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Economic Intelligence Weekly

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Comparative Indicators

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Recent Data Concerning Domestic and External Economic Activity	A1
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The oil situation is now being covered mainly in International Oil Developments, published each Friday morning.

Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs.

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ECONOMIC INTELLIGENCE WEEKLY

Articles

BAUXITE EXPORTERS GET SET TO COOPERATE

Six major bauxite-exporting countries plan to meet in late February to form an international association similar to OPEC, the oil exporters' organization. The meeting in Conakry, Guinea, will bring together representatives of Australia, Jamaica, Guinea, Guyana, Surinam, and Yugoslavia.

The world bauxite industry has many characteristics that would facilitate producer cooperation in raising prices.

- The six countries have 85% of the Free World's known reserves that are commercially exploitable at today's prices and technology.
- They account for three-quarters of the Free World's bauxite production and four-fifths of exports.
- The United States gets 78% of its bauxite supply from these countries - 50% from Jamaica alone.
- Together, the five leading Free World aluminum producers -- Japan, Canada, the United States, West Germany, and Norway - obtain about 80% (32 million tons) of their bauxite supplies from these countries.
- Exploitation of the vast deposits of other aluminum-bearing ores outside the six countries would boost the raw material costs of aluminum smelters by two-thirds and raise aluminum production costs by an estimated 25%.
- Although other aluminum-bearing ores are easy to mine by strip methods, ecological problems would arise and it would take an estimated six years to design and build a plant to treat the ores.

The impetus for cooperation among the exporting countries stems from the recent stability in bauxite prices at a time when the prices of many other raw materials have skyrocketed. The United States, for example, has continued to pay from \$10 to \$12 per ton for imported bauxite since

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The Five Largest Bauxite Importers ¹	Imports ² 1972 (Million Metric Tons)	Supply Sources for the Five Major Importers (Percent)	
Total	32.3	Total 100.0	
United States	17.9	Jamaica	36.0
Japan	5.0	Australia	21.2
Canada	4.1	Surinam	13.6
West Germany	3.0	Guyana	8.3
Norway	2.3	Indonesia	3.7
		Dominican Republic	3.6
		Malaysia	2.7
		Sierra Leone	1.8
		Haiti	1.8
		Guinea	1.3
		Yugoslavia	1.2
		Other	4.8

1. These countries account for 72% of the Free World's primary aluminum capacity.
2. Including alumina, in bauxite equivalents.

1969. The supplier countries vary in the intensity of their demands. A couple -- Jamaica and Guyana -- probably are prepared to press hard, Jamaica perhaps to the point of threatening nationalization of company properties. Others -- Australia, Guinea, and Surinam -- would be more restrained, especially since they need foreign capital to exploit their large reserves.

Lined up against the exporters are six vertically integrated, multinational aluminum companies. They own -- wholly or partly -- nearly all Free World bauxite mines, about 75% of Free World primary aluminum capacity, and a substantial share of Free World aluminum-fabricating facilities.

In the near term, we believe that the exporters would be unable to raise bauxite prices substantially.

- Free World bauxite supplies seem plentiful: for example, in the United States, the strategic stockpile contains almost a year's supply.
- World-wide constraints on aluminum output to conserve energy will hurt bauxite demand during the next couple of years.
- About 30% of company bauxite-producing capacity still remains outside the six countries and can be drawn on in an emergency.

SECRET**Principal Bauxite Holdings of the Major
Aluminum Companies**

	Primary	Other
Aluminum Company of Canada	Jamaica	Australia France Malaysia Brazil Guinea
Aluminum Company of America	Surinam	Jamaica Australia Dominican Republic United States Guinea
Reynolds Metals Company	Jamaica	United States Guyana Haiti Ghana
Kaiser Aluminum and Chemical Corporation	Jamaica	India Ghana
Pechiney Compagnie de Produits Chimique et Electrometal- lurgiques	France	Guinea Greece
Schweizerisches Aluminum A. G. (Alusuisse)	Sierra Leone	Australia France Italy

- The four smaller countries depend heavily on export earnings from bauxite, and their foreign exchange reserves are inadequate to support a prolonged disruption of exports.

Over the longer term, the exporting countries probably could push bauxite costs up to the point -- perhaps two-thirds above the present level -- that would trigger a company shift to alternative sources of aluminum-bearing ores. The strong long-run demand for aluminum will tend to lower company resistance to exporter demands, especially since the share of total aluminum costs represented by bauxite will remain small. Moreover, increasing Communist country requirements for Free World bauxite will further reinforce the exporters' bargaining power.

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SECRET**CHINESE PROBLEMS IN GETTING JAPANESE FERTILIZER**

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China, the world's largest buyer of nitrogen fertilizer, imported one-third of its requirements in 1973, with Japan the leading supplier.

In response to the tightening of world supplies and soaring prices, China has raised the 1974 production target of the fertilizer industry and stepped up the construction of new fertilizer capacity. At the same time, the PRC has laid the groundwork for a major long-term expansion in its petrochemical industry. In 1973, China contracted for an unprecedented \$1 billion of foreign petrochemical equipment. Included are 11 of the world's largest urea plants with a capacity five times China's present urea capacity. These plants will not begin production until 1976.

China: Sources of Nitrogen Fertilizer

Year	Total	Domestic Production	Imports	
			Total	From Japan
1970	2.98	1.50	1.48	0.75 (51%)
1971	3.37	1.89	1.48	0.95 (64%)
1972	3.85	2.31	1.54	1.15 (75%)
1973	4.16	2.78	1.38	0.93 (67%)

In spite of the decline expected in imports, China's total supply of nitrogenous fertilizer should rise appreciably in 1974, though not as much as the planners had anticipated or agriculture could profitably absorb. China's potential for increasing crude oil exports to Japan appears to be giving the PRC a preferred position in securing Japanese fertilizers. The PRC may also receive increased amounts of fertilizer from such secondary suppliers as Kuwait, Romania, and Venezuela.

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SECRET**DOLLARS STAY ABROAD**

Foreign private demand has absorbed most of the dollars sold by the Japanese and French central banks since last July. By mid-January, official Japanese and French reserves together had dropped by \$7 billion, partly because of exchange market intervention. During the same period, US short-term liabilities to foreigners, rather than decreasing, increased slightly, indicating that few of the dollars sold by Japan and France returned to the United States. Moreover, US liabilities do not appear to have declined appreciably as a result of the further \$1 billion drop in French and Japanese reserves that followed the float of the franc on 19 January.

Most of the dollars sold by foreign central banks probably have gone into private holdings in the Eurodollar market, which offers higher interest rates than does the United States. This probably accounts for the recent sharp decline in interest rates for short-term Eurodollar deposits. These holdings remain a US liability. Nonetheless, talk of a dollar glut has given way to the realization that dollars will be required to pay burgeoning oil import bills.

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STRONG DEMAND FOR US SOYBEANS

US soybean exports in 1974 should better last year's recordbreaking level. The outlook for world soybean demand is much less certain because of the impact of the oil crisis on economic growth and trade. Nevertheless, failure of both Peruvian fishmeal production and Brazilian soybean production to meet earlier domestic forecasts should insure continuation of a strong market for US soybeans at prices at least equal to average 1973 prices.

A recent Peruvian survey of the fishing grounds found anchovy stocks to be only one-third normal amounts. Despite the return of an optimum ocean environment nearly one year ago, the fish population has recovered much more slowly than expected. At present rates, anchovy stocks may not reach normal levels until 1976, if ever. Depending on Peruvian government limits to be set next March, the 1974 catch could total 2 million to 4 million tons, down sharply from the 7 million to 8 million tons previously expected. At best, fishmeal production could reach 800,000 tons, double last year's depressed output but far below normal levels. If Peru decides to rebuild its depleted stocks, exports will recover even less.

Brazilian competition in soybean markets may not be as strong as had been anticipated by some soybean traders. Brazil's 1974 soybean crop is

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now estimated at about 6 million tons, about 1 million tons below trade forecasts prevailing a few months ago. Even though production will exceed the 4.8 million - ton crop of 1973, high prices for competing crops and seed shortages prevented bean plantings from expanding as much as expected. This year's exports should total about 4.5 million tons, nearly a million tons above last year's level.

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US-CZECHOSLOVAK TRADE: MIXED PICTURE*

US agricultural exports boosted trade turnover with Czechoslovakia to about \$170 million in 1973, double the 1972 and more than three times the 1971 level. But US agricultural exports -- and total US-Czechoslovak trade -- probably will not increase much this year.

US-Czechoslovak Trade¹

Year	Million US \$			
	Total	US Exports	US Imports	US Balance
1965	39.7	19.3	20.4	-1.1
1970	50.7	27.2	23.5	3.7
1971	50.8	29.0	21.8	7.2
1972	89.1	62.9	26.2	36.7
1973 (nine months)	128.4	97.3	31.1	66.2

1. Czechoslovak data.

Almost 90% of US sales to Czechoslovakia were farm products -- two-thirds soybeans, the remainder cattle hides -- compared with 70% in 1972. Higher world prices for agricultural commodities were responsible for much of the increase in the value of exports; second, the rise in the dollar value of the Czech crown inflated total trade by perhaps one-fifth. A good 1973 Czech harvest and probable increases in Soviet grain deliveries should hold down Prague's agricultural expenditures in the United States this year.

For a number of years, Czechoslovakia has been window shopping for machinery in the United States; few contracts have resulted. Czech

* This is the third in a series of articles on current developments and prospects for US economic relations with the East European countries.

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non-agricultural imports have been mainly paper products and small items of equipment such as office machines and measuring instruments.

Czech sales to the United States -- almost totally restricted to consumer goods such as shoes, glassware, and furniture -- have grown slowly.

In 1974, Prague plans to increase its imports of machinery and equipment from the West. Czech industry, which long ago lost its enviable reputation for quality and technological leadership, especially needs petrochemical technology and electronic equipment. Large purchases from the United States would require more progress in current political negotiations. The major issues under discussion are financial counter claims -- \$72 million in US property nationalized by Prague after the war and \$70 million in Czech gold held by the United States. More than one Czech official has suggested that the value of the gold would be spent on US machinery if these issues are settled.

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Notes

First US Sale of Advanced Navigation Equipment to China

The United States has made its first sale of inertial navigation systems to the PRC. Peking will install the Litton LTN-51 system -- one of the best on the market today -- aboard four of the Boeing 707s it plans to use for international flights. The other six Boeing 707s purchased in 1972 will use conventional navigation systems. [redacted]

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US-Bulgaria: Kaiser Sees Green Light

Kaiser Industries and the Bulgarian Ministry of Foreign Trade concluded a memorandum of understanding on industrial and economic cooperation on 26 January. Party First Secretary Zhivkov reportedly told the Americans that they now have a priority position to participate in projects worth as much as \$17 billion to \$20 billion during a 20-year period. According to the memorandum, Kaiser will study a number of projects, including a 12-million-ton steel complex, a 2-million-ton cement plant, and possibly a 150,000-ton aluminum combine. Kaiser agreed to seek financing for the projects and to be repaid largely in products. [redacted]

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India Keeps the Lid on Private US Investment

Recent proposals by both Gillette and Burroughs for investing in India apparently have been rebuffed. Gillette proposed to produce razor blades on a large scale, to export from 80% to 100% of its output, and to provide the capital, the know-how, and the export market. The Gillette proposal foundered over the Indian requirement for an equity position that would have given India operating control over the organization. [redacted]

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Chilean Consumer Gets It Again

Increases in world petroleum prices are adding to the problems of the Chilean consumer, already suffering under the junta's austerity program. Chileans are now paying prices 170% higher than last week's for regular gasoline, 400% higher for liquefied gas, and 550% higher for kerosene. The

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the poor are particularly hard hit since kerosene is their primary cooking and heating fuel. The rise in fuel prices has already resulted in increases in bus and taxi fares of more than 100% and is threatening a crisis in domestic transportation.

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DOMESTIC ECONOMIC INDICATORS

GNP* Constant Market Prices

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	Previous Quarter
	Latest Quarter	From Previous Quarter			
United States	73 III	0.9	5.0	5.7	3.7
Japan	73 III	0.5	8.5	10.0	2.0
West Germany	73 III	0.1	3.3	5.3	0.5
France	73 II	0.7	6.2	8.7	2.9
United Kingdom	73 III	0.9	4.5	11.3	3.9
Italy	73 I	0.8	3.1	5.2	3.4
Canada	73 III	0.4	5.7	6.9	1.7

WHOLESALE PRICES Industrial

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	3 Months Earlier
	Latest Month	From Previous Month			
United States	Dec 73	2.7	6.6	15.0	32.0
Japan	Dec 73	7.1	8.9	29.0	61.6
West Germany	Nov 73	1.1	5.1	8.2	8.3
France	Nov 73	3.3	8.6	19.9	27.4
United Kingdom	Dec 73	1.2	8.0	10.2	15.8
Italy	Nov 73	1.6	9.0	21.1	17.5
Canada	Nov 73	1.1	10.2	24.8	6.1

INDUSTRIAL PRODUCTION*

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	3 Months Earlier**
	Latest Month	From Previous Month			
United States	Dec 73	-0.2	5.6	5.4	1.3
Japan	Nov 73	1.2	9.6	17.7	15.3
West Germany	Oct 73	-1.1	3.8	6.5	7.7
France	Nov 73	1.5	7.3	7.4	-2.6
United Kingdom	Nov 73	0.4	3.5	4.1	1.6
Italy	Nov 73	10.1	7.0	20.2	35.3
Canada	Sep 73	1.8	6.0	8.3	-3.4

CONSUMER PRICES

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	3 Months Earlier
	Latest Month	From Previous Month			
United States	Dec 73	0.7	5.2	8.9	9.5
Japan	Dec 73	3.6	9.1	19.1	21.8
West Germany	Nov 73	1.3	6.1	7.4	9.5
France	Dec 73	0.6	6.7	8.5	10.9
United Kingdom	Dec 73	0.7	8.9	10.6	14.8
Italy	Dec 73	1.7	7.7	12.3	13.4
Canada	Dec 73	0.6	5.6	9.1	6.7

RETAIL SALES* Current Prices

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	3 Months Earlier**
	Latest Month	From Previous Month			
United States	Dec 73	-1.3	10.2	7.8	4.1
Japan	Sep 73	4.8	13.9	25.3	26.0
West Germany	Oct 73	4.1	9.1	9.2	1.2
France	Oct 73	2.2	6.5	12.5	3.1
United Kingdom	Aug 73	0.7	11.1	12.1	14.8
Italy	Aug 73	6.7	12.4	19.0	5.0
Canada	Nov 73	0.3	10.1	10.5	8.0

MONEY SUPPLY*

	Average Annual Growth Rate Since				
	Percent Change		1970	1 Year Earlier	3 Months Earlier**
	Latest Month	From Previous Month			
United States	Dec 73	0.6	7.2	4.9	3.7
Japan	Oct 73	-0.1	18.2	22.7	15.0
West Germany	Oct 73	-0.5	8.3	-0.6	-8.9
France	Oct 73	-0.9	11.8	5.8	0
United Kingdom	Dec 73	-0.2	9.6	3.8	-8.9
Italy	Jun 73	2.8	20.8	22.2	26.5
Canada	Dec 73	3.0	13.0	11.7	2.9

MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest			
		Latest Date	1 Year	3 Months	1 Month
			Earlier	Earlier	Earlier
United States	Prime finance paper	25 Jan 8.00	5.75	7.88	8.00
Japan	Call money	18 Jan 11.50	5.12	8.75	12.00
West Germany	Interbank loans (3Months)	25 Jan 11.63	8.00	14.25	13.00
France	Call money	25 Jan 15.00	7.50	11.25	11.88
United Kingdom	Local authority deposits	25 Jan 15.50	5.74	12.91	16.91
Canada	Finance paper	25 Jan 8.75	5.25	9.00	9.50
Euro-Dollars	Three-month deposits	25 Jan 9.19	6.44	9.38	10.13

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

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Office of Economic Research/CIA

EXTERNAL ECONOMIC INDICATORS

EXPORTS*

	Latest Month	Cumulative			Percent Change
		Million US \$			
		1973	1972		
United States	Dec 73	6,930	70,790	49,221	43.8
Japan	Dec 73	3,412	35,937	27,878	28.9
West Germany	Nov 73	0,751	62,405	42,409	46.9
France	Dec 73	3,178	30,830	20,398	39.5
United Kingdom	Dec 73	2,384	28,461	22,875	24.4
Italy	Nov 73	2,004	19,831	16,549	19.8
Canada	Oct 73	2,149	20,233	16,420	23.2

EXPORT PRICES

US \$	Latest Month	Percent Change from Previous Month			Average Annual Growth Rate Since	
		1970	1 Year Earlier	3 Months Earlier		
		United States	Nov 73	1.4	9.2	21.5
Japan	Oct 73	1.8	13.0	25.8	28.8	
West Germany	Oct 73	2.0	15.5	38.2	-5.2	
France	Sep 73	1.6	15.5	35.2	11.5	
United Kingdom	Sep 73	-1.8	9.0	12.8	-8.1	
Italy	Aug 73	2.4	10.7	18.4	40.5	
Canada	Sep 73	2.2	7.5	17.0	33.5	

IMPORTS*

	Latest Month	Cumulative			Percent Change
		Million US \$			
		1973	1972		
United States	Dec 73	5,990	69,076	55,553	24.3
Japan	Dec 73	3,464	31,918	18,995	68.0
West Germany	Nov 73	4,972	47,270	34,465	37.2
France	Dec 73	2,972	35,428	25,288	40.2
United Kingdom	Dec 73	3,154	33,946	24,627	37.8
Italy	Nov 73	1,981	21,973	15,298	43.8
Canada	Oct 73	2,106	19,020	15,463	23.0

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	Nov 73	1.4	9.2	21.5
Japan	Oct 73	2.0	3.8	11.1	31.5	
West Germany	Oct 73	1.7	1.8	4.6	4.5	
France	Sep 73	2.7	0.3	14.3	12.4	
United Kingdom	Sep 73	0.5	9.1	12.8	15.5	
Italy	Aug 73	0.8	7.6	16.7	30.0	
Canada	Sep 73	2.2	0.3	18.7	33.5	

TRADE BALANCE*

	Latest Month	Cumulative (Million US \$)			
		Million US \$			
		1973	1972	Change	
United States	Dec 73	940	1,714	-8,332	8,046
Japan	Dec 73	-53	4,019	8,883	-4,864
West Germany	Nov 73	1,779	15,136	8,004	7,132
France	Dec 73	205	1,408	1,129	278
United Kingdom	Dec 73	-770	-5,485	-1,751	-3,734
Italy	Nov 73	23	-2,143	1,253	-3,395
Canada	Oct 73	43	1,213	957	257

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	Nov 73	3.4	12.3	26.5
Japan	Oct 73	2.4	3.5	16.8	29.4	
West Germany	Oct 73	1.9	0.7	4.3	16.8	
France	Sep 73	4.0	6.0	11.9	45.1	
United Kingdom	Sep 73	5.5	14.8	41.5	65.2	
Italy	Aug 73	3.5	13.4	34.2	72.6	
Canada	Sep 73	0.7	5.4	12.5	11.5	

BASIC BALANCE**

Current and Long-Term Capital Transactions

	Latest Period	Cumulative (Million US \$)			
		Million US \$			
		1973	1972	Change	
United States*	73 III	2,540	990	-8,400	9,390
Japan	Dec 73	-1,191	-9,662	2,184	-11,846
West Germany	Oct 73	925	3,445	3,867	-421
France	73 II	17	-559	-202	-357
United Kingdom	73 III	-522	-1,844	-1,347	-497
Italy	72 IV	800	N.A.	2,983	N.A.
Canada	73 II	93	-151	434	-585

EXCHANGE RATES

Spot Rate	US \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	18 Jan 1974
		Japan (Yen)	0.0033	21.17	2.96
West Germany (Deutsche Mark)	0.3519	39.98	13.41	-0.62	-1.04
France (Franc)	0.1908	-5.50	-3.10	-13.43	-5.45
United Kingdom (Pound Sterling)	2.2025	-21.07	-15.47	-10.50	0.71
Italy (Lira)	0.0015	-6.93	-13.37	-15.82	-4.18
Canada (Dollar)	1.0111	9.62	1.33	1.34	0.37

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		Billion US \$			
		End of	Jun 1970	1 Year Earlier	3 Months Earlier
United States	Dec 73	14.4	16.3	13.2	14.0
Japan	Dec 73	12.2	4.1	18.4	14.8
West Germany	Oct 73	39.8	8.8	23.9	42.4
France	Nov 73	8.6	4.4	10.0	11.2
United Kingdom	Dec 73	8.5	2.8	5.8	6.4
Italy	Oct 73	6.2	4.7	6.3	5.7
Canada	Dec 73	5.8	4.3	6.1	5.5

TRADE-WEIGHTED EXCHANGE RATES***

	Latest Month	Percent Change from			
		Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	18 Jan 1974
United States	Dec 73	-11.53	-2.32	4.31	0.18
Japan	Dec 73	13.32	-0.31	-12.14	0.46
West Germany	Dec 73	28.61	11.79	6.82	0.55
France	Dec 73	-20.02	-6.63	-9.10	-4.65
United Kingdom	Dec 73	-36.02	-21.84	-7.49	1.39
Italy	Dec 73	-20.51	-19.27	-12.43	-2.85
Canada	Dec 73	8.37	1.75	3.37	0.45

*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.