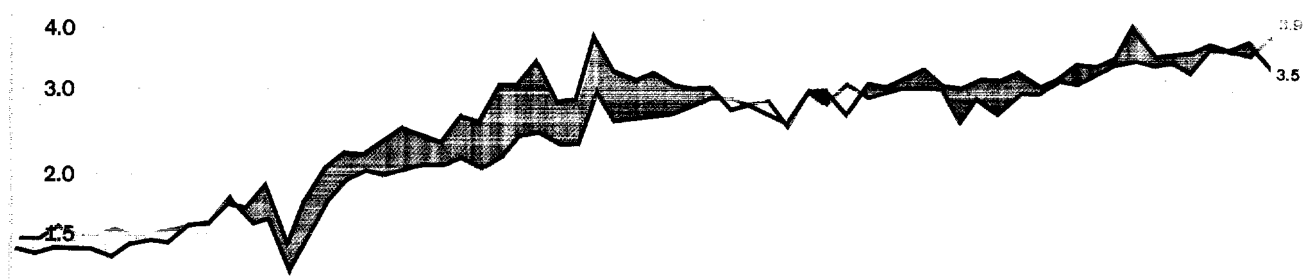


United Kingdom

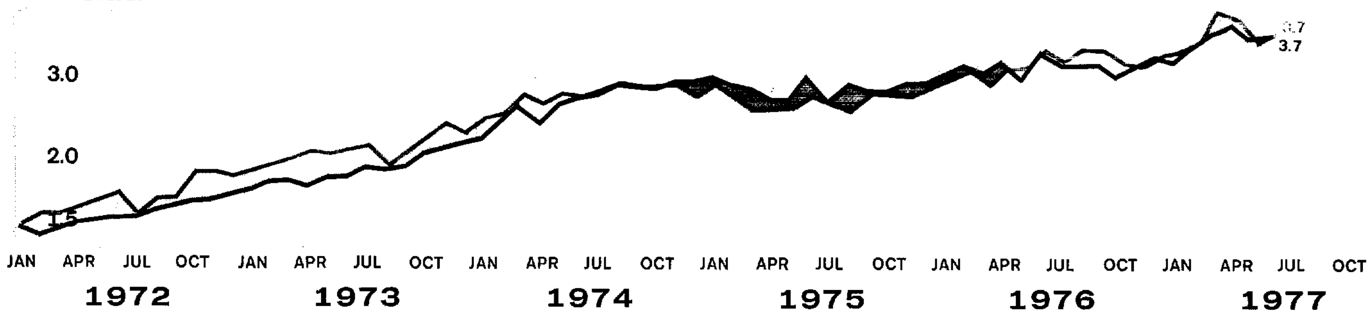
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United States	JUN 77	10,112	59,955	55,690	7.7%
		12,932	72,543	56,482	28.4%
	Balance	−2,820	−12,588	−792	−11,795
Japan	JUL 77	6,654	45,471	37,169	22.3%
		4,951	35,180	30,759	14.4%
	Balance	1,703	10,291	6,411	3,880
West Germany	JUL 77	9,657	66,317	56,282	17.8%
		8,384	54,989	46,344	18.7%
	Balance	1,273	11,328	9,938	1,390
France	JUN 77	5,321	31,139	28,085	10.9%
		5,791	32,807	28,784	14.0%
	Balance	−469	−1,668	−699	−969
United Kingdom	JUL 77	4,675	31,142	25,155	23.8%
		5,116	34,461	28,885	19.3%
	Balance	−441	−3,319	−3,730	411
Italy	JUN 77	3,924	21,624	17,087	26.6%
		3,505	22,216	19,096	16.3%
	Balance	419	−591	−2,008	1,417
Canada	JUN 77	3,719	22,475	18,774	19.7%
		3,703	21,728	18,940	14.7%
	Balance	16	747	−166	912

573831 8-77

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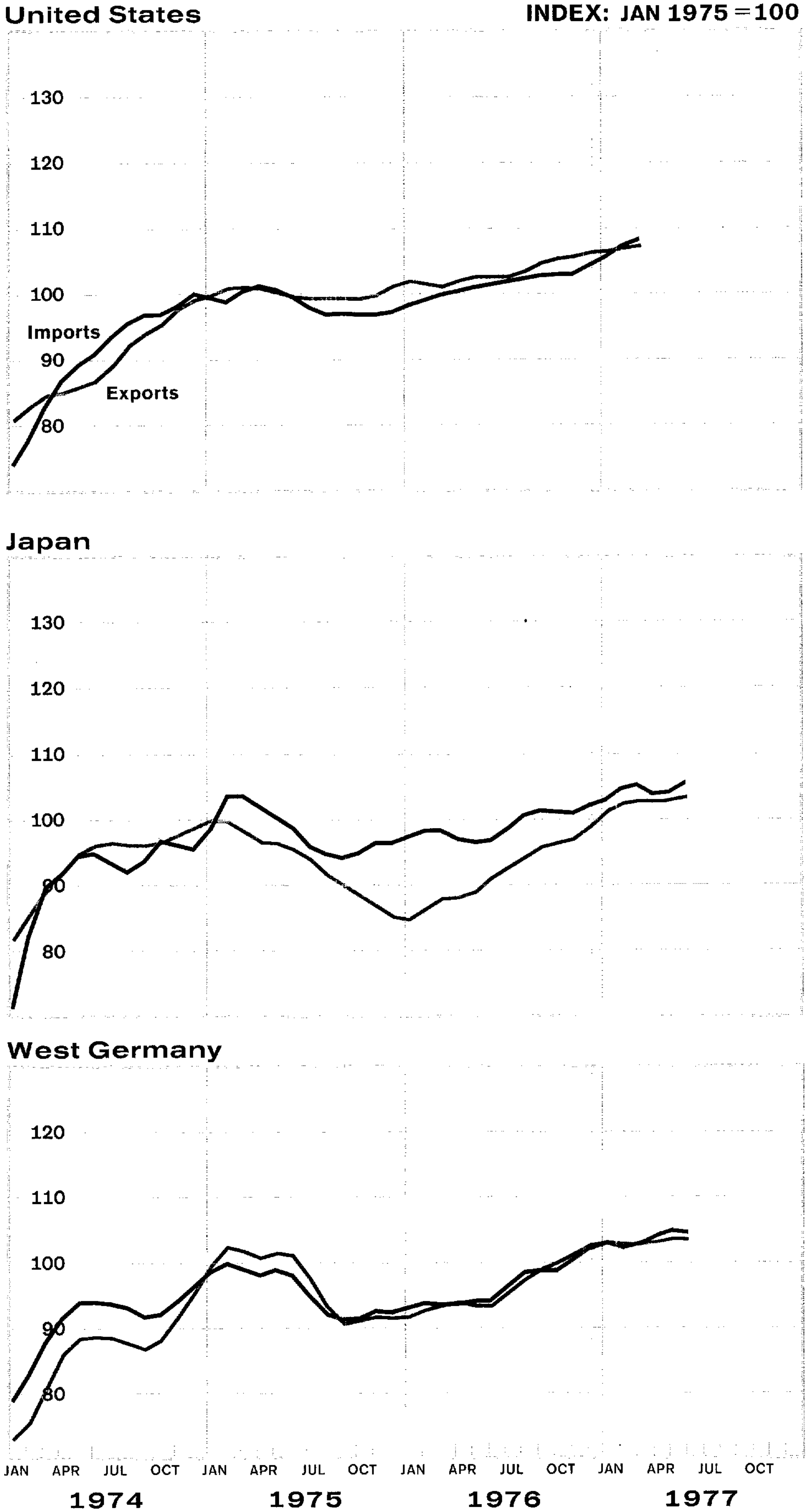
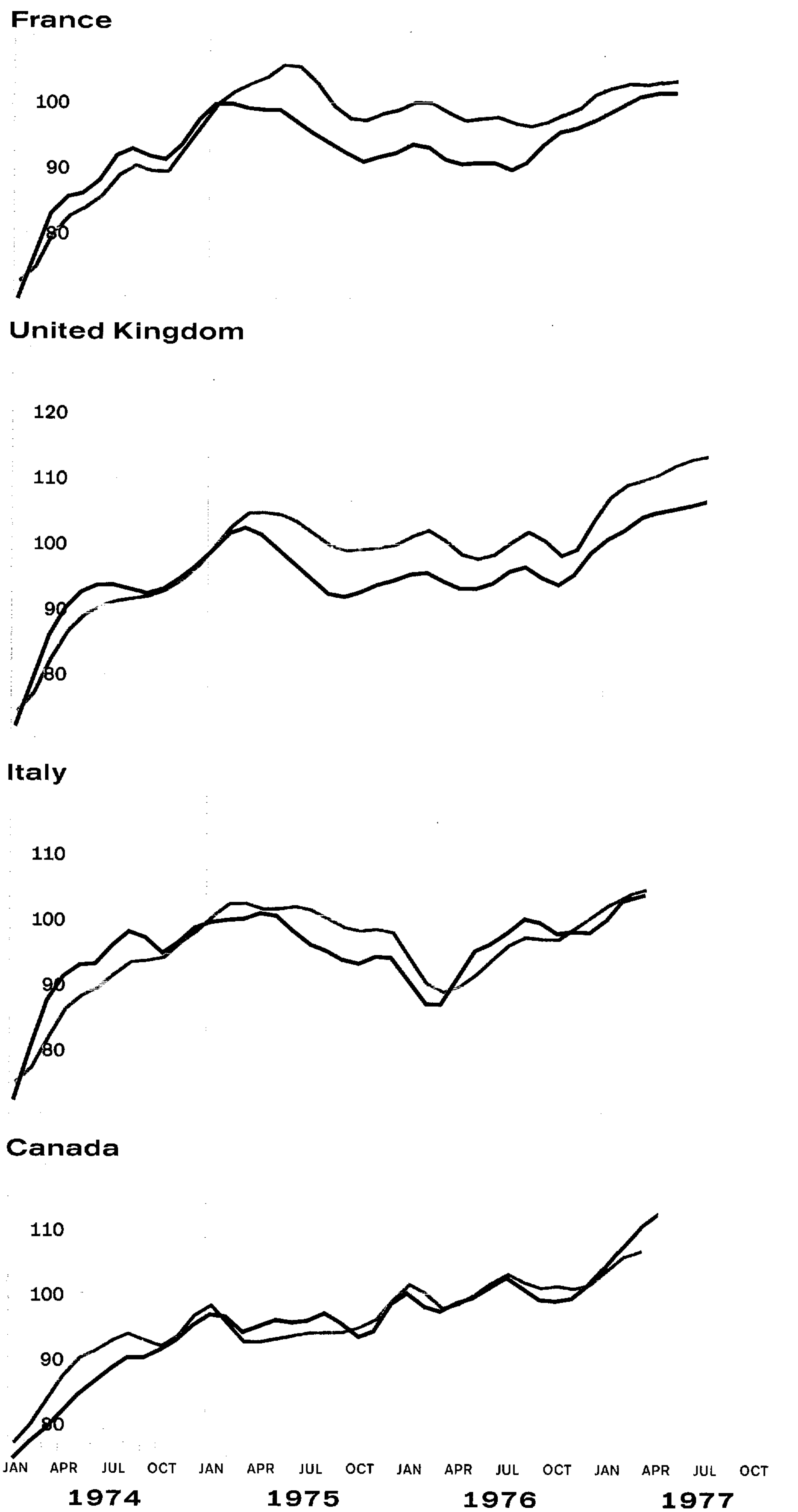
FOREIGN TRADE PRICES IN US $[1]



[1]Export and import plots are based on five month weighted moving averages.



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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	76 II	0.1	11.0	10.7	0.4
India	Feb 77	3.5	5.5	6.9	18.7
South Korea	Jun 77	8.3	22.7	14.3	21.6
Mexico	Apr 77	0.6	5.6	0.4	17.5
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Apr 77	1.9	14.9	12.7	−8.4

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	Jan 77	−3.1	35.5	28.2	49.6
Egypt	Apr 77	1.2	18.6	23.0	45.3
India	Mar 77	1.8	12.3	20.5	16.6
Iran	Mar 77	14.5	30.4	52.2	41.1
South Korea	May 77	3.4	31.3	35.0	59.6
Mexico	Jun 76	−0.3	17.0	16.6	19.6
Nigeria	Feb 77	5.9	35.9	54.8	65.1
Taiwan	Mar 77	−0.2	24.4	21.2	24.0
Thailand	Feb 77	4.0	13.6	17.1	12.9

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Apr 77	3.3	26.6	44.4
India	Mar 77	0.6	8.2	9.1
Iran	May 77	2.6	12.4	29.3
South Korea	Jun 77	1.0	14.6	10.1
Mexico	Jun 77	1.2	14.7	32.5
Nigera	Jan 77	4.5	15.0	13.5
Taiwan	May 77	0.4	10.4	3.0
Thailand	Mar 77	0.6	8.4	3.0

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Apr 77	4.3	27.3	45.9
India	Mar 77	0.2	9.3	11.9
Iran	May 77	1.8	11.0	22.2
South Korea	Jun 77	0.8	16.6	9.1
Mexico	Jun 77	1.0	16.5	50.9
Taiwan	May 77	0	9.2	4.4
Thailand	Mar 77	0.9	10.0	2.7

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
Brazil	Oct 76	−0.4	14.5	26.5	17.0
India	Sep 76	−3.8	9.2	6.4	−6.6
Iran	May 77	0	36.5	18.6	0
South Korea	77 I	1.7	8.8	11.9	6.9
Nigeria	May 76	−0.1	33.2	8.2	6.6
Taiwan	May 77	0.4	12.3	9.4	14.7
Thailand	Dec 76	2.0	13.3	13.1	77.7

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 77	5,873	1,013	3,667	5,139
Egypt	Apr 77	405	155	375	389
India	May 77	4,431	1,006	2,258	3,481
Iran	Jun 77	11,025	208	8,621	10,355
South Korea	May 77	3,519	602	1,911	2,872
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	May 77	4,740	148	6,087	4,937
Taiwan	Apr 77	1,289	531	1,146	1,581
Thailand	Jun 77	2,017	978	1,896	1,981

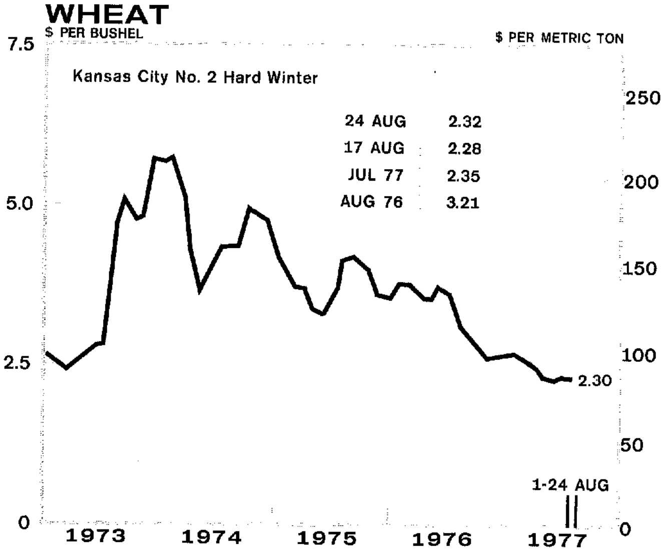
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier [1]	1 Year Earlier	Cumulative (Million US $): 1977	1976	Change
Brazil	Apr 77	Exports	−1.2	38.6	13,904	11,244	23.7%
	Apr 77	Imports	−11.5	−1.1	16,077	16,064	0.1%
	Apr 77	Balance			−2,173	−4,821	2,648
Egypt	76 IV	Exports	−97.9	−47.8	N.A.	N.A.	N.A.
	76 IV	Imports	−93.5	−54.7	N.A.	N.A.	N.A.
	76 IV	Balance			N.A.	N.A.	N.A.
India	Mar 77	Exports	77.7	11.2	6,496	5,612	15.7%
	Mar 77	Imports	−18.2	3.2	5,650	6,595	−14.3%
	Mar 77	Balance			845	−982	1,828
Iran	May 77	Exports	32.1	14.4	34,022	28,883	17.8%
	Mar 77	Imports	135.4	9.1	15,148	12,200	24.2%
	Mar 77	Balance			14,710	12,956	1,754
South Korea	May 77	Exports	60.8	29.6	11,347	7,632	48.7%
	May 77	Imports	106.6	27.4	11,661	9,562	21.9%
	May 77	Balance			−313	−1,931	1,617
Mexico	May 77	Exports	25.9	28.9	5,071	4,240	19.6%
	May 77	Imports	−33.8	−23.1	7,665	8,728	−12.2%
	May 77	Balance			−2,594	−4,488	1,894
Nigeria	Apr 77	Exports	−25.0	5.2	13,706	11,320	21.1%
	Dec 76	Imports	83.0	6.6	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	May 77	Exports	2.6	17.5	11,519	8,305	38.7%
	May 77	Imports	51.7	21.7	10,091	8,199	23.1%
	May 77	Balance			1,427	105	1,322
Thailand	Jan 77	Exports	66.6	45.2	3,282	2,420	35.6%
	Mar 77	Imports	26.3	21.9	4,198	3,748	12.0%
	Jan 77	Balance			−283	−825	541

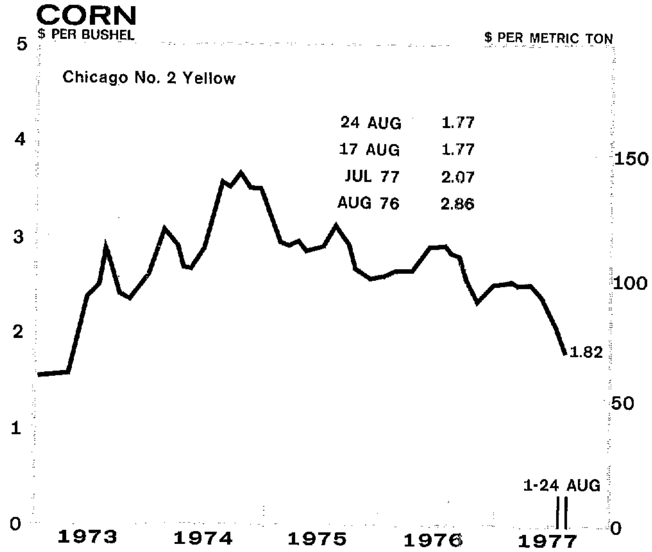
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

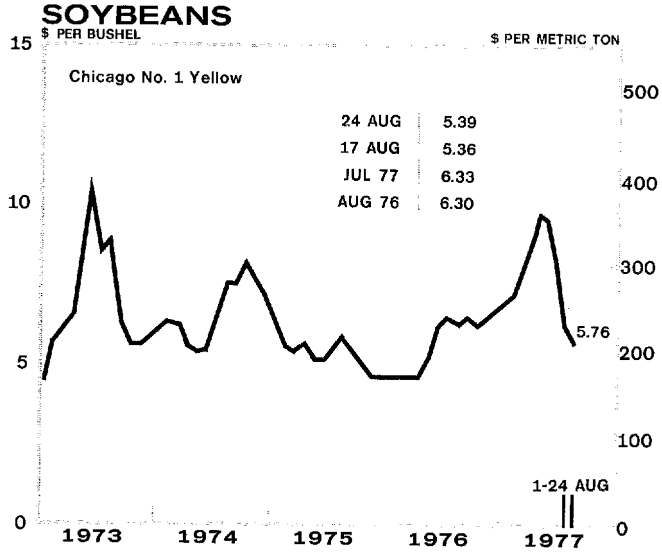
WHEAT



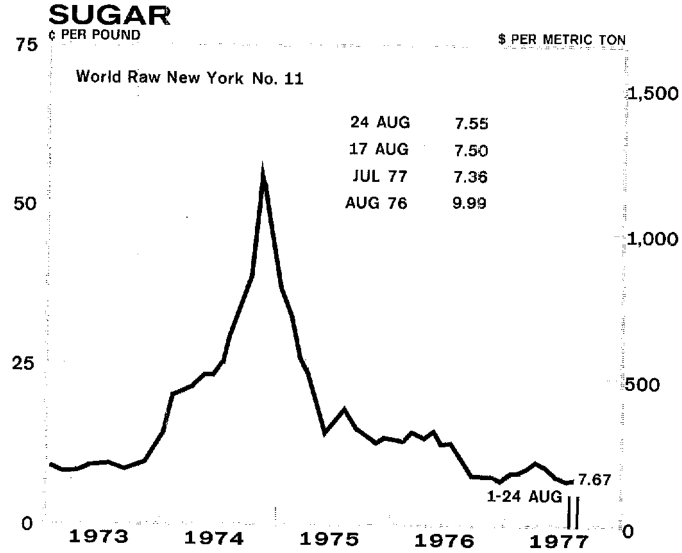
CORN



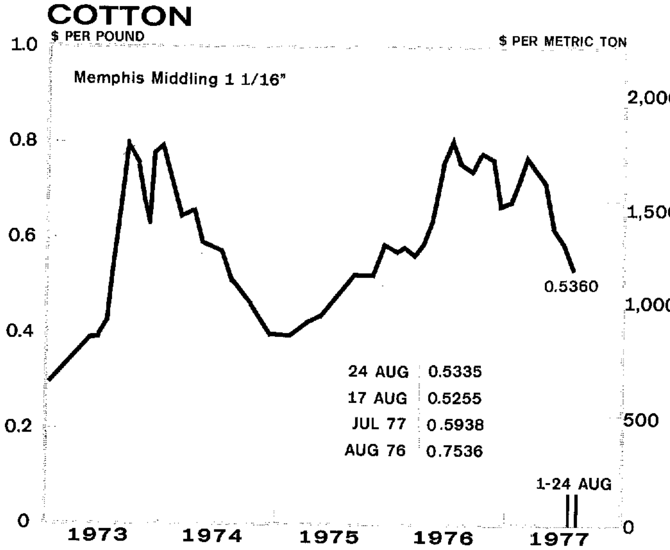
SOYBEANS



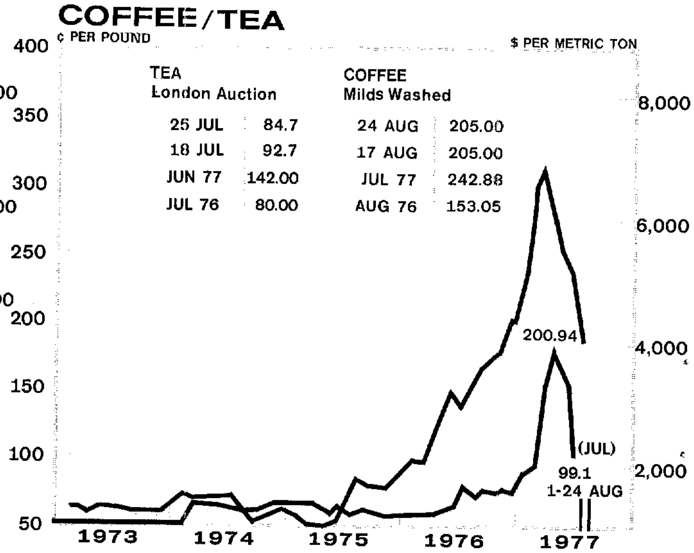
SUGAR

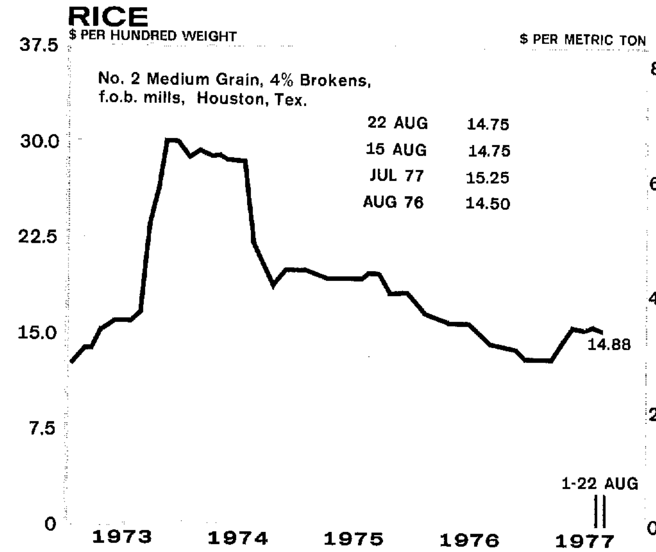


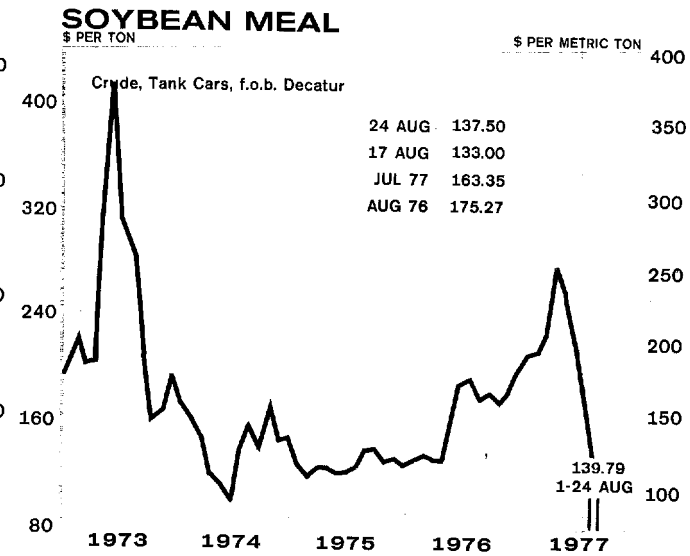
COTTON

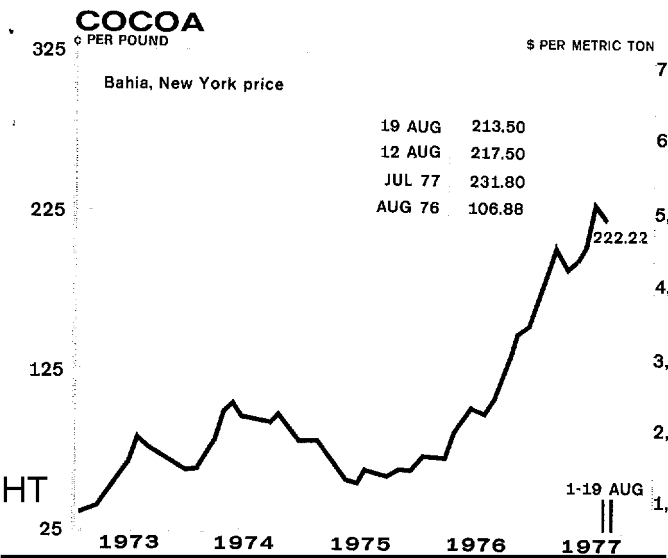


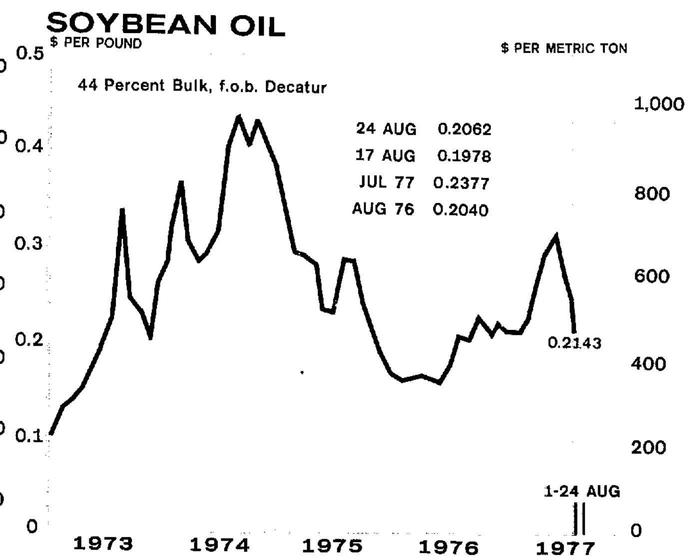
COFFEE/TEA

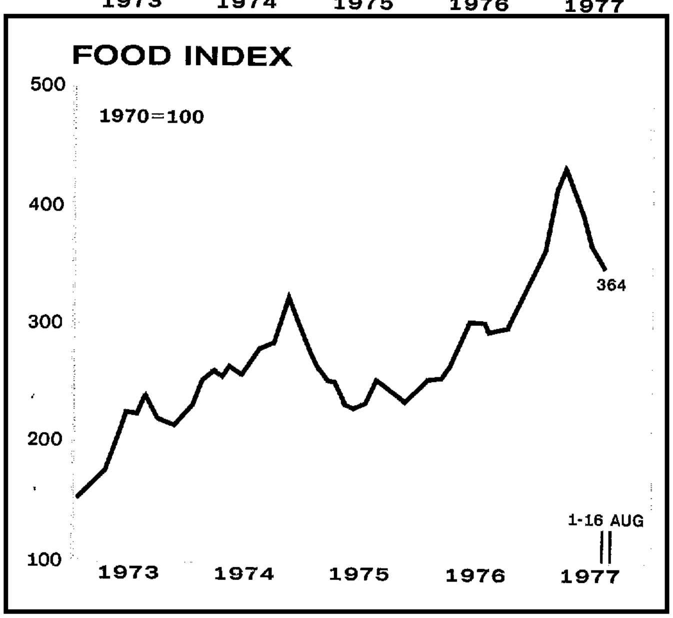










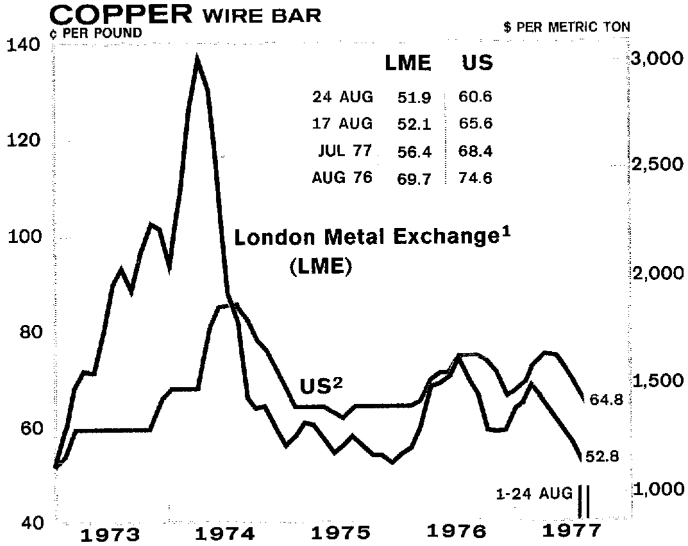


NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

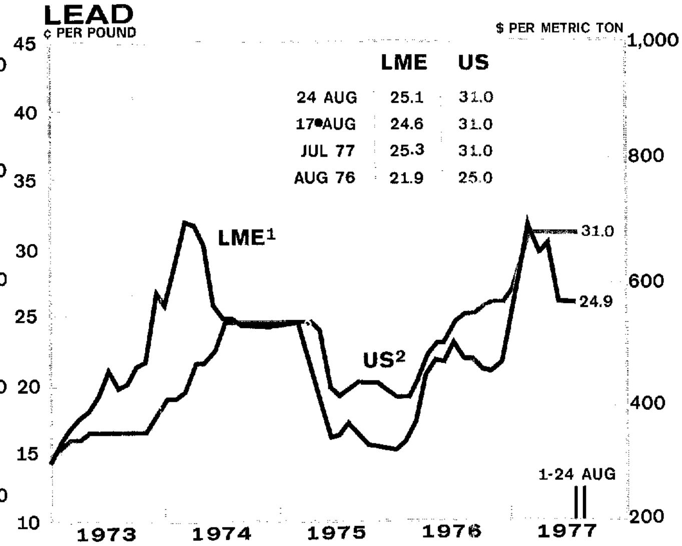
573833 8-77

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

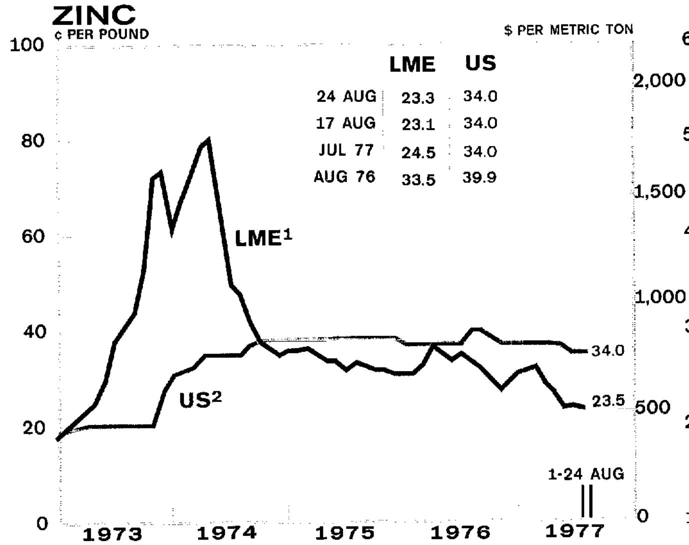
COPPER WIRE BAR



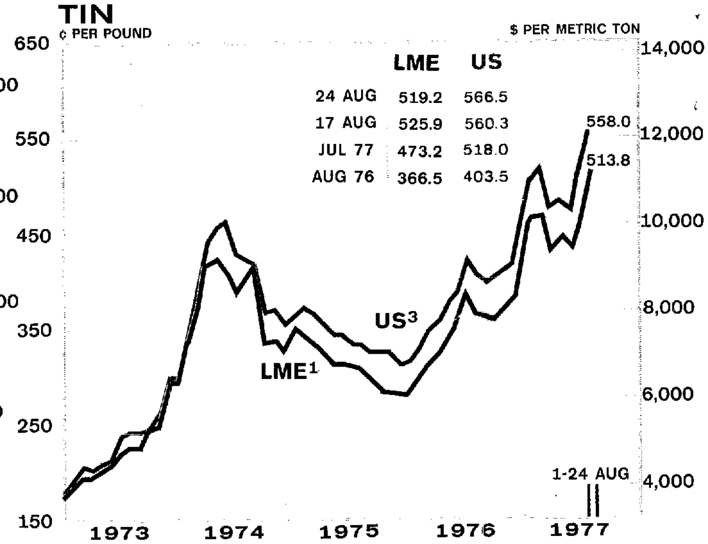
LEAD



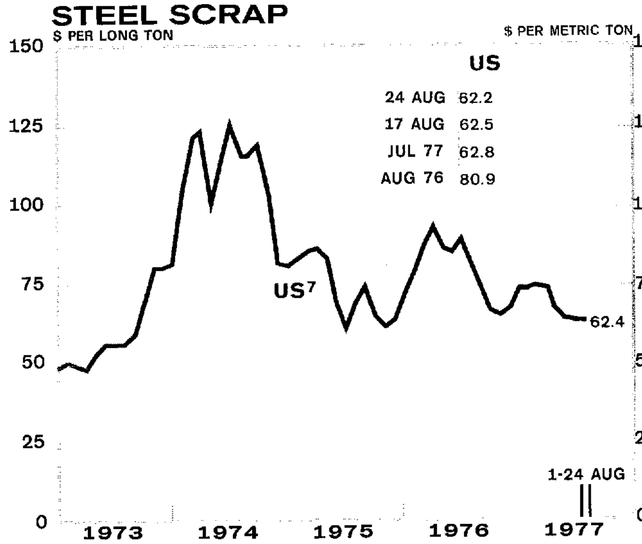
ZINC



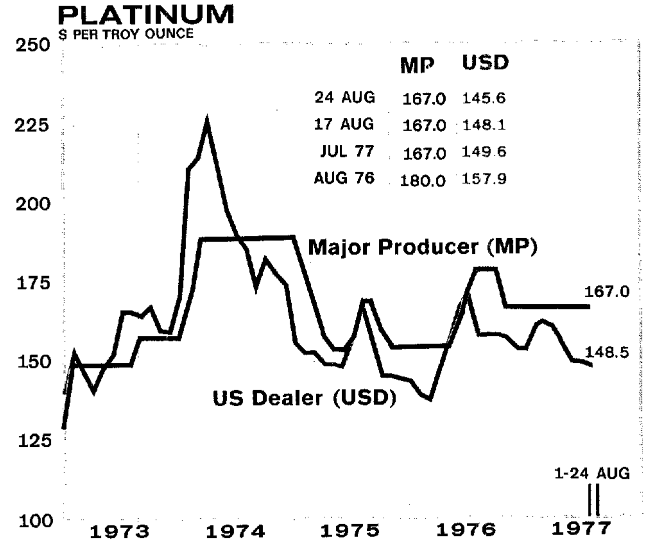
TIN



STEEL SCRAP



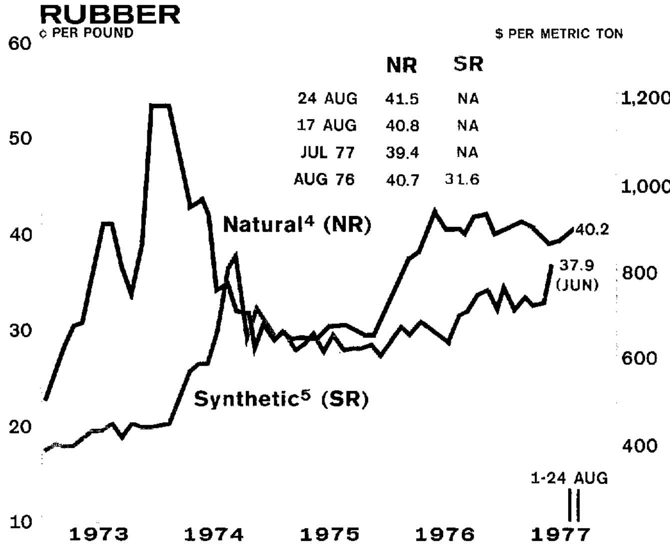
PLATINUM



SELECTED MATERIALS

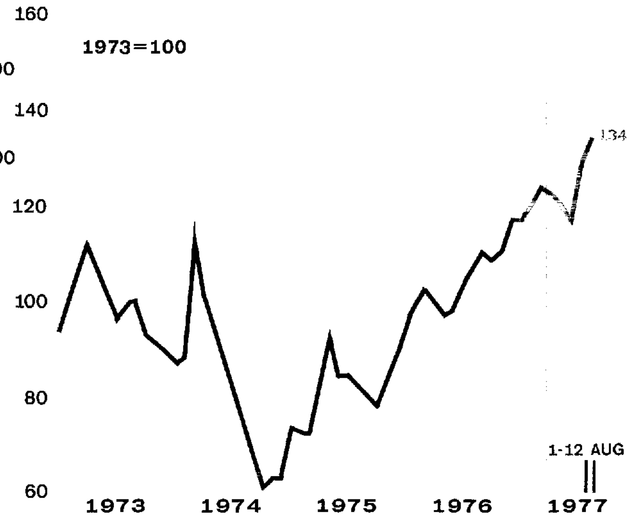
			CURRENT	FEB 77	AUG 76	AUG 75
ALUMINUM	Major US Producer	¢ per pound	53.00	48.00	47.09	40.43
US STEEL	Composite	$ per long ton	357.08	339.27	327.00	289.23
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	20.97	20.05	18.75
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	150.00	150.00	150.00	142.50
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	58.50	42.00	42.00	42.70
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	43.00	43.00	44.55	53.50
NICKEL	Major US Producer Cathode	$ per pound	2.20	2.41	2.20	2.01
MANGANESE ORE	48 Percent Mn	$ per long ton	72.00	72.00	72.00	67.20
TUNGSTEN ORE	65 Percent WO_3	$ per short ton	9,788.68	10,015.64	7,166.26	5,184.16
MERCURY	NY	$ per 76 pound flask	115.00	167.55	110.00	140.00
SILVER	LME Cash	¢ per troy ounce	440.13	453.72	425.81	493.94
GOLD	London Afternoon Fixing Price	$ per troy ounce	143.84	136.31	109.65	163.08

RUBBER

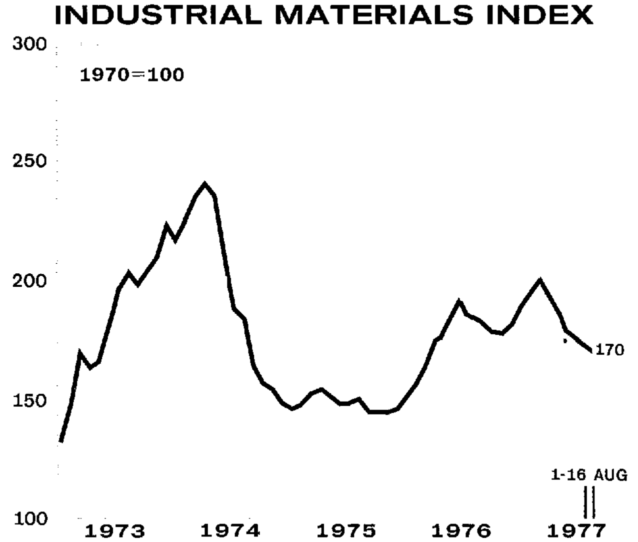


CPYRGHT

LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[1]Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

[2]Producers' price, covers most primary metals sold in the US.

[3]As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

[4]Quoted on New York market.

[5]S-type styrene, US export price.

[6]This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

[7]Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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Next 48 Page(s) In Document Exempt