

Approved For Release : 1
2009/04/20 :
CIA-RDP85T00875R00150014

Approved For Release
2009/04/20 :
CIA-RDP85T00875R00150014

CIA / OER - EIW / 73 / 6 / 2 /

Secret



25X1



Economic Intelligence Weekly

LOAN COPY
Return to DSB
IN 107, HQ

State Dept. review
completed

Secret

CIA No. 7587/73
21 June 1973

Copy No. 128

Page Denied

SECRET

CONTENTS

	<u>Page</u>	
Notes		
	25X6	
USSR: Getting By with the Help of Its Friends	1	
Consortium Promises India Substantial New Aid	1	
Argentina Moves Against Foreign Banks	2	
India's Foodgrain Imports Set at 4 Million Tons	2	
EC Negotiations	2	
Syrian-Lebanese Border Still Closed	2	

25X1

Articles

Recent US-Romanian Trade Deals <i>Compared with a flood of new Romanian-US contracts signed in the first half of 1973, MFN is likely to have only a small impact on trade.</i>	4
Chile's Mining Problems Hit the Copper Market <i>Strikes have reduced copper output and helped push prices to near-record levels.</i>	5
Britain's Trade Position Weakens <i>London's resistance to an early entrance of sterling into the European float will increase.</i>	7
Foreign Countermeasures to Dollar Devaluation Are Minimal <i>Major US trading partners seem confident that the dollar's devaluation will have little impact on their economic performance.</i>	8

25X1

Comparative Indicators

Recent Data Concerning Domestic and External
Economic Activity Inside Back Cover

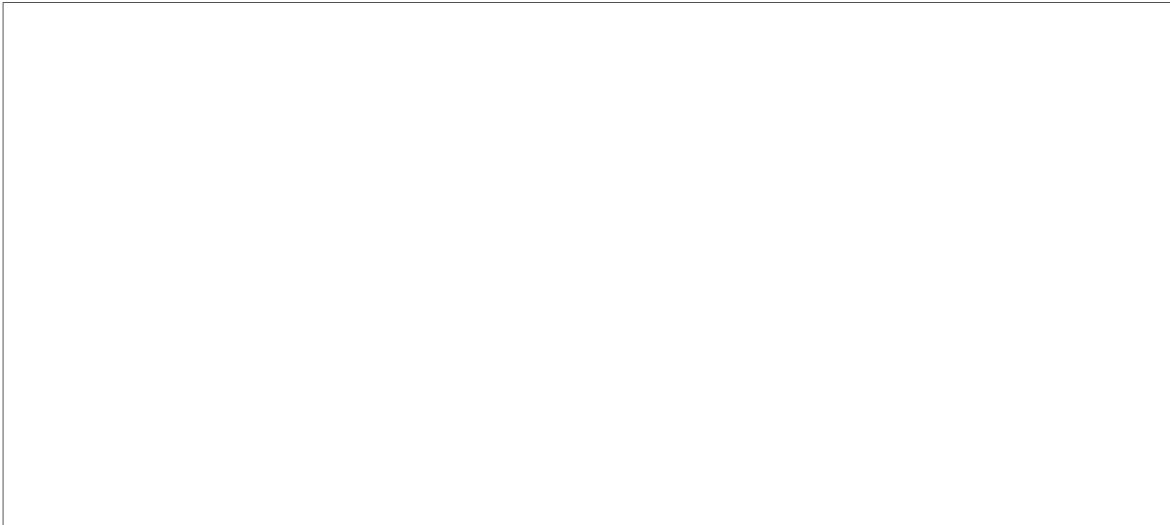
Note: Comments and queries on the contents of this publication are welcomed. They may be directed to
to

25X1

SECRET

ECONOMIC INTELLIGENCE WEEKLY

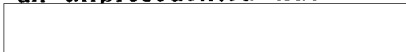
Notes



25X6

USSR: Getting By with the Help of Its Friends

Last week's CEMA session highlighted growing East European fears over the reliability of Soviet deliveries of raw materials, especially since the USSR has begun to negotiate deals for raw materials with the United States, Japan, and West Germany. Because of difficulties in Soviet agriculture and industry in 1972, the USSR failed to meet some export commitments to Eastern Europe and even more significantly demanded above-plan deliveries from the East Europeans. The USSR thus incurred an unprecedented trade deficit with Eastern Europe of about \$1 billion.



25X1

Consortium Promises India Substantial New Aid

At last weekend's meeting in Paris, the Indian Aid Consortium, which includes the World Bank, pledged \$1.1 billion in new economic assistance, including debt relief of \$180 million, for the year ending 31 March 1974. The promised support was generous, compared with last year's pledge of less than \$800 million. The United States will join in the debt relief and will continue to provide a large chunk of the World Bank's share of consortium aid. The United States also indicated that new aid would be discussed with New Delhi at forthcoming bilateral economic talks. Earlier this year, Washington released \$88 million of Indian loan funds suspended in December 1971 and is continuing its grant food aid program of about \$50 million annually.



25X1

SECRET

21 June 1973

SECRET

Argentina Moves Against Foreign Banks

The Campora government is moving rapidly to nationalize foreign equity in seven local banks. Morgan Guaranty Trust, Chase Manhattan, and First National City Bank of New York have controlling interests in five of these banks; a Spanish commercial bank is the major shareholder in the other two. Foreign ownership of Argentine banks has been a prime target of nationalist criticism. If the banks are forced to sell off their equity on the open market for pesos, they probably will lose a substantial share of their \$20 million to \$30 million investment. [REDACTED]

25X1

India's Foodgrain Imports Set at 4 Million Tons

India's Minister of Agriculture told Ambassador Moynihan this week that the government plans to buy 3 million tons of wheat and 1 million tons of milo (sorghum) for the year ending in March 1974. The minister indicated that the grain would be purchased from the United States and that 1 million tons must be delivered by September - an extremely difficult feat, considering the current transport squeeze. The Indian supply mission in Washington has barely begun to act on New Delhi's orders of last month to begin buying grain. New Delhi apparently hopes that 4 million tons will compensate for the shortfall in spring wheat production and the lag in government collections. It also is assuming that the monsoon - now in its third week and so far behaving normally - will be a good one.

[REDACTED] 25X1

EC Negotiations

The EC Commission is putting pressure on the member nations for progress in the trade negotiations to compensate the United States for the Community's enlargement. [REDACTED]

[REDACTED] 25X1

[REDACTED] The apparent desire of the 113 Committee for progress in negotiations is a favorable sign that the EC may become more flexible. [REDACTED]

25X1

Syrian-Lebanese Border Still Closed

The Lebanese, confronted with a growing loss of exports to Arab countries to the south and a decline in earnings from tourism, face Syrian demands that center on greater freedoms for the fedayeen in Lebanon. The Syrians clearly hold the upper hand in current negotiations with Lebanon for lifting the closure of the border which Damascus imposed six weeks

SECRET

21 June 1973

SECRET

ago. While moderate Arab states are attempting to mediate, it is doubtful that they will sway the Syrian leaders, who know they have the Lebanese in a vulnerable economic position and can further tighten the screws by closing their air corridor to Lebanon.

25X1



25X1

SECRET

21 June 1973

SECRET**Articles****Recent US-Romanian Trade Deals**

While the United States prepares to open MFN negotiations with Romania, perhaps this summer, the Romanians have been busy signing trade and cooperation deals with US firms. Known contracts concluded in the first five months of 1973 total nearly \$90 million worth of US equipment, most scheduled for delivery beginning next year.

The largest contracts so far are a \$45 million sale of three Boeing 707s to be delivered in 1974 and a \$29 million contract for General Tire Co. to provide the equipment for a tire factory in Fieresti. The Export-Import Bank has authorized financing for 45% of both sales. But for the Romanians, who are short of hard currency, the most interesting deals may have been the Control Data Corporation (CDC) investment in Romcontrol Data SRL and the exchange of a Gulf Energy and Environmental Systems nuclear reactor for Romanian goods during a 10-year period.

Romcontrol Data will have an initial capitalization of \$4 million. CDC, holding a 45% interest in the firm, will provide \$1.8 million in know-how, licensing, and equipment and will place three men on the seven-man board of directors, where unanimity is required for all decisions. CDC is to sell 85% of Romcontrol Data's output through its own distribution network in western Europe, which guarantees hard currency income. The firm will try to market the balance in Eastern Europe and the USSR.

Whether or not MFN status is extended to Romanian exports to the United States, Bucharest cannot continue its buying binge in the US market. Romanian imports from the United States more than doubled in the first quarter of 1973, compared with a comparable period last year, and exports grew only 10%. At this rate, Romania would run a \$100 million trade deficit with the United States this year, and next year's deficit should be considerably higher. In addition to contracts already signed, Romania still is considering US proposals for sales of 100 helicopters (\$100 million) and as many as 10 Boeing 727s (\$8 million to \$9 million apiece). Moreover, negotiations are well under way for another \$100 million in machinery and equipment purchases from the United States.

25X1

SECRET

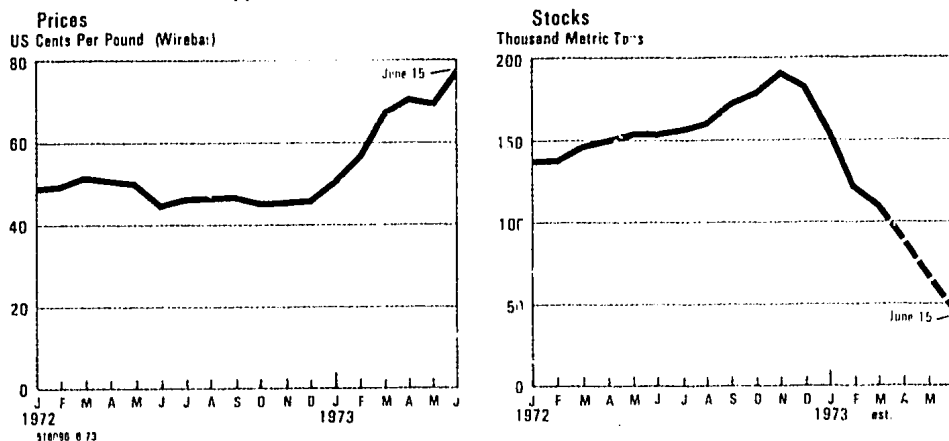
21 June 1973

Chile's Mining Problems Hit the Copper Market

Output from Chile's largely nationalized copper industry has plummeted because of labor strife, shortages of spare parts, and weak management. A 240% annual inflation rate and severe consumer goods shortages have reduced the living standards of the copper miners, the nation's blue-collar elite, and have antagonized them. The two month old strike at the huge Teniente mine, which produced 27% of Chile's copper last year, was triggered by opposition to government wage decrees but soon mushroomed into a national political issue. Although the army has been charged with keeping order in the area, it has been unable to prevent violent confrontations between pro- and anti-Allende forces. Sympathy strikes and work slowdowns also have cut production at Chuquicamata, the largest mine, and at the nearby Exotica pit. In May, Chilean copper output was about 38% below the monthly average in the first quarter.

The reduction of copper output has been costly for both Chile and its foreign customers. After prolonged difficulty in filling orders, the Allende government has formally declared that events beyond its control prevent scheduled shipments from Teniente during June and from both it and Chuquicamata during July. Lost export earnings thus far total some \$60 million, equal to 7% of last year's total exports. Because Chile typically supplies nearly a quarter of world copper exports, its mining problems have

Copper Prices and Stocks on the London Metal Exchange



been a major factor in the recent price rise on the London Metal Exchange (LME). Since the Teniente strike began, LME inventories have dropped sharply and the price has risen by 12% -- to a near-record 78 cents

SECRET

a pound. Chile's West European customers and China turned to the LME to compensate partly for shortfalls in contracted deliveries.*

Even if the strikes are settled soon, losses in production will have a bullish effect on copper prices during the remainder of the year. Lingering effects from the strikes at Teniente and technical problems at the other mines appear likely to prevent a full recovery of output.

25X1

* Zambia, also the source of about a quarter of world copper exports, has not been forced to cut back shipments during the past six months in spite of the closure of its border with Rhodesia. Transport difficulties, however, delayed deliveries to customers and added to the pressure on prices early this year.

SECRET

21 June 1973

SECRET

Britain's Trade Position Weakens*

Britain's unexpectedly large trade deficit of \$529 million in May presumably has increased London's resistance to participating in the European joint float. The United Kingdom's trade deficit this year will be about \$1.0 billion higher than the 1972 deficit of \$1.7 billion. An early inclusion of Britain in the European float would have advanced EC unity on monetary matters, including international monetary reform.

When sterling is re-pegged, it probably will not be set far below the present rate, which gives a trade-weighted depreciation of 13% from the rates prevailing before sterling was floated in June 1972. Greater depreciation would encounter objections from the other EC countries that London was seeking an undue competitive edge, as well as objections at home that higher import prices were intensifying inflation. Less depreciation probably would not permit the United Kingdom to attain the desired export expansion.

Britain's trade volume appears to be responding to sterling's depreciation. Export volume in the first four months of 1973 was up 12%, and import volume was up only 6%; in 1972, in contrast, there was no growth in export volume and an 11% rise in import volume. However, rising import prices - resulting from devaluation and higher world commodity prices - have caused the trade deficit to worsen. If import price increases do not taper off, the hoped-for improvement in Britain's trade balance during the last half of 1973 will be threatened.

Britain's most buoyant export market has been North America. The value of exports to the United States and Canada averaged 22% higher in the first five months of 1973 than in the last six months of 1972, compared with a 16% rise for total exports. Expectations of slowing economic growth in the United States in the last half of 1973 raise additional doubts that the UK trade balance will improve substantially.

25X1

25X1

SECRET

21 June 1973

SECRET

Foreign Countermeasures to Dollar Devaluation Are Minimal

The dollar's continuing devaluation since the beginning of the year has not prompted strong countermeasures by major US trading partners. Although the dollar has now depreciated almost 9% on a trade-weighted basis since the Smithsonian Agreement of December 1971, only a handful of new foreign export subsidies and tax incentives have been introduced. No significant new tariff restrictions or non-tariff barriers have been imposed against US goods, nor have any foreign capitals intervened substantially in the exchange market to halt the dollar's slide.

Several minor measures, however, have been introduced to soften any adverse impact of the dollar's devaluation, particularly on politically sensitive industries.

- Japan has offered \$800 million in financial relief for small and medium-size industries hurt by the currency realignments.
- Belgium is considering increasing the funds available for export promotion and for underwriting export credits and payment and exchange guarantees.
- Austria has introduced new tax incentives for exports and for investment in the export industries.
- Norway has proposed interest free loans and tax refunds to compensate its exporters for devaluation losses on dollar denominated contracts.

Most countries have not introduced countermeasures, partly because so little of their trade is with the United States. Moreover, the economies of most of the major US trading partners are expanding rapidly -- too rapidly in some cases -- and foreign governments are consequently anxious to hold down their own inflation by purchasing cheaper US goods. They are also confident that burgeoning domestic demand will be adequate to compensate for any losses in foreign sales.

25X1

Page Denied

COMPARATIVE INDICATORS

DOMESTIC ECONOMIC ACTIVITY

EXTERNAL ECONOMIC ACTIVITY

Latest Data	Index	Percent Change at Annual Rate From Period		
		12 Months Earlier	3 Months Earlier	1 Month Earlier
GNP (At Constant Market Prices)*	Quarter	1970-100		(Previous Quarter)
United States	73 I	114.6	7.9	7.9
Japan	73 I	126.7	14.9	15.2
West Germany	72 IV	107.1	4.7	7.4
France	72 IV	113.0	4.3	7.4
United Kingdom	73 I	107.7	7.1	6.2
Italy	72 IV	107.5	2.7	6.6
Canada	73 I	117.4	5.9	11.6

Latest Data	Index or Amount	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
IMPORT PRICES (National Currency)		1970-100			
United States	Apr 73	130.0	16.3	41.7	169.4
Japan	Apr 73	105.8	11.7	-4.1	-7.6
West Germany	Apr 73	111.8	13.8	11.4	23.6
France	Dec 72	112.0	0.2	17.0	151.9
United Kingdom	Apr 73	131.3	22.9	36.9	32.6
Italy	Dec 72	114.0	4.9	11.5	11.2
Canada	Dec 72	106.8	4.4	6.6	15.8

Latest Data	Index	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
INDUSTRIAL PRODUCTION*		1970-100			
United States	May 73	117.1	9.7	10.4	9.2
Japan	Apr 73	126.0	18.1	11.2	1.0
West Germany	Mar 73	111.8	7.3	9.6	-23.5
France	Apr 73	119.4	7.9	-6.0	-26.7
United Kingdom	Apr 73	112.6	9.1	17.0	5.3
Italy	Jan 73	101.0	0	-14.4	-37.3
Canada	Feb 73	119.0	10.2	13.7	26.1

Latest Data	Index or Amount	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
EXPORT PRICES (National Currency)		1970-100			
United States	Apr 73	116.5	10.0	19.0	17.3
Japan	Apr 73	101.3	3.9	7.4	18.2
West Germany	Apr 73	113.5	7.0	11.0	9.5
France	Dec 72	110.9	0.5	18.5	74.0
United Kingdom	Apr 73	125.9	9.6	15.4	23.7
Italy	Dec 72	108.0	0.9	3.8	0
Canada	Dec 72	105.1	5.1	10.3	12.6

Latest Data	Index	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
RETAIL SALES*		1970-100			
United States	May 73	137.2	11.8	14.7	19.0
Japan	Jan 73	131.3	18.4	35.9	57.8
West Germany	Mar 73	126.7	5.9	14.2	-50.6
France	Mar 73	118.0	7.0	5.7	61.1
United Kingdom	Feb 73	135.0	17.4	23.7	57.2
Italy	Jan 73	122.0	11.9	3.3	-64.5
Canada	Dec 72	124.4	0.7	9.9	-6.5

End of	Billion US \$	Percent Change From			
		18 Dec 71	19 Mar 73	8 Jun 73	
OFFICIAL RESERVES					
United States	Apr 73	14.4	-2.8	-6.6	0.5
Japan	May 73	15.9	-1.0	-52.7	-50.8
West Germany	Apr 73	32.0	61.6	263.4	49.2
France	May 73	11.0	29.2	12.3	-44.2
United Kingdom	May 73	6.7	-14.8	68.1	219.0
Italy	Apr 73	6.4	-2.6	52.9	34.5
Canada	May 73	6.0	-1.6	-6.6	8.9

Latest Data	Index	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
WHOLESALE PRICES		1970-100			
United States	May 73	114.4	7.0	15.7	14.4
Japan	May 73	111.2	12.4	14.1	11.4
West Germany	May 73	114.1	6.4	7.1	7.1
France	Apr 73	118.2	12.0	20.2	10.0
United Kingdom	May 73	118.2	5.3	0	12.7
Italy	Apr 73	118.9	12.1	18.7	14.1
Canada	Mar 73	118.9	12.3	27.3	31.1

Latest Data	Index or Amount	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
TRADE BALANCE*		Million US \$	Cumulative Balance (Million US \$)		
			1973	1972	
United States (f.o.b./f.o.b.)	Apr 73	196	Jan-Apr	-637	-2,250
Japan (f.o.b./f.o.b.)	May 73	272	Jan-May	2,743	3,599
West Germany (f.o.b./c.i.f.)	Apr 73	1,008	Jan-Apr	3,121	2,031
France (f.o.b./f.o.b.)	May 73	-13	Jan-May	520	255
United Kingdom (f.o.b./f.o.b.)	May 73	-529	Jan-May	-1,515	-549
Italy (f.o.b./c.i.f.)	Apr 73	-420	Jan-Apr	-1,402	-70
Canada (f.o.b./f.o.b.)	Apr 73	236	Jan-Apr	569	292

Latest Data	Index	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
CONSUMER PRICES		1970-100			
United States	Apr 73	112.4	5.1	9.7	8.6
Japan	Apr 73	120.7	9.4	23.4	25.3
West Germany	May 73	118.7	7.8	8.3	16.9
France	Apr 73	117.2	6.7	6.0	8.6
United Kingdom	Apr 73	126.0	9.2	13.2	25.4
Italy	Apr 73	120.0	10.4	13.7	12.8
Canada	May 73	114.4	7.3	8.8	9.3

Latest Data	Index or Amount	Percent Change From			
		18 Dec 71	19 Mar 73	8 Jun 73	
EXCHANGE RATES (Spot Rate)		US \$ Per Unit			
Japan (Yen)	As of 15 Jun 1973	0.0038	16.48	-0.55	0.03
West Germany (Deutsche Mark)		3.881	25.07	9.60	1.76
France (Franc)		0.2340	18.84	6.17	0.30
United Kingdom (Pound Sterling)		2.5816	-0.92	4.90	0.28
Italy (Lira)		0.0016	-5.12	-7.80	-1.81
Canada (Dollar)		0.9999	0.21	0.22	-0.17

Latest Data	Index	Percent Change at Annual Rate From Period			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
MONEY SUPPLY*		1970-100			
United States	May 73	123.9	6.7	5.6	12.3
Japan	Feb 73	156.5	26.4	30.6	50.0
West Germany	Mar 73	139.5	15.5	31.0	15.8
France	Mar 73	138.4	9.9	-3.4	10.0
United Kingdom	Apr 73	138.5	13.1	19.3	29.0
Italy	Nov 72	155.3	18.7	23.2	26.4
Canada	May 73	145.7	8.6	-0.1	-21.7

Latest Data	Index or Amount	Percent Change From			
		18 Dec 71	19 Mar 73	8 Jun 73	
TRADE-WEIGHTED EXCHANGE RATES		Dec 66			
United States	As of 15 Jun 1973	-18.41	-8.92	-2.15	-0.24
Japan		24.25	10.25	-1.81	-0.14
West Germany		27.89	11.12	6.14	1.42
France		-8.52	4.62	2.17	-0.26
United Kingdom		-26.53	-12.72	1.52	-0.22
Italy		-21.99	-20.77	-13.90	-2.66
Canada		4.32	-2.21	-0.55	-0.26

*Seasonally adjusted.