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Approved For Release 2006/04/19 : CIA-RDP85T00875R001500140018-8

Approved For Release 2006/04/19 : CIA-RDP85T00875R001500140018-8

CIA DER - FIW 73-6-14

Secret



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Economic Intelligence Weekly

Secret

CIA No. 7531/73
14 June 1973

Copy No. 127

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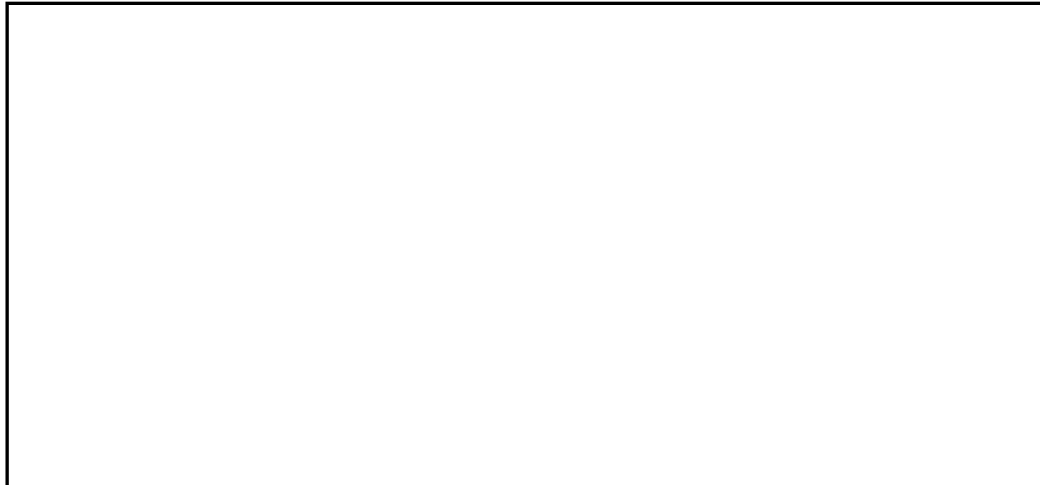
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ECONOMIC INTELLIGENCE WEEKLY

Notes




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US Commercial Aircraft Sales to the Middle East and South Asia

US firms landed all of the \$205 million in commercial aircraft orders placed during the first five months of 1973 by countries in the region extending from Libya to India. Moreover, substantial orders are pending from Iran and are possible from other countries. In 1972 the United States accounted for \$219 million worth, or slightly more than half, of the commercial aircraft purchased by these countries. The remaining sales were made by the USSR and West European countries. 

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EC Extends Generalized Preferences to Romania

The EC has decided to extend generalized tariff preferences to Romania. Among Communist countries, only Yugoslavia has previously won this treatment. Paris, which had delayed the move since early 1972, finally withdrew its opposition in recognition of Bucharest's courage in defying Moscow and dealing directly with the Community. In developing specific terms for Romania, the EC Commission probably will exclude from preferential treatment several key exports -- such as textiles, shoes, and iron and steel -- that are deemed sensitive. 

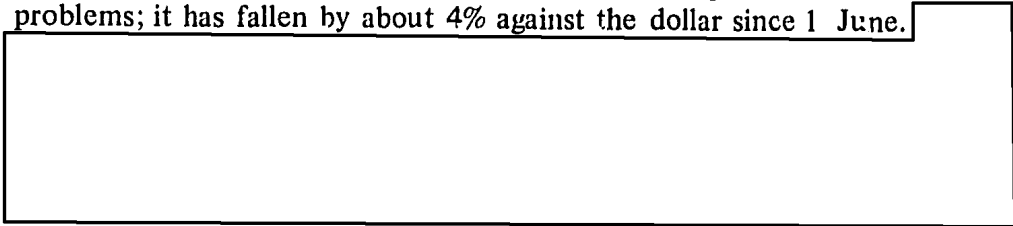
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Monetary Developments

International currency markets generally have been quiet the past week, with the dollar moving in a narrow range and the gold price dropping slightly. The mark remains strong and is now at the top of the European joint float band. The independently floating lira, on the other hand, continues to depreciate rapidly because of domestic political and economic problems; it has fallen by about 4% against the dollar since 1 June.

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Articles

Scramble for Oil Supplies Continues

Producing countries are finding a ready market for the oil coming under their control. Saudi Arabia and Abu Dhabi have already sold much of their entitlements through 1975, under the recently ratified Participation Agreement for the Persian Gulf's Arab states. Iran has sold most of its government-owned oil through 1975. Iraq has committed the total output from the nationalized Kirkuk and North Rumaila fields through 1975, and even Libya has found markets, primarily Communist countries, for some of the "hot" oil coming from the expropriated Sarir field. Government oil sales this year total 3 million barrels per day, or about 9% of world petroleum trade.

Prices for government oil have far surpassed prevailing market prices and the buy-back prices paid by producing companies for oil that countries had decided not to sell on the world market. In April, Saudi Arabia offered its participation share of light crude at \$2.55 a barrel, 50 cents above the estimated market price charged by the major oil companies and 41 cents above the company buy-back price. Abu Dhabi oil sold for \$2.50 in February, compared with a company selling price of \$2.04 and a buy-back price of \$2.23.

Strong demand for government-controlled oil has been generated primarily by small private firms and the national companies of a few less developed countries seeking assured supplies outside the traditional channels. Independent American and Japanese oil companies and Petrobras, the Brazilian state oil company, have been particularly active in bidding for government oil. In view of the independent companies' willingness to pay such high prices for government oil, the major oil companies are considering raising prices to their own subsidiaries.

The heady experience of the last five months will encourage the oil countries to claim a much larger part of their participation share eventually. The Participation Agreement provides that oil-producing countries must decide four years in advance how much of their oil they will sell themselves. Unsure of the market, the oil-producing states opted initially to take only a minimum share through 1976 (10% in 1973, climbing to 30% in 1976). Furthermore, the wide discrepancy between market and buy-back prices raises the risk that oil-producing states will seek an early renegotiation of buy-back terms. (UNCLASSIFIED)

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Soviet Spring Sowing Campaign Successful

More than 95% of the area planned for spring crops in the USSR reportedly had been seeded by 4 June, overcoming last fall's substantial shortfall in the sowing of winter grains. It seems likely that the total spring grain area will be about 104 million hectares - 5 million more than last year and 6 million more than the average in 1966-71.

Sowing plans were also met for sugar beets and sunflowers. Declining production of beet sugar and sunflower seeds in the last four years recently forced the USSR to pay hard currency for refined sugar and vegetable oil substitutes. The area devoted to sugar beets and sunflowers has not increased appreciably, however, so the agricultural planners are depending on a sharp rise in yields to meet the higher 1973 production targets.

Good weather contributed to the success of the sowing campaign. Spring was 10 to 20 days early in the western part of the country, but some cold wet weather in Siberia pushed planting there toward the end of the optimum period. More rain fell in April and May than in any of the last 15 years except 1970, a record crop year. Heavy rains in the Ukraine and the North Caucasus may be a problem for the approaching harvest of winter grains. The Soviet press reports that "in many areas cereal crops have been flattened by rains, and great skill and ability will be required from the machine operators to harvest them without any wastage."



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No Quick Recovery for Peru's Fishmeal Exports

Despite the return of excellent anchovy spawning conditions, Peru's fishmeal exports will be far below normal for at least another year. Lima officials report that the disruptive warm current has finally receded, water temperatures have returned to normal, and plankton levels are high. The 1973 anchovy catch will, however, not exceed 30% of normal, and fishmeal exports will be down sharply from last year's low levels. Full-scale operations are not expected to resume until late next year.

Because anchovy schools have been severely depleted by two poor spawning years and overfishing in early 1972, the government probably will limit the catch to at most 3 million tons in 1973 and 7 million to 8 million tons in 1974. Fishmeal output is likely to drop this year to little more than one-half of the depressed 1972 level. Peruvian officials expect 1973 fishmeal exports to total only 300,000 tons - about one-fifth of deliveries in 1972, when sales commitments were partly met through stock drawdowns. Output should recover to about three-fourths of normal in 1974, with much of the increase occurring late in the year because fish spawned in the upcoming season will require nearly 12 months to mature.

Peru normally accounts for about 60% of world fishmeal exports, and its fishing problems have caused prices to jump from \$150 to more than \$500 per ton. Reduced fishmeal shipments in the face of rising world demand for high-protein animal feed have brought skyrocketing soybean prices and higher meat production costs. Although the anchovies' return eventually will help ease this pressure, substantial price relief in the interim depends mainly on the US soybean harvest this fall.

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World Rice Supplies at Low Ebb

Thailand's Premier this week banned further export commitments for rice until at least August, a move that will increase world rice prices -- already at record levels. World stocks have dwindled, and only sporadic sales have been registered in recent months.

- Thailand had already ceased quoting prices for high-quality white rice (5% broken) in early March, when its quoted price was \$205 per ton, compared with \$131 a year earlier, and export volume was sharply reduced. Subsequently, on 23 April it offered low-quality rice (25% broken) at more than double last year's price.
- In early June the US Government had received bids for only 14,000 tons of a total of 25,000 tons that it had offered to buy in April at a maximum price of \$297 per ton for shipment to South Vietnam.
- A number of rice-consuming countries are looking unsuccessfully in the world market for rice to import on an emergency basis.
- The US harvest -- normally the earliest fall harvest of any country -- is being delayed and trimmed down by heavy rains. Rice acreage allotments for 1973 were increased by 20%, and the total harvest probably will exceed last year's by about 12%. Nonetheless, the late harvest and lack of carryover stocks will hold down exports during the remainder of 1973. For 1973 as a whole, US rice exports are expected to fall below last year's 2 million tons.

World rice exports in 1973 are now estimated at about 6½ million tons, compared with 8 million tons in 1972. The decline is traceable principally to last year's deficient monsoon rainfall and the subsequent poor rice harvests in Thailand, Burma, and other exporting countries. Rice importing countries are turning increasingly to wheat and coarse grains as substitutes, further aggravating the rising price trends for those commodities.
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Publication of Interest

East Asia's Textile Exports: A Year Under New Restraints
(CIA ER IM 73-47, June 73,)

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Textile restraints negotiated in late 1971 with East Asian countries have successfully limited shipments to the United States. US import volume from East Asia fell by 10% in 1972, but import value continued to rise because of product upgrading and price increases. Despite the restraint program, the East Asian textile industries prospered by diversifying export markets and charging higher prices. Further penetration of non-US markets probably will be hampered by proliferating restraints.

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COMPARATIVE INDICATORS

DOMESTIC ECONOMIC ACTIVITY

EXTERNAL ECONOMIC ACTIVITY

GNP ^a (At Constant Market Prices)*	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
	Quarter	1970-100		(Previous Quarter)	
United States	73 I	114.6	7.9	7.9	X
Japan	73 I	126.7	14.9	15.2	
West Germany	72 IV	107.1	4.7	7.1	
France	72 IV	113.0	4.3	7.4	
United Kingdom	73 I	107.7	7.1	6.2	
Italy	72 IV	107.5	2.7	6.6	
Canada	73 I	117.4	5.9	11.6	

IMPORT PRICES (National Currency)	Latest Data	Index or Amount	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	Mar 73	119.7	7.8	10.5	-1.8
Japan	Apr 73	105.8	11.7	-4.1	-7.6
West Germany	Apr 73	111.8	13.8	11.4	23.6
France	Dec 72	112.0	0.2	17.0	151.9
United Kingdom	Apr 73	131.3	22.9	36.9	32.6
Italy	Dec 72	114.0	4.9	11.5	11.2
Canada	Dec 72	106.8	4.4	6.6	15.8

INDUSTRIAL PRODUCTION*	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	Apr 73	116.7	9.8	12.6	13.6
Japan	Apr 73	126.0	18.1	11.2	1.0
West Germany	Mar 73	111.8	7.3	9.6	-23.5
France	Apr 73	119.4	7.9	-6.0	-26.7
United Kingdom	Mar 73	109.7	8.2	12.9	16.2
Italy	Jan 73	101.0	0	-14.4	-37.3
Canada	Feb 73	119.0	10.2	13.7	26.1

EXPORT PRICES (National Currency)	Latest Data	Index or Amount	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	Apr 73	116.5	10.0	19.0	17.3
Japan	Apr 73	101.3	3.9	7.4	18.2
West Germany	Apr 73	113.5	7.0	11.0	9.5
France	Dec 72	110.9	0.5	18.5	74.0
United Kingdom	Apr 73	125.9	9.6	15.4	23.7
Italy	Dec 72	108.0	0.9	3.8	0
Canada	Dec 72	105.1	5.1	10.3	12.6

RETAIL SALES*	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	May 73	137.2	11.8	14.7	19.0
Japan	Jan 73	131.3	18.4	35.9	57.8
West Germany	Mar 73	126.7	5.9	14.2	-50.6
France	Feb 73	114.0	7.0	18.8	67.6
United Kingdom	Feb 73	112.3	9.7	12.3	25.4
Italy	Jan 73	122.0	11.9	3.3	-64.5
Canada	Dec 72	124.4	9.7	9.9	-6.5

OFFICIAL RESERVES	End of	Billion US \$			
		1972	1973	1974	1975
United States	Apr 73	14.4	-2.8	-6.6	0.5
Japan	May 73	15.9	-1.0	-52.7	-50.8
West Germany	Apr 73	32.0	61.6	263.4	49.2
France	May 73	11.0	29.2	12.3	-44.2
United Kingdom	May 73	6.7	-14.8	68.1	219.0
Italy	Apr 73	6.4	-2.6	52.9	34.5
Canada	May 73	6.0	-1.6	-6.6	8.9

WHOLESALE PRICES	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	May 73	114.4	7.0	15.7	14.4
Japan	May 73	111.2	12.4	14.1	11.4
West Germany	Apr 73	113.5	6.0	9.4	7.1
France	Mar 73	116.4	11.0	16.2	16.8
United Kingdom	May 73	118.2	5.3	0	12.7
Italy	Mar 73	120.3	13.7	32.6	21.1
Canada	Mar 73	118.9	12.3	27.3	31.1

TRADE BALANCE*	Latest Data	Index	Cumulative Balance (Million US \$)		
			1972	1973	
		1970-100			
United States (f.o.b./f.o.b.)	Apr 73	196	Jan-Apr	-637	-2,250
Japan (f.o.b./f.o.b.)	Apr 73	415	Jan-Apr	2,164	2,961
West Germany (f.o.b./c.i.f.)	Apr 73	1,008	Jan-Apr	3,121	2,051
France (f.o.b./f.o.b.)	Apr 73	254	Jan-Apr	533	294
United Kingdom (f.o.b./f.o.b.)	Apr 73	-111	Jan-Apr	-917	-434
Italy (f.o.b./c.i.f.)	Apr 73	-420	Jan-Apr	-1,401	-70
Canada (f.o.b./f.o.b.)	Apr 73	236	Jan-Apr	569	292

CONSUMER PRICES	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	Apr 73	112.4	5.1	9.7	8.6
Japan	Apr 73	120.7	9.4	23.4	25.3
West Germany	May 73	118.7	7.8	8.3	16.9
France	Apr 73	117.2	6.7	6.0	8.6
United Kingdom	Apr 73	126.0	9.2	13.2	25.4
Italy	Apr 73	120.0	10.4	13.7	12.8
Canada	May 73	114.4	7.3	8.8	9.3

EXCHANGE RATES (Spot Rate)	As of	US \$ Per Unit			Percent Change From		
		18 Dec 71	19 Mar 73	1 Jun 73	18 Dec 71	19 Mar 73	1 Jun 73
Japan (Yen)	8 Jun 1973	-0.0038	16.45	-0.58	0.08		
West Germany (Deutsch-Mark)		-3.814	22.91	7.71	2.01		
France (Franc)		-2.333	18.48	5.85	0.91		
United Kingdom (Pound Sterling)		2.5745	-1.19	4.61	0.10		
Italy (Lira)		-0.017	-3.37	-6.10	-3.76		
Canada (Dollar)		1.0016	0.38	0.39	-0.15		

MONEY SUPPLY*	Latest Data	Index	Percent Change at Annual Rate From Period		
			12 Months Earlier	3 Months Earlier	1 Month Earlier
		1970-100			
United States	May 73	123.9	6.7	5.6	12.3
Japan	Feb 73	156.5	26.4	30.6	50.0
West Germany	Mar 73	139.5	15.5	31.0	15.8
France	Mar 73	138.4	9.9	-3.4	10.0
United Kingdom	Apr 73	138.5	15.1	19.3	29.0
Italy	Nov 72	155.3	10.7	23.2	26.4
Canada	May 73	145.7	8.6	-0.1	-21.7

TRADE-WEIGHTED EXCHANGE RATES	As of	Percent Change From			
		Dec 66	18 Dec 71	19 Mar 73	1 Jun 73
United States	8 Jun 1973	-18.15	-8.67	-1.91	-0.30
Japan		24.38	10.38	-1.68	-0.19
West Germany		26.38	9.68	4.71	2.00
France		-8.25	4.87	2.43	0.59
United Kingdom		-26.26	-12.49	1.74	-0.46
Italy		-19.24	-18.06	-11.22	-4.84
Canada	4.58	-1.95	-0.29	-0.22	

*Seasonally adjusted

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