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Economic Intelligence Weekly

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ECONOMIC INTELLIGENCE WEEKLY

Notes

Arab Dollars in the United States

Arab financial assets in the United States have increased since the outbreak of the Middle East war. Rumors of a large dollar outflow probably stem from current transfers of dollars from US banks to Europe for redeposit and conversion. These transfers reflect normal commercial activity, mainly by Saudi Arabia. [REDACTED]

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Major US Plant Sales to China

As of 1 November, China had purchased eight ammonia plants, worth \$205 million, from the United States. These sales make this country the third largest supplier of complete factories to China this year, following Japan with sales of \$442 million and France with \$390 million. [REDACTED]

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Westinghouse-Soviet Bid on US Hydroelectric Project Still Alive

Westinghouse and Soviet officials are escorting Rock Island Dam representatives on a tour of a Leningrad turbine plant and several Soviet hydroelectric powerplants, hoping to convince the project officials that the USSR can produce and deliver quality turbines. All bids on the project, located on the Columbia River, were canceled recently, including those submitted by Westinghouse and Energomashekspart. The low price of the Soviet turbines accounted for the difference of almost 25% between the Westinghouse-Soviet bid of \$36.1 million and the next lowest bid, submitted by Allis-Chalmers. Project officials apparently are concerned with the ability and willingness of the Soviets to meet delivery dates. Bidding will be reopened today. [REDACTED]

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Peru Extends Ban on Anchovy Fishing

Peru has extended the ban on anchovy fishing until next April and has suspended new sales of fishmeal and fish oil. Thus, world shortages of high protein animal feed and a strong demand for US soybeans will continue. No more than 30% of pre-October export commitments will be honored from Peru's already small stocks. [REDACTED]

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Multilateral Trade Negotiations Still Stalled

France continues to rebuff attempts by other member states and the EC Commission to compromise with Washington over the treatment of agriculture in negotiations. As a result, the EC Commission will ask that the tentatively scheduled 19 November meeting of the Trade Negotiating Committee be postponed. The French have privately indicated a willingness to participate in US-EC-Japanese discussions to end the impasse but insist that the problem of agricultural trade be discussed apart from other topics. EC Commission Vice President Soames, however, is opposed to an early tripartite meeting because of deep division within the EC itself. He believes that more time is necessary to resolve intra-EC differences, and feels that, in any case, postponement of US trade legislation makes early movement less urgent.

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Articles

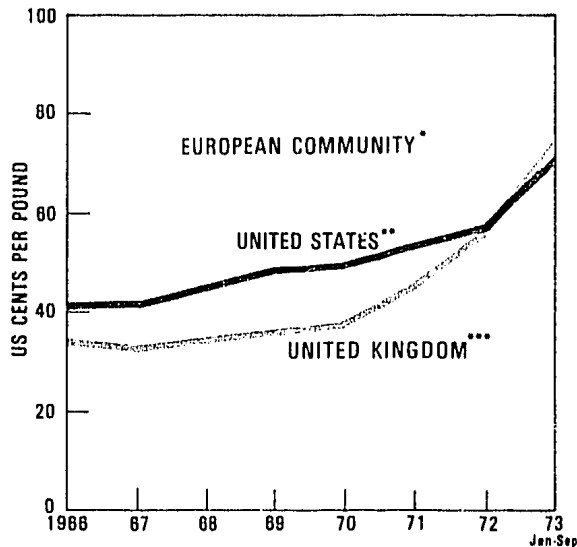
World Beef Outlook*

Sharply higher beef output primarily in the United States, Latin America, Australia, and New Zealand can be expected over the next few years. An unprecedented rise in beef prices has led to a large, worldwide increase in cattle herds. From 1970 through September 1973, wholesale beef prices increased nearly 100% in the United Kingdom, 60% in the EC of Six, and about 45% in the United States. US output could rise by as much as 30% during 1974-76 without cutting into herd size, and output in Australia and New Zealand could jump by 50%.

Demand for beef, buoyed by sharply rising incomes in major consuming areas, is expected to continue to grow rapidly but not as fast as production. The result should be a softening of world beef prices over the next two years. The extent of the fall in beef prices will depend largely on supplies of animal feed.

A sharp increase in US beef output would contribute to a favorable shift in the US trade balance in beef over the next few years. European protectionist policies will hinder US exports in that area, but shipments of high-grade beef to Japan should increase rapidly.

WHOLESALE BEEF PRICES IN IMPORTING COUNTRIES



*Choice bullocks and heifers of Belgium, Netherlands, West Germany, Italy, and France. Weighted average based on country consumption of beef.
 **Dressed choice steer beef, carcass lot basis, New York.
 ***Bullocks and heifers, Liverpool, roughly equivalent to good.

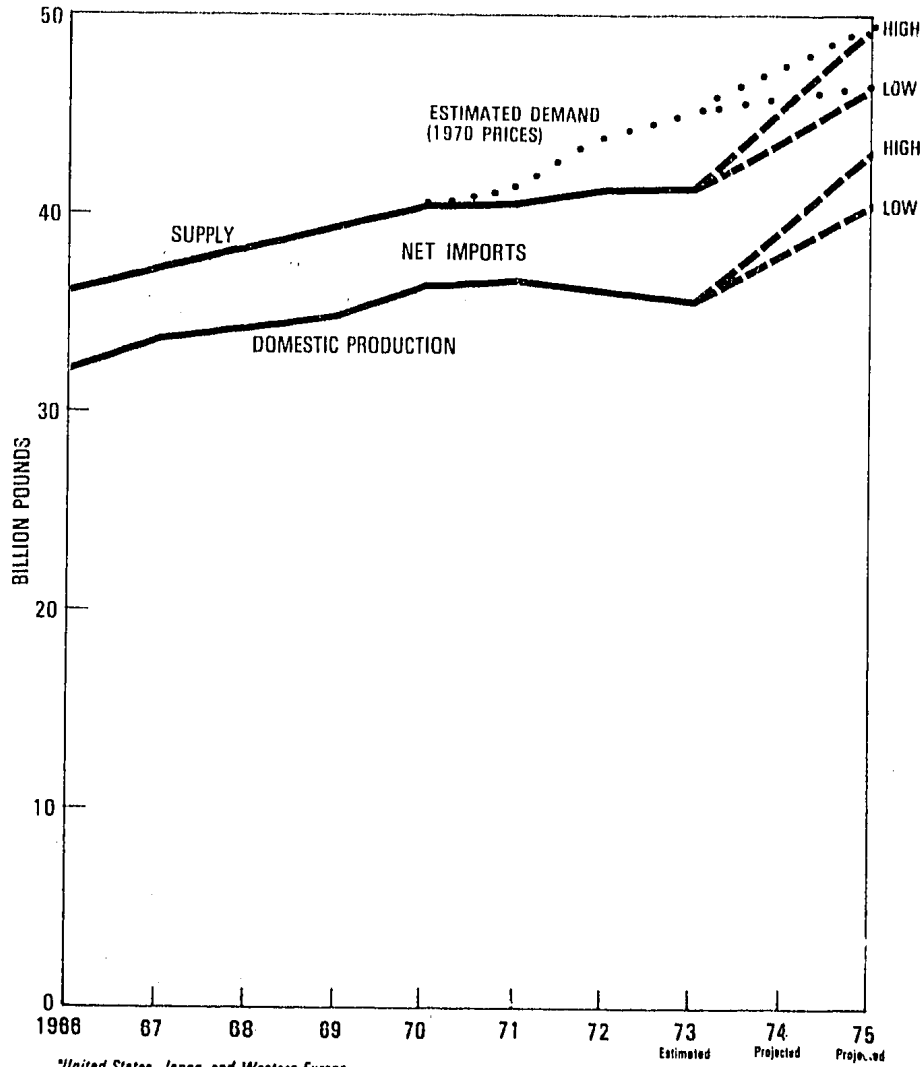
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TOTAL BEEF DEMAND AND SUPPLY OF MAJOR CONSUMERS*



*United States, Japan, and Western Europe.

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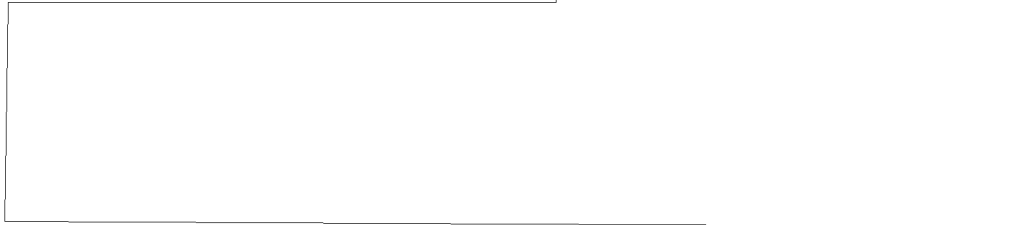
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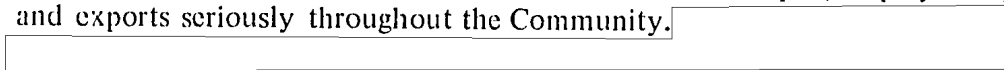
Increased Arab Oil Dependence Restricts EC Options

The Vice President of the EC Commission has stated that no joint policy on oil-sharing is in prospect, despite the difficulties caused by the Arab embargo against the Netherlands.



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During the Suez crisis, and to a lesser extent in 1967, Europe could count on spare crude capacity in the United States and the Caribbean to assist them. This time not only is there little or no non-Arab spare capacity, but the EC faces the prospect of competition with the United States and other nations for its non-Arab supplies. If the Arab states, which now provide some 42% of the EC's energy supply, continue their progressive cutback policy, EC supplies of Arab oil by next March probably will be at least 40% below levels planned on by the Community. Total EC oil supplies will be lowered by about 28% and total energy supplies by at least 17%. If fairly drastic conservation measures are taken and stocks are drawn down, however, most EC members will be able to get through the winter without major dislocations. After that, even though peak winter fuel demand will subside, the impact on industry will affect output, employment, and exports seriously throughout the Community.



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Sources of EC Energy

	Percent		
	1957	1967	1972
Domestic	79.0	48.4	37.2
Coal	74.6	38.8	21.0
Natural gas	1.3	3.2	10.7
Crude oil	1.8	2.1	1.3
Hydro/nuclear	1.3	4.3	4.2
Imported	21.0	51.6	62.8
Coal	0.4	2.7	2.2
Crude oil			
Arab oil	13.8	34.8	42.1
Other	6.8	14.1	18.5

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Energy Sources of EC Countries, 1972

	Percent					
	Ireland	United Kingdom	West Germany	France	Benelux	Italy
Domestic	23	51	47	31	52	24
Coal ¹	21	38	34	14	10	2
Natural gas ¹	9	8	7	40	12
Crude oil	Negl.	3	1	2	1
Hydro/nuclear	2	4	2	9	Negl.	9
Imported	77	49	53	69	48	76
Coal	8	1	2	3	2	5
Crude oil						
Arab oil	50	33	36	51	29	49
Other	19	15	15	15	17	22

1. Including imports from other EC members.

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Short-Term Outlook for Arab Oil Revenues

Arab oil revenues will reach a record \$4.3 billion in the first quarter of 1974, even if the proposed production cutbacks of 5% each month continue. While output during the first 3 months of 1974 will be only two-thirds that of the comparable 1973 period, revenues will be up \$1.8 billion, or some 70% greater than last year.

The several price increases during the year more than doubled government revenues per barrel in most cases. The October price increases alone will easily compensate for lost production. Arab oil revenues for 1973 are expected to increase 54%, and oil exports will average 1 million b/d more than in 1972 - a 7% increase.

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Estimated Oil Revenues of Major Arab Producers

	Million US \$							
	Saudi Arabia	Kuwait	Qatar	Iraq ¹	Abu Dhabi	Algeria	Libya	Total
1972	3,107	1,657	255	575	551	700	1,598	8,443
1973 (est.)	5,480	1,940	420	860	990	980	2,340	13,010
1973 1st qtr.	1,030	420	90	180	200	180	430	2,530
1974 1st qtr. (est.)	1,600	640	120	520	500	300	860	4,340

1. Roughly 50% of Iraq's production from national oil fields is sold under barter agreements. These estimates exclude barter sales.

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New Foreign Loans for Chile

Chile's foreign exchange position has improved dramatically as a result of new foreign borrowing. US and Canadian banks recently issued loans totaling some \$171 million and have another \$75 million under consideration. Brazil and Argentina also have promised credits of \$442 million.

With debts of \$3.8 billion and food imports alone exceeding \$700 million for this year, Chile has been seeking assistance vigorously from all quarters. While a \$90 million standby credit from the IMF is considered a good possibility, European countries continue to balk at helping the new government.

The acquisition of the new credits and recent harsh measures to curb inflation will help bring Chile's economic problems under control. Several international financial organizations will be reviewing the situation and the junta's recovery and stabilization programs during the next two months. In January the Paris Club meets to consider renegotiating Chile's external debt. Meanwhile, Santiago is attempting to speed the recovery of agriculture and copper production in an effort to improve the balance-of-payments outlook by the end of next year.

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DOMESTIC ECONOMIC INDICATORS

GNP*

Constant Market Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Quarter	from Previous Quarter	1970	1 Year Earlier	Previous Quarter
	United States	73 III	0.9	5.0	5.7
Japan	73 II	1.4	9.1	13.0	5.9
West Germany	73 II	-2.3	3.8	0.2	-8.8
France	73 II	0.7	6.2	8.7	2.9
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	8.8	3.7

WHOLESALE PRICES

Industrial

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
	United States	Oct 73	1.2	5.1	9.1
Japan	Oct 73	2.0	6.1	20.3	26.3
West Germany	Sep 73	-0.1	4.7	0.6	1.0
France	Aug 73	1.0	7.1	16.2	20.5
United Kingdom	Sep 73	1.1	7.3	7.8	13.5
Italy	Aug 73	1.2	8.4	19.4	27.2
Canada	Sep 73	-0.7	10.0	24.8	45.0

INDUSTRIAL PRODUCTION*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
	United States	Sep 73	0.8	6.0	10.2
Japan	Sep 73	0.4	8.9	16.9	8.8
West Germany	Aug 73	5.9	4.0	8.5	-5.9
France	Aug 73	6	7.7	10.4	9.9
United Kingdom	Aug 73	0.7	3.7	8.2	0
Italy	Aug 73	2.0	3.8	13.5	25.3
Canada	Aug 73	-3.1	5.6	8.0	1.6

CONSUMER PRICES

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
	United States	Sep 73	0.3	4.9	7.4
Japan	Sep 73	2.9	8.2	14.6	19.5
West Germany	Sep 73	0.3	5.8	6.4	0.8
France	Sep 73	0.9	8.4	7.9	9.7
United Kingdom	Sep 73	0.9	8.4	9.3	8.6
Italy	Aug 73	0.6	7.2	11.7	8.5
Canada	Sep 73	0.8	5.5	8.5	11.7

RETAIL SALES*

Current Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
	United States	Oct 73	2.1	11.5	10.9
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	Aug 73	0.7	11.1	12.1	14.8
Italy	May 73	2.3	11.3	20.4	22.3
Canada	Sep 73	-0.3	10.6	13.6	5.8

MONEY SUPPLY*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
	United States	Oct 73	0.4	7.1	5.0
Japan	Aug 73	1.0	17.8	28.3	5.7
West Germany	Aug 73	-2.4	8.5	1.7	-12.7
France	Apr 73	2.6	13.3	14.1	2.6
United Kingdom	Sep 73	-2.1	10.8	8.5	9.9
Italy	Apr 73	2.8	20.4	19.1	13.7
Canada	Sep 73	0	13.5	14.4	13.0

MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest				
		Latest Date	1 Year Earlier	3 Months Earlier	1 Month Earlier	
		United States	Prime finance paper	9 Nov	7.75	5.13
Japan	Call money	2 Nov	8.75	4.38	7.50	8.75
West Germany	Interbank loans (3 Months)	9 Nov	14.00	8.12	14.75	14.50
France	Call money	2 Nov	11.25	6.75	8.75	11.13
United Kingdom	Local authority deposits	9 Nov	12.19	4.74	12.75	14.44
Canada	Finance paper	9 Nov	9.00	5.25	7.88	8.75
Euro-Dollars	Three-month deposits	9 Nov	9.19	5.75	11.56	10.25

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

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EXTERNAL ECONOMIC INDICATORS

EXPORTS*

	Latest Month	Cumulative			
		Million US \$		Percent Change	
		1973	1972		
United States	Sep 73	8,448	50,810	35,809	41.1
Japan	Sep 73	3,140	25,747	20,185	27.8
West Germany	Sep 73	8,208	48,889	34,034	43.6
France	Sep 73	3,241	26,742	19,205	39.2
United Kingdom	Sep 73	2,584	21,226	16,738	26.8
Italy	Aug 73	1,890	13,489	11,899	13.4
Canada	Aug 73	1,902	15,855	12,917	22.8

EXPORT PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
			United States	Sep 73	-0.9
Japan	Aug 73	2.8	12.9	24.8	38.3
West Germany	Aug 73	-2.7	15.6	32.3	70.2
France	Jun 73	9.2	15.5	33.7	51.5
United Kingdom	Sep 73	-1.8	9.6	12.8	-8.1
Italy	Jun 73	2.9	9.2	12.9	22.1
Canada	Jul 73	2.7	6.2	13.1	12.0

IMPORTS*

	Latest Month	Cumulative			
		Million US \$		Percent Change	
		1973	1972		
United States	Sep 73	5,575	50,458	40,679	24.0
Japan	Sep 73	2,781	22,250	13,523	64.5
West Germany	Sep 73	4,435	37,245	27,805	33.9
France	Sep 73	3,001	25,890	18,436	39.3
United Kingdom	Sep 73	3,018	24,429	17,941	36.2
Italy	Aug 73	2,317	15,074	10,996	37.1
Canada	Aug 73	1,514	14,882	12,203	22.0

EXPORT PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
			United States	Sep 73	-0.9
Japan	Aug 73	3.1	2.8	9.9	39.5
West Germany	Aug 73	-1.9	0.9	-0.8	-4.4
France	Jun 73	3.8	5.8	13.1	14.6
United Kingdom	Sep 73	0.5	9.1	12.8	15.5
Italy	Jun 73	2.5	6.6	13.1	28.9
Canada	Jul 73	2.8	5.1	14.8	11.8

TRADE BALANCE*

	Latest Month	Cumulative (Million US \$)			
		Million US \$		Change	
		1973	1972		
United States	Sep 73	873	154	-4,810	4,964
Japan	Sep 73	359	3,498	6,861	-3,165
West Germany	Sep 73	1,832	11,824	6,228	5,396
France	Sep 73	240	1,052	769	284
United Kingdom	Sep 73	-434	-3,204	-1,203	-2,001
Italy	Aug 73	-427	-1,584	903	-2,488
Canada	Aug 73	-12	974	714	260

IMPORT PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
			United States	Sep 73	-0.8
Japan	Aug 73	3.4	2.7	14.7	29.0
West Germany	Aug 73	1.1	-0.2	2.6	-9.1
France	Jun 73	0.6	3.1	5.6	7.3
United Kingdom	Sep 73	5.5	14.8	41.5	65.2
Italy	Jun 73	4.8	10.8	24.8	54.4
Canada	Jun 73	1.1	4.8	10.6	13.4

BASIC BALANCE**

	Latest Period	Cumulative (Million US \$)			
		Million US \$		Change	
		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	1,805	3,593	-1,988
France	73 II	17	-559	-202	-357
United Kingdom	73 II	-281	-1,348	-830	-717
Italy	72 IV	800	NA.	2,983	NA.
Canada	73 I	-272	-272	-117	-155

EXCHANGE RATES

	Spot Rate	Percent Change from				
		As of 9 Nov 73		18 Dec 1971	19 Mar 1973	2 Nov 1973
		US \$ Per Unit	Dec 66	1971	1973	1973
Japan (Yen)	0.0038	31.79	11.98	-4.79	-0.03	
West Germany (Deutsche Mark)	0.3885	54.53	25.20	9.71	-4.94	
France (Franc)	0.2290	13.42	16.30	3.90	-2.55	
United Kingdom (Pound Sterling)	2.4005	-13.98	-7.87	-2.46	-1.38	
Italy (Lira)	0.0017	6.75	-0.64	-3.45	-2.40	
Canada (Dollar)	1.0020	8.63	0.42	0.43	-0.24	

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		End of		1 Year Earlier	3 Months Earlier
		1973	Jun 1970	1972	1973
United States	Sep 73	14.0	16.3	13.2	14.0
Japan	Oct 73	14.0	4.1	17.8	15.2
West Germany	Aug 73	37.9	8.8	24.6	32.2
France	Sep 73	9.9	4.4	10.0	10.2
United Kingdom	Oct 73	8.8	2.8	5.9	6.6
Italy	Sep 73	6.5	4.7	6.4	6.0
Canada	Oct 73	5.8	4.3	6.2	5.8

TRADE-WEIGHTED EXCHANGE RATES***

	As of 9 Nov 73	Percent Change from				
		Dec 66		18 Dec 1971	19 Mar 1973	2 Nov 1973
		United States	Dec 66	1971	1973	1973
United States	-17.22	-7.79	-1.07	1.27		
Japan	19.87	6.00	-5.97	0.85		
West Germany	28.12	11.28	6.28	-2.81		
France	-10.91	2.26	-0.17	0.39		
United Kingdom	-34.28	-20.15	-5.78	0.50		
Italy	-16.49	-15.31	-8.49	0.44		
Canada	5.25	-1.31	0.33	0.17		

*Seasonally adjusted.

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

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***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.