

Economic Intelligence Weekly Review

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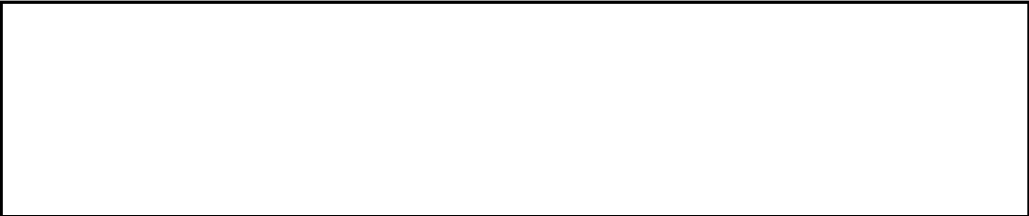
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ECONOMIC INTELLIGENCE WEEKLY REVIEW

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MAJOR RECENT DEVELOPMENTS AFFECTING
THE INTERNATIONAL ECONOMY

Economic Plans

Japan

With a strong January-March economic showing, the Japanese appear increasingly confident that they can achieve at least 6-percent real GNP growth in Japanese fiscal year 1978, which began on 1 April. The official Japanese target is 7 percent; CIA believes that a rate on the order of 5.5 percent is likely, even if further expansionary steps are approved. A new supplementary budget, likely in the fall, would pick up only some of the economic slack resulting from an expected drop in foreign and domestic demand below the levels of the first quarter of calendar year 1978.

Prominent Japanese economists are questioning the government's reliance on public works spending—as opposed to tax cuts—to stimulate growth. Their doubts center on an inability to implement spending plans at both the national and local levels. Japanese public works expenditures ran almost 10 percent below the planned level in FY 1977. Tokyo will consider the question of public spending versus tax cuts as part of the debate on the nature and timing of a supplementary budget.

Japan's impressive showing in its battle against inflation was buttressed by the spring wage settlements. Increases ranged from 4.0 to 7.5 percent and were sufficient to cover the 1977 increase in consumer prices only in the most prosperous industries, such as automobiles and electrical machinery. [REDACTED]

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West Germany

Bonn continues to emphasize that economic data do not permit firm judgments on the need for stimulative economic measures. Cabinet adoption of a new 1979 draft

Note: Comments and queries regarding the *Economic Intelligence Weekly Review* are welcome. [REDACTED]

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25X1 budget has been postponed, probably because of both pronounced internal differences on the question of stimulation and a decision to await the results of the July Economic Summit. Officials hesitate to lower revenue estimates in line with current growth expectations, which are more realistic than Bonn's 3.5-percent GNP growth target for 1978; this is an added roadblock to budget planning. Press reports originating in Bonn, however, point to Chancellor Schmidt's willingness to accept a package deal at the Summit that would have Bonn agree to stimulation in return for (a) US assurance that Washington would curb oil imports and (b) a general Summit renunciation of protectionism. [REDACTED]

France

25X1 The new French program to reduce government intervention in the economy will worsen inflation and unemployment in the near term. Decontrol of prices is likely to add 2 percentage points to the increase in consumer prices in 1978, bringing the inflation rate to perhaps 11 percent (December to December). Reduced aid for private firms in financial difficulty, coupled with real GNP growth of only 3.0 to 3.5 percent, could increase the number of unemployed by 200,000 in 1978—to 1.2 million at yearend. The benefits of these and other moves designed to improve efficiency and encourage private investment will take longer to become apparent. [REDACTED]

Views of EC Commission and OECD

The EC Commission and the OECD have presented different economic prescriptions for the West European nations. Both organizations agree that West Germany and Belgium should be doing more to stimulate their economies. The OECD also calls for more expansion in France, Italy, and the United Kingdom. In the Commission view, however, France has room for further expansion only if other EC states act energetically; the United Kingdom is seen as having even less latitude than France, and Italy none at all. CIA generally finds the Commission's views closer to the mark. Further stimulation by the French, British, and Italians would exacerbate existing inflation problems and threaten recent hard-won improvements in trade balances.

Commission calculations show that increased public spending on the order of 0.8 percent of Community GNP could produce additional EC growth of 1.7 percent—assuming similar action by Japan and other West European countries—and permit the Community to achieve 4.5-percent growth in the year ending July 1979. The more cautious OECD goal simply calls for boosting aggregate OECD growth above its current 3.5-percent annual rate. [REDACTED]

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Commodities



Grain

CIA does not expect the increase in world grain production in 1978/79 to keep pace with consumption. Exporter stocks, however, will be adequate to meet demand and will remain well above the level of the early 1970s. The decline in Free World stocks will occur almost entirely in the large US holdings. A 15-percent cut in US wheat production in 1978/79 should be more than offset by increases in Europe, Australia, and the developing countries.

The United States will absorb almost one-half of an estimated fall in wheat import demand of 6 million tons in marketing year (MY) 1979 (begins on 1 July) compared with MY 1978, but US corn exports should increase slightly. Marketing uncertainties other than weather include the grain import plans of the USSR and

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China and the reaction of US farmers to government programs to reduce grain acreage and put grain in reserve programs. The USSR will probably have a near-record winter grain crop, and early signs point to a good spring harvest as well. Still, the Soviets probably will continue to purchase considerable quantities of grain from the United States and other sellers in the next 12 to 15 months to meet livestock feed requirements. World grain prices through the summer should remain well above last summer's depressed levels. [REDACTED]

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Cobalt

The suspension of cobalt production in Zaire has worsened an already serious shortage of the metal in the non-Communist world; Zairian cobalt output had fallen sharply, even before the rebel invasion, because of mismanagement. Although damage to the cobalt and copper facilities at Kolwezi is minimal, a return to normal operations will depend on the return of foreign technicians, which, in turn, will depend on improved security. The United States, with nearly two years' supply of cobalt in strategic stockpiles, is better prepared than most Western countries to meet essential defense needs, but US private stockpiles are extremely low. An all-out effort by other producers of cobalt is unlikely because of the tie to production of copper and nickel, both of which now face depressed world prices. Cobalt prices have quadrupled since February, with strong buying pressures both in the United States and Europe. Soviet purchases before the fighting are consistent with the USSR's requirements. [REDACTED]

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Copper

Loss of Kolwezi copper should have little impact on the world copper market. The present overhang—in excess of 2 million tons of refined copper—is more than enough to offset a total cessation in Zairian output for several years. Copper prices may rise on the sensitive London market but probably not by more than 20 percent above the recent depressed levels. The overhang aside, excess world production capacity would be more than enough to offset the loss of Kolwezi output. The United States, for example, presently is operating at only about 75 percent of capacity; idle capacity roughly matches total Zairian output. [REDACTED]

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Articles

EC: TIME FOR REAPPRAISAL AND RENEWAL OF THE LOME CONVENTION

The European Community and the 53 African, Caribbean, and Pacific (ACP) states* next month will formally start the long process of renegotiating their comprehensive economic cooperation agreement. Both sides are generally satisfied with the operation of the Lome Convention, which expires in March 1980, although each intends to propose changes and additions. The EC Commission wants to tighten its control over the benefits provided to the ACP States; the latter are seeking still greater benefits. The Europeans would like to alleviate ACP competition in depressed industries, such as textiles. Although past negotiations have been cordial, acrimony could surface if, as seems likely, the EC pushes to incorporate provisions on human rights into the new agreement.

Lome I in Operation

The five-year agreement signed in Lome, Togo, in February 1975 grew out of previous EC preferential trade and aid arrangements with former colonies. Under the agreement all industrial products and an estimated 84 percent of agricultural exports of the 53 countries enter the EC duty free. The EC reduced duties on most of the remaining agricultural exports but could not violate its Common Agricultural Policy by allowing free entry to products that compete directly with those produced in the Community. In 1976 the ACP countries sold 40 percent of their exports to the EC, although they accounted for only 3.4 percent of EC imports.

*The 53 ACP states are:

The Bahamas	Ethiopia	Madagascar	Somalia
Barbados	Fiji	Malawi	Sudan
Benin	Gabon	Mali	Surinam
Botswana	The Gambia	Mauritania	Swaziland
Burundi	Ghana	Mauritius	Tanzania
Cameroon	Grenada	Niger	Togo
Cape Verde	Guinea	Nigeria	Tonga
Central Africa	Guinea-Bissau	Papua New Guinea	Trinidad and
Empire	Guyana	Rwanda	Tobago
Chad	Ivory Coast	Sao Tome and	Uganda
Comoros	Jamaica	Principe	Upper Volta
Congo	Kenya	Senegal	Western Samoa
Djibouti	Lesotho	Seychelles	Zaire
Equatorial Guinea	Liberia	Sierra Leone	Zambia

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Separate trade protocols covering sugar, rum, and bananas have been among the most contentious provisions of the Lome Convention. The sugar protocol, for example, provides that the EC—itself a surplus producer—will import about 1.3 million tons of sugar each year at a price within the range guaranteed to EC producers. Each year the EC Commission and representatives of ACP sugar producers haggle over price and quota allocations; the ACP nations charge that the EC dictates rather than negotiates. For the coming market year, the EC offer is more than double the current world market price, but ACP representatives claim that after subtracting stocking and transport costs it would be less than the price guaranteed EC producers.

Development aid under the Convention has been slow in starting because project proposals submitted by the ACP states frequently have been overly ambitious or ill prepared. Through the European Development Fund (EDF), the EC has promised \$3.2 billion in grants and low-interest loans for 1976-79. In the first year about \$550 million was obligated, of which about two-thirds consisted of grants for industrial and agricultural development projects in the least developed of the ACP countries. Commission officials believe most Convention funds will be committed by 1980 but expect disbursements to lag far behind.

In early 1977 the EC finally established the EC-ACP Center for Industrial Development that was called for by the Convention to stimulate private investment in the ACP countries. Center officials, encouraged by the response of European investors, last year evaluated 54 projects worth up to \$1 billion in new investment for the ACP countries.

The Lome Convention includes a unique provision for stabilizing the export earnings of the ACP states—STABEX. The EC allocated \$450 million to finance STABEX over the five-year duration of the agreement and paid out a total of \$121 million in grants and loans for 1975-76. These transfers were intended to offset the drop in earnings from exports to the Community for 18 agricultural commodities and iron ore.

STABEX has worked smoothly and with little controversy. According to EC Commission officials, only a few ACP countries have tried to juggle trade data to create artificial shortfalls. To trigger a payment, a product must normally account for at least 7.5 percent of exports, and there must have been at least a 7.5-percent decline in export earnings below a minimum reference level. For the least developed of the 53 countries, the trigger percentage is 2.5 percent. Two-thirds of the payments for 1975 covered recession-induced losses in the value of exports to the EC, while the remainder compensated for export losses stemming from natural disaster or local mismanagement. In 1976 these shares were reversed. Payments for trade losses in 1977 have not yet been announced.

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EC: STABEX Payments ¹

	Million US \$	
	1975	1976
Total	80.0	40.7
Grants	45.1	31.0
Benin (peanuts, coffee, cotton, oil cake, palm oil)	7.8	3.9
Burundi (cotton, hides and skins)	1.6	0
Central African Empire (coffee, timber)	0.4	0.6
Ethiopia (coffee, hides and skins)	15.9	0
Guinea-Bissau (peanuts, palm nuts)	0	5.6
Mali (cotton)	0.7	0
Niger (peanuts, peanut oil and oil cake, hides and skins)	6.6	7.6
Somalia (bananas, hides and skins)	2.1	0
Sudan (hides and skins)	1.8	0
Tanzania (cotton, sisal)	2.1	5.7
Togo (coffee)	3.0	0
Tonga (copra, bananas)	0	1.1
Uganda (cotton, tea)	1.9	4.0
Upper Volta (peanuts, cotton)	0.9	0
Western Samoa (cocoa, copra, timber)	0.3	2.5
Interest-free loans	34.9	9.7
Cameroon (timber, cocoa)	3.9	0.5
Congo (timber)	8.1	0
Fiji (copra oil)	0.7	1.6
Ghana (timber)	5.7	0
Ivory Coast (timber)	16.5	0
Madagascar (cloves, sisal)	0	3.2
Sierra Leone (iron ore)	0	4.4

¹ Payments are entered under the year when the trade losses occurred, not when the payments were made. Payments were for export losses in the commodities listed in parentheses.

EC Proposals for Lome II

Several proposals drafted by the EC Commission for a second Lome Convention have caused wrangling within the Community and are bound to stir up controversy when presented to the ACP countries. Most hotly debated is the proposal to add provisions on respect for human rights. The Commission hopes such provisions would give the Community influence over human rights issues in the ACP countries and would ensure that aid is oriented toward projects meeting basic human needs. While the Commission has been able to delay project aid to Uganda, it would like clear authority to cut off assistance to governments that consistently violate human rights. The French reportedly oppose such a move as interference in the internal affairs of the ACP countries, while the British would back even stronger measures. As a compromise, the EC probably will make clear its intent to restrict cooperation with violators but will not seek to establish its contractual right to cut off aid.

The Commission also has suggested that formal trade consultation procedures be established to forewarn the LDCs of possible EC import restrictions. The West

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Germans oppose such a mechanism on grounds that it would be viewed as protectionist. EC Commissioner for Development Claude Cheysson argues that "consultation" would prevent a recurrence of the bitter reaction to the EC's abrupt unilateral restriction of textile imports last year. Commission officials also may believe that a mechanism for handling sensitive trade problems will slow the erosion of European public support for trade concessions to the ACP countries.

Less controversial, at least within the EC, is a Commission plan to stimulate additional capital flows to the ACP countries by negotiating rules of conduct for both private investors and host countries and setting up procedures for conciliation of disputes. The Commission believes that Community-sponsored risk insurance may be needed to spur private investment in sectors of special interest to the EC such as mining, but some member states are not willing to expand Commission authority in this sphere.

The EC governments doubtless will endorse a proposal to "improve" guidelines for industrial cooperation with the ACP countries. US officials in Brussels interpret this to mean in part that future EDF support for industry should be limited to sectors posing little competitive threat to the EC. The Commission also wants to direct more EDF funds to the least developed countries, to regional projects, and to projects that will attract funds from Arab development banks.

The Community wants to maintain the STABEX system essentially as is, adding a requirement that STABEX payments be directed to commodity sectors suffering export shortfalls. According to a Commission survey, only about 20 percent of transfers have been used to aid producers or marketers of the products covered. Another 20 percent have been funneled to national treasuries, and the remainder have gone to general agriculture or infrastructure projects.

ACP Views

Not surprisingly, the heterogeneous ACP states are less far along than the EC in drawing up proposals for revising the Convention. A list of objectives prepared by the ACP secretariat, while not endorsed by ACP governments, contains a number of items they probably will pursue. The secretariat proposes that the new agreement:

- Expand STABEX to include payments for more products, including copper, phosphates, and rubber.
- Halt the erosion of trade preferences caused by expansion of the EC generalized system of preferences for LDCs.

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- Increase benefits under the protocols on sugar, bananas, and rum and extend them to beef and other items.
- Establish long-term arrangements for (a) purchasing surplus EC agricultural commodities and (b) guaranteeing markets in the EC for commodities produced with Community development aid.

The ACP countries are of two minds about the inclusion of provisions on human rights. Some are flatly opposed, while others think such provisions would open the door for negotiating measures to protect ACP workers residing in the Community and provide an opportunity to pressure the EC on what many view as Community support for racist regimes in southern Africa.

Long Road Ahead

The ACP states also want a substantial increase in technical and financial assistance under Lome II, whereas the EC Commission has proposed that the Community try to maintain the real value of the aid levels provided under Lome I. Actual amounts will not be set until the final phase of the negotiations sometime in 1979.

Although EC-ACP meetings over the past several years have been conducted in a friendly atmosphere, EC officials complain about the ACP governments' "UNCTAD-like" negotiating procedures. A Commission spokesman has observed that in one sense the Lome Convention is not "paying off" for the EC, as the ACP countries are no more cooperative on North-South issues than the LDCs as a whole. The ACP countries demonstrated remarkable solidarity during the negotiations for Lome I; the EC believes ACP governments have a clearer notion of what they want this time and will be more demanding when substantive negotiations begin in September.

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CANADA: CONTROVERSY OVER AUTOMOTIVE TRADE AGREEMENT

Some government officials in Ottawa and Toronto are voicing strong concern over Canada's \$1 billion* deficit in automotive trade. Two recently released studies—one by Ontario's Ministry of Treasury, Economics, and Intergovernmental Affairs and one by the New Democratic Party—assert that Canada has not been

* Values in this article are in US dollars unless otherwise indicated.

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getting its fair share of employment and investment under the 13-year-old US-Canadian Automotive Agreement. Ontario is now considering subsidies to encourage a larger share of automotive investment in Canada.

Background on the Automotive Pact

Canada and the United States signed the Automotive Agreement in 1965 to rationalize North American motor vehicle production. The Agreement covers most new motor vehicles—including passenger cars, trucks, and snowmobiles—according duty-free status to new vehicles and parts destined for assembly. Under the pact, US automobile manufacturers agreed (a) to maintain at least a 75-percent ratio between production and sales in Canada for each class of vehicle and (b) to keep the Canadian value-added proportion of Canadian-assembled vehicles at least at levels prevailing before the pact was signed. The Agreement is of indefinite duration; each government has the right to terminate it with 12 months' notice.

The pact governs trade in an industry that directly employs 960,000 workers in the United States and Canada combined and accounts for \$100 billion in annual sales. The Canadian automotive industry employs 110,000 workers, mainly in Ontario and, to a lesser extent, Quebec. Provincial officials estimate the industry directly and indirectly accounts for 6 percent of employment in Ontario.

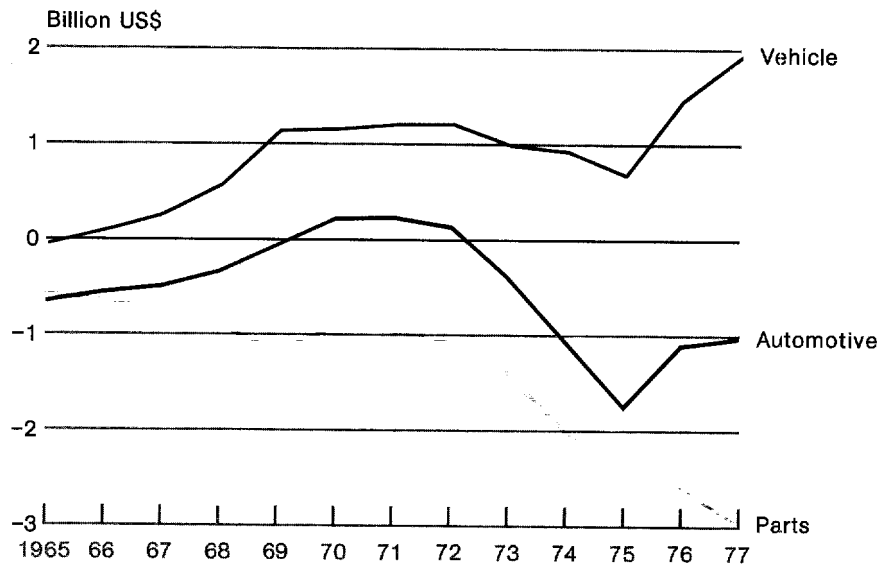
Production and Trade Under the Pact

On balance, Canada's automobile industry has prospered under the Agreement. Before 1965, Canadian automobile production facilities were geared to the small, fragmented domestic market, limiting economies of scale. Under the pact, Canadian plants have become nearly as efficient as the larger US plants by servicing the broader North American market, a shift that has reduced the premium paid for automobiles in Canada relative to the United States.

Two-way trade in automotive products has mushroomed, rising from \$1.1 billion in 1965 to \$19.6 billion in 1977. In the early years of the pact, the automotive trade balance swung from large US surpluses to small Canadian surpluses. The shift followed a surge of US investment in Canadian facilities precipitated by (a) intense pressure from Canadian officials on US companies and (b) a substantial Canadian wage advantage. Since 1972 Canada has once again slipped into deficit. For one thing, investment in Canada slacked off as the wage advantage declined. Furthermore, automobile producers began purchasing a larger proportion of parts in the United States in reaction to a pickup in strike activity at Canadian facilities. Since the energy crisis, moreover, Canadian domestic automobile sales have been rising more rapidly

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Canada: Automotive Trade Balance with the United States



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Bilateral US-Canadian Automotive Trade

	Million US \$								
	1970	1971	1972	1973	1974	1975	1976	1977	
Canadian balance	196	197	99	-425	-1,232	-1,842	-1,046	-1,023	
Canadian vehicle balance	1,144	1,192	1,199	979	909	662	1,471	1,925	
US imports	2,038	2,511	2,778	3,061	3,482	3,726	4,840	5,636	
Canadian imports	894	1,319	1,579	2,082	2,573	3,064	3,369	3,711	
Canadian parts balance	-939	-967	-1,071	-1,380	-1,983	-2,401	-2,567	-2,938	
US imports	1,080	1,481	1,795	2,172	1,997	2,008	2,983	3,496	
Canadian imports	2,019	2,448	2,866	3,552	3,980	4,409	5,550	6,434	
Canadian tires and tubes balance	-9	-28	-29	-24	-158	-103	50	-10	
US imports	14	8	22	68	65	67	166	135	
Canadian imports	23	36	51	92	223	170	116	145	

than US sales, leading to an increase in Canadian demand for US components and finished vehicles. The overall Canadian automobile deficit peaked at \$1.8 billion in 1975 and has held at roughly \$1 billion in each of the last two years. Surpluses in finished vehicles have been more than offset by deficits in parts.

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Net Direct Investment on Automotive Plant and Equipment ¹

	Million US \$			Canadian Share of Total (Percent)
	Total	In the United States	In Canada	
1964.....	1,439.6	1,314.3	125.3	8.7
1965.....	2,155.8	1,961.6	194.2	9.0
1966.....	1,561.0	1,420.4	140.6	9.0
1967.....	1,335.0	1,245.0	90.0	6.7
1968.....	1,177.4	1,127.9	49.5	4.2
1969.....	1,556.7	1,484.9	71.8	4.6
1970.....	1,399.6	1,285.4	114.2	8.2
1971.....	1,300.7	1,244.2	56.5	4.3
1972.....	1,307.5	1,257.9	49.6	3.8
1973.....	1,784.9	1,711.0	73.9	4.1
1974.....	1,973.4	1,880.9	92.5	4.7
1975.....	1,300.8	1,217.6	83.2	6.4
1976.....	1,341.0	1,252.0	89.0	6.6

¹ By General Motors, Ford, Chrysler, and American Motors.

Average Hourly Earnings in the North American
Automotive Industry

	Motor Vehicles			Parts and Accessories		
	United States US \$	Canada	Canada as a Percent of US	United States US \$	Canada	Canada as a Percent of US
1965.....	3.44	2.66	77	3.33	2.42	73
1966.....	3.54	2.72	77	3.44	2.45	71
1967.....	3.64	2.87	79	3.54	2.57	73
1968.....	3.99	3.26	82	3.89	2.83	73
1969.....	4.21	3.47	82	4.11	3.04	74
1970.....	4.38	4.02	92	4.18	3.49	83
1971.....	4.92	4.45	90	4.63	4.04	87
1972.....	5.32	4.91	92	5.08	4.31	85
1973.....	5.66	5.30	94	5.44	4.69	86
1974.....	6.20	6.06	98	5.86	5.28	90
1975.....	6.77	6.36	94	6.34	5.76	91
1976.....	7.38	7.36	100	6.99	6.75	97
1977.....	8.24	7.52	91	7.84	7.04	90

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The "Fair Share" Arguments

The recently released studies by the Ontario Ministry of Treasury, Economics, and Intergovernmental Affairs and the New Democratic Party take aim at the spirit of the Automotive Agreement; performance of US automakers under the terms of the Agreement is not currently at issue. Both studies claim Canada has not received its fair share of automotive industry employment, based on the growth of Canadian sales since 1965. The Ontario study claims that if Canada's automotive industry had grown at the same rate as sales of finished cars since 1965, the industry would have received \$814 million more in investment, \$188 million more in research and development money, and would now be employing an additional 20,000 to 25,000 people. Using a similar approach, the NDP study indicates the Canadian parts industry should have 18,000 to 20,000 more workers. Independent parts producers have entered the fray, pointing to the increased share of Canadian parts production going to captive plants. Since 1965, the independents' share of parts production has slipped from 80 percent to 60 percent.

Viewing the Studies

Even Canadian officials are aware that the assertions made in the two studies are open to challenge. If, for example, the data are adjusted to account for Canada's parts surplus with third countries, the deficit would have been nearly \$500 million lower

Canada: Automotive Industry Employment

	Total	Vehicles Percent	Parts
Canadian share of North American automotive industry employment			
1965.....	8.8	5.0	3.8
1976.....	11.1	6.3	4.8
Thousand Persons			
Employment			
1965.....	80.9	45.6	35.3
1976.....	106.8	60.6	46.2
Hypothetical 1976 employment, assuming employment grew as fast as:			
North American automotive industry	103.8	55.2	48.6
North American new car sales	92.8	52.3	40.5
Canadian new car sales	121.0	68.0	53.0

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last year. Without the economies of scale stemming from the Automotive Agreement, it is unlikely the Canadian parts industry would have been able to make sales of this magnitude.

The definition of the relevant market for determining economic shares and benefits under the Pact is critical. Canada's independent parts makers and Ontario officials feel that the separate US and Canadian sales markets conform most closely to the "spirit" of the Agreement and that economic activity in each country's automotive industry should be keyed to growth in its own domestic sales market. Some officials in Ottawa reject this concept in favor of a broader entity encompassing the combined US and Canadian markets. Under this latter definition, employment, investment, and research and development in Canada have exceeded market growth.

Canadian Initiatives

In dealing with the wide range of complaints over automotive trade, Canadian Government and industry officials have not developed a united front. The Canadian Automotive Parts Manufacturers Association is taking a hard line, calling for amendments to the Automotive Agreement, including:

- A mechanism to provide for automatic negotiations to reduce the Canadian deficit with the United States should it reach a certain level, say \$2 billion.
- More emphasis on jobs, investment, and research and development.
- The establishment of a bilateral commission to oversee the implementation of the Agreement and to hear grievances.

Ottawa is focusing on getting a large share of the \$50 billion to \$60 billion in new investments US automakers will make between now and 1985. Trade Minister Jack Horner is reportedly offering up to C\$116 million in federal financial incentives to obtain new or expanded production facilities in Quebec and Ontario. He claims the incentives are necessary to offset lucrative offers currently being made by states in the southern United States. To pacify independent parts producers, Horner announced Ottawa is studying the possibility of setting up a special automotive investment corporation to make or guarantee loans to Canadian parts producers. In addition, Horner announced that Simon Reisman, who was in on the conception of the Agreement, is undertaking a new study of the whole Canadian automotive industry.

NDP leader and MP Ed Broadbent, who represents the automotive industry city of Oshawa, Ontario, is asking for letters of understanding from US manufacturers to

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guarantee Canada a larger share of future automotive investment and employment. Broadbent is not suggesting a renegotiation of the basic Automotive Agreement.

After firing the opening salvo in the dispute, officials in Toronto are taking a low profile. Ontario Treasurer Darcy McKeough has backed off some of the results of his agency's study. Neither McKeough nor Ontario Premier William Davis will admit to pushing for federal aid to obtain new investments, but both claim the province would have to participate in the program if it should get off the ground.

Outlook

Regardless of the outcome of the current debate, Canada will continue to account for a substantial share of North American automobile production and investment over the next few years. The 10-percent depreciation of the Canadian dollar since early 1977 has restored the wage advantage in Canada's automotive industry to levels of the early 1970s. With their competitive edge restored, independent parts manufacturers now have a better crack at the large replacement parts market in the United States and perhaps even overseas in Japan.

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BRAZIL: AGRICULTURAL POLICIES UNDER FIRE

The recent severe drought in southern Brazil is forcing a reexamination of farm credit programs and price support policies that have favored export-oriented agricultural production over production of domestic food crops. General Figueiredo, the designated successor to President Geisel, apparently supports a change in emphasis in order to raise income and employment among small farmers as well as to reduce food imports. Some much needed reforms will be undertaken. We doubt, however, that the apparent downplaying of policies stimulating agricultural exports will be permanent; the need to obtain foreign exchange from farm exports as well as the desire to hold down food prices will continue to militate against the domestic food sector.

Drought Relief

Brasilia's move to provide financial assistance to drought-stricken farmers is focusing attention on Brazil's massive agricultural credit programs. In late April Finance Minister Mario Henrique Simonsen announced an additional \$500 million in rural credits for producers of wheat, cotton, rice, corn, and soybeans to meet their

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outstanding debt obligations in the face of reduced output and earnings. The three-point relief package includes (a) a one-year grant of up to \$40 million for the most seriously affected farmers, (b) a two-year extension on repayments of crop financing loans, and (c) a one-year suspension on amortization payments for equipment purchase loans. The emergency credit extensions intensified the criticism within the government over the notoriously inefficient administration of the rural loan program.

The Rural Credit Program

Since 1969 Brasilia has increasingly relied on rural credits to spur domestic food production, bolster agricultural exports, and limit the rise in farm product prices. Credits are available through government programs for financing crop production and marketing, machinery investments, pasture improvements, construction of storage facilities, and development of new land for planting. The demand for farm credit has exploded, rising from \$2.9 billion in 1969 to \$20.9 billion last year—a portion of the rise being attributable to the diversion of loan receipts to nonfarm purposes during the past two years. Nearly 80 percent of the agricultural loans extended last year were at subsidized interest rates, ranging from 13 to 22 percent.

Brazil: Rural Credit

	Million US \$			
	Total	Banco do Brasil	Commercial Banks	Central Bank
1969.....	2,880	1,583	910	387 ¹
1970.....	3,054	1,651	949	454 ¹
1971.....	3,826	2,108	1,212	506
1972.....	4,670	2,632	1,447	591
1973.....	7,468	3,788	2,200	1,480
1974.....	11,215	6,236	3,030	1,949
1975.....	15,901	8,850	4,077	2,974
1976.....	19,475	10,750	4,146	4,579
1977.....	20,944	11,939	4,076	4,929

¹ Estimated.

Almost the entire impact of this massive credit program has fallen on export crops. Most of the credits have gone to the large, modern producers of soybeans, cocoa, coffee, and sugarcane. The area planted in these crops jumped from 5 million hectares in 1970 to 11 million hectares in 1977. Annual production of soybeans rose from 1.5 million tons to nearly 12.2 million tons during the period, while sugarcane production increased from 4.6 million tons to 7.5 million tons. The increased availability of credit also bolstered productivity by expanding usage of fertilizers, pesticides, and farm machinery, especially on large plantations.

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Brazil: Farm Inputs			
	1969	1975	Percent Change
	Kilograms per Hectare		
Fertilizer	18	44	144
Insecticide	1.2	1.8	50
	Units per Thousand Hectares		
Tractors	4.1	7.3	78

Although the production of export crops has increased dramatically, the credit program has had little effect in boosting domestic food production. The output of wheat, rice, beans, and manioc has grown only slightly since 1970.

Government agricultural loans increasingly favor large export-oriented proprietors. Last year, for example, the 5 percent of Brazil's landowners with the largest farms received the bulk of the rural credits. Proprietors with less than 50 hectares—the overwhelming majority of Brazil's landowners—received practically no public credits. These small proprietors, who also have little access to private credit, provide most of the rice, corn, beans, wheat, and manioc for Brazil's 60 million citydwellers.

Poor program administration has allowed serious problems of waste and inefficiency to arise. Easy availability of credit has led large farmers to make excessive use of capital-intensive methods of crop cultivation. On the other side of the coin, the scarcity of subsidized credit for small operators has kept their usage of fertilizer, insecticides, improved seeds, and machinery below optimum levels.

Because of lax program accounting and enforcement standards, substantial amounts of rural credit have been channeled into illegal, nonagricultural ventures. Increasing numbers of large farmers are taking out rural loans bearing an interest rate of 13 percent and reinvesting the proceeds in the Brazilian money market, earning up to 65 percent a year. Subsidized agricultural loans are also being diverted into land speculation, purchase of luxury goods, and investment in industrial ventures.

Price Support Programs

The poor performance in food production in 1978 is also a result of low government support prices that have not kept pace with inflation. Producers of domestic food crops such as wheat, corn, and rice rely heavily on government-announced price supports in determining acreage planted. Farmers have decided to cut acreage substantially in 1978. Wheat acreage has been reduced 20 percent as the

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Brazil: Area Harvested, Selected Crops

Thousand Hectares

	Food Crops				
	Rice	Corn	Wheat	Dry Beans	Manioc
1970	4,979	9,858	1,047	3,485	2,025
1971	4,764	10,550	1,095	3,743	2,050
1972	4,821	10,539	2,261	3,560	2,100
1973	4,794	9,908	1,500	3,788	2,119
1974	4,463	11,262	1,820	4,293	2,008
1975	5,250	10,800	2,306	4,136	2,098
1976	6,000	11,200	3,111	4,047	2,112
1977	5,400	11,800	3,624	4,564	2,075
1978	5,200	10,500	3,020	4,300	2,100

	Export Crops				
	Coffee	Cotton	Soybeans	Sugarcane	Cocoa
1970	1,865	2,873	1,319	698	438
1971	2,583	2,428	1,750	685	441
1972	2,600	2,631	2,400	809	445
1973	1,900	2,428	3,200	793	410
1974	2,270	2,307	4,793	809	509
1975	2,630	2,226	5,423	1,032	483
1976	1,393	1,902	6,416	1,133	487
1977	1,950	2,145	6,940	1,200	490
1978	2,300	2,023	7,300	1,245	525

announced wheat support price was raised only 25 percent, compared with the inflation rate of 39 percent. Support prices for corn and rice increased 22 percent and 30 percent, respectively; corn acreage dropped 12 percent, and rice acreage declined 4 percent.

Outlook for Reform

In an effort to shore up lagging wheat plantings for the 1978/79 harvest, the government recently hiked the support price from 238 cruzeiros per 60 kilograms to 249 cruzeiros, compared with 190.2 cruzeiros last year. While this move was probably too late in the planting season to be effective, it does indicate government awareness of the need for policy revisions. Further increases in support prices for corn, rice, manioc, and dry beans will be needed if Brazil is to avoid costly food imports in 1978.

Earlier this year, the government also began to clamp down on rural credit expansion. Even with the emergency drought aid, the increase in new agricultural loans will be held to 35 percent in 1978, a slight decline in real terms. Moreover, the Bank of Brazil has been instructed to eliminate a number of programs it is now

SECRET

funding. During the first quarter, the National Livestock Program was dropped, and the development program for remote areas (Cerrados) stopped accepting new projects.

Brasilia also haltingly moved to curb evident abuses in the use of credit. Ceilings have been placed on production loans to large farmers, and terms for financing new agricultural investments have been tightened. Intense criticism from large landowners, farm machinery makers, and agricultural federations subsequently persuaded the government to ease investment financing restraints. Loans for the purchase of agricultural machinery, for example, will revert to 100 percent of cost, although rates will vary according to size of the loans.

Agricultural reform should gain momentum under General Joao Baptista de Figueiredo, the designated successor to President Geisel. According to published interviews, the new regime will give a higher priority to food production. Figueiredo has already gone on record as favoring liberalized access to credit for small farmers and a greater emphasis on production of food for domestic consumption.

Figueiredo is also expected to revamp the administration of the rural credit program. Tentative plans call for the consolidation and centralization of farm lending programs under a new National Agricultural Development Bank. Over the next one to three years the bank will be expected to emphasize (a) financing rural infrastructure, (b) developing new controls to prevent the diversion of agricultural credit to other uses, and (c) encouraging development of agricultural cooperatives among small proprietors to improve their access to public credit programs.

While General Figueiredo's commitment to increasing agricultural output should result in some improvement, Brasilia almost certainly will not abandon its traditional export orientation. The need to placate politically influential agribusiness interests works against any drastic cut in farm credit, and anti-inflation policy precludes massive hikes in domestic food prices. These constraints will impair Figueiredo's efforts to untangle the inequities, disincentives, and inefficiencies of Brazilian agricultural policy. Brazil is unlikely to become self-sufficient in wheat and other staples during Figueiredo's administration.

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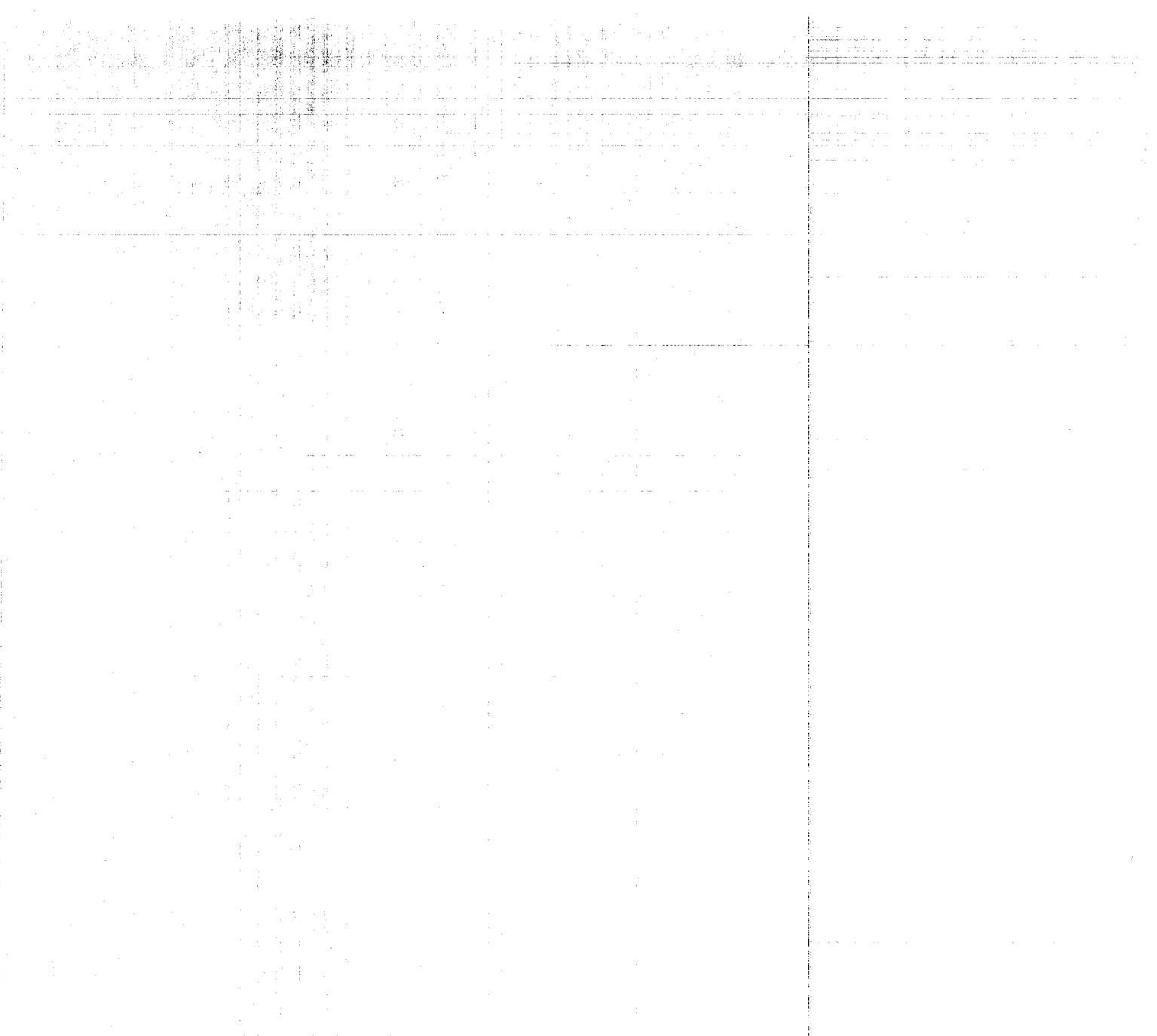
Note

Cuba Harvests Bumper Sugar Crop

Cuba's current harvest will yield at least 7.3 million tons of sugar, a million tons more than last year's harvest. By extending the harvest an extra month—through June—the Cubans overcame early lags caused by heavy rains. Half a million tons will be added to Cuba's carryover stocks, an estimated 360,000 tons at the beginning of 1978.

The bumper harvest by the leading sugar exporter (Cuba accounts for about 15 percent of free market trade) is unwelcome news for the already glutted international market. The price of raw sugar has sunk to about 7 cents a pound from a 1974 peak of 65 cents and last year's average of 8 cents. Sugar exports will earn Cuba about \$3.3 billion this year, largely because of the price of 41 cents per pound paid by the Soviet Union for its imports under the Cuban-USSR trade agreement.

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**National
Foreign
Assessment
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Economic Indicators Weekly Review

22 June 1978

*ER EI 78-025
22 June 1978*

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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.

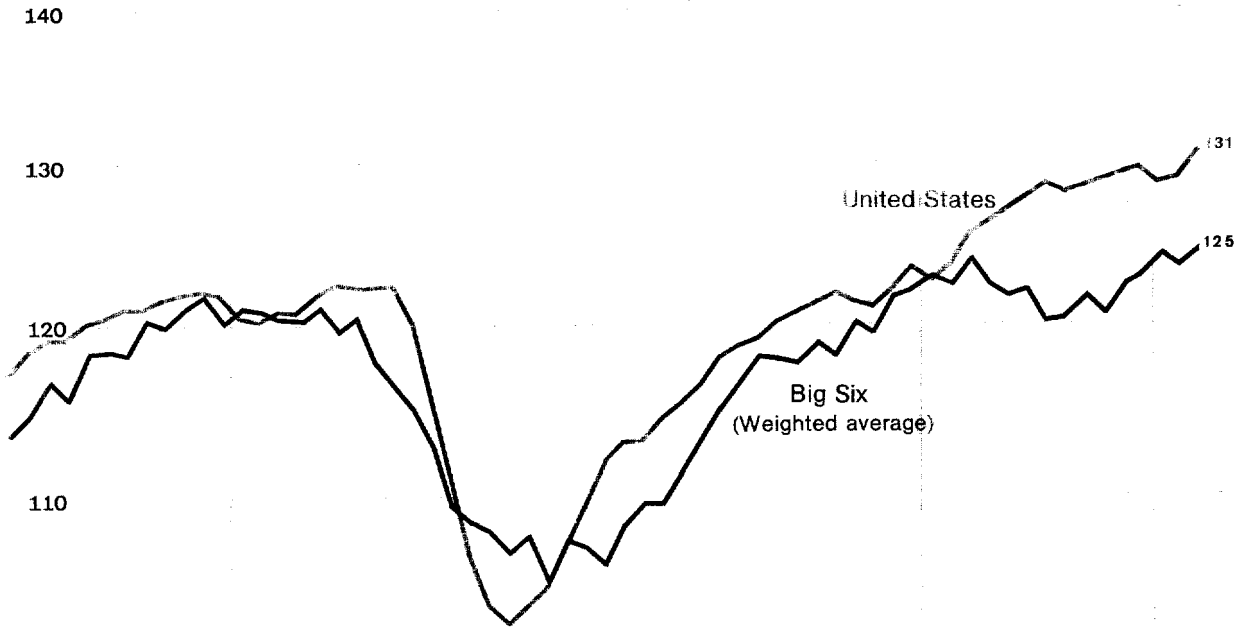
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES¹ COMPOSITE INDICATORS

Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

Percent

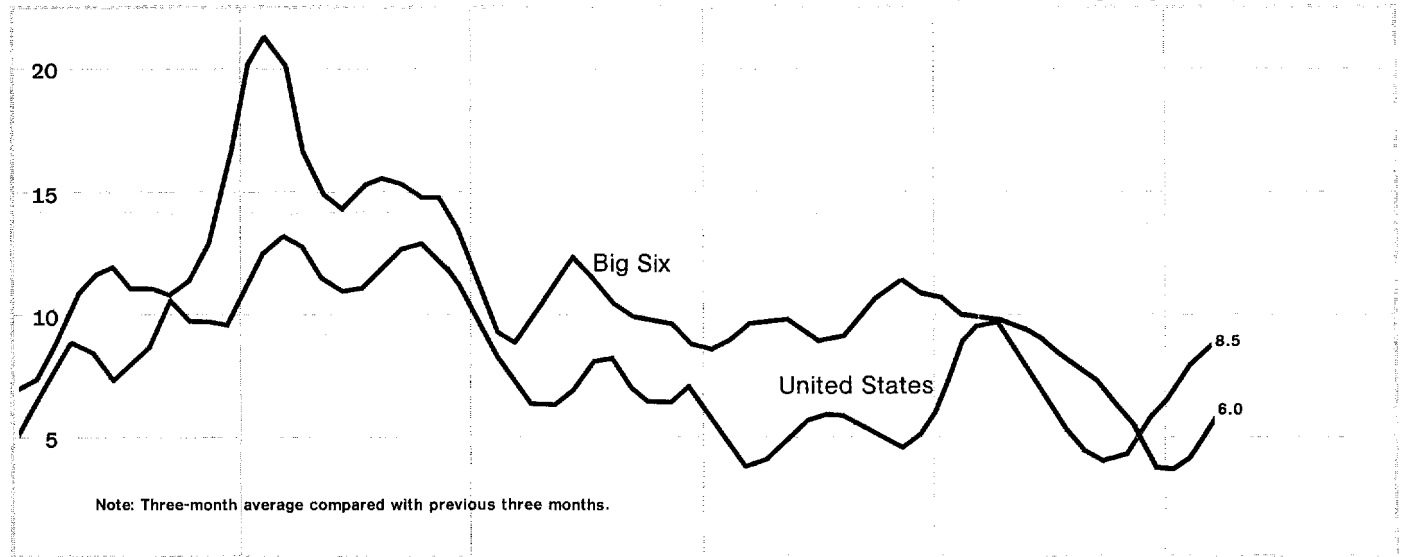


Note: Excluding data for Italy.

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

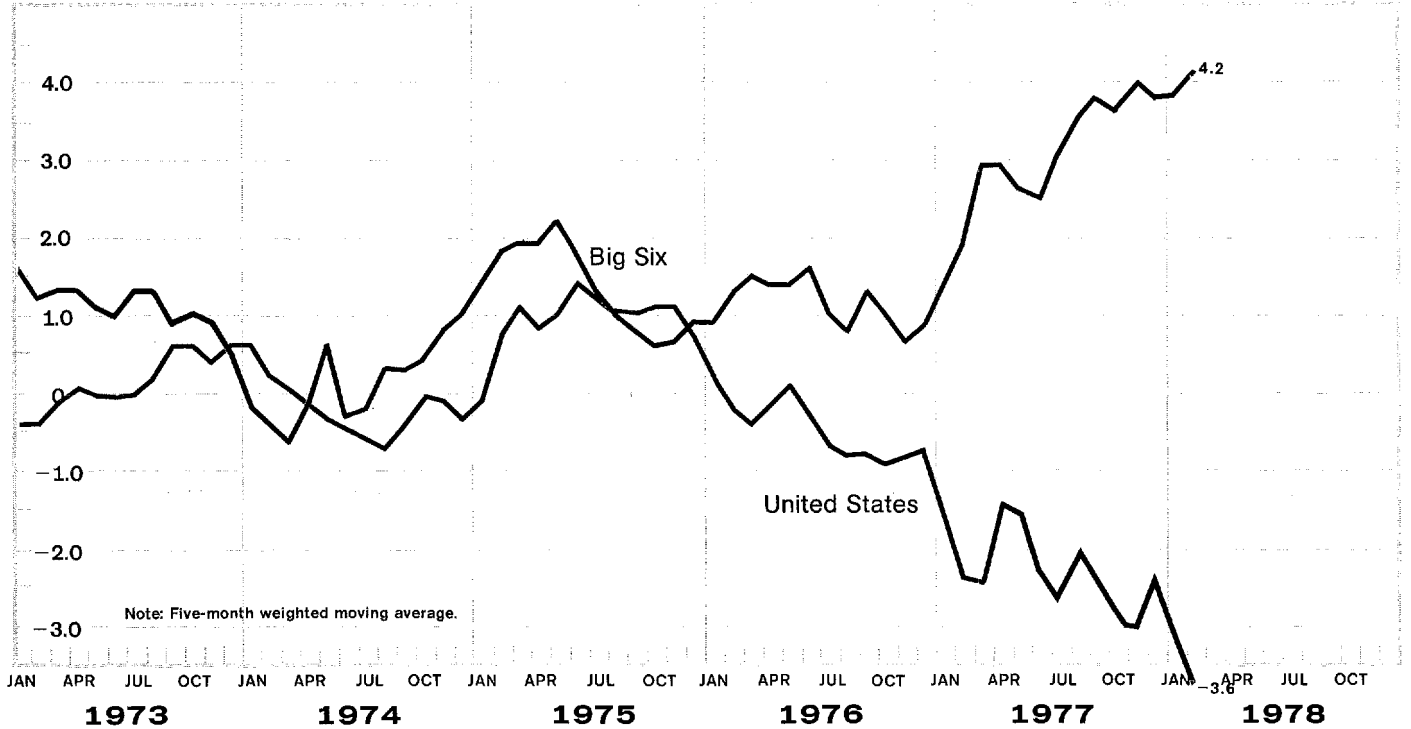
Consumer Price Inflation

Percent, seasonally adjusted, annual rate



Trade Balance

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



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970		
			1 Year Earlier	3 Months Earlier ²	
Industrial Production					
Big Six	MAR 78	0.8	2.9	0.5	7.6
United States	MAR 78	1.3	3.5	4.2	1.1
Consumer Prices					
Big Six	APR 78	0.3	9.2	6.5	6.0
United States	APR 78	0.9	6.6	6.6	8.5

Unemployment Rate	LATEST MONTH	1 Year Earlier			3 Months Earlier	
		1 Year Earlier	1 Year Earlier	1 Year Earlier	3 Months Earlier	3 Months Earlier
Big Five	APR 78	4.3	4.2	4.2	4.2	4.2
United States	APR 78	6.0	7.1	6.3	6.3	6.3

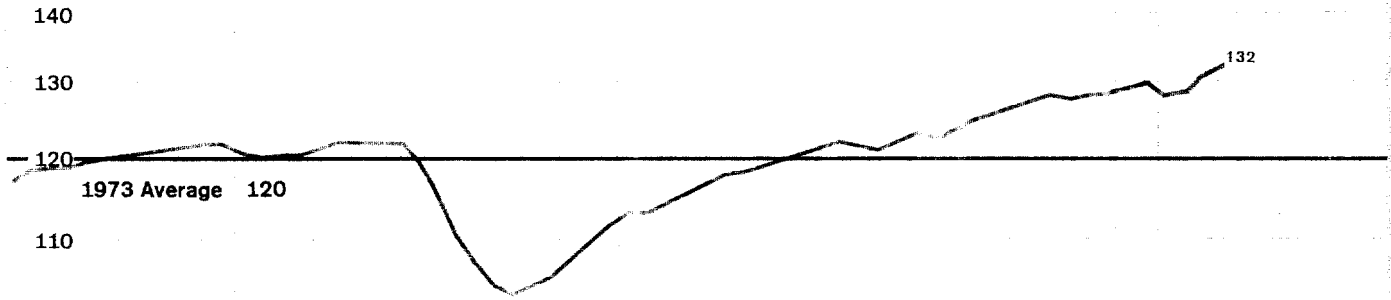
Trade Balance	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1978	1977	Change
Big Six	FEB 78	5,140	7,780	3,178	4,612
United States	FEB 78	-4,518	-6,884	-3,495	-3,389

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

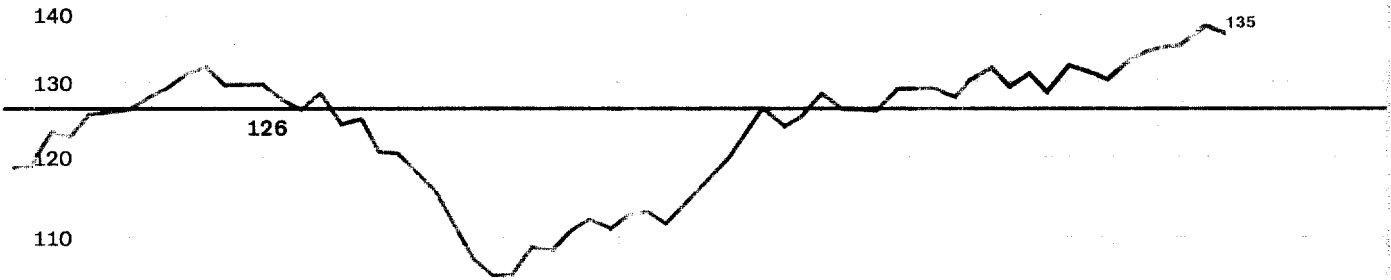
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

United States

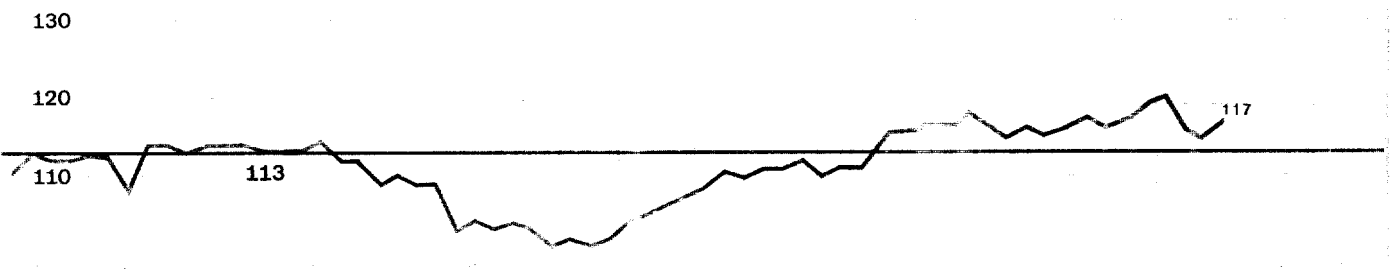
Semilogarithmic Scale



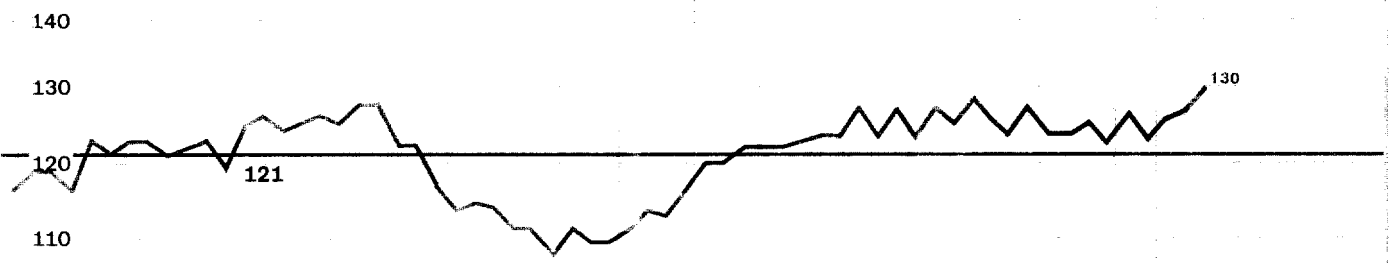
Japan



West Germany

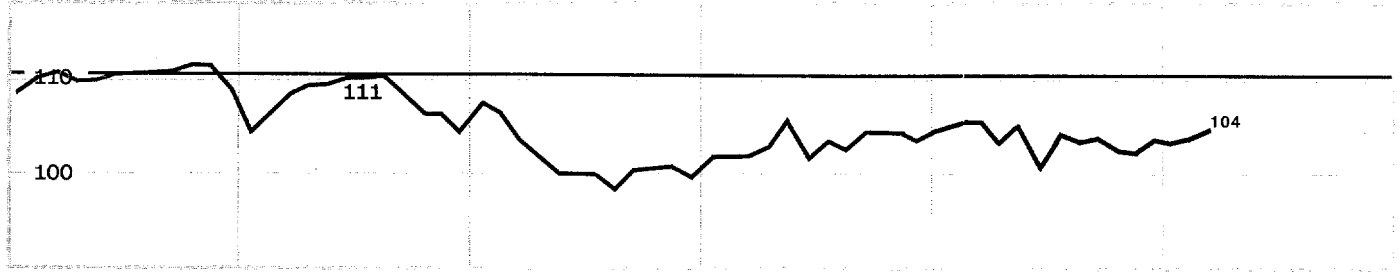


France

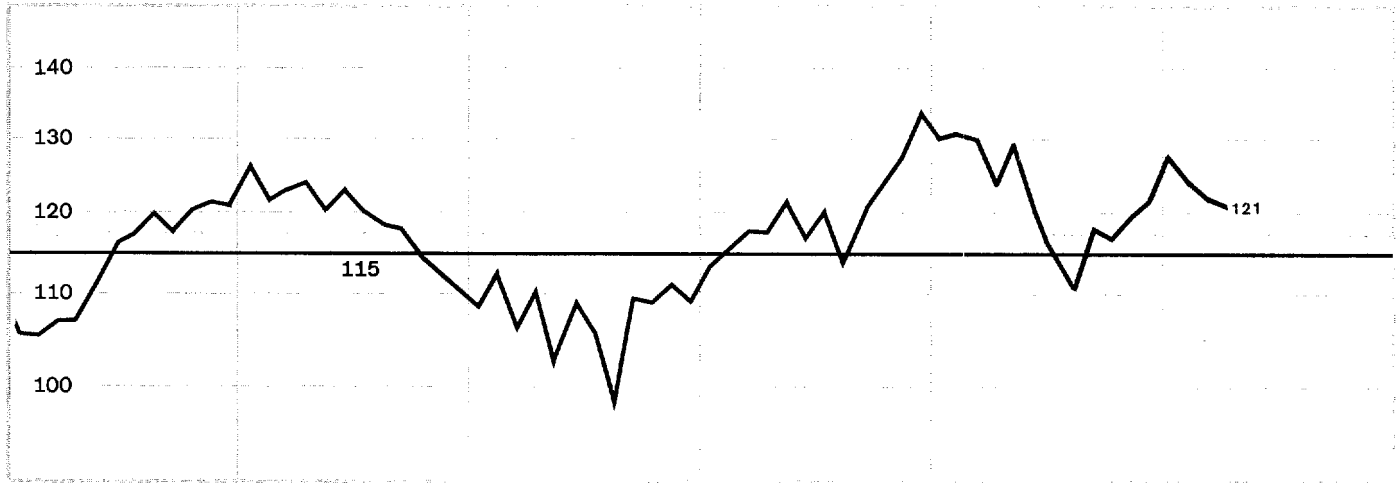


United Kingdom

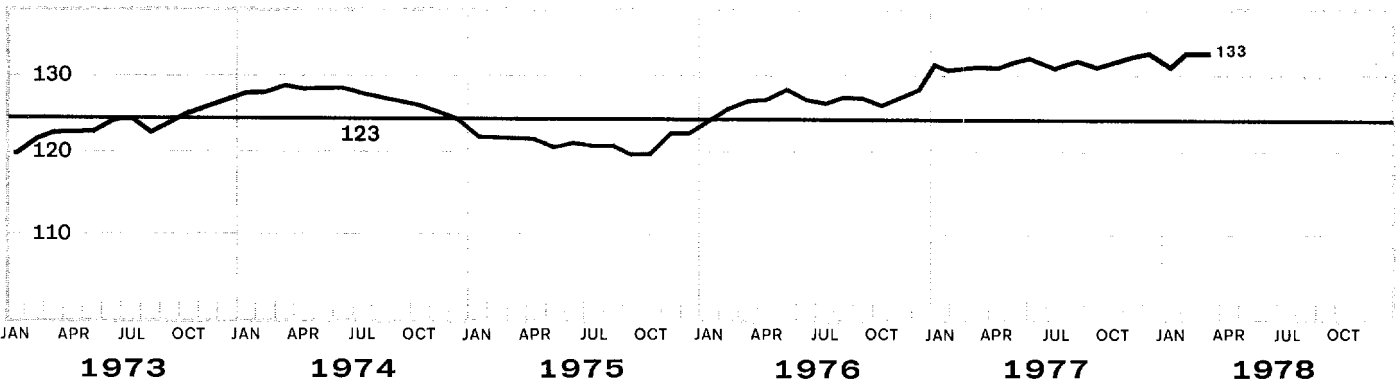
Semilogarithmic Scale



Italy



Canada

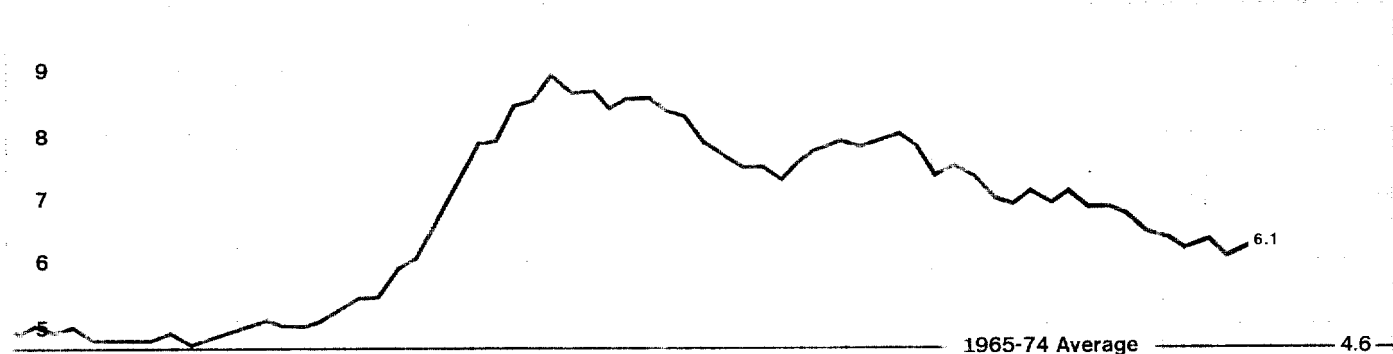


	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier ¹			1970	1 Year Earlier	3 Months Earlier ¹	
United States	APR 78	1.1	3.6	4.7	4.8	United Kingdom	MAR 78	0.6	0.6	-0.9	4.1
Japan	APR 78	-0.4	4.0	4.9	10.0	Italy	APR 78	-1.4	2.5	-2.4	-2.0
West Germany	APR 78	1.7	2.0	0.9	-8.7	Canada	MAR 78	0	3.8	1.7	0.3
France	MAR 78	2.4	3.5	0.8	11.2						

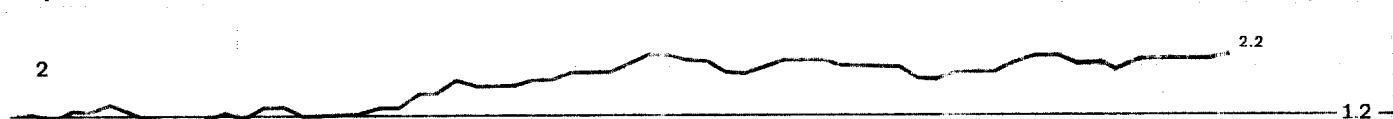
UNEMPLOYMENT RATE

PERCENT

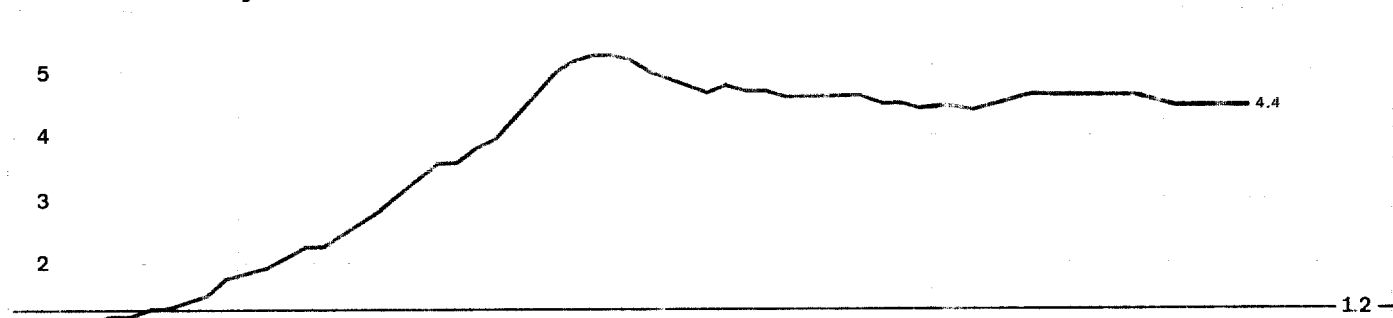
United States



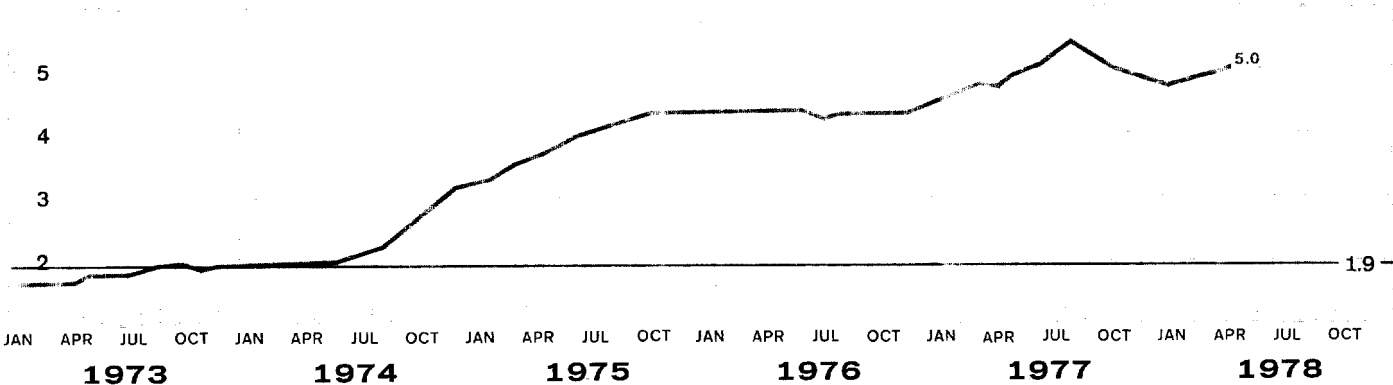
Japan



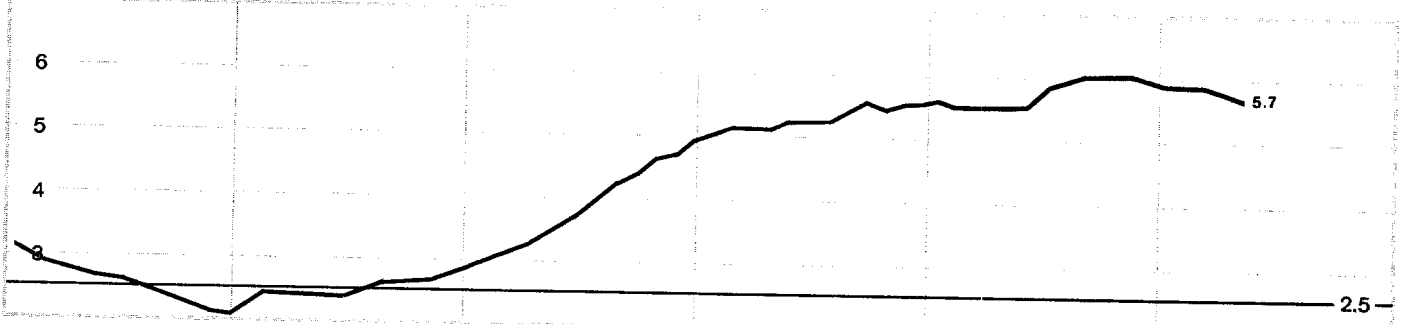
West Germany



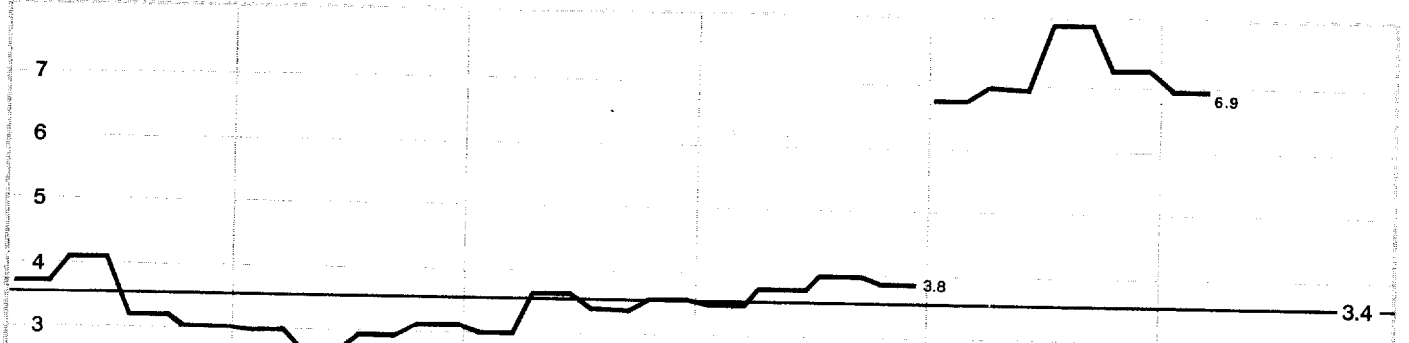
France



United Kingdom

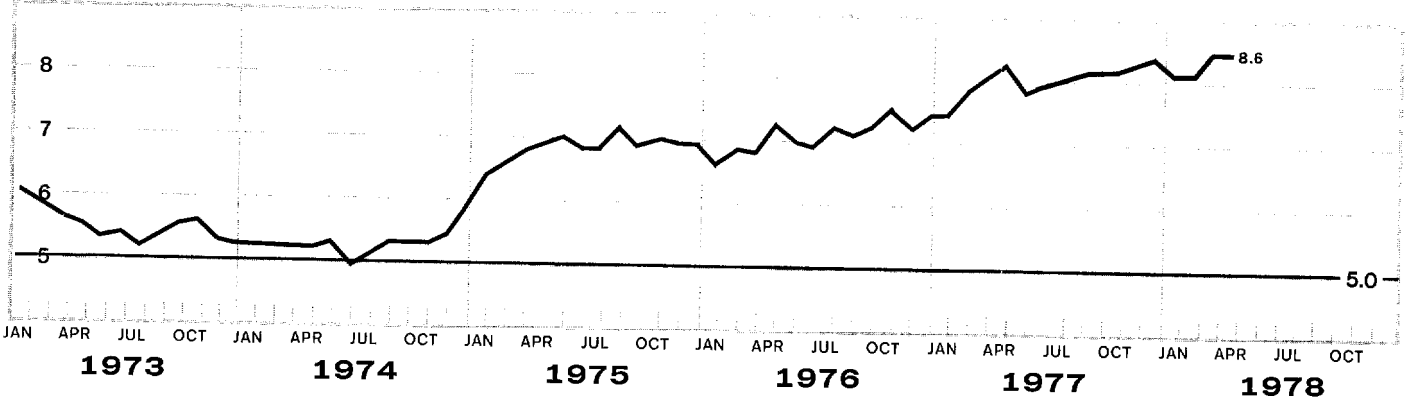


Italy (quarterly)



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



THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH	1 Year Earlier	3 Months Earlier		LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	MAY 78	6,149	6,894	United Kingdom	MAY 78	1,366	1,316
Japan	APR 78	1,220	1,020	Italy	I 78	1,520	1,459
West Germany	MAY 78	997	1,040	Canada	APR 78	935	868
France	APR 78	1,087	1,023				

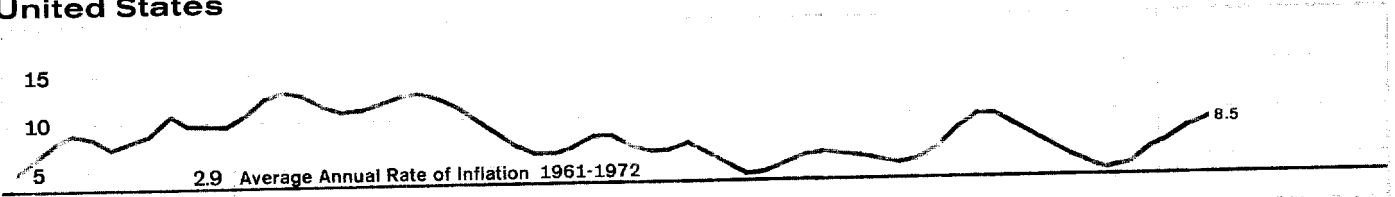
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased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

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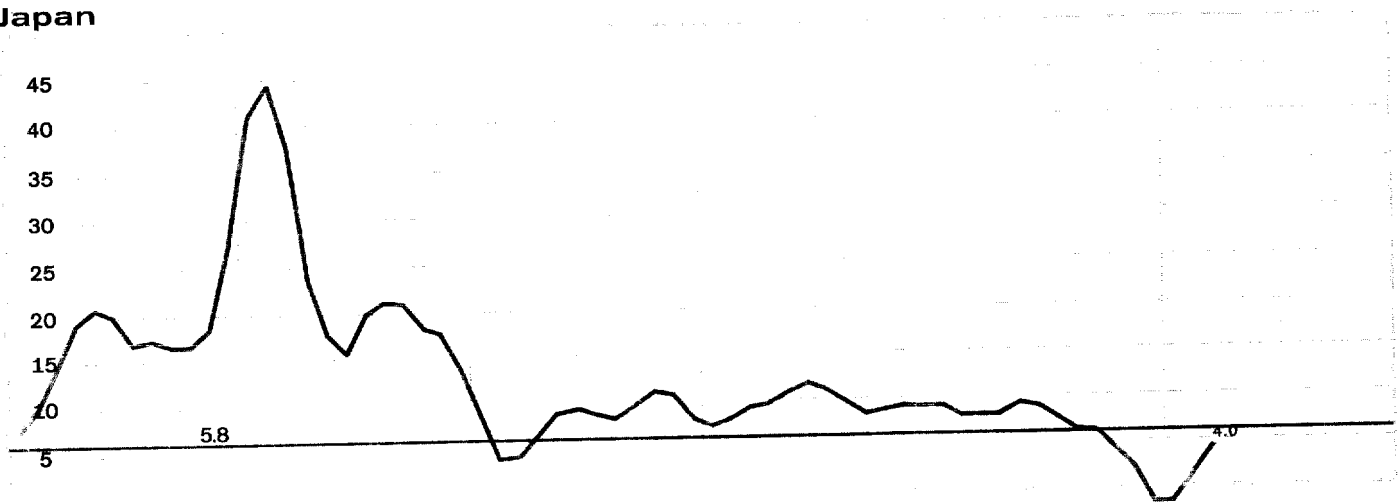
CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate¹

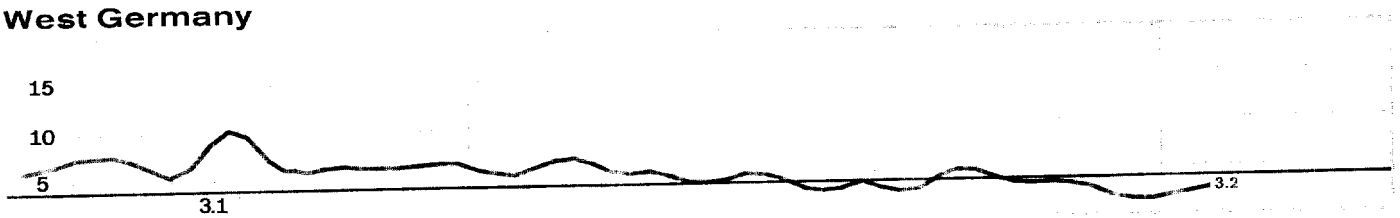
United States



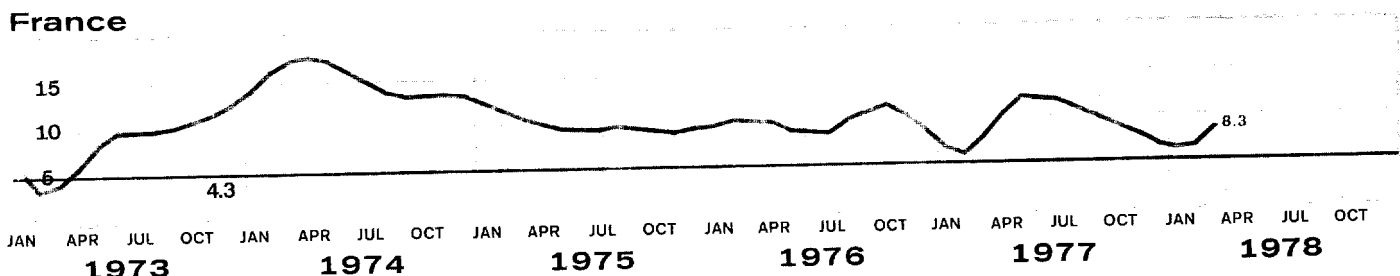
Japan



West Germany

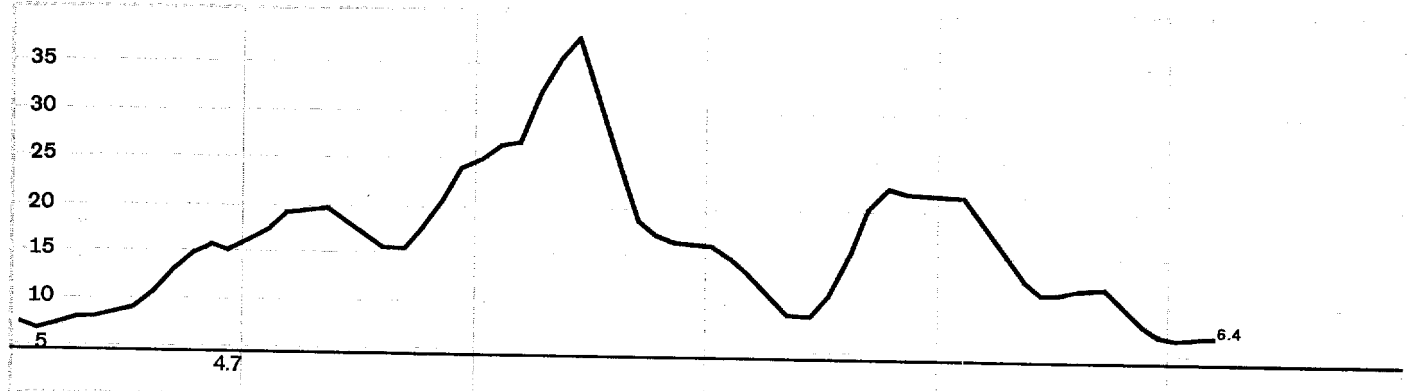


France

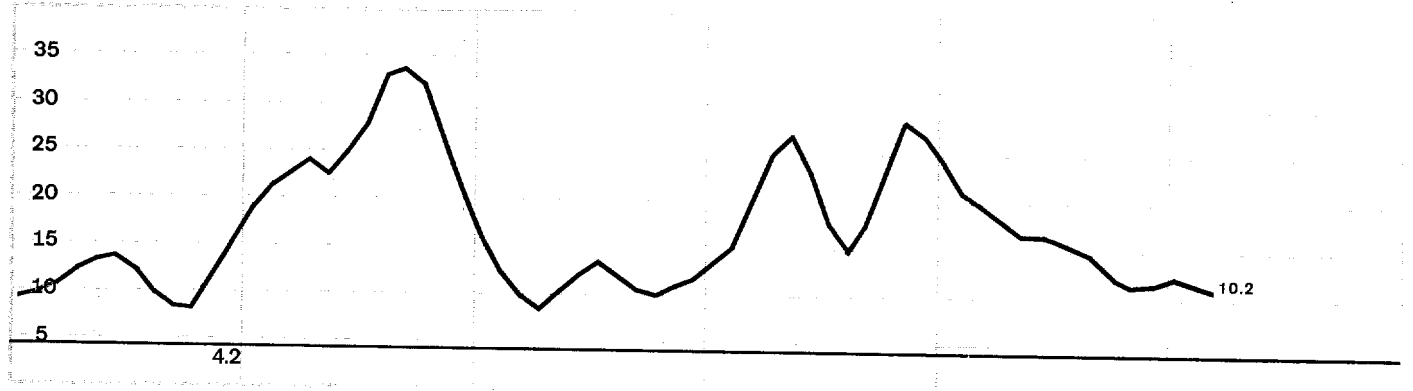


¹Three-month average compared with previous three months

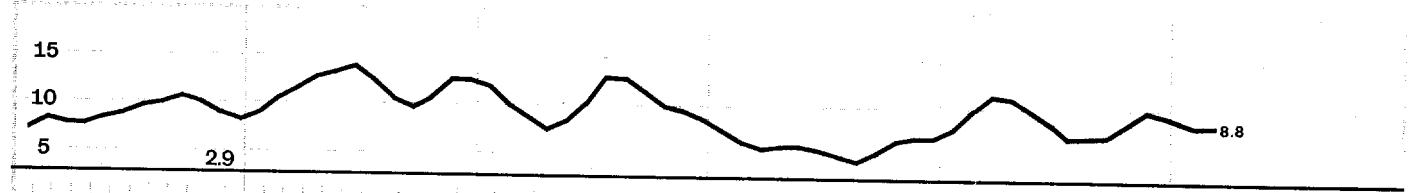
United Kingdom



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	APR 78	0.9	6.6	6.6	8.5	United Kingdom	APR 78	0	13.3	7.9	6.4
Japan	APR 78	-0.1	9.8	3.9	4.0	Italy	APR 78	0.9	13.1	12.6	10.2
West Germany	APR 78	0.1	5.3	2.9	3.2	Canada	APR 78	0.3	7.6	8.4	8.8
France	APR 78	0.9	9.0	9.0	8.3						

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

GNP ¹

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	78 I	-0.1	3.1	3.6	-0.6
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	77 IV	1.3	2.5	1.9	5.3
France	77 IV	1.4	3.8	3.4	5.8
United Kingdom	77 IV	-0.5	1.6	-1.1	-1.9
Italy	77 IV	-3.7	1.7	-5.9	-13.9
Canada	77 IV	0.8	4.6	4.0	3.4

¹ Seasonally adjusted.

RETAIL SALES

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	Mar 78	1.4	3.2	1.0	-8.2
Japan	Jan 78	2.9	9.2	1.0	-2.8
West Germany	Mar 78	1.7	2.6	1.7	2.2
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	May 78	2.2	1.2	5.6	5.2
Italy	Feb 78	1.3	2.8	2.1	5.9
Canada	Mar 78	-1.2	4.1	2.0	4.1

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		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	78 I	0.4	2.2	4.1	1.6
Japan	78 I	0.9	1.1	-0.4	3.6
West Germany	77 IV	1.6	0.8	2.8	6.7
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	77 IV	-1.5	1.3	4.1	-5.9
Italy	78 I	5.3	1.7	-11.4	22.7
Canada	77 IV	-3.7	5.0	-7.5	-14.1

¹ Seasonally adjusted.

WAGES IN MANUFACTURING ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Apr 78	0.8	7.6	8.3	7.5
Japan	Jan 78	1.2	16.3	9.4	4.7
West Germany	77 IV	0.3	9.1	7.4	1.1
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jan 78	0.5	14.7	3.3	2.7
Italy	Mar 78	0	20.3	17.7	14.7
Canada	Mar 78	0.9	11.0	8.9	7.3

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	Jun 14	7.54	5.44	6.75	7.06
Japan Call money	Jun 16	4.13	5.50	4.25	4.00
West Germany Interbank loans (3 months)	Jun 14	3.58	4.20	3.50	3.60
France Call money	Jun 16	8.00	8.88	9.12	8.00
United Kingdom Sterling interbank loans (3 months)	Jun 14	10.16	7.83	6.59	9.21
Canada Finance paper	Jun 14	8.19	7.22	7.55	7.97
Eurodollars Three-month deposits	Jun 14	8.09	5.68	7.24	7.84

EXPORT PRICES
US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
			United States	Mar 78	-0.1
Japan	Apr 78	4.8	12.2	20.2	54.5
West Germany	Mar 78	1.0	12.0	15.6	9.9
France	Feb 78	-0.5	11.4	9.9	22.7
United Kingdom	Apr 78	-2.7	11.4	17.0	-12.7
Italy	Oct 77	-0.6	10.9	12.7	0.2
Canada	Mar 78	12.8	10.1	14.7	62.2

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	Mar 78	-0.1
Japan	Apr 78	0.3	5.4	-3.1	10.7
West Germany	Mar 78	-0.7	3.8	-1.5	-11.6
France	Feb 78	1.5	9.3	6.4	19.5
United Kingdom	Apr 78	0.9	15.3	9.0	5.7
Italy	Oct 77	-0.9	16.3	16.0	-0.7
Canada	Mar 78	1.3	9.4	9.1	11.9

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	Mar 78	2.0
Japan	Apr 78	-8.4	6.5	-18.0	-23.2
West Germany	Mar 78	1.9	3.6	-1.9	-0.9
France	Feb 78	1.9	9.9	3.8	12.5
United Kingdom	Apr 78	1.6	17.7	1.9	11.5
Italy	Dec 77	-0.7	19.5	9.7	-13.1
Canada	Feb 78	0.7	9.3	16.3	22.8

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		End of	1 Year Earlier	3 Months Earlier	
		United States	Apr 78	18.8	14.5
Japan	May 78	27.7	4.1	17.3	24.2
West Germany	Apr 78	41.3	8.8	34.6	40.7
France	Apr 78	10.6	4.4	10.0	0.1
United Kingdom	Apr 78	17.7	2.8	10.2	21.4
Italy	Mar 78	10.6	4.7	6.4	11.6
Canada	May 78	4.7	9.1	5.2	3.7

CURRENT ACCOUNT BALANCE ¹

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1977	1976	Change
		United States ²	77 IV	-7,030	-20,115
Japan	Apr 78	1,740	11,112	3,680	7,432
West Germany	Apr 78	841	3,584	2,659	926
France	77 IV	136	-3,179	-5,721	2,541
United Kingdom	77 IV	682	-14	-2,172	2,157
Italy	77 III	2,390	1,629	-2,028	3,657
Canada	77 IV	-666	-4,020	-4,230	210

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	Cumulative (Million US \$)			
		Million US \$	1977	1976	Change
		United States	No longer published ²		
Japan	Apr 78	2,844	7,876	2,696	5,180
West Germany	Mar 78	2,026	-1,648	2,472	-4,120
France	77 IV	149	-3,218	-6,842	3,624
United Kingdom	77 IV	1,389	5,353	-2,254	7,607
Italy	77 III	2,520	2,128	-2,083	4,211
Canada	77 IV	-266	84	3,751	-3,667

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 16 Jun 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	9 Jun 78
		Japan (yen)	0.0046	21.56	26.55
West Germany (Deutsche mark)	0.4771	34.72	12.48	-1.11	-0.34
France (franc)	0.2172	-1.47	7.43	0.98	-0.04
United Kingdom (pound sterling)	1.8307	-25.61	6.50	-6.64	0.24
Italy (lira)	0.0012	-34.41	2.74	0.61	0
Canada (dollar)	0.8934	-10.45	-5.64	-2.35	0.07

TRADE-WEIGHTED EXCHANGE RATES ¹

As of 16 Jun 78

	Percent Change from			
	19 Mar 73	1 Year Earlier	3 Months Earlier	9 Jun 78
	United States	0.41	-5.30	0.42
Japan	26.64	24.52	6.03	2.11
West Germany	30.58	5.14	-0.89	-0.24
France	-8.65	-0.57	1.80	0.13
United Kingdom	-29.89	0.93	-6.45	0.26
Italy	-41.54	-5.13	1.10	0.12
Canada	-10.41	-7.83	-2.27	-0.05

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

Approved For Release 2007/02/08 : CIA-RDP80T00702A000700010004-9

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
1977	120.17	53.92	18.53	14.02	2.72	30.98	156.70	70.48	11.08	35.45	1.22	38.47
1st Qtr	29.46	13.75	4.73	3.13	0.86	6.99	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	8.25	0.25	9.57
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
1977	81.11	28.02	9.73	12.03	5.32	26.01	71.33	18.87	7.93	24.33	3.41	16.79
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
4th Qtr	22.86	8.00	2.40	3.61	1.44	7.41	18.38	4.59	2.15	6.47	0.92	4.25
1978												
Jan	5.66	2.18	0.65	0.78	0.29	1.76	6.00	1.57	0.73	2.14	0.27	1.29
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
1977	119.28	39.01	48.00	10.78	8.59	12.90	102.63	36.38	37.37	10.12	6.14	12.62
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
4th Qtr	33.14	10.94	13.14	3.07	2.15	3.84	27.70	9.84	10.51	2.57	1.53	3.25
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
1977	65.00	25.90	18.19	5.97	3.00	11.94	70.50	30.28	18.24	11.82	2.46	7.70
1st Qtr	15.68	6.25	4.55	1.40	0.75	2.73	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
4th Qtr	17.88	7.03	4.77	1.68	0.75	3.65	18.51	7.95	4.84	3.24	0.71	1.77
1978												
Jan	5.49	2.21	1.49	0.52	0.19	1.08	6.29	2.69	1.71	1.00	0.21	0.68
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
1977	57.44	16.99	22.56	6.78	1.63	9.48	63.29	24.02	21.34	6.31	2.40	9.22
1st Qtr	13.14	4.02	5.16	1.51	0.35	2.10	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
1978												
Jan	5.22	1.58	1.92	0.68	0.14	0.90	6.27	2.42	2.27	0.64	0.18	0.76
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
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 & Nov	7.73	3.68	1.66	0.99	0.40	1.00	7.97	3.52	1.48	1.34	0.53	1.10

Developed Countries: Direction of Trade ¹
(Continued)

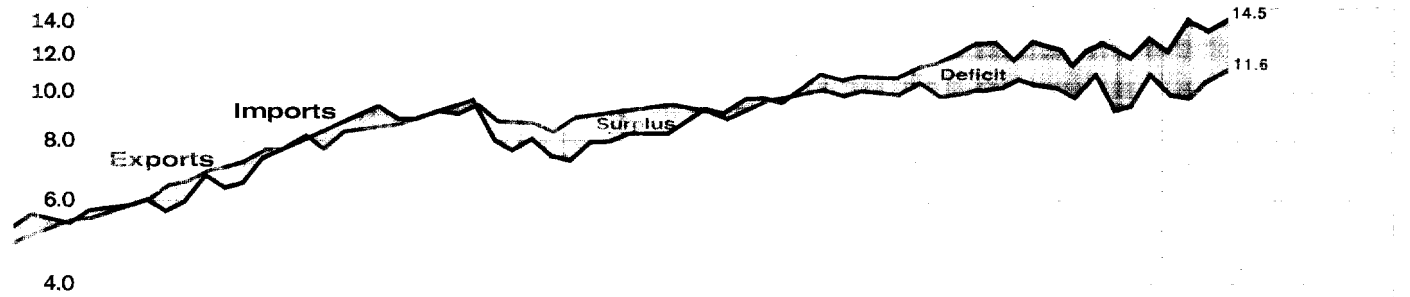
Billion US \$

	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
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
1977	42.98	34.77	2.13	0.94	1.06	4.08	44.67	35.67	1.77	3.05	0.33	3.85
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
4th Qtr	11.04	9.05	0.52	0.24	0.26	0.97	11.09	8.94	0.44	0.67	0.07	0.97

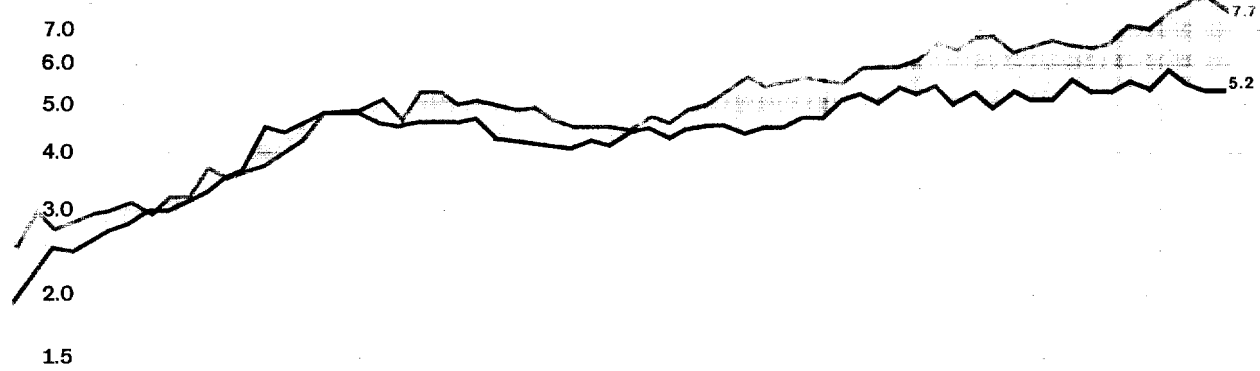
¹ Source: International Monetary Fund, Direction of Trade.

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

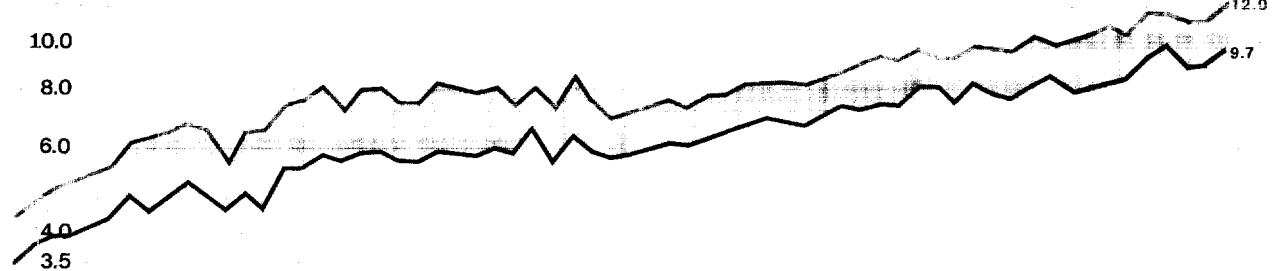
United States



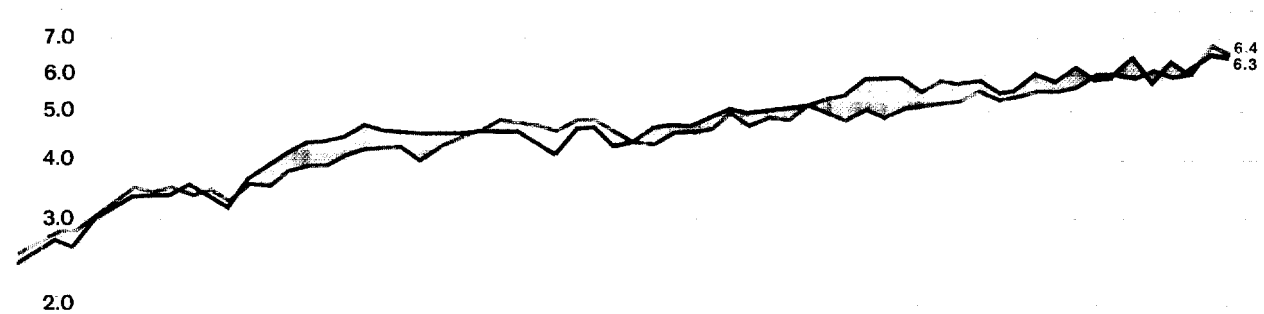
Japan



West Germany



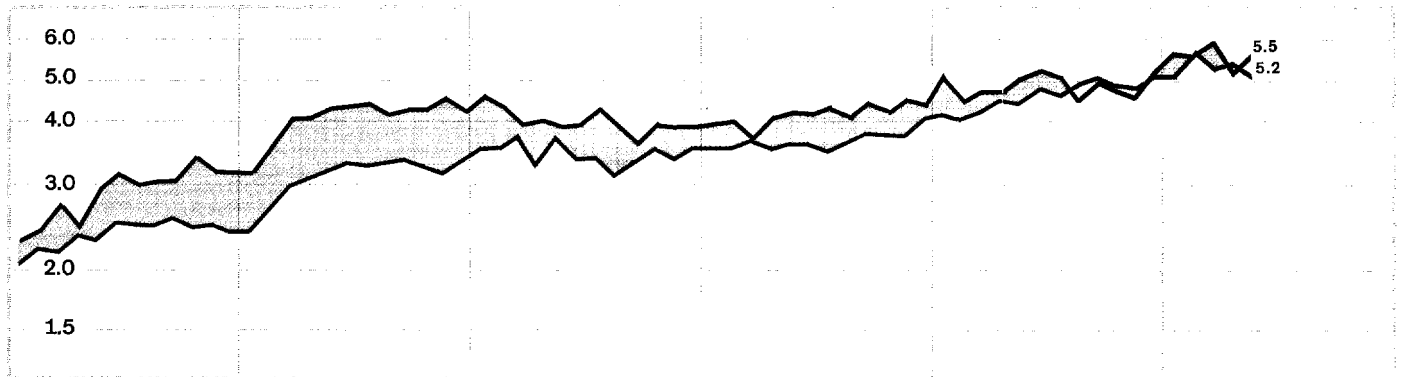
France



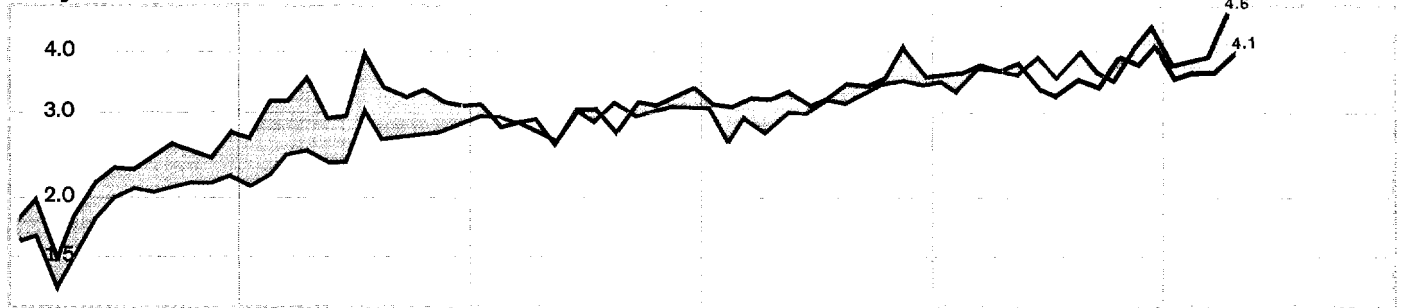
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

United Kingdom

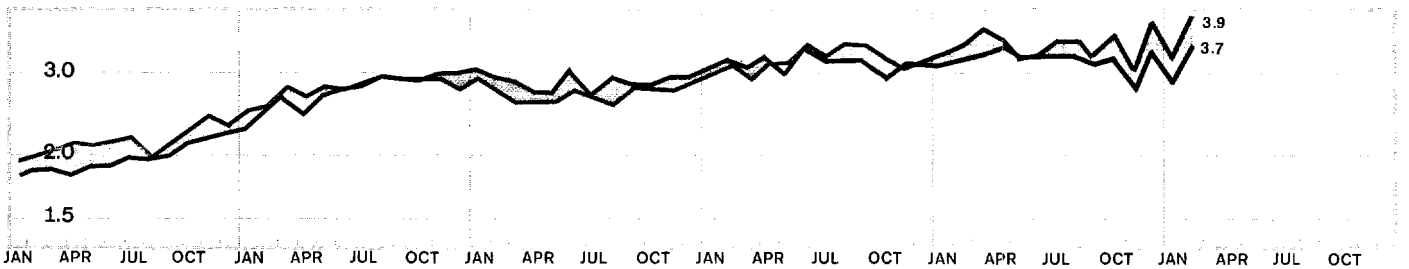
Semilogarithmic Scale



Italy



Canada



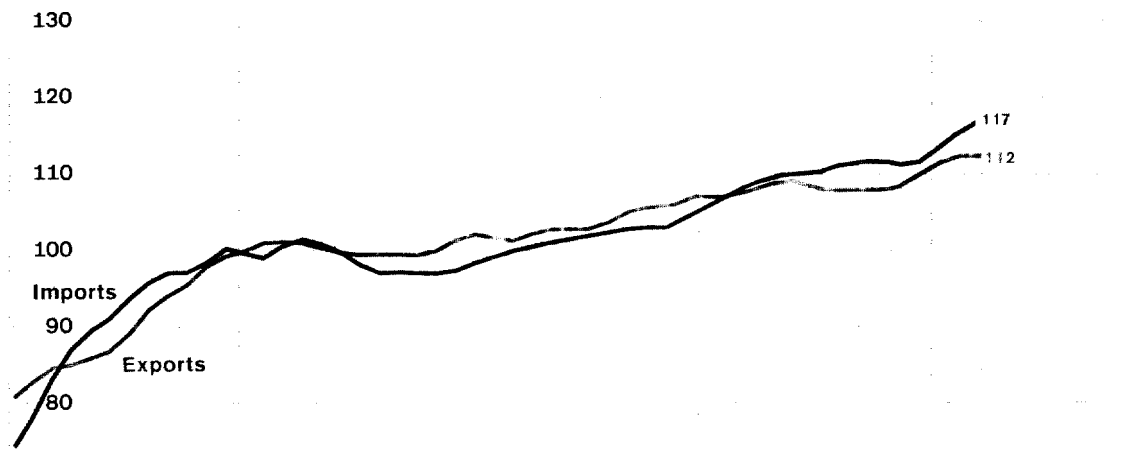
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			
			1978	1977	CHANGE			1978	1977	CHANGE	
United States	APR 78	11,635	42,484	39,678	7.1%	United Kingdom	MAY 78	5,231	27,077	21,791	24.3%
		14,496	55,016	47,278	16.4%			5,538	27,973	24,164	15.8%
	Balance	-2,861	-12,533	-7,600	-4,933		Balance	-307	-896	-2,372	1,476
Japan	APR 78	7,681	31,482	26,195	20.2%	Italy	APR 78	4,650	16,050	14,034	14.4%
		5,229	21,575	20,236	6.6%			4,053	14,955	14,756	1.3%
	Balance	2,452	9,907	5,960	3,948		Balance	598	1,095	-722	1,817
West Germany	APR 78	12,015	44,720	37,423	19.5%	Canada	FEB 78	3,946	7,175	6,761	6.1%
		9,694	37,286	31,124	19.8%			3,710	6,680	6,509	2.6%
	Balance	2,321	7,434	6,299	1,135		Balance	235	495	252	243
France	APR 78	6,416	24,665	20,659	19.4%						
		6,279	24,652	21,770	13.2%						
	Balance	138	13	-1,111	1,124						

576357 6-78

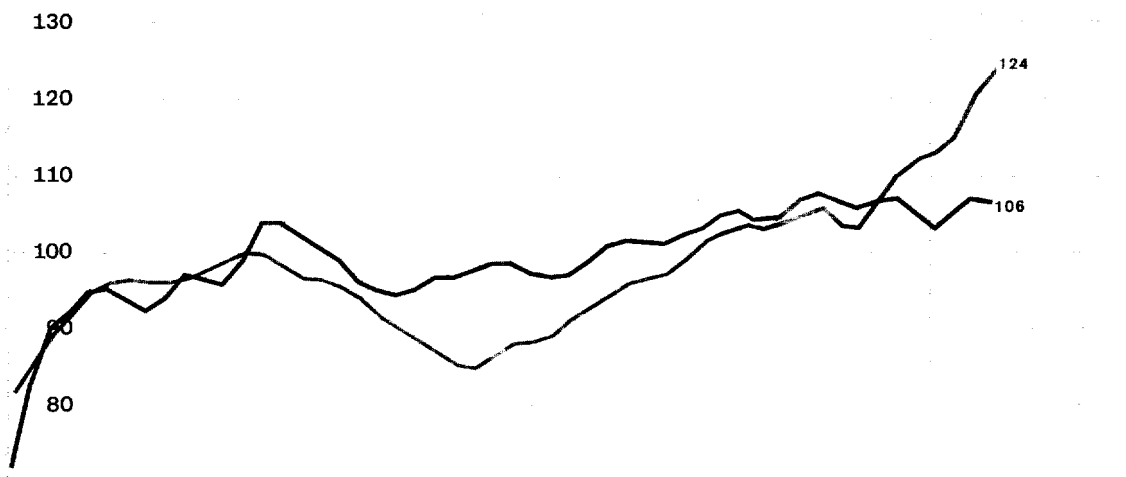
FOREIGN TRADE PRICES IN US \$¹

United States

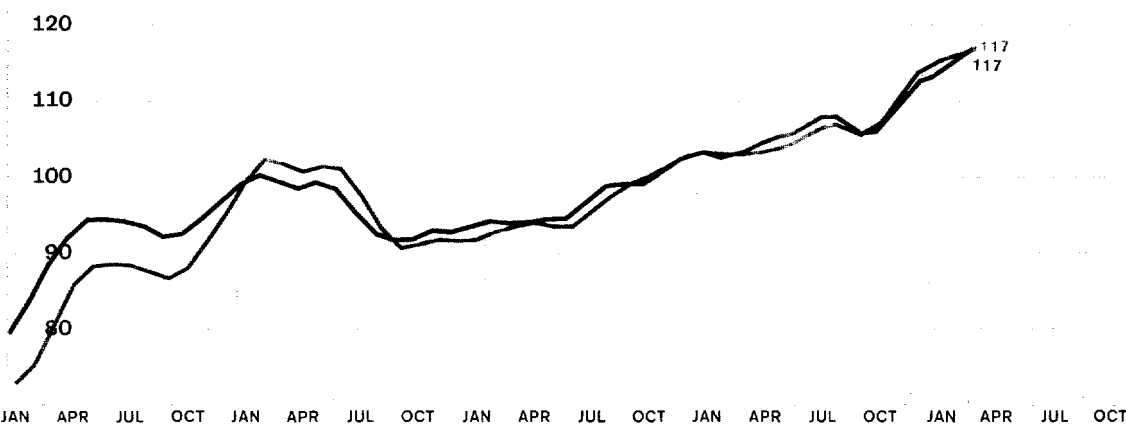
INDEX: JAN 1975 = 100



Japan



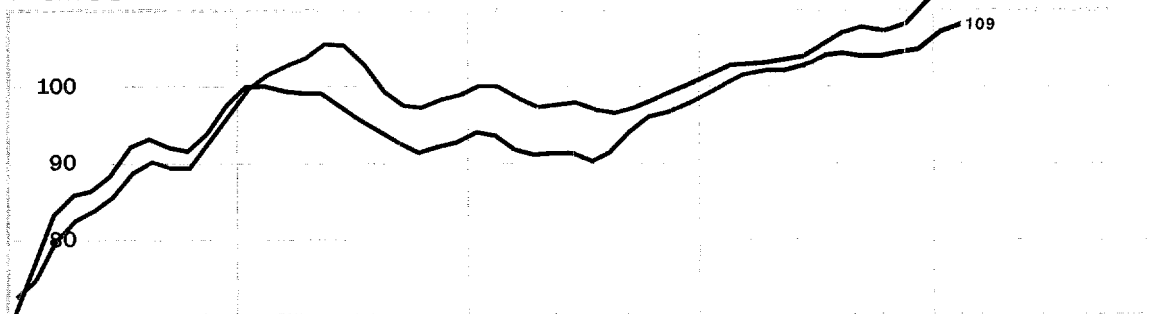
West Germany



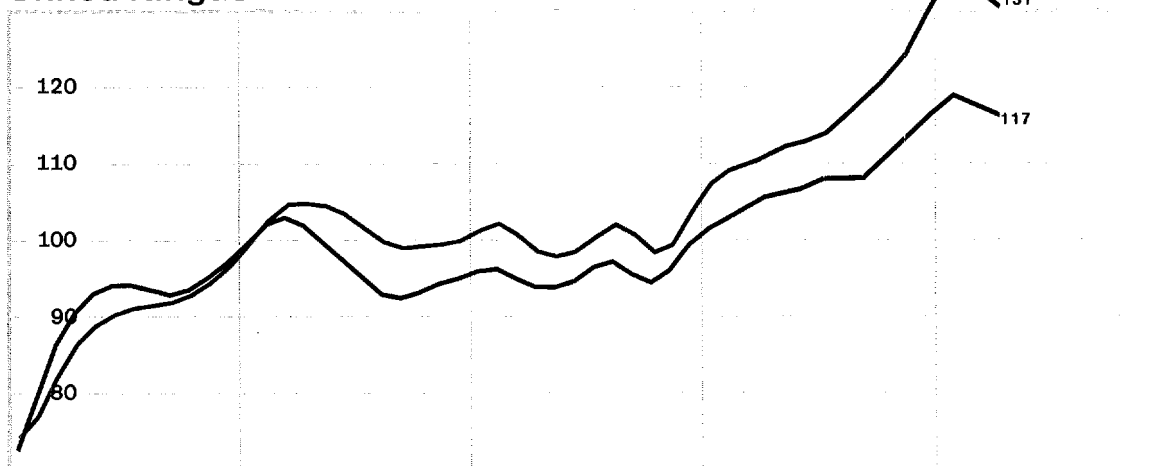
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

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

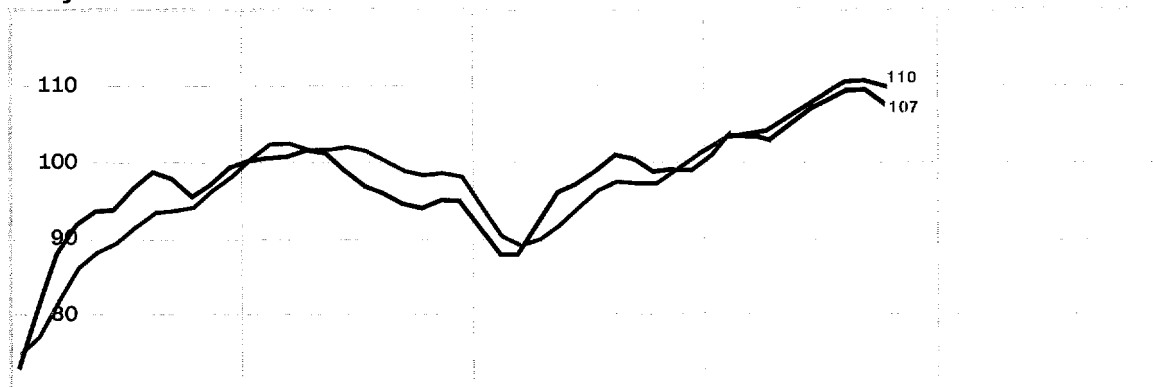
France



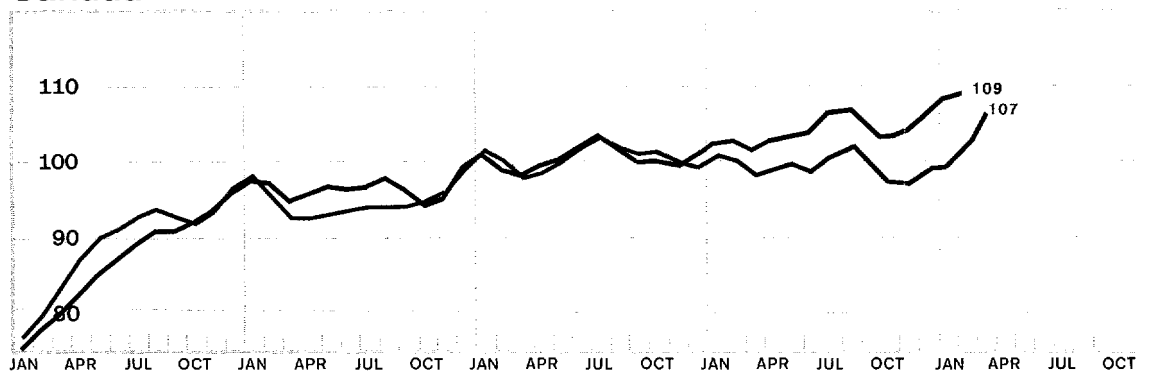
United Kingdom



Italy



Canada



Approved For Release 2007/02/08 : CIA-RDP80T00702A000700010004-9
SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
India	Dec 77	3.3	4.7	4.6	2.5
South Korea	Feb 78	-2.7	22.1	21.4	23.8
Mexico	Jan 78	1.3	5.9	14.3	2.3
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Apr 78	1.5	15.3	17.4	- 2.0

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	Nov 77	-0.2	36.6	44.6	35.8
India	Dec 77	1.0	13.8	13.6	26.1
Iran	Feb 78	0.8	28.1	27.7	30.3
South Korea	Mar 78	0.9	31.7	38.8	32.2
Mexico	Feb 78	0.2	20.3	26.0	62.1
Nigeria	Apr 77	-2.3	36.9	47.5	99.7
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Nov 77	3.3	13.1	12.3	4.7

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	Apr 78	2.4	27.8	36.5
India	Jan 78	-1.5	7.8	5.9
Iran	Mar 78	2.3	12.5	17.6
South Korea	Apr 78	-0.1	14.4	12.6
Mexico	Mar 78	1.0	15.1	17.5
Nigeria	Dec 77	3.2	16.6	31.0
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Feb 78	1.5	8.6	10.2

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Apr 78	3.4	28.2	34.2
India	Mar 78	0.8	8.1	-0.6
Iran	Mar 78	3.2	11.1	12.5
South Korea	Apr 78	0.6	16.0	10.9
Mexico	Mar 78	2.0	16.4	17.7
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Dec 77	0	9.6	7.3

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	Mar 78	0	32.0	0
South Korea	77 IV	4.6	8.9	8.8
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Mar 78	-0.7	11.2	3.8
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

Million US \$

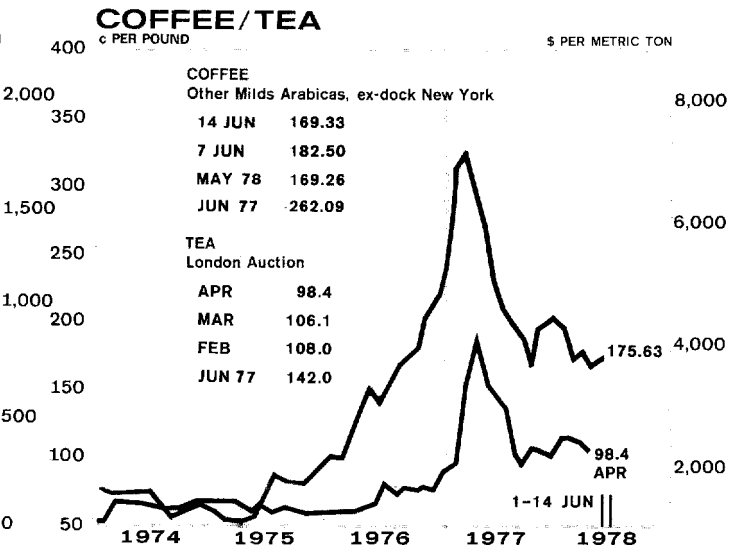
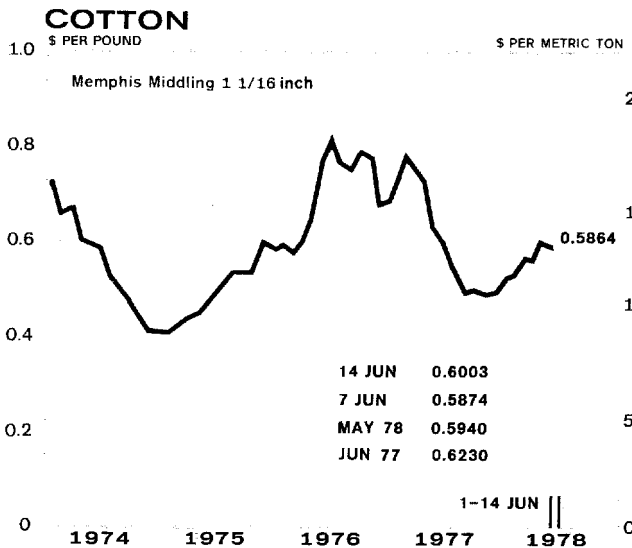
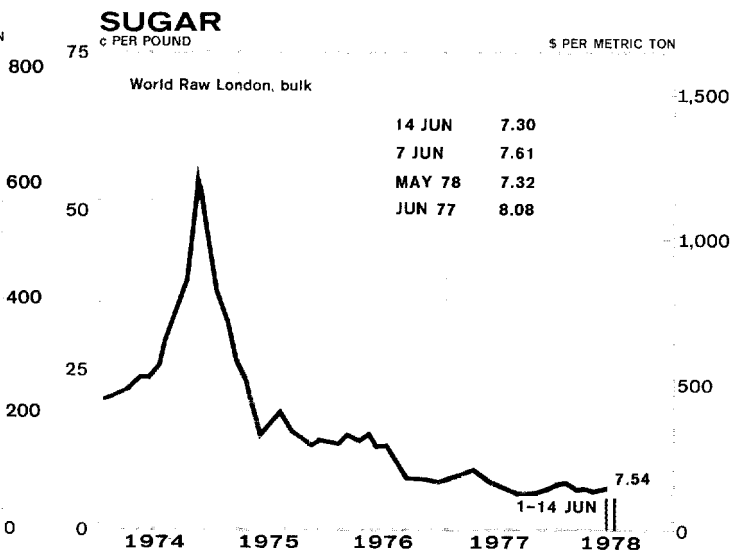
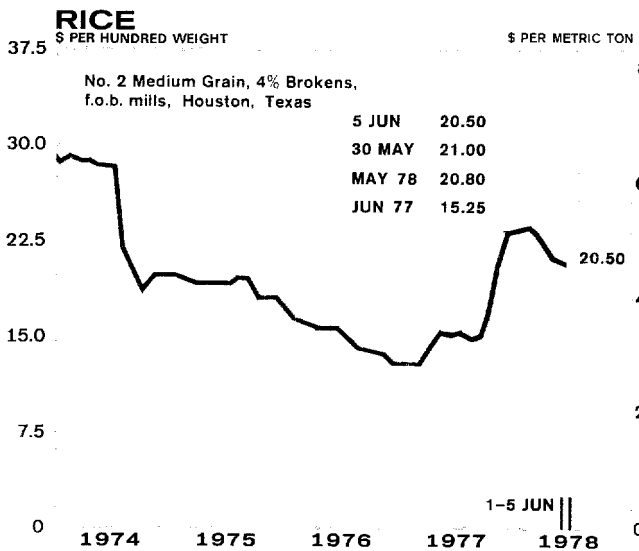
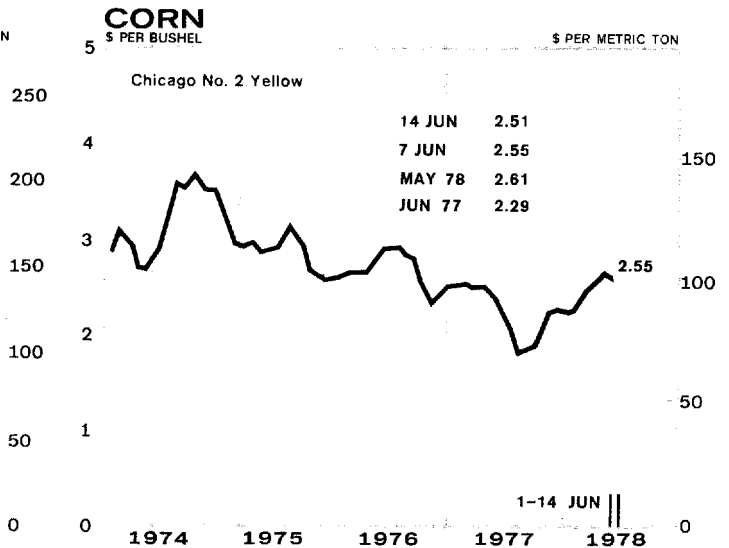
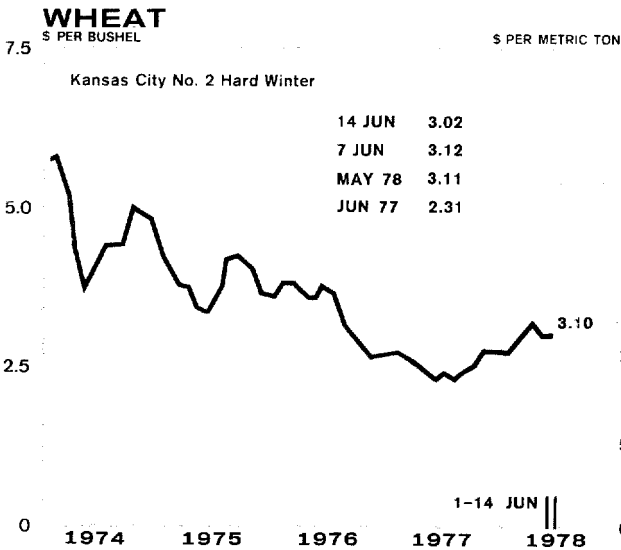
	Latest Month End of	Million US \$	Average Annual Growth Rate Since		
			Percent Change		
			Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Jan 78	6,760	1,013	6,193	6,041
India	Feb 78	5,563	1,006	3,481	5,069
Iran	Apr 78	12,584	208	10,548	12,848
South Korea	Apr 78	4,116	602	3,247	4,418
Mexico	Dec 77	1,724	695	1,253	1,654
Nigeria	Feb 78	4,186	148	4,937	4,373
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	Apr 78	2,138	978	2,006	1,950

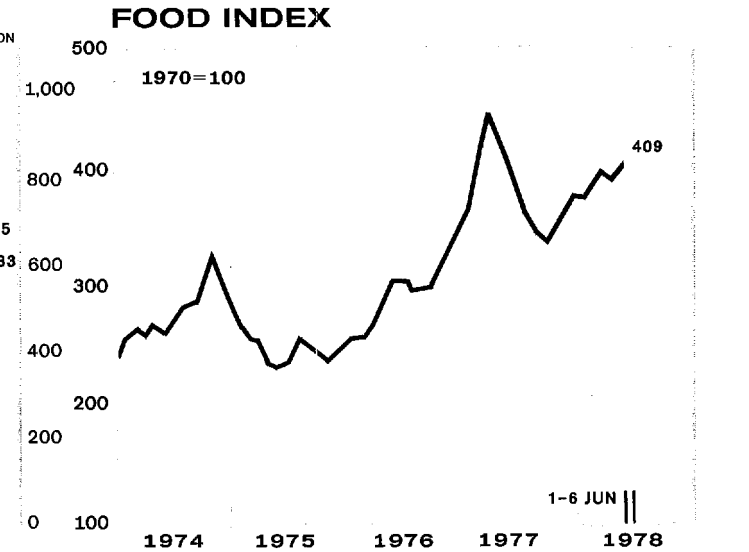
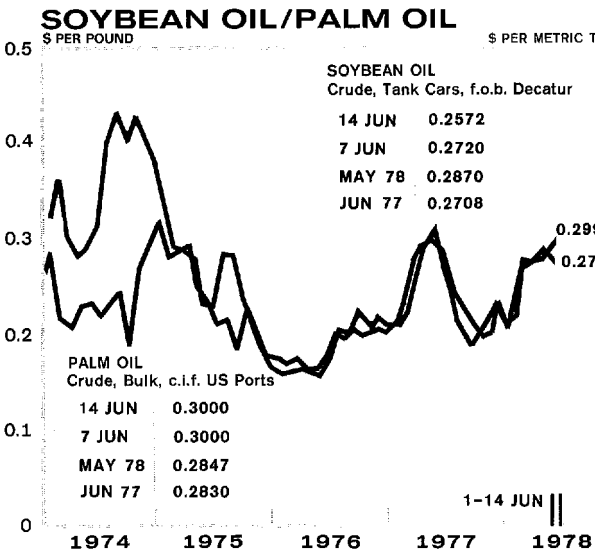
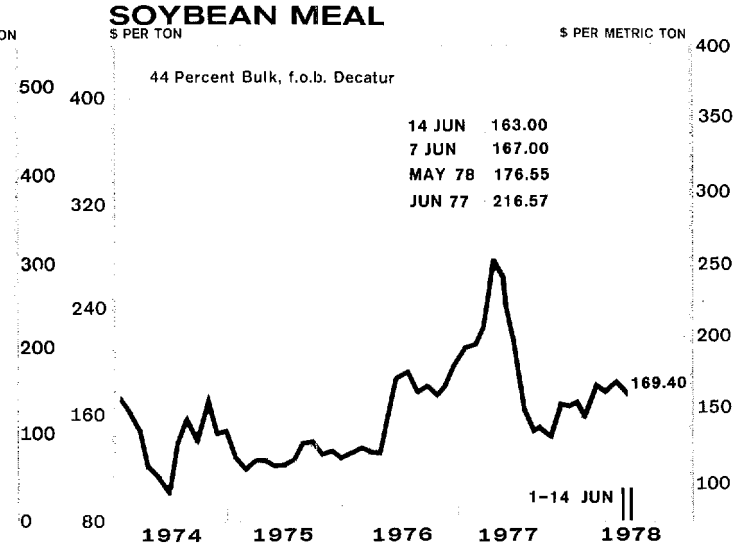
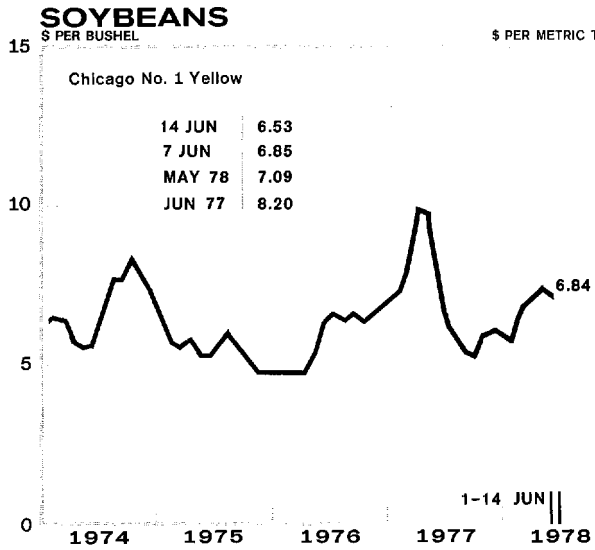
FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
Latest Period			3 Months Earlier ¹	1 Year Earlier	1977	1976	Change
Brazil	Mar 78	Exports	-23.9	-0.3	12,137	10,128	19.8%
	Mar 78	Imports	6.0	6.7	11,999	12,346	-2.8%
	Mar 78	Balance			138	-2,218	2,356
India	Dec 77	Exports	-22.2	13.9	6,142	5,050	21.6%
	Dec 77	Imports	14.4	25.9	5,365	4,548	18.0%
	Dec 77	Balance			776	502	274
Iran	Mar 78	Exports	-36.7	-4.4	24,237	23,475	3.2%
	Jan 78	Imports	20.5	21.0	12,561	11,513	9.1%
	Jan 78	Balance			11,676	11,962	-286
South Korea	Mar 78	Exports	-36.9	28.4	10,046	7,715	30.2%
	Mar 78	Imports	-5.5	29.5	10,526	8,405	25.2%
	Mar 78	Balance			-480	-690	210
Mexico	Feb 78	Exports	160.3	13.4	4,092.9	3,315.8	23.4%
	Feb 78	Imports	-7.4	10.4	5,487.5	6,029.6	-9.0%
	Feb 78	Balance			-1,394.6	-2,713.8	1,319.2
Nigeria	Dec 77	Exports	-26.1	1.3	4,752	4,033	17.8%
	Dec 76	Imports	86.7	8.4	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	Apr 78	Exports	-27.6	32.3	1,526	1,226	24.5%
	Apr 78	Imports	-14.5	20.4	1,309	1,044	25.4%
	Apr 78	Balance			217	182	36
Thailand	Dec 77	Exports	-27.2	-1.6	3,559	3,040	17.1%
	Jan 78	Imports	0.6	21.4	4,246	3,313	28.2%
	Dec 77	Balance			-687	-273	-414

¹ At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

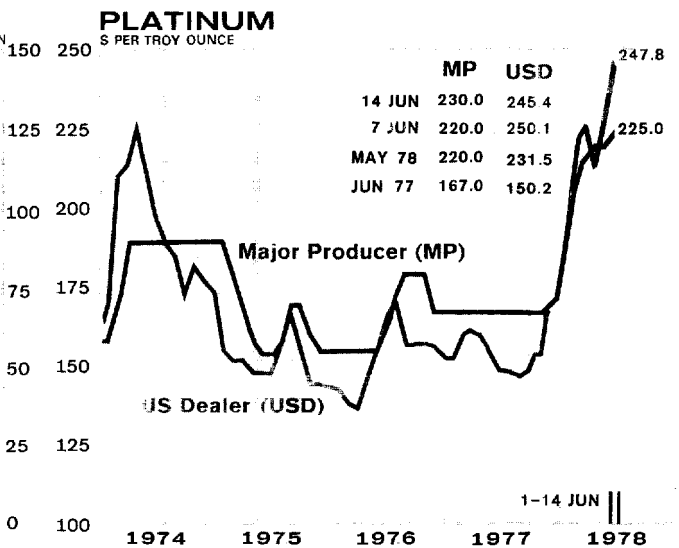
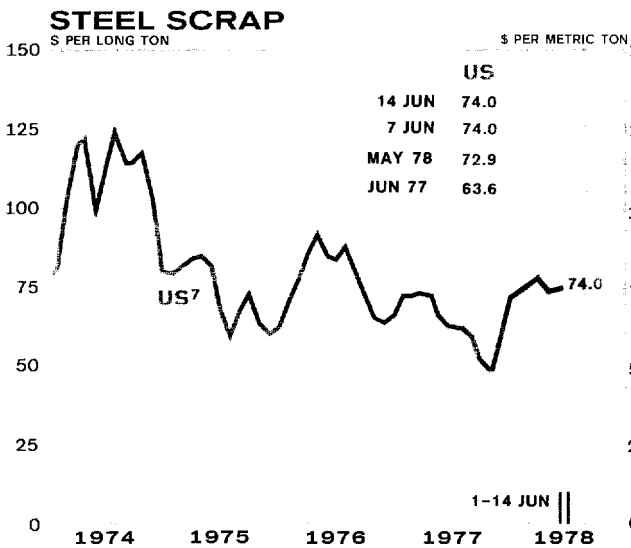
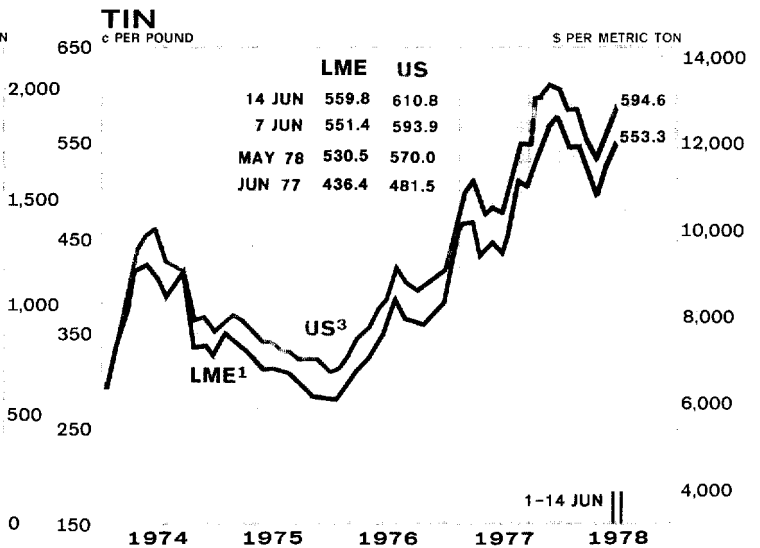
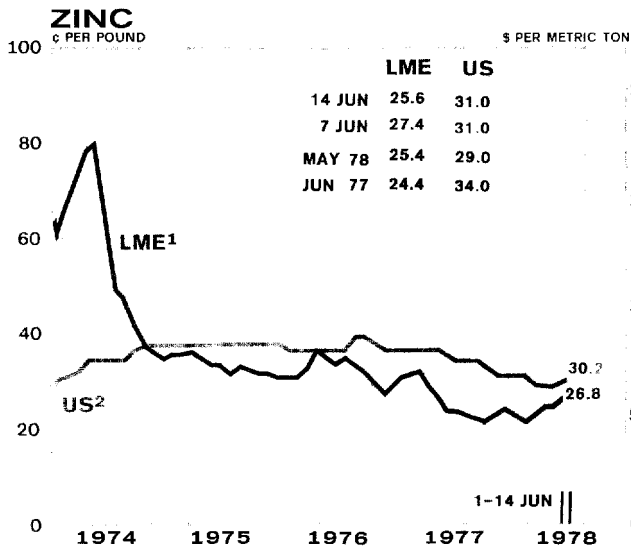
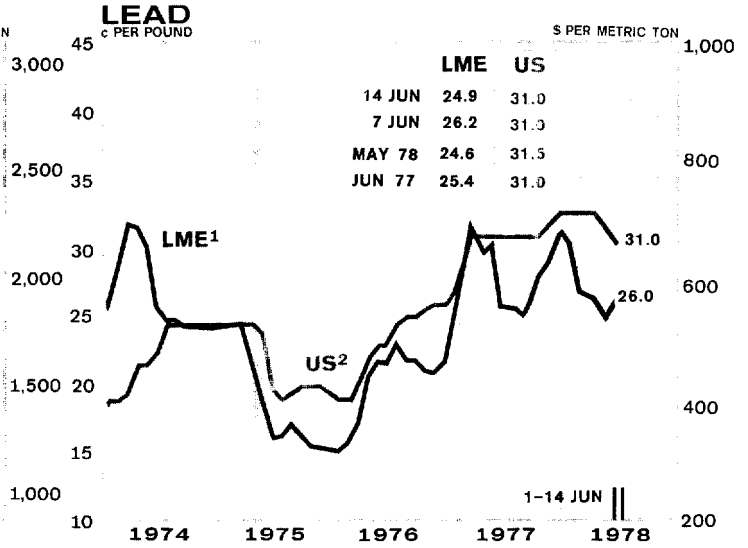
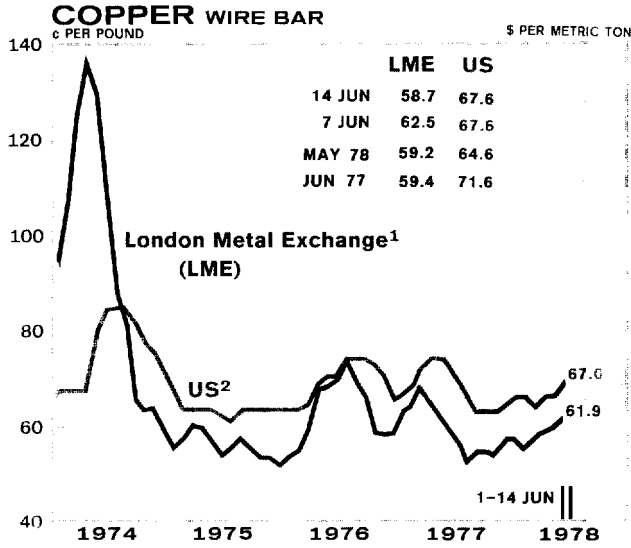




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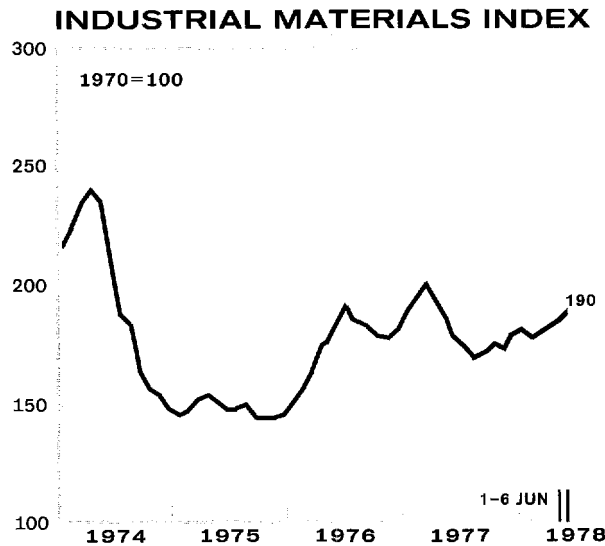
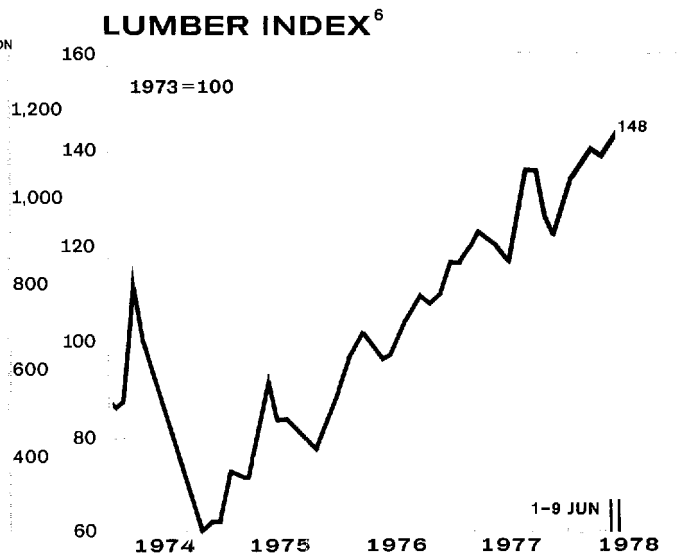
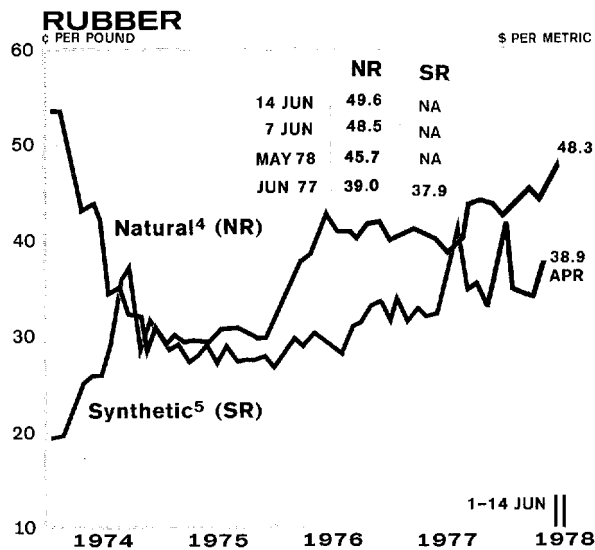
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE



SELECTED MATERIALS

			CURRENT	DEC 77	JUN 77	JUN 76
ALUMINUM	Major US Producer	¢ per pound	55.00	53.00	51.00	44.00
US STEEL	Composite	\$ per long ton	395.81	359.36	339.27	316.36
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	21.43	19.50
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	42.00	41.00	43.00	45.00
NICKEL	Composite US Producer	\$ per pound	2.07	2.06	2.41	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	67.20	72.24	72.00	72.00
TUNGSTEN ORE	Contained Metal	\$ per metric ton	16,520.00	21,549.00	22,821.00	13,954.00
MERCURY	New York	\$ per 76 pound flask	147.00	124.33	126.23	110.00
SILVER	LME Cash	¢ per troy ounce	533.18	472.49	446.93	478.82
GOLD	London Afternoon Fixing Price	\$ per troy ounce	182.19	160.45	140.78	125.71



- 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 1b 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.

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