

# Economic Intelligence Weekly Review

6 July 1978

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**ECONOMIC INTELLIGENCE WEEKLY REVIEW**

**6 July 1978**

**Bonn Summit Issues: Big Six and EC Positions ..... 1**

Departing from the usual format of the *EIWR*, this issue contains just one article—a detailed description and analysis of the positions likely to be taken by leaders of the Big Six Industrial countries and the EC Commission at the mid-July summit meeting in Bonn. The article begins with an overview statement of the approaches that we expect from each participant. Then follow seven sections giving the particulars for individual country positions in turn—for Japan, West Germany, France, the United Kingdom, Italy, Canada, and the European Community. In each section the discussion is organized under five headings: (a) economic situation and policy, (b) monetary issues, (c) energy, (d) trade, and (e) North-South issues.

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## Articles

## BONN SUMMIT ISSUES: BIG SIX AND EC POSITIONS

West German Chancellor Schmidt and British Prime Minister Callaghan are taking a keen interest in shaping the outcome of the Bonn summit, which opens Sunday, 16 July. Schmidt, the host, is intent on seeing his initiatives in the monetary area adopted first by other EC leaders and then endorsed at the summit. Callaghan, along with EC Commission President Jenkins, seems most concerned that participants make the specific commitments needed to restore confidence in the global economy.

Other foreign leaders are taking a lower key approach. Japanese Prime Minister Fukuda will use the summit to publicize his country's recently improved economic performance. French President Giscard d'Estaing, Italian Prime Minister Andreotti, and Canadian Prime Minister Trudeau would like a general agreement on coordinated deflation, although they will not commit their countries to new measures.

A potential for some bargain clearly exists among the four most active players—Carter, Schmidt, Giscard, and Callaghan. For example, all foreign leaders would like to see the United States take stronger action to stabilize the dollar and cut oil imports. Five nations want Japan and West Germany to grow faster so they will increase foreign purchases. The outline of an agreement that could emerge on these and other issues, such as the growth in protectionism, may not become evident until immediately before the summit.

Generating the most interest among participants is the subject of *economic growth*. All the foreign leaders have fairly definite opinions on what should be done to stimulate more rapid growth and believe they have read the moods of their constituencies on how much their own governments can do. Fukuda believes others will agree that Tokyo is following the right path; he probably will indicate willingness to add stimulus later this year if need be. Callaghan and Trudeau will point out that they recently have taken stimulative measures and will suggest others should now do

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6 July 1978

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1

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their part. Giscard and Andreotti believe their governments also are on the correct courses. Depending on the outcome of the EC leaders' presummit meeting in Bremen, Jenkins may be able to announce action by a few of the smaller EC members. Schmidt will agree that Germany can do more but will contend that a higher growth target in the short term cannot be met and that his and other governments should have a free hand in determining the timing and amount of stimulus.

Chancellor Schmidt recognizes that he will be the focus of attention on the subject of reflation and will argue that *instability in foreign exchange markets* is the key factor working against more rapid economic growth because of the uncertainty it creates for private investors. While chances are slim that the EC countries will have any specific plans for greater monetary cooperation within the Community by the time of the summit, they could have an agreement on principles that should underlie greater EC monetary cooperation. In any case, dollar stabilization will stand as a universal concern.

*Trade* could be the most pressing issue to handle because participating governments have set a mid-July deadline for achieving major progress in the Multilateral Trade Negotiations (MTN). Much depends on the success of the ongoing high-level meetings aimed at reaching at least a general accord, including compromises on the tough, unresolved issues of agriculture, subsidies, countervailing duties, and safeguards. Most of the European leaders and Prime Minister Trudeau probably would settle for a package consisting primarily of tariff reductions in order to minimize losses and save face. Japan and West Germany, worried by threats to their exports, will press for major reductions in both tariff and nontariff barriers and a strong statement against the growing protectionist trend.

*Energy* will be a less contentious issue than at the 1977 summit. All the participants can readily endorse the need to increase worldwide investment in energy conservation and production, even though most apparently have no specific programs in mind. The Europeans and Japanese remain firmly opposed to many US nuclear energy objectives but are not likely to stir up controversy over them in Bonn.

Finally, the discussion of *North-South issues* will focus chiefly on the importance of developing a united front at future common fund negotiations and on official aid for LDCs. President Giscard will urge a special fund for Africa, and Prime Minister Fukuda once again will cite Japan's pledge to double aid within three years.

Of the five major subjects to be addressed, the United States probably will come under serious fire only on the issues of dollar stabilization and energy policy. The decline of the dollar against the yen in recent weeks practically guarantees that the Japanese, the West Germans, and possibly the British will urge that Washington step

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up intervention to stabilize foreign exchange markets. West Germany, the United Kingdom, and France will stress the importance of US action on energy measures as a means of both stabilizing the dollar and easing future pressure on world oil supplies.

## Japan

Prime Minister Fukuda will stress the recent surge in Japanese growth in hopes that other leaders will endorse his economic strategy. Fukuda sees a summit acceptance of his economic policies as improving his domestic political position. Economic management is certain to become a key issue in his bid for reelection this December as president of the ruling Liberal Democratic Party—and, in effect, prime minister. Fukuda will also stress Japan's fundamental commitment to liberalized international trade.

### *Economic Situation and Policy*

Prime Minister Fukuda will point to his pledge of 7-percent domestic-led growth as Japan's contribution to the pace of global expansion. He will cite the 10-percent GNP growth rate in the January-March quarter and some slippage in Japan's large trade surplus as evidence that his policies are correct. He will maintain this despite the fact that similarly strong growth in the first quarter of both 1976 and 1977 faltered during the course of the year.

Most forecasts, including CIA's, project growth of 5 to 6 percent in fiscal year 1978. Fukuda is holding firm to his growth commitment; he would be willing, however, to launch additional stimulative action—probably in the form of new deficit spending—if it appears needed later on. Few details of such action will be available by mid-July because (a) Tokyo will have only two to three months' statistics on the fiscal year and (b) substantial bureaucratic infighting has developed over the shape of a possible supplemental spending package. Although the Ministry of International Trade and Industry is backing new stimulus, the more influential Ministry of Finance is recalcitrant. Finance officials argue that strong growth in January through March augurs well for the current fiscal year.

On the balance-of-payments front, the Prime Minister may publicly back away from his promise to cut the current account surplus from \$14 billion in FY 1977 to \$6 billion in FY 1978. In private, Japanese officials have already admitted that the surplus will increase in calendar year 1978, precluding much, if any, reduction in the fiscal year. Fukuda will stress his efforts to restrain exports and to bolster imports as proof of his desire to trim the surplus. Even with these actions we believe Japan's calendar year 1978 current account surplus will reach at least \$17 billion and could

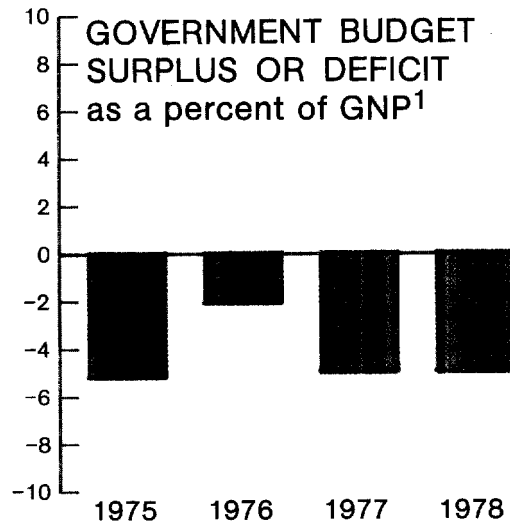
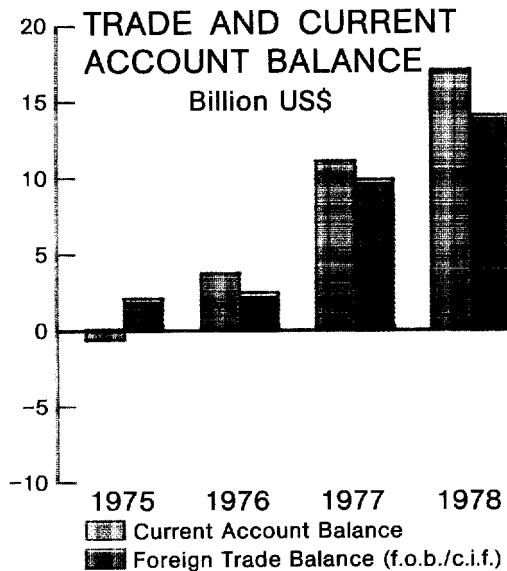
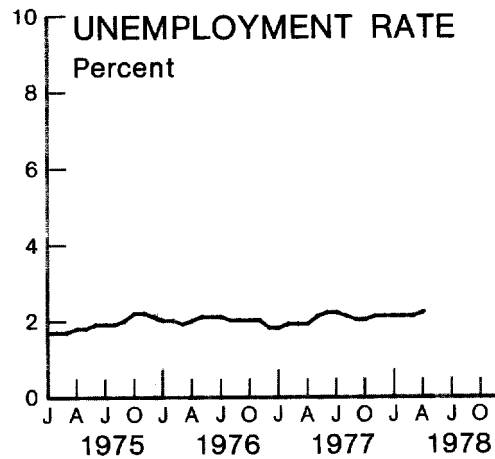
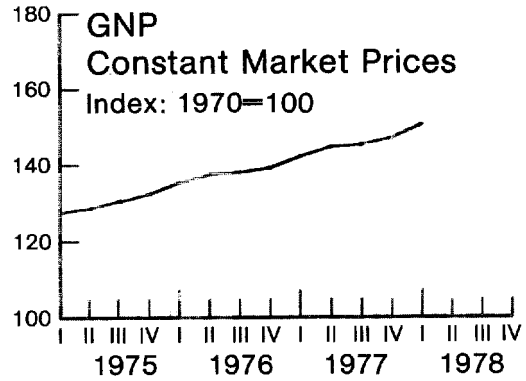
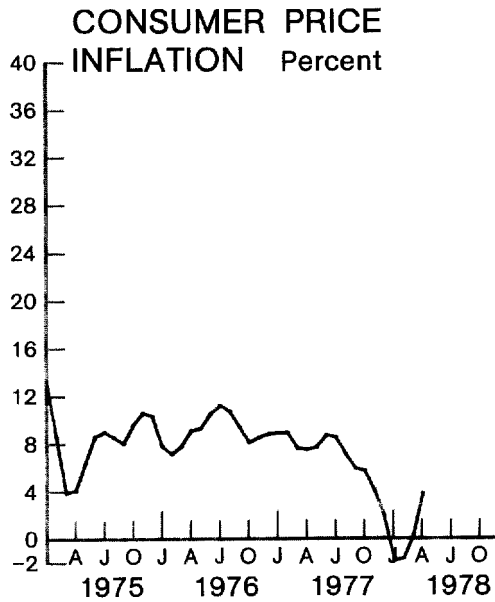
6 July 1978

SECRET

3

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# Japan



<sup>1</sup>Based on National Income Accounts definitions.

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approach \$20 billion, largely because yen appreciation is driving dollar export prices well above last year's levels and because Japanese imports continue to lag.

*Monetary Issues*

Fukuda believes exchange rate stability is a prerequisite for healthy global economic expansion and would probably join with the Europeans in a request that Washington bolster its defense of the dollar. Japanese officials point to US oil imports and the resurgence of US inflation as factors that could lead to continued foreign exchange market speculation and further yen appreciation. Many Japanese see US policy as forcing the yen exchange rate to bear the burden of adjustment for bilateral imbalances. Fukuda would like Washington to give some indication of possible foreign exchange market action in the future—such as activation of yen/dollar swaps—if speculation picks up. At a minimum, the Japanese would like a statement that Washington is concerned over yen/dollar speculation.

*Energy*

As the world's second-largest importer of oil, Japan is unlikely to initiate any criticism of another country's energy policies. Nonetheless, Fukuda does believe that the US appetite for imported oil is a prime cause of international monetary instability. He is certain to support multilateral moves to increase investment in energy production and conservation. Nuclear energy policies will not be a contentious issue for Tokyo, as they were at the 1977 summit. Even so, the initial two-year joint US-Japan study of alternative reprocessing techniques will end in 1979, and Fukuda may want to explore possible further nuclear cooperation with both the United States and the EC.

*Trade*

Prime Minister Fukuda is pushing his advisers to reach an agreement on both tariff and nontariff issues by mid-July. The Japanese want to defend their export market shares even though they are reluctant to permit access to their own market. As a result, Tokyo is looking for deep cuts in industrial tariffs by the United States and the EC as well as some easing of selective restraints on Japanese products by European countries. Fukuda is having a difficult time wresting agricultural concessions from the Japanese bureaucracy because the farmers have substantial political clout in his party. Nonetheless, Fukuda believes an agreement on agriculture is possible; Japan will sweeten its agricultural offer to the United States by boosting quotas on beef and possibly citrus fruits. Tokyo reportedly is planning to raise subsidy payments to farmers to offset any harm done by easing import restrictions.

6 July 1978

SECRET

5

SECRET

*North-South Issues*

Japan keeps a low profile on North-South questions unless they involve oil or the major Southeast Asian LDCs. Fukuda will point to Japan's pledge to double aid outflows within three years, without disclosing what base period is being used in the calculation or what currency. The powerful Ministry of Finance has suggested using the 1976 dollar value of Japanese aid as a base; because of the rapid appreciation of the yen, this implies a much smaller rise in the volume of aid outflows than if yen values were used.

To enhance its image with Southeast Asian raw material suppliers, Tokyo is contributing \$30 million to tin buffer stocks, supports a price stabilization policy for rubber, and has left the door open on a regional export earnings stabilization scheme. Most Japanese officials still oppose large-scale, global buffer stocks or a general common fund, regarding them as bottomless financial pits. The Japanese have avoided discussing this issue since the collapse of the common fund talks, waiting for the United States and the EC to reach a modus vivendi with the LDCs.

*West Germany*

As host of the summit, West German Chancellor Helmut Schmidt has a vested interest in ensuring that the talks be judged a success. Anything less would hurt his image as a major world leader and his standing on the German political stage. Anxious to polish up traditionally good US - West German relations, Schmidt has been careful in recent statements to play down differences over the issue of economic growth and to stress instead common positions on such other issues as trade liberalization and energy conservation.

*Economic Situation and Policy*

The West German economy has lost the momentum built up towards the end of last year. Real growth during first quarter 1978 was less than 1 percent (annual rate). Some pickup is expected over the next few months as industry recovers from abnormally disruptive labor disputes and as last year's stimulation measures impact more fully on the economy. Nevertheless, real GNP growth for 1978 probably will be in the 2.5- to 3-percent range, short of the 3.5-percent target.

The sluggishness of the economy thus far has not generated any strong domestic pressure on Chancellor Schmidt to take further stimulative action. Voters generally are far less concerned over unemployment than over the danger of renewed inflation.

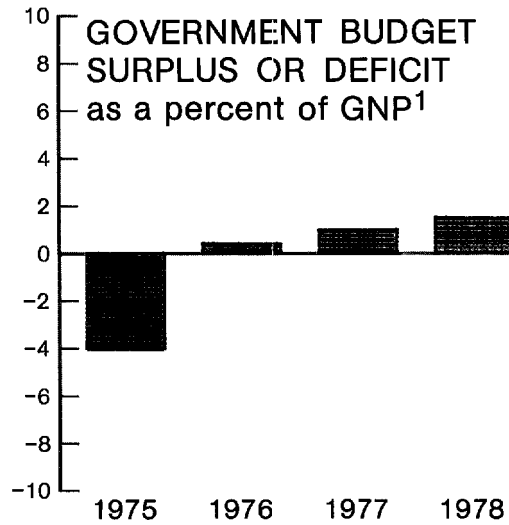
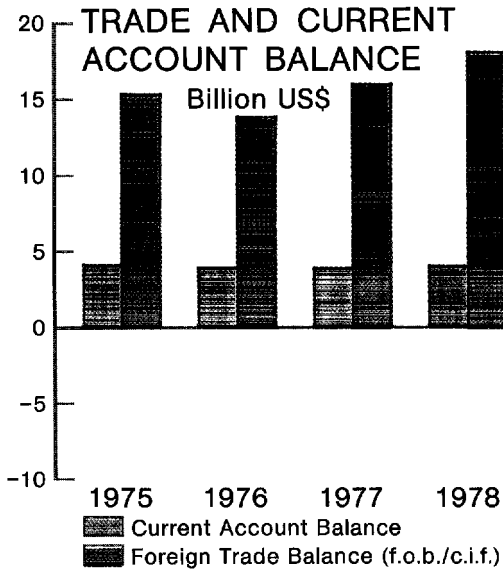
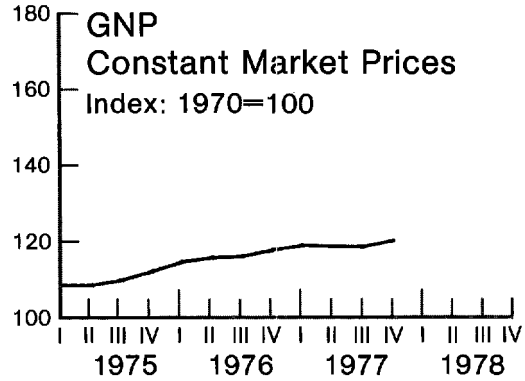
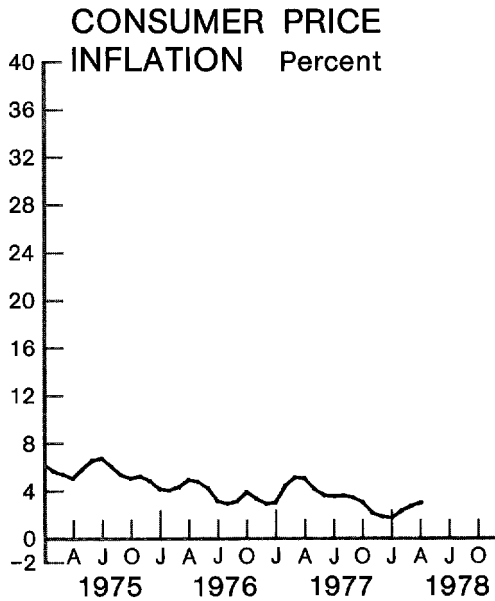
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6 July 1978

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# West Germany



<sup>1</sup>Based on National Income Accounts definitions.

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6 July 1978

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7

## SECRET

Lack of a domestic mandate poses serious problems for Bonn's efforts to develop a growth package that would mollify foreign critics. The government's narrow Bundestag majority is threatened by dissension within Schmidt's own Social Democratic Party (SPD) and by disagreements between the SPD and its coalition partner, the Free Democratic Party (FDP). The coalition has been further weakened by FDP setbacks in two recent state elections.

Bonn and Washington disagree on the appropriate way to achieve more rapid West German economic growth. The Germans feel that their anti-inflationary policy is correct and should be followed by other countries. They remain convinced that because foreign trade plays such an important part in the German economy, more rapid growth of output and investment largely depends on a revival of external demand. Under these circumstances, German policymakers and leaders of the business and banking community have little faith in the longer run stimulative effect of macroeconomic measures, particularly public sector expenditures.

Chancellor Schmidt nevertheless appears willing to take further stimulative measures as part of a "concerted action" that would also include US efforts to reduce oil imports, more trade concessions from Japan, curbs on protectionist trends in Britain and France, and a general commitment to achieve greater exchange rate stability. The German leader is currently engaged in discussions within his own party and with his coalition partner to gain support for a compromise stimulation package.

In recent statements, SPD Finance Minister Hans Matthoefter and FDP Economics Minister Otto Lambsdorff have advocated a major tax cut, but details and timing remain open. Matthoefter would prefer to delay a tax cut until 1980 to permit a thoroughgoing reform of the system. Lambsdorff appears to be pushing for tax cuts effective next year, in part to head off the formation of a "Tax Protest" party, which could reduce the FDP vote below the 5 percent required for parliamentary representation.

### *Monetary Issues*

Chancellor Schmidt is principally concerned that the international monetary markets achieve a "greater measure of stability and predictability." He has frequently cited excessive exchange rate fluctuations as one of the key factors undermining business confidence and retarding worldwide economic recovery. As a first step towards greater currency stability, the Chancellor hopes that the EC Bremen summit will agree in principle to greater monetary cooperation among the EC countries. The details of a new arrangement could be worked out by technical experts for submission to the December EC summit.

## SECRET

Schmidt recognizes the political and economic problems that a closer linkage of EC currencies would initially pose to nonsnake countries but remains convinced that in the longer run the gain from greater exchange rate stability would outweigh them. Moreover, Schmidt believes that closer EC monetary cooperation would represent significant progress toward a genuine economic union and toward a more balanced US-European partnership; thus he may ask President Carter to give his blessing to the EC negotiations.

*Energy*

West Germany's main concern is that the United States provide convincing evidence of its commitment to reducing energy consumption and, more importantly, its dependence on oil imports. Bonn views a credible US stand on energy as a virtual sine qua non for a German commitment to take further stimulative measures. The Germans will support a US effort to stimulate investment in energy conservation and development of new energy sources, particularly in the LDCs.

*Trade*

Already worried by appreciation of the deutsche mark, Bonn fears worldwide protectionist trends as an even greater danger to its export-oriented industrial sector. The Germans favor early conclusion of the Multilateral Trade Negotiations, with maximum reductions in tariff and nontariff barriers, as the most effective way to stem protectionism. Bonn prefers to avoid orderly marketing arrangements and similar steps limiting trade but went along with EC arrangements on textiles and steel and apparently will go along on synthetic fibers. As a member of the EC, the Germans also accept, if grudgingly, the protectionist EC agricultural stance.

*North-South Issues*

At the moment, Chancellor Schmidt probably would be happy to touch only lightly on North-South issues. The German position remains split between the more accommodating approach pressed by the Foreign Ministry, which fears isolation from the EC position, and the tougher line taken by the Economics and Finance Ministries. The latter two oppose both mandatory government contributions to the common fund and establishment of a second window financed by voluntary contributions. Chancellor Schmidt thus far has endorsed the tougher stand. He has expressed the view that the expanding relations between industrial and developing countries should be "placed on a stable foundation." While there are no firm ideas as to how this should be achieved, the Germans have increased their bilateral aid budgets and are also floating proposals for massive capital transfers to the Third World.

6 July 1978

SECRET

9

SECRET

**France**

President Giscard d'Estaing has taken a secondary role to Chancellor Schmidt in summit preparations. He is likely to push for an aid fund for Africa, along with such traditional French objectives as a return to more stable exchange rates. Above all, he hopes the summit will demonstrate to his electorate that French economic troubles are only part of an international problem.

*Economic Situation and Policy*

Giscard still supports a policy of coordinated reflation and wants West Germany to do more toward this end. The issue is less pressing than it was last year because of the improvement in the French trade balance.

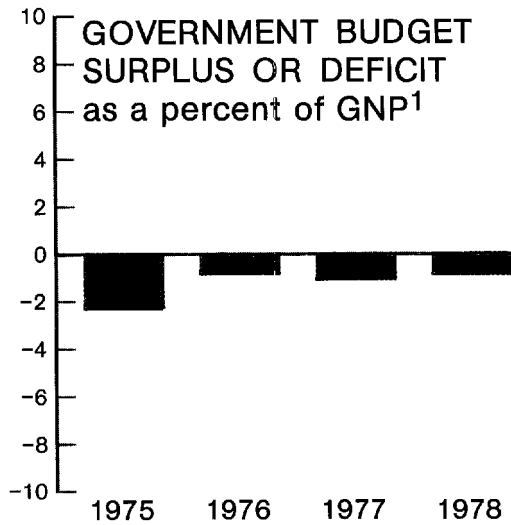
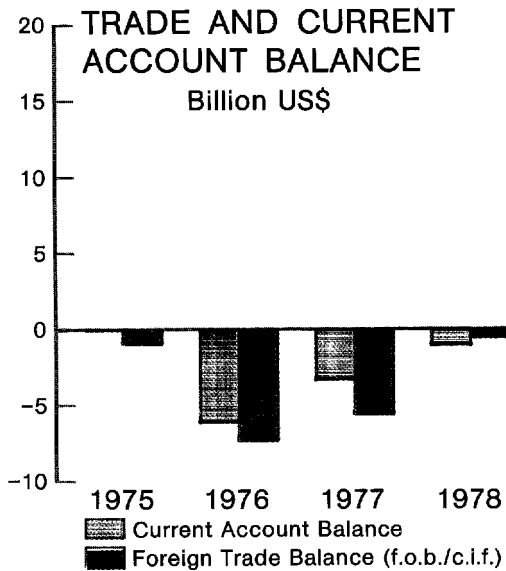
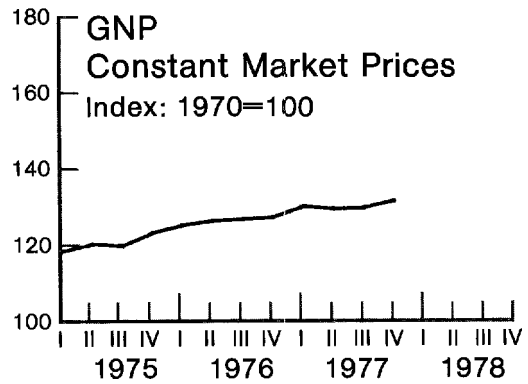
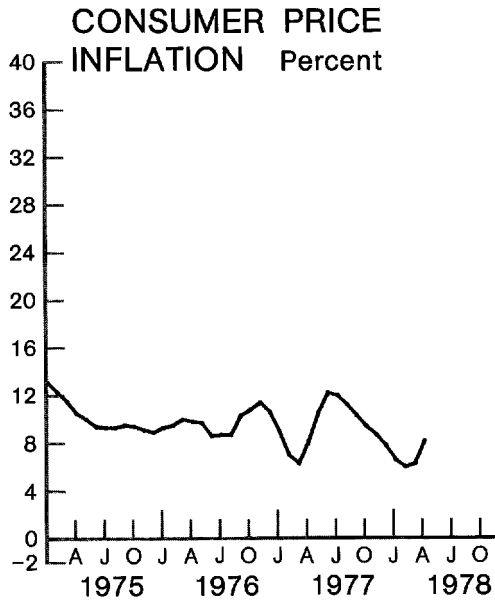
Paris itself is not likely to provide more stimulus. Bolstered by the Center-Right victory in the March elections, the government remains fully committed to the anti-inflationary "Barre Plan" introduced in September 1976. The policy focuses on reducing monetary growth and narrowing the budget deficit, while pressing business and labor to slow the growth of wages.

A second major theme—"liberalization"—has now been added to the Barre Plan. Basically this means a reduction in government economic intervention, with the aim of increasing economic efficiency. In particular, all price controls on the industrial sector will be removed by October, giving French manufacturers full freedom to set prices for the first time since World War II. At the same time, prices charged for government services are being raised to reflect more accurately the cost involved. Finally, government aid to distressed firms will be cut, thus stepping up the pressure on French business to improve its efficiency.

Given the austere approach of the Barre Plan, the short-term economic outlook remains mediocre. Real GNP growth in 1978 probably will be no more than one-half point above the 2.9 percent recorded last year. This relatively slow growth, coupled with a rapid influx of young people into the labor force, means that unemployment will rise from 4.8 percent at yearend 1977 to 5.4 percent by December 1978. Meanwhile, the removal of price controls on industrial products will add perhaps 2 percentage points to the inflation rate, pushing it close to 11 percent, December to December. The only bright spots for policymakers are wages and the balance of payments. Wages rose only 2.2 percent during the first quarter, the smallest increase in nine years, while the trade balance now is in small surplus.

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# France



<sup>1</sup>Based on National Income Accounts definitions.

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6 July 1978

SECRET

11

SECRET

*Monetary Issues*

For some time, Paris has sought a return to more-or-less fixed exchange rates, arguing that the wide swings of recent years have been disruptive to trade. Pending a more permanent solution, the French want the IMF to exercise strong surveillance on exchange policies.

Giscard, like Schmidt, would like stable ties among European exchange rates. The two reportedly have reached some kind of agreement regarding steps toward greater monetary cooperation within the EC, but no details are available. The Gaullists—and the Left also—will be wary of a monetary agreement with West Germany, which could be interpreted as mortgaging French policy to that of the Federal Republic. Giscard probably is strong enough to get his way on any monetary arrangement that is likely to emerge. At the Bremen summit, France likely will push for an EC currency agreement, at least in principle; however, French reentry into the snake is not likely this year, given the large and growing gap between the French and German inflation rates.

*Energy*

Giscard considers France a leader in adapting to the post-1973 energy situation. French officials point to a huge nuclear power program, various energy conservation measures including an oil-import ceiling, and a fairly close link between energy prices and costs. While still not willing to join the International Energy Agency, Paris is willing to work closely with the other Western countries on energy conservation and research and development. President Giscard firmly believes, however, that a reduction in US oil imports is vital if a coordinated policy is to be effective.

*Trade*

The French oppose major liberalization of trade and have been rather reluctant participants in the current negotiations. Their position has been that exchange rates should be stabilized first, on the grounds that it is pointless to cut tariffs by a few percentage points when exchange rates can fluctuate by much greater amounts. Also they regard US policies as being far more protectionist than those of EC countries and fear that the United States will somehow get the lion's share of the benefits from the Multilateral Trade Negotiations.

With some support from London, Paris was the major opponent of the 40-percent tariff cut advocated by the United States, suggesting a 25-percent target instead. With respect to codes of conduct and nontariff measures generally, the French have been very reluctant to accept greater GATT discipline over subsidies, particularly regional



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development subsidies. They also support UK insistence on the principle of selective application of safeguards; imports from Japan and the LDCs would be the main targets of such action. In negotiations on a government procurement code, the French oppose US efforts to ensure that government purchases are conducted through a public bidding process. Most important, Paris has rejected any proposals that might threaten the EC's Common Agricultural Policy, which it views as a cornerstone of EC unity. However, France has been mildly encouraged of late by the US negotiation position on grains, and this has contributed to a generally more optimistic French outlook on MTN prospects.

### *North-South Issues*

Good relations with LDCs are particularly important to Paris because of the country's colonial heritage and a desire to boost France's global influence. As a result, France often declines to line up with the other developed countries on North-South issues, seeking instead to play the role of intermediary. French officials are asking their contacts within the Group of 77 to moderate demands on the common fund and want the United States and West Germany to soften their positions. Since France gives proportionally more aid to LDCs than any of the summit participants, Giscard probably will urge other leaders to step up their aid programs and to help establish a special fund for Africa. He is open to criticism, however, on the grounds that fully one-half of French aid goes to France's own overseas departments and territories. The Africa fund is not a subject of domestic discord on the Center-Right; the Left will certainly oppose it—ineffectually—as part of Giscard's imperialist schemes.

### **United Kingdom**

Prime Minister Callaghan optimistically views the summit as an opportunity for coordinated action to restore confidence in the international economy and prevent a new global recession. He has outlined a scheme intended simultaneously to spur economic growth, stabilize exchange rates, conserve energy, promote trade, maintain long-term capital flows, and beef up aid for developing nations. The Prime Minister would like summit participants to agree on a game plan prior to the meeting. The Conservatives have ridiculed the Callaghan package as an election ploy, arguing that it would have no effect on the West's economic problems and would be detrimental to Britain's economy.

### *Economic Situation and Policy*

Callaghan's government undertook what it considers Britain's contribution to world growth in April when it introduced a \$4.6 billion stimulation package. The measures were expected to raise the public sector borrowing requirement for fiscal

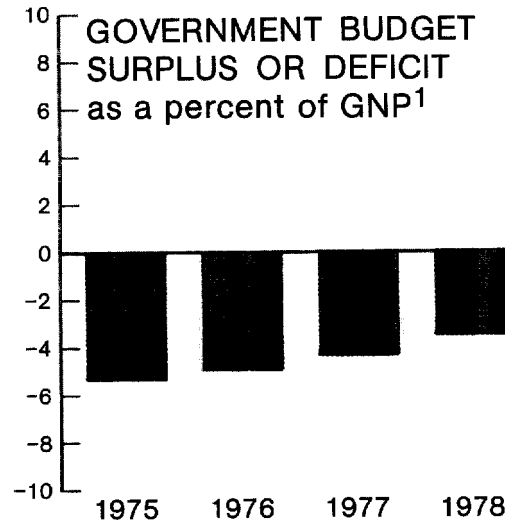
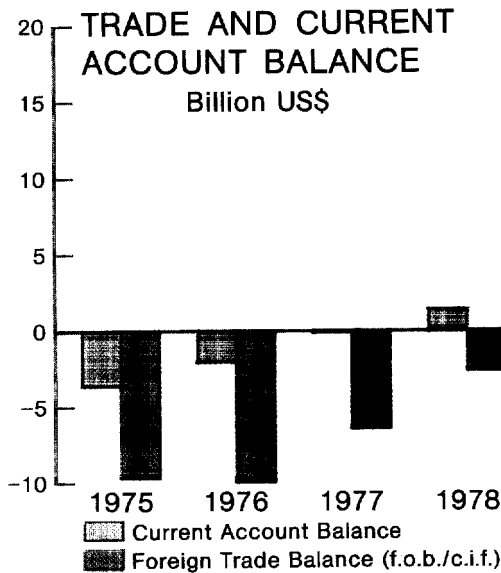
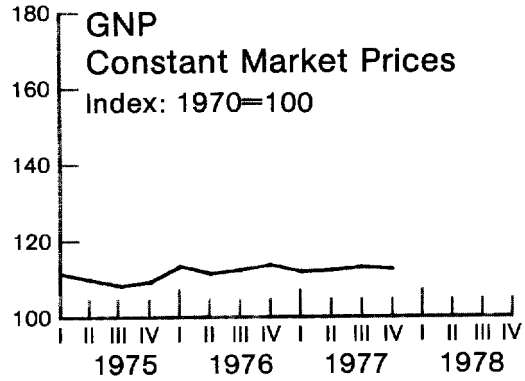
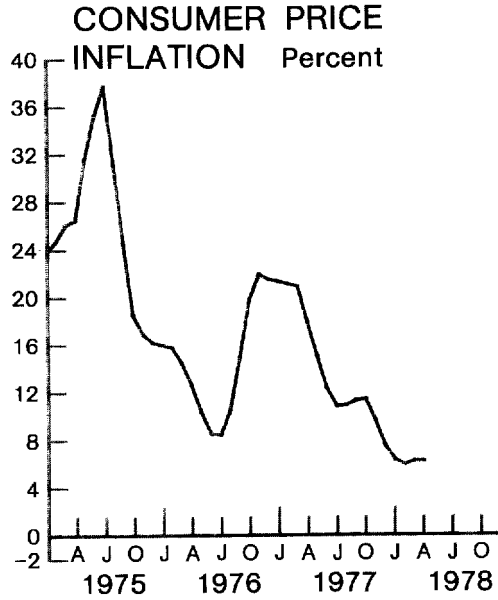
6 July 1978

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# United Kingdom



<sup>1</sup>Based on National Income Accounts definitions.

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year 1979 (which began 1 April) to \$15.5 billion, just short of the limit promised the IMF as a borrowing condition. In view of the borrowing constraint, additional UK stimulation seems unlikely. In an effort to avoid exceeding the constraint, London last month announced an increase in employer social insurance contributions, designed to offset a tax cut added to the finance bill by the Conservatives. This led to a confidence vote, which the government narrowly survived. The Callaghan government also raised the Bank of England's minimum lending rate.

Britain is expected to record 1978 GDP growth of 2.5 to 3 percent, up from less than 1 percent in 1977. The unemployment rate will stick near 6 percent, and for this reason British officials have stressed the importance of sustaining more rapid GNP growth rather than stabilizing exchange rates. Inflation should ease to about 9 percent for all of 1978, although it may turn upward in the second half of the year. The current account, which has been fluctuating widely, should register a small surplus for the year on the strength of increased North Sea oil production.

*Monetary Issues*

Prime Minister Callaghan feels strongly that any international monetary stabilization program should include the United States and thus was unhappy with the Europe-only orientation of discussions at the EC summit meeting in April. While supporting the principle of greater monetary cooperation within the European Community, the British are reluctant to link the pound to the deutsche mark in a widened snake, fearing that such an arrangement would severely erode Britain's competitive position or necessitate restrictive demand management policies. Indeed, London is hesitant to join any monetary arrangement that would inhibit national freedom of action on exchange rate movements without obtaining as a minimum some EC pooling of reserves or another mechanism for transferring resources to the lagging economies. The British have suggested that a multilateral initiative be developed for defending the dollar when necessary but have neither defined what they mean nor pressed the issue recently. They still believe Washington could do more to stabilize the dollar.

*Energy*

British and US officials hold like views on what summit participants should aim for on energy questions. The British believe the major stress should be on conservation and additional investment in both oil and nonoil sources. Prime Minister Callaghan may suggest that the summit endorse the drawing up of new energy policy proposals by the International Energy Agency and certainly will back the formation of programs by the World Bank to promote energy investment in the LDCs. Whether he would make a substantial financial commitment to these efforts is questionable. Since the Prime Minister firmly believes that the adoption of strong US energy measures is

6 July 1978

SECRET

15

## SECRET

essential to the well-being of other consumers and producers and to the health of the dollar, he doubtless will make that point in Bonn.

*Trade*

At the summit, Prime Minister Callaghan probably will emphasize his belief that the best guarantee against protectionism is more rapid worldwide economic growth. The British hope to avoid major trade liberalization in the Multilateral Trade Negotiations, although officially they have committed themselves to a successful conclusion of the negotiations. They have opposed Washington on issues of major importance to the United States in the MTN, including subsidies/countervailing duties, dispute settlements, and safeguards. London has also opposed substantial tariff cuts and has pressed for selective safeguards to protect domestic industry and adoption of an escape clause allowing for postponement of subsequent tariff cuts. Britain's leaders believe that the more competitive developing nations—Brazil, South Korea, and Taiwan—should no longer receive special export treatment, fearing that a continued rise in imports from these areas will further endanger uncompetitive UK industries. The British have introduced import restrictions in an attempt to minimize damage to weak industries, and emphasis on a new "Buy British" campaign could cast even more doubt on the government's antiprotectionist stance.

*North-South Issues*

The British are not expecting North-South issues to play a major role at the summit. They would urge that countries with balance-of-payments surpluses increase aid to the LDCs and have themselves decided to cancel debt for the poorest countries. The Callaghan government still objects to the Group of 77 demand for direct government contributions to the fund but may consider endorsing a limited second window to finance commodity-related development projects.

*Italy*

The unsettling political developments of the last several months have overshadowed economic issues in Rome. Thus, the Italians probably will be even less assertive than usual at the summit. Rather than focus on international issues, Prime Minister Andreotti may solicit approval from the participants for Italy's domestic stabilization and antiterrorist efforts.

*Economic Situation and Policy*

The Andreotti government's austerity program struck with a vengeance in 1977, causing GDP declines in each quarter of the year. While the data indicate a rebound

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in first quarter 1978, Italian policymakers consider the recovery tenuous. Further progress against inflation—which has fallen from a 28-percent annual rate in late 1976 to 10 percent presently—is not likely. In fact, inflation probably will accelerate under the pressure of outsized budget deficits. In addition, the heavy schedule of union contracts up for renewal augurs jumps in labor costs beyond those provided by the generous wage indexation system. Austerity brought Italy's current account into the black, but even this achievement will be transitory if recovery and inflationary psychology generate an inventory boom that sucks in imports.

Prime Minister Andreotti heartily supports a strategy of coordinated reflation. Reflation is in line with the new government's program, which calls for GDP growth of 4.5 percent by yearend. There are few sharp differences among key Italian parties on this or other summit issues. The Italians have been strident in urging countries with strong currencies to reflate, seeing export sales as their safest road to domestic growth. With wages and many budgetary components indexed to the cost-of-living, the Italians actually have limited scope for discretionary economic policy. Whether labor costs can be curbed will depend to a large degree on the ability of Communist labor leaders to win support for their moderate line among other unions and the rank and file generally. Major contract renewals slated for this fall will provide the first test of Communist union chief Luciano Lama's ability to prevail.

### *Monetary Issues*

While Prime Minister Andreotti will endorse any general call for exchange rate stabilization for the sake of public relations, he will reject specific proposals to fix intra-EC exchange rates. Rome has reaped benefit rather than harm from the dollar's recent decline. By pegging the lira to a falling dollar, Italy was able to remain competitive with EC neighbors while keeping dollar-denominated import prices steady. Although inflation has slowed and the balance of payments has improved, Rome feels that problems in these areas are far from solved and that the lira cannot hold its own over the long haul with other EC currencies. The Italians will, however, support vaguely worded promises of greater EC coordination of exchange rates and would jump at any proposal to share currency reserves that does not entail fixing artificial values for the lira.

### *Energy*

On energy topics, Prime Minister Andreotti will follow the lead of his EC partners. With meager energy reserves and delays in their nuclear program, the Italians can offer few initiatives in the energy field. Andreotti will support proposals for more investment in energy development, primarily with an eye toward securing international financial assistance for the domestic nuclear power program. The

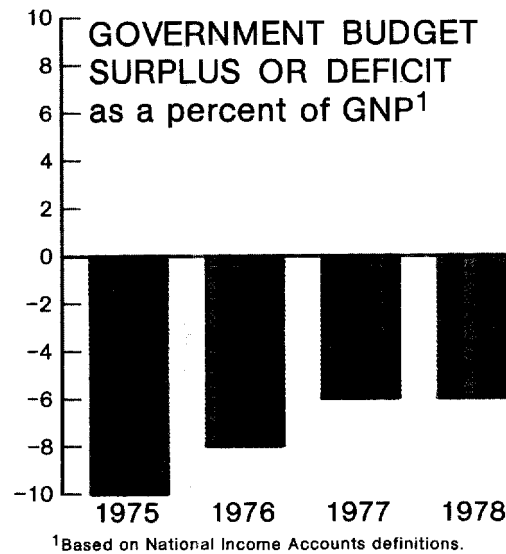
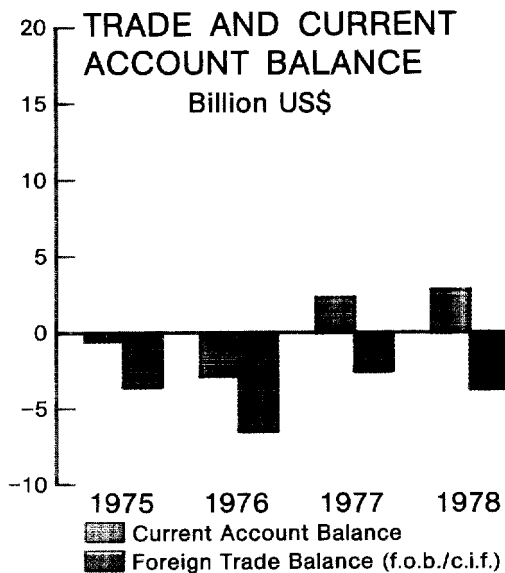
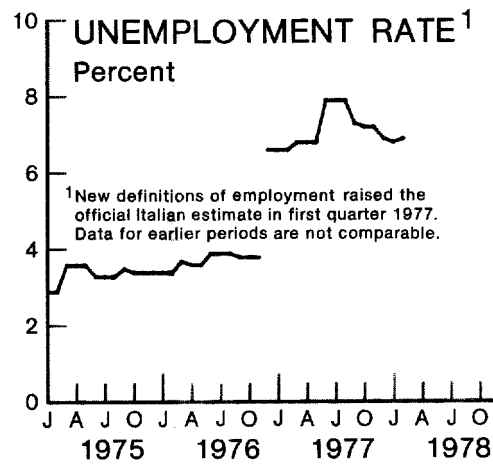
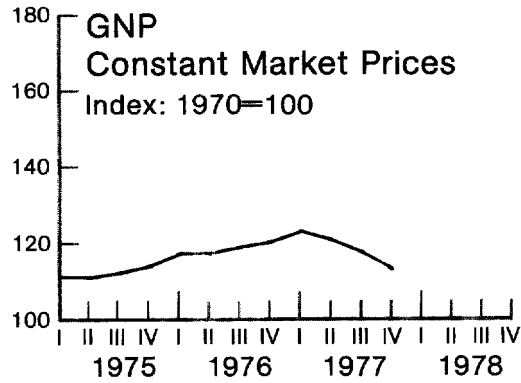
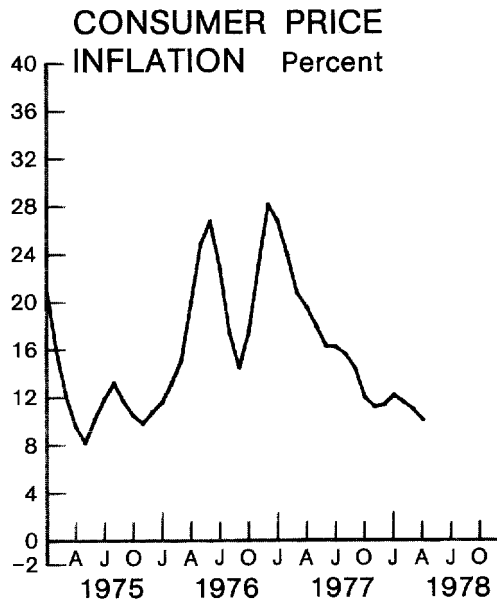
6 July 1978

SECRET

17

SECRET

# Italy



576529 7-78

## SECRET

Christian Democrats, Communists, and two other parties pushed the program through parliament last October over the opposition of Socialists who hoped to gain political advantage vis-a-vis the Communists. The Italians have little immediate chance of reducing their dependence on foreign oil; they thus will look askance at any EC Commission decision to float one of its earlier proposals for ceilings on oil imports.

*Trade*

Italy will readily join in any denunciations of protectionism, at the same time insisting that import protection be permitted in exceptional circumstances. While Rome has been one of the principal advocates within the EC of cartel arrangements for declining industries, it has allowed small, efficient Italian steel producers to undercut EC minimum prices. The Italians will avoid substantial concessions in the areas of industrial and regional subsidies and selected agricultural products of interest to the United States. Their resistance to agricultural concessions is especially strong because they believe these products receive second-class treatment under the EC's Common Agricultural Policy and thus are even more susceptible to competition from third countries. Rome is pessimistic about the outlook for the Tokyo round and will be happy if the Multilateral Trade Negotiations are brought to a speedy, face-saving conclusion. The Italians recommended a "minipackage" of moderate tariff cuts and some new rules on government procurement. They would have preferred a 25-percent cut with no exceptions.

*North-South Issues*

Rome has been on the margin of the North-South dialogue, careful to pursue a flexible policy that will not jeopardize commercial relationships with the LDCs. Andreotti's Christian Democrats and the Communists—whose support for the government is vital—have no outstanding policy differences regarding economic relations with the LDCs. Like several other EC governments, Rome is more willing than Washington to accommodate the LDCs on the divisive issues of financing the common fund and establishing a second window. Andreotti's government believes (a) the common fund could receive a small endowment before the conclusion of commodity agreements and (b) a limited second window with voluntary contributions should be used to finance feasibility studies for modernization and diversification projects, which could then be underwritten by existing aid agencies. The Italians do not want a second window to become a rival of existing international agencies.

*Canada*

Prime Minister Trudeau will go to the summit quite conscious of a serious erosion in his domestic political base. Facing an election by early 1979, his governing Liberal

6 July 1978

SECRET

19

## SECRET

Party has experienced a sharp drop in popular support primarily because of severe inflation, persistently high unemployment, and depreciation of the Canadian dollar. Trudeau sees little room for domestic economic initiatives and will stress the need for more rapid economic growth abroad to strengthen Canada's balance of payments and stimulate its economy.

*Economic Situation and Policy*

Ottawa is cutting some taxes this year to spur the economy, and Trudeau probably will argue at the summit that his government has applied as much stimulation as possible, given continuing inflation, budget constraints, and balance-of-payments problems. Canada's federal deficit is projected at \$11.5 billion \* for the fiscal year beginning 1 April—equal to 5 percent of GNP. Trudeau is aware of increasingly conservative fiscal sentiment in the hinterlands, a mood reflected in the slowdown in provincial spending growth. Under these circumstances, Ottawa will be looking to US and European growth as a means of pulling Canada out of its economic quagmire.

Real GNP probably will increase by 3.5 to 4 percent this year, up from 2.6 percent in 1977. This increase, however, will not be enough to reduce Canada's 8.6-percent unemployment rate. Inflation is likely to accelerate somewhat from the 8-percent rate experienced last year. Despite a substantial increase in the trade surplus, higher interest and dividend payments and a growing travel deficit will keep the current account deficit near last year's \$4 billion.

Any economic moves by Canada in the near term will be mainly cosmetic. Jean Chretien, Canada's finance minister, could propose a minibudget in the fall—a precedent he started last year as a means of fine-tuning budgetary policy. The most palatable option available to Ottawa would be an extension of the 2-to 3-percent provincial sales tax reduction, which was introduced this spring. Under the present formula, the cuts will expire between October and December 1978. The only other stimulative measures within Ottawa's current means are minor tax concessions to small business and to industries featuring high technology.

*Monetary Issues*

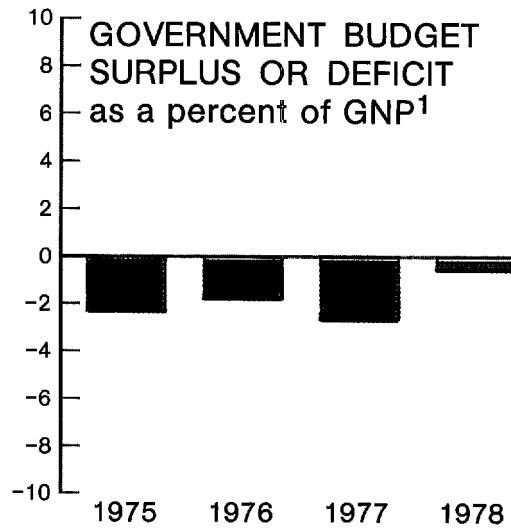
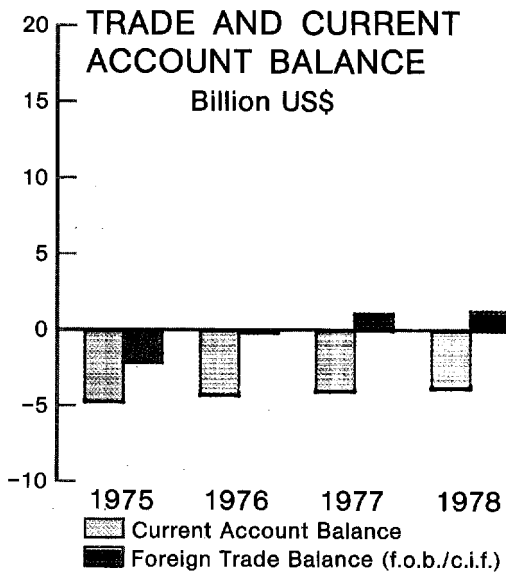
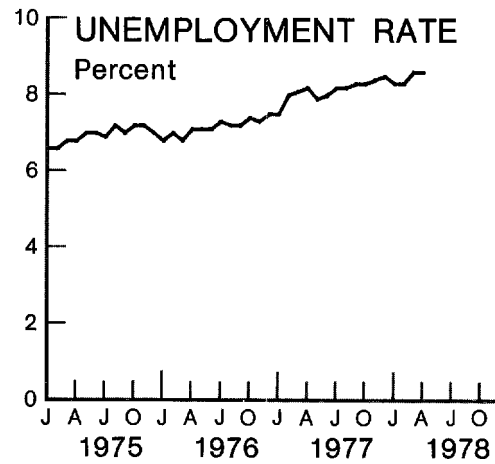
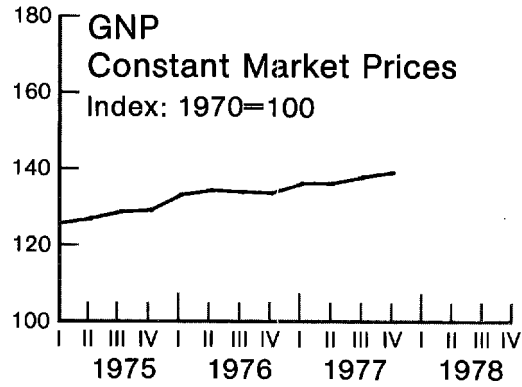
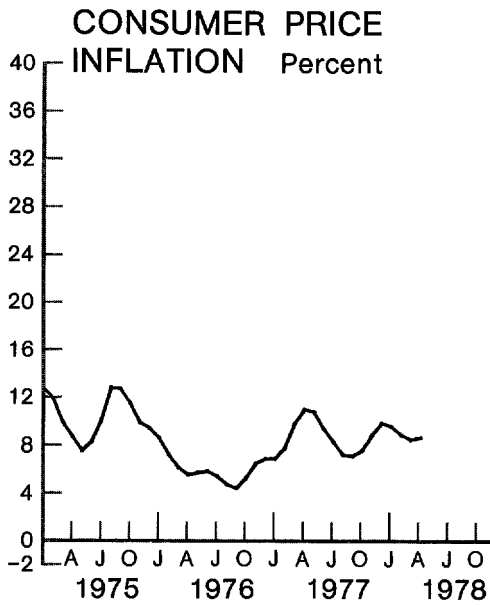
Prime Minister Trudeau is concerned over the sharp depreciation of the Canadian dollar during the past 18 months and the possibility of moves by the United States to support the US dollar. Ottawa fears unilateral actions by Washington, such as import surcharges or a foreign interest equalization tax, which would hurt Canadian exports or restrict US capital flows to Canada. It also is wary of the current rise in US

\* In the Canadian section of the article, all values are in US dollars unless otherwise stated.



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# Canada



<sup>1</sup>Based on National Income Accounts definitions.

576530 7-78

6 July 1978

SECRET

21

## SECRET

interest rates, which discourages capital movements to Canada and tends to drive up Canadian interest rates, thus retarding economic growth. The Canadians strongly support reflation in Europe and Japan to strengthen both the US and Canadian dollars and will join US efforts in this regard at the summit. Although Canada claims that it is committed to the principle of floating exchange rates, the Bank of Canada has intervened massively since the first of the year to support the Canadian dollar. The government has bolstered reserves by borrowing heavily abroad.

*Energy*

The Canadians probably would welcome greater international focus on conservation and accelerated development of new energy sources. They have successfully used price and tax incentives to increase conservation and encourage oil and gas exploration. Canada has proposed the establishment of an energy development fund for the LDCs as a summit agenda item.

On nuclear nonproliferation questions, Prime Minister Trudeau will likely align himself with US views, since Canada is committed to a vigorous nuclear safeguard program. After months of negotiations, Ottawa finally reached agreement last January with Japan and the EC restricting the enrichment, reprocessing, and storage of Canadian-supplied uranium. Canada is delaying a decision on the construction of commercial reprocessing facilities pending completion of the US-sponsored International Fuel Cycle Evaluation Program.

*Trade*

Although Trudeau expects to be pressed on trade issues, he will most likely resist specific concessions on the Canadian side. Ottawa is severely constrained in committing itself to the Multilateral Trade Negotiations. Almost two-thirds of Canada's exports are raw or semiprocessed materials and minerals. In addition, Ottawa's ability to cut tariffs is limited by regional problems that pose serious political difficulties. Canada's most highly protected industries—such as textiles—are concentrated in Quebec, and tariff cuts that seriously threaten these industries would strengthen the already discomfiting Quebec separatist movement. Moreover, western Canada's interests include tariff protection for some new industries. Finally, protectionist sentiment is particularly strong now because of the high rate of unemployment.

In the MTN, the Canadians want to eliminate or sharply reduce tariffs on processed and semiprocessed materials, and they are pushing for substantial reduction of nontariff barriers, particularly those hampering trade in basic commodities. Ottawa also wants the inclusion of an injury clause in US countervailing duty legislation.

SECRET

*North-South Issues*

Partly because of its historic ties with Commonwealth LDCs, Canada has sometimes attempted to mediate between North and South. This role has led to differences with US positions. The Canadians, for example, are willing to support a second window supported by voluntary contributions in the common fund, believing that it could serve a more useful function than the buffer stock financing mechanism of the common fund itself. Ottawa continues to insist that individual commodity agreements have a sound economic basis. Canada would prefer to deal with LDC issues in the context of other agenda items.

**The European Community**

EC Commission President Roy Jenkins will play a delicate role at the summit. Chancellor Schmidt, as President of the EC Council beginning in July, will speak for the Community where joint positions have been agreed. Nothing, however, prohibits Jenkins from presenting independent EC Commission views, and he may well do so, especially on monetary issues. The five small EC members view Jenkins as a spokesman for their interests.

*Economic Situation and Policy*

The Commission regards coordinated fiscal stimulation as the only cure for the present economic malaise, and Jenkins probably will be a forceful spokesman on this issue. If the mid-1979 EC target growth rate of 4.5 percent is to be met, the Commission estimates that government spending for the Community as a whole must increase by the equivalent of 0.8 percent of GNP. The Commission has indicated that West Germany, the Netherlands, Belgium, and Luxembourg have the most latitude to reflate their economies, noting that balance-of-payments problems and high inflation restrict the freedom of action of the remaining members. In the absence of strong, coordinated reflationary measures, the Commission predicts that 1979 real GNP growth in the Community will only match the dullish 2.5-percent to 3.0-percent pace expected in 1978.

Jenkins will try to get the EC leaders to ratify a coordinated program at their own summit in Bremen on 6 and 7 July, but a strong program is not likely to result. The outcome of that meeting will determine how forceful Jenkins will be as a spokesman at the Bonn summit. In Bonn, Jenkins will likely stress the need for balance in any stimulation plan—including the need for stronger energy measures by the United States—in order not to appear as part of a front against Schmidt.

6 July 1978

SECRET

23

SECRET

*Monetary Issues*

The EC Commission (propelled by Jenkins) has been renewing its drive for economic and monetary union (EMU) as a means of revitalizing the Community and halting the trend to divergence. Schmidt's proposals for increased monetary cooperation, delivered at the April EC summit, gave a new impetus and respectability to the movement for EMU and were accordingly welcomed by Jenkins.

Since the April meeting, various EC groups have been working out specific plans for greater EC exchange rate cooperation. At the June gathering of the EC finance ministers, three potential schemes were discussed:

- An enlarged "snake" that includes Britain, France, and Italy, with provisions for a transitional period and/or permanent modification to increase snake flexibility.
- Target zones for nonsnake currencies defined in terms of a weighted average of currencies, with an obligation to defend these rates through intervention.
- Target zones defined as above, without any obligation to defend the rates.

Although the Council took no decisive action, a summary of the discussions will be submitted to the EC heads of government at the Bremen summit.

More recently, Schmidt and Giscard have apparently seized the initiative from the Community on monetary matters. They have developed new arrangements for monetary cooperation and have sent emissaries to various EC capitals to take soundings on their closely held plan. If an agreement in principle is reached at Bremen, the EC may present the accord at the Bonn summit as its contribution to monetary stability and seek US endorsement.

*Energy*

The Commission is a strong advocate of energy conservation and production of domestic energy as ways to reduce dependence on foreign oil. Thus Jenkins would support likely US initiatives on energy cooperation. At the 30 May EC Energy Council, the Nine agreed in principle to undertake energy-saving demonstration projects and alternative energy pilot projects but postponed a decision on funding until late this year. Jenkins might initiate discussion on energy cooperation with non-OPEC LDCs since Commission officials are presently looking into the transfer of energy

SECRET

technology to LDCs and developing measures to protect and guarantee investment in LDCs.

The Commission would like summit participants to agree on 1985 oil import ceilings and 1985 targets for coal production and nuclear energy production. So far, it has been unable even to obtain agreement among the Nine on the Community's own 1985 energy goals.

### *Trade*

The Commission, which traditionally has maintained a liberal trade stance, is in the middle of a squabble among West Germany, Britain, and other members over protectionist tendencies in the Community. In response to mounting pleas for protection, the Commission has negotiated with third country suppliers new steel import restrictions and tightened access for textiles. Similar arrangements are being considered for footwear exporters.

The steel accords are part of EC Commissioner Davignon's positive adjustment plan for the ailing EC steel industry. This plan includes both voluntary and mandatory minimum prices for steel plus domestic market-sharing arrangements among EC producers. The plan also proposes to organize a Community-wide restructuring of the industry. Similar plans for other troubled industries such as synthetic fibers, shipbuilding, and plastics are under consideration.

Bonn sees the Commission neglecting the virtues of free trade in promoting industrial help programs; London, on the other hand, thinks the Commission is insensitive to the need for maintaining employment. Jenkins obviously believes that the Commission is in fact making a contribution to "positive adjustment." He may be expected to say as much if Schmidt and Callaghan at the summit disagree on what to emphasize in adjusting to trade imbalances.

The EC's main objectives in the ongoing MTN are to achieve:

- Preservation of the Common Agricultural Policy (CAP).
- A safeguard code permitting unilateral selective application against the trade of specific countries causing injury.
- US acceptance of the need to prove injury before applying countervailing duties.

6 July 1978

SECRET

25

SECRET

*North-South Issues*

On North-South issues, the Commission continues to tread a middle road between the liberal Dutch and conservative West Germans. The Commission would like negotiations on the common fund resumed and sees the summit as a chance to publicize developed country overtures to LDCs. Only the West Germans are holding out on the Commission's proposal to accept the idea of voluntary contributions to a second window. With Schmidt's opposition possibly weakening, the Commission hopes its position will be adopted at Bremen. While the Commission agrees with the United States that LDCs should not have control over management of a common fund, it has yet to accept the US position that voting rights should be related to contributions made through individual commodity agreements. Instead, the Commission prefers a system under which no single group would have control.

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**Secret**





**National  
Foreign  
Assessment  
Center**

Approved For Release 2005/04/18 : CIA-RDP80T00702A000700030004-7

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# **Economic Indicators Weekly Review**

**6 July 1978**

*ER EI 78-027  
6 July 1978*

Approved For Release 2005/04/18 : CIA-RDP80T00702A000700030004-7

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### FOREWORD

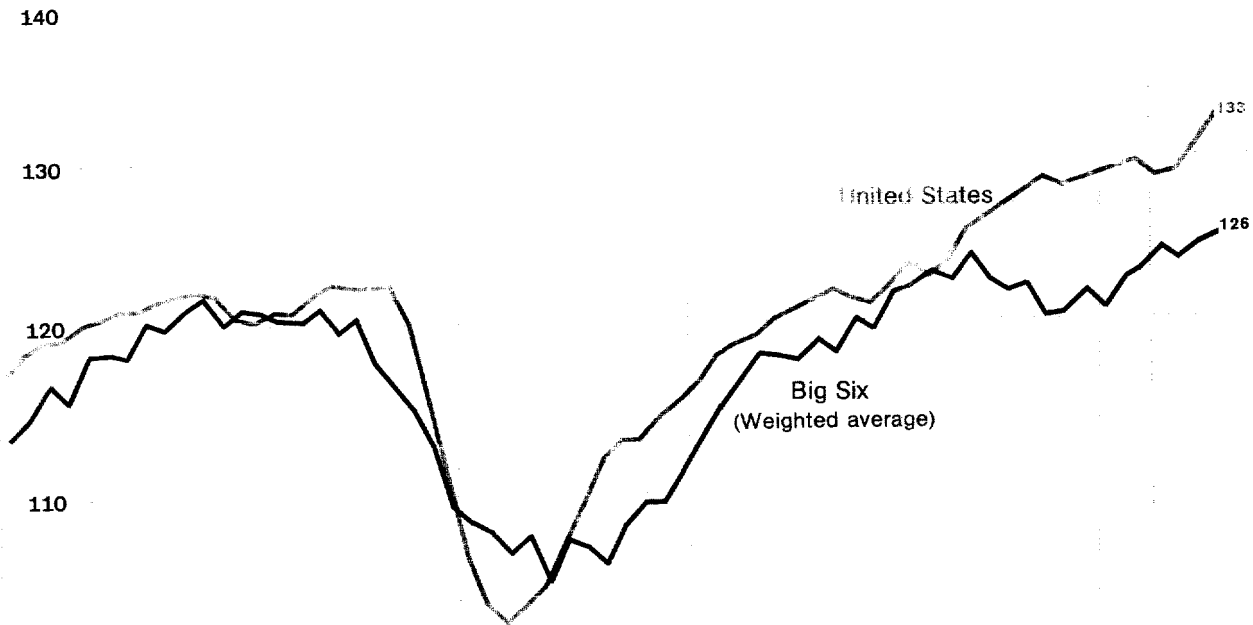
1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, 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 COUNTRIES COMPOSITE INDICATORS

## Industrial Production

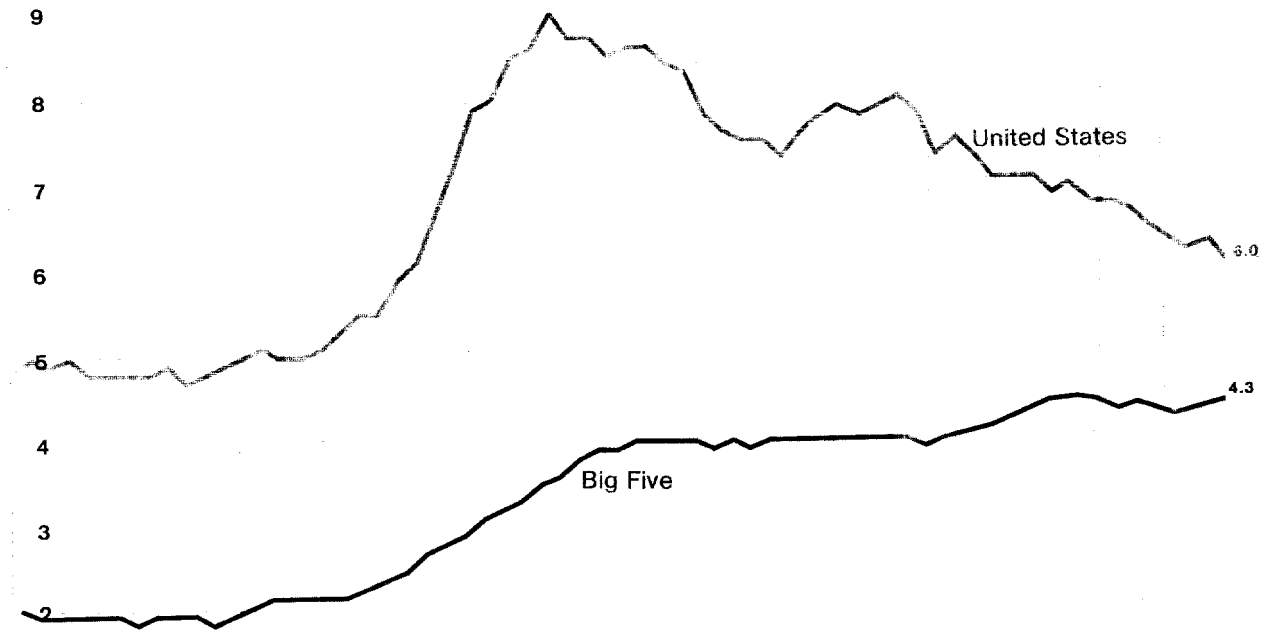
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



## Unemployment Rate

Percent



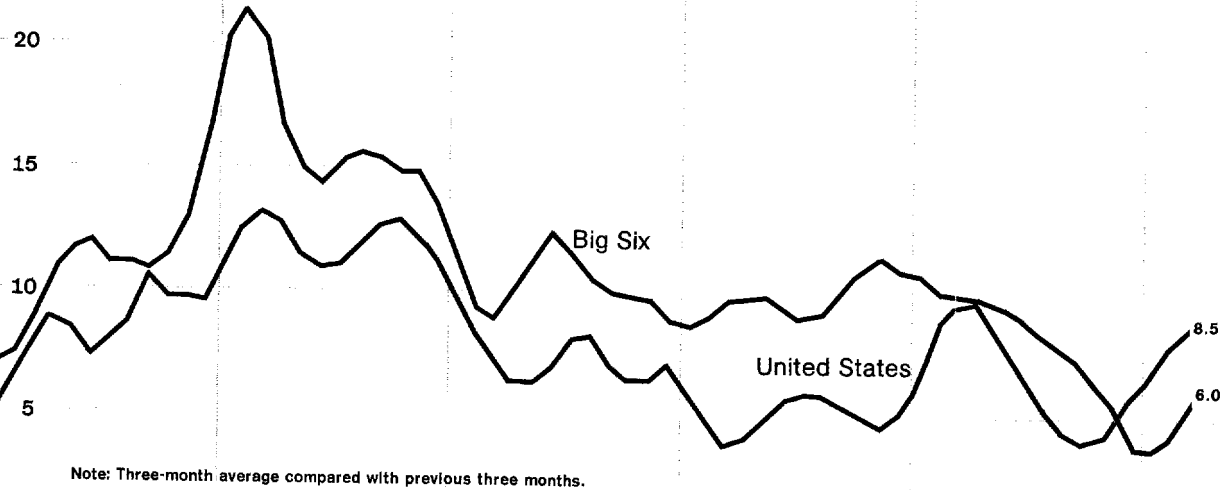
Note: Excluding data for Italy.

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

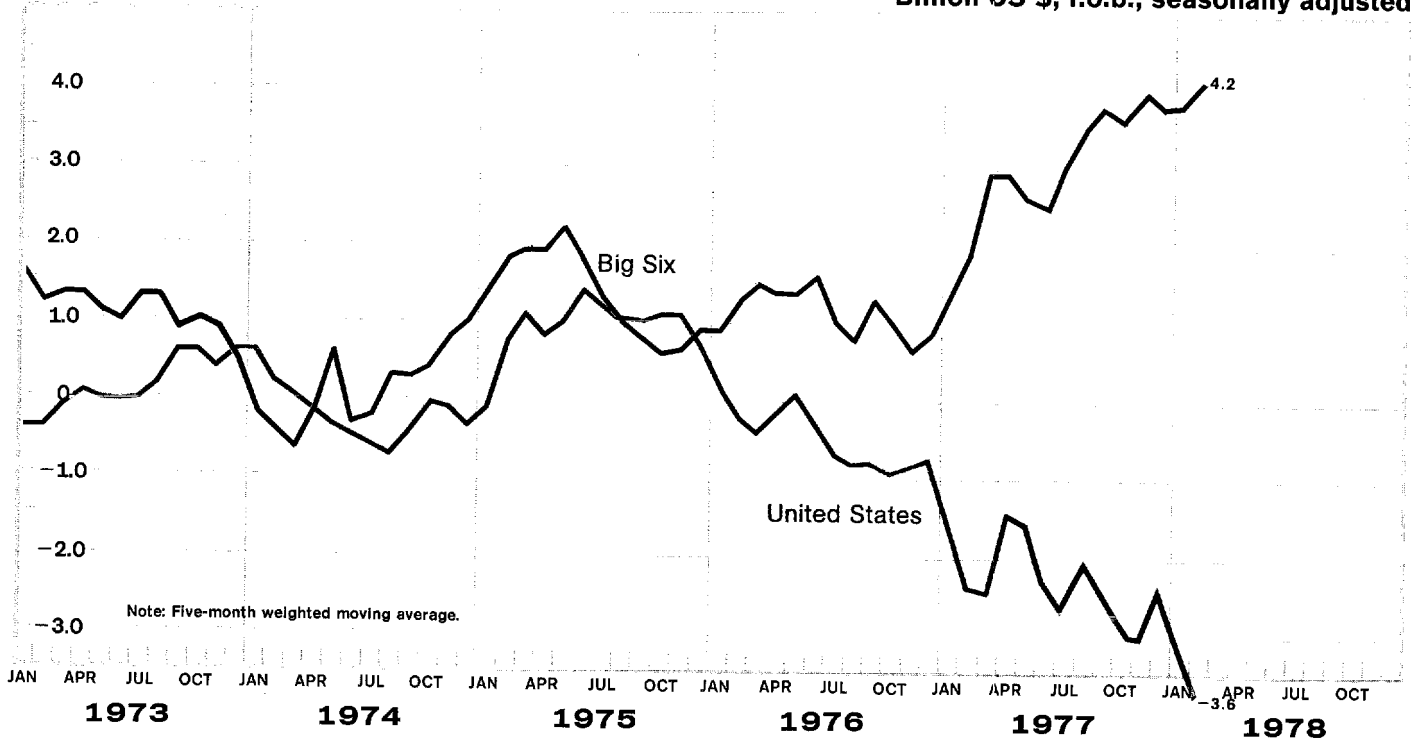
### Consumer Price Inflation

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 <sup>2</sup>
<b>Industrial Production</b>					
Big Six	Apr 78	0.5	3.0	2.9	4.2
United States	APR 78	1.4	3.7	5.0	5.1
<b>Consumer Prices</b>					
Big Six	APR 78	0.3	9.2	6.5	6.0
United States	APR 78	0.9	6.6	6.6	8.5

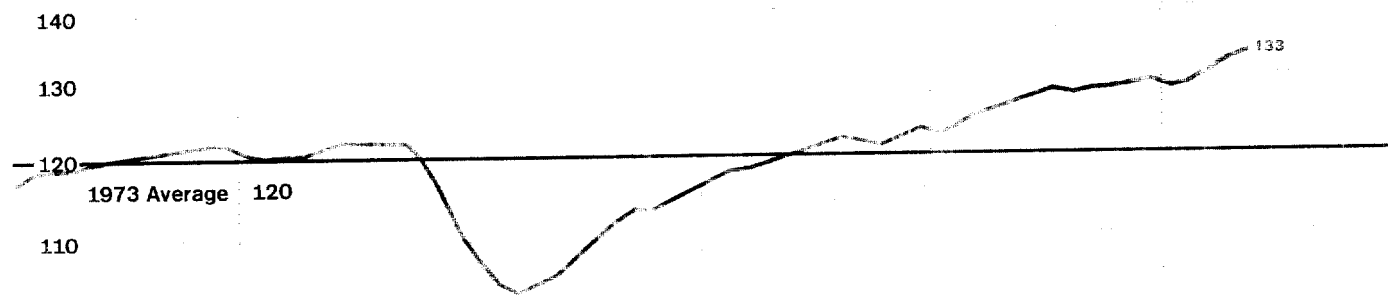
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		Change
			1978	1977	
<b>Unemployment Rate</b>					
Big Five	APR 78	4.3	4.2		4.2
United States	APR 78	6.0	7.1		6.3
<b>Trade Balance</b>					
Big Six	FEB 78	5,140	7,790	3,178	4,612
United States	FEB 78	-4,518	-6,884	-3,495	-3,389

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

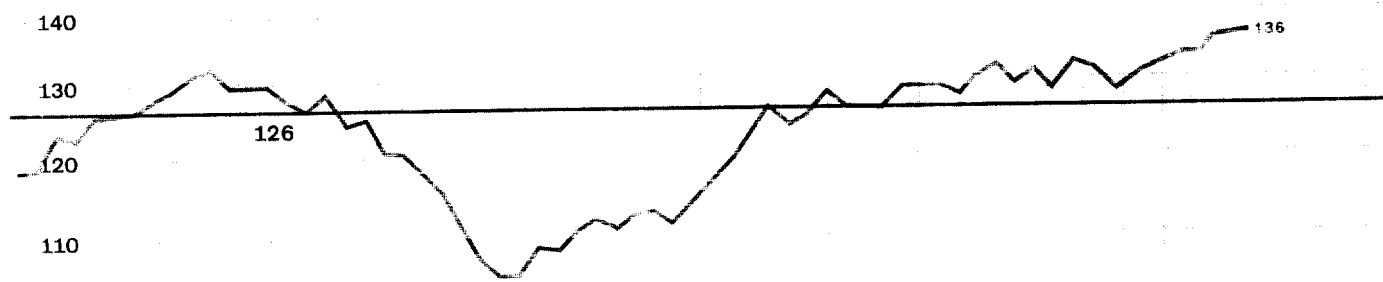
# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

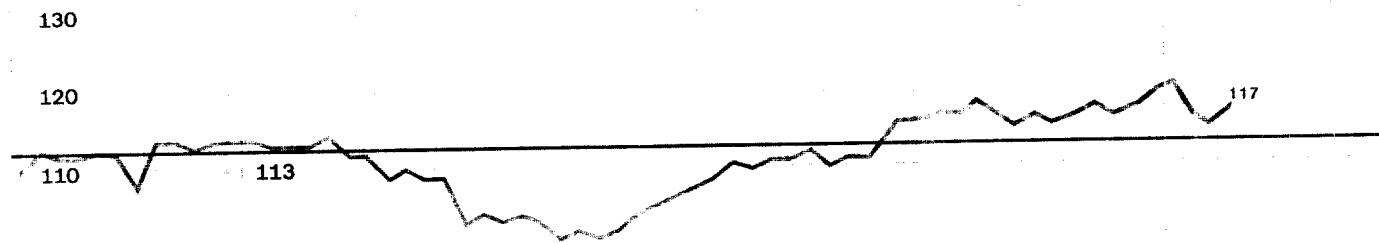
Semilogarithmic Scale



## Japan



## West Germany



## France



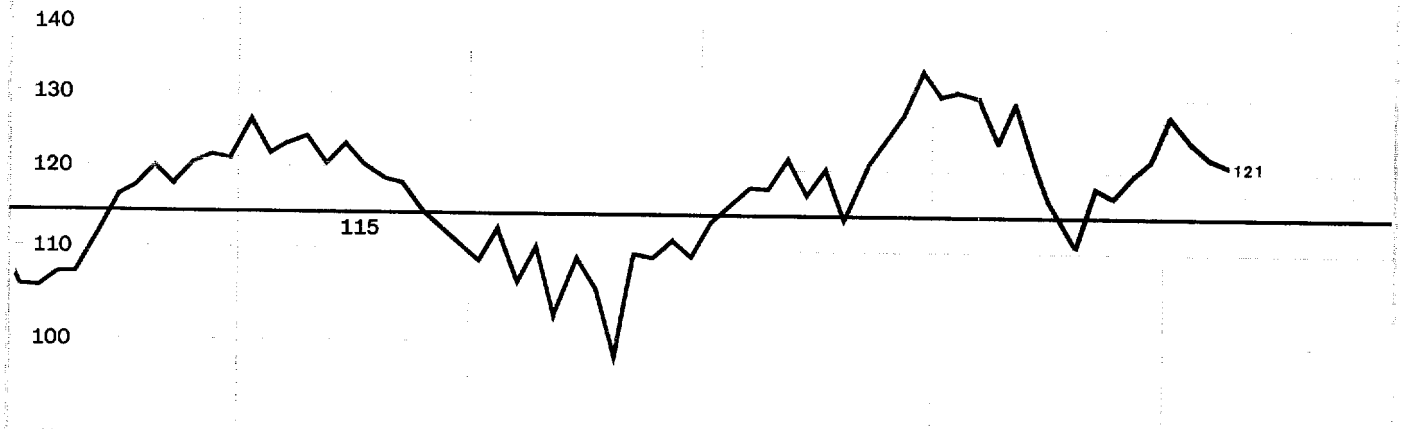
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**United Kingdom**

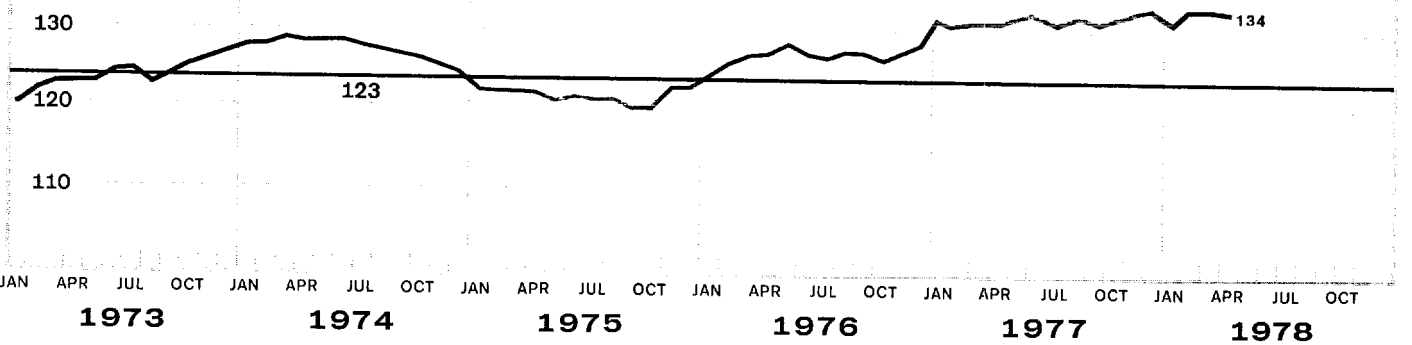
Semilogarithmic Scale



**Italy**



**Canada**



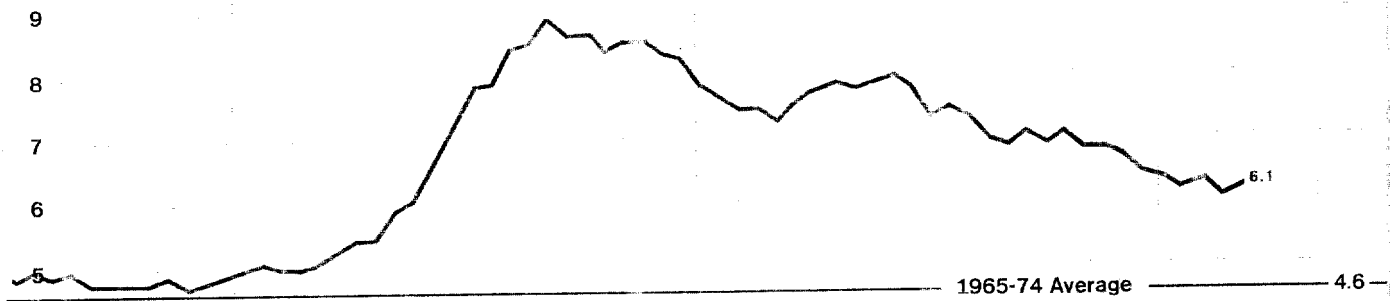
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>	
United States	MAY 78	0.6	3.7	4.9	9.7	United Kingdom	APR 78	1.0	0.7	1.9	6.1
Japan	MAY 78	0.3	4.0	6.7	11.4	Italy	APR 78	-1.4	2.5	-2.4	-2.0
West Germany	APR 78	1.7	2.0	0.9	-8.7	Canada	APR 78	-0.2	3.8	2.1	3.7
France	APR 78	0.8	3.5	4.8	13.4						

<sup>1</sup>Average for latest 3 months compared with average for previous 3 months.

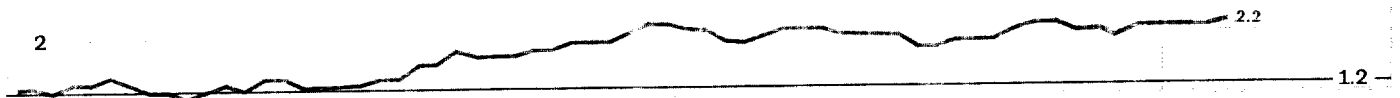
# UNEMPLOYMENT RATE

PERCENT

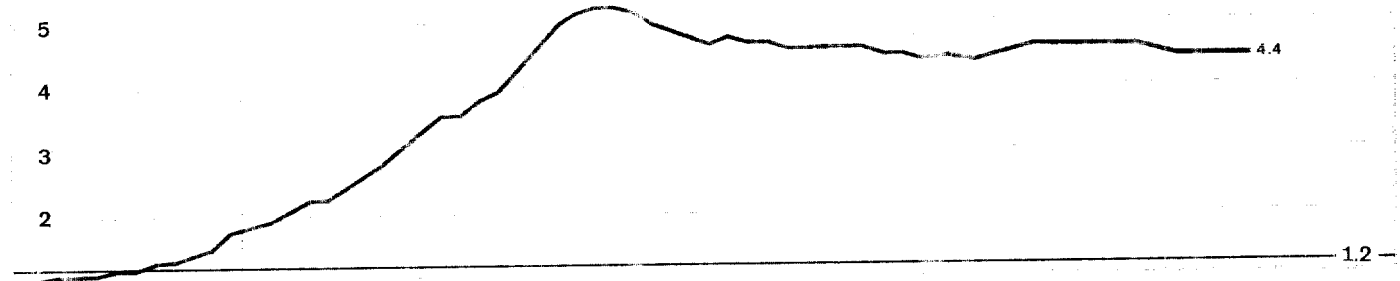
## United States



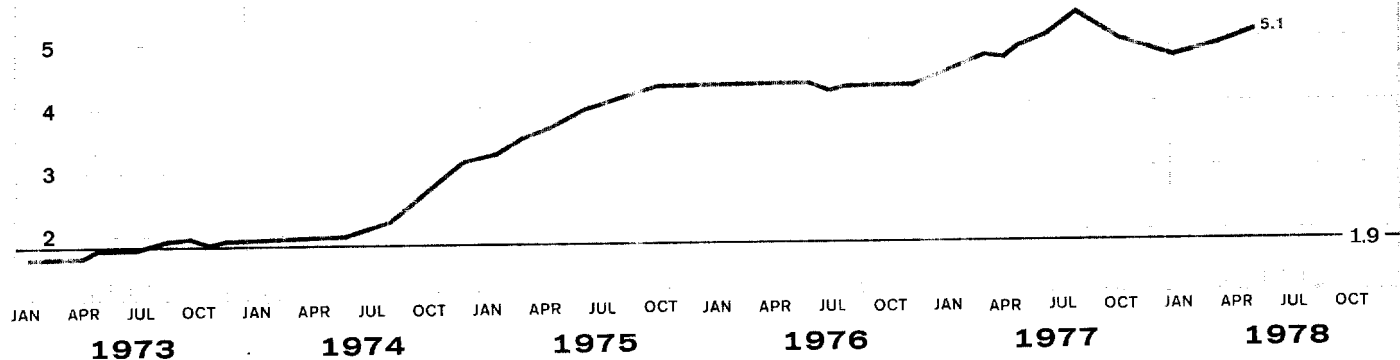
## Japan



## West Germany



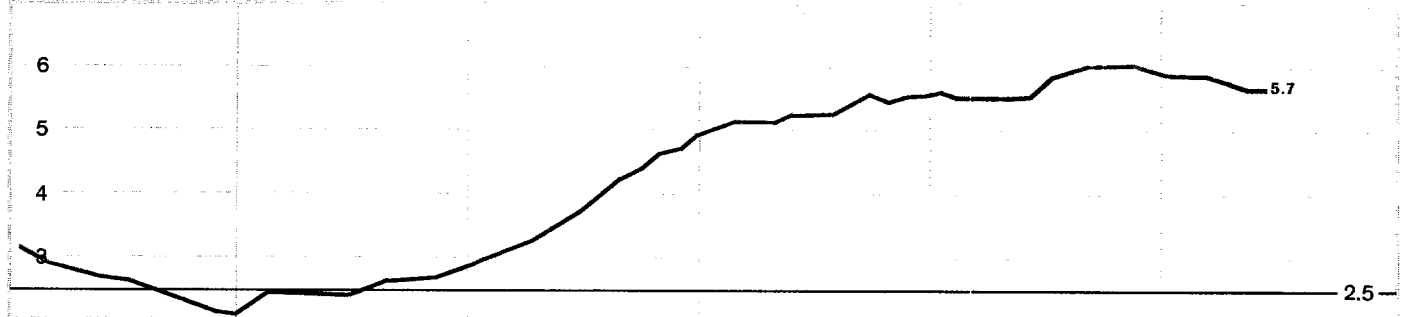
## France



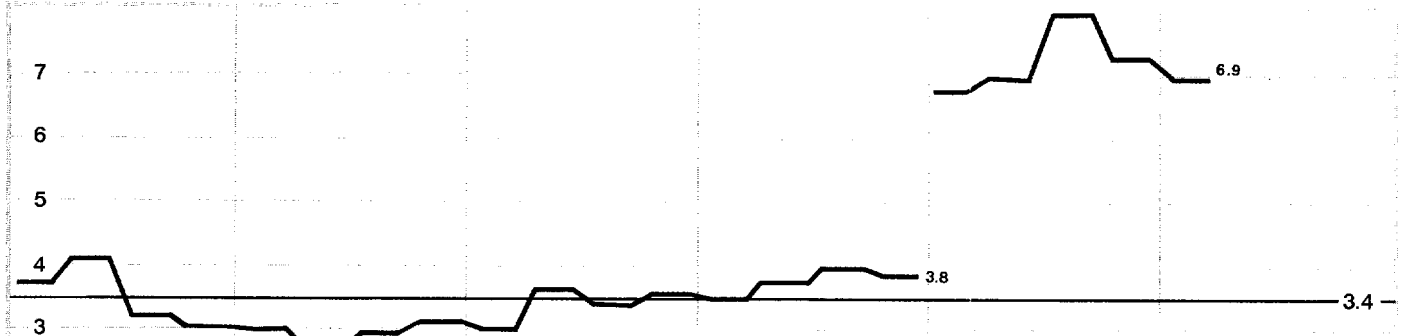
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### United Kingdom

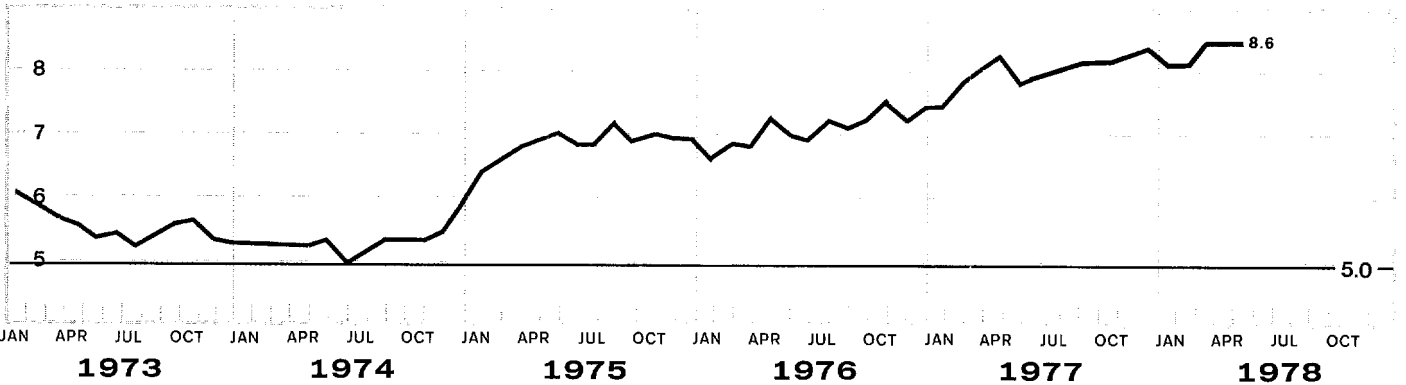


### Italy (quarterly)



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	6,080	United Kingdom	JUN 78	1,365	1,353	1,400
Japan	APR 78	1,220	1,020	1,130	Italy	I 78	1,520	1,459	1,598
West Germany	MAY 78	997	1,040	1,012	Canada	MAY 78	949	840	901
France	MAY 78	1,113	1,066	1,042					

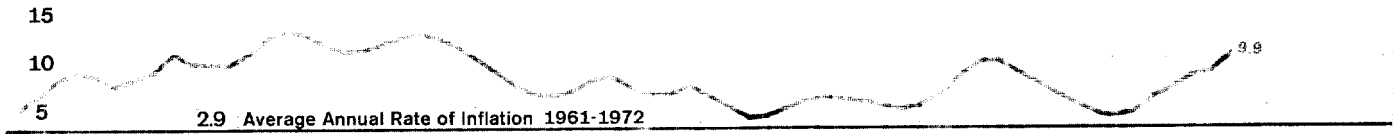
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased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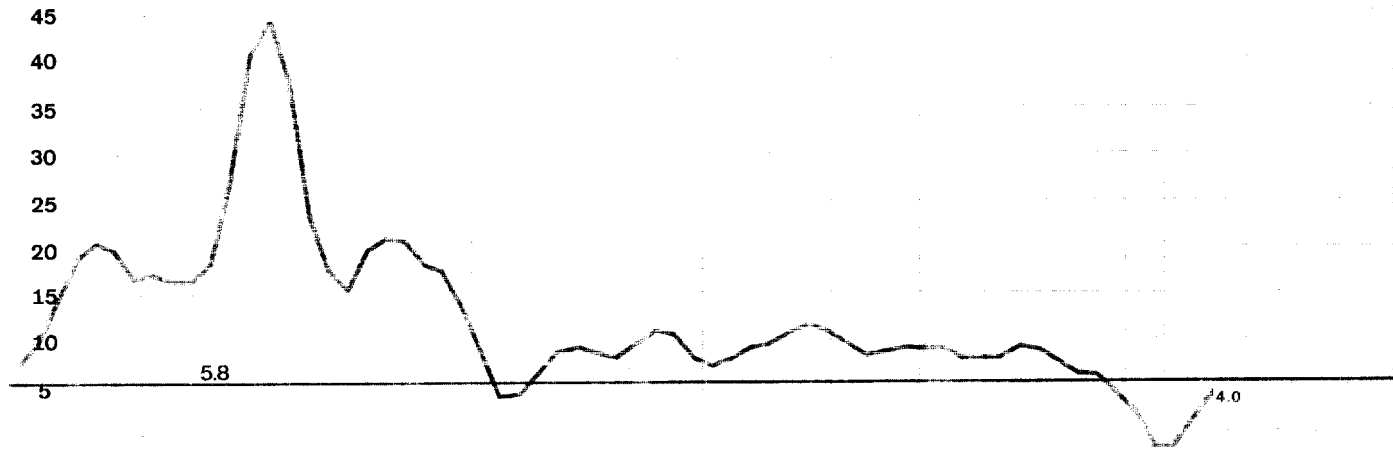
# CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate<sup>1</sup>

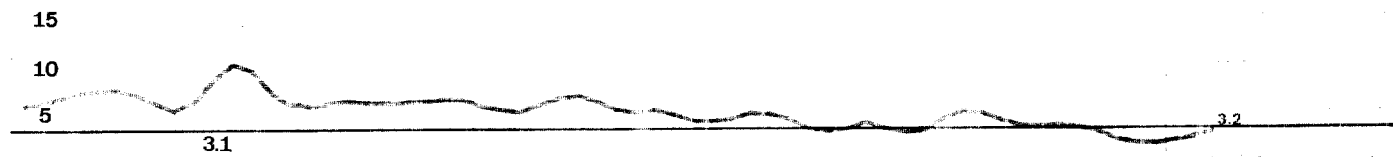
## United States



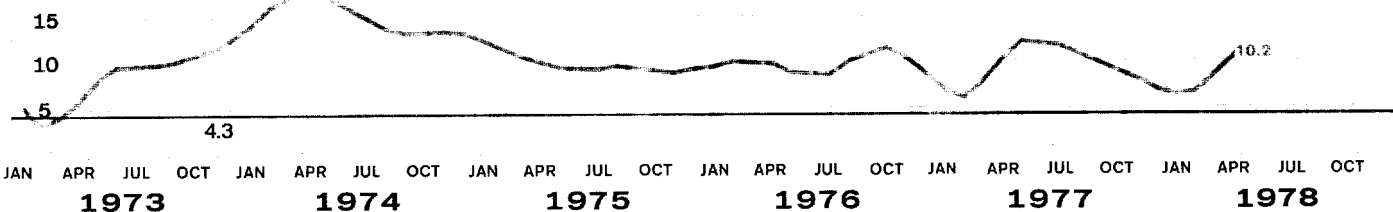
## Japan



## West Germany

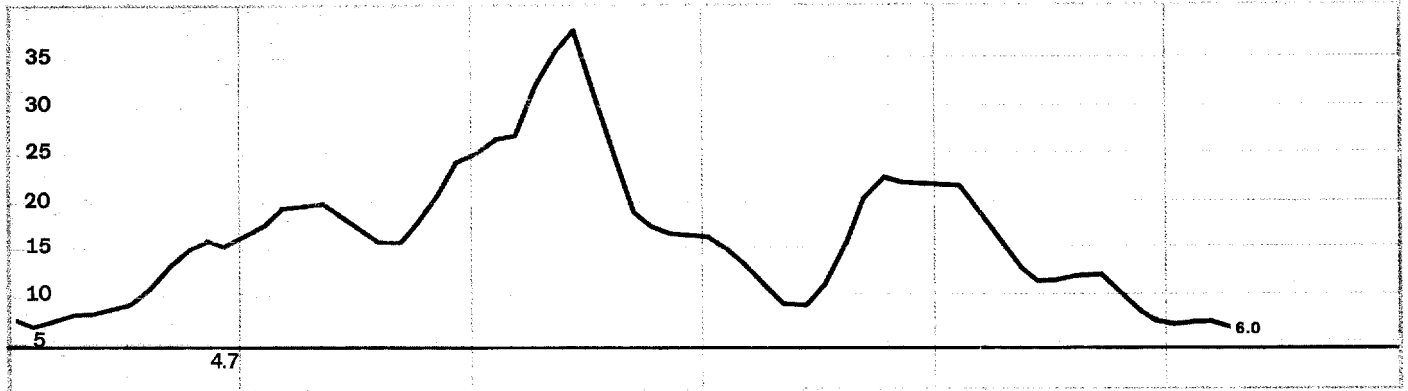


## France

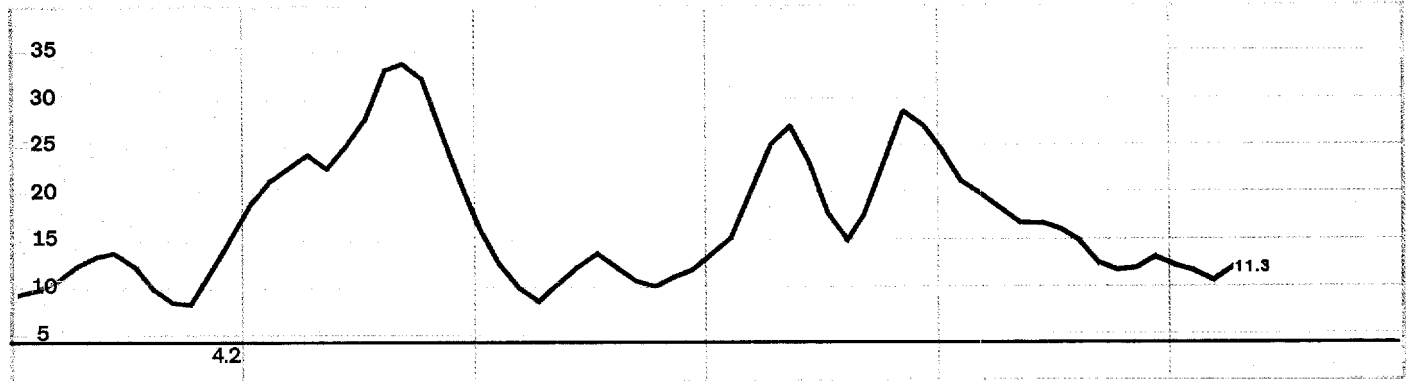


<sup>1</sup>Three-month average compared with previous three months.

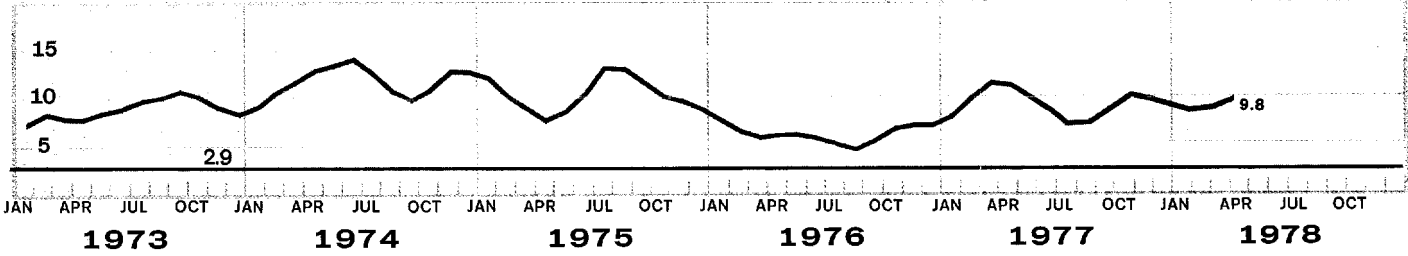
**United Kingdom**



**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 <sup>2</sup>			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>	
United States	MAY 78	0.8	6.7	7.0	9.9	United Kingdom	MAY 78	0.4	13.2	7.7	6.0
Japan	APR 78	-0.1	9.8	3.9	4.0	Italy	MAY 78	1.2	13.1	12.3	11.3
West Germany	APR 78	0.1	5.3	2.9	3.2	Canada	MAY 78	1.2	7.7	9.0	9.8
France	MAY 78	1.0	9.0	9.1	10.2						

576497 6-78

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

**GNP <sup>1</sup>**

**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	3.1	3.8	0
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
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	78 I	0.7	4.7	2.8	2.7

<sup>1</sup> 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 <sup>2</sup>
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	Apr 78	-0.8	2.5	7.0	-7.3
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	Apr 78	2.0	4.2	3.0	5.9

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

**FIXED INVESTMENT <sup>1</sup>**

**Nonresidential; 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	1.0	2.2	4.7	4.1
Japan	78 I	0.9	1.1	-0.4	3.6
West Germany	78 I	-0.5	0.7	1.6	-2.1
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	78 I	-3.7	4.8	-12.7	-14.1

<sup>1</sup> Seasonally adjusted.

**WAGES IN MANUFACTURING <sup>1</sup>**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jan 78	0.5	14.7	3.3	2.7
Italy	Apr 78	0	20.1	17.4	13.4
Canada	Apr 78	-0.1	10.9	7.7	6.8

<sup>1</sup> 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.

<sup>2</sup> 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 28	7.75	5.39	6.80	7.19
Japan Call money	Jun 30	4.38	5.63	4.12	4.12
West Germany Interbank loans (3 months)	Jun 28	3.66	4.22	3.52	3.62
France Call money	Jun 30	7.88	8.75	8.62	7.88
United Kingdom Sterling interbank loans (3 months)	Jun 28	10.05	7.78	6.73	9.14
Canada Finance paper	Jun 28	8.04	7.12	7.78	8.13
Eurodollars Three-month deposits	Jun 28	8.65	5.80	7.40	8.02

**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	May 78	1.1	12.2	23.6	45.4
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	May 78	0.6	11.4	15.6	-10.8
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	May 78	3.1	5.8	0.7	14.3
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	May 78	2.0	15.4	9.3	15.6
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	May 78	5.3	7.1	-17.0	-12.3
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	May 78	1.0	17.6	2.6	14.2
Italy	Dec 77	-0.7	19.5	9.7	-13.1
Canada	Mar 78	-2.7	8.8	10.2	3.5

**OFFICIAL RESERVES**

	Latest Month	Billion US \$			
		End of	1970	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 <sup>1</sup>**

	Latest Period	Cumulative (Million US \$)			
		1977	1976	Change	
		United States <sup>2</sup>	78 I	-6,954	-20,115
Japan	May 78	750	17,606	5,884	11,722
West Germany	May 78	285	3,584	2,659	926
France	78 I	0	-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	78 I	-1,417	-4,020	-4,230	210

<sup>1</sup> Converted to US dollars at the current market rates of exchange.  
<sup>2</sup> Seasonally adjusted.

**BASIC BALANCE <sup>1</sup>**

Current Account and Long-Term Capital Transactions

	Latest Period	Cumulative (Million US \$)			
		1977	1976	Change	
		United States	No longer published <sup>2</sup>		
Japan	May 78	-700	14,373	3,862	10,511
West Germany	Mar 78	2,026	-1,648	2,472	-4,120
France	78 I	-1	-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	78 I	-744	84	3,751	-3,667

<sup>1</sup> Converted to US dollars at the current market rates of exchange.  
<sup>2</sup> 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 30 Jun 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	23 Jun 78
		Japan (yen)	0.0049	28.58	32.88
West Germany (Deutsche mark)	0.4825	36.26	13.56	-2.70	0.27
France (franc)	0.2219	0.66	9.56	0.97	1.25
United Kingdom (pound sterling)	1.8595	-24.44	8.13	-0.78	0.70
Italy (lira)	0.0012	-33.90	3.54	-0.43	0.26
Canada (dollar)	0.8906	-10.73	-5.51	1.55	0.15

**TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>**

As of 30 Jun 78

	Percent Change from			
	19 Mar 73	1 Year Earlier	3 Months Earlier	23 Jun 78
	United States	-1.11	-6.77	-1.46
Japan	33.44	30.20	7.33	2.28
West Germany	30.59	4.82	-1.75	-0.13
France	-7.62	-0.32	2.68	0.98
United Kingdom	-29.51	1.33	-0.24	0.33
Italy	-41.81	-5.54	0.59	-0.21
Canada	-11.15	-8.14	1.31	-0.07

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

Developed Countries: Direction of Trade<sup>1</sup>

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
<b>UNITED STATES</b>												
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
<b>JAPAN</b>												
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
<b>WEST GERMANY</b>												
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
<b>FRANCE</b>												
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
<b>UNITED KINGDOM</b>												
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
<b>ITALY</b>												
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

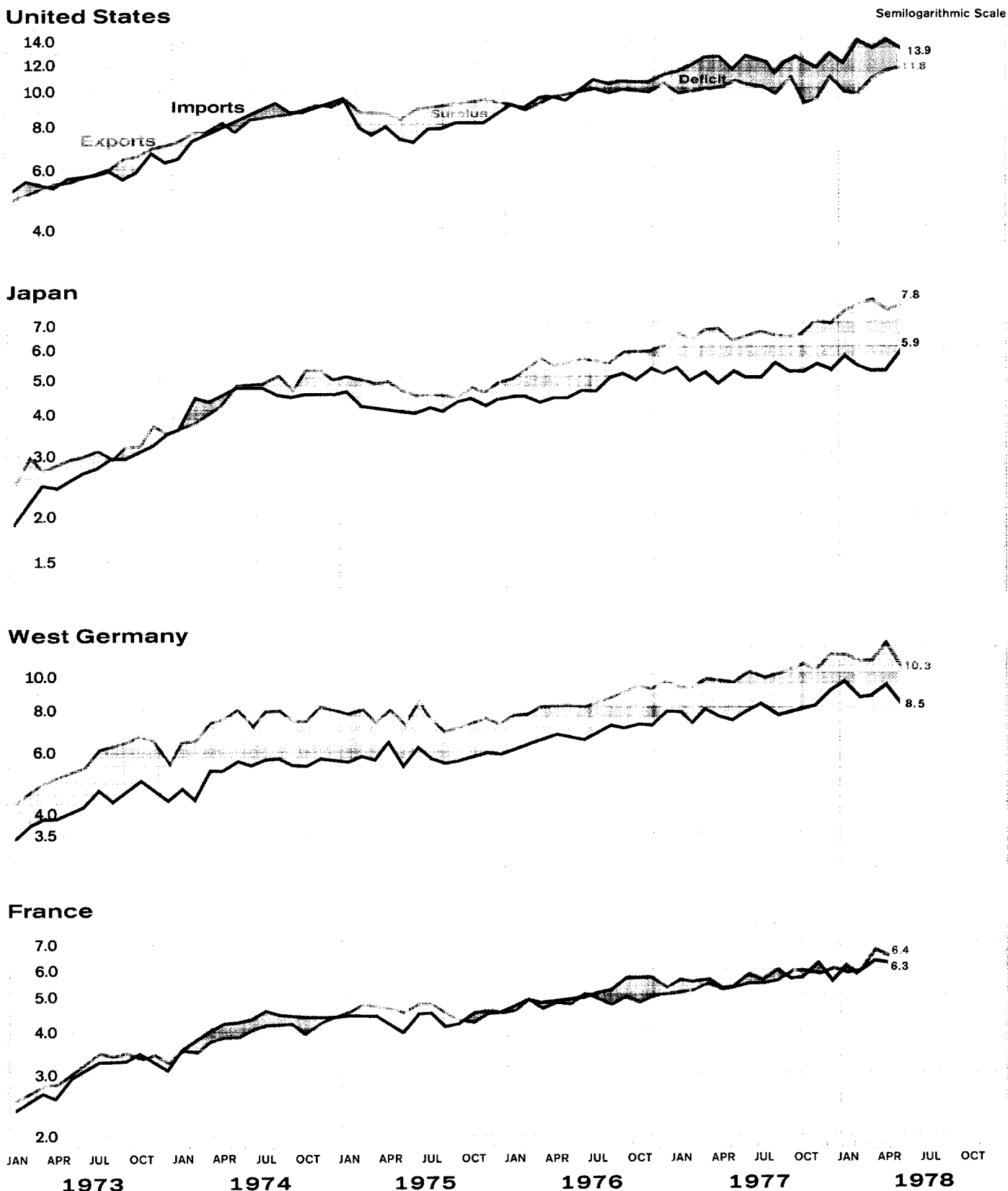
Developed Countries: Direction of Trade<sup>1</sup>  
(Continued)

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

<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

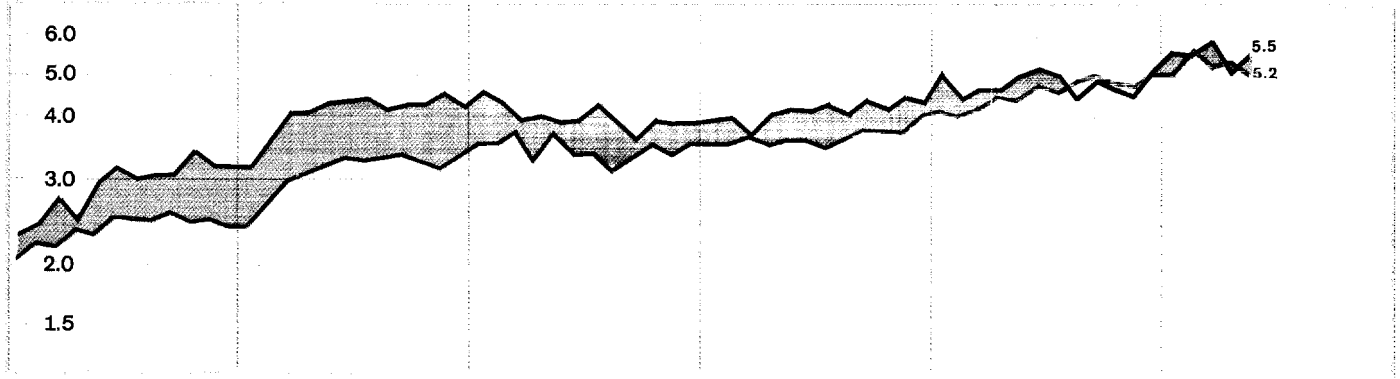
**FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted**



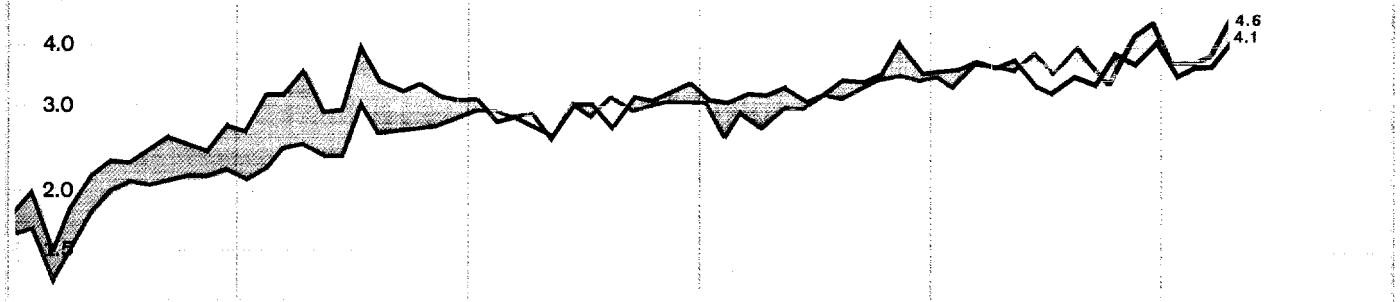


**United Kingdom**

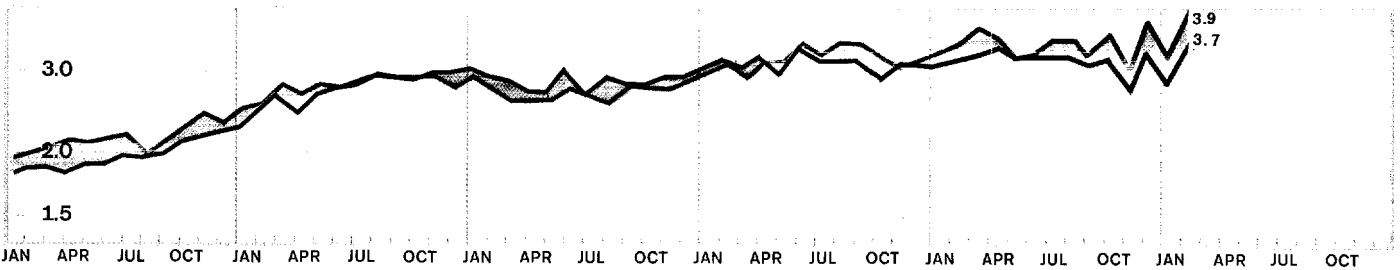
Semilogarithmic Scale



**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**

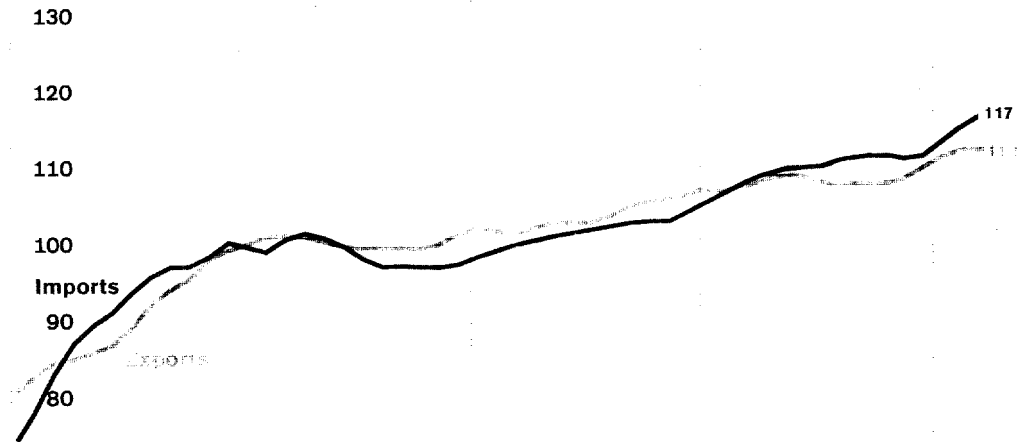
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			
			1978	1977	CHANGE			1978	1977	CHANGE	
<b>United States</b>	<b>MAY 78</b>	<u>11,754</u>	<u>54,237</u>	<u>50,167</u>	<u>8.1%</u>	<b>United Kingdom</b>	<b>MAY 78</b>	<u>5,231</u>	<u>27,077</u>	<u>21,791</u>	<u>24.3%</u>
		<u>13,992</u>	<u>69,009</u>	<u>58,447</u>	<u>18.1%</u>			<u>5,538</u>	<u>27,973</u>	<u>24,164</u>	<u>15.8%</u>
	Balance	-2,238	-14,771	-8,280	-6,491		Balance	-307	-896	-2,372	1,476
<b>Japan</b>	<b>MAY 78</b>	<u>7,848</u>	<u>39,330</u>	<u>32,397</u>	<u>21.4%</u>	<b>Italy</b>	<b>APR 78</b>	<u>4,650</u>	<u>16,050</u>	<u>14,034</u>	<u>14.4%</u>
		<u>5,940</u>	<u>27,515</u>	<u>25,370</u>	<u>8.5%</u>			<u>4,053</u>	<u>14,955</u>	<u>14,756</u>	<u>1.3%</u>
	Balance	1,907	11,815	7,027	4,787		Balance	598	1,095	-722	1,817
<b>West Germany</b>	<b>MAY 78</b>	<u>10,313</u>	<u>55,032</u>	<u>46,735</u>	<u>17.8%</u>	<b>Canada</b>	<b>FEB 78</b>	<u>3,946</u>	<u>7,175</u>	<u>6,761</u>	<u>6.1%</u>
		<u>8,522</u>	<u>45,808</u>	<u>38,606</u>	<u>18.7%</u>			<u>3,710</u>	<u>6,680</u>	<u>6,509</u>	<u>2.6%</u>
	Balance	1,791	9,224	8,128	1,096		Balance	235	495	252	243
<b>France</b>	<b>APR 78</b>	<u>6,416</u>	<u>24,665</u>	<u>20,659</u>	<u>19.4%</u>						
		<u>6,279</u>	<u>24,652</u>	<u>21,770</u>	<u>13.2%</u>						
	Balance	138	13	-1,111	1,124						

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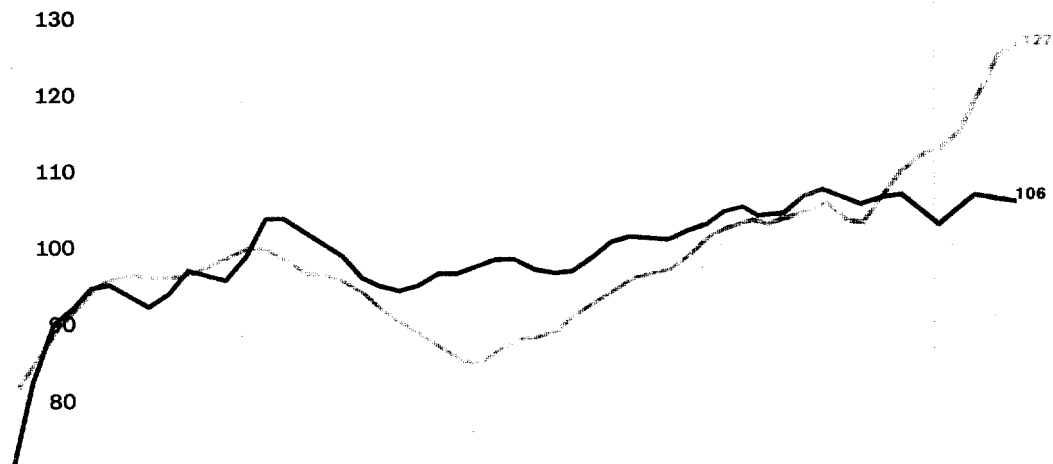
# FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

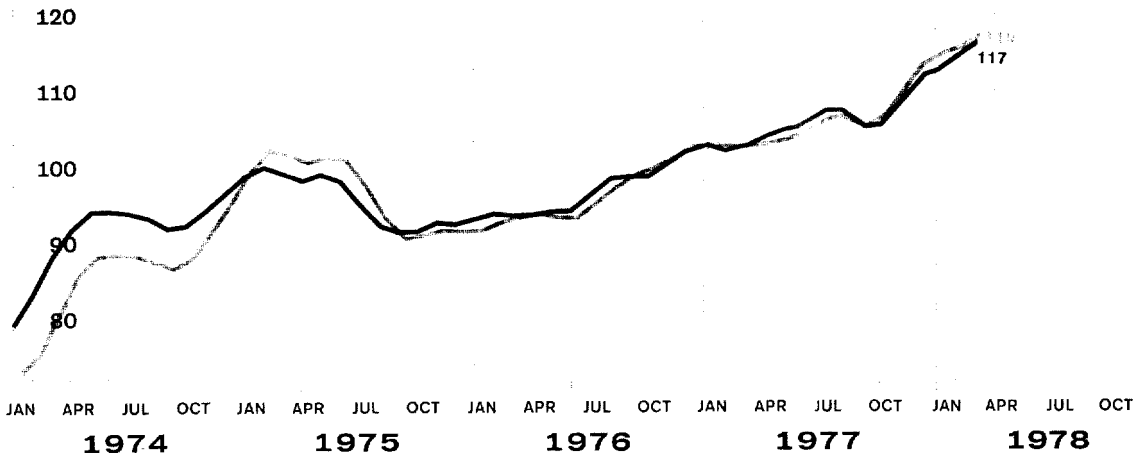
INDEX: JAN 1975 = 100



Japan

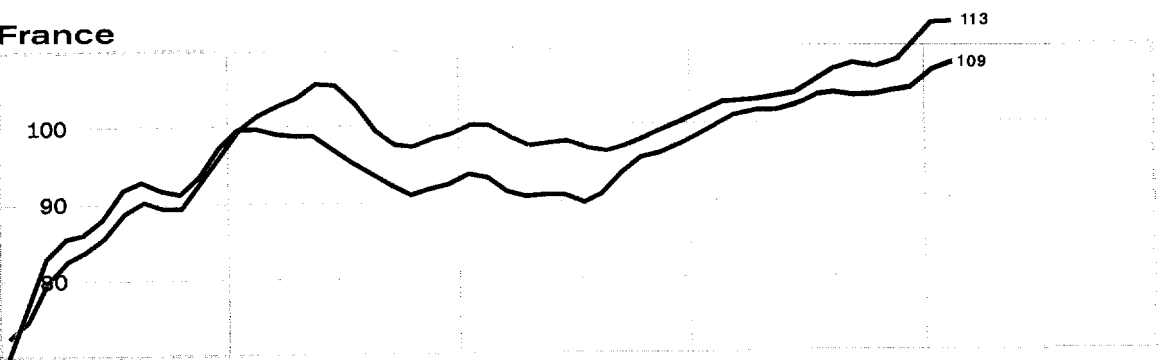


West Germany

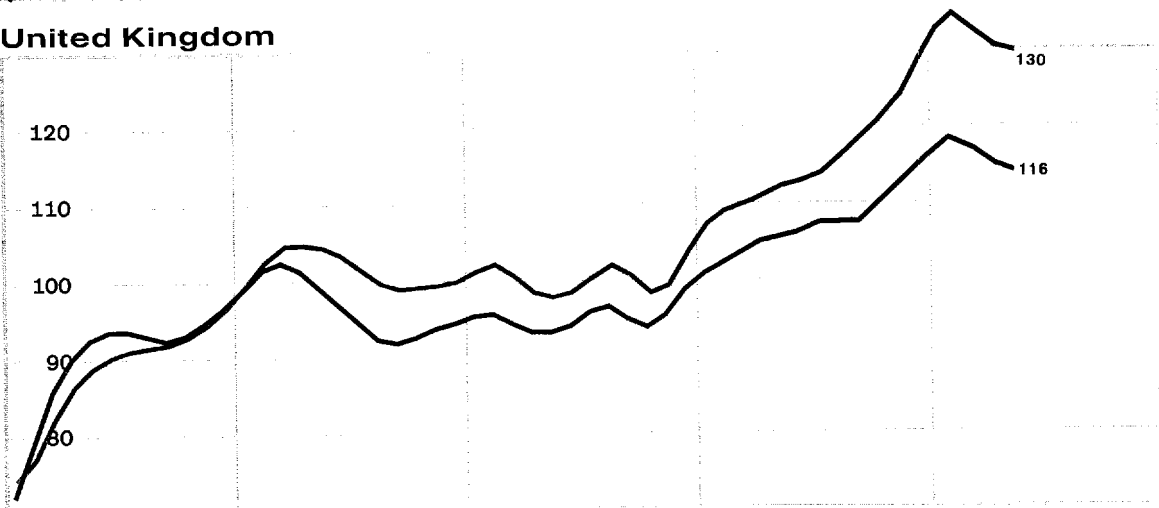


<sup>1</sup>Export and import plots are based on five-month weighted moving averages.

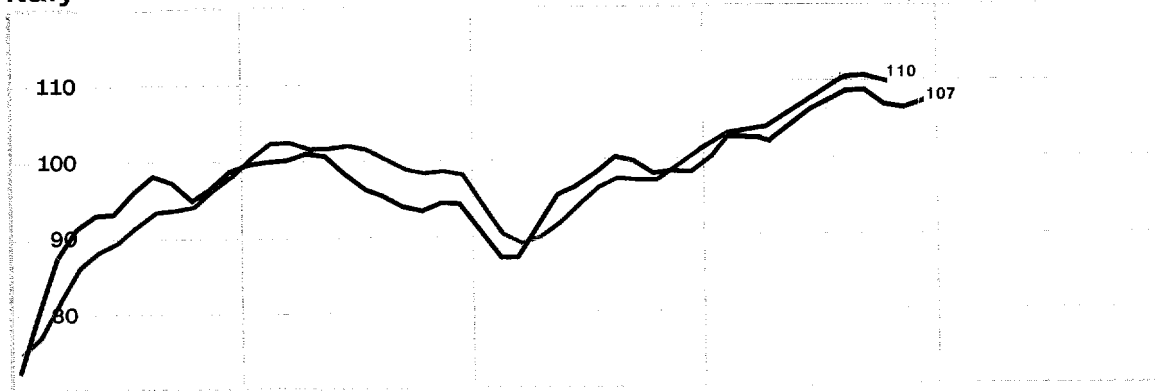
### France



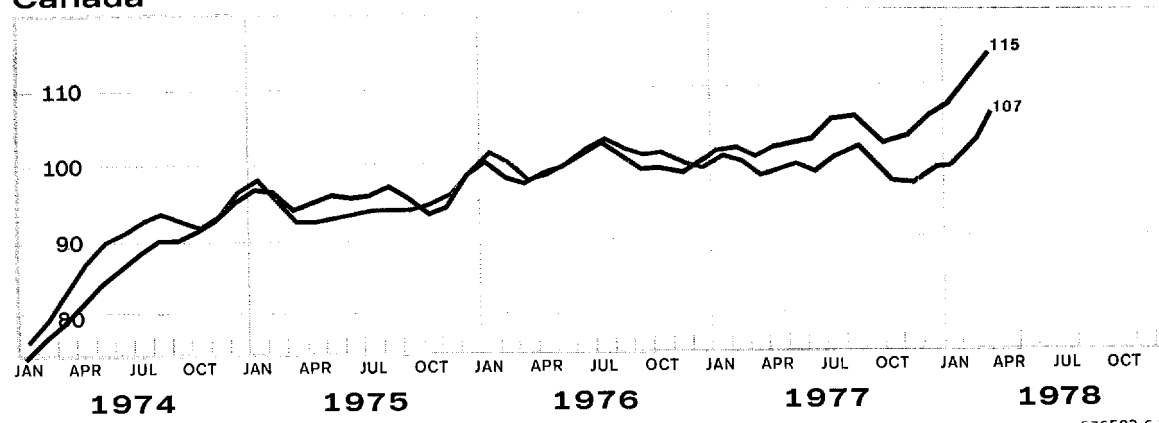
### United Kingdom



### Italy



### Canada



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

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### INDUSTRIAL PRODUCTION <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
India	Dec 77	3.3	4.7	4.6	2.5
South Korea	Mar 78	5.8	22.7	26.8	16.9
Mexico	Feb 78	1.4	5.9	11.2	3.3
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Apr 78	1.5	15.3	17.4	- 2.0

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

### MONEY SUPPLY <sup>1</sup>

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
Brazil	Jan 78	4.2	36.6	44.5	19.9
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	Mar 78	3.0	20.5	30.5	40.3
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

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> 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	May 78	3.2	28.0	36.0
India	Feb 78	-1.5	7.5	3.2
Iran	Mar 78	2.3	12.5	17.6
South Korea	May 78	1.0	14.4	12.6
Mexico	May 78	1.0	15.0	17.2
Nigeria	Dec 77	3.2	16.6	31.0
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Apr 78	1.0	8.6	8.8

### WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	Mar 78	0.8	8.1	-0.6
Iran	Mar 78	3.2	11.1	12.5
South Korea	May 78	0.8	15.9	11.2
Mexico	May 78	2.5	16.5	16.3
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	-0.2	9.5	6.4

### EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Dec 77	2.0	13.7	-15.8
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

	Latest Month	Million US \$			
		Latest Month			
		End of	Million US \$	Jun 1970	1 Year Earlier
Brazil	Jan 78	6,757	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	Jan 78	1,909	695	1,507	1,720
Nigeria	Apr 78	3,768	148	4,784	3,900
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	Apr 78	2,138	978	2,006	1,950

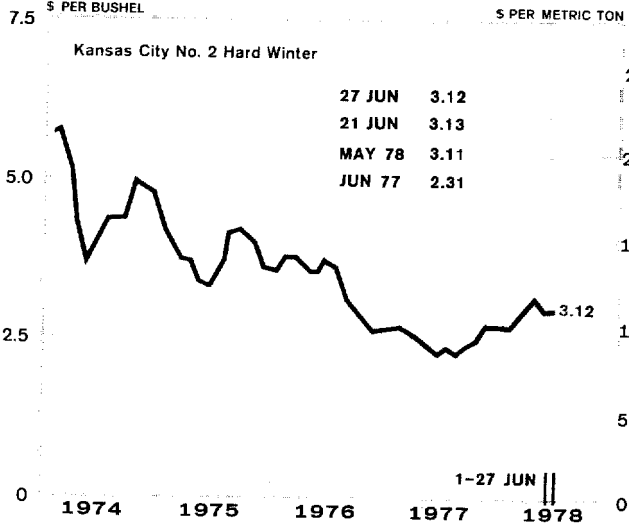
## FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
Latest Period			3 Months Earlier <sup>1</sup>	1 Year Earlier	1977	1976	Change
Brazil	Apr 78	Exports	19.0	0.5	12,137	10,128	19.8%
	Apr 78	Imports	7.7	5.8	11,999	12,346	-2.8%
	Apr 78	Balance			138	-2,218	2,356
Egypt	76 IV	Exports	3,781.6	240.7			
	76 IV	Imports	11,741.0	195.7			
	76 IV	Balance					
India	Dec 77	Exports	-22.1	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	91.6	14.9	4,092.9	3,315.8	23.4%
	Feb 78	Imports	-47.3	23.8	5,487.5	6,029.6	-9.0%
	Feb 78	Balance			-1,394.6	-2,713.8	1,319.2
Nigeria	Dec 77	Exports	-28.5	15.2	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

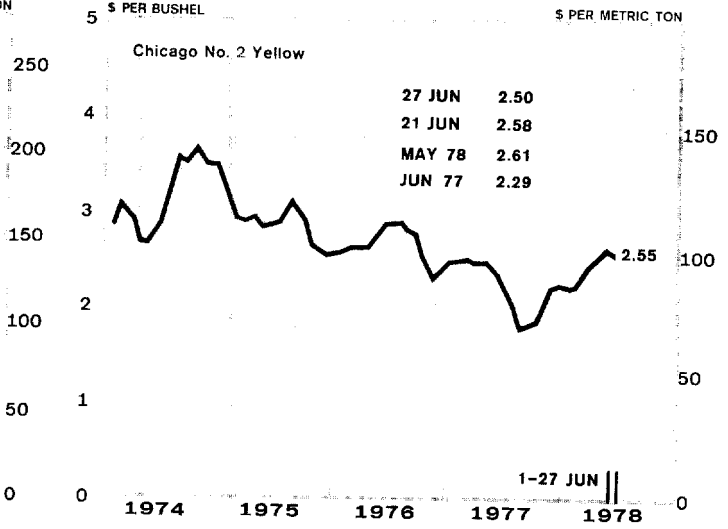
<sup>1</sup> At annual rates.

Approved For Release 2005/04/18 : CIA-RDP80T00702A000700030004-7  
**AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE**

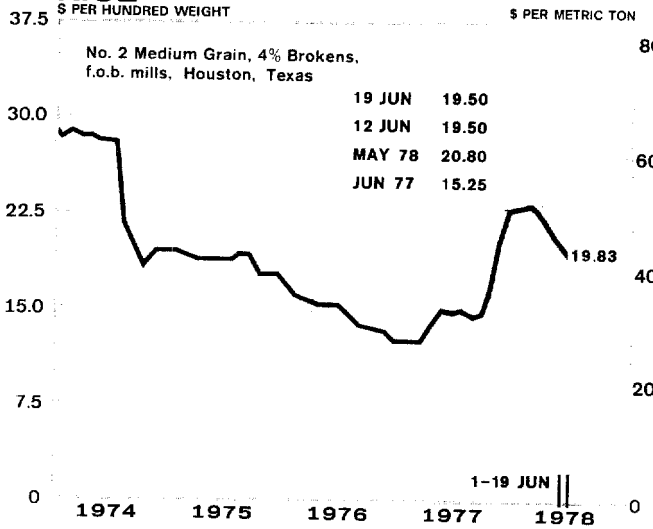
**WHEAT**



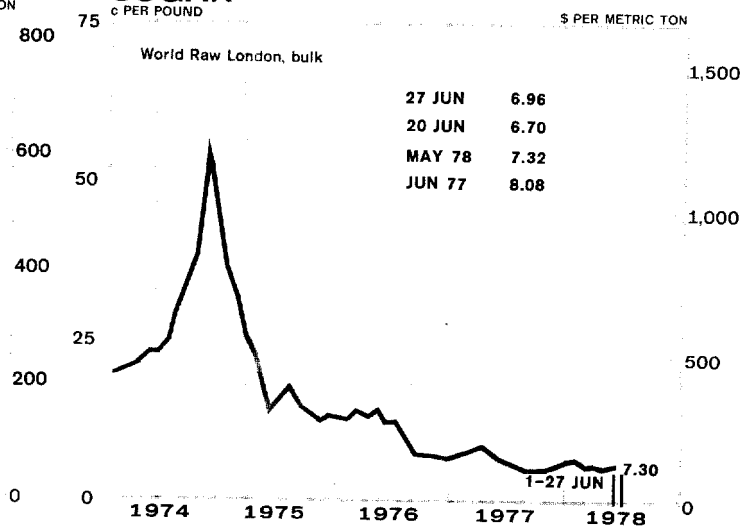
**CORN**



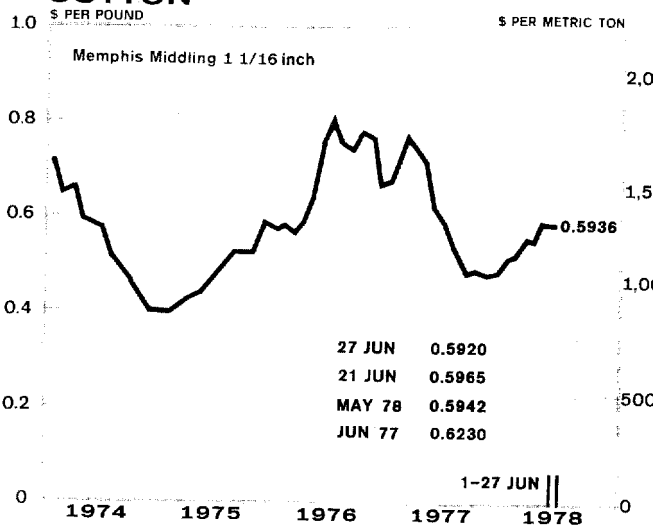
**RICE**



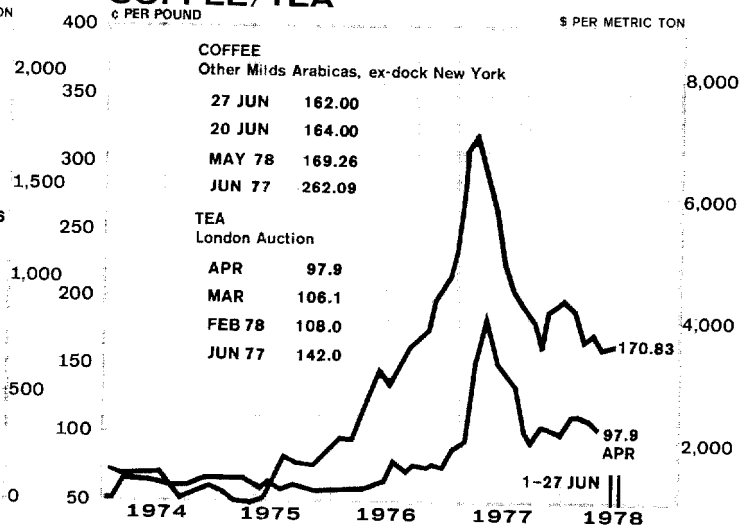
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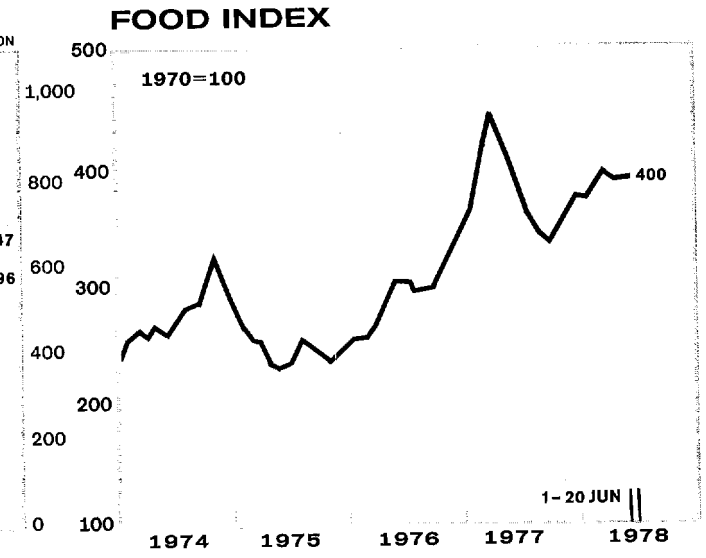
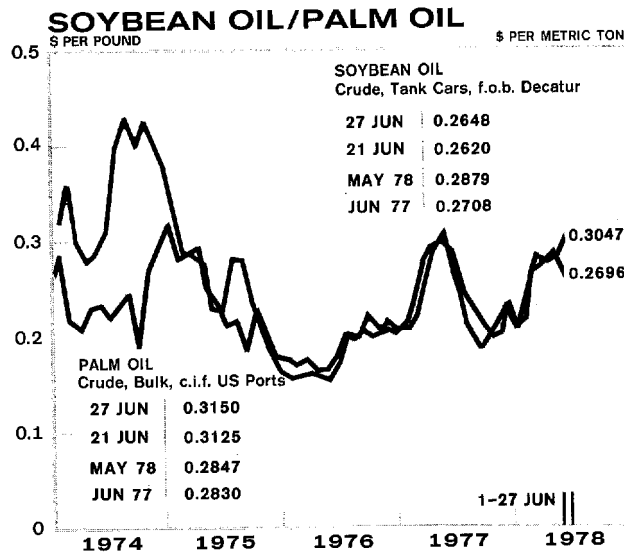
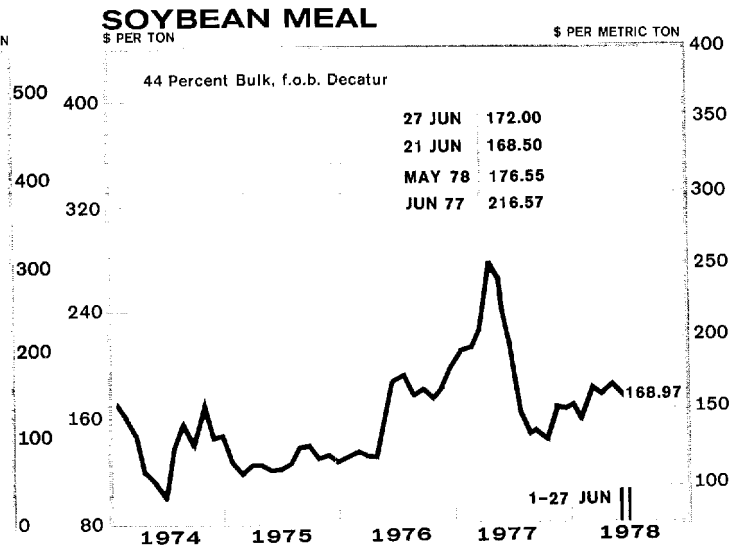
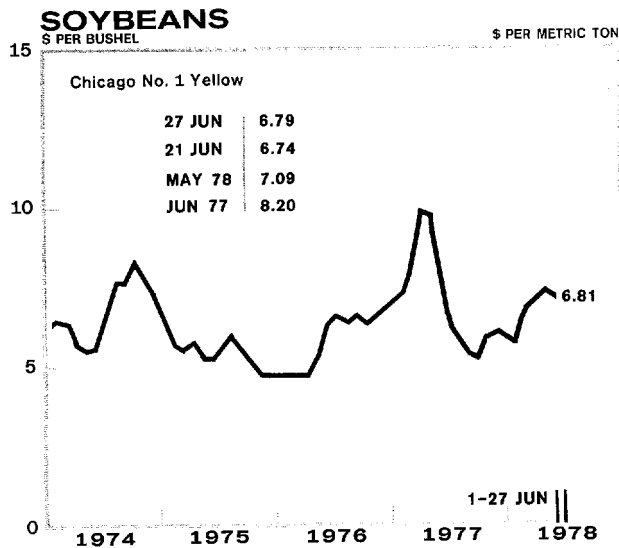


**COTTON**



**COFFEE/TEA**

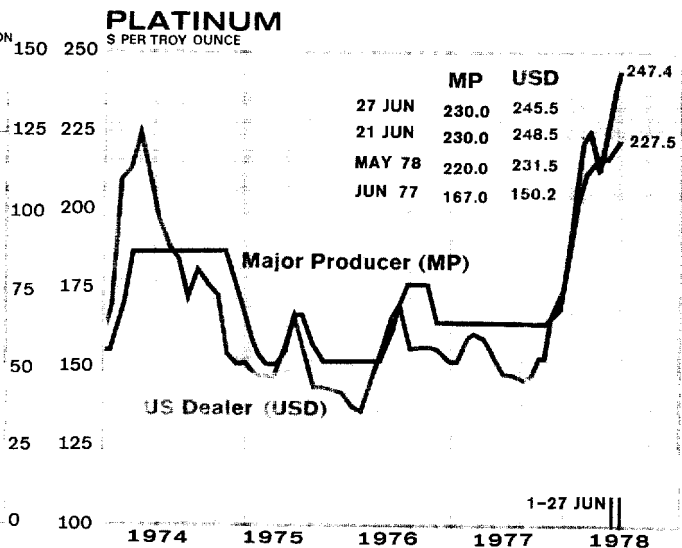
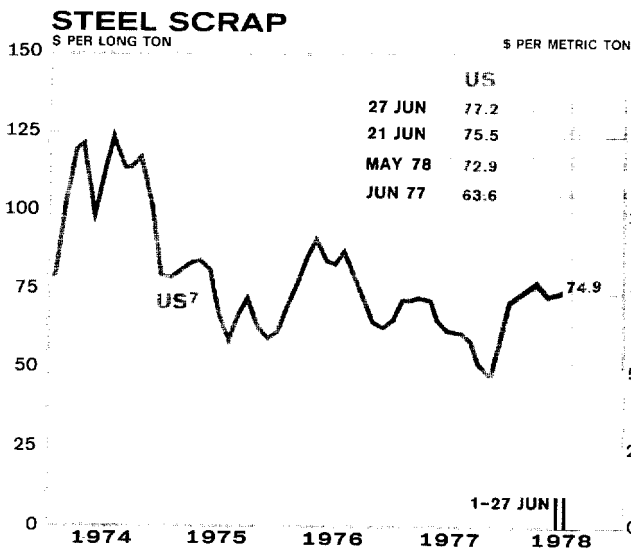
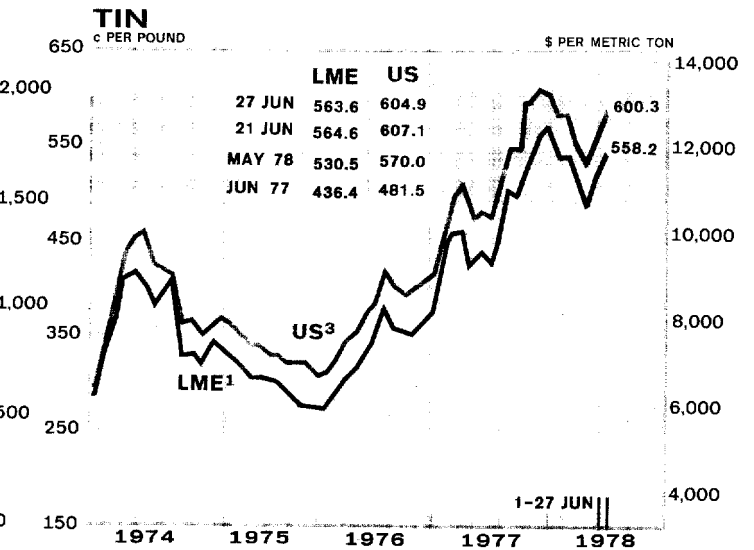
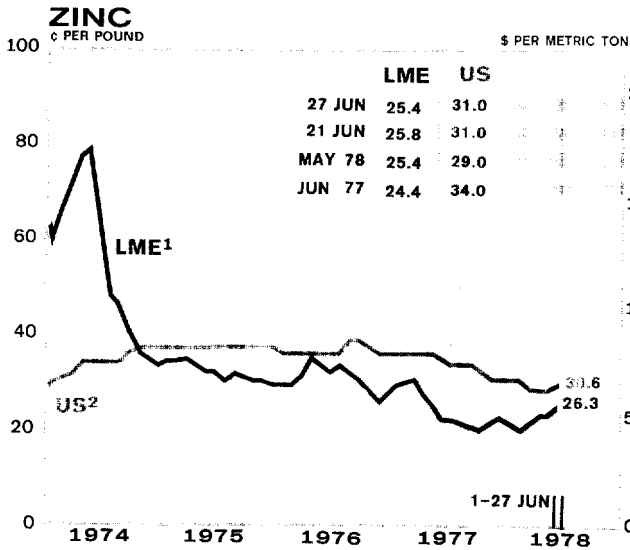
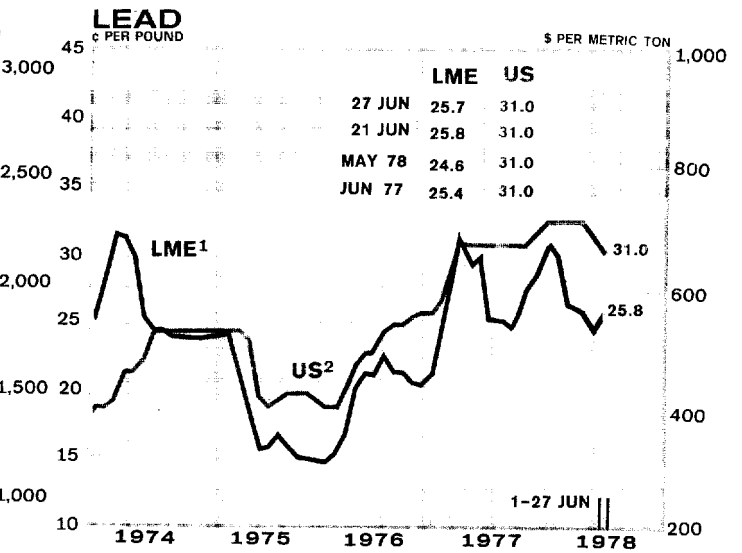
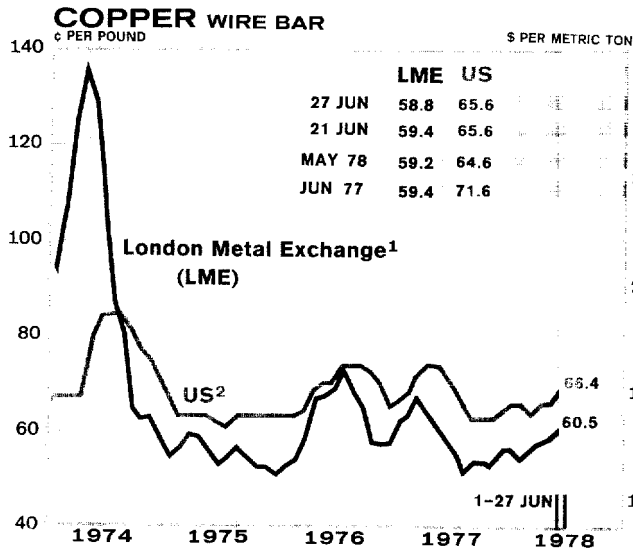




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NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

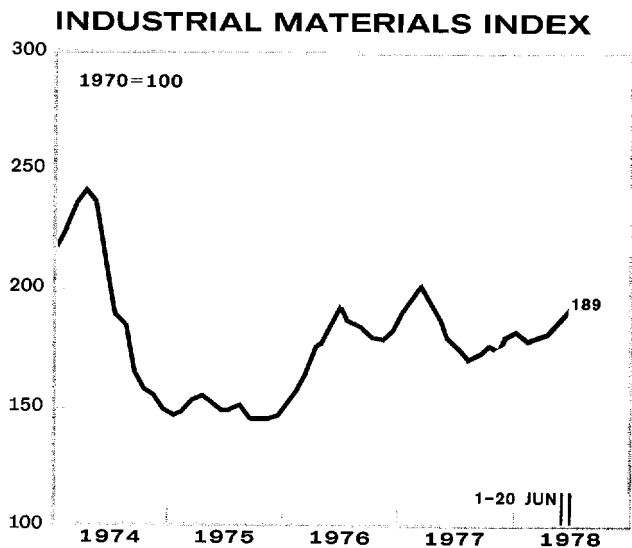
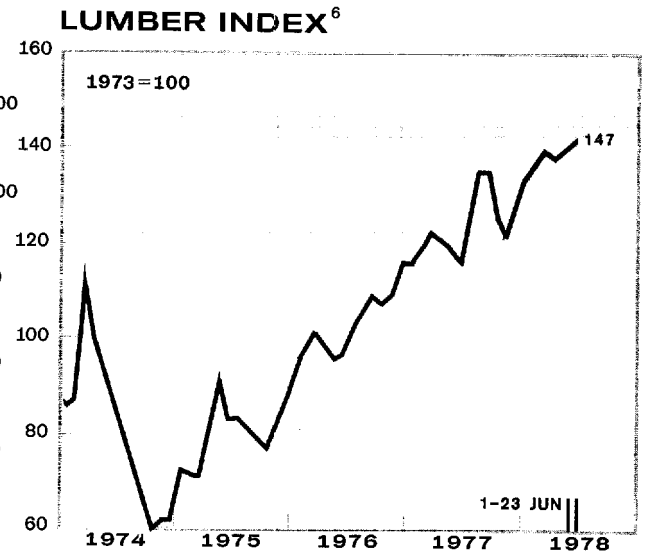
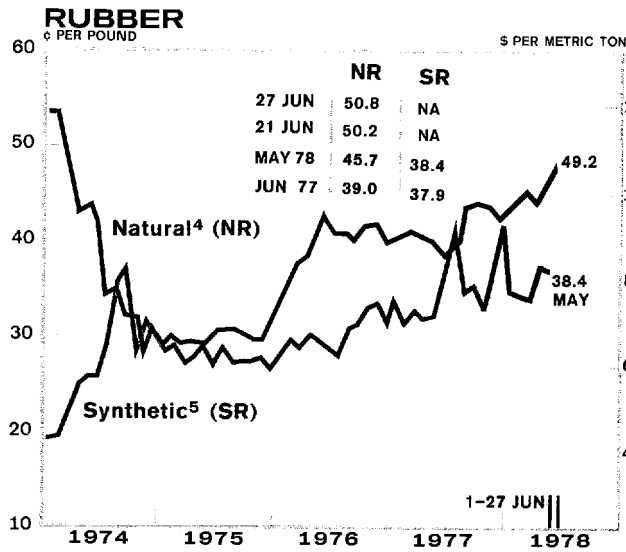
Approved For Release 2005/04/18 : CIA-RDP80T00702A000700030004-7  
**INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE**





**SELECTED MATERIALS**

			CURRENT	DEC 77	JUN 77	JUN 76
<b>ALUMINUM</b>	Major US Producer	£ per pound	55.00	53.00	51.00	44.00
<b>US STEEL</b>	Composite	\$ per long ton	395.81	359.36	339.27	316.36
<b>IRON ORE</b>	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	21.43	19.50
<b>CHROME ORE</b>	Russian, Metallurgical Grade	\$ per metric ton	NA	150.00	150.00	150.00
<b>CHROME ORE</b>	S. Africa, Chemical Grade	\$ per long ton	56.00	58.50	58.50	39.00
<b>FERROCHROME</b>	US Producer, 66-70 Percent	£ per pound	42.00	41.00	43.00	45.00
<b>NICKEL</b>	Composite US Producer	\$ per pound	2.07	2.06	2.41	2.20
<b>MANGANESE ORE</b>	48 Percent Mn	\$ per long ton	67.20	72.24	72.00	72.00
<b>TUNGSTEN ORE</b>	Contained Metal	\$ per metric ton	16,961.00	21,549.00	22,821.00	13,954.00
<b>MERCURY</b>	New York	\$ per 76 pound flask	153.00	124.33	126.23	110.00
<b>SILVER</b>	LME Cash	£ per troy ounce	535.91	472.49	446.93	478.82
<b>GOLD</b>	London Afternoon Fixing Price	\$ per troy ounce	185.66	160.45	140.78	125.71



<sup>1</sup>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.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

<sup>3</sup>As of 1 Dec 75, US tin price quoted is "Tin NY 1lb composite."

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

<sup>6</sup>This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

<sup>7</sup>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.

576501 6-78

