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Economic Intelligence Weekly Review

13 April 1978

Secret

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

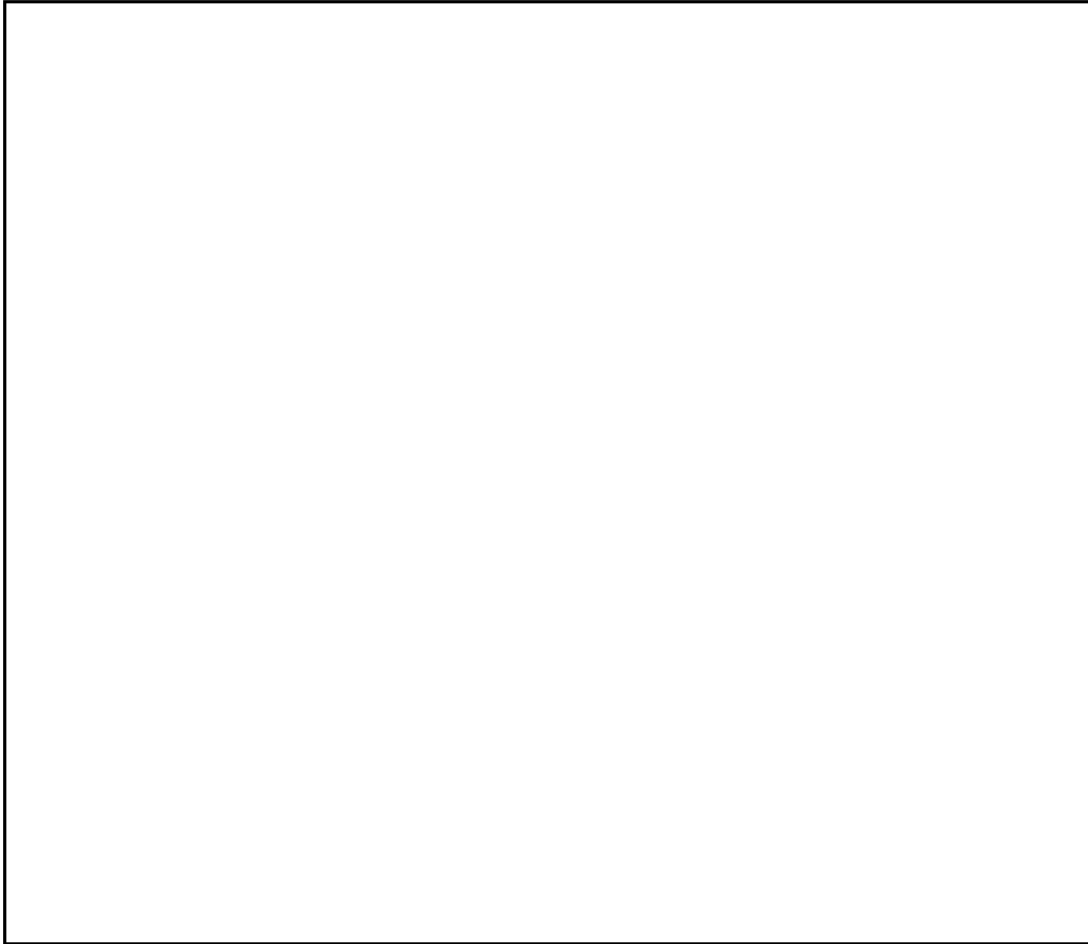
13 April 1978

Current Survey	
Major Recent Developments Affecting the International Economy	1
The Netherlands: "Dutch Disease" More Than a Gas Problem	3
Although the gas bonanza has impaired the competitiveness of other Dutch exports, it continues to present enviable opportunities for permanent advances in economic well-being.	
World Metals: Slow Price Recovery in 1978	9
The market for most metals almost certainly will be characterized by sluggish demand, abundant metal processing capacity, high inventories, and unsatisfactory profits.	
USSR: Declining Middle East Market Share	13
The Soviets have progressively lost ground in the booming Middle East-North African market, political and technological factors keeping them from full participation in the economic development of the region.	
Notes	
USSR Helps Eastern Europe Cover Trade Deficits	17
China Adds Record Tonnage to Merchant Fleet	18
Recent Firming of Copper Prices	19
Publications of Interest, Statistics	

SECRET
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Current Survey

MAJOR RECENT DEVELOPMENTS AFFECTING
THE INTERNATIONAL ECONOMY



25X6

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

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25X1A

13 April 1978

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France

French economic policy will continue to stress stabilization rather than stimulation, given the recent election victory of the center-right. [REDACTED]

[REDACTED] the current consultations with opposition leaders are mainly for political effect.

25X6

Economic growth should pick up slightly from the mediocre 2.9-percent pace of last year, but a strong surge is not likely. Consumer spending almost certainly will continue soft; a genuine investment boom is unlikely because substantial excess capacity remains in most industries; nor will the economy get much stimulus from the government or from exports. Consequently, little or no reduction in unemployment is in prospect. On the favorable side, although unions had been expected to react to a leftist defeat with a wave of strikes, labor leaders seem demoralized and no major

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disruptions are in the offing. Inflation should edge down slightly, to perhaps 8.5 percent from December to December. The current account deficit should decline by perhaps one-third, to about \$2 billion. Balance of payments and inflation considerations remain important policy constraints, with French econometric simulations indicating that these problems will be significantly aggravated if real growth accelerates. (Secret Noform-Nocontract)



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Articles

NETHERLANDS: "DUTCH DISEASE" MORE THAN A GAS PROBLEM

The Dutch economy continues to sputter despite the rich heritage of natural gas, which cushions the balance-of-payments impact of high oil prices. Many Dutch businessmen even cite the gas bonanza—or government handling of it—as a prime cause of slow economic growth, rising unemployment, and declining export competitiveness. Prime Minister Andreas van Agt hopes to remedy the situation by curbing encroachment of the public sector on the private. He will move cautiously because his parliamentary majority is both small and precarious.

We believe that the gas deposits have enabled the Dutch to live substantially better in the last five years than would otherwise have been the case and that the deposits will continue to present enviable opportunities for permanent advances in economic well-being. To reap these benefits, the Dutch must allocate more of the gas revenues to investment and stem the rising tide of social welfare measures.

13 April 1978

SECRET

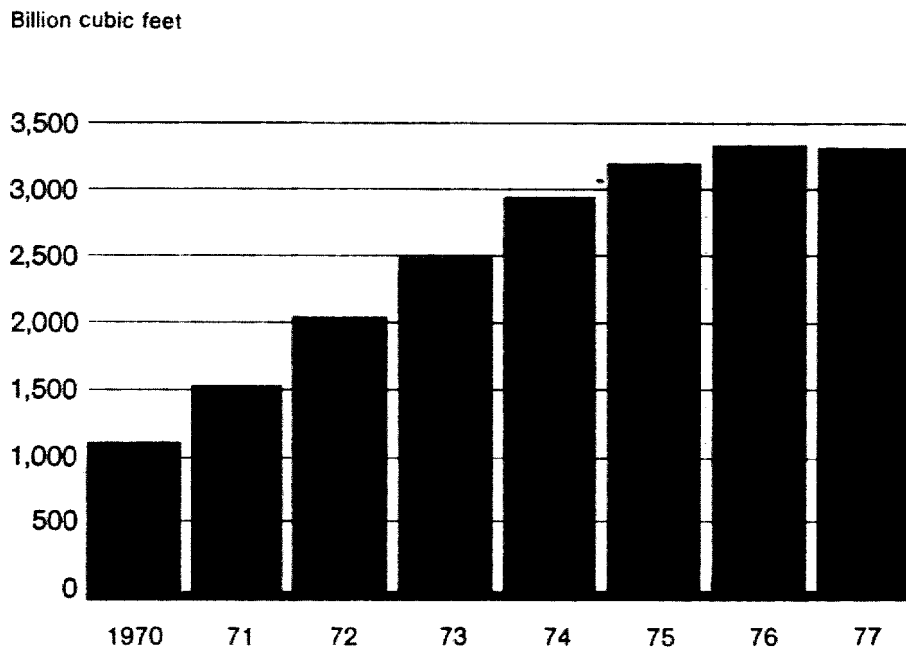
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Gas Seen as Source of Difficulties

Some well-publicized observers of the Dutch economic scene now assert that the Netherlands' huge natural gas resources are a curse in disguise. Many businessmen blame the natural gas windfall for the appreciation of the guilder, which has squeezed profits and discouraged investment. Furthermore, businessmen relate the jump in government revenue from gas to the even greater increase in social welfare spending. This, they say, has brought higher direct and indirect taxes that have spurred labor unions to push up wages by 140 percent from 1970 through 1977. Businessmen and others believe that the guilder's strength has rested almost wholly on gas exports and substitution of gas for imported oil. Whatever the causality, natural gas production and revenues have risen sharply since 1973 while profits and investment have declined, real GNP growth has slowed, and unemployment has soared.

Netherlands: Natural Gas Production



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Size of the Bonanza

Last year the government received gas revenues amounting to about \$3.6 billion, 10 percent of central government receipts. Gas revenues have increased to six times the 1973 level, boosted by rising production but mainly by sharp hikes in gas prices, which have moved roughly in line with oil prices. Since the 1973/74 oil crisis, The

Netherlands: Natural Gas Revenues

	1970	1971	1972	1973	1974	1975	1976	1977 ¹
	Million US \$							
Central government revenue	166	260	380	601	1,032	2,169	2,780	3,600
Of which:								
Export revenue	52	86	134	231	437	870	1,172	1,510
	Percent							
Share of total central government revenue	1.9	2.4	2.8	3.3	4.9	8.2	9.4	9.6

¹ Estimated.

Hague has renegotiated prices with the international oil companies under long-term contract to develop the gas reserves. Originally the companies kept 30 percent of profits; now they retain only 5 percent, with the balance going to the government.

Gas export prices and government revenues are likely to continue rising, with sales volume leveling off. In an effort to make reserves last through the end of the century, the government has stopped signing new export contracts and has taken steps to discourage domestic gas consumption. The Dutch signed big long-term contracts after gas was discovered in the early 1960s, fearing that nuclear power soon would render gas obsolete as a fuel source. Now nearly 40 percent of the 56.5 trillion cubic feet of proved reserves is committed under contracts that have another 15 years to run.

Dutch Economic Problems

The economic difficulties afflicting the Dutch are severe but not unique. While the Netherlands has experienced a substantial slowdown in economic growth, so have West Germany and Belgium, its neighbors and principal trading partners. After averaging 5.3 percent in 1970-73, real GNP growth slumped to a meager 1.3 percent in 1974-77. Annual growth in West Germany and Belgium dropped from 1970-73 rates of 4.2 and 5.6 percent, respectively, to 1974-77 rates of 1.5 and 1.7 percent. Slower economic expansion inevitably led to a troublesome rise in unemployment. The number of jobless in the Netherlands is expected to average about 240,000 in 1978, roughly 6 percent of the labor force. Unemployment now is five times the 1970 level.

13 April 1978

SECRET

5

SECRET

A decline in private investment and a slowdown in exports underlie the recession. Real private investment fell 3.4 percent from 1973 to 1977, slipping from 21.6 percent of GNP to 19.4 percent. Since 1974 the annual increase in exports has averaged less than 1 percent in constant prices; increases in export volume had averaged about 10 percent annually in 1971-74. Exports equal about 50 percent of GNP, although their weight would be much less on a value-added basis since they have a high import content.

The guilder has appreciated relative to most other currencies in recent years, eroding the competitiveness of nongas exports. The guilder has stayed in the European joint currency float or "snake" since its inception in 1972. Over that period it has lost only 3.5 percent of its value in terms of the strong deutsche mark. While businessmen also complain of rising labor costs, Dutch wages have not risen unusually fast compared with wages in neighboring countries on a national currency basis.

Netherlands: Hourly Wage Increases ¹

	Percent	
	National Currency	US \$
Netherlands	130	215
West Germany	96	184
Belgium	165	241
France	132	169
United Kingdom	172	105
Italy	233	151
United States	63	63
Canada	100	112

¹ 1976 over 1970.

The ratio of export prices to import prices, excluding trade in energy, rose 3 percent from 1973 to 1976. If energy is included, however, the ratio declined 5 percent. Net oil imports increased from \$500 million in 1973 to \$2.5 billion in 1976, while gas exports rose less—from \$500 million to \$1.9 billion. Domestic inflation has been generally in line with recent West European experience, with consumer prices rising 10 percent in 1975, 9 percent in 1976, and 7 percent in 1977.

Policy to Date

Gas revenues, although not earmarked for specific purposes, have helped finance a massive increase in government expenditures, largely on social welfare programs. Government spending has risen an average of 15 percent annually since 1970, leaving

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Selected Countries: Ratio of Export to Import Prices

Index: 1970 = 100

	Netherlands		Belgium	West Germany
	Total	Nonenergy		
1971.....	98	99	95	103
1972.....	100	100	98	107
1973.....	99	98	99	104
1974.....	94	99	95	95
1975.....	94	101	95	102
1976.....	94	101	93	101

the Netherlands with one of the highest ratios of government spending to GNP in Western Europe. Successive cabinets have contributed to what now rivals Scandinavia for the most complete and costly welfare system in Western Europe. About 45 percent of the government budget is devoted to education and social services.

Gas revenues alone were not sufficient to cover the growing expenditures, so taxes were increased sharply. Tax receipts of all sorts rose from 40 percent of GNP in 1970 to 47 percent in 1976. In comparison, taxes rose from 33 percent of GNP to 37 percent in West Germany over the same period and from 35 percent to 40 percent in Belgium.

Before leaving office in November 1977, the Labor-Christian Democratic administration of Prime Minister Joop den Uyl admitted a need to curb public expenditures and promote private investment. Den Uyl envisioned only moderate restraints: government budget deficits would be limited to 5 percent of national income, and the ratio of government spending to national income would be allowed to increase by no more than 1 percentage point annually through 1980. Government officials also planned to restructure the economy by promoting high technology industries such as electronics. They considered a scheme to allocate future gas revenues to research and development intended to benefit both old and new industries. Little was done, however, because the Den Uyl government functioned only as a caretaker in second half 1977.

Evaluation

Proponents of the "Dutch disease" hypothesis have a good case on the matter of export competitiveness. From 1970 to 1977, Dutch nonenergy export prices rose 118 percent measured in dollars, a larger increase than recorded by any of seven important competitors. Most of the loss of competitiveness was due to exchange rate changes. In national currencies, Dutch nonenergy export prices rose only 48 percent, the second-lowest increase in the eight-nation group. Guilder appreciation, in turn,

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Selected Countries: Export Price Increases ¹

	Percent	
	National Currency	US \$
Netherlands ²	48	118
West Germany	36	114
France	88	112
Italy	195	109
United Kingdom	184	107
Belgium	49	107
United States	91	91
Canada	90	87

¹ 1977 over 1970.² Estimate; excludes energy.

was due primarily to natural gas, which enabled the Netherlands to post current account surpluses averaging nearly \$2 billion in the mid-1970s.

The broader charge that gas revenues somehow caused the huge increase in government expenditure and the rise in taxes has little foundation. Gas revenues facilitated the rise in outlays and almost certainly enabled it to go further than it would have otherwise. But government spending, particularly for social welfare, was rising rapidly before the advent of sizable gas revenues and surely would have continued to mount. Indeed, without gas revenues, Dutch firms and individuals probably would have faced even larger tax increases.

The gas windfall, while not the main cause of Dutch problems, does not seem to have been put to the best use. In essence, a temporary bonanza has been used to finance increased consumption. Allocation of the gas revenues to projects promising more lasting benefits would have been sounder policy. For example, the income could have been used to provide subsidies or tax cuts aimed at stimulating investment.

On the plus side, the gas-related surplus in the current account has offset a substantial flow of Dutch investment abroad, which will yield a return stream of earnings in future years. Depressed profitability at home and monetary policy centered on low interest rates have encouraged investors to look abroad. In the five years through 1976, net direct investment abroad amounted to \$1.6 billion. By yearend 1976, the Netherlands had become the largest foreign investor in the United States, holding assets valued at \$6.2 billion.

Outlook

The center-right government formed last December apparently is reconsidering the whole matter of gas revenues and government outlays. Prime Minister van Agt has

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promised to curb public spending and reduce taxes. The administration's shaky parliamentary majority, however, raises doubts about Van Agt's ability to resist popular demands for more spending. He is thus likely to take a timid approach to controversial proposals. The ruling Christian Democratic-Liberal coalition holds just 77 of the 150 seats in the crucial lower house. Moreover, seven left-wing Christian Democrats are sympathetic to the opposition Labor Party and have refused to give the government their unconditional support.

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WORLD METALS: SLOW PRICE RECOVERY IN 1978

World metals producers, struggling to recover from their worst recession since the 1930s, probably will see prices rise no more than 10 percent on average in 1978. This gain—which amounts to practically nothing in real terms—will reflect cost-push price pressures assisted by protectionist measures. The market for most metals will continue to be characterized by sluggish demand, abundant metal processing capacity, high inventories, and unsatisfactory profits.

1977 A Bleak Year

Our composite index of world metals export prices fell 2 percent by yearend 1977, mirroring the slow economic recovery in the Free World, lagging demand, and large supply overhangs. This created a world market awash in metals at prices frequently below production cost. The composite index, which is dominated by steel, dropped 5 percent by mid-1977, largely because of price cuts by Japanese and EC steel producers. The slump in steel prices stemmed from the growing gap between world capacity and demand. With consumption declining, countries dependent on steel exports struggled to maintain already depressed operating rates.

Price fluctuations in nonferrous metals exhibited a variety of patterns:

- Huge inventories swamped the *zinc* market last year, forcing the average price 17 percent below 1976's average 32 cents per pound.
- Near-record demand for *copper* was insufficient to absorb sizable surplus stocks, and prices fell to their lowest levels in real terms since 1950.

13 April 1978

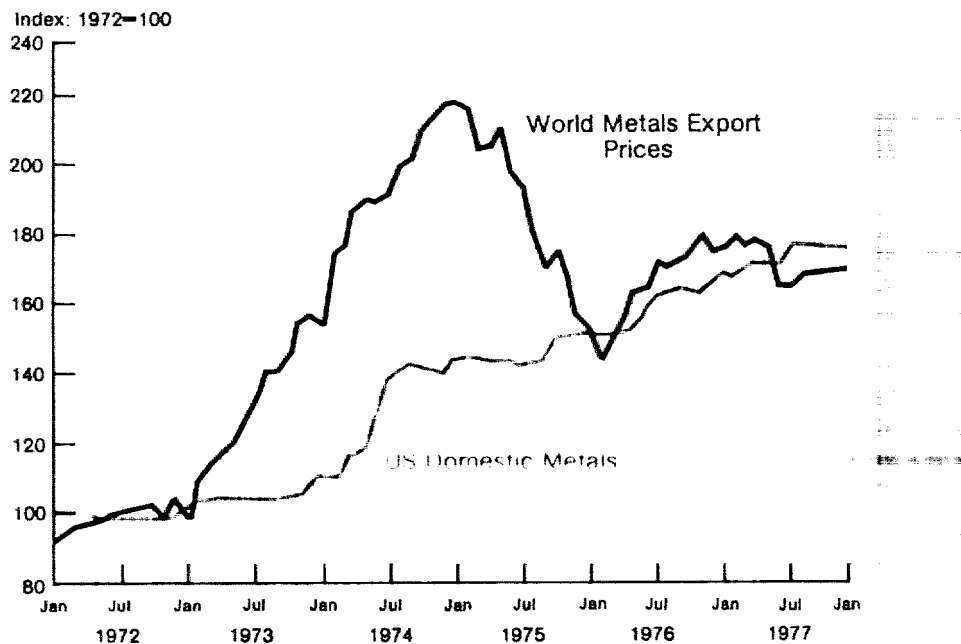
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9

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- The bottom dropped out of the *nickel* market as demand sagged and the industry piled up large stockpiles; prices fell 15 percent to \$2.06 per pound by yearend.
- In sharp contrast, *tin* prices soared to record levels in 1977 as supplies fell short of demand. Increased consumption also gave a boost to *aluminum* prices.
- *Lead* prices held firm last year at a record average of 28 cents per pound, largely due to increased battery demand in the United States and diminishing world stocks.

US Domestic Metals Prices



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Outlook Tarnished for Most Metals

We expect little improvement in 1978 for most metal producers. OECD industrial production—a good indicator of activity in world metals markets—is expected to increase 3.75 percent this year compared with last year's 4.25 percent. Most metal markets thus will continue to be characterized by sluggish demand growth, excess capacity, and brimming inventories.

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Market adjustments toward supply/demand balance in 1978 will continue to be hampered by the inelastic response of the metals producers to lower prices. For example, many LDC producers, with foreign exchange earnings more important than operating profits, continue production as long as revenues cover out-of-pocket costs. Because of excess capacity and surplus stocks, particularly in copper and zinc, we see only a slight firming of world metals prices during the remainder of 1978.

Depressed world prices are intensifying protectionist sentiment within the developed countries, particularly the United States and the EC:

- The EC and the United States have adopted import floor prices for steel.
- US producers have petitioned the US International Trade Commission for tariffs to protect domestic copper and zinc markets.
- The EC is considering a scheme to monitor the production and export of zinc.

Despite these measures, downward pressure on US domestic metals prices will persist so long as foreign producers look to US markets as a vent for their metals surplus. The gap between our composite index for US metals prices and world export prices may narrow as foreign steel producers raise prices closer to the US level. In any case, we expect the glut of world metals will prevent US producers from establishing the markups necessary to regain former profit levels.

Outlook for Selected Metals

A generally weak market will prevail in 1978, with our world price index unlikely to show a gain of more than 10 percent. Factors leading to moderate price increases are: (a) rising production costs for most metals, (b) protectionist measures for steel, and (c) speculative anticipation of an improved copper market. Specifically we believe that:

- World *steel* consumption should increase by 3 to 4 percent over depressed 1977 levels. Despite somewhat higher demand, most major foreign steel producers will still operate at only 65 to 75 percent of capacity. As a result, major foreign producers probably will not be able to hike export prices beyond 5 to 10 percent this year.
- Although a 5-percent rise in *copper* consumption, coupled with increasing producer costs, should boost prices from their low March 1978 levels, quotes

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probably will average no more than 10 percent above last year.* The tremendous inventory accumulation of more than 2 million tons will dampen the salutary effect of any production cutbacks.

- Total demand for *lead* will remain high this year—about the same as 1977—as consumers begin replenishing inventories. A small increase in production will prevent the shortfall that occurred last year. Although the price should increase moderately this year, it will fall short of the 31 cents per pound reached last year.
- *Zinc* production should continue to outstrip consumption in 1978, raising stocks of zinc concentrates and slabs to an estimated 2.4 million tons. Prices, now at their lowest level since 1973, should remain well below last year's top price of 31 cents per pound.
- Rising *tungsten* production from new mines and GSA stockpile releases this year will supply the small rise in consumption we expect in 1978. Barring unusually large Chinese sales or Soviet purchases during the year, prices should remain firm, although below the mid-1977 peak.
- Mainly because of only moderate growth in the steel market, *nickel* demand will not improve much over last year, and excess capacity will continue to accumulate. Although the market may strengthen as consumers build up inventories and producers cut output, we expect prices to remain depressed.
- World demand for *aluminum*, spurred in part by energy-related emphasis on lighter weight vehicles, is expected to grow by about 5 percent and reach a record 15 million tons in 1978. Because of large inventories, production is unlikely to increase at the same rate; output of primary aluminum worldwide probably will average about 88 percent of capacity. As a result, prices of primary aluminum, [redacted] could increase from their present 53 cents per pound to about 60 cents per pound (US producer price) in 1978.
- The sharp upward thrust in *tin* prices under way last year probably will reverse in 1978 as prospects for sizable releases of tin from US stockpiles—as much as 50,000 tons over the next several years—relieve the strong speculative pressure behind current high prices. Malaysia is trying to spur output by reducing restrictive taxing and licensing procedures; even so, pressures on supplies will persist. [redacted]

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*For information on recent firming of copper prices, see the Notes, below.

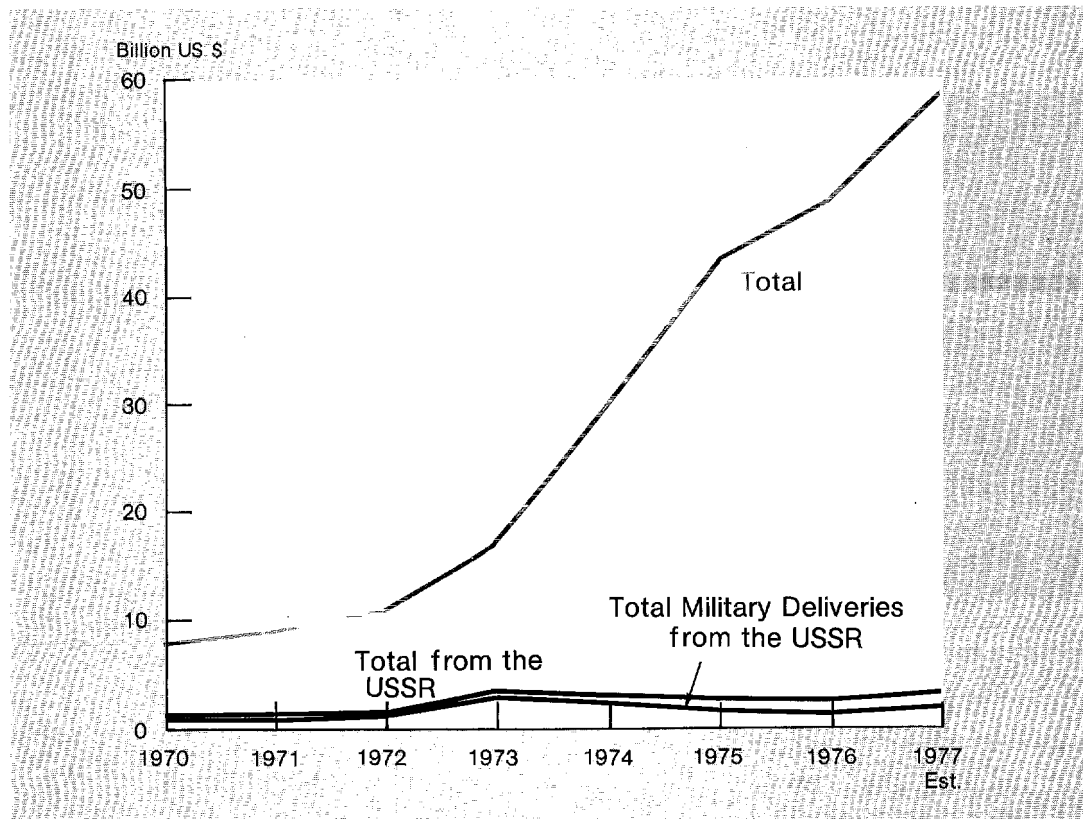
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USSR: DECLINING MIDDLE EAST MARKET SHARE

The USSR has progressively lost ground in the booming Middle East-North African market.* While much of the erosion reflects the souring of Egyptian-Soviet relations since 1973, Moscow also has seen its market share fall in states with pro-Soviet leanings such as Iraq and Syria. Nevertheless, the USSR has doubled its hard currency earnings from the area since 1973, primarily because of increased military shipments. The Soviets are in a good position to maintain military sales; they are constrained by political and technological factors from taking full part in the economic development of the region.

* The largest Middle East-North African markets are Algeria, Egypt, Iran, Iraq, Kuwait, Libya, Saudi Arabia, and Syria. Data in this article cover only these eight countries.

Middle East: Imports



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13 April 1978

SECRET

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SECRET

Strong Position Before 1973

Moscow's economic push in the major Middle East and North African countries began with its military-economic agreements with Egypt in the mid-1950s. These were followed by similar pacts with Syria and Iraq in the late 1950s, with Algeria and Iran in the 1960s, and with Libya in the 1970s. Along with these agreements, the Soviets provided \$4.4 billion in economic assistance, about one-half for showpiece projects such as Egypt's Aswan Dam and expansion of the Helwan Steel Mill, Syria's Euphrates dam, Iraq's Baghdad-Basra railroad, and Iran's Isfahan Steel Mill. On the military side, aid commitments had reached the \$9 billion mark by 1973.

Sparked by these agreements, Soviet trade with the region increased rapidly during the 1960s and early 1970s. In 1973, total Soviet sales reached \$3.7 billion, giving Moscow more than one-fifth of the Middle East-North African import market. The second largest supplier to the area—the United States—sold \$1.9 billion worth of goods in 1973. Reflecting wartime deliveries, almost three-fourths of Soviet exports were military equipment, primarily for Syria, Egypt, and Iraq. The Soviets had enjoyed a near monopoly on military sales to these countries and Algeria since the late 1950s.

Sales of Soviet civilian goods to the region reached almost \$1 billion in 1973—7 percent of the area's civilian imports. The Soviet share of the top markets rose steadily between 1970 and 1973, to 25 percent in Egypt, 19 percent in Iraq, and 14 percent in Syria. Soviet civilian exports to these countries were largely tied to barter arrangements and aid programs.

Postwar Slippage

Soviet military exports to the Middle East lost momentum after the war, dropping from \$2.8 billion in 1973 to \$1.4 billion in 1976. Worsening relations with Cairo all but eliminated Moscow's military assistance program; deliveries had peaked at \$800 million in 1973. Military deliveries to Iraq and Syria also fell sharply from the war-swollen levels of 1973. Soviet military exports rebounded in 1977 to nearly \$1.8 billion, reflecting large deliveries to Syria, Libya, and Iraq.

Soviet nonmilitary sales to the Middle East and North Africa rose from \$1 billion in 1973 to \$1.6 billion last year; the decline in the dollar against the ruble probably accounted for one-fifth of the increase. As a share of the regional civilian import market, the Soviet position slipped badly during the period, however, fell to a mere 3 percent in 1977.

Most of the absolute increase in Soviet sales during 1974-77 was divided among Iraq, Iran, and Algeria. Nonmilitary shipments to Egypt stood at approximately \$300

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USSR: Exports to Selected Middle East and North African Countries

Million US \$

	Nonmilitary			Military		
	1970	1973	1977	1970	1973	1977
Algeria ¹	69	87	167	7	35	209
Egypt	363	374	276	640	808	4
Iran	188	185	577	58	100	38
Iraq ¹	66	191	382	39	610	620
Kuwait ¹	11	11	30	—	—	25
Libya ²	14	19	29	35	10	545
Saudi Arabia ¹	6	4	19	—	—	—
Syria	46	97	137	53	1,199	350
Total	763	968	1,617	832	2,762	1,791
Of which:						
Hard currency	152	293	598	81	655	1,399

¹ Hard currency trade partners.

² Hard currency trade partner for military sales.

million in 1976 and 1977, down from \$400 million in 1973. Exports to Syria rose only moderately over the period.

Swing Toward Hard Currency Sales

The erosion of relations with Egypt and the increase in sales to Libya and Iraq have boosted the hard currency content of Soviet exports. Last year nearly 60 percent (\$2 billion) of total Soviet exports to the area involved hard currency sales; in 1970, the figure was only 15 percent. The Soviets garnered a \$1.5 billion hard currency trade surplus with the region in 1977, up from only \$165 million in 1970. The region accounted for 15 percent of total Soviet hard currency merchandise exports in 1977.

Most of the increase in hard currency earnings comes from multibillion-dollar military sales, particularly recent deals with Iraq and Libya. Hard currency civilian sales have been made primarily to Iraq and Algeria. Civilian sales to Saudi Arabia and Kuwait have been negligible. Aside from these sales, the Soviet natural gas deal with Iran permits the USSR to sell its own gas to Western Europe, generating hard currency earnings of \$300 million annually.

Current Economic Presence

Soviet civilian sales to the Middle East and North Africa consist mainly of heavy equipment for basic industries, steel, cement, and other raw materials or semimanu-

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factures. The Soviets import oil, gas, and agricultural products from these countries. The presence of 4,000 to 5,000 Soviet technicians in the Mideast is dwarfed by contingents from most other countries heavily involved in area development.

Moscow's trade with *Egypt* is now down to a bare bones exchange, involving Soviet coal, petroleum products, and some industrial machinery in return for Egyptian agricultural products and raw materials. Cairo sent home Soviet military advisers in 1972 and let contracts for civilian technicians lapse in 1973-74, replacing them with Westerners. Last year, Sadat halted deliveries of cotton to the USSR, one of the main commodities the Soviets had been importing as repayment for Egypt's \$4 billion military debt. The USSR currently accounts for only 6 percent of Cairo's imports compared with 30 percent in 1970. The share should drop still further as Egypt expands economic ties with the West. Sadat is moving ahead with an open door policy toward Western investment and is concentrating development efforts on Western-oriented sectors such as tourism and oil.

While USSR-*Syrian* military relations are on the upswing, Soviet economic activity is in a holding pattern. Soviet civilian sales to Syria last year fell back to 1975 levels, and the only major economic assistance programs are land reclamation and power projects that date from the 1960s. Moscow's share of Syrian civilian imports has dropped from 14 percent in 1970 to 5 percent in 1977. Current Soviet development assistance is mainly confined to the Euphrates dam complex and the expansion of Syria's oil industry. The latest Soviet-Syrian economic agreement, signed in 1976, opened a \$300 million line of credit; as in the past, however, it probably will be drawn slowly.

The USSR has done better in sustaining civilian sales to *Iraq*. Even so, Moscow provides only about 10 percent of Iraqi imports compared with a high of 19 percent in 1973 and 13 percent in 1970. The Soviets currently are still working on oil projects at Rumaila and other fields and on irrigation and electric power projects. More work on these projects is implied in the 1976 economic agreement with Baghdad but no major new Soviet contracts in other sectors are under negotiation.

Soviet nonmilitary transactions with Libya have been minimal. Most of the boom in Libyan imports—from \$600 million in 1970 to nearly \$5 billion last year—has gone into infrastructure projects undertaken by firms in Europe, Japan, and developing countries. Moscow never has supplied more than one percent of Libyan civilian imports. An ambitious trade agreement was signed in 1976 and a major contract for Soviet nuclear reactors was awarded last year. Moscow, however, does not appear to be bidding on other contracts for power and infrastructure projects.

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Aside from the Iranian-Soviet gas deal, Moscow's economic role in Iran currently is confined to expansion of the Isfahan Steel Mill and some smaller foundry, housing, and cement projects. The Soviets also have bid on commercial contracts for part of a natural gas pipeline. Iran now receives about 5 percent of its imports from the USSR, down from 12 percent in 1970.

Prospects

Soviet civilian sales to the Mideast and North Africa will continue to be outrun by exports from Western nations and leading LDCs. The Libyan reactor deal is the only major equipment contract won by the USSR in the region since 1976, and the development programs of most of the Middle Eastern states are creating little demand for such traditional Soviet hard currency earners as raw materials and semimanufactures. In addition, competition from advanced LDCs such as India and South Korea, and from Eastern Europe as well, is erasing the former Soviet edge in heavy construction projects—roads, railways, ports, and other infrastructure.

Prospects for military sales remain good. Moscow's principal advantage is the ability, if need be, to ship large amounts of modern hardware on extremely short notice. The most important markets will continue to be Syria, Iraq, and Libya; the latest deal pending is an agreement for \$400 million in arms for Syria, expected to be financed by Libya. Other countries, such as Kuwait, probably will make spot purchases.

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Notes

USSR Helps Eastern Europe Cover Trade Deficits

The Soviet Union continues to provide substantial assistance to its East European partners in covering their rapidly rising trade deficits with the USSR. These deficits, which totaled nearly \$2 billion last year compared with \$160 million in 1974, have been incurred largely because of rising Soviet oil prices. Moscow's help in sustaining deficits of this magnitude is particularly welcome at this time since the East Europeans are also faced with severe hard currency trade and payments problems.

Ruble trade credits have been extended to most of the East European countries. Moscow has also arranged some indirect hard currency relief. A multiyear agreement with Hungary, for example, provides for the exchange of "hard" goods for Hungarian

13 April 1978

SECRET

17

SECRET

Eastern Europe: Trade Balance with the USSR ¹

	1974	1975	1976	1977 ²	Oil as a Percent of Soviet Exports in 1976
	Million US \$ ³				
Total	-157	-771	-1,171	-1,023	
Bulgaria	-70	-178	-117	-223	19
Czechoslovakia	-10	-178	-130	-331	25
East Germany	-18	-469	-583	-809	17
Hungary	18	-58	-67	-145	21
Poland	-122	-57	-353	-440	22
Romania	45	169	79	25	0

¹ Based on Soviet trade statistics.

² Preliminary.

³ Converted at the average monthly ruble-dollar exchange rates.

meat that had been shut out of the EC market. Moscow sometimes has allowed the East Europeans to divert exports to the West to augment hard currency earnings. In other instances, the Soviets have provided above-plan deliveries of needed raw materials and semimanufactures that otherwise would have to be imported from the West.

Higher oil prices have accounted for more than half the increase in the value of Soviet exports to the five countries running deficits with the USSR. Only Romania, which does not import Soviet oil but buys other raw materials from the USSR, enjoys a surplus in its Soviet trade, and even this has been dwindling. Moscow upped its oil prices 20 percent last year, and another 20-percent hike is scheduled for 1978, foreshadowing continuing big deficits and the need for further Soviet financial support.

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China Adds Record Tonnage to Merchant Fleet

In 1977, China spent \$350 million to buy 127 ships for its rapidly growing international merchant fleet. The acquisitions, almost all used vessels, were purchased at rock bottom prices in the currently depressed ship market. Total acquisitions reached a record 1.7 million deadweight tons (DWT), bringing the Chinese international fleet to about 6 million DWT. The expansion program will increase the share of PRC trade carried on Chinese ships and enable Peking to cut chartering costs, which amounted to over \$50 million in 1977. Chinese ships carried 60 to 70 percent of China's trade in 1977; by 1985, under the present expansion policy, China will be able to carry almost all its trade on its own ships.

25X1A

SECRET

Recent Firming of Copper Prices

Prices of copper on the London Metal Exchange (LME) have strengthened in recent weeks due to increasing bullishness among traders. Market optimism has been sparked by the announced agreement between Zambia, Zaire, and Peru to cut production by 15 percent. Zaire decided in late March to meet sales commitments with purchases from LME copper stocks, which have dropped by 10 percent to 570,000 tons since mid-January, thus adding further to upward speculative pressures; LME prices have risen from 54 cents a pound in early March to 60 cents on 10 April.

The impact of these moves will be temporary, as several basic factors militate against strong market recovery this year. Although consumption may reach a record 7 million tons this year, demand will remain well below capacity, which has increased steadily since the previous consumption record of 6.9 million tons in 1973. Prospects are further dampened by (a) the 2 million tons of refined copper which continue to overhang the market, (b) Chile's refusal to go along with production cuts, and (c) the basing of Peru's 15-percent cut on capacity rather than on last year's production; this permits Peru to observe the letter of the agreement and still produce more than last year as new mines come on stream.

25X1A

* * * * *

Publications of Interest*

Communist Military Support for the Rhodesian Insurgency (ER 78-10190, April 1978, Secret Noform-Nocontract-Orcon)

This research paper discusses the increased Soviet and Cuban military aid to the Rhodesian insurgents during 1977 and the ability of the insurgents to continue fighting after a negotiated settlement.



25X6

* Copies of these publications may be obtained by calling telephone 351-5203.

25X1A

13 April 1978

SECRET

19

Secret

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Secret

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National
Foreign
Assessment
Center

Economic Indicators Weekly Review

13 April 1978

ER EI 78-015
13 April 1978

Approved For Release 2002/09/04 : CIA-RDP79T01316A001000070003-0

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FOREWORD

1. The **Economic Indicators Weekly Review** 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 Weekly Review** 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 Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

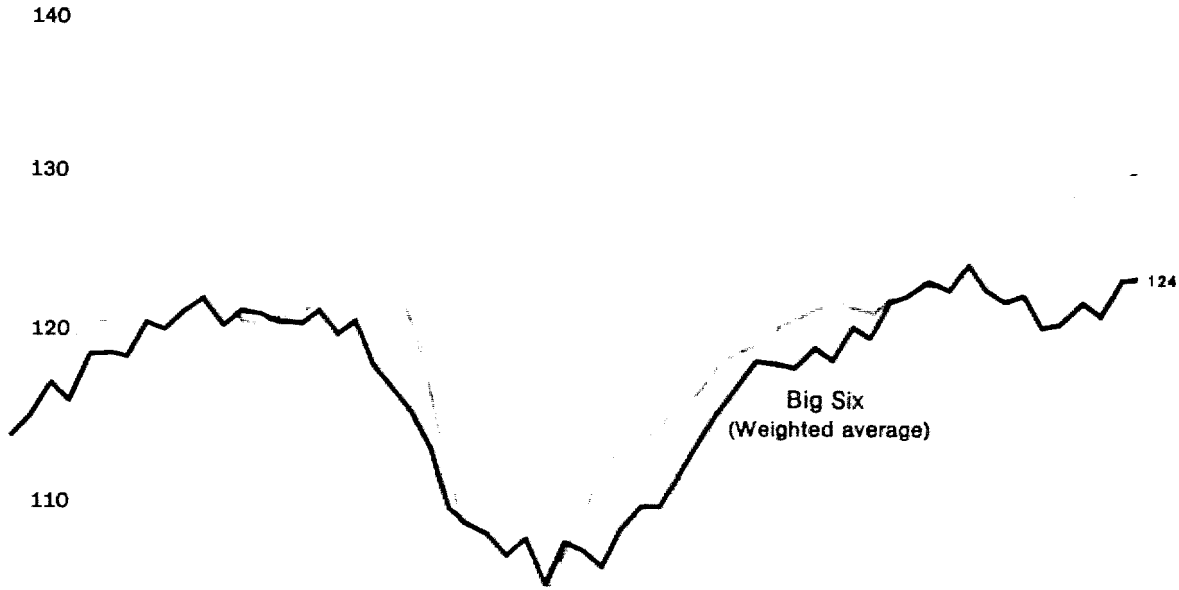
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BIG SIX FOREIGN COUNTRIES COMPOSITE INDICATORS

Industrial Production

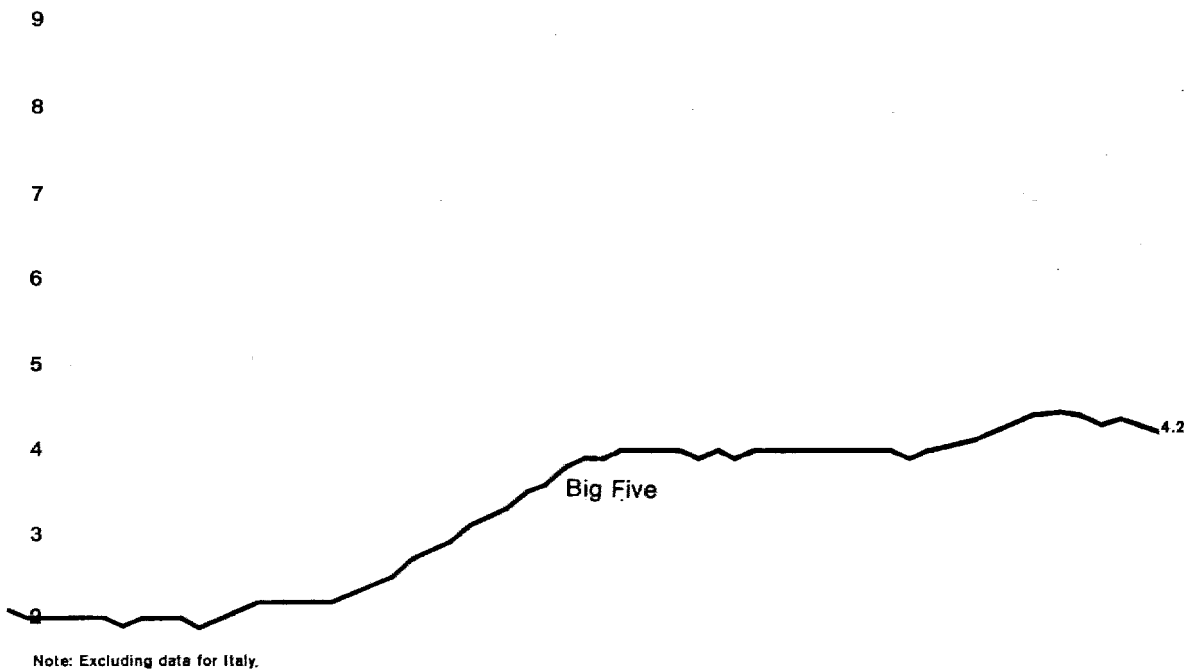
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

Percent



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

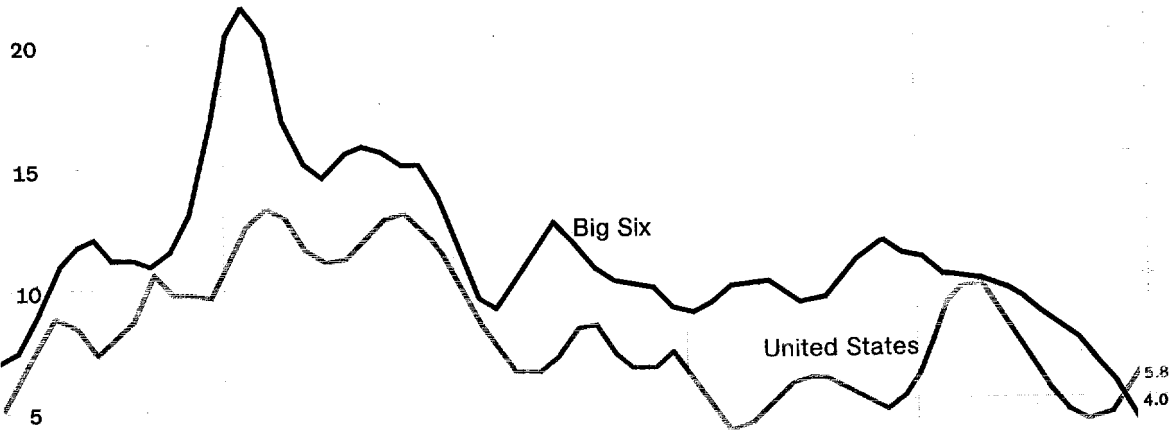
1973

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¹Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.

Consumer Price Inflation

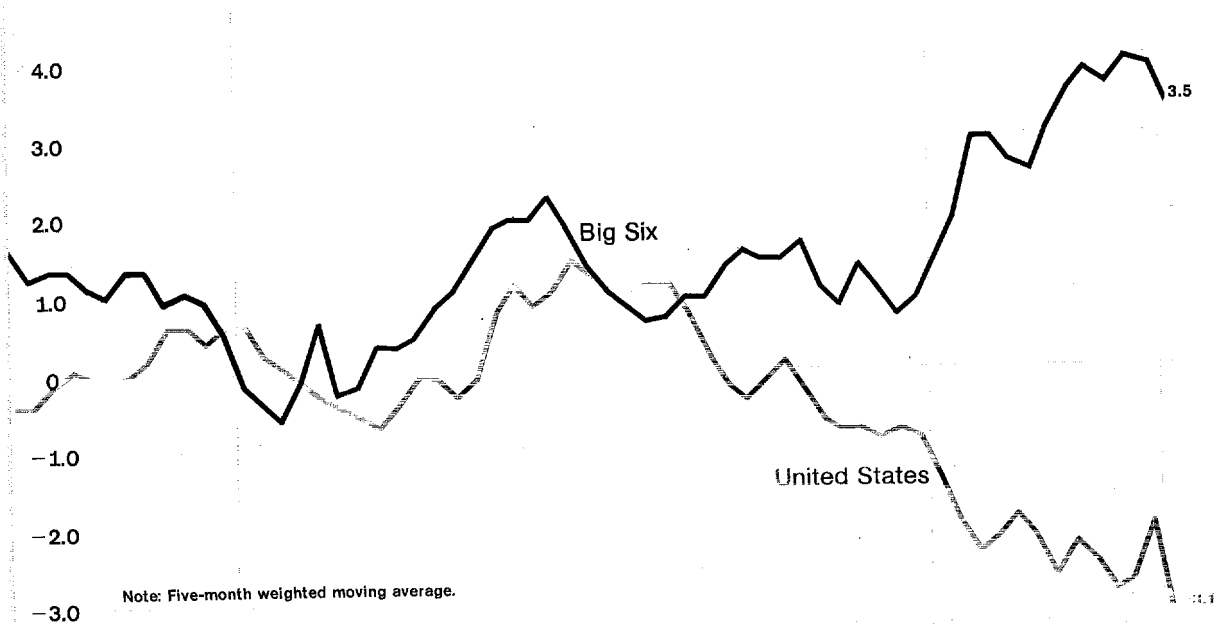
Percent, seasonally adjusted, annual rate



Note: Three-month average compared with previous three months.

Trade Balance

Billion US \$, f.o.b., seasonally adjusted



Note: Five-month weighted moving average.

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 1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970			Unemployment Rate	LATEST MONTH	1 Year Earlier	3 Months Earlier	
			1970	1 Year Earlier	3 Months Earlier ²					Big Five
Industrial Production						JAN 78	4.2	4.0	4.3	
Big Six	DEC 77	0.3	2.9	0.9	5.1	JAN 78	6.3	7.4	6.8	
United States	DEC 77	0.2	3.5	4.9	2.4					
Consumer Prices						LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
Big Six	JAN 78	0.1	9.3	7.2	4.0	JAN 78	2,650	36,783	15,821	20,962
United States	JAN 78	0.8	6.5	6.8	5.8	JAN 78	-2,379	-27,393	-5,635	-21,758
Trade Balance										
Big Six										
United States										

²Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

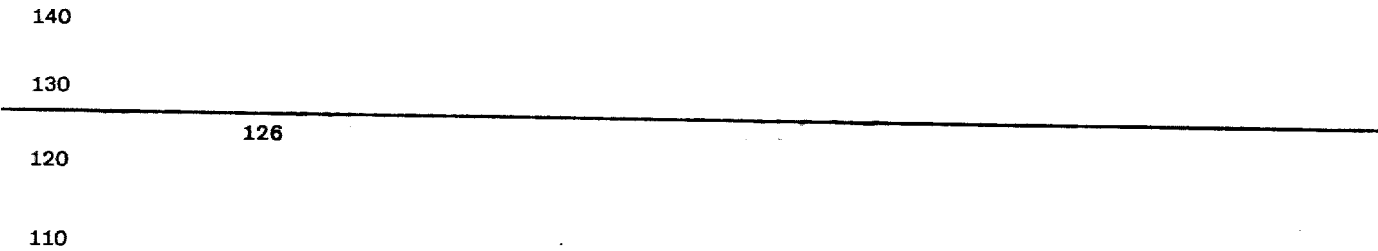
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

United States

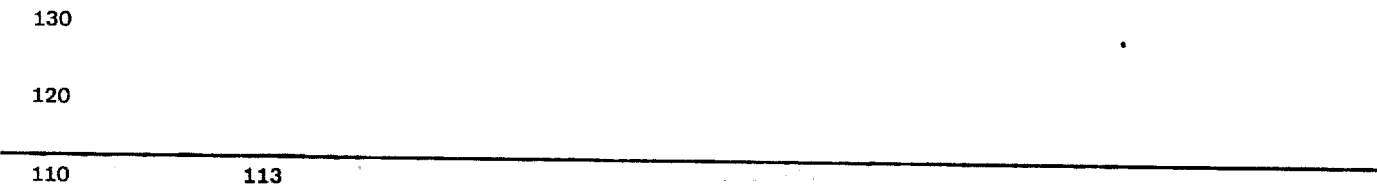
Semilogarithmic Scale



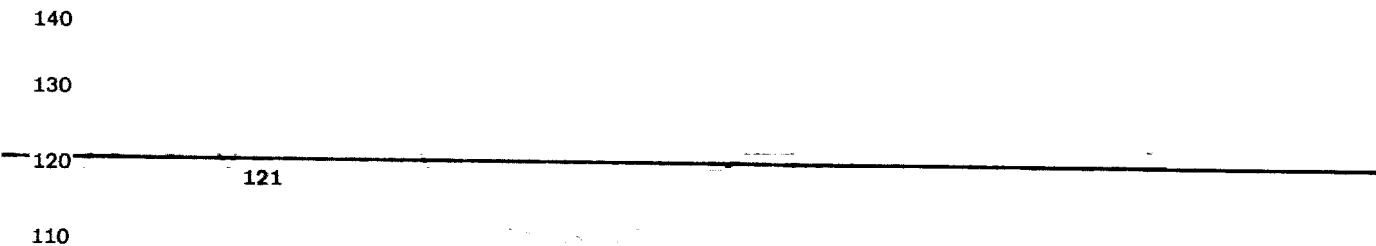
Japan



West Germany



France

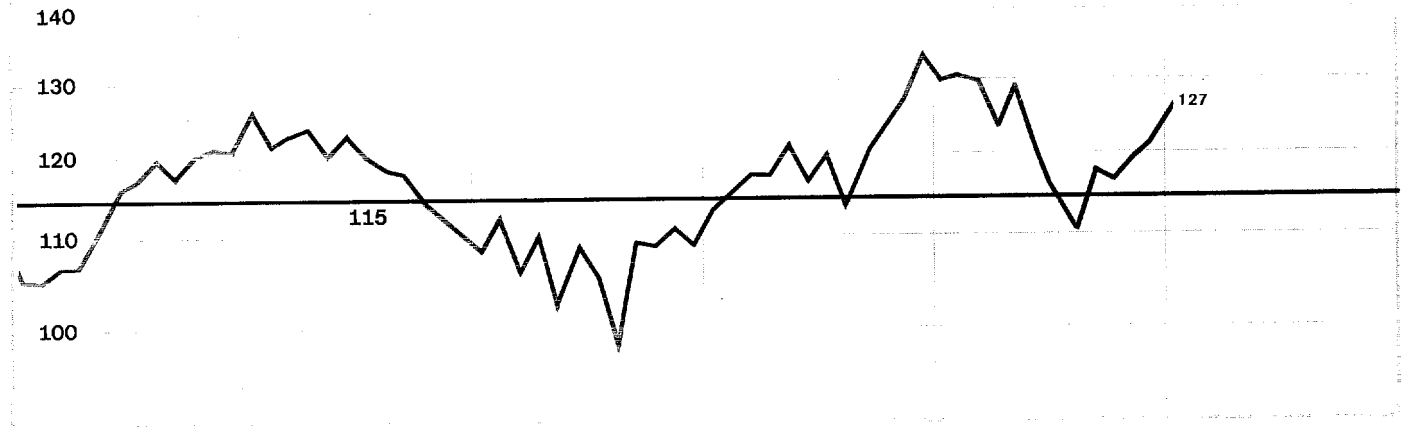


United Kingdom

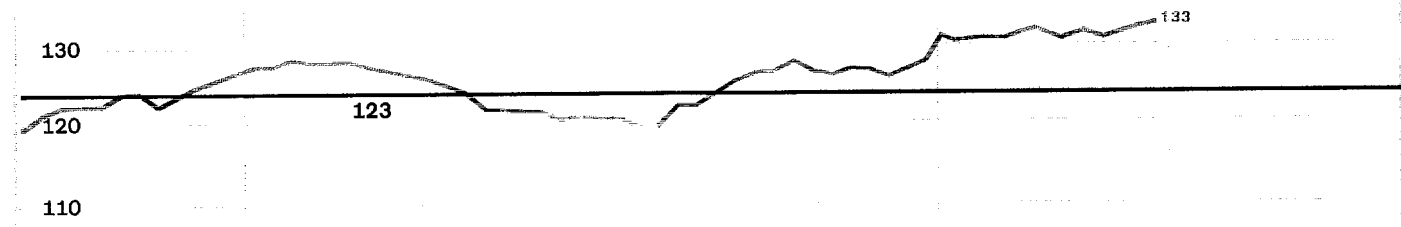
Semilogarithmic Scale



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

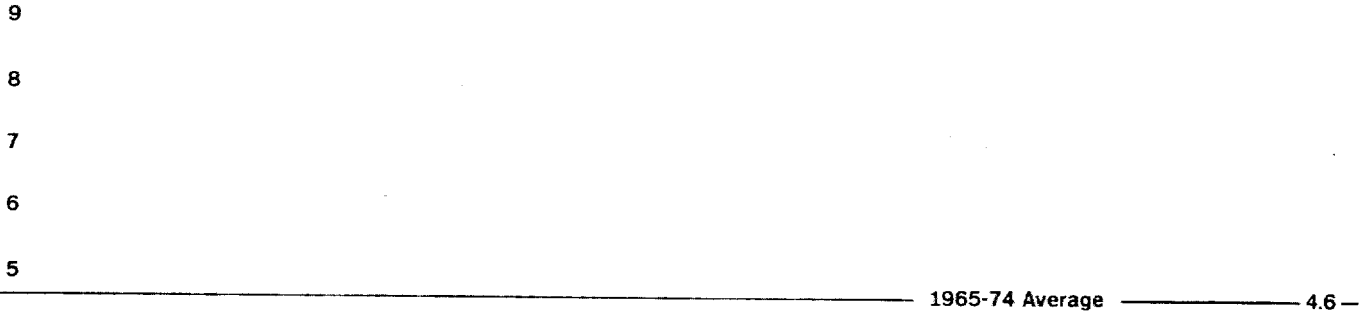
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier ¹			1970	1 Year Earlier	3 Months Earlier ¹	
United States	FEB 78	0.4	3.4	4.5	0.7	United Kingdom	JAN 78	-0.4	0.4	-2.5	-0.6
Japan	FEB 78	-0.2	4.2	6.2	13.8	Italy	JAN 78	4.5	3.3	-3.5	25.5
West Germany	DEC 77	1.7	2.4	2.6	4.7	Canada	DEC 77	0.2	3.9	3.6	2.9
France	JAN 78	3.3	3.2	-1.6	4.4						

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

UNEMPLOYMENT RATE

PERCENT

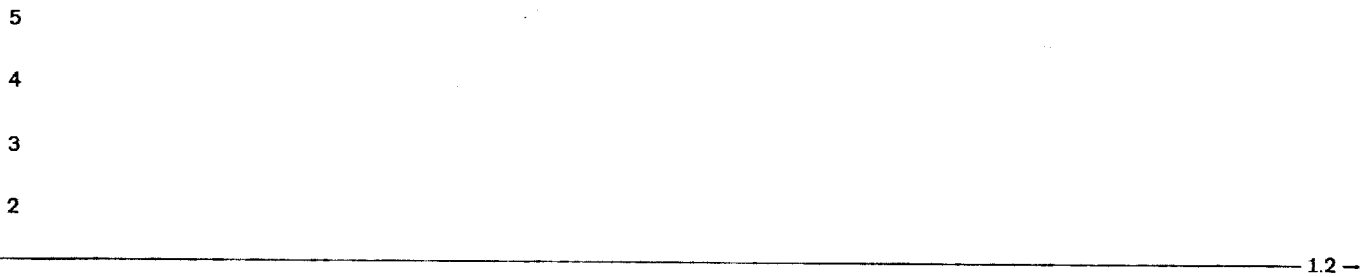
United States



Japan



West Germany

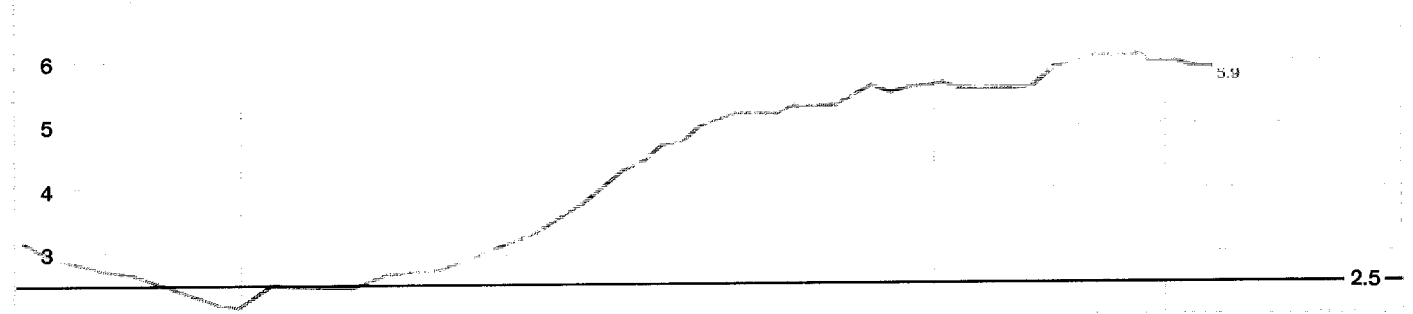


France

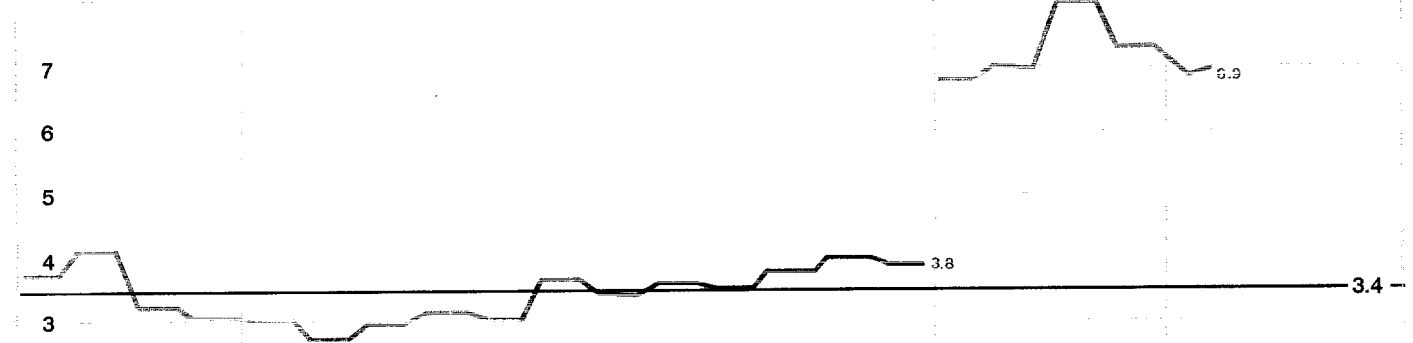


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1973 1974 1975 1976 1977 1978

United Kingdom

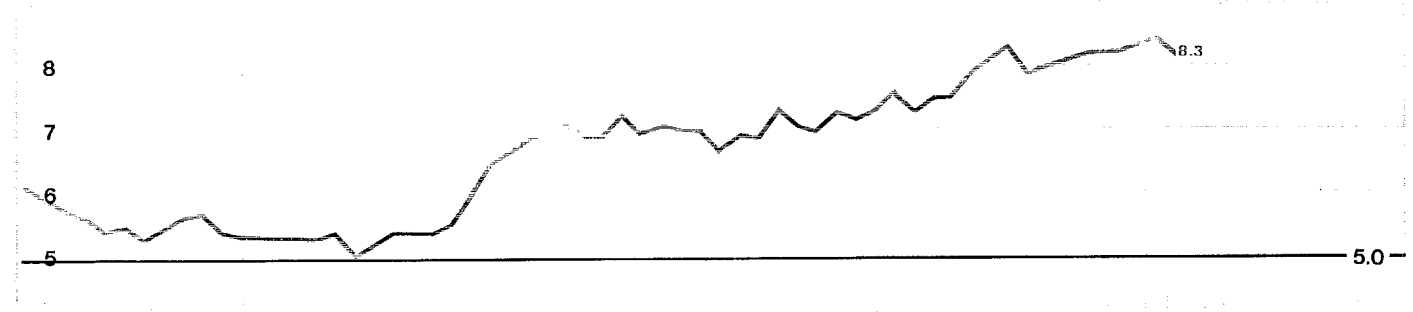


Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH	1 Year Earlier	3 Months Earlier		LATEST MONTH	1 Year Earlier	3 Months Earlier		
United States	FEB 78	6,090	7,183	6,818	United Kingdom	MAR 78	1,400	1,321	1,428
Japan	JAN 78	1,130	1,000	1,060	Italy	78 I	1,520	1,459	1,598
West Germany	FEB 78	1,022	1,007	1,031	Canada	JAN 78	891	780	886
France	FEB 78	1,042	998	1,065					

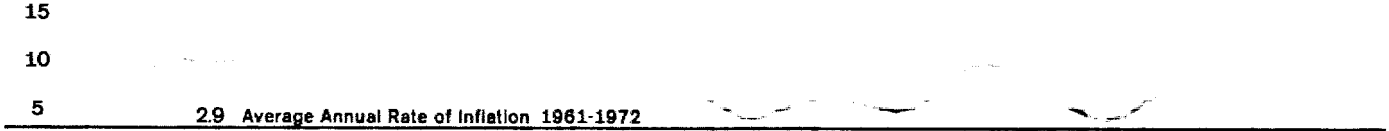
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

5/5693 4-78

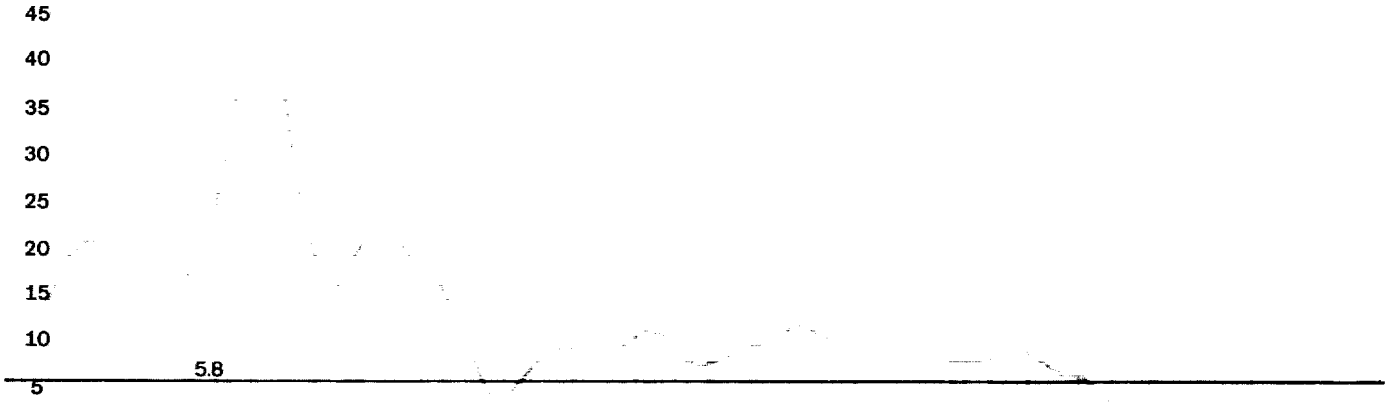
CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate¹

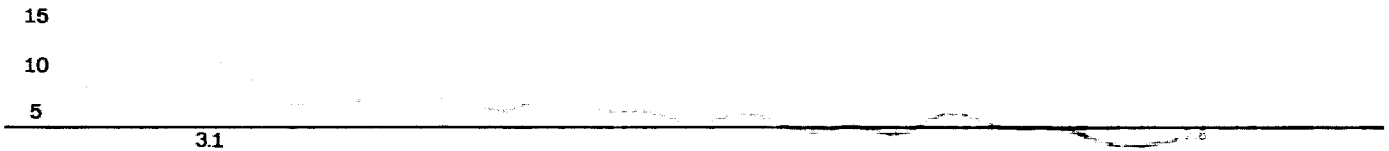
United States



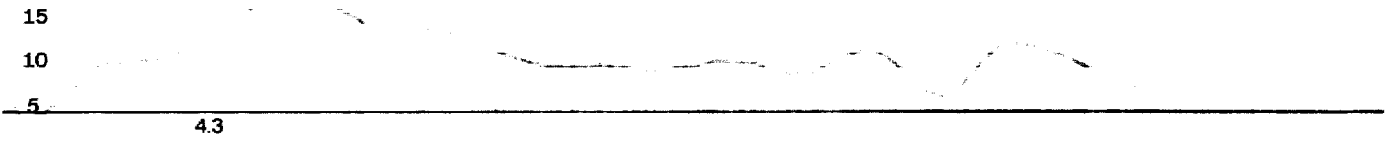
Japan



West Germany



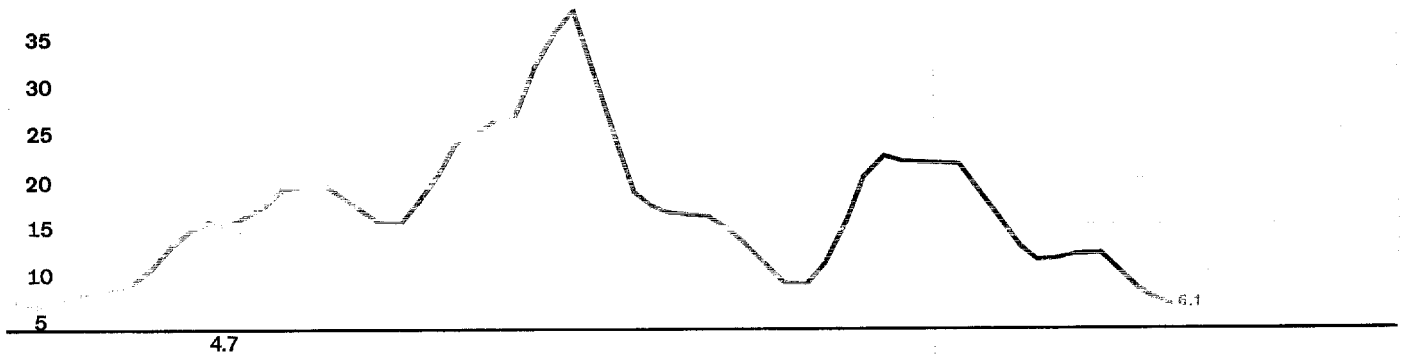
France



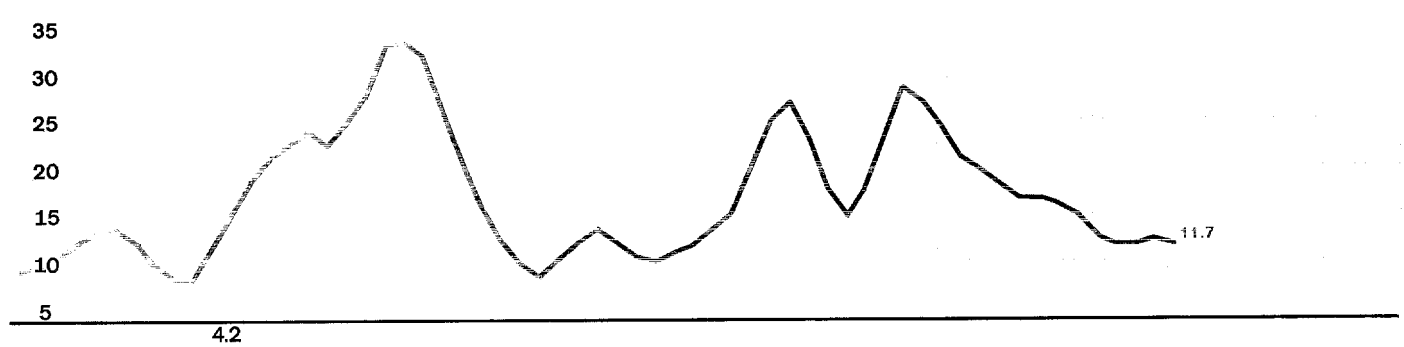
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1973 1974 1975 1976 1977 1978

¹Three-month average compared with previous three months

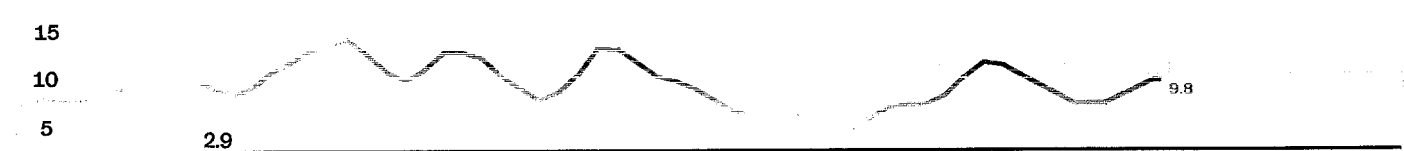
United Kingdom



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier ²			1970	1 Year Earlier	3 Months Earlier ²	
United States	FEB 78	0.4	6.5	6.4	6.6	United Kingdom	FEB 78	0.6	13.4	9.5	6.1
Japan	FEB 78	0.7	9.9	4.2	-1.4	Italy	FEB 78	0.5	13.1	13.1	11.7
West Germany	MAR 78	0.3	5.3	3.0	2.8	Canada	JAN 78	0.5	7.5	9.0	9.8
France	JAN 78	0.3	8.9	9.2	6.7						

²Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

GNP¹

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	77 IV	1.0	3.3	5.7	4.2
Japan	77 IV	1.0	5.4	5.3	4.2
West Germany	77 IV	1.3	2.5	1.9	5.3
France	77 III	0.2	3.7	2.3	0.9
United Kingdom	77 III	-0.4	1.6	-0.6	-1.4
Italy	77 III	-2.7	2.3	-1.2	-10.3
Canada	77 IV	0.8	4.6	4.0	3.4

¹ Seasonally adjusted.

RETAIL SALES¹

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Jan 78	-3.7	2.8	1.6	5.9
Japan	Sep 77	-4.2	9.3	4.1	0.7
West Germany	Jan 78	1.7	2.6	3.4	5.8
France	Nov 77	6.7	-0.6	-3.0	-12.0
United Kingdom	Feb 78	1.8	1.0	2.7	10.1
Italy	Oct 77	-6.8	1.9	-4.0	-11.1
Canada	Nov 77	1.1	4.4	2.7	8.7

¹ Seasonally adjusted.

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

FIXED INVESTMENT¹

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	77 IV	2.0	2.3	9.4	8.4
Japan	77 IV	1.2	1.1	0.7	4.9
West Germany	77 IV	1.6	0.8	2.8	6.7
France	77 III	-0.7	3.4	-0.7	-2.7
United Kingdom	77 III	1.0	1.8	2.8	4.2
Italy	77 III	-12.5	0.4	-10.2	-41.4
Canada	77 IV	-3.7	5.0	-7.5	-14.1

¹ Seasonally adjusted.

WAGES IN MANUFACTURING¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Jan 78	1.0	7.6	8.2	7.9
Japan	Dec 77	-3.1	16.3	6.3	9.8
West Germany	77 IV	-2.4	8.7	4.6	-9.2
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jan 78	0.5	14.7	3.3	2.7
Italy	Dec 77	0	20.5	23.5	13.9
Canada	Dec 77	0.8	11.2	10.5	7.4

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	Commercial paper	Apr 5	6.80	4.75	6.85	6.75
Japan	Call money	Apr 7	4.12	6.50	4.75	5.00
West Germany	Interbank loans (3 months)	Apr 5	3.52	4.58	3.54	3.44
France	Call money	Apr 7	8.62	9.25	8.88	10.50
United Kingdom	Sterling interbank loans (3 months)	Apr 5	6.73	8.94	6.14	6.99
Canada	Finance paper	Apr 5	7.78	7.50	7.09	7.17
Eurodollars	Three-month deposits	Apr 5	7.40	5.18	7.26	7.30

EXPORT PRICES
US \$

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	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	1.1	9.3	3.0	6.2
Japan	Jan 78	-0.7	11.0	11.9	20.0
West Germany	Dec 77	6.3	12.1	11.9	49.6
France	Nov 77	-0.5	11.0	9.0	-3.8
United Kingdom	Feb 78	-0.2	12.1	22.7	33.8
Italy	Oct 77	-0.6	10.9	12.7	0.2
Canada	Nov 77	-0.5	8.4	-3.5	-23.0

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	1.1	9.3	3.0	6.2
Japan	Jan 78	-0.8	5.3	-7.3	-4.2
West Germany	Dec 77	2.1	4.4	1.0	10.2
France	Nov 77	-0.7	9.0	6.1	-7.0
United Kingdom	Feb 78	-0.4	15.3	8.2	3.6
Italy	Oct 77	-0.9	16.3	16.0	-0.7
Canada	Nov 77	0.5	9.3	8.6	-12.7

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	-1.6	12.6	6.1	-3.3
Japan	Jan 78	-2.4	7.6	-18.2	-33.4
West Germany	Dec 77	-1.2	3.8	-1.8	-4.1
France	Nov 77	-0.3	9.8	4.7	-5.3
United Kingdom	Feb 78	0.3	17.7	1.6	-5.4
Italy	Oct 77	-4.3	19.8	10.9	-3.0
Canada	Nov 77	0.6	8.7	15.2	-7.3

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		Latest Month			
		End of	Billion US \$	Jun 1970	1 Year Earlier
United States	Jan 78	19.5	14.5	18.7	19.0
Japan	Mar 78	29.2	4.1	17.0	22.8
West Germany	Jan 78	40.7	8.8	34.4	35.7
France	Oct 77	10.1	4.4	9.6	9.9
United Kingdom	Jan 78	21.4	2.8	7.3	20.4
Italy	Jan 78	11.4	4.7	6.7	11.1
Canada	Feb 78	3.7	4.3	5.3	4.2

CURRENT ACCOUNT BALANCE ¹

	Latest Period	Million US \$	Cumulative (Million US \$)		
			Change		
			1977	1976	Change
United States ²	77 III	-4,302	-13,064	-48	-13,016
Japan	Feb 78	1,801	11,112	3,680	7,432
West Germany	Feb 78	240	3,584	2,659	926
France	77 IV	136	-3,179	-5,721	2,541
United Kingdom	77 III	916	-691	-1,539	848
Italy	77 III	2,390	1,629	-2,028	3,657
Canada	77 III	-1,150	-4,106	-3,215	-890

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 \$)		
			Change		
			1977	1976	Change
United States			No longer published ²		
Japan	Feb 78	1,963	7,876	2,696	5,180
West Germany	Feb 78	528	-1,648	2,472	-4,120
France	77 IV	149	-3,218	-6,842	3,624
United Kingdom	77 III	2,238	3,995	-1,585	5,581
Italy	77 III	2,520	2,128	-2,083	4,211
Canada	77 III	346	-446	3,239	-3,684

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 7 Apr 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73			
		19 Mar 73	1 Year Earlier	3 Months Earlier	31 Mar 78
Japan (yen)	0.0046	19.96	26.20	9.85	1.92
West Germany (Deutsche mark)	0.4959	40.05	18.63	5.83	0.10
France (franc)	0.2197	-0.31	9.23	3.95	0.30
United Kingdom (pound sterling)	1.8742	-23.84	9.00	-2.79	0.66
Italy (lira)	0.0012	-33.62	4.26	2.71	0
Canada (dollar)	0.8770	-12.10	-7.56	-3.88	-0.49

TRADE-WEIGHTED EXCHANGE RATES ¹

As of 7 Apr 78

	Percent Change from			
	19 Mar 73			
	19 Mar 73	1 Year Earlier	3 Months Earlier	31 Mar 78
United States	0.35	-5.65	-1.63	-0.23
Japan	24.32	23.37	9.38	1.93
West Germany	32.91	8.18	2.15	0.15
France	-10.03	-2.32	0.07	0.30
United Kingdom	-29.34	1.56	-5.71	0.76
Italy	-42.15	-6.48	-1.02	-0.04
Canada	-12.30	-10.04	-4.65	-0.62

¹ Weighting is based on each listed country's trade with 16 other industrialized countries to which the major currencies are convertible among the major currencies.

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Developed Countries: Direction of Trade ¹

Billion US \$

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
UNITED STATES												
1975	107.65	46.94	16.25	10.77	3.37	29.82	103.42	49.81	8.83	18.70	0.98	25.08
1976	115.01	51.30	17.68	12.57	3.64	29.44	129.57	60.39	9.75	27.17	1.16	31.09
1st Qtr	27.37	12.18	4.11	2.75	1.08	7.24	29.34	13.72	2.40	6.07	0.27	6.88
2d Qtr	29.69	13.38	4.51	3.11	1.01	7.51	31.65	15.36	2.41	6.07	0.28	7.54
3d Qtr	27.43	11.94	4.09	3.11	0.78	7.42	33.74	15.24	2.40	7.55	0.31	8.24
4th Qtr	30.52	13.79	4.97	3.60	0.76	7.26	34.84	16.07	2.55	7.48	0.30	8.44
1977	120.17	53.92	18.53	14.03	2.72	30.97	156.70	70.48	11.08	35.44	1.22	38.48
1st Qtr	29.46	13.75	4.73	3.14	0.86	6.98	37.37	16.07	2.76	8.97	0.30	9.27
2d Qtr	31.67	14.39	4.81	3.69	0.71	8.07	40.45	18.14	2.77	9.31	0.35	9.88
3d Qtr	28.75	12.23	4.39	3.58	0.47	8.08	39.50	17.73	2.78	8.92	0.32	9.75
4th Qtr	30.29	13.55	4.60	3.62	0.68	7.84	39.38	18.54	2.77	8.24	0.25	9.58
JAPAN												
1975	55.73	16.56	6.07	8.42	5.16	15.87	57.85	16.93	6.08	19.40	3.36	12.05
1976	67.32	22.61	8.59	9.27	4.93	17.84	64.89	17.58	7.78	21.88	2.91	14.72
1st Qtr	14.44	4.89	1.83	1.87	1.28	3.76	14.84	4.09	1.70	5.22	0.67	3.16
2d Qtr	16.42	5.46	2.09	2.27	1.32	4.39	15.89	4.35	1.95	5.40	0.66	3.54
3d Qtr	17.54	5.95	2.27	2.47	1.09	4.52	16.81	4.51	2.14	5.41	0.74	4.01
4th Qtr	18.92	6.30	2.40	2.66	1.24	5.17	17.34	4.62	2.00	5.86	0.84	4.01
1977												
1st Qtr	17.89	5.89	2.45	2.46	1.36	5.73	17.44	4.72	1.84	6.24	0.79	3.85
2d Qtr	19.73	6.73	2.41	2.91	1.19	6.49	17.88	4.88	2.10	5.74	0.86	4.30
3d Qtr	20.63	7.40	2.47	3.05	1.33	6.38	17.63	4.68	1.84	5.88	0.84	4.39
Oct & Nov	14.26	4.93	1.56	2.21	0.94	4.62	11.98	3.00	1.36	4.17	0.59	2.86
WEST GERMANY												
1975	91.70	28.33	36.44	6.78	8.81	11.05	76.28	27.09	27.78	8.24	4.87	8.21
1976	103.63	33.44	41.86	8.25	8.72	11.04	89.68	31.28	32.64	9.73	5.93	10.01
1st Qtr	23.79	7.92	9.54	1.71	2.09	2.47	20.49	7.13	7.59	2.19	1.33	2.23
2d Qtr	24.96	8.21	10.12	1.84	2.08	2.64	21.94	7.70	8.13	2.22	1.43	2.42
3d Qtr	25.53	8.00	10.28	2.24	2.13	2.78	22.14	7.56	7.89	2.57	1.49	2.58
4th Qtr	29.35	9.31	11.92	2.46	2.42	3.15	25.12	8.88	9.03	2.73	1.67	2.78
1977												
1st Qtr	28.19	9.28	11.62	2.31	2.11	2.87	24.45	8.46	8.85	2.58	1.42	3.14
2d Qtr	29.20	9.59	11.79	2.69	2.07	3.06	25.21	9.09	9.04	2.43	1.54	3.11
3d Qtr	28.75	9.20	11.45	2.71	2.26	3.13	25.27	8.99	8.97	2.54	1.65	3.12
Oct & Nov	21.32	7.13	8.65	1.90	1.24	2.40	17.85	6.35	6.79	1.65	0.96	2.10
FRANCE												
1975	52.87	20.00	15.50	4.90	3.13	8.61	53.99	23.04	14.33	9.43	1.94	5.21
1976	57.05	22.49	16.15	5.08	3.23	8.75	64.38	27.81	16.93	11.36	2.24	6.01
1st Qtr	13.97	5.52	3.93	1.24	0.84	2.08	15.52	6.57	4.16	2.82	0.56	1.42
2d Qtr	15.02	5.91	4.41	1.22	0.98	2.23	16.19	7.15	4.33	2.61	0.55	1.53
3d Qtr	12.81	4.97	3.49	1.29	0.67	2.09	14.97	6.49	3.77	2.75	0.55	1.41
4th Qtr	15.26	6.08	4.33	1.33	0.75	2.35	17.70	7.60	4.68	3.19	0.58	1.65
1977												
1st Qtr	15.68	6.25	4.55	1.39	0.75	2.74	17.89	7.50	4.84	3.06	0.52	1.97
2d Qtr	16.69	6.60	4.79	1.57	0.83	2.90	17.96	7.84	4.71	2.65	0.61	2.15
3d Qtr	14.75	6.02	4.08	1.32	0.67	2.66	16.14	6.99	3.85	2.87	0.62	1.81
Oct & Nov	11.45	4.60	3.13	0.99	0.41	2.32	12.11	5.25	3.12	2.10	0.46	1.18
UNITED KINGDOM												
1975	44.03	12.55	16.59	4.55	1.56	8.64	53.35	18.47	18.52	6.91	1.68	7.67
1976	46.12	14.03	17.53	5.13	1.39	7.92	55.56	19.66	18.81	7.29	2.08	7.65
1st Qtr	11.60	3.41	4.37	1.24	0.38	2.17	13.50	4.69	4.64	1.82	0.49	1.83
2d Qtr	11.46	3.53	4.32	1.26	0.37	1.95	13.96	5.04	4.57	1.74	0.56	2.03
3d Qtr	11.03	3.43	4.11	1.26	0.32	1.87	13.69	4.75	4.54	1.89	0.51	1.98
4th Qtr	12.03	3.64	4.74	1.38	0.31	1.93	14.41	5.17	5.06	1.84	0.51	1.81

Developed Countries: Direction of Trade¹
(Continued)

Billion US \$

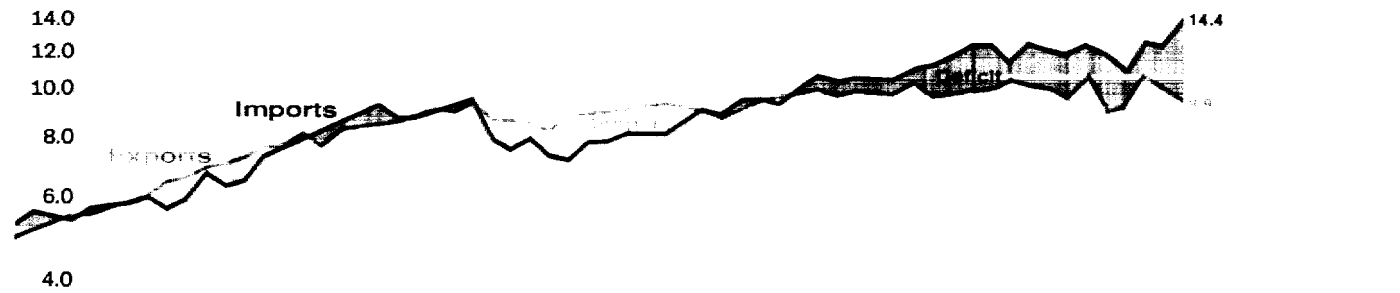
	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
UNITED KINGDOM												
(Continued)												
1977	57.44	16.99	22.56	6.79	1.63	9.47	63.29	24.02	21.34	6.31	2.40	9.22
1st Qtr	13.14	4.02	5.16	1.52	0.35	2.09	15.45	5.80	5.12	1.78	0.49	2.26
2d Qtr	14.35	4.20	5.72	1.69	0.44	2.30	16.52	6.02	5.73	1.70	0.58	2.49
3d Qtr	14.59	4.47	5.55	1.75	0.46	2.36	15.20	6.05	4.74	1.44	0.66	2.31
4th Qtr	15.36	4.30	6.13	1.83	0.38	2.72	16.12	6.15	5.75	1.39	0.67	2.16
ITALY												
1975	34.82	15.61	7.86	3.72	2.46	4.67	38.36	17.32	6.75	7.85	2.09	4.34
1976	36.96	17.41	8.69	4.23	2.18	3.96	43.42	19.35	8.04	8.12	2.65	5.24
1st Qtr	8.01	3.80	1.86	0.83	0.53	0.87	9.77	4.37	1.83	1.82	0.54	1.21
2d Qtr	8.85	4.22	2.09	0.97	0.52	0.95	10.83	4.85	1.94	2.10	0.63	1.31
3d Qtr	9.45	4.51	2.22	1.07	0.53	0.99	10.33	4.51	1.85	2.03	0.67	1.26
4th Qtr	10.65	4.88	2.53	1.36	0.59	1.14	12.49	5.62	2.42	2.17	0.81	1.46
1977												
1st Qtr	9.80	4.56	2.30	1.26	0.53	1.15	11.37	5.00	2.14	2.18	0.60	1.45
2d Qtr	11.47	5.33	2.61	1.51	0.60	1.42	12.49	5.51	2.24	2.50	0.64	1.60
3d Qtr	10.93	5.01	2.51	1.41	0.63	1.37	10.55	4.39	1.80	2.10	0.73	1.53
Oct	3.72	1.76	0.81	0.48	0.20	0.47	4.25	1.92	0.78	0.66	0.28	0.61
CANADA												
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56
1st Qtr	9.18	7.39	0.43	0.47	0.33	0.42	10.40	8.05	0.42	0.95	0.09	0.59
2d Qtr	10.75	8.61	0.50	0.18	0.34	0.56	11.61	9.02	0.45	1.02	0.10	0.70
3d Qtr	9.94	7.74	0.56	0.20	0.35	0.53	10.12	7.75	0.47	0.80	0.10	0.69
4th Qtr	10.31	8.27	0.55	0.26	0.23	0.58	10.91	8.73	0.48	0.71	0.09	0.58
1977												
1st Qtr	10.35	8.37	0.53	0.23	0.22	1.00	10.92	8.64	0.43	0.82	0.09	0.94
2d Qtr	11.34	9.23	0.54	0.24	0.29	1.04	12.28	9.92	0.47	0.74	0.10	1.05
3d Qtr	10.25	8.12	0.54	0.23	0.29	1.07	10.38	8.17	0.43	0.82	0.07	0.89
Oct	3.80	3.10	0.19	0.09	0.06	0.36	3.82	3.11	0.14	0.21	0.02	0.34



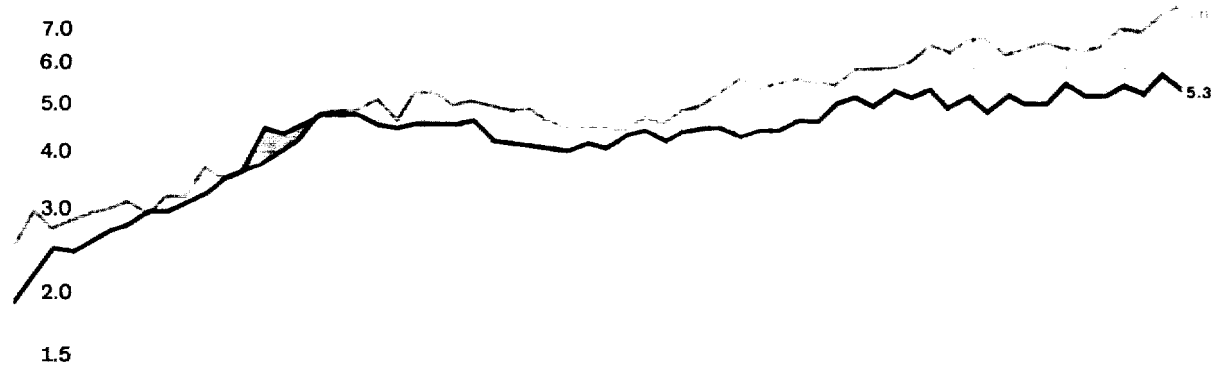
25X1X

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

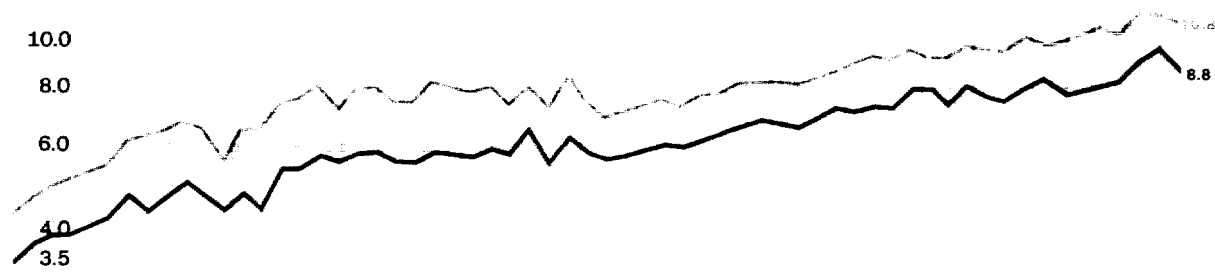
United States



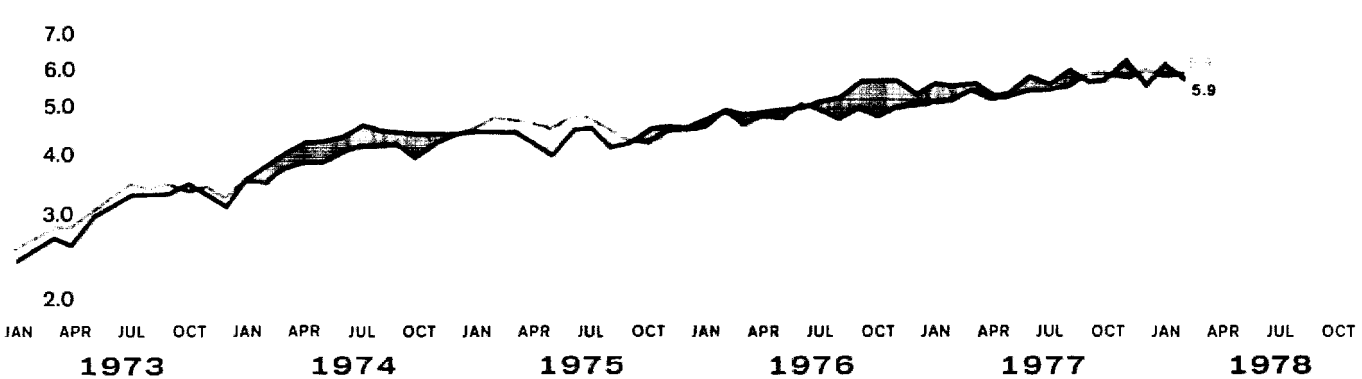
Japan



West Germany

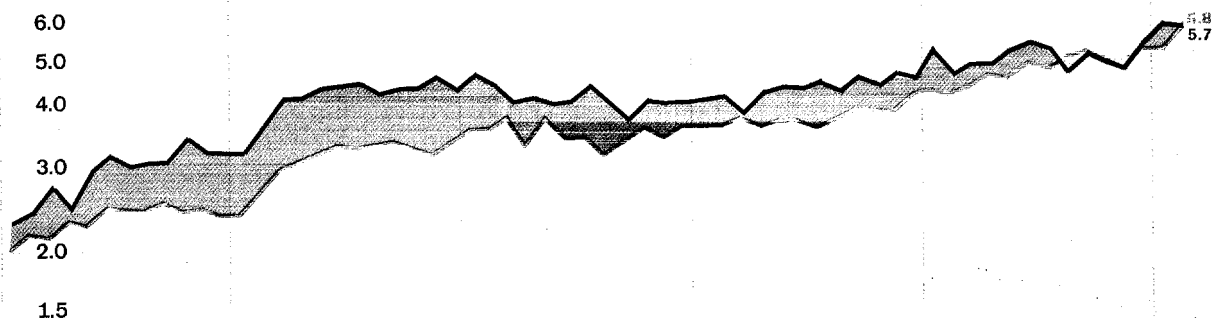


France

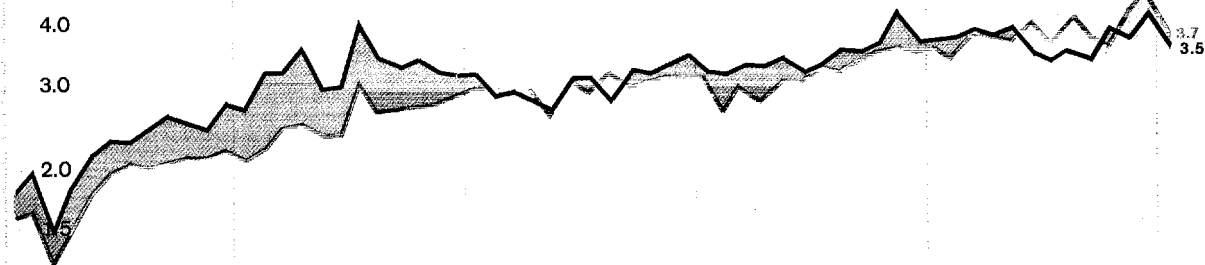


United Kingdom

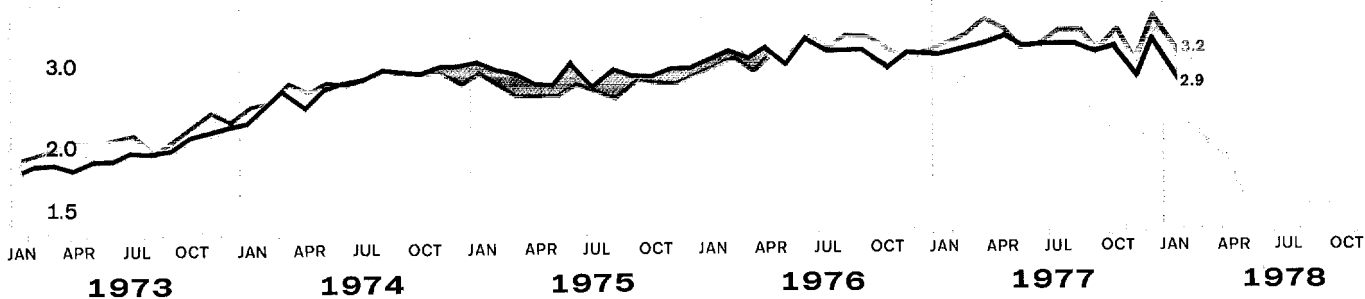
Semilogarithmic Scale



Italy



Canada



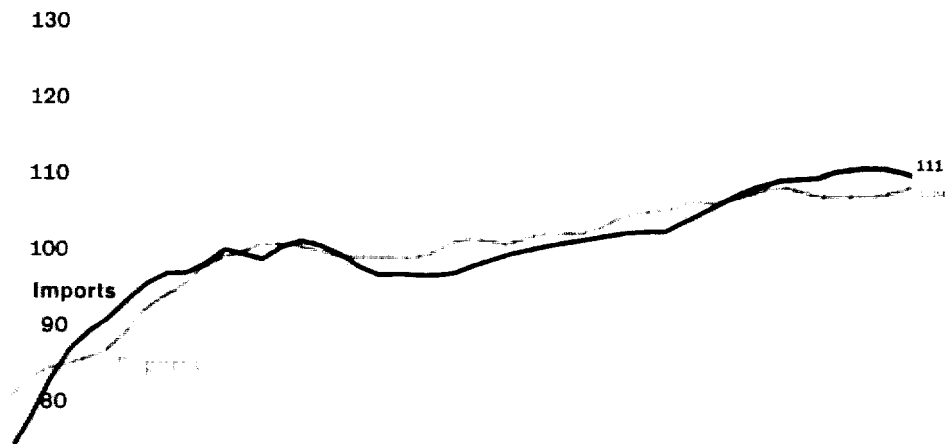
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			
			1977	1976	CHANGE			1977	1976	CHANGE	
United States	FEB 78	9,922	121,206	114,860	5.5%	United Kingdom	FEB 78	5,819	56,132	44,643	25.7%
		14,439	147,696	120,495	22.6%			5,656	59,024	51,108	15.5%
	Balance	-4,516	-26,490	-5,635	-20,855		Balance	163	-2,892	-6,465	3,573
Japan	FEB 78	7,969	79,212	65,751	20.5%	Italy	JAN 78	3,727	45,007	37,957	18.6%
		5,345	61,752	56,004	10.3%			3,511	44,132	40,025	10.3%
	Balance	2,625	17,460	9,747	7,713		Balance	216	876	-2,068	2,944
West Germany	FEB 78	10,825	117,787	101,923	15.6%	Canada	JAN 78	3,202	42,035	38,355	9.6%
		8,839	96,533	83,574	15.5%			2,932	39,189	37,255	5.2%
	Balance	1,986	21,254	18,349	2,905		Balance	271	2,846	1,100	1,746
France	FEB 78	5,935	65,087	56,967	14.3%						
		5,920	67,389	61,068	10.4%						
	Balance	15	-2,302	-4,101	1,799						

575691 4-78

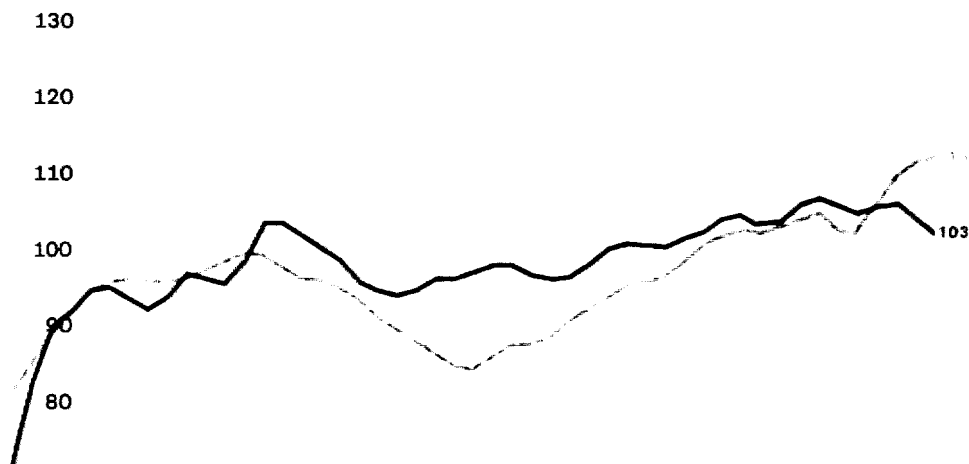
FOREIGN TRADE PRICES IN US \$¹

United States

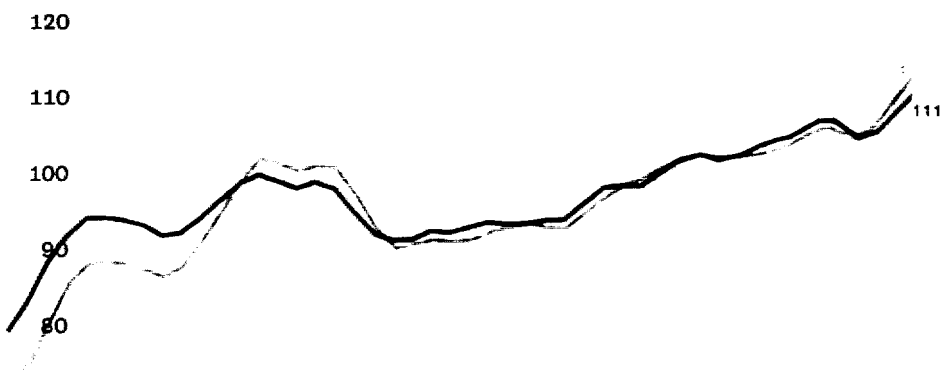
INDEX: JAN 1975 = 100



Japan



West Germany



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

1974

1975

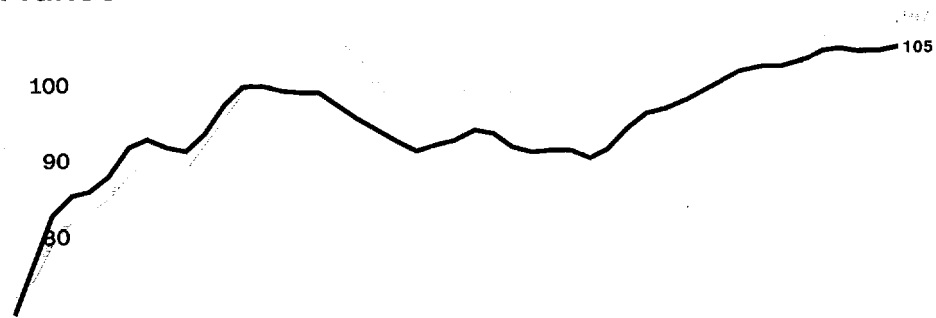
1976

1977

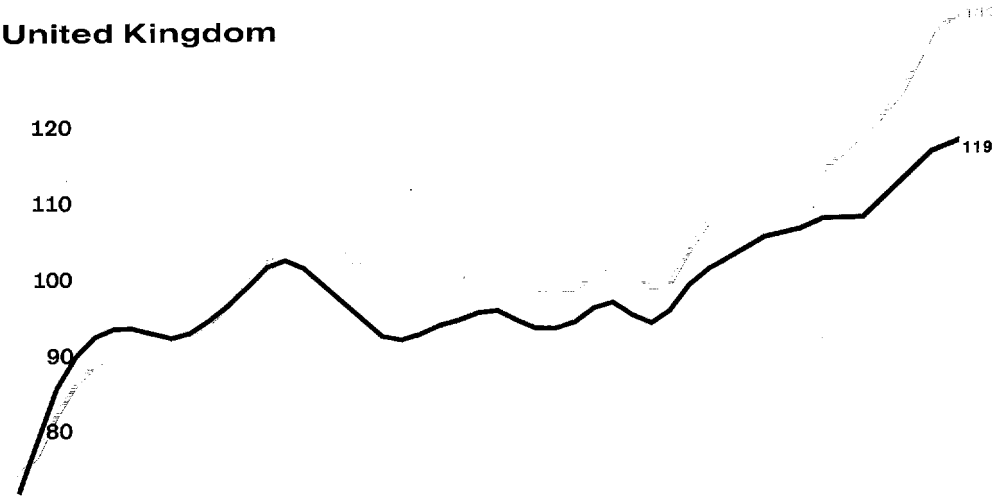
1978

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

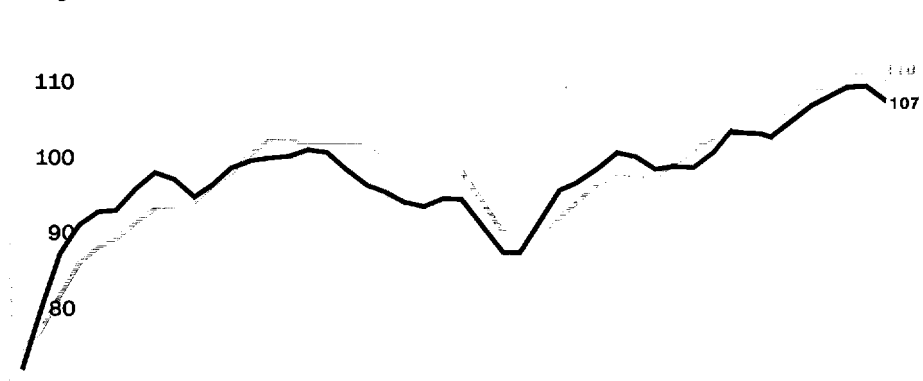
France



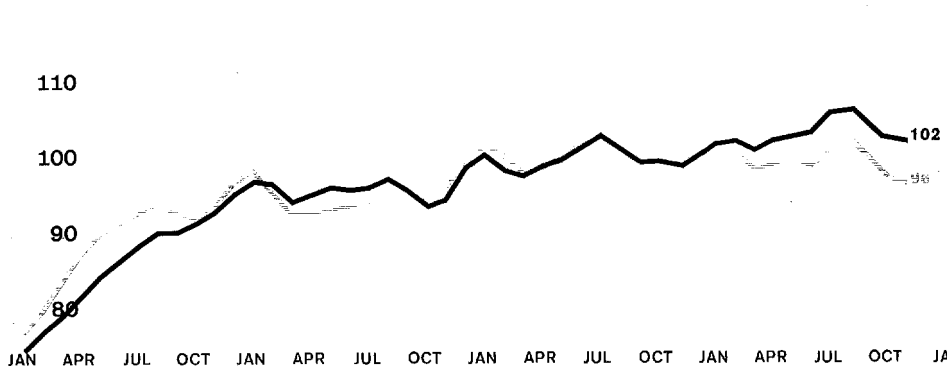
United Kingdom



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier ²	3 Months Earlier ²
India	Dec 77	3.3	4.7	4.6	2.5
South Korea	Dec 77	3.8	22.1	20.1	10.1
Mexico	Sep 77	0.2	6.0	5.3	11.2
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Jan 78	15.5	17.2	25.4	56.8

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		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
Brazil	Oct 77	2.9	37.1	47.4	42.2
India	Oct 77	1.6	13.6	15.2	23.1
Iran	Jan 78	4.8	28.3	27.9	21.0
South Korea	Jan 78	6.1	31.9	47.6	23.8
Mexico	Oct 77	4.9	19.5	26.6	21.9
Nigeria	Apr 77	-2.3	36.9	47.5	99.7
Taiwan	Oct 77	3.2	24.8	29.1	30.6
Thailand	Jul 77	2.7	13.5	14.7	12.4

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	
			Percent Change	
			1970	1 Year Earlier
Brazil	Feb 78	3.6	27.7	39.7
India	Dec 77	0	8.1	7.8
Iran	Jan 78	0.5	12.0	18.9
South Korea	Feb 78	2.1	14.5	13.0
Mexico	Nov 77	1.1	14.9	22.0
Nigeria	Aug 77	3.4	16.8	29.3
Taiwan	Jan 78	1.7	10.0	7.1
Thailand	Dec 77	-0.4	8.4	8.8

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Feb 78	4.0	27.7	36.4
India	Jan 78	-0.3	8.5	3.0
Iran	Jan 78	0.8	10.2	9.2
South Korea	Feb 78	1.8	16.2	10.9
Mexico	Nov 77	0	16.1	23.1
Taiwan	Jan 78	1.0	8.3	1.5
Thailand	Oct 77	-1.2	9.7	5.5

EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Oct 77	-2.8	12.7	2.1
India	Mar 77	-0.9	9.6	17.9
Iran	Dec 77	0	33.1	9.9
South Korea	77 III	0.9	8.6	6.5
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Nov 77	1.0	11.9	8.6
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

Million US \$

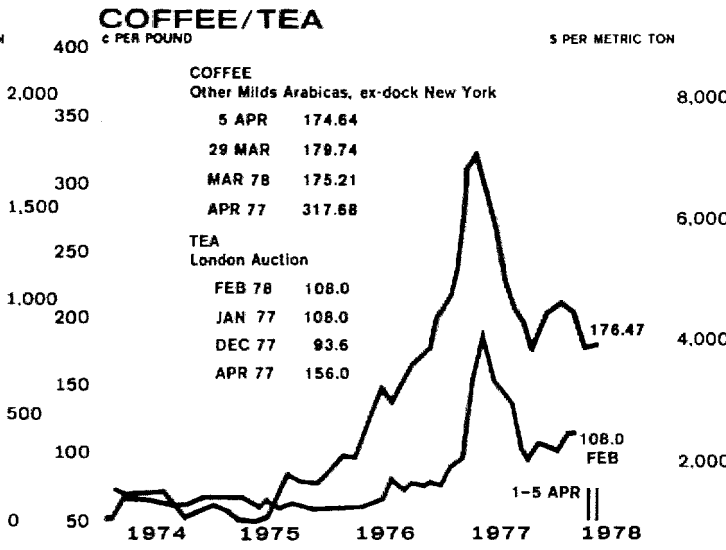
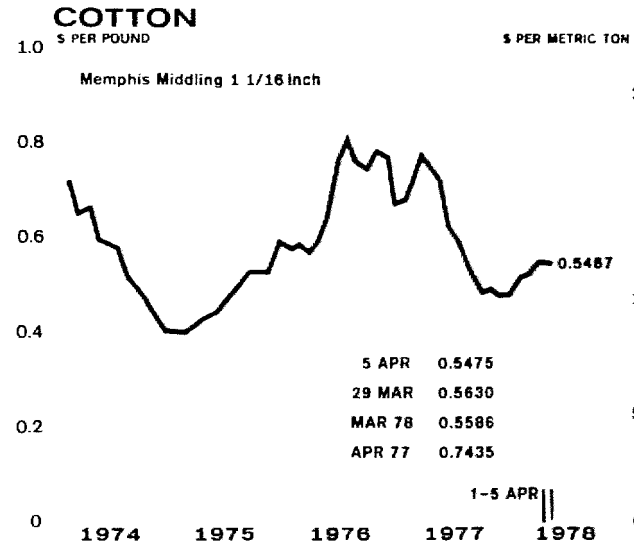
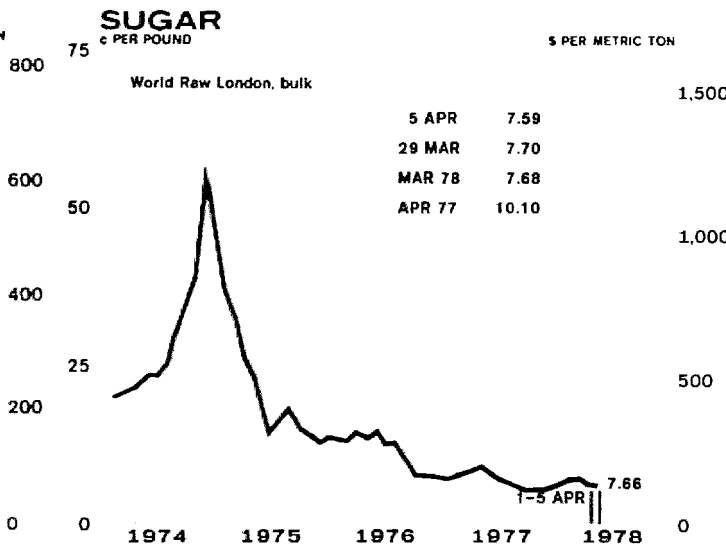
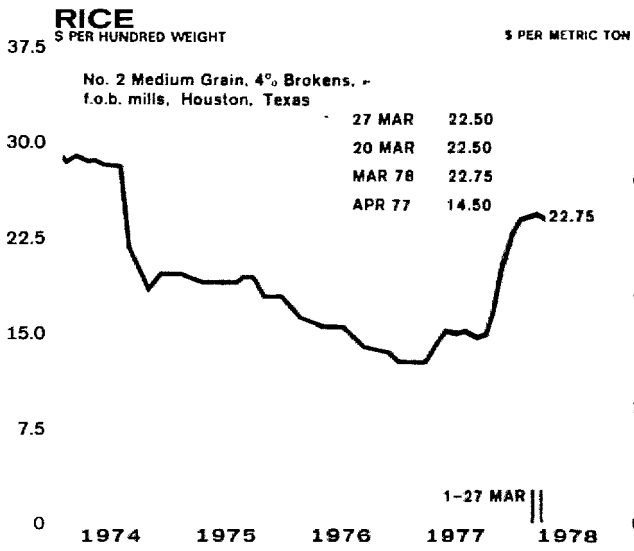
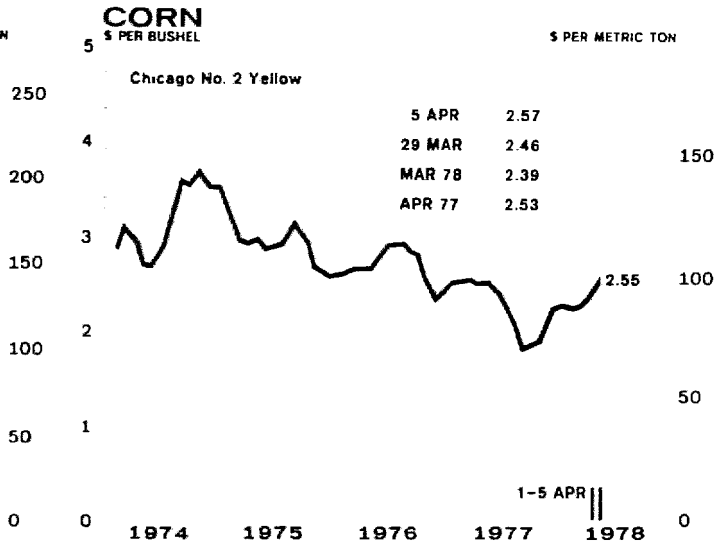
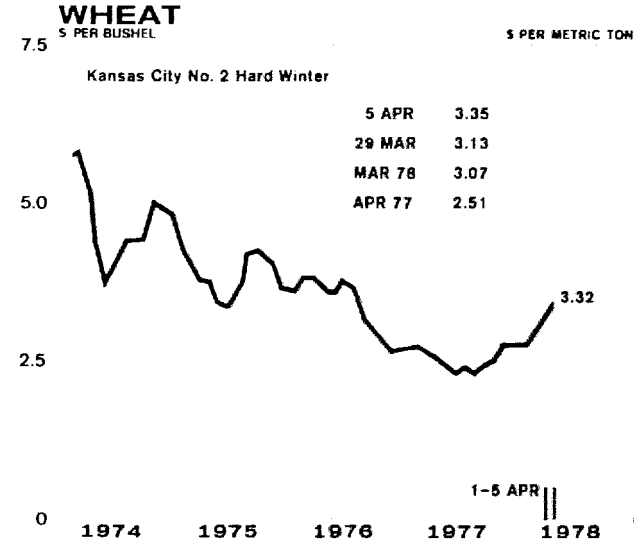
	Latest Month	End of Month	Million US \$	Average Annual Growth Rate Since	
				Percent Change	
				1 Year Earlier	3 Months Earlier
Brazil	Oct 77	6,041	1,013	5,007	6,144
India	Nov 77	5,069	1,006	3,003	4,525
Iran	Feb 78	13,728	208	10,142	11,511
South Korea	Jan 78	4,418	602	2,883	4,246
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	Jan 78	3,900	148	4,738	4,551
Taiwan	Dec 77	1,447	531	1,607	1,442
Thailand	Jan 78	1,950	978	1,885	1,906

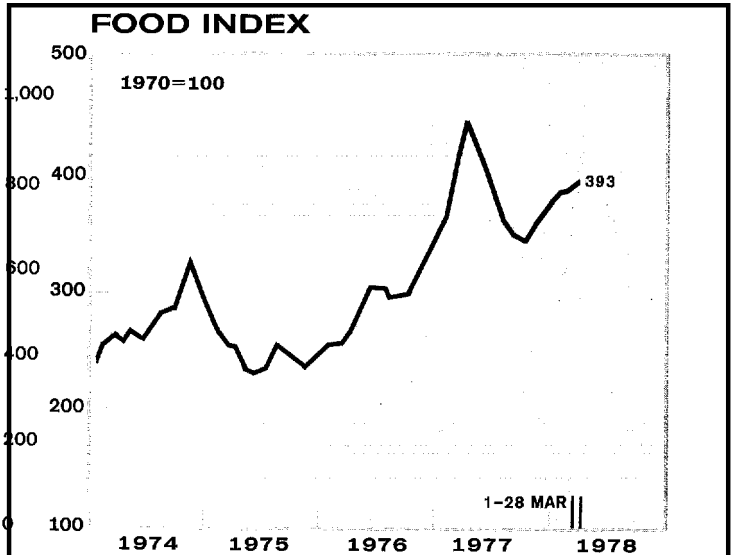
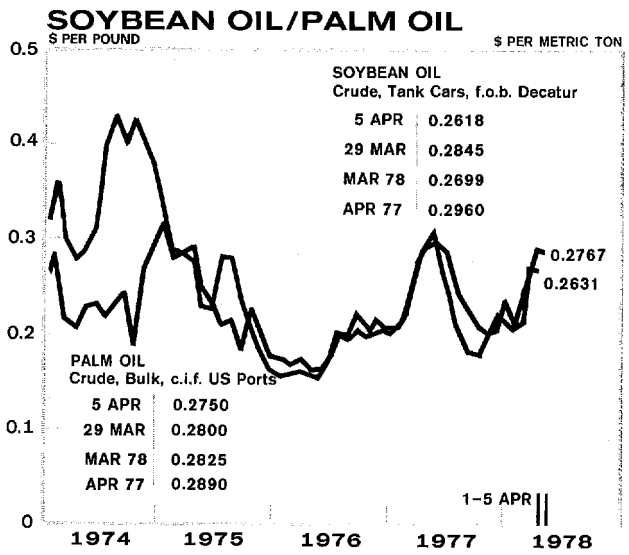
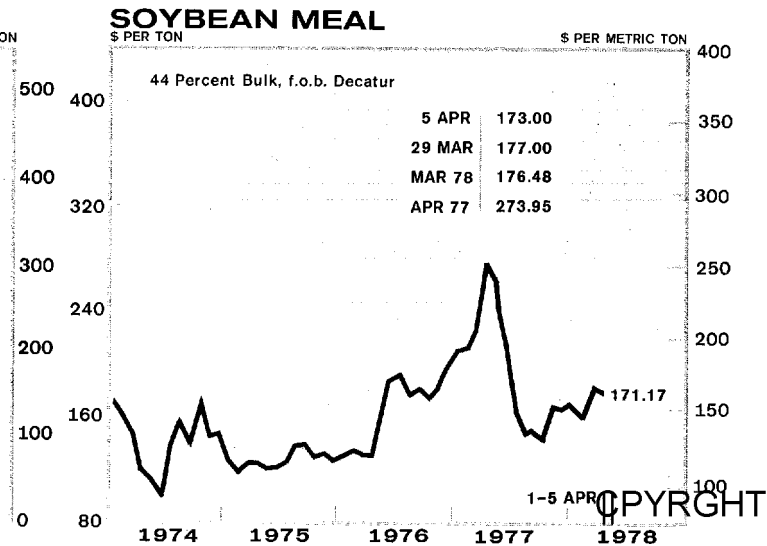
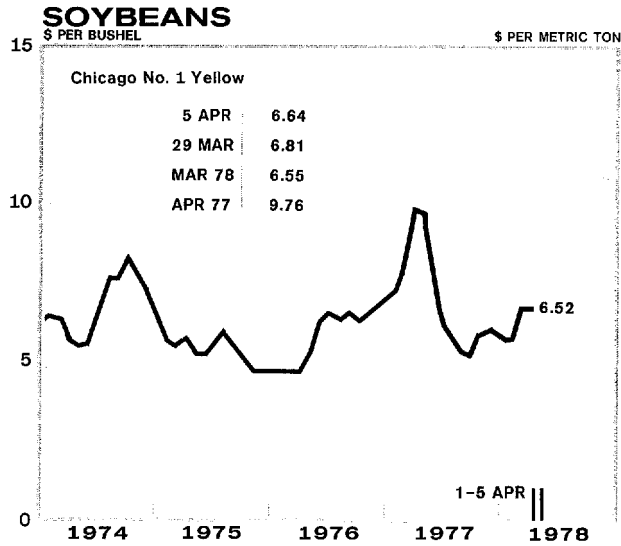
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months	1 Year	3 Months	1 Year	Change
			Earlier ¹	Earlier 1977	1976		
Brazil	Feb 78	Exports	-13.6	-5.7	12,137	10,128	19.8%
	Feb 78	Imports	-6.7	-0.2	11,999	12,346	-2.8%
	Feb 78	Balance			138	-2,218	2,356
India	Nov 77	Exports	-51.5	-0.2	5,414	4,618	17.2%
	Nov 77	Imports	101.8	29.4	4,798	4,098	17.1%
	Nov 77	Balance			616	520	96
Iran	Dec 77	Exports	52.0	-2.8	24,237	23,475	3.2%
	Dec 77	Imports	-6.1	12.5	12,561	11,513	9.1%
	Dec 77	Balance			11,676	11,962	-286
South Korea	Jan 78	Exports	111.9	39.8	10,046	7,715	30.2%
	Jan 78	Imports	51.7	28.6	10,526	8,405	25.2%
	Jan 78	Balance			-480	-690	210
Mexico	Oct 77	Exports	-29.0	34.3	3,367	2,573	30.9%
	Oct 77	Imports	70.1	8.3	4,189	4,838	-13.4%
	Oct 77	Balance			-822	-2,266	1,443
Nigeria	Nov 77	Exports	-25.5	13.4	4,384	3,620	21.1%
	Dec 76	Imports	86.7	8.4	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	Jan 78	Exports	68.3	22.2	9,361	8,166	14.6%
	Jan 78	Imports	87.5	17.0	8,511	7,599	12.0%
	Jan 78	Balance			850	567	283
Thailand	Oct 77	Exports	-24.9	8.2	2,917	2,424	20.3%
	Nov 77	Imports	-14.1	25.7	3,805	2,956	28.8%
	Oct 77	Balance			-538	-234	-304

¹ At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

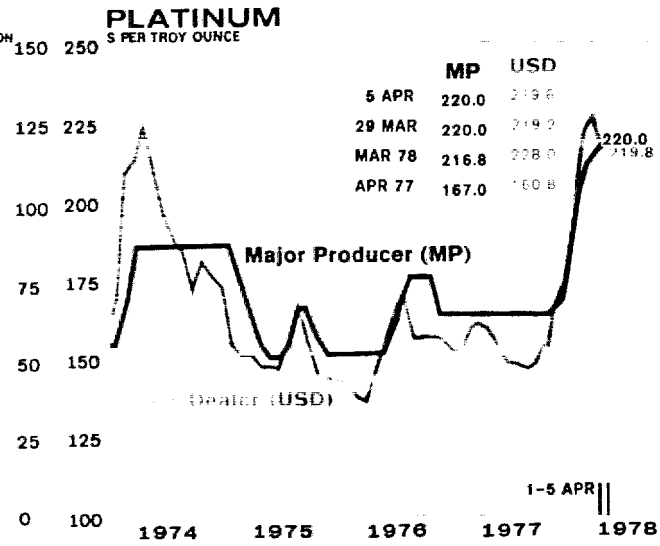
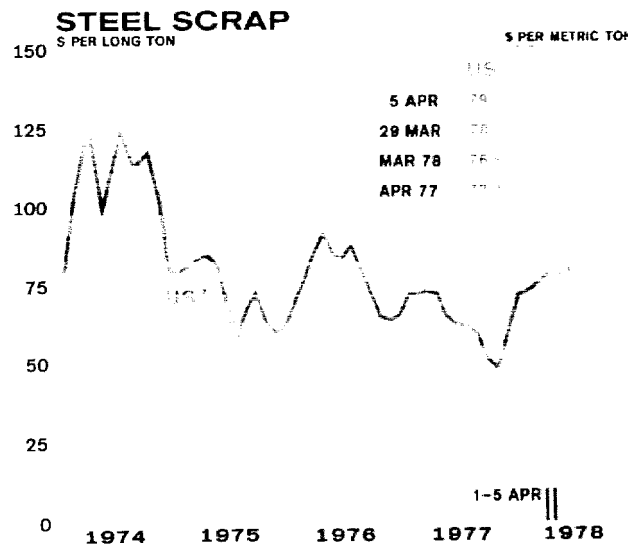
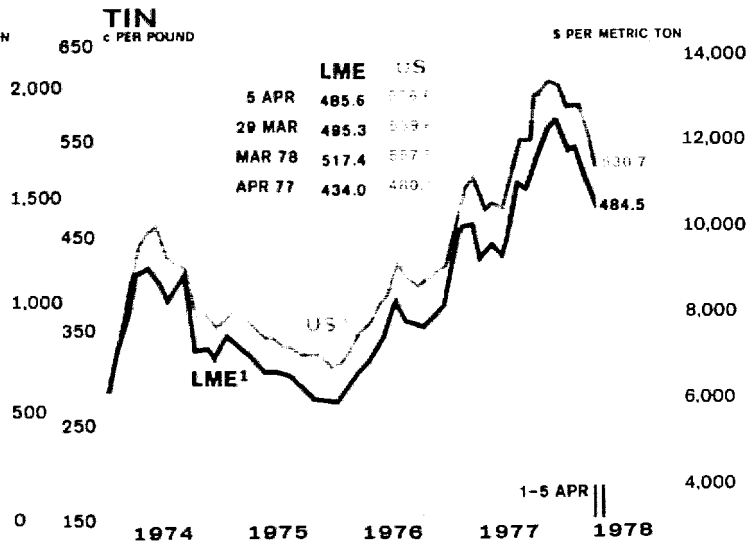
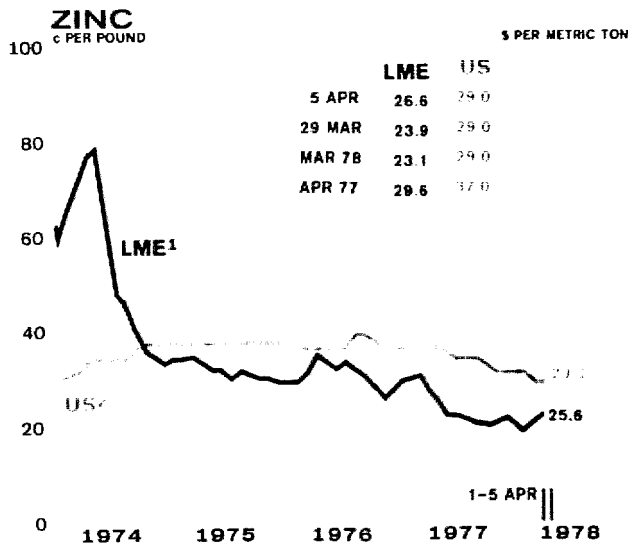
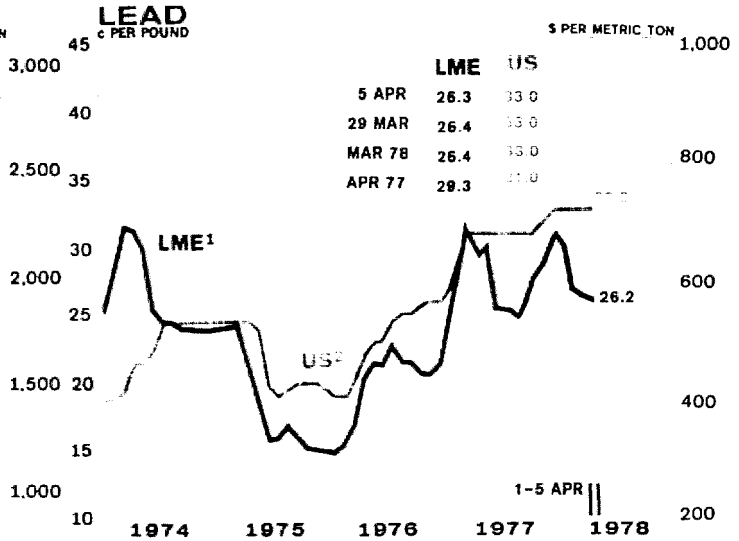
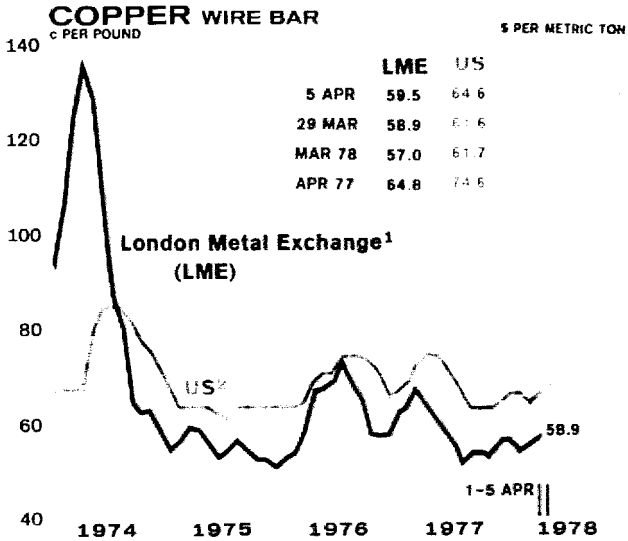




NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

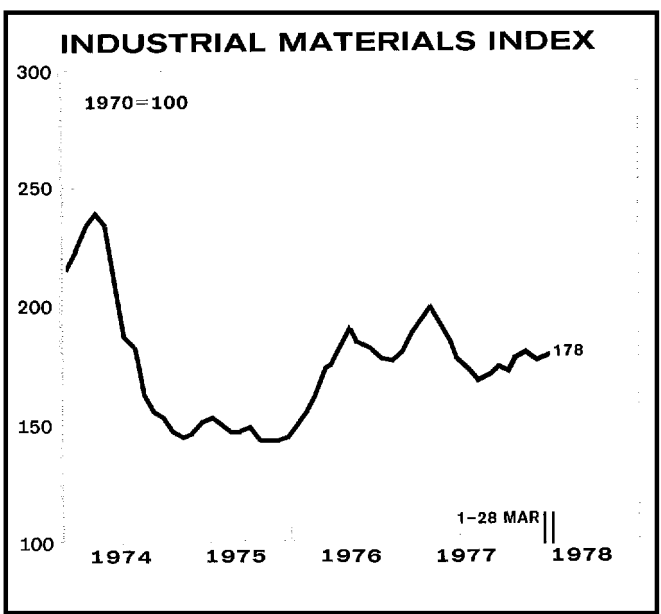
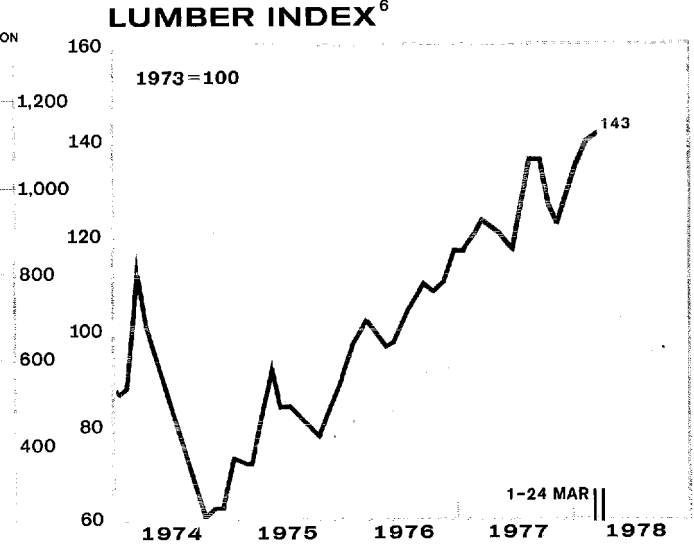
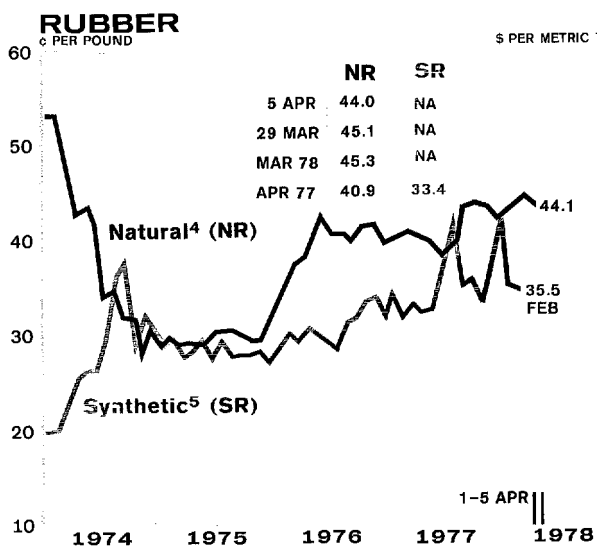
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INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE



SELECTED MATERIALS

			CURRENT	OCT 77	APR 77	APR 76
ALUMINUM	Major US Producer	£ per pound	53.00	53.00	51.00	41.00
US STEEL	Composite	\$ per long ton	389.60	359.36	339.27	306.72
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	21.43	19.18
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	NA	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	56.00	58.50	58.50	39.00
FERROCHROME	US Producer, 66-70 Percent	£ per pound	41.00	41.00	43.00	45.00
NICKEL	Composite US Producer	\$ per pound	2.07	2.11	2.35	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	67.20	72.28	72.00	69.38
TUNGSTEN ORE	Contained Metal	\$ per metric ton	18,947.00	20,236.00	22,729.00	12,830.00
MERCURY	New York	\$ per 76 pound flask	151.00	141.14	166.15	128.66
SILVER	LME Cash	£ per troy ounce	536.74	476.67	479.23	434.91
GOLD	London Afternoon Fixing Price	\$ per troy ounce	181.64	158.86	149.17	127.93



- 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 U.S.
- 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 bellwethers 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.