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Economic Intelligence Weekly

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ER EIW 75-5
5 February 1975

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ECONOMIC INTELLIGENCE WEEKLY

25X6

5 February 1975

25X6

Overview

Industrial Output in the Major Developed Countries has been dropping at an accelerated pace in recent months. The decline during the three-month period ending in November averaged 8-1/2% (annual rate). Output in Italy, France, and Japan fell most sharply -- 20%, 18%, and 14%, respectively. In November, production in the seven major countries stood 6% below the year-earlier level.

[redacted]

25X1

French and Italian Trade Balances Have Improved because the recession has cut imports. The French trade deficit dropped to an average $90 million in the last three months of 1974, compared with a $400 million average in the preceding half year. By the fourth quarter, Italy's monthly deficit had dropped below $300 million from the $670 million average of the first half.

Note: Comments and queries regarding the Economic Intelligence Weekly are welcomed. They may be directed to [redacted] of the Office of Economic Research, Code 143, Extension 7892.

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Separate Handling for Agricultural Issues in the Multilateral Trade Negotiations, demanded by the French, has been accepted by the other EC members. The EC did not want to isolate the French on this issue, fearing Paris would block agreement on a unified community position for the upcoming trade talks.

Tightness in the World Wheat Market Eased last week as China and the USSR canceled import contracts for more than 1 million tons of US wheat, and observers forecast a record 1975 US wheat crop. Prices now are 30% below the peak level of a year ago.

The Dollar Strengthened against most major currencies last week as reports surfaced of greater central bank intervention. An end to dollar sales that stemmed from the covering of Swiss franc-dollar positions contributed to the recovery. The EC plan to prevent currency movements of more than 1% a day should add stability to money markets. Kuwait has proposed that the recent gyrations of the dollar be assessed at the next plenary session of OPEC. (~~Secret~~-No Foreign Dissem)

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Articles

DEVELOPED COUNTRIES: THE SLUMP IN PERSPECTIVE

The economic contraction in the major developed countries, already seven quarters long, is the sharpest since World War II.

25X6

Composite GNP in the Big Six foreign economies fell from a level 2-1/2 percentage points above the long-term trend in early 1973 to 5 percentage points below trend by the end of 1974. This change is two to three times the drop in comparable periods of the two previous postwar contractions.

So far, the contraction has been most severe in Japan and mildest in Italy.

France: In a country noted for steady economic expansion, GNP had slipped 2 percentage points below the trend by late 1974.

Italy: The slump, under way for only three quarters, still is shallow compared with the recession of 1969-72.

The severity of the slump results largely from two factors: (a) the simultaneous beginning of the contraction in several countries, which caused foreign as well as domestic demand to weaken, and (b) oil price hikes and supply squeezes over the past 16 months, which have depressed GNP both directly and indirectly.

The recession has several quarters to go, to judge from the length of the two previous slumps and from the special circumstances of the current slowdown.

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Oil prices will remain high, lengthening the period of weak demand and placing unprecedented burdens on national and international financial institutions. Governments have been, and will continue to be, slower than usual to react to the slump because of preoccupation with inflation and balance-of-payments problems. Expansion programs, even when adopted, will not be fully felt for a half year or so. (Unclassified)■

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DEVELOPING COUNTRIES: IMPACT OF INCREASED OIL PRICES

Among the LDCs, South Asian countries have been severely hurt by skyrocketing oil prices, East Asian and sub-Saharan African countries moderately affected, and South American countries least damaged. Because the LDCs have had to draw down skimpy financial reserves and to resort to further borrowing, they will have still greater difficulty in meeting their 1975 oil bills. Economic performance will depend even more closely on aid from developed countries, OPEC countries, and international financial institutions.

Balance of Payments

Oil imports by the non-OPEC developing countries totaled at least $13 billion in 1974, as opposed to $4.7 billion in 1973. Higher prices were the cause, volume rising at most 3%. The rise in world petroleum prices also contributed to increased prices for imported food, fertilizer, and industrial products. Since export prices and export volume rose less than proportionately, the LDCs incurred a $31 billion trade deficit, $12.8 billion with OPEC countries. Compared with 1973, the trade balance deteriorated by $5 billion with OECD countries and $10 billion with OPEC countries.

As a partial offset, multilateral official capital inflows rose by more than $3 billion; bilateral official flows from OPEC countries grew by some $1.4 billion. While the picture on total capital flows is not yet clear, private capital flows have been the principal source of financing the deficit for the more prosperous LDCs. OPEC and multilateral sources appear to have been the prime means of financing the 1974 balance for UN-designated Most Seriously Affected nations.

Domestic Development

Contrary to earlier pessimistic forecasts, nearly all developing countries achieved some sort of economic growth in 1974, with the average real growth rate reaching 3%. Population increases continued to match or exceed the increase in output in many of these countries. Furthermore, higher import prices contributed to rampant domestic inflation in the LDCs, which ran at an estimated average rate of 30% in 1974.

Few LDCs have succeeded in reducing oil consumption or imports absolutely. Most have had to be content with slowing down the rate of growth of consumption, mainly through higher taxes on oil-related activities. Developing countries are being forced to reorder their priorities and to place particular emphasis on food and fertilizer production, oil exploration, and the development of non-oil energy sources.

Regional Breakdown

Latin American countries as a group have held up best under the burden of increased oil prices. Their advantages have included (a) domestic oil production that partially satisfies their needs, (b) ready access to foreign lending, and (c) export prices that remained relatively firm for most of the past year. Brazil's 1974 real GNP growth of 10% was the highest of any major non-OPEC LDC.

South Asian countries -- India, Pakistan, Bangladesh, and Sri Lanka -- were severely afflicted in 1974 by rising import bills and lagging export earnings. Oil bills rose to one-third of export earnings in India and Bangladesh and to almost one-fourth of earnings in Pakistan and Sri Lanka. Large expenditures for food and difficulties in exporting to recession-hit customers compounded their troubles.

In 1974 the real growth rate in the East Asian LDCs -- several of which had been growing at 10% -- fell by one-half on the average. Growth in exports, especially food and light manufactures, offset much of the damage from higher import costs.

The developing countries of sub-Saharan Africa suffered a doubling of their combined trade deficit in 1974. Increased official foreign loans and grants were the principal means of financing their deficits.

Outlook for 1975

These problems will worsen in 1975. Prices for oil, food, and fertilizer will remain high and prices of manufactured imports will increase, whereas prices of many LDC exports are expected to fall. The financing of balance-of-payments

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deficits will be more difficult because of previous drawdowns of financial reserves and exhaustion of private lines of credit. The performance of LDCs in 1975 will be increasingly dependent on assistance from developed countries, OPEC countries, and international financial institutions. ~~(Confidential)~~ ■

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OPEC INTEREST IN TRIPARTITE INVESTMENT GROWS

Middle East oil producers are showing increased interest in tripartite investment in developing countries. Such ventures -- bringing surplus petrodollars and Western technology together in third countries -- enable OPEC states to increase investment in LDCs safely, without using their own scarce manpower. The oil producers thus can both diversify their investments and blunt LDC criticism of higher oil prices. Growth in tripartite investment is likely to be concentrated in a handful of LDCs, mainly Arab.

Among the Middle East producers, Kuwait offers the brightest prospects for tripartite ventures. At least half a dozen Kuwaiti financial institutions already are active in LDCs. The Kuwaitis have recently undertaken tripartite ventures in Jordan (a powerplant) and Yemen (agricultural development), mainly with US consultants and contractors. Kuwait also is involved in joint projects in the LDCs with the World Bank and its subsidiary, the International Development Association.

The Saudis plan to channel an increasing share of their investment in LDCs through the Arab Investment Company and the Saudi Arabian Development Fund. The former has already undertaken a tripartite venture to build a sugar processing complex in Sudan with Japanese and US firms. The Saudis are considering projects in Egypt in cooperation with US, British, and Italian firms.

Iran believes that selection of development projects and technology is the responsibility of aid recipients. It thus has decided to rely primarily on direct loans to help developing nations. Interest in tripartite ventures nonetheless should grow in time.

Tripartite investment will do little to offset the current account deficits of most LDCs this year. The amount invested will remain small and often will simply replace funds earmarked for direct grants or loans. Only Moslem countries can expect to receive appreciable financial relief through these three-cornered ventures. (~~Confidential~~ No Foreign Dissem) ■

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ITALY: ANOTHER PAYMENTS SQUEEZE IN 1975

Italy probably will be able to finance another large current account deficit in 1975 without resorting to harsh import controls or to a debt moratorium. At the same time, conditions attached to new foreign loans conceivably could bring down the Moro government.

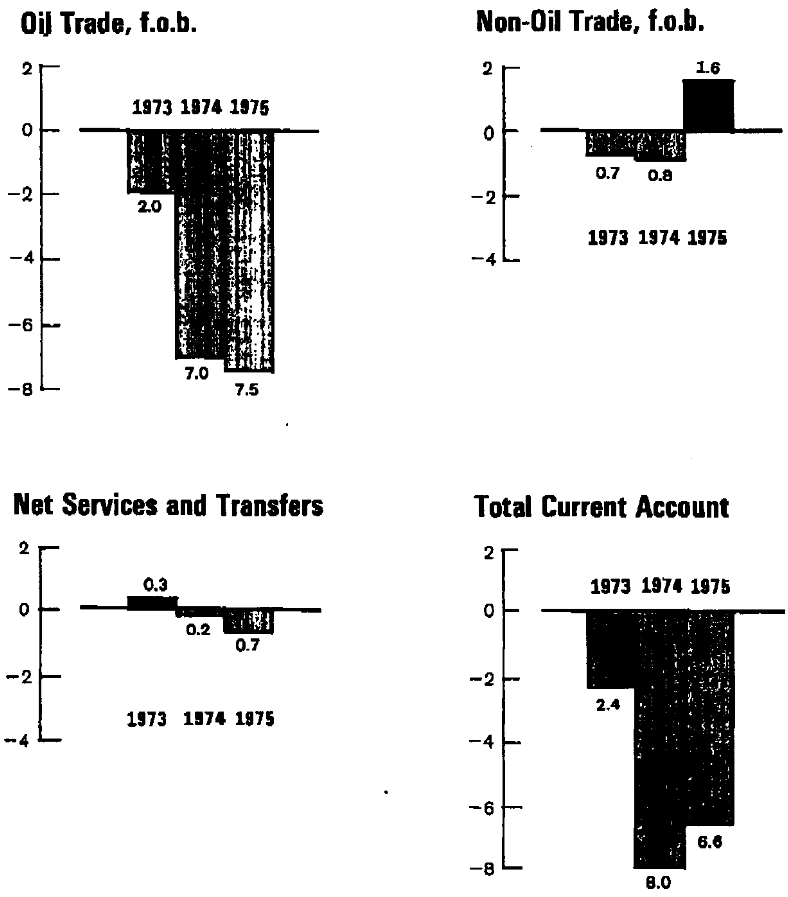
Outlook for the Current Account

After more than tripling to $8 billion last year, the current account deficit should drop to $6.6 billion in 1975. The deepening recession will improve the trade balance. The government has little option but to continue the austerity program in spite of the cost in economic growth. To reflate substantially not only would worsen the current account deficit but also would abrogate the terms of several international loans, jeopardizing Italy's fund-raising ability.

If Rome continues its austerity measures through most of 1975, the oil trade deficit probably will rise only slightly this year, to $7.5 billion. The anticipated

ITALY: Current Account [1]

Billion US $



[1] 1974 data estimated, 1975 data forecast.

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1974

Current account deficit: $8.0 billion

Actual Financing

- $2.1 billion - Euromarket loans
- $2.0 billion - West German loan
- $1.9 billion - EC credit
- $0.9 billion - drawing on $1.2 billion IMF standby credit
- $0.8 billion - IMF oil facility
- $0.6 billion - net short-term commercial bank borrowings
- $0.2 billion - reduction in SDRs
- $0.4 billion - drawing on IMF gold tranche

1975

Current account deficit: $6.2 billion (projected)

Available Financing

- $1.0 billion - unused drawings on 1974 credits
- $0.3 billion - remainder of IMF standby credit

Possibly Available Financing

- $1.0 billion to $2.0 billion - EC recycling fund
- $1.0 billion - prepayments from Iran for goods on order
- $1.0 billion - loan from Saudi Arabia
- Funding from various recycling schemes, such as expanded IMF oil facility and OECD "safety net"

increase in the average price of imported crude from $11.00 to $12.00 per barrel (c.i.f.) should be partly offset by a small drop in volume. Demand for imported oil is expected to decline because of sagging industrial output and the availability of large gasoline stocks.

The non-oil trade account probably will show a plump surplus this year, on top of the recent sharp improvement. Export volume is likely to increase by 6% or so, while import volume should decline a little. The non-oil balance also should benefit from improved terms of trade, since prices of exports (mostly manufactures) promise to climb faster than prices of imports (mostly food, raw materials, and manufactures).

The 13.8% trade-weighted depreciation of the lira in 1974 is helping Italy to retain its competitiveness in foreign markets, despite an above-average inflation rate of 25%. Expansion in export volume nonetheless will be restrained by weak demand in developed countries and financing problems in the oil-poor LDCs. Sales to OPEC states will rise substantially following an 80% jump to more than $2 billion in 1974; such sales are still only 8% of total exports.

Under the present restrictive policies, import volume probably will drop a percentage point or two. Tight credit, high interest rates, and declining profits will cut into investment. Consumer demand will remain soft, despite a recent hike in fringe benefits. Tax increases will trim disposable income, and job uncertainties will encourage workers to save.

The remainder of the current account should show a considerably larger deficit than last year. A decline in import-related freight costs will be more than offset by a pronounced rise in interest payments on foreign loans, from less than $1 billion last year to an estimated $2 billion in 1975. Furthermore, the European recession will cut into tourist earnings, and sluggish economic activity in West Germany will inhibit the growth of emigrant remittances.

Financing the Deficit

The capital account at best will do little to ease the deficit burden and might even add to it. State enterprises and commercial banks have largely exhausted their credit with private financial institutions. Repayments on past loans will be about $1 billion, double last year's figure. Removal of the import deposit scheme in March, as scheduled, could lead to increased capital outflows, offsetting the inflow of capital repatriated because of tight credit. Most important, a massive capital flight is possible in the event of protracted political crisis.

Rome is counting on official borrowing to cover even more of its deficit this year than in 1974. Only a gradual depreciation of the lira is likely, because of the government's commitment to avoiding the inflationary effects of a sharp devaluation. In order not to alienate its EC partners and other creditors, Italy will extend the import deposit scheme or introduce other import controls only as a last resort. Rome will strongly resist reducing its uncommitted gold reserves, worth $11 billion at current market prices. It has only $3.2 billion in convertible currency holdings, including $1.0 billion in unused borrowings from last year.

The possibility of a financing crunch is greatest in the first half of the year, before the government nails down loans now under consideration. As a stopgap, Rome may have to draw on the $4.5 billion available in short-term currency swaps – a risky solution unless long-term financing is reasonably assured. 25X6

The stickiest problems in financing the deficit stem from politically unpalatable conditions that potential lenders might attach to their loans. [redacted]

25X6

[redacted] In particular, [redacted] would like Rome to streamline the government bureaucracy, a measure that would cut deeply into the [redacted] Party's system of patronage. Furthermore, belt tightening in the form of reduced spending or tax hikes might alienate labor, which so far has been shielded from austerity through wage increases, improved fringe benefits, and unemployment compensation. To raise labor's ire in this year of major wage contract renegotiations would pose a dangerous threat to an economy already deep in recession.

25X6

Several Arab countries reportedly would like to attach political conditions to their loans. Basically, they seek to inhibit Italian cooperation within the International Energy Agency and with the United States.

If its creditors insist upon politically unacceptable conditions, Italy probably will turn to the United States for long-term bilateral assistance. (~~Secret~~ No Foreign Dissem) ■

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Notes

Cool Response to US-Sponsored Grain Conclave

The meeting next week in London, initiated by the United States to develop a world system of grain reserves, has generated little enthusiasm. Several nations are participating only out of deference to the United States. China has declined to participate, and the USSR has not responded. Several countries, especially EC nations and Japan, have raised the following points: (a) grain reserves should be discussed in the upcoming MTN and, in any case, will be brought up at the FAO meeting on 24 February, and (b) the US proposal fails to emphasize the goal of price stabilization. ~~(Secret)~~

[redacted]

25X6

Saudi Arabia Kicks Off 1975 Aid Program

Saudi Arabian 1975 bilateral aid is off with a bang, amid much more publicity than the Saudis normally allow. King Faysal's check-writing during his Mideast tour and his payment of Rabat Summit pledges added up to more than $700 million in January, more than half the bilateral aid paid out in all of 1974. Egypt, Jordan, and Syria continue to be the major recipients. Bilateral obligations carried over from 1974 and new grants probably will produce a 1975 aid figure in excess of $1.5 billion. (~~Secret~~ No Foreign Dissem)

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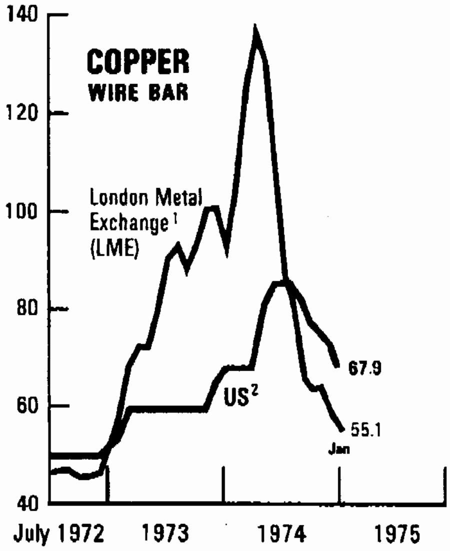
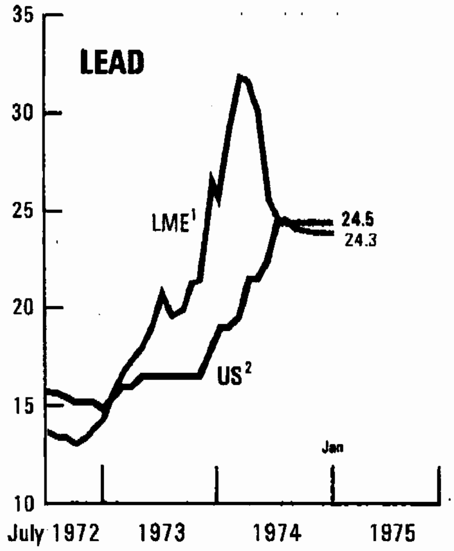
METAL PRICES Monthly Average Cash Price



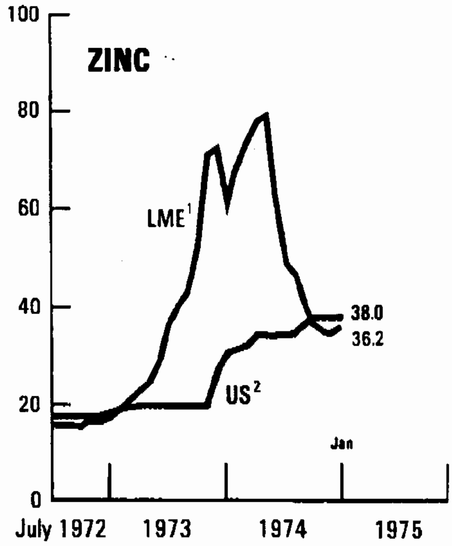
¢ Per Pound

	LME	US
3 Feb	55.2	63.6
27 Jan	54.8	68.6
Dec 74	58.6	72.2
Jan 74	92.1	68.1



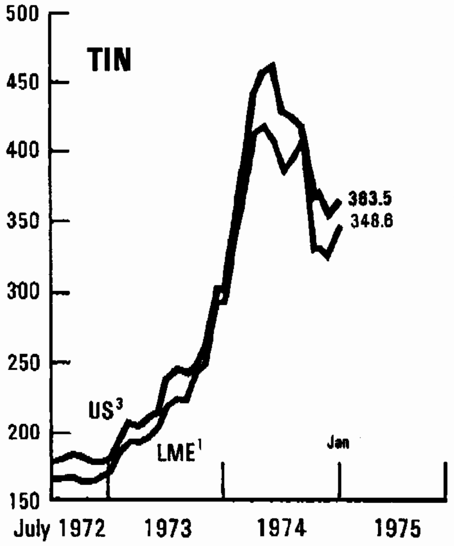
¢ Per Pound

	LME	US
3 Feb	24.3	24.5
27 Jan	24.6	24.5
Dec 74	24.2	24.5
Jan 74	25.6	19.0



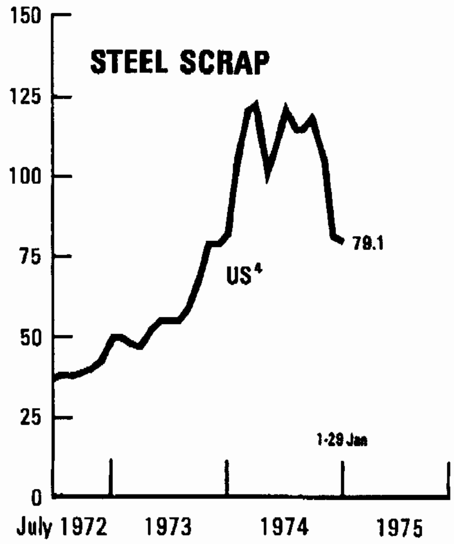
¢ Per Pound

	LME	US
3 Feb	36.0	38.0
27 Jan	37.5	38.0
Dec 74	34.9	38.0
Jan 74	60.2	31.2



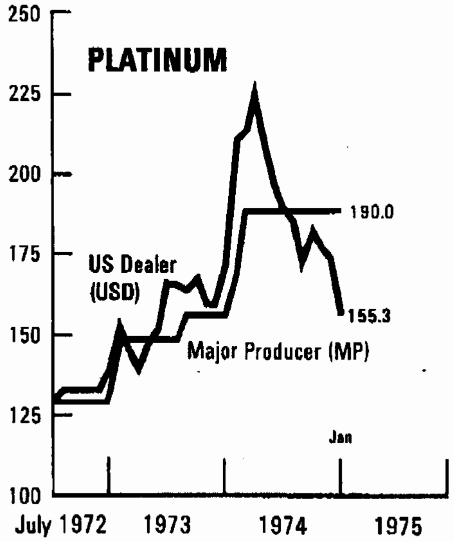
¢ Per Pound

	LME	US
3 Feb	348.4	371.2
27 Jan	361.5	377.5
Dec 74	325.7	352.1
Jan 74	295.6	298.1



$ Per Long Ton

	US
28 Jan	80.00
27 Jan	80.00
Dec 74	80.69
Jan 74	81.32



$ Per Troy Ounce

	MP	USD
3 Feb	190.0	150.0
27 Jan	190.0	148.5
Dec 74	190.0	173.6
Jan 74	158.0	171.5

1 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.
2 Producers' price, covers most primary metals sold in the United States.
3 Quoted on New York market. 4 Composite price for Chicago, Philadelphia, and Pittsburgh.

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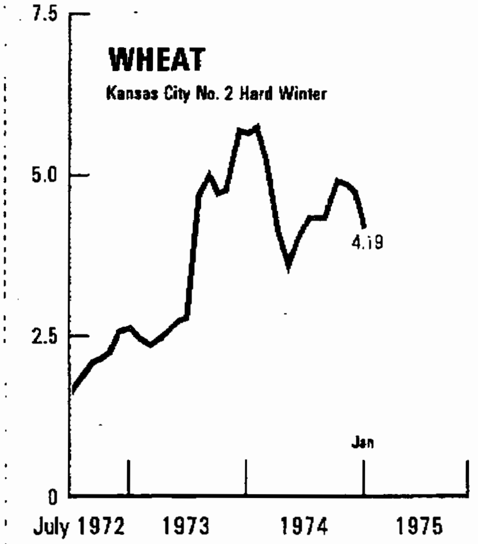
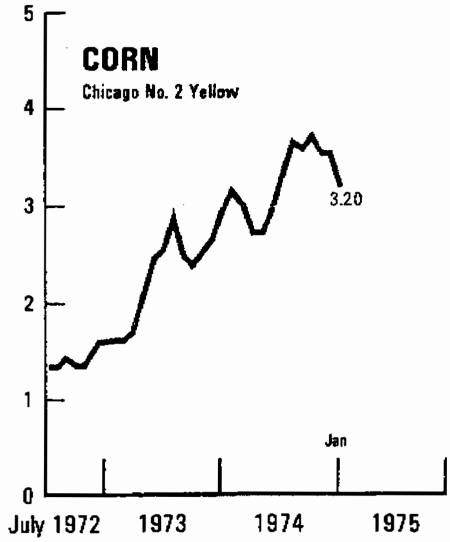
AGRICULTURAL PRICES Monthly Average Cash Price



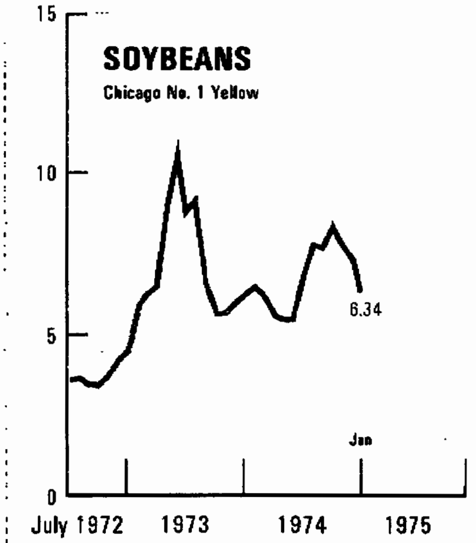
$ Per Bushel

3 Feb	3.95
27 Jan	4.02
Dec 74	4.73
Jan 74	5.70



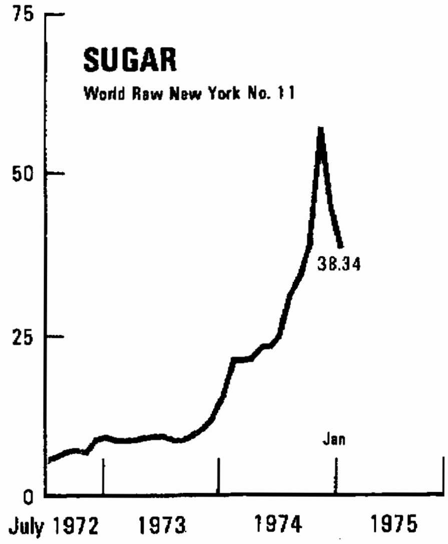
$ Per Bushel

3 Feb	3.03
27 Jan	3.03
Dec 74	3.52
Jan 74	2.90



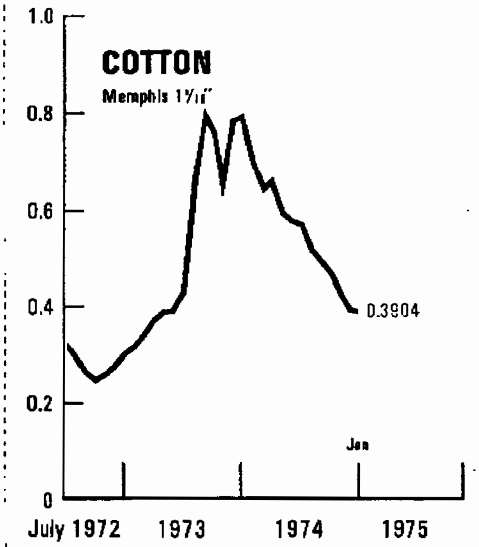
$ Per Bushel

3 Feb	5.89
27 Jan	5.89
Dec 74	7.30
Jan 74	6.17



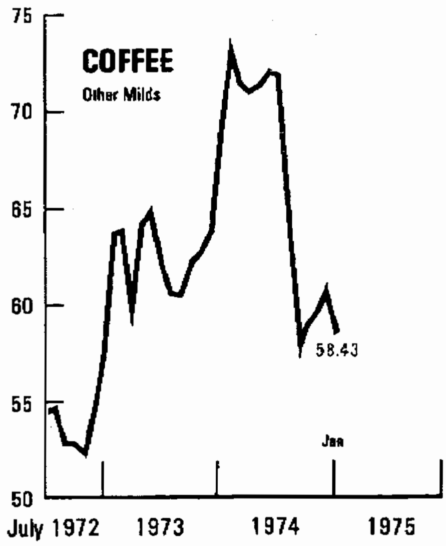
¢ Per Pound

3 Feb	33.25
27 Jan	39.00
Dec 74	45.00
Jan 74	15.30



$ Per Pound

3 Feb	0.4050
27 Jan	0.3965
Dec 74	0.3950
Jan 74	0.7960



¢ Per Pound

3 Feb	58.75
27 Jan	58.75
Dec 74	61.06
Jan 74	69.09

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ECONOMIC INTELLIGENCE WEEKLY

12 February 1975

Overview

Support of Raw Material Export Prices is the rallying issue for the LDCs in several forums.

- A new five-year economic cooperation agreement between the EC and 46 LDCs (mostly former African, Caribbean, and Pacific colonies) includes a provision guaranteeing the developing countries stable earnings from key commodity exports. The pact also allows duty-free entry into the Community for all industrial and most agricultural exports. The developing countries are not required to grant reverse tariff preferences.

- The UN Conference on Trade and Development (UNCTAD) will try again this week to reach agreement on a practical method to stabilize raw materials prices. A leading proposal is the establishment of a central fund to finance international commodity stocks.

- The Dakar conference of nonaligned nations failed last week to agree on a specific program to boost commodity prices; a host of proposals will be studied before the next meeting. The group favors broadening the French-proposed international oil conference to include a discussion of all raw materials.

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- At a March meeting of Latin American chiefs of state, Venezuelan President Perez reportedly will again propose that commodity cartels be established to obtain "just" prices for primary products.

Heavier OPEC Investment in Equities is likely this year. Oil producers are building up investment institutions and seeking greater guidance from Western banks. Equity purchases will remain a small portion of OPEC investment and will be used mainly to diversify total financial holdings rather than to gain control of firms.

Iran Is Trimming Long-Term Lending Plans by 40% to no more than $9 billion over the plan period ending in March 1978. Tehran now sees itself a net borrower by that date. Loans must pass the test of contributing directly to Iranian economic development, by creating new markets and expanded supplies of raw materials. (~~Secret~~ No Foreign Dissem)

DEVELOPED COUNTRIES: INDUSTRIAL SLUMP ACCELERATES

Industrial production in the major countries has dropped in recent months at the sharpest rate since World War II.

Output in the Big Seven has fallen steadily since May, after marking time for five months at the reduced level brought on by the oil embargo. The annual rate of decline accelerated to 17% in October-November; fragmentary information points to an even steeper descent in December-January. Output almost certainly has fallen below the level of two years ago.

Breakdown, by Country and Sector

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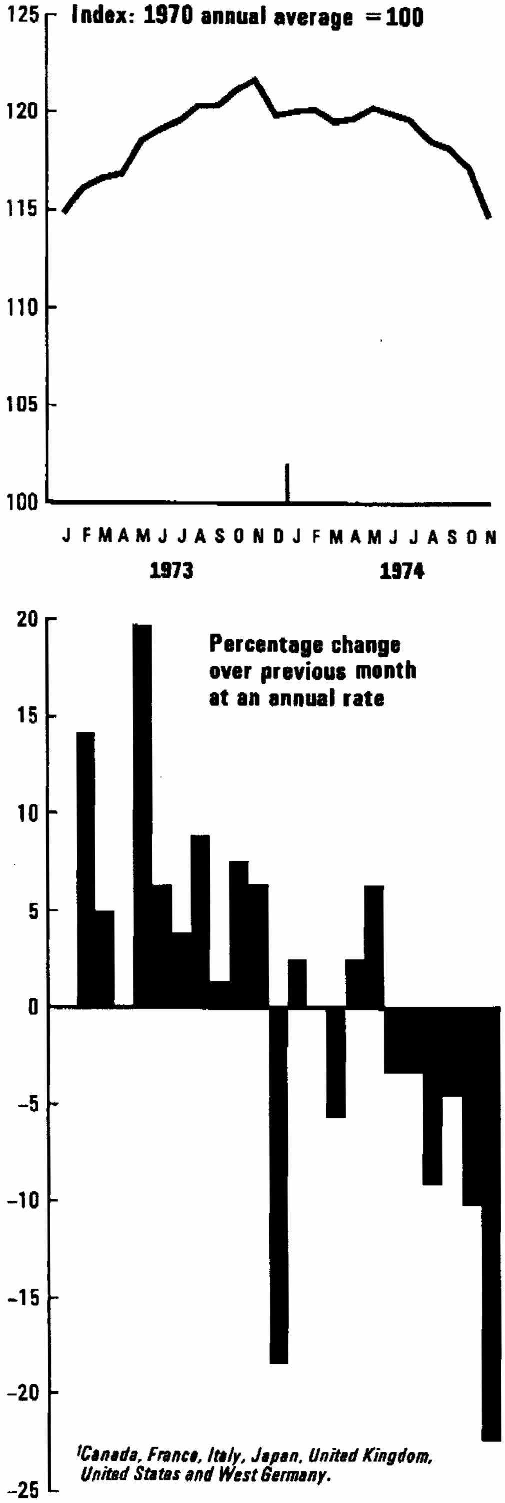
The timing and severity of the industrial decline in the six foreign countries is as follows:

Italy: After rebounding to an all-time high in June, output fell at an annual rate of 30% in the second half of 1974, to the early-1973 level.

France: Production climbed through August, then declined thereafter at a 25% annual rate.

DEVELOPED COUNTRIES:
Trends in Industrial Production [1]
(seasonally adjusted)



[1] Canada, France, Italy, Japan, United Kingdom, United States and West Germany.

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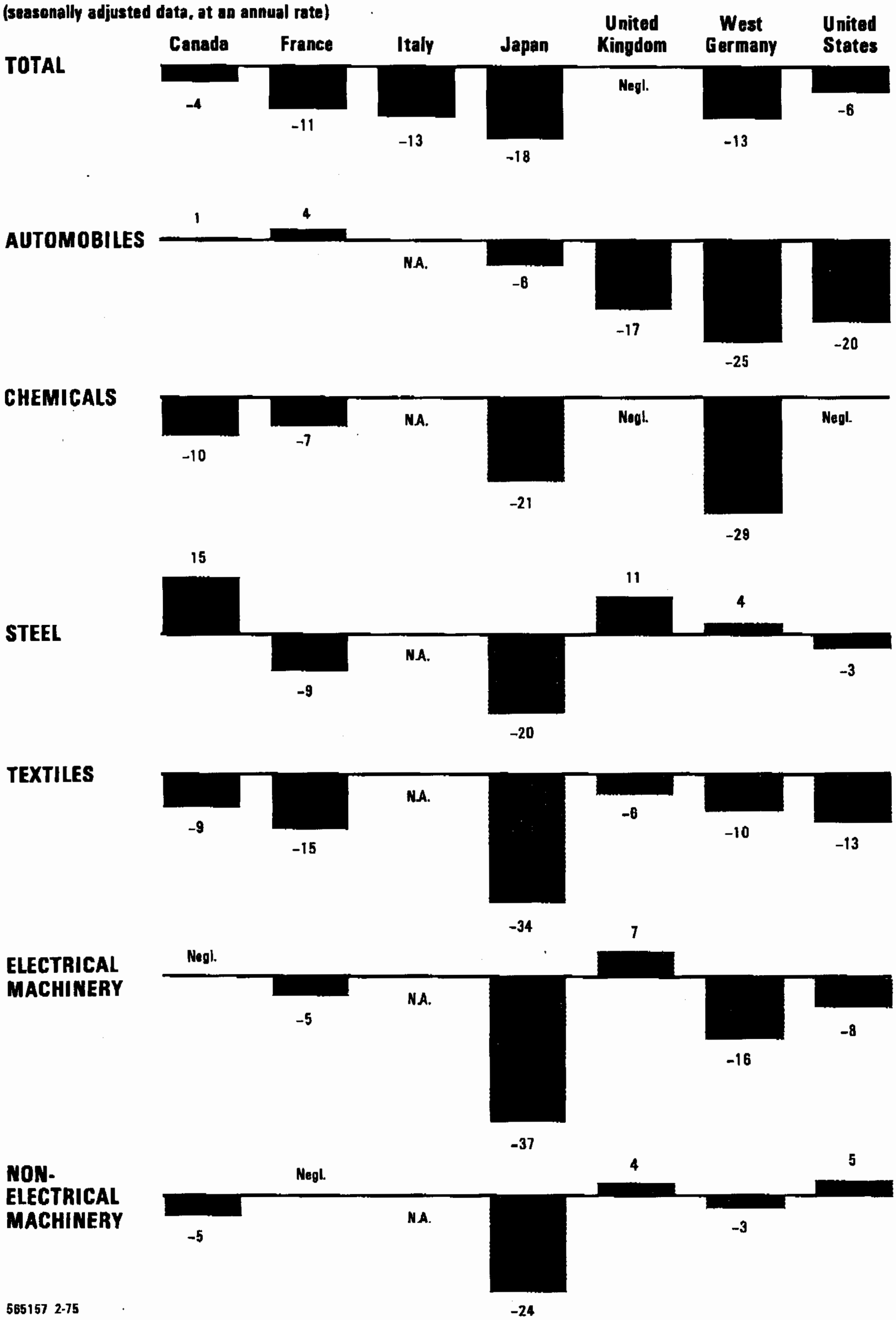
DEVELOPED COUNTRIES:
Percentage Change in Industrial Production, Nov 1974 over May 1974

(seasonally adjusted data, at an annual rate)



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[redacted]

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Most major industries have been caught in the downward spiral. In June-November, automobile production dropped precipitously in all countries except France and Canada. [redacted] Chemical production slumped in nearly all countries, with the drop most pronounced in West Germany. Japan led in the falloff in textiles, machinery production, and steel output.

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Outlook

The short-term outlook for industrial output is poor. Despite recent cuts in production, inventories remain high and will retard recovery. Moreover, demand—both domestic and foreign—is expected to be weak for several more months. While the decline in industrial activity probably will bottom out before midyear, output almost certainly will be lower in the first half of 1975 than in the second half of 1974. (Unclassified) ■

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TURKEY FACES SLOWDOWN IN GROWTH

Turkey maintained rapid economic growth in much of 1974 despite troubles at home and abroad. The overall growth rate of 7.5%, a percentage point short of plan, ranked among the highest in the LDCs. Performance weakened as the year wore on; further slowdown is likely in 1975 because trade deficits and inflation will inhibit stimulative efforts.

The costly $1 billion Cyprus operation has brought pressure to trim military expenditures. The cutoff in US aid – although amounting to only $60 million annually, barely 6% of defense spending -- will further complicate the problems of defense budgeting. Ankara will try to protect its economic development program, partially at the expense of its NATO commitments.

Balance-of-Payments Difficulties

The most urgent problem facing the caretaker government of Sadi Irmak is the deteriorating balance of payments. Sparked by rising oil prices, imports jumped in 1974 to $3.5 billion -- 65% above the 1973 level. Export earnings rose by only 15%, to $1.5 billion, as the result of a small decline in volume. The record trade deficit pushed the current account into the red by $100 million in spite of continued large remittances from Turks working abroad. A flight of short-term capital apparently contributed to the $355 million foreign exchange loss in 1974.

Part of the downturn in export volume can be laid indirectly to Ankara's high support prices for agricultural products. Lacking an adequate export subsidy scheme, Turkey attempted without much success to move these commodities at prices above the world level. Cotton sales – normally the top dollar-earner – were further crippled by a worldwide slump in textile output. Rapid domestic inflation and growing world recession reduced the markets for many industrial exports.

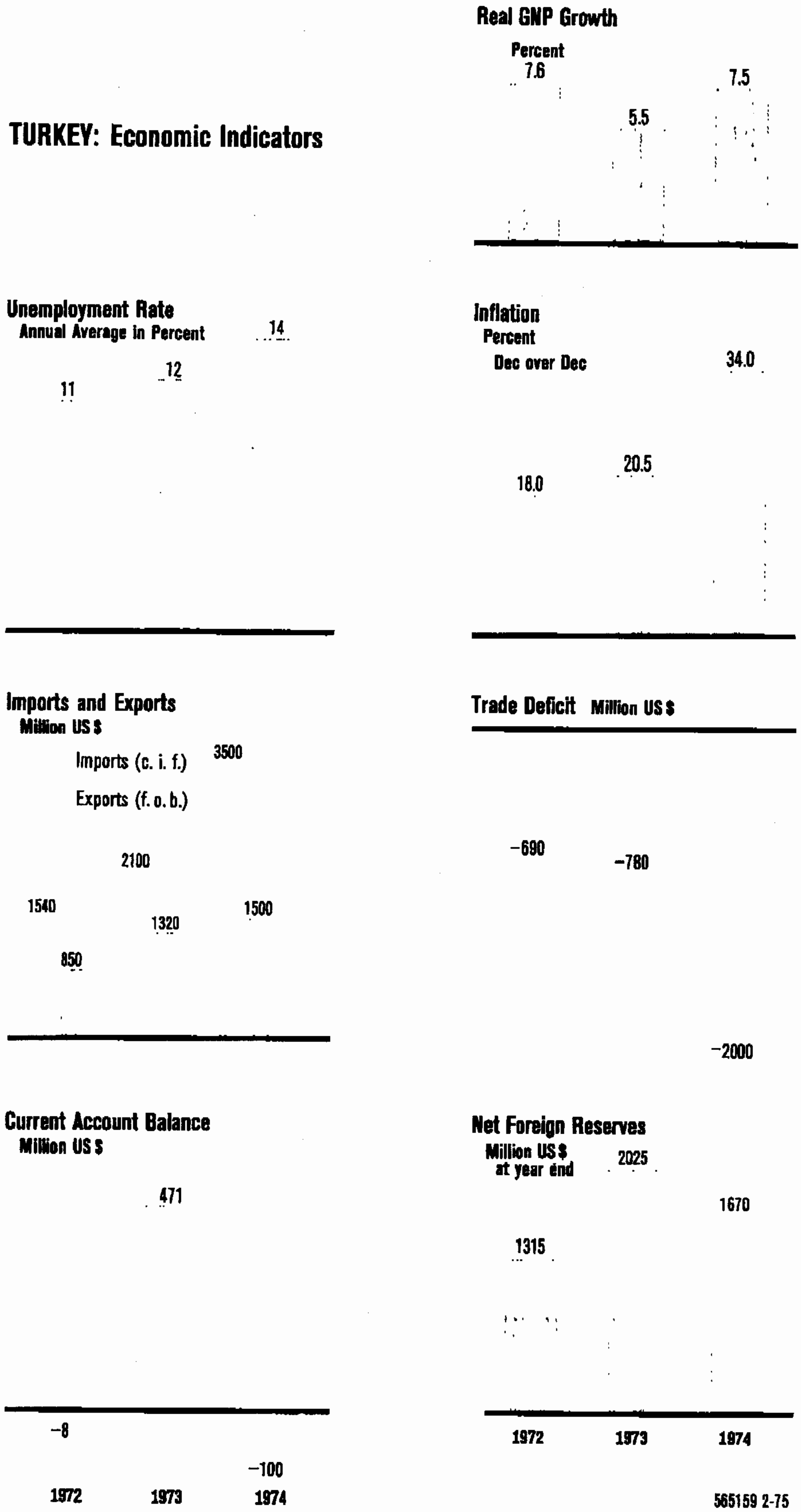
Turkish officials are considering import controls and export promotion programs to keep the trade deficit from rising above $2 billion in 1975. To hold the rise in imports to $500 million, Ankara proposes to restrict purchases of oil and consumer goods to last year's level. It intends to offer credit incentives to industry in an effort to generate an offsetting rise in export earnings. This goal probably is beyond reach, since Turkey depends heavily on exports of raw materials that will continue to suffer from slack foreign demand.

Ankara can no longer count on worker remittances to cover its trade deficit. The steady decline in the number of Turks employed in West Germany and other European countries will probably push remittances below the $1.4 billion received in 1974. Government efforts to place returning workers in new jobs in oil producing countries will not compensate for losses in European employment.

Dealing with Inflation

Spiraling inflation is pressuring Ankara to rein in spending, despite the cost in economic growth. The inflation rate has about doubled in the last two years,

TURKEY: Economic Indicators



to 34% because of sharp wage hikes, food shortages, and soaring prices for imports, particularly oil. The proposed federal budget for the fiscal year beginning in March calls for no increase in outlays in real terms. To boost revenues, Ankara is considering taxes on agricultural income and a progressive income tax system. ~~(Secret~~ No Foreign Dissem)■ 25X6

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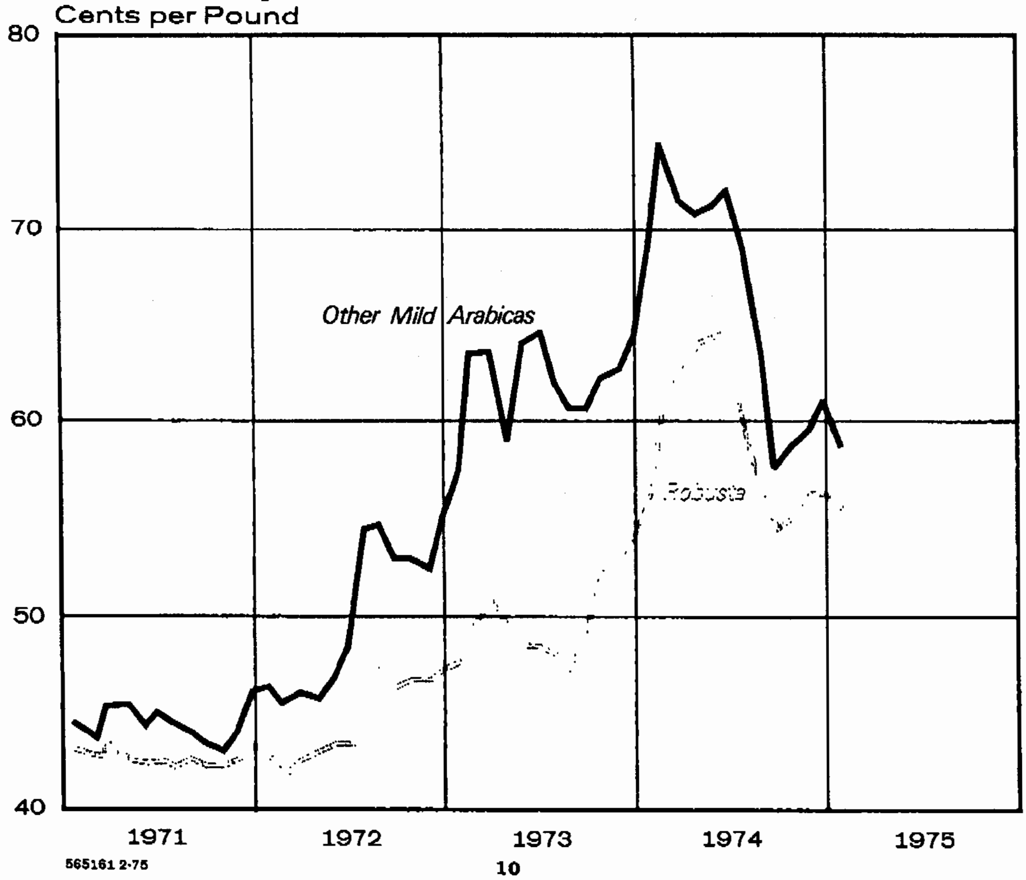
PROSPECTS IMPROVE FOR COFFEE AGREEMENT

The recent weakening of world coffee prices has made both the producing and the consuming countries more amenable to the reestablishment of an international stabilization agreement. In their negotiations, however, the countries have not faced up to the gut issues, and they may not be able to frame a mutually acceptable price support system.

The price support function of the International Coffee Organization (ICO) was suspended in late 1972 when producer members sought to make permanent the price jumps occasioned by a severe Brazilian frost. Consumer members would not go along.

World coffee prices remained high until last summer. The revival of production and the weakening of demand have subsequently led to a 15%-20% decline. Importers may be willing to support the new lower levels, while exporters may be willing to moderate their previous demands. An exporter scheme to support prices by withholding coffee from the market has been unsuccessful. Moreover, worldwide recession will continue to depress the market throughout 1975. Long-term price expectations also are poor. The ICO is now forecasting excess coffee production for the remainder of the decade.

Selected Spot Coffee Prices in New York



Bargaining will focus on the price support level, the basic issue separating exporters and importers. Many African and some Central American exporters are prepared to sacrifice price points in exchange for a larger share of the market. This will bring them into conflict with those producers, led by Brazil, that advocate more severe restrictions on volume in the interest of higher prices. The price question is further complicated by the issue of indexing – i.e., the automatic tying of the support price to production costs and currency values – which has the unanimous support of exporters and is solidly opposed by importers. Finally, importers insist a method must be found to prevent price increases such as occurred in 1972. Several inventory proposals have been suggested, none of which has provided acceptable provisions for financing. (Unclassified)■

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Notes

US Surplus in Soviet Trade Way Down

The latest Department of Commerce figures indicate that the US surplus in trade with the Soviet Union dropped from nearly $1 billion in 1973 to one-fourth of a billion dollars in 1974.

Million US $

	1972	1973	1974
US exports	**542**	**1,195**	**598**
Grain	364	837	282
Soybeans	53	72	....
Raw hides and skins	10	1	12
Machinery and equipment	62	204	212
Chemicals	21	17	28
Iron and steel	Negl.	14	8
Other	32	50	56
US imports	**96**	**220**	**349**
Oil and oil products	7	76	105
Platinum group metals	45	80	134
Diamonds and other precious stones	13	17	12
Chrome ore	14	6	9
Nickel	Negl.	11	40
Titanium	1	4	10
Other	16	26	39

(Unclassified)

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China Seeks US Integrated Circuit Plant

Chinese officials recently queried [redacted] about establishing a turnkey integrated circuit (IC) plant in China. [redacted] the PRC now is interested in advanced US equipment and technology. Advanced ICs are crucial to the development of high-speed computers and sophisticated military electronics systems. (~~Confidential~~ No Foreign Dissem)

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Publications of Interest*

Distribution of OPEC Investment: September 1974
(ER IR 75-2, February 1975, ~~Confidential~~ No Foreign Dissem)

This report presents detailed estimates of the distribution of foreign official assets of OPEC states – by type of investment, location, and currency denomination. The bulk of the holdings were concentrated in highly liquid, dollar-denominated assets in major financial markets, particularly London and New York. Prospects for 1975 and their implications are also considered.

Communist Aid and Trade Activities in Less Developed Countries, January 1975
(ER RP 75-5, February 1975, Secret No Foreign Dissem)

This month's publication features developments in Communist economic and military aid programs in African, South Asian, and East Asian countries.

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* Copies of these publications may be ordered by calling [redacted], Code 143, Extension 7234.

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