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ECONOMIC INTELLIGENCE WEEKLY

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Articles

NORTH-SOUTH DIALOGUE: BACK TO THE TABLE

The North-South dialogue, which last peaked at the Conference on International Economic Cooperation (CIEC) meetings in May and June, will resume in earnest this month. In the United Nations and various associated bodies, three issues—UNCTAD's common fund for commodities, LDC debt relief, and the US "basic human needs" approach—will be on center stage this fall. Agreements that would entail profound change in the international economic order are unlikely this year because:

- The North—generally committed to a slower pace of changes—had captured and retains the initiative in the exchanges because of its more forthcoming stance at the last CIEC meetings.

- The countries of the South, whose economic interests vary widely, find difficulty in crystallizing their positions, the more so as the issues become more concrete.

- Several of the most pressing LDC demands have already been scheduled for extended discussion in particular UN bodies.

Both industrialized and developing countries will probably take a bargaining approach in preference to confrontation. Nonetheless sizable gaps remain between LDC proposals and the industrialized countries' responses.

Changes in the Dialogue During the CIEC Period

In the past two years, the North-South dialogue has moved from recurrent acrimony to moderate—if not always sympathetic—exchanges. There have been several major factors in this evolution.

- The CIEC meetings themselves, coming after a series of unilateral demands and proclamations from the South, provided a forum for more rational consideration of the key economic issues. As discussions became more detailed, the LDC representatives found it increasingly difficult to assure that all of their constituency could be satisfied by any particular resolution. This process of education, bargaining, and negotiation had a sobering effect on the more radical elements in the dialogue.

Note: Comments and queries regarding the ***Economic Intelligence Weekly*** are welcome. For the text, they may be directed to [redacted]f the Office of Economic Research, [redacted] for the Economic Indicators, to [redacted]of OER, [redacted]

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- The LDCs now view global economic conditions as less threatening. New institutional arrangements in multilateral finance, greater flows of private capital, and the vigorous use of import restraints generally have brought these countries through the global recession with less-than-expected setbacks to their development plans. For most, foreign exchange reserves are back to previous norms, exports are up, and real GNP growth is close to trend rates.

- LDC expectations that OPEC would use its power to uncritically support LDC demands have steadily declined.

- Expressions of concern by the new US administration—including efforts to avoid import controls, support for expanding the World Bank's capital base, and support for a common fund—and the ongoing review of US-LDC relations have encouraged a belief that the United States is working seriously to meet key needs.

UN General Assemblies

This fall's North-South talks will get under way in the reconvened 31st UN General Assembly (13-16 September), which is dedicated to a review of the accords reached last June at CIEC. These four days will at most allow countries on both sides to present their versions of "successes" and "failures" and to indicate priorities and approaches for future discussions.

Last December, when it became necessary to postpone CIEC's conclusion until 1977, the 31st General Assembly was also extended so that it could review the conference. The LDCs left open the implicit threat that rhetoric and discord could be expected in New York if CIEC failed. Because of CIEC's progress in several key areas, we do not expect the LDCs to push for confrontation; indeed, most of them now express the view that CIEC produced limited but real gains.

- The industrialized countries showed a willingness to negotiate.

- A political commitment to a common fund was achieved.

- The $1 billion special action program got off the ground.

The LDCs will, of course, argue that these measures and other agreements at CIEC fell far short of meeting their needs. Although little evidence exists, we expect that some LDC representatives will use next week's session to voice their displeasure at the industrialized countries' refusal to accept a broader list of LDC demands.

The industrialized countries regard CIEC results as progress in understanding each side's concerns. They consider that the concessions necessary to avoid a confrontation were not too costly. These countries will stress that CIEC decisions in support of a common fund, the $1 billion special action program, and agreements to consider measures in trade and finance were steps toward a new international order. They will probably voice disappointment at the refusal of the LDCs to agree to an energy dialogue and to accept the improved debt relief procedures offered jointly by the United States and the EC. The industrialized nations will affirm their commitment to continue discussions on outstanding issues while stressing the benefits of a nonconfrontational atmosphere.

The LDCs are likely to propose that a Special Session of the UN General Assembly be convened early in 1980 to review progress on North-South issues and to provide a time limit for achieving tangible objectives. Such a proposal reflects the belief, still held by many LDCs, that they need to constantly flog the industrial nations to approach their version of a new international economic order.

At the 32nd UN General Assembly, which opens on 20 September, a scant four days after the close of the 31st General Assembly, North-South economic discussions will focus on an agenda for the coming years. Discussions of an international strategy for the Third Development Decade are likely to gain momentum during the session. Developing countries will also lobby at these meetings for progress on the common fund (when negotiations reconvene on 7 November) and on debt relief (to be taken up at the UNCTAD ministerial meeting in January 1978).

The "basic human need" focus of the United States will likely evoke considerable discussion among the UN delegates. We have observed few exchanges among the LDCs on what they think of the emerging US policies. Most LDCs—and industrial countries, too—seem to be waiting for more details on the US program. LDC reactions will probably be mixed.

- In general, the LDCs will welcome what they perceive to be increased US interest in the Third World. They may note, however, that an emphasis on basic human needs side steps specific LDC proposals for massive changes in the international economy and for an increased LDC role in international institutions.

- Many LDCs probably will be suspicious about how the new US policy will be translated into action. They will want to know more about how the basic human needs strategy links to political issues of human rights; Brazil, Indonesia, and the Philippines, for example, may react by pushing the statement of nonintervention in domestic affairs contained in the Manila Declaration.

- Others—India, Sri Lanka, Egypt, Zambia, Tanzania, Jamaica, for example—will probably welcome the new US emphasis on basic human needs because it coincides with their own professed commitment to the poorest.

Common Fund Issue

Discussions on the common fund are still following two tracks: (a) ongoing sessions on individual commodities and (b) periodic meetings on structure and financing (which will resume for four weeks on 7 November). Even though most commodity exports are generally performing better than at any time since the early 1970s, the common fund issue remains at the forefront of the North-South exchange because:

- The South recognizes that the North has become more attentive to commodity problems since the outset of CIEC.

- Falling prices in copper, sugar, cotton, coffee, and tea have rekindled concern among several key LDCs—for example, Peru, Zambia, the Philippines, Egypt, and Sudan—on terms-of-trade issues.

- A well-structured timetable exists for the various meetings, and each session provides an opportunity for more detailed discussion.

The decision by the industrial countries at the London Summit last spring that there should be some sort of common fund seems to have captured the initiative on this issue. With serious negotiations imminent, the LDCs are faced with two related questions—deciding what they want and how flexible they should be in the negotiations. Beyond price intervention, many LDCs want to ensure that the fund will provide something for everyone, with a so-called second-window to finance various measures unrelated to buffer-stock management.

- African countries, with many exports not suitable for the buffer-stock program, believe that LDCs suffering from a commodity problem should be able to receive aid from the second window, even if no agreement exists on the commodity affected.

- Some LDCs believe that the second window should give aid to finance export diversification. Indeed, a Pakistani official recently noted that, to the extent buffer stocks in commodities raise commodity prices and reduce the quantity demanded, the LDCs will need additional support.

- Some LDCs that are net importers of the commodities likely to be in the program—most notably India and Pakistan—want the second window to provide financial compensation wherever common fund activities raise their import bills.

These attempts to expand the purpose of the common fund are opposed by many Latin American and Southeast Asian countries, which believe that such action could jeopardize agreement.

A second dilemma—how far to deviate from a common position once it has been determined—has not yet been addressed. Flexibility will be difficult to achieve because it would force the LDCs to reopen large group discussions on such thorny issues as the source of common fund financing, the second window, and price indexation.

LDC Debt Relief

The debt relief issue will likely come in for animated discussion in the corridors at the UN General Assemblies and also in UNCTAD. Through last December's CIEC meetings, the issue received considerable attention from both sides because of (a) the Third World perception that the non-OPEC LDCs would not show substantial recovery in their international payments and (b) the anxieties of bankers in developed countries over the reliability of particular borrowers and the size of the total debt. Since then, the strategy of the North—case-by-case adjustments—has achieved widely accepted results in Egypt and Zaire. The net result is that the LDCs, many of which are still faced with record repayments in 1977 and 1978, have not been able to tie their concern to a particular defect in current international arrangements. Moreover, the creation of the Witteveen Facility and the demonstrated flexibility of private bankers in dealing with LDC problems point to a wide range of possibilities in meeting debt problems over the next few years.

The LDCs appear encouraged by the responsiveness of the North to their financial problems and by a sense of regained economic momentum. They now argue that debt relief should be viewed in the larger context of overall economic development and should be provided when growth rates fall below goals established in the UN's Second Development Decade. One related LDC proposal is that the US/EC debt relief procedures tabled at CIEC should be combined with the LDC proposals to form a negotiating text. The industrial countries reject this proposal because they are unwilling to concede anything more on this issue.

Complicating the debt issue is the current effort of the UNCTAD secretariat to carve out a mandate on international monetary and financial issues. Now that the commodity discussions and common fund negotiations are enmeshed in details, UNCTAD is apparently looking for an issue to keep it in the forefront of the

North-South dialogue. Most industrial countries do not want debts discussed in the LDC-dominated UNCTAD, regarding it as a poor forum for guarding creditor-country interests. They would prefer discussions to be held in the IMF/IBRD Development Committee, which they can more easily control and which has greater technical expertise. Efforts to limit the UNCTAD role, however, are coming under a concerted LDC attack. The result is that several European countries—notably Britain and West Germany—have expressed an unwillingness to take a strong stand against UNCTAD involvement.

Outlook

The North's evolutionary approach to changes in the international economy is fundamentally at odds with the oft-stated LDC demands for major overhaul. The LDCs nonetheless seem prepared to tacitly accede to the industrial country approach for the immediate future, for at least four related reasons:

- LDC demands for massive changes—for example, those put forward in the Manila Declaration of 1976—were in part intended to jolt the industrialized countries into action. Thus, the current round of discussions within the new US administration and among the industrialized countries on specific North-South issues represents an LDC success. Most LDCs do not want to endanger favorable policy shifts by pushing too hard on unrealistic demands.

- Some of the richer and more dynamic LDCs do not want radical changes in the existing system and agree with the incremental approach of the industrialized countries.

- Most non-OPEC LDCs—sobered by OPEC diffidence on some key issues—realize that their power to force change on the industrialized countries is limited. At best, the LDCs can prod the industrialized countries by appealing to their interest in global economic cooperation, by pressing humanitarian concerns, and by threatening confrontation at the United Nations that potentially could spill over to other international issues.

- Wide differences in economic conditions within the Third World are creating stresses among the LDCs. The concept of differential treatment that underlies many LDC proposals for changes in the economic relationship ***between*** the industrialized countries and the LDCs is now being used by the poorest countries to demand their own differential treatment ***within*** the LDC group. This is an element in the African and South Asian demands for a second window in the common fund. Similarly, in the area of debt relief, some poorer LDCs with small international debts and scant prospects of debt crises want concessions tied to minimum rates of economic growth.

While these factors combine to impede the action of the LDCs and allow the industrialized countries greater freedom in determining the pace of decisionmaking, in no way do they reduce the general LDC feeling that progress must be made on at least some issues. (Confidential Noforn)

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FRANCE: BARRE PROGRAM YIELDS MIXED RESULTS

French Prime Minister Raymond Barre hopes next week's visit to Washington will generate favorable publicity to help offset the political impact of disappointing economic trends.

Barre's prime strength, his reputation as an economist and administrator, is being undermined by the failure of his economic stabilization program to yield obvious benefits. In its first year of implementation, the Barre plan has slowed wage increases and reduced the trade deficit, but inflation has continued unabated and unemployment has increased substantially. Without radical improvement in the economy, which we do not foresee, the governing center-right parties will have difficulty overcoming the lead of the Socialist-Communist alliance; polls show the Leftists ahead by a 54-46 margin, looking toward Parliamentary elections next March.

Barre's Inheritance . . . .

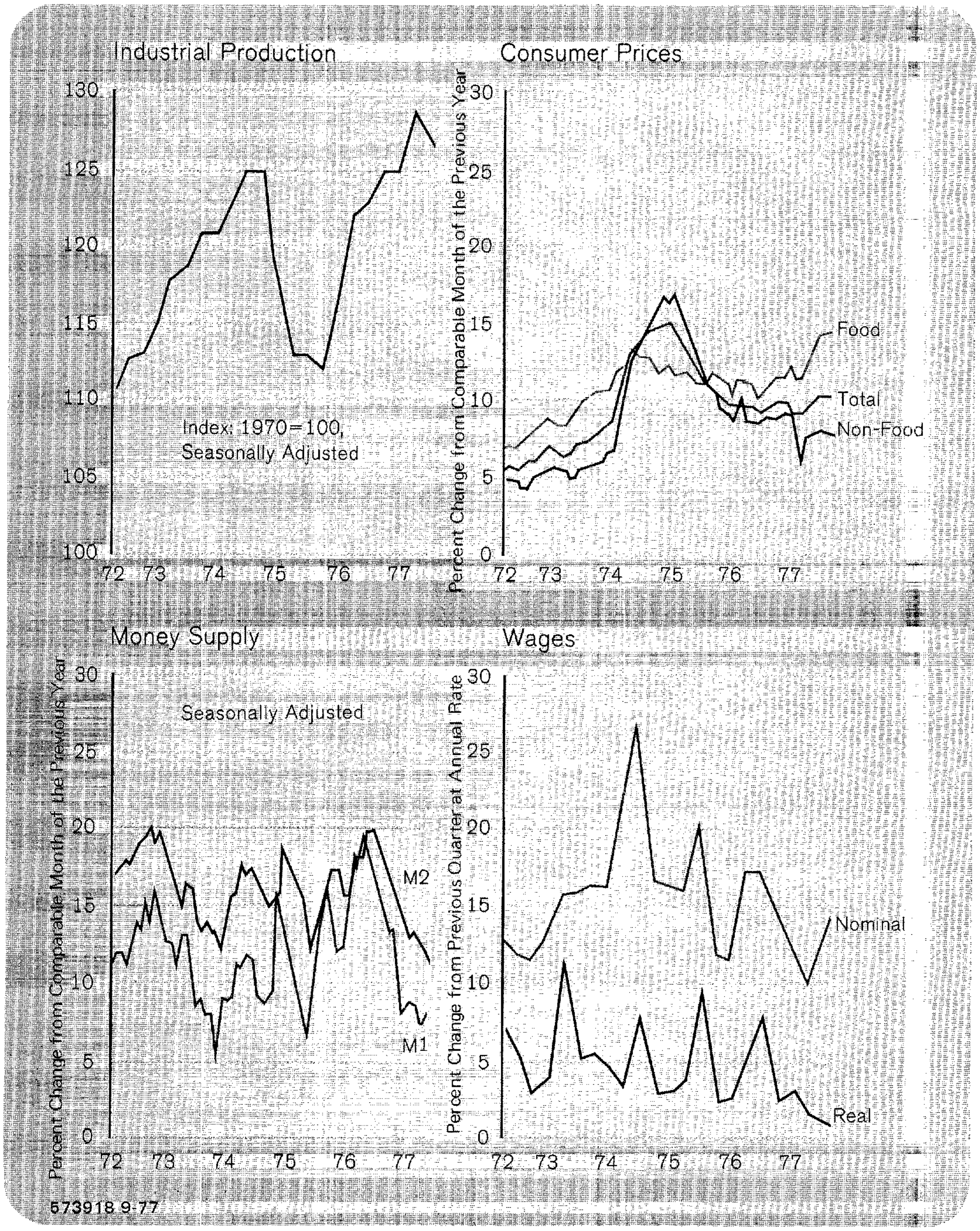
In August 1976 Barre took over the reins of an economy still convalescing from recession. The economic slump itself had been comparatively mild in France; in 1974 and even 1975, real GNP had registered small gains. The adverse psychological impact, nevertheless, was enormous in a country that had experienced steady real growth averaging 5.5 percent for two decades.

By the fall of 1976, the recovery, which had begun strongly a year earlier, was slowing down. Industrial output was leveling off, and unemployment still was near its recession high. Both consumers and businessmen lacked confidence. At the same time the trade balance had shifted back into substantial deficit, and retail price inflation—which had slowed to 10 percent—showed signs of reaccelerating. France's worst drought in several decades was compounding both of the latter difficulties.

His Policy Response . . . .

Faced with this conflicting set of problems, Barre promptly decided to focus on inflation. In part he was inspired by West Germany's success in slowing price increases. Even more, however, he was determined to prevent France from joining Britain and Italy as one of the weak sisters of Europe. The latter two countries, he felt, were caught in a vicious circle of wage increases/ price increases/ payments deficits/ currency depreciation/ wage increases/ and so forth. Fearing a similar development in France, Barre believed he had to act firmly to return France to its earlier pattern of rapid and stable growth.

France: Selected Economic Indicators



The new Prime Minister announced a broad package of anti-inflation moves within a few weeks of his appointment. The centerpiece of the program was a strict guideline that wage increases should not exceed rises in the cost of living. Barre did not seek formal wage controls, but the government pledged to follow the guideline in its own wage settlements and vowed to exert maximum pressure on business to do likewise. In addition, Barre sought to cut growth of the broadly defined money supply (M_2) to 12.5 percent in 1977 and to reduce the government deficit. Finally, the Barre Plan included two measures aimed specifically at breaking inflationary psychology: a three and a half month general price freeze and a reduction in the value-added tax on most manufactured products.

And the Results: Some Pluses . . . .

Barre's most dramatic success has come on the wage front, where the rate of increase has been substantially reduced. During the first two quarters of 1976, the increase in average hourly wages had accelerated to a 17.1-percent annual rate. After Barre took office, wage increases began a steady decline, reaching a 9.4-percent annual rate in first quarter 1977—the smallest quarterly gain since 1969. While the rate bounced back to 13.9 percent in the second quarter, this did not substantially violate the Barre Plan guideline. In real terms, wage gains continued to slow in the second quarter, hitting an annual rate of only 1.0 percent.

Paris also has engineered a striking deceleration of monetary growth, to well within the Barre limits. For the 12 months ending May 1977, M_2 had grown only 11.3 percent, compared with a 20.3-percent rise for the 12 months ending in May 1976. For the narrowly defined money supply (M_1), the slowdown was even more spectacular—from 19.0 percent in May 1976 to 8.1 percent in May 1977.

Barre has achieved considerable success in the foreign sector, where the trade deficit has declined substantially and the franc has held steady. The trade balance had moved back into deficit late in 1975 as the French recovery got under way. The problem became critical during second half 1976 when the deficit widened to record levels; the drought was beginning to take its toll, cutting agricultural exports and causing increased imports of food and energy. Since November the situation has improved fairly steadily. The deficit declined more than 65 percent from fourth quarter 1976 to second quarter 1977. Had it not been for the lingering effects of the drought—which continue to affect agricultural trade flows—a small trade surplus might have been recorded.

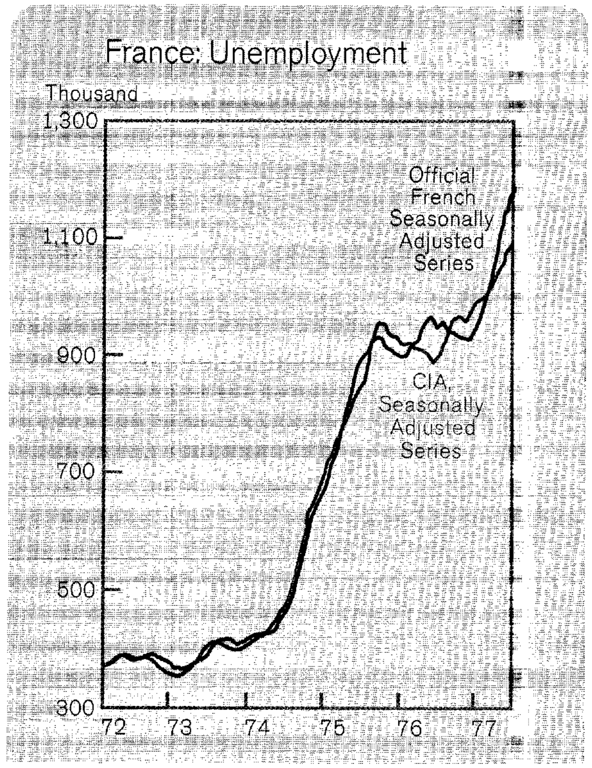
. . . And Some Minuses

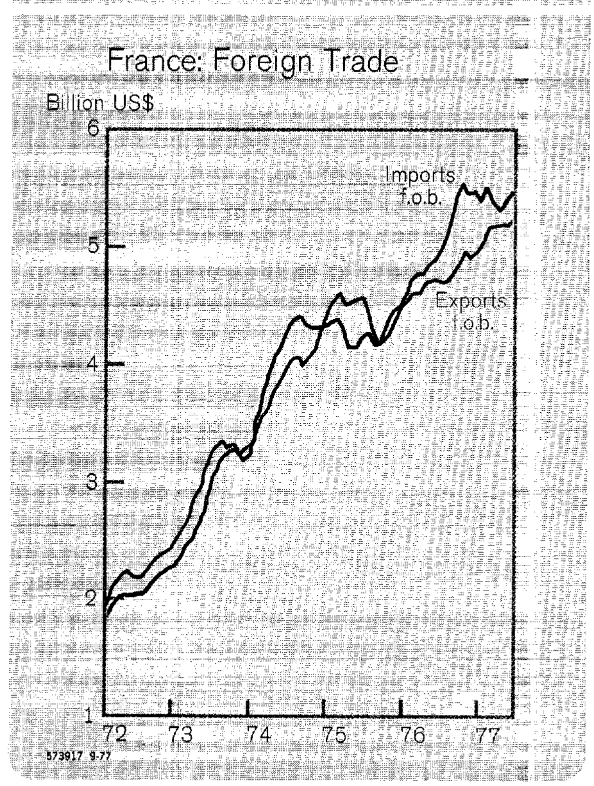
Barre's imposition of a restrictive policy at a time when recovery already was slowing almost inevitably meant slower economic growth in 1977. Most observers expect a smaller increase in real GNP this year—perhaps 3.5 percent, down from 5.2

percent last year. Industrial output has been erratic: stagnant in late 1976, up sharply in first quarter 1977, then down somewhat in the second quarter.

Slower growth has brought with it a surge in unemployment—up 24 percent over the past 12 months, to two and one-half times the pre-recession level. All of the increase has occurred since the start of 1977, according to the official French seasonally adjusted data. A CIA seasonally adjusted series shows the increase occuring much more evenly over the past 12 months. High unemployment has become a chief point of attack for the Socialist/Communist opposition leaders, who further charge—with much justification—that the government figures badly understate the true unemployment problem.

The government's other major weak spot is the consumer price index—which continues to rise at a 10-percent pace, defying Barre's original hope of slowing it to 6.5 percent by the end of 1977. In part, the process of rooting out several years of accumulated inflationary pressures is taking longer than expected. Even more, however, the problem is due to a factor outside Barre's control—the rise in food prices. Over the past 12 months, the food component of the price index has jumped 14.4 percent, while nonfood prices have gained only 7.9 percent. The spurt in food costs, in





turn, is largely attributable to (a) severe drought, which badly hurt French vegetable crops and pasturage last year, and (b) a rise of 136 percent in prices of imported unprocessed foods in the 12 months through last April.

Prime Minister Barre has repeatedly emphasized that curing France's economic ills will require several years of careful economic management. From this longrun perspective, the overall results of the Barre Plan to date are positive even though they fall short of his original expectations. Unfortunately for the center-right's cause, his successes have come in areas that have little voter appeal: restraint on wages and the money supply and improvements in the trade balance. By contrast, his relative failures—unemployment and inflation—are only too visible to the man in the street.

Outlook: Moderate Improvement

On the whole the economic picture is likely to improve between now and election time but not enough to win back alienated voters. The government's biggest worry—unemployment—should look better over the next six months. The official total will at worst level off at about the current level; it is more likely to register a slight decline. Any apparent drop, however, will be due more to the peculiarities of the seasonal adjustment process used by the French than to a genuine improvement in the labor market.

Inflation should show some signs of slowing by March, due to normalization of the agricultural situation and slower growth of wages and money. Larger harvests also could contribute to a further reduction of the trade deficit. Economic growth will continue to be relatively weak, getting only a small boost from measures announced last week—additional credits for industry, more aid for the poor, and lower interest rates. (Confidential Noforn)

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CUBAN NICKEL: EXCELLENT HARD CURRENCY EARNINGS POTENTIAL

In the event of full normalization of US-Cuban relations, Cuba could quickly boost hard-currency nickel sales from the present $45 million annually to as much as $125 million, mainly through diversion of supplies now being shipped to the Communist countries. By 1985, after the completion of Havana's current program to expand nickel capacity, hard currency sales could reach $200 million at current prices and could account for 15 to 20 percent of total hard currency earnings, double this year's share.

Current Production and Trade

Large Cuban laterite deposits—nearly 6 percent of world nickel reserves—provide Havana the opportunity to greatly diversify its hard currency exports, now 80 percent sugar. Cuba was beginning to take greater advantage of this opportunity at the time of the 1959 Castro takeover. Following the US trade embargo, technical difficulties restricted output and discouraged new investment. Resolution of these difficulties since the late 1960s has restored production to near capacity. Cuba can

Cuba: Nickel Production and Exports

Thousand Tons, Metal Content

	1971	1972	1973	1974	1975	1980[1]	1985[1]
Production	36.5	36.7	35.2	33.9	37.3	47	77
Oxides	18.0	17.5	17.0	16.5	18.3	23	53
Concentrates	18.5	19.2	18.2	17.4	19.0	24	24
Exports	33.2	31.7	38.3	34.0	30.9	46	74
Oxides	16.1	12.5	20.1	16.6	11.9	22	50
USSR	6.0	0	0	0	0	0	15
Other CEMA	3.5	4.3	4.5[2]	4.5[2]	4.5[2]	6	10
Non-Communist	6.6	8.2	15.6[2]	12.1[2]	7.4[2]	16	25
Concentrates	17.1	19.2	18.2	17.4	19.0	24	24
Domestic use	Negl	Negl	Negl	Negl	Negl	1	3
Stock changes	3.3	5.0	-3.1	-0.1	6.4	0	0

[1] Projected.
[2] Estimated.

produce approximately 37,000 tons annually in two US-built plants located in Holguin Province:

- The Nicaro plant, which uses a relatively unsophisticated technology to produce 18,000 tons of marketable nickel oxides.

- The Moa Bay plant, which uses a sophisticated sulfuric acid leaching process to produce 19,000 tons of nickel concentrates.

Limited access to non-Communist markets has kept Havana dependent on the Communist countries for 75 percent of its $190 million annual nickel exports. Strict enforcement of US import sanctions on goods containing Cuban nickel has caused Western steel industries to restrict purchases from Havana. Cuba thus has remained a residual supplier to the free market and has difficulty maintaining its market share during periods of slack demand. Although itself a net nickel exporter, Moscow purchases practically all of Cuba's concentrates. One-quarter of Cuban nickel oxide is sold to Eastern Europe, leaving the remaining three-quarters—an estimated 14,000 tons—available for the West. Despite recent price shaving, Havana has been unable to sell this entire amount to the West, and stocks have risen.

Initial Effects of Trade Normalization

While Havana's economic planners currently assert that normalization of US-Cuban commercial relations will not affect traditional trade patterns, we believe that Cuba would try to quickly exploit nickel's hard-currency earnings potential. Low world sugar prices and concern over $1.4 billion in outstanding debts to Western countries have recently led to a sharp cutback in imports of Western capital goods needed for the 1976-80 investment plan. Probable US insistence on a slow reentry of Cuban sugar to the US market will make nickel the best vehicle to finance initial Cuban purchases of US machinery and grain.

In these circumstances, we believe Havana would seek to divert nickel shipments from the USSR to the United States. Strong US demand for concentrates represents an $80 million potential market for Cuba. A Louisiana refinery—owned by Amax Corporation and constructed in the late 1950s to process Cuban concentrates—probably would take a substantial share of Moa Bay's output. The denial of Cuban concentrates following the US embargo had forced the refinery to remain closed until 1974 and is a factor limiting current production to about 80 percent of its 36,000 ton capacity. Access to Cuban concentrates would allow the United States refinery to operate at full capacity while reducing its dependence on competitors for raw material supplies.

Havana would have to overcome some Soviet resistance to divert its concentrate shipments to the US market. Despite its position as a net exporter, Moscow would be reluctant to lose the Cuban concentrates because they replace an equivalent amount of domestic nickel that is sold for hard currency. Moreover, Moscow extracts about 1,000 tons of needed cobalt from the Cuban concentrates. Since the Soviets support the US-Cuban trade normalization efforts as a step toward reducing their subsidization of the Cuban economy, we believe they would eventually go along with the diversion.

Expansion Plans

Cuba's current $400 million nickel expansion program is part of its strategy—adopted under Soviet prodding—of spurring exports. Although delays are occurring, the Soviet-financed program should double annual nickel production capacity by 1985, to 77,000 tons.

- Construction of a new 30,000-ton nickel oxide facility at Punta Gorda under way; the opening of the first 10,000-ton line, originally scheduled for 1980, should take place in 1982-83, with full production by 1985.

- Expansion of the Nicaro oxide plant should raise capacity by 25 percent to 22,500 tons by 1978-79.

- Expansion of the Moa Bay plant should increase nickel concentrate capacity by 26 percent to 24,000 tons by 1978-79.

Although the Council for Mutual Economic Assistance (CEMA) plans to finance a 30,000-ton oxide facility at Las Camariocas, little work has been done, and production can not get under way until the late 1980s.

Since the Communist countries will have little need for additional nickel supplies, about 60 percent of the $325 million exports (at 1977 prices) in 1985 will be available for hard-currency sale. Havana will give the West priority to purchase the initial 25,000 tons of oxides and probably the 24,000 tons of concentrates. To repay Soviet financial assistance, Havana has committed 15,000 tons of new oxide production to the USSR. Cuban sales to Eastern Europe could double from the current 4,500 tons to help finance increased Cuban imports from the area.

Havana is relying on Soviet technology in the expansion effort, and the new production lines will be simple Soviet modernizations of techniques currently employed in Cuba. This unsophisticated technology is well understood by the Cubans. The higher operating costs of Soviet equipment will be more than offset by (a) the lower cost of Soviet technical assistance and (b) the expected continuation of Soviet subsidies for petroleum and other raw materials used in nickel production. Soviet petroleum charges to Cuba have not risen as fast as those for Eastern Europe. Moreover, a Soviet-Cuban agreement to hold their bilateral terms of trade constant already restricts the rise in Cuban production costs through 1980 and could continue beyond.

Western participation in the expansion program probably will be limited to marketing arrangements to help Havana penetrate the oligopolistic world nickel market. Depletion of the world's high-grade nickel sulfide deposits benefits Cuba by increasing demand for higher cost laterite. To compete with major multinational corporations, Havana may well try to ally itself with small Western nickel firms that enjoy established market positions but have limited resource supplies. (Secret Noforn-Nocontract)

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EC INROADS INTO US STEEL MARKET

Seeking outlets for excess capacity, EC and other foreign steel producers have again been turning to the US market. An import surge in first half 1977 was led by West European producers, who slashed export prices in an effort to spur sales. Prospects for continued weak demand and depressed operating rates in foreign producing countries point to continued efforts to export to the US market.

First Half Export Surge

Foreign steel producers sharply increased their exports to the US market in first half 1977. Steel shipments to the United States in the first quarter rose 11 percent from a year earlier and jumped another 39 percent in the second quarter, to

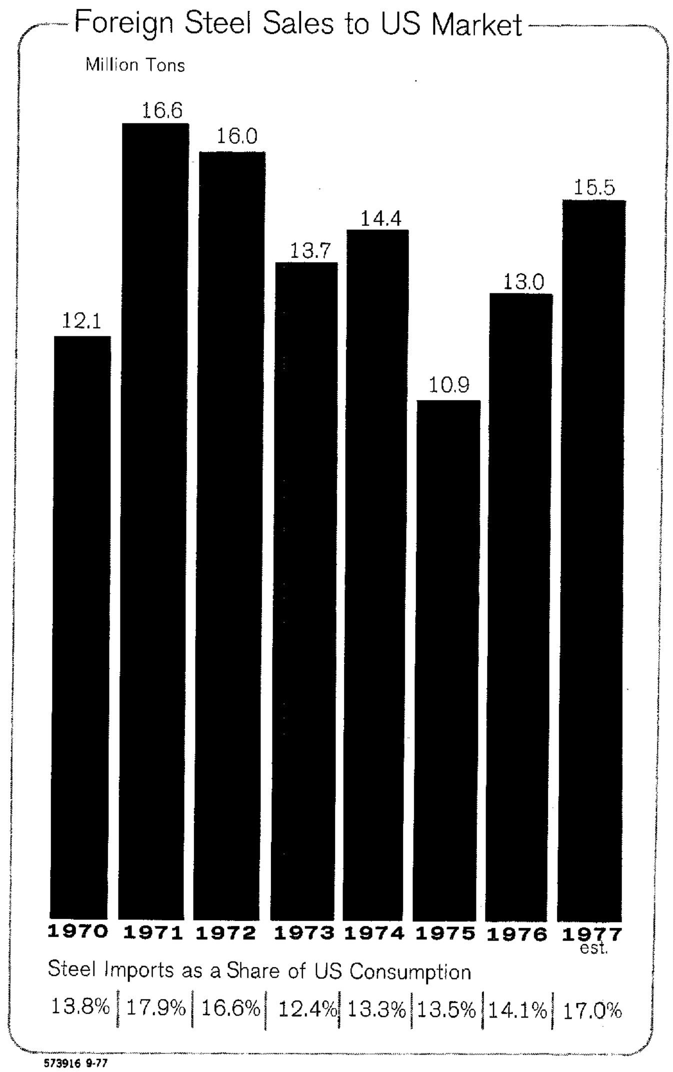
United States: Imports of Steel Mill Products

	Thousand Tons		Percent		
	1st Half 1976	1st Half 1977	Change (1st Half 1977 over 1st Half 1976)	Share of Import Market 1st Half 1976	Share of Import Market 1st Half 1977
Total	**5,788**	**7,301**	**26**	**100**	**100**
Japan	3,519	3,552	1	61	49
EC	915	2,004	119	16	27
Canada	652	879	35	11	12
Latin America	76	181	138	1	2
Other	626	685	9	11	10

a record annual rate of 17.2 million tons. US imports as a share of total consumption jumped from 14 percent last year to 18 percent in first half 1977.

Unlike 1974 and 1976 when rising US steel imports were attributable to increased Japanese sales, the first half 1977 runup resulted from sharply higher shipments by EC countries. Imports from the EC more than doubled during the first six months and accounted for 72 percent of the first half increase in US steel purchases. Canada and Latin American countries accounted for 22 percent of the import increase, Japan for 2 percent.

The EC's share of the US import market jumped from 16 percent in first half 1976 to 27 percent this year, as all EC producers recorded large increases in their steel exports. Increases ranged from a high of 247 percent for Italy to a low of 41 percent for the United Kingdom. On a tonnage basis, France and West Germany recorded the largest increases, up 350,000 and 260,000 tons, respectively. In contrast, steel shipments by the Japanese rose only 1 percent, while their market share declined by 12 percentage points, to 49 percent.



Impact of Export Surge on US

The first half surge in foreign steel shipments was a major factor in the decline of the US industry operating rate, down from first half 1976 by 4 percentage points, to 78 percent of capacity. Higher steel shipments from abroad, also resulted in inventory accumulations for both US producers and consumers, with consumer inventories rising an estimated 250,000 tons in the first six months, and producer stocks about 300,000 tons. The US net steel trade deficit in first half 1977 totaled $1.8 billion, more than triple the first half 1976 deficit and 15 percent of the overall US trade deficit.

EC Export Drive

Among major steel producers, the EC has been hardest hit by the slow pace of economic growth in the industrialized countries. Last year EC producers operated at an average 67 percent of capacity, compared with 77 percent in Japan and 79 percent in the United States. In an effort to bolster sagging output and improve depressed operating rates, EC producers mounted an export drive early this year.

While protecting their own market from imports, EC producers cut list export prices and offered sizable discounts on a wide range of steel products. Although list prices were cut by only 2 percent in first half 1977, down from $290 a ton to $285 a ton, discounts of as much as 25 percent for some products resulted in a large price advantage for EC exporters. The price differential was further widened as other major competitors raised their steel prices. Japanese producers increased their export prices by nearly 4 percent, and US producers hiked domestic prices 6.9 percent.

While all EC producers have cut prices, French and British steel producers have made the deepest cuts. British steel plates and structurals have been delivered in the United States for $60 to $90 a ton less than the US price and nearly $50 a ton under the Japanese price; French steel rods are being sold at less than $200 a ton, compared with a US domestic price of about $225 a ton.

The EC export drive is narrowly concentrated on the US market. During first half 1977, total EC steel exports (excluding intra-EC sales) were up 37 percent compared with a year ago. Increased sales of 1.1 million tons to the United States accounted for nearly 70 percent of this gain. Higher sales to other West European countries accounted for the bulk of the remainder.

The first half export drive provided no net relief to EC steel producers as softening demand at home more than offset higher exports. Indeed, steel output declined 3.7 percent from a year earlier, and operating rates slipped 2 percentage points, to 65 percent of capacity. Stronger foreign sales did help EC producers reduce their excess inventories by an estimated 225,000 tons in the first half.

Outlook for Second Half

Prospects for second half 1977 suggest continued sluggish demand, low capacity utilization rates, and worsening profit margins in major producing countries. EC producers will be under pressure to continue offering large price discounts on steel products. We expect sales efforts by the EC to continue to concentrate on the US market. Japan, meanwhile, probably will keep exports to the US market at last year's level to avoid intensifying protectionist sentiment. Although we do not expect steel shipments to the US market in the second half to continue at the record second quarter pace, they probably will exceed first half levels and total about 15.5 million tons for 1977, up 20 percent from 1976. (Confidential)

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Notes

USSR: Railroads Fail To Deliver Needed Fuels and Ores

The Soviet railroad system once again is failing to deliver the quantities of fuels, ores, and other commodities scheduled under the annual plan.

- Deliveries of coal from the Donets and Kuznetsk Basins are behind schedule.

- Already the railroads are being urged to transport fuel needed for the winter; in July the situation with regard to fuel shipments was "cause for alarm" according to the Soviet press.

- In one illustrative case involving the Omsk Oil Refinery, failure to keep up with the production plan was attributed to inadequate rail facilities.

The chronic failure of the rail system to meet plan quotas could be of particular concern to the Soviet leadership in 1977 because of (a) the probability of a second, consecutive record grain harvest—which could prove disruptive to industrial production schedules in the latter part of 1977—and (b) the ever-increasing importance of the flow of Siberian fuel and raw materials to the western industrial areas. The generally poor performance is the result of the longstanding failure of Soviet planners to allocate sufficient resources to expand and refurbish rail capacity. At the same time, the Soviet system has proved inflexible in meeting modern-day demands for improvements in efficiency. In the case of the railroads, the Soviets have failed to (a) sufficiently reduce turnaround time of railcars, (b) provide feeder lines and factory rail facilities in timely fashion, and (c) upgrade the railroad work force. (Confidential)

Mauritania: Military Expenditures Strain Economy

Because of the conflict over the Western Sahara, Mauritania's national budget has soared in the past year, with defense accounting for a third of total expenditures. The stagnation of world copper and iron ore prices has caused a drop in the government's income at a time when new resources are required to cover expanding defense costs. Only the aid of the conservative oil-producing states—Saudi Arabia, Kuwait, and the United Arab Emirates—keeps Mauritania's economy afloat. In 1976, these three nations contributed more than the equivalent of the national budget to help the government in various ways—for example, to support its currency, to purchase modern arms, and to keep government services functioning.

Much-needed development projects have been abandoned or postponed for lack of investment funds. Two important agricultural projects along the Senegal River—the project for exploiting the phosphates of the Kaedi region and the Gorgol River irrigation scheme—have been shelved, and the expansion of the road transport system has been delayed.

The government has imposed a series of special taxes to help finance the growing military effort. Local companies are obliged to contribute 2 percent of their annual turnover, while salaried workers are taxed an extra 1 to 3 percent of their monthly wages. With inflation reaching a rate of more than 30 percent and growing shortages of basic foodstuffs—rice, sugar, and cooking oil—discontent among the population is on the rise. (Confidential)

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Publication of Interest*

Nuclear Energy
(ER 77-10517, August 1977, Unclassified)

This report presents an overview of the Free World nuclear industry. It assesses the supply/demand outlook through the mid-1980s for uranium mining and milling operations, uranium enrichment services, nuclear fuel fabrication facilities, the potential impact of the international sale of nuclear power plants, the lower forecasts for installed nuclear generating capacity, and nuclear power plant performance.

*A copy of this publication may be obtained by calling [redacted] 25X1A

Approved For Release 2002/02/01 : CIA-RDP79B00457A000200020001-9

ECONOMIC INDICATORS

Prepared by

The Office of Economic Research

ER EI 77-036
8 September 1977

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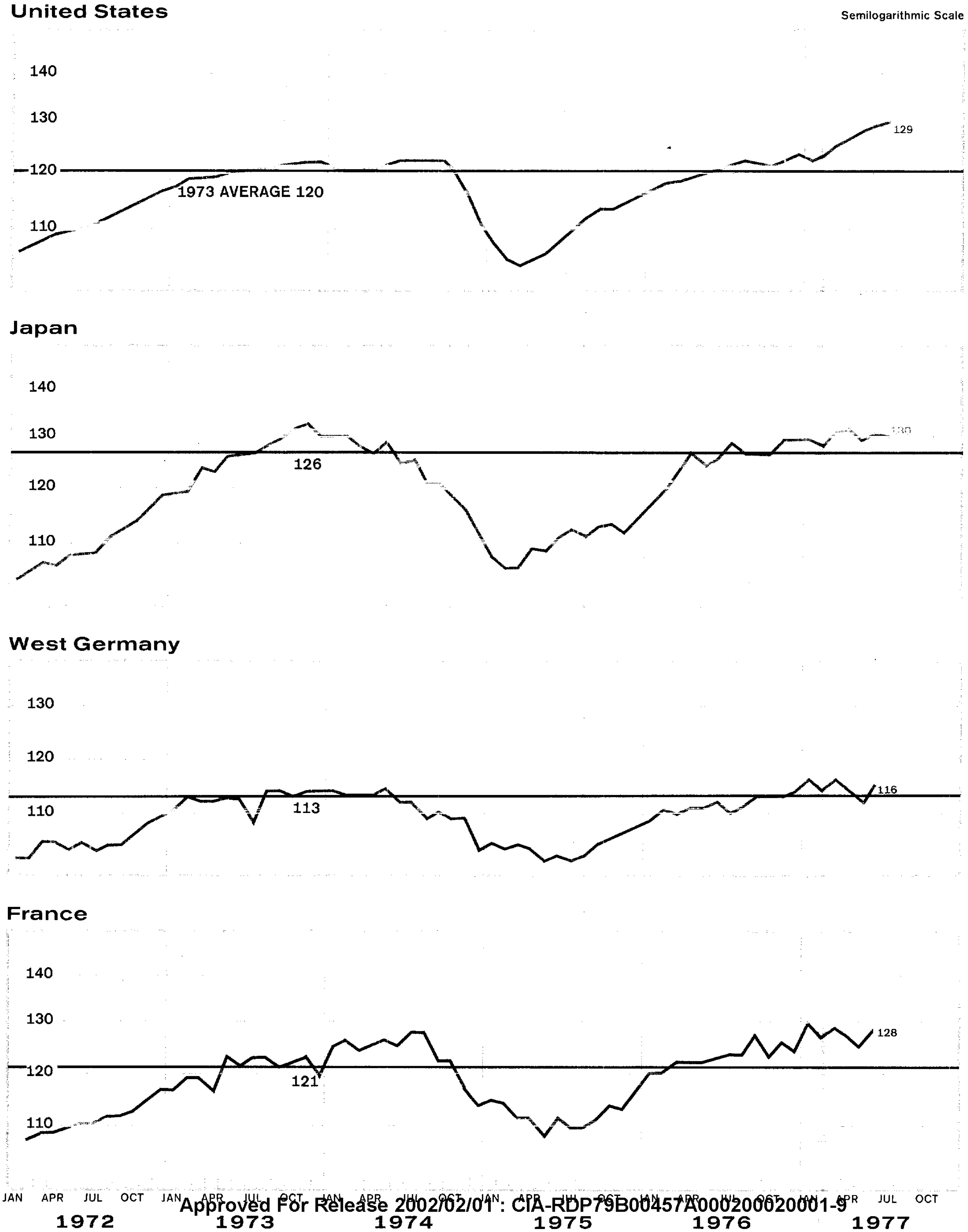
FOREWORD

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.

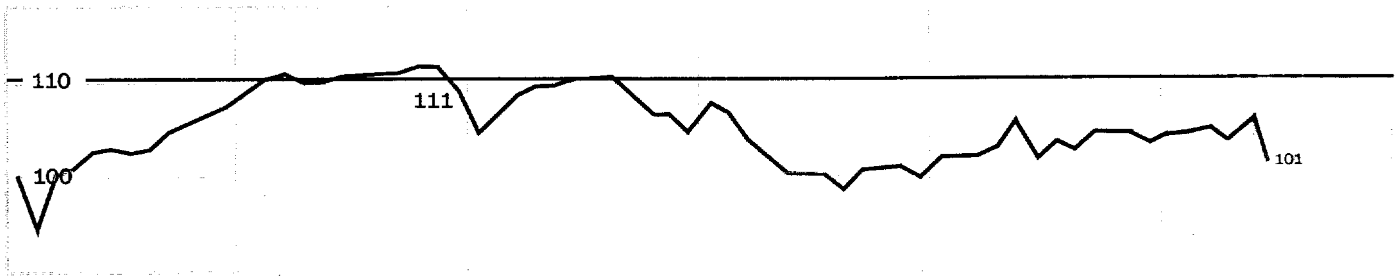
2. Source notes for the **Economic Indicators** are revised every few months. The most recent date of publication of source notes is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

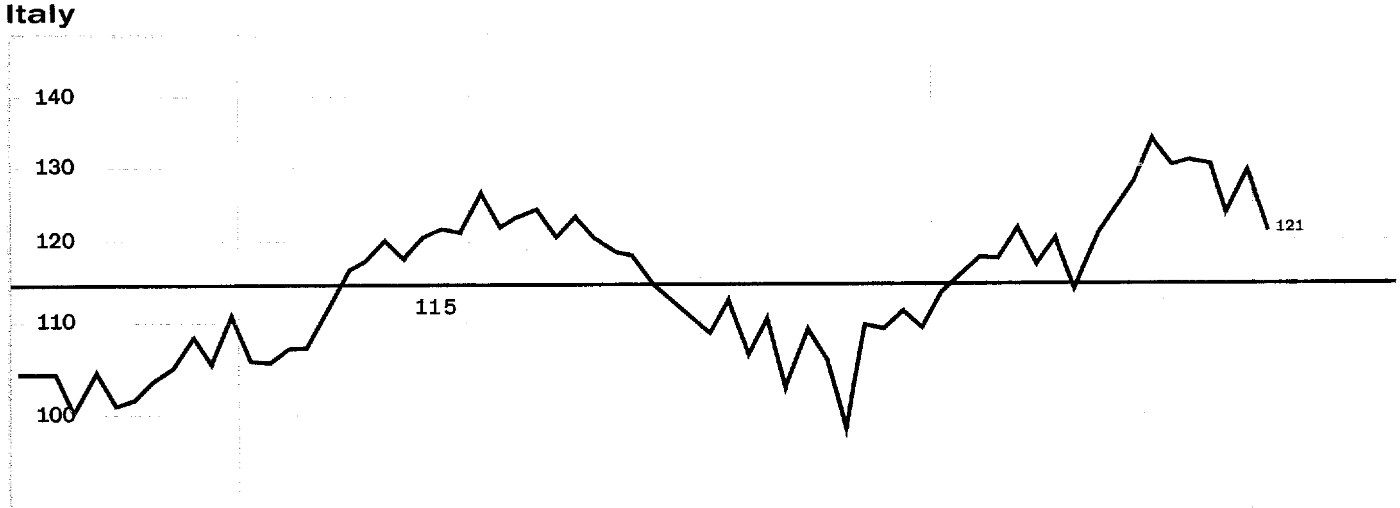


Semilogarithmic Scale

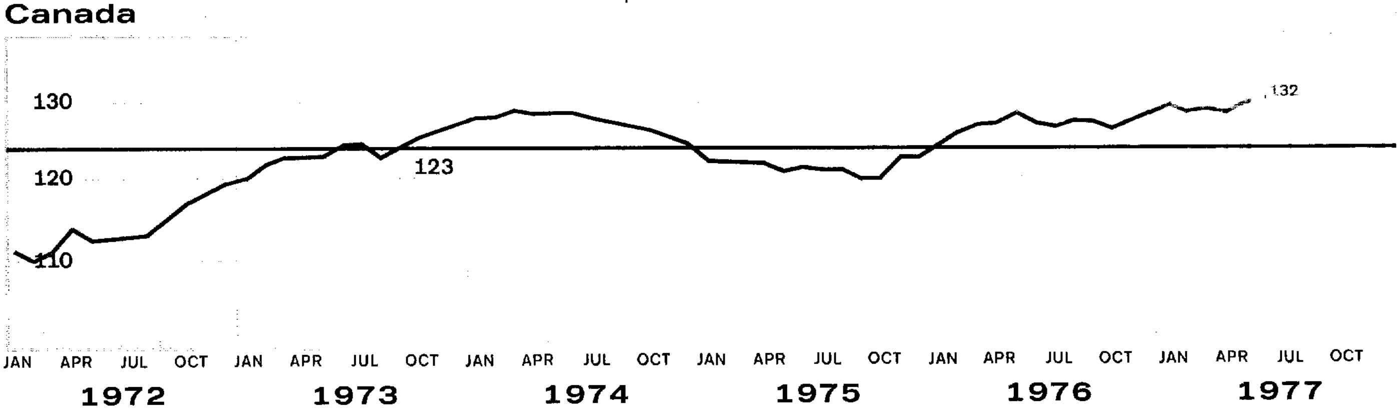
United Kingdom



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	JUL 77	−0.9	3.8	1.2	0.7
West Germany	JUN 77	1.8	2.2	3.6	−6.6
France	JUN 77	3.2	3.6	4.1	−8.0

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[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.

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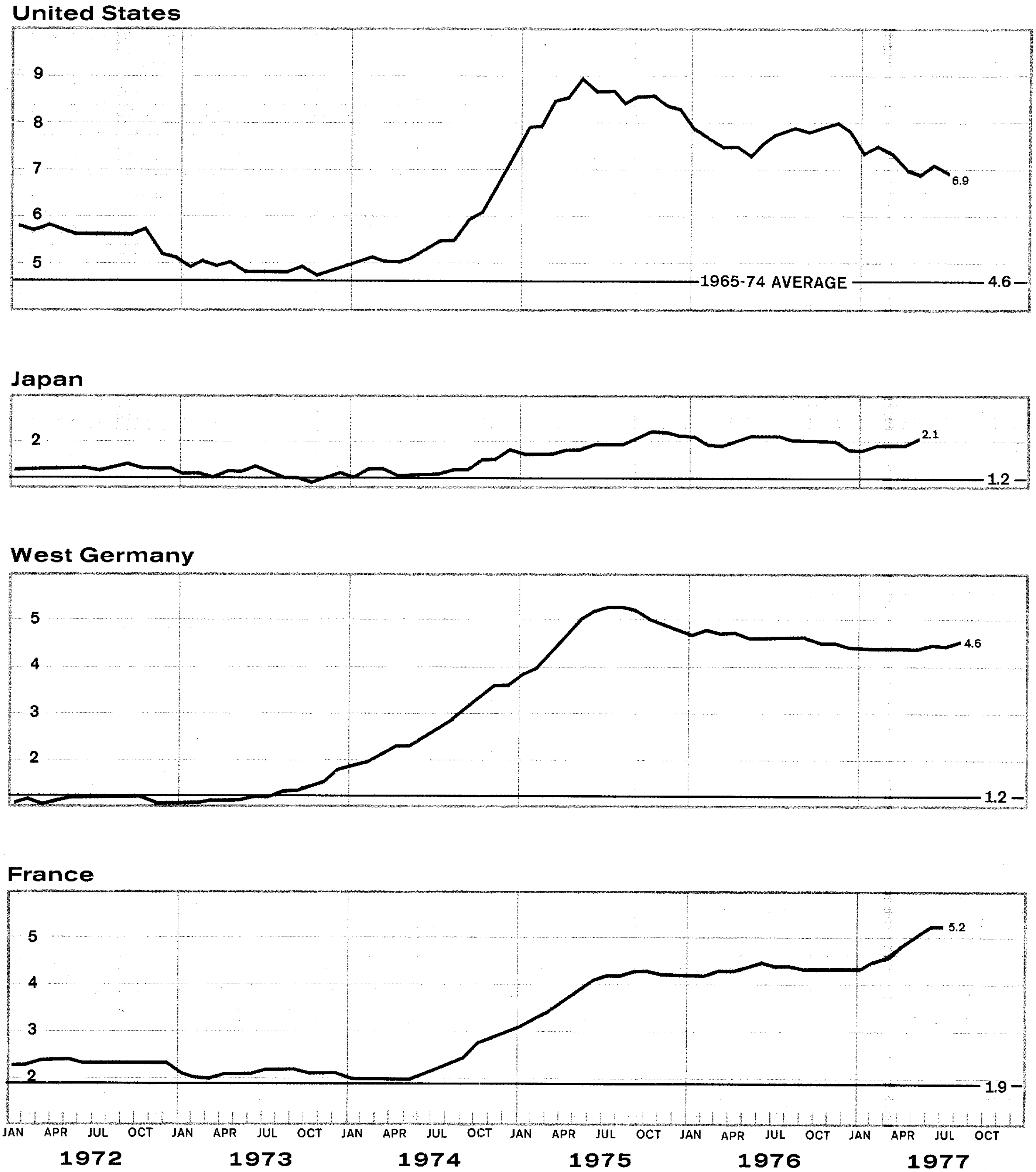
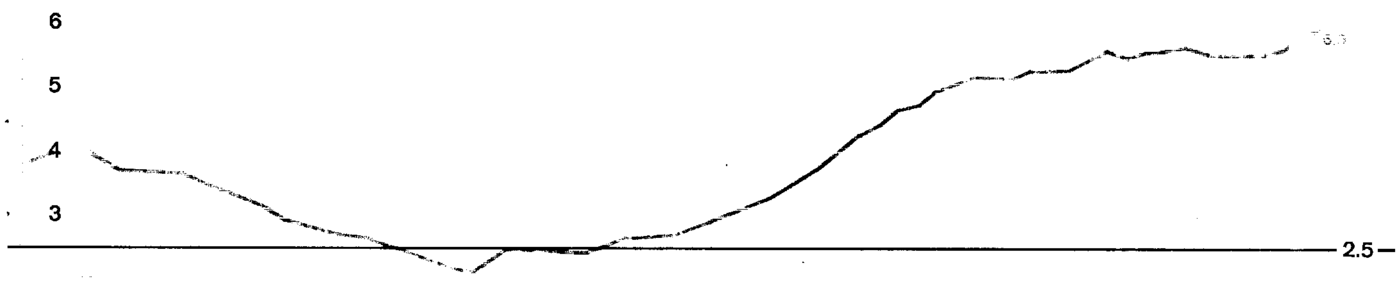
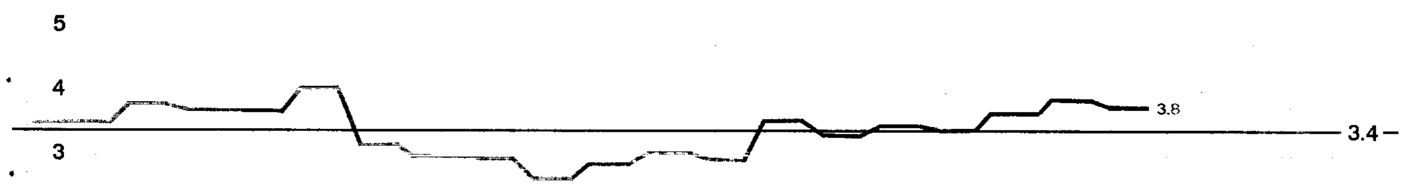
UNEMPLOYMENT PERCENT OF LABOR FORCE



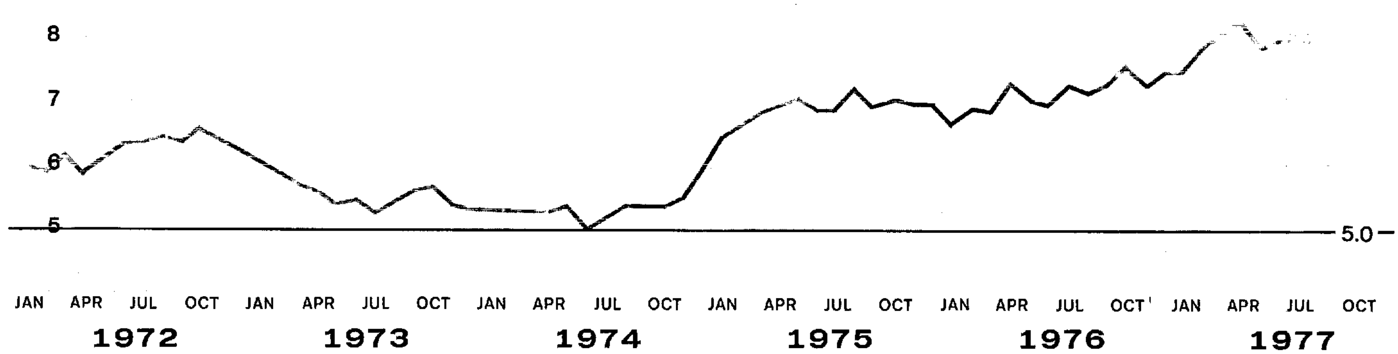
United Kingdom



Italy (quarterly)



Canada



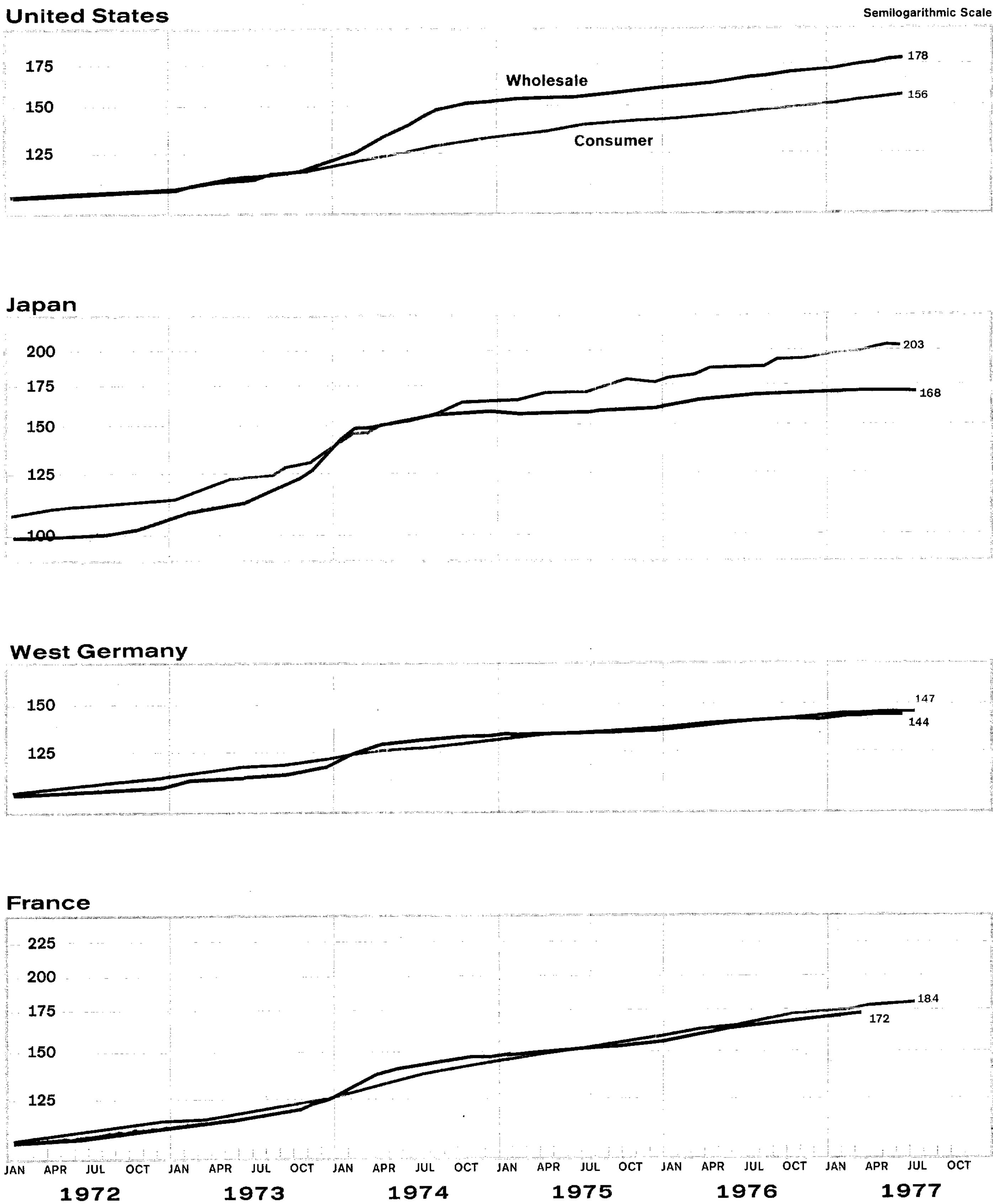
THOUSANDS OF PERSONS UNEMPLOYED

	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

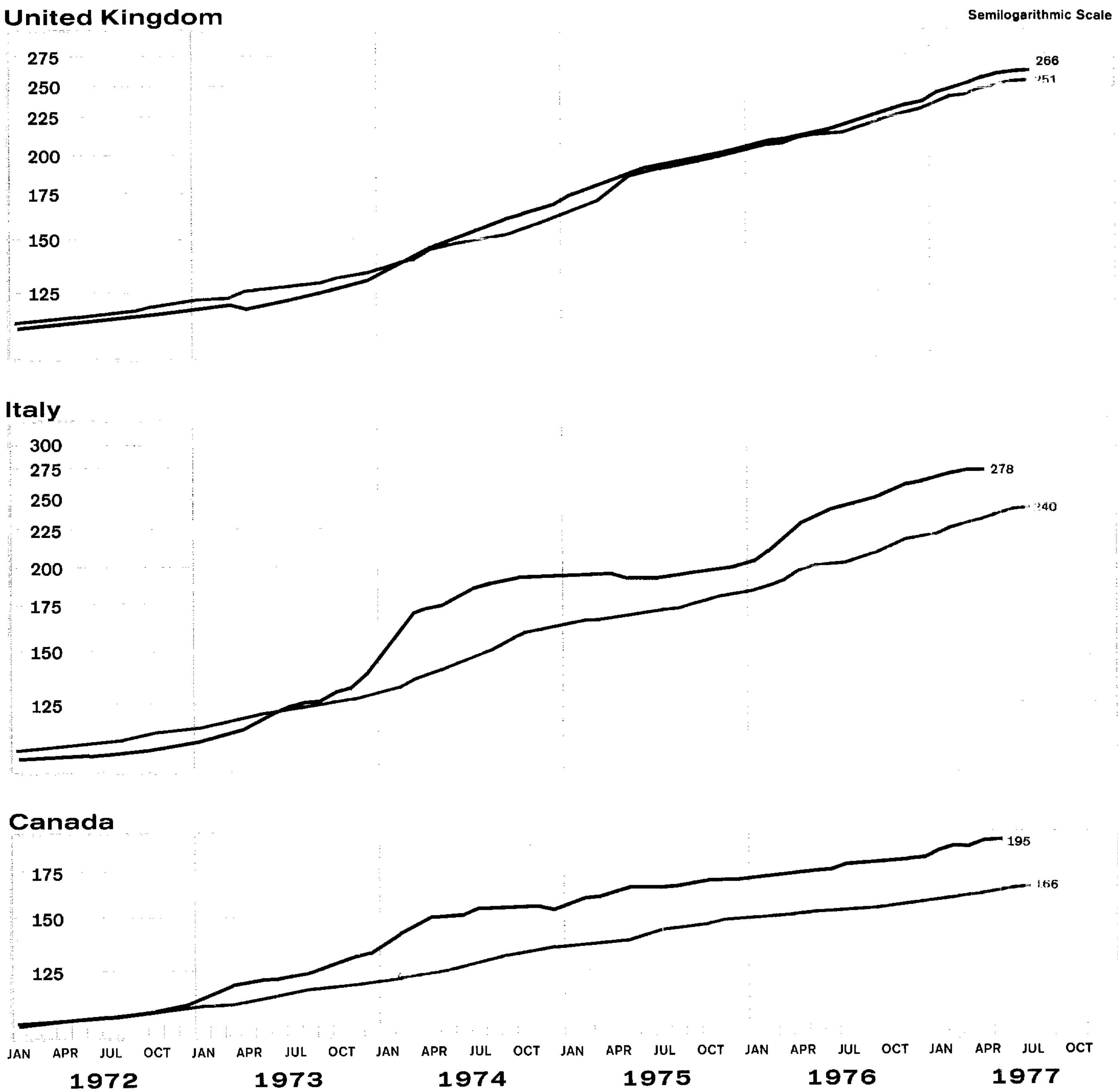
	LATEST MONTH		1 Year Earlier	3 Months Earlier
United Kingdom	AUG 77	1,414	1,309	1,316
Italy	76 IV	777	699	776
Canada	JUN 77	847	722	856

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



1 Wholesale price indexes cover industrial goods.



	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	JUL 77	−0.5	7.7	1.1	−2.6
	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
	JUL 77	0.9	9.1	10.1	10.9

	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	JUN 77	0.3	15.8	15.9	6.7
	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	8.4	10.3

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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	77 I	−1.9	1.6	−1.3	−7.5
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

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	−9.8
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	−0.6	0	3.4	−2.5
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 II	1.7	9.5	7.5	7.2
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		Percent Rate of Interest Latest Date	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	Apr 77	1.0	21.1	13.7	15.1
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	Jun 77	9.7	4.7	5.2	6.4
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	1,702	1,188	514
France	77 I	−1,660	−1,660	−1,316	−345
United Kingdom	77 I	−773	−773	−502	−271
Italy	77 I	−929	−929	−1,413	484
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.	−2,183	1,988
Italy	76 III	779	N.A.	−2,232	−3,329
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

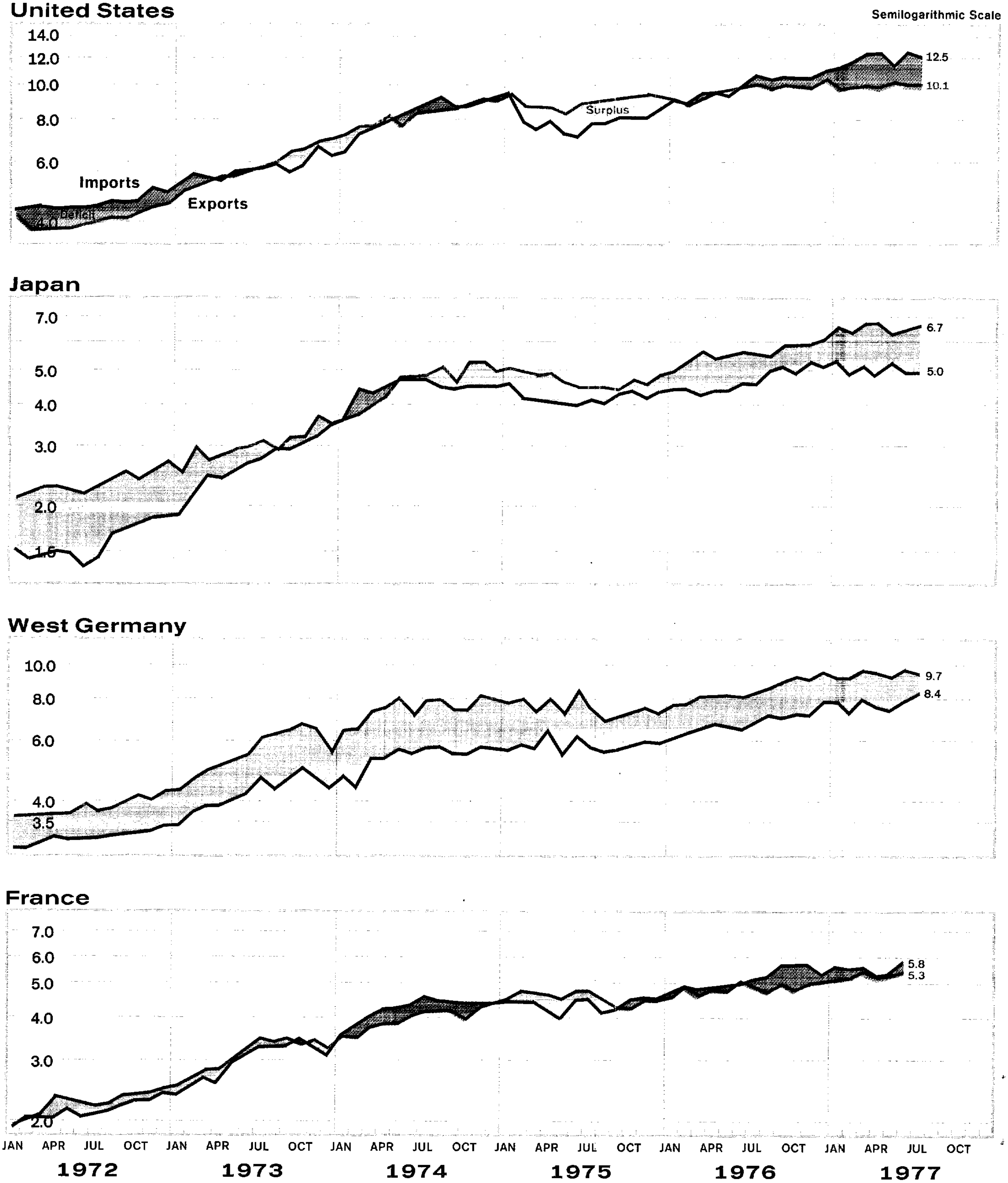
Developed Countries: Direction of Trade [1]
(Continued)

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

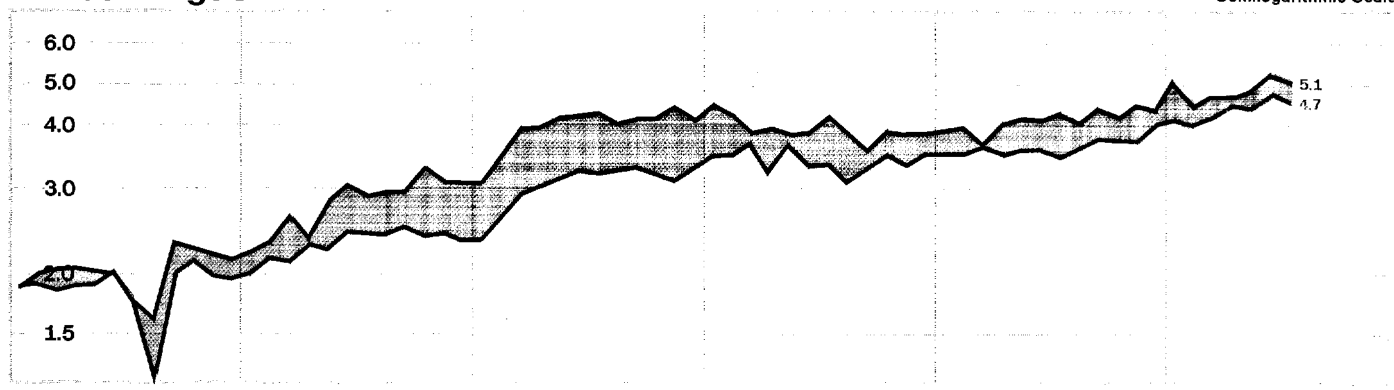
[1] Data are unadjusted. Because of rounding, components may not add to the totals shown.
[2] Including Gabon.
[3] Import data are f.a.s.
[4] Import data are f.o.b.

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

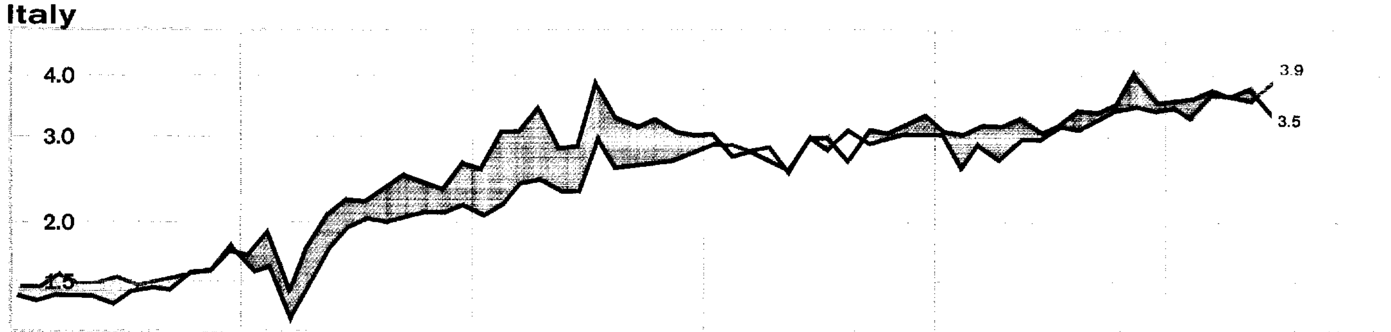


United Kingdom

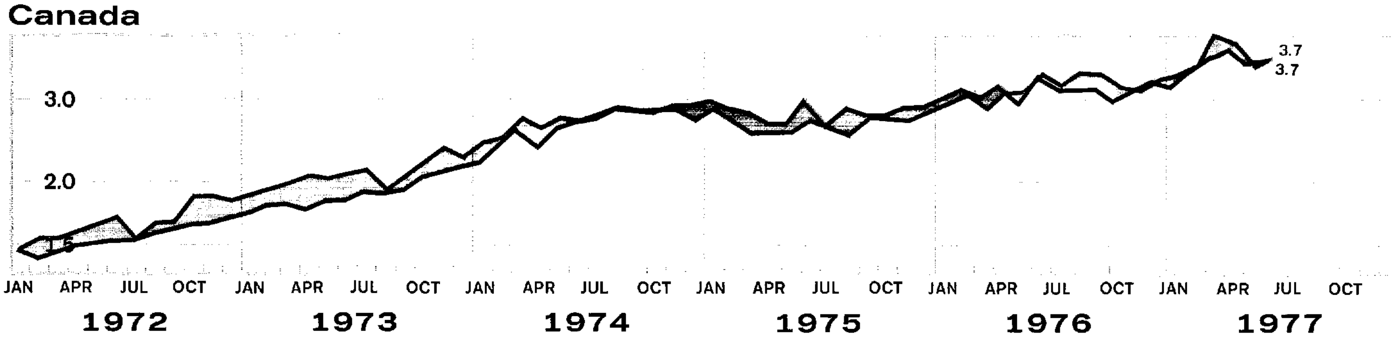
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United States	JUL 77	10,150	70,105	65,646	6.8%
		12,476	85,019	67,199	26.5%
	Balance	−2,326	−14,914	−1,553	−13,361
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

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
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

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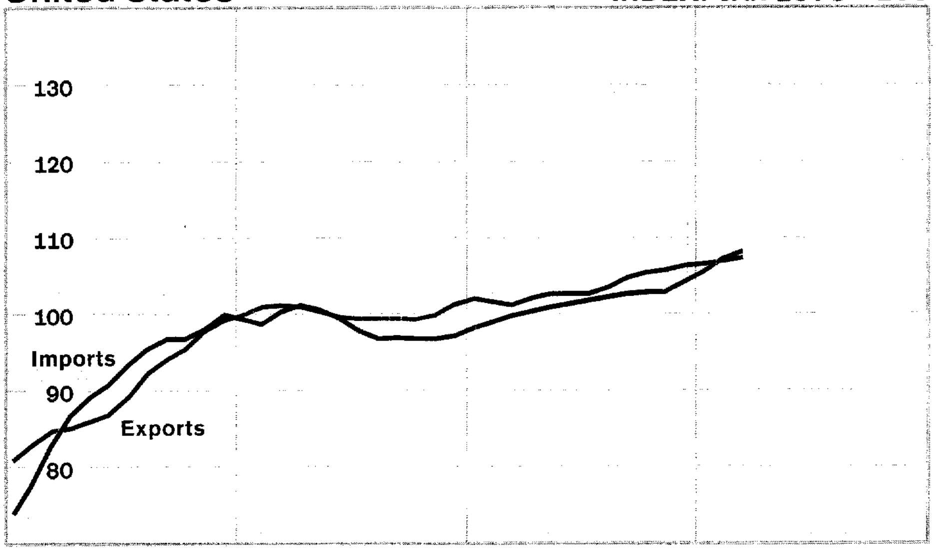
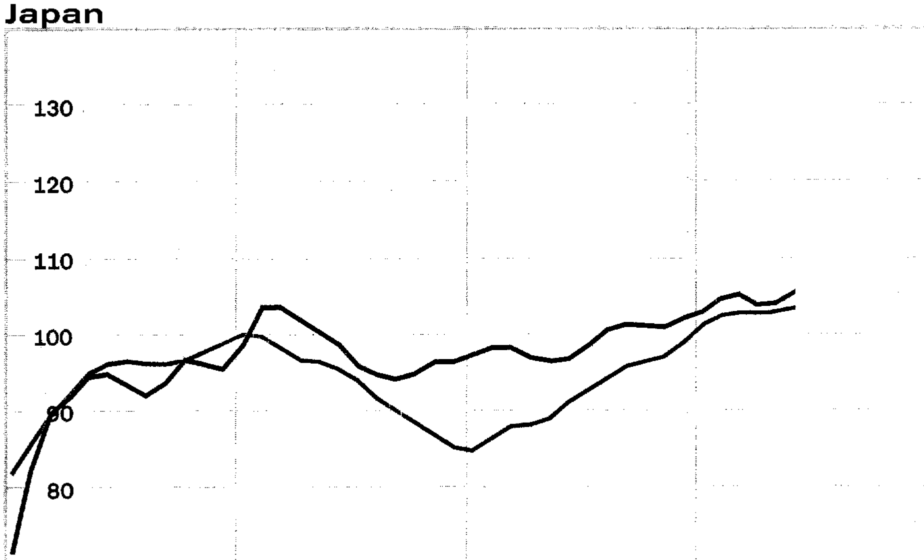
FOREIGN TRADE PRICES IN US $[1]

United States

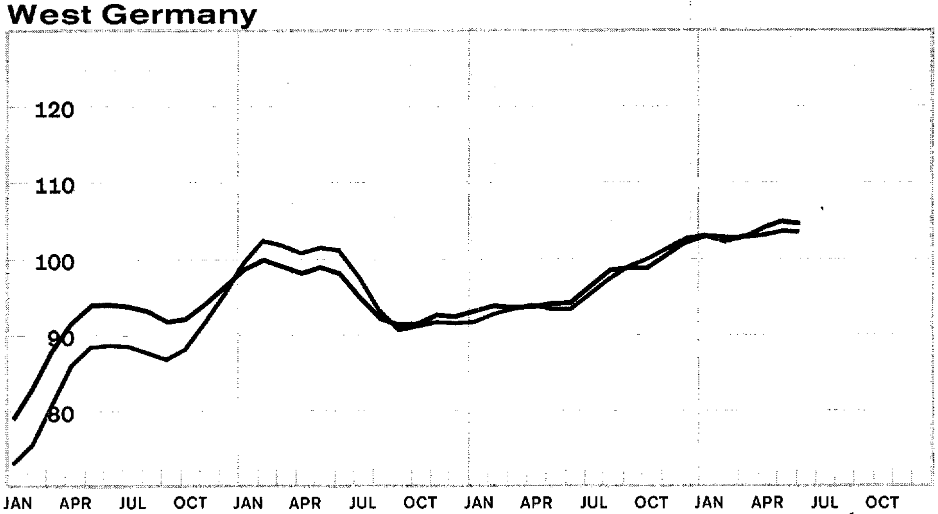
INDEX: JAN 1975 = 100



Japan

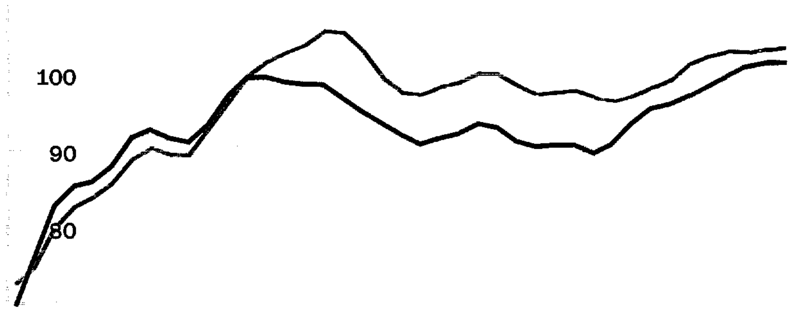


West Germany

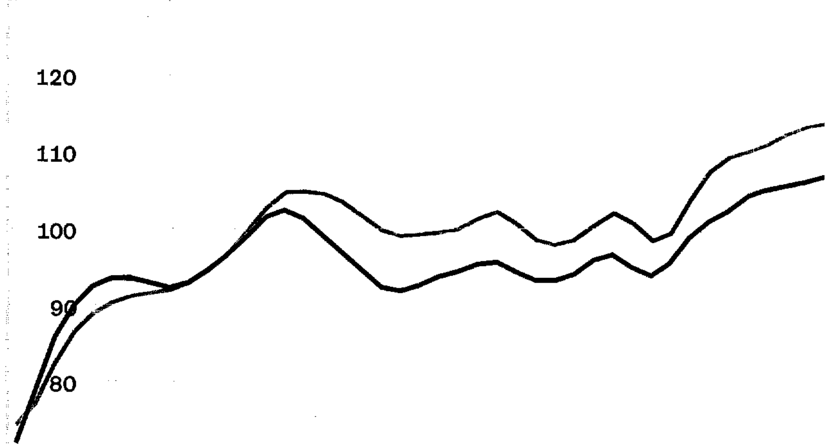


[1]Export and import plots are based on five month weighted moving averages.

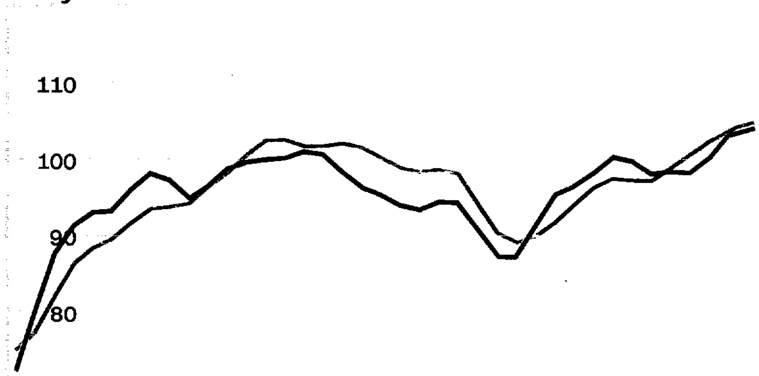
France



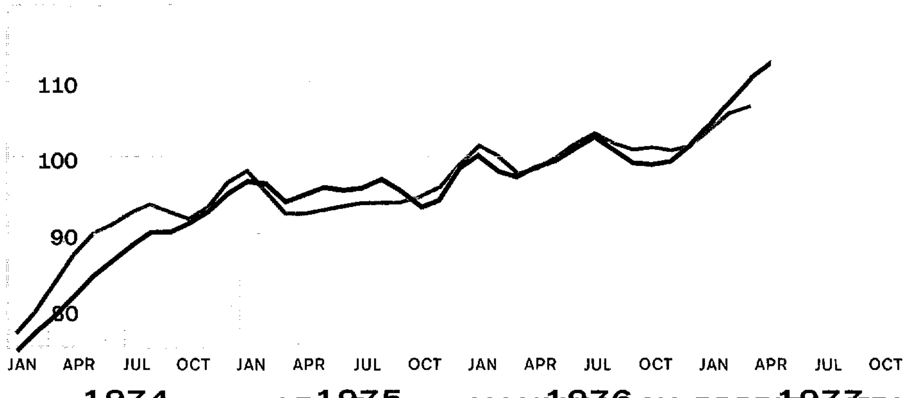
United Kingdom



Italy



Canada



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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	Million US $: 1 Year Earlier	Million US $: 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

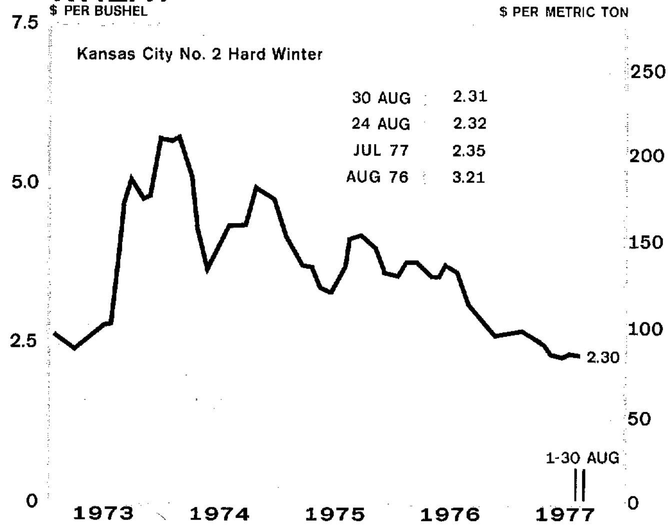
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from 3 Months Earlier[1]	Latest 3 Months Percent Change from 1 Year Earlier	Cumulative (Million US $) 1977	Cumulative (Million US $) 1976	Cumulative (Million US $) 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

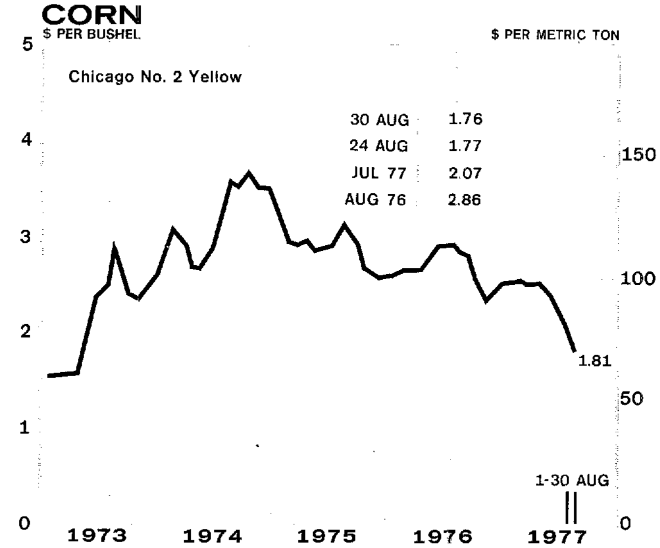
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

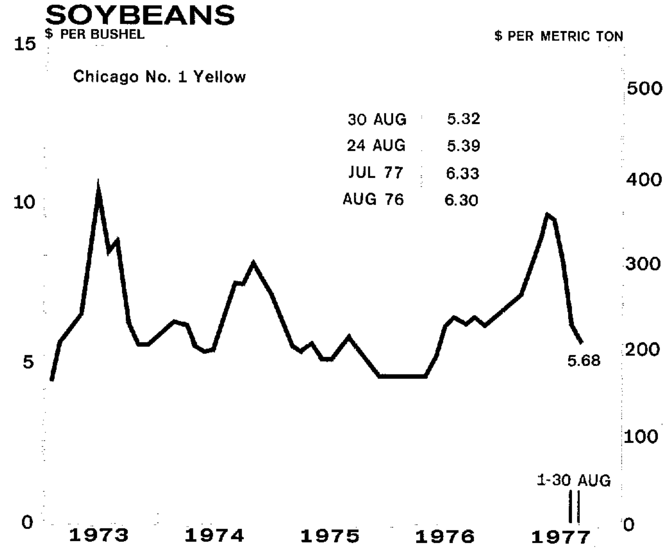
WHEAT



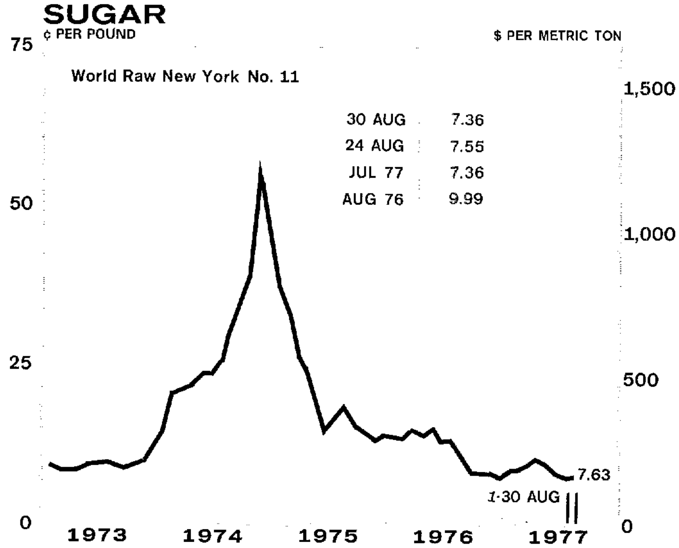
CORN



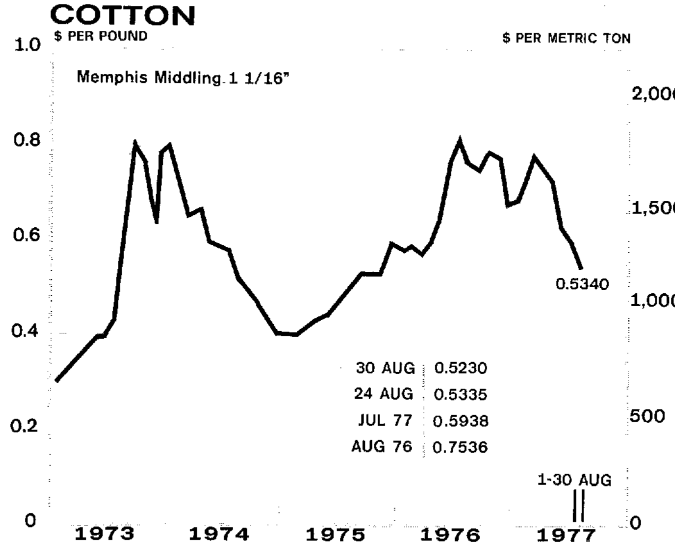
SOYBEANS



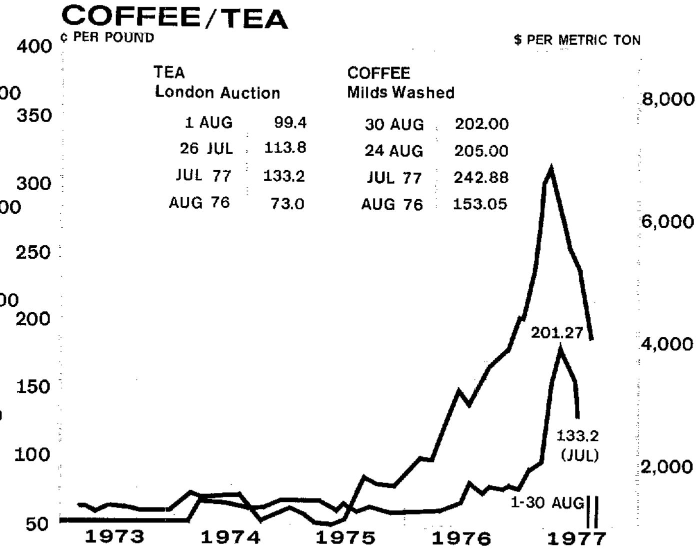
SUGAR

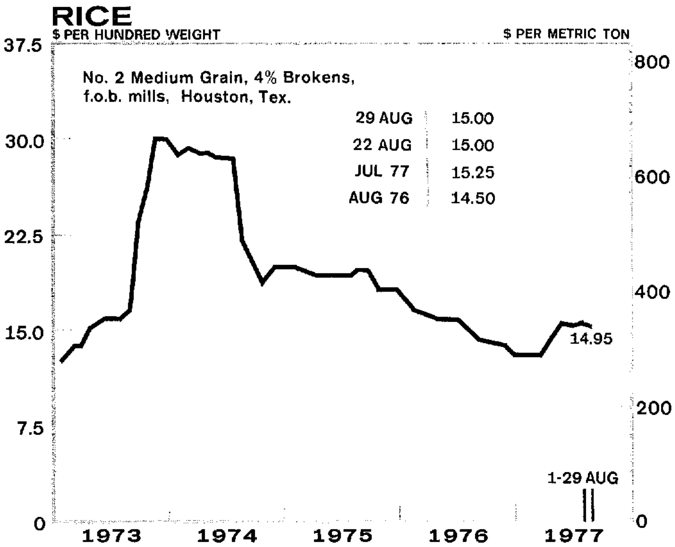


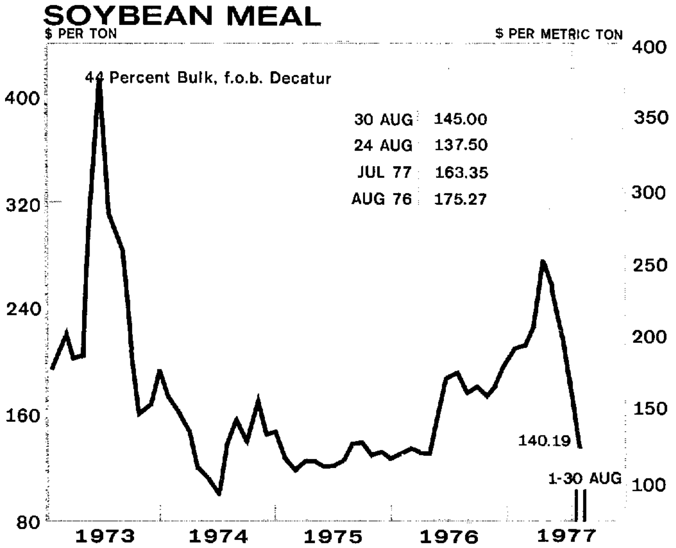
COTTON

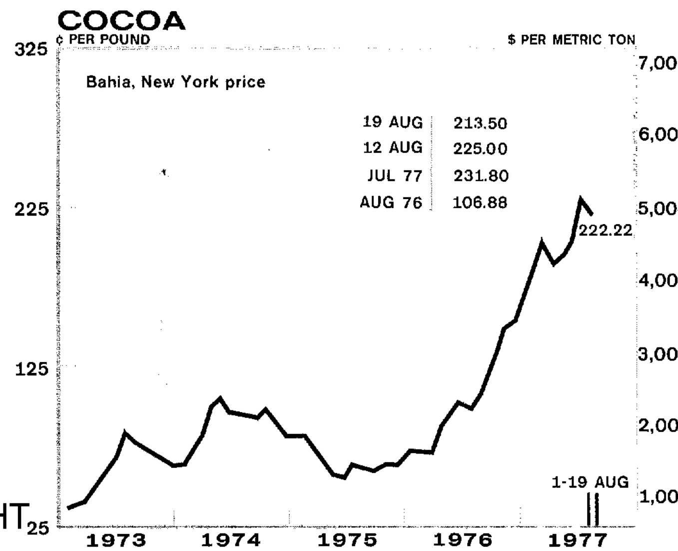


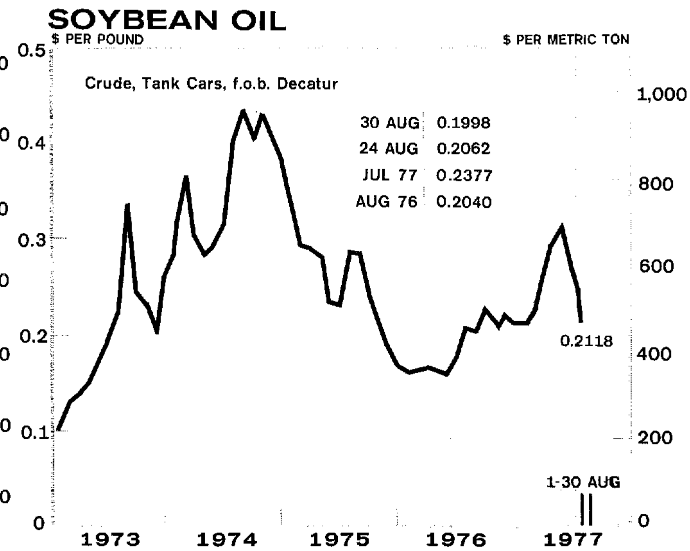
COFFEE/TEA

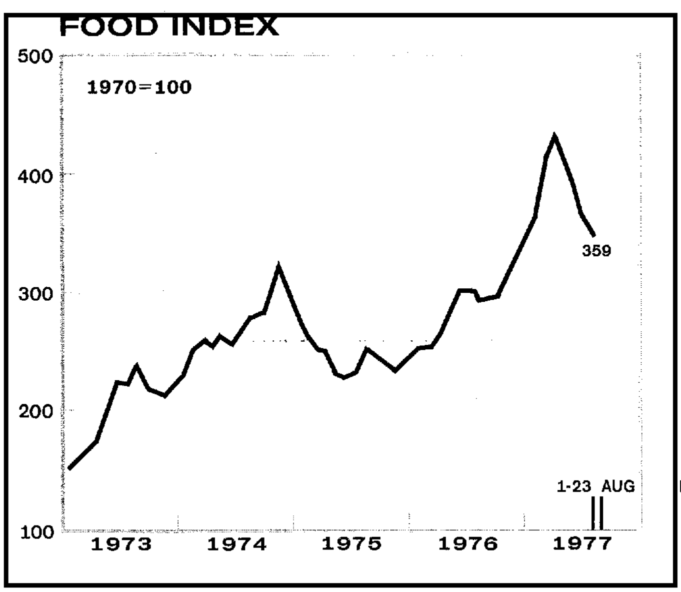












NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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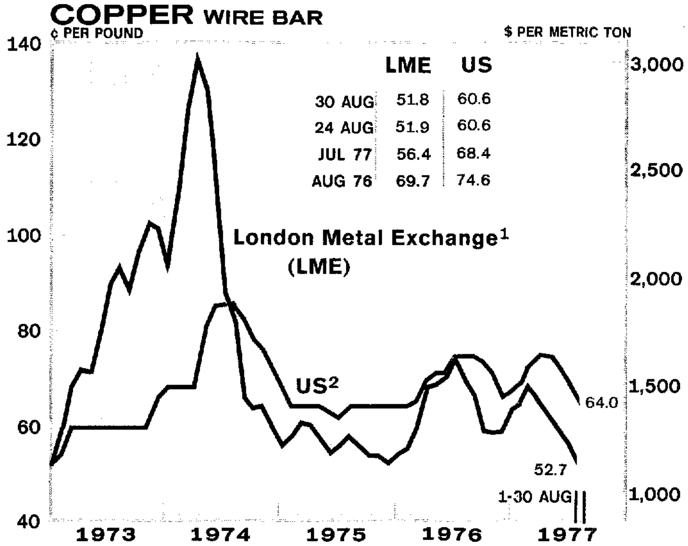
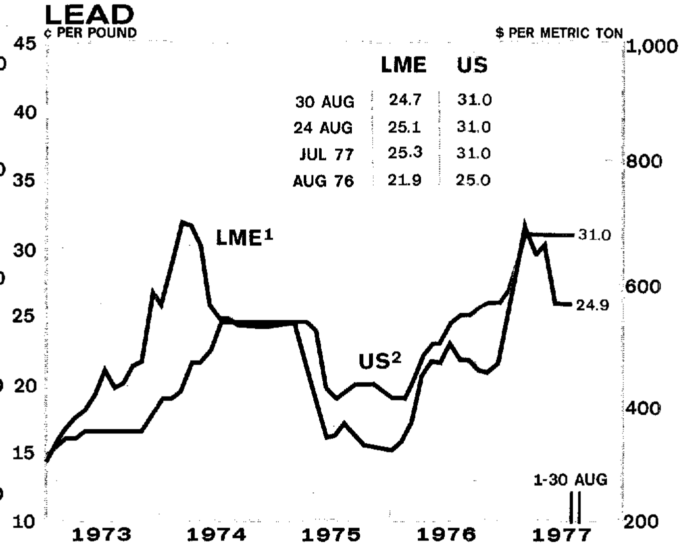
INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

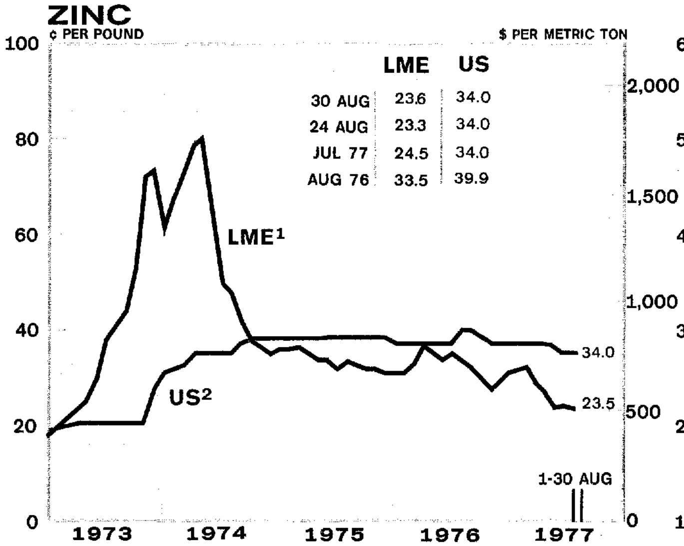
COPPER WIRE BAR



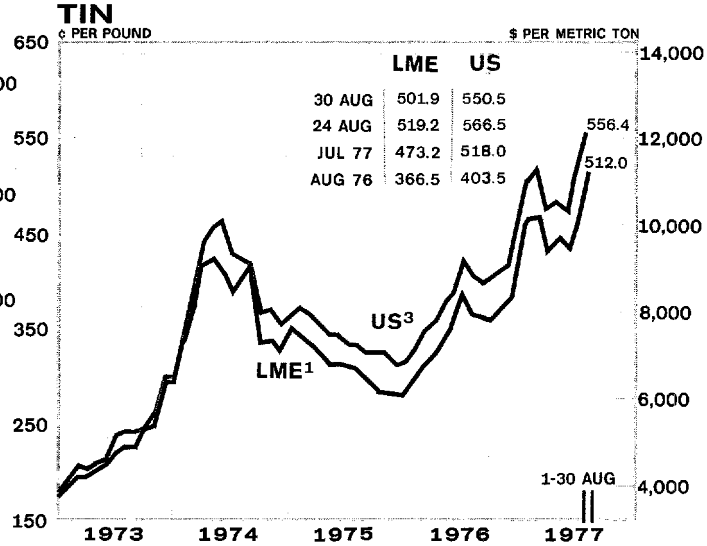
LEAD



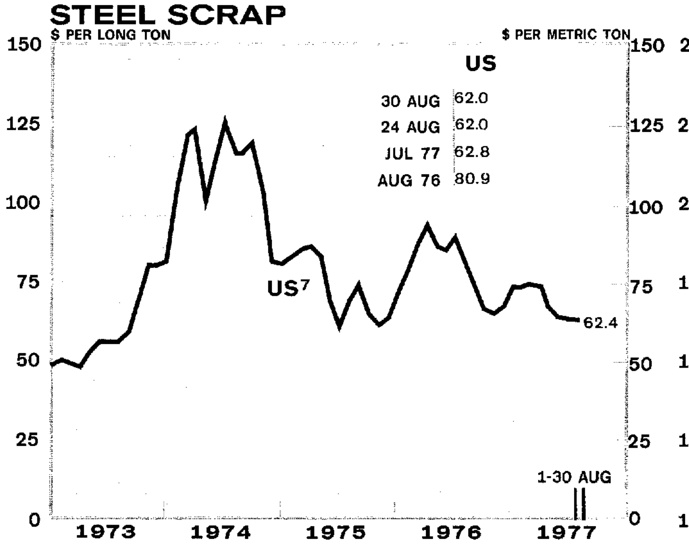
ZINC



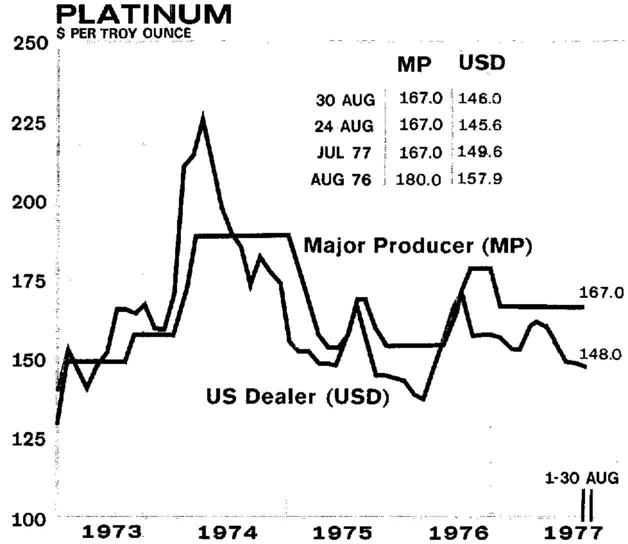
TIN



STEEL SCRAP



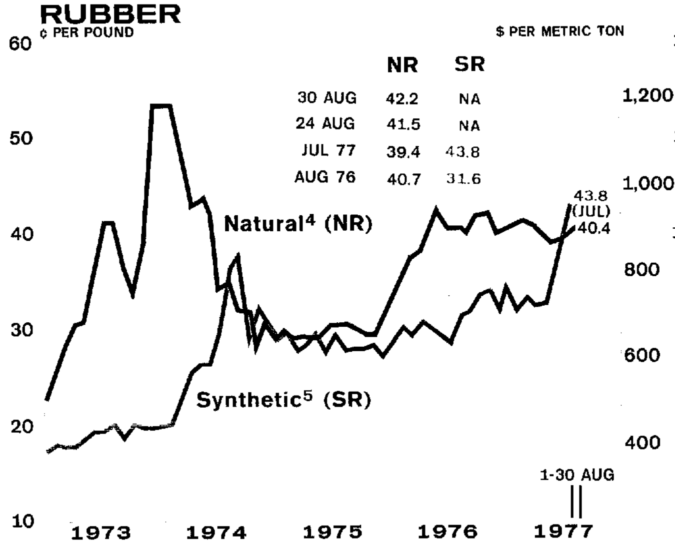
PLATINUM



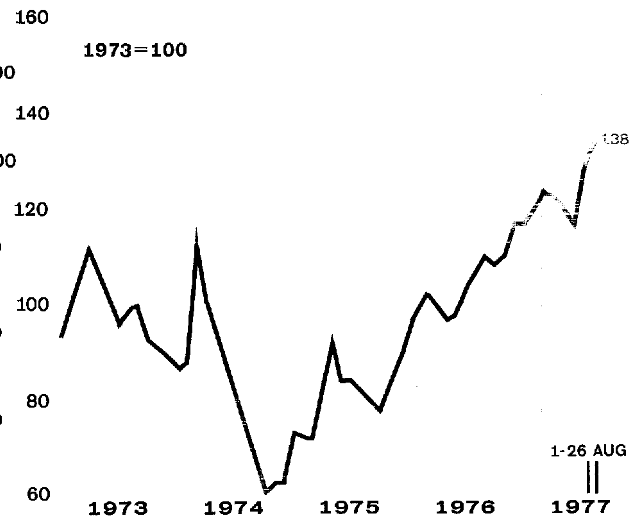
SELECTED MATERIALS

			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	42.00	43.00	44.55	53.50
NICKEL	Major US Producer Cathode	$ per pound	2.16	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	9,641.12	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	439.71	453.72	425.81	493.94
GOLD	London Afternoon Fixing Price	$ per troy ounce	144.19	136.31	109.65	163.08

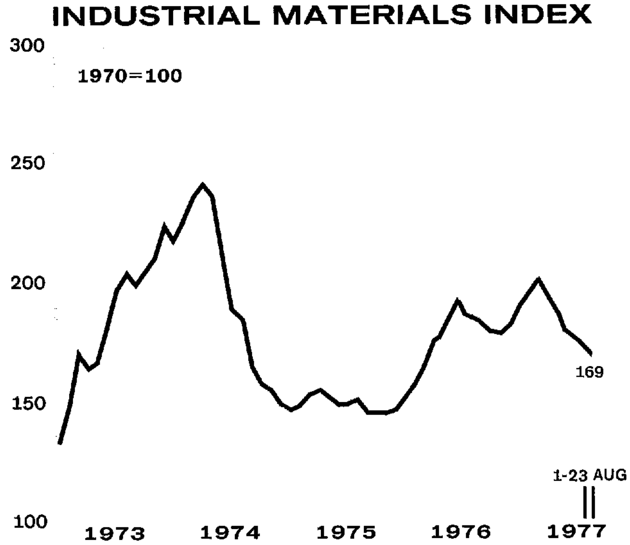
RUBBER



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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