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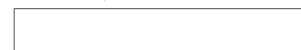
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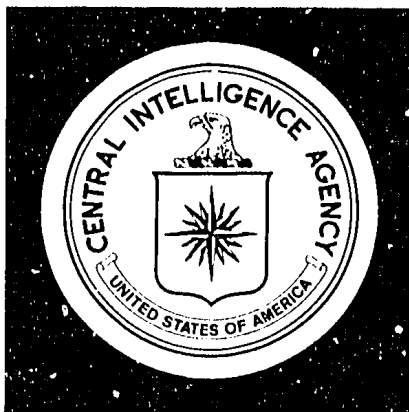
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Economic Intelligence Weekly

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<p><i>The oil situation is now being covered mainly in International Oil Developments, published each Friday morning.</i></p>		
<p>Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs.</p>		
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US-Soviet Trade in 1973

US-Soviet trade hit a record level in 1973, according to figures just released. Both US exports and imports more than doubled. The Soviet trade deficit of nearly \$1 billion was the largest ever sustained with any trading partner. Trade will decline in 1974 because US exports of grain are expected to fall sharply.

Million US \$

	1972	1973
US exports	542	1,187
US imports	96	214
US balance	446	973

Main features in US-Soviet trade in 1973:

- US exports of grain -- almost all wheat and corn -- were valued at \$837 million, up from \$364 million in 1972.
- US exports of machinery and equipment, led by automobile-manufacturing equipment and pipelaying tractors, more than tripled to a level of \$204 million.
- US imports of oil (largely fuel oil) grew more than ninefold to \$76 million.
- US imports of platinum and platinum group metals increased to \$76 million, nearly double the 1972 level.
- US imports of chrome ore declined to only \$6 million, the lowest level in many years.

US exports would have grown even more if some grain shipments had not been postponed and if deliveries of equipment for the Kama truck plant and other projects had not been delayed. US imports, on the other hand, were larger than expected because of the sharp increase in oil deliveries.

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US grain exports for 1974 are expected to fall to between \$300 million and \$350 million -- only about 40% of the 1973 level. Machinery and equipment exports will rise to at least \$300 million and perhaps to as much as \$400 million. Taking into account other exports such as steels, chemicals, wood pulp, and synthetic fibers, we believe that total US sales will equal about \$800 million. US imports probably will increase, particularly if Soviet oil deliveries to the United States are stepped up. As a result, the Soviet trade deficit with the United States should be halved in 1974.



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US-HUNGARIAN TRADE: MUCH TALK, LITTLE ACTION*

US-Hungarian trade amounted to about \$50 million in 1973 -- far below US trade with Poland, Romania, or Yugoslavia. Little increase is expected in 1974. In the longer run, large gains in trade might be generated by providing Hungary with MFN status and Eximbank credits and by responding to Hungarian overtures for economic cooperation.

	Million US \$				
	1965	1970	1971	1972	1973
US exports	9.3	28.3	27.9	22.6	33.0
US imports	2.1	6.2	7.8	12.7	16.4
US trade balance	7.2	22.1	20.1	9.9	16.6

US-Hungarian trade languishes despite Budapest's relatively liberal trade policies and the flurry of high-level US-Hungarian exchanges in 1972-73. Hungary has the only viable economic reform program in Eastern Europe (aside from Yugoslavia's) and has pioneered new forms of financing East-West trade. Secretary Rogers' visit to Hungary in July 1972 was followed in 1973 by the visit to the United States of Deputy Premier Valyi, the signing of a Property Rights Settlement, and a stopover in Budapest by Commerce Secretary Dent.

Trade suffers from high tariffs on both sides. Hungarian goods are denied MFN status, and US products are subject to the highest levies under Hungary's tariff system. The Hungarians claim that mutual tariff reductions

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

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would boost their imports from the United States to more than \$100 million annually. Budapest has directed practically all its hard currency purchases to traditional West European suppliers - notably West Germany and Austria - in part because they offer medium-term credits. If Washington extends Eximbank credits, US-Hungarian trade should expand substantially, following the Romanian and Polish examples.

Long-run prospects for US sales are promising. Budapest already has presented a long list of possible US-Hungarian trade opportunities: a cellulose plant, leather-processing facilities, a resort hotel chain, equipment for the Adriatic oil pipeline, automation technology, and expansion of the production of plastics, aluminum, copper, electronic components, and medical instruments. Concrete negotiations have not begun on these proposals.

In the meantime, trade in 1974 will rise slowly. US exports still will consist mainly of agricultural products; soybeans alone made up more than one-half of US sales in the first nine months of 1973. Largest non-food exports are tractors, planters, and gas compressors. Hungary's most successful exports to the United States have been canned hams and light bulbs.

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ARGENTINA'S WHEAT SITUATION

Official Argentine forecasts place the 1973/74 wheat crop at about 6.5 million tons, with 2.3 million tons available for export. Crop estimates appear to have been inflated for domestic political reasons. We believe output is unlikely to exceed 5.6 million tons, because of a drop in the area sown and adverse weather. Some 1.2 million tons should be available for export. At this level, traditional importers of Argentine wheat may find themselves forced to buy on the open market, particularly in the United States, Canada, and Australia.

Brazil, which normally imports about 1 million tons from Argentina, will probably be left out in the cold. Deliveries to Brazil last year were 270,000 tons below commitments. Shipments remaining on the 1972/73 contract with Brazil, together with commitments made to other countries, already exceed 1 million tons.

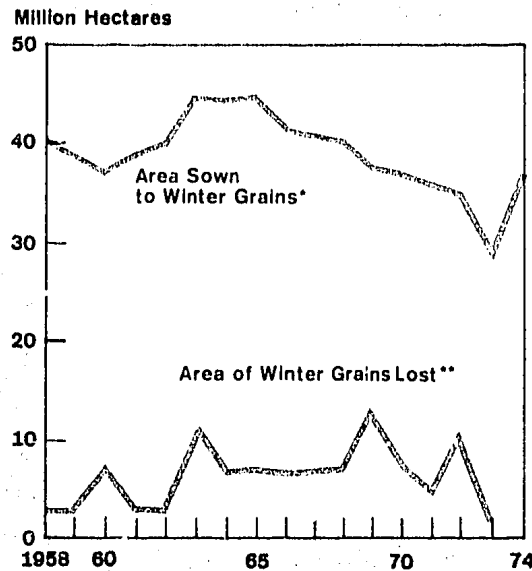
Argentina's wheat production also suffers from institutional problems such as rigorous price controls, a cornerstone of Peron's economic policy. Besides discouraging planting last year, low ceiling prices led to widespread smuggling to neighboring countries where prices are higher. This year, incentives to smuggle wheat will be even greater as shortages in border countries drive black market prices to higher levels.

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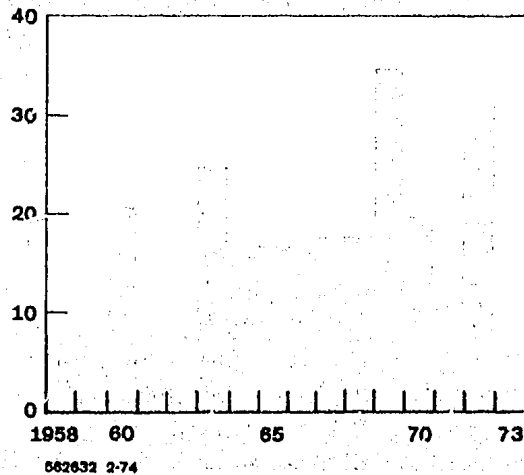
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SECRET**DAMAGE TO SOVIET WINTER GRAINS****History of Winterkill
in the Soviet Union**

*Sown in the preceding fall for harvest in the given year.

**Also includes some fall sown grains used as green forage crops for livestock in the spring.

**Area of Winter Grains Lost as a Percent
of Total Area Sown to Winter Grains**

The loss in Soviet winter grains to winterkill is likely to match or exceed the average of 20% of sown area of the last ten years. Given reasonable weather from here on, the reseeded areas to spring grains may yet produce a normal 1974 grain crop. Nevertheless, since reseeded areas are centered on feed grains, the bread-grain harvest would still fall below last year's level.

Last fall the Soviet Union planted about 37 million hectares of winter grains, slightly above plan and roughly equal to the average sown area in 1968-72. As in past years, about two-thirds was seeded in winter wheat, the remainder in rye and barley. A wet fall delayed sowing operations in some areas and an early cold spell over most of the European USSR slowed the development and reduced the hardiness of the grain.

The snow cover needed to insulate the plants from killing air temperatures was thin or absent over most of the area through January. An unusual thaw in late December followed by a sudden cold spell in

mid-January damaged sowings in the northeastern Ukraine, the Central Black Earth Region, and the Lower Volga. The extent of the damage will depend on the weather in February and March, a period when dangerous thawing and refreezing may occur.

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Last year's low rate of winterkill (6%) was a key factor in the bumper wheat harvest. Winter grains have a special importance in the USSR. Although normally accounting for less than one-fourth of total harvested area, they furnish about one-third of total grain production and almost half of the breadgrain crop (wheat and rye). On the sown area that survives the winter, yields are less variable than for the principal spring grains; the yields of surviving winter wheat average almost twice those of spring wheat.

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WORLD RICE SITUATION

Tight supplies and higher prices for rice will further squeeze the undernourished rice-consuming nations at least until the fall crops become available. Although rice exports in 1974 are expected to be 10%-15% above last year's drought-reduced level, demand is pushing up prices for spring shipments. World prices have risen by one-half since October and are now nearly three times the level of a year ago.

World rice output is expected to exceed 300 million tons in the crop year ending 31 July, compared with 290 million last year. Most of the increase in India, Bangladesh, Taiwan, and the Philippines will be consumed domestically. But output gains in some of the major rice exporting countries should permit 1974 world exports of between 7.2 million and 7.5 million tons, compared with 6.4 million last year. Exports from Thailand, Burma, Italy, and Egypt will account for most of the increase.

Thailand alone may account for one-half of the increase in exports. Last year, Thailand cut its exports by 60% because of a drop in production and low carryover stocks. With an improved crop this winter, the government estimates that 1974 exports will increase to 1.2 million tons from 880,000 last year. The government, after a year of domestic shortages and reduced exports, only began issuing price quotations on this year's crop in mid-January, two months later than usual. This export estimate probably is conservative; exports may well reach 1.5 million tons.

Burma and Italy have lifted export bans as their new crops have become available. Burma may use some of its rice to bargain for oil imports, and Italy is holding out for high prices and selling in small amounts.

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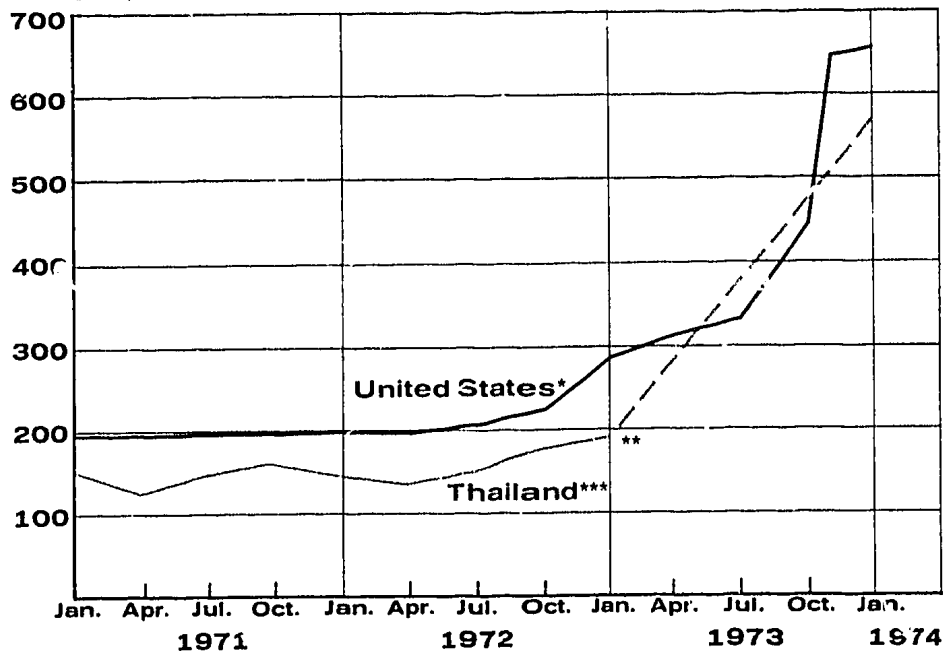
World Exports of Milled Rice

	Thousand Tons			
	1971	1972	1973	1974 ¹
Total	7,956	8,300	6,445	7,200 - 7,500
Australia	186	172	190	230
Brazil	129	149	125	0
Burma	800	510	100	300
China	900	800	900	900
Egypt	515	456	350	500
Italy	438	428	200	500
Japan	900	200	650	380
Pakistan	467	300	700	600
Thailand	1,576	2,076	880	1,200 - 1,500
United States	1,415	2,034	1,950	2,000
Other	630	1,175	400	600

1. Forecast, based mainly on information from US rice specialists, who toured Asia in September-October 1973, and from recent agricultural attache reports

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Rice: Trends in Export Prices 1971- Jan. 1974
US \$ Per Ton



*Average price for the month in New Orleans.
 **Thailand did not quote prices from 7 March 1973 until January 1974.
 ***End of month quotations for 100% first grade.

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Demand continues strong. Middle Eastern and African countries, which bought increased amounts of US rice in 1973 because of the Thai ban on exports, are still in the market. Indonesia, the Philippines, and Sri Lanka also are looking for large amounts. Consumer nations will not find the amounts they are seeking before the next crop is harvested late in 1974. Some importing nations may fight high rice prices by shifting to substitute grains, such as wheat, to fill requirements. Such action would ease the pressure on rice prices, at the same time aggravating an already tight wheat market.

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Notes**Soviet Bank Established in Vienna**

Donaubank A. G., the USSR's latest addition to its chain of banks in the West, will begin operations in Vienna on 1 April with a capitalization of about \$5 million. The bank will specialize in financing transactions between Austria and the USSR and other CEMA countries. Although a few Soviets will occupy the top posts, Donaubank will be staffed mainly by Austrian nationals. Besides Donaubank, Soviet banks in the West include Moscow Narodny Bank in London (established in 1916) with branches in Beirut (1963) and Singapore (1971); Banque Commerciale pour L'Europe du Nord in Paris (1921); the Russo-Iranian Bank in Tehran (1923); Wozchod Handelsbank in Zurich (1966); and Ost-West Handelsbank in Frankfurt (1971). New York, Montreal, and Luxembourg have been identified as possible locations for new banks or branch offices in the Soviet overseas system.

Czechoslovakia to Westernize Auto Industry

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Czechoslovakia has allocated \$1.8 billion to modernize and expand its automotive industry. Under the program, production probably will reach about 300,000 cars a year in the late 1970s, nearly twice the present level. Car design will be tailored to Western tastes; most of the increased output is intended for hard currency markets, principally in Western Europe. Western, especially US, technology and equipment will be used extensively. General Motors is watching for an opportunity to assist, while the US machine tool industry anticipates sizable contracts.

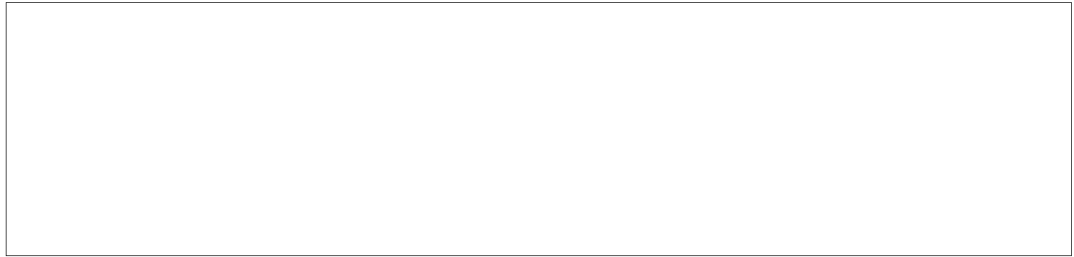
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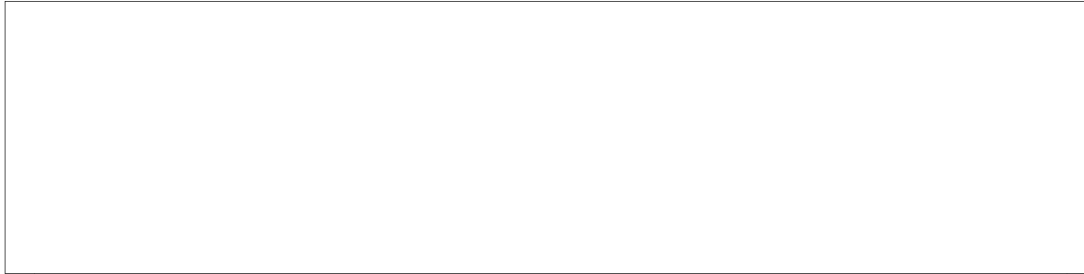
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Publication of Interest

The Economic Situation in South Vietnam, January 1974

(CIA ER IR 74-1, January 1974, 


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This report reviews the performance of South Vietnam's economy during 1973. It highlights the continued stagnation of industry, the sharp increase in consumer prices, and the decline in the volume of economic assistance and imports. Developments in January 1974 include (a) continued inflation, (b) a sharp decline in black market prices, and (c) a government move toward a unified exchange rate system.

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DOMESTIC ECONOMIC INDICATORS

GNP*

Constant Market Prices

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Quarter	Quarter	1970	1 Year Earlier	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

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Month	Month	1970	1 Year Earlier	3 Months Earlier
United States	Dec 73	2.7	6.6	15.0	32.0
Japan	Jan 74	5.5	10.4	34.0	84.8
West Germany	Dec 73	0.9	5.3	8.8	11.0
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*

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Month	Month	1970	1 Year Earlier	3 Months Earlier**
United States	Dec 73	-0.2	5.6	5.4	1.3
Japan	Dec 73	-2.0	8.7	11.9	13.3
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	Dec 73	-7.5	4.4	12.8	22.3
Canada	Oct 73	1.8	6.4	7.5	-4.4

CONSUMER PRICES

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Month	Month	1970	1 Year Earlier	3 Months Earlier
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	Dec 73	0.9	6.2	7.9	12.4
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	1.4	7.7	12.5	14.5
Canada	Dec 73	0.6	5.6	9.1	6.7

RETAIL SALES*

Current Prices

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Month	Month	1970	1 Year Earlier	3 Months Earlier**
United States	Jan 74	2.5	10.4	5.9	0.8
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	Nov 73	0.7	12.1	14.8	21.9
Italy	Aug 73	6.7	12.4	19.0	5.0
Canada	Nov 73	0.3	10.1	10.5	8.0

MONEY SUPPLY*

	Percent Change from Previous		Average Annual Growth Rate Since		
	Latest Month	Month	1970	1 Year Earlier	3 Months Earlier**
United States	Jan 74	-0.5	7.2	5.4	7.9
Japan	Oct 73	-0.1	18.2	22.7	15.0
West Germany	Nov 73	2.5	8.9	4.4	-1.6
France	Nov 73	-0.4	11.9	5.2	6.6
United Kingdom	Dec 73	-0.2	9.6	3.8	-8.9
Italy	Aug 73	1.1	20.8	23.4	28.5
Canada	Dec 73	3.0	13.0	11.7	2.9

MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest				
		Latest Date	1 Year Earlier	3 Months Earlier	1 Month 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 (3 Months)	25 Jan	11.63	8.00	14.25	13.00
France	Call money	1 Feb	14.00	7.22	11.19	11.50
United Kingdom	Local authority deposits	1 Feb	16.13	6.66	12.63	15.50
Canada	Finance paper	25 Jan	8.75	5.25	9.00	9.50
Euro-Dollars	Three-month deposits	1 Feb	9.00	7.38	9.38	9.31

*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 \$		1972	
		1973	1972		
United States	Dec 73	0,930	70,790	49,221	43.8
Japan	Dec 73	3,412	36,192	27,916	29.8
West Germany	Dec 73	5,436	67,755	46,727	45.0
France	Dec 73	3,178	36,836	28,398	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	Dec 73	2,206	24,829	20,175	23.1

EXPORT PRICES

USS	Latest Month	Percent Change			Average Annual Growth Rate Since	
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Dec 73	4.1	10.3	10.3	26.7	44.7
Japan	Oct 73	1.8	13.6	13.6	25.8	28.8
West Germany	Oct 73	2.6	15.7	15.7	39.1	2.6
France	Sep 73	1.6	15.5	15.5	35.2	11.5
United Kingdom	Nov 73	0.6	8.9	8.9	18.6	2.3
Italy	Sep 73	2.3	11.3	11.3	22.4	37.6
Canada	Oct 73	1.7	7.9	7.9	19.5	30.8

IMPORTS*

	Latest Month	Cumulative			Percent Change
		Million US \$		1972	
		1973	1972		
United States	Dec 73	5,990	69,076	55,553	24.3
Japan	Dec 73	3,404	32,455	19,083	70.9
West Germany	Dec 73	4,520	51,727	37,991	36.2
France	Dec 73	2,972	35,428	25,268	40.2
United Kingdom	Dec 73	3,154	33,948	24,627	37.8
Italy	Nov 73	1,981	21,973	15,296	43.6
Canada	Dec 73	2,189	23,341	18,835	23.9

EXPORT PRICES

National Currency	Latest Month	Percent Change			Average Annual Growth Rate Since	
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Dec 73	4.1	10.3	10.3	26.7	44.7
Japan	Oct 73	2.0	3.8	3.8	11.1	31.5
West Germany	Oct 73	1.7	1.8	1.8	4.6	4.5
France	Sep 73	2.7	8.3	8.3	14.3	12.4
United Kingdom	Nov 73	1.4	9.0	9.0	16.4	20.5
Italy	Sep 73	0.8	7.7	7.7	18.7	21.4
Canada	Oct 73	1.7	6.7	6.7	21.3	30.3

TRADE BALANCE*

	Latest Month	Cumulative (Million US \$)			Change
		Million US \$		1972	
		1973	1972		
United States	Dec 73	940	1,714	-6,332	8,046
Japan	Dec 73	-53	3,737	8,854	-5,146
West Germany	Dec 73	916	16,028	8,735	7,293
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	Dec 73	17	1,487	1,340	147

IMPORT PRICES

National Currency	Latest Month	Percent Change			Average Annual Growth Rate Since	
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Dec 73	4.7	13.5	13.5	32.5	65.3
Japan	Oct 73	2.4	3.5	3.5	16.8	29.4
West Germany	Oct 73	1.9	0.7	0.7	4.3	16.8
France	Sep 73	4.0	6.0	6.0	11.9	45.1
United Kingdom	Nov 73	4.2	15.1	15.1	38.3	52.1
Italy	Sep 73	0	13.2	13.2	34.2	44.1
Canada	Oct 73	1.0	5.5	5.5	13.9	9.2

BASIC BALANCE**

Current and Long-Term-Capital Transactions

	Latest Period	Cumulative (Million US \$)			Change
		Million US \$		1972	
		1973	1972		
United States*	73 III	2,540	990	-8,400	9,390
Japan	Dec 73	-1,191	-9,770	2,184	-11,954
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

As of 8 Feb 74	Spot Rate	Percent Change from				
		US \$		18 Dec 1971	19 Mar 1973	1 Feb 1974
		per Unit	Dec 66			
Japan (Yen)	0.0034	22.40	4.00	-11.20	0.30	
West Germany (Deutsche Mark)	0.3630	44.39	16.98	2.51	-0.38	
France (Franc)	0.1994	-1.24	1.27	-9.53	-0.60	
United Kingdom (Pound Sterling)	2.2350	-19.91	-14.22	-9.18	-1.32	
Italy (Lira)	0.0015	-5.37	-11.92	-14.41	-0.53	
Canada (Dollar)	1.0191	10.48	2.13	2.14	0.65	

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		1970		1 Year Earlier	3 Months Earlier
		End of	Jun 1970		
United States	Dec 73	14.4	16.3	13.2	14.0
Japan	Jan 74	11.6	4.1	17.9	14.0
West Germany	Dec 73	33.0	8.8	23.8	35.3
France	Jan 74	8.3	4.4	10.0	10.1
United Kingdom	Jan 74	6.2	2.8	5.7	6.8
Italy	Dec 73	6.4	4.7	6.1	6.5
Canada	Jan 74	5.9	4.3	6.0	5.8

TRADE-WEIGHTED EXCHANGE RATES***

As of 8 Feb 74	Percent Change from			
	18 Dec 1971		19 Mar 1973	1 Feb 1974
	Dec 66	1971		
United States	-13.11	-3.86	2.78	-0.11
Japan	13.73	0.08	-11.76	0.36
West Germany	29.23	12.37	7.38	-0.13
France	-17.94	-4.59	-7.05	-0.30
United Kingdom	-36.44	-22.22	-7.84	-1.28
Italy	-21.59	-20.33	-13.49	-0.21
Canada	8.71	2.11	3.73	0.75

*Seasonally adjusted.

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

***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.