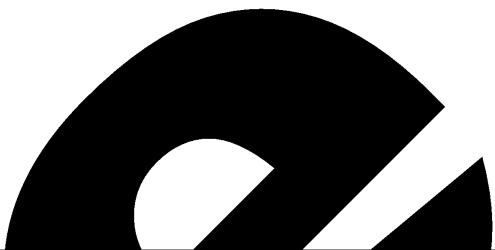


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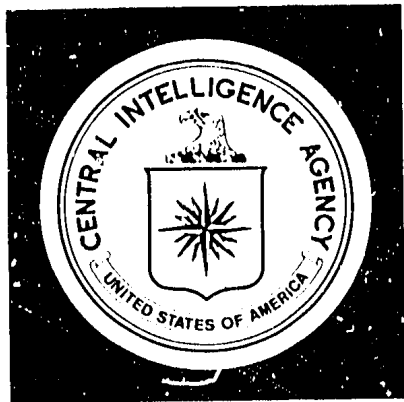
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# Economic Intelligence Weekly

State Dept. review  
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18 October 1973

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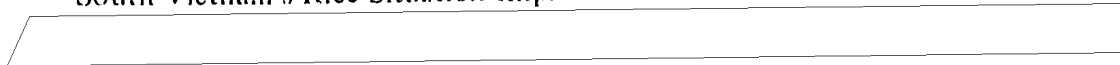
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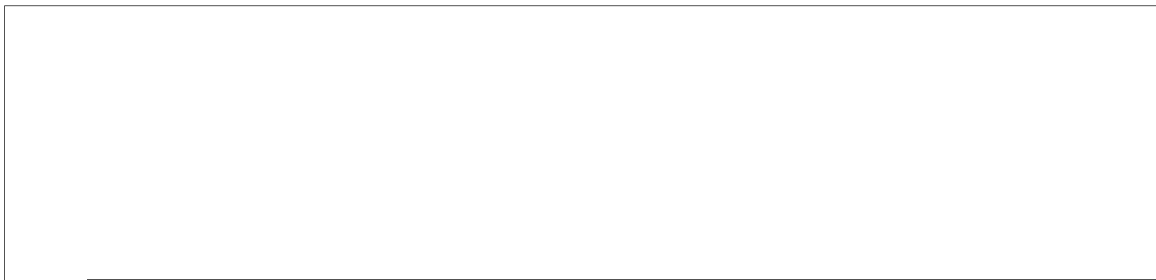
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Note: Comments and queries on the contents of this publication are welcomed.

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## ECONOMIC INTELLIGENCE WEEKLY

## Notes

**Venezuela's Ability to Raise Oil Output**

The Minister of Mines and Petroleum stated last week that Venezuela would not increase oil production even if shortages resulted from the Middle East crisis. Oil production already is close to capacity, and Caracas has established conservation standards that rule out much expansion of current output. Another Venezuelan, however, told a US official that the government might relax its restrictions temporarily if, for example, the oil companies agreed to increase investment in secondary recovery facilities. He indicated that production might be raised as much as 200,000 b/d, or 6%.

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**Multilateral Trade Negotiations Set to Begin**

The Nixon Round of multilateral trade negotiations will get under way on 24 October, when the GATT's Trade Negotiations Committee (TNC) meets in Geneva. Since neither the United States nor the European Community has a negotiating mandate, the first TNC meeting will be concerned only with procedural matters. Among these will be the question of forming a separate TNC subcommittee for agriculture. The United States opposes the move because it does not want agricultural trade to be considered separately from industrial trade. Concerned about potential erosion of the Common Agricultural Policy, the Community -- particularly France -- will insist on such a subcommittee.

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**South Vietnam's Rice Situation Improves**

Unusually high increases in rice shipments from the Delta have eased fears of a severe crisis later this year. It now appears that during September, about 65,000 tons of rice moved out of the Delta into government stocks, nearly double the historical average for that month. If delivery rates from the Delta during October-December are maintained at normal levels, government stocks will probably be sufficient to avert a rice crisis during the next several months.

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18 October 1973

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Estimated World Oil Trade a/, 1973

		Thousand Barrels Per Day															
	Total Consumption	Domestic Production	Total Imports	Total Arab	Gulf Arabia	NW Arab	Kuwait	Iran	Libya	Algeria	Other Arab	Iran	Venezuela	Indonesia	Ceylon	Nigeria	Others
United States	17,300	10,900	6,300	1,400	600	150	150	50	350	150	150	400	2,000	250	1,100	550	400
% of Consumption	100	63.0	36.4	9.2	3.5	0.9	0.9	0.3	2	0.9	0.9	2.3	11.6	1.4	6.4	3.2	2.3
Western Europe	15,500	400	16,000 <sup>b</sup>	11,300	4,350	600	1,750	1,300	1,700	750	850	1,900	500	Negl.	0	1,250	1,050
% of Consumption	100	2.6	103	72.9	28.1	3.9	11.3	8.4	11.0	4.8	5.5	12.3	3.2	Negl.	0	8.1	6.8
Japan	5,400	Negl.	5,400	2,300	1,250	500	650	50	Negl.	0	50	2,050	Negl.	900	0	Negl.	150
% of Consumption	100	Negl.	100	42.6	23.2	5.6	12.0	0.9	Negl.	0	0.9	38.0	Negl.	16.7	0	Negl.	2.8
Canada	1,750	1,850	900	150	50	50	Negl.	Negl.	50	0	Negl.	150	450	0	0	100	50
% of Consumption	100	106	51.4	8.6	2.9	2.9	Negl.	Negl.	2.9	0	Negl.	8.6	25.7	0	0	5.7	2.9
Sub-Total	39,950	13,150	26,600	15,300	6,250	1,100	2,550	1,400	2,100	900	1,050	4,500	2,350	1,150	1,100	1,800	1,650
% of Consumption	100	32.9	71.6	38.1	15.6	2.8	6.4	3.5	5.3	2.2	2.6	11.3	7.4	2.9	2.8	4.6	4.1
Communist Area	9,850	9,300	500	400	Negl.	Negl.	0	200	100	50	50	100	0	0	0	0	0
% of Consumption	100	94.4	5.1	4.1	Negl.	Negl.	0	2.0	1.0	0.5	0.5	1.0	0	0	0	0	0
Others	7,200	34,550	4,900	2,850	1,750	50	550	300	0	150	50	1,100	450	100	0	100	300
% of Consumption	100	480	68.1	39.6	24.3	0.7	7.6	4.2	0	2.1	0.7	15.3	6.2	1.4	0	1.4	4.2
TOTAL	57,000	27,000 <sup>c</sup>	34,000	18,600	8,000	1,350	3,100	1,900	2,200	1,100	1,150	5,700	3,400	1,250	1,100	2,000	1,700
% of Consumption	100	100	59.6	32.6	14.0	2.0	5.4	3.3	3.9	1.9	2.0	10.0	6.0	2.2	1.9	3.5	3.4

a. Table allocates imports on direct and indirect basis, i.e., refined products from export refineries are traced to source of crude. The estimates are a yearly average for 1973 and therefore differ from point in time estimates. For example, US dependence on Arab oil has increased through the year and is nearly 2 million b/d in October.  
 b. Western Europe's oil imports exceed consumption because it exports substantial quantities of oil outside Europe.  
 c. Includes US production of natural gas liquids of 1.7 million b/d.



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## Articles

## Oil Deliveries and the War

[redacted] the Arab producing countries will reduce production not less than 5% a month until an Israeli withdrawal is completed and the "legal rights" of the Palestinians are restored. Such production cuts would have little immediate effect, but could cause considerable economic dislocation in Europe and Japan by mid-winter. The cutback is also likely to make it extremely difficult for the United States to import critically needed heating oil from European refineries.

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Arab production in September was about 20.5 million b/d. A simple 5% decline in exports on the September base would be about 1 million b/d per month. The monthly reduction would impact on the United States, Western Europe, Canada, and Japan as shown in the tabulation, assuming each were to be affected uniformly by 5% reductions in Arab source imports. This shortfall would not be felt for a few week because of stocks in consuming countries. However, after 6 months the drop in imports would be equivalent to about 20% of consumption in Western Europe, but only about 3% in the United States.

	Monthly Import Decline (b/d)	Percent of Consump- tion in the First Month
United States	80,000	0.5
Western Europe	565,000	3.6
Japan	115,000	2.1
Canada	7,500	0.4

The war has already interrupted some Middle Eastern oil shipments to Europe. All of the pipeline terminals in the eastern Mediterranean have been closed. The Syrian terminals have been damaged, and high insurance rates have made it unprofitable for most tankers to load in Lebanon and Israel, although a few French tankers are still loading at the Tripoli, Lebanon, terminal. Closure of these ports has cut off delivery of some 2 million b/d, equal to 13% of Western Europe's oil consumption. Most of this oil has been going to France, Italy, Spain, and Austria. Although liftings of Libyan oil have increased moderately since the beginning of the war, Tripoli is imposing some restrictions on its destination. For example, tankers headed for Greece have been refused oil on the assumption that it could serve to fuel the US Sixth Fleet.

Western Europe continues to receive normal deliveries of 950,000 b/d from the USSR and Eastern Europe. For various reasons, deliveries to the Communist countries from the Middle East and North Africa gradually have fallen to about three-fifths of the 580,000 b/d planned for 1973. This reduction may force some diversion of Soviet shipments from Western to Eastern Europe. Sweden, Italy, and West Germany would be most affected.

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**Persian Gulf Oil Producers Demand 70% Hike in Prices**

The Persian Gulf members of the Organization of Petroleum Exporting Countries (OPEC) have presented Western oil companies with a "take it or leave it" demand for a 70% increase in posted prices for crude oil. Negotiations between OPEC and Western oil companies on the price issue became deadlocked last week when the producers asked for a 100% increase and the companies offered 15%. The companies have little leverage in the current sellers' market and will be hard put to resist the demand. OPEC's position has been strengthened by the crisis atmosphere of the current Arab-Israeli hostilities.

OPEC is demanding an increase in the posted price of the average Persian Gulf crude oil from about \$3 per barrel to more than \$5. This jump would raise the oil companies' taxes from about \$1.75 per barrel to \$3.05. As a result, the landed cost of Persian Gulf crude oil in the United States would rise by some 35%.

The Persian Gulf countries, which account for about two-thirds of world oil exports, would increase their revenues by about \$10 billion next year if the demand is achieved. Since other OPEC members are certain to raise their prices to reflect the Persian Gulf increase, the worldwide revenue increase would be about \$15 billion. Skyrocketing oil revenues would accelerate the foreign asset accumulation problems of several Persian Gulf countries. The 1974 oil revenues of Saudi Arabia, Abu Dhabi, Qatar, and Kuwait -- all of which have limited capital absorptive capacities -- would approach the amounts recently being estimated for 1980.

The oil import bills of the United States, Western Europe, and Japan would bear the brunt of the increase. The increased cost in 1974 probably would be about \$3 billion for the United States, nearly \$8 billion for Western Europe, and almost \$3 billion for Japan. Some of the increase, however, would return to the industrialized countries through sales of goods and services and company profit repatriations.

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### USSR Likely to Resume Sugar Exports Next Year

Favorable weather and improved incentives for Soviet beet growers are expected to bring the largest harvest since 1968. The harvest may yield 90 million tons, up almost 20% from 1972. The refined sugar from the crop should amount to a record 9.6 million tons to 9.7 million tons when processing is completed in late winter. The Soviets probably will be able to market some sugar abroad and also rebuild stocks drawn down during the several years of poor harvests.

The USSR traditionally has bought raw cane sugar from Cuba and sold refined sugar. Poor crops in recent years in both the USSR and Cuba forced the Soviets to reduce sugar exports from about one million tons annually in 1970-71 to negligible amounts in 1972-73. At the same time the USSR had to purchase sugar on the free market, for delivery in 1972-73, at an estimated cost of more than \$200 million. These purchases contributed to the sharp increase in the world price from an average of 4-1/2¢ per pound in 1971 to its current level of almost 10¢ per pound.

The sugar from this fall's beet crop will almost cover domestic need of somewhat more than 10 million tons in the 1973/74 consumption year. Moscow will also have available an estimated 1-1/2 million tons of sugar refined from Cuban cane. It, therefore, should have about one million tons of refined sugar for export and stock replenishment. Although Soviet exports would exert downward pressure on the world price, it probably will remain high enough to make sales attractive.

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## DOMESTIC ECONOMIC INDICATORS

### GNP\*

Constant Market Prices

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier**
	Latest Quarter	Month			
United States	73 II	0.8	5.1	0.3	2.3
Japan	73 II	1.4	9.1	13.0	5.9
West Germany	73 II	-2.3	3.0	0.2	-8.8
France	73 I	3.3	6.1	5.1	13.8
United Kingdom	73 II	0.7	4.6	9.5	2.7
Italy	73 I	0.8	3.1	5.2	3.4
Canada	73 II	0.9	6.1	6.8	3.7

### WHOLESALE PRICES

Industrial

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier
	Latest Month	Month			
United States	Sep 73	0.5	4.9	7.9	3.8
Japan	Sep 73	1.8	5.7	18.7	26.0
West Germany	Sep 73	-0.1	4.7	6.0	1.0
France	Aug 73	1.0	7.1	16.2	20.5
United Kingdom	Sep 73	1.1	7.3	7.0	13.5
Italy	Jun 73	2.3	7.5	16.2	23.2
Canada	Jul 73	2.9	8.3	19.2	25.5

### INDUSTRIAL PRODUCTION\*

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier**
	Latest Month	Month			
United States	Aug 73	0.4	6.0	13.0	9.4
Japan	Aug 73	1.1	8.9	17.2	8.4
West Germany	Jul 73	-4.5	2.2	5.0	-3.7
France	Aug 73	0	7.7	10.4	9.9
United Kingdom	Aug 73	0.7	3.7	8.2	0
Italy	Jun 73	-1.0	2.9	10.2	20.5
Canada	Jul 73	0.1	6.9	10.7	7.1

### CONSUMER PRICES

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier
	Latest Month	Month			
United States	Aug 73	1.8	4.9	7.5	11.4
Japan	Jul 73	0.7	7.3	11.9	11.0
West Germany	Aug 73	-0.1	5.8	7.2	2.5
France	Aug 73	0.7	6.3	7.6	9.4
United Kingdom	Aug 73	0.3	8.4	8.9	5.0
Italy	Jul 73	0.6	7.2	11.8	12.6
Canada	Sep 73	0.8	5.5	8.5	11.7

### RETAIL SALES\*

Current Prices

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier**
	Latest Month	Month			
United States	Sep 73	-0.9	10.5	10.7	9.5
Japan	Jun 73	2.1	12.5	22.6	14.3
West Germany	Aug 73	4.2	9.0	4.2	1.2
France	Jun 73	3.4	6.4	7.2	5.5
United Kingdom	Jul 73	2.2	11.2	12.2	0
Italy	Feb 73	9.0	11.5	18.8	14.6
Canada	Jul 73	3.4	11.3	13.7	1.5

### MONEY SUPPLY\*

	Average Annual Growth Rate Since				
	Percent Change from Previous		1970	1 Year Earlier	3 Months Earlier
	Latest Month	Month			
United States	Sep 73	-0.3	7.2	5.3	5.5
Japan	Jul 73	-0.6	17.9	32.4	12.7
West Germany	Jul 73	-1.7	9.6	4.8	-13.9
France	Apr 73	2.6	13.3	14.1	2.6
United Kingdom	Jul 73	2.3	12.2	13.0	13.6
Italy	Apr 73	2.8	20.4	19.1	13.7
Canada	Aug 73	1.5	13.9	15.5	14.6

### MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest				
		Latest Date		1 Year Earlier	3 Months Earlier	1 Month Earlier
		Oct 12	8.25			
United States	Primo finance paper	Oct 12	8.25	5.13	8.13	9.00
Japan	Call money	Oct 5	8.75	4.25	7.25	8.50
West Germany	Interbank loans (3 Months)	Oct 12	14.50	8.88	14.25	14.25
France	Call money	Oct 12	11.13	5.00	8.63	9.12
United Kingdom	Local authority deposits	Oct 12	14.44	4.88	6.38	13.63
Canada	Finance paper	Oct 12	8.75	5.25	7.50	8.83
Euro-Dollars	Three-month deposits	Oct 12	10.25	8.08	9.75	11.44

\*Seasonally adjusted.  
\*\*Average for latest 3 months compared with average for previous 3 months.

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## EXTERNAL ECONOMIC INDICATORS

### EXPORTS\*

f.o.b.

	Latest Month		Cumulative		Percent Change
	Million US \$		Million US \$		
	1973	1972	1973	1972	
United States	Aug 73	6,004	44,162	31,692	39.3
Japan	Sep 73	3,126	25,758	20,185	27.6
West Germany	Aug 73	6,684	42,602	30,186	41.2
France	Sep 73	3,241	26,742	19,205	39.2
United Kingdom	Sep 73	2,584	21,226	16,736	26.8
Italy	Jun 73	1,937	9,479	8,868	6.9
Canada	Jul 73	2,075	13,918	11,252	23.7

### EXPORT PRICES

US\$

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1 Year Earlier	3 Months Earlier	
	Month	Month	1970	1970	
United States	Aug 73	3.9	8.4	27.5	35.7
Japan	Jul 73	4.3	12.8	23.6	40.0
West Germany	Jul 73	12.1	17.1	34.7	117.8
France	Jun 73	9.2	15.5	33.7	51.5
United Kingdom	Aug 73	0.6	10.5	12.3	11.5
Italy	Apr 73	0.9	8.2	9.8	24.7
Canada	Jun 73	-0.6	5.5	10.4	11.8

### IMPORTS\*

f.o.b.

	Latest Month		Cumulative		Percent Change
	Million US \$		Million US \$		
	1973	1972	1973	1972	
United States	Aug 73	6,020	44,881	36,074	24.4
Japan	Sep 73	2,725	22,154	13,523	63.8
West Germany	Aug 73	4,794	32,810	24,626	33.2
France	Sep 73	3,001	25,690	18,436	39.3
United Kingdom	Sep 73	3,018	24,429	17,941	36.2
Italy	Jun 73	2,212	10,720	8,092	32.5
Canada	Jul 73	1,949	12,977	10,616	22.2

### EXPORT PRICES

National Currency

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1 Year Earlier	3 Months Earlier	
	Month	Month	1970	1970	
United States	Aug 73	3.9	8.4	27.5	35.7
Japan	Jul 73	4.2	2.2	8.5	38.1
West Germany	Jul 73	3.1	1.6	0.7	5.7
France	Jun 73	3.8	5.6	13.1	14.6
United Kingdom	Aug 73	2.0	9.2	10.8	18.6
Italy	Apr 73	2.6	5.7	10.4	28.0
Canada	Jun 73	-0.5	4.2	12.0	11.8

### TRADE BALANCE\*

f.o.b./f.o.b.

	Latest Month		Cumulative (Million US \$)		Change
	Million US \$		Million US \$		
	1973	1972	1973	1972	
United States	Aug 73	-16	-719	-4,382	3,663
Japan	Sep 73	402	3,604	6,661	-3,057
West Germany	Aug 73	1,890	9,792	5,540	4,252
France	Sep 73	240	1,052	769	284
United Kingdom	Sep 73	-434	-3,204	-1,203	-2,001
Italy	Jun 73	-275	-1,241	776	-2,017
Canada	Jul 73	126	941	635	305

### IMPORT PRICES

National Currency

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1 Year Earlier	3 Months Earlier	
	Month	Month	1970	1970	
United States	Aug 73	2.1	10.6	20.6	19.2
Japan	Jul 73	1.9	0.6	8.0	12.3
West Germany	Jul 73	-1.9	-0.5	2.0	-9.2
France	Jun 73	0.6	3.1	5.6	7.3
United Kingdom	Aug 73	4.9	13.3	34.1	42.6
Italy	Apr 73	3.3	8.5	16.7	49.2
Canada	Jun 73	1.1	4.8	10.6	13.4

### BASIC BALANCE\*\*

Current and Long-Term-Capital Transactions

	Latest Period		Cumulative (Million US \$)		Change
	Million US \$		Million US \$		
	1973	1972	1973	1972	
United States*	73 II	-800	-1,700	-5,700	4,000
Japan	Aug 73	-770	-5,926	1,257	-7,183
West Germany	Jul 73	136	1,605	3,593	-1,988
France	73 I	-576	-576	-524	-52
United Kingdom	73 I	-995	-995	-446	-549
Italy	72 IV	800	N.A.	2,983	N.A.
Canada	73 I	-272	-272	-117	-155

### EXCHANGE RATES

As of 12 Oct 73

	Spot Rate	Percent Change from			
		US \$		Per Unit	
		Dec 66	18 Dec 1971	19 Mar 1973	5 Oct 1973
Japan (Yen)	0.0038	36.03	15.58	-1.31	-0.13
West Germany (Deutsche Mark)	0.4163	65.59	34.16	17.57	0.46
France (Franc)	0.2372	17.48	20.47	7.62	0.68
United Kingdom (Pound Sterling)	2.4263	-13.05	-6.88	1.41	0.55
Italy (Lira)	3.0018	10.56	2.91	0	0
Canada (Dollar)	0.9970	2.09	-0.08	-0.07	0.40

### OFFICIAL RESERVES

	Latest Month		Billion US \$		1 Year Earlier	3 Months Earlier
	Billion US \$		Billion US \$			
	End of	Jun 1970	1971	1970		
United States	Aug 73	14.0	16.3	13.1	14.0	
Japan	Sep 73	14.8	4.1	16.5	15.2	
West Germany	Aug 73	37.9	8.8	24.6	32.2	
France	Aug 73	9.9	4.4	10.0	10.3	
United Kingdom	Sep 73	6.8	2.8	6.1	7.0	
Italy	Jun 73	6.0	4.7	6.4	6.3	
Canada	Sep 73	5.5	4.3	6.2	6.0	

### TRADE-WEIGHTED EXCHANGE RATES\*\*\*

As of 12 Oct 73

	Percent Change from			
	US \$		Per Unit	
	Dec 66	18 Dec 1971	19 Mar 1973	5 Oct 1973
United States	-19.40	-9.83	-3.04	-0.31
Japan	22.40	8.41	-3.64	-0.26
West Germany	32.20	15.11	10.06	0.09
France	-11.58	1.65	-0.78	0.28
United Kingdom	-36.08	-21.77	-7.31	0.31
Italy	-16.99	-15.78	-8.94	-0.42
Canada	4.05	-2.49	-0.83	0.33

\*Seasonally adjusted.

\*\*Converted into US dollars at current market rates of exchange.

12 Oct 73

\*\*\*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.