



# Economic Intelligence Weekly Review

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**ECONOMIC INTELLIGENCE WEEKLY REVIEW**

**7 September 1978**



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#### ITALY: BLEAK PROSPECTS FOR WAGE RESTRAINT

The comparative calm on the Italian labor scene over the past 18 months masks dissension within the labor movement over its goals in upcoming national wage negotiations. Key unions have come out against Communist labor chief Luciano Lama's call to restrain the growth of labor costs. A recent settlement with Fiat on working hours and productivity portends further strong growth in real wage rates and unit labor costs. For its part, the Andreotti government has thus far failed to come up with an effective incomes policy.

A continuation of this trend will weigh heavily on the economy in the form of depressed investment, continued high unemployment, and an acceleration of inflation. Should the Communists fail to deliver on their promise of labor restraint, they will lose vital leverage in their struggle for greater government power.

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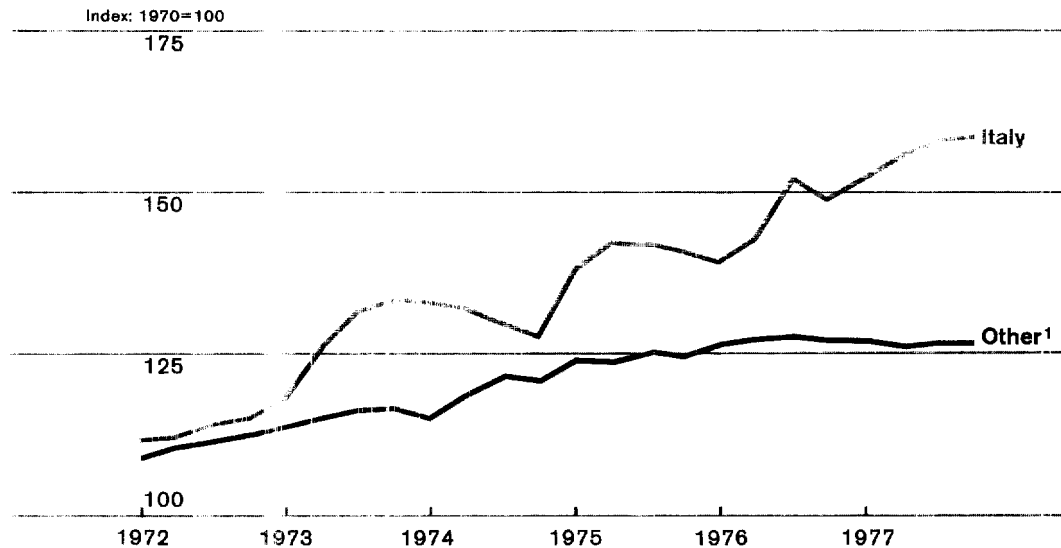
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**Background**

Reflecting the increased muscle of the union movement and the widespread indexation of wages to the cost of living, real industrial wages in Italy have climbed 60 percent since 1970—the steepest rise among all developed countries. Even in last year’s relatively weak labor market, industrial workers secured a 27-percent increase in nominal wages, yielding a remarkable 7-percent rise in real wages. Since cost-of-living adjustments lag prices by three months, real wages also tend to rise when inflation decelerates as it did in 1977 in response to an austerity program which boosted taxes and sharply restricted credit. This year real wages are expected to increase 4 to 5 percent.

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**Big Seven: Real Industrial Wages**



1. Including the United States, Japan, West Germany, France, the United Kingdom, and Canada.

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Productivity growth, on the other hand, has slowed over the years, and unit labor costs have skyrocketed. Last year alone, unit labor costs in manufacturing soared 22.0 percent, bringing the average annual increase since 1969 to 16.9 percent.

The labor scene has been comparatively quiet for the past 18 months; a 62-percent reduction in man-hours lost due to strikes made 1977 the lightest strike year

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## Big Seven: Productivity and Unit Labor Costs in Manufacturing

	Average Annual Percent Change						
	Italy	United States	Japan	West Germany	France	United Kingdom	Canada
Production per man-hour							
1960-69 .....	6.6	3.4	10.1	5.9	6.1	4.3	4.4
1970-77 .....	4.9	2.3	4.8	7.0	4.9	2.2	2.7
Unit labor costs							
1960-69 .....	3.3	0.9	2.7	2.4	2.5	2.3	1.0
1970-77 .....	16.9	6.0	12.5	6.0	10.0	15.8	8.7

since 1971. The improvement was primarily due to the fact that only about 1.5 million industrial workers negotiated their contracts. In second half 1978, however, 38 contracts covering 5½ million employees (about one-half of Italy's unionized workers) fall due. Italian unions bargain on two levels. Basic wage increases are negotiated every three years at the national level between union leaders and industry representatives. Negotiations at the plant level normally occur in the intervening years and cover productivity targets, working hours, and pay differentials.

### Labor's Stand

Despite repeated promises of moderation in wage and other demands, labor leaders have been unable to forge an agreement either among themselves or with their rank and file. Lama's renewed call for moderation early this year has become a political football. Since his proposals coincided with Communist maneuvering for formal inclusion in the government, many unionists viewed them as a political ploy and a betrayal of worker interests. Lama's key proposals include wage restraint, deferral of wage increases, increased labor mobility, and less resort to strikes. In recent months he also has proposed that unions endorse limits on severance and seniority pay and that they seek to raise the retirement age and to increase skill differentials. He has not, as in the past, suggested tampering with the sacrosanct wage indexation mechanism, the *scala mobile*.

Although most of Lama's initial proposals were adopted last February by the CCU—the joint body of the three major labor federations—the rank and file has steadfastly refused to accept them. As a result of worker opposition and interunion political rivalries, the CCU has yet to agree on specific bargaining goals. In fact, CISL, the Christian Democratic labor organization, has turned its back on the CCU policy document and is insisting on more rank and file input. In contrast, the Communists are pushing for greater centralization of collective bargaining, which the Christian Democrat and Socialist unionists fear would increase the dominance of the Communists in the CCU.

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Chances for achieving a union consensus on more moderate labor demands have been further reduced by the actions of the heavily Communist metalworkers confederation (FLM), the most influential union in Italy. In June, the FLM overwhelmingly rejected the CCU policy document and denounced the government's austerity program. Christian Democrat and Socialist union leaders supported the FLM stance, leaving Lama as the sole promoter of the moderate line. The FLM also pursued its hard line in plant level bargaining with Fiat.

**Fiat-FLM Contract**

The settlement reached between Fiat and the FLM in July after five months of negotiations could well set the trend for plant-level settlements to be negotiated next year. Workers in Fiat automotive plants won a paid 30-minute lunch break from their normal 8-hour work day. Management demanded the reduction in shifts be made up by overtime, but the FLM refused. In a last ditch compromise, Fiat was granted "permission" to initiate a night shift of new employees and greater freedom in setting production schedules. Daily production targets may now be adjusted upward if actual absenteeism falls below a projected average.

The union's insistence on a third shift as opposed to overtime will be costly for Fiat because of the large share of fixed costs such as health insurance and Christmas bonuses in total labor costs. The Turin firm, however, had little choice. Output per employee in the Italian auto industry already is the lowest in continental Europe; management felt it could not withstand further cuts in production.

The Fiat settlement offers little hope that labor costs in Italy will be curbed this year. The lunch-break fringe benefit amounts in effect to an increase of 6 to 7 percent in hourly wage, rates quite apart from indexation increases or hikes in base pay that can be expected when the national metalworkers' contract is renegotiated this fall. Viewed in perspective, the Fiat settlement is a major achievement for labor. The metalworkers bargained hard for four years, beginning in 1969, to cut the work week gradually from 44 to 40 hours. In one fell swoop, Fiat workers have secured another 2.5-hour reduction. Other unions doubtless will try to emulate this achievement.

**Government Position**

Rome has been trying unsuccessfully for two years to come up with a program to restrain the growth of wages. The 1978 target was to keep the rise in unit labor costs in line with increases in other industrial countries, but Rome failed to suggest a means for achieving this goal. The three-year economic plan (1979-81) to be presented to parliament this fall cites the need to keep real wages constant in 1979. Rome hopes to



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persuade workers to accept a wage increase of \$12 or less per month in exchange for the government's promise to increase investment in southern Italy, to create new employment opportunities, and to keep the *scala mobile* intact. Most workers are compensated for 90 percent or more of the rise in the cost of living.

The unions are skeptical that Rome can carry out its promised job creation plan. Under discussion is a \$2.6 billion crash public works program aimed at creating 75,000 new jobs within the first eight months and a total of 300,000 to 600,000 positions within three years. Details of the plan have not emerged, and government statements on the number of positions to be created vary widely. The unions are waiting for evidence that the new plan will not suffer the fate of the much-touted Youth Employment Program enacted in the spring of 1977. Of the nearly 650,000 youths who registered for the estimated 600,000 jobs to be created, only about 9,000 were employed last year.

One of the few steps actually taken to reduce labor costs—the so-called fiscalization of social costs—will partially lose its effectiveness over the long run. Expected to reduce the total wage bill this year by an estimated \$1.4 billion, or 5 percent, the measure shifted the burden of some social security costs from employers to the government and raised the value-added tax (VAT) to cover the outlay. The increase in the VAT, however, eventually will feed back into the *scala mobile*, resulting in further wage increases. The unions have staunchly resisted government attempts to exclude increases in the VAT from the wage escalator.

Chances are practically nil that organized labor will allow any changes in the wage index mechanism.

The government has repeatedly been rebuffed in attempts to reduce the frequency in cost-of-living adjustments from a quarterly to a semi-annual basis. Attempts to remove items from the basket of goods used in calculating the *scala mobile* have been equally unsuccessful. Due to stiff union opposition, a recently proposed bill to halt automatic cost-of-living increases in seniority or overtime pay is unlikely to gain Senate approval.

### Outlook

The impact on economic growth of continued rapid increases in labor costs is sobering for these reasons:

- As labor costs continue to eat into profits, investment will remain low. Real industrial investment in Italy is currently below the 1970 level.

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- High wage scales also will limit industrial employment, driving more workers into the extralegal labor market where they receive lower pay and none of the social insurance or other benefits accruing to workers in unionized firms.
- The inflation rate, which was cut by nearly two-thirds between fourth quarter 1976 and first quarter 1978, picked up in June to an annual rate of 15.4 percent. Further wage increases along with the enormous increase in the public sector deficit this year will increase inflationary pressure.

Relentlessly rising labor costs pose a dilemma for both major political parties. The ruling Christian Democrats and their constituent labor federation are at odds with each other. As the Christian Democrat government presses for labor restraint, CISL is garnering worker support by endorsing stiff labor demands. The Communists are placed in an even more delicate position. With Lama finding his promise of labor moderation increasingly more difficult to fulfill, the Communist Party risks losing an important bargaining chip in its play for greater involvement in government. At the same time, the party risks losing valuable voter support by alienating union members with its unpopular call for labor moderation.

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#### LAW OF SEA TALKS: PRECEDENTS FOR OTHER NORTH-SOUTH DISCUSSIONS?

The seventh session of the marathon UN Conference on Law of the Sea (LOS) resumed on 21 August in New York, with the session scheduled to end on 15 September. Of itself a drawn-out and frustrating exercise in international treaty-making, the LOS Conference continues to raise issues that are of signal importance in other North-South arenas. This is particularly the case with the principal remaining controversy, the creation of an International Seabed Authority, which is viewed by some as a prototype for LDC-dominated international economic agencies. Other common issues include technology transfer, foreign private investment, and the allocation of aid.

Prospects for a treaty any time before 1980 are bleak, but pressures for more rapid progress are growing. The developed countries seek confirmation of earlier negotiating gains through conclusion of a comprehensive agreement. The LDCs, already piqued by US Congressional consideration of a separate piece of seabed legislation, feel under particular stress to show results in this area of the discussions. Resolution of elements of the seabed dispute—embodied in some current working

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drafts—could provide important talking points for upcoming North-South meetings on the Common Fund and a code of technology transfer. Because of a growing recognition of the complexity of conference issues and treaty approval processes, failure to resolve LOS differences would not necessarily result in a general scaling up of North-South confrontations.

### Status of the LOS Talks

Four years and six substantive sessions have brought marked progress toward a final text on most of the numerous and interwoven issues raised at the LOS Conference. The road to consensus among 150-odd countries has been smoothest where a few directly interested states have focused debates and pressured drafters toward balanced compromises. This process has helped gain basic agreement on matters such as navigational safeguards, offshore zones, fisheries, marine pollution, and dispute settlement.

### The Seabed Issues

The mechanics for administering use of the deep seabed remain the thorniest issue at the conference.\* While encompassing few issues of immediate concern to most states, the seabed debate draws wide interest as a focus for demands of developing countries for a New International Economic Order. The root question is the extent to which an International Seabed Authority will be permitted to regulate ocean-floor mining. Industrialized countries frame their views around the interests of private mining enterprises, which are technically capable of harvesting mineral-rich nodules from the sea floor on a commercial scale within the next 10 years. They seek security from arbitrary acts of the Authority, costly or constraining conditions on access, or damaging changes in seabed provisions at a future review conference. The Group of 77 (G-77), on the other hand, is campaigning for controls that assure their political dominance of seabed affairs and would tend to restrict national or private returns from seabed investment. According to their scheme, state-owned or private firms would be required to subsidize seabed mining by the Enterprise—as the operating arm of the Authority would be known—and possibly also by developing countries.

The main element of progress in this area is an agreement in principle to allow concurrent development of the seabed by the Enterprise and other miners. Though far from resolving details, this agreement is manifest in a new preliminary draft on the basic conditions to govern seabed exploitation. Related to this accommodation is an understanding that the Enterprise will have to be subsidized by some or all nations and by private mining firms.

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\* Other major outstanding issues include delimitation of the continental margin, international revenue-sharing on the margin, and access of landlocked and otherwise disadvantaged states to the fisheries of neighboring coastal states.

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Substantial disagreement remains, however, on the scope, financing, and internal organization of the Authority. Numbers bandied about at this stage include resource transfers totaling from under \$500 million to \$1.5 billion. Suggested operating procedures include the now-familiar LDC gambit of unweighted voting, a notion unacceptable to most developed countries, which would probably foot most of the bill for the Authority. Leaving aside these contentious issues for the moment, the current round is focusing on the Enterprise—especially competitive advantages it could enjoy over other mining enterprises—and other ground not covered last spring.

Despite substantial differences between the developed countries and the LDCs, we cannot rule out the possibility that cracks in the G-77 will facilitate further LOS progress. As the key issues become sharper and large-scale seabed mining likelier, important national concerns may prevail over group bargaining positions that until now have dominated the drafting process:

- Many LDCs—spearheaded by upper-tier countries such as Brazil and Mexico—seek a treaty pledge to transfer advanced technology to developing countries as a spur to their mining operations and as a matter of precedent.
- Other LDCs—led by African countries like Algeria and Tanzania—are pressing more strongly for G-77 control of a powerful Authority and for at least a symbolic part in operations of the Enterprise.
- A quietly determined group—including LDC mineral exporters such as Chile and Peru—mainly seek protection from sea-based competition.
- Some countries—essentially logrolling on seabed issues thus far—may defect if they see the prospect of gains on more vital concerns such as the acceptance of archipelagic rights or guaranteed overland access to the sea.

#### **Broader Implications of the Seabed Issues**

The significance of the seabed issues goes well beyond the LOS Conference. In particular, the structure and operation of an Authority will no doubt serve as an LDC negotiating model for other international institutions administering real resources. Meanwhile, as compromises are drafted in efforts to reach overall agreement, principles gaining support at the conference could find broader application. Seabed issues are, in fact, linked to a number of G-77 ideological aspirations:

*Regulating developing country relations with multinational corporations.* Proposed arrangements between the Authority and private investors to give them access to the seabeds are based on longstanding G-77 interest in the regulation of multinational firms. G-77 proposals for revenue-sharing

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arrangements, accounting rules, and conditions on licensing aim at blunting the competitive edge of miners and siphoning off a large share of the returns from seabed investment. Provisions in these areas may affect the future negotiations of a Code of Conduct for Transnational Corporations (now under study) or help justify stringent controls by governments on foreign direct investment on their own soil.

***Transfer of Technology.*** Requirements that have appeared in the seabed negotiating texts (including the current working draft) would mark, as some LDCs have noted, the first example in an international treaty of a strong obligation to transfer proprietary technology. The persistence of such a provision is explained by widespread support among moderate and advanced as well as militant LDCs for technology transfer proposals. Developed countries will again balk at mandatory transfer provisions at this session. Should the LDC arguments in the working draft prevail, they would constitute an important precedent at international negotiations for a transfer code and at the UN Conference on Science and Technology for Development (scheduled for the fall of 1979).

***Securing a bigger bloc voice in international financial and economic institutions.*** Developing countries seek unweighted or minimally weighted voting and broad regulatory powers for the Authority's governing bodies. This parallels G-77 bids for similar systems in the proposed Common Fund, the International Fund for Agricultural Development, and other multilateral bodies. The list of serious targets could grow if more world institutions are chartered for functional or technical purposes or the LDCs sense imminent success in the LOS setting.

***Bolstering resource flows from rich to poor countries.*** A revenue-sharing regime for the seabed (already agreed in principle) alerts LDCs to the possibility of sharing in rents for other scarce resources or services consumed by industrial countries. These might include, for instance, portions of the radio spectrum, whose allocation will be taken up at the World Administrative Radio Conference next year.

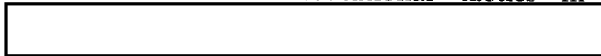
***Improving LDC commodity terms of trade by restricting world mineral output.*** Production ceilings for seabed minerals, supported by Canada and being considered by the United States, coincide with the interests of G-77 producers in "stabilizing" prices and revenues on commodity exports. With or without a treaty, these may help justify compensation for losses due to seabed or other competitive production and would bolster G-77 arguments on the need for a Common Fund.

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## Outlook

Contention over the important seabed provisions will probably remain sharp at this and possible future sessions right up to any drafting of a final text. The degree to which elements of these disputes will spill over into other North-South contexts depends on several factors, including:

- Overall stage of progress toward a final agreement. Although legally all negotiating texts are nonbinding, principles embodied in the texts will become more persuasive (and more useful as bargaining chips) as the draft moves toward completion. Even if the negotiations are broken off, most countries have large stakes in compromises that are already set—sometimes in national legislation—and probably will have difficulty repudiating the whole negotiating effort or integral parts of it.
- The stage of progress toward agreement on each issue. Some issues, such as voting in the Authority, at their present unresolved stage may only help set patterns for G-77 rhetoric outside the LOS Conference. Other issues, such as the current technology transfer provisions, have been explored far enough at the Conference to heighten LDC expectations in other North-South discussions.
- LDC unity on each issue. On most seabed issues, official statements of the LDCs have been remarkably uniform. On some issues, again including voting, there has been sporadic dissension within the G-77. To the extent that intra-LDC compromises have been difficult, the G-77 will probably be cautious in raising related issues at other North-South meetings.
- Resistance by developed countries. Strong reaction by economically conservative elements in the governments (such as finance ministries and legislatures) of developed countries may follow concessions on the seabed regime at the conference. Following the lead of the United States, other developed countries may consider legislation to protect their seabed interests. While this probably will not preclude LDC follow-up demands and may elicit charges of bad faith, it could also help discourage moderate developing countries from confrontational tactics in other multilateral settings.



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## OPEC ECONOMIC AID: FLOWS AND EBBS

Net disbursements of Official Development Assistance (ODA)\* by OPEC member countries surged to a record \$5.8 billion in 1977 and then began to slide in 1978. Greatly increased Kuwaiti aid to the Arab confrontation states through both the Gulf Organization for the Development of Egypt (GODE) and renewed Rabat payments, together with sharply higher Saudi and UAE assistance to favored Arab states in Africa, raised the 1977 OPEC economic aid total to more than 15 percent above the previous 1975 peak. As a result, OPEC contributed an unprecedented 30 percent of all aid transferred to non-OPEC LDCs and multilateral aid institutions in 1977. The retrenchment in OPEC aid outlays in 1978—20 percent or more—is attributable mainly to intermittent cash flow problems in the donor countries.

**Three-Donor Program**

Saudi Arabia, Kuwait, and the United Arab Emirates clearly emerged during 1977 as the three dominant OPEC aid donors, together responsible for about 85 percent of the ODA total. This triad of Arab Gulf states—pursuing parallel foreign policy goals, often in support of conservative or moderate Islamic governments—have

## Disbursement of Official Development Assistance, by OPEC Donor

	Million US \$	
	1977	1976
Saudi Arabia .....	2,660	2,330
Kuwait .....	1,410	440
UAE .....	880	820
Iran .....	385	725
Libya .....	150	120
Iraq .....	145	175
Qatar .....	125	150
Other .....	105	110
Total gross .....	5,860	4,870
Repayments <sup>1</sup> .....	100	50
Total net .....	5,760	4,820

<sup>1</sup> Repayments were made predominantly to Kuwait and secondarily to Iran.

coordinated their aid activities through a combination of consortium and co-financing arrangements. Most other OPEC donors have trimmed their outlays due to actual or perceived financial difficulties. Iran, particularly, cut its transfers last year, to one-half the 1976 total and stopped almost all new commitments.

\* Official Development Assistance, as defined by the OECD Development Assistance Committee, must (a) be given by governments or government-sponsored institutions, (b) contain grant elements of at least 25 percent, and (c) directly enhance economic development or welfare.

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Libya, frequently working at cross purposes with Riyadh in its foreign policy objectives, increased its economic aid in 1977. While the Saudis poured money into North Yemen, Somalia, and Mauritania, Libya provided financial succor to radical opponents of Saudi policies, such as South Yemen, Ethiopia, and Algeria.

### **Bilateral Programs Stressed**

OPEC countries provided 85 percent of their aid bilaterally in 1977. These direct bilateral transfers—which the governments have long considered a more effective foreign policy tool than other aid forms—rose to \$5 billion in 1977, from \$4 billion the year before. The transfers included (a) more than \$700 million in payments to Mauritania, Morocco, and Somalia, compared with \$200 million in 1976; (b) the revival of Rabat payments, suspended in 1976, to a level of nearly \$800 million; and (c) the restoration of Kuwaiti Government soft-term loans to Egypt, through the newly created GODE. In addition, the combined net project aid disbursements of the Saudi Development Fund, the Kuwait Fund for Arab Economic Development, and the Abu Dhabi Fund for Arab Economic Development, purportedly given without political consideration, rose from about \$350 million in 1976 to more than \$500 million in 1977.

As in the past, nonproject assistance weighed heavily in the OPEC bilateral total. Even though the major OPEC donors have paid increasing homage to the merits of project aid, the pressing needs of major clients for immediate financial support have repeatedly caused donors to defer long-term project assistance. Furthermore, budget support and direct balance-of-payments assistance—flexible and quickly disbursable forms of aid—have both proven invaluable to the foreign political goals of OPEC donors. Even GODE aid, established initially by the Arab Gulf states for coordinating and administering project assistance to Egypt, was ultimately used to bail Cairo out from its 1977 balance-of-payments crisis. In all, nonproject aid has accounted for more than three-fourths of OPEC bilateral ODA, compared with the less than 50-percent share long characteristic of ODA from industrialized countries.

OPEC economic assistance continued to be less concessional in nature than aid from industrialized countries. In 1977, for example, 45 percent of OPEC bilateral ODA transfers was grant aid compared with about 70 percent of transfers from industrialized countries.

### **Stable Multilateral Program**

OPEC contributions to multilateral aid institutions in 1977 held at the 1976 level, just under \$800 million. The OPEC Special Fund, which received about one-fourth of the contributions, became the most dynamic and widely used of the OPEC



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multilateral institutions. With a total pledged capital of \$1.6 billion, by the end of 1977 the Special Fund had: (a) committed \$339 million of direct project and balance-of-payments assistance to 60 non-OPEC LDCs around the world, (b) pledged \$435 million to the International Fund for Agricultural Development (IFAD), and (c) begun consideration of a major contribution to the Common Fund, proposed by UNCTAD as a key feature of the Integrated Program for Commodities. OPEC countries also contributed large sums to the Islamic Development Bank, the newest and largest of the OPEC multilateral organizations, and the Arab Bank for Economic Development in Africa (ABEDA). OPEC states upped ABEDA's capital early last year as a concession to African states which sought more Arab assistance.

**Mainly Arab Beneficiaries**

Again in 1977, OPEC countries concentrated their bilateral ODA assistance on Arab and other Moslem recipients, with 83 percent destined for the former and an additional 8 percent to the latter. The Arab confrontation states again absorbed the bulk of the total, Egypt and Syria alone taking 45 percent. [redacted]

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Disbursements of OPEC Bilateral Official Development Assistance,  
by Leading Recipients

	Million US \$	
	1977	1976
Egypt .....	1,590	1,100
Syria .....	695	540
Oman .....	340	110
Morocco .....	320	35
Jordan .....	290	475
India .....	275	495
Somalia .....	230	45
North Yemen .....	215	140
Mauritania .....	180	115
Lebanon .....	160	20

[redacted] India has maintained a special place as a favored aid client of Iran's, largely reflecting Tehran's drive to strengthen its economic ties with the non-Arab countries of middle Asia.

OPEC bilateral assistance to the especially disadvantaged groups of LDCs remained comparatively small in 1977. The listing below shows the share of each of three groups usually classified as disadvantaged but which to some extent are duplicative. India and Pakistan are excluded from the first but included in the second and third groups:

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- Least Developed Countries (LLDCs) received \$856 million, or 17 percent of OPEC bilateral ODA.
- Most Seriously Affected (MSA) countries, other than Egypt, received \$1,461 million, or 29 percent of the total.
- Non-OPEC, non-Communist LDCs with \$265 or less annual per capita income received \$1,235 million, or 24 percent of the total.

**Trends in 1978**

Preliminary information indicates that OPEC transfers of official development assistance will fall at least 20 percent in 1978. We expect only the two radical countries of Libya and Iraq to surpass their 1977 aid performances. The conservative Arab Gulf states are cutting back their programs in 1978. Although these states continue to receive enormous sums from oil sales and have large foreign assets, some are encountering intermittent cash shortages because of a combination of poor budgeting, reduced oil sales, high imports, international inflation, and the declining value of the dollar. We also expect Iran's role as a major donor to continue to wane. Tehran's 1978 transfers will probably fall again, as last year, by as much as one-half.

Because of their dependence on the Gulf donors, the confrontation states will be most severely affected. For example, disbursements through CODE to Egypt will decline sharply in 1978 as a result of the Gulf states' decision in July not to replenish CODE's nearly exhausted capital. Also, the annual Rabat payments due the confrontation states are moving far more slowly than a year ago, with less than \$250 million in payments noted in first half 1978, compared with nearly \$800 million for all of 1977 (most of which occurred in the first half of the year).

Those non-OPEC LDCs that appear to be receiving more OPEC bilateral aid this year than in 1977 are predominantly leftist—those with ties to the radical donor states. Already, Libya has transferred large amounts of assistance to Ethiopia, and South Yemen has received sizable aid from Iraq. Libya pledged major support to South Yemen in the aftermath of the decision by other more moderate Arab states to impose an economic boycott on Aden. Iraq also has transferred substantial amounts of ODA to Guinea and Congo.

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## THE ASIAN DOLLAR MARKET: SINGAPORE GAINS EDGE OVER HONG KONG

New Hong Kong taxes on offshore banking profits will give an edge to Singapore in the longstanding competition for leadership in the Asian dollar market. The tax bill approved by the Hong Kong Legislative Council last month will impair Hong Kong's reputation as a tax haven.



### The Asian Dollar Market

The Asian dollar market—which started in Singapore in 1968—deals in foreign currencies deposited in the various banking institutions of the major Asian Pacific financial centers. The main depositors are multinational and regional corporations, government bodies, Asian central banks, and foreign banks; about 90 percent of the deposits are in US dollars. The borrowers are made up of regional corporations, development banks, central banks, commercial banks, and export-oriented firms.

The Asian dollar market is basically a segment of the Eurodollar market centered in London. It has a strong growth potential because of the rising capital requirements of the Asian Pacific LDCs. Time-zone differences give the market the advantage of being open when the London market is closed.

### Relative Advantages of Hong Kong and Singapore

Hong Kong and Singapore both have excellent transportation and telecommunications networks, legal institutions substantially based on English law, and effective banking-support systems—particularly accounting, legal, and printing services. While Hong Kong international banking is subject to minimal government control, Singapore has developed as an international banking center through a combination of strict government supervision and generous government incentives.

Under existing tax provisions:

- Singapore has a 10-percent tax on offshore banking profits but no tax on interest earned on bank deposits by nonresidents.
- Hong Kong has a 15-percent withholding tax on interest earned on bank

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## Hong Kong and Singapore:

## Syndicated Loans to Asian LDCs, January to June 1978

Borrower	Country of Borrower	Million US \$
<b>Hong Kong Syndications</b>		
January		
Korea Line Corp. ....	South Korea	2.5
China Airlines Ltd. ....	Taiwan	48
Chinese Petroleum Corp. ....	Taiwan	28
February		
Philippine Long Distance Telephone Co. ....	Philippines	105
March		
Government of Malaysia ....	Malaysia	400
San Miguel Corp. ....	Philippines	130
April		
Malaysian International Shipping Corp. ....	Malaysia	140
Marcopper Mining Corp. ....	Philippines	34
Central Bank of the Philippines ....	Philippines	100
Pohang Iron and Steel Co. ....	South Korea	100
Korean Airlines Co. ....	South Korea	53
Korea Development Bank		
Korea Exchange Bank ....	South Korea	400
Taiwan Power Co. ....	Taiwan	190
May		
Lakeview Industrial Corp. ....	Philippines	7
June		
Hankuk Glass Industry Co., Ltd. ....	South Korea	32
<b>Singapore Syndications</b>		
March		
Republic of Indonesia ....	Indonesia	500 <sup>1</sup>
April		
Golden Eagle Indonesia ....	Indonesia	75 <sup>1</sup>
Siam Cement Co. ....	Thailand	50
May		
Mobil Oil Indonesia ....	Indonesia	300 <sup>1</sup>

<sup>1</sup> Joint Singapore - New York syndication.

deposits by nonresidents, but, up to last month, has had no tax on offshore banking profits.

Singapore's tax structure has made it the largest depository of Asian dollars with \$23 billion in March 1978, compared with perhaps \$13 billion for Hong Kong. On the other hand, Hong Kong syndicated more than one-half of the 50 major Asian dollar loans processed in 1977, against Singapore's 10-percent share.

### Hong Kong Tax Legislation

The Hong Kong budget for April 1978-March 1979 called for a 17-percent tax on

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offshore banking profits without any relief from the 15-percent tax on deposit interest income. Under this proposal, which was enacted on 16 August, Hong Kong has higher taxes than Singapore on both Asian dollar deposits and Asian dollar offshore banking profits.

### Recent Actions in Singapore

In a drive to strengthen its international banking position, Singapore has so far this year:

- Relaunched a market for US dollar-denominated certificates of deposit (CDs) after an earlier failure in 1970. US dollar CDs help to attract longer term deposits; Hong Kong does not have a US dollar CD market.
- Extended the list of types of Asian dollar operations subject to the concessionary 10-percent profits tax.
- Removed all foreign exchange controls thus matching Hong Kong in this regard.

### Other Competitors

Singapore will not necessarily gain all of the Asian dollar banking business that will be lost by Hong Kong as a result of the new tax legislation. The larger international banks with several foreign branches can syndicate loans in other countries while employing deposits held in Singapore. Bahrain in the Persian Gulf has also become increasingly attractive as a financial center because of the absence of withholding taxes and exchange controls and its potential for attracting Arab dollar deposits. The Philippines, despite its concessionary 5-percent tax on offshore banking profits, is not yet regarded as a serious contender.

25X1

\* \* \* \* \*

### Note

#### USSR Posts Bigger Deficit in Hard Currency Trade

The USSR registered a \$3 billion hard currency trade deficit in first half 1978 as sizable purchases of grain pushed hard currency imports to a record level. After declining steadily last year, nongrain imports are also on the rise; this suggesting Moscow is satisfied that it has regained control over its balance of payments and is

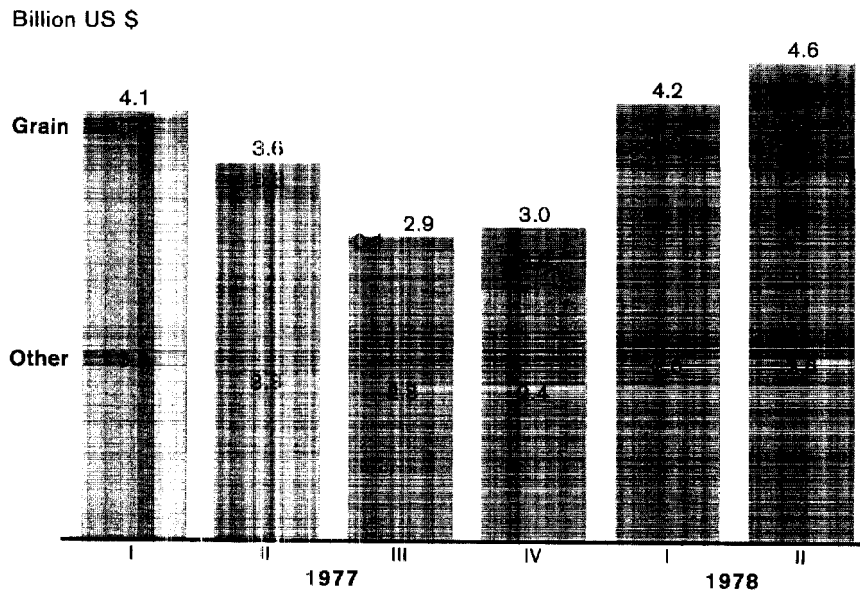
7 September 1978

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**USSR: Hard Currency Imports, by Quarter**



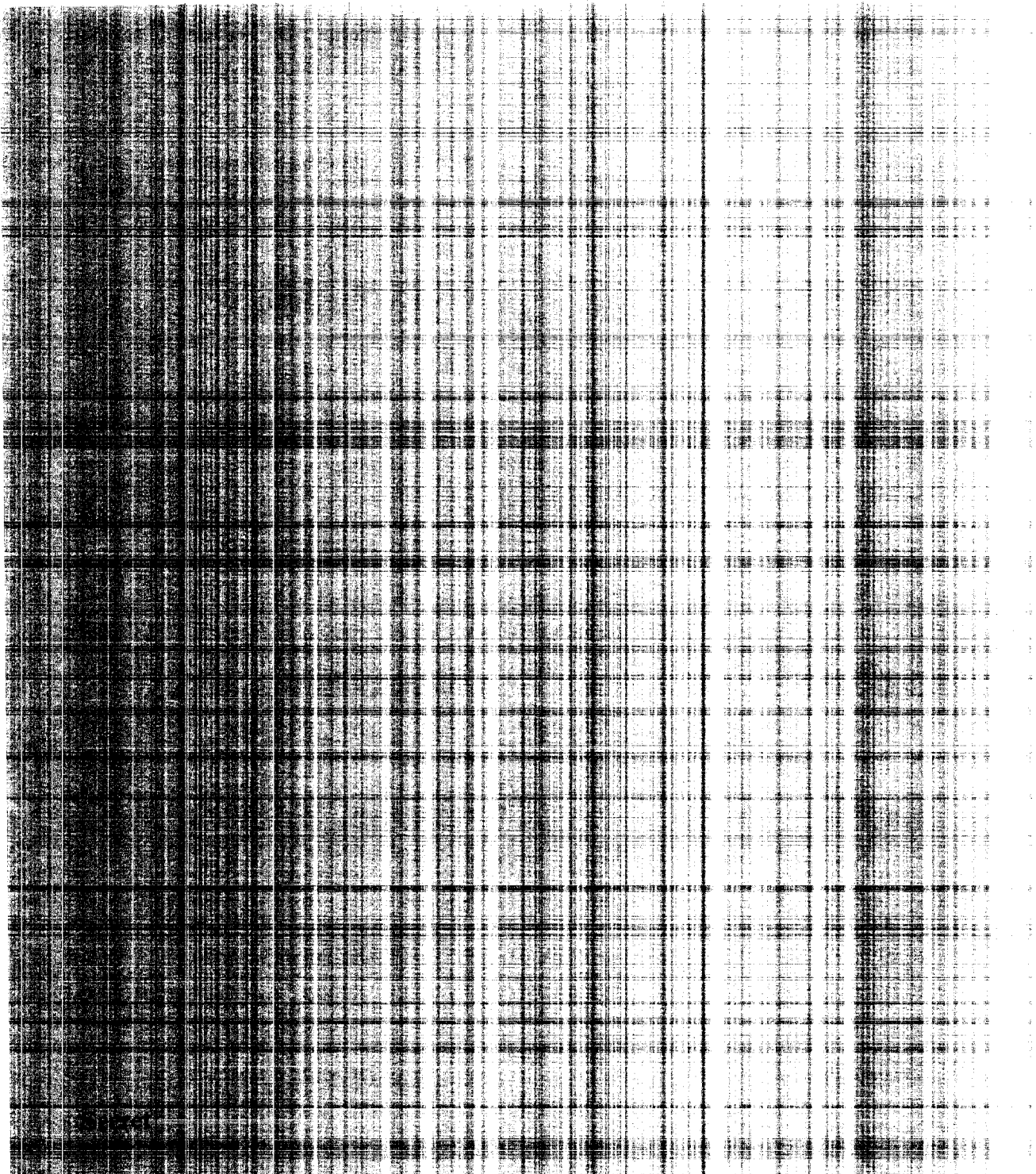
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willing to allow for a moderate expansion of nongrain imports. A hard currency trade deficit on the order of \$4 billion now seems probable for the whole year. Imports should fall from their January-June level of \$8.8 billion, as imports of grain and equipment decline in the second half. Exports should rise above the \$5.8 billion of the first half because of seasonal factors.

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**National Foreign Assessment Center**  
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# **Economic Indicators Weekly Review**

**7 September 1978**

*ER EI 78-036  
7 September 1978*

Approved For Release 2004/07/29 : CIA-RDP80T00702A000800040004-5



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#### FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

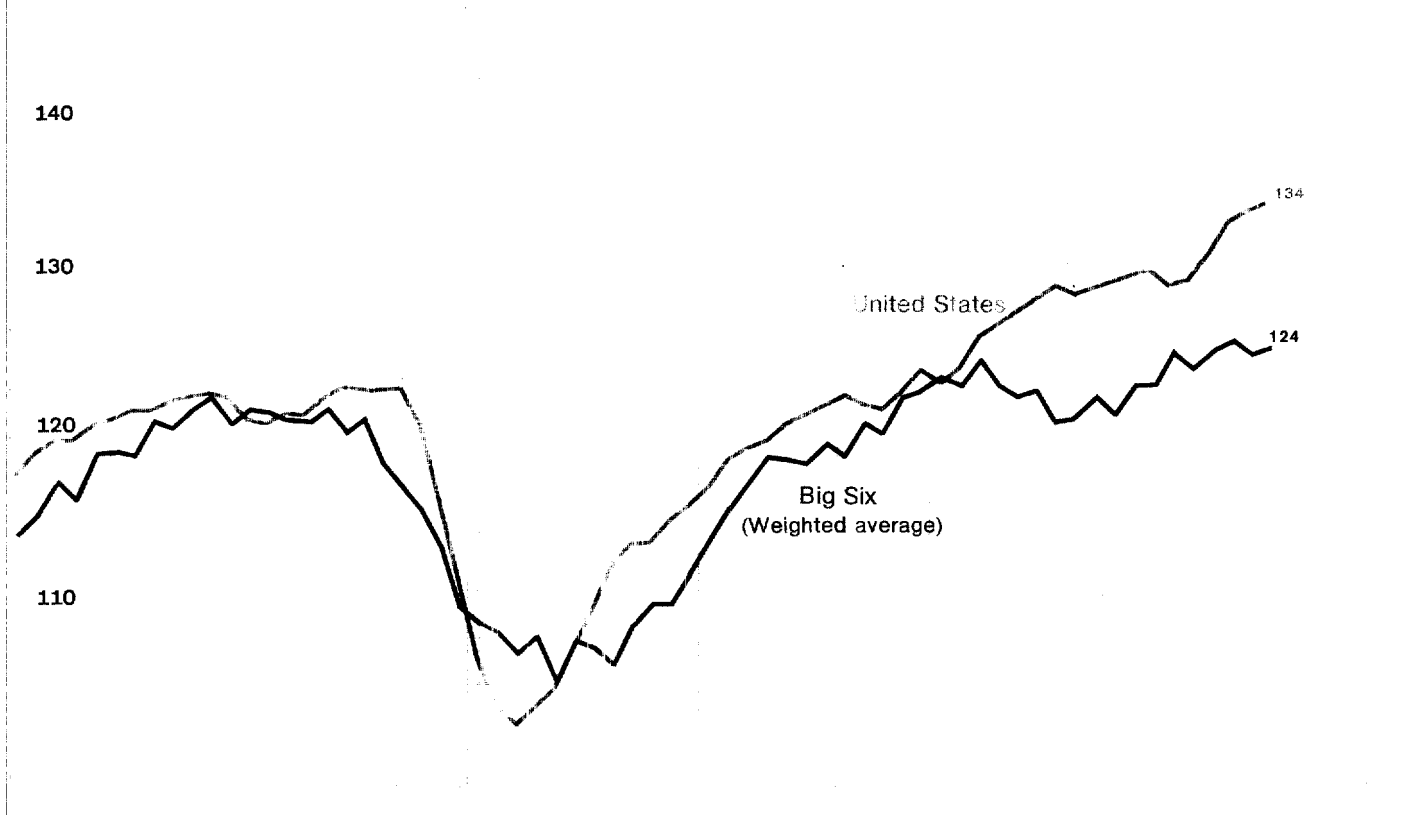
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

# BIG SIX FOREIGN COUNTRIES COMPOSITE INDICATORS

Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

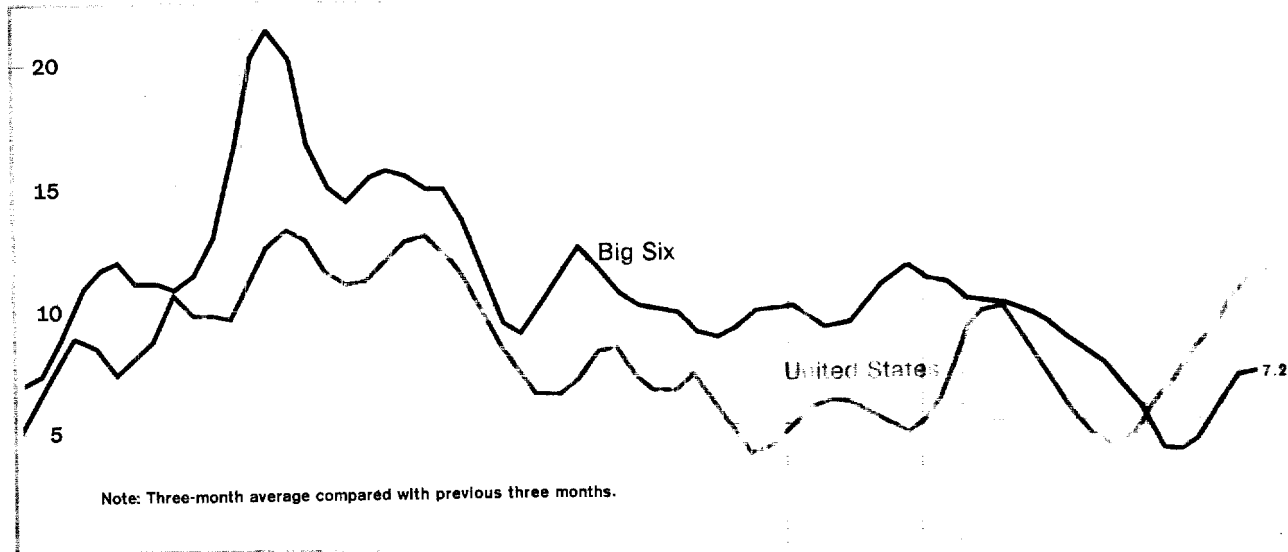
Percent



Note: Excluding data for Italy.

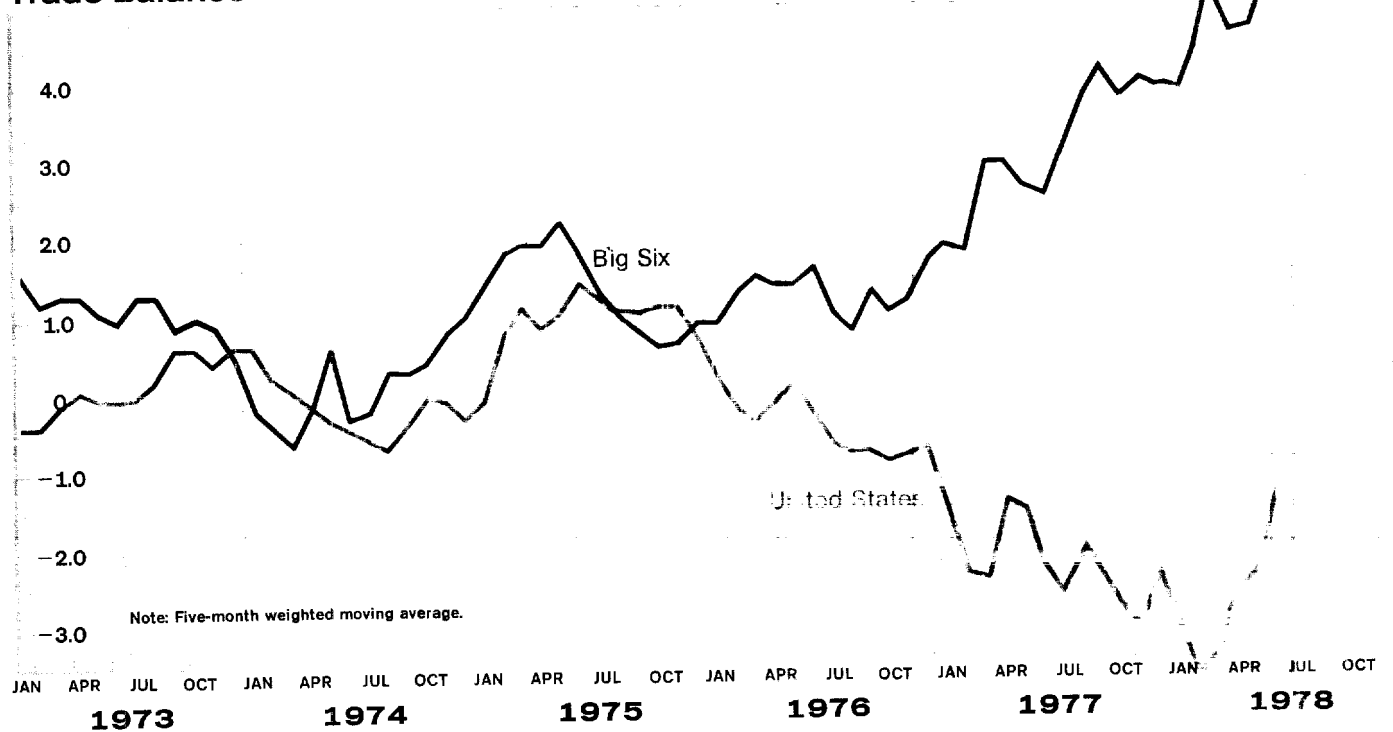
**Consumer Price Inflation**

Percent, seasonally adjusted, annual rate



**Trade Balance**

Billion US \$, f.o.b., seasonally adjusted



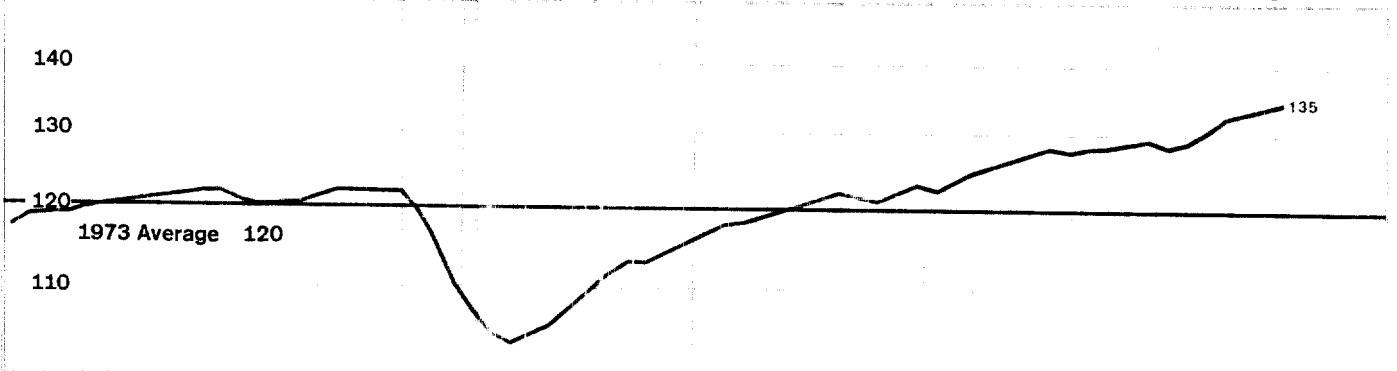
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970			Unemployment Rate				
			1 Year Earlier	3 Months Earlier <sup>2</sup>	Big Five	United States	LATEST MONTH	1 Year Earlier	3 Months Earlier	
<b>Industrial Production</b>						MAY 78	4.4	4.2	4.3	
Big Six	JUN 78	0.2	2.8	2.5	2.0					
United States	JUN 78	0.5	3.8	4.9	12.8	MAY 78	6.1			
<b>Consumer Prices</b>						<b>LATEST MONTH</b>				
Big Six	JUN 78	0.6	9.2	6.2	7.2	MAY 78	4.4	4.2	4.3	
United States	JUN 78	0.9	6.7	7.4	10.7	MAY 78	6.1			
						<b>Trade Balance</b>				
Big Six	JUN 78					MAY 78	6,521	28,447	13,980	14,767
United States	JUN 78					MAY 78	-1,597	-16,566	-11,424	4,814

<sup>2</sup>Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

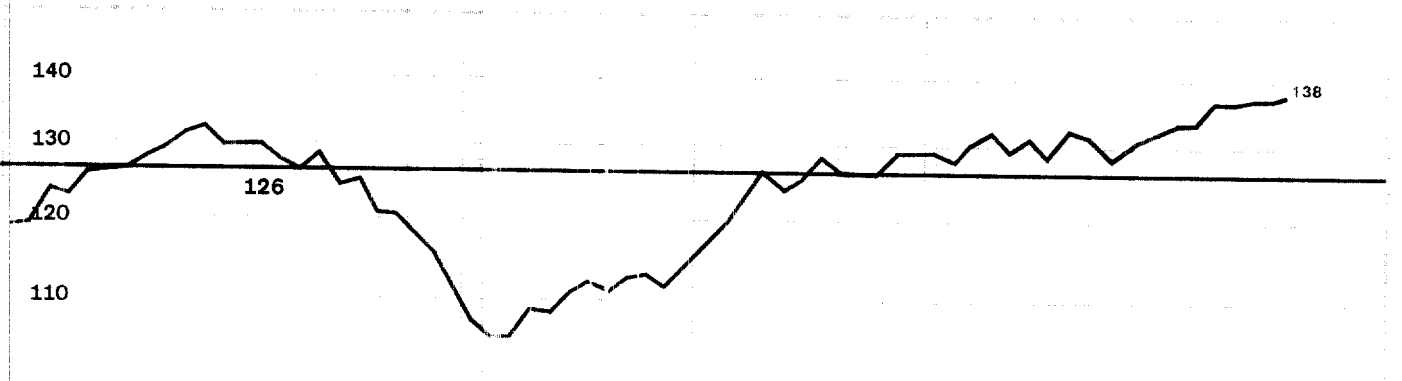
# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

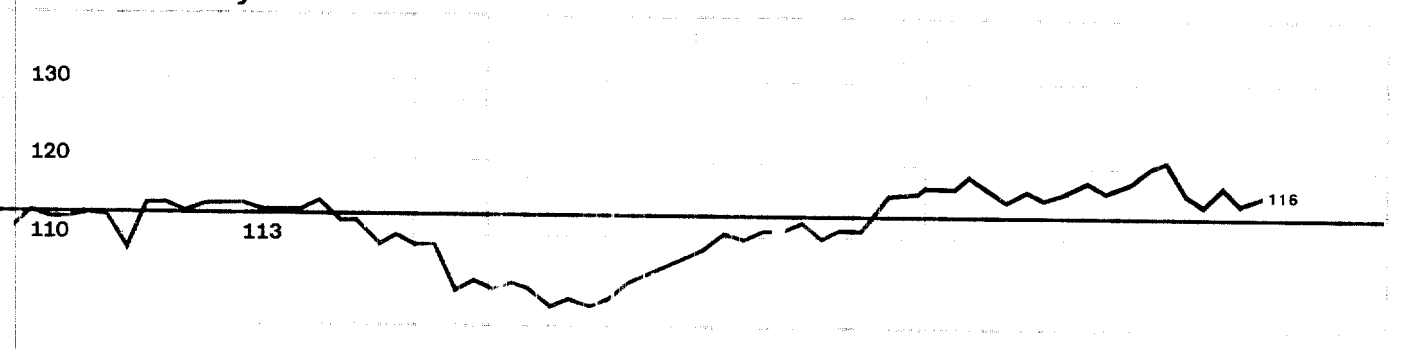
Semilogarithmic Scale



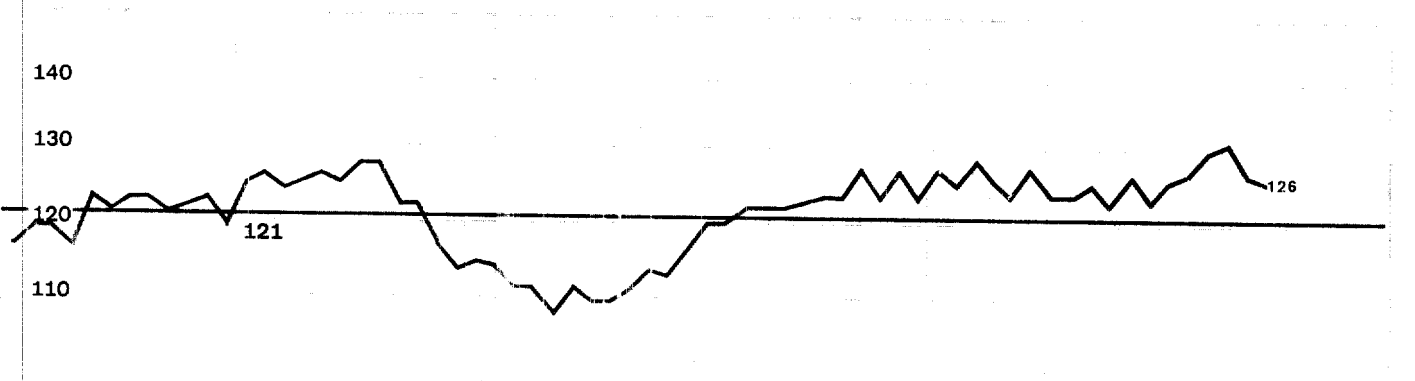
## Japan



## West Germany

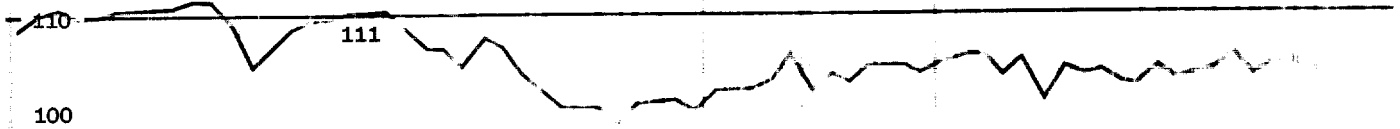


## France

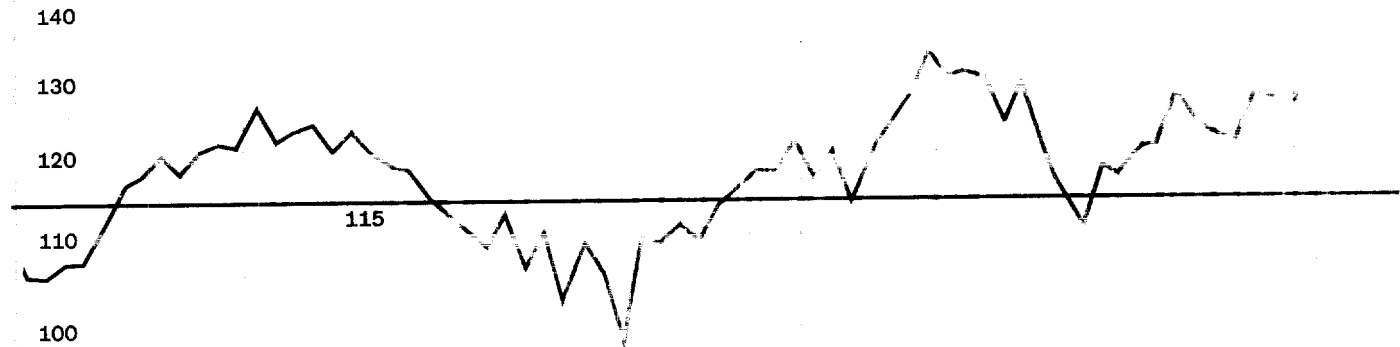


**United Kingdom**

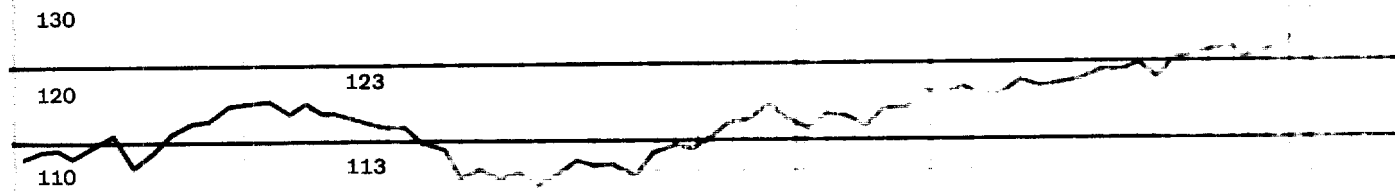
Semilogarithmic Scale



**Italy**



**Canada**



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
**1973 1974 1975 1976 1977 1978**

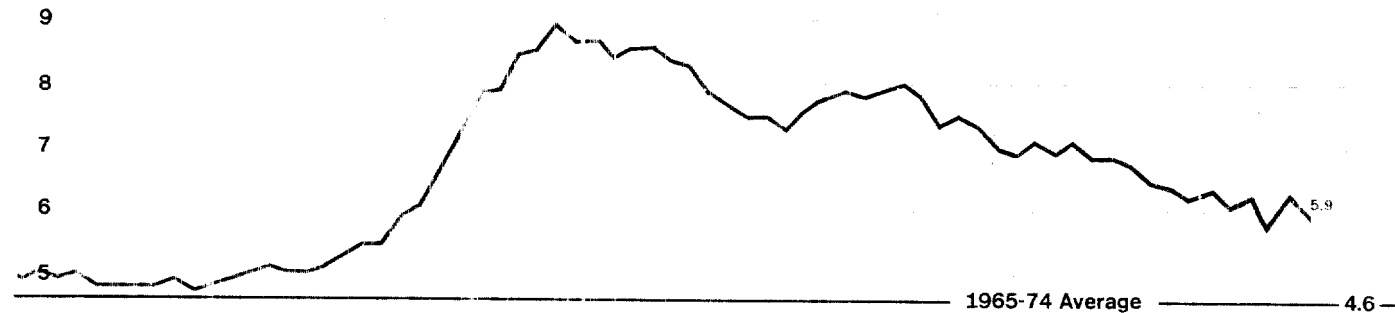
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>	
United States	JUL 78	0.5	3.8	4.8	10.3	United Kingdom	JUN 78	1.4	0.6	4.2	3.0
Japan	JUL 78	0.7	4.0	8.7	5.5	Italy	JUN 78	-1.0	3.1	4.4	2.9
West Germany	JUN 78	0.9	1.9	0	-4.5	Canada	JUN 78	0.5	2.7	3.2	1.4
France	JUN 78	-0.8	2.9	-1.6	1.0						

<sup>1</sup>Average for latest 3 months compared with average for previous 3 months.

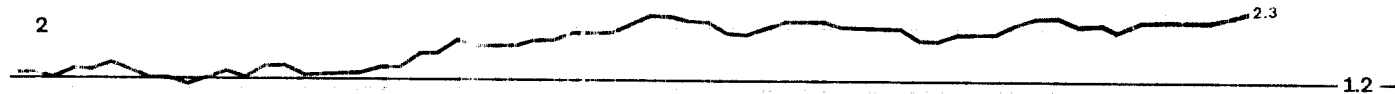
# UNEMPLOYMENT RATE

PERCENT

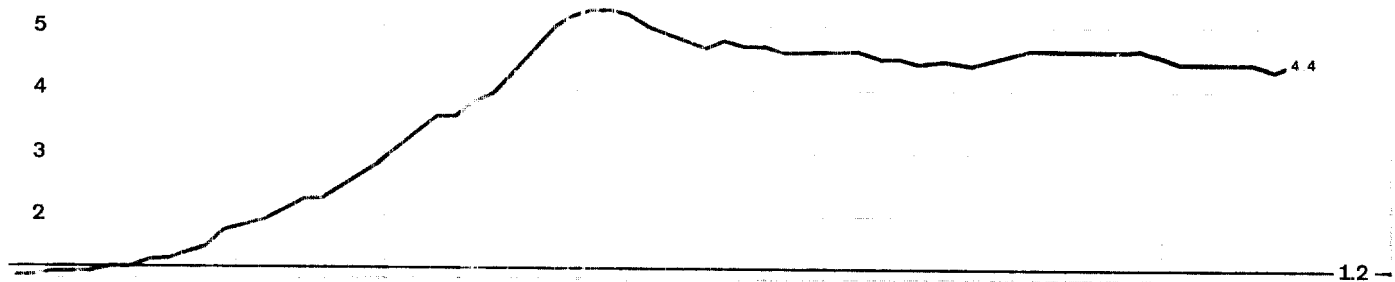
## United States



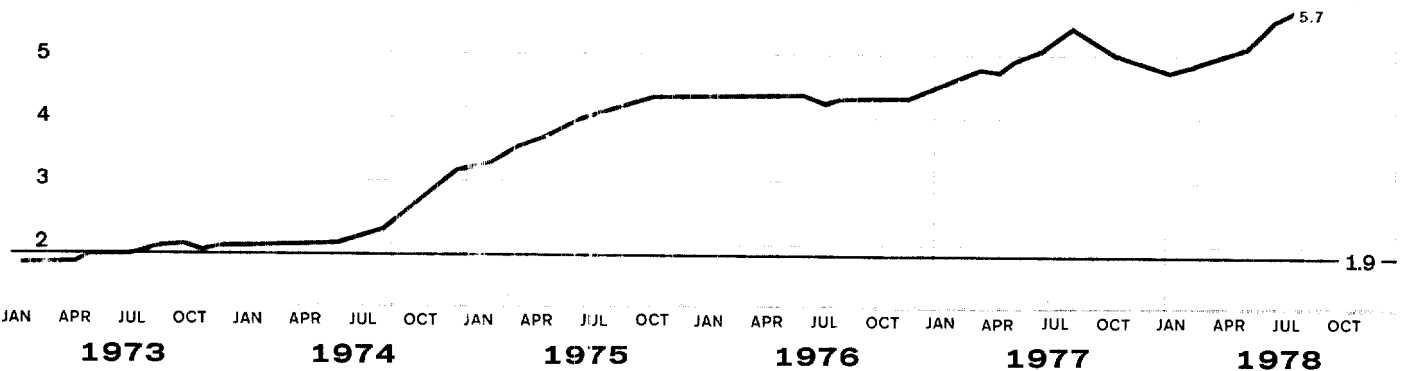
## Japan



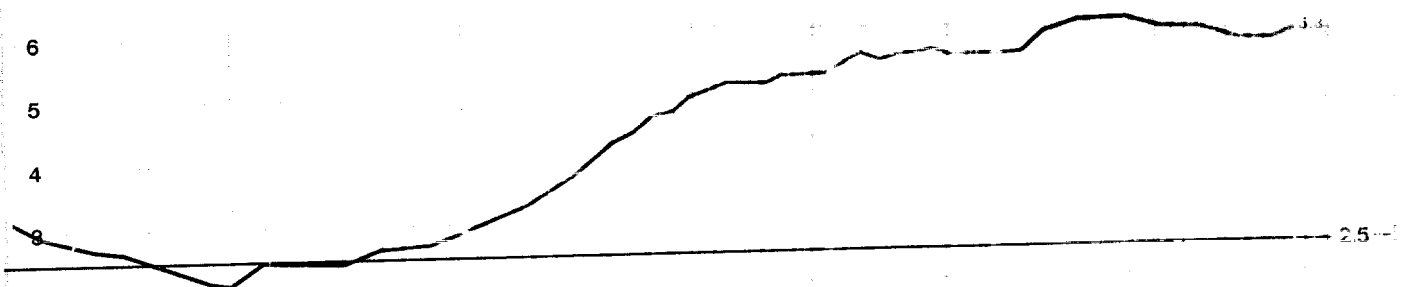
## West Germany



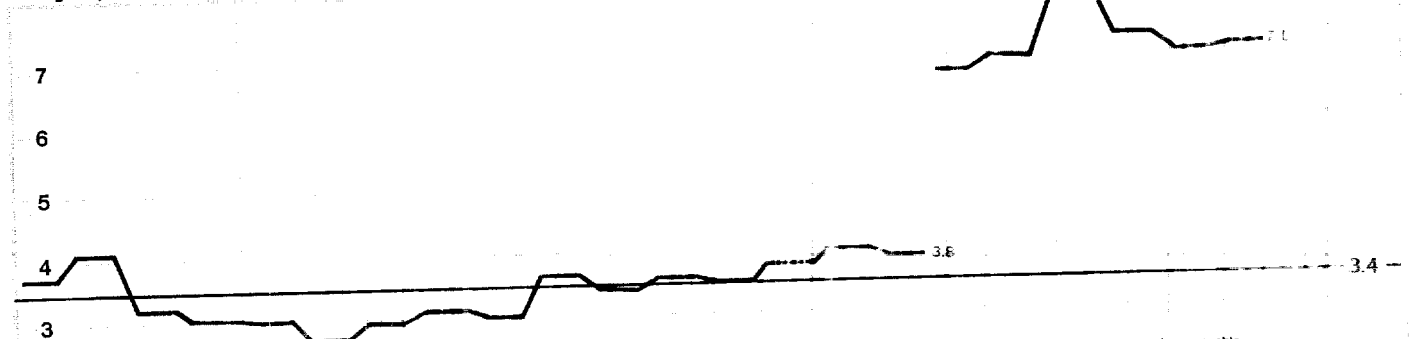
## France



**United Kingdom**

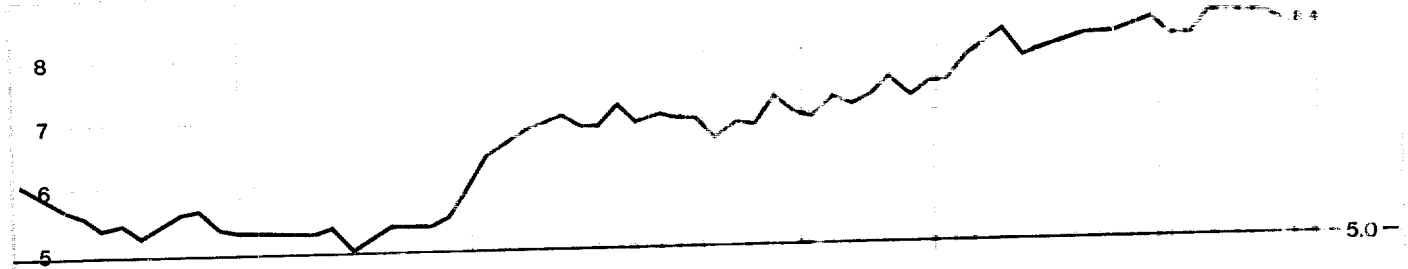


**Italy (quarterly)**



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

**Canada**



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
 1973 1974 1975 1976 1977 1978

**THOUSANDS OF PERSONS UNEMPLOYED**

	LATEST MONTH	1 Year Earlier	3 Months Earlier		LATEST MONTH	1 Year Earlier	3 Months Earlier		
United States	AUG 78	5,968	6,821	6,149	United Kingdom	AUG 78	1,392	1,414	1,366
Japan	MAY 78	1,270	1,140	1,160	Italy	II 78	1,455	1,432	1,320
West Germany	JUL 78	991	1,049	990	Canada	JUL 78	927	866	836
France	JUL 78	1,241	1,140	1,087					

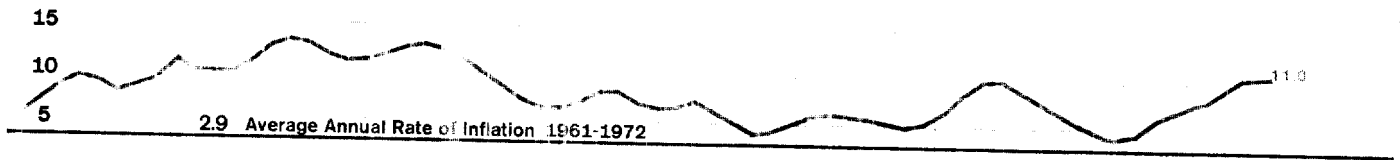
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.



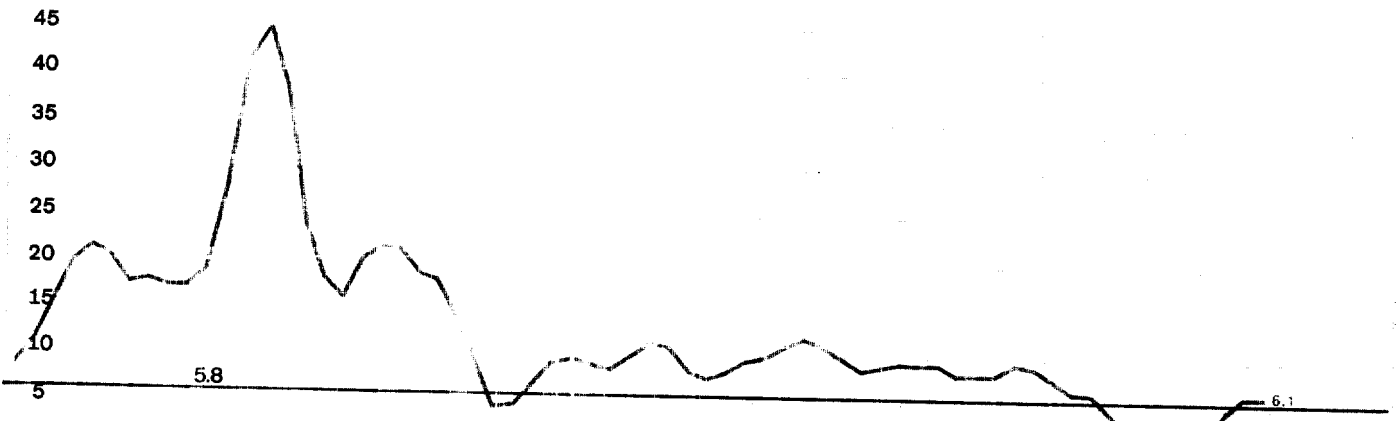
# CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate<sup>1</sup>

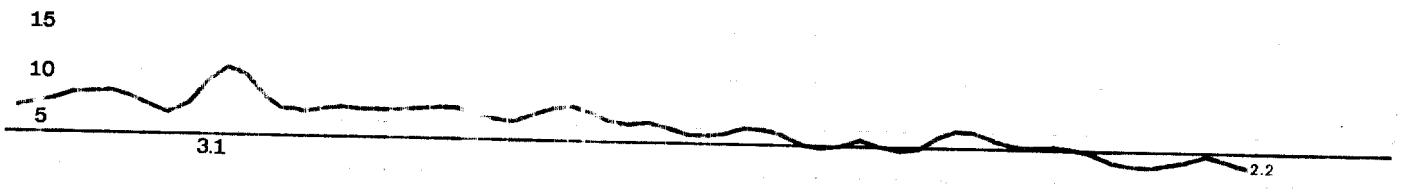
## United States



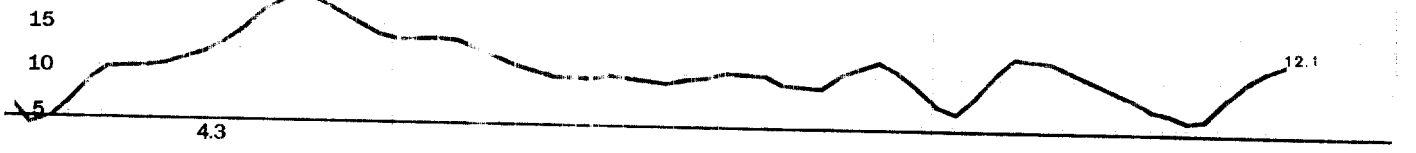
## Japan



## West Germany



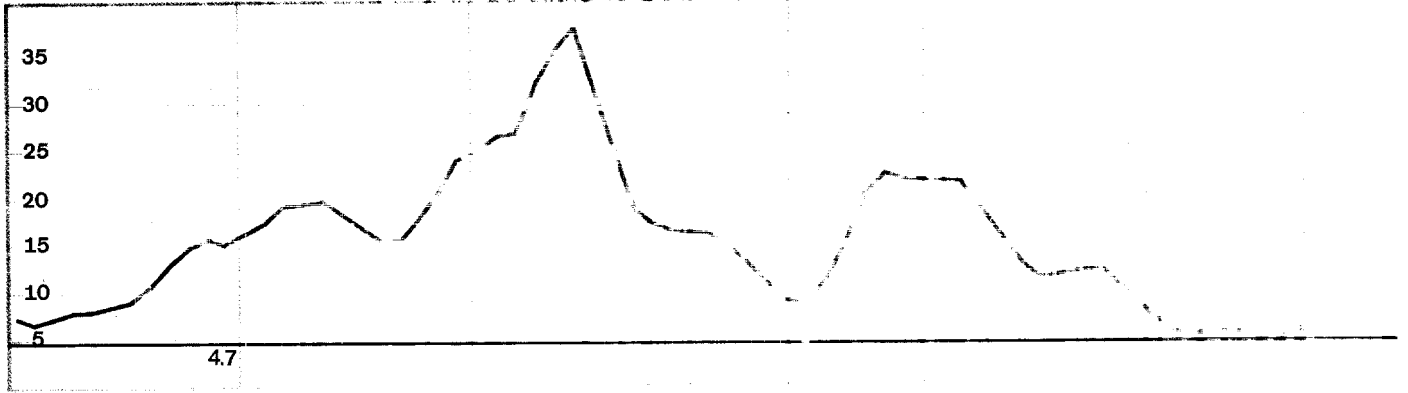
## France



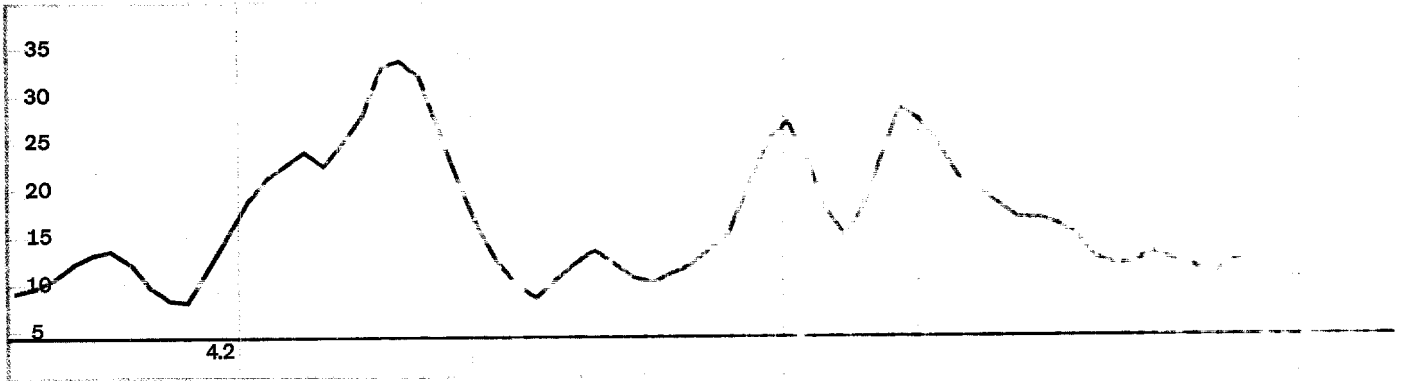
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
1973 1974 1975 1976 1977 1978

<sup>1</sup>Three-month average compared with previous three months.

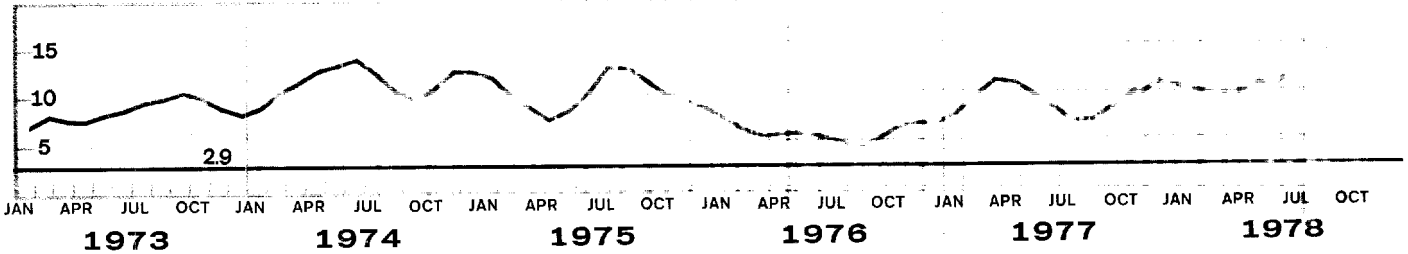
**United Kingdom**



**Italy**



**Canada**



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	JUL 78	0.7	6.8	7.7	11.0	United Kingdom	JUL 78	1.1	1.9	7.4
Japan	JUN 78	0.3	9.8	3.5	6.1	Italy	JUL 78	1.2	1.4	1.6
West Germany	JUN 78	0.1	5.2	2.4	2.2	Canada	JUL 78	1.2	0.3	1.4
France	JUL 78	1.2	9.1	9.3	12.1					

<sup>2</sup>Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

**GNP <sup>1</sup>**

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	1.8	3.2	4.0	7.4
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
France	78 I	1.8	4.1	1.4	7.4
United Kingdom	77 IV	-0.5	1.6	-1.1	-1.9
Italy	78 I	2.0	1.9	-6.2	8.2
Canada	78 I	0.7	4.7	2.8	2.7

<sup>1</sup> Seasonally adjusted.

**RETAIL SALES <sup>1</sup>**

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	May 78	-0.9	3.1	1.9	5.5
Japan	Apr 78	4.0	9.9	4.3	24.8
West Germany	May 78	-0.8	2.3	0	-5.3
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	Jul 78	1.7	1.4	5.4	9.0
Italy	Mar 78	3.6	3.2	5.5	21.1
Canada	Jun 78	1.4	4.1	4.5	2.2

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

**FIXED INVESTMENT <sup>1</sup>**

Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	3.6	3.0	7.4	15.1
Japan	78 I	0.9	1.1	-0.4	3.6
West Germany	78 I	-0.5	0.7	1.6	-2.1
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	78 I	1.3	1.6	9.7	5.2
Italy	78 I	2.3	1.1	-19.6	9.4
Canada	78 I	-3.7	4.8	-12.7	-14.1

<sup>1</sup> Seasonally adjusted.

**WAGES IN MANUFACTURING <sup>1</sup>**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	Jun 78	0.5	7.6	7.6	7.2
Japan	Apr 78	0.3	16.1	8.2	10.3
West Germany	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	May 78	0.5	16.4	20.6	54.9
Italy	May 78	3.5	20.4	15.5	13.6
Canada	May 78	0.9	10.9	7.1	6.2

<sup>1</sup> Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

<sup>2</sup> Average for latest 3 months compared with that for previous 3 months.

**MONEY MARKET RATES**

	Representative rates	Latest Date	Percent Rate of Interest			
			1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Commercial paper	Aug 23	7.85	5.89	7.19	7.88
Japan	Call money	Aug 25	4.50	5.75	4.12	4.62
West Germany	Interbank loans (3 months)	Aug 23	3.61	4.06	3.62	3.76
France	Call money	Aug 25	7.00	8.25	7.88	7.25
United Kingdom	Sterling interbank loans (3 months)	Aug 23	9.36	6.60	9.14	10.40
Canada	Finance paper	Aug 23	8.90	7.47	8.13	8.27
Eurodollars	Three-month deposits	Aug 23	8.66	6.36	8.02	8.50

**EXPORT PRICES**

US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	May 78	0.4	9.4	5.0	8.3
Japan	Jul 78	1.2	11.7	27.0	39.1
West Germany	Jun 78	1.7	11.5	12.9	-4.0
France	Apr 78	3.4	12.1	17.9	36.2
United Kingdom	Jul 78	3.7	11.8	20.4	23.8
Italy	Apr 78	-0.6	10.9	9.6	6.7
Canada	May 78	1.8	8.4	0.3	3.8

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**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	May 78	0.4	9.4	5.0	8.3
Japan	Jul 78	-5.8	3.8	-4.3	-8.8
West Germany	Jun 78	0.7	3.9	-0.1	4.9
France	Apr 78	0.9	9.4	8.9	21.0
United Kingdom	Jul 78	0.5	15.1	9.4	11.3
Italy	Apr 78	-0.6	15.4	5.7	-1.6
Canada	May 78	-0.2	9.3	7.0	-6.0

**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	May 78	-0.3	12.8	5.4	6.8
Japan	Jul 78	-6.6	5.8	-20.9	-22.7
West Germany	Jun 78	-1.6	3.0	-5.9	-12.5
France	Apr 78	-2.2	9.3	0.2	-1.6
United Kingdom	Jul 78	0.1	17.4	1.8	8.2
Italy	Apr 78	-0.7	18.9	4.7	-8.3
Canada	Apr 78	0	8.5	11.1	-5.3

**OFFICIAL RESERVES**

	Latest Month	Billion US \$			
		End of	Jun 1970	1 Year Earlier	3 Months Earlier
		Billion US \$			
United States	Jun 78	18.9	14.5	19.2	19.2
Japan	Jul 78	29.3	4.1	17.6	27.5
West Germany	Jun 78	40.7	8.8	34.3	42.2
France	Apr 78	10.6	4.4	10.0	0.1
United Kingdom	May 78	17.3	2.8	10.0	21.4
Italy	Jun 78	13.2	4.7	9.7	10.6
Canada	Jul 78	4.6	9.1	5.0	4.6

**CURRENT ACCOUNT BALANCE <sup>1</sup>**

	Latest Period	Cumulative (Million US \$)			
		1978	1977	Change	
		Million US \$			
United States <sup>2</sup>	78 I	-6,954	-6,954	-4,158	-2,796
Japan	Jul 78	2,050	10,879	4,630	6,249
West Germany	Jul 78	-1,700	2,015	1,406	609
France	78 I	0	0	-2	2
United Kingdom	78 I	-803	-803	-896	94
Italy	77 III	2,390	N.A.	N.A.	N.A.
Canada	78 I	-1,273	-1,273	-1,484	212

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> Seasonally adjusted.

**BASIC BALANCE <sup>1</sup>**

Current Account and Long-Term Capital Transactions  
Cumulative (Million US \$)

	Latest Period	Cumulative (Million US \$)			
		1978	1977	Change	
		Million US \$			
United States		No longer published <sup>2</sup>			
Japan	Jul 78	650	6,231	3,513	2,718
West Germany	Jun 78	265	2,801	-1,165	3,966
France	78 I	-1	-1	-2	1
United Kingdom	78 I	-326	-326	543	-869
Italy	77 III	2,520	N.A.	N.A.	N.A.
Canada	78 I	-668	-668	-584	-84

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

**EXCHANGE RATES**

Spot Rate

As of 18 Aug 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	11 Aug 78
Japan (yen)	0.0054	41.34	43.14	21.72	0.47
West Germany (Deutsche mark)	0.5038	42.27	17.30	6.82	-0.91
France (franc)	0.2318	5.18	13.87	8.07	-0.34
United Kingdom (pound sterling)	1.9850	-19.34	14.22	9.55	1.07
Italy (lira)	0.0012	-31.92	6.45	5.06	0.42
Canada (dollar)	0.8783	-11.97	-5.44	-1.92	-0.22

**TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>**

As of 18 Aug 78

	Percent Change from			
	19 Mar 73	1 Year Earlier	3 Months Earlier	11 Aug 78
United States	-4.49	-10.10	-6.11	-0.13
Japan	44.81	38.30	19.27	0.38
West Germany	30.28	3.95	-0.14	-1.24
France	-7.76	-0.09	1.16	-0.35
United Kingdom	-27.92	2.75	2.88	0.34
Italy	-42.58	-6.52	-1.61	0.58
Canada	-13.58	-9.17	-4.18	-0.34

<sup>1</sup> Weighting is based on each listed country's trade with 16 other industrialized countries to the major currencies.

Approved For Release 2004/07/29 : CIA-RDP80T00702A000800040004-5

Developed Countries: Direction of Trade <sup>1</sup>						
	Billion US \$					
	Exports to (f.o.b.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other
<b>UNITED STATES</b>						
1975 .....	107.65	46.94	16.25	10.77	3.37	29.82
1976 .....	115.01	51.30	17.68	12.57	3.64	29.44
1977 .....	120.17	53.92	18.53	14.02	2.72	30.98
1978 .....						
1st Qtr .....	30.94	13.65	4.60	3.76	1.00	7.93
Apr .....	12.06	5.40	1.68	1.38	0.42	3.17
<b>JAPAN</b>						
1975 .....	55.73	16.56	6.07	8.42	5.16	15.87
1976 .....	67.32	22.61	8.59	9.27	4.93	17.84
1977 .....	81.11	28.02	9.73	12.03	5.32	26.01
1978 .....						
1st Qtr .....	22.11	7.83	2.39	3.35	1.32	7.22
Apr .....	7.89	2.80	0.80	1.19	0.57	2.53
<b>WEST GERMANY</b>						
1975 .....	91.70	28.33	36.44	6.78	8.81	11.05
1976 .....	103.63	33.44	41.86	8.25	8.72	11.04
1977 .....	119.28	39.01	48.00	10.78	8.59	12.90
1978 .....						
1st Qtr .....	32.45	11.17	13.05	2.76	1.97	3.50
<b>FRANCE</b>						
1975 .....	52.87	20.00	15.50	4.90	3.13	8.61
1976 .....	57.05	22.49	16.15	5.08	3.23	8.75
1977 .....	65.00	25.90	18.19	5.97	3.00	11.94
1978 .....						
1st Qtr .....	18.49	7.66	5.07	1.57	0.66	3.53
Apr .....	6.74	2.82	1.90	0.56	0.28	1.18
<b>UNITED KINGDOM</b>						
1975 .....	44.03	12.55	16.59	4.55	1.56	8.64
1976 .....	46.12	14.03	17.53	5.13	1.39	7.92
1977 .....	57.44	16.99	22.56	6.78	1.63	9.48
1978 .....						
1st Qtr .....	16.86	5.09	6.27	2.03	0.55	2.92
Apr .....	5.75	1.73	2.19	0.74	0.18	0.91
<b>ITALY</b>						
1975 .....	34.82	15.61	7.86	3.72	2.46	4.67
1976 .....	36.96	17.41	8.69	4.23	2.18	3.96
1977 .....	45.04	20.92	10.20	5.85	2.45	5.62
1978 .....						
1st Qtr .....	10.80	5.25	2.37	1.37	0.48	1.33
<b>CANADA</b>						
1975 .....	33.84	26.30	1.73	0.71	1.20	2.00
1976 .....	40.18	32.01	2.03	0.81	1.25	2.09
1977 .....	42.98	34.77	2.13	0.94	1.06	4.08
1978 .....						
1st Qtr .....	10.75	8.78	0.55	0.23	0.22	0.97
Apr .....	4.20	3.44	0.16	0.08	0.07	0.45

<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

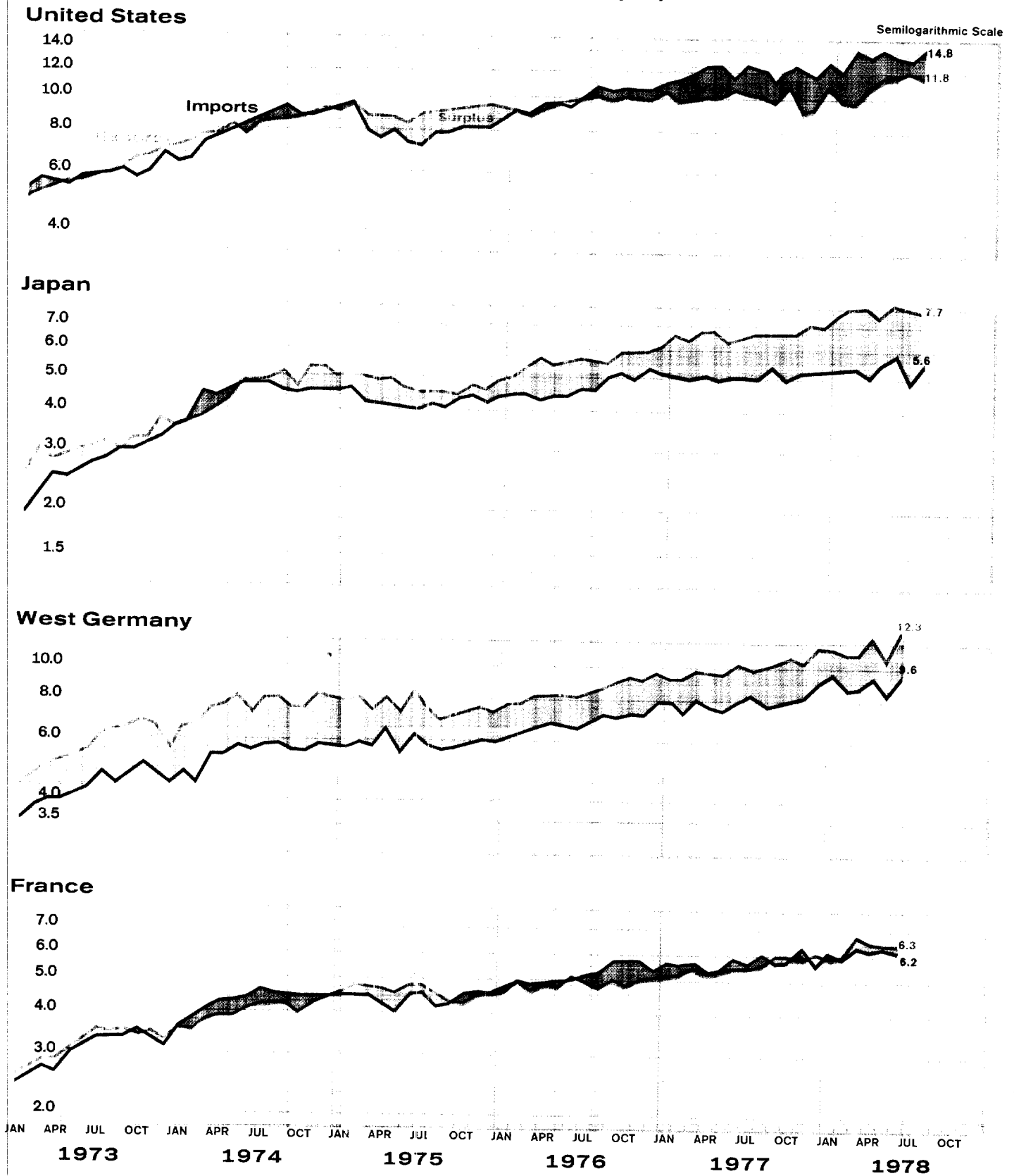
Developed Countries: Direction of Trade <sup>1</sup>

Billion US \$

	Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other
<b>UNITED STATES</b>						
1975 .....	103.42	49.81	8.83	18.70	0.98	25.08
1976 .....	129.57	60.39	9.75	27.17	1.16	31.09
1977 .....	156.70	70.48	11.08	35.45	1.22	38.47
1978						
1st Qtr .....	43.14	20.39	3.51	8.15	0.47	10.62
Apr .....	15.42	7.54	1.27	2.73	0.18	3.70
<b>JAPAN</b>						
1975 .....	57.85	16.93	6.08	19.40	3.36	12.05
1976 .....	64.89	17.58	7.78	21.88	2.91	14.72
1977 .....	71.33	18.87	7.93	24.33	3.41	16.79
1978						
1st Qtr .....	18.32	5.04	2.06	6.46	0.87	3.89
Apr .....	6.28	1.64	0.74	2.01	0.36	1.53
<b>WEST GERMANY</b>						
1975 .....	76.28	27.09	27.78	8.24	4.87	8.21
1976 .....	89.68	31.28	32.64	9.73	5.93	10.01
1977 .....	102.63	36.38	37.37	10.12	6.14	12.62
1978						
1st Qtr .....	28.24	10.11	10.88	2.32	1.39	3.54
<b>FRANCE</b>						
1975 .....	53.99	23.04	14.33	9.43	1.94	5.21
1976 .....	64.38	27.81	16.93	11.36	2.24	6.01
1977 .....	70.50	30.28	18.24	11.82	2.46	7.70
1978						
1st Qtr .....	19.76	8.58	5.40	3.05	0.64	2.09
Apr .....	6.79	3.02	1.84	1.00	0.23	0.70
<b>UNITED KINGDOM</b>						
1975 .....	53.35	18.47	18.52	6.91	1.68	7.67
1976 .....	55.56	19.66	18.81	7.29	2.08	7.65
1977 .....	63.29	24.02	21.34	6.31	2.40	9.22
1978						
1st Qtr .....	18.87	7.44	6.68	1.80	0.55	2.40
Apr .....	5.67	2.27	2.04	0.39	0.16	0.81
<b>ITALY</b>						
1975 .....	38.36	17.32	6.75	7.85	2.09	4.34
1976 .....	43.42	19.35	8.04	8.12	2.65	5.24
1977 .....	47.56	20.80	8.67	9.03	2.80	6.26
1978						
1st Qtr .....	11.26	5.03	2.10	2.18	0.51	1.44
<b>CANADA</b>						
1975 .....	38.59	29.78	1.70	3.43	0.32	2.02
1976 .....	43.05	33.55	1.82	3.48	0.38	2.56
1977 .....	44.67	35.67	1.77	3.05	0.33	3.85
1978						
1st Qtr .....	10.80	8.60	0.44	0.77	0.08	0.91
Apr .....	4.61	3.84	0.18	0.03	0.19	0.37

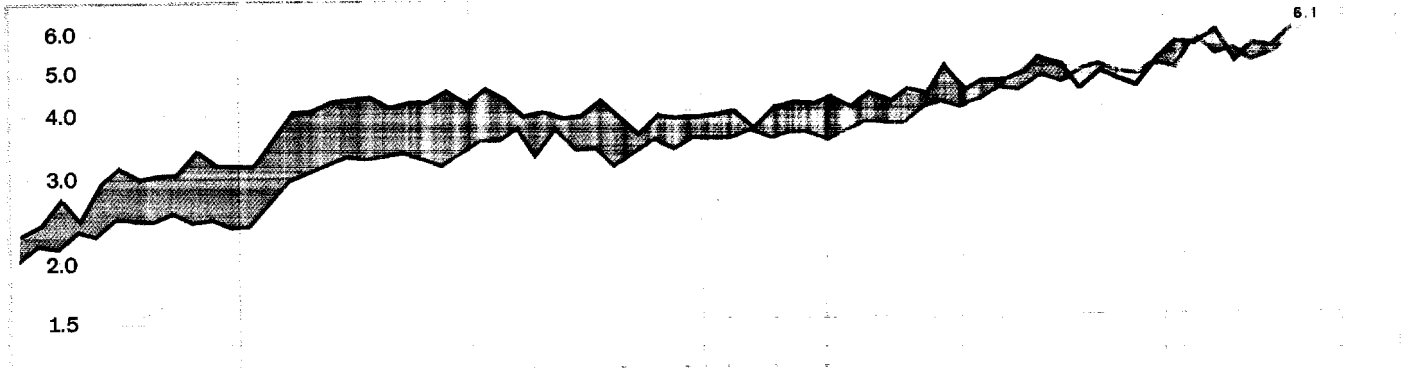
<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

# FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

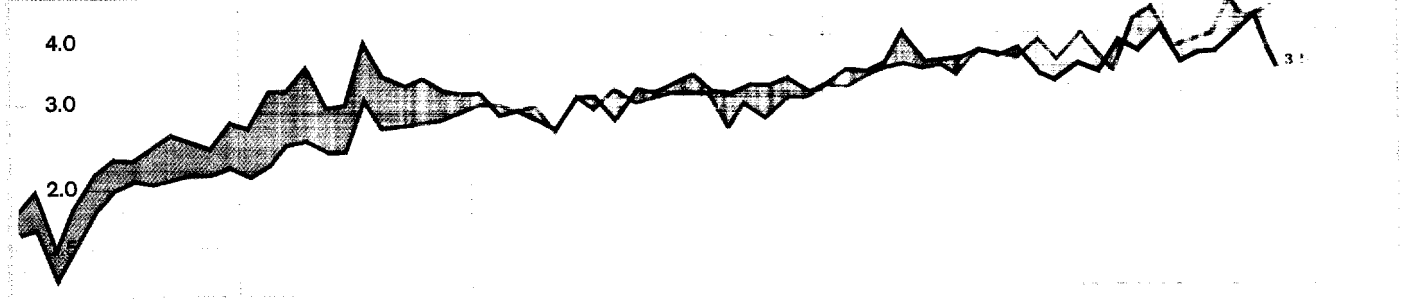


United Kingdom

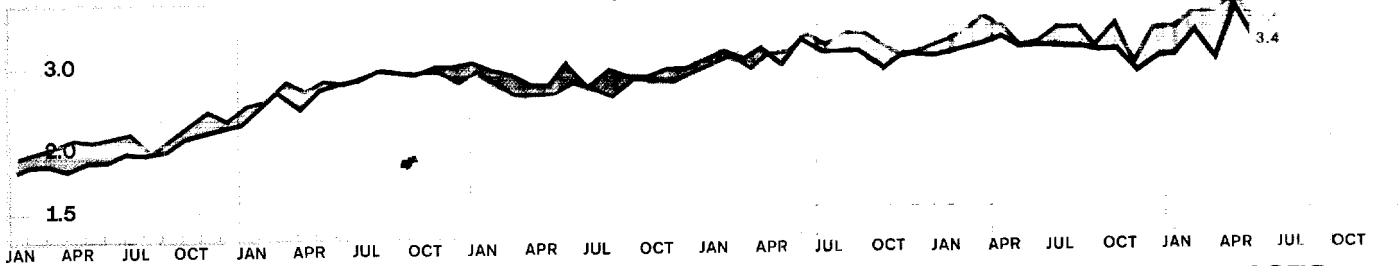
Semilogarithmic Scale



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
 1973 1974 1975 1976 1977 1978

	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			
			1978	1977	CHANGE			1978	1977	CHANGE	
United States	JUL 78	11,793	78,156	70,642	10.6%	United Kingdom	JUL 78	5,770	38,169	31,289	22.0%
		14,779	97,511	84,265	15.7%			6,055	39,807	34,595	15.1%
	Balance	-2,987	-19,355	-13,623	-5,732			Balance	-284	-1,639	-3,306
Japan	JUL 78	7,700	54,344	45,157	20.3%	Italy	JUN 78	4,412	24,750	21,545	11.9%
		5,556	37,967	35,555	6.8%			3,517	22,832	22,136	3.1%
	Balance	2,144	16,377	9,602	6,775			Balance	895	1,918	-591
West Germany	JUN 78	12,337	67,369	56,673	18.9%	Canada	MAY 78	3,621	18,983	17,435	8.9%
		9,593	55,401	46,615	18.8%			3,401	17,447	16,713	4.4%
	Balance	2,744	11,968	10,058	1,910			Balance	219	1,536	722
France	JUN 78	6,316	37,327	31,159	19.8%						
		6,215	37,180	32,828	13.3%						
	Balance	100	147	-1,670	1,817						

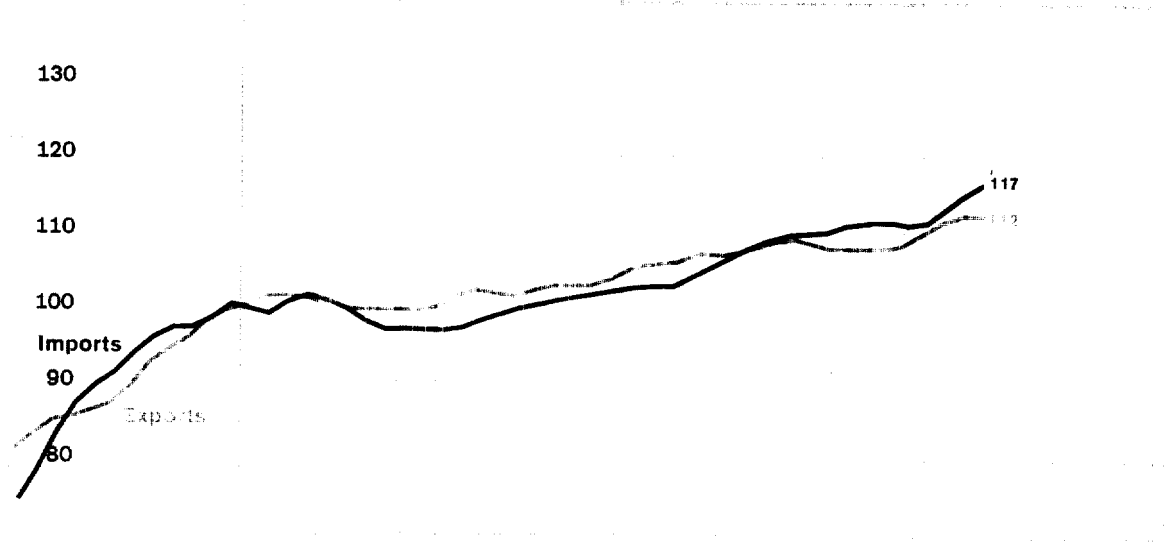
5771/1 8-78



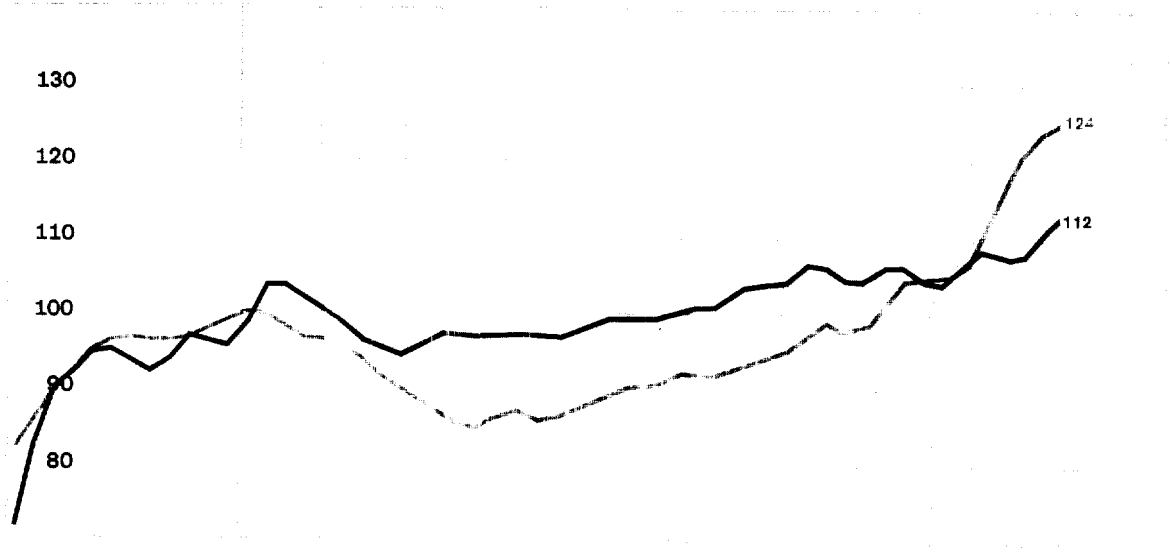
# FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

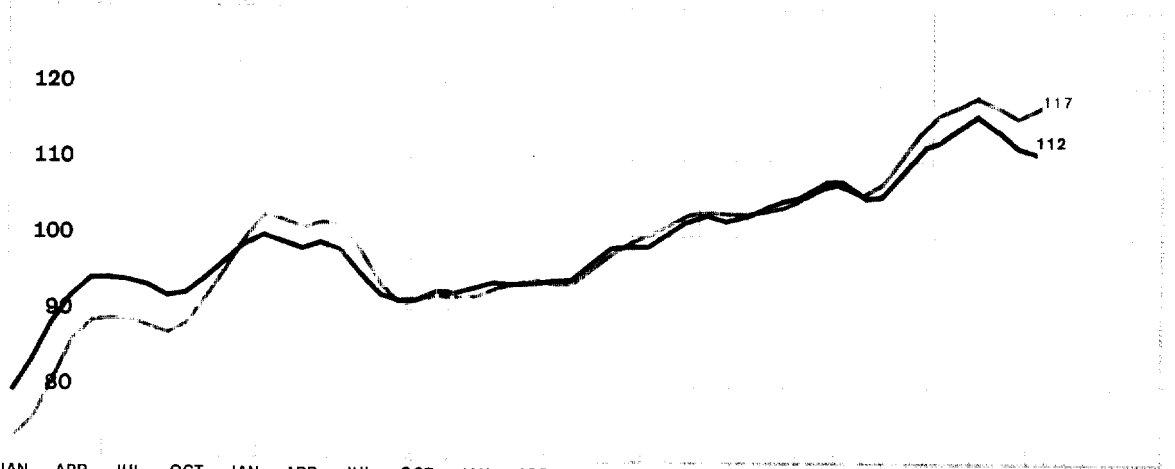
INDEX: JAN 1975 = 100



Japan

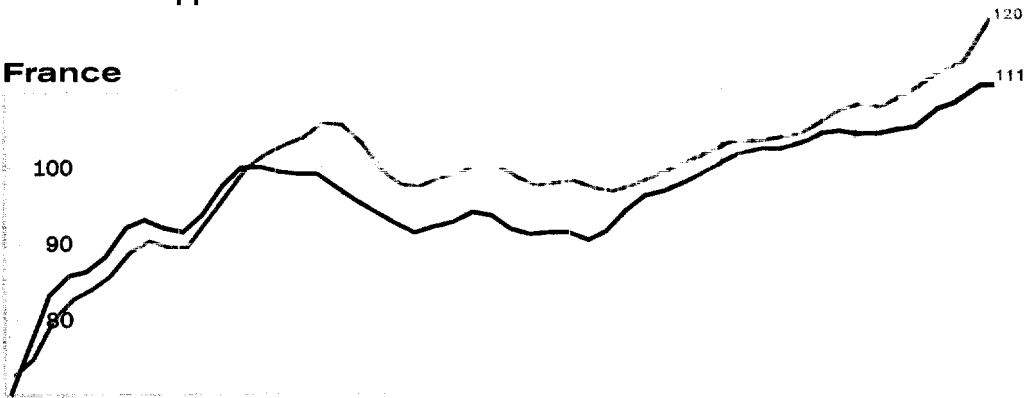


West Germany

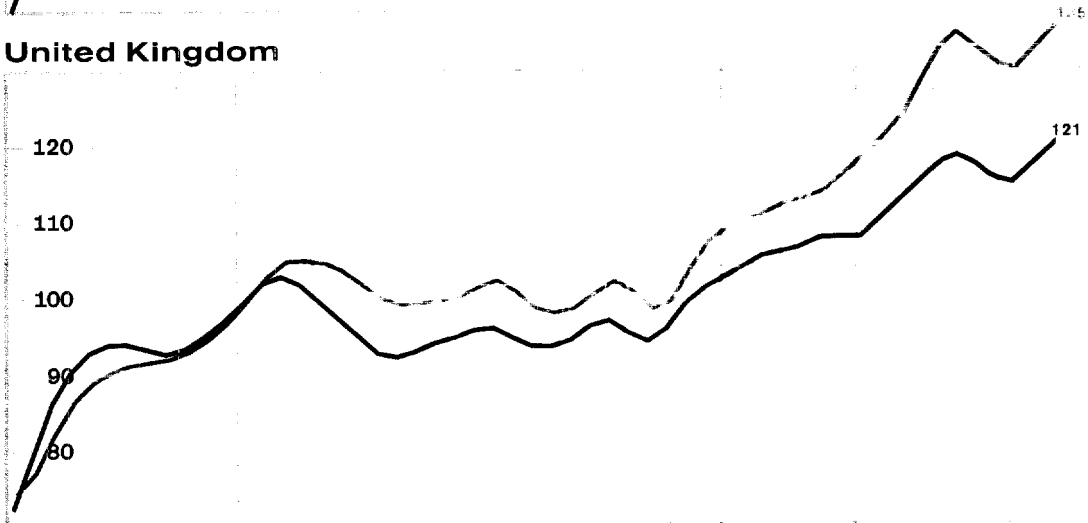


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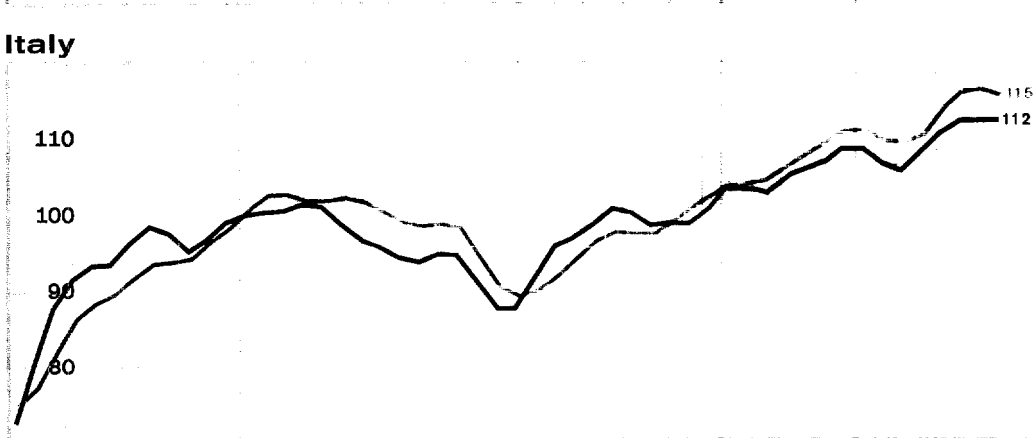
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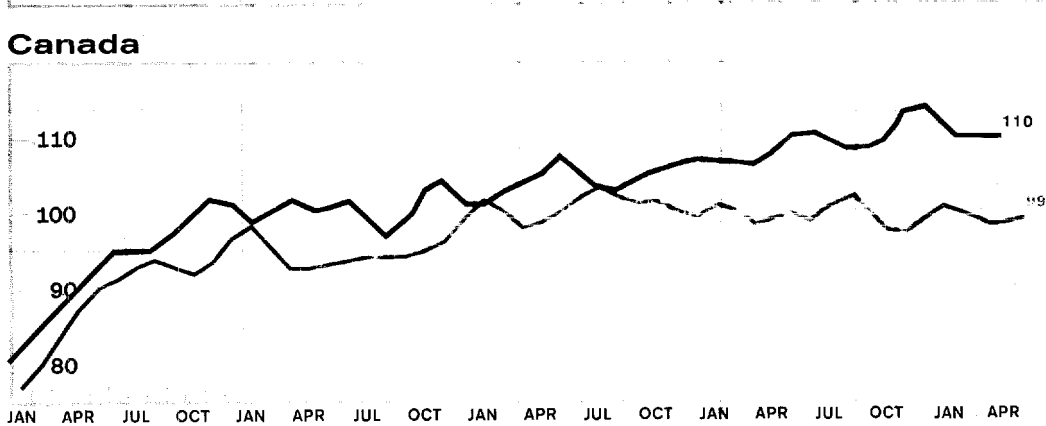
### United Kingdom



### Italy



### Canada



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### INDUSTRIAL PRODUCTION <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
India	Mar 78	1.1	4.9	0.8	17.8
South Korea	Jun 78	-1.2	22.5	20.1	26.5
Mexico	Apr 78	13.1	6.7	14.1	8.6
Nigeria	78 I	6.8	11.0	0.2	29.9
Taiwan	Apr 78	1.5	15.3	17.4	- 2.0

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

### MONEY SUPPLY <sup>1</sup>

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
Brazil	Mar 78	2.7	36.4	43.3	34.7
India	Feb 78	-0.6	13.7	16.0	20.4
Iran	Mar 78	9.9	29.3	22.5	51.7
South Korea	May 78	1.3	31.2	30.7	23.7
Mexico	May 78	3.9	20.8	33.0	24.9
Nigeria	Dec 77	-5.2	35.4	38.1	34.0
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Jan 78	2.7	13.2	13.7	21.5

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

### CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Jun 78	4.1	28.3	38.0
India	Mar 78	0.3	7.5	2.9
Iran	May 78	-0.4	12.4	12.0
South Korea	Jul 78	1.4	14.6	14.7
Mexico	Jun 78	1.4	15.0	17.3
Nigeria	Dec 77	3.2	16.6	31.0
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Apr 78	1.0	8.6	8.8

### WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	May 78	0.6	8.0	-2.8
Iran	May 78	0.4	11.0	10.9
South Korea	Jul 78	0.4	15.8	11.7
Mexico	Jun 78	1.3	16.6	16.8
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	-0.2	9.5	6.4

### EXPORT PRICES US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Feb 78	0.4	14.0	1.5
India	Mar 77	-0.9	9.6	17.9
Iran	Jun 78	0	30.8	0
South Korea	78 I	0.7	8.7	7.7
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Mar 78	-0.7	11.2	3.8
Thailand	Dec 76	2.0	13.3	13.1

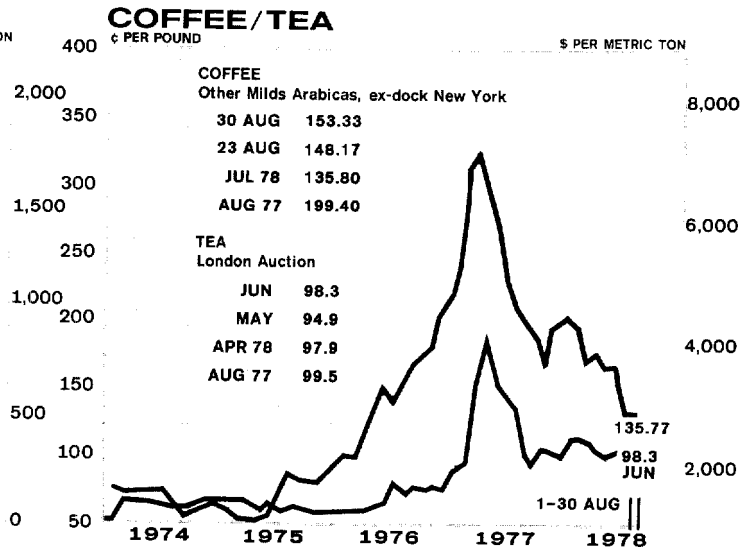
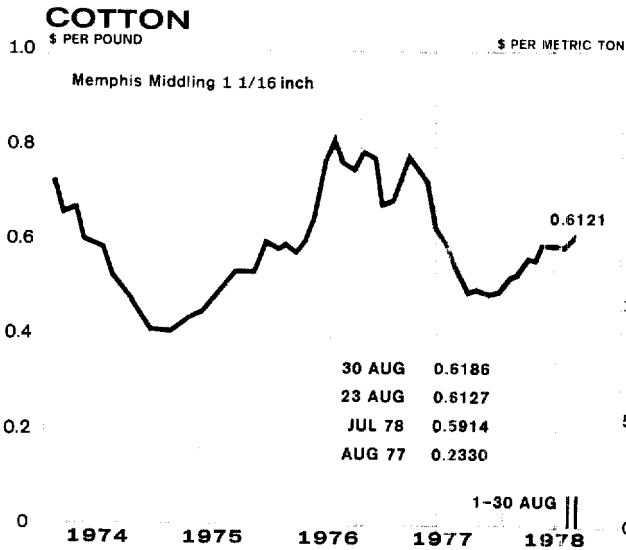
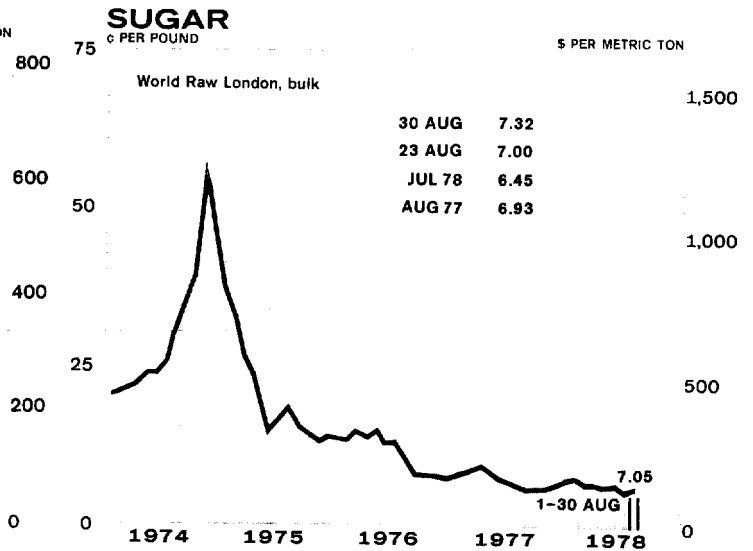
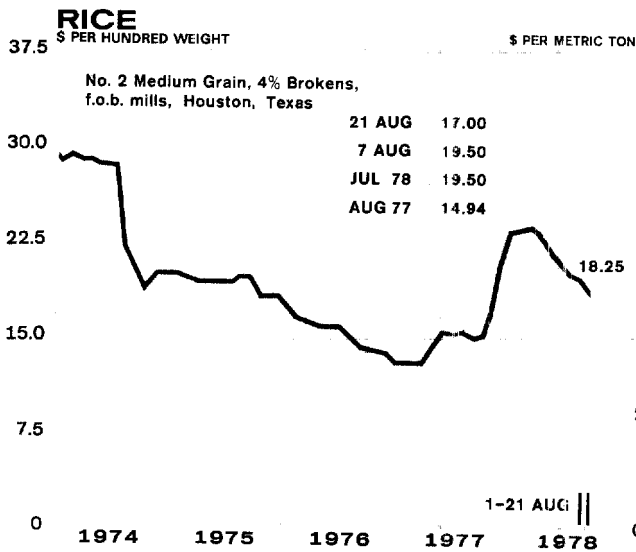
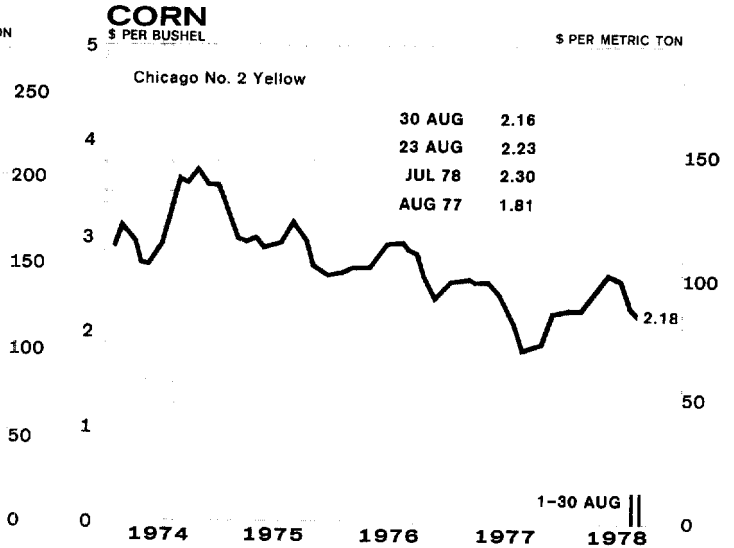
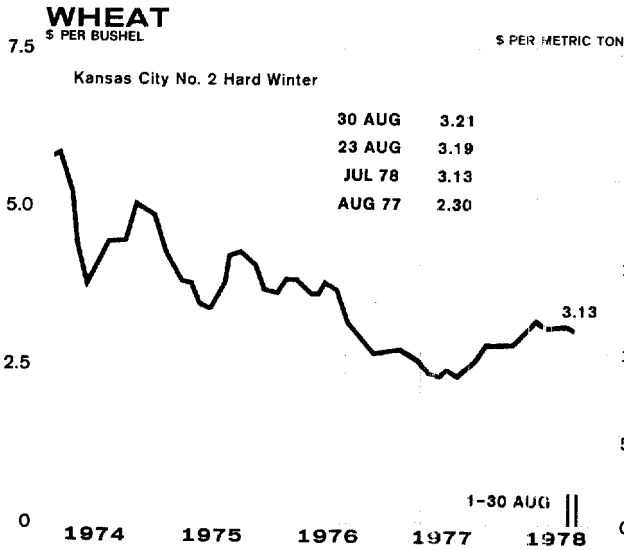
### OFFICIAL RESERVES

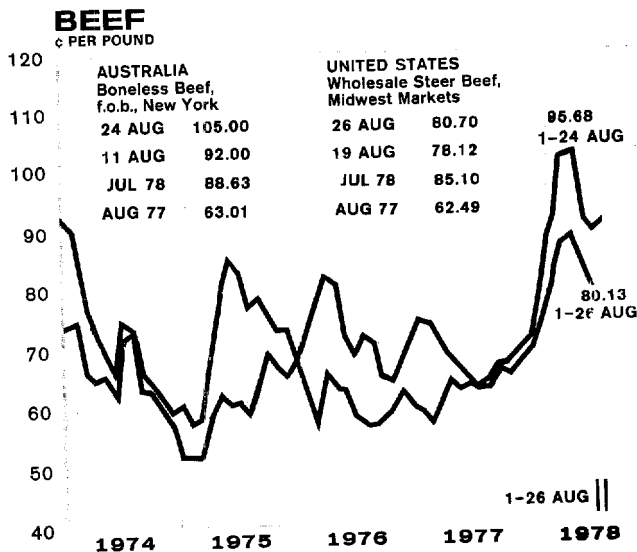
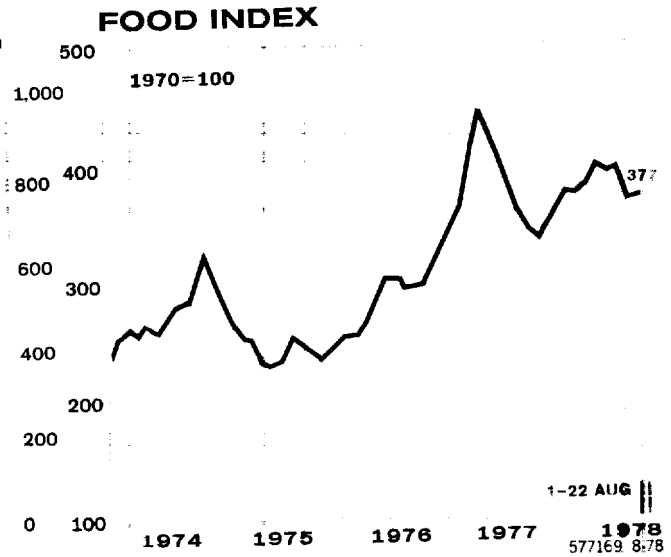
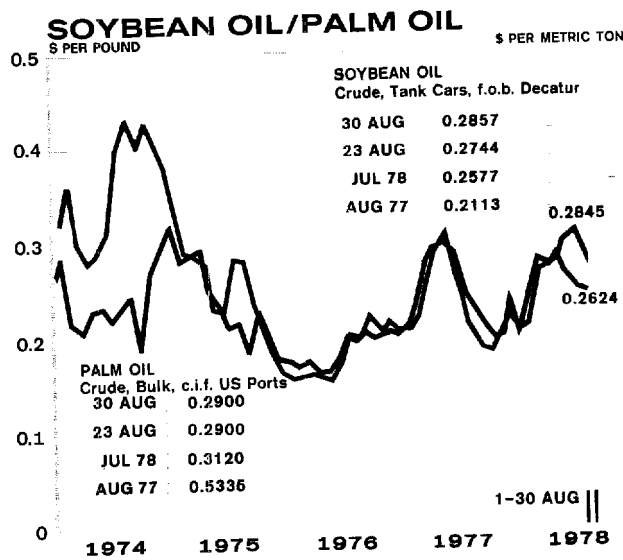
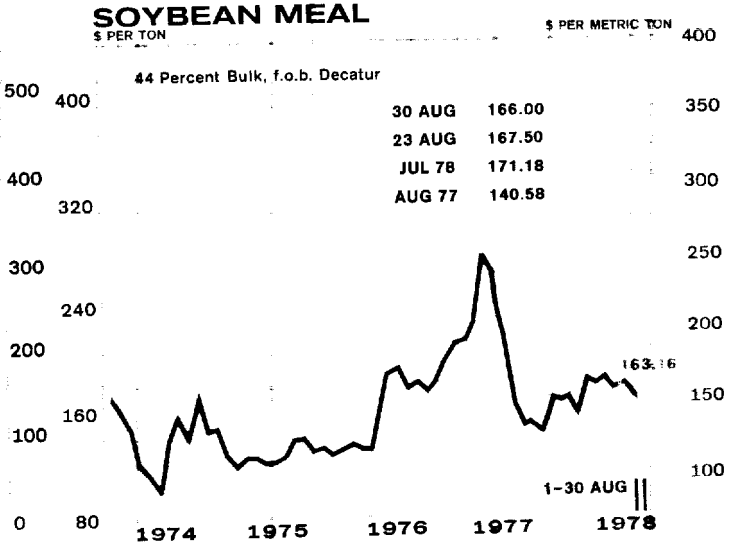
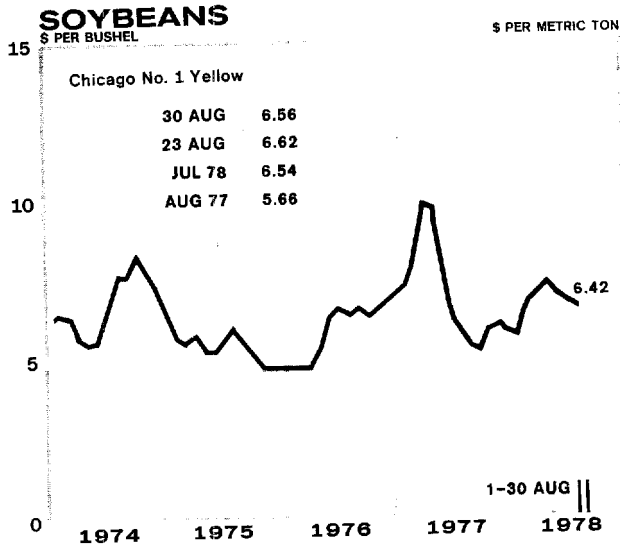
	Latest Month	Million US \$			
		End of			
		Million US \$	Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Apr 78	6,064	1,006	4,134	5,411
Iran	Jun 78	12,068	208	11,025	12,483
South Korea	May 78	4,101	602	3,519	4,376
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	Jun 78	2,387	148	4,663	3,906
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	Jun 78	2,161	978	2,017	2,161

FOREIGN TRADE, f.o.b.			Latest 3 Months		Cumulative (Million US \$)		
			Percent Change from		1978	1977	Change
	Latest Period		3 Months Earlier <sup>1</sup>	1 Year Earlier			
Brazil	May 78 Exports		84.8	-3.7	4,743	4,979	-4.7%
	May 78 Imports		26.6	1.4	5,110	4,939	3.5%
	May 78 Balance				-367	40	-407
India	Feb 78 Exports		4.0	12.3	912	917	-0.4%
	Feb 78 Imports		-39.6	-0.2	845	916	-7.7%
	Feb 78 Balance				67	1	66
Iran	Apr 78 Exports		-34.0	-8.2	7,615	8,012	-4.9%
	Mar 78 Imports		105.8	14.2	3,694	3,235	14.2%
	Mar 78 Balance				1,991	2,795	-804
South Korea	May 78 Exports		14.2	29.3	4,651	3,630	28.1%
	May 78 Imports		64.3	25.1	4,994	3,905	27.9%
	May 78 Balance				-343	-275	-68
Mexico	May 78 Exports		-2.2	6.5	2,037	1,773	14.9%
	May 78 Imports		11.6	25.7	2,340	1,868	25.3%
	May 78 Balance				-304	-95	-209
Nigeria	Apr 78 Exports		-55.4	-29.9	1,143	1,597	-28.4%
	Aug 77 Imports		56.1	80.1	2,535	1,640	54.6%
	Aug 77 Balance				716	979	-263
Taiwan	Apr 78 Exports		-27.6	32.3	3,365	2,543	32.3%
	Apr 78 Imports		-14.5	20.4	2,869	2,338	22.7%
	Apr 78 Balance				496	205	291
Thailand	Apr 78 Exports		27.0	3.2	1,277	1,221	4.6%
	Apr 78 Imports		-6.5	14.3	1,449	1,251	15.8%
	Apr 78 Balance				-172	-30	-141

<sup>1</sup>At annual rates.

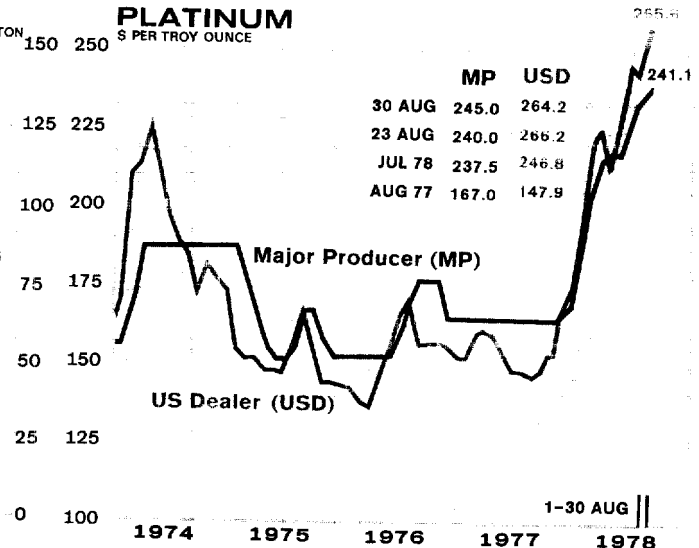
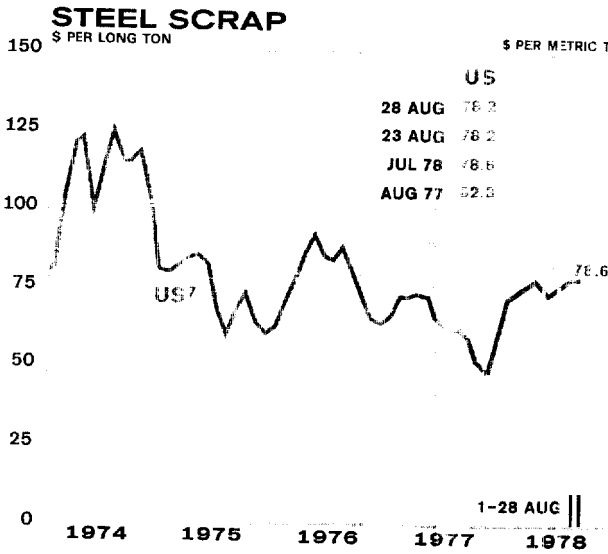
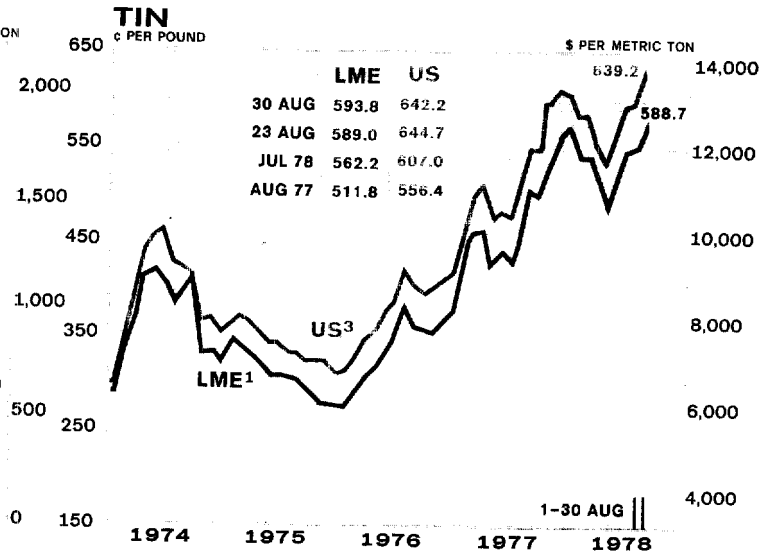
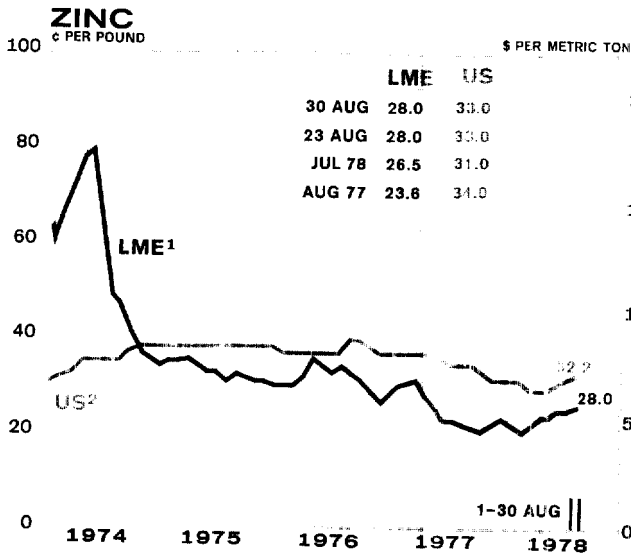
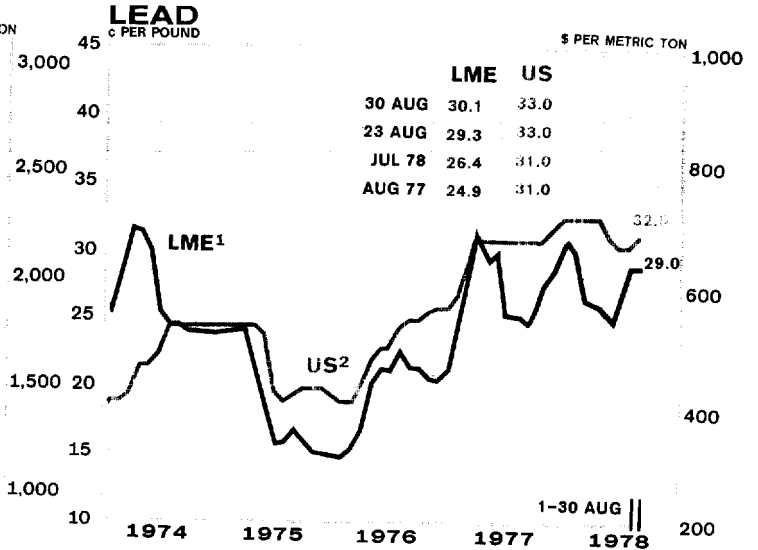
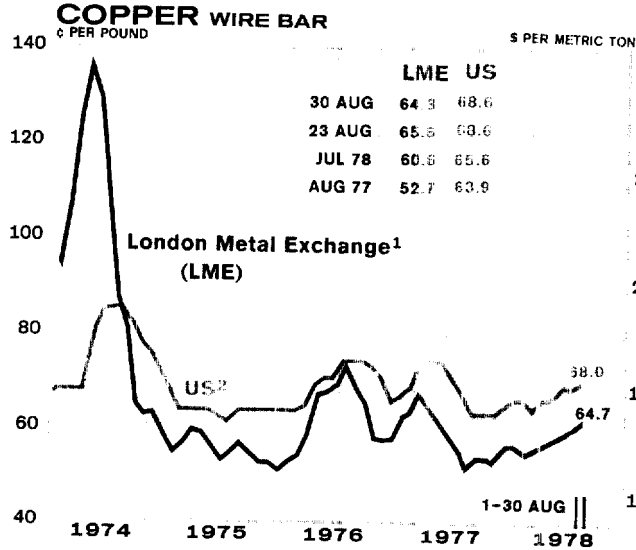
# AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE





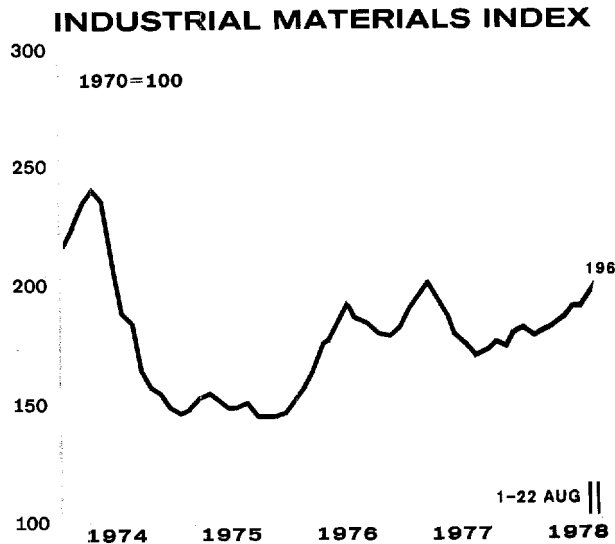
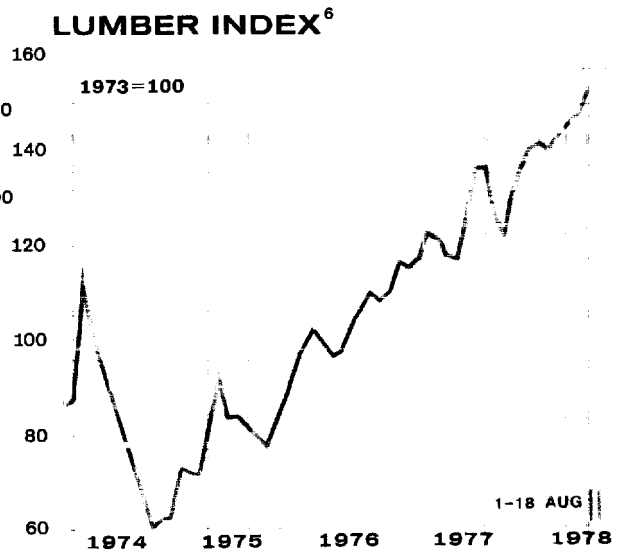
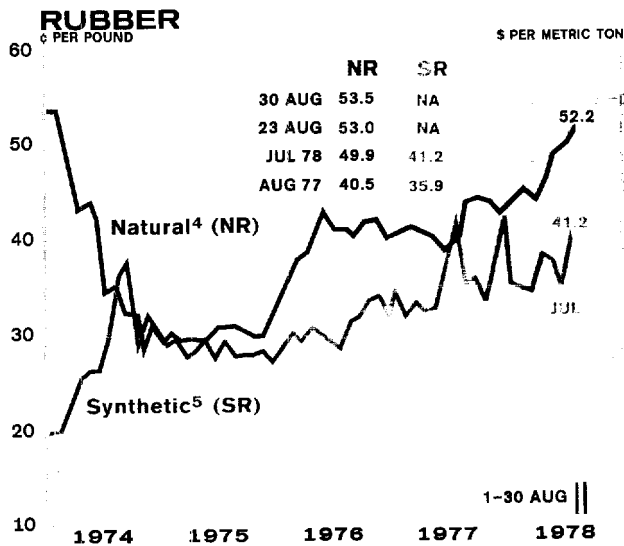
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

# INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE



**SELECTED MATERIALS**

			CURRENT	FEB 78	AUG 77	AUG 76
ALUMINUM	Major US Producer	£ per pound	55.00	53.00	53.00	47.09
US STEEL	Composite	\$ per long ton	419.31	387.54	357.08	327.00
IRON ORE	Non-Bessemer Old Range	\$ per long ton	22.55	21.43	21.43	20.05
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	NA	NA	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	56.00	56.00	58.50	42.00
FERROCHROME	US Producer, 66-70 Percent	£ per pound	42.00	41.00	42.39	44.55
NICKEL	Composite US Producer	\$ per pound	2.07	2.06	2.41	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	67.20	72.24	72.00	72.00
TUNGSTEN ORE	Contained Metal	\$ per metric ton	17,781.00	18,048.00	21,111.00	5,325.00
MERCURY	New York	\$ per 76 pound flask	158.00	182.32	116.30	110.00
SILVER	LME Cash	£ per troy ounce	542.55	496.44	447.09	425.81
GOLD	London Afternoon Fixing Price	\$ per troy ounce	202.70	178.16	144.95	109.65



<sup>1</sup>Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

<sup>3</sup>As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

<sup>6</sup>This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

<sup>7</sup>Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.