29TH QUARTERLY REPORT TO THE CONGRESS AND THE TRADE POLICY COMMITTEE ON TRADE BETWEEN THE UNITED STATES AND THE NONMARKET ECONOMY COUNTRIES DURING 1981

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INTRODUCTION

This series of reports by the United States International Trade Commission is made pursuant to section 410 of title IV of the Trade Act of 1974 (19 U.S.C. 2440), which requires the Commission to monitor imports from and exports to certain nonmarket economy countries (NME's). These countries include those listed in headnote 3(f) of the Tariff Schedules of the United States (TSUS) 1/ and others not listed in the headnote, 2/ viz., Hungary, the People's Republic of China (China), Poland, and Romania. 3/ These are countries whose exports can be investigated by the Commission under section 406 of title IV of the Trade Act of 1974. Through control of the level of production, distribution process, and the price at which articles are sold, they could disrupt the domestic market in the United States and thereby injure U.S. producers. Under the statute, the Commission publishes a summary of trade data not less frequently than once each calendar quarter for Congress and, until January 2, 1980, the East-West Foreign Trade Board. As of that date, the East-West Foreign Trade Board was abolished, and its functions were transferred to the Trade Policy Committee, chaired by the United States Trade Representative.

As specified by the statute, one objective of the reports in this series is to provide data on the effect of imports from NME's on the production of like or directly competitive articles in the United States and on employment within industries producing those articles. Therefore, the reports include trade statistics for those NME's whose current trade with the United States is at least at a level that could present problems for domestic industry: Albania, Bulgaria, China, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, North Korea, Poland, Romania, the U.S.S.R., and Vietnam.

1/ The following countries or areas are listed under headnote 3(f) of the TSUS: Albania, Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic (East Germany), Estonia, those parts of Indochina under Communist control or domination, North Korea, the Kurile Islands, Latvia, Lithuania, Mongolia, Southern Sakhalin, Tanna Tuva, and the U.S.S.R.

2/ When most-favored-nation tariff treatment is accorded a Communist country, that country is no longer included in headnote 3(f).

3/ Earlier reports in this series included Yugoslavia among the NME's whose trade with the United States is monitored. At the suggestion of the United States Trade Representative and after consultation with the appropriate congressional committees, the Commission decided that Yugoslavia would no longer be included in the countries covered by this report. This decision was effective with the 27th report. (27th Quarterly Report to the Congress and the Trade Policy Committee on Trade Between the United States and the Nonmarket Economy Countries During April-June 1981, USITC Publication 1188, September 1981, hereafter 27th Quarterly Report . . ., p. 1.) In the opinion of many analysts, Yugoslavia is not appropriately classified as an NME. Also, it is not a member of the Warsaw Pact or the Council for Mutual Economic Assistance. It is a contracting party to the General Agreement on Tariffs and Trade (GATT) and a member of the International Monetary Fund and the World Bank. Yugoslavia has special status with the Organization for Economic Cooperation and Development and is a leader in the movement of nonaligned countries.

At the present time, Poland, Romania, Hungary, and China receive most-favored-nation (MFN) tariff treatment from the United States. Most of the NME's have not been accorded this treatment because of the policy legislated as section 5 of the Trade Agreements Extension Act of 1951, i.e., that the President should take appropriate action to deny the benefit of trade-agreement concessions to imports from certain Communist nations or areas. In the TSUS, the unconditional MFN rates of duty are set forth in column 1. The rates applicable to products of designated Communist nations 1/ are set forth in column 2; for the most part, these are the higher rates that were established in 1930. The rates of duty resulting from this policy vary considerably from item to item, and discrimination is not present at all for products that historically have been duty free or dutiable at the same rates in columns 1 and 2. Therefore, actual or potential U.S. imports from countries that do not enjoy MFN privileges depend in some measure on the rates of duty on the specific items involved.

This particular report contains a summary of U.S. trade with the NME's during 1981 and examines U.S. exports, imports, and the balance of trade with each country, as well as the commodity composition of such trade. Important issues in U.S. commercial relations with the NME's and pertinent economic and trade developments are discussed.

1/ Those nations referred to in headnote 3(f) of the TSUS.

SUMMARY OF DEVELOPMENTS IN 1981

U.S. trade with the NME's rose to $11.2 billion in 1981, representing a 12-percent increase over 1980 level. Exports and imports both registered their highest levels ever. The positive balance of trade that the United States traditionally enjoys with the NME's decreased to its lowest level in 3 years. However, U.S. sales to this group of countries still outweighed U.S. purchases from them by nearly $4.5 billion. For every $1 in imports from the NME's, the United States made $2.32 in exports to them.

The increase in overall U.S.-NME trade was fueled primarily by a 39-percent increase in U.S. imports during the year. Imports from all major NME's except Poland and the U.S.S.R. increased in 1981; particularly notable were the increases in the value of products bought from China and Romania. U.S. exports to the NME's as a group were up a modest 3 percent in 1981. Shipments to every major NME except the U.S.S.R. and Bulgaria declined during the year.

Several notable developments in East-West commercial relations occurred in 1981. The partial embargo on U.S. grain shipments to the Soviet Union that was in effect at the beginning of the year was relaxed by President Reagan in April. The embargo had restricted sales of grains to the quantity that had been firmly committed to the Soviet Union in the 5-year U.S.-U.S.S.R. grain supply agreement. Additional shipments of grain under the agreement were resumed during the summer under an increased allocation. Although agreement on a new grain supply accord was not reached, a 1-year extension of the existing pact was negotiated. Shipments of U.S. grain to the Soviet Union under this extension were authorized after October 1 and accounted for over one-fourth of total U.S. exports to the Soviet Union during the year. Negotiations toward a new long-term grain agreement were, however, suspended on December 29. On that date, the President announced several new economic sanctions against the U.S.S.R. in response to the Soviet role in the imposition of martial law in Poland.

China remained the principal NME trading partner of the United States in 1981, both as a supplier of products to this country and as a market for U.S. goods. U.S.-Chinese trade turnover doubled in 1979 and again in 1980, so that some lessening of the rate of growth of bilateral trade in 1981 was to be expected. This occurred on the export side, as U.S. sales to China declined by 4 percent. However, U.S. purchases from China rose by 76 percent, raising imports to one-third the trade turnover. China accounted for more than half of all imports from the NME's in 1981.

Following an extensive review of controls on exports to China, the administration significantly eased the restrictions that had precluded the export of most advanced technology and equipment to China. It also amended regulations to permit commercial arms sales to China.

Other 1981 developments affecting U.S. commercial relations with the NME's included the rescheduling of part of Poland's large foreign debt and continuing negotiations with its public and private creditors as well as the settlement of U.S. financial claims against Czechoslovakia. The latter issue had been pending for more than 30 years.

OVERVIEW OF U.S. TRADE WITH THE NONMARKET ECONOMY COUNTRIES IN 1981

In 1981 the trade turnover (exports plus imports) between the United States and NME's increased by nearly 12 percent over that in the previous year. Led by a dramatic leap in U.S. imports from these countries, overall trade was valued at $11.2 billion (table 1). The increase in imports from NME's was 38.6 percent, compared with a 7.9-percent increase in total U.S. imports from all countries. U.S. exports to the NME's increased very slightly, by 3.3 percent, while total U.S. exports to all countries were up by 5.7 percent. The rise in the value of the U.S. dollar in 1981, making imports more attractive to U.S. consumers and exports more difficult to sell overseas, contributed to an increase of nearly 30 percent in the worldwide U.S. merchandise trade deficit for the year. The positive trade balance with NME's declined, although less significantly, to $4.5 billion. This was a 15.4-percent drop from the 1980 trade balance and was the lowest positive trade balance with this group of countries in 3 years. Whereas the balance of trade with the nonmarket economies has traditionally been positive, the last time the United States had a positive merchandise trade balance with the world was in 1975. The positive balance with the NME's reflects the dependence of a number of these countries on U.S. exports of agricultural products and to a lesser extent on certain technologically sophisticated items not easily available from other sources. Also, the NME's have generally not been successful in competing for sales of manufactured goods in the United States and other Western markets. This tends to limit their exports to raw materials, individual commodities, and a few specialty goods.

Trade with the nonmarket economies represents but a small share of overall U.S. foreign commerce. Exports to these countries accounted for only 3.4 percent of overall shipments of U.S. goods abroad in 1981, and imports from the NME's represented only 1.3 percent of all merchandise brought into the country.

U.S. Exports to the NME's

The composition of U.S. exports both to the world and to the nonmarket economy countries as a group is shown in table 2. The overwhelming importance of U.S. exports of food to the NME's is illustrated by the fact that such shipments typically account for more than half of all U.S. exports to these countries. In 1981 the increase in the value of U.S. exports of food and live animals--SITC Section 0--was more than twice that of all U.S. shipments to NME's.

Exports of crude material--SITC Section 2--remained the second most important category of U.S. goods destined for NME's in 1981. Total U.S. shipments of machinery and transport equipment, the leading export category overall, increased 13 percent in 1981; exports of such products to the NME's fell 23 percent. Exports of chemical products assumed a greater role in the array of U.S. goods shipped to the NME's during the year.

Table 1.--U.S. trade with the world and with the nonmarket economy countries (NME's), 1979-81, October-December 1980, and October-December 1981

Item	1979	1980	1981	October-December--	
				1980	1981
Total U.S. trade:					
Exports--------------million dollars--	178,578	216,592	228,870	56,985	56,743
Imports--------------------------do----	205,923	239,994	259,012	60,877	65,202
Balance-----------------------do----	-27,345	-23,402	-30,142	-3,892	-8,459
Trade turnover (exports plus imports) million dollars--	384,501	456,586	487,882	117,862	121,945
U.S. trade with NME's:					
Exports--------------million dollars--	7,387	7,600	7,852	2,464	2,101
Imports--------------------------do----	2,418	2,439	3,380	647	799
Balance-----------------------do----	4,969	5,161	4,472	1,817	1,302
Trade turnover (exports plus imports) million dollars--	9,805	10,039	11,232	3,111	2,900
Share of total U.S. trade accounted for by trade with NME's:					
Exports---------------------percent--	4.14	3.51	3.43	4.32	3.70
Imports--------------------------do----	1.17	1.02	1.30	1.06	1.23
Trade turnover------------------do----	2.55	2.19	2.30	2.63	2.37

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Import figures in this and all other tables in this report are imports for consumption on a customs-value basis. Exports are domestic exports only, including Defense Department military assistance shipments, and are valued on an f.a.s. basis.

Table 2.—U.S. exports to the world and to the nonmarket economy countries (NME's), by SITC 1/ Nos. (Revision 2), 1980 and 1981

SITC Section No.	Description	Total exports		Exports to the NME's	
		1980	1981	1980	1981
		Value (million dollars)			
0	Food and live animals	27,744	30,291	3,754	4,307
1	Beverages and tobacco	2,663	2,915	26	28
2	Crude material--inedible, except fuel	23,791	20,993	1,575	1,339
3	Mineral fuels, lubricants, etc	7,982	10,279	116	113
4	Oils and fats--animal and vegetable	1,946	1,750	112	92
5	Chemicals	20,740	21,096	474	662
6	Manufactured goods classified by chief material	22,255	20,633	508	509
7	Machinery and transport equipment	84,628	95,736	824	635
8	Miscellaneous manufactured articles	16,347	16,748	201	146
9	Commodities and transactions not elsewhere classified	8,496	8,428	9	20
	Total	216,592	228,870	7,600	7,852
		Percent of total			
0	Food and live animals	12.8	13.2	49.4	54.9
1	Beverages and tobacco	1.2	1.3	.3	.4
2	Crude material--inedible, except fuel	11.0	9.2	20.7	17.1
3	Mineral fuels, lubricants, etc	3.7	4.5	1.5	1.4
4	Oils and fats--animal and vegetable	.9	.8	1.5	1.2
5	Chemicals	9.6	9.2	6.2	8.4
6	Manufactured goods classified by chief material	10.3	9.0	6.7	6.5
7	Machinery and transport equipment	39.1	41.9	10.8	8.1
8	Miscellaneous manufactured articles	7.5	7.3	2.6	1.9
9	Commodities and transactions not elsewhere classified	3.9	3.7	.1	.3
	Total	100.0	100.0	100.0	100.0

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

The data for fourth-quarter exports from the United States to the NME's (table 3) do not indicate any marked departures from the SITC composition of trade that prevailed in full-year exports to those countries (table 2). During October-December the share of U.S. exports accounted for by SITC Section 0 increased slightly as compared with the first three quarters of 1981. This was the direct result of the resumption of shipments of grain to the Soviet Union under the 1-year extension of the U.S.-U.S.S.R. grain supply agreement, which began on October 1. U.S. exports of food to the U.S.S.R. more than doubled between the third and fourth quarters of 1981, with shipments in SITC Section 0 accounting for 71 percent of fourth-quarter exports to that country. The Soviet Union typically accounts for a higher share of U.S. exports to the NME's during the fourth quarter of the calendar year than it does for the full year. In October-December 42 percent of all U.S. exports to the NME's went to the Soviet Union, and 44 percent went to China, our most important NME trading partner.

During 1981, U.S. exports to every major NME except the U.S.S.R. and Bulgaria fell from their 1980 levels (table 4). The increase in the exports to these two countries was sufficient to account for a slight (3.3 percent) increase in exports to the NME's as a group during the year.

China and the Soviet Union together accounted for 75 percent of U.S. exports to the NME's in 1981. The value of exports to China fell from $3.7 billion in 1980 to $3.6 billion in 1981, evidence of the economic adjustment program taking place in that country. However, the 1981 level of exports to China is still more than double that recorded in 1979.

After the April relaxation of the partial trade embargo, U.S. exports to the Soviet Union increased dramatically. Exports were up by 54.9 percent in 1981 from the 1980 total. Still, the preembargo record level of U.S. shipments reached in 1979 was not realized.

A decline in U.S. exports to several Eastern European NME's was particularly noticeable in the fourth quarter, when shipments to Romania fell by 74.7 percent from those in the corresponding period of 1980. Shipments to Poland fell by 58.9 percent; those to East Germany, by 51.1 percent; and those to Czechoslovakia, by 45.9 percent.

Figure 1 shows the relative export shares of the major NME's for the last 2 years.

The percentage of total exports to the NME's accounted for by agricultural items fell slightly during 1981 (table 5), but nonetheless amounted to nearly two-thirds. The relative importance of these items varied among countries, ranging from 17 percent for Hungary to 96 percent for East Germany. The other countries of Eastern Europe and the U.S.S.R. generally import a high proportion (averaging 75.7 percent) of agricultural products from the United States. By contrast, the share of agricultural products imported from the United States by China was 54.3 percent. Agricultural items accounted for less than one-fifth of U.S. exports to the world in 1981.

Table 3.--U.S. exports to the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1981

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary
0	Food and live animals	-	40,519	347,106	-	13,007	56,393	958
1	Beverages and tobacco	-	2,350	10	-	2	-	-
2	Crude material--inedible, except fuel	229	564	280,532	-	3,062	389	5,201
3	Mineral fuels, lubricants, etc	4,633	-	2,687	-	1	-	-
4	Oils and fats--animal and vegetable	-	-	545	-	-	-	1
5	Chemicals	-	9,396	130,602	128	447	393	1,567
6	Manufactured goods classified by chief material	-	443	92,131	-	727	108	1,802
7	Machinery and transport equipment	34	2,946	53,886	1	3,810	1,191	9,091
8	Miscellaneous manufactured articles	-	1,250	13,833	-	2,129	545	904
9	Commodities and transactions not elsewhere classified	-	42	481	19	146	106	141
	Total	4,895	57,512	921,813	148	23,332	59,124	19,726

SITC Section No.	Description	Mongolia	North Korea	Poland	Romania	U.S.S.R.	Viet-nam	Total
0	Food and live animals	-	-	70,056	16,197	624,806	-	1,169,042
1	Beverages and tobacco	-	-	1,770	-	68	-	4,200
2	Crude material--inedible, except fuel	-	-	3,614	7,524	29,180	7	330,301
3	Mineral fuels, lubricants, etc	-	-	12	5,403	20,437	-	33,174
4	Oils and fats--animal and vegetable	-	-	3,058	-	8,639	-	12,244
5	Chemicals	-	-	3,294	375	102,344	-	248,547
6	Manufactured goods classified by chief material	-	-	415	1,767	4,793	5	102,191
7	Machinery and transport equipment	1	-	4,361	4,349	74,577	-	154,247
8	Miscellaneous manufactured articles	10	-	2,565	1,386	13,528	46	36,267
9	Commodities and transactions not elsewhere classified	1	-	3,518	30	162	5,709	10,355
	Total	12	-	92,662	37,032	878,534	5,767	2,100,569

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 4.—U.S. exports to the individual nonmarket economy countries and to the world, 1979-81, October-December 1980, and October-December 1981

(In thousands of dollars)

Market	1979	1980	1981	October-December-- 1980	October-December-- 1981
China	1,716,500	3,748,993	3,598,601	1,177,110	921,812
U.S.S.R	3,603,632	1,509,728	2,338,567	688,684	878,534
Romania	500,464	720,231	503,890	146,445	37,032
Poland	786,258	710,446	680,547	225,430	92,662
East Germany	354,522	477,389	295,557	120,915	59,124
Bulgaria	56,225	160,701	258,104	43,475	57,512
Hungary	77,588	79,020	77,511	18,657	19,726
Czechoslovakia	281,129	185,145	82,420	43,090	23,332
Vietnam	541	1,148	10,135	485	5,767
Albania	10,054	6,891	6,137	44	4,895
Mongolia	80	64	75	22	13
Cuba	299	119	558	56	148
North Korea	13	-	-	-	-
Total	7,387,305	7,599,876	7,852,101	2,464,413	2,100,557
Total, U.S. exports to the world	178,578,003	216,592,219	228,869,651	56,985,462	56,743,497

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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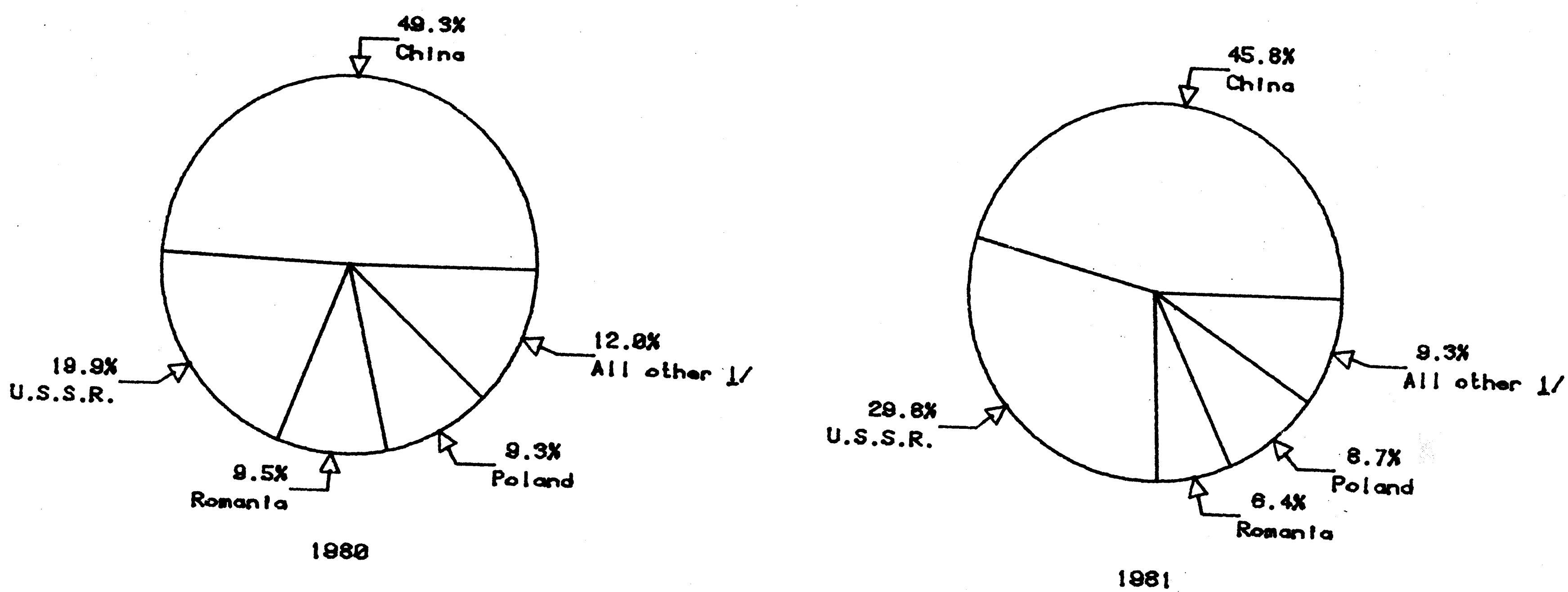
Figure 1.--Relative shares of U.S. exports to the nonmarket economy countries, 1980 and 1981.



1/ East Germany, Bulgaria, Czechoslovakia, Hungary, Mongolia, Albania, Vietnam, Cuba, and North Korea.

Source: Based on data in table 4.

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Table 5.—Agricultural items: U.S. exports to the nonmarket economy countries and to the world, 1979-81, October-December 1980, and October-December 1981

Market	1979	1980	1981	October-December-- 1980	October-December-- 1981
	Value (1,000 dollars)				
China	990,159	2,209,524	1,956,287	662,742	501,377
U.S.S.R	2,854,896	1,047,118	1,664,986	550,295	642,014
Romania	336,515	462,595	368,391	82,751	16,218
Poland	651,371	571,461	592,874	183,366	76,521
East Germany	321,818	453,248	284,181	116,162	56,583
Bulgaria	41,019	127,339	197,270	32,051	42,870
Hungary	24,466	24,419	12,934	1,670	6,127
Czechoslovakia	247,999	154,574	58,240	36,506	15,892
Vietnam	-	-	153	-	-
Albania	151	224	-	-	-
Mongolia	-	-	-	-	-
Cuba	-	-	-	-	-
North Korea	-	-	-	-	-
Total	5,468,394	5,050,503	5,135,316	1,665,544	1,357,602
Total, agricultural exports to the world	34,745,385	41,255,934	43,338,212	11,748,701	11,297,486
	Percent of total exports to each country				
China	57.7	58.9	54.3	56.3	54.4
U.S.S.R	79.2	69.4	71.2	79.9	73.1
Romania	67.2	64.2	73.1	56.5	43.8
Poland	82.8	80.4	87.1	81.3	82.6
East Germany	90.8	94.9	96.2	96.1	95.7
Bulgaria	73.0	79.2	76.4	73.7	74.5
Hungary	31.5	30.9	16.7	9.0	31.1
Czechoslovakia	88.2	83.5	70.7	84.7	68.1
Vietnam	-	-	2.0	-	-
Albania	1.5	3.3	-	-	-
Mongolia	-	-	-	-	-
Cuba	-	-	-	-	-
North Korea	-	-	-	-	-
Total	74.0	66.5	65.4	67.6	64.6
Total, exports to the world	19.5	19.0	18.9	20.6	19.9

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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During the fourth quarter of 1981 the gap between the value of U.S. exports to our two most important NME trading partners narrowed (fig. 2) to $43 million. This was the smallest it has been at any time since China overtook the Soviet Union as the largest NME market for U.S. exports in the first quarter of 1980.

The dominance of U.S. exports to NME's by agricultural products is reemphasized by an examination of exports in major commodity groupings. Among the leading products sold to NME's, cereal grains is the most significant in terms of value. Included within this group are barley, corn, and wheat. Table 6 shows U.S. exports in certain of these groupings along with the share of such exports going to NME's and the major NME purchaser of such products. Although the value of U.S. exports of cereal grains to the NME's increased by nearly 15 percent from 1980 to 1981, their share of total U.S. exports did not change appreciably.

Export shares of fertilizers and manmade fibers exhibited notable changes. With the relaxation of the partial trade embargo in 1981, sales of U.S. fertilizers to the Soviet Union were resumed after having been banned for virtually all of 1980. Although sales of fertilizers to other NME's were never impeded, the increased sales to the U.S.S.R. nearly doubled the share of fertilizer exports to all NME's.

Reflecting the continued expansion of the textile industry in China, the share of manmade-fiber exports to the NME's increased by over 10 percentage points in 1981. 1/ The decrease in the share of U.S. cotton shipped to NME's is largely the result of record cotton harvests in China, the major NME purchaser of U.S. cotton.

Detailed information on specific items in U.S. trade with the NME's, including those export and import items for which the NME's collectively account for the largest U.S. trade share and those that increased or decreased substantially during 1981, is contained in appendix A.

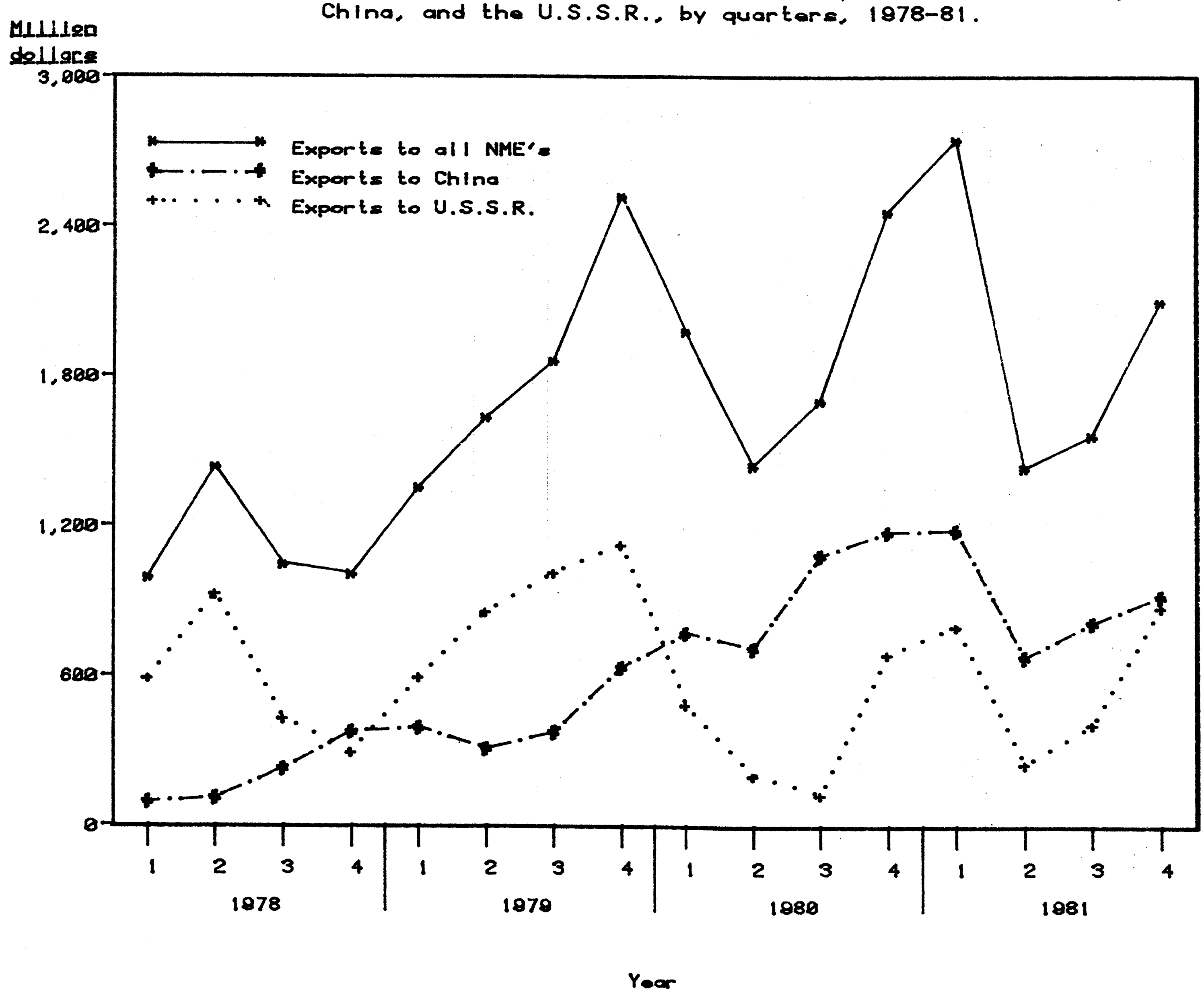
U.S. Imports From the NME's

Total U.S. imports increased by nearly 8 percent during 1981, whereas imports from NME's shot up by almost 40 percent (table 7). NME's supply only about 1 percent of total U.S. imports. There were no significant changes in the composition of overall U.S. imports from the world from 1980 to 1981. Manufactured goods (SITC Sections 6 through 8) accounted for 51 percent of the total, and fuels and lubricants (SITC Section 3), for 31 percent.

The share of manufactured goods in imports from the NME's measured 56 percent in 1981. From 1980 to 1981 over half the increase in the value of imports from the NME's took place in the three SITC sections that constitute manufactured goods. Increases were particularly significant in SITC Section 6--manufactured goods classified by chief material--and SITC Section 8--miscellaneous manufactured articles.

1/ More detailed explanations of developments in U.S. trade with specific NME's are contained in the sections on individual countries which appear later in this report.

Figure 2.--U.S. exports to the nonmarket economy countries (NME's), China, and the U.S.S.R., by quarters, 1978-81.



Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 6.--U.S. exports of selected major commodities to the nonmarket economy countries (NME's), 1980 and 1981

Commodity	Major NME customer	Share of total exports accounted for by NME's		Value of exports to all NME's	
		1980	1981	1980	1981
		Percent		1,000 dollars	
Cattle hides	Romania	11.4	7.1	73,928	46,703
Cereal grains	U.S.S.R. and China	19.1	20.3	3,368,345	3,868,615
Barley, unmilled	East Germany	6.0	4.2	12,334	12,484
Corn, unmilled	U.S.S.R	20.7	22.0	1,773,643	1,759,835
Wheat	China	24.8	26.7	1,582,052	2,096,130
Coal	Romania	1.7	.8	87,853	49,197
Fertilizers	U.S.S.R	6.8	12.3	231,036	347,194
Magnesium	Romania	7.7	1.9	9,812	1,683
Metal ores	U.S.S.R	1.1	3.0	20,645	42,203
Soybean oilcake and meal	Poland and East Germany	18.8	17.4	311,365	275,628
Soybeans	China	5.6	3.0	329,831	187,774
Textiles	do	12.2	13.0	1,114,062	1,127,757
Cotton	do	25.1	20.6	745,687	483,493
Manmade fibers	do	19.1	30.7	281,027	536,740

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table 7.--U.S. imports from the world and from the nonmarket economy countries (NME's), by SITC 1/ Nos. (Revision 2), 1980 and 1981

SITC Section No.	Description	Total imports 1980	Total imports 1981	Imports from the NME's 1980	Imports from the NME's 1981
		Value (million dollars)			
0	Food and live animals	15,738	15,123	282	277
1	Beverages and tobacco	2,598	2,932	27	35
2	Crude material--inedible, except fuel	10,165	10,894	169	339
3	Mineral fuels, lubricants, etc	78,756	80,761	199	554
4	Oils and fats--animal and vegetable	539	486	4	1
5	Chemicals	8,403	9,259	297	256
6	Manufactured goods classified by chief material	32,250	37,003	548	798
7	Machinery and transport equipment	60,710	69,247	195	272
8	Miscellaneous manufactured articles	23,666	26,024	622	814
9	Commodities and transactions not elsewhere classified	7,170	7,283	95	33
	Total	239,994	259,012	2,439	3,380
		Percent of total			
0	Food and live animals	6.6	5.8	11.6	8.2
1	Beverages and tobacco	1.1	1.1	1.1	1.0
2	Crude material--inedible, except fuel	4.2	4.2	6.9	10.0
3	Mineral fuels, lubricants, etc	32.8	31.2	8.2	16.4
4	Oils and fats--animal and vegetable	.2	.2	.2	0.0
5	Chemicals	3.5	3.6	12.2	7.6
6	Manufactured goods classified by chief material	13.4	14.3	22.5	23.6
7	Machinery and transport equipment	25.3	26.7	8.0	8.0
8	Miscellaneous manufactured articles	9.9	10.0	25.5	24.1
9	Commodities and transactions not elsewhere classified	3.0	2.8	4.0	1.0
	Total	100.0	100.0	100.0	100.0

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

The largest absolute increase in value occurred in the fuel category, where over a third of the increase in imports from NME's originated. The share of fuel imports in total U.S. imports from NME's doubled between 1980 and 1981. Gasoline, imports of which increased threefold, was the leading item imported from the NME's as a group in 1981, and headed all imports from both China and Romania.

Notable declines in U.S. import shares took place in three categories: food, because imports of canned ham from Poland were noticeably off; chemicals, because imports of ammonia and uranium fluorides from the U.S.S.R. declined measurably; and the basket category (SITC Section 9), where sales of gold bullion are classified--Soviet sales of gold in 1981 declined by 75 percent from the 1980 level.

During October-December 1981, China was the leading source among NME's for imports in 6 of the 10 SITC sections (table 8). China accounted for 55 percent of all U.S. imports from NME's during that quarter. The other leading sources for NME products were Romania, the U.S.S.R., and Poland. Romania was the major supplier in the machinery and transport equipment category (SITC Section 7); specific items of importance were passenger railway cars, tractors, and certain pumps. The fourth quarter startup of shipments of uranium fluorides from the Soviet Union resulted in its being the major NME supplier of chemicals (SITC Section 5) in that period.

U.S. imports from all major NME's except the U.S.S.R. and Poland increased in 1981, contributing to a 38.6-percent rise in shipments from this group of countries (table 9). The increases ranged from a major jump of 80 percent in imports from Romania to a slight 4-percent rise in those from East Germany. China, our major NME trading partner, boosted its shipments to the United States by 76 percent in 1981.

Imports from the U.S.S.R. declined by 17 percent, and those from Poland, by 13 percent. Between 1980 and 1981, Romania jumped from fourth to second place as a source of U.S. imports among the NME's, switching places with the Soviet Union. The substantial increases in 1981 imports from the two leading NME sources--China and Romania--contributed heavily to the dramatic rise in imports from the NME's as a whole.

Shipments from Romania increased by 117 percent between October-December 1980 and the corresponding period of 1981. This growth in U.S. imports was even larger than that recorded from 1980 to 1981, and may therefore indicate a continued rising trend. With the exception of China, the changes in imports from all other major NME's were greater in the fourth quarter than in the entire year.

An increase in the importance of China relative to other NME trading partners of the United States occurred in 1981. China's share of U.S. imports increased from 43 percent in 1980 to 54 percent in 1981. Figure 3 depicts the relative shares of the major NME's for the last 2 years.

Agricultural items are less important in U.S. imports from NME's than in exports to them. Still, these products constitute a larger share of imports from NME's than of U.S. imports from other sources. In 1981, such items made up nearly 16 percent of all goods imported from NME's but less than 7 percent of total U.S. imports from the world. Table 10 shows that the share of

Table 8.--U.S. imports from the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1981

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary
0	Food and live animals	2	564	22,519	-	3,727	15	7,783
1	Beverages and tobacco	-	4,920	598	-	262	25	595
2	Crude material--inedible, except fuel	1,255	32	35,634	-	504	389	223
3	Mineral fuels, lubricants, etc	-	-	93,735	-	-	390	-
4	Oils and fats--animal and vegetable	-	-	64	-	-	-	-
5	Chemicals	8	311	29,646	-	319	1,223	1,538
6	Manufactured goods classified by chief material	-	2	106,724	-	5,564	4,817	2,226
7	Machinery and transport equipment	-	524	13,586	-	3,297	3,228	16,361
8	Miscellaneous manufactured articles	-	443	163,857	9	3,875	1,287	6,856
9	Commodities and transactions not elsewhere classified	-	-	1,890	1	66	97	65
	Total	1,265	6,796	468,253	9	17,614	11,470	35,646

SITC Section No.	Description	Mongolia	North Korea	Poland	Romania	U.S.S.R.	Viet-nam	Total
0	Food and live animals	-	-	12,346	4,290	640	-	51,886
1	Beverages and tobacco	-	-	254	240	2,424	-	9,318
2	Crude material--inedible, except fuel	367	-	436	940	5,805	-	45,954
3	Mineral fuels, lubricants, etc	-	-	-	26,520	-	-	120,645
4	Oils and fats--animal and vegetable	-	-	-	-	4	-	68
5	Chemicals	-	-	3,976	1,753	39,012	-	77,786
6	Manufactured goods classified by chief material	-	-	19,204	46,940	14,530	-	200,006
7	Machinery and transport equipment	-	-	9,942	23,174	901	-	71,012
8	Miscellaneous manufactured articles	-	-	13,680	25,543	501	-	216,052
9	Commodities and transactions not elsewhere classified	-	-	605	20	3,738	-	6,480
	Total	367	-	60,442	129,421	67,556	-	844,794

1/ Standard International Trade Classification.
2/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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Table 9.--U.S. imports from the individual nonmarket economy countries and from the world, 1979-81, October-December 1980, and October-December 1981

(In thousands of dollars)

Source	1979	1980	1981	October-December--	
				1980	1981
China	548,543	1,039,177	1,830,027	300,178	468,253
U.S.S.R	872,595	430,387	356,961	122,031	67,556
Romania	329,051	310,561	559,449	59,612	129,421
Poland	426,090	414,919	359,939	105,212	60,442
East Germany	35,666	42,959	44,702	10,229	11,470
Bulgaria	30,145	22,845	25,604	5,610	6,796
Hungary	112,129	104,269	127,939	26,375	35,646
Czechoslovakia	49,899	61,102	67,232	15,716	17,614
Vietnam	711	34	96	1	-
Albania	9,002	10,718	3,985	1,431	1,265
Mongolia	3,753	2,223	3,635	713	368
Cuba	152	19	36	3	9
North Korea	127	52	47	1	-
Total	2,417,863	2,439,263	3,379,653	647,111	798,840
Total, U.S. imports from the world	205,922,662	239,994,468	259,011,977	60,877,372	65,201,929

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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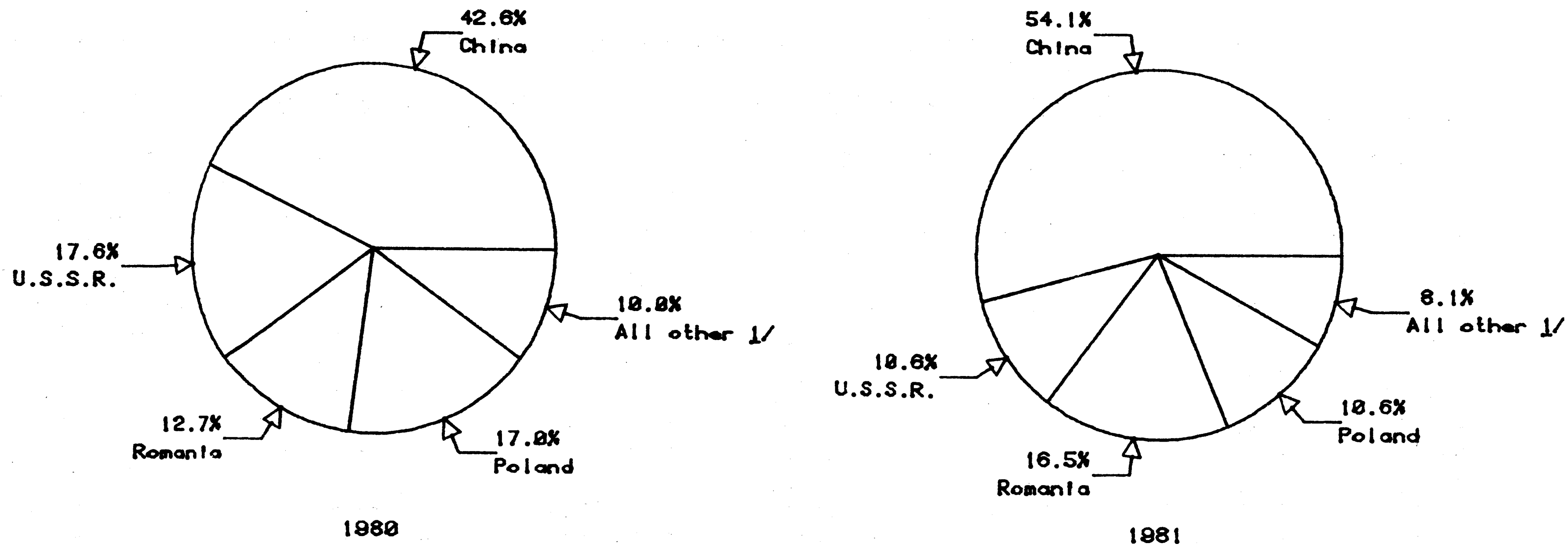
Figure 3.--Relative shares of U.S. imports for consumption from the nonmarket economy countries, 1980 and 1981.



1/ East Germany, Bulgaria, Czechoslovakia, Hungary, Mongolia, Albania, Vietnam, Cuba, and North Korea.

Source: Based on data in table 9.

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Table 10.--Agricultural items: U.S. imports from the nonmarket economy countries and from the world, 1979-81, October-December 1980, and October-December 1981

Source	1979	1980	1981	October-December-- 1980	October-December-- 1981
	Value (1,000 dollars)				
China	85,684	133,108	299,328	35,208	36,138
U.S.S.R	14,698	9,636	11,856	1,220	2,757
Romania	33,588	30,470	27,953	7,401	4,822
Poland	163,969	155,743	109,121	40,083	13,361
East Germany	2,248	2,825	875	30	405
Bulgaria	23,239	17,440	21,491	4,451	5,767
Hungary	35,764	30,586	33,676	9,650	8,677
Czechoslovakia	7,726	10,441	12,094	4,262	4,493
Vietnam	1	-	-	-	-
Albania	2,524	3,833	2,687	1,415	915
Mongolia	3,752	2,197	3,526	713	368
Cuba	-	-	-	-	-
North Korea	-	-	10	-	-
Total	373,192	396,280	522,616	104,434	77,704
Total, agricultural imports from the world	16,725,061	17,366,236	16,778,310	4,498,877	4,059,110
	Percent of total imports from each country				
China	15.6	12.8	16.4	11.7	7.7
U.S.S.R	1.7	2.2	3.3	1.0	4.1
Romania	10.2	9.8	5.0	12.4	3.7
Poland	38.5	37.5	30.3	38.1	22.1
East Germany	6.3	6.6	2.0	.3	3.5
Bulgaria	77.1	76.3	83.9	79.3	84.9
Hungary	31.9	29.3	26.3	36.6	24.4
Czechoslovakia	15.5	17.1	18.0	27.1	25.5
Vietnam	.1	-	-	-	-
Albania	28.0	35.8	67.4	98.9	72.4
Mongolia	1/ 99.9	98.9	97.0	99.9	100.0
Cuba	-	-	-	-	-
North Korea	-	-	20.6	-	-
Total	15.4	16.2	15.5	16.1	9.7
Total, imports from the world	8.1	7.2	6.5	7.4	6.2

1/ Actually 99.97 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

agricultural goods in both imports from all sources and imports from NME's decreased slightly from 1980 to 1981. In trade with the major NME's, agricultural products accounted for an insignificant amount of the value of goods imported from the U.S.S.R., Romania, and East Germany in 1981. Farm goods were of greater importance in U.S. purchases from Bulgaria, Poland, Hungary, Czechoslovakia, and China.

Until 1980 the Soviet Union was the NME that accounted for the greatest share of U.S. imports (fig. 4). In the first quarter of 1980, imports from China overtook those from the Soviet Union, and they have stayed at a higher level since that time. Imports from the NME's as a group peaked in the second quarter of 1981 and slowed somewhat in the third and fourth quarters.

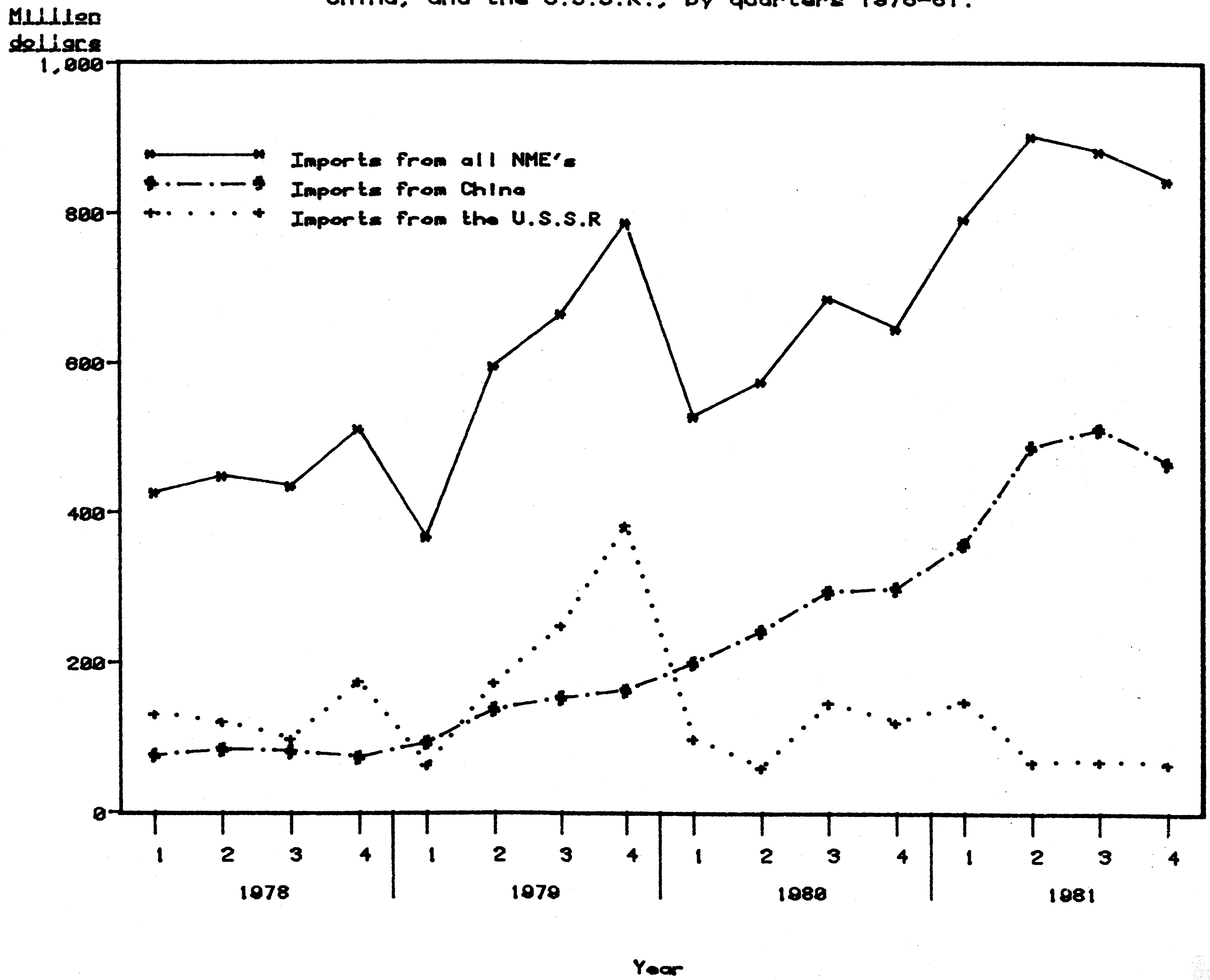
U.S. imports from NME's are summarized in table 11, which highlights selected commodity groupings. 1/ The value of trade in these product groupings, the share of imports they accounted for in the last 2 years, and the major NME supplier in 1981 are indicated.

The largest trade items shown in the table are textiles and petroleum and natural gas. However, the NME's are not particularly important sources of these products. On the other hand, the items which NME's supply in the largest proportion (e.g., prepared pork, feathers and down) are not of great significance in terms of total U.S. import value. 2/

1/ Additional information on specific import items is contained in app. A.

2/ As a share of U.S. consumption of canned hams, canned hams from the NME's from 1975 to 1979 ranged between 22 and 29 percent. As a share of U.S. consumption of pork and hams, the percentages are considerably lower. (See 23d Quarterly Report . . ., p. 57.) The United States is dependent on foreign sources for more than four-fifths of its consumption of feathers and down. (See 16th Quarterly Report . . ., p. 20.)

Figure 4.--U.S. imports from the nonmarket economy countries (NME's), China, and the U.S.S.R., by quarters 1978-81.



Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 11.—U.S. imports of selected major commodities from the nonmarket economy countries (NME's), 1980 and 1981

Commodity	Major NME supplier	Share of total imports accounted for by NME's		Value of imports from all NME's	
		1980	1981	1980	1981
		Percent		1,000 dollars	
Cereal grains	Romania	1.2	9.5	468	4,518
Corn, unmilled	do	6.5	28.2	466	4,507
Chromium scrap	China	3.5	2.9	1,001	723
Coal	Poland	11.3	2.0	9,542	1,439
Copper	do	.5	.4	7,402	4,698
Feathers and down	China	39.4	37.5	26,698	28,335
Fertilizers	U.S.S.R	8.2	6.1	106,229	85,564
Furniture	Romania	5.0	5.0	26,089	29,795
Glass and glass products	do	5.8	5.4	37,402	38,144
Macaroni	China	6.8	6.7	2,367	2,934
Metal coins	do	2.2	.6	43,110	7,121
Metal ores	do	1.6	1.3	37,436	32,992
Nickel	U.S.S.R	2.4	4.2	21,128	37,776
Petroleum and natural gas	China	.2	.7	188,158	551,303
Precious metals	U.S.S.R	3.4	1.9	183,041	74,178
Gold bullion	do	3.4	1.1	85,695	21,369
Platinum	do	7.5	7.4	71,129	47,555
Prepared pork	Poland	53.7	40.8	187,783	137,022
Textiles	China	4.9	6.3	611,515	902,294
Footwear	Romania and China	3.4	3.4	103,372	106,842
Nonrubber footwear	Romania	5.4	4.5	87,265	82,226
Manmade fibers	do	1.2	1.2	2,825	3,731
Tin	China	1.8	3.5	13,854	22,263
Titanium	do	30.5	11.1	33,091	15,584
Tobacco	Bulgaria	3.4	3.6	16,687	20,193
Typewriters	Bulgaria, East Germany, and Hungary.	1.8	1.8	6,403	6,143

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. TRADE AND COMMERCIAL RELATIONS WITH NONMARKET ECONOMY COUNTRIES IN 1981

China

After doubling in 1979 and again in 1980, the value of U.S.-Chinese trade increased only 13.4 percent in 1981, to $5.4 billion. Exports to China declined slightly as imports increased by 76 percent. Nonetheless, the U.S. surplus in bilateral trade was $1.8 billion. This was larger than the total value of U.S. exports to China in 1979, though it was smaller by almost a billion than the 1980 surplus.

The U.S. surpluses in trade with China had been increasing since 1978. By 1980, the imbalance had become an issue in bilateral relations, with the Chinese contending that, if trade was to grow, the United States must substantially increase its imports of Chinese products. While U.S. purchases from China have continuously increased in recent years, the share of two-way trade accounted for by U.S. imports from China declined from 28 percent in 1978 to 22 percent in 1980. This trend was reversed in 1981, with imports growing to one-third of the trade turnover (table 12). Imports of agricultural products from China increased by 125 percent to $299.3 million. Nonagricultural items increased somewhat more slowly--by 69 percent to $1.5 billion--but accounted for 84 percent of total U.S. imports from China in 1981.

Despite a 4-percent decrease in 1981, U.S. exports to China amounted to $3.6 billion. Agricultural products accounted for 54.4 percent of the export value, down almost 5 percentage points from their share in 1980. U.S. farm exports to China declined $253.2 million (11.5 percent) in 1981, mainly owing to China's record or near-record harvests of grain, cotton, and oilseeds. Nonagricultural exports increased $102.8 million, or by 6.7 percent, over their level in 1980. However, machinery and transport equipment exports declined sharply, reflecting a cutback in China's demand for capital goods. U.S. sales to China of such items decreased from $358.4 million in 1980 to $211.8 million in 1981, or to less than their export value in 1979. U.S. companies expected this export sector to grow rapidly when the program to modernize the Chinese economy was launched in 1978. Instead, the share of machinery and transport equipment decreased from a high of 13.3 percent of U.S. sales to China in 1979 to 10 percent in 1980 and only 5.9 percent in 1981.

Because of the predominance of agricultural commodities in U.S. exports to China, fluctuations in that country's farm output can have a significant effect upon the total volume of U.S.-Chinese trade. A second and sometimes more important factor that affects both the level and the composition of bilateral trade is the changes that the Chinese have made in recent years in their domestic economic policies. The readjustment program undertaken in 1981 was the most recent realignment of China's economic priorities.

China's Economic Readjustments

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China's leaders announced the first "readjustment" of their modernization plan in December 1978, less than a year after the program was introduced. Further readjustments followed during 1979 and 1980. Goals were scaled down

Table 12.--U.S. trade with China, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	488,271	1,264,714	1,332,476
1	Beverages and tobacco	95	339	1,133
2	Crude materials--inedible, except fuel	531,809	1,183,305	1,102,879
3	Mineral fuels, lubricants, etc	673	1,773	3,075
4	Oils and fats--animal and vegetable	42,036	73,398	21,797
5	Chemicals	125,170	385,601	405,262
6	Manufactured goods classified by chief material	243,927	423,605	446,915
7	Machinery and transport equipment	228,716	358,371	211,833
8	Miscellaneous manufactured articles	55,198	55,767	70,710
9	Commodities and transactions not elsewhere classified	605	2,121	2,522
	Total	1,716,500	3,748,993	3,598,601
		U.S. imports		
0	Food and live animals	51,272	55,324	95,188
1	Beverages and tobacco	682	1,512	1,960
2	Crude materials--inedible, except fuel	65,077	126,148	299,252
3	Mineral fuels, lubricants, etc	96,431	132,442	295,428
4	Oils and fats--animal and vegetable	3,432	1,985	339
5	Chemicals	53,299	101,533	125,326
6	Manufactured goods classified by chief material	82,301	232,258	370,630
7	Machinery and transport equipment	1,060	5,255	39,603
8	Miscellaneous manufactured articles	190,512	379,459	595,852
9	Commodities and transactions not elsewhere classified	4,472	3,260	6,449
	Total	548,543	1,039,177	1,830,027

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

and priorities were modified. In June 1979, a 3-year (1979-81) readjustment program was officially adopted, and the specific economic goals for 1985 that had been announced in 1978 were set aside. Economic development remained the basic goal under the revised plans, but growth was to be moderated, largely through a cutback in plans for capital construction. To increase output for both domestic consumption and export, emphasis was shifted to agricultural diversification and to the expansion of light industries.

While the initial readjustments succeeded in raising production levels, new problems were emerging by 1980. Structural weaknesses in the economy--a shortage of port and transport facilities, inadequate electric power, and weak technical and managerial skills--were stifling progress in major industrial projects. The deficit in China's national budget was 17 billion yuan ($11.3 billion) in 1979 and 12 billion yuan ($7.4 billion) in 1980, mainly owing to the large outlays for capital construction. The deficit was the problem on which China's leaders focused when they announced that further readjustments would be made in 1981.

The budget deficits were accompanied by a rapid increase in the rate of inflation. Few of the heavy industrial projects had a large import component, and the domestic portion of the outlays was financed primarily by the Government's issuing currency. Incentive programs increased money incomes and also fueled inflation. Prices paid to farmers were raised to increase production levels and narrow the gap between rural and urban incomes. The widespread adoption of a bonus system in the factories accelerated inflation in the urban areas, since consumer-goods production did not keep pace with the rise in wages. 1/ Concurrently, urban unemployment was increasing. To mitigate these problems, the new readjustments called for still more emphasis on the labor-intensive, consumer-oriented light industries and agriculture and the further curtailment of capital construction. By early 1981, most major industrial projects had been halted.

To eliminate the budget deficit in 1981, funds for major capital construction projects were cut by 44 percent, to 30 billion yuan ($18.5 billion). 2/ The budget reduction resulted in the cancellation of a number of contracts (including some with U.S. companies) and the drastic curtailment of imports tied to projects already underway. Nearly all capital construction was affected, especially that involving steel mills, mines andmetallurgical plants, and petrochemcial complexes. The largest of the projects halted was the Baoshan General Iron and Steel Works, with planned import requirements totaling approximately $5 billion. In late January 1981, all further work on the partially completed first phase of this complex was

1/ While the agricultural incentives were tied to production increases, the policy of giving bonuses to factory workers that was introduced in 1978 largely failed as an incentive program. Faced with the problem of deciding who should get bonuses and how much they should get, many factory managers gave all factory workers the same bonus, thus eliminating any incentive effect.

2/ China's leaders initially announced a 40-percent cut in funds for capital construction; a further readjustment was announced in March 1981. The budget reduction also included smaller cuts in funds for military and administrative expenditures.

postponed, 1/ and contracts for the projected second phase of construction were cancelled.

During 1981, major construction activities were limited primarily to investments in the development of the economic infrastructure--projects such as the building of railroads, cargo container port facilities, electric power stations and transmission lines, and telecommunication systems. Expansion of manufacturing facilities was confined to the light industries, i.e., plants to produce consumer goods such as textile fabrics and apparel, watches, bicycles, radios, television sets, electric fans, and sewing machines. On the other hand, the cut in funding for the heavy industries resulted in numerous plant closings and the operation of existing facilities at a fraction of their capacity.

Although light industry continued to grow rapidly in 1981, the decline in heavy industrial output and capital construction was probably greater than China's leaders had anticipated. 2/ Unemployment rose substantially, and, in order to reverse this trend in 1982, some increase in funds for heavy industry is likely. The construction of the first phase of the Baoshan steel complex will be resumed, and other projects may go forward. However, no fundamental change in the direction of the readjustment program is expected during 1982.

Speaking before the fourth session of the fifth National People's Congress (NPC) at its opening on November 30, 1981, Premier Zhao Ziyang said that it would take "five more years, beginning this year, or a little longer," to complete China's economic readjustment. 3/ The 1981 readjustments greatly

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1/ Among foreign investors, Japanese companies stood to lose the most when the postponements and cancellations were announced under the new readjustment policy. Shortly after the suspension of work at the Baoshan site (the first stage of the complex was half completed), China's leaders approached the Japanese for a loan to cover the Japanese-financed projects. After months of negotiations, an agreement was signed on Dec. 16, 1981. The loan of 300 billion yen ($1.38 billion), consisting of both Government and private credits, provides for the resumption of the first phase of the Baoshan steel complex, to be completed about 1985, and for the construction of a petrochemical complex at Daqing. Four additional industrial projects are covered by the loan package, but no construction dates were announced when the accord was signed.

2/ Official Chinese estimates based on production data for approximately 11 months indicate that output in the light industries increased 12 percent in 1981. The production target for heavy industry provided for zero growth in 1981, but the output of this sector was estimated to have decreased about 5 percent.

3/ U.S. Foreign Broadcast Information Service (FBIS), Daily Report: China, Nov. 30, 1981, p. K 8.

reduced the national budget deficit, 1/ and the goals outlined for 1982 are for more of the same: controlling spending, curbing inflation, promoting light industry, and developing the infrastructure. Imports to support industry will consist of technology and essential machinery that the Chinese cannot yet produce, with additional expenditures for heavy industry largely limited to items for the renovation or upgrading of existing plant facilities.

In sharply curtailing funds for industrial construction projects, the readjustments in 1981 slowed the pace of China's modernization in that sector of the economy most dependent on foreign participation in the form of imported plants, equipment, and technical services from the technologically advanced Western countries. Still, the Chinese increased their foreign borrowing in 1981. The financing included not only China's first loans from the International Monetary Fund (IMF) 2/ and World Bank, 3/ but also an increase in the arrangements concluded for bilateral credits. Among such credits was the first loan to China authorized by the Export-Import Bank of the United States (Eximbank), described below.

Developments in U.S. Commercial Relations With China

In 1981 the new administration took several steps to strengthen and expand the economic framework established with China under President Carter. A U.S.-Chinese trade agreement had been approved by the Congress in January 1980. 4/ This agreement provided MFN tariff treatment to China's products, effective February 1, and made China eligible for Eximbank financing. Other bilateral agreements--covering maritime transport, air transport, textile imports from China, and U.S. grain exports to China--were also concluded. Some steps had also been taken to ease export restrictions for China on civilian goods with potential military applications and on certain types of military support equipment. During 1981 the question of continuing to accord MFN tariff status to China was reviewed by the Congress, and nondiscriminatory treatment was continued for another year; Eximbank activity with China was

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1/ In his report to the NPC on Nov. 30, 1981, Premier Zhao Ziyang said that he expected the deficit to decline to $2.7 billion yuan in 1981 (Ibid., p. K 7). Although China's goal was to balance the national budget in 1981, this figure represents a significant improvement over the approximately 12-billion yuan deficit reported for 1980.

2/ China borrowed the equivalent of SDR 560 million in foreign currencies from the IMF in 1981 (an amount equal to approximately $547 million on Mar. 2, 1981, the date on which the loan was approved). It also received a special low-interest, long-term loan of SDR 309.5 million. (The SDR's, or Special Drawing Rights, are international reserve assets created and used by the IMF to denominate its loan transactions.) For details on these loans to China, see 26th Quarterly Report . . ., pp. 38-40.

3/ China's first loan from the World Bank for $200 million will cover the foreign-exchange cost of expanding student enrollment and upgrading education in the sciences and engineering at 26 universities in China (see 27th Quarterly Report . . ., pp. 52-54).

4/ Title IV of the Trade Act of 1974 requires that the United States enter into a trade agreement with a Communist country before granting it MFN tariff status.

increased; and, following an extensive review of U.S. trade policy toward China by the Reagan administration, restrictions on the sale of controlled exports to China were significantly reduced.

Review of most-favored-nation status

Imports from China receive MFN tariff treatment under a waiver of sections 402(a) and (b) of the Trade Act of 1974. Under this waiver, China's MFN status is reviewed annually and, subject to congressional approval, may be continued for another year. Sections 402(a) and (b) prohibit the extension of MFN, or column 1, tariff treatment to the products of any NME that denies or severely restricts emigration by its citizens, but this prohibition may be waived by the President if he determines that granting a country MFN status will promote free emigration. However, either the President's waiver authority or any of the specific waivers that have been granted for individual Communist countries by him can be disapproved by the Congress. 1/

At the present time, the primary barrier to the emigration of Chinese citizens is not China's policy but restrictions on immigration imposed by its neighbors--especially the Hong Kong Government. They fear that in the absence of controls an unending stream of Chinese workers might enter their labor markets. In 1981, as in the first annual congressional review of China's MFN status in 1980, there was virtually no opposition to continuing the emigration waiver. When neither house of the Congress adopted a resolution of disapproval during the 60-day review period ending August 31, the waiver for China was automatically extended through July 3, 1982.

Export credits

Although the credit facilities of Eximbank were made available to China in April 1980, 2/ the first loan was not authorized until September 1981. One preliminary loan commitment was made in 1980 to support U.S. participation in the construction of the second phase of the Baoshan steel complex; it was never authorized, however, since China first delayed and then, in early 1981, cancelled the contracts for this portion of the project.

1/ The congressional review also examined the waivers in effect for Romania and Hungary. See the section on "Developments in U.S. Commercial Relations With Eastern Europe" later in this report.

2/ Like MFN tariff treatment, Eximbank financing was extended to China under the President's authority to waive secs. 402(a) and (b) of the Trade Act of 1974, and was a provision in the U.S.-Chinese trade agreement. Following congressional approval of this agreement, one final step was required: a Presidential determination that extending the credit facilities of Eximbank is in the national interest. This determination was issued by President Carter on Apr. 3, 1980.

The first Eximbank financing obtained by China is for a project that is indicative of its current commitment to developing the economic infrastructure of the country. The loan will support the purchase of approximately $75 million in power-generating equipment and technical services. Contracts with two U.S. companies are involved. Westinghouse Electric Co. will supply turbine generator components and related technology, and Combustion Engineering, Inc., will provide boiler components and technical services. The purpose of the imports is to upgrade electric-power production capability in Harbin and Shanghai, where China plans to build a number of large coal-fired power plants. At present, the Chinese have neither equipment of the size and sophistication needed nor the technical expertise for such an undertaking. The U.S.-supplied components are 300-megawatt and 600-megawatt turbine generators; currently, the largest Chinese-built steam turbines are 300 megawatt, and most are reportedly 125 megawatt. 1/ Eximbank financing will cover $57.1 million, 2/ or 75 percent, of the U.S. export transaction at 8.75 percent interest, the rate in effect when the preliminary loan agreement was concluded between Eximbank and the Bank of China in Feburary 1981. 3/

A preliminary loan commitment for another Chinese economic infrastructure project was approved by Eximbank in November 1981. This loan will support approximately $14 million in U.S. exports of equipment for a telephone cable plant in China, to be supplied by the Essex Wire Co., a subsidiary of United Technologies. Eximbank will finance $9.1 million, or 65 percent, of the contract value at an interest rate of 12 percent.

In December, Eximbank made a preliminary commitment to lend China approximately $60.4 million, again extending its support for U.S. participation in the Baoshan steel project. After receiving assurances that Japanese financing would be made available to complete the first phase of this complex, 4/ the Chinese announced their intention to eventually resume construction of the second phase of the project, which had been cancelled in early 1981. Under the original contract, Wein United, Inc., and other U.S. suppliers were to provide steelmaking equipment and technical assistance in building a cold-rolling mill. 5/ The terms of Eximbank's preliminary loan commitment are similar to those of the initial loan approved in April 1980.

1/ The China Business Review, March-April 1981, p. 10.

2/ Although Eximbank actually extended two credits to China (one for each of the U.S. companies involved), the financing was handled under one loan agreement. Because the loan was for purchases by a Communist country in an amount exceeding $50 million, it could not be authorized until the President had made a determination that extending the credits is in the national interest (sec. 2(b)(2) of the Export-Import Act of 1945). President Reagan issued the determination on Sept. 4, 1981 (46 F.R. 45927).

3/ Eximbank's standard rate of interest for long-term loans was increased to 10.75 percent in July 1981 and to 12 percent in November 1981.

4/ See "China's Readjustments in 1981," above.

5/ Wein United's participation in the project was part of a contract held by Schloemann-Siemag, a West German consortium. The total foreign-exchange cost of this portion of the complex was approximately $500 million.

Eximbank will finance 75 percent of the $80.5 million U.S. export transaction, Wein United will finance another 10 percent, and China will make a cash payment for the remaining 15 percent of the transaction. However, under the new commitment, Eximbank will guarantee the approximately $8 million in credit extended by the U.S. supplier. The loan was reinstated at the current Eximbank interest rate of 12 percent.

China is also eligible for the credit-guarantee program of the Department of Agriculture's Commodity Credit Corporation (CCC). This program supports U.S. grain exports by guaranteeing credit (principal and a portion of the interest) extended to an importing country by U.S. banks. Although access to the credit guarantee program was made available to China under a provision of the Agricultural Trade Act of 1978, China has nonetheless continued to pay cash for its purchases of U.S. grain. The Chinese are not likely to use the services of the CCC until U.S. interest rates decline.

Export controls

When President Reagan assumed office, the existence of U.S. national security and foreign-policy controls on exports to China was still a major issue in bilateral trade relations. Since the Chinese were interested in acquiring advanced U.S. equipment and technology to strengthen critically weak sectors of their economy, the restrictiveness of the controls was their particular concern. U.S. companies complained that uncertainty--not knowing whether their products would be licensed for export to China--seriously hampered their development of this market. For China's Government leaders and U.S. businessmen alike, the slowness of the export-licensing process was a continuing sore point.

An easing of restrictions had begun in 1980. The first step was the publication of a list of certain nonlethal military support equipment that would be considered, case by case, for export to China. This was followed by a change in the regulations for administering exports of dual-use goods and technology (goods and related technical data, including services, having both civilian and potentially significant military applications). In April 1980, the Department of Commerce's Office of Export Administration (OEA) removed China from the list of countries that, for purposes of export control, includes the U.S.S.R. and Soviet bloc countries; a new export control group was designated (Country Group P) to cover only China. President Carter's approval of new export-licensing criteria for China was announced in July 1980; exports to China were to be treated more liberally than those to the Soviet Union and other controlled countries. At the time, however, only a few applications were approved under the new criteria, and in November 1980 the licensing of dual-use goods and technology for export to China was in effect suspended pending a policy review by the incoming administration.

In assessing U.S. policy toward China, the Reagan administration reviewed three types of U.S. trade restrictions: (1) Controls on the export of dual-use goods and technology, (2) the regulations prohibiting the sale of arms to China, and (3) statutory restrictions based on China's previous association with the Soviet bloc. The last group of restrictions includes provisions in the Foreign Assistance Act of 1961 (which excludes China from eligibility for U.S. development assistance), the Agricultural Trade Development and Assistance Act of 1954 (which excludes China from concessionary financing under Public Law 480), and the Trade Agreements Extension Act of 1951 (which prohibits U.S. imports of seven categories of furs from China and the Soviet Union). The administration could act independently to further liberalize controls on dual-use exports and to permit the sale of arms to China. However, removal of the statutory restrictions will require that bills amending current legislation be passed by the Congress.

The Reagan administration based a further easing of export controls on the premise that "China is . . . a friendly developing country with which, without being allied, we share important strategic interests." 1/ On July 8, 1981, the Department of Commerce issued a statement that described the new criteria for granting licenses for the export of dual-use goods and technology to China and that outlined new procedures for reviewing the hundreds of license applications pending since the fall of 1980. 2/ The latter involved the elimination of interagency review, except in the cases of those licenses that require clearance by the Coordinating Committee for Multilateral Export Controls (COCOM). 3/ For the majority of items requiring validated licenses for export to China, neither the Department of Defense nor the Department of State would any longer review the applications granted by the OEA.

The new criteria for granting license applications called for "a presumption of approval for products with technical levels twice those previously approved." 4/ This statement referred primarily to the licensing of technically advanced computers, but the so-called two-times policy was not clearly defined. More specific guidelines on the new criteria were not released until yearend.

In an announcement issued by the OEA on December 29, 4/ the administration reaffirmed that the general licensing policy is to approve products of significantly higher technical levels for export to China than those that would be approved for export to other controlled countries: "Licenses will not be denied solely because of the technical level of the equipment, provided the equipment does not substantially exceed the requirements of the stated and accepted end-use." The approval of equipment and related technology will not necessarily be denied because of their potential military applications. However, the new regulations explain that, regardless of their stated end use, some technologies would present an "unacceptable risk." For certain items, the regulations now provide details on the technical levels and end uses "likely to be approved."

1/ Statement by Ambassador John H. Holdridge, Assistant Secretary of State for East Asian and Pacific Affairs, before the House Foreign Affairs Committee on July 16, 1981.

2/ Department of Commerce, International Trade Administration, news release No. 81-118, July 8, 1981.

3/ COCOM consists of the members of the North Atlantic Treaty Organization (except Iceland) and Japan. For certain high-technology items restricted by COCOM, the unanimous permission of the other member countries must be obtained before an export license can be issued.

4/ ITA news release No. 81-118.

5/ 46 F.R. 62836.

While the guidelines may provide more certainty for U.S. companies exporting to China, license applications still may not be processed as quickly as was indicated in the announcement made in July. The new regulations provide that "when doubling previous [technical] levels is impractical, the Department will use the interagency review process to determine the acceptability of proposed exports."

The Reagan administration has also revised regulations to permit the sale of arms to China. The International Traffic in Arms Regulations include a provision that denies the approval of U.S. arms exports to certain enumerated countries. Effective December 14, 1981, China was removed from this list. 1/ License applications for commercial arms sales to China will now be considered on a case-by-case basis.

The Chinese are interested in purchasing advanced U.S. computers and other sophisticated analytical and process-control equipment. At the present time, however, they do not appear to have much interest in the purchase of arms. Military expenditures have been reduced under China's current economic readjustment program. The priority now given the defense sector is less than that accorded industry, agriculture, and science.

U.S. administrative actions affecting imports from China

Although imports from China increased substantially in 1981, the U.S. International Trade Commission instituted no new investigations of alleged injury to U.S. industries from the larger volume of Chinese products entering this country. An investigation was conducted by the Commission on imports of menthol from China; however, this was the final phase of an investigation initially instituted in June 1980, when the domestic synthetic menthol industry filed a petition under the antidumping provision of the Tariff Act of 1930. On June 1, 1981, the Commission unanimously determined that a U.S. industry is not materially injured, or threatened with material injury, by reason of imports of natural menthol from China. 2/ Thus, although these imports had been found by the Department of Commerce to have been sold at less than fair value, no action restricting this trade was taken by the United States.

Two other investigations involving products imported from China were instituted by the Commission in 1981 under the provisions of section 203 of the Trade Act of 1974. This section provides for the review of conditions in a U.S. industry for which import relief is presently in effect. In the first of these investigations, begun in July 1981, the Commission found that ending or reducing the import quota on imported clothespins (applicable to imports from all sources) would have an adverse effect on the domestic clothespin

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1/ Department of State, Munitions Control Newsletter, No. 92, December 1981; 46 F.R. 60820.

2/ Menthol From the People's Republic of China: Determination of the Commission in Investigation No. 731-TA-28 (Final) . . ., USITC Publication 1151, June 1981. For a discussion of the preliminary and final investigations conducted by the Commission in this case, see 23d Quarterly Report . . ., p. 34, and 26th Quarterly Report . . ., p. 43.

industry; it recommended that the current level of relief be extended for another 3 years. 1/

The second section 203 investigation was begun on December 21, 1981. The Commission will advise the President on developments in the domestic mushroom industry since import relief became effective. 2/ The tariff rate on imported canned and other prepared mushrooms (item 144.20 in the Tariff Schedules of the United States) was increased by the President by the equivalent of 20 percent ad valorem effective November 1, 1980. 3/ A scheduled reduction of the additional duties to 28 percent ad valorem was made in November 1981, and will be followed by a further reduction to 23 percent ad valorem in the third year. The duty on these mushrooms is scheduled to revert to the preinvestigation level on November 1, 1983. 4/ Total U.S. imports of mushrooms have declined substantially since the higher rate was imposed. They were 21.4 percent less, by value, in 1981 than in 1980. However, the value of mushrooms from China more than doubled in 1981, amounting to $15.2 million, or 35.3 percent of total imports, compared with $7.1 million, or 13.1 percent of such imports, in 1980. China's exports have largely replaced the much larger share previously supplied by Taiwan and the Republic of Korea.

The imports from China most closely monitored by a U.S. industry are apparel and other manufactured textile items not subject to specific import ceilings under the U.S.-Chinese textile agreement. That agreement provides for consultation if imports of unrestricted textiles are tending to disrupt the U.S. market, and import restraints (quotas) can be unilaterally applied by the United States until agreement can be reached on an appropriate level of trade. In January 1981, after agreement could not be reached on a level of imports for woolen sweaters from China, the United States imposed a quantitative restriction on imports from China of this item and, in February, embargoed further shipments. The embargo was lifted on September 24, 1981, after the two Governments had agreed upon an import ceiling. Import restraints also remain in effect on all items that initially became subject to

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1/ Clothespins: Report to the President on Investigation No. TA-203-12 . . ., USITC Publication 1201, December 1981. Other NME's--notably Poland and Romania--are also suppliers of imported clothespins. See 28th Quarterly Report . . ., p. 43, and the section on "Developments in U.S. Commercial Relations With Eastern Europe" later in this report. On Feb. 22, 1982, the date on which the quota was scheduled to expire, President Reagan extended the current level of import relief for 2 years, rather than for the additional 3 years recommended by the Commission.

2/ The Commission is also to advise the President as to the probable economic effect on the domestic industry of reducing or terminating import relief on canned mushrooms broiled in butter or in butter sauce. However, such imports constitute only about 4 percent of the total annual imports provided for in TSUS item 144.20.

3/ The tariff on TSUS item 144.20 is a compound rate. The col. 1 (MFN) duty was raised from 3.2 cents per pound (drained weight) plus 10 percent ad valorem, or the equivalent of 13 percent ad valorem, to 10 cents per pound (drained weight) plus 30 percent ad valorem, or the equivalent of 33 percent ad valorem.

4/ For a more detailed account of this investigation and the import relief applied, see 24th Quarterly Report . . ., pp. 43-45.

agreed levels of trade when the bilateral accord was signed by the United States and China in September 1980. 1/

During 1981, the question of whether China should be extended duty-free tariff treatment under the U.S. Generalized System of Preferences (GSP) remained a dormant issue. Since China has not become a contracting party to the General Agreement on Tariffs and Trade, it is not eligible for GSP status under U.S. law. However, to provide for the possibility that China may in the near future meet this statutory requirement and request designation as a beneficiary country, the President asked the International Trade Commission in December 1980 to investigate the probable economic effect on domestic industries of extending GSP treatment to imports from China. The Commission's findings were submitted to the President in a classified report. 2/

U.S. Exports

The value of U.S. exports to China declined by $150.4 million in 1981 to $3.6 billion. The decreases occurred in crude materials, except fuel (table 12, SITC Section 2), animal and vegetable oils and fats (SITC Section 4), and machinery and transport equipment (SITC Section 7). Food and live animals (SITC Section 0), the leading category of exports to China, increased by $67.8 million, or only 5.4 percent. U.S. exports in this category, consisting almost entirely of wheat and corn, had increased by $776.4 million, or 159 percent, in 1980. The Chinese shifted a substantial portion of their purchases from other grain-exporting countries to the United States in 1980, making this country their largest grain supplier. In the absence of a marked rise in another category of exports, a leveling off of U.S. sales to China in 1981 was therefore to be expected.

The value of food exports in 1981 was $1.33 billion, or 37 percent of total U.S. sales to China. Exports of wheat increased by 22 percent to $1.27 billion (table B-3 in app. B), and accounted for 95 percent of the value of food shipments. While China's grain imports are small in comparison with its national grain production, they have been increasing in recent years as the result of the new policy to raise the standard of living of the Chinese people. Since wheat is the principal grain import and the United States now

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1/ As of Dec. 31, 1981, the textile items subject to specific levels of restraint under the bilateral agreement were cotton gloves; men's and boys' cotton coats; women's, girls', and infants' cotton coats; men's and boys' cotton knit shirts; women's, girls', and infants' cotton knit shirts and blouses; men's and boys' woven cotton shirts; women's, girls', and infants' woven cotton blouses; cotton trousers; wool sweaters; and manmade-fiber sweaters.

2/ The unclassified portions of the investigation are available from the Commission in an unnumbered publication entitled Probable Economic Effect on Domestic Industries of the Designation of the People's Republic of China as a Beneficiary Developing Country for Purposes of the U.S. Generalized System of Preferences: Report to the President on USITC Investigation No. 332-123 . . ., June 1981.

accounts for roughly half of the import requirements, 1/ U.S. exports may vary considerably from year to year depending on China's harvests. China's grain production in 1981 was larger than the 1980 harvest, and probably almost equaled the record level reached in 1979. 2/ Shipments of U.S. wheat to China during the fourth quarter of 1981 totaled $305.2 million, less than in October-December 1980 ($390.5 million). More important, the large 1981 harvest is likely to slow the growth of China's purchases of U.S. wheat in 1982.

U.S. corn exports to China declined sharply, from $225 million in 1980 to $62 million in 1981, or by 72 percent. The main reason was probably the relatively high price of U.S. corn during the first 8 months of 1981, owing to the drought that substantially reduced U.S. corn output in 1980. The price of U.S. corn declined following the record 1981 harvest, and China purchased 41.3 million dollars' worth in the fourth quarter. These purchases represented about two-thirds of the total value of its corn imports from the United States during 1981. Another factor that may have reduced China's demand for corn in 1981 was a decrease in its hog production. In recent years, China has been developing its livestock industry to raise the level of domestic meat consumption. However, after substantial increases in 1978 and 1979, hog output in China decreased in 1980 3/ and may have declined further in 1981. 4/

China's imports of U.S. wheat and corn combined reached 7.9 million metric tons, with wheat accounting for 7.4 million of the total. This amount was well below the ceiling level agreed upon in the 4-year United States-China grain pact that became effective on January 1, 1981. Under this bilateral agreement, the Chinese made a commitment to buy a minimum of 6 million metric tons of U.S. grain annually. The United States is committed to sell the Chinese at least 9 million tons of grain. Any purchases over 9 million tons must be cleared with the U.S. Department of Agriculture (USDA) and will presumably depend upon the status of the U.S. market. Although estimates made by the USDA early in the year indicated that U.S. grain exports to China would approach, and might exceed, the 9-million ton level, 5/ the Chinese began

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1/ The United States exported 6.4 million metric tons of wheat (direct exports plus transshipments) to China in 1980, approximately 55 percent of the 11.7 million metric tons that China purchased. See 26th Quarterly Report . . . , p. 33.

2/ China's reported grain output in 1979 was 332 million metric tons. Rice accounts for roughly half the grain production in China, wheat is second in importance, and corn and other coarse grains follow. The Chinese also include potatoes and soybeans in their grain statistics.

3/ The Economist Intelligence Unit, Ltd., Quarterly Economic Review of China, Hong Kong, and North Korea, annual supplement 1981, p. 15.

4/ A recent Chinese news commentary noted that the reward system to encourage pig breeding had been abandoned in some farm communes, resulting in a decrease in production. The article supported the reintroduction of the award system and other measures that "have either already been taken or are now being adopted to solve the existing problems." (FBIS, Daily Report: China, Feb. 17, 1982, pp. K 4-5.)

5/ USDA, Foreign Agricultural Service, Foreign Agriculture Circular, No. 5G-5-81, Jan. 28, 1981.

purchasing less as the size of their 1981 harvest became more apparent. Nonetheless, China was the leading market for U.S. wheat in 1981, 1/ accounting for 16 percent of the total value of these sales and 17 percent of the quantity exported. While the United States is China's leading grain supplier, China also has agreements to purchase wheat from Canada, Australia, and France; wheat, corn, and soybeans from Argentina; and corn from Thailand.

U.S. sales to China of other major agricultural commodities--notably cotton, soybeans, and soybean oil--also decreased in 1981. Exports of cotton (SITC Section 2) declined to $464.1 million, two-thirds their 1980 level. While China's large demand for cotton was probably further increased by the expansion of its textile industry, 2/ import requirements were reduced by record cotton crops in 1980 and 1981. China was the largest market for U.S. cotton in 1980, but ranked only third (after Korea and Japan) in 1981. China accounted for approximately 20 percent of the value and 18 percent of the quantity of U.S. cotton exports.

The decline in exports of soybeans (SITC Section 2) and soybean oil (SITC Section 4) was also mainly attributable to China's record level of farm production. The emphasis the Chinese have placed on production of oilseed crops has led to substantial growth in China's output over the past 5 years. The major expansion has taken place in rapeseed and peanut production, but gains have also been made in cottonseed, sesameseed, and sunflowerseed output. Soybeans are the only oilseed that China imports in significant amounts; nonetheless, as its production of other kinds of oilseeds continues to expand, U.S. soybean exports to China are likely to remain at a lower level than in 1980, and may decline further. 3/ U.S. soybean sales to China decreased from $155.2 million in 1980 to $129.7 million in 1981, or by 16.4 percent; sales of soybean oil declined by 70 percent, from $56.3 million in 1980 to $17.1 million in 1981, accounting for most of the overall decrease in exports in SITC Section 4. 4/

If China's emphasis on diversifying and increasing farm output has tended to reduce its demand for some U.S. commodities, the priority given light industries--especially textile manufacturing--has partially offset the export losses. China's purchases of U.S.-produced polyester fibers (SITC Section 2) increased 54 percent to $281.8 million in 1981. This followed a 222-percent increase, from only $56.8 million in 1979 to $182.9 million in 1980. Its imports of other manmade fibers--acrylic and nylon fibers, polyester and grouped filaments and strips, and synthetic yarns (SITC Section 6)--also

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1/ The Soviet Union ranked second in 1981; Japan was third.

2/ By late 1981, the U.S. textile industry was becoming increasingly concerned about the large quantity of Chinese-produced cotton fabrics entering the U.S. market. The United States has called for consultation with the Chinese on limiting their exports in two categories of cotton textiles.

3/ While the emphasis on expanding the production of oilseeds in China indicates that its soybean imports will probably decline, another factor that may also affect U.S. sales is China's role as an exporter. China's soybean imports and most of its annual output of soybeans and other oilseeds are apparently used for domestic consumption, but China also exports soybeans, primarily to Japan.

4/ Soybean oil was the 9th-ranking U.S. export to China in 1980, but no longer appears in table B-3, having fallen to 27th place in 1981.

increased substantially. U.S. exports to China of manmade fibers (including yarns) totaled $531.3 million in 1981, more than double the value of these sales in 1980 ($260.3 million). China became the largest market for U.S. manmade-fiber exports in 1980, and, after the further increase in demand, accounted for 30.4 percent of the value and 41 percent of the quantity of all U.S. exports of these products in 1981.

After making their first purchases of approximately 40 million dollars' worth of U.S. logs (SITC Section 2) in 1980, the Chinese more than doubled their imports, to $91.6 million, in 1981. 1/ China has a shortage of wood relative to its needs in building a modern industrial economy, and is only beginning to develop a forestry industry. 2/ Meanwhile, its increasing use of wood and wood-based manufactures offers U.S. producers a potentially significant export market. In the crude-materials category, the Chinese are buying whole logs, rather than the more expensive lumber, and are also importing wood pulp (table B-3). At the present time, China lacks the modern lumber mills for processing a large quantity of timber imports, but has now begun to upgrade and expand its mill facilities. The whole logs imported in 1980 and 1981 are apparently being used for priority transportation projects, such as bridge construction and ties in railroads.

Exports of chemicals (SITC Section 5) to China increased 5.1 percent in 1981, to $405.3 million, after more than tripling in 1980. Higher fertilizer sales accounted for the increase during 1980; they were paralleled by a decrease in China's purchases of fertilizers from Japan. Although U.S. sales of fertilizers in turn declined in 1981, the United States retained a substantial portion of the earlier gain made in this market. Diammonium phosphate fertilizer, amounting to $76.4 million, remained the leading chemicals export to China in 1981. Total fertilizer sales reached $131 million, or 85.8 percent of the level of such exports to China in 1980.

The rise in U.S. chemicals exports to China in 1981 resulted mainly from increased sales of resins. The leading item was the polypropylene resins, which tripled in value to $33.8 million. This type of resin is used in producing injection-molded items such as housewares and toys. It also has some fiber applications, such as in producing woven fabric bags for packaging fertilizers and other chemicals.

The increase in exports of manufactured goods classified by chief material (SITC Section 6) was principally the result of China's larger demand for U.S. yarns and fabrics. Sales of yarns to China amounted to $202.4 million, up from $62 million in 1980. Fabrics exports also increased, from about $65 million in 1980 to $77.9 million in 1981. Total U.S. sales of inputs for China's textile industry (fabrics and yarns plus other manmade fibers classified within SITC Section 2) reached $609.3 million in 1981.

1/ The leading item was Douglas-fir logs ($64 million). Other wood items not large enough to be included in table B-3 were Western hemlock logs ($17.6 million) and spruce logs ($5.3 million).

2/ Only about 13 percent of China's total land area is currently forest land, compared with the 33 percent in the United States. China will probably not realize significant gains from its forestation program for at least 50 years (The China Business Review, July-August 1981, p. 43).

The other principal item within SITC Section 6 was unbleached kraft linerboard. U.S. sales surged from $2.5 million in 1979 to nearly $80 million in 1980. However, exports decreased to $36.8 million in 1981, less than half their 1980 level. China has been investing in plants and equipment to expand its output of kraft linerboard and related products.

Machinery and transport equipment (SITC Section 7) was the category most directly affected by China's economic readjustments in 1981. With the cancellation of major capital construction projects and the cutback in heavy industrial production, such exports fell by 40 percent from their 1980 level, to below the level they had reached in 1979. Only one item in this category--parts for oil- and gas-processing equipment--appears among the 20 leading U.S. exports in 1981 (table B-3). Most other sales within this category also consisted of parts for machinery and equipment, a further indication of China's cutback in expenditures on new equipment for its heavy-industry sector. Since U.S. controls on the sale to China of the more technologically advanced dual-use equipment were not eased until yearend, exports of computers (classified within SITC Section 7) and measuring and process-control instruments (SITC Section 8) were almost negligible in 1981. Pending license applications to sell the Chinese a wide range of computers and scientific instruments may now be issued in 1982.

U.S. Imports

Imports from China increased from $1 billion in 1980 to $1.8 billion in 1981. Higher U.S. purchases were reported in a wide range of commodities, resulting in a rise in every import category but one (SITC Section 4). Nonetheless, increases in only two products--peanuts (SITC Section 2) and gasoline (SITC Section 3)--accounted for 42 percent of the rise in the overall value of U.S. imports from China. A group of products--textile apparel and accessories (SITC Section 8)--accounted for another 15.5 percent of the increase.

Imports of shelled peanuts from China rose dramatically from $27,378 in 1980 to $151.6 million in 1981. This resulted from a temporary increase in the U.S. quota that normally allows the importation of 1.7 million pounds. 1/ After drought in the United States during the 1980 growing season had reduced the domestic peanut harvest by 42 percent, the quota on peanuts was raised by President Carter in December 1980, pending the results of an investigation by the International Trade Commission. The expanded quota permitted an additional 200 million pounds of peanuts to be imported through June 30, 1981.

Following receipt of the Commission's report, 2/ President Reagan increased the supplemental quota to 300 million pounds for the 1980/81 quota year ending July 31. China supplied 155.2 million pounds, or about

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1/ The price of U.S.-produced peanuts is supported by a Department of Agriculture program. Peanut imports are therefore subject to an import quota under sec. 22 of the Agricultural Adjustment Act. Sec. 22 provides for the imposition of special tariffs or quotas on imports of items that have been found to render or tend to render ineffective, or materially interfere with, price-support programs of the Department of Agriculture.

2/ Peanuts: Report to the President on Investigation No. 22-42 . . ., USITC Publication 1124, January 1981.

52 percent, of the peanuts that entered the United States under the temporarily increased quota; the value of these imports was $148.6 million. The remaining imports of shelled peanuts from China in 1981 entered during the new quota year beginning August 1. Since a normal peanut crop was harvested in the United States in 1981, the quantity of peanuts that may be imported during the quota year August 1, 1981-July 31, 1982, was restricted to the regular 1.7-million pound level.

Imports of peanuts under the temporary supplemental quota accounted for half the $299.3 million in crude-materials imports from China in 1981. Other leading items in this category included natural barium sulfate ($27.4 million), crude feathers ($21.7 million), and tungsten ore ($20.7 million). Barium sulfate is used as a weighting agent in drilling mud, which is now used extensively in drilling oil wells. Imports of this item from China have increased sharply since 1979, reflecting not only a larger demand but also a partial shift in the source of supply. Most U.S. imports previously came from Mexico, where more is now needed for domestic use.

Gasoline was the leading import from China in 1981, amounting to $258.7 million, representing an increase of 216 percent over the value of U.S. purchases in 1980. By comparison, the value of these imports was only $21.6 million in 1979, the first year that the United States bought gasoline from China. Imports from China of petroleum-derived naphthas also continued to increase, from only $3 million in 1979 to $31 million in 1980 and $36.7 million in 1981. On the other hand, U.S. imports of crude petroleum from China have declined. After amounting to $72 million in 1979, no crude oil was imported from China in 1981.

The change in the composition of U.S. oil imports from China resulted from China's efforts to channel most of its petroleum output into domestic uses and to restrict its limited exports to the petroleum products that will maximize foreign-exchange earnings. Domestic consumption of oil has been increasing since the Chinese began to modernize their economy, but the growth of oil output has declined. Production reportedly grew 11 percent in 1978 but only 2 percent in 1979 and 1 percent in 1980. 1/ While China is beginning to develop its offshore oil reserves with the participation of Western companies, offshore oil is not expected to be available on a commercial basis until after the mid-1980's.

Imports of chemicals (SITC Section 5) from China increased by 23.4 percent in 1981, after nearly doubling in 1980. With imports totaling $24.3 million, fireworks were the leading item (table B-4). China accounted for 71 percent of total U.S. imports of fireworks in 1981, and in recent years imports from China have accounted for roughly 60 percent to 70 percent of total U.S. consumption. U.S. purchases of ammonium molybdate, the second leading chemicals import from China, declined from $22.5 million in 1980 to $15.4 million in 1981. Nevertheless, China has captured most of the U.S. market for these imports: its share of the total value of U.S. imports was 96.6 percent in 1980 and over 99 percent in 1981. Ammonium molybdate is used principally to produce molybdenum metal powder. The metal is used an an alloying agent to strengthen and increase the corrosive resistance of steel, cast iron, and nonferrous metals.

1/ The Economist Intelligence Unit, Ltd., Quarterly Economic Review of China, Hong Kong, and North Korea, annual supplement 1981, p. 16.

Manufactured goods classified by chief material (SITC Section 6) increased 60 percent to $370.6 million in 1981. The second largest major category of imports from China, it consisted mainly of two groups of products: certain textile manufactures (floor coverings, other household goods, and fabrics) and metals. Most of the increase in imports occurred in textiles.

Imports of hand-knotted wool carpets from China have increased from only $5 million in 1979 to $36 million in 1980 and $47.2 million in 1981. Probably the most important factor in the growth of these imports was the extension of MFN tariff treatment to products from China in February 1980. This reduced the applicable tariff on carpets from China from 45 percent ad valorem (the col. 2 or discriminatory rate of duty) to 8 percent ad valorem. The United States further reduced the column 1 rate of duty on this item from 8 percent ad valorem to 5.1 percent ad valorem effective January 1, 1981. 1/ China accounted for 29 percent of the U.S. imports of hand-knotted wool carpets in 1981.

U.S. purchases of cotton fabrics from China increased significantly in 1981. The leading items were white cotton shirting, imports of which increased by 39 percent to $29.7 million, and other fabrics largely made of cotton, 2/ imports of which increased from $3.3 million to $15.1 million in 1981 (table B-4).

Since the reopening of trade with China, the United States has bought a relatively small share of its imports of tin from China. Tin imports increased from $13.9 million in 1980 to $22.3 million in 1981, but still accounted for only 3.4 percent of the value and 1.4 percent of quantity of U.S. imports. The United States has also recently become interested in China's reportedly rich supply of strategic and rare metals, 3/ and the Chinese are interested in developing this market to increase their dollar earnings. 4/ To date, the leading import of this type is titanium sponge, which as a finished metal is critical to the manufacture of jet aircraft engines. Imports from China in 1981 were $9.8 million, accounting for 6.7 percent of the quantity of U.S. imports.

Imports from China of miscellaneous manufactured articles (SITC Section 8) were $595.9 million in 1981, representing an increase of 57 percent over their level in 1980. Textile apparel and accessories (gloves, handkerchiefs, and scarves) accounted for 57 percent of the value of these imports, approximately the same share as in 1980. Imports of apparel from China have, however, increased rapidly--from only $55.4 million in 1978 to $219.3 million in 1980 and $342.2 million in 1981. The major items are now subject to specific import ceilings under the United States-China textile agreement that became effective in September 1980. Despite the growth of

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1/ This was the last of the staged reductions of the rate for this item (TSUS item 360.15) as a result of the Multilateral Trade Negotiations.
2/ Tariff Schedules of the United States Annotated (TSUSA) item 326.3092 consists of unbleached cotton-blend fabrics, such as unbleached muslin.
3/ The China Business Review, September-October 1981, pp. 55-73.
4/ Journal of Commerce, July 13, 1981, p. 23B; Business Week, Sept. 7, 1981, pp. 46-48; Journal of Commerce, Oct. 30, 1981, p. 21C.

unrestricted items of apparel in 1981, only one more item (woolen sweaters) was added to the list of those subject to a quantitative restraint. 1/

China's other leading exports to the United States in this category in 1981 were bamboo baskets ($17.9 million) and antiques ($14 million).

1/ See section on "U.S. Administrative Actions Affecting Imports From China," above.

U.S.S.R.

In 1981, for the second year, U.S.-U.S.S.R. economic relations suffered from the U.S. sanctions imposed in retaliation for the Soviet invasion of Afghanistan, though trade was affected to a lesser degree than in 1980. In April, President Reagan revoked the sanctions relating to agricultural exports to the Soviet Union, triggering a partial recovery of U.S.-U.S.S.R. trade over its low 1980 level. Commercial relations also began to thaw until, on December 29, 1981, the President imposed a new round of economic sanctions in response to the Soviet role in the repression of Poland.

Trade between the United States and the Soviet Union increased by 39 percent, from $1.9 billion in 1980 to $2.7 billion in 1981 (table 13). In the pre-embargo year of 1979, this trade amounted to a record $4.5 billion. The U.S. trade surplus with the U.S.S.R. also expanded by 84 percent from 1980 to reach $2 billion in 1981. The favorable balance resulted from a 55-percent increase in U.S. exports to the Soviets in 1981, in combination with a 17-percent decline in U.S. imports from that source.

During the year, the United States exported to the Soviet Union 6.6 times as much by value as it imported. Exports amounted to $2.3 billion. Imports, which already dropped in 1980 to half their 1979 value, fell again to $357 million. Through the years, Soviet trade representatives have repeatedly asked the U.S. Government to strive for a better balance in bilateral trade. However, redressing the imbalance would involve finding Soviet-manufactured goods suitable for the U.S. market--a task of considerable diffculty.

Before 1980, the Soviet Union consistently had been the leading NME trading partner of the United States. In 1980, China displaced the Soviet Union to second position in terms of the value of bilateral trade with the United States. In 1981, the Soviet Union retained second position in terms of overall trade, ranking as the second largest NME market for exports, but only fourth as a NME source of U.S. imports.

Since trade between the two countries resumed in the early seventies, the U.S. share in Soviet trade has remained relatively small. According to official Soviet data, this share was 1.4 percent in January-September 1980 and in the corresponding period of 1981. This was a sharp decline from the 3.4-percent U.S. share in January-September 1979. 1/ Although Soviet trade with the United States rebounded in 1981, it did not increase faster than Soviet trade with all countries combined, leaving the U.S. share in the total unchanged. It is notable, however, that the percentage of Soviet foreign trade accounted for by all advanced industrial countries as a group declined somewhat in January-September 1981 from the percentage in the corresponding period of 1980, as Soviet trade expanded at a faster rate with other Communist countries and, especially, with LDC's. 2/

1/ Statistical supplement of Foreign Trade, U.S.S.R. (a monthly magazine published by the U.S.S.R. Ministry of Foreign Trade), December 1981.
2/ Ibid.

Table 13.--U.S. trade with the U.S.S.R., by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	2,283,330	971,734	1,600,140
1	Beverages and tobacco	2,445	2,773	400
2	Crude materials--inedible, except fuel	564,166	56,187	59,350
3	Mineral fuels, lubricants, etc	23,436	26,464	62,840
4	Oils and fats--animal and vegetable	73,395	28,148	56,089
5	Chemicals	134,421	31,252	180,223
6	Manufactured goods classified by chief material	48,438	24,884	31,993
7	Machinery and transport equipment	363,112	268,857	300,570
8	Miscellaneous manufactured articles	109,814	98,506	46,240
9	Commodities and transactions not elsewhere classified	1,076	922	722
	Total	3,603,632	1,509,728	2,338,567
		U.S. imports		
0	Food and live animals	1,043	1,754	2,675
1	Beverages and tobacco	7,432	5,575	8,423
2	Crude materials--inedible, except fuel	33,151	15,429	17,820
3	Mineral fuels, lubricants, etc	16,113	11,232	106,795
4	Oils and fats--animal and vegetable	7	2/	19
5	Chemicals	67,636	148,038	93,509
6	Manufactured goods classified by chief material	161,086	125,778	99,907
7	Machinery and transport equipment	4,409	3,187	2,366
8	Miscellaneous manufactured articles	32,119	29,468	2,739
9	Commodities and transactions not elsewhere classified	549,600	89,626	22,709
	Total	872,595	430,387	356,961

1/ Standard International Trade Classification.
2/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Economic Relations With the United States

Throughout 1981, the new administration conducted an intensive review of East-West trade policy with special regard to the Soviet Union. The objective was to formulate a policy which would be "consistent with broad U.S. political and strategic objectives." 1/ The policy, elements of which emerged as the year progressed, favored stronger controls on exports of technologies and products of strategic sensitivity to the Soviet Union (and possibly to other NME's except China), but allowed exports of items that would not enhance Soviet military capabilities.

The kinds of specific U.S. controls that should be applied to high-technology and other strategic goods exported to NME's--especially the Soviet Union--was one major issue in the East-West trade policy review. During the year, the Reagan administration called for more stringent unilateral controls on exports to the Soviet Union of those products that incorporate unique U.S. technology, and for multilateral coordination of other exports that would lead to the transfer of advanced technology. 2/ In July 1981, at the economic summit conference of seven industrial democracies in Ottawa, President Reagan called for further restrictions on trade with the Soviet Union. The other leaders attending the summit agreed on the need for consultations and, where appropriate, coordination of their East-West trade policies with the United States. Specifically, they agreed to hold a high-level meeting of the Coordinating Committee for Multilateral Export Controls 3/ and to discuss ways of improving multilateral controls on exports of strategically important items to NME's. 4/

Meanwhile, President Reagan took action in another area during 1981 that favored the expansion of U.S.-Soviet trade. As he promised in his presidential campaign, he lifted the embargo on agricultural exports to the Soviet Union. As a result, commercial relations concerning grain trade were

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1/ Statement by Mr. Myer Rashish, U.S. Department of State, Undersecretary for Economic Affairs, before the House Ways and Means Committee, Subcommittee on Trade, on Oct. 29, 1981.

2/ Testifying before the Senate Foreign Relations Subcommittee in September 1981, Undersecretary of Defense Fred Ikle, Undersecretary of State Mayer Rashish, and Assistant Secretary of Commerce Lawrence Brady each deplored past U.S.--and indirectly Western--liberal trade policies towards the Soviet Union. Mr. Brady stated that this policy was more beneficial to the Soviet Union than to the West, allowing the former "to redirect resources from the civilian to the military sector."

3/ COCOM is a multilateral organization through which the United States and its allies attempt to coordinate controls over the exports of strategic materials and technology to Communist countries. Membership in COCOM consists of the members of the North Atlantic Treaty organization (except Iceland) and Japan.

4/ The first COCOM meeting following the Ottawa conference was held on Jan. 21-22, 1982. That meeting left numerous unresolved differences between the U.S. position--advocating tight controls--and the position of other COCOM members who were more interested in continuing trade with the Soviet Union.

restored between the two countries. In August, U.S. and Soviet delegations agreed to extend for another year the 5-year U.S.-U.S.S.R. grain supply agreement, which was to expire on September 30. The delegations also announced that the possibility of concluding a new long-term agreement would be explored. (However, the sanctions subsequently imposed by President Reagan against the Soviet Union included the postponement of such negotiations for an undetermined time.) Moreover, U.S. officials offered the Soviets the opportunity to purchase grains over and above the volume stipulated in the extended grain supply agreement. 1/

In contrast, the two Governments failed to agree on a new U.S.-U.S.S.R. maritime accord to replace the one that expired on the last day of 1981. In the fall of 1981, U.S. and Soviet officials met to negotiate a new maritime agreement, but according to a statement of the negotiating teams issued in December, "little progress was made." President Reagan suspended further talks planned for early 1982 as one of the sanctions he ordered against the Soviet Union following the imposition of martial law in Poland.

The now-defunct 1975 accord stipulated, among other things, that cargo moving between the two countries should be shared by the flag vessels of the United States, the U.S.S.R., and third countries--each being entitled to handle one-third of the total traffic. However, the participation of U.S. carriers in this trade was low, because they did not find the trade profitable at the negotiated rate. Another important provision of the expired agreement was for access by vessels of each party to ports 2/ of the other parties on 4 days' notice.

The absence of a maritime accord this year restricts access of Soviet vessels to U.S. ports. The United States is requiring Soviet vessels to obtain clearance to use U.S. ports with advance notice of at least 14 days. Also, this clearance is being granted on a case-by-case basis, rather than automatically, as before. It is expected that Soviet ships sailing between the United States and third countries will be hit hardest by this change in procedure.

Nonagricultural commercial relations continued to suffer throughout 1981 from the new administration's declared intention to tighten controls of technology transfer to the Soviet Union. High-technology items account for the major part of nonagricultural exports to the U.S.S.R. U.S. exporters reportedly relaxed their marketing efforts for the second consecutive year and were generally reluctant to enter into binding contracts as they waited for the new administration to formulate its policy.

During the year, the Reagan administration made efforts to develop consistent export control guidelines and to accelerate licensing procedures while reviewing export license applications on a case-by-case basis. Notable approvals of applications included sales of pipelaying equipment worth some $40 million by the Caterpillar Tractor Co. 3/

1/ For a description of the grain supply agreement and of the U.S.-U.S.S.R. consultations on grains, see "U.S. grain and related exports," below.

2/ A total of 40 ports were designated.

3/ See more on this subject in section on "U.S. Exports."

On December 29, President Reagan announced seven economic sanctions against the Soviet Union, which he said "bears a heavy and direct responsibility for the repression in Poland." 1/ Two of the seven sanctions imposed had the effect of tightening technology transfer to the Soviets. The first measure suspended the issuance or renewal of licenses for exports to the U.S.S.R. of electronic equipment, computers, and other high-technology products. The second expanded the list of oil and gas equipment and technology for which licenses for exports to the U.S.S.R. are required, and suspended the issuance of such licenses.

In 1981, Soviet foreign trade officials professed continued interest in a renewed buildup of trade with the United States. Soviet Deputy Minister of Foreign Trade V. Sushkov noted that "even within the bounds of current U.S. ex ort controls there is room for substantial U.S.-Soviet trade in chemicals, food, agriculture and many other sectors." 2/ In an interview with the Journal of Commerce, Yuri A. Kislenko, president of the Soviet trade organization AMTORG, which maintains an office in New York City, proposed 10 steps to spur bilateral trade. These included some type of government-to-government guarantees that contracts would be honored, and U.S. compliance with the longstanding Soviet request to receive most-favored-nation tariff status for their exports to the United States. 3/

In addition to the postponement of negotiating new long-term grain and maritime agreements with the Soviets, and two provisions ordering more stringent export controls, the yearend sanctions ordered by the President included the closing of the Soviet Purchasing Commission in New York City--an office which reportedly places some one-third of orders for nonagricultural exports to the Soviet Union; 4/ the suspension of flights of Aeroflot (the Soviet airline) to the United States; and the nonrenewal of U.S.-Soviet exchange agreements in the areas of energy, space, science, and technology.

Economic Relations With Advanced Industrial Countries

Soviet intentions to expand economic relations with advanced industrial countries were reiterated in the current 5-year plan (FYP) (1981-85). Meanwhile, Soviet officials noted in 1981 that "in recent years . . . normal business cooperation with these countries has seen some setback, mainly due to U.S. policy." The Soviets criticized especially the United Kingdom and Japan for their support of the trade sanctions President Carter imposed against the Soviet Union in 1980. 5/

1/ Presidential Statement issued on Dec. 29, 1981 (published in Business America, Jan. 11, 1982, inside cover page).

2/ Business Eastern Europe, "U.S. Firms Reviewing Strategies for U.S.S.R.," July 17, 1981, p. 1.

3/ The Journal of Commerce, Oct. 14, 1981, p. 1A.

4/ This Commission is not incorporated under U.S. law, but it is an arm of the Soviet Ministry of Foreign Trade.

5/ Nikolai Orlov, Director, Market Research Institute of U.S.S.R., "Problems of Foreign Trade Development in the Light of Decisions of the 26th CPSU Congress," Foreign Trade, U.S.S.R. (a monthly magazine published by the U.S.S.R. Ministry of Foreign Trade), Sept. 10, 1981, p. 12.

The Soviets attribute great importance to those long-term bilateral trade agreements they concluded in the 1970's with Western countries: Austria and France, effective through 1990; Finland, effective through 1995; and the Federal Republic of Germany, effective through 2003. 1/ Most of these accords cover cooperation programs in production research and development. Following the U.S. agricultural embargo of January 1980, the Soviet Union also concluded medium-term agricultural trade agreements with major grain-exporting countries. One, with Brazil, was signed in 1981. 2/ West Germany, France, Japan, and Finland are the principal Soviet trading partners among advanced market economies.

In the opinion of Western observers, the Soviets see the controversial Siberian-European gas pipeline project as a landmark in East-West economic cooperation. The pipeline is planned to be some 3,500 miles long and connect West Siberian natural gas fields with European receiving points. It will be constructed and financed principally by advanced industrial countries outside the Communist bloc. After completion, the Soviet Union will deliver natural gas to seven or eight countries in Western Europe (and to others in Eastern Europe), repaying creditors from the proceeds of gas deliveries.

In 1981, the project came significantly closer to becoming a reality. However, intermittent deadlocks in negotiations and, more recently, the Soviet role in Poland's repression have raised some doubts about its prospects.

The Europeans proceeded with negotiating contracts for the pipeline construction and for gas even after President Reagan warned, in July 1981, about the dangers of dependency on Soviet energy. After protracted negotiations, Ruhrgas--a West German utility company--signed an agreement with Soviet officials in November 1981 to purchase about 45 billion dollars' worth of natural gas over a span of 25 years. This accord is considered the biggest breakthrough thus far towards realizing this ambitious East-West cooperative venture. West Germany will be the major customer for Soviet gas. Agreements similar to that with West Germany are expected to be signed shortly between the Soviets and companies in other Western European countries. 3/

During the year, the Soviets also concluded agreements with Dutch and West German banks on financing the project, and signed contracts and subcontracts with Western firms for purchasing equipment and technology. Other financing and purchasing negotiations are in progress. The West German-French consortium led by Mannesmann Anlagebau and Creusot-Loire and an Italian group led by Nuovo Pignone hold the major contracts for supplying equipment for the project, valued in the billions of dollars.

1/ Ibid., p. 12.

2/ See also "U.S. agricultural and related exports," below.

3/ According to press reports, Gaz de France, a French utility company, also signed a 25-year gas-purchase agreement with Soviet officials in January 1982. This marked the first large East-West accord since the imposition of martial law in Poland.

The project, which is scheduled to be operational in 1984, is generally considered to be critical for sustaining Soviet hard-currency trade at or near current levels. Crude oil--currently the principal hard-currency earner--is expected to ultimately be replaced by natural gas as the single largest source of Soviet hard currency. Deliveries of gas through the completed pipeline will have, therefore, a crucial role in paying for Soviet imports from non-Communist countries of food, feed, and technology, on which the Soviet Union has become increasingly dependent.

In 1981, an apparent decline in Soviet crude oil exports, coupled with the stabilization of oil prices (and their decline on spot markets), contributed to a deterioration in the Soviet hard-currency trade balance. The decline in oil revenues was compounded by an unprecedented surge in Soviet expenditures for Western food and feed during the year. The Wharton Econometric Forecasting Service estimated that the Soviet hard-currency trade deficit would be some $13.8 billion by the end of 1981, well exceeding the record hard-currency deficits the Soviet Union had in the mid-1970's.

Soviet data show an 8-percent growth in their exports to "industrial capitalist countries," and a 20-percent growth in their imports from them between January-September 1980 and the corresponding period of 1981. The marked slowdown in the expansion of Soviet exports to the West during the year led to a decline in the share of advanced countries in Soviet trade, as was mentioned earlier.

The need to extend economic assistance to Poland exacerbated the Soviet hard-currency shortage. The Soviets finance their hard-currency trade deficits largely with sales of gold, 1/ armaments, shipping services, and, more recently, by borrowing from the West. In 1981, Soviet gold sales were reported at their highest levels since 1978, 2/ and the Soviet hard-currency debt increased as well. The large amount of credit the Soviets obtained from Western banks during the year contrasts sharply with the well known previous Soviet policy of moderate borrowing.

Most of the Soviet hard-currency debt--$9.6 billion net debt 3/ at the end of 1980 4/--was accumulated during the mid-1970's, when the Soviets were compelled to borrow heavily to finance their record trade deficits with the West. The Soviet Union repaid some of these loans thereafter, they rescheduled others, and they accumulated record deposits with Western banks. In 1981, however, the Soviets were reported to be borrowing again, and to be holding back on repayment of their debt. They were also withdrawing substantial amounts from Western banks, which added materially to their net hard-currency debt.

In the current FYP, Soviet trade with advanced industrial countries is intended to expand at a slower rate than trade with other NME's and with LDC's. 5/ This planned reversal of the last several years' trend reflects the

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1/ In Soviet statistics, gold bullion is not included in merchandise trade.
2/ Soviet gold sales are also discussed below in section on "U.S. Imports."
3/ Gross debt equals liabilities to governments, commercial banks, and other lenders. Net debt equals gross debt less financial assets, which consist of deposits placed with Western banks.
4/ As estimated by the Central Intelligence Agency.
5/ Business Eastern Europe, Dec. 4, 1981, p. 1.

declining availability of Soviet petroleum for export. 1/ Meanwhile, the plan retains an explicit invitation for Western participation in modernizing Soviet production, especially in the areas of chemicals, energy, and steel.

Economic Developments

The 1981 Soviet hard-currency shortage resulted in major part from deteriorating performances in two major areas of the Soviet economy: petroleum and, especially, agricultural production. Worsening conditions of petroleum extraction in the Soviet Union apparently reduced the availability of petroleum for export. On the Soviet import side, a third consecutive crop failure boosted Soviet expenditures for foreign farm products to unprecedented levels. Much of Soviet food and feedstuff imports must be purchased for hard currency.

In 1981, Soviet crude oil production amounted to 609 million tons, only 1 percent above 1980 levels. 2/ The leveling off of Soviet petroleum output had been predicted by Western analysts for years; the small increase reflected, among other things, the depletion of resources in certain oilfields and inadequate technology applied under more difficult conditions of extraction. 3/ In November 1981, 630 million tons were specified as the final 1985 petroleum output target in the 11th FYP, indicating that modest growth in output is projected throughout the plan period.

In 1981, the Soviet Union had the worst grain harvest in the last 6 years, 4/ which led to the need for massive grain imports. According to some estimates, Soviet food imports--including grains, meat, and sugar--may have reached $10 billion in 1981. 5/

At a plenary session of the Communist Party Central Committee on November 16, 1981, Soviet leader Leonid Brezhnev admitted a breakdown in food supply, especially in meats and dairy products. Referring to the 11th FYP (1981-85), he stated that "the food problem is, economically and politically, the central problem." 6/ He described the plan as "difficult and demanding" and said that it will call for "double and treble our efforts to carry out." 7/ On November 17, 1981, Nikolai Baibakov, chairman of the Soviet State

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1/ The New York Times, Dec. 6, 1981, p. 17.
2/ Foreign Broadcast Information Service (FBIS), Jan. 25, 1982, p. S 1.
3/ According to most recent CIA estimates, Soviet petroleum output will decline in the 1980's, although not as precipitously as the CIA predicted earlier. Other U.S. sources (including the U.S. Defense Intelligence Agency) and foreign sources (including the U.S.S.R. itself) project slightly increasing Soviet petroleum production.
4/ The Soviet grain crop is discussed in "Exports of agricultural and related items" later in this section.
5/ Business Eastern Europe, Dec. 4, 1981, p. 389.
6/ The Journal of Commerce, Nov. 17, 1981, p. 11A.
7/ The Washington Post, Nov. 17, 1981, p. A 28.

Planning Committee, also conceded serious shortfalls in the Soviet economy, announcing that 1981 production goals for agriculture, construction, coal, and steel output would not be met. 1/ However, he asserted that the final goals of the 11th FYP would be fulfilled, despite certain difficulties that had been encountered in its first year. 2/

Experience with past FYP's has shown, however, that the Soviets frequently set unattainable goals. The targeted level of grain production is a good example. It is slated in the current FYP to attain an annual average of 239 million tons. As the Russian Research Center of Harvard University points out, the Soviets must produce a yearly average of 255 million tons of grains in the remaining 4 years of the FYP to fulfill this highly ambitious target. 3/ The USDA estimated Soviet grain production in 1981 at 175 million tons or less. According to this estimate, output in 1979-81 averaged 181 million tons, remaining materially below target each year.

The tabulation below shows selected major targets for the 11th FYP and the stipulated percentage increases over actual production in 1980: 4/

Item	1980 actual output	1985 target	Percentage increase
Electricity----------billion kwh--	1,295	1,555	20
Petroleum-----------million tons--	603	630	4
Natural gas-----------billion m---	435	640	47
Coal----------------million tons--	716	775	8
Rolled steel----------------do----	103	118	15
Mineral fertilizers---------do----	104	151	45
Grain-----------------------do----	1/ 205	2/ 239	17

1/ Average 1976-80.
2/ Average 1981-85.

The data show rapid growth planned for output of natural gas and mineral fertilizers. The 1981 target for natural gas was reportedly exceeded by one-half, and the target for fertilizers was met.

1/ Preliminary data released on Jan. 23, 1982, on the fulfillment of the 1981 plan show that national income rose 3.2 percent in 1981 compared with a planned 3.4 percent; industrial production rose 3.4 percent but was well below target; and agricultural production declined. Data on grain output, which was estimated by the USDA at 175 million tons, were not released by the Soviets. Soviet data show, however, a shortfall for most other major crops, such as sugar beets, oilseeds, and vegetables.

2/ The 11th FYP was discussed in the 25th Quarterly Report . . ., p. 52, on the basis of target ranges the Soviets made public in a draft plan in March 1981. The recently announced final form of 11th FYP does not differ significantly from the draft plan; it mostly specifies targets within the ranges announced earlier.

3/ RRC Newsletter, Dec. 4, p. 2.

4/ Ibid., and Business Eastern Europe, Dec. 4, 1981, p. 389.

The most notable feature in the official FYP is a $42-billion reduction in funds that were originally allocated as capital construction in the draft plan. Capital investment is slated to grow at a modest 10.4 percent (2 percent annually), compared with 24 percent (4.4 percent annually) in the 10th FYP. 1/ Chairman Brezhnev pointed out in November that fewer major industrial projects will be undertaken than planned originally, the emphasis being on modernizing existing facilities.

Analysts attribute a variety of reasons to the cutback, which include poor Soviet industrial performance in some areas, the large hard-currency expenditures generated by the harvest failure that will preclude some high-technology imports, the commitment of the Soviets to aid Poland, and a presumed shift of resources from projects for the civilian economy into increased defense spending.

In November, Soviet leaders reiterated their earlier promise that the FYP will result in better and more consumer goods. However, according to a CIA-commissioned report of August 1981, living standards in the Soviet Union are likely to improve much more slowly than in the past. In the words of the report: "Progress in raising living standards is likely to slow to a crawl and the consumer sector will remain fourth-class when compared with Western economies." 2/

The same report recalls that 20 years ago, the Soviet Communist Party promised to provide the people with the highest living standard in the world by 1980. Showing comparative consumption statistics, the report points out that "events have turned out quite differently." 3/ Describing the everyday struggle of Soviet citizens with shoddy goods and services, queues and shortages, black markets and corruption, it concludes that "the Soviet Union is the world's most underdeveloped developed country." 4/

U.S. Exports

U.S. exports to the Soviet Union rebounded in 1981 to $2.3 billion from $1.5 billion in 1980 (table 13). Items the Soviets needed for their feed-livestock complex were under full and/or partial U.S. embargo through most of 1980, but the restrictions were in effect only during January-April 1981. Table 14 compares exports in 1981 with exports in the embargo year of 1980 and in preembargo years. The data show that the revocation of the restrictions has not fully restored grain exports to the U.S.S.R., and that soybean exports hardly resumed at all. Meanwhile, the value of phosphate sales rose above preembargo levels. High-technology exports, for which President Carter's sanctions have remained in place, continued to decline, even before such exports came under a new round of restrictions at the end of 1981.

1/ No information is available on the amount of the originally targeted capital funds and on what percentage thereof the $42-billion reduction represents.

2/ Consumption in the U.S.S.R.: An International Comparison, a study submitted to the Joint Economic Committee, 97th Cong., 1st Sess. (1981), p. VIII.

3/ Consumption in the U.S.S.R., p. V.

4/ Ibid., p. VIII.

In 1981, agricultural exports amounting to $1.7 billion constituted 71 percent of all U.S. exports to the U.S.S.R., compared with 69 percent in 1980 and 79 percent in 1979.

Exports of agricultural and related items

On April 24, 1981, President Reagan revoked the limitation on U.S. agricultural exports and exports of phosphatic fertilizers to the Soviet Union. The embargo had been imposed by President Carter in early 1980 in response to the Soviet invasion of Afghanistan. 1/ In announcing his decision, President Reagan recalled his earlier opposition to the curb on these sales "because American farmers had been unfairly singled out to bear the burden of this ineffective national policy." 2/ The President further stated that his decision followed careful consideration of national security, foreign policy, and agricultural needs.

The revocation covered all restrictions on exports relating to Soviet feed and livestock production--most notably the partial embargo on grain and the full embargo on U.S. sales of soybeans and phosphatic fertlizers. The terms of the 1975 U.S.-U.S.S.R. grain supply agreement 3/ required special authorization for Soviet grain purchases in excess of 8 million tons, and U.S. permission for such sales was subsequently granted in June. Sales of soybeans and phosphatic fertlizers to the U.S.S.R., however, had been permitted to resume immediately after it was announced in April that the embargo had been rescinded.

Grains.--The embargo limited sales to the Soviet Union in excess of 8 million tons of grains a year in the fourth and fifth years (October 1, 1979, through September 30, 1981) of the grain supply agreement. Under this accord, the United States was committed to sell at least this amount of grain in each agreement year.

In June 1981, the United States and the U.S.S.R. held their first consultations on grain trade following the lifting of the embargo. This meeting resulted in the United States authorizing the Soviets to purchase 6 million tons of U.S. grain for delivery before September 30, 1981. This amount was over and above the minimum sales commitment for the fifth (1980/81) agreement year of 8 million tons that the Soviets had already exhausted by April 1981. At the same meeting, the U.S. Government also authorized the Soviet Union to purchase up to 6 million tons of grain for delivery after September 30, 1981.

1/ For earlier discussions of Presient Carter's restrictions on exports to the Soviet Union and various implications of these restrictions, see the 22d, 23d, 24th, 25th, 27th and 28th reports in this series.

2/ Weekly Compilation of Presidential Documents, Apr. 27, 1981, p. 465.

3/ This agreement was signed with the objective of smoothing out the wide yearly fluctuations in Soviet grain purchases from the United States. Under its terms, the Soviets agreed to purchase at least 6 million tons, and the United States agreed to offer for sale at least 8 million tons of U.S. wheat and corn combined in each agreement year from Oct. 1, 1976, to Sept. 30, 1981.

The expiration date of the grain supply agreement (September 30, 1981) was close when the President lifted the grain embargo in April. U.S. grain interests were therefore anticipating a new long-term accord that would assure predictable and sizable sales to the Soviet Union for the coming years. Instead, on August 5, 1981, the United States and the Soviet Union agreed to extend the existing agreement for still another year. The one-year extension applied the same conditions as the initial agreement: the Soviets are required to buy at least 6 million tons of grains from October 1, 1981, through September 30, 1982, but may purchase an additional 2 million tons without consulting the U.S. Government. The United States is committed to make up to 8 million tons of grains available in this period for shipment to the Soviet Union, including those 6 million tons which already had been informally offered in June for delivery after September 1981.

In September 1981, the delegations of the United States and the Soviet Union met again for a regular consultation, as stipulated by the extended grain supply agreement. At the conclusion of this meeting, it was announced that the United States would make 15 million tons of grains available to the U.S.S.R. in the period ending September 30, 1982, in addition to the earlier U.S. commitment to sell 8 million tons under the extended agreement. 1/ The offer raised the volume of U.S. grains the Soviets could buy in the sixth agreement year to 23 million tons. This total was only 2 million short of the 25 million tons of U.S. grains allowed the Soviets during October-September 1979/80--the largest value of exports ever authorized under the grain supply agreement. 2/

While U.S.-U.S.S.R. relations in the grains area returned to near-normal, prospects for the Soviet grain harvest became worse as the year progressed. The USDA estimated the Soviet grain crop in 1981 at 175 million tons, 61 million short of target and their third consecutive harvest failure. 3/ The Soviets have not released data on the 1981 crop.

The USDA expects the Soviets to establish a new record for grain imports in order to offset their domestic production shortfall. Soviet grain imports of 42 million tons for July-June 1981/82 are projected. This would be 8 million tons more than the U.S.S.R. imported in 1980/81. USDA believes the total sales would include 22 million tons of coarse grains, 19 million tons of wheat, and 1 million tons of other grains. 4/

Expectations of record Soviet grain imports coincide with unusual pressures on U.S. farmers to export more. The strength of the dollar has weakened U.S. export opportunities at a time of bumper domestic wheat and coarse grain crops, abundant exportable supplies from other major grain producers, and weak market conditions in the United States and abroad.

1/ USDA, Foreign Agricultural Service, Foreign Agriculture Circular, FG-36-81, p. 3.

2/ Following their invasion of Afghanistan, the U.S.S.R. was not allowed to take advantage of this preembargo authorization. Because of the partial grain embargo, actual U.S. grain sales to the Soviets in 1979/80 did not exceed the original U.S. commitment of 8 million tons under the grain supply agreement.

3/ USDA, Foreign Agricultural Service, Foreign Agriculture Circular, FG-4-82, Feb. 11, 1982, p. 1.

4/ Ibid.

The Soviets reentered the U.S. grain market in July 1981, purchasing 1.6 million tons of grains under the June authorization of 6 million additional tons for delivery before September 30, 1981. This pushed Soviet grain purchases in the fifth agreement year of the grain supply accord to 9.6 million tons, compared with 8 million tons in the "embargo year" of 1979/80 and over 15 million tons in the preembargo year of 1978/79. The Soviets have taken a larger portion of the authorization for delivery after September 30, 1981--the sixth year of the extended agreement. They were authorized to purchase a total of 23 million tons during this year. Through the end of 1981 they purchased 10.9 million tons of this amount. 1/ Some analysts believe that the Soviets might be able to meet most of their needs in 1981/82 from non-U.S. sources--mostly Argentina, Canada, Western Europe, and Australia--especially if crops in the Southern Hemisphere are favorable. 2/

In calendar year 1981, U.S. grains delivered to the U.S.S.R. under the grain supply agreement and other provisions amounted to $1.6 billion, half corn and half wheat, by value (table 14). In contrast, corn amounted to some two-thirds of the total in 1980. In 1981, grain exports constituted 64 percent of all U.S. exports to the U.S.S.R., compared with 62 percent in both 1979 and 1980. Grains are classified in SITC Section 0 (food and live animals), which is therefore the dominant category of U.S. exports to the Soviet Union (table 13). Grains account for most exports in this SITC section, which also includes other items that were important in U.S. exports in 1981: sugar and hops (table B-5).

The new sanctions President Reagan announced at the end of the year do not directly affect grain sales to the Soviet Union. However, the postponement of negotiations on a second long-term grain agreement has resulted in new uncertainty over the future of grain sales to the U.S.S.R. and, according to spokesmen for farming interests, this has depressed prices. Farmers also believe that the current absence of a U.S.-Soviet maritime agreement, which limits access of Soviet vessels to U.S. ports, further clouds the prospects for grain trade with the U.S.S.R. 3/

Before the imposition of the grain embargo, the United States had been the primary grain supplier of the Soviet Union, accounting for three-fourths of total Soviet grain imports during July-June 1978/79. The U.S. share of the total in July-June 1980/81 was only 24 percent, reflecting the effect of the embargo.

Phosphates.--The embargo on phosphate sales ended in April 1981, and shipments resumed in July. The United States sold 540,557 short tons of phosphates to the Soviets, valued at $166 million, during the rest of the year. In 1979, the first and only preembargo year of phosphate sales to the Soviet Union, the volume of exports was about the same. Shipments in 1980 were negligible because of the embargo. With the resumption of phosphate sales in 1981, chemical sales (SITC Section 5) to the U.S.S.R. increased almost 5 times over the 1980 level (table 13).

1/ USDA, Foreign Agricultural Service, Foreign Agriculture Circular, FG-4-82. Feb. 18, 1982, p. 2.

2/ Business Week, Jan. 18, 1982, p. 26.

3/ Statement of Michael Hall of the National Corn Growers Association, reported in The Washington Post, Dec. 31, 1981, p. 1.

Phosphate exports to the U.S.S.R. are in the form of superphosphoric acid (SPA), of which the United States is the only major exporter. This is a highly concentrated liquid substance from which fertilizers are made. Exports are being made under the terms of a 20-year countertrade agreement, concluded between Occidental Petroleum Corp. of California and the Soviets in 1973. The accord stipulates that Occidental is to receive anhydrous ammonia, urea, and potash from the Soviet Union, 1/ and in exchange, the Soviets are to be provided with 1 million metric tons of SPA annually during 1980-97. Because of the 1980 embargo, Occidental has not been able to fulfill its trade commitments to the Soviet Union, but the U.S.S.R. has continued to sell ammonia to the United States.

Foreign phosphates are especially critical for Soviet agriculture, as agricultural soils in the Soviet Union are deficient in phosphorus. Phosphate fertilizers account for a comparatively small part of Soviet fertilizer production, which is dominated by nitrogen fertlizers. In their previous two 5-year plans and the current one, the Soviets have given priority to the development of their phosphate deposits and construction of phosphoric acid plants. The 45-percent growth they targeted for all fertilizer production in the current FYP for 1981-85 (see tabulation in section on "Economic Developments") is one of the plan's most ambitious objectives.

In spite of the plan, domestic supplies have apparently not grown fast enough to satisfy Soviet demand, since during the U.S. embargo, the Soviets were searching for alternative sources of phosphates. They reportedly found some supplies in Morocco and other countries, but not nearly enough to replace U.S. deliveries. Therefore, renewed trade in SPA with the United States is considered currently very much in the Soviet interest. 2/ By the same token, exports to the U.S.S.R., which is the leading market for SPA, are significant for the U.S. industry. In 1981, both U.S. exports and domestic sales of phosphatic acids and fertilizers declined below 1980 levels, and the U.S. industry was operating well below capacity.

The U.S. industry welcomed the export opportunities to the Soviet Union that were restored in April 1981, but the resumption of shipments was by no means problem free. During the embargo, the U.S. supplier converted some of its facilities to produce regular "merchant-grade" phosphoric acid, which could be more easily sold domestically and in international markets. After the embargo had been revoked, these facilities had to be reconverted to the production of SPA.

Soybeans and soybean products.--Although the embargo on soybeans and soybean products was lifted in April 1981, U.S. exports to the U.S.S.R. resumed only in the fourth quarter. 3/ Soybeans have not returned to the list

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1/ See "U.S. Imports," below.

2/ Chemical and Engineering News, May 4, 1981, p. 4.

3/ However, the USDA's Foreign Agricultural Service reports that the Soviets purchased 500,000 tons of soybeans in the third quarter for delivery after 1981.

of leading U.S. exports to the Soviet Union; in fact, 1981 shipments were even smaller than those in 1980. In 1979, the last year before the embargo, the United States sold 1.8 million tons of soybeans to the U.S.S.R., accounting for virtually all of their imports, and also exported soybean oil to them.

The 1980 embargo resulted in a substantial shift of trade patterns. The Soviets imported more than 1 million tons that year from Argentina and Brazil, their principal postembargo suppliers of soybeans, soybean products, and other agricultural items. The Soviet Union concluded long-term agricultural trade agreements with Argentina in 1980 and with Brazil in 1981.

The USDA's Foreign Agricultural Service estimated in October 1981 that Soviet soybean imports would amount to 1.3 million tons in 1981--two-thirds from Argentina and one-third from Brazil. 1/ They further projected substantial Soviet imports of soybean meal, mainly from Brazil and the Netherlands.

For 1982, the Foreign Agricultural Service projected that the Soviet market for soybeans and soybean products will remain strong. They believe that prospects for U.S. sales to this market will mostly depend on the weather and crops in the Southern Hemisphere and, of course, general developments in U.S.-U.S.S.R. relations. 2/

Other agricultural exports.--In 1981, other leading agricultural exports to the U.S.S.R. included sugar and hops (SITC Section 0) and tallow (SITC Section 4). Exports of hops increased by volume and, even more, by value (table B-5). In 1978/79, the U.S.S.R. was the leading market for U.S. hops; subsequently, Canada, Brazil and West Germany replaced the Soviets as major destinations of U.S. exports.

Other exports

Unlike agricultural items and phosphatic fertilizers, exports to the U.S.S.R. of advanced technology and items produced with such technology have remained throughout 1981 under the restrictions (validated licenses required) imposed by President Carter. 3/ A further tightening of strategic technology transfer to the Soviet Union had been foreshadowed in pronouncements of President Reagan and U.S. Government officials, even before such measures were actually imposed in December 1981. Many export license applications during the year have been refused. High-technology exports to the Soviet Union declined steadily from $234 million in 1979 to $92 million in 1981 (table 14).

1/ USDA, Foreign Agricultural Service, USSR Fats and Oils Annual Report, 1981 (attache report), Oct. 29, 1981.

2/ Ibid.

3/ In 1981, the U.S. Department of Commerce continued to maintain the so-called Commodity Control List (CCL) of items that require validated licenses for exports. Licensing requests for items on the CCL have remained subject to review on a case-by-case basis, with more stringent criteria for approval applied to the Soviet Union than to other NME's.

Table 14.--U.S. exports to the U.S.S.R. of principal commodities affected by 1980 U.S. trade sanctions, 1/ 1976-81

(In millions of dollars)

Commodity	1976	1977	1978	1979	1980	1981
Agricultural items:						
Corn	1,078.4	396.6	1,055.7	1,402.1	602.2	781.7
Wheat	250.0	426.8	355.8	811.7	336.1	772.6
Soybeans	124.7	154.3	199.8	489.3	45.3	8.4
Barley	-	-	-	31.0	-	-
Soybean oilcake and meal	-	1.6	.2	22.5	-	-
Tallow	-	-	18.7	57.6	2/ 28.1	48.5
Total	1,453.0	979.3	1,630.2	2,814.3	1,011.7	1,611.2
High-technology items:						
Oil- and gas-drilling equipment	118.3	83.7	74.6	123.0	42.4	40.3
Computers	17.4	5.9	18.0	22.6	.4	3.2
Other high-technology items	114.2	113.7	90.0	88.1	75.3	48.6
Total	249.8	203.3	182.7	233.7	118.1	92.1
Phosphates	-	3/	-	93.6	17.4	166.1
Total affected exports 4/	1,702.8	1,182.6	1,812.9	3,141.6	1,147.3	1,869.3
Total U.S. exports to the U.S.S.R	2,305.9	1,623.5	2,249.0	3,603.6	1,509.7	2,429.7

1/ Items of relatively minor export value--for example, those of potential strategic importance but not high technology--have not been included. On the other hand, exports in the high-technology category are overstated for the reasons discussed in the 22d Quarterly Report to the Congress and the Trade Policy Committee on Trade Between the United States and the Nonmarket Economy Countries During January-March 1980, USITC Publication 1081, June 1980, p. 43.

2/ Licensing of tallow for nonagricultural uses was allowed.

3/ Less than $50,000.

4/ Some grain was shipped under provisions of the grain supply agreement of 1975 and so was not subject to the embargo. The total affected exports are overstated by this amount.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Nonetheless, the case-by-case scrutiny of these applications has resulted in some notable approvals. In August 1981, the Department of Commerce issued an export license to the Caterpillar Tractor Co. for the sale of 100 pipelaying tractors, worth some $40 million, on the condition that the Soviets would not use them for building the Siberian-European pipeline. In November, Caterpillar was tentatively authorized to sell 200 more pipelayers, worth some $80 billion. However, the yearend suspension by President Reagan of all oil and gas equipment sales to the Soviet Union prevented the actual issuance of this license. 1/

In December, the Commerce Department approved a license for the International Harvester Co. to sell the Soviets some 300 million dollars' worth of technical data and plant specifications over the next 5 years. These would be used to build a factory that will produce combines and other harvesting equipment. This authorization came shortly following International Harvester's announcement of heavy losses in FY 1981. Malcolm Baldridge, Secretary of Commerce, explained that this act is consistent with the U.S. Government's East-West trade policy, which "does not consider the manufacture of combines one of the Soviet's defense priority industries." 2/

At the end of the year, President Reagan expanded the list of energy-related equipment and technology under export controls, in addition to suspending the licensing of all energy-related sales and other transactions that would result in high-technology transfer. Spokesmen for U.S. oilfield and gasfield equipment producers reportedly agree that sales to the Soviet Union are minor in proportion to their overall sales. 3/ By the same token, no more than 3 percent of Soviet high-technology imports originate in the United States, as the U.S.S.R. relies heavily on Western Europe and Japan for its needs. 4/ The impact of the new high-technology restrictions will therefore be felt mostly in a few specific areas where U.S. technology is difficult to replace. 5/

The major part of U.S. exports in the machinery and transportation category (SITC Section 7) has been of items to which strategic export restrictions are not applicable. Yet, sales in this second largest category of U.S. exports to the U.S.S.R. amounted to only $301 million in 1981; they rose only 12 percent in value from that in 1980, which indicates a decline in real (volume) terms (table 13). Tracklaying tractors, tractor parts and parts of motor vehicles, and certain machine tools continued to be among the leading export items in the group (table B-5). Another important item was pipehandlers, which were shipped under the license awarded to Caterpillar during the year.

1/ The Washington Post, Dec. 31, 1981.
2/ The Journal of Commerce, Dec. 1, 1981, p. 5A.
3/ Ibid., Dec. 31, 1981, p. 7A.
4/ Ibid.
5/ For example, in January 1982, the General Electric Co. (GE) was denied permission to sell 175 million dollars' worth of components to its European licensees for compressor turbines. These turbines were under contract to be supplied by European GE licensees to the Soviets for the planned Siberian-European pipeline. The GE components are believed to represent unique U.S. technology; therefore, their unavailability may slow down the building of the pipeline.

There were also some notable developments in 1981 in exports to the U.S.S.R. in the minor SITC sections. Exports of mineral fuels and lubricants (SITC Section 3) soared by 142 percent, reflecting larger sales of petroleum coke, insulating or transformer oils, and lubricating oils (tables 13 and B-5). Conversely, exports of miscellaneous manufactured articles (SITC Section 8) dropped during the year, owing largely to sharply declining exports of pressure-sensitive tapes. Exports of cigarettes and other tobacco products to the Soviet Union also declined and were negligible in 1981.

U.S. Imports

Although not directly affected by the trade sanctions of President Carter, U.S. imports from the Soviet Union began to decline in 1980 and continued to fall in 1981 (table 13). Total imports amounted to $357 million in 1981, 17 percent less than in 1980 and 59 percent less than in 1979. In 1980, nonmonetary gold was the single item that decreased most significantly. In 1981, falling imports in two major import categories--chemicals and manufactured goods classified by chief material--shared with gold the responsibility for the decline. The steep downtrend has been slowed somewhat by imports of mineral fuels and lubricants. The value of these items entering the United States during the year was almost 10 times more than in 1980.

These developments are reflected in the changes the composition of imports from the U.S.S.R. underwent during the year. SITC Section 9 (commodities and transactions not elsewhere provided for), in which the main item is gold bullion, continued to lose its importance as a major import category from the Soviet Union. This section was by far the leading one in 1978 and 1979, but ranked only third in 1980, and was fourth in 1981 (table 13). Chemicals (SITC Section 5), which was the leading group in 1980, became third in 1981. Conversely, mineral fuels and lubricants (SITC Section 3), a minor category in earlier years, led imports from the Soviet Union in 1981, accounting for almost one-third of the total.

Imports of mineral fuels and lubricants (SITC Section 3) amounted to $11 million in 1980 and $107 million in 1981. Light fuel oils were number 1 among the 20 leading specific import items from the U.S.S.R. (table B-6). Heavy fuel oils and naphthas--also leading items--accounted for the balance of imports in this group.

In both 1980 and 1981, manufactured goods classified by chief material (SITC Section 6) ranked as the second major import category from the Soviet Union (table 13). Imports in this section--mostly nonferrous metals--declined by 21 percent to $100 million in 1981. Platinum group metals--especially palladium, rhodium, and palladium bars and plates, which in recent years made up some two-thirds of the total--entered in significantly smaller amounts in 1981 (table B-6). For some of these items, the drop in import values reflects a decline in both price and volume.

Running counter to this trend were imports of nickel, which surged 81 percent by value to $38 million in 1981. According to trade sources, the Soviets were aggressive sellers of nickel during the year, and the large supplies they offered depressed prices in an already weak market. 1/ The other notable positive development in section 6 was an increase in imports of wood veneers.

1/ American Metal Market, Nov. 2, 1981, p. 35.

The expansion in imports of Soviet chemicals (SITC Section 5) that took place in 1979 and 1980 ended in 1981. Imports amounted to $93.5 million, down 37 percent from their 1980 level (table 13). Two items--ammonia and uranium fluoride and compounds, which account for virtually all U.S. imports of Soviet chemicals--were responsible for the decline.

Soviet anhydrous ammonia is the counterpart on the import side of the phosphates the United States exports to the U.S.S.R. under the 20-year countertrade agreement with Occidental Petroleum. 1/ At the end of 1979, and again in the early part of 1980, ammonia imports from the U.S.S.R. faced restrictions by the U.S. Government on grounds of possible market disruption. The issue was ultimately resolved by a negative vote of the U.S. International Trade Commission in March 1980, 2/ and no restrictions on imports of Soviet ammonia are currently in effect. Nonetheless, in 1981, imports declined 18 percent by volume, to 796,351 short tons.

Ammonia has been the main Soviet export item in the countertrade arrangements the U.S.S.R. concluded with many advanced industrial countries. These agreements have also involved sales of other "energy intensive" chemicals to the West. Soviet efforts to honor these countertrade commitments reportedly have been jeopardized by some weaknesses in their economic performance, such as problems with quality, transportation, packaging, and handling. 3/

U.S. imports of Soviet gold bullion (SITC Section 9) fell to 0.04 million troy ounces in 1981 from 0.13 million in 1980 and 1.6 million in 1979. The decline was even more precipitous by value (table B-6). Gold accounted for only 6 percent of U.S. imports from the U.S.S.R. in 1981, compared with 19 percent in 1980 and 63 percent in 1979.

The Soviet Union ranks as the world's second largest gold producer after the Republic of South Africa. Unlike South Africa, the Soviet Union does not release information on its gold production and holdings, nor does it conduct sales openly on world markets. Soviet gold exports are apparently determined by prevailing hard-currency requirements that cannot be met from other sources.

Declining Soviet gold sales to the United States contrast sharply with a surge of Soviet gold sales to third countries during the year. Before 1981, soaring gold prices allowed the Soviets to reap high profits in world markets from the sale of nonmonetary gold, even while successively reducing the volume of their sales. In the second half of 1981, however, the Soviets were compelled to increase their gold sales sharply, despite steeply falling prices. Even though prices plunged to $400 and less per ounce in 1981, sales tripled to an estimated 250 tons, indicating an urgent need for hard currency. 4/ In 1980, when prices peaked at over $800 per ounce and averaged

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1/ See "Exports of Agricultural and Related Items," above. This agreement was discussed in a special section on ammonia in the 16th Quarterly Report . . ..

2/ See 25th Quarterly Report . . ., p. 61.

3/ Business Eastern Europe, Sept. 19, 1980, p. 300.

4/ The Journal of Commerce, Jan. 7, 1982, p. 15D.

$600 per ounce, Soviet gold sales amounted to only some 80 tons. Especially in the second half of 1981, heavy Soviet gold sales--and expectations of still further sales--are believed to have sustained the downward pressure on gold prices in world markets.

Metal coins and paintings, which in the past made up most U.S. imports from the U.S.S.R. in SITC Section 8 (miscellaneous manufactures), were negligible in 1981 and disappeared from the list of leading items. Some other products, classfied in historically less important SITC sections of imports from the Soviet Union, fared relatively well during the year. Notable is the reappearance of vodka (SITC Section 1) as a leading import item (table B-6), after its absence from the list in 1980.

Eastern Europe

Aggregate Trade Trends

Following an 8.2-percent increase from 1979 to 1980, trade turnover between the United States and the countries of Eastern Europe 1/ declined by 6.3 percent from 1980 to 1981. This was only the second time in the last decade that the value of trade with Eastern Europe has registered a year-to-year decline. U.S. exports to each of the Eastern European countries except Bulgaria contracted in 1981, by 18.6 percent overall. Conversely, U.S. imports from each of these countries (except Poland) rose during the year, producing an overall increase of 23.9 percent. 2/ The positive balance of trade that the United States traditionally enjoys with this group of countries was thus diminished, falling to just over half its 1980 level of $1.4 billion.

The $3.1 billion in 1981 two-way trade with the countries of Eastern Europe represented 27 percent of U.S. trade with all NME's. Trade with Eastern Europe in 1981 was greater than trade with the Soviet Union but was significantly less than trade with China. Among these countries, Romania and Poland each accounted for more than one-third of U.S. trade with Eastern Europe in 1981. The other countries, in order of their trade significance, were East Germany, Bulgaria, Hungary, and Czechoslovakia. A notable change that occurred from 1980 to 1981 was Poland's drop from first to second place among Eastern European trading partners of the United States. Polish-U.S. trade contracted sharply because the supply of Polish goods available for export was limited by economic disruptions and because credits from the West to finance imports were curtailed.

U.S. exports to Eastern Europe were valued at $1.9 billion in 1981 (table 15), the lowest level since 1978. These exports accounted for nearly one-quarter of all goods shipped to NME's from the United States in 1981. Nearly three-quarters of all U.S. shipments to the Eastern European NME's were classified in SITC Section 0--food and live animals, and consisted of grain. Inedible crude materials, except fuel (SITC Section 2) and machinery and transport equipment (SITC Section 7) together accounted for slightly more than 15 percent of U.S. exports to the area. Virtually all of the shipments in the mineral fuels and lubricants category (SITC Section 3) were bituminous coal for Romania. Similarly, of the U.S. chemical shipments (SITC Section 5) to Eastern Europe, nearly half went to Bulgaria and consisted largely of superphosphates used for fertilizer.

Recording their highest level ever, U.S. imports from Eastern Europe were valued at $1.2 billion in 1981. The dramatic increase in imports from 1980 to 1981, occurring at a time when Western policymakers and commercial bankers were increasingly aware of the hard-currency debt problem in the region, could indicate a redoubling of effort on the part of the NME's of Eastern Europe to export to the hard-currency area.

1/ Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.
2/ For discussions of U.S. trade with individual Eastern European countries, see the sections that follow.

Table 15.--U.S. trade with Eastern Europe, 1/ by SITC 2/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	1,261,485	1,517,636	1,374,681
1	Beverages and tobacco	17,184	23,319	26,503
2	Crude materials--inedible, except fuel	385,444	335,547	176,617
3	Mineral fuels, lubricants, etc	35,621	81,752	41,107
4	Oils and fats--animal and vegetable	29,405	10,455	14,389
5	Chemicals	64,939	56,290	75,554
6	Manufactured goods classified by chief material	37,772	59,716	29,718
7	Machinery and transport equipment	181,059	196,859	122,552
8	Miscellaneous manufactured articles	38,836	46,068	28,434
9	Commodities and transactions not elsewhere classified	4,468	5,288	8,472
	Total	2,056,213	2,332,930	1,898,029
		U.S. imports		
0	Food and live animals	240,965	225,311	179,521
1	Beverages and tobacco	23,876	20,233	24,481
2	Crude materials--inedible, except fuel	20,099	14,587	14,782
3	Mineral fuels, lubricants, etc	76,962	55,623	151,759
4	Oils and fats--animal and vegetable	1,550	1,996	1,047
5	Chemicals	46,506	47,167	36,581
6	Manufactured goods classified by chief material	177,368	189,901	327,092
7	Machinery and transport equipment	169,128	186,200	230,077
8	Miscellaneous manufactured articles	222,601	213,374	215,410
9	Commodities and transactions not elsewhere classified	3,924	2,261	4,117
	Total	982,979	956,650	1,184,865

1/ Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.
2/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Because of rounding, figures may not add to the totals shown.

U.S. imports from the Eastern European NME's are more diversified than are U.S. exports to the area, with over 90 percent of the imported products falling into five SITC categories. The most significant import categories and their share of U.S. imports from Eastern European countries during 1981 were as follows: manufactured goods classified by chief material (SITC Section 6)--28 percent; machinery and transport equipment (SITC Section 7)--19 percent; miscellaneous manufactured articles (SITC Section 8)--18 percent; food (SITC Section 0)--15 percent; and mineral fuels and lubricants (SITC Section 3)--13 percent. In recent years, food and miscellaneous manufactured articles have been the most important SITC categories of goods imported from Eastern Europe. In 1981, however, owing to a tripling of imports of manufactured goods classified by chief material from Romania, SITC Section 6 became the leading category. Over half of the value of imports in this category came from Romania and consisted of steel plate. Romania was also a particularly significant Eastern European supplier of U.S. imports in two other categories: it accounted for over 98 percent of U.S. imports from the region of mineral fuels and lubricants (SITC Section 3), and for one-half of the trade in miscellaneous manufactured articles (SITC Section 8).

Over three-fifths of U.S. food imports from Eastern Europe came from Poland in 1981, and consisted principally of canned hams. This was in spite of food shortages in Poland that contributed heavily to a drop from earlier years in shipments of ham to the United States. Poland's share of food imported from the Eastern European NME's was over 70 percent in 1980.

Oriental leaf tobacco imported from Bulgaria constituted a significant portion (77 percent) of the products imported from the region in the beverages and tobacco category (SITC Section 1).

Developments in U.S. Commercial Relations With Eastern Europe

The continuing crisis in Poland led the list of important developments affecting U.S. commercial relations with Eastern Europe in 1981. Prolonged debt-rescheduling negotiations dampened the commercial atmosphere, with Poland in danger of default and Romania heavily in debt to Western private and government banks. To alleviate Poland's severe hard-currency shortages, the United States and Europe extended loans, guarantees, and grants for the purchase of emergency food and medical supplies during the year. The December 13 imposition of martial law in Poland further soured East-West trade relations, spurring the United States to take unilateral action against both Poland and the U.S.S.R.

Meanwhile, the inability of several Eastern European NME's to pay for goods with hard currency and their lack of access to Western financing also hampered trade relations. The IMF applications of Poland and Hungary, filed in November 1981, were seen by some analysts as pointing to a way out of their financial woes--enhancing the possibility of expanded Western credits, particularly for Hungary. Negotiations on the terms of IMF accession continued through the end of 1981, with no acceptances procured by yearend.

In response to hard-currency shortages, several Eastern European countries adopted stricter countertrade arrangements, in some cases requiring that their goods be accepted as full payment for imports from the West. 1/ Among the countries strengthening countertrade requirements in 1981 were Bulgaria and Romania.

A longstanding hindrance to U.S.-Czechoslovak trade was removed at yearend when Congress approved a settlement of U.S. financial claims that had been pending since the Communist takeover of Czechoslovakia in 1948. Despite this, no significant expansion of two-way trade appears likely in the near future.

Romania was the only Eastern European country to receive a loan from the Export-Import Bank of the United States (Eximbank) in 1981. The loan will finance the purchase of U.S.-made steam turbine generators for the first of 14 nuclear power stations to be built in Romania before the turn of the century. Poland only used a small portion of its revolving short-term credit line with Eximbank during the year ended November 30 (the date of its expiration).

In line with its monitoring of steel import prices, the Commerce Department initiated antidumping complaints against steel plate from Romania and several other sources in November 1981. The Commission conducted four other investigations on imports from NME's during the year.

Textiles from Poland and Romania continued to enter the United States under bilateral agreements setting forth trade goals and limits within the framework of the Multifiber Arrangement (MFA). New textile agreements were reached with the two countries during the year.

Meanwhile, goods entering the United States from Hungary and Romania received, and will continue to receive, most-favored-nation tariff treatment during 1981 and 1982. The extension of MFN treatment for those countries was contingent upon Presidential waivers of section 402 of the Trade Act of 1974 (regarding freedom of emigration). Congress did not act to disapprove the waivers, and thus they remain in effect until July 3, 1982.

Four Eastern European countries are signatories to the General Agreement on Tariffs and Trade (GATT): Romania, Hungary, Czechoslovakia, and Poland. During 1981, some of these countries became signatories to one or more of the nontariff codes negotiated during the Tokyo round of Multilateral Trade Negotiations (MTN).

Finally, several third-country trade agreements came into force in 1981 that may influence future U.S. trade with Eastern Europe, including two agreements between Romania and the European Community.

1/ According to The Economist, Feb. 20, 1982, p. 78, nearly one-quarter of world trade is now done through some form of barter. Ranked according to the value of Western exports contracted with NME's under barter arrangements during the period 1969-80, the Soviet Union accounted for 62 percent of such trade, Poland accounted for another 22 percent, and the rest of Eastern Europe made up the balance.

Commodity Credit Corporation guarantees and other U.S. food assistance to Poland

The Commodity Credit Corporation, the Department of Agriculture's program designed to assist sales of U.S. grains and other farm commodities abroad, 1/ extended major loan guarantees for Poland and several credit guarantees for Romania during 1981. The CCC is authorized to insure loans for agricultural sales to three Eastern European countries--Hungary, Poland, and Romania.

In the wake of a near collapse of the economy in Poland fueled in the year by labor unrest, flooding, and a lack of hard currency earnings, the United States and its Western allies extended massive agricultural credits and donated substantial quantities of food and medical supplies to that country during 1981. The CCC used nearly one-third of its entire global credit authorization to guarantee food and grain exports to Poland in fiscal year 1981 (October 1, 1980-September 30, 1981). In addition, donations under Public Law 480 were made to Poland in 1981. Following the imposition of martial law, the President indicated that concessional food sales to Poland would be suspended. However, he exempted shipments made for "humanitarian" purposes, including food and medicine shipped by voluntary organizations such as CARE and Catholic Relief Services (CRS). 2/

In April 1981, the CCC made a $71.4-million disposal sale to Poland of dairy products from the U.S. Government's stock of perishable goods. In October, the CCC authorized a similar sale of 31.4 million dollars' worth of dairy products, including cheese, nonfat dry milk, and butter. The Poles paid for both shipments with Polish currency (not now convertible to hard currency). Among other things, the Polish currency will be used to pay U.S. embassy expenses and to fund cooperative agricultural research.

In August, the CCC sold 990,000 dollars' worth of dairy products to CRS. As in the prior two sales, the products were sold below market prices in order to dispose of stocks of perishable goods. CRS paid for the food in U.S. dollars, and intended to distribute it upon its arrival in Poland.

1/ The CCC guarantees repayment to commercial banks of the principal and some of the interest in the event of a default by a foreign buyer of U.S. farm exports. The loan guarantees do not involve actual disbursements unless the country fails to honor its commitment to repay the U.S. bank that accepts the CCC-backed letter of credit. These credits have played a major role in U.S. trade with the NME's in the past few years.

2/ The International Longshoreman's Association (ILA) has refused to load or unload any shipments to Poland unless they are for humanitarian purposes and on consignment to a voluntary relief agency.

In addition to the $669.3 million in CCC credit guarantees extended to Poland during the fiscal year (of a $670-million ceiling in effect for FY 1981), the United States authorized on August 31, 1981, a $55-million long-term loan under title I of Public Law 480, to be used for the purchase of approximately 350,000 metric tons of yellow corn. 1/ Poland made an emergency request for the corn, which will be used for animal feed to prevent the forced slaughter of livestock.

Title I of Public Law 480, the Food for Peace program, provides for the concessional sale of U.S. bulk agricultural commodities utilizing loans with low interest rates, to be paid over an extended period. The Polish loan is to be paid back over 10 years; an 8-percent interest rate will be charged during the first 4 years, and afterwards a market interest rate will apply. Although the corn was not classified as a "humanitarian" shipment, it moved out of the United States before December 13, and thus was not subject to the official Government ban or ILA boycotts.

Under title II of Public Law 480, the United States donated 30 million dollars' worth of wheat flour, rice, nonfat dry milk, and vegetable oil to Poland on November 25, 1981. Title II of the law provides for emergency shipments of food, distributed through voluntary agencies, for countries in dire need. The products had not been shipped before the imposition of martial law, but were exempted for humanitarian purposes.

In both instances, the Government of Poland has guaranteed to funnel through the goods immediately, and will give them priority attention at port. The food will be distributed both by the Government (in the case of the CARE effort) and the Catholic Church (through its local parishes). 2/

The worsening economic situation and the ongoing talks on rescheduling Poland's external debt limited the availability Western commercial bank financing for sales to the country, particularly in the last six months of 1981. Despite CCC guarantees, some U.S. commercial bankers have been reluctant to extend any more credit to Poland. Because the CCC guarantees only the principal of a loan plus 6-percent interest, banks stand to lose the difference between the guaranteed interest rate and the market rate of interest if Poland should default.

In view of the bleak economic horizon for Poland, some U.S. banks would honor CCC letters of credit for sales to Poland only if Poland could come up with the interest rate differential in cash. The lack of hard currency caused Poland to appeal for emergency assistance from its trading partners on both sides of the Iron Curtain. The $55 million feed corn loan from the United States was extended on this basis; at the time, Poland could not draw on its outstanding CCC credits for the purchase because it could not come up with cash to cover the difference between the then-current market rate of 20 percent and the CCC-guaranteed rate. Nevertheless, Poland used up nearly all of its $670 million CCC authorization by the end of the fiscal year (September 30).

1/ Of the $55 million loan, $47.6 million was to be used to buy corn and $7.4 million was allotted for freight charges.

2/ Although all the sales were authorized in 1981, shipments did not leave port before the end of the year. Therefore, the quantity of shipments during the first quarter of 1982 may appear unusually high.

These difficulties, along with the imposition of martial law, have effectively put on hold all decisions on aid and credit to Poland. Thus, no decision on the FY 1982 CCC credit guarantee authorizations for Poland was made by yearend.

Following the imposition of martial law in December, President Reagan announced that Poland's revolving short-term credit line with the Eximbank would not be renewed. Poland had a $25-million revolving credit insurance line with Eximbank for the year ending November 30, 1981. The effect of this action on U.S. exporters is expected to be minimal, however, since the Poles only used $4-million in medium-term insurance during the first 11 months of 1981.

Romania was authorized to receive 50 million dollars' worth of CCC-backed commodities during fiscal year 1981. Romania used nearly all of this authorization, purchasing just over $49.9 million worth of barley, corn, and soybeal meal in the year ended September 30. Included were 27,500 metric tons of barley, valued at $5.5 million; 261,727 metric tons of corn, valued at $36.9 million; and 22,948 metric tons of soybean meal, valued at $7.6 million. As in the case of Poland, no decision had been reached on FY 1982 authorizations by December 31.

Eximbank loan to Romania for nuclear power station

On June 30, 1981, the Eximbank authorized $120.7 million in Government-supported credit for the Romanian purchase of steam turbine generators from the General Electric Co. (G.E.). 1/ The 700-megawatt turbines will be part of a Canadian-built nuclear power station, the first of 14 to be built in Romania before the turn of the century.

Eximbank provided an unusually high 85 percent 2/ of the funding for the $142-million contract at an 8-percent interest rate. Romania made a cash payment for the remaining $21.3 million of the transaction. The Government-owned Romanian Bank for Foreign Trade has unconditionally guaranteed repayment of the loan, as it has all previous Eximbank loans to Romania. Repayment will begin on July 5, 1989, 6 months after the startup date of the second generator, and will continue for 10 years.

1/ Agreement on terms of the Romanian loan was reached and a preliminary commitment made by Eximbank in September 1980. However, before the loan could be authorized, both a determination by the President and the approval of Congress was required (see 27th Report . . ., p. 49). After receiving a description of the transaction and a justification for financing the project, the President determined on May 20 that the loan is in the national interest. Congress may nullify a loan commitment by passing legislation expressly canceling the loan. Since it did not do so, the official authorization was made.

2/ To meet extremely competitive export financing from abroad, Eximbank agreed to finance 85 percent of the contract cost, 20 percent more than usually provided. The interest rate on the loan is also below the regular rate, 8 percent compared with the then-current 8.75-percent rate generally charged for Eximbank credit.

Rather than pay back the loan in hard currency, Romania will provide 100-percent countertrade over an 11-year period. To alleviate hard currency shortages, Romania's new investment strategy (adopted in 1981) calls for the incorporation of countertrade provisions in all contracts with Western firms. Accordingly, G.E. will receive Romanian manufactures and other goods, mostly for sale in third-country markets.

In February 1981, Eximbank authorized $340,000 in credit guarantees to support the sale to Romania of medical equipment manufactured by Nickolette Instrument Corp. in Wisconsin. Eximbank also insured $4 million in private funding for Polish purchases of electronic components in February.

Extension of textile agreements with Poland and Romania

Under the auspices of the Arrangement Regarding International Trade of Textiles, known as the Multifiber Arrangement (MFA), 1/ the United States concluded bilateral textile accords with two Eastern European countries during 1981. The agreements with Poland and Romania replaced textile agreements that expired at the end of 1980.

The new 4-year agreement with Poland was concluded in January 1981 and is slated to expire on December 31, 1984. It places an aggregate limitation on U.S. imports of cotton, wool, and manmade-fiber textiles and textile products. Within each general textile group, some articles are expressly limited and "consultation levels" are specified, meaning that discussions are triggered when the negotiated consultation (import) levels are approached or reached. During 1980, textile products accounted for 45 percent of the value of Polish sales to the United States in SITC Section 8. During 1981, that share rose to 54 percent. Nevertheless, Poland shipped only 21 percent, or 11 million equivalent square yards (SYE), of the products placed under the aggregate limitation during 1981. Poland's aggregate ceiling for calendar year 1981 was 53 million SYE. Heading the list of textile shipments to the United States were men's wool suits, women's raincoats, and cotton pile towels.

After extending the previous accord until March 31, 1981, the United States and Romania signed a new bilateral agreement on trade in wool and manmade-fiber textiles and textile products, to become effective April 1, 1981. The agreement runs for 4 years, until March 31, 1984. 2/

Among the more important textile items Romania exported to the United States in 1981 were mens' and boys' manmade-fiber jogging jackets, and women's manmade-fiber apparel. During 1981, a 5-year agreement with Romania covering

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1/ The MFA is an international agreement which provides the framework for bilateral trade agreements governing international trade in textiles and apparel. Bilateral accords are negotiated utilizing the general guidelines set forth in the 41-nation pact. Originally enacted in 1974, the MFA was due to expire on Jan. 1, 1982. Renegotiations during 1981 proved successful when the signatories agreed on Dec. 22 to extend the MFA until July 31, 1986. The newly negotiated MFA became effective on Jan. 1, 1982.

2/ The terms of the agreement were set forth in Department of State press release No. 169, Aug. 11, 1981.

cotton textiles and apparel, in effect since 1978, continued in force. Neither accord sets overall limits on Romanian textile exports to the United States. However, specific products are subject to quantitative limits, and consultation levels are designated for some of the items.

Extension of most-favored-nation treatment to Romania and Hungary

Under the provisions of title IV of the Trade Act of 1974, the United States may grant MFN status to an NME only if special conditions, including progress toward a liberal emmigration policy, are met. The principal benefit of receiving MFN status is the application of column 1 duty rates, the most favorable general duty rate, on sales to the United States. The generally higher rates in TSUS column 2 apply to imports from Communist countries that do not have MFN status.

Sections 402(a) and (b) prohibit the application of MFN tariff treatment to products from Communist countries that do not allow, or severely restrict, emigration of their citizens. The President may waive this restriction if he finds that doing so would enhance the possibility of free emigration. The authority to waive the provision and the actual waivers must be renewed annually by the Congress. On June 2, President Reagan asked Congress to renew his authority to waive sections 402(a) and (b) of the Trade Act of 1974 and to allow the particular waivers for Hungary and Romania to remain in effect for another year.

Concurrently, the President notified the United States Trade Representative that he authorized renewing the 3-year bilateral trade agreements with Hungary and with Romania. Among other things, the bilateral accords grant MFN tariff treatment. MFN was originally extended to Romania on August 3, 1975, and to Hungary on July 1, 1978.

Congressional hearings are an integral part of the yearly section 402 review. On the House side, the Subcommittee on Trade of the House Ways and Means Committee held a hearing on the waivers on June 22, 1981. Although some witnesses complained about Romania's complex and lengthy emigration procedures, most witnesses endorsed extension of MFN duty status. Accordingly, Congress did not initiate a resolution disapproving the extension, and so both the authority and the two waivers remained in effect for the next year. 1/

1/ By adopting a simple resolution of disapproval in either the House or the Senate, Congress can terminate the general waiver authority of the President or the application of MFN treatment to the products of any country subject to disapproval. If neither the Senate nor the House acts between July 3--the annual expiration date of the waiver authority and of any waivers granted under that authority--and Aug. 31, the waiver authority applicable to Romania and Hungary is automatically continued. Neither the House nor the Senate acted during the 60-day period ending Aug. 31, 1981, and the waivers therefore remain in effect.

Settlement of U.S. claims against Czechoslovakia

On December 16, 1981, the Congress passed a bill (S. 1946) approving the settlement of U.S. financial claims against Czechoslovakia that had been pending for more than 30 years. The legislation does two things: (1) it provides the authority for the U.S. Government to implement the claims settlement program, and (2) it permits the release of 18.4 metric tons of Czechoslovak gold held by the allies since its recovery from Germany after World War II. An additional effect of this congressional action is that it permits the U.S. Government to consider granting MFN tariff status to Czechoslovakia. The agreement adopted by the Congress was initialed by the United States and Czechoslovakia on November 6, 1981.

This agreement was the culmination of several previous efforts to reach a settlement for U.S. property that was nationalized or confiscated following the Communist takeover of Czechoslovakia in 1948. In rejecting a settlement negotiated by the Department of State in 1974--primarily on the grounds that it provided insufficient compensation for the claimants--Congress enacted section 408 of the Trade Act of 1974. This provision stipulates that Czechoslovakia cannot be given MFN status, 1/ nor can any of the gold belonging to that country be released by the U.S. Government, until an agreement to settle the claims has been approved by the Congress. The settlement reached in November calls for Czechoslovakia to pay $81.5 million to the United States, an amount four times that rejected by the Congress in 1974 and in excess of 100 percent of the outstanding principal balance of certified claims. 2/

S. 1946 was quickly adopted by both Houses of the Congress, 1/ and was signed by President Reagan on December 26. The agreement gives Czechoslovakia 60 days to make payment, after which the distributions to the U.S. claimants will begin and the almost 9 metric tons of Czechoslovak gold held in the United States will be returned. An agreement recently concluded between the United Kingdom and Czechoslovakia provides for the return of the remainder of the gold, held in the Bank of England.

The link between the return of Czechoslovak gold and the settlement of U.S. claims was made shortly after World War II in an effort to provide leverage in negotiating a settlement for the U.S. corporate investments, bank accounts, and other property of U.S. citizens that had been nationalized or

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1/ Sec. 408 stipulates that a claims settlement that has been approved by Congress shall be submitted to the Congress as part of any agreement the United States may enter into with Czechoslovakia under title IV of the Trade Act of 1974. Title IV requires that the United States enter into a trade agreement with a Communist country before granting it MFN tariff status.

2/ Although only a small amount will be available for the payment of interest, Senator Robert Dole (R.-Kans.), a sponsor of the bill, noted that a settlement providing for total coverage of the principal is "virtually unprecedented in the history of U.S. expropriation claims settlements." For an account of the distribution of the claims, see 127 Cong. Rec. S15078 (daily ed. Dec. 11, 1981).

confiscated by the Communist Government of Czechoslovakia. In 1948, the Tripartite Commission for the Restitution of Monetary Gold--made up of the United States, the United Kingdom, and France--withheld most of the gold assigned to Czechoslovakia under the Paris Reparations Agreement of 1946. Gold had been seized in several countries by the Nazis during World War II; following the war, the gold that was recovered was placed in a pool, and claims to it were arbitrated by the Tripartite Commission. Of the 24 metric tons of gold allocated for Czechoslovakia, about 6 metric tons were returned in 1948, and, pending the settlement of claims, the remainder of the gold was placed in the Federal Reserve Bank of New York and Bank of England under the joint custody of the United States, United Kingdom, and France. In addition to the provisional agreement rejected in 1974, another U.S.-Czechoslovak claims settlement concluded in 1964 also failed to receive U.S. congressional approval.

In 1980, when another agreement could not be reached following the enactment of section 408, Senator Moynihan introduced a bill to permit a unilateral settlement of the U.S. claims: the U.S. Treasury would sell the approximately 9 metric tons of Czechoslovak gold held in the United States and, if possible, that held by the Bank of England; the proceeds would be used to pay the claimants. Although the bill was not passed, it revived efforts to reach a satisfactory bilateral settlement.

Congressional approval of the 1981 agreement does not mean that Czechoslovakia will be granted MFN status. Should Czechoslovakia request MFN tariff treatment, however, the President can now consider the request.

U.S. International Trade Commission investigations involving Eastern European NME's

During 1981, the Commission conducted five injury investigations that involved imports from Eastern Europe. Complaints of dumping--sales of imported articles at below the costs of production (including reasonable profit) or at less than the home-market price of the exporting country--were lodged against imports from three Eastern European NME's. The charges were investigated by the U.S. Department of Commerce, to determine sales at less than fair value (LTFV), and by the Commission, to determine whether a U.S. industry is materially injured, or threatened with material injury, by the imports. The antidumping cases involved truck and trailer axles from Hungary, montan wax from East Germany, and carbon steel plate from Romania.

In addition to filing an antidumping complaint, the domestic producer of montan wax also filed a market disruption case during 1981 under section 406 of the Trade Act of 1974. During the year, the Commission also studied the effect of ending import relief granted by the President on the basis of its 1978 finding that domestic clothespins manufacturers were being seriously injured by imports of clothespins (clothespins were imported from several NME's).

1/ The bill was introduced on Dec. 11, 1981, by Senator Daniel P. Moynihan (D.-N.Y.), and was cosponsored by Senators Robert Dole and Charles Percy (R., Ill.). House support for the bill was led by Representatives Jonathan Bingham (D.-N.Y.) and Lee Hamilton (D.-Ind.).

Montan wax from East Germany.--In August 1981, the Commission determined that the U.S. industry was materially injured because of sales of montan wax by East Germany at LTFV (investigation No. 731-TA-30). As a result, the Commerce Department ordered the imposition of antidumping duties equaling the margin of dumping, found by Commerce in August to be 13.02 percent. 1/ Imports of unrefined montax wax have been under investigation by the Commission since September 1980. At that time, the sole U.S. producer, American Lignite Products Co., filed antidumping charges against East Germany, the only foreign supplier of montan wax to the United States. The Commission made an affirmative preliminary determination on October 23, 1980; Commerce found sales at LTFV, and the Commission instituted its final investigation in March 1981.

On October 13, 1981, the same company filed a charge that market disruption was being caused by sales of the East German product. The Commission instituted its investigation on October 28 to determine whether (1) a rapid rise in imports was occurring and (2) the imports were a significant cause of material injury to the domestic producer. Market disruption is defined in section 406(e)(2) of the Trade Act of 1974 as a rapid increase, either absolute or relative, in imports of a particular product from a Communist country that are a significant cause of material injury to a U.S. industry. A determination must be reached by the Commission on or before January 13, 1982. 2/

Truck trailer axle-and-brake assemblies and parts thereof from Hungary.--In February 1981, Rockwell International Corp. filed a petition with the Department of Commerce alleging that truck trailer axle-and-brake assemblies from Hungary were being sold at LTFV and concurrently filed a petition with the Commission arguing that, as a result of the low-cost Hungarian shipments, the company was being materially injured. The Commission made an affirmative preliminary determination in March. On November 17, the Department of Commerce suspended the investigation, after receiving assurances from the only Hungarian producer, the Hungarian Railway Carriage & Machine Works, that it would adjust its prices to eliminate sales in the United States at LTFV. On the same date, the Commission suspended its final investigation on the question of injury. 3/

1/ Commerce later reversed its final dumping determination, finding that due to exchange rate fluctuations the margin had fallen to zero (47 F.R. 3579).

2/ The Commission issued its report on the charges on Jan. 13, 1982. The Commission found by a vote of 4 to 1 (Commissioner Frank dissenting) that imports were not increasing rapidly, and thus market disruption did not exist.

3/ On Jan. 4, 1982, the Department of Commerce published a final suspension agreement in the Federal Register, allowing interested parties a 20-day period to comment or request continuance of the investigation. Because no such request was received during the established time frame, the case was officially terminated effective Febr. 4, 1982. As part of the suspension agreement, the Department of Commerce will monitor imports of the articles to insure that dumping does not resume. Should Commerce find sales at LTFV, the investigations will be reinstituted at the same stage as when suspended; i.e., the Commission would proceed with its final injury investigation, and the Department of Commerce would make a final dumping determination.

Carbon steel plate from Romania.---On November 18, the Department of Commerce notified the Commission that, on the basis of information gathered in its steel price monitoring under the trigger-price mechanism (TPM), it had reason to believe that hot-rolled carbon steel plate from Romania was being sold in the United States at LTFV. The Commission instituted its investigation No. 731-TA-51 [Preliminary] on the same day. On December 22, the Commission unanimously found that there was a reasonable indication that the domestic industry was injured because of the LTFV sales. 1/

The second leading U.S. import from Romania during 1981, carbon steel plate accounted for over 16 percent of the value of imports from that country during the year. Partially due to the opening of a new steel plate mill in 1981, Romania's platemaking capacity was substantially increased.

On the basis of information gathered in the investigation, the Commission found that Romania's steel shipments to the United States rose both absolutely and relatively during 1981. The tonnage shipped to the United States rose 548 percent between 1980 and 1981, and the Romanian share of the U.S. steel imports jumped from 2.2 percent in 1980 to 12.8 percent in 1981. In the previous year, Romania supplied less than 1 percent of apparent U.S. consumption; in 1981, that share rose to 4 percent. 2/ The Commission's final investigation was still underway at yearend. 3/

Clothespins.--In July, the Commission instituted an investigation to determine the probable economic effect of terminating import relief currently being given to domestic manufacturers of clothespins. 4/ The President imposed quotas on clothespins in February 1979, following a Commission finding that the domestic industry was seriously injured because of the imports. 5/

1/ Hot Rolled Carbon Steel Plate from Belgium, Brazil, and Romania, USITC Publication 1207, January 1982.

2/ Ibid., p. A-39.

3/ In January 1982, several domestic producers of carbon steel plate filed petitions alleging injury because of Romanian sales to U.S. firms at LTFV. Commerce subsequently withdrew its self-initiated petitions. The domestic producers also filed dumping complaints against producers from Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom, and West Germany. Countervailing duty petitions concerning carbon steel plate imports were also filed against those seven countries and Brazil. (Because of methodological problems in determining subsidization by a NME, as a practical matter, countervailing duty provisions have not been applied to NME's.) The Commission made its preliminary determination on all the carbon steel cases (investigations nos. 701-TA-86 through 144, 701-TA-146, 701-TA-147, and 731-TA-53 through 86 (Preliminary)) on Feb. 18, 1982. At that time, the Commission unanimously found that there was a reasonable indication that imports of steel plate from Romania were injuring or threatening to injure domestic manufacturers.

4/ The relief covered imports of wooden and plastic spring-type clothespins valued not over $1.70 per gross.

5/ The Commission conducted a so-called escape-clause investigation under sec. 201 of the Trade Act of 1974 to determine whether imports from all sources were seriously injuring, or threatening to seriously injure, domestic producers (investigation No. TA-201-36) in 1978.

Several NME's, including Poland, China, and Romania, are leading suppliers of clothespins to the U.S. market. The import relief was to end on February 22, 1982, unless extended by the President.

As is usual in cases where escape-clause relief has been granted, the Commission instituted an investigation 6 months before the relief was to expire in order to advise the President on the impact that terminating the relief would have on domestic manufacturers. On December 7, 1981, the Commission passed its findings on to the President, advising him that ending or narrowing import relief would have an adverse effect on domestic producers and recommending that the current level of relief be continued for another 3 years. The President must decide to continue, modify, or terminate the relief on or before February 22, 1982. 1/

Status of Tokyo round MTN agreement signatures and acceptances by Eastern European countries during 1981

Four Eastern European countries are contracting parties to the General Agreement on Tariffs and Trade--Romania, Hungary, Czechoslovakia, and Poland. All four participated in the Tokyo round of Multilateral Trade Negotiations, as did Bulgaria, though not a member of the General Agreement on Tariffs and Trade (GATT). During the round, a set of codes were adopted that establish rules of conduct on the use of administrative measures to restrict trade. The codes cover industrial, health, and safety product standards; import licensing; customs valuation; subsidies; dumping; and, government procurement procedures.

The status of signatures and acceptances to the nontariff barrier codes as of December 31, 1981, was as shown in the following tabulation: 2/

Agreement	Bulgaria	Czecho-slovakia	Hungary	Poland	Romania
Antidumping	-	Accepted	Accepted	Accepted	Accepted
Beef	Accepted	-	Accepted	-	Accepted
Civil aircraft	-	-	-	-	Accepted
Customs valuation	-	-	Accepted	-	Accepted
Dairy	Accepted	-	Accepted	-	Accepted
Licensing	-	Accepted	Accepted	-	Accepted
Standards	-	-	Accepted	-	Accepted
Tarif. protocol	-	Accepted	Accepted	Accepted	Accepted

During 1981, Romania accepted the antidumping code, which governs actions against imports of countries that sell products at LTFV. No Eastern European GATT member has accepted the subsidies- or Government-procurement codes.

Third-country agreements affecting U.S.-Eastern European trade prospects

Among the most important new trade agreements that entered into force during the year were two bilateral accords concluded between the European Community (EC) and Romania in 1980 and put into effect at the beginning of 77

1/ On Feb. 22, President Reagan extended the import quota in effect for another 2 years.
2/ U.S. Import Weekly, Jan. 27, 1982, pp. 399-401.

1981. The agreements were negotiated in line with an EC commitment in the GATT to lower discriminatory quantitative restrictions (QR's) applying to NME exports to the Community. The QR's were in force prior to Romania's accession to the GATT in 1971.

Bilateral quotas have commonly been used to prevent the flooding of European markets by NME goods, particularly in the EC, Sweden, Finland, and Austria. However, GATT article XIII prohibits the use of discriminatory QR's. At the urging of European contracting parties, an exception to the ban on discriminatory QR's was made in Romania's protocol of accession to the GATT. Under the exception, contracting parties were allowed to maintain their existing QR's against the NME members, as long as the discriminatory and restrictive nature of these restrictions was (1) not increased and (2) progressively relaxed and ultimately eliminated.

In the mid-1970's, the EC offered to relax these quotas in exchange for bilateral agreements with the NME's that would provide for greater cooperation in trade relations. Romania decided to accept the EC offer in 1980, negotiating two trade liberalization agreements--one that lowers EC barriers to Romanian industrial products and another that provides for the creation of a joint EC-Romania committee. In turn, Romania has agreed to supply EC officials with ongoing information about the country's import plans and priorities. About 85 percent of Romania's sales of industrial products to the EC were covered by the agreement, which eliminates two-thirds of the EC's quotas on Romanian goods. The two pacts run concurrently with the present Romanian 5-year plan, from 1981 to 1985, and may, because of the detailed information they provide for, give the EC an added advantage in selling to the Romanians. The accords may thus affect the future expansion of U.S.-Romanian trade.

In November 1981, the joint EC-Romania committee met in Brussels to discuss the working of the industrial products agreement. At the meeting, the participants agreed to "intensify their trade relations" in the future. 1/

Regional Economic Developments

Developments in Poland in 1980 and 1981 dramatize many economic problems that on a smaller scale have also confronted the rest of Eastern Europe in recent years. These include a material deceleration in economic growth, surging costs of energy and manufactured goods imported from the West, and resultant increases in hard-currency deficits and debt burden.

Economic stagnation and excessive debt are by no means unique to Eastern Europe, but centrally planned economies have not experienced these problems before. They have surfaced rather unexpectedly in the last few years, and quite dramatically in 1981. This has created economic conditions that conflict sharply with the public's expectations of meaningful economic improvements. Eastern Europeans were jolted into realizing that living standards would rise much more slowly, if at all, than their governments had promised earlier. Catching up with the West became again a distant goal.

1/ Journal of Commerce, Nov. 26, 1981, p. 23B.

According to Western analysts, many of the region's current problems have their origins in earlier economic policies of Eastern European governments and in the inefficiencies inherent in the central economic planning systems of these countries. In more recent years, developments beyond the control of Eastern Europe have been added to these domestic causes. The external pressures included recession and protectionism in some market economies which have raised new barriers against Eastern European exports. Simultaneously, Eastern European countries have faced rising prices--payable in hard currency--for their imports, especially of petroleum. In the last 2 years, the Polish crisis itself caused considerable economic problems for the other Eastern European countries.

The first year of the current FYP's of all Eastern European countries was 1981. In these FYP's and in their annual plans for 1981, Eastern European governments generally continued the restrictive growth policies that they began during the previous (1976-80) FYP's. These plans called for curtailing investments in some sectors (especially those requiring hard-currency expenditures) in order to free more resources for operations that could produce exports to hard-currency areas, and to protecting existing living standards. Hard-currency exports had to expand rapidly to compensate for the deterioration in the terms of trade that has been experienced by the region and for servicing the growing debt burden.

For 1982, investment targets are reported below 1981 levels in all Eastern European countries. 1/ Economic growth targets designated for the remaining 4 years of the FYP's--and still undergoing constant revisions--reflect the lowered expectations of Eastern European governments. Only East Germany plans to maintain its current rate of growth.

Eastern European countries must rely on energy imports from world markets and/or from the Soviet Union. 2/ The surge in petroleum prices in the late 1970's therefore enlarged the hard-currency deficits of Eastern European countries and raised the hard-currency debt level sharply across the bloc. Meanwhile, the Soviet Union began to restrict its exports of subsidized oil to Eastern Europe, thereby adding to the region's balance of payments crunch. In 1981, the Soviets restricted their oil deliveries to Eastern European countries to the level of 1980 shipments. Recently, they informed the Council for Mutual Economic Assistance (CMEA) partners that beginning in 1982, shipments will be reduced by an additional 10 percent. 3/

In 1981, Poland experienced a third successive year of economic decline. The Polish crisis disrupted other Eastern European economies by depriving them of important supplies such as coal, sulphur, electronic instruments, and ball bearings. Other intra-CMEA supply disruptions were also reported during the year, such as in the flow of electricity from Romania to Czechoslovakia. 4/

1/ Business Eastern Europe, Jan. 1, 1982.

2/ Although Poland has large coal reserves and therefore is potentially a net energy exporter, labor unrest in the coal industry during the last 2 years ha seriously upset its energy balance. Romania, which used to be self-sufficient in crude oil, became a net importer as its large petroleum refining industry, established in the late 1970's, generated additional demand for crude oil.

3/ IMF Survey, Feb. 8, 1982, p. 45.

4/ The Washington Post, Dec. 11, 1981, p. A34.

Eastern European countries were also affected in other ways by the Polish crisis. They had to share the plight of the Poles by extending assistance to them. Moreover, the Polish credit crisis had an adverse effect on the other Eastern European countries by making their access to Western credit much more difficult.

Food shortages were more prevalent in Eastern Europe in 1981 than in prior years. Food rationing in various forms was insituted in Romania and Czechoslovakia as well as in Poland. Hungary and Bulgaria issued regulations during the year forbidding visitors to take food out of the country. Romania made the hoarding of food punishable by imprisonment. 1/

The region's food problems resulted, in part, from the generally poor harvests of recent years which, except in Poland, were repeated in 1981. Other causes included the policies of rapid industrialization that have been followed for years by Eastern European governments, leading them to shortchange agriculture. The typical inefficiency of collective agriculture in centrally planned economies has contributed materially. Analysts also emphasize that the heavy subsidization of food prices in the region had to lead inevitably to food shortages. For years, artificially low retail prices for food in Eastern European countries have boosted demand well beyond available supplies, encouraging imports and discouraging domestic food production. 2/

In some Eastern European countries, most notably in Poland, the 1981 food situation was aggravated by now well known political circumstances. In Romania, authorities reportedly diverted food from domestic consumption to exports in an effort to meet their payments obligations. Only Hungary and Bulgaria were relatively free from the region's food problems, apparently because, unlike the other Eastern European countries, they both allowed food prices to rise. 3/ In contrast to the Poles, the Hungarian and Bulgarian public did not protest against these price increases.

In the first years of "detente," the Eastern Europeans apparently overestimated the benefits they could expect from increased East-West trade. However, more recently, and especially in 1981, they have been forced to face the real costs of this trade. In the early 1970's, planners set out to develop selected industries, relying on Western technology and other inputs for which they had to borrow heavily. Analysts have now concluded that centrally planned economies were generally not able to utilize the imports of Western investment goods efficiently and cost effectively. 4/ Meanwhile, the unexpected surge in the late 1970's in the price of imported oil (and in the prices of some other imported raw materials and technology) and the simultaneous deterioration of export opportunities to hard-currency areas have further upset the calculations of Eastern European governments.

1/ The Economist, Dec. 26, 1981, p. 14.
2/ Ibid., p. 14.
3/ Ibid.
4/ Marshall I. Goldman, "Polish Economic Disease Spreads," Boston Globe, Nov. 8, 1981.

In about 1978, considerable trade deficits with the West and rapidly growing hard-currency debt caused most Eastern European governments to reassess their trade with market economies. They subsequently began to curtail those investments that required Western technology and to restrict imports of consumer goods that had to be paid for with hard currency, while strengthening the emphasis on earning hard currency through exporting. Despite these measures, Eastern Europe's debt burden continued to rise as heavy debt-service payments became due, and the deterioration in the terms of trade had to be paid for with additional exports.

Western lenders, too, seem to have overestimated the ability of Eastern European countries to cope with their debt burden. At yearend 1981, aggregate Eastern European debt was estimated at $58 billion, of which Poland's debt alone was $22.5 billion. 1/ By early in 1981, it became clear that Poland was unable to keep up with its payments, and Western governments agreed in April to reschedule the payments due in 1981. Nonetheless, Poland continued to have difficulties in meeting its rescheduled obligations to Western governments and banks. 2/ Subsequently, Romania, with a hard-currency debt estimated at some $10 billion at the end of 1981, 3/ also encountered difficulties in meeting its repayment schedule to creditors during the year. 4/

Observers comment that the situations of Poland and Romania have alerted Western governments and banks that although the Soviet Union may extend assistance in specific situations, it does not guarantee Eastern European debt. 6/ Discovering their risk, lenders apparently began questioning the soundness of their loans to all Eastern European countries. This new Western distrust is now believed to affect even those Eastern European countries that have relied comparatively little on Western financing, like Bulgaria and Czechoslovakia.

Romania is currently the only Eastern European member of the International Monetary Fund and the World Bank. This status generally strengthens a country's access to credit, provided it can fulfill certain conditions. However, Romania violated these conditions by missing repayment schedules to the IMF in 1981. The IMF thereupon canceled its line of credit to Romania, and requested certain economic reforms from the Romanian Government before considering the resumption of credit. Two other countries--Poland and Hungary--applied for IMF and World Bank membership in the fall of 1981, with the apparent objective of improving their chances for Western financing.

While Eastern European countries shared most of the problems discussed in this section, the typical disparities among them also persisted in 1981. East Germany continued to be the most highly industrialized Eastern European country, boasting the highest living standard in the region. East Germany's

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2/ Wharton Econometrics Forecasting Associates, Centrally Planned Economies' Service (hereafter, Wharton econometrics service).
3/ See the section on Poland.
4/ Wharton econometrics service.
5/ See the section on Romania.
6/ Marshall I. Goldman, op. cit.

accomplishments were attained within the framework of a Soviet-style central system of planning and management. In 1981, East Germany was the only Eastern European country that apparently met a relatively ambitious annual growth target (5 percent) and that also planned to maintain a growth rate of 5 percent a year throughout its current FYP. 1/ However, some Western experts doubt the feasibility of this goal in view of East Germany's serious labor shortage and its high dependence on imported materials. These analysts believe that sustained growth in East Germany will threaten the country's balance of payments with further deterioration and make its debt burden excessive. 2/ East Germany's debt at the end of 1981 is estimated to have been $12.8 billion. 3/

Hungary's economic performance is generally regarded as second in the bloc after East Germany's. In sharp contrast with East Germany's fully centralized system, Hungary is known as the leader in the region in implementing economic reforms that aim at decentralization of planning and management and at reliance on market forces.

Unlike East Germany, which transacts about 70 percent of its trade with the U.S.S.R., some 40 percent of Hungary's trade is with the West. In October 1981, Hungarians merged their dual exchange rate into a single rate. 4/ This paves the way for achieving the external convertibility of the forint (the Hungarian currency), 5/ which is to take effect sometime during 1982. This move is unprecedented for a Soviet bloc country, and underscores Hungary's strong, continued interest in economic ties with the West.

Poland and, to a smaller extent, Romania had the most troubled economies during the year. In Poland, labor unrest and political turmoil caused grave economic disruptions and severe declines in all areas of production except agriculture. Both Poland and Romania suffer from the consequences of poor investment decisions their Governments made some time ago. Several major projects in these countries, which required vast hard-currency expenditures, subsequently proved unproductive and cost ineffective. The establishment of Romania's costly petroleum-refining industry, which has to rely in part on expensive imported oil, is now regarded a costly mistake. These misinvestments are now believed to account for a major part of both countries' indebtedness and other economic problems.

1/ See the section on East Germany.

2/ G. Fink, An Assessment of CMEA Countries Hard Currency Debt, Occasional Paper No. 72, The Vienna Institute of Comparative Economic Studies, September 1981.

3/ Wharton econometrics service.

4/ See the section on Hungary.

5/ Limited external convertibility will allow Western suppliers of Hungary to receive payments from Hungarian firms in forints, which they can hold on deposit at the National Bank of Hungary or exchange for hard currency. Hungary expects this change in policy to greatly improve its international creditworthiness.

U.S. Trade With Individual Countries of Eastern Europe

Romania

Romania's total trade turnover with the United States was third highest among the NME's in 1981. Only U.S. trade with China and the U.S.S.R. were higher. Romania is one of four NME's to receive most-favored-nation treatment from the United States and the only NME that the United States designates as a beneficiary under the Generalized System of Preferences.

The total value of trade between the United States and Romania was $1.06 billion in 1981, representing an increase of only 3.2 percent from that in 1980 (table 16). While U.S. imports from Romania increased by 80 percent, exports to Romania declined by 30 percent. As a result, the United States had a trade deficit with Romania of approximately $55.6 million. The last time the United States had a deficit in its trade with Romania was in 1978.

The major reason for the change in the balance of U.S.-Romanian trade probably was the hard-currency shortage faced by Romania, which forced the Romanians to restrict their purchases from the West and motivated them to increase their sales to the West.

The Romanian hard-currency shortage is aggravated by its need to service a foreign debt estimated at $10 billion to $14 billion. This debt is owed to banks, corporations, and governments of market economy countries, and to the World Bank and International Monetary Fund. The problem is particularly severe because the debt is structured so that a large part of it comes due in 1981 and 1982.

So far, the Romanians have avoided defaulting on their debt. Of the $2.4 million in Western credits that came due in 1981, they have repaid all but $750 million to $800 million. 1/ However, Romania's debt payments have often been late, and it has had to arrange with several of its creditors to defer certain payments.

Romania has applied to the IMF for aid in its debt problems. Romania is the only CMEA member that belongs to that organization. In June, the IMF approved a line of credit for Romania of approximately $1.28 billion that was to run for 3 years. However, in November, this line of credit was canceled, because Romania had missed certain debt payments. The IMF wants Romania to make significant economic reforms before financial assistance is resumed.

A major cause of Romania's shortage of hard currency is the large increase in crude oil prices that has occurred in recent years. Romania based much of its industrial development on energy-intensive sectors like petrochemicals and petroleum refining. In recent years, Romania's petroleum reserves have dwindled, so it has imported an increasing share of its petroleum supplies. Romania has been a net importer of petroleum since 1976; it has imported more crude petroleum than it has produced since 1979.

1/ _Business Eastern Europe_, Jan. 22, 1982, p. 27.

Table 16.—U.S. trade with Romania, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	178,831	339,036	328,230
1	Beverages and tobacco	-	-	7,046
2	Crude materials--inedible, except fuel	191,848	165,135	75,527
3	Mineral fuels, lubricants, etc	29,114	81,207	41,047
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	4,652	5,526	5,526
6	Manufactured goods classified by chief material	10,476	25,275	10,827
7	Machinery and transport equipment	76,399	90,090	29,463
8	Miscellaneous manufactured articles	8,757	13,528	5,911
9	Commodities and transactions not elsewhere classified	386	433	313
	Total	500,464	720,231	503,890
		U.S. imports		
0	Food and live animals	30,778	26,969	24,580
1	Beverages and tobacco	763	1,657	1,790
2	Crude materials--inedible, except fuel	11,920	9,081	6,589
3	Mineral fuels, lubricants, etc	55,146	44,483	149,124
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	7,805	10,745	6,912
6	Manufactured goods classified by chief material	64,559	57,751	171,134
7	Machinery and transport equipment	56,360	68,317	90,439
8	Miscellaneous manufactured articles	101,158	91,106	108,528
9	Commodities and transactions not elsewhere classified	562	451	353
	Total	329,051	310,561	559,449

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Romania has responded to its energy shortage by increasing conservation and by developing new domestic sources of energy. The latter include offshore oil wells, coal, and nuclear power. A Canadian-built nuclear plant is under construction and is expected to become operational by 1985. A consortium of General Electric and an Italian firm will provide some equipment for this plant. 1/ Romania is negotiating contracts for additional nuclear reactors with Canada.

Also attributable to the shortage of hard currency is the increased emphasis on countertrade. Romania enacted a new trade law in 1981 that requires all organizations without earned hard currency to arrange for 100-percent countertrade for any purchases from hard-currency countries. The law also allows increased flexibility in countertrade arrangements. Romanian foreign trading organizations may now offer Western suppliers a wider variety of goods in countertrade and a longer period to fulfill their agreement to purchase Romanian products. A longer fulfillment period gives the Western trader more time to find desirable Romanian goods to accept in countertrade. A major recent countertrade agreement is General Electric's $142-million agreement to provide turbines for the new nuclear power station. GE had to accept 100-percent countertrade, but negotiated an 11-year fulfillment period. The normal fulfillment period in a countertrade agreement is between 2 and 3 years. 2/

Another way the Romanians are reacting to their shortage of hard currency is to increase the share of their trade that is conducted with other CMEA members. In the past, about 35 percent of Romania's trade has been with these countries. 3/ Romania's leaders now wish to increase that share to 48 percent. 4/ In 1981, they signed a trade agreement with the U.S.S.R. that envisions a substantial increase in trade between the two countries. However, Romania is unlikely to curtail sharply its trade with non-CMEA countries. For its economy to grow at the rate targeted in its 5-year plan, Romania will need technology and equipment not available from the CMEA suppliers. Nor are the Romanians likely to be able to significantly increase their purchases of crude oil from the CMEA area. The Soviet Union, the only other major producer of crude oil in the CMEA, is unlikely to be willing to increase substantially its petroleum exports to Romania. In 1981, at the CMEA meeting held in Sofia, Bulgaria, Romania asked to double by the share of its fuel, raw material, mineral, and metal imports supplied by the CMEA, from 21 to 42 percent by 1985. The other CMEA members only agreed to an increase to 38 percent. 5/

1/ General Electric's participation was supported by an Eximbank loan to Romania of $120.7 million. See the section on "Developments in U.S. Commercial Relations with Eastern Europe" in this report.

2/ Business Eastern Europe, June 12, 1981, p. 188.

3/ Ibid., Nov. 27, 1981, p. 380.

4/ Intereconomics, May/June 1981, p. 148.

5/ Business Eastern Europe, July 24, 1981, p. 237.

The United States is one of Romania's largest Western trading partners, ranking second after West Germany. In 1980, the last year for which complete trade data are available, the United States accounted for 10.2 percent of the industrialized West's imports from Romania and 19.9 percent of the industrialized West's exports to Romania. 1/

In 1980, the nine countries of the European Community accounted for 79.0 percent of the industrialized West's imports from Romania and 63.1 percent of the industrialized West's exports to Romania. 2/ In 1980, Romania became the first CMEA member to independently negotiate a trade agreement with the EC. The agreement between the EC and Romania entered into force at the start of 1981 and will continue until 1985. 3/ It is too early to judge how this agreement will affect U.S. trade.

U.S. exports.--Food (SITC Section 0) was the largest category of U.S. exports to Romania; it accounted for over $328 million, or 65 percent of total exports in 1981 (table 16). Food exports declined only by 3 percent from their 1980 level, much less than the decline in total U.S. exports.

Total agricultural exports declined by 20 percent in 1981 to just over $368 million, and nonagricultural exports declined by 47 percent. Agricultural products accounted for 64 percent of total U.S. exports to Romania in 1980 and for 73 percent in 1981. Agricultural exports probably fared better because of serious difficulties in the Romanian farm sector, including a summer drought that seriously damaged the corn crop. U.S. exports of corn to Romania increased by 43 percent to $227 million in 1981, but because wheat exports declined by 91 percent, total exports of cereal grains declined 5 percent to $235 million. This was 64 percent of total U.S. agricultural exports to Romania. Romania's agricultural difficulties led to widespread food rationing in 1981. The Government, probably fearing that continued food shortages could lead to widespread unrest similar to that experienced in Poland, has announced a program of intensive efforts to improve Romanian agriculture.

Crude materials (SITC Section 2) was the second largest category of U.S. exports to Romania. It accounted for $76 million, or 15 percent of total U.S. exports to that market in 1981. These exports declined 54 percent from their 1980 level. In 1980, cotton, cattle hides, and soybeans composed the bulk of crude materials exports to Romania. In 1981, the value of cattle hide exports fell 23 percent. Soybean exports fell 71 percent; however, exports of soybean oil, cake, and meal (SITC Section 0) rose 25 percent. The total value of soybeans and soybean oil cake and meal exported to Romania fell 20 percent.

1/ U.S. Department of Commerce, International Trade Administration, U.S.-Romanian Trade Trends, January-June 1981, October 1981, pp. 13 and 15. The term "industrialized West" refers to the following countries: Austria, Belgium-Luxembourg, Canada, Denmark, Finland, France, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States, and West Germany. Further references to industrialized West or industrialized Western countries in this section on "U.S. Trade With Individual Eastern European Countries" denotes this group of nations.

2/ Ibid.

3/ For further information on this agreement, see the section on "Developments in U.S. Commercial Relations with Eastern Europe" in this report.

Romania is shifting its purchases from soybeans to soybean meal because of inadequate supplies of processing chemicals and a desire to save the energy that would be used in processing. 1/ U.S. cotton exports almost completely disappeared, because the Commodity Credit Corporation limited its lending to Romania, and that country preferred to use its CCC credit for financing other agricultural commodities. Romania probably replaced the U.S. cotton with imports from the U.S.S.R., traditionally its leading supplier of that good.

One crude material export that rose in 1981 was sulfur. In 1981, the United States exported over 22 million dollars' worth of elemental sulfur to Romania, representing an increase of 208 percent over the 1980 level. Sulfur exports accounted for 29 percent of all crude material exports and for 4 percent of total U.S. exports to Romania. Sulfur exports rose because of production cutbacks in Poland, traditionally Romania's leading supplier of sulfur.

Mineral fuels (SITC Section 3) was the third largest category of U.S. exports, accounting for $41 million, or 8 percent of total exports. These exports fell by 49 percent from their 1980 level. Exports in this category consist almost entirely of coal. These exports probably declined because of Romania's drive to reduce its consumption of all forms of energy and to develop its domestic reserves of coal.

U.S. imports.--Manufactured goods classified by chief material (SITC Section 6) was the largest category of U.S. imports from Romania; it accounted for over $171 million, or 31 percent of the total value of these imports in 1981. Imports in Section 6 rose 196 percent from the 1980 level. These imports consisted mostly of steel and glass products. Steel imports increased dramatically in 1981, while glass imports grew only slightly.

Steel plate accounted for 51 percent of the value of imports in SITC Section 6 and for 16 percent of the total value of U.S. imports from Romania. The tonnage of carbon steel plate imported from Romania increased 677 percent between 1980 and 1981. In 1980, Romania supplied 2 percent of U.S. imports of carbon steel plate; in 1981, Romania supplied 13 percent of these imports. In 1980, Romanian imports were 0.4 percent of apparent U.S. consumption of carbon steel plate; in the first 11 months of 1981, they were 3.3 percent of apparent U.S. consumption. These imports increased in part because the Romanians opened a new steel plate mill in 1981, thereby substantially increasing their platemaking capacity. 2/ Steel oilwell casing accounted for 14 percent of imports from Romania in SITC Section 6. Imports of oilwell casing increased 268 percent over their 1980 level. U.S. demand for this product has greatly increased because of increased oil exploration.

Glass and glass products made up 11 percent of imports in SITC Section 6. These imports grew by only 2 percent over their 1980 level. In contrast, total U.S. imports of glass and glass products from all sources grew by 10 percent.

1/ U.S. Department of Agriculture, "Attache Report: RO-1016," July 1, 1981.

2/ Steel plate imported from Romania was the subject of recent Commission investigation. See the section on "Developments in U.S. Commercial Relations with Eastern Europe" in this report.

Mineral fuels and lubricants (SITC Section 3) was the second largest category of U.S. imports from Romania; it accounted for over $149 million, or 27 percent of U.S. imports in 1981. These imports increased by 235 percent from those in 1980. Two petroleum distillates, gasoline and naphtha, accounted for 94 perent of the value of these imports.

Miscellaneous manufactured articles (SITC Section 8) was the third largest category of U.S. imports from Romania; it accounted for $109 million, or 19 percent of the total value of imports in 1981. These imports rose by 19 percent over their 1980 level. The major products imported by the United States from Romania in this category are apparel and footwear. In 1981, textile and footwear imports from Romania increased by 19 percent; U.S. imports of those products from all sources grew by only 16 percent. However, imports of footwear from Romania declined by 6 percent, while total U.S. footwear imports grew by 5 percent.

Machinery and transport equipment (SITC Section 7) was the fourth leading category of U.S. imports; it accounted for over $90 million, or 16 percent of imports in 1981. These imports rose 32 percent over their 1980 level. The leading product in this category was passenger railway cars, which accounted for 14 percent of these imports. These cars are imported as kits, which are assembled after they are brought to the United States. Farm tractors account for 12 percent of machinery and equipment imports from Romania.

Otherwise dutiable goods accounting for 19 percent of all imports from Romania entered the United States duty free under the provisions of the Generalized Systems of Preferences. In 1980, Romania asked the United States to extend GSP treatment to four additional products: poppy seed, unwrought nonalloyed aluminum, unwrought alloyed aluminum, and fine-grained earthenware and stoneware household ware. As a result of the U.S. administration's 1980 review of GSP eligibility, the first three items were added to the list of products eligible for GSP treatment; the fourth item was not added.

Poland

Once the world's 10th largest industrial economy, Poland teetered on the verge of economic collapse throughout 1981. According to official Polish statistics, the economy performed abysmally in 1981. National income fell by 13 percent (in constant prices) to its lowest level in 7 years; industrial output dropped for the third year in a row. Poland's exports dropped by 15 percent, and imports fell by 12 percent. The country's trade deficit topped $2 billion, up about 8 percent from the 1980 high. 1/

The value of U.S.-Polish trade fell for the second year in a row, dropping over 7 percent from the previous year's level (table 17). 2/ Imports from the United States were off by 4 percent; exports to the United States

1/ Data are based on a summary of Poland's 1981 economic results by the Polish Central Statistical Office, in Trybuna Luna, published on Jan. 19, 1982, as noted in a report from the U.S. Embassy, Warsaw. Unless otherwise indicated, all statistics regarding Polish economic performance in this section are based on that report.

2/ Data are based on official statistics of the U.S. Department of Commerce. Unless otherwise indicated, all statistics concerning U.S.-Polish trade were derived from this source.

Table 17.--U.S. trade with Poland, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	508,520	447,867	531,527
1	Beverages and tobacco	13,369	11,831	9,360
2	Crude materials--inedible, except fuel	127,975	143,555	60,118
3	Mineral fuels, lubricants, etc	355	53	30
4	Oils and fats--animal and vegetable	29,391	10,440	14,373
5	Chemicals	17,793	16,884	12,107
6	Manufactured goods classified by chief material	15,747	15,223	4,091
7	Machinery and transport equipment	60,979	53,160	35,957
8	Miscellaneous manufactured articles	10,281	9,193	6,946
9	Commodities and transactions not elsewhere classified	1,848	2,239	6,037
	Total	786,258	710,446	680,547
		U.S. imports		
0	Food and live animals	168,066	159,190	113,124
1	Beverages and tobacco	520	1,152	1,144
2	Crude materials--inedible, except fuel	3,306	1,652	3,999
3	Mineral fuels, lubricants, etc	20,838	9,542	1,439
4	Oils and fats--animal and vegetable	1,550	1,996	1,047
5	Chemicals	22,638	23,324	15,353
6	Manufactured goods classified by chief material	80,666	96,430	110,901
7	Machinery and transport equipment	46,616	49,461	47,197
8	Miscellaneous manufactured articles	81,151	71,501	63,669
9	Commodities and transactions not elsewhere classified	738	671	2,064
	Total	426,090	414,919	359,939

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

declined by just over 13 percent. A substantial cut in shipments of canned hams to the United States accounted for much of the import decline. U.S. exports to Poland of virtually everything except agricultural items suffered in 1981. The Polish Government restricted imports to raw materials, medicines, chemicals, and food, and thus a substantial drop in U.S. sales of machinery and equipment to Poland occurred during the year. Because of the country's lack of hard currency and ongoing rescheduling negotiations during the year, financing of capital goods purchases was extremely difficult to obtain. U.S. agricultural sales to Poland remained close to their 1980 levels, owing, in large part, to unprecedented levels of U.S. Government-backed credits for bulk commodity sales. 1/ With the falloff in other product areas, agriculture's share of total U.S. exports to Poland increased to over 87 percent, up from 80 percent in 1980. In terms of value, Poland was the United States's fourth-ranking NME trading partner in 1981, dropping below Romania for the first time. The United States retained a positive balance of trade with Poland, registering a $321 million merchandise trade surplus in 1981.

Poland's current economic woes can be traced to an ambitious industrialization program launched early in the 1970's. Under this program, long-term growth was to be achieved by the development of heavy industry, requiring substantial imports of capital equipment and technology--mostly bought with Western credits. The debt incurred to finance this investment was to be paid off through higher export sales to the West of manufactured goods, including textiles, steel, and other industrial products. Agriculture and light industry were programed to decline in importance, and investment in these sectors was slashed. During the first half of the decade, this strategy scored some limited successes. National income rose, and industrial production increased. Imports from the West accelerated, and growing interdependence with the West--both as a source of capital equipment and food and as a market for goods--was the result. The composition of U.S. imports from Poland changed, with manufactured goods assuming an important role.

Meanwhile, exports to the industrial nations were below expectations because Western recovery from the 1974/75 "oil shock" recession was both slow and weak. Western countries were also experiencing persistent problems of economic adjustment in basic industries like steel and textiles (where Poland had anticipated large export gains).

In an effort to stem balance-of-trade deficits, resulting from lackluster export performance and record imports of capital goods, in 1976 the Polish Government decided to slow the pace of industrialization. A succession of poor harvests and social unrest fueled the economic decline; sharply rising investment payments on its short- and medium-term hard-currency debt were also a serious drain on the country.

The Polish economy was plagued with severe supply shortages in 1981. The dearth of goods was complicated by a near-collapse of the distribution system. Although purchasing power (money incomes adjusted for price increases) was virtually unchanged from the previous year, the production falloff meant that few, if any, goods were available for sale at any price.

1/ See section on "Develompents in U.S. Commercial Relations with Eastern Europe," above.

Virtually everything, from bread to vodka and from bolts to electricity, was in short supply. According to Fortune, the country faced "the worst economic disaster to befall any European country since the devastation of World War II." 1/ It was, however, just the culmination of a series of crises over the past two decades--the kind of economic debacles that sparked unrest in the country in 1956, 1968, 1970, 1976, and--most recently--in 1980.

In an effort to restore stability to Poland's faltering economy, newly elected Prime Minister General Jaruzelski announced in April plans for reform of industry and agriculture, including the decentralization of decisionmaking and the adoption of more market-oriented production, distribution, and pricing schemes. At the same time, he called for a 3-month moratorium on strikes. Rationing of most essential goods was imposed later in the same month. The Communist custom of 5-year planning was suspended for 1981-85 in favor of a 3-year economic stabilization program that was outlined in June 1981. The plan allowed for a drop in economic output and provided for the transfer of resources from heavy industry to agriculture. 2/ An austere policy of restricting all but the most essential imports from the West and curbing domestic investment was already in place. In the plan, the Government predicted a 10 percent drop in industrial production.

By the end of 1981, industrial production had actually fallen by almost 20 percent. Output declined in all industrial sectors. This drop was particularly marked in the iron, steel, nonferrous metals, coal, building materials, printing, and motor-vehicle sectors. 3/ Nevertheless, U.S. steel plate imports from Poland grew at a rapid pace during the year, increasing 102 percent from the 1980 level. Poland's share of the U.S. steel import market rose from 3.6 percent in 1980 to 5.4 percent in 1981.

Production of coal, Poland's prime hard-currency earner and leading domestic fuel source, fell by almost 16 percent. Indeed, the Government announced in July that thousands of soldiers were being sent to work the mines to combat the serious production slump. Reasons for the shortfall include the elimination of the "four brigade system" that had insured the continuous operation of the mines, the granting of work-free Saturdays, and the lack of parts for mining equipment. Because of the drop in coal output in 1981, Poland's coal shipments to the U.S. fell by over 85 percent during 1981. Coal exports to the world fell to one-half their 1980 level.

In 1980, Poland and the United States accounted for over half the 200 million metric tons of coal traded internationally. Of the coal it exported in 1980, Poland sold approximately 35 percent in the West for hard currencies and 65 percent to the Soviet bloc. Western Europe depended on Poland for 30 percent of its coal needs. 4/ In 1981, the United States and South Africa picked up some of the slack by supplying coal to Poland's traditional customers, some of them in the Soviet bloc.

1/ "Poland's Economic Disaster" by Robert Ball, in Fortune, Sept. 7, 1981, pp. 42-48.

2/ The Government's shift from investment in industry to private agriculture may not alter production significantly. Because overall investment has been slashed, actual outlays for agricultural investment may not improve in real terms.

3/ In 1980, according to the International Iron and Steel Institute in Belgium, Poland was the world's eighth largest steel producer.

4/ Journal of Commerce, Apr. 13, 1981, p. 1A.

The one bright spot in Poland's economic picture was a good harvest during the 1981 crop year--Poland's second good harvest in 8 years. In constant prices, the value of agricultural production rose by 4 percent from the 1980 level. Plant production was up by 20 percent, and meat production was down by 13 percent. The 1980 harvest had been the worst in a decade; the sugar beet and potato harvests were calamitous. The 1981 sugar beet harvest was nearly twice as high as the 1980 crop. The harvests of potatoes and other animal feeds were also markedly higher than the previous year's levels, paving the way for stronger performance in the livestock sector in 1982. According to preliminary data, production of butter was down more than 19 percent from the 1980 level, and the fish catch fell by the same percentage. 1/

While 25 percent of Poland's farms are Government-owned, the private sector is reputedly much more efficient than the bureaucratic state-run farms. Even so, the central authorities exert considerable influence over private farming activities through their control over product selection, fertilizer supplies, and land allocation, among other things. Private farms produced 80 percent of Poland's agricultural output in 1981.

Farming supplies were critically short during the year. The lack of spare parts (especially batteries and tires) for agricultural machinery and shortages of fertilizer, herbicides, and animal feed all contributed to the less-than-spectacular agricultural performance in 1981. Also, because of disastrous yields in 1980, Poland had to import significant quantities of food in 1981 to meet supply shortfalls.

Despite a drop of 12 percent in labor productivity, 2/ nominal wages rose by nearly 25 percent during the year. However, the cost of living rose by at least that much, jumping 58 percent for goods bought at private stores and 21 percent for those bought at state stores. In spite of the introduction of work-free Saturdays, shorter weekday working hours, and strikes, the number of hours worked dropped by only 8 percent. Beyond the falloff in man-hours, the drop in productivity can be explained by shortages in fuel and raw materials, lack of spare parts, and an unprecedented drop in investment estimated at almost 50 percent. Over 70 major investment projects were cancelled during the year, according to official statistics, and at least 1,500 investment projects were postponed.

The rise in the wage level and the short supply of many goods increased pressure on Poland's inflexible command pricing system. By failing to absorb excess purchasing power with a hike in officially controlled prices, the Government spurred day-long waiting lines in the shops. Perhaps to avoid the potentially explosive social fallout, the Government continued to keep consumer prices of most goods well below their cost of production (as it has since 1970), limiting the rise in state prices to the Polish worker to just over one-fifth from the 1980 level. The net subsidy provided on consumption of these goods thus rose 40 percent from the previous year, costing the country an estimated $8 billion in 1981. 3/ The cost to the Government of

1/ Journal of Commerce, Sept. 17, 1981.

2/ In spite of this generally bleak performance, productivity increased in some sectors. Some Government reports claim that industrial production began to improve in August 1981.

3/ Financial Times, July 2, 1981, p. 2.

such subsidies in the past decade is estimated to be more than $39 billion. 1/ The Government did allow real prices to rise to near market levels through the mechanism of the black market. The black market flourished, with goods commanding up to six times the prices of similar goods in the Government shops.

Meanwhile, farmers increasingly refused to sell their produce at the Government's low offering price. Official statistics indicate that shipments of consumer goods to state retail outlets fell by over 10 percent. In April, the Government introduced rationing of such staples as meat, butter, milk, bread, rice, cigarettes, alcohol, and sugar. Deliveries of meat to the Government fell by nearly 18 percent. Food supplies were so depleted that many shops were unable to provide the quantities necessary to fulfill rations. An attempt in the last 3 months of the year to induce farmers to provide more goods to the state proved futile. The Government upped the offering price for milk, livestock, and grains, but in October, for example, deliveries of grain to the state were down nearly 30 percent from the 1980 level. 2/ There remained some incentive for exchange with the central authorities, because some essential goods--notably coal and fertilizer--are only obtainable from the Government. Despite the hoarding of production, the Government did not impose mandatory shipments to state stores during the year.

Poland maintained its substantial trade links with the Soviet bloc, increasing its imports by 2 percent. Exports to these countries (including the Soviet Union) fell by 10 percent. Particularly marked decreases in shipments were evident in coal, sulfur, coke, copper, chemicals, and oil products. 3/

Approximately 50 to 60 percent of Poland's trade is with other CMEA countries. 4/ Nearly a third is with the Soviet Union, and half of its sales to that country are in the machinery and industrial equipment sector. In return, the Soviets supply Poland with about 95 percent of its crude oil, about 45 percent of its natural gas, 84 percent of its iron ore, and up to 25 percent of all raw materials used in Polish manufacturing. 5/ (Soviet oil shipped to its CMEA partners has been priced at about half the prevailing world price. 6/) Nevertheless, the Soviets only supplied 1 percent of Poland's food needs in the first half of 1981, and between 10 and 15 percent of its machinery needs. 7/

As Poland consistently failed in 1981 to supply promised coal, sulfur, and other manufactured goods to its CMEA partners, signs of dislocation in the whole Soviet bloc became evident. All Soviet bloc countries depend in varying degrees on Polish-made manufactured goods, such as electronic instruments and ball bearings. Economic specialization arrangements within the bloc call for Poland to supply electronic instruments, aircraft parts, ships, rolled metal, and parts for nuclear power plants for the Soviet Union in return for guaranteed supplies of energy and raw materials.

1/ Journal of Commerce, June 16, 1981, p. 11A.
2/ Washington Post, Nov. 27, 1981, p. A1.
3/ Business Eastern Europe, Apr. 17, 1981, p. 124.
4/ 27th Quarterly Report . . ., p. 48.
5/ Journal of Commerce, Oct. 21, 1981, p. 23B.
6/ Ibid., Dec. 11, 1981, p. 1A.
7/ Business Week, Oct. 26, 1981, p. 27.

Trade with the West deteriorated substantially in 1981, with exports falling by over 20 percent and imports down by nearly a third. Significant factors in this decline were the virtual elimination of imports of crude oil from all countries but the Soviet Union and a large drop in imports of manufactured goods. Traditionally, manufactured goods account for a substantial share of Polish imports from Western Europe, and these were particularly hard-hit by the country's financing problems. Fully half of Poland's imports from the West were of agricultural products in 1981. Purchases of grains from the industrial West fell by 11 percent, and imports of other foodstuffs rose nearly a third. Most of that increase was accounted for by meat imports, which jumped to four times their 1980 level. Butter imports increased fourfold, lard imports increased sixfold, and potato flour imports doubled.

Poland's external debts to the East and the West rose in 1981. The debt to the Soviet bloc more than doubled, to over $4 billion. This figure was dwarfed by Poland's debt to the West, which stood at just over $26 billion at the end of 1981--up 16 percent from 1980's level. About $3 billion was due to be repaid to Western creditors in 1981, roughly divided between governments and commercial banks. 1/

The imposition of martial law in Poland on December 13 spurred President Reagan to take unilateral steps against the Soviet Union and Poland, including measures affecting U.S.-Polish trade relations. Among the actions against Poland outlined on December 23 were (1) the suspension of U.S.-backed shipments of agricultural and dairy products; (2) withdrawal of Poland's fishing privileges in U.S. waters; (3) suspension of Poland's civil aviation privileges in the United States; and (4) prohibition of renewed Eximbank export credit insurance for Poland. Certain emergency food and medical supply shipments were exempted for humanitarian reasons. President Reagan indicated that if the Polish Government chose to abide by its commitments to honor basic human rights, "we in America will gladly do our share to help the shattered Polish economy." 2/

In view of the major role agriculture has played in overall U.S. exports to Poland, accounting for 87 percent of all U.S. imports to that country in 1981, the cutoff of U.S. Government-supported commodity shipments is expected to have a most dramatic impact on U.S.-Polish trade in the future. Virtually all commodity sales in 1981 were financed under guarantee by the U.S. Government. The suspension of fishing privileges is also expected to have an effect on future trade results--Poland exports substantial quantities of frozen fish, some of which was caught in U.S. waters.

U.S. exports.--Total U.S. exports to Poland were lower than the 1980 level, dropping 4 percent to $680.5 million. However, the composition

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1/ For a more detailed discussion on the Polish debt situation, see the 28th Quarterly Report . . ., pp. 59-63.

2/ Weekly Compilation of Presidential Documents, vol. 7, No. 52, pp. 1404-1407. In his statement, President Reagan called for the lifting of martial law, the freeing of detainees, and the restoration of the rights of Poles to freedom of speech and association.

of U.S. sales to Poland changed significantly. Agriculture's share of U.S. exports to Poland rose to nearly 90 percent, compared with 80 percent in 1980. The value of agricultural exports was $531.5 million. Manufactured goods (SITC Sections 6, 7, and 8) accounted for just 7 percent of U.S. exports, down from 11 percent in 1980. Crude materials, including fertilizers, leather, and cotton, accounted for only 9 percent of U.S. sales to Poland, down from 20 percent. Exports of virtually all goods except those covered by CCC-backed financing fell during the year.

Agricultural sales (SITC Section 0) to Poland were up 19 percent in 1981. The top U.S. exports were yellow corn, soybean oilcake and oilcake meal (used as animal feed), butter, wheat, lard, dry milk products, fish, linseed oilcake and oilcake meal (used as animal feed), and donated foodstuffs (table B-11). Although the value of soybean oilcake and oilcake meal shipments rose in 1981, the quantity supplied actually diminished as unit prices rose by 15 percent. The value of wheat shipments dropped by 71 percent, from $58.6 million in 1980 to $17 million in 1981.

Exports in SITC Section 1, beverages and tobacco, were off 21 percent from those in 1980, amounting to just over $9 million. Included in this category are tobacco and alcoholic beverages. Shipments of tobacco products dropped from $11.8 million in 1980 to $9.8 million in 1981, or by 21 percent. The top trade item in this group is cigarette leaf tobacco, which accounted for 5.5 million dollars' worth of exports in 1981. Poland imports U.S. tobacco for use in its cigarette-manufacturing plants, and the drop in exports can be attributed to the general production slowdown in Poland.

Crude materials exports (SITC Section 2) fell by over one-half, declining to $60 million in 1981. Wood pulp, cattle hides, phosphates, and soybeans are included in this category. Soybean exports declined by 62 percent, from $67 million in 1980 to $25 million in 1981. Wood pulp exports, used by Polish furniture factories, were down, as were exports of phosphates (used in fertilizers). Phosphate exports declined nearly 80 percent, to $7 million. Exports of cattle hides, used by Poland in its footwear industry, declined from $19.5 million in 1980 to $5.5 million in 1981, representing a drop of 72 percent. Crude cotton exports (used in textile manufacturing) were up by 40 percent, amounting to $15.0 million. Exports of mineral fuels and lubricants (SITC Section 3) were negligible, amounting to only $30,000 in 1981.

Exports of oils and fats (SITC Section 4) in 1981 rose by nearly 38 percent, to $14.4 million, largely as a result of the doubling of tallow sales. Tallow, a CCC-backed commodity, is an additive in animal feed. It accounted for about half of U.S. exports to Poland in SITC Section 4 during the year.

Chemicals exports also fell significantly, by 28 percent, to just over $12 million. Among the more important exports in this category are herbicides, fungicides, drugs, and waxes. Fertilizer exports were down 79 percent from the 1980 level, falling from $32 million to $4 million in 1981.

Exports of manufactured goods (SITC Sections 6, 7, and 8) amounted to just under $47 million--down nearly 40 percent from the 1980 level of $77.6 million. The largest relative decline was in SITC Section 6, manufactured goods classified by chief material. These exports declined by more than 73 percent to $7 million in 1981. Among the more important items in this section are paper and paperboard products, manmade-fiber yarns, glass, steel, aluminum, copper, and ferromolybdenum (used in steel manufacture). Copper sales were off by 99 percent, and glass exports declined by 86 percent, from $1 million in 1980 to just under $200,000 in 1981.

Exports of machinery and transport equipment (SITC Section 7) in 1981 were down 32 percent, to $36 million. Included in this category are parts of automobiles, trucks, tractors, farm and mining equipment, aircraft, industrial furnaces, metalworking equipment, communications equipment, and computers. Exports of motor vehicles and parts declined by 21 percent, to $7.9 million. Parts of tracklaying tractors (Schedule B No. 692.3820) remained among the top 20 U.S. exports to Poland. Exports of the parts rose by 15 percent, to $6.4 million. The tractors are used in coal mining. Computer equipment sales were down by 86 percent, from $6.4 million in 1980 to $871,045 in 1981.

Exports in SITC Section 8, miscellaneous manufactured articles, fell by 24 percent, to just under $7 million in 1981. Included in miscellaneous manufactured exports are measuring and testing devices, medical equipment and supplies, temperature gages, and media equipment. Medical supplies made up the bulk of U.S. exports to Poland in this category.

Exports in SITC Section 9, commodities and transactions not elsewhere classified, amounted to more than $6 million in 1981. This was over 1-1/2 times the 1980 level. The increase can be attributed to the marked upswing in charitable contributions of clothing, medical supplies, and other necessities.

U.S. imports.--The United States imported 360 million dollars' worth of goods from Poland in 1981, 13 percent less than it did in 1980. Canned hams imports were down by 36 percent, accounting for much of the overall decline. The composition of U.S. imports from Poland changed significantly during the year. Agricultural imports declined in significance, accounting for 31 percent of total imports compared with 38 percent in 1980. Manufactured goods increased in relative importance--accounting for 62 percent of U.S. imports from Poland in 1981, up from a 52-percent share in 1980.

As previously noted, canned hams were the primary import from Poland and Eastern Europe in 1981, retaining their major role despite a drop in Polish shipments from $220.1 to $86.3 million. Shipments of ham and other cooked pork products were curtailed by the Polish Government in 1981 to alleviate critical domestic meat shortages. Other food exports were also curtailed.

U.S. imports from Poland in SITC Section 3, mineral fuels and lubricants, were down by 85 percent, falling from $9.5 million in 1980 to $1.4 million in 1981. Coal is the principal item in this category.

All but 3 of the top 20 U.S. imports from Poland in 1981 were manufactured goods (table B-12). Two of these three items were from SITC Section 0 (food and live animals)--canned hams and pollock. Also in the list of leading imports were steel plate and steel channels (SITC Section 6); motor-vehicle parts (SITC Section 7); sewing machines and engines or turret horizontal lathes (SITC Section 7); four apparel items (SITC Section 8); two footwear items (SITC Section 8); and one textile item (SITC Section 6).

Prepared pork imports (including canned hams, pork shoulders, and sausage) fell by 35 percent, amounting to $90.0 million in 1981 compared with $138.6 million in 1980. Poland's share of U.S. imports of prepared pork declined from 40 percent in 1980 to 27 percent in 1981. Pollock imports, which accounted for $6.5 million in 1980, increased by 50 percent to $9.8 million in 1981. Poland supplied 20 percent of U.S. imports of this item in 1981. Cod imports declined by 15 percent, totaling $2.3 million in 1981. Other significant imports in the food and live animals category were cheese substitutes and frozen strawberries. Imports of cheese substitutes dropped by 57 percent, accounting for only $678,000 in 1981; frozen strawberry imports rose by 14 percent to $2 million.

Imports in the beverages and tobacco category (SITC Section 1) included cigarette leaf tobacco, vodka, and ale--combined imports of which barely reached the $1 million mark.

U.S. imports from Poland in SITC Section 2, crude materials, amounted to $4 million in 1981. The value of feather and down imports nearly tripled, increasing by 288 percent to $1.6 million in 1981. Other imports included mink furskins totaling $1.3 million. Coal, the main import in SITC Section 3 in 1980, dropped out of the top 20 imports in 1981. Coal imports declined by nearly 85 percent, from $9.5 million in 1980 to $1.4 million in 1981. Poland's share of total U.S. coal imports declined from 11 percent in 1980 to less than 2 percent in 1981.

The only import from Poland in the oils and fats category (SITC Section 4) is inedible rapeseed oil, which is used as a lubricant in manufacturing. Such imports amounted to just over $1 million in 1981. Poland supplied 30 percent of U.S. imports of this item in 1981, down from 50 percent in 1980.

The United States imported $15.4 million in chemicals (SITC Section 5) from Poland in 1981, down 34 percent from the 1980 level. Among the items in this category are amines (ammonia derivatives) ($1.6 million in imports in 1981), tetracyclines ($1.6 million in imports in 1981), and casein ($3 million in imports in 1981). Casein was 1 of the top 20 U.S. imports from Poland in 1981 despite a decline in imports of $580,981, or 16 percent.

Imports of manufactured goods classified by chief material (SITC Section 6) rose by 15 percent in 1981, to $110.9 million. Eight items in the list of top 20 imports from Poland fall in SITC Section 6. These are steel plate, iron/steel nails, unalloyed steel channels, iron/steel screws, brass rods, footwear, cotton towels, and woven fabrics of vegetable fibers.

Steel plate imports from Poland doubled in value in 1981, totaling $36.7 million. Poland's share of U.S. steel imports rose from 3.6 percent in 1980 to 5.4 percent in 1981. Iron and/or steel nails imports totaled $8.9 million in 1981, up 10 percent from the 1980 level. The value of imports of unalloyed steel channels was one-third higher than in 1980, at $5.1 million. Imports of ball bearings nearly doubled, totaling $1.5 million in 1981. Brass rod imports from Poland grew by 10 percent, to $3.7 million in 1981.

Imports of glass and glass products declined slightly, falling 3 percent from the 1980 level of $7.1 million to $6.9 million in 1981. Imports of precious metals, also in SITC Section 6, dropped from $5 million in 1980 to virtually nil ($909) in 1981.

U.S. imports from Poland in the machinery and transportation equipment sector (SITC Section 7) totaled $47.2 million in 1981, declining by 5 percent from the 1980 level. Items included in this section are sewing machines, motor vehicles and parts, and engine or turret horizontal lathes. U.S. imports of motor vehicles and parts declined by 10 percent, dropping from $7.0 million in 1980 to $6.3 million in 1981, largely because tractor sales fell almost 90 percent from the 1980 level. Tractor sales totaled $200,000 in 1981. Imports under TSUS item 692.1090 (motor vehicles, not elsewhere specified), increased by 35 percent, from $2.5 million in 1980 to $3.4 million in 1981.

U.S. purchases of sewing machines from Poland reached $5.7 million in 1981, growing 6 percent from the 1980 level. The value of U.S. imports under TSUSA item 674.3512 (engine or turret horizontal lathes) was 68 percent higher than in 1980, amounting to $8.4 million, because the unit price of the machines jumped by 63 percent.

Imports of miscellaneous manufactured articles (SITC Section 8) totaled $63.7 million, down 11 percent from the level in 1980. The main items imported from Poland in this category are furniture, apparel, bicycles, and footwear. Apparel imports increased by 7 percent, with particular gains registered in women's raincoats and wool men's suit-type coats. Textile and apparel imports from Poland amounted to $34.6 million in 1981, up from $32.4 million in 1980. Footwear imports declined, however. Nonrubber footwear imports fell by one-third, from $16.2 million in 1980 to $10.9 million in 1981. Poland supplied less than 1 percent of U.S. imports of nonrubber footwear. Furniture imports declined by 10 percent, amounting to $6.1 million in 1981. Bicycle imports totaled $3.4 million, down 22 percent from the 1980 level. Poland supplied 6.6 percent of U.S. bicycle imports in 1981, down from 10.4 percent in 1980.

East Germany

U.S. trade with East Germany decreased in 1981 to $340.3 million from its record high level of $520.3 million in 1980 (table 18). This was the first downturn in bilateral trade since 1977. U.S. exports to East Germany decreased 38 percent, from $477 million in 1980 to $295.6 million in 1981. On the other hand, the value of U.S. imports from East Germany was about the same, increasing 4 percent from $43.0 million to $44.7 million. As a result, the U.S. trade surplus with East Germany declined 42 percent, from $434 million in 1980 to $250.9 million in 1981.

East Germany's economic performance was better in 1981 than in 1980. Economic growth was steady and reached the planned target rate of 5 percent in the first 9 months of 1981. 1/ This growth rate was higher than the 1980 rate

1/ The Economist Intelligence Unit, Ltd., Quarterly Economic Review of Poland, East Germany, 4th Quarter 1981, p. 19. The directives for the 1981-85 5-year plan, which call for both national income and industrial output to grow by an average of 5.1 to 5.4 percent a year, were approved at the Party Congress in April 1981.

Table 18.--U.S. trade with East Germany, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	319,315	451,348	283,094
1	Beverages and tobacco	-	237	163
2	Crude materials--inedible, except fuel	5,058	6,231	2,430
3	Mineral fuels, lubricants, etc	6,124	434	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	9,690	8,807	3,232
6	Manufactured goods classified by chief material	1,678	798	1,416
7	Machinery and transport equipment	5,993	6,136	2,521
8	Miscellaneous manufactured articles	6,062	2,441	2,003
9	Commodities and transactions not elsewhere classified	603	956	698
	Total	354,522	477,389	295,557
		U.S. imports		
0	Food and live animals	248	192	418
1	Beverages and tobacco	164	170	154
2	Crude materials--inedible, except fuel	2,520	2,625	724
3	Mineral fuels, lubricants, etc	978	1,597	1,195
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	4,210	5,292	5,101
6	Manufactured goods classified by chief material	8,389	12,896	14,923
7	Machinery and transport equipment	11,630	12,630	17,235
8	Miscellaneous manufactured articles	6,091	7,309	4,742
9	Commodities and transactions not elsewhere classified	1,435	247	210
	Total	35,666	42,959	44,702

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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of 4.2 percent. Industrial production increased by 5.6 percent over the period. East Germany relies heavily on the industrial sector for its economic growth. Industrial production as a share of total national material output rose from 58.3 percent (75.7 million marks) in 1973 to 61.1 percent (103.3 million marks) in 1979.

According to official East German sources, that country's prices were stable in 1981. 1/ Government subsidization may have contributed to the price stability; Government data show little change in retail prices over several years. However, some Western observers have reservations about the accuracy of the officially reported inflation statistics.

The labor shortage in East Germany has not eased. Facing a negative population growth rate and an aging labor force, the Government permits the hiring of foreign workers. The number of foreign workers in the country was estimated to be about 40,000 in 1980; with a 5-percent economic growth target, East Germany probably maintained a foreign labor force of approximately the same size in 1981. Although the priority accorded to technological improvements in industrial production has helped to reduce labor requirements to some extent, it cannot solve the labor shortage, which is complicated by the abnormal age distribution in the population. 2/

Although East Germany has the most technologically advanced economy in Eastern Europe, it is not as sophisticated in many areas as Western developed countries such as Italy, Japan, West Germany, and the United States. On August 3, 1981, East Germany and the U.S.S.R. reached an agreement on wider technological cooperation over the next 5 years. During September 9-12, 1981, East Germany and Mexico signed seven new trade and technical assistance agreements. In the meantime, East Germany and Italy discussed technological cooperation and agreed to consider cooperative links in the areas of lignite processing and industrial automation. Negotiations with Japan on the purchase of an entire petrochemical plant and a steel mill were conducted in 1981. 3/ These agreements will probably increase the volume of East German trade in 1982.

East Germany exports mainly manufactured goods and machinery, and imports principally raw materials and capital goods. There have been no significant changes in the composition of its trade in recent years. About one-third of East Germany's trade is with the U.S.S.R., and another third is with the other Eastern European countries, primarily Czechoslovakia and Poland. Almost all the remaining one-third is with the West.

East Germany relies on the Soviet Union for most of its raw materials. Approximately 90 percent of East Germany's petroleum and gasoline and

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1/ The Economic Intelligence Unit, Ltd., Quarterly Economic Review of Poland, East Germany, 3d quarter 1981, p. 18. The data cover only January-June 1981.

2/ The estimated population at the end of 1979 was 16,740,324. The 1970 census showed that the population was 17,068,318. It has been estimated that in 1980 about half the East German population was under the age of 30, and a quarter was beyond retirement age.

3/ In September 1981, three Japanese steel firms (Hitachi, Nippon, and Mitsui) contracted with East Germany to erect a new steel mill in Eisenhuttenstadt, East Germany.

85 percent of its cotton are typically supplied by the U.S.S.R. It exports machinery and transport equipment to the U.S.S.R. Some highly technical items such as computers and electronic devices are also exported by East Germany. The balance of the bilateral trade between the two Communist countries has been in favor of the U.S.S.R. The East German trade deficit with the U.S.S.R. increased from $460.7 million in 1979 to $728.4 million in 1980.

East German trade with non-Communist countries is almost exclusively with a group of 17 industrialized Western countries. 1/ West Germany is East Germany's leading Western trade partner. For the past 5 years, West Germany has accounted for more than 50 percent of East Germany's total trade with Western countries. Except in 1980, when East Germany recorded a surplus of $156.8 million, the balance of trade between the two Germanys has been in favor of West Germany. In the first 6 months of 1981, West Germany imported more machinery, electrical goods, and wood products from East Germany--and exported more mining products to East Germany--than in the corresponding period of 1980. In this period, the bilateral balance of trade was in favor of East Germany.

Other leading Western trading partners of East Germany are France, the United States, and the United Kingdom. The following tabulation shows East German trade with industrialized Western countries (in percent):

Trading partner	Exports to East Germany			Imports from East Germany		
	1979 share	1980 share	1980 rank	1979 share	1980 share	1980 rank
West Germany	52.5	54.3	1	62.4	61.4	1
United States	8.2	10.4	2	0.9	0.9	12
France	7.4	6.0	3	5.4	5.5	2
Austria	4.2	4.2	4	3.0	3.3	7
United Kingdom	4.1	4.1	5	5.9	4.1	4
Netherlands	3.8	3.8	6	13.4	4.0	5
Other Industrialized Western countries	19.8	17.2		19.0	20.9	

Source: U.S. Department of Commerce, International Trade Administration, U.S.-GDR Trade Trends, January-June 1981.

The value of East Germany's trade with these countries as a group was $8.9 billion in 1979 and $10.4 billion in 1980. It recorded trade deficits of $896 million in 1979 and $364 million in 1980 with them. This trade was more in balance than that in several previous years, when deficits with these countries were much larger. East Germany's imports have been severely restricted by a shortage of hard currency, and exports have been emphasized in order to provide currency for debt repayment. Net debt to the West increased rapidly in the 1970's, from $1.2 billion in 1972 to $10.4 billion in 1980.

1/ For a list of these countries, see the section on Romania.

U.S. exports.--Direct U.S. exports to East Germany dropped from $477.4 million in 1980 to $295.6 million in 1981. 1/ This significant reduction was attributable mainly to a decline in U.S. agricultural exports. Nevertheless, agricultural commodities, as usual, dominated U.S. exports to East Germany in 1981 (table B-13).

East Germany has had food shortages for years despite a Government policy that calls for reducing dependence on foreign grains. Imports account for 25 to 30 percent of total grain consumption. Average annual grain production in 1976-80 was 9 million tons. According to estimates of the U.S. Department of Agriculture, East Germany produced 9.3 million tons and imported 3.6 million tons of grain in 1981. 2/ The current 5-year plan calls for domestic output to reach 10.4 million tons by 1985. Even if grain production reaches the planned target, however, East Germany will not be able to feed its people adequately without imports. The United States is a major supplier of grain to East Germany.

About 95 percent of U.S. exports to East Germany in 1981 were agricultural commodities. Just three products--yellow corn, soybean oilcake and meal, and unmilled wheat--accounted for 91 percent of U.S. exports. For the past 3 years, yellow corn alone has made up more than 50 percent of exports. Although the value of corn shipments declined last year by 45 percent, to $184 million from $332 million in 1980, the share of exports accounted for by corn decreased by only 7 percent, to 62 percent.

About 5 percent of U.S. exports to East Germany in 1981 were nonagricultural commodities. Such exports decreased from $24 million in 1980 to $15 million in 1981. In 1980, the two leading items were molybdenum compounds and copper ore. The combined value of exports of the two products was $8.7 million. In 1981, the two leading items were unsaturated polyester resins and manmade-fiber paddings and upholstery fillings, with a combined value of $2.6 million (table B-13).

U.S. imports.--U.S. imports from East Germany increased by 4 percent to $44.7 million in 1981. No significant changes in the composition of U.S. imports were reported in 1981. As in previous years, they consisted mainly of manufactured goods (SITC Sections 6, 7, and 8), which accounted for about 82 percent of U.S. imports from that country.

Imports of manufactured-goods rose from $32.8 million in 1980 to $36.6 million in 1981. The leading product category was machinery and transport equipment (SITC Section 7), imports of which increased by $4.6 million (36 percent) in 1981. The largest increase in this section was in printing presses (chiefly sheet-fed-type offset printing presses) and parts, imports of which rose from $4.4 million in 1980 to $8.6 million in 1981 (table B-14).

1/ Direct exports to East Germany are those for which the U.S. export declaration identifies East Germany as the country of destination. Only estimates are available on the value of U.S. goods that are consigned to another country and then transshipped to East Germany. The value of such goods remained fairly large until 1978, when East German port facilities were improved. All figures in this section of the report are expressed in terms of direct exports as reported in the official statistics of the U.S. Department of Commerce. 102

2/ USDA, East European Agricultural Highlights, 1981, Jan. 8, 1982, p. 55.

Another major item in this section is portable typewriters. U.S. typewriter imports from East Germany increased from $1.86 million in 1980 to $1.92 million in 1981. However, the quantity declined from 23,126 units in 1980 to 17,126 units in 1981. The average unit value for all East German typewriters increased from $80.19 in 1980 to $112.11 in 1981. The 40-percent increase in the unit value was caused mainly by a change in product mix: in 1980, 30 percent were electric; in 1981, 77 percent were electric. The unit value of portable nonelectric typewriters imported from East Germany declined from $76.28 in 1980 to $64.65 in 1981. In spite of that decline, imports of nonelectric typewriters dropped sharply from 11,002 units in 1980 to 2,960 units in 1981.

A third significant item imported from East Germany in 1981 was potassium chloride, a fertilizer, which accounted for 81 percent of all chemicals imports (SITC Section 5). Imports of potassium chloride increased from $3.7 million in 1980 to $4.1 million in 1981. The quantity of these imports rose from 53,814 short tons in 1980 to 55,348 short tons in 1981.

Imports of automobile tires from East Germany in 1981 accounted for 45 percent of imports of manufactured goods classified by chief material (SITC Section 6). Imports of passenger car tires rose from $2.8 million in 1980 to $4.1 million in 1981. During the same period, imports of truck tires increased from $1.6 million to $2.6 million (table B-14). The East Germans have been modernizing their automobile and related industries and improving the quality of their products.

The import item that experienced the largest decrease in 1981 was mink furskins, imports of which dropped by 80 percent from $22 million in 1980 to $0.4 million in 1981. The unit value declined by 17 percent, from $29.64 to $24.73. Another import item that declined sharply in 1981 was men's and boy's jogging jackets. Such imports decreased by $752,934, or 58 percent.

Montan wax imports decreased by 25 percent to $1.2 million in 1981. The product is derived from lignite, a raw material that is abundant in East Germany, and is used primarily as flow agent in the manufacture of one-time-use carbon paper. After declining from 1974 to 1977, imports of montan wax rose from $0.5 million in 1977 to $1.6 million in 1980. They then decreased to $1.2 million in 1981. Imports of montan wax in 1973-81, as well as their rank among all imports from East Germany in each year, were as shown in the following tabulation (in thousands of dollars):

Year		Rank
1973	1,020	1
1974	1,352	1
1975	1,062	2
1976	562	5
1977	452	7
1978	859	10
1979	978	9
1980	1,597	6
1981	1,195	8

Montan wax imported from East Germany was the subject of two U.S. International Trade Commission investigations in 1981. One investigation was initially instituted in September 1980, when the only domestic producer of montan wax filed a complaint under the antidumping provision of the Tariff Act of 1930. The second investigation was a market disruption case instituted in October 1981 under section 406 of the Trade Act of 1974. 1/

Bulgaria

The upward trend in U.S. trade with Bulgaria continued in 1981. Trade between the two countries increased by 54.6 percent and reached a new high of $283.7 million (table 19). Once again the United States enjoyed a large surplus in bilateral trade, amounting to $232.5 million. U.S. exports to Bulgaria rose 61.0 percent to $258.1 million, and U.S. imports from that country rose 12.1 percent to $25.6 million. The sharp rise in exports was caused mainly by an increase in exports of agricultural commodities, which soared from $127.3 million in 1980 to $197.3 million in 1981.

Bulgaria's economic growth targets are increases in output of 5.1 percent in 1981, 3.6 percent in 1982, and an average of 3.7 percent during the period covered by the current 5-year plan (1981-85). The economic growth rates achieved in 1979 and 1980 were 7.2 percent and 5.7 percent, respectively.

In general, the Bulgarian economic performance was better than expected in the first 9 months of 1981, according to Government figures. Plans for net production, labor productivity, profit, and introduction of new technology are said to have been exceeded. 2/ Output of light industry increased by 5.9 percent over the level of the corresponding period of 1980. The growth target set for industry as a whole for 1981 was 5.6 percent. Construction marginally exceeded its 7.2 percent target in the first 9 months.

The only economic sector that did not meet its planned target for 1981 was agriculture. Like 1980, 1981 was a bad year for agriculture in Bulgaria. Drought in the summer of 1981 affected many areas of the country. As a result, the 4.7-percent growth target set for agricultural output could not be met. The estimated harvest in 1981 was 7.9 millions tons, only 2.6 percent higher than the level of the poor harvest in 1980 and well below the 8.5 million tons produced in 1979. As demand for grains cannot be satisfied from domestic sources, Bulgaria has to rely upon foreign trade to eliminate its food shortage.

Bulgaria's foreign trade turnover grew rapidly during 1973-80, achieving a 17.4-percent average annual growth rate. The average export growth rate was 17.8 percent; import growth rate was 16.7 percent. Trade in 1980 grew at only 14.1 percent, but is believed to have grown more rapidly in 1981. For the first 6 months of 1981, Bulgarian exports amounted to $5.2 million, or

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1/ See the section on "Developments in U.S. Commercial Relations With Eastern Europe," above.

2/ The Economic Intelligence Unit Ltd., Quarterly Economic Review of Rumania, Bulgaria, Albania, 1st quarter 1982, pp. 17-18.

Table 19.--U.S. trade with Bulgaria, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	29,526	118,929	180,884
1	Beverages and tobacco	1,675	7,187	9,882
2	Crude materials--inedible, except fuel	14,314	4,676	16,960
3	Mineral fuels, lubricants, etc	9	30	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	916	12,188	36,517
6	Manufactured goods classified by chief material	513	1,682	1,350
7	Machinery and transport equipment	5,173	7,260	8,767
8	Miscellaneous manufactured articles	4,047	8,657	3,534
9	Commodities and transactions not elsewhere classified	52	93	209
	Total	56,225	160,701	258,104
		U.S. imports		
0	Food and live animals	1,546	1,944	2,030
1	Beverages and tobacco	20,780	15,173	18,766
2	Crude materials--inedible, except fuel	1,009	35	49
3	Mineral fuels, lubricants, etc	-	1	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	1,357	493	858
6	Manufactured goods classified by chief material	424	456	136
7	Machinery and transport equipment	2,435	2,736	2,963
8	Miscellaneous manufactured articles	2,551	1,953	776
9	Commodities and transactions not elsewhere classified	44	53	24
	Total	30,145	22,845	25,604

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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7.7 percent higher than exports in the corresponding period of 1980. Imports increased 19.7 percent to $5.4 billion in the first 6 months of 1981. 1/ The actual growth rates of foreign trade in 1980 and in the first half of 1981 were thus far above the 4-percent rate planned for 1982 and the 6.9-percent rate planned for 1981-85.

Nearly 80 percent of Bulgaria's foreign trade is with other members of CMEA, with the U.S.S.R. accounting for nearly 60 percent of total trade turnover. The Bulgarian authorities continue to base their plans for economic development primarily on cooperation with the U.S.S.R. The high level of bilateral trade between the two countries is expected to be maintained in 1982. The pattern of such trade is similar to that of Soviet trade with other Eastern European NME's. Bulgaria exports mainly manufactured goods to the Soviet Union and for the most part imports raw materials and petroleum products.

As a result of its effort to expand exports, Bulgaria achieved global trade surpluses of $355 million in 1979 and $722 million in 1980. These trade surpluses reduced Bulgaria's net hard-currency debt from $3.6 billion in 1978 to $2.6 billion in 1980. 2/ Bulgarian trade with the industrialized Western countries, 3/ however, showed a deficit during 1977-80. The importance of these countries in Bulgarian trade rose slightly in 1980. Their share of Bulgaria's imports increased from 13.3 percent in 1979 to 15.4 percent in 1980, and their share of its exports fell from 8.0 percent to 7.0 percent. Bulgaria's exports to the West in 1980 were valued at $728 million. Of these, $254 million, or 35 percent, went to Italy. In the same year, Bulgaria imported $1.5 billion in goods from the West, of which $478 million, or 32 percent, came from West Germany. Among the industrialized Western countries, the United States ranked fourth in exports to Bulgaria in 1980; it was seventh in imports from Bulgaria.

Bulgaria's trade with the West continued to expand in 1981. Purchases from the West increased to $1.9 billion in the first 9 months, exceeding its total imports from these countries in 1980. Exports to Italy, the largest Western market for Bulgarian goods, rose 4.2 percent in the first 6 months of 1981 over those in the corresponding period of 1980. Indications are that the upward trend in trade between Bulgaria and the West will continue in 1982.

U.S. exports.--U.S. exports to Bulgaria in 1981 increased by $97.4 million to a new record level of $258.1 million. As in the past, food and live animals (SITC Section 0) dominated the trade. Sixty-four percent of the increase in U.S. exports was accounted for by rising agricultural sales. The most important item in this category is yellow corn, U.S. exports of which jumped from $77.0 million in 1980 to $127.7 million in 1981 (table B-15). Another signigicant item is soybean oilcake and meal, exports of which increased from $39.6 million to $52.1 million. These two items together accounted for 64.9 percent of the total increase in U.S. exports to Bulgaria

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1/ Bulgarian trade statistics for 1981 are not yet complete.
2/ U.S. Department of Commerce, International Trade Administration, U.S.-Bulgarian Trade Trends, January-June 1981, September 1981, p. 16.
3/ For a list of these countries, see the section on Romania.

in 1981. Both are used as animal feed and are needed to achieve goals Bulgarian planners have set for an expanded and improved livestock industry. 1/

For the past few years, Bulgarian demand for U.S. corn has fluctuated widely. Corn was the leading U.S. export to Bulgaria in 1978, but dropped to third place in 1979 as its value declined by four-fifths to $5 million. It became the leading item again in 1980 and 1981. The level of exports of U.S. corn to this market in 1982 will depend largely on weather conditions.

The other category of U.S. exports that increased rapidly in 1981 was chemicals (SITC Section 5). Exports of chemicals increased by 199.6 percent to $36.5 million in 1981. The share of chemicals in total U.S. exports to Bulgaria increased from 7.6 percent in 1980 to 14.1 percent in 1981. The dominant item in this section was concentrated superphosphate fertilizer, exports of which tripled from $9.9 million in 1980 to $29.9 million in 1981. This item accounted for 81.8 percent of total U.S. chemicals exports to Bulgaria in 1981. The other chemical that appeared in the list of top 20 export items in 1981 was zinc compounds, which amounted to $4.9 million. Bulgarian economic plans attach high priority to expanding its chemical industry.

U.S. imports.--In 1981, U.S. imports from Bulgaria rose 12.1 percent to $25.6 million. Beverages and tobacco (SITC Section 1) was the leading category, accounting for 73.3 percent of total U.S. imports from that country. Imports of goods in this group increased 23.7 percent to $18.8 million. Imports of cigarette leaf tobacco increased from $14.5 million in 1980 to $18.2 million in 1981 and made up 71.1 percent of total U.S. imports from Bulgaria. Bulgarian cigarette leaf is oriental leaf tobacco. In 1981, the United States also imported oriental leaf tobacco from Turkey, Greece, and Yugoslavia. The United States charges higher duty rates (col. 2 of the TSUS) on imports from Bulgaria than on imports from the other three supplying countries, which all qualify for MFN treatment. 2/ In spite of the higher duty rate, imports of Bulgarian cigarette leaf have increased continually since 1979. If MFN treatment is extended to Bulgaria, U.S. imports of cigarette leaf from that country would be very likely to increase.

Imports of machinery and transport equipment (SITC Section 7) increased 8.3 percent to $3.0 million in 1981. Imports of typewriters, the leading item in the category, rose from $1.5 million in 1980 to $1.8 million in 1981; typewriters was the second highest U.S. import from Bulgaria.

1/ Soybean meal is made by crushing soybeans, extracting part of the oil, and then grinding the residual into a meal. Mixed with other feed, soybean meal produces a high-protein feed suitable for all classes of farm animals.

2/ In 1980 the ad valorem equivalent of the duty rates charged on oriental leaf tobacco averaged 25.3 percent on imports from Bulgaria and 8.3 percent on imports from Turkey, Greece, and Yugoslavia.

Hungary

In 1981, for the third consecutive year, the United States had a deficit in trade with Hungary (table 20). It amounted to a record $50 million, double the amount of the 1980 deficit. A 23-percent increase in imports in conjunction with a 2-percent decline in exports explains the deterioration of the U.S. balance in this trade during the year.

Two-way trade increased 11 percent in 1981 to $205 million, following a slight decline in 1980. In 1981, Hungary ranked only eighth among NME's as the recipient of U.S. exports, but was fifth as a supplier of U.S. imports.

The signing of the United States-Hungary bilateral trade agreement in 1978 triggered great optimism concerning mutual trade. Among other measures facilitating the exchange of goods and services, this accord provided for reciprocal MFN tariff treatment. However, it coincided with the beginning of import austerity in Hungary, which sharply curtailed purchases requiring hard currency. U.S. exports to Hungary show a continuing downward slide after this agreement; they declined from $97 million in 1978 to less than $80 million in each of the following 3 years, and also fell in relation to Hungary's total imports from the industrial West. Meanwhile, MFN status apparently benefited Hungarian exports to the United States, as they increased from less than $70 million in 1978 to $128 million in 1981. In 1979, the traditional U.S. surplus in trade with Hungary was replaced by a deficit, which has persisted ever since.

In 1981 the U.S. Congress extended Hungary's MFN status for another year, 1/ and economic relations between the two countries continued to be normal. Howevever, a drawn-out dispute involving U.S. charges of patent violations by the Hungarians in the area of agricultural chemicals continued, 2/ and imports from Hungary of truck trailer axle-and-brake assemblies became the subject of an antidumping investigation under U.S. trade statutes during the year. 3/

Hungary conducts a significant part of its trade with the advanced industrial world, predominantly with countries that are geographically close to it and with which it has historic economic ties. Hungary's principal Western trading partner is West Germany. Somewhat less significant--with the order of importance changing from year to year--are Austria, Italy, and France. The United States is a minor trading partner, supplying in 1980 only 2.5 percent of Hungary's total imports from the industrialized Western countries and receiving 4.1 percent of Hungary's total exports to them. 4/

A third consecutive trade surplus with the United States in 1981 reflected Hungary's sustained efforts to improve its trade balance with all hard-currency partners. Despite the severe deterioration in their terms of trade, the Hungarians were successful in narrowing their hard-currency trade

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1/ See "Developments in U.S. Commercial Relations With Eastern Europe," above.

2/ This dispute was discussed in the <u>19th Quarterly Report . . .</u>, p. 20.

3/ See "Developments in U.S. Commerical Relations With Eastern Europe," above.

4/ U.S. Department of Commerce, International Trade Administration, <u>U.S.-Hungarian Trade Trends</u>, October 1981, pp. 11-12.

Table 20.--U.S. trade with Hungary, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	14,818	19,331	3,231
1	Beverages and tobacco	134	420	-
2	Crude materials--inedible, except fuel	9,854	4,769	9,984
3	Mineral fuels, lubricants, etc	17	17	23
4	Oils and fats--animal and vegetable	14	15	16
5	Chemicals	18,531	9,171	15,945
6	Manufactured goods classified by chief material	6,601	11,818	8,662
7	Machinery and transport equipment	22,486	26,450	34,377
8	Miscellaneous manufactured articles	4,878	6,519	4,625
9	Commodities and transactions not elsewhere classified	254	510	648
	Total	77,588	79,020	77,511
		U.S. imports		
0	Food and live animals	33,615	27,776	29,312
1	Beverages and tobacco	1,261	1,421	1,908
2	Crude materials--inedible, except fuel	695	778	2,167
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	9,255	5,781	6,842
6	Manufactured goods classified by chief material	9,406	8,628	8,042
7	Machinery and transport equipment	39,565	38,417	57,505
8	Miscellaneous manufactured articles	17,672	21,174	21,125
9	Commodities and transactions not elsewhere classified	661	293	1,039
	Total	112,129	104,269	127,939

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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deficit in 1979 from the record level it reached in 1978, 1/ and in maintaining an almost-balanced hard-currency trade in 1980 and 1981. 2/ This enabled Hungary to slightly reduce its hard-currency debt, which amounted to some $7 billion in 1980. 3/

Restoration of external financial equilibrium has become the centerpiece of Hungarian economic policy in the last 3 years. A range of austerity measures was introduced in 1979, and further measures followed in 1980 and 1981. The Hungarian Government deliberately limited economic growth, restraining investment spending and imports while strongly encouraging exports--especially to hard-currency markets. Investment that promised rapid returns in hard currency was highly favored, and modernization of existing facilities was preferred to new projects.

In 1981, the first year of the sixth 5-year plan (1981-85), Hungary's national income grew no more than 1 percent (on the basis of 11-month data). Apparently, the modest goals of the 1981 annual plan were not reached, and agricultural production had fallen especially short of target. 4/ Therefore, agriculture was accorded higher priority than industry in the annual plan for 1982. A low rate of economic growth is foreseen throughout the remainder of the current FYP, which will allow living standards to rise only slightly, if at all. 5/ The current FYP restricts investment to the level attained in the previous 5-year plan (1976-80).

However, foreign trade--especially exports--is slated to grow at a higher rate than national income. 6/ Trade with the West--a major part of Hungarian foreign trade--must remain balanced or move into surplus as the amounts of Hungarian debt payments falling due will rise sharply in the coming years. The distrust recently felt by Western commercial banks toward their Eastern European debtors will compel Hungarians to face their obligations with great discipline. Most of their hard-currency debt is owed to commercial banks.

In 1981, the Hungarians proceeded with their market-oriented economic reform program, which they have pioneered in the Soviet bloc for years. These reforms aim at decentralizing economic planning and activating market forces through reliance on prices, profits, and other incentives. Measures introduced in 1981 included further organizational changes in foreign-trade management, another increase in the price of meat, a major step towards the convertibility of the Hungarian currency, and application for membership in the International Monetary Fund and the World Bank.

An average 10-percent increase in the retail prices of meat and meat products took effect in June, following sharper increases in these prices--and the prices of other consumer items--in prior years. These price increases in Hungary are notable, since most other Eastern European NME's have been reluctant to raise consumer prices--especially of food. Communist governments

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1/ U.S. Department of Commerce, Foreign Economic Trends: Hungary, July 1980, p. 8.

2/ Business Eastern Europe, Feb. 12, 1982, pp. 51-52.

3/ Business America, Oct. 5, 1981, p. 7.

4/ Business Eastern Europe, Feb. 12, 1982, p. 51.

5/ Ibid.

6/ Ibid.

have always proclaimed that the stability of consumer prices is characteristic of centrally planned economies, and that it indicates the superiority of the Socialist system over capitalist market systems. Despite the ideological vulnerability of such a strategy, the Hungarian Government has made the gradual alignment of domestic prices with world market prices an integral part of its reform program. This also involved phasing out existing subsidies on retail prices--including meat prices--which amounted to raising these prices significantly.

Higher meat prices were bound to discourage domestic meat consumption, to release more meat for export, and thus to increase Hungary's hard-currency earnings. Meat is among those export items that earn the most hard currency for Hungary. While having to pay higher prices for meat, Hungarians did not have to share in the acute food shortages most other Eastern European countries experienced in 1981. Produce from the small, family-owned plots, which the Hungarian Government encourages as part of its agricultural reforms, provided ample supplies of fruits, vegetables, eggs, and milk, often at lower prices than in 1980.

In October 1981, Hungarian planners merged their dual exchange-rate system into a single one. The measure discontinued the previous Hungarian practice of overvaluing the forint for noncommercial transactions in order to secure larger earnings from tourism, remittances from the West, and so forth. Merging the noncommercial rate with the more realistic commercial one created a unified exchange rate for the forint in terms of certain Western currencies. This single rate was then made subject to weekly adjustments by the Hungarian National Bank.

Merging the dual exchange rates is one of many steps that have been taken toward the external convertibility of the forint. The Hungarians are planning to achieve this convertibility some time during 1982. Since at present no NME has a currency that is convertible in even the most limited sense, the attainment of this goal would be unprecedented in the history of centrally planned economies.

The Hungarians are aiming at "external convertibility", i.e., convertibility of the forint limited to the foreign trade and service operations of Hungarian companies. Among other things, it would allow Western suppliers to receive their payments from Hungarian firms in forints, which they could either hold on deposit in the National Bank of Hungary or exchange for hard currency. The Hungarian Government expects that this practice will greatly improve the country's creditworthiness.

In November 1981, Hungary applied for membership in the International Monetary Fund and the World Bank. Western observers believe that this move was prompted by Hungary's desire to improve its access to international financial markets. Romania is currently the only Eastern European member of these international organizations.

U.S. exports. 1/--In 1981, U.S. exports to Hungary declined 2 percent to $77.5 million, following a negligible rise in 1980 and a sharp decline in 1979

1/ This section is based on U.S. Bureau of the Census data, which tend to understate U.S. exports to Hungary, as discussed in the 25th Quarterly Report, . . ., p. 103.

(table 20). The 1981 drop was mostly attributable to the absence of soybean meal exports and the decline in exports of manufactured goods classified by chief material during the year.

Machinery and transportation equipment (SITC Section 7) continued to be the leading category of U.S. exports to Hungary. Amounting to $34 million in 1981--30 percent more than in 1980--it constituted 44 percent of the total. Tractor parts, motor-vehicle parts, parts of agricultural machinery, and oil and gas field wire line were the leading items in this group. Exports of several of these items rose rapidly over 1980 levels (table B-17).

Soybean meal was the leading item in U.S. exports to Hungary for many years, accounting in 1980 for almost a quarter of the total (table B-17). In 1981, Brazil replaced the United States as Hungary's major supplier of this item owing to the lower price of Brazilian soybean meal, according to Hungarian officials. 1/ Food and live animals (SITC Section 0) ranked second among major commodity groups in U.S. exports to Hungary in 1980, but without sales of soybean meal, exports in this category became negligible in 1981, and chemicals (SITC Section 5) replaced it. Crude materials (SITC Section 2) followed in third place. Exports to Hungary increased markedly in the two latter groups compared with 1980 levels. Chemicals exports to Hungary amounted to $16 million in 1981, rebounding 73 percent from their low 1980 level. The surge was caused by exports of concentrated superphosphates, sales of which resumed in 1981 after a hiatus in 1980. 2/ Superphosphates, which have been among the leading exports to Hungary for some years, headed the list in 1981. Sales of this product amounted to $7 million, or 43 percent of all chemical exports to Hungary. Two other chemical items--corticosteroids and cardiovascular drugs--also remained among the 20 top export items.

The resumption of cotton sales caused exports of crude materials (SITC Section 2) to Hungary to more than double in 1981. Crude materials exports amounted to $10 million, of which cotton accounted for $3.8 million. In 1979 cotton appeared for the first time among the leading U.S. export items to Hungary, but sales were not repeated until the last half of 1981. 3/ Hungary imports substantial quantities of cotton--mostly from the Soviet Union, when it is available from that source--for its large cotton textile industry.

Cattle hides continued to be an important U.S. export item in the crude materials category. Sales in 1981 amounted to $3 million, increasing 38 percent in value and 20 percent in quantity over the 1980 level.

Exports of manufactured goods classified by chief material (SITC Section 6) to Hungary amounted to $8.7 million in 1981. This was 27 percent less than in 1980. Sales of cotton denims, which caused a surge in this category of exports in 1980, dropped to virtually nothing. Glass rods and tubing remained a leading export item to Hungary in 1981, even though such sales declined.

1/ U.S. Department of Commerce, International Trade Administration, U.S.-Hungarian Trade Trends, January-June 1981, October 1981, p. 6.

2/ According to Hungarian statistics, Hungary purchased U.S. superphosphates in 1980 totaling $18.7 million.

3/ According to Hungarian statistics, Hungary imported U.S. cotton in 1980 and in the first half of 1981.

Hungary plans to continue its 3-year-old policy of import austerity, which will limit U.S. prospects in the Hungarian market for the foreseeable future. Prevailing uncertainties with regard to U.S. export-control policy and the imposition of U.S. trade sanctions following the events in Poland may further discourage Hungarian interest in imports from the United States. Analysts in the Department of Commerce believe that prospects for U.S. exports to Hungary are most favorable in the area of manufactured goods; they specifically cite such products as agricultural equipment and parts, motor-vehicle parts, and construction and mining machinery. The strength of Hungary's agriculture generally limits prospects for U.S. farm products in the Hungarian market, but exports of cotton, animal hides, and animal feedstuffs should continue. 1/

U.S. imports.--U.S. imports from Hungary amounted to $128 million in 1981, which was the third consecutive year in which Hungarian products enjoyed MFN tariff treatment in the United States. Imports exceeded their value in 1978--the last year before MFN status was accorded to Hungary--by 86 percent. Growth of imports from Hungary in 1981 over the 1980 level was 23 percent.

The composition of imports from Hungary remained remarkably stable in 1981 compared with that in the previous year. Imports increased predominantly in their largest category: machinery and transportation equipment (SITC Section 7); they also rose in some smaller SITC sections and did not decline in any major SITC section (table 20).

The typical concentration in imports from Hungary into SITC Sections 7, 0 and 8 (ranked by value) and into a few specific items intensified in 1981. These three major commodity groups accounted for 84 percent, and the six top items alone accounted for 61 percent, of all U.S. imports from Hungary (tables 20 and B-18).

The list of leading import items from Hungary continued to be headed by canned hams. Such imports amounted to $22 million in 1981, falling slightly in quantity although rising somewhat in value. Canned hams made up most of U.S. food imports from Hungary (SITC Section 0), even though wines and paprika were also among the leading 20 items. As a group, food and animal products ranked as the second largest category of imports from Hungary.

Imports of items classfied as machinery and transportation equipment--already the largest SITC category--increased 50 percent in 1981. Amounting to $57.5 million, imports in this group accounted for 45 percent of all U.S. imports from Hungary. Two items--motor-vehicle parts (the second leading import item) and motor buses (the third leading import item) accounted for most of the surge. Motor-vehicle parts amounting to $21 million, made up 36 percent of imports in SITC Section 7. These parts included truck trailer axle-and-brake-assemblies manufactured by a Hungarian firm for several U.S. truck and tractor manufacturers, which during the year became the subject of an antidumping investigation by the U.S. Government, discussed earlier in report.

1/ Business America, Oct. 5, 1981 p. 14.

Electric lamps, the fourth ranking item, have been on the list of top items from Hungary for years. These light bulbs are manufactured and imported by Action-Tungsram, a joint venture between the U.S. firm Action Industries and the Hungarian enterprise Tungsram.

In 1981, miscellaneous manufactures (SITC Section 8) continued to be the third largest category of imports from Hungary. Leather footwear--the sixth leading specific import item from Hungary--accounted for 43 percent of these imports. Duties on leather footwear imported into the United States were reduced from 20 to 10 percent ad valorem when MFN status was conferred on Hungary in 1978. In items of quantity, imports surged in 1980 but declined somewhat in 1981. Imports of miscellaneous manufactures included a wide range of items, none of which were individually significant in value, even in terms of the small U.S.-Hungarian trade. In this group, men's wool suits and coats appeared on the 1981 list of the leading 20 imports from Hungary (table B-18).

Imports of manufactures classified by chief material continued to decline in 1981, with pneumatic tires and glass rods remaining the leading items in this category.

Imports of Hungarian chemicals, while rising in 1981, remained comparatively small. Pesticides were the only chemicals among the top 20 imports from Hungary. U.S. purchases of sulfametazine, a pharmaceutical, which in 1979 made chemicals a comparatively important group in U.S. imports from Hungary, were negligible in 1981. Hungary has an advanced pharmaceutical industry, which is one of the the country's leading hard-currency earners. In 1981, the United States imported a wide variety of Hungarian pharmaceuticals but none of them in significant amounts.

Motor buses were a new addition to the list of major imports from Hungary in 1981, with imports amounting to $10 million. U.S. purchases of Hungarian buses resulted from an agreement between the Hungarian manufacturer Ikarus and the Crown Coach Corp. of California. The bus engines, transmissions, rear axles, seats, and special glass are manufactured by several companies in the United States; the frame, body, and a number of other items are made by Ikarus. The 73-seat buses are imported partially assembled, and they are finished by Crown Coach before delivery to U.S. buyers.

Czechoslovakia

Two-way trade between the United States and Czechoslovakia fell 39 percent in 1981 to a total of $149.7 million. U.S. exports to Czechoslovakia decreased from $185.1 million in 1980 to $82.4 million in 1981 (table 21). The steep decline in exports was caused by a large drop in Czechoslovakia's purchases of U.S. agricultural commodities. During the same period, U.S. imports from that country rose from $61.1 million to $67.2 million. These changes reduced the surplus in the U.S. balance of trade with Czechoslovakia from $124.0 million to $15.2 million.

In addition to calling for slower annual economic growth rates, the new 1981-85 5-year plan emphasized increased productivity and efficiency in all sectors. The Czechoslovak economy may have reached some of the goals set for 1981, judging from data on its economic performance in the first 6 months of 114

Table 21.--U.S. trade with Czechoslovakia, by SITC 1/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
			U.S. exports	
0	Food and live animals	210,475	141,125	47,715
1	Beverages and tobacco	2,006	3,644	52
2	Crude materials--inedible, except fuel	36,395	11,181	11,598
3	Mineral fuels, lubricants, etc	1	11	7
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	13,357	3,714	2,227
6	Manufactured goods classified by chief material	2,757	4,920	3,372
7	Machinery and transport equipment	10,028	13,763	11,467
8	Miscellaneous manufactured articles	4,784	5,730	5,415
9	Commodities and transactions not elsewhere classified	1,325	1,056	567
	Total	281,129	185,145	82,420
			U.S. imports	
0	Food and live animals	6,712	9,240	10,057
1	Beverages and tobacco	388	660	718
2	Crude materials--inedible, except fuel	649	417	1,253
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	1,241	1,531	1,515
6	Manufactured goods classified by chief material	13,924	13,739	21,957
7	Machinery and transport equipment	12,522	14,638	14,737
8	Miscellaneous manufactured articles	13,979	20,330	16,570
9	Commodities and transactions not elsewhere classified	484	546	427
	Total	49,899	61,102	67,232

1/ Standard International Trade Classification.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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the year. Nominal national income increased by 2.4 percent in the first half of 1981, according to a Government report released on July 27, 1981. 1/ The rate of growth of industrial production was 1.8 percent higher in the first 6 months of 1981 than in the corresponding period of 1980, when the annual rate was 3.8 percent. Labor productivity increased by 2 percent, marginally below the 2.1-percent planned rate. Overall investment decreased by 2.6 percent in the first half of 1981.

Czechoslovakia has been experiencing economic problems similar to those of other Eastern European NME's. It has shortages of food, energy, and labor, especially skilled labor. One of the Government's goals is to achieve self-sufficiency in basic food supplies. The target for grain production in 1981 was 11.06 million tons. However, a grain harvest shortfall of 1.6 million tons due to adverse weather conditions was reported in late October 1981. This would imply a harvest of approximately 9.5 million tons, 5.7 percent below the average of the previous 5 years. 2/ Even in a good harvest year, grain production has not been adequate to support the population. Czechoslovak trade statistics show that in 1970-80, average annual imports of grain amounted to about 1.6 million tons.

Czechoslovakia is also heavily dependent upon imports of energy. About 30 percent of its total energy consumption has been supplied by foreign sources, primarily the U.S.S.R. In 1979, Czechoslovak imports of petroleum and products from the U.S.S.R. were valued at $1.7 billion. Facing the prospect of increasing expenditures for energy imports, the Government has tried to reduce domestic consumption. On October 14, 1981, the Government announced that the price of gasoline and other petroleum products would increase between 20 and 30 percent.

In 1980, total Czechoslovak exports were up 14 percent to $14.6 billion and imports rose by 8 percent to $14.8 billion, resulting in a global trade deficit of $0.2 billion. The overall trade balance may have improved in 1981. 3/ Compared with those in the first half of 1980, total exports in the first half of 1981 increased by 7.9 percent and imports increased by 4.6 percent. Exports to non-Communist countries increased by 6.2 percent, but imports were 2.3 percent lower.

The shares of Czechoslovakia's trade accounted for by particular partners were stable during 1970-80. In 1980, 36 percent of Czechoslovak trade was with the U.S.S.R., 34 percent was with the other Eastern European NME's, 19 percent was with the industrialized West, and 11 percent was with developing and other countries.

Czechoslovakia's basic trading strategy is to exchange its industrial goods for Western equipment and technology. In the past decade, Czechoslovakia's balance of trade with the industrialized West was in deficit in every year except 1980, when its exports were $2.97 billion and imports amounted to $2.78 billion. As a result of its persistent deficit,

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1/ The Economist Intelligence Unit, Ltd., Quarterly Economic Review of Czechoslovakia, Hungary, 4th quarter, 1981, p. 8.

2/ U.S. Department of Agriculture, Economic Research Service, East European Agricultural Highlights, 1981, Jan. 8, 1982, p. 45.

3/ Data on total Czechoslovakia trade in 1981 is for January-June only.

Czechoslovakia's net hard-currency debt mounted from $160 million in 1971 to $3.5 billion in 1980. 1/ Probably because of its shortage of hard currency, Czechoslovakia's imports from the West declined 3.5 percent by value in the first 10 months of 1981 from those in the corresponding period of 1980. The FYP target was a 6.7-percent increase in 1981. Exports went up 2.2 percent in the first 10 months of 1981, compared with a planned 9.1-percent increase. 2/

Among industrialized Western countries, West Germany has been Czechoslovakia's leading trading partner. In 1980, West Germany accounted for 37.2 percent of their imports from it.

Czechoslovakia's 1981-85 FYP also calls for increased cooperation with other Soviet bloc countries and active participation in the economic intergration program of CMEA, with particular emphasis on establishing closer links between the Czechoslovak and Soviet economies. If these guidelines are strictly followed, it is unlikely that Czechoslovak trade with the West will increase substantially during 1981-85.

U.S. exports.--U.S. exports to Czechoslovakia dropped 55 percent, to $102.7 million in 1981. This sharp decline can be explained by the reduction in U.S. exports of food and live animals (SITC Section 0). Food exports, which accounted for 76.2 percent of the total sales in 1980. They decreased by 66.2 percent, from $141.2 million to $47.7 million, in 1981. Nevertheless, food and live animals remained the leading category of U.S. exports to Czechoslovakia, accounting for 57.9 percent of the total value of this trade in 1981. Exports of inedible crude materials, except fuel (SITC Section 2) increased by 3.7 percent, to $0.4 million. U.S. exports to Czechoslovakia in all other SITC sections decreased in 1981. Particularly steep declines were recored in exports of beverages and tobacco (SITC Section 1) and machinery and transport equipment (SITC Section 7). Exports of beverages and tobacco decreased by $3.6 million, or 98.5 percent, and exports of machinery and transport equipment decreased by $2.3 million, or 16.7 percent.

U.S. exports to Czechoslovakia are dominated by a few agricultural products. Yellow corn, soybean oilcake and meal, and unmilled wheat accounted for 74.6 percent of U.S. exports to Czechoslovakia in 1980 and for 56.8 percent in 1981 (table B-19). About 39.4 percent of the reduction in the total exports in 1981 resulted from a decline in corn exports. Soybeans, soybeans oilcake and oil cake meal, and unmilled wheat were responsible for another 49.5 percent of the reduction. Exports of these three items together decreased by $91.3 million.

The share of nonagricultural exports in total sales to Czechoslovakia increased in 1981. U.S. sales to Czechoslovakia of manufactured goods (SITC Section 6,7, and 8) declined, though less sharply than agricultural exports. Exports of a few manufactured products increased substantially: reeling or winding machines sales were up from $72,248 in 1980 to $2.0 million in 1981, and exports of electric traffic-control equipment increased from $2,004 to $864,667.

1/ U.S. Department of Commerce, International Trade Administration, *U.S.-Czechoslovakia Trade Trends, January-June 1981*, October 1981, p. 15.

2/ *Business Eastern Europe*, Jan. 1, 1982, p.5.

U.S. imports.--U.S. imports from Czechoslovakia increased by 10 percent from 1980 to 1981. There were no significant changes in the composition of these imports. As in previous years, U.S. imports were made up mainly of manufactured goods (SITC Section 6-8), which accounted for approximately 80 percent of the total.

The leading import section was manufactured goods classified by chief material (SITC Section 6). U.S. imports of products in this category increased by $8.2 million, or 60 percent, in 1981. Individual items showing notable increases were oil well casings, imports of which rose from $3.2 million in 1980 to $8.3 million (table B-20), and truck and bus tires, imports of which rose from $0.4 million to $1.3 million. During the past few years Czechoslovakia has modernized its automobile and related industries. The quality of its tires has improved, and they appear to be competitive with those of other countries exporting to the U.S. tire market.

In 1981 imports of only food and live animals (SITC Section 0), and machinery and transport equipment (SITC Section 7) continued the upward trend they had maintained since 1977. Section 0 imports were up 8.8 percent, and section 7 imports rose 0.7 percent. The two principal imports items in section 0 were pork hams and shoulders, and hops. Imports of pork hams and shoulders rose 7.7 percent to $4.7 million, and imports of hops rose 13.3 percent to $5.0 million. The largest increase in the machinery and transport equipment section was in motorcycle engines, imports of which rose from $1.3 million in 1980 to $1.4 million in 1981.

Although imported footwear (SITC Section 8) declined from $13.5 million in 1980 to $9.1 million in 1981, it still accounted for 13.5 percent of total U.S. imports from Czechoslovakia in 1981. More than 99 percent of footwear imported from Czechoslovakia consisted of leather shoes. For producing leather shoes, Czechoslovakia imported $8.5 million in cattle hides from the United States in 1981.

Other Countries

Vietnam, Albania, Mongolia, Cuba, and North Korea were not individually discussed in this report. As indicated in table 22, the aggregate trade turnover between the United States and these five countries was $24.7 million or 0.2 percent of total U.S.-NME trade. A discussion of pertinent developments in trade with these countries is included in "Overview of U.S. Trade With the Nonmarket Economy Countries in 1981" early in this report. The leading items exported to and imported from each country are shown in appendix B.

Table 22.—U.S. trade with selected 1/ nonmarket economy countries, by SITC 2/ Nos. (Revision 2), 1979-81

(In thousands of dollars)

SITC Section No.	Description	1979	1980	1981
		U.S. exports		
0	Food and live animals	-	-	153
1	Beverages and tobacco	-	-	-
2	Crude materials--inedible, except fuel	151	224	450
3	Mineral fuels, lubricants, etc	9,459	6,307	5,598
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	187	504	788
6	Manufactured goods classified by chief material	7	17	37
7	Machinery and transport equipment	684	339	177
8	Miscellaneous manufactured articles	335	470	953
9	Commodities and transactions not elsewhere classified	162	359	8,749
	Total	10,956	8,222	16,905
		U.S. imports		
0	Food and live animals	25	65	33
1	Beverages and tobacco	194	-	-
2	Crude materials--inedible, except fuel	12,550	12,794	7,382
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	3/	54	86
6	Manufactured goods classified by chief material	48	22	10
7	Machinery and transport equipment	476	3/	35
8	Miscellaneous manufactured articles	306	81	141
9	Commodities and transactions not elsewhere classified	143	28	114
	Total	13,745	13,046	7,799

1/ Albania, Mongolia, Vietnam, Cuba, and North Korea.
2/ Standard International Trade Classification.
3/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

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APPENDIX A

MAJOR ITEMS IN U.S. TRADE WITH NONMARKET ECONOMY COUNTRIES

Table A-1.—20 U.S. export items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by Schedule B Nos., 1980 and 1981 1/

Schedule B No.	Commodity	Major NME customer	Share of total exports accounted for by NME's: 1980	Share of total exports accounted for by NME's: 1981	Value of exports to all NME's in 1981
			Percent	Percent	1,000 dollars
480.7025	Phosphoric acid, 65 percent or more available phosphorus pentoxide equivalents.	U.S.S.R	80.4	91.9	166,002
112.6000	Fish in airtight containers, other than canned	Poland	-	87.5	5,819
121.0515	Bovine leather, rough, russet and crust, wet blue, not split.	China	86.5	82.3	3,834
309.4242	Polyester fibers in noncontinuous form	do	64.9	78.1	282,075
699.0030	Tugboats and towboats, nonmilitary	do	-	72.7	19,982
176.2520	Linseed oil, crude	U.S.S.R	10.1	72.3	12,401
300.1530	Cotton, American pima and sea island, staple length 1-1/8 inches or more.	Poland	33.7	66.3	7,289
252.8230	Wrapping and packaging paper, and paperboard	China	68.9	65.9	4,858
113.8040	Fish balls, cakes, puddings, pastes, and sauces, not canned.	Poland	-	64.6	1,886
674.3529	Gear tooth grinding and finishing machine tools	U.S.S.R	39.8	59.0	10,674
121.7060	Leather, n.s.p.f	China	31.8	53.9	33,682
310.0010	Textured yarns, continuous manmade fibers, of polyester.	do	32.6	52.9	151,370
116.0100	Butter	Poland	-	50.0	44,486
358.0400	Other belting and belts, for machinery, of textile fibers, except v-belts.	U.S.S.R	.2	47.5	10,758
444.6000	Polyester resins, unsaturated, including allyl resins.	China	55.6	45.9	31,877
300.1550	Other cotton having a staple length 1-1/8 inches or more.	do	36.3	45.8	194,215
664.1074	Pipehandlers	U.S.S.R	-	44.7	24,437
310.0008	Textured yarns, continuous manmade fibers, of nylon, less than 1,000 denier.	China	17.8	44.2	15,775
345.5052	Knit fabrics, of noncellulosic fibers, circular, except double knit.	do	-	42.1	5,384
475.4555	Insulating or transformer oils	U.S.S.R	-	39.8	16,139

1/ Only items which accounted for at least 1 million dollars' worth of exports in 1981 are included in this table.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table A-2.—20 U.S. export items to the nonmarket economy countries (NME's) which changed substantially, by Schedule B Nos., 1981 1/

Schedule B No.	Commodity	Major NME customer	Percentage change, 1981 from 1980: All NME's	Percentage change, 1981 from 1980: World	Value of exports to all NME's in 1981
					1,000 dollars
668.0840	Parts of machines for processing or finishing pulp, n.s.p.f.	China	1,559.8	28.9	11,477
818.3900	Other commodities donated for relief or charity by individuals or private agencies.	Vietnam	1,281.7	53.5	12,127
480.7025	Phosphoric acid, 65 percent or more available phosphorus pentoxide equivalents.	U.S.S.R	851.8	732.8	166,002
176.2520	Linseed oil, crude	do	780.6	23.2	12,401
486.8900	Herbicide preparations	China	712.4	.5	6,898
404.2250	Terephthalic acid dimethyl ester	do	572.7	25.0	12,693
250.0232	Wood pulp, unbleached, suphate and soda	do	564.7	-12.4	3,947
177.5000	Lard	Poland	557.7	73.5	11,977
310.0034	Polyester continuous yarns of low tenacity	China	514.4	50.4	3,922
661.7060	Industrial machinery for treatment of chemicals, and parts thereof.	do	487.0	-43.4	4,297
683.9540	Parts for industrial and laboratory furnaces, ovens, induction and dielectric heating equipment.	Poland	-92.3	3.8	671
772.6220	Wrapped reinforced hose, of rubber or plastic	do	-91.7	-19.3	788
444.2310	Polyvinyl chloride and copolymer resins, uncompounded.	do	-89.6	11.8	543
664.0513	Drilling and boring machines, n.s.p.f	China	-89.2	2.3	602
433.1066	Lubricating oil and grease additive preparations, n.s.p.f.	do	-88.5	-3.0	877
121.5707	Bovine upper leather except calf or kip	do	-87.3	-41.6	1,726
676.2855	Printers for automatic data processing	do	-84.6	12.7	779
666.0041	Combines, self-propelled	Hungary	-83.3	22.9	554
630.3540	Magnesium, unwrought	do	-81.7	-22.1	1,683
699.1040	Parts n.s.p.f., of ships	China	-80.2	39.4	1,039

1/ Only items which accounted for at least 500,000 dollars' worth of exports in both 1980 and 1981 are included in this table.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-3.--20 U.S. import items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by TSUS items, 1980 and 1981 1/

TSUS item No.	Commodity	Major NME supplier	Share of total imports accounted for by NME's: 1980	Share of total imports accounted for by NME's: 1981	Value of imports from all NME's in 1981
			Percent	Percent	1,000 dollars
417.2800	Ammonium molybdate	China	96.6	2/ 99.9	15,379
542.3120	Ordinary glass, 16-18.5 oz/sq. ft	Romania	90.0	98.1	2,551
365.0000	Handmade lace furnishings	China	88.9	97.3	1,288
306.4293	Camel hair, greasy or washed	do	86.5	96.0	4,938
186.3000	Bristles, crude, or processed	do	90.2	95.7	7,029
380.0609	Men's and boys' jogging jackets	Romania	76.8	91.7	4,344
222.5700	Floor coverings of unspun fibrous vegetable materials.	China	88.3	90.3	9,664
494.2000	Montan wax	East Germany.	88.0	87.9	1,195
366.6000	Cotton furnishings, pile or tufted construction, n.e.s.	China	80.4	87.8	2,256
702.3785	Headwear, not caps, other fibers	do	81.1	86.7	8,744
363.3020	Cotton pillowcases, not ornamented	do	87.6	85.0	2,361
380.3941	Men's and boys' other cotton suit-type coats and jackets.	Poland	80.0	82.1	4,872
546.6240	Table, kitchen cookware, glass containers, cut or engraved.	Romania	85.6	79.3	1,332
365.9110	Net furnishings, silk, ornamented or not ornamented.	China	82.4	79.1	1,412
366.2740	Cotton shop towels, not ornamented or jacquard-figured.	do	42.5	78.8	7,199
365.8670	Net or other ornamented tablecloths and napkins.	do	64.3	76.3	5,486
308.0440	Other raw silk in skeins	do	70.4	75.0	6,863
413.3200	Coumarin	do	81.7	74.4	1,047
533.6200	Chinaware, nonbone or subporcelain, household	do	32.4	74.1	8,470
606.3100	Ferromolybdenum	China	-	72.6	4,610

1/ Only items which accounted for at least 1 million dollars' worth of imports in 1981 are included in this table.

2/ Actually 99.95 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-4.--20 U.S. import items from the nonmarket economy countries (NME's) which changed substantially, by TSUSA items, 1981 1/

TSUSA item No.	Commodity	Major NME supplier	Percentage change, 1981 from 1980: All NME's	Percentage change, 1981 from 1980: World	Value of imports from all NME's in 1981
					1,000 dollars
706.1830	Handbags of unspun fiber	China	478.8	90.2	6,420
680.3712	Radial ball bearings, outside diameter over 30, not over 52mm.	Romania	417.4	224.5	6,154
610.4930	Steel pipes, not alloy, seamless	do	398.4	163.6	8,725
680.3717	Radial ball bearings, outside diameter over 52, not over 100mm.	do	389.4	222.3	3,085
382.0459	Women's manmade fiber blouses, not knit	China	388.5	101.6	4,903
618.2565	Aluminum sheets and strip, wrought, not clad	Romania	372.2	98.0	5,109
326.3092	Woven fabrics, chief value of cotton, not fancy, figured, bleached, or colored, of numbers 30-39.	China	354.9	311.5	15,068
475.2520	Gasoline	do	326.6	80.9	348,986
607.6615	Steel plates, not in coils, not alloyed	Romania	322.6	31.8	124,470
664.1056	Hydraulic jacks	China	320.7	35.2	3,885
748.4062	Women's, girls' or infants' down-filled wearing apparel with an outer shell of cotton.	do	-87.3	-85.9	532
653.2200	Metal coins	do	-83.5	-33.0	7,121
521.3180	Coal n.s.p.f., including culm, slack, and lignite.	Poland	-81.2	-30.3	1,439
629.1200	Titanium waste and scrap	U.S.S.R	-80.3	-30.9	1,865
605.0710	Platinum bars, semimanufactured	do	-79.8	-35.7	1,413
382.3305	Women's cotton blouses, yarn	China	-76.3	34.2	980
605.0750	Palladium bars, semimanufactured	U.S.S.R	-75.9	-41.0	2,815
605.2020	Gold bullion, refined	do	-75.1	-22.5	21,369
192.4000	Licorice root	China	-74.5	-40.3	3,202
601.4200	Tantalum ore	do	-73.8	-26.0	744

1/ Only items which accounted for at least 500,000 dollars' worth of imports in both 1980 and 1981 are included in this table.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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APPENDIX B

LEADING U.S. IMPORTS AND EXPORTS IN TRADE WITH THE NONMARKET ECONOMY COUNTRIES

Table B-1.—Leading items exported to the nonmarket economy countries (NME's), by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.6540	Wheat, unmilled, not donated for relief	$2,096,129,638	$1,582,051,901	$610,224,708
130.3465	Yellow corn, not donated for relief	1,758,241,233	1,767,695,443	504,886,144
309.4242	Polyester fibers, noncontinuous	282,074,784	185,333,972	74,235,197
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	280,324,394	575,360,777	35,780,211
184.5260	Soybean oilcake and meal	275,627,965	311,365,343	17,812,776
300.1550	Other cotton, staple length 1-1/8 inches or more	194,214,585	160,960,548	84,025,329
175.4100	Soybeans, n.e.s	187,760,527	329,827,182	40,471,496
480.7025	Phosphoric acid, 65 percent or more available phosphorus pentoxide equivalents	168,898,030	17,440,329	97,957,994
310.0010	Textured yarns, of polyester	151,369,584	46,225,264	39,981,198
480.7015	Phosphoric acid, less than 65 percent available phosphorus pentoxide equivalents	88,249,036	2,087,556	-
480.8005	Diammonium phosphate fertilizer	76,411,407	85,168,077	20,531,013
480.7050	Concentrated superphosphates	69,729,321	39,487,568	27,561,716
200.3510	Douglas-fir logs and timber, rough	63,977,845	34,285,868	23,242,000
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	57,792,142	51,935,042	11,421,726
177.5640	Tallow, inedible	57,287,050	46,899,508	6,161,544
692.3820	Parts of tracklaying tractors, n.s.p.f	56,471,674	44,596,177	10,388,520
120.1400	Cattle hides, whole	45,248,097	71,520,908	9,330,119
116.0100	Butter	44,485,944	-	19,636,648
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	40,029,256	18,751,998	7,606,096
664.0584	Parts, n.e.s., of oil and gas field drilling machines	37,511,434	26,277,794	6,101,671
	Total	6,031,833,946	5,397,271,255	1,647,356,106
	Total, U.S. exports to East-West countries	7,943,245,726	7,599,875,506	2,100,556,888

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-2.--Leading items imported from the nonmarket economy countries (NME's), by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
475.2520	Gasoline	$348,985,851	$81,809,456	$120,255,103
145.4880	Peanuts, shelled	151,587,573	27,378	1,195,633
107.3525	Canned hams and shoulders, 3 pounds and over	127,271,207	177,757,319	17,563,117
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	124,470,081	29,450,917	25,049,900
475.3500	Naphthas, derived from petroleum, etc., n.e.s	103,236,797	70,840,678	-
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	89,613,579	387,662	-
480.6540	Anhydrous ammonia	78,413,750	94,796,182	27,140,351
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	54,280,199	44,780,842	13,766,751
620.0300	Nickel, unwrought	37,775,824	21,082,705	2,149,548
605.0260	Palladium	31,264,641	54,562,774	6,329,833
320.2032	Printcloth shirting, wholly of cotton, n.e.s. (average yarn number 20)	29,686,061	21,351,295	6,198,358
472.1000	Barytes ore, crude	27,431,332	18,560,490	5,455,593
660.9756	Reciprocating pumps, other, except parts	26,737,053	180,431	8,032,921
186.1560	Feathers, not meeting Federal standards	25,007,692	20,852,510	3,387,612
755.1500	Fireworks	24,323,907	23,181,017	6,590,243
382.1220	Women's, girls', or infants' coats, 3/4-length or longer, corduroy, valued over $4 each	22,440,073	6,942,578	2,381,182
622.0200	Tin, other than alloyed, unwrought	22,262,960	13,854,486	11,789,999
605.2020	Gold bullion, refined	21,369,046	85,694,910	3,020,137
692.3288	Parts for motor vehicles, n.e.s	21,304,613	15,035,171	3,491,714
601.5400	Tungsten ore	20,674,391	16,129,800	7,269,491
	Total	1,388,136,630	797,278,601	271,067,486
	Total, U.S. imports from East-West countries	3,379,653,435	2,439,262,605	798,840,221

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-3.--Leading items exported to China, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.6540	Wheat, unmilled, not donated for relief	$1,268,977,341	$1,039,308,818	$305,234,956
309.4242	Polyester fibers, noncontinuous	281,798,675	182,915,820	74,235,197
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	270,250,482	538,955,612	32,612,856
300.1550	Other cotton, staple length 1-1/8 inches or more	192,363,993	158,017,837	84,025,329
310.0010	Textured yarns, of polyester	151,369,584	45,168,346	39,981,198
175.4100	Soybeans, n.e.s	129,708,438	155,190,644	32,039,496
480.8005	Diammonium phosphate fertilizer	76,411,407	85,168,077	20,531,013
200.3510	Douglas-fir logs and timber, rough	63,977,845	34,285,868	23,242,000
130.3465	Yellow corn, not donated for relief	62,461,114	224,540,392	41,302,154
252.7810	Kraft linerboard	36,765,623	79,966,494	-
444.1700	Thermoplastic resins; polypropylene resins	33,771,417	11,925,126	12,979,301
121.7060	Leather, n.e.s	33,673,019	9,218,739	7,707,366
480.7050	Concentrated superphosphates	32,579,445	29,544,698	17,836,568
338.2930	Woven fabrics of polyester, continuous	30,557,132	7,317,407	7,104,793
444.6000	Polyester resins, unsaturated, etc	30,403,673	50,836,636	1,771,920
309.4245	Acrylic and modacrylic fibers (in noncontinuous form)	29,043,497	10,333,858	5,652,547
664.0584	Parts, n.e.s., of oil and gas field drilling machines	28,071,072	22,703,206	1,107,087
250.0281	Wood pulp, sulphate and soda, bleached, softwood	24,926,966	11,778,945	847,370
250.0225	Wood pulp, sulphite, bleached	23,756,935	32,845,515	774,920
338.2960	Woven fabrics of manmade fibers, blends wholly of polyester and cotton	21,831,261	7,380,619	1,133,239
	Total	2,822,698,919	2,737,402,657	710,119,310
	Total, U.S. exports to China	3,598,600,792	3,748,993,443	921,812,801

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-4.--Leading items imported from China, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
475.2520	Gasoline	$258,744,443	$81,809,456	$93,735,158
145.4880	Peanuts, shelled	151,587,573	27,378	1,195,633
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	47,159,553	36,094,237	12,266,208
475.3500	Naphthas, derived from petroleum, etc., n.e.s	36,670,080	30,946,427	-
320.2032	Printcloth shirting, wholly of cotton, n.e.s. (average yarn number 20)	29,686,061	21,351,295	6,198,358
472.1000	Barytes ore, crude	27,431,332	18,560,490	5,455,593
755.1500	Fireworks	24,323,907	23,181,017	6,590,243
622.0200	Tin, other than alloyed, unwrought	22,262,960	13,854,486	11,789,999
186.1560	Feathers, not meeting Federal standards	21,744,897	18,755,208	2,855,491
601.5400	Tungsten ore	20,674,391	16,129,800	7,269,491
382.1220	Women's, girls', or infants' coats, 3/4-length or longer, corduroy, valued over $4 each	20,569,607	5,279,588	2,197,922
222.4000	Baskets and bags of bamboo	17,861,516	12,781,224	5,457,668
382.3353	Women's slacks, etc., of cotton, corduroy, not knit	17,576,302	7,267,819	2,996,259
417.2800	Ammonium molybdate	15,379,413	22,507,926	1,791,243
144.2053	Straw mushrooms in containers each holding more than 9 ounces	15,195,185	7,147,415	4,719,088
326.3092	Woven fabrics, not wholly of cotton, not fancy or figured, not colored	15,068,203	3,312,656	2,719,792
766.2560	Antiques, n.s.p.f	13,989,087	13,816,690	3,647,256
380.0652	Men's and boys' shirts, of cotton, knit, n.s.p.f	11,990,270	2,401,448	2,828,390
382.8137	Other women's blouses and shirts of manmade fibers, not knit	11,182,485	5,682,499	3,152,433
704.4010	Gloves, of cotton, without fourchettes	11,144,510	7,805,704	2,873,263
	Total	790,241,775	348,712,763	179,739,488
	Total, U.S. imports from China	1,830,027,004	1,039,176,550	468,253,246

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-5.--Leading items exported to the U.S.S.R., by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$781,675,441	$602,155,585	$315,754,959
130.6540	Wheat, unmilled, not donated for relief	772,563,226	336,084,227	304,989,752
480.7025	Phosphoric acid, 65 percent or more available phosphorus pentoxide equivalents	168,898,030	17,440,329	97,957,994
480.7015	Phosphoric acid, less than 65 percent available phosphorus pentoxide equivalents	88,249,036	-	-
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	56,555,178	51,261,032	11,421,726
692.3820	Parts of tracklaying tractors, n.s.p.f	48,537,702	38,554,592	8,608,450
177.5640	Tallow, inedible	48,508,766	28,148,185	2,559,255
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	35,386,633	9,644,671	6,190,916
517.5120	Petroleum coke, calcined	33,055,016	19,718,482	11,807,967
601.2200	Copper ore	24,975,063	-	17,964,302
664.1074	Pipehandlers, n.s.p.f	24,436,800	-	12,811,191
790.5510	Pressure-sensitive tape, with plastic backing	19,691,851	42,387,256	4,042,504
475.4555	Insulating or transformer oils	16,138,998	-	8,167,496
145.4300	Shelled almonds, not blanched	16,003,365	17,399,345	-
155.2025	Crystalline or dry amorphous sugar beets or sugar cane, suitable for human consumption without further refining	15,603,140	-	-
192.2500	Hops	13,895,565	10,229,736	3,886,962
475.4580	Lubricating oils, n.s.p.f., except white mineral oils	12,001,620	1/	-
358.0400	Belting and belts, for machinery, of textile fibers, n.e.s	10,748,387	7,814	-
674.3529	Metalworking machines for gear-tooth grinding and finishing, valued at least $2,500 each	10,529,946	3,950,987	-
601.3300	Molybdenum ore	9,546,553	2,802,093	-
	Total 2/	2,207,000,316	1,179,784,334	806,163,474
	Total, U.S. exports to the U.S.S.R.	2,429,711,166	1,509,727,806	878,534,117

1/ Prior to Jan. 1, 1981, this item was classified under the now deleted and more comprehensive item 475.4565.
2/ Because of changes in the Schedule B trade classifications from 1980 to 1981, comparisons are not possible.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-6.--Leading items imported from the U.S.S.R., by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	$80,705,632	-	-
480.6540	Anhydrous ammonia	78,413,750	$94,796,182	$27,140,351
620.0300	Nickel, unwrought	37,775,824	20,748,311	2,149,548
605.0260	Palladium	31,142,395	54,562,774	6,329,833
605.2020	Gold bullion, refined	21,368,137	85,694,910	3,020,137
475.3500	Naphthas, derived from petroleum, etc., n.e.s	16,592,091	4,975,238	-
422.5220	Uranium compounds, fluorides	11,278,337	34,603,033	11,278,337
475.1035	Heavy fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal vicosity at 100 degrees F of more than 125 seconds	9,466,806	-	-
124.1045	Sable furskins, whole, undressed	8,119,886	5,937,533	2,252,956
605.0290	Platinum group metals and combinations, n.e.s	6,397,167	5,521,753	82,420
169.3800	Vodka, in containers holding not over 1 gallon, valued over $7.75 per gallon	5,798,505	1,897,857	1,626,004
605.0220	Platinum sponge	4,625,530	4,603,506	1,186,452
605.0270	Rhodium	3,475,170	6,276,312	170,305
240.1440	Plywood, with face ply of birch, not face finished	3,209,310	1,123,157	906,558
618.1000	Aluminum waste and scrap	2,995,935	-	782,675
605.0750	Palladium bars, plates, etc	2,814,968	11,658,442	541,697
601.1560	Chrome ore, 46 percent or more chromic oxide	2,772,504	1,718,535	1,751,904
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	2,456,132	3,791,388	749,700
245.2020	Hardboard valued over $96.66-2/3 per short ton, other	1,977,160	607,516	1,047,597
629.1420	Titanium sponge, unwrought	1,745,625	2,740,871	-
	Total	333,130,864	341,257,318	61,016,474
	Total, U.S. imports from the U.S.S.R.	356,961,182	430,386,955	67,555,741

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-7.--Leading items exported to Eastern Europe, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$914,104,678	$940,999,466	$147,829,031
184.5260	Soybean oilcake and meal	275,627,965	311,365,343	17,812,776
130.6540	Wheat, unmilled, not donated for relief	54,589,071	206,658,856	-
175.4100	Soybeans, n.e.s	49,620,089	129,314,764	-
116.0100	Butter	44,485,944	-	19,636,648
120.1400	Cattle hides, whole	39,027,090	60,858,379	5,041,673
480.7050	Concentrated superphosphates	37,149,876	9,942,870	9,725,148
521.3120	Bituminous coal, n.e.s	25,549,303	16,093,806	3,228,256
415.4500	Sulfur, native elemental or recovered	23,843,581	7,155,852	7,296,055
521.3110	Low volatile bituminous coal	15,398,695	45,525,804	2,172,306
480.4500	Phosphates, crude, and apatite	13,087,587	48,947,378	-
170.3320	Flue-cured cigarette filler tobacco, stemmed	12,433,133	14,398,392	3,553,802
115.5700	Nonfat dry milk, containing not over 3 percent of butterfat, other	12,401,473	-	3,285,392
177.5000	Lard	11,976,939	1,821,029	-
130.1040	Barley, n.s.p.f	10,703,709	1/	-
170.6500	Cigarettes	10,693,670	2,583,878	516,512
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	10,073,912	36,286,943	3,167,355
692.3820	Parts of tracklaying tractors, n.s.p.f	7,272,655	5,808,137	1,749,816
177.5640	Tallow, inedible	7,035,535	3,213,380	3,058,039
300.1530	American Pima cotton and Sea Island cotton	6,979,843	3,805,415	-
	Total 2/	1,582,054,748	1,844,779,692	228,072,809
	Total, U.S. exports to Eastern Europe	1,898,028,635	2,332,932,687	289,387,026

1/ Prior to Jan. 1, 1981, this item was classified under the now deleted and more comprehensive item 130.1000.
2/ Because of the changes in the Schedule B trade classifications from 1980 to 1981, comparisions are not possible.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-8.--Leading items imported from Eastern Europe, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
107.3525	Canned hams and shoulders, 3 pounds and over	$127,271,207	$177,757,319	$17,563,117
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	124,470,081	29,450,917	25,049,900
475.2520	Gasoline	90,241,408	-	26,519,945
475.3500	Naphthas, derived from petroleum, etc., n.e.s	49,974,626	34,919,013	-
692.3288	Parts for motor vehicles, n.e.s	21,079,004	15,028,996	3,448,585
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	18,391,090	14,569,403	4,815,903
660.9756	Reciprocating pumps, other, except parts	17,934,607	180,431	5,487,358
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	16,798,551	5,157,233	6,785,142
700.3550	Men's footwear, of leather, n.e.s., cement soles	16,565,623	20,513,783	3,111,131
610.3920	Oil well casing, other than alloy steel, not advanced	14,945,971	4,463,335	4,898,987
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	14,210,587	22,503,120	4,056,540
674.3512	Machine tools, metal-cutting, engine or toolroom	12,995,452	8,894,878	2,928,199
690.1500	Passenger, baggage, etc., railroad cars, not self-propelled	12,649,233	11,619,751	1,895,904
692.3406	Agricultural tractors, power takeoff horsepower of 40 or more but less than 80	10,754,374	7,010,838	2,289,048
692.3460	Parts for agricultural tractors	10,717,598	11,474,474	2,996,731
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	10,696,542	8,838,864	3,175,929
727.3540	Furniture, of wood, n.s.p.f	10,380,758	9,284,813	3,288,303
692.0440	Motor buses, other (including diesel)	10,049,089	-	5,170,220
110.4740	Pollock blocks, frozen, over 10 pounds	9,926,053	6,528,801	44,983
380.6653	Men's suits, of wool, valued over $4 per pound	9,649,778	6,976,443	1,942,714
	Total	609,701,632	395,172,412	125,468,639
	Total, U.S. imports from Eastern Europe	1,184,865,425	956,653,868	261,389,825

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-9.--Leading items exported to Romania, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$226,078,974	$157,902,511	$16,195,214
184.5260	Soybean oilcake and meal	86,697,465	69,233,593	-
521.3120	Bituminous coal, n.e.s	25,549,303	15,659,411	3,228,256
415.4500	Sulfur, native elemental or recovered	22,069,070	7,155,852	7,296,055
120.1400	Cattle hides, whole	22,047,518	28,813,826	-
175.4100	Soybeans, n.e.s	17,916,318	61,667,711	-
521.3110	Low volatile bituminous coal	15,398,695	45,525,804	2,172,306
130.6540	Wheat, unmilled, not donated for relief	3,379,214	89,091,801	-
170.6500	Cigarettes	7,045,944	-	-
480.4500	Phosphates, crude, and apatite	6,396,531	17,275,028	-
772.5000	Pneumatic tires for agricultural machinery	4,147,771	791,967	1,185,286
676.5560	Parts for automatic data processing machines and units, n.s.p.f	3,785,679	5,163,028	895,430
250.0284	Wood pulp, special alpha and dissolving grades	3,395,587	4,988,467	-
674.9002	Parts, for appliances, other	2,716,482	1,301,814	-
486.2900	Insecticides, unmixed, n.e.s	2,716,225	2,160	-
119.5300	Eggs in the shell, other	2,702,686	-	-
664.1096	Parts, for oil and gas field lifting equipment, other	2,610,000	-	-
250.0281	Wood pulp, sulphate and soda, bleached, softwood	1,903,419	15,000	-
678.3075	Parts for glassworking machines	1,750,000	-	-
140.3100	Beans, seed	1,412,292	43,555	-
	Total	464,719,173	504,631,528	30,972,547
	Total, U.S. exports to Romania	503,889,756	720,231,101	37,031,635

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table B-10.--Leading items imported from Romania, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
475.2520	Gasoline	$90,241,408	-	$26,519,945
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	87,785,660	$11,297,155	21,651,577
475.3500	Naphthas, derived from petroleum, etc., n.e.s	49,974,626	34,919,013	-
660.9756	Reciprocating pumps, other, except parts	17,919,863	123,127	5,486,726
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	15,002,428	4,803,770	6,274,258
107.3525	Canned hams and shoulders, 3 pounds and over	13,932,873	17,568,065	2,812,770
690.1500	Passenger, baggage, etc., railroad cars, not self-propelled	12,649,233	11,619,751	1,895,904
692.3406	Agricultural tractors, power takeoff horsepower of 40 or more but less than 80	10,535,975	6,582,255	2,097,513
690.3560	Parts of cars, other	9,248,549	1/	2,403,322
727.3540	Furniture, of wood, n.s.p.f	9,092,317	7,922,242	2,962,674
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	8,907,947	-	-
610.4930	Hollow bars, not suitable for use in manufacture of ball or roller bearings, n.e.s	8,552,764	1,750,687	4,039,680
700.3550	Men's footwear, of leather, n.e.s., cement soles	8,482,319	8,062,503	1,599,314
610.3920	Oil well casing, other than alloy steel, not advanced	8,422,155	1,567,948	3,312,347
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	6,957,247	8,568,494	1,478,367
700.4560	Women's footwear, of leather, n.e.s., valued over $2.50 per pair	6,093,075	1,638,732	1,388,076
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	5,762,149	13,799,089	1,159,491
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	5,330,635	3,895,122	1,226,881
382.8163	Women's wearing apparel of manmade fibers, n.e.s	4,689,327	3,134,259	837,141
618.2565	Aluminum sheets and strip, not clad, wrought	4,673,571	1,081,896	931,577
	Total 2/	384,254,121	138,334,108	88,077,563
	Total, U.S. imports from Romania	559,448,601	310,561,118	129,420,841

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 690.3500.
2/ Because of changes in the TSUSA trade classifications from 1980 to 1981, comparisons are not possible.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-11.--Leading items exported to Poland, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$335,353,646	$293,207,062	$39,559,966
184.5260	Soybean oilcake and meal	73,539,706	72,023,323	-
116.0100	Butter	44,485,944	-	19,636,648
175.4100	Soybeans, n.e.s	25,287,422	66,808,502	-
130.6540	Wheat, unmilled, not donated for relief	17,035,853	58,570,278	-
115.5700	Nonfat dry milk, containing not over 3 percent of butterfat, other	12,401,473	-	3,285,392
177.5000	Lard	11,976,939	1,821,029	-
177.5640	Tallow, inedible	7,031,705	3,213,380	3,058,039
300.1530	American Pima cotton and Sea Island cotton	6,979,843	3,805,415	-
480.4500	Phosphates, crude, and apatite	6,691,056	31,672,350	-
692.3820	Parts of tracklaying tractors, n.s.p.f	6,379,422	5,508,993	1,269,683
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	6,188,939	6,215,265	-
112.6000	Fish, in airtight containers, other than canned	5,818,995	-	-
120.1400	Cattle hides, whole	5,484,581	19,451,073	2,119,578
170.3320	Flue-cured cigarette filler tobacco, stemmed	5,461,368	9,115,036	1,248,599
184.5000	Linseed oilcake and meal	4,989,502	2,955,108	-
818.3900	Products, n.e.s., donated for relief	4,601,110	674,653	3,274,443
115.5040	Nonfat dry milk, not donated for relief or charity	4,590,365	-	1,516,204
818.3100	Food products, n.s.p.f., donated for relief or charity by individuals or private agencies	4,511,923	-	3,276,628
176.5220	Soybean oil, crude, including degummed	3,981,063	7,226,612	-
	Total	592,790,855	582,268,079	78,245,180
	Total, U.S. exports to Poland	680,546,781	710,445,935	92,662,135

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-12.--Leading items imported from Poland, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
107.3525	Canned hams and shoulders, 3 pounds and over	$86,298,698	$133,815,220	$7,130,964
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	36,656,416	18,136,335	3,370,318
110.4740	Pollock blocks, frozen, over 10 pounds	9,800,790	6,528,801	-
674.3512	Machine tools, metal-cutting, engine or toolroom	8,446,352	5,040,038	1,916,907
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	8,374,515	7,482,232	2,203,609
380.6653	Men's suits, of wool, valued over $4 per pound	5,686,437	5,101,088	52,992
672.1620	Sewing machines, other	5,670,279	-	1,650,203
700.3550	Men's footwear, of leather, n.e.s., cement soles	5,661,132	9,500,061	871,775
646.2622	Brads, nails, etc., of iron or steel, smooth shank, 1 inch or more in length, uncoated	5,469,285	5,028,058	598,825
609.8041	Channels, other than alloy iron or steel, maximum cross-sectional dimension of 3 inches or more	5,146,014	3,866,189	662,883
382.1206	Women's raincoats, n.e.s., 3/4-length or longer, valued over $4 each	3,916,685	1,808,213	1,105,795
366.2460	Terry towels of cotton, of pile or tufted construction, valued over $1.45 per pound	3,665,702	3,847,356	930,446
612.6200	Brass rods, wrought	3,663,323	3,303,986	901,266
727.1500	Furniture and parts, of bentwood	3,540,247	4,082,950	628,265
646.6320	Cap screws, of iron or steel, having shanks or threads over 0.24 inch in diameter	3,525,882	3,277,644	815,583
646.2626	Brads, nails, etc., of iron or steel, smooth shank, 1 inch or more in length, coated	3,420,792	3,076,602	92,661
700.29 0	Men's welt footwear, of leather, n.e.s., valued over $6.80 per pair	3,371,256	3,987,205	757,835
692.1090	Transport motor vehicles n.s.p.f, valued under $1,000	3,369,124	2,501,247	714,514
380.3941	Men's and boys' suit-type coats, of cotton, not knit, not ornamented	3,031,115	3,525,430	578,580
493.1200	Casein	2,989,848	3,570,829	996,807
	Total	211,703,892	227,479,484	25,980,228
	Total, U.S. imports from Poland	359,938,824	414,918,818	60,442,096

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table B-13.--Leading items exported to East Germany, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$184,175,370	$331,686,634	$46,438,538
184.5260	Soybean oilcake and meal	58,405,000	75,555,463	9,954,000
130.6540	Wheat, unmilled, not donated for relief	28,000,835	39,080,555	-
130.1040	Barley, n.s.p.f	10,703,709	1/	-
130.1020	Barley for malting purposes	1,780,172	1/	-
444.6000	Polyester resins, unsaturated, etc	1,473,424	747,078	-
355.0740	Paddings, waddings, and upholstery fillings, of manmade fibers, other	1,125,544	166,042	33,965
309.7630	Manmade fibers of polyester, waste and advanced waste	870,547	9,068	-
818.9000	General merchandise, valued not over $500	694,205	950,809	103,116
668.2040	Roll-fed type offset printing presses, weighing 3,500 lbs. or more	600,000	193,488	600,000
435.1530	Penicillin, other	510,780	-	-
661.9880	Parts, n.s.p.f., of filtering and purifying equipment	506,858	42,967	294,738
711.8070	Pressure gages, industrial process, electrical	456,736	8,762	32,000
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	447,334	131,264	135,766
300.3021	Cotton linters, n.e.s	434,169	326,133	165,305
175.4100	Soybeans, n.e.s	235,941	441,890	-
724.4535	Tape for video or video and audio recording	226,891	27,032	112,215
685.2725	Transceivers for frequencies over 400 MHz	211,737	-	-
487.3050	Antioxidants, antizonants, and stabilizers	206,097	-	-
444.2520	Polymerization- and copolymerization-type resins	202,656	1,611,550	-
	Total 2/	291,268,005	450,978,735	57,869,643
	Total, U.S. exports to East Germany	295,557,277	477,389,076	59,123,973

1/ Prior to Jan. 1, 1981, this item was classified under the now deleted and more comprehensive item 130.1000.
2/ Because of changes in the Schedule B trade classifications from 1980 to 1981, comparisons are not possible.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-14.--Leading items imported from East Germany, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	$6,417,522	$3,612,585	$786,129
480.5000	Potassium chloride, crude	4,149,818	3,705,542	1,099,650
772.5105	Passenger car tires, new	4,148,092	2,778,547	1,508,046
772.5115	Pneumatic truck and bus tires, new	2,636,365	1,559,339	905,391
676.0510	Typewriters, electric, nonautomatic, portable	1,614,734	678,200	409,360
121.5000	Pig and hog leather	1,396,113	1,685,780	464,755
668.2340	Offset presses, of the roll-fed type, weighing 3,500 pounds or more	1,220,276	-	334,111
494.2000	Montan wax	1,195,123	1,596,545	390,180
668.5060	Parts of printing presses	916,321	746,878	122,605
546.6840	Tableware, kitchen ware, and cooking ware, valued over $5 each	875,412	292,664	233,587
546.6040	Tableware, etc., valued over $0.30 but not over $3	726,117	358,435	174,523
674.3025	Gear hobbers	674,277	159,724	37,640
534.1100	Ceramic statues, etc., valued over $2.50 each	609,111	379,773	84,988
380.0609	Jogging, warmup, and similar types of athletic jackets	537,048	1,289,982	211,865
674.3527	Gear-tooth grinding and finishing machines	508,418	143,745	108,559
207.0080	Articles of wood, n.s.p.f	485,745	575,437	94,383
722.1635	Still 35-mm cameras, n.e.s., valued over $10 each	452,190	519,645	79,991
124.1025	Mink furskins, except "Japanese mink," undressed	446,683	2,229,479	271,885
737.2225	Dolls, not stuffed, 13 inches and under in height	418,482	406,706	139,223
748.2100	Artificial flowers, etc., n.e.s	408,884	397,954	128,397
	Total	29,836,731	23,116,960	7,585,268
	Total, U.S. imports from East Germany	44,702,480	42,958,764	11,470,278

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-15.--Leading items exported to Bulgaria, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$127,714,564	$77,003,514	$32,646,411
184.5260	Soybean oilcake and meal	52,136,264	39,617,751	7,858,776
480.7050	Concentrated superphosphates	29,872,086	9,942,870	8,955,885
170.3320	Flue-cured cigarette filler tobacco, stemmed	6,808,728	5,055,552	2,305,203
175.4100	Soybeans, n.e.s	6,180,408	-	-
601.2500	Lead ore	5,010,112	-	-
422.7700	Zinc compounds, n.e.s	4,931,500	-	-
170.3340	Burley cigarette filler tobacco, stemmed	2,718,186	1,058,664	-
601.6100	Zinc ore	2,420,336	-	-
415.4500	Sulfur, native elemental or recovered	1,774,511	-	-
678.5065	Machines, for production and assembly of semiconductor devices, etc., n.s.p.f	995,526	255,578	837,166
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	954,802	674,010	-
676.2700	Digital data processing machines, n.s.p.f	742,859	257,520	-
140.0300	Great northern beans, except seed, dried, etc	698,897	2,008,842	-
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	669,670	551,196	479,097
685.7050	Traffic-control equipment, except for roads and railways	618,726	-	600,409
250.0284	Wood pulp, special alpha and dissolving grades	575,719	1,264,411	-
381.1520	Men's and boys' denim slacks, of cotton, not knit	541,236	1,053,726	285,709
250.0281	Wood pulp, sulphate and soda, bleached, softwood	524,061	-	524,061
711.8750	Chemical- or physical-analysis equipment and parts, electrical, n.s.p.f	487,869	428,777	191,812
	Total	246,376,060	139,172,411	54,684,529
	Total, U.S. exports to Bulgaria	258,103,949	160,701,288	57,511,564

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table B-16.--Leading items imported from Bulgaria, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	$18,207,934	$14,522,138	$4,776,391
676.0530	Typewriters, nonelectric, nonautomatic, portable	1,838,821	1,465,550	281,160
117.6700	Pecorino cheese, not for grating	1,744,537	1,694,276	522,449
674.3512	Machine tools, metal-cutting, engine or toolroom	845,404	782,516	198,047
452.6000	Rose oil or attar of roses	595,346	157,882	250,560
167.3020	Wine, not over 14 percent alcohol, valued not over $4 per gallon, in containers not over 1 gallon	545,037	650,588	137,039
439.1090	Natural drugs, n.e.s., crude	194,669	145,173	60,216
380.6619	Other men's and boys' jackets of wool, not knit	175,648	-	175,648
676.0510	Typewriters, electric, nonautomatic, portable	151,330	191,596	-
700.3550	Men's footwear, of leather, n.e.s., cement soles	144,141	1,031,725	-
653.2200	Metal coins, n.e.s	131,454	211,812	-
380.6653	Men's suits, of wool, valued over $4 per pound	121,970	-	121,250
380.6611	Men's suit-type sport coats and jackets, of wool, valued over $4 per pound	101,213	-	100,877
107.3525	Canned hams and shoulders, 3 pounds and over	100,408	122,666	-
161.7100	Paprika, ground or unground	91,266	-	21,975
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	52,053	288,205	1,623
161.5500	Mint leaves, crude or not manufactured	48,364	28,049	30,939
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	47,872	9,205	-
382.6315	Women's, girls', or infants' coats, n.e.s., of wool, valued over $4 per pound	41,572	118,051	-
452.3200	Lavender and spike lavender oil	41,108	130,792	-
	Total	25,220,147	21,550,224	6,678,174
	Total, U.S. imports from Bulgaria	25,604,231	22,844,779	6,796,261

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-17.--Leading items exported to Hungary, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
480.7050	Concentrated superphosphates	$7,277,790	-	$769,263
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	4,270,810	$5,278,762	1,326,113
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	3,782,432	-	3,167,355
120.1400	Cattle hides, whole	2,953,704	2,138,552	615,418
678.5002	Oil and gas field wire line and downhold equipment and parts thereof	2,440,723	1,788	20,982
540.4200	Glass rods, tubes, and tubing	2,403,964	2,868,937	242,477
435.3300	Corticosteroids, n.s.p.f. (bulk)	2,219,969	2,459,194	529,217
692.1680	Special-purpose vehicles, nonmilitary, n.s.p.f	1,200,000	-	-
692.3340	Tractors, wheel-type, agricultural, with horsepower of at least 120 but less than 140	1,132,308	698,671	-
435.7700	Cardiovascular drugs	1,121,534	1,690,948	-
687.6087	Parts of transistors, chips, dice, and wafers	1,117,849	468,788	24,644
692.2928	Brakes and parts thereof, n.e.s	1,095,477	101,488	83,300
685.4050	Tape recorders and parts, video, color	1,084,205	-	1,084,205
692.2985	Parts, n.s.p.f., of motor-vehicle chassis, bodies, etc	1,074,495	2,169,292	127,997
660.4872	Gasoline engines, not automobile or marine, under 6 brake horsepower	1,072,741	650,036	392,260
664.0584	Parts, n.e.s., of oil and gas field drilling machines	1,013,679	671,851	162,808
692.3820	Parts of tracklaying tractors, n.s.p.f	889,836	299,144	476,736
666.0060	Parts for plows, listers, cultivators, and weeders, n.s.p.f	844,586	945,163	302,513
120.1740	Kip skins, whole	834,853	579,300	147,440
666.0063	Parts for harrows, roller stalk cutters, and soil pulverizers, n.s.p.f	770,902	1,213,693	55,657
	Total	38,601,857	22,235,607	9,528,385
	Total, U.S. exports to Hungary	77,511,000	79,020,297	19,725,793

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-18.--Leading items imported from Hungary, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
107.3525	Canned hams and shoulders, 3 pounds and over	$22,218,641	$21,810,665	$6,069,067
692.3288	Parts for motor vehicles, n.e.s	20,788,310	14,613,730	3,403,545
692.0440	Motor buses, other (including diesel)	10,049,089	-	5,170,220
692.3460	Parts for agricultural tractors	9,091,454	9,742,914	2,796,840
686.9030	Other lamps, including standard household	8,744,803	7,023,231	1,940,723
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	7,376,165	7,330,943	2,632,659
124.1040	Rabbit furskins, whole, undressed	1,875,545	64,670	183,157
107.3040	Bacon, not boned and cooked	1,771,855	2,872,124	308,364
380.6653	Men's suits, of wool, valued over $4 per pound	1,537,555	641,509	1,143,014
167.3040	Wine, not over 14 percent alcohol, valued over $4 per gallon, in containers not over 1 gallon	1,346,790	1,261,781	367,641
425.3620	Pesticides	1,293,848	-	-
130.3000	Seed corn or maize, certified	1,263,264	-	-
676.0560	Typewriters, nonelectric, nonautomatic	1,188,062	2,170,848	373,012
772.5115	Pneumatic truck and bus tires, new	1,176,209	1,571,837	263,034
161.7100	Paprika, ground or unground	1,140,360	1,398,961	184,969
380.6611	Men's suit-type sport coats and jackets, of wool, valued over $4 per pound	1,108,022	441,458	440,937
542.3120	Ordinary glass, weighing over 16 but not over 18.5 ounces per square foot, not over 40 united inches	1,029,395	999,518	268,671
678.3220	Machines for assembling electric filament and discharge lamps, n.e.s	956,117	-	18,915
683.9520	Furnaces and ovens, and parts thereof	934,116	-	934,116
382.6340	Women's, girls', or infants' suits of wool, not knit	745,172	512,321	101,194
	Total	95,634,772	72,456,510	26,600,078
	Total, U.S. imports from Hungary	127,939,171	104,268,812	35,646,237

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-19.--Leading items exported to Czechoslovakia, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
130.3465	Yellow corn, not donated for relief	$40,782,124	$81,199,745	$12,988,902
120.1400	Cattle hides, whole	8,541,287	8,388,575	2,306,677
184.5260	Soybean oilcake and meal	4,849,530	36,997,619	-
670.1220	Textile machines, reeling or winding	1,960,661	72,248	640,220
207.0035	Wooden pencil slats	1,402,152	1,505,922	405,249
130.6540	Wheat, unmilled, not donated for relief	1,173,169	19,916,222	-
124.1527	Muskrat furskins, whole, undressed	1,138,090	811,866	403,340
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	977,965	711,963	557,972
685.7050	Traffic-control equipment, except for roads and railways	864,667	2,004	692,633
192.2500	Hops	679,641	1,438,464	-
683.9040	Other welding machines and apparatus	598,181	-	598,181
310.0026	Yarns of cellulosic fibers, other	597,552	503,596	111,737
321.2908	Cotton denims	596,819	-	-
712.1520	Radiation-measuring and radiation-detecting instruments, n.s.p.f	577,617	147,030	141,934
486.2900	Insecticides, unmixed, n.e.s	573,165	408,630	-
711.8070	Pressure gages, industrial process, electrical	547,539	-	547,539
676.5560	Parts for automatic data processing machines and units, n.s.p.f	503,171	759,232	209,101
674.3588	Mechanical presses, metalforming	501,032	-	-
818.9000	General merchandise, valued not over $500	486,701	976,038	88,405
381.1520	Men's and boys' denim slacks, of cotton, not knit	477,055	1,205,929	-
	Total	67,828,118	155,045,083	19,691,890
	Total, U.S. exports to Czechoslovakia	82,419,872	185,144,990	23,331,926

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-20.--Leading items imported from Czechoslovakia, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
610.3920	Oil well casing, other than alloy steel, not advanced	$6,523,816	$2,895,387	$1,586,640
192.2500	Hops	4,966,183	4,383,143	2,035,757
107.3525	Canned hams and shoulders, 3 pounds and over	4,720,587	4,383,421	1,550,316
700.2940	Welt work footwear, of leather, valued over $6.80 per pair	4,281,404	7,044,208	657,493
670.1436	Weaving machines, jet type	2,507,393	2,600,240	1,234,570
700.3550	Men's footwear, of leather, n.e.s., cement soles	2,278,031	1,704,954	640,042
336.6041	Woven fabrics of wool, not over 10 ounces per square yard	1,882,252	523	399,982
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	1,796,123	353,463	510,884
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	1,546,183	1,486,119	370,397
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	1,509,635	1,676,681	277,345
700.2960	Men's welt footwear, of leather, n.e.s., valued over $6.80 per pair	1,393,852	3,000,343	852,788
692.5010	Motorcycles, with piston displacement not over 50 cubic centimeters	1,388,181	1,283,675	-
772.5115	Pneumatic truck and bus tires, new	1,295,563	396,387	418,085
336.6043	Woven fabrics of wool, over 10 ounces per square yard	1,072,261	-	37,062
437.3000	Antibiotics, natural and not artificially mixed	1,056,979	863,250	235,331
727.1500	Furniture and parts, of bentwood	938,895	708,224	228,268
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	928,600	910,249	212,774
741.3500	Imitation gemstones, except imitation gemstone beads	885,577	989,019	172,266
674.3512	Machine tools, metal-cutting, engine or toolroom	858,727	1,668,083	126,973
766.2560	Antiques, n.s.p.f	829,908	12,708	320
	Total	42,660,150	36,360,077	11,547,293
	Total, U.S. imports from Czechoslovakia	67,232,118	61,101,577	17,614,112

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-21.—Leading items exported to Vietnam, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
818.3900	Products, n.e.s., donated for relief	$7,235,727	$171,060	$4,803,838
818.9000	General merchandise, valued not over $500	1,484,765	111,266	904,854
818.3400	Apparel, donated for relief	551,962	-	-
772.0400	Household articles of rubber or plastics, n.s.p.f	350,523	352,220	45,931
818.3300	Medicine, etc., donated for relief	272,836	97,767	-
818.3100	Food products, n.s.p.f., donated for relief or charity by individuals or private agencies	77,962	-	-
182.9780	Vegetable protein, n.e.s	74,682	-	-
709.1690	Parts of electromedical therapeutic apparatus	50,800	-	-
709.2540	Dental instruments, n.s.p.f., and parts, n.s.p.f	10,555	-	-
818.4000	Used wearing apparel, and other used articles exported in bulk	6,664	-	6,664
709.1615	Ultrasonic electromedical therapeutic apparatus	6,325	-	-
256.7190	Paper and paperboard, cut to size or shape; and other articles of pulp, papier-mache, paper, or paperboard, n.s.p.f	5,880	-	5,880
256.3840	Graphic paper and paperboard not further advanced than cut to size and shape, n.s.p.f	2,204	-	-
256.6640	Paper or paperboard labels, unprinted	1,437	-	-
709.4000	Mechano-therapy appliances, and massage apparatus; and parts thereof, n.s.p.f	1,328	-	-
256.4900	Envelopes for correspondence, n.e.s	1,175	-	-
	Total	10,134,825	732,313	5,767,167
	Total, U.S. exports to Vietnam	10,134,825	1,147,991	5,767,167

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-22.--Leading items imported from Vietnam, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
772.9700	Other religious articles of rubber or plastics	$3,130	-	-
653.2200	Metal coins, n.e.s	2,665	$2,895	-
774.4500	Artificial flowers, trees, foliage, etc. of rubber or plastics	1,543	-	-
	Total	7,338	2,895	-
	Total, U.S. imports from Vietnam	96,101	34,360	-

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-23.--Leading items exported to Albania, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
521.3110	Low volatile bituminous coal	$5,598,075	$6,307,412	$4,632,954
309.3270	Grouped filaments and strips, n.e.s	443,823	-	228,545
688.1900	Insulated wire and cable, n.s.p.f	76,852	43,906	30,590
688.4020	Particle accelerators, and parts thereof	5,950	2,750	-
438.1090	Blood and blood derivatives, except for passive immunization, n.e.s	4,324	-	-
661.2280	Air-conditioners, 60,000 Btu per hour and over	4,256	-	1,180
661.3510	Household refrigerators and refrigerator-freezers, under 13.5 cubic feet	1,005	-	1,005
685.2017	Television receivers, color, fully assembled	799	-	799
	Total	6,135,084	6,354,068	4,895,073
	Total, U.S. exports to Albania	6,137,384	6,891,214	4,895,073

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-24.--Leading items imported from Albania, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
161.9400	Sage, unground	$2,608,025	$3,666,893	$904,089
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	958,451	1,454,284	312,111
601.1540	Chrome ore, chromium content over 40 but under 46 percent chromic oxide	228,210	2,944,080	29,518
439.1090	Natural drugs, n.e.s., crude	85,805	49,826	8,010
161.9000	Rosemary, crude or not manufactured	35,535	23,278	9,249
161.3900	Laurel bay leaves, crude or not manufactured	18,630	-	-
162.0100	Savory, crude or not manufactured	14,552	50,423	1,867
653.2200	Metal coins, n.e.s	11,700	5,219	-
193.2560	Vegetable substances, crude, n.s.p.f	10,400	-	-
606.8809	Bars of steel, cold formed, finished, not alloy, not over 0.25 percent carbon	8,537	1/	-
601.1560	Chrome ore, 46 percent or more chromic oxide	5,234	2,420,309	-
	Total 2/	3,985,079	10,614,312	1,264,844
	Total, U.S. imports from Albania	3,985,079	10,717,582	1,264,844

1/ On Nov. 1, 1980, this item was designated to indicate that portion of the trade in items 606.8815 accepted under temporarily reduced tariff rates.

2/ Because of changes in the TSUSA trade classification from 1980 to 1981, comparisons are not possible.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-25.—Leading items exported to Mongolia, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
547.6020	Laboratory glassware, whether or not graduated or calibrated	$11,501	-	-
711.8740	Chemical-analysis equipment and parts, nonelectrical, n.s.p.f	11,393	$1,836	-
630.7080	Tungsten, n.e.s	8,220	-	-
710.1820	Electrical meteorological and hydrological instruments, and parts thereof	7,799	-	$7,799
818.3900	Products, n.e.s., donated for relief	7,413	2,809	1,209
678.5065	Machines, for production and assembly of semiconductor devices, etc., n.s.p.f	4,243	-	-
709.1620	Electromedical therapeutic apparatus, n.s.p.f	3,762	-	-
657.2180	Articles of iron or steel, n.e.s	3,503	-	-
711.8720	Nonelectric spectrometric instruments and parts thereof	2,995	1,157	-
712.1520	Radiation-measuring and radiation-detecting instruments, n.s.p.f	2,945	-	2,945
727.1380	Furniture designed for household use, other	2,708	-	-
252.8640	Corrugated paper and paperboard, other	1,995	-	-
709.1670	Electromedical therapeutic apparatus, n.s.p.f	1,860	-	-
680.3586	Ball bearings, other	1,200	-	-
683.9525	Industrial and laboratory furnaces and ovens	1,080	-	-
711.8750	Chemical- or physical-analysis equipment and parts, electrical, n.s.p.f	949	-	-
433.1079	Prepared culture media	597	9,895	-
678.5090	Concrete and bituminous pavers, finishers, and spreaders, parts	579	-	579
	Total	74,742	15,697	12,532
	Total, U.S. exports to Mongolia	74,742	63,507	12,532

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-26.--Leading items imported from Mongolia, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
306.4293	Camel hair, sorted, etc	$2,184,090	$2,171,328	$133,212
306.6200	Cashmere goat hair, sorted, etc	952,022	-	13,348
306.4192	Camel hair, not sorted, etc	384,000	-	221,190
380.5900	Men's and boy's sweaters, of wool, knit, valued over $18 per pound wholly of cashmere	76,700	-	-
382.5600	Women's, girls', or infants' sweaters, of wool, knit, valued over $18 per pound wholly of cashmere	31,200	-	-
124.1010	Fox furskins, except silver and black, undressed	5,829	-	-
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	1,382	-	-
	Total	3,635,223	2,171,328	367,750
	Total, U.S. imports from Mongolia	3,635,223	2,222,756	367,750

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B .—27.--Leading items exported to Cuba, by Schedule B Nos., 1981, 1980, and October-December 1981

Schedule B No.	Description	1981	1980	October-December 1981
486.6600	Organophosphorus-containing pesticide preparations	$331,000	-	-
818.3300	Medicine, etc., donated for relief	176,300	$33,500	$126,250
818.3900	Products, n.e.s., donated for relief	18,722	5,972	18,722
661.1030	Fans and blowers, other	5,292	-	-
674.7421	Drills, except rock drills, screwdrivers and nut runners	4,860	-	-
676.3050	Automatic typewriters and word processing units, other	3,655	-	-
72?.9600	Equipment for processing or printing motion-picture film	3,074	-	-
709.3000	Medical, dental, surgical, and veterinary instruments, n.s.p.f	2,796	5,852	-
256.3840	Graphic paper and paperboard not further advanced than cut to size and shape, n.s.p.f	2,615	1,918	-
724.0120	Feature films, 35-mm. and over, positive prints	2,499	-	-
668.2005	Duplicating machines, stencil-type	2,111	-	-
435.9500	Other drugs, n.e.s	2,000	-	2,000
687.6023	Other electronic receiving tubes	1,200	-	1,200
674.7427	Parts and attachments for non-electric power-operated handtools	1,191	-	-
415.2000	Chemical elements in any physical form, chlorine	867	-	-
	Total	558,182	47,242	148,172
	Total, U.S. exports to Cuba	558,182	118,858	148,172

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table B-28.--Leading items imported from Cuba, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
724.1025	Feature film, 35-mm and over, n.e.s	$7,800	$11,500	$7,800
724.2000	Sound recordings produced on photographic or magnetic film, tape, or wire, and suitable for use in motion picture exhibits	1,700	-	700
724.1045	Motion-picture film, n.e.s., positive release prints	1,050	-	-
606.0900	Iron or steel waste and scrap, other	322	-	-
270.2580	Books, n.s.p.f., by foreign authors	315	1,200	315
	Total	11,187	12,700	8,815
	Total, U.S. imports from Cuba	36,187	18,868	8,815

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-29.--Leading items exported to North Korea, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
	Total, U.S. exports to North Korea	-	-	-

1/ There were no exports to North Korea in 1980 or October-December 1981.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table B-30.--Leading items imported from North Korea, by TSUSA items, 1981, 1980, and October-December 1981

TSUSA item No.	Description	1981	1980	October-December 1981
685.2411	Solid-state tubeless radio receivers incorporating a clock or timer other than digital	$34,672	-	-
304.3220	Jute butts, waste, and advanced waste	9,724	-	-
376.5630	Textile rainwear garments, of fabrics which are coated or filled, with rubber or plastic n.e.s	2,838	-	-
	Total	47,234	-	-
	Total, U.S. imports from North Korea	47,234	$51,666	-

Source: Compiled from official statistics of the U.S. Department of Commerce.

GLOSSARY

Abbreviation	Full wording
CAP	Common agricultural policy (EC)
CCC	Commodity Credit Corporation (U.S. Department of Agriculture)
CCL	Commodity Control List
CMEA	Council for Mutual Economic Assistance
COCOM	Coordinating Committee for Multilateral Export Controls
EAA	Export Administration Act of 1979 (United States)
EC	European Community
EXIMBANK	Export-Import Bank of the United States
FAO	Food and Agricultural Organization (United Nations)
FYP	Five-year plan
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LTFV	Less than fair value
MFA	Multifiber Arrangement
MFN	Most-favored-nation
NME's	Nonmarket economy countries
OEA	Office of Export Administration (U.S. Department of Commerce)
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation (United States)
QGL	Qualified General License
SDR	Special Drawing Rights
SITC	Standard International Trade Classification SITC categories are defined as follows: 1-digit SITC: Section 2-digit SITC: Division 3-digit SITC: Group 4-digit SITC: Subgroup 5-digit SITC: Item
SYE	Square yard equivalents
TSUSA	Tariff Schedules of the United States Annotated
USC	United States Code
USDA	U.S. Department of Agriculture
USITC	U.S. International Trade Commission

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Each Quarterly Report to the Congress and the Trade Policy Committee on Trade between the United States and the Nonmarket Economy Countries contains:

(1) summary of developments in U.S.-NME trade for that calendar quarter, with the summary of the fourth quarter as an annual review;

(2) summary tables and figures describing the value, direction, composition, and individual country trade shares of U.S.-NME trade in that calendar quarter;

(3) a series of appendix tables describing the leading items traded by the United States with each of the NME countries covered, disaggregated to the 7-digit level of the respective export and import schedules, through the end of that calendar quarter.

Other subjects covered periodically or on an irregular basis are listed below. All page numbers refer to the official USITC publication, with the exception of Report No. 4. Page numbers for that report refer to the copy published by the U.S. Government Printing Office.