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FOR THE DIRECTOR
CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C.

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Economic Intelligence Weekly

On file Department of Agriculture release instructions apply.

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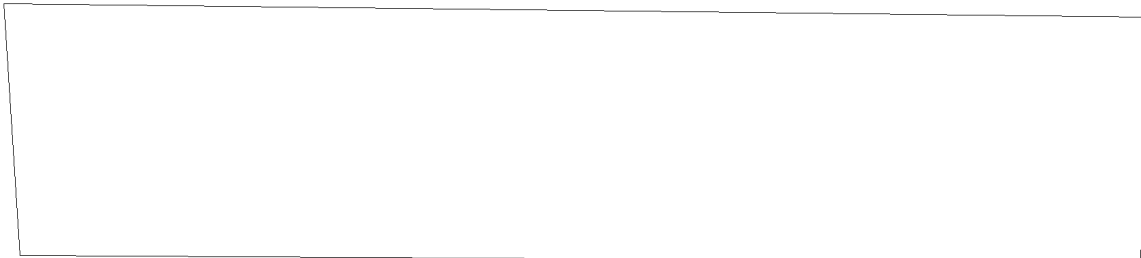
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Note: Comments and queries on the contents of this publication are welcomed.		25X1
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SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes**

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US Ban on Ferrous Scrap Exports Upsets Argentina

Argentina, seeking licenses to import 300,000 tons of ferrous scrap from the United States during the remainder of 1973, has been frustrated by US restrictions. Argentina has rapidly expanded its scrap remelting capacity, and failure to obtain needed imports could result in some plant shutdowns and steel shortages. The United States traditionally has been Argentina's sole source of scrap imports, which were scheduled to reach about 600,000 tons this year, compared with 462,000 tons in 1972.

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Further Boost in Soviet Gold Production

The Soviets are building a large ore processing plant that will produce an estimated 25 tons of gold annually (worth about \$75 million at current market prices) when it reaches full capacity in 1975. The plant, located at Zou in Armenia, will be the largest gold producer in the USSR after the Muruntau facility. Total Soviet gold production, which amounted to 225 tons in 1972, will jump to at least 350 tons by 1975. By that time, the USSR could sell 300 tons annually without depleting its reserve.

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SECRET**USSR Reportedly Out of Free Market for Sugar**

After purchasing roughly 1.2 million tons of sugar in the free market for delivery during 1972 and 1973, the USSR will not buy sugar in that market for 1974, [redacted] Rumors of the statement, together with optimistic production prospects for Western Europe, caused the world sugar price to drop from 10 cents per pound late last week to slightly less than 9 cents on Tuesday. Soviet raw sugar production from the 1973/74 beet crop is tentatively estimated at 9-1/2 million tons, up by more than one million tons over last year. This output and anticipated imports from Cuba of 1.6 million tons would make imports from the free market unnecessary for 1974. [redacted]

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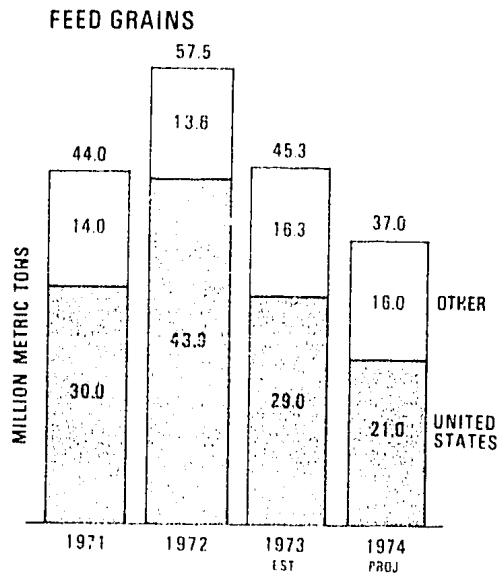
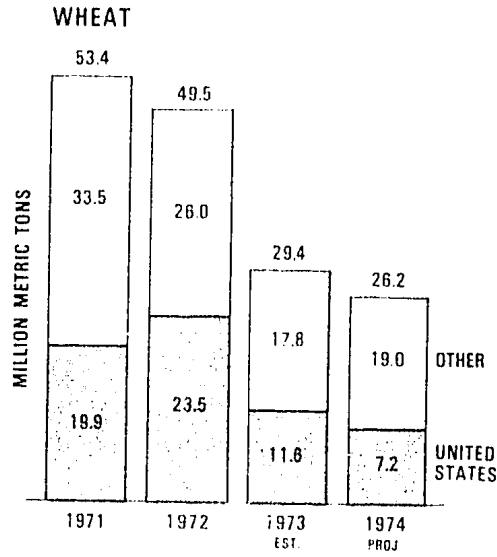
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West African Drought Recovery Effort

The Permanent Interstate Committee, formed in March 1973 by the drought-stricken African countries to coordinate the various recovery programs, is off to a shaky start. In its first real test, the PIC apparently was unable to develop a satisfactory program for review of existing aid projects and had to postpone its next meeting to 30 August. Members of the PIC -- Mauritania, Mali, Niger, Upper Volta, Chad, and Senegal -- obviously prefer to work out aid programs on a bilateral basis.

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**CARRYOVER STOCKS* OF GRAIN
BY MAJOR EXPORTERS**



*As of 1 July for wheat; as of 1 October for US feed grains and as of 1 July for all others.



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Articles

Worldwide Grain Developments

Outlook for World Grains

If current USDA predictions of a 6% gain in world grain production and unchanged import demand are borne out, US carryover stocks of wheat and feed grains at the end of the 1973/74 marketing year will be the lowest in two decades. As a result, prices probably will at least remain at the present record highs.

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Wheat

Notwithstanding an expected 6% increase in world wheat output this year and a 7 million ton decline in world import demand, carryover stocks of the major exporters will be further reduced by mid-1974. Export pressure on US wheat supplies is exceeding all predictions and driving prices to new highs. By 27 July, anticipated sales reported by US grain brokers for FY 1974 totaled more than the projected export availability of about 30 million tons. Although the brokers' data may be inflated (by up to 25% by some estimates), clearly an unusually large share of the 1973 wheat crop already has been committed.

This unprecedented foreign demand for US wheat primarily stems from:

- Uncertainty over prospects for the Argentine and Australian harvests, to begin in December;
- Suspension of wheat exports by the EC;
- Canada's inability to export at FY 1973 levels;
- Substitution of wheat for rice in Asia and the Far East; and
- Argentina's inability to meet current export commitments from last winter's crop.

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Feed Grain

World output of feed grain is forecast to go up 6% in 1973, compared with a 9% rise in import demand in FY 1974. As in the case of wheat, a further decline in world carryover stocks will be required to cover the supply deficit. In early August USDA predicted a 2 million ton increase in US exports, assuming a record corn harvest and a drawdown in stocks. US exporters' commitments reported to the Department of Commerce for the 1973/74 marketing year suggest that US corn sales may exceed the anticipated volume before the current year's harvest begins. This strong demand, coupled with a 5.5 million ton downward revision on 9 August in the expected US corn crop, has pushed prices to new highs. Continuation of this upward pressure on supplies and prices to the end of 1973 will depend largely on the final size of corn harvests in the United States and southern hemisphere as well as non-grain feed crops in the USSR and Europe. [REDACTED]

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Rice

Adverse weather, crop disease, and war have reduced export availabilities of rice in 1973 far below import requirements, placing added pressure on world supplies of other food grain. Stocks have been sharply reduced, and prices have skyrocketed. To safeguard domestic markets, some countries (Burma and the EC) have embargoed rice exports and, in June, Thailand began severely limiting exports until the November harvest. Widespread relief in 1974 would require a substantial increase in output this November-December in the major producing countries of Asia and the Far East. If current forecasts of a bumper US crop hold, export availability should increase in 1974. [REDACTED]

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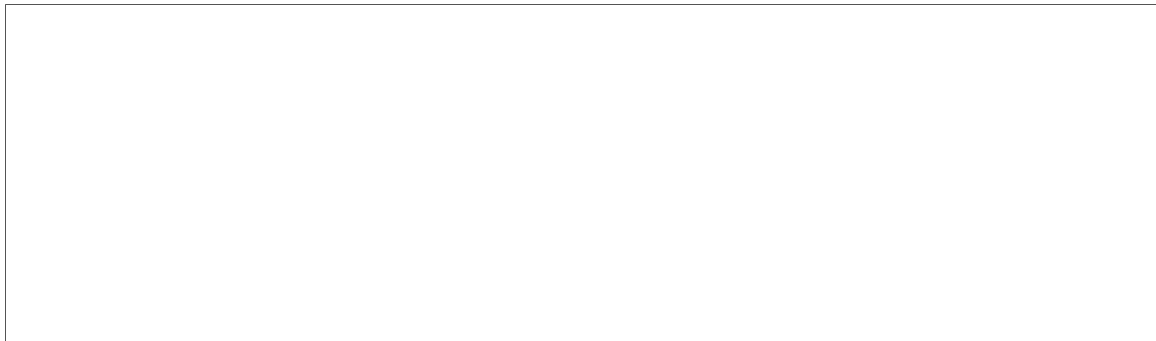
Argentina's Wheat Export Curtailment

Argentina's ban on wheat exports, resulting from its 500,000 ton overestimate of last winter's harvest, has left unfilled commitments of 450,000 tons to Brazil, 100,000 to Chile, and 60,000 to Uruguay. Moreover, these countries must contract an additional 800,000 tons for delivery by December to meet their projected 1973 requirements. Following Argentina's successful tender for 470,000 tons of US wheat, the government authorized use of domestic stocks to meet some of its outstanding commitments, including 70,000 tons for Chile and 50,000 for Uruguay. Argentina is expected to delay shipment of the remaining commitment to Brazil until the 1973/74 harvest. [REDACTED]

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Bangladesh Rice Prospects

Prospects for the summer rice harvest have brightened, leading Dacca to raise its production estimate to 3 million tons. A 20% fall in rice prices from the record levels of April also suggests an improving food situation. The UN and US missions in Dacca agree that the good summer harvest and scheduled foodgrain imports should provide Bangladesh with sufficient food to get through the critical October-November period that precedes the main harvest.

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Ownership of Major Producing Countries' Oil Output

	Production (Percent)			Exports (Thousand Barrels per Day)	
	By US Companies	By Other Foreign Companies	By State Oil Companies	Total	To the United States
1972					
Saudi Arabia	97	3	Negl.	5,800	190
Kuwait	48	52	Negl.	3,200	50
Abu Zaby	14	86	1,100	60
Iraq	11	22	67	1,400	10
Iran	35	60	5	4,600	150
Libya	85	10	5	2,200	100
Nigeria	28	72	Negl.	1,700	240
Venezuela	73	25	2	2,900	1,500
Indonesia	89	1	10	900	160
Total	60	34	6	23,800	2,460
1975 (Estimated)					
Saudi Arabia ¹	73	2	25	9,300	2,400
Kuwait ¹	36	39	25	3,300	200
Abu Zaby [†]	10	65	25	1,900	100
Iraq ²	8	16	76	2,600	100
Iran ³	31	54	15	6,600	1,000
Libya ⁴	42	5	53	2,700	200
Nigeria	18	47	35	2,500	600
Venezuela	73	25	2	3,200	1,700
Indonesia	89	1	10	1,400	300
Total	47	26	27	33,500	6,600

1. Participation agreements call for a 25% government share for Saudi Arabia, Kuwait, and Abu Zaby by 1975. Current negotiations indicate that this arrangement may be changed.

2. Assuming that Iraq will get a 25% share in the fields not already nationalized.

3. Iran technically owns all its oil and sells it back to the companies under long-term contracts.

The data show the expected allocation of output.

4. Assuming that Libya has 51% participation in the foreign-owned operations.

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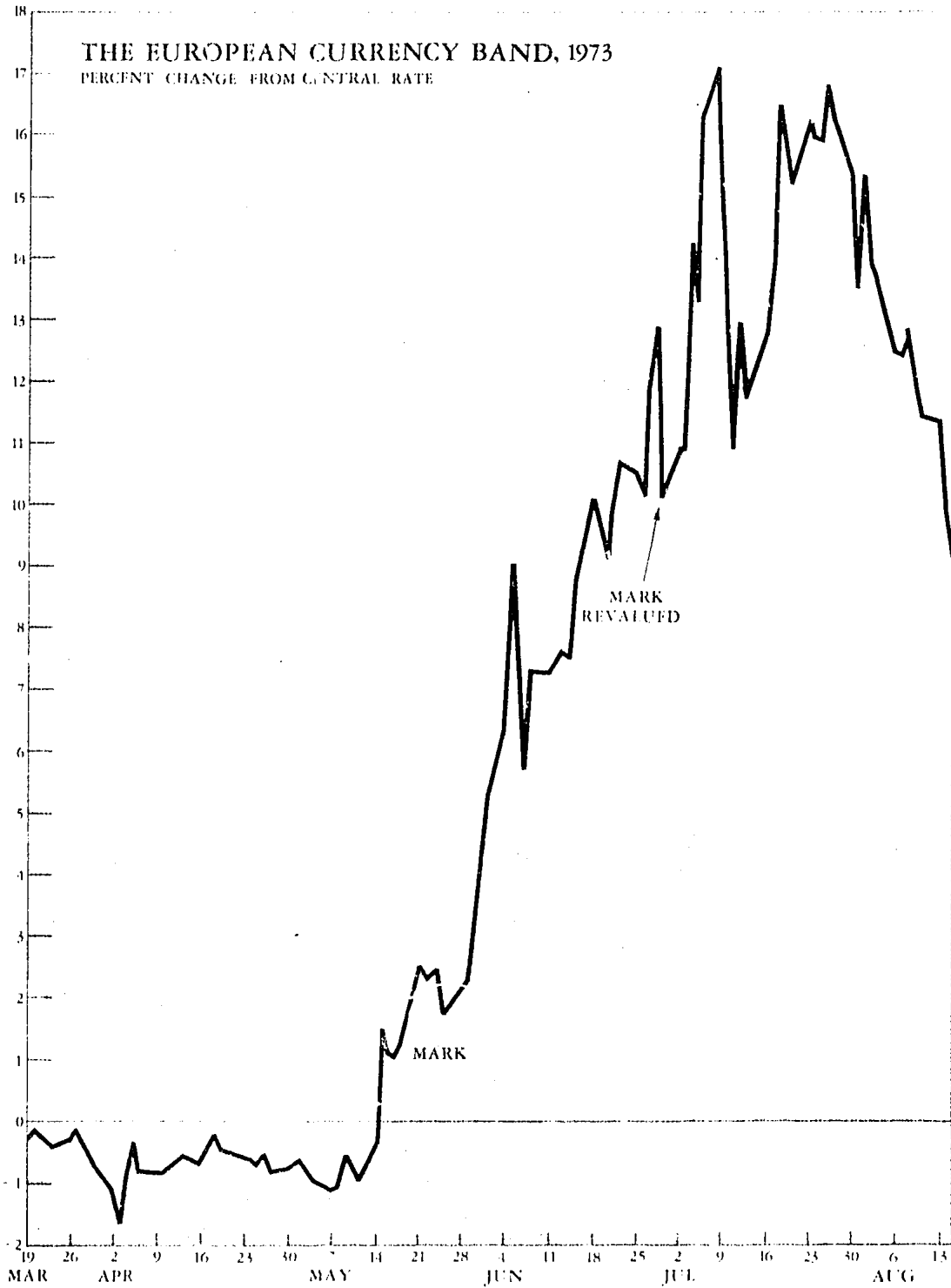
SECRET**Position of US Oil Companies in Middle East Erodes**

The preponderant position of US oil companies in the Middle East is being steadily eroded. Libya's 51% nationalization of Occidental Petroleum comes on the heels of the seizure of Bunker Hunt and undoubtedly will be followed by similar measures against other US operators. Discussions now under way in Kuwait and Saudi Arabia probably will result in speeding up the timetable for national control of production in the Persian Gulf area.

The oil firms' slipping position is reducing US leverage in the event of an oil embargo in the Middle East. In 1972, US companies controlled almost two-thirds of OPEC production, and only a small share of this went to the United States. By 1975, US companies at best will control less than half of OPEC production, less than half of which will be exported to the US market. Under these conditions, an embargo by a major producer such as Saudi Arabia would be serious. Apart from the companies' desire to maintain sales positions in lucrative foreign markets - a factor that restricts the firms' freedom of action - the reduced US control of other Middle East oil sources would make diversion of large quantities of OPEC oil from Europe and Japan to the United States difficult.

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SECRET**International Monetary Developments**

The dollar rose sharply during the past week on international money markets. It reached a value of 2.46 marks on 15 August, the best showing since 29 June and a gain of 3% since 8 August. The rally, propelled by rising dollar and Eurodollar interest rates, has produced growing confidence in the dollar.

The dollar's rise has enabled major central banks to sell some of the dollars they acquired in previous intervention. The Bundesbank was able to sell in the open market last week about \$150 million acquired from expenditures of US military forces. The decision by the West Germans to sell dollars at this juncture reflects their concern that too quick a dollar recovery could be a source of future exchange market instability.

The price of gold has continued to fall, reaching \$95 an ounce on Tuesday. Swiss banks offered larger-than-usual quantities of gold on 9-10 August in London and Zurich, an action that suggests profit-taking by small holders. There is no firm evidence of large-scale unloading by speculators, and gold sales by South Africa and the USSR apparently have remained relatively constant. Most of the gold buying in the last month has been for commercial use; in contrast, between late May and mid-July speculative purchases overshadowed commercial buying.

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DOMESTIC ECONOMIC INDICATORS

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			
			1970	1 Year Earlier	3 Months Earlier			1970	1 Year Earlier	3 Months Earlier	
GNP* (Constant Market Prices)					WHOLESALE PRICES (Industrial)						
	Quarter				Previous Quarter						
United States	73 II	0.6	5.1	6.4	2.5	United States	Jul 73	0	4.8	7.5	8.3
Japan	73 I	3.6	9.8	16.0	15.2	Japan	Jul 73	2.0	4.6	15.7	17.8
West Germany	73 I	5.4	4.7	5.8	23.6	West Germany	Jun 73	0.6	4.7	6.7	6.8
France	73 I	2.0	5.5	3.8	8.2	France	Apr 73	0.8	6.2	12.0	20.2
United Kingdom	73 I	1.5	3.2	7.1	6.2	United Kingdom	Jun 73	1.0	6.7	6.2	3.7
Italy	73 I	0.8	3.1	5.2	3.4	Italy	May 73	1.9	6.9	13.8	20.0
Canada	73 I	2.9	6.3	8.0	12.1	Canada	Jun 73	1.8	7.5	16.1	15.8

INDUSTRIAL PRODUCTION*

	Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
United States	Jun 73	0.2	5.5	9.6	6.1
Japan	Jun 73	0.4	9.2	19.4	13.0
West Germany	May 73	1.1	4.4	7.8	-4.3
France	May 73	4.2	7.9	10.6	10.7
United Kingdom	Jun 73	0.4	3.9	10.4	-1.4
Italy	May 73	9.3	3.4	8.8	51.7
Canada	May 73	0.1	6.9	10.3	7.5

CONSUMER PRICES

	Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
United States	Jun 73	0.7	4.5	5.9	8.3
Japan	May 73	1.9	7.5	11.1	29.1
West Germany	Jul 73	0	6.1	7.5	9.4
France	Jun 73	0.8	6.1	7.4	10.0
United Kingdom	Jun 73	0.5	8.6	9.3	13.3
Italy	Jun 73	0.9	7.2	11.4	14.5
Canada	Jul 73	0.9	5.1	7.7	10.4

RETAIL SALES*

(Current Prices)

	Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
United States	Jul 73	3.3	11.8	14.2	16.5
Japan	Mar 73	4.0	12.9	24.8	45.2
West Germany	Jun 73	-1.3	9.3	10.0	11.6
France	Mar 73	4.1	6.3	7.0	6.7
United Kingdom	Apr 73	-7.2	9.6	11.2	-3.0
Italy	Feb 73	9.0	11.5	18.8	24.1
Canada	May 73	-3.0	10.5	10.5	1.6

MONEY SUPPLY*

	Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
United States	Jul 73	0.4	7.8	6.7	10.8
Japan	May 73	-0.6	19.0	30.5	26.8
West Germany	May 73	-4.2	10.2	8.4	-13.6
France	Mar 73	1.2	12.7	10.4	-2.1
United Kingdom	Apr 73	2.2	12.2	13.1	19.1
Italy	Feb 73	2.1	20.1	18.7	21.5
Canada	May 73	2.3	14.1	17.5	20.3

MONEY-MARKET RATES

Representative Rates	Latest	Percent Rate of Interest			
		12 Months Earlier	3 Months Earlier	1 Month Earlier	
United States Prime finance paper	Aug 10	8.50	4.50	6.75	8.13
Japan Call money	Aug 4	7.50	4.25	6.00	7.25
West Germany Interbank loans (3 months)	Aug 10	14.75	4.62	NA	14.25
France Call money	Aug 3	8.75	3.75	7.44	9.00
United Kingdom Local authority deposits	Aug 3	11.69	4.55	7.52	5.18
Canada Finance paper	Aug 10	7.88	5.00	5.88	7.50
Euro-Dollars Three-month deposits	Aug 10	11.56	5.44	8.38	9.75

*Seasonally Adjusted

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EXTERNAL ECONOMIC INDICATORS

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
EXPORT PRICES (US \$)					
United States	Jun 73	1.6	6.7	14.0	25.0
Japan	Jun 73	1.4	12.0	22.4	23.7
West Germany	Apr 73	0.9	10.9	13.0	64.5
France	Mar 73	6.9	12.8	20.6	70.4
United Kingdom	Jun 73	3.1	11.2	11.8	34.1
Italy	Mar 73	0.9	8.1	8.1	30.4
Canada	Apr 73	3.5	6.0	12.5	32.8

	Latest Period	Million US \$	Cumulative (Million US \$)	
			1973	1972
EXPORTS* (f.o.b.)				
United States	Jun 73	5,778	Jan-Jun 32,289	22,986
Japan	Jul 73	3,115	Jan-Jul 19,753	15,359
West Germany	Jun 73	5,088	Jan-Jun 29,916	22,498
France	Jul 73	3,309	Jan-Jul 20,292	14,824
United Kingdom	Jul 73	2,482	Jan-Jul 16,117	13,541
Italy	Jun 73	1,937	Jan-Jun 9,479	8,868
Canada	Jun 73	2,106	Jan-Jun 11,958	9,700

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
EXPORT PRICES (National Currency)					
United States	Jun 73	1.6	6.7	14.0	25.0
Japan	Jun 73	1.5	1.3	6.4	17.9
West Germany	Apr 73	0.7	1.2	1.3	4.2
France	Mar 73	1.5	4.9	8.3	12.3
United Kingdom	Jun 73	1.2	8.6	10.8	15.1
Italy	Mar 73	0.9	4.9	6.5	24.1
Canada	Apr 73	3.6	4.8	13.0	33.4

	Latest Period	Million US \$	Cumulative (Million US \$)	
			1973	1972
IMPORTS* (f.o.b.)				
United States	Jun 73	5,793	Jan-Jun 33,099	25,114
Japan	Jul 73	2,685	Jan-Jul 16,480	10,126
West Germany	Jun 73	4,039	Jan-Jun 23,408	18,305
France	Jul 73	3,126	Jan-Jul 19,492	14,276
United Kingdom	Jul 73	2,883	Jan-Jul 18,407	13,978
Italy	Jun 73	2,212	Jan-Jun 10,720	8,092
Canada	Jun 73	1,994	Jan-Jun 11,110	9,282

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
IMPORT PRICES (National Currency)					
United States	Jun 73	0.4	9.7	16.4	32.4
Japan	Jun 73	3.2	3.8	18.4	21.9
West Germany	Apr 73	1.3	0.3	7.2	5.3
France	Mar 73	1.9	2.5	0.4	-18.3
United Kingdom	Jun 73	1.7	11.4	28.4	34.7
Italy	Mar 73	3.4	7.5	14.0	35.9
Canada	Mar 73	3.4	4.0	6.2	18.4

	Latest Period	Million US \$	Cumulative (Million US \$)	
			1973	1972
TRADE BALANCE* (f.o.b./f.o.b.)				
United States	Jun 73	-15	Jan-Jun -810	-2,128
Japan	Jul 73	429	Jan-Jul 3,273	5,233
West Germany	Jun 73	1,050	Jan-Jun 6,507	4,193
France	Jul 73	183	Jan-Jul 801	549
United Kingdom	Jul 73	-402	Jan-Jul -2,289	-436
Italy	Jun 73	-275	Jan-Jun -1,241	776
Canada	Jun 73	112	Jan-Jun 848	618

	Latest Period	Billion US \$		
		June 1970	1 Year Earlier	3 Months Earlier
OFFICIAL RESERVES				
United States	Jun 73	14.0	16.3	14.0
Japan	Jul 73	15.2	4.1	15.9
West Germany	Jul 73	40.9	8.8	24.8
France	Jul 73	10.4	4.4	9.9
United Kingdom	Jul 73	6.6	2.8	6.1
Italy	Apr 73	6.4	4.7	6.5
Canada	Jul 73	5.8	4.3	6.2

	US \$ Per Unit	Dec 66	Percent Change from		
			18 Dec 71	19 Mar 73	3 Aug 73
EXCHANGE RATES (Spot Rate) As of 10 Aug 73					
Japan (Yen)	0.0038	36.64	16.1	-0.87	0.69
West Germany (Deutsche Mark)	0.4149	65.04	33.71	17.17	-2.56
France (Franc)	0.2370	17.38	20.37	7.53	-2.35
United Kingdom (Pound Sterling)	2.4765	-11.26	-4.95	0.83	-1.30
Italy (Lira)	0.0017	8.06	0.58	-2.26	0
Canada (Dollar)	0.9966	8.04	-0.12	-0.11	-0.20

	Dec 66	Percent Change from		
		18 Dec 71	19 Mar 73	3 Aug 73
TRADE-WEIGHTED EXCHANGE RATES As of 10 Aug 73				
United States	-19.26	-9.69	-2.89	0.73
Japan	23.47	9.47	-2.58	1.17
West Germany	32.73	15.67	10.62	-1.01
France	-10.92	2.30	-0.14	-0.87
United Kingdom	-33.13	-18.97	-4.59	-0.03
Italy	-19.03	-17.80	-10.94	1.93
Canada	3.95	-2.58	-0.92	0.05

*Seasonally Adjusted

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