25TH QUARTERLY REPORT TO THE CONGRESS AND THE TRADE POLICY COMMITTEE ON TRADE BETWEEN THE UNITED STATES AND THE NONMARKET ECONOMY COUNTRIES DURING 1980

USITC PUBLICATION 1136

MARCH 1981

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Office of Economics

Report principally prepared by:

Thomas F. Jennings
Magdolna B. Kornis
Janet Whisler
Bruce Guthrie

Norman Elrod
Patricia G. Marx
Kim Skidmore

Address all communications to

Office of the Secretary

United States International Trade Commission

Washington, D.C. 20436

CONTENTS

Figures

Tables

CONTENTS

CONTENTS

CONTENTS

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, People's Republic of China (China), Poland, Romania, and Yugoslavia. 3/ This is the same group of countries whose exports to the United States can be investigated by the Commission under section 406 of Title IV of the Trade Act of 1974. Through control of the 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 report is to provide data concerning the effect of those imported items on the production of like or directly competitive articles in the United States and on employment within industries producing those articles. Therefore, the report includes trade statistics for Albania, Bulgaria, China, Cuba, Czechoslovakia, the German Democratic Republic (East Germany), Hungary, Mongolia, North Korea, Poland, Romania, the U.S.S.R., Vietnam, and Yugoslavia because these are the NME's whose current trade with the United States is at least at a level that could present problems for domestic industry.

At the present time, Poland, Yugoslavia, 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, 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 are set forth in column 1.

1/ The following countries or areas are listed under headnote 3(f) of the TSUS: Albania, Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic, 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 (MFN) tariff treatment is accorded a Communist country, that country is no longer included in headnote 3(f).

3/ Some analysts consider Yugoslavia to be a market economy country. It is not a member of the Warsaw Pact or the Council for Mutual Economic Assistance, but is a member of the General Agreement on Tariffs and Trade, the International Monetary Fund, and the World Bank, has special status with the Organization for Economic Cooperation and Development, and is a leader of the movement of nonaligned countries.

The rates applicable to products of designated 1/ Communist nations are set forth in column 2; for the most part, these are the higher rates that were enacted 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 1980, examining U.S. exports, imports, and the balance of trade with each country as well as the commodity composition of such trade. Significant events in U.S. commercial relations with the NME's and important economic developments within the NME's, especially those which might effect bilateral trade, are also examined.

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

SUMMARY OF DEVELOPMENTS IN 1980

Two significant commercial developments affected economic relations between the United States and the NME's in 1980: the imposition of trade sanctions against the U.S.S.R. and the normalization of commercial relations with China. Both contributed greatly to changes in the pattern of U.S. trade with the NME's.

The level of trade between the United States and the NME's rose only slightly in 1980, to $11.3 billion, up 3 percent from the 1979 level. This was a marked departure from earlier steep increases: 53 percent in 1979 and 52 percent in 1978. Imports, exports and the trade balances each increased less than 3 percent in 1980; when adjusted for inflation, the level of trade with the NME's declined. Since total trade turnover with the world increased nearly 19 percent, outpacing inflation, the market share for the NME's in total U.S. trade diminished, falling 14 percent.

This relatively unimpressive performance in trade with the NME's is primarily the result of the imposition of trade sanctions by the United States on the U.S.S.R. early in 1980. Previously, the Soviet Union had been the leading trading partner of the United States among the NME's, accounting for over 40 percent of U.S. exports (70 percent of it agricultural products) and 30 percent of U.S. imports (much of it gold). In 1980, U.S.-Soviet bilateral trade plunged to less than half the 1979 level. U.S. exports declined 58 percent, principally because of the partial grain embargo and U.S. imports dropped 50 percent, mainly because of decreased shipments of Soviet gold. The imposition of the sanctions was one of the most significant development in East-West commercial relations in 1980.

In 1980, China replaced the U.S.S.R. both as the most important NME purchaser of U.S. exports and as the principal NME source of U.S. imports. A comprehensive trade agreement between the United States and China, signed in 1979, became effective in February 1980. The agreement included the extension of most-favored-nation (MFN) tariff treatment to imports from China, thus reducing the barrier of high duty rates (previously column 2 rates of the TSUS). Since granting MFN status, two-way trade with China has more than doubled. However, this is more the result of a significant increase in Chinese purchases of U.S. cotton and wheat than of increased U.S. imports from China. China accounted for nearly 45 percent of all U.S. exports to the NME's in 1980 and 36 percent of U.S. imports from these countries.

The basic framework of U.S.-Chinese economic relations was completed in September 1980 at the first meeting of the United States-China Joint Economic Commission, with the signing of four bilateral accords covering air routes, shipping, consular affairs, and trade in textiles. The textile agreement will most directly affect U.S.-China trade by establishing a mechanism by which U.S. imports of Chinese textile products can be regulated in accordance with the pattern set in other such bilateral agreements concluded under the Arrangement Regarding International Trade in Textiles. The textile agreement removed one of the more controversial issues affecting U.S.-Chinese commercial relations.

OVERALL U.S. TRADE WITH THE NONMARKET ECONOMY COUNTRIES IN 1980

In 1980, U.S. trade with the nonmarket economy countries barely improved on a current-dollar basis. Imports, exports, the trade balance, and total trade turnover each increased by less than 3 percent over those in 1979, whereas total trade turnover increased by 53 percent from 1978 to 1979. Taking inflation into account, all elements of trade actually declined in 1980. The total trade turnover with the world increased by 18.9 percent from 1979 to 1980, resulting in a diminished market share for the NME's in the total U.S. trade picture.

This relatively poor trade performance with the NME's is primarily accounted for by the trade sanctions the United States imposed on the U.S.S.R. on January 4, 1980, as a result of the Soviet invasion of Afghanistan. Total U.S. trade turnover with the U.S.S.R. was down by more than half in 1980 compared with turnover in 1979, a year when the U.S.S.R. was by far the biggest NME trading partner for the United States. Excluding the Soviet Union, total U.S. trade with the NME's increased by 44 percent.

Trade Patterns with NME's

U.S. exports to the NME's increased by 2.5 percent, from $8.2 billion in 1979 to $8.4 billion in 1980 (table 1). U.S. exports to the U.S.S.R. declined by 58.1 percent, although exports to the world increased by 21.4 percent.

U.S. imports from the NME's increased by 2.8 percent, total U.S. imports increased by 16.5 percent, and imports from the U.S.S.R. decreased by 50.7 percent in 1980. The U.S. trade surplus with the NME's increased by 2.9 percent.

Since trade with the rest of the world increased faster than trade with the NME's, the relative importance of the NME's in total U.S. trade diminished. The share of total U.S. exports accounted for by the NME's shrank from 4.5 percent to 3.8 percent, and the share of total U.S. imports accounted for by the NME's declined from 1.4 percent to 1.2 percent. While this slowdown in trade with the NME's is dramatic, it is not unprecedented: in 1977, trade turnover declined by more than 10 percent and U.S. exports to the NME's declined nearly 25 percent from 1976 levels. Improved harvests in the Soviet Union were one of several factors in that decline.

Much of the slowdown in 1980 is a result of the economic sanctions imposed by the United States against the Soviet Union. Excluding the Soviet Union, U.S. exports to the NME's increased by over 50 percent, imports increased by over 25 percent, total trade turnover increased by 44 percent, and the U.S. trade surplus increased by 70 percent.

As is evident from table 1, U.S. trade with the NME's in the fourth quarter of the year was substantially higher than that in the rest of the year. The surplus in October-December 1980 accounted for over a third of the surplus for the year.

Table i.--U.S. trade with the world and with the nonmarket economy countries (NME's), 1978-80, October-December 1979, and October-December 1980

Item	1978	1979	1980	October-December--	
				1979	1980
U.S. world trade:					
Exports--------------million dollars--	143,663	181,802	220,705	51,588	58,108
Imports---------------------------do----	171,978	206,327	240,834	57,699	60,940
Balance-------------------------do----	-28,315	-24,525	-20,129	-6,111	-2,832
U.S. trade with NME's:					
Exports--------------million dollars--	4,978	8,164	8,372	2,746	2,687
Imports---------------------------do----	2,225	2,849	2,935	893	785
Balance-------------------------do----	2,753	5,315	5,437	1,853	1,902
Trade turnover (exports plus imports) million dollars--	7,203	11,013	11,306	3,639	3,472
Share of total U.S. trade accounted for by trade with NME's:					
Exports------------------------percent--	3.47	4.49	3.80	5.32	4.63
Imports---------------------------do----	1.29	1.38	1.22	1.55	1.29

Source: U.S. Department of Commerce publication FT990. Export data are from table E-3 and include domestic and foreign merchandise and Defense Department military assistance shipments. Import data are from table I-6 and are general imports. Both exports and imports are valued on an f.a.s. basis.

Note.--General imports are used in this table as a more accurate measure of the U.S. balance of trade for any given time period. The totals for general imports in this table will not, therefore, correspond with totals for imports for consumption listed in all other tables in this report.

6

The trade balance with each of the major NME's except Hungary is heavily in favor of the United States. The 1980 U.S. trade balance and trade turnover with each of the 14 NME's in this report and the ratio of U.S. exports to U.S. imports for each country, a ratio which defines import coverage, 1/ were as follows:

Country	Trade balance	Trade turnover	Ratio of U.S. exports to U.S. imports
	----Million dollars---		
China	2,709	4,788	3.61
U.S.S.R	1,079	1,940	3.51
Yugoslavia	303	1,201	1.68
Poland	296	1,125	1.71
Romania	410	1,031	2.32
East Germany	434	520	11.11
Czechoslovakia	124	246	3.03
Bulgaria	138	184	7.03
Hungary	-25	183	.76
Albania	-4	18	.64
Mongolia	-2	2	.03
Vietnam	1	1	33.41
Cuba	1/	1/	6.30
North Korea	2/	1/	-

1/ Less than $500,000.
2/ Less than $500,000 (trade deficit).

The tabulation shows that of the large NME's, U.S. import coverage is greatest with East Germany, largely due to that country's vast agricultural imports. East Germany accounted for 5.7 percent of U.S. exports to the NME's in 1980, but for only 1.5 percent of imports.

U.S. Exports to NME's

The distribution of U.S. exports to the NME's and to the world by SITC (one-digit) section numbers is shown in table 2 for 1979 and 1980. The effects of the economic sanctions against the Soviet Union show up in the first two categories (food and live animals, and beverages and tobacco). Total exports to the NME's in these categories declined by about 7 percent in 1980 from 1979, while exports to the world increased by almost 25 percent. The only other category of exports to the NME's to register a decrease was oils and fats (SITC Section 4), which fell by 14 percent in 1980. This is primarily because of decreased exports of inedible tallow to the U.S.S.R. 2/

1/ Import coverage gives an indication of the significance of a trade deficit or surplus with a particular country: a deficit of $400 million is presumably more significant to a country with total trade of only $500 million than it is to a country with twice the trade.

2/ Tallow is used for making soap and as a feedstock. The sanctions, which are applied on a case-by-case basis whenever a need to do so is indicated, prohibit only those tallow exports that are intended for feedstock use. Accordingly, tallow exports, while not completely eliminated, declined by over half in 1980.

Table 2.--U.S. exports to the world and to the nonmarket economy countries (NME's), by SITC 1/ Nos. (Revision 2), 1979 and 1980

SITC Section No.	Description	Total exports 1979	Total exports 1980	Exports to the NME's 1979	Exports to the NME's 1980
		Value (million dollars)			
0	Food and live animals	22,245	27,744	4,220	3,942
1	Beverages and tobacco	2,337	2,663	37	32
2	Crude material--inedible, except fuel	20,755	23,791	1,589	1,683
3	Mineral fuels, lubricants, etc	5,616	7,982	125	171
4	Oils and fats--animal and vegetable	1,845	1,946	145	124
5	Chemicals	17,306	20,740	387	548
6	Manufactured goods classified by chief material	16,236	22,255	353	529
7	Machinery and transport equipment	70,491	84,628	1,027	1,081
8	Miscellaneous manufactured articles	12,643	16,347	226	229
9	Commodities and transactions not elsewhere classified	9,103	8,496	10	12
	Total	178,578	216,592	8,119	8,352
		Percent of total			
0	Food and live animals	12.5	12.8	51.9	47.2
1	Beverages and tobacco	1.3	1.2	.5	.4
2	Crude material--inedible, except fuel	11.6	11.0	19.6	20.2
3	Mineral fuels, lubricants, etc	3.1	3.7	1.5	2.0
4	Oils and fats--animal and vegetable	1.0	.9	1.8	1.5
5	Chemicals	9.7	9.6	4.8	6.6
6	Manufactured goods classified by chief material	9.1	10.3	4.3	6.3
7	Machinery and transport equipment	39.5	39.1	12.6	12.9
8	Miscellaneous manufactured articles	7.1	7.5	3.0	2.7
9	Commodities and transactions not elsewhere classified	5.1	3.9	.1	.1
	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 composition of U.S. exports to the NME's remains significantly different from that of exports to the world. Almost half of all exports to the NME's are either food or live animals (SITC Section 0), primarily corn and wheat, while only 13 percent of U.S. exports to the world can be so classified. Compared with U.S. exports to the world, a disproportionately large share of U.S. exports to the NME's are of crude materials (SITC Section 2); in this category, U.S. exports to the NME's consist primarily of cotton and soybeans, both of which are sold principally to China. These two categories (food and live animals, and crude material) account for almost two-thirds of all U.S. exports to the NME's. In comparison, exports to the NME's are unusually weak in the last three categories: machinery and transportation equipment (SITC Section 7, primarily airplanes); miscellaneous manufactured articles (SITC Section 8, such as pressure sensitive tape to the U.S.S.R.); and commodities and transactions not elsewhere classified (SITC Section 9, primarily general merchandise valued at $500 or less).

Table 3 shows the distribution of U.S. exports to the NME's by SITC Sections in October-December 1980. China was the major NME customer in 3 of the 10 categories (2, 5, and 6), accounting for nearly four-fifths or more of trade in all of them. In the crude materials category, the major products purchased by China were cotton, polyester fibers, and paper products. In the chemicals section, fertilizers, polyester resins, urea, and insecticides were the major commodities sold to China. 1/ China also purchased the majority of U.S. exports to the NME's of manufactured goods classified by chief material, principally kraft linerboard, yarns, and drill bits. In a sharp change from the situation in July-September, Yugoslavia was the major NME customer in another four sections (1, 4, 7, and 9), but did not account for as much as half of U.S. exports to the NME's in any of these categories.

The U.S.-U.S.S.R. agreement on grains, under which the United States agreed to ship annually to the U.S.S.R., if requested, a minimum of 8 million metric tons of grain (largely corn and wheat) to the Soviet Union, was not breached by the imposition of the trade sanctions. 2/ The "agreement year" for such shipments coincides with the U.S. fiscal year, which is October 1 - September 30. Since the Soviets had used up their quota by grain purchases in April-June 1980, no more grain had to be shipped to the U.S.S.R. until after the agreement year expired on September 30, 1980. A new agreement year for exports of grain began on October 1, 1980, and such exports to the Soviet Union resumed in October-December. Because of renewed grain sales in that period, the Soviet Union again became the major NME customer for U.S. food and live animals, accounting for 40 percent of U.S. exports to NME's in that category (3.2 million of the 8 million metric tons allotted). This is approximately the same share that the Soviet Union received in January-March 1980, but is far short of the 50-percent share it received in October-December 1979.

1/ Leading export and import items are shown in the tables in appendix A.
2/ See the section on the U.S.S.R. later in this report.

Table 3.—U.S. exports to the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1980

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary	Mongolia
0	Food and live animals	-	31,243	478,559	-	34,644	115,452	230	-
1	Beverages and tobacco	-	808	10	-	256	180	-	-
2	Crude material--inedible, except fuel	-	2,105	328,622	-	1,813	625	1,472	-
3	Mineral fuels, lubricants, etc	-	-	576	-	3	-	-	-
4	Oils and fats--animal and vegetable	-	-	6,521	-	-	-	-	-
5	Chemicals	-	3,446	113,700	24	807	1,228	2,597	7
6	Manufactured goods classified by chief material	-	614	174,131	-	1,248	315	2,760	-
7	Machinery and transport equipment	44	2,342	60,431	6	2,056	1,968	10,098	-
8	Miscellaneous manufactured articles	-	2,888	14,096	24	2,047	987	1,404	15
9	Commodities and transactions not elsewhere classified	-	29	464	2	217	159	96	-
	Total	44	43,475	1,177,110	56	43,090	120,915	18,657	22

SITC Section No.	Description	North Korea	Poland	Romania	U.S.S.R.	Viet-nam	Yugo-slavia	Total
0	Food and live animals	-	152,936	74,585	542,488	-	41,700	1,471,837
1	Beverages and tobacco	-	474	-	-	-	1,529	3,257
2	Crude material--inedible, except fuel		35,054	24,189	25	-	22,054	415,959
3	Mineral fuels, lubricants, etc	-	10	17,894	10,564	-	12,841	41,889
4	Oils and fats--animal and vegetable	-	5,112	-	7,797	-	12,258	31,687
5	Chemicals	-	3,075	441	2,829	-	15,334	143,487
6	Manufactured goods classified by chief material	-	3,545	13,409	6,637	-	6,326	208,986
7	Machinery and transport equipment	-	22,282	13,726	91,210	-	94,868	299,032
8	Miscellaneous manufactured articles	-	2,291	2,072	26,942	354	10,053	63,174
9	Commodities and transactions not elsewhere classified	-	650	128	191	130	841	2,910
	Total	-	225,430	146,445	688,684	485	217,806	2,682,219

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.

10

The table in appendix B shows this change more effectively. U.S. exports of cereals and cereal preparations, which are included in SITC Section 0 and are restricted by export sanctions, are shown for 1978-80. The U.S.S.R. accounted for 59 percent of such U.S. exports to the NME's in 1979. In 1980, the share was down to 27 percent, in part because of the vast increase in these exports to China. The tabulation below shows exports of cereals and cereal preparation to the U.S.S.R., by quarters, in 1979 and 1980:

Period	Value (1,000 dollars)
1979:	
January-March	220,982
April-June	523,300
July-September	801,623
October-December	708,041
1980:	
January-March	336,886
April-June	67,584
July-September	-
October-December	533,771

U.S. exports to the individual NME's are shown in table 4 and are illustrated in figure 1. In 1980, exports to China, Romania, East Germany, and Bulgaria increased by more than 35 percent . Exports to Poland, Czechoslovakia, and most of the smaller NME's declined. The continued labor disturbances in Poland caused the decline in U.S. sales there, although exports during the fourth quarter of 1980 were almost back to normal levels. Czechoslovakia's importance as a destination for U.S. exports diminished due to greater domestic agricultural production following improved climatic conditions in 1980 compared with the harsh winter and severe drought of 1979. From 1978 to 1979, exports to only Hungary, Vietnam, and Cuba declined.

Exports to China accounted for 45 percent of U.S. exports to the NME's in 1980, up from just 21 percent in 1979. China's increased share was roughly matched by the decrease in the Soviet share. Exports to China in 1980 were so large that the country accounted for 1.7 percent of total U.S. exports to the world.

U.S. exports to the NME's in general and to China and the Soviet Union in particular are shown in figure 2 for each quarter during 1978-80. The figure shows that U.S. exports to China rose fairly steadily over the past 3 years, while exports to the NME's as a whole, although generally increasing, were erratic because of fluctuations in exports to the U.S.S.R.

Agricultural items make up the bulk of U.S. exports to most of the NME's (table 5). As seen in the lower half of the table, agricultural items accounted for two-thirds or more of exports to many of the countries. Almost 95 percent of U.S. exports to East Germany are of agricultural items, the highest among the NME's. Because of special arrangements, East Germany tends to rely on West Germany and the Council for Mutual Economic Assistance for most of its industrial needs, leaving the United States to meet its agricultural requirements.

Table 4.--U.S. exports to the nonmarket economy countries and to the world, 1978-80, October-December 1979, and October-December 1980

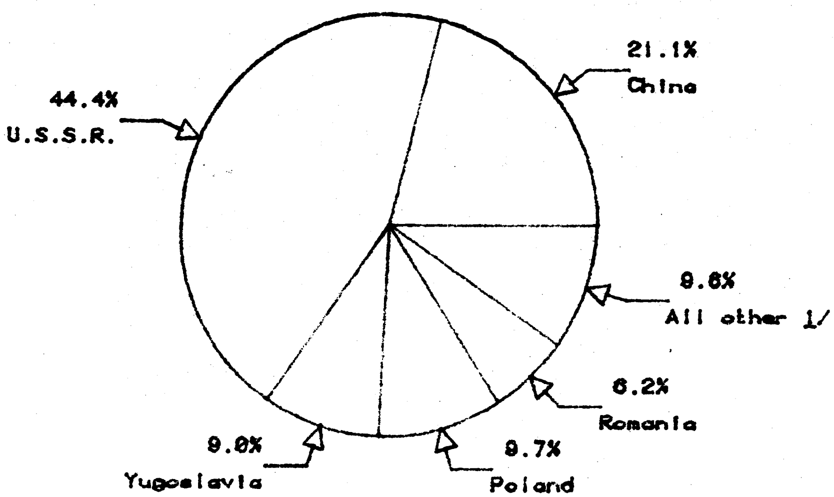
(In thousands of dollars)

Market	1978	1979	1980	October-December--	
				1979	1980
China	818,241	1,716,500	3,748,993	636,062	1,177,110
U.S.S.R	2,249,020	3,603,632	1,509,728	1,129,828	688,684
Yugoslavia	471,298	731,784	751,954	214,512	217,806
Poland	677,022	786,258	710,446	290,140	225,430
Romania	317,423	500,464	720,231	133,782	146,445
East Germany	170,121	354,522	477,389	163,494	120,915
Czechoslovakia	105,349	281,129	185,145	134,469	43,090
Bulgaria	48,120	56,225	160,701	11,433	43,475
Hungary	97,682	77,533	79,020	24,243	18,657
Albania	4,469	10,054	6,891	2,445	44
Mongolia	62	80	64	10	22
Vietnam	1,879	541	1,148	156	485
Cuba	340	299	119	3	56
North Korea	1	13	-	-	-
Total	4,961,027	8,119,039	8,351,830	2,740,576	2,682,219
Total, U.S. exports to the world	141,040,300	178,413,200	216,592,219	50,570,300	56,985,462

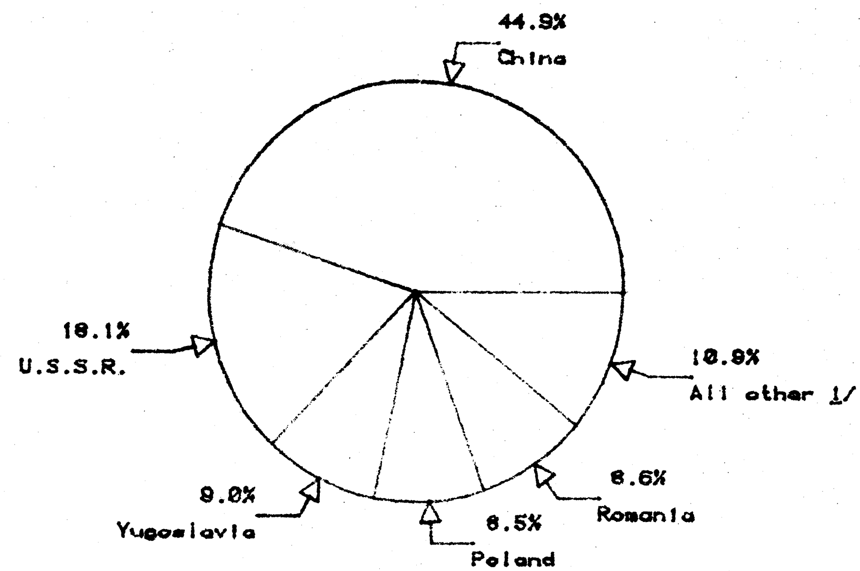
Source: Compiled from official statistics of the U.S. Department of Commerce.

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

Figure 1.--Relative shares of U.S. exports to the nonmarket economy countries, 1979 and 1980.



1979

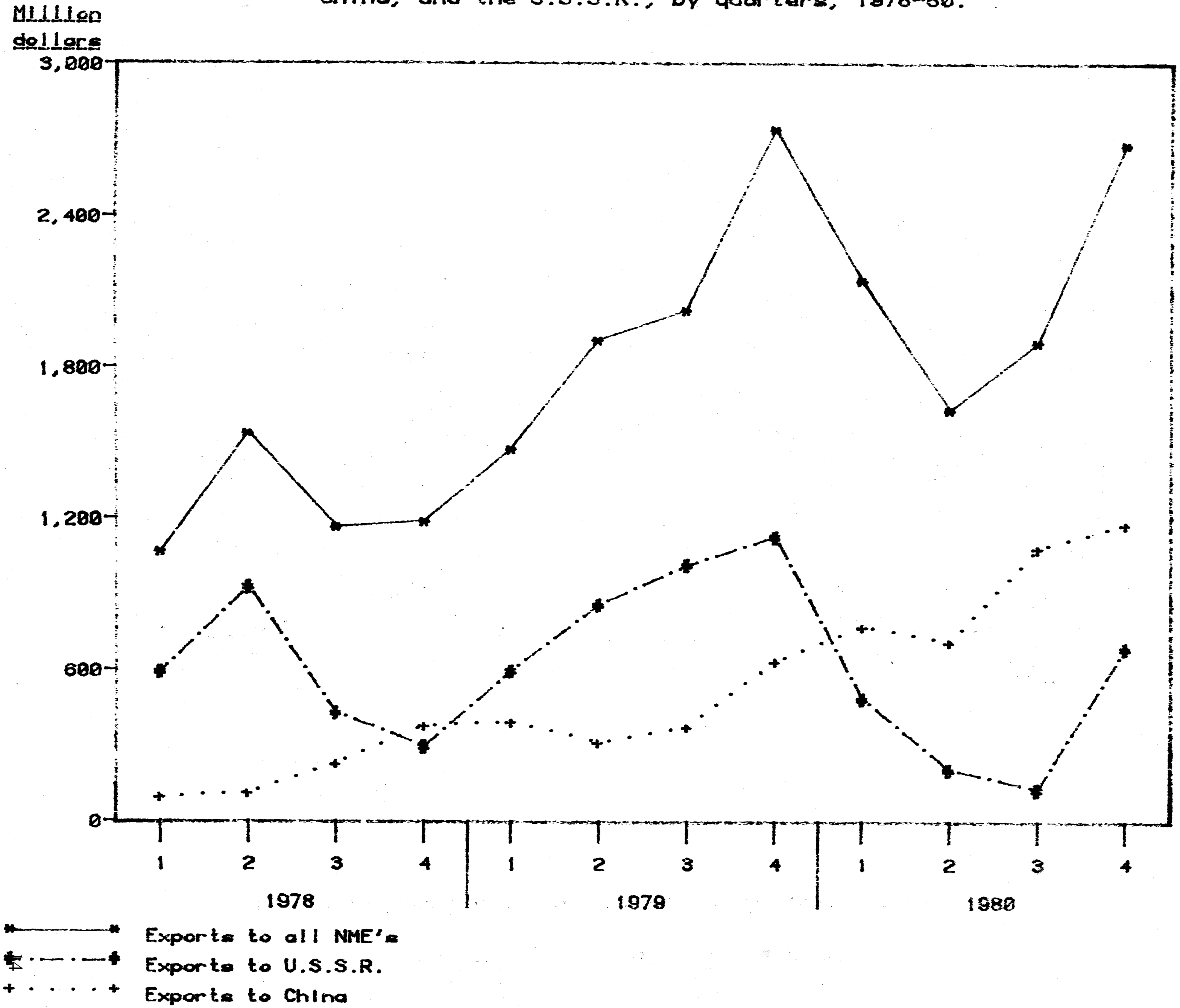


1980

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

Source: Based on data in table 4.

Figure 2.—U.S. exports to the nonmarket economy countries (NME's), China, and the U.S.S.R., by quarters, 1978-80.



Source: U.S. Department of Commerce publication FT-990.

Table 5.--Agricultural items: U.S. exports to the nonmarket economy countries and to the world, 1978-80, October-December 1979, and October-December 1980

Market	1978	1979	1980	October-December-- 1979	October-December-- 1980
	Value (1,000 dollars)				
China	573,297	990,159	2,209,524	389,790	662,742
U.S.S.R	1,686,548	2,854,896	1,047,118	917,006	550,295
Yugoslavia	110,953	284,396	277,539	95,385	70,737
Poland	503,470	651,371	571,461	250,084	183,366
Romania	148,543	336,515	462,595	88,348	82,751
East Germany	153,955	321,818	453,248	155,710	116,162
Czechoslovakia	77,111	247,999	154,574	127,937	36,506
Bulgaria	39,893	41,019	127,339	7,627	32,051
Hungary	52,676	24,466	24,419	8,236	1,670
Albania	217	151	224	-	-
Mongolia	-	-	-	-	-
Vietnam	1,500	-	-	-	-
Cuba	2	-	-	-	-
North Korea	-	-	-	-	-
Total	3,348,165	5,752,790	5,328,042	2,040,122	1,736,281
Total, agricultural exports to the world	29,406,945	34,745,385	41,255,934	10,973,314	11,748,701
	Percent of total exports to each country				
China	70.1	57.7	58.9	61.3	56.3
U.S.S.R	75.0	79.2	69.4	81.2	79.9
Yugoslavia	23.5	38.9	36.9	44.5	32.5
Poland	74.4	82.8	80.4	86.2	81.3
Romania	46.8	67.2	64.2	66.0	56.5
East Germany	90.5	90.8	94.9	95.2	96.1
Czechoslovakia	73.2	88.2	83.5	95.1	84.7
Bulgaria	82.9	73.0	79.2	66.7	73.7
Hungary	53.9	31.5	30.9	34.0	9.0
Albania	4.9	1.5	3.3	-	-
Mongolia	-	-	-	-	-
Vietnam	79.8	-	-	-	-
Cuba	.5	-	-	-	-
North Korea	-	-	-	-	-
Total	67.5	70.9	63.7	74.4	64.7
Total, exports to the world	20.8	19.5	19.0	21.7	20.6

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

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

In 1980, although agricultural exports accounted for over 60 percent of U.S. exports to the NME's, they accounted for only 19 percent of U.S. exports to the world as a whole. The only major NME's for which U.S. exports are mostly nonagricultural are Yugoslavia and Hungary; each has a well-developed agricultural base.

In 1980, agricultural shipments to the U.S.S.R. declined substantially--by almost two-thirds; over half were shipped during October-December. Agricultural shipments to several other NME's also declined during the year, resulting in a 7-percent decline in total agricultural exports to the NME's. This is in contrast to the 18.7-percent increase in U.S. agricultural exports to the world.

The NME's accounted for the largest market share of U.S. exports of items shown in table 6. For example, 58 percent of U.S. exports of machines for making filaments were sent to NME's in 1980. Only exports to the NME's of items amounting to at least $1 million in 1980 are included in the table. As the table shows, NME's have become a substantial market--in many cases the major market--for several U.S. commodities. China was the major NME customer for over half the items listed, buying many primary products from the United States for use in its own manufacturing sector and often exporting the finished products to the United States.

Export items that increased or decreased by the greatest amounts are shown in table 7. Only items in which NME trade amounted to at least $500,000 in both 1979 and 1980 are shown. For example, exports of primary tin plates of iron and steel increased by 3,244 percent in 1980, from $535,871 in 1979 to $17.9 million in 1980.

The table shows that 7 of the 10 leading growth items were sold primarily to China. This was not unexpected since U.S. exports to China more than doubled in that year. The table also shows that major gains were made in exports of chemicals and manufactured goods. Machinery and equipment items dominated the list of items having the largest percentage declines in 1980.

Table 8 shows exports to the NME's by selected major commodity groups. (These groupings are summations of selected Schedule B export classification numbers and do not necessarily correspond to any five- or seven-digit categories or even fall within a common SITC section.) The table shows that 3.5 billion dollars' worth of cereals was exported to the NME's in 1980; the major customer was China. NME's consumed over a fifth of U.S. exports of cereals. The NME's in general, and China in particular, are also a significant market for U.S.textile manufacturers. NME's accounted for 13 percent of textile exports in 1980, up sharply from their share in 1979. China alone accounted for 24 percent of cotton exports. 1/

The table also shows that the NME's accounted for over 40 percent of U.S. exports of barley in 1979 but only 6 percent in 1980. In 1979, barley valued at $31 million was exported to the U.S.S.R.; in 1980, exports of barley were prohibited under the sanctions.

1/ For a detailed report on China's textile trade with the United States, see "Textiles from China" in 24th Quarterly Report . . ., pp. 47-85.

Table 6.--20 U.S. export items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by Schedule B Nos., 1979 and 1980 1/

Schedule B No.	Commodity	Major NME customer	Share of total exports accounted for by NME's: 1979	Share of total exports accounted for by NME's: 1980	Value of exports to all NME's in 1980
			Percent	Percent	1,000 dollars
670.00	Machines for making filaments	Yugoslavia	19.6	57.5	1,914
444.60	Polyester resins	China	40.4	55.6	51,586
608.77	Wire rods, alloy iron or steel	do	.2	55.1	15,789
722.75	Photographic light meters	U.S.S.R	1.9	51.4	1,392
309.42	Textile fibers	China	18.2	40.1	199,486
417.71	Barium compounds	Romania	3.5	39.3	2,851
357.80	Textiles for pneumatic tires	China	7.8	36.6	53,809
300.15	Cotton, having a staple length 1-1/8 inches or more.	do	26.9	36.1	167,449
608.74	Wire rods, other than alloy iron or steel	do	.5	31.3	13,023
121.05	Bovine leather, rough or wet blue	do	11.6	31.0	20,390
120.20	Sheep skins, other skins	Poland	13.8	30.2	9,416
338.26	Woven fabrics of glass	U.S.S.R	37.4	29.2	8,622
300.10	Cotton, having a staple length under 1-1/8 inches.	China	17.3	24.1	578,216
252.82	Folding carton stock, bleached kraft, clay coated.	do	.1	23.8	18,852
121.57	Bovine leather, other	do	5.8	21.4	21,914
184.52	Vegetable oilcake and oilcake meal	East Germany and Poland.	21.8	20.9	356,803
130.34	Seed for planting purposes	U.S.S.R	34.2	20.7	1,773,695
492.18	Cellulose compounds, n.s.p.f., methyl and hydroxyethyl cellulose.	do	63.1	19.8	2,607
790.55	Sheets, strips, tapes, stencils, monograms, and other flat shapes, pressure sensitive.	do	28.0	19.6	43,997
773.38	Belting for machinery, of rubber or plastics, conveyor and elevator.	do	3.8	17.9	12,899

1/ Only items which accounted for at least 1 million dollars' worth of exports in 1980 are included in this table.

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

Table 7.--20 U.S. export items to the nonmarket economy countries (NME's) which changed substantially, by Schedule B Nos., 1980 1/

Schedule B No.	Commodity	Major NME customer	Percentage change, 1980 from 1979: All NME's	Percentage change, 1980 from 1979: World	Value of exports to all NME's in 1980
					1,000 dollars
609.1610	Primary tin plates, of iron and steel	Romania	3,244.5	207.4	17,922
252.7810	Kraft linerboard	China	3,054.4	86.3	79,996
250.0281	Bleached wood pulp, sulphate and soda	do	1,618.7	74.6	11,980
444.2320	Polyvinyl chloride and copolymer resins	do	1,295.9	62.8	14,420
250.0225	Bleached sulphite wood pulp	do	1,230.2	72.5	32,862
480.8005	Diammonium phosphate fertilizer	do	869.4	62.1	93,509
431.1005	N-butyl alcohol	do	858.3	161.6	13,725
773.3860	Belting and belts for machinery, of rubber or plastics, n.s.p.f.	U.S.S.R	671.4	68.7	12,602
357.8040	Noncellulosic fibers for use in pneumatic tires.	China	646.1	101.6	43,950
710.8530	Gages and gage blocks and their parts	Yugoslavia	618.3	68.6	4,046
710.8520	Calipers and micrometers and their parts	U.S.S.R	-95.5	-73.6	689
601.3300	Molybdenum ore	do	-93.2	8.6	2,802
182.9754	Vegetable protein concentrates, etc	Poland	-92.1	-19.3	523
610.3940	Oil well drill pipe, of iron or steel, seamless, not alloyed.	China	-86.4	-2.5	231
680.2720	Safety and relief valves	U.S.S.R	-85.6	1.4	894
610.3030	Oil well casing, of iron or steel, welded, not alloyed.	China	-84.8	-24.6	1,674
694.4032	Nonmilitary rotary wing aircraft, new, empty weight 2,200 pounds or more.	Yugoslavia	-84.1	33.9	604
664.0558	Excavating machines, new, n.s.p.f	U.S.S.R. and Yugoslavia.	-81.7	42.9	1,862
480.7025	Phosphoric acid, 65 percent or more	U.S.S.R	-81.2	-77.2	17,440
660.9490	Parts of pumps for liquids, n.s.p.f	Romania and Yugoslavia.	-80.41	22.8	4,007

1/ Only items which accounted for at least 500,000 dollars' worth of exports in both 1979 and 1980 are included in this table.

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

Table 8.--U.S. exports of selected major commodities to the nonmarket economy countries (NME's), 1979 and 1980

Commodity	Major NME customer	Share of total exports accounted for by NME's		Value of exports to all NME's	
		1979	1980	1979	1980
		Percent		1,000 dollars	
Cattle hides	Romania and Yugoslavia	15.1	14.2	137,137	88,562
Cereals	China	28.9	21.2	3,815,685	3,504,283
Barley, unmilled	Romania	41.1	6.0	37,448	12,334
Corn, unmilled	East Germany and Poland	34.2	20.7	2,339,891	1,773,695
Wheat	China	25.0	26.9	1,315,598	1,717,938
Coal	Romania	2.6	2.7	97,438	137,074
Fertilizers	China	9.8	7.6	210,192	239,393
Magnesium	do	8.1	7.8	9,191	9,933
Soybean oilcake and meal	East Germany and Poland	22.0	21.6	311,375	356,803
Soybeans	China	14.0	6.4	798,079	379,350
Textiles	do	7.9	13.1	551,959	1,129,782
Cotton	do	17.9	25.1	407,283	746,217
Manmade fibers	do	10.1	19.9	118,008	292,674

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

U.S. Imports From NME's

U.S. imports from the NME's are shown in table 9 by SITC (one-digit) section numbers for 1979 and 1980. As with exports, the composition of U.S. imports from the NME's is significantly different than that of imports from the rest of the world. Imports in just two categories--mineral fuels and lubricants (SITC Section 3) and machinery and transportation equipment (SITC Section 7)--account for well over half of all imports from the world. The leading items in the first category are petroleum products, and in the second, automobiles. These categories account for only 16 percent of U.S. imports from the NME's, whereas imports in SITC Sections 6 and 8--manufactured goods classified by chief material (precious metals) and miscellaneous manufactured articles (wooden furniture)--accounted for nearly half of all U.S. imports from the NME's.

Imports declined in four SITC sections in 1980. The largest decline was in imports of commodities and transactions not elsewhere classified (SITC Section 9), which dropped by about $450 million in 1980, roughly the value of the decrease in imports of gold bullion from the U.S.S.R. Another large decline occurred in imports of food and live animals (SITC Section 0), which declined $30 million in 1980, roughly equal to the decline in imported canned hams.

The distribution of U.S. imports from the NME's by SITC sections in October-December 1980 is shown in table 10. China was the major NME source in 5 of the 10 sections (2, 3, 4, 6, and 8) and accounted for all U.S. imports from the NME's of oils and fats (SITC Section 4); these imports were primarily of tung oil, which is used in paints. In three categories China accounted for over half the imports from NME's: crude materials (primarily feathers and natural barium sulfate), mineral fuels and lubricants (over half entered as gasoline), and miscellaneous manufactured products (textile products and metal coins). The U.S.S.R. accounted for more than 60 percent of two categories: chemicals (anhydrous ammonia and uranium fluorides), and commodities and transactions not elsewhere classified (refined gold bullion).

U.S. imports from the individual NME's are shown in table 11 and depicted in figure 3. Imports from China accounted for over a third of total U.S. imports from the NME's, compared with less than a fifth in 1979. The Soviet Union, which supplied more than 30 percent of U.S. imports in 1979, supplied less than half that share in 1980.

In 1980, imports from China, Czechoslovakia, and East Germany increased by more than 20 percent, and imports from the U.S.S.R., Poland, Romania, Hungary, Bulgaria, and most of the smaller NME's decreased. Imports from the U.S.S.R. dropped by over half, reflecting a drop of $464 million drop in U.S. gold imports from that country; labor problems contributed to the decline in imports from Poland. Imports from Romania shrank in the face of the decline in the petrochemical industry in that country, and imports from Bulgaria declined because its oriental leaf tobacco export prices became uncompetitive with world prices, especially with Turkish leaf prices. 1/ Overall, U.S. imports from the NME's increased by just 2.8 percent.

1/ Turkey accounts for over a quarter of world production of oriental leaf tobacco. In 1980, 931,000 metric tons of the leaf was produced in the world, of which 280,000 metric tons was produced by the Soviet Union, 266,000, by Turkey, 131,000, by Bulgaria, and 97,000, by Greece. 20

Table 9.--U.S. imports from the world and from the nonmarket economy countries (NME's), by SITC 1/ Nos. (Revision 2), 1979 and 1980

SITC Section No.	Description	Total imports 1979	Total imports 1980	Imports from the NME's 1979	Imports from the NME's 1980
		Value (million dollars)			
0	Food and live animals	15,105	15,738	350	320
1	Beverages and tobacco	2,398	2,598	55	49
2	Crude material--inedible, except fuel	10,258	10,165	139	174
3	Mineral fuels, lubricants, etc	59,897	78,756	190	240
4	Oils and fats--animal and vegetable	686	539	5	4
5	Chemicals	7,446	8,403	185	308
6	Manufactured goods classified by chief material	30,227	32,250	534	667
7	Machinery and transport equipment	54,084	60,710	208	237
8	Miscellaneous manufactured articles	20,920	23,666	572	762
9	Commodities and transactions not elsewhere classified	4,901	7,170	573	127
	Total	205,923	239,994	2,809	2,888
		Percent of total			
0	Food and live animals	7.3	6.6	12.5	11.1
1	Beverages and tobacco	1.2	1.1	2.0	1.7
2	Crude material--inedible, except fuel	5.8	4.2	4.9	6.0
3	Mineral fuels, lubricants, etc	29.1	32.8	6.8	8.3
4	Oils and fats--animal and vegetable	.3	.2	.2	.2
5	Chemicals	3.6	3.5	6.6	10.7
6	Manufactured goods classified by chief material	14.7	13.4	19.0	23.1
7	Machinery and transport equipment	26.3	25.3	7.4	8.2
8	Miscellaneous manufactured articles	10.2	9.9	20.4	26.4
9	Commodities and transactions not elsewhere classified	2.4	3.0	20.4	4.4
	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.

Table 10.—U.S. imports from the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1980

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czechoslovakia	East Germany	Hungary	Mongolia
0	Food and live animals	-	850	18,331	-	3,876	29	8,523	-
1	Beverages and tobacco	-	3,562	379	-	226	15	414	-
2	Crude material--inedible, except fuel	1,415	2/	33,284	-	143	12	550	713
3	Mineral fuels, lubricants, etc	-	1	33,266	-	-	352	-	-
4	Oils and fats--animal and vegetable	-	-	371	-	-	-	-	-
5	Chemicals	13	114	26,829	-	215	820	1,279	-
6	Manufactured goods classified by chief material	-	122	68,820	-	2,821	4,131	2,237	-
7	Machinery and transport equipment	-	709	2,769	-	3,755	3,317	7,269	-
8	Miscellaneous manufactured articles	3	233	115,000	3	4,459	1,532	6,056	1
9	Commodities and transactions not elsewhere classified	-	18	1,130	-	221	20	46	-
	Total	1,431	5,610	300,178	3	15,716	10,229	26,375	713

SITC Section No.	Description	North Korea	Poland	Romania	U.S.S.R.	Vietnam	Yugoslavia	Total
0	Food and live animals	-	39,679	6,518	919	-	8,597	87,322
1	Beverages and tobacco	-	167	317	1,747	-	5,055	11,882
2	Crude material—inedible, except fuel	-	490	2,115	906	-	1,482	41,110
3	Mineral fuels, lubricants, etc	-	1,161	-	4,975	-	19,917	59,673
4	Oils and fats--animal and vegetable	-	-	-	-	-	-	371
5	Chemicals	-	4,129	604	64,670	-	2,429	101,102
6	Manufactured goods classified by chief material	-	30,508	19,293	24,434	-	25,687	178,053
7	Machinery and transport equipment	2/	12,906	14,901	1,029	1	8,996	55,652
8	Miscellaneous manufactured articles	2/	15,899	15,816	2,309	-	30,024	191,337
9	Commodities and transactions not elsewhere classified	-	273	48	21,040	-	6,997	29,793
	Total	1	105,212	59,612	122,031	1	109,183	756,294

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.

22

Table 11.—U.S. imports from the nonmarket economy countries and from the world, 1978-80, October-December 1979, and October-December 1980

(In thousands of dollars)

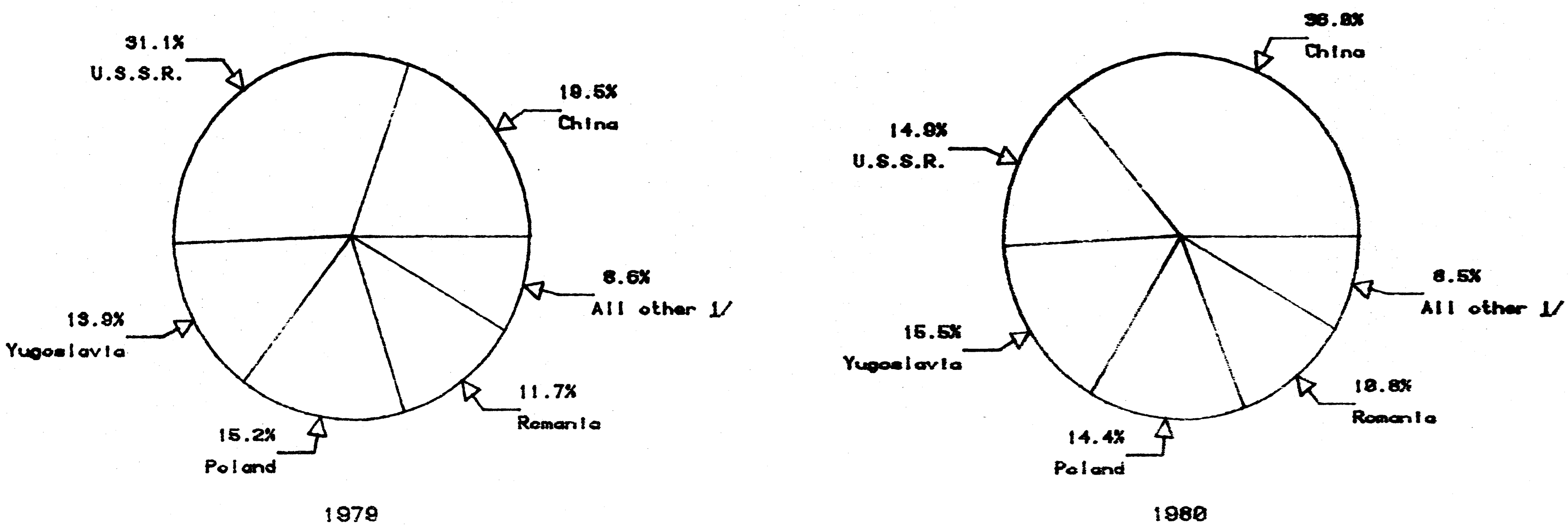
Source	1978	1979	1980	October-December-- 1979	October-December-- 1980
China	316,743	548,543	1,039,177	163,412	300,178
U.S.S.R	529,579	872,595	430,387	384,466	122,031
Yugoslavia	406,553	391,003	448,919	92,030	109,183
Poland	435,947	426,090	414,919	104,711	105,212
Romania	344,561	329,051	310,561	72,486	59,612
East Germany	35,220	35,666	42,959	8,590	10,229
Czechoslovakia	57,359	49,899	61,102	14,274	15,716
Bulgaria	27,909	30,145	22,845	5,722	5,610
Hungary	69,153	112,129	104,269	32,295	26,375
Albania	3,497	9,002	10,718	1,335	1,431
Mongolia	3,679	3,753	2,223	559	713
Vietnam	203	711	34	112	1
Cuba	66	152	19	26	3
North Korea	21	127	52	1	1
Total	2,230,490	2,808,865	2,888,181	880,018	756,294
Total, U.S. imports from the world	172,911,700	205,922,700	239,994,468	57,515,200	60,877,372

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

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

23

Figure 3.--Relative shares of U.S. imports for consumption from the nonmarket economy countries, 1979 and 1980.



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

Source: Based on data in table 11.

U.S. imports from the NME's combined, from China, and from the Soviet Union are shown, by quarters, in figure 4. This figure shows that while imports from China rose fairly steadily over the last 3 years, imports from the NME's as a whole were erratic, largely due to fluctuations in imports from the Soviet Union. 1/

The value of U.S. imports of agricultural items from NME's, shown in table 12, increased by a minuscule amount (0.065 percent), much less than the rate of inflation. This is largely because of the declining role of canned hams in U.S. imports: canned hams accounted for 45 percent of agricultural imports in 1980, down from 51 percent in 1979. Although they are still the leading import item from the NME's, canned ham imports declined by $28 million in 1980 (12 percent); $20 million of this decline was due to reduced production in Yugoslavia. Another portion of the decrease was the result of reduced unit values for canned hams ($1.48 per pound in 1980 compared with $1.53 in 1979), although the quantity of imports also declined by almost 9 percent. 2/ The next most important agricultural import from the NME's was cigarette leaf, which was imported primarily from Yugoslavia.

Agricultural imports accounted for almost 16 percent of all U.S. imports from NME's in 1980, down slightly from each of the preceding 2 years yet still more than double the percentage from the rest of the world. Well below this average is the Soviet Union, from which only 2 percent of U.S. imports are of agricultural items, primarily sable skins. Countries that supply unusually large amounts of agricultural items are Poland (the source of almost two-thirds of U.S. canned ham imports from the NME's) and Bulgaria (principally cigarette leaf, cheeses, wine, and spices). The country whose exports to the United States are the most overwhelmingly agricultural--sometimes amounting to 100 percent of exports--is Mongolia, whose major export to the United States is camel hair.

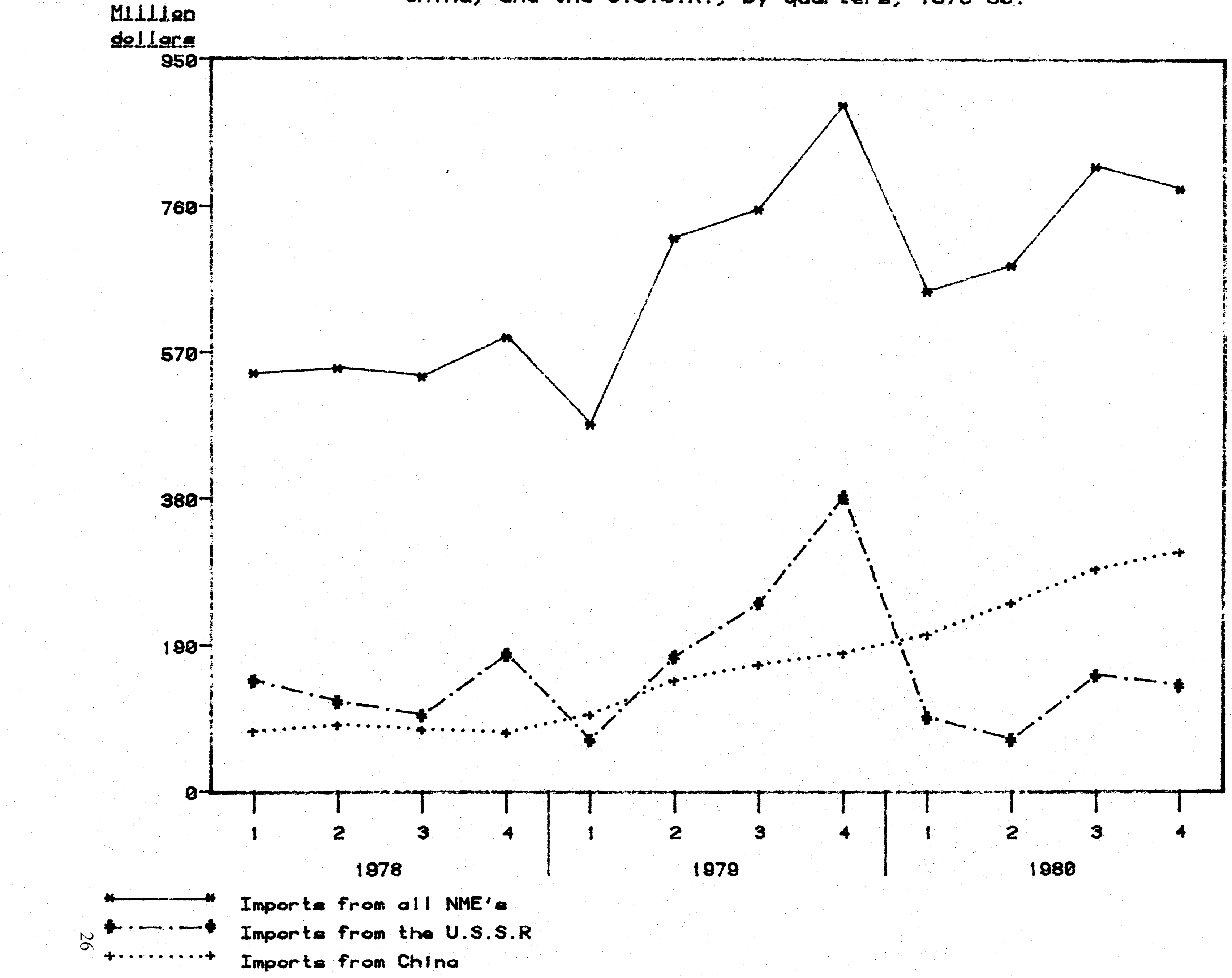
The NME's accounted for the largest share of total U.S. imports of items shown in table 13. For each of the items shown, NME's accounted for over 60 percent of all U.S. imports. China was the major NME supplier of half the items shown, primarily crude materials and textile-related products. The NME's accounted for 64 percent of U.S. imports of canned hams, leading item imported from the NME's.

Items shown in table 14 are those that grew or declined the most between 1979 and 1980. China accounted for 7 of the 10 leading growth items, 5 of which are textile items. Major declining items fall within the general classes of manufactured goods and chemicals. The U.S.S.R. was the major source for four of the declining products, one of the most significant being gold bullion, the Soviet Union's major export item to the United States in 1979.

1/ Since at least 1978, U.S. imports from the U.S.S.R. have soared during the fourth quarter of each year due to large Soviet gold bullion sales during that quarter. A departure from this trend occurred in 1980 since little gold was sold in October-December.

2/ There was 139 million pounds of canned hams imported in 1980, down from 153 million pounds in 1979.

Figure 4.--U.S. Imports from the nonmarket economy countries (NME's), China, and the U.S.S.R., by quarters, 1978-80.



Source: U.S. Department of Commerce publication FT-990. Imports are general imports.

26

Table 12.--Agricultural items: U.S. imports from the nonmarket economy countries and from the world, 1978-80, October-December 1979, and October-December 1980

Source	1978	1979	1980	October-December-- 1979	October-December-- 1980
	Value (1,000 dollars)				
China	83,964	85,684	133,125	25,589	35,217
U.S.S.R	12,379	14,698	9,636	1,656	1,220
Yugoslavia	113,410	86,442	63,633	13,963	14,857
Poland	154,570	163,969	155,743	43,371	40,083
Romania	31,597	33,588	30,470	8,137	7,401
East Germany	2,850	2,248	2,825	81	30
Czechoslovakia	6,144	7,726	10,441	3,439	4,262
Bulgaria	24,798	23,239	17,440	4,382	4,451
Hungary	32,276	35,764	30,586	8,890	9,650
Albania	885	2,524	3,833	538	1,415
Mongolia	3,673	3,752	2,197	559	713
Vietnam	-	1	-	-	-
Cuba	-	-	-	-	-
North Korea	-	-	-	-	-
Total	466,544	459,633	459,931	110,605	119,299
Total, agricultural imports from the world	14,804,097	16,725,061	17,336,153	4,408,476	4,498,963
	Percent of total imports from each country				
China	26.5	15.6	12.8	15.7	11.7
U.S.S.R	2.3	1.7	2.2	.4	1.0
Yugoslavia	27.9	22.1	14.2	15.2	13.6
Poland	35.5	38.5	37.5	41.4	38.1
Romania	9.2	10.2	9.8	11.2	12.4
East Germany	8.1	6.3	6.6	1.0	.3
Czechoslovakia	10.7	15.5	17.1	24.1	27.1
Bulgaria	88.9	77.1	76.3	76.6	79.3
Hungary	46.7	31.9	29.3	27.5	36.6
Albania	25.3	28.0	35.8	40.3	98.9
Mongolia	99.8	1/ 99.9	98.9	100.0	99.9
Vietnam	-	.1	-	-	-
Cuba	-	-	-	-	-
North Korea	-	-	-	-	-
Total	20.9	16.4	15.9	12.5	15.8
Total, imports from the world	8.6	8.1	7.2	7.7	7.4

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.

Table 13.—20 U.S. import items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by TSUS items, 1979 and 1980 1/

TSUS item No.	Commodity	Major NME supplier	Share of total imports accounted for by NME's		Value of imports from all NME's in 1980
			1979	1980	
			Percent		1,000 dollars
192.40	Licorice root	China	70.6	97.9	12,579
417.28	Ammonium compounds, molybdate	do	99.9	96.6	22,508
161.94	Unground sage	Albania	96.7	95.9	5,865
186.30	Bristles for brushes	China	96.4	91.0	9,573
245.10	Hardboard worth more than $49 and less than $97 per short ton.	U.S.S.R	97.0	88.5	1,042
222.57	Floor coverings, other	China	75.6	88.3	8,701
494.20	Montan wax	East Germany.	73.3	88.0	1,597
306.42	Camel hair, sorted	Mongolia	95.4	86.5	3,356
366.60	Cotton pile furnishings, velveteen	China	87.5	80.4	1,331
542.33	Glass, measuring over 40 but not over 60 united inches, weighing over 16 ounces but not over 28 ounces per square foot.	Romania	80.1	78.6	1,626
702.37	Headwear, other, not bleached and not colored	China	72.5	76.4	7,332
452.12	Cassia oils	do	61.6	73.2	4,840
755.15	Fireworks	do	59.1	71.4	23,181
308.04	Raw silk	do	73.9	70.4	4,267
653.75	Metal articles, coated or plated with gold	do	54.5	70.3	2,201
542.31	Ordinary glass, measuring not over 40 united inches, weighing over 16 ounces but not over 28 ounces per square foot.	Romania and Hungary.	79.3	69.6	2,354
306.62	Cashmere goat hair, sorted, washed	China	71.3	69.1	2,669
169.38	Vodka, more than 1 gallon, less than $7.75 per gallon. 2/	U.S.S.R	-	69.2	2,785
107.35	Pork, boned (canned hams)	Poland	62.8	63.5	213,203
628.72	Molybdenum, unwrought	China	-	63.4	1,671

1/ Only items which accounted for at least 1 million dollars' worth of imports in 1980 are included in this table.

2/ Prior to Apr. 1, 1980, this item was classified under the now-deleted item 168.83. Totals shown include the previous item. There was no trade with NME's in this item in 1979.

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

28

Table 14.--20 U.S. import items from the nonmarket economy countries (NME's) which changed substantially, by TSUSA Nos., 1980 1/

TSUSA item No.	Commodity	Major NME supplier	Percentage change, 1980 from 1979: All NME's	Percentage change, 1980 from 1979: World	Value of imports from all NME's in 1980
					1,000 dollars
382.8137	Women's manmade fiber blouses, not knit	China	800.5	15.1	5,688
610.3920	Oil well casing, other than alloy steel, not advanced.	Czechoslovakia.	576.6	197.4	4,463
380.6145	Men's cashmere wool sweaters, knit, valued at over $18 per pound.	China	524.4	-3.8	3,392
622.0200	Tin, other than alloyed, unwrought	do	415.8	9.4	13,854
605.0750	Palladium bars, plates, etc	U.S.S.R	410.2	174.2	11,658
110.4740	Pollock blocks, frozen, over 10 pounds	Poland	337.5	-27.4	6,643
363.5130	Bedspreads, coverlets, and quilts, of vegetable fibers, not jacquard-figured, hand-blocked.	China	328.5	82.3	2,603
337.2050	Woven fabrics, wholly of silk, n.e.s	do	324.8	36.7	4,354
521.1700	Bauxite, calcined	do	313.4	49.4	10,387
382.0581	Women's, girls' and infants' wearing apparel	do	299.6	96.0	2,190
520.3200	Diamonds, not over 1/2 carat, cut, not set	U.S.S.R	-88.6	22.6	685
605.2020	Gold bullion, refined	do	-79.7	-79.0	113,632
411.2400	Sulfamethazine 2/	Yugoslavia	-79.5	-70.8	2,349
618.2565	Aluminum sheets, strip, notched, wrought	do	-77.6	-58.8	4,137
475.1010	Crude petroleum, 25 degrees API or more	China	-73.8	32.9	18,809
114.4557	Shrimp, raw, peeled	do	-69.2	-19.8	3,001
245.1000	Hardboard, valued at $48.33 to $96.66 per short ton.	U.S.S.R	-66.6	-63.3	1,042
455.4000	Inedible gelatin, and animal glue	China	-66.4	-67.0	837
632.0200	Antimony, unwrought	do	-65.5	3.8	1,231
605.0290	Platinum group metals, A	U.S.S.R	-65.5	-17.2	5,522

1/ Only items which accounted for at least 500,000 dollars' worth of imports in both 1979 and 1980 are included in this table.

2/ Prior to July 1, 1980, this item was classified under the now-deleted item 407.7220. Totals have been adjusted to include the previous item.

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

Table 15 summarizes imports from the NME's by major commodity groupings. It shows that over half a billion dollars' worth of textile products was imported from the NME's in 1980, accounting for 5.5 percent of total textile imports. These were imported primarily from China. Total textile trade with the NME's (based on tables 8 and 15) was $1.8 billion in 1980, with China accounting for about $1.4 billion.

Table 15.--U.S. imports of selected major commodities from the nonmarket economy countries (NME's), 1979 and 1980

Commodity	Major NME supplier	Share of total imports accounted for by NME's		Value of imports from all NME's	
		1979	1980	1979	1980
		Percent		1,000 dollars	
Chromium scrap	China	-	3.5	-	1,001
Coal	Poland	5.3	11.5	20,838	9,542
Copper	Yugoslavia	2.5	1.6	21,086	21,424
Feathers and downs	China	44.0	40.4	17,228	27,380
Fertilizers	U.S.S.R	5.8	8.3	61,023	106,229
Furniture	Yugoslavia	11.2	18.3	41,110	96,174
Glass and glass products	Romania and Yugoslavia	4.5	7.7	18,333	46,124
Metal coins	China and U.S.S.R	3.0	2.3	26,206	44,805
Metal ores	China	9.6	7.7	31,214	37,436
Nickel	U.S.S.R	4.4	2.4	28,581	21,128
Precious metals	do	21.2	4.6	678,496	244,962
Gold bullion	do	39.9	4.5	560,021	113,632
Silver bullion	Yugoslavia	2.0	2.6	16,633	34,650
Platinum	U.S.S.R	12.6	8.5	100,964	94,233
Prepared pork	Poland	61.8	61.9	250,984	216,497
Textiles	China	4.2	5.5	422,950	667,559
Footwear	Romania and Yugoslavia	4.1	5.0	116,763	147,798
Nonrubber footwear	do	5.9	7.9	103,265	129,185
Titanium	China	.3	30.5	27	33,091
Tobacco	U.S.S.R	9.6	7.7	44,537	37,253

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

U.S. TRADE WITH INDIVIDUAL NONMARKET ECONOMY COUNTRIES IN 1980

China

As the upward trend in U.S.-Chinese trade continued in 1980, the total reached $4.8 billion, more than double that in 1979, when U.S.-Chinese trade had also doubled in value. During January-March 1980, China became the leading NME trading partner of the United States, accounting for 35 percent of all U.S. trade with the NME's. This role was assumed in part because of the bilateral increases in exports and imports and in part because of the decline in U.S. exports to the U.S.S.R. during this period, as the trade sanctions began to have an effect. China's share increased to 51 percent in July-September and averaged 43 percent for the full year.

The value of U.S. exports to China far exceeded the value of imports from China (table 16). U.S. sales amounted to $3.7 billion, or 78 percent of the bilateral turnover, with agricultural products accounting for 59 percent of the export value. This ratio was slightly higher than that reported for 1979. U.S. grain and other agricultural exports to China fluctuated widely between 1972 and 1977 (averaging $250 million a year during this period), but have expanded rapidly in the past 3 years, increasing 123 percent in 1980. Total exports to China were up 118 percent compared with those in 1979; while the increase included substantial sales of some nonagricultural items, the anticipated rise in U.S. sales of machinery and other high-technology equipment did not materialize. 1/

Since 1977 China has experienced a growing deficit in trade with the United States and has emphasized the need for a substantial increase in U.S. purchases of its products. Although the value of imports from China increased to $1 billion in 1980 from $549 million in 1979, U.S. purchases as a share of two-way trade declined to 22 percent in 1980 from 24 percent in 1979. China's bilateral deficit was $2.7 billion in 1980, up from $1.2 billion in 1979. The unwillingness of the Chinese to sustain imbalances of these magnitudes, 2/ in view of their shortage of foreign exchange and reluctance to undertake large-scale foreign financing of imports, may be a significant factor underlying the relatively slow growth in U.S. exports of manufactured goods to China.

Nevertheless, the United States is one of China's leading trading partners, ranking second, after Japan, as a supplier of its imports and third, after Hong Kong and Japan, as a market for Chinese products. In 1979, the latest year for which data on world trade are currently available, the United States accounted for about 11 percent of China's imports and 4 percent of its exports.

1/ U.S. exports of the goods that China requires for modernization continued to increase in 1980, but not at the rate anticipated after the marked rise in exports of these items in 1979. The increase occurred in only a few selected products, while exports to China of most high-technology goods declined. See 21st Quarterly Report . . ., pp. 34-35.

2/ The trade imbalance was one of the major bilateral issues raised by the Chinese during the first meeting of the United States-China Joint Economic Commission (see 24th Quarterly Report . . ., pp. 33-36).

Table 16.--U.S. trade with China, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	362,253	488,271	1,264,714
1	Beverages and tobacco	-	95	339
2	Crude materials--inedible, except fuel	223,905	531,809	1,183,305
3	Mineral fuels, lubricants, etc	1,765	673	1,773
4	Oils and fats--animal and vegetable	37,775	42,036	73,398
5	Chemicals	60,494	125,170	385,601
6	Manufactured goods classified by chief material	25,296	243,927	423,605
7	Machinery and transport equipment	93,007	228,716	358,371
8	Miscellaneous manufactured articles	13.706	55,198	55,767
9	Commodities and transactions not elsewhere classified	40	605	2,121
	Total	818,241	1,716,500	3,748,993
		U.S. imports		
0	Food and live animals	26,057	51,272	55,324
1	Beverages and tobacco	643	682	1,512
2	Crude materials--inedible, except fuel	57,375	65,077	126,148
3	Mineral fuels, lubricants, etc	2/	96,436	132,442
4	Oils and fats--animal and vegetable	3,262	3,432	1,985
5	Chemicals	32,795	53,299	101,533
6	Manufactured goods classified by chief material	93,082	82,301	232,258
7	Machinery and transport equipment	565	1,060	5,255
8	Miscellaneous manufactured articles	101,993	190,512	379,459
9	Commodities and transactions not elsewhere classified	972	4,472	3,260
	Total	316,743	548,543	1,039,177

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.

Developments affecting U.S. commercial relations with China

The establishment of diplomatic relations between the United States and China on January 1, 1979, paved the way for completing the normalization of bilateral commercial relations. A number of steps were therefore taken in 1979 to remove trade barriers, but none of the more important issues were resolved until 1980. Between January 24, 1980, when Congress approved the United States-China trade agreement, and September 17, when President Carter and China's Vice Premier Bo Yibo signed four other major agreements--covering trade in textiles, maritime transport, air routes, and consular posts--the basic framework of U.S.-Chinese economic relations was completed. While the normalization process improved trade relations and probably contributed to the increase in bilateral trade in 1980, the initial effect of most of these developments was to provide a sounder basis for the future growth of U.S.-Chinese trade.

The United States-China trade agreement was signed on July 7, 1979, and, following approval by the Congress, entered into force on February 1, 1980. Although the accord includes provisions for the facilitation of banking and other business transactions and for the reciprocal protection of patents, copyrights, and trademarks, its most significant provision is for the mutual extension of MFN tariff treatment. The application of the generally lower U.S. column 1, or nondiscriminatory, rates of duty to imports from China led to substantial growth in U.S. purchases of some of these products in 1980, which, in turn, may have enabled the Chinese to further increase their purchases of U.S. goods. On the other hand, a few import-sensitive U.S. industries may have been adversely affected by increased imports of some of the products on which China is now largely dependent for its foreign-exchange earnings. Thus, while strengthening U.S.-Chinese ties, the granting of MFN status to China also created new conflicts of interest which are likely to increase as the trade relationship develops.

Some of the trade conflicts appeared before China had been granted MFN treatment. The U.S. textile industry began to experience import penetration by products from China as early as 1978. Despite the substantially higher tariffs that applied to Chinese textiles at that time, the increase in imports of cotton apparel and a few items of synthetic apparel was especially large. After two rounds of official negotiations between the United States and China had failed to stem the volume of these imports, the President ordered unilateral quantitative restrictions on seven items of apparel in May 1979 and on two additional items in October 1979. These quotas remained in effect until a bilateral agreement to voluntarily control trade in textiles was reached. The signing of the textile accord on September 17 has resolved one of the more serious issues in bilateral trade. However, it probably does not provide a complete solution to the problems the U.S. industry has had with textiles from China: while certain items of apparel from China are now subject to agreed levels of trade, increased imports of other items not restricted under the agreement could have an adverse effect upon the U.S. textile market. 1/

1/ For example, in October the United States notified China that woolen sweaters, an item not controlled under the agreement, were tending to disrupt the U.S. market. For a detailed discussion of textiles from China, see 24th Quarterly Report . . ., pp. 47-85.

Although the textile industry is now China's major source of foreign exchange, the Chinese have also concentrated on developing other light manufacturing industries in order to increase their export earnings. On the other hand, a number of the U.S. industries that are most sensitive to a rapid escalation of imports manufacture products of this type. Among the U.S. imports of China's light-industry products in 1980, those currently regarded as having the greatest potential for trade problems are footwear, metal fasteners, stainless steel flatware, bicycles, and consumer electronics.

In 1980 two products from China were the subject of investigations by the U.S. International Trade Commission. The U.S. canned mushroom industry filed a petition under section 201 of the Trade Agreements Act of 1974 alleging the increased imports of mushrooms from all sources were a substantial cause of serious injury. The U.S. menthol industry filed a petition under Title VII of the Trade Agreements Act of 1979. The petition alleged that the industry was materially injured by reason of imports of menthol from China and Japan which are allegedly sold or likely to be sold in the United States at less than fair value.

Following an affirmative determination by the Commission, President Carter raised the MFN tariff on imported mushrooms (TSUS item 144.20) from 3.2 cents per pound plus 10 percent ad valorem, or 13 percent ad valorem equivalent (AVE), to 3.2 cents per pound plus 30 percent ad valorem, or 33 percent AVE, effective November 1, 1980. 1/ Although China is not a leading foreign supplier of mushrooms to the U.S. market, accounting for only 11 percent of all such imports in 1980, imports from China amounted to $13.5 million last year, compared with $0.1 million in 1979. This marked increase appears to be principally the result of extending MFN treatment to China on February 1, when the difference between the column 2 duty rate, previously applied to Chinese mushrooms, and the column 1 rate amounted to 45 percent AVE. 2/

The trade complaint on menthol from China is still pending. After the Commission made a preliminary determination that there is a reasonable indication that the U.S. synthetic menthol industry is threatened with material injury by imports of natural menthol from China (its finding with respect to imports from Japan was negative), 3/ the investigation was continued by the U.S. Department of Commerce, which issued a preliminary finding, on the basis of its initial investigation, that the product is being

---

1/ Higher tariffs were imposed for a period of 3 years, during which the rate will be reduced to 28 percent AVE in the second year and 23 percent AVE in the third year. The tariff will then revert to its previous level. For a discussion of this investigation and the rationale underlying the President's choice of this form of import relief, see 24th Quarterly Report . . ., pp. 43-45.

2/ The col. 2 tariff is 10 cents per pound plus 45 percent ad valorem, which amounted to a duty of approximately 58 percent AVE on mushrooms imported from China prior to Feb. 1, 1980.

3/ See 23d Quarterly Report . . ., p. 34.

sold in the United States at less than fair value. Therefore, a final investigation to determine whether material injury, or the threat of material injury, to the domestic industry has resulted was instituted by the Commission on January 12, 1981. 1/

The normalization of bilateral relations was accelerated following congressional approval of the United States-China trade agreement. On the basis of commitments made by the administration in August 1979, the remaining steps were taken to extend both the financing facilities of the Export-Import Bank of the United States (Eximbank) and the services of the Government-owned Overseas Private Investment Corporation (OPIC) to China. Concurrently, over a period of several months, changes were made in the regulations affecting exports to China of goods that are controlled for reasons of national security. As a result of these changes, the criteria used in granting licenses for the export of military support equipment and dual-use goods and technology to China are now more liberal than those applied to the Soviet Union and other controlled countries. 2/

Without the Government-subsidized loans and loan guarantees provided by the Eximbank, U.S. exporters remained at a disadvantage in competing in the Chinese market against Japanese and European firms. In April, the same month in which President Carter determined that extending Eximbank financing to China was in the national interest, Eximbank officials made the first preliminary loan commitment; the Chinese were reportedly unwilling to include U.S. companies in a final contract unless the financing could be offered at Eximbank's rate of interest, which is substantially lower than commercial rates. The credit involved about $80 million in U.S. exports of steelmaking equipment and technical services for use in constructing a cold-rolling mill at Baoshan, outside Shanghai, as part of a project led by a West German consortium. At that time the project was expected to involve imports by China worth $500 million. This initial commitment was the only financing authorized for China by the Eximbank in 1980, 3/ and the credit was not used. In November, the Chinese announced they were postponing plans for a major portion of the $5 billion Baoshan steel complex, including the cold-rolling mill for which they had signed a contract with Wean United, Inc., the principal participant in this part of the project. 4/

1/ The deadline for Commerce to make a final determination on the question of sales at less than fair value has been extended from Mar. 23 to Apr. 22. The Commission's final determination on the question of injury, which was initially scheduled for May 6, has therefore been extended to June 5.

2/ For an account of this shift in U.S. policy and the more liberal guidelines that now apply in granting validated export licenses for sales to China, see <u>24th Quarterly Report . . .</u>, pp. 38-40.

3/ See <u>23d Quarterly Report . . .</u>, pp. 23-25. On Feb. 10, 1981, Eximbank made its second preliminary loan commitment to China, involving $75 million in exports of heavy electrical goods and services by two U.S. companies, Westinghouse Electric Corp. and Combustion Engineering, Inc.

4/ In early 1981, work on the entire complex was halted. Japan and West Germany were the major investors.

The current prospects for Eximbank support of U.S. exports to China are limited. When China became eligible for credit, the Bank was already experiencing difficulty allocating loans because of budgetary problems, and no additional funds to accommodate this new commitment were authorized. Another problem, and a major bilateral issue from China's point of view, is the credit terms offered by Eximbank. Compared with the credit programs provided by the official export credit agencies of the other major industrial countries with which the United States must compete, Eximbank's interest rate on medium- and long-term loans (8.75 percent) is generally higher, and the portion of an export contract that it will normally support (65 percent) is lower. 1/ To date, China's willingness to use Eximbank financing has been contingent upon 75-percent Bank support, which is offered only when the U.S. suppliers will agree to draw upon their own resources to subsidize Eximbank credits. 2/

Extending the OPIC programs to China required legislation to amend the Foreign Assistance Act of 1961, under which OPIC had been authorized. The act included a provision prohibiting the extension of any assistance mandated by this law to a Communist country, and it was previously amended in order to provide the services of OPIC to Yugoslavia and Romania. An amendment to make China eligible as well was passed by the Congress in July 1980 and signed by President Carter on August 8. However, no services for China were instituted until an operating agreement between OPIC and the Chinese Government was reached; this agreement was signed on October 30.

OPIC functions primarily to insure U.S. companies against political risks that may accompany direct investment in developing countries, such as currency inconvertibility and losses owing to government expropriation, war, or revolution. A major economic consideration in extending the insurance to China was the current and anticipated U.S. involvement in mining development and the construction of chemical plants, investments which have long payback periods. However, OPIC insurance does not cover losses incurred as a result of the indefinite deferment or cancellation of contracted work in progress. 3/ In addition to providing political-risk insurance, OPIC makes direct loans of up to $5 million for projects in developing countries and guarantees loans of up to $50 million made by U.S. commercial banks. This program is designed to support small U.S. businesses that are especially vulnerable to losses they might incur in making investments that are large relative to their size.

1/ "The most recent edition of the Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States was published in October 1980 . . . . The conclusions of the analytical section are that, in 1979, Eximbank was fully competitive only in the area of short-term programs, least competitive in the area of medium-term financing and marginally competitive in the area of long-term financing. It should be stressed that these conclusions are based on 1979 activity alone. During 1980, various economic and financial trends have combined to reduce the Bank's ability to offer fully competitive support, particularly in the medium- and long-term areas." Eximbank Record, Vol. 5, No. 1, October-November 1980, p. 7.

2/ The two Eximbank commitments made to China have included arrangements for the U.S. companies to finance 10 percent of the export contract, giving the Chinese an effective rate of interest of 8.25 percent.

3/ In addition to the Baoshan steel complex project, the Chinese stopped construction on all large-scale mining and petrochemical projects in February 1981. The U.S. companies holding contracts for these projects have been paid for services already performed.

As a Communist country, China is eligible for only one other major U.S. Government-sponsored financing program--the credit guarantees of the Commodity Credit Corporation (CCC). CCC credit guarantees are available to China under a provision of the Agricultural Trade Act of 1978, 1/ but it has not used them, probably because of the currently high level of U.S. interest rates. This program (GSM-102) guarantees payment to U.S. banks for a large portion of the risk that they assume in financing agricultural exports, but the Government does not subsidize the credit extended. However, the Chinese may wish to finance some of the grain that they will purchase from the United States under a bilateral agreement reached in October 1980. This 4-year pact applies to U.S. grain sales beginning in January 1981 and stipulates that China will purchase between 6 million and 9 million metric tons annually, which is expected to consist of approximately 80 percent wheat and 20 percent corn. The U.S. Department of Agriculture has estimated that the sales pledged under the agreement will amount to about $1 billion annually, or about 80 percent of the combined value of the 7.8 million metric tons of wheat and corn that the United States exported to China in 1980.

To provide a forum for discussing current problems and outlining the future course of bilateral relations, the United States-China Joint Economic Commission held its first formal session in September. 2/ One of the highlights of the meeting was the signing of four major bilateral agreements, an event which--after the series of programs and new trade regulations that were put into effect for China during the first half of 1980--virtually completed the economic normalization process. Although the agreement controlling the quantity of Chinese textile products to be imported will probably have the most significant short-term effect on trade, the other three accords are expected to facilitate business between the United States and China and improve trade relations. Two of the agreements cover commercial transport--both civil air and maritime--and the third, the consular convention, provides for the opening of additional consulates and an expansion of the protections and services each country will extend to the citizens of the other.

The air-transport accord authorizes a direct air route between China and the United States for the first time since 1949. It will be serviced by China's national airline, the Civil Aviation Administration of China (CAAC), and, during the first 2 years of the agreement, by only one U.S. airline, Pan American World Airways. The maritime transport pact designates the port access of each country's ships to the other country's ports and stipulates that each country will carry no less than one-third of the bilateral cargo. Both agreements became effective on September 17, the date of the signing, although direct air service was not initiated until early in 1981. 3/ Unlike

---

1/ Under sec. 402 of the Trade Act of 1974, a Communist country is legally barred from eligibility for U.S. Government credits and credit guarantees unless it has been granted MFN status. In order to grant CCC credits to China in 1978, legislation was required to lift this restriction.

2/ See <u>24th Quarterly Report . . .</u>, pp. 33-38.

3/ CAAC and Pan Am began scheduled service on Jan. 7 and Jan. 28, respectively. For a more detailed description of these two agreements, see <u>24th Quarterly Report . . .</u>, pp. 36-37.

the other accords reached between the United States and China, the consular convention is not an executive agreement, but a treaty, and requires Senate approval before it can enter into force. The Department of State decided to wait until the 97th Congress had convened before sending the agreement to the Senate. 1/

The only major U.S. trade program not yet extended to China is the Generalized System of Preferences (GSP), which provides for duty-free treatment of specified semimanufactures and manufactures and certain agricultural products imported by the United States from designated developing countries. The United States-China trade agreement officially recognizes China's status as a developing nation, and the Chinese have requested admittance to the program. However, from the U.S. point of view, at least two problems must be dealt with before further consideration can be given this request.

First, at the present time, China has fulfilled two of the legal requirements for receiving GSP treatment--MFN tariff status and membership in the International Monetary Fund (IMF) 2/--but not a third requirement--membership in the General Agreement on Tariffs and Trade (GATT). Second, there has been growing concern in the Congress about the effect of the GSP program on production and employment in the United States and, in conjunction, a particular reluctance to extend any further reduction in U.S. duty rates to the world's most populous country. 3/ If admitted to membership in the GATT, the Chinese are expected to press more strongly for these benefits. The United States is now the only one among the 20 countries offering preferential tariff programs that has not granted China beneficiary status. 4/

1/ The consular convention was sent to the Foreign Relations Committee on Jan. 19, 1981, with a request that consideration of the agreement be given priority.

2/ On Apr. 17, 1980, China was recognized as the official representative of "China" in the IMF, and Taiwan's credentials were revoked. On May 15, a similar procedure was followed in admitting China to membership in the World Bank, for which membership in the IMF is a requirement. China appears to be particularly interested in the low-cost financing of major development projects that the World Bank can provide through its affiliate, the International Development Association. See 23d Quarterly Report . . ., pp. 21-23.

3/ The U.S. International Trade Commission is currently investigating the probable economic effect on domestic industries of granting GSP status to China. This investigation (No. 332-123) is scheduled for completion by July 1.

4/ China now receives preferential tariff treatment from Austria, Australia, Canada, the ten-member European Community, Finland, Japan, New Zealand, Norway, Sweden, and Switzerland. The preferences offered range from tariff levels only slightly below the MFN rate to duty-free treatment of specified products. Import-sensitive products are generally excluded from the benefits or subject to strict ceilings.

Before 1980, when MFN treatment was mutually extended and other bilateral economic constraints were removed, neither the Chinese nor the U.S. Government could greatly expand trade by promoting its exports. During the fall of 1980, China held its first U.S. trade exhibition, which opened in San Francisco in September and later in Chicago and New York; and in November the United States held an exhibition in Beijing, the first official U.S. show in China since the renewal of trade relations.

Because China's show was aimed at modifying its national image and improving relations with the U.S. public as well as building sales, the products displayed ranged from antique treasures to industrial equipment based upon recently acquired technology, with the primary emphasis on consumer goods. Among the products in this group, there was a considerable range in the quality, which was highest in labor-intensive items such as arts, crafts, jewelry, embroidered linens, and hand-knotted carpets. Other items such as women's dresses, men's suits, and fur apparel have not been traditionally produced for the export market, and the styles were not well adapted to U.S. consumer tastes. U.S. importers attending the exhibition also complained of China's inflexible and, for some products, unrealistic prices, with no allowance made for differences in product quality or delivery reliability, another factor that is still a problem for U.S. buyers. 1/ Yet despite the fact that some of the machine-made products, especially heavy industrial equipment, were of lower quality or less technically advanced than similar domestically produced goods or those of other foreign suppliers to the U.S. market, the exhibition demonstrated that the Chinese are making progress in modernizing their economy.

The U.S. exhibition in Beijing was directed primarily to promoting exports of the technology and equipment that were expected to meet China's current priorities for economic development. The products displayed by the 254 companies represented at the show covered five general categories: agriculture, power generation and distribution, light industry (including textile and consumer goods manufacturing), oil exploration and drilling, and transport (air, water, rail, and highway). While the exhibition clearly demonstrated U.S. capability for providing the Chinese with the types of industrial equipment and services they now need to speed their modernization, sales made at the show totaled only $5.7 million. Contracts were reportedly also signed for more than $15 million in sales that had been negotiated before the exhibition opened; however, a large portion of this total consisted of a contract for three aircraft that the Cessna Aircraft Co. had negotiated. 2/

The steps taken by the United States in 1980 to remove bilateral economic constraints and improve U.S.-Chinese trade relations were paralleled by the emergence of new problems within China and a reassessment of its modernization program. An inflationary trend, continuing deficits in the national budget, excessive and inefficient investment in the capital structure, unemployment, and energy shortages converged to force a retrenchment in development plans. A shortage of foreign exchange placed added pressure on the economy, and despite efforts to limit borrowing abroad, China was beginning to accumulate a sizable foreign debt by 1980. During the Fifth National People's Congress, held in August and September, the original 10-year plan (1976-85) was officially abandoned in favor of a 5-year plan to bring the economy through to 1985. This program will be incorporated into a new 10-year plan (1981-90).

1/ Journal of Commerce, Nov. 8, 1980, p. 33.
2/ Business China, Dec. 17, 1980, pp. 188-89.

The 1980 reassessment was not the first that China had undertaken since launching a four-sector program—agriculture, industry, defense, and science and technology--to modernize the economy by the year 2000. In 1978, less than a year after the program was underway, cost considerations and production bottlenecks led to a reevaluation of priorities. The 3-year (1979-81) readjustment program downgraded the development of high-cost, capital-intensive industries that were unlikely to generate profits for 10 to 15 years and favored moving ahead in the light industries. Particular emphasis was placed upon boosting the production of textiles and other consumer goods that could quickly increase China's earnings of foreign exchange and raise living standards.

The new program announced at the recent National People's Congress not only reinforces the earlier reassessment of national investment priorities, but confirms a marked shift away from heavy industries, including those related to energy, and a cutback in defense expenditures. Even greater weight will be given to the development of light industries and agriculture, but the goal of early agricultural mechanization on a large scale was also discarded in 1980 in favor of introducing farm machinery in a few selected provinces. Given its huge population but weak economic base, China will focus upon the more intensive use of its abundant labor supply.

Capital investment will be limited to building the infrastructure. After realizing that they lack the transport facilities needed for the large-scale introduction of foreign investment, the Chinese have already moved ahead in the development of ports, shipping lines, roads, railroads, and international air services. The communications system is another weakness in the infrastructure and has been accorded investment priority. The development of the energy sector will continue, but China will delay the heavy capital investment required for substantially increasing petroleum production and will concentrate on raising coal output, both for domestic use and to increase export earnings.

China's foreign trade policy for 1980 was to reduce its merchandise trade deficit, which totaled $2.1 billion in 1979. The preliminary figures indicate that the effort has paid off; exports increased sharply, and the Chinese cut back substantially on imports. China's two-way trade was $36.4 billion, up 20.7 percent from 1979, with exports of $17.9 billion, up 27 percent, and imports of $18.5 billion, up 14 percent. China's overall deficit of $533 million was in marked contrast to its $2.7 billion bilateral trade deficit with the United States. The impact of decelerating imports was most apparent in trade with Japan, its largest trading partner. On the other hand, China's grain and cotton imports increased sharply and were the principal factor responsible for the substantially higher level of U.S.-Chinese trade.

U.S. exports

The value of U.S. exports to China reached $3.7 billion in 1980, up $2 billion from 1979, with agricultural products accounting for $2.2 billion, nearly 60 percent of the total. Five items accounted for virtually all the farm exports: wheat, corn (table 16, SITC Section 0, and table A-3), cotton, soybeans (under SITC Section 2), and soybean oil (under SITC Section 4). The combined export value of this group of products increased 123 percent over sales in 1979, while nonagricultural exports to China increased 112 percent.

Among the nonfarm exports, substantial increases were reported in shipments of raw or semiprocessed materials, for use as inputs in China's textile and other consumer-goods industries, and in chemicals, largely for use in raising the level of agricultural production in China. Sales of high-technology machinery and transport equipment (represented in table 16 under SITC Section 7) increased only 57 percent, compared with the 146-percent increase in this export category in 1979.

China was the largest customer for U.S. exports of both wheat and cotton in 1980. Its purchases of wheat increased almost fourfold, to $1 billion or 28 percent of all exports to China and 16 percent of the total value of U.S. wheat exports last year. Cotton exports totaled $702 million, almost double the value of Chinese purchases in 1979. With this sharp increase in demand, China accounted for about 24 percent of the total quantity and value of U.S. cotton exports. The demand apparently stemmed from the decision to invest more heavily in the production of textile products; in addition, cotton has benefited from the rising cost of the petroleum-based synthetic fibers. Together, wheat and cotton constituted 45.4 percent of the value of U.S. exports to China in 1980.

The rise in wheat exports in 1980 appears to have been partly the result of a smaller harvest than the one in 1979, when better weather conditions in China reportedly produced a record grain crop. 1/ Another and increasingly important factor was the recent shift in the Chinese Government's agricultural policy, which was probably the major reason for the growth in U.S. grain exports to China in the past 3 years. Less acreage is now being allocated to grain and is being used instead for industrial cash crops, including crops for export, for which the soil and climate are also better suited: peanuts, sugar beets, cotton, oilseeds, silk cocoons, tea. The diversification program was accelerated in 1979 and again in 1980. As a result, with decreasing emphasis placed on grain production, China's wheat and other grain imports should remain at a high level. The other major grain suppliers to China are Canada, Australia, and Argentina. Under the new 4-year U.S.-Chinese grain agreement, the United States appears to be assured a considerable portion of this market.

U.S. cotton exports to China are also expected to continue and may increase substantially. The Chinese are expanding the acreage they devote to growing cotton, but the rate of increase in domestic output is falling far short of the demand under a Government policy of promoting the production of cotton and cotton-blend products. Although China is now the world's largest producer of textiles, a further expansion of mill capacity is expected to generate a higher level of economic growth, to increase export earnings, and, primarily, to raise the standard of living of the nearly 1 billion Chinese people. China's choice of the United States as the major source of imported cotton was apparently based on the quality of U.S. cotton and the potential for output in the United States to expand in response to a substantial increase in demand.

U.S. exports of corn to China declined to $225 million, or 1.7 million metric tons, in 1980, compared with sales of $269 million, or 2.4 million metric tons, in 1979, when the quantity of U.S. corn exported to China exceeded the quantity of wheat: only 1.6 million metric tons of wheat was exported in 1979, compared with 6.1 million metric tons in 1980. The higher price of the corn exported to China in 1980, as represented by a 20-percent increase in the unit value relative to that reported for 1979, may have contributed to the decline in its purchase; the substitution of high-protein soybeans for the relatively more expensive corn may have been another factor.

1/ U.S. Department of Agriculture, Foreign Agricultural Service, Foreign Agriculture, March 1980, pp. 8-9.

In 1980, exports of soybeans to China increased by approximately 45 percent in value, to $155 million, and by 47 percent in quantity, to 0.6 million metric tons. China traditionally exported soybeans, but has been importing increasing amounts of both soybeans and soybean oil in recent years. As the Chinese cut back the acreage used for grain production, they are also developing a modern livestock industry. The demand for meat and dairy products is already growing, and if the per capita consumption of these products by China's huge population continues to increase, the demand for feed grains and protein feeds will probably have to be met through expanded imports.

Exports to China of crude materials (SITC Section 2) amounted to $1.2 billion, more than double their value in 1979. The category included five of the leading items (table A-3): cotton and soybeans, which accounted for 72 percent of the value of exports in this group; polyester fibers, which ranked fourth in value of sales; and logs and wood pulp, which the United States sold to China for the first time last year.

China's imports of polyester fibers from the United States were up sharply in 1980, increasing by 222 percent in value compared with imports in 1979, substantially more than the 73-percent increase in total U.S. exports of this item. The Chinese have become the largest customers of U.S. manmade fibers, which they use in manufacturing synthetic textiles and cotton or wool blends. In addition to exports of polyester fibers worth $183 million, U.S. sales to China included nylon, acrylic, and other noncellulosic fibers ($11 million) and polyester and other manmade filaments and strips ($5 million). The Chinese also bought synthetic yarns valued at $62 million (under SITC Section 6). The combined value of China's purchases, approximately $260 million, accounted for 18 percent of all manmade fibers (including yarns) exported by the United States in 1980.

Cotton, soybeans, and manmade fibers (including filaments and waste) constituted about 90 percent of the crude materials that the United States shipped to China in 1980. The export of logs is noteworthy because it represents China's entry into this U.S. market. The timing of the entry was opportune: the timber companies of the Pacific Northwest, with which the Chinese negotiated the export contracts, reportedly had large inventories in 1980 owing to the depressed housing market in the United States and a cutback in purchases of timber by Japan. However, with China's purchases of logs amounting to only $40 million in 1980, 1/ the extent to which the U.S. companies will be able to benefit from this potentially significant export market is unknown. The Chinese do not have modern machinery for handling the logs, 2/ and their sawmills are able to process only limited sizes and species of trees. In addition, there is some concern in the United States that China will continue to buy only logs, rather than lumber; extensive exports of whole logs to China could depress production levels in the U.S. lumber mills and deprive their workers of jobs.

1/ In addition to the $34.3 million in Douglas-fir logs shown in table A-3, U.S. exports to China included $5.6 million in Western hemlock logs.

2/ Because of the problems involved in unloading the logs in Chinese ports, Weyerhauser Co. shipped two hydraulic log-loading machines to China, together with a team to train Chinese operators (Washington Post, Nov. 27, 1980, p. D3).

Chemicals (SITC Section 5) were another category in which U.S. exports to China increased substantially in 1980. Fertilizers led in sales, accounting for nearly 40 percent of the exports to China in this category. The largest increase was in diammonium phosphate fertilizer (table A-3), with the value of exports to China growing from less than \$4 million in 1979 to \$85 million in 1980. Sales of concentrated superphosphates were also up considerably, from \$14 million in 1979 to \$30 million in 1980. The increase in exports probably occurred in part because the Chinese shifted their source of supply: there was a marked reduction in China's imports of chemical fertilizers from Japan in 1980. U.S. exports of insecticides to China also increased, from \$4 million in 1979 to \$26 million in 1980, as did sales of resins. The leading item of this type was unsaturated polyester resins, exports of which amounted to \$51 million in 1980, more than double their 1979 value. 1/

Most of China's purchases of manufactured goods classified by chief material (SITC Section 6) consisted of two types of products: paper and paperboard and yarns and textile fabrics. Unbleached kraft linerboard was among the top 10 exports to China in 1980, with sales amounting to \$80 million, compared with \$2.5 million in 1979. The Chinese substantially increased their purchases of U.S. paper and paperboard products in 1980, buying most of these items for the first time. Other first-time purchases included yarns and fabrics. In addition to the rise in U.S. exports of yarns (noted above), sales to China of both woven and knit fabrics increased in 1980. U.S. exports of fabrics to China amounted to about \$65 million.

Exports of machinery and transport equipment (SITC Section 7) increased to \$358 million, or by 57 percent. This relatively small increase in sales--after a 146-percent increase from 1978 to 1979--reflected China's initial readjustment program, which began in 1979, and the further reassessment of investment priorities, which was officially announced in September 1980. The Chinese made most of their commitments to invest in capital-intensive industries in 1978, leading to a surge in their imports of U.S. machinery and other high-technology goods in 1979. In 1980, however, they purchased only a few selected items of this type from U.S. companies.

Aircraft sales, which amounted to \$162 million, accounted for 45 percent of the value of all machinery and transport equipment that the United States sold to China in 1980. The Chinese purchased three Boeing 747 wide-body jets for use on international routes between Beijing and Paris, Karachi, and Tokyo, and, beginning in January 1981, between Beijing and U.S. cities. U.S. exports of other transport equipment and parts totaled \$23 million, down from \$40 million in 1979, and consisted largely of special-purpose vehicles, trucks and truck tractors, and agricultural tractors and parts. Exports of parts of oil and gas field drilling machines accounted for another \$23 million in 1980, but also declined sharply from 1979, when this item accounted for \$54 million in U.S. sales. Computer items, such as data processing machines and parts, were the only products in this category showing any notable rise in U.S. exports. Total sales were small in 1980, amounting to \$29 million for all items, but are likely to continue to increase despite the current retrenchment in the Chinese economy. The more liberal criteria that now apply in granting U.S. licenses to export high-technology goods to China did not become effective until July 1980, and the Chinese have expressed a particular interest in computers.

1/ Unsaturated polyester resins are plastics resins used in nontextile applications. The saturated type is used in making textile fibers.

U.S. imports

The value of U.S. imports from China reached $1 billion in 1980, a rise of 89 percent over imports in 1979. Petroleum and textile imports contributed to the increase, as in 1979, while U.S. purchases of crude materials, chemicals, and materials classified by chief material also increased substantially. The increase in these three categories reflected both the higher value of some purchases for industrial use and a further diversification of products imported for this purpose.

Imports of crude materials (table 16, SITC Section 2) from China increased 94 percent from $65 million in 1979 to $126 million in 1980. Approximately 70 percent of the increase was attributable to five items (table A-4): feathers, licorice root, natural barium sulfate, tungsten ore, and calcined bauxite.

The largest increases were in sorted feathers and natural barium sulfate. Imports of each of these items increased about 155 percent and amounted to $19 million in 1980. Among the factors contributing to larger imports of feathers were the popularity of "down" coats, jackets, and other apparel in 1980 and a strong demand for other uses such as in pillows, comforters, and sleeping bags. Most of these items contain varying percentages of feathers combined with down. In conjunction with the rise in demand, the supply of feathers and downs from China also increased. The Chinese had been exporting only a limited amount and were using much of their supply to manufacture apparel for export, in an effort to increase earnings by adding to the value of the product entering foreign markets. After declining from $25 million in 1978 to only $9 million in 1979, the combined imports of feathers and downs from China were $24 million in 1980, accounting for 36 percent of the value and 50 percent of the quantity of U.S. imports of these items. Increased imports of natural barium sulfate from China also reflected a recent rise in U.S. demand. Barium sulfate is used as a weighting agent in drilling mud, which is now used extensively in drilling oil wells. The reported number of oil well drillings in the United States reached a record level in 1980.

Bauxite from China was used extensively in this country for the first time in 1980; imports increased from $2.5 million in 1979 to $10.4 million last year. The refractory-grade bauxite used in the United States was purchased primarily from Guyana prior to 1979, when Chinese bauxite was introduced. A long-term agreement has been reached between a U.S. company and the Chinese Government under which the United States will import a minimum of 150,000 long tons of bauxite from China annually, beginning in 1981; imports amounted to 109,268 long tons in 1980.

The composition of U.S. petroleum imports from China (SITC Section 3) changed in 1980 from 1979, the first year in which the United States bought crude petroleum and petroleum products from China. Imports of gasoline increased to $82 million, about 4 times their 1979 value, while U.S. purchases of the naphtha derivatives were $31 million, 10 times their previous level. On the other hand, imports of crude petroleum from China declined from $72 million in 1979 to $19 million in 1980, or 74 percent. The Chinese are promoting the export of petroleum products as one means of coping with two conflicting problems: a shortage of foreign exchange and a shortage of energy

46

for domestic needs. By selling primarily the more expensive petroleum products, instead of crude petroleum, they can realize higher foreign-exchange earnings while limiting their exports. Until China undertakes the long-term capital-intensive investment required to explore for oil offshore, the rate of growth of its petroleum industry is expected to be negligible.

Chemical imports (SITC Section 5) were $102 million, up 90 percent from the 1979 level. Fireworks and ammonium molybdate, with the import value of each amounting to $23 million in 1980, were the leading U.S. purchases in this category. Ammonium molybdate is principally used to produce molybdenum metal, which in turn is used to alloy steel and other metals. Other chemical imports included antimony oxide ($6 million), used in flame-proofing papers, textiles, and plastics; and menthol ($5 million), which is currently the subject of an investigation of less than fair value sales (described earlier in this section).

The largest increase occurred in imports of manufactured goods classified by chief material (SITC Section 6). Imports reached $232 million, representing an increase of 182 percent from the 1979 level, primarily because of the larger U.S. purchases of textile products (floor coverings and fabrics are included in this category, but apparel is not) and metals.

Imports of hand-knotted wool carpets were valued at $36 million in 1980, compared with $5 million in 1979. China was the second leading supplier of oriental floor coverings to the U.S. market, following India but outranking Pakistan and Iran. The factor that was probably most responsible for this substantial increase in imports was the extension of MFN treatment to China's products in February 1980: the column 2 tariff of 45 percent ad valorem that previously applied to hand-knotted carpets from China was highly restrictive compared with the 8-percent MFN duty rate. 1/

U.S. purchases of woven fabrics from China amounted to $55 million in 1980, more than double their value in 1979, when these imports had declined to $26 million from $40 million in 1978. The value of cotton printcloth, the leading fabric import from China, was only $14 million in 1979, down from $20 million in 1978; it increased to $21 million in 1980. Fabrics are not subject to quantitative import limits under the textile agreement signed on September 17, but the United States may request a consultation with China if any of these imports threaten to disrupt the U.S. market.

China became a new U.S. source of titanium sponge metal in 1980, when the Soviet Union temporarily withdrew from the export market. Prior to China's entry into the market, Japan and the U.S.S.R. were the major U.S. sources of the metal in the form of titanium sponge, so called because the titanium ore comes out of the reduction process full of holes. The ore is also imported into the United States from Australia, the principal source. Only high-grade ore and sponge are used in producing titanium metal in this

---

1/ As a result of the multilateral trade negotiations, the MFN rate of duty that applies to hand-knotted carpets (TSUS item 360.15) was subject to staged reductions. The rate was reduced from 11 percent ad valorem to 8 percent ad valorem effective Jan. 1, 1980, and further reduced to 5.1 percent ad valorem effective Jan. 1, 1981.

country, 1/ and the quality of the Chinese material reportedly equals other high-quality imports. Imports of titanium sponge from China amounted to $16 million, or 1.6 million pounds, in 1980. The United States also imported some waste and scrap and small amounts of the ore from China in 1980, for a total import value of $25 million, giving China a 23-percent share of all U.S. titanium imports in that year. U.S. purchases of titanium sponge metal from China are expected to continue and may increase considerably, since the consumption of titanium metal, which is used primarily in the manufacture of aircraft, could rise markedly if defense expenditures increase.

Tin was the only other metal the United States imported in substantial quantity from China in 1980. Imports were $14 million in 1980, representing an increase of 416 percent from 1979, when the U.S. purchases were extremely small. Tin has customarily been a leading U.S. import from China, amounting to $12 million in 1977 and $15 million in 1978 compared with only $3 million in 1979. China is not, however, a major U.S. source of tin and accounted for only 1.8 percent of the value of the U.S. tin imports in 1980.

Miscellaneous manufactured articles (SITC Section 8) amounted to $379 million in 1980, accounting for 37 percent of total imports from China, after almost doubling in 1979. The major imports included clothing, antiques, baskets and other woven accessory items, and footwear. Metal coins were also a significant item in this category in 1980: although customarily negligible, U.S. purchases amounted to $21 million. The Chinese have been producing commemorative coins for export as part of the effort to increase their foreign-exchange earnings.

Apparel and accessories (gloves, handkerchiefs, and scarves) accounted for 60 percent of the miscellaneous manufactures imported from China in 1980. The reported value of the clothing imports was $223 million, up from $113 million in 1979. However, because certain import-sensitive items of apparel have been subject to quantitative restrictions since May 1979, 2/ the data for 1980 include some clothing that was released from U.S. customs warehouses after being placed in bond upon entering the United States in 1979. 3/ In the last half of 1980, and particularly during the fourth quarter, imports of apparel from China were substantially below their previous levels. The apparent slowing of imports since the United States-China textile agreement was initialed last July (it was signed on September 17) indicates that the Chinese are now controlling their exports of clothing to the United States in an effort to abide with the quantitative import levels agreed upon in the accord.

1/ The United States has abundant supplies of low-grade titanium ore, but uses the high-grade ore to produce titanium metal because the process is simpler and creates less waste.

2/ Unilateral quotas were applied to the following items effective June 1, 1979: cotton gloves, women's cotton knit shirts, men's woven cotton shirts, men's and women's cotton trousers, and men's and women's manmade-fiber sweaters. When a textile agreement could not be reached in October 1979, quotas were applied to two additional items: women's woven cotton blouses and women's manmade-fiber coats. All these items except manmade-fiber coats are now subject to specified levels of trade established under the bilateral agreement.

3/ Imports that are placed in bond because they exceed quota limits are included in the data on imports for consumption when released from U.S. customs warehouses.

U.S.S.R.

Before 1980 the Soviet Union had consistently been the major NME trading partner of the United States. However, U.S.-Soviet trade suffered a serious setback in 1980, contributing to the displacement of the Soviet Union by China as the principal U.S. trading partner among NME's.

In 1980, two-way trade between the United States and the Soviet Union declined from $4.5 billion in 1979 to $1.9 billion, making the Soviet Union the second largest U.S. trading partner in the NME group. Since U.S. exports account for over three-fourths of two-way trade, their 58-percent decline in 1980 cut deeply into the U.S. trade surplus with the U.S.S.R., reducing it from $2.7 billion in 1979 to $1.1 billion in 1980. Meanwhile, U.S. imports from the Soviet Union also declined to less than half their value in 1979. Exports shrank in response to the various trade sanctions the United States put into effect early in the year against the U.S.S.R., especially the partial embargo on grain shipments to the Soviet Union. The decline in imports resulted predominantly from the reduction of gold exports by the Soviets.

In response to the Soviet invasion of Afghanistan, President Carter suspended a significant part of U.S. exports to the Soviet Union on January 4, 1980. His orders were directed, in large measure, at Soviet attempts to upgrade their politically sensitive feed and livestock sector. This sector was particularly vulnerable to restrictions on imports because of the poor Soviet grain crop of 1979. In addition, he aimed at curtailing Soviet access to high-technology and other items of strategic significance. Subsequent regulations of the U.S. Government more closely identified the major commodity classes to be barred from export to the Soviet Union for an indefinite time or to be subject to a case-by-case licensing review; the regulations specified the procedures to be used in implementing the new export control policy. 1/ In January 1981 the outgoing administration extended the export controls for another year.

U.S.-Soviet commercial relations as well as actual trade were adversely affected by the Soviet invasion of Afghanistan. Previously scheduled events, such as trade exhibits and a meeting of the Cabinet-level Joint United States-U.S.S.R. Commercial Commission, were postponed or cancelled. Yet the institutional structure of U.S.-Soviet trade relations has not been dismantled. In August, agricultural officials of the two countries resumed consultations on permissible grain transactions--the first official contacts since President Carter originally ordered economic sanctions.

Business contacts between U.S. companies and Soviet officials have largely been maintained, but uncertainty about the trade policy of both Governments depressed business activity. It was reported in May that the overall workload of U.S. firms in Moscow had fallen by some 50 percent. 2/

Declining trade with the United States in 1980 was in contrast to continued growth in Soviet trade with other Western countries. In January-September the share of total Soviet foreign trade with the industrial

1/ See the 22d, 23d and 24th quarterly reports for discussions of the trade sanctions against the Soviet Union and the various trade and other implications of such measures.

2/ Business Eastern Europe, May 23, 1980, vol. IX, p. 161.

West increased from 31 to 33 percent over that in the corresponding period of 1979. 1/ In contrast, the U.S. share in Soviet foreign trade declined from 3.4 percent to 1.4 percent, respectively.

Imports from the West, consisting mainly of agricultural products from the United States, Argentina, Canada, and Australia and machinery and pipes and other steel products from Western Europe, rose 26 percent in value in 1980. The value of Soviet exports to the West increased even faster, propelled by sharp rises in the world price of petroleum and other minerals; as a result, the Soviet Union could cut back on the quantity of such exports. 2/ According to Soviet statistics, the trade deficit with the West virtually disappeared in January-September 1980. 3/ The Soviets were successful in maintaining a hard-currency surplus on current account, which allowed them to curtail their gold sales sharply during the year. According to Soviet concepts of national accounting, gold is not part of merchandise trade.

The terms of trade for the Soviets were favorable in both 1979 and 1980; however, their dependence on food and animal feed also increased. The Soviet harvest failure of 1979 was followed by another mediocre harvest in 1980. The official U.S.S.R. crop estimate for 1980 was reported at 189.2 million metric tons--almost 46 million below the annual target. 4/ This crop is not significantly higher than the drought-ravaged one of 1979, and lower than the average of 195 million tons which the Soviet Union produced over the past 5 years. The U.S. measures directed against the Soviet feed-livestock complex take on added significance in the light of this new harvest failure. 5/

Crops of potatoes--the mainstay of the Soviet diet and an important hog feed--were the worst since 1962. A decline in Soviet meat and milk production, and worker discontent stemming from food shortages, were already reported in earlier issues of this series. 6/ Soviet President Brezhnev publicly admitted the shortages of food and consumer products in his speech delivered to the Communist Party's Central Committee in October 1980, and later, in his televised new year's message to the nation. Western experts predict that the new harvest failure will cause continued severe food shortages in the U.S.S.R.; such shortages might not be averted, even if the United States lifts the embargo in 1981. 7/

1/ Foreign Trade (a monthly magazine published by the U.S.S.R. Ministry of Foreign Trade), Statistical Supplement, November 1980.

2/ Ibid.

3/ U.S. Government experts, on the other hand, concluded that the Soviet trade deficit widened somewhat in this period, compared with January-September 1979, as Soviet hard-currency outlays for grain, soybeans, sugar, and meat outpaced the increase in Soviet hard-currency exports.

4/ U.S. Department of Agriculture, FG-6-81 and FG-7-81, February 1981.

5/ See "U.S. exports", below.

6/ 23d Quarterly Report. . ., p. 41, and 24th Quarterly Report. . ., p. 30.

7/ Journal of Commerce, Dec. 5, 1980, p. 11.

Recently published Soviet information on the fulfillment of the 1980 plan indicates that overall agricultural output was 2 percent less than in 1979. Heavy Soviet reliance on imports of food and animal feed is therefore bound to continue, thus causing such imports to compete for hard-currency with high-technology items. As before, the necessary foreign exchange will be provided principally by Soviet natural resources.

Apparently the Soviets now aim at replacing crude oil with natural gas as the major foreign-exchange earner. The most ambitious target in the recently published guidelines for the 11th 5-year plan (FYP) (1981-85) is in the area of gas production, which is planned to reach 600 billion to 640 billion cubic meters by 1985, up from the 435 billion cubic meters expected for 1980. 1/

Under a proposed countertrade agreement, 2/ Western European countries will construct a pipeline which will transport gas from Siberia to European countries. The pipeline is one of the major projects outlined in the draft of the 11th FYP, and the proposal calls for massive Western financing, which is currently in the negotiating stage. The Carter administration had authorized U.S. companies to take part in negotiations on supplying the planned pipeline. Whether or not this important project will indeed have implications for U.S.-Soviet trade remains questionable. Ultimately, this will depend on the results of the U.S. Government's current review of the broad subject of U.S.-Soviet economic relations.

In contrast to the ambitious plans for natural gas production, the target for crude oil output in the draft FYP is 620 million to 645 million tons by 1985, 3/ only a slight increase from 1976-80 levels. This bears out earlier assessments by U.S. Government experts, predicting a slowdown in the growth of Soviet petroleum production. 4/ With expanding domestic and Eastern European demands for Soviet crude oil, the role of this item as a major hard-currency earner for the Soviet Union is clearly diminishing.

The volume of petroleum exports to the West was already reduced in 1980, with France expected to be the only Western country maintaining previous levels of such imports from the Soviet Union. 5/ Petroleum output in 1980 was expected to amount to 603 million tons. As before, the industry

---

1/ Foreign Broadcast Information Service, Daily Report, (Soviet Union), "Draft Guidelines for 1981-85," Dec. 4, 1981, p. S1.

2/ "Countertrade" is a general term, often used synonymously with "compensation agreements." A countertrade agreement is a transaction in which a seller provides a buyer with deliveries (e.g., technology, know-how, finished products, machinery, and equipment) and contractually agrees to purchase goods from the buyer in an amount equal to the original sales contract value or an agreed-upon percentage thereof. In the context of East-West trade, the seller is generally the Western party and the buyer the Eastern party.

3/ Foreign Broadcast Information Service, Daily Report (Soviet Union), Dec. 8, 1980, p. S3.

4/ See discussion on oil- and gas-drilling equipment in the 20th Quarterly Report. . ., p. 27.

5/ Journal of Commerce, Dec. 16, 1980, p. 34.

continued to be constrained during the year by a shortfall in skilled manpower and sophisticated exploratory drilling equipment. The latter problem was aggravated by the U.S. trade sanctions, which prohibited sales of technology pertaining to crude oil exploration and production to the Soviet Union.

Overall, the guidelines of the 11th FYP reflect lowered expectations on the part of Soviet leadership. 1/ National income (the equivalent of gross national product in Soviet accounting) is planned to increase by 18 to 20 percent over 5 years, compared with the 24- to 28-percent planned growth from the 10th FYP. Industry is slated to grow by 26 to 28 percent, compared with 35 to 39 percent in the previous plan.

In response to the U.S. agricultural sanctions, the theme of self-sufficiency was revived in the Soviet Union during the year. This is reflected in the agricultural targets of the FYP, which appear more ambitious than most of the other economic goals. The plan calls for increasing average annual output of grain to 238 million to 243 million tons; this compares with the 215 million to 220 million tons planned under the current FYP and--as pointed out earlier--with the less than 200 million tons actually attained. Growth is to come from higher yields, which are to be attained by using more inputs (farm machinery, fertilizers, and so forth), and greater efficiency in the application of such inputs. The allocation of investment funds is not clearly stated in the 11th FYP, but agriculture apparently shares priority with energy production and exploration.

The plan's directives stipulate that 90 percent of the economic growth must come from increases in labor productivity. Because of declining birth rates, the expansion of the Soviet labor force can be counted on for only 10 percent of the growth.

The planned increase in real per capita income of 16 to 18 percent in the new FYP contrasts with the 20- to 22-percent increase envisioned under the previous FYP. For both producer and consumer goods, the planned rate of growth is lower than in the previous plan, but the reduction in the rate is less pronounced for consumer goods. Output of consumer goods is slated to grow somewhat faster than that of producer goods. This is unusual in Soviet planning, and reflects the stated goal of the plan to provide a higher living standard for the population.

The 11th FYP contains significantly less statistical data than previous plans, leaving important areas of economic development--most notably iron and steel production--without specified targets. Unlike previous FYP's, there is no target figure for the growth of foreign trade. The foreign-trade section of the plan contains only very general statements, with no manifest implications for trade with the West, much less for U.S.-Soviet trade.

1/ The following analysis is prepared from cables from the U.S. Embassy in Moscow and unpublished background papers obtained from the Department of Agriculture and the National Foreign Assessment Center.

U.S. analysts generally believe that the Soviet leadership, while apparently taking account of growing economic problems, continues to specify unattainable targets, notably in the area of agriculture, gas production, and consumer-related areas. They further believe that the gaps in the plan reflect higher-than-normal uncertainties and/or disagreements on policymaking levels. 1/

The draft plan discussed above is subject to review and public debate, although few changes are expected. The 26th Congress of the Communist Party in February had the authority for final approval. Although some implications of the draft plan concerning U.S.-Soviet trade can be identified, prospects for this trade will depend primarily on U.S. policy currently under review by the new administration. Ultimately, these will be determined by U.S.-U.S.S.R. relations, which, in turn, will depend to a large extent on Soviet actions.

U.S. exports

Restrictions of U.S. exports to the Soviet Union directly affected agricultural commodities and phosphates (both relating to the feed-livestock complex), high-technology and other items of strategic significance, and exports intended for the 1980 summer Olympic games in Moscow. The Office of Export Administration in the Department of Commerce was designated to administer the licensing of exports under the new restrictions, with the cooperation of other U.S. Government agencies--the Departments of State, Agriculture, and Defense, as applicable. Regulations developed to implement the trade sanctions have been discussed in some detail in earlier reports. 2/

Total U.S. exports to the Soviet Union declined from $3.6 billion in 1979 to $1.5 billion in 1980, or by 58 percent. Exports in the categories affected by the trade sanctions decreased by 63.5 percent, accounting collectively for 95 percent of the total decline (table 17). Agricultural commodities continued to account for the major portion of U.S. exports to the Soviet Union, although their share in the total dropped from 79 percent in 1979 to 69 percent in 1980. Table 18 compares exports in 1980 to preembargo exports in 1979 in each of the affected product classes, showing the steep reduction in postembargo exports in each of these categories.

Grains.--In 1979, grains, valued at $2.2 billion, accounted for 62 percent of all U.S. exports to the Soviet Union and almost half of trade between the two countries. U.S. shipments averaged from two-thirds to three-fourths, by quantity, of all Soviet grain imports throughout the 1970's. U.S. grain exports to the Soviet Union developed into one of the most important aspects of mutual relations.

At the time the post-invasion trade restrictions became effective early in 1980, 25 million tons of U.S. grains was authorized for export to the Soviet Union. Of this amount, 22 million tons was under contract to be delivered, and some had already been shipped. The partial grain embargo

---

1/ Id. Also, Washington Post, Dec. 2, 1980, p. A12, and statements by Dr. Joseph Berliner at the Arden House Conference, Mar. 14, 1981.
2/ 22d, 23d and 24th quarterly reports.

Table 17.—U.S. trade with the U.S.S.R., by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	1,441,793	2,283,330	971,734
1	Beverages and tobacco	2,638	2,444	2,773
2	Crude materials--inedible, except fuel	286,384	564,166	56,187
3	Mineral fuels, lubricants, etc	30,514	23,436	26,464
4	Oils and fats--animal and vegetable	18,750	73,395	28,148
5	Chemicals	29,866	134,421	31,252
6	Manufactured goods classified by chief material	56,879	48,438	24,884
7	Machinery and transport equipment	283,173	363,112	268,857
8	Miscellaneous manufactured articles	97,563	109,814	98,506
9	Commodities and transactions not elsewhere classified	1,454	1,076	922
	Total	2,249,020	3,603,632	1,509,728
		U.S. imports		
0	Food and live animals	1,702	1,043	1,754
1	Beverages and tobacco	4,838	7,432	5,575
2	Crude materials--inedible, except fuel	49,705	33,151	15,429
3	Mineral fuels, lubricants, etc	43,642	16,113	11,232
4	Oils and fats--animal and vegetable	10	7	2/
5	Chemicals	36,840	67,636	148,038
6	Manufactured goods classified by chief material	93,028	161,086	125,778
7	Machinery and transport equipment	3,083	4,409	3,187
8	Miscellaneous manufactured articles	9,459	32,119	29,468
9	Commodities and transactions not elsewhere classified	287,270	549,600	89,926
	Total	529,579	872,595	430,387

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.

Table 18.—U.S. exports to the U.S.S.R. of principal commodities affected by 1980 U.S. trade sanctions, 1/ 1975-80

(In millions of dollars)

Commodity	1975	1976	1977	1978	1979	1980
Agricultural items:						
Corn	424.4	1,078.4	396.6	1,055.7	1,402.1	602.2
Wheat	666.6	250.0	426.8	355.8	811.7	336.1
Soybeans	2.7	124.7	154.3	199.8	489.3	45.3
Barley	2/	-	-	-	31.0	-
Soybean oilcake and meal	-	-	1.6	.2	22.5	-
Tallow	14.0	-	-	18.7	57.6	3/ 28.1
Total	1,107.7	1,453.0	979.3	1,630.2	2,814.3	1,011.7
High-technology items:						
Oil- and gas-drilling equipment	74.9	118.3	83.7	74.6	123.0	42.4
Computers	9.5	17.4	5.9	18.0	22.6	.4
Other high-technology items	173.1	114.2	113.7	90.0	88.1	75.3
Total	257.5	249.8	203.3	182.7	233.7	118.1
Phosphates	-	-	2/	-	93.6	17.4
Total affected exports 4/	1,365.2	1,702.8	1,182.6	1,812.9	3,141.6	1,147.2
Total U.S. exports to the U.S.S.R	1,832.6	2,305.9	1,623.5	2,249.0	3,603.6	1,509.7

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/ Less than $50,000.

3/ Licensing of tallow for nonagricultural uses has been allowed.

4/ Some grain was shipped under provisions of the grains 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.

halted further deliveries through September 30, 1980, except for the remainder of the U.S. Government's commitment under the United States-U.S.S.R. grains agreement to export up to 8 million tons of corn and wheat combined in any "agreement year." 1/

In April 1980, deliveries reached the limit set by the partial grain embargo; hence there were no U.S. grain shipments to the Soviet Union in the third quarter of the year. Shipments resumed in October, with the beginning of the fifth and last agreement year of the 5-year pact. At that time, the U.S. Government was once more committed to allow the sales of up to 8 million tons of U.S. grain to the Soviet Union through September 30, 1981, and the Soviets acted quickly to place orders. In the fourth quarter of 1980, 3.2 million tons, or 40 percent of the 8 million tons allowed, was actually shipped, bringing U.S. grain sales to the Soviet Union for the year to 6 million tons (4.2 million tons of corn and 1.8 million tons of wheat), 11 million tons less than in 1979.

The U.S. Government obtained the support of several grain-exporting countries in the grain embargo: shortly after the embargo was announced, Australia, Canada, and the European Community agreed not to replace any shortfall in grain exports to the Soviet Union caused by the U.S. sanctions. Argentina, a major grain producer, decided not to join the group, and subsequently concluded a long-term agreement with the Soviet Union involving sales of grains and other food items. The partial embargo of the United States and the supporting countries triggered major changes in the pattern of world grain trade, shifting U.S. sales to less traditional markets and Soviet purchases to other sources.

At a November 1980 meeting of the major grain-exporting countries, the Carter Administration requested that support for the embargo be maintained until early 1981, pending review of the entire question by the new administration. Canada subsequently signed a contract with the Soviet Union involving sales of 2.1 million tons of wheat and barley for delivery in January-July 1981.

Even after an entire year's experience, the effect of the grain embargo on the availability of grain in the Soviet Union has continued to be a controversial subject. Those in favor of revoking the embargo have consistently argued that since the Soviet Union can replace U.S. grains from other sources, the embargo is ineffective. Accordingly, assessments on the role of the U.S. trade sanctions in current Soviet food shortages have varied; they range from the sanctions' being considered a small, aggravating factor for the Soviets to their being a major cause of Soviet food problems.

Previous reports in this series published in 1980 cited U.S. Department of Agriculture (USDA) estimates that the grain embargo caused the Soviets a shortfall of 6 million tons of grains in 1979/80 on a July-June marketing-year basis, 2/ and a shortfall of 9 million tons on an October-September marketing-

---

1/ The bilateral grains supply agreement of 1975 was signed with the objective of smoothing out the wide yearly fluctuations of Soviet grain purchases from the United States. Under its terms, the Soviets agreed to purchase and the United States agreed to sell from 6 million to 8 million tons of U.S. wheat and corn combined per year in each agreement year (Oct. 1 through Sept. 30), from Oct. 1, 1976, to Sept. 30, 1981.

2/ 24th Quarterly Report. . ., p. 30.

year basis. 1/ However, these estimates conflicted with certain nongovernment sources, many of which considered the shortfall negligible.

Although grain replacement opportunities for the Soviets turned out to be better than originally expected, their reduced feed use in the latter half of the year, heavier-than-normal slaughter of livestock, and declining numbers of hog, sheep, and goats attested to a shortfall of grain. A decline in Soviet production of milk, dairy products, and meat, a general scarcity of food, and resulting worker discontent in the first half of the year have previously been reported. 2/ Soviet statistics on meat and milk production continued to show a decline in January-November 1980, compared with the corresponding period of 1979. 3/

Besides a shortage of livestock feed, ultimately resulting in food-supply problems, the Soviet Union was apparently compelled to contend with an unpredictable variety of foreign supplies delivered on an irregular schedule, causing transportation problems as well. Moreover, it had to pay premium prices for grain imports.

In view of an apparent depletion of Soviet grain reserves in 1979, and a second consecutive poor Soviet grain harvest in 1980, the USDA expects large-scale Soviet grain imports to continue. For the July-June marketing year of 1980/81, USDA forecast these imports at 34.5 million tons. 4/ The USDA considers it possible that the permissible grain sales of the United States in the 1980/81 marketing year and bilateral arrangements made by the Soviet Union with Argentina, Canada, Australia, and other suppliers could cover most of these needs. 5/ It is noteworthy, however, that U.S. supplies permissible under the United States-U.S.S.R. grain agreement would still amount to almost a quarter of the estimated total.

U.S. farming interests were also adversely affected by the grain embargo; its impact was especially evident in the first part of the year. 6/ The U.S. Government took action to alleviate the farmers' losses by removing surplus items created by the agricultural embargo from the market. These measures included both direct purchases by the USDA and financial aid to farmers for their participation in the farmer-owned-reserve program. Subsequently, the prospects of U.S. grain producers improved notably, as the drought in the United States and poor harvests in Argentina and Australia caused grain prices to rise and the long-term outlook for export trade turned more favorable. These developments reduced the burden of the grain sanctions on U.S. farmers. Nonetheless, spokesmen for the farming community continue to deplore the partial loss of the large Soviet market, to which they attribute a downward pressure on prices. Some claim that only considerably increased grain prices will allow them to remain profitable in view of the rising cost of items such as fuel, fertilizers, equipment, and, most of all, high interest rates.

1/ 23d Quarterly Report. . ., p. 42.
2/ 23d Quarterly Report. . ., p. 41.
3/ Foreign Broadcast Information Service, Daily Report (Soviet Union), Dec. 23, 1980, p. T1.
4/ U.S. Department of Agriculture, Foreign Agricultural Circular FG-2-81, Jan. 15, 1981, p. 1.
5/ Ibid.
6/ See 22d Quarterly Report. . ., p. 40, and 23d Quarterly Report. . ., p. 43.

Soybeans and soybean products.--The U.S. trade sanctions halted the delivery of 1.3 million tons of soybeans and 400,000 tons of soybean meal already under contract. Soybean sales in 1980 declined to 0.17 million metric tons from 1.8 million metric tons in 1979, when they accounted for most of the estimated Soviet imports. In the 1979/80 October-September soybean marketing year, the U.S.S.R. was expected to import from 2 million to 2.5 million tons of soybeans and soybean meal from the United States. There were no U.S. exports in 1980 of soybean oil--one of the 20 leading export items to the Soviet Union in 1979.

The Soviets were apparently successful in replacing most of the denied U.S. supplies from other sources--Argentina, Brazil and Western Europe--but disruptions probably occurred in their soybean supplies, as they did in grain supplies. 1/

Because of poor Soviet grain and oilseed crops (primarily sunflower seeds) in 1980, the USDA believes that Soviet demand for imported soybeans and soybean meal will further increase. 2/

Phosphates.--On February 21, 1980, U.S. phosphate shipments to the Soviet Union, including phosphate rock, phosphoric acid, and phosphate fertilizers, were placed under embargo for an indefinite period. To have continued to supply these fertilizers for Soviet grain production would have conflicted with the U.S. embargo on grains and soybeans directed against the Soviet feed-livestock complex. Sales of phosphoric acid to the Soviet Union fell from 542,949 short tons in 1979 to 74,391 short tons in 1980; the exports that were shipped were delivered early in the year, before the phosphate embargo was announced. 3/

Soviet purchases of U.S. phosphates had been in the form of superphosphoric acid (SPA), of which the United States is the only major exporter. Before the embargo, the U.S.S.R. was the second largest market for these exports, which were based on a 20-year countertrade agreement concluded between Occidental Petroleum Corp. of California and the Soviets on April 12, 1973. Occidental was to receive anhydrous ammonia, urea, and potash from the Soviet Union and, in exchange, the Soviets were to be provided with SPA.

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 fertilizers. Soviet press comments suggest phosphate supply problems during the latter half of 1980, and the Soviets are reported to be actively involved in securing foreign sources of phosphorous products to replace U.S. supplies.

1/ U.S. Department of Agriculture, "The U.S. Sales Suspension and Soviet Agriculture", Supplement 1 to WAS-23, p. 13.

2/ Ibid.

3/ For a discussion of the embargo on U.S. phosphate exports to the Soviet Union, see 22d Quarterly Report. . ., p. 52.

High technology.--In March 1980, President Carter announced that stricter criteria would be applied in granting the validated export licenses necessary to sell high-technology items to the Soviet Union. At that time, those items subject to validated licenses for export to Communist countries--i.e., those with prior approval of a particular shipment--had already been specified on a list maintained by the U.S. Department of Commerce called the Commodity Control List (CCL). Most items listed on the CCL also fall under multilateral control--the strategic control of the Coordinating Committee for Multilateral Export Controls (COCOM). 1/ COCOM maintains lists of those items that member nations agree not to sell to Communist nations unless permission is granted unanimously after a request for an exception is made.

The most important element of the new U.S. policy was generally to approve no exceptions from agreed COCOM controls on exports to the U.S.S.R. In the period immediately preceding the invasion of Afghanistan, the United States and Western European countries granted exceptions liberally. Other COCOM countries have agreed to cooperate with the United States in its effort to impose tighter restrictions on sales of high technology to the Soviet Union.

Stringent U.S. controls were aimed predominantly at exports representing so called dual-use technology--that is, technology and equipment which, while having legitimate civilian uses, have the potential for military applications. A new CCL covering dual-use items was put into effect on June 25, reflecting the results of extensive negotiations carried on by the United States and its COCOM allies. In the new list, greater emphasis has been placed on controlling the exports of technology rather than goods. While it permits the sale of numerous high-technology exports to Communist countries, it restricts the export of design and other manufacturing know-how which might enable these countries to reproduce the equipment or adapt it to other uses.

The new CCL is also better coordinated with existing multilateral controls, as restrictions on items that were freely available from other sources have been removed from the former list. Licensing requests for the items on the CCL are being reviewed on a case-by-case basis. While the list applies not only to the Soviet Union, but also to other Communist countries, the criteria applicable to the Soviet Union are more stringent. Moreover, the "no exception policy" applies only to the Soviet Union.

Table 18 shows that, in 1980, U.S. sales of oil- and gas-drilling equipment and computers declined to 34 percent of their 1979 value. Meanwhile, exports of "other high-technology items" declined only moderately. Sales of all items defined as "high-technology" for the purposes of table 18 declined by half, from $234 million to $118 million.

Decisions of the U.S. Government on certain licensing requests became controversial and drew criticism for perceived lack of consistency. The entire subject is presently under consideration by the new administration as part of a comprehensive review of the U.S. position concerning the trade sanctions.

1/ COCOM is a multnational organization through which the United States and its allies attempt to coordinate controls over the export of strategic materials and technology to Communist countries. Membership in COCOM consists of all the members of North Atlantic Treaty Organization except Iceland, and Japan.

The U.S. ban on the transfer of important technology to the Soviet Union caused some disruption in Soviet programs, and has introduced uncertainties into the drafting of the 11th FYP. 1/ An increase in Soviet imports from the industrial West during the year suggests that Western technology continued to be available to the Soviets, and that an undetermined amount of U.S. business has been diverted to West Germany, France, and other developed countries.

Exports by SITC sections--Table 17 shows U.S. exports to the Soviet Union by one-digit SITC categories. Since over three-fourths of total exports to the Soviet Union were affected by controls, U.S. sales have declined in all but two minor categories: beverages and tobacco, and mineral fuels. Table A-5 shows an increase in the exports of a few leading items unaffected by the trade sanctions, such as calcined petroleum coke, almonds, and hops. Exports of machinery and transportation items to the Soviet Union declined as a group, but sales of some of the items classified in this category increased (notably sales of tracklaying tractors) or entered the list of the 20 leading exports in 1980 (notably tractor shovel loaders and precision grinding machines).

U.S. imports

Although U.S. imports from the Soviet Union were not directly affected by the post-invasion trade sanctions, they declined to $430 million in 1980, half their value in 1979 (table 17). The single item responsible for the decline was gold bullion. Imports of Soviet gold, which in 1978 and 1979 accounted for well over half the total U.S. imports from the Soviet Union, dropped 84 percent in current dollars in 1980 from the value in 1979, even though their average unit value more than doubled. The explanation lies in a precipitous decline in the quantity of U.S. imports: 0.13 million troy ounces in 1980, compared with 1.6 million troy ounces in 1979.

In recent years, the Soviets were able to reap windfall profits in world markets from the sale of gold, as well as from the sale of some of their other regularly exported natural resources, such as silver, platinum, diamonds, petroleum, and natural gas. Since Soviet gold sales are apparently determined by prevailing hard-currency requirements not sufficiently met by other sources, soaring gold prices made it possible for the Soviets to continue reducing their volume of gold exports. In 1980, analysts expected the Soviet Union to market between 2.4 million and 2.9 million ounces of gold--representing a sharp decline from the estimated 7.4 million ounces exported in 1979 and from an average annual level of exports of 12.9 million ounces for the previous 3 years. 2/ The Soviet Union ranks as the world's second largest gold producer after the Republic of South Africa. Analysts speculate that the Soviet Government is presently either rebuilding its depleted gold reserves or withholding sales in the hope of giving stimulus to further price increases. 3/

1/ U.S. Department of State, Bureau of Public Affairs, Export Restrictions on U.S.S.R, Aug. 20, 1980, Current Policy series , No. 211.
2/ Wall Street Journal, Dec. 10, 1980, p. 35.
3/ "Soviet Gold," Mining Journal, London, Oct. 3, 1980, p. 265.

Gold bullion is classified in SITC Section 9 (commodities and transactions not elsewhere provided for). This was by far the dominant category of imports from the U.S.S.R. in both 1978 and 1979, accounting for 54 and 63 percent of the total in those years, respectively. As a result of the precipitous decline in gold imports, this SITC category has been displaced to third position.

In 1980, U.S. imports from the Soviet Union other than of gold increased from $324 million in 1979 to $345 million. Chemicals constituted the only major product category in which imports from the Soviet Union continued to rise. Meanwhile, imports in the other two major sections--manufactures classified by chief material, and crude materials--declined. As a result, the comodity composition of imports from the Soviet Union changed, with chemicals becoming the leading group, followed by manufactures classified by chief material, and miscellaneous products (mostly gold bullion).

Imports of Soviet chemicals more than doubled in current value, amounting to $148 million. Two items were responsible: anhydrous ammonia and uranium compounds, the latter purchased from the Soviets for the first time (table A-6). In 1980, the United States imported 1.1 million short tons of ammonia, 68 percent more than in 1979 but less than expected. Ammonia became the number one item from the Soviet Union.

At the end of 1979, and again in the early part of 1980, ammonia imports from the Soviet Union faced possible restrictions by the U.S. Government. On October 11, 1979, the U.S. International Trade Commission, acting under section 406 of the Trade Act of 1974 and in response to a petition for import relief, determined by a 3-to-2 vote that market disruption existed, i.e., that imports of ammonia from the U.S.S.R. were increasing rapidly so as to be a significant cause of material injury or the threat thereof to the domestic producers of ammonia, and recommended that the President impose a quota of 1 million short tons for 1980 and somewhat higher quotas for each of the 2 subsequent years. 1/ However, on December 11, 1979, the President decided against restricting ammonia imports on the grounds that quotas were "not in the national economic interest," in part because "it is critical that farmers have access to sufficient fertilizer supplies at reasonable prices."

Following the Soviet intervention in Afghanistan, the President took emergency action under section 406(c) of the Trade Act of 1974 and announced on January 18, 1980, that ammonia imports from the Soviet Union would be limited to 1 million short tons in 1980 rather than the 1.4 million short tons which had been expected. The President also requested that the U.S. International Trade Commission begin another investigation on the issue of market disruption. By a 3-to-2 vote on March 20, 1980, the Commission announced that market disruption did not exist, nullifying the quota previously imposed by the President. 2/

1/ Voting for the finding of market disruption were then Chairman Joseph O. Parker, Commissioner Catherine Bedell, and Commissioner George M. Moore. Voting in the negative were then Vice Chairman Bill Alberger and Commissioner Paula Stern.

2/ Voting against the finding of market disruption were then Vice Chairman Bill Alberger, Commissioner Paula Stern, and Commissioner Michael Calhoun. Voting affirmatively were then Chairman Catherine Bedell and Commissioner George M. Moore.

Ammonia has been the main export item in Soviet countertrade arrangements with the West. However, over the next few years, the range of Soviet chemicals produced under such arrangements will expand. It was reported in September 1980 that some 30 Western chemical plants have been built in the U.S.S.R. involving payments in resultant chemical products. 1/

U.S. imports from the Soviet Union of manufactured goods classified by chief material consist mostly of nonferrous metals; their share in Soviet sales to the United States is comparatively larger than that in Soviet sales to other hard-currency markets. Platinum group metals--palladium, rhodium, platinum sponge, and platinum products--account for some two-thirds of the imports in this group (table A-6). 2/ These imports are used in a number of industries, including automobile, chemicals, petroleum, glass, pharmaceuticals, and jewelry production. Palladium ranks third, after ammonia and gold bullion, among the 20 leading imports from the Soviet Union. Imports of most platinum products declined in 1980, even in current value. Platinum and palladium bars constituted the exception; the rising unit values caused an increase in their imports in current value, even though the quantity of such imports did not expand notably. Imports of nickel and of titanium waste and scrap--the other major nonferrous metals purchased from the Soviet Union--also declined.

U.S. purchases of Soviet crude materials declined during the year. Imports of chrome ore decreased substantially and imports of Soviet aluminum waste and scrap were discontinued entirely.

Imports of Soviet metal coins declined by 27 percent, causing a reduction in U.S. imports of miscellaneous manufactures from the Soviet Union, of which metal coins constitute the major part. This decline was partly offset by a steep increase in the import value of paintings--also classified in the miscellaneous group.

Yugoslavia

Bilateral trade between the United States and Yugoslavia increased 7 percent in 1980, to a level of $1.2 billion. U.S. imports from Yugoslavia increased 14.8 percent, after falling 3.8 percent from 1978 to 1979; U.S. exports to Yugoslavia increased by just 2.8 percent in 1980, after a dramatic 55.3-percent growth the previous year. The U.S. trade balance with Yugoslavia declined by 11.1 percent from a surplus of $340.8 million in 1979 to a surplus of $303.1 million in 1980.

The rapid growth of U.S. imports from Yugoslavia owes much to economic developments within that country. For many years prior to 1980, Yugoslavia had been emphasizing domestic investment. Domestic demand for goods and equipment during 1978 and 1979 rose distinctly faster than output, with the excess demand resulting in increased imports while exports stagnated and actually declined in quantity in both 1977 and 1978. This situation provoked severe trade and balance-of-payments deficits for that country.

1/ Business Eastern Europe, Sept. 19, 1980, p. 299.
2/ See discussion on platinum group metals in 11th Quarterly Report. . ., p. 33.

Before 1980, the Government tried some weak measures designed to correct the deficit. In mid-1978, a conscious decision was made by Federal and republican authorities to increase imports from the United States because the trade deficit with the United States was smaller than it was with the European Community (EC) in general and West Germany in particular. 1/ By 1979, the United States had become Yugoslavia's fourth leading trading partner, behind the Soviet Union, West Germany, and Italy in that order.

Yugoslavia's balance-of-payments deficit was $1.4 billion in 1978 but rose dramatically to $3.4 billion in 1979, and the trade deficit rose from $4.3 billion in 1978 to $6.4 billion in 1979, a year when investment equaled 40 percent of gross national product and only 48 percent of imports were covered by exports. At the end of the year, the Federal Executive Council decided that the deficit could not be allowed to go higher.

The Economic Resolution for 1980 made increased exports the economic priority for the year and determined that the maximum balance-of-payments deficit would be $2 billion. Unlike in the past, many of the policies and targets of the plan were made legally binding. This deficit was apportioned among each of the republics and autonomous regions and, once a region exceeded its deficit, no payment approvals could be issued until the deficit was corrected. Foreign companies found that in order to sell in Yugoslavia they were often required to make counterpurchases from the republic in which their sale was made.

In June 1980, the Government devalued the Yugoslav currency (the dinar) by 30 percent. The Government expected this action to cut imports of equipment in half, imports of consumer goods by 20 percent, and raw-material imports by 4 percent. 2/ Devaluations act to encourage exports and discourage imports, thus improving the trade balance, but they also typically result in a dramatic increase in domestic prices of imported goods. To counter the inflationary effect, the Government also imposed price controls and an incomes policy.

While most domestic firms had stockpiled enough imported raw and intermediate materials for awhile, when these stores dwindled manufacturers were forced to reduce output or shift to domestic sources of supply. Other manufacturers exported goods originally manufactured for domestic consumption in order to get the hard currency necessary to finance their imports.

The rate of growth of production declined in Yugoslavia. Inflation, at a brisk 22 percent in 1979, was running higher than for any other country in Europe, despite the price freeze. Officially, retail prices jumped by 30.4 percent in 1980. Since wage increases were held down, Yugoslav workers felt a general decline in their standard of living.

1/ In fact, in 1979 West Germany was the third major destination for Yugoslav exports but the primary supplier of Yugoslav imports, purchasing 9 percent of Yugoslavia's exports yet supplying 18 percent of its imports. In contrast, the United States ranked fourth in both imports and exports.

2/ Business Eastern Europe, July 11, 1980.

By the end of the year, Yugoslavia announced that its balance-of-payments deficit had been reduced by $1.2 billion, or about 35 percent: it fell to $2.2 billion, just over the planned $2 billion. This was caused more by a decrease in imports than by an increase in exports. Exports increased by 32 percent, to over $9 billion in 1980, while, almost entirely because of increased petroleum prices, imports increased by just 7 percent, to $15 billion (a real decrease, given the 30-percent devaluation of the dinar). The ratio of exports to imports rose to over 60 percent. Exports to Eastern Europe increased 58 percent and imports, 36 percent.

Yugoslavia, as an associate member of the Council for Mutual Economic Assistance (CEMA) 1/ since 1964, has substantial commercial ties with the Soviet bloc and currently relies on the U.S.S.R. for more than one-third of its oil and natural gas imports. Unlike trade with the West, trade with the Soviet Union is balanced because it is based on bilateral-payments agreements.

In 1979, the CEMA countries accounted for 41 percent of Yugoslavia's exports, compared with the 49 percent accounted for by the industrialized West. In December 1979, Yugoslavia signed a trade agreement with the Soviet Union that provided that the value of goods exchanged between the two countries would rise to $4 billion in 1980, $500 million more than in 1979. Agreements signed between the two countries established that trade in 1981-85 will be double that in 1976-80.

In the EC, with which Yugoslavia had a substantial trade deficit, there was increasing concern over the importance of CEMA in Yugoslavia's trade picture and Yugoslavia's balance-of-payments problems. 2/ In the face of the Soviet invasion of Afghanistan in December 1979 and worries over the imminent death of Marshall Tito, the EC signed a new trade agreement with Yugoslavia in April 1980.

Under the terms of the agreement, Yugoslavia, without reciprocating, obtained duty-free access to the EC for about 70 percent of its industrial products. While many important goods continued to be subject to quotas and duties, these limitations were liberalized to provide easier access to EEC markets.

The Yugoslav 5-year economic plan for 1981-85 was scheduled for adoption by the end of February. It is expected that the plan will increase emphasis on developing Yugoslavia's own natural resources, especially coal, and on trying to use these resources more efficiently. In fact, no oil-fired power plant will be constructed in the country in the coming 5 years, and the existing ones will be used only to meet peak demand. The plan also promises another year of economic stabilization, with further declines in imports, investment, and public spending. The balance-of-payments deficit is to be reduced by $200 million to $1.8 billion in 1981 compared with the $1.3-billion reduction in 1980. The diminished decline in part reflects internal pressure against winding the economy down too rapidly.

1/ CEMA members include Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania, Vietnam, and the U.S.S.R.
2/ Journal of Commerce, May 9, 1980, p. 33.

U.S. exports

U.S. exports to Yugoslavia increased just 2.8 percent in 1980, to $752 million from $732 million in 1979. In constant dollars, exports actually declined. This decrease was caused by several factors, including both the new Yugoslav resolve to limit imports and the improved agricultural harvests in the country.

In 1980, Yugoslavia announced that wheat production was up 10 percent over the 1979 level, harvests being "the richest since the war" in some provinces. 1/ Despite this, the Government announced that it would still have to import grain. U.S. wheat exports to Yugoslavia increased from $55.8 million in 1979 (7.6 percent of U.S. exports) to $135.9 million in 1980 (18.1 percent of exports).

Although wheat exports increased, as did soybean oilcake and meal, other agricultural exports did not fare as well. Yellow corn, the leading U.S. export in 1979 (amounting to $95.4 million or 13.0 percent of exports), was not exported at all in 1980. This is due to a shift from corn to wheat for feeding livestock. 2/ Nor was grain sorghum, another large export in 1979, exported in 1980. This is because the bad U.S. sorghum harvest, brought about by drought, decreased sorghum production by a third, causing prices to rise and making grain sorghum unattractive relative to corn.

While U.S. agricultural exports to the world increased 18.7 percent in 1980, agricultural exports to Yugoslavia declined 2.4 percent (see table 5). About one-third of U.S. exports to Yugoslavia are agricultural items. U.S. nonagricultural exports to Yugoslavia increased by 6.0 percent.

On an SITC (one-digit) Section basis, exports remained roughly stable over those in the previous year except in two sections (table 19). Beverages and tobacco (SITC Section 1) declined from $17.3 million to $5.7 million, largely due to the absence of cigarette exports (an $11.5 million item in 1979). Oils and fats (SITC Section 4) increased from a minuscule amount in 1979 to $12.3 million in 1980. Virtually all these exports are accounted for by crude soybean oil exports, which increased as Yugoslavia increased its livestock production.

A traditionally leading export to Yugoslavia is low volatile bituminous coal, used for coking. Yugoslav imports of this product from the United States declined in 1980, when the Yugoslav Government announced a long-term shift away from imported oil toward domestic hydroelectricity and coal sources. This policy will not directly affect U.S. coal exports, however, because the Yugoslavs produce lignite, which cannot be used for coking.

U.S. exports to Yugoslavia of chemicals (SITC Section 5) increased in 1980; included were various refined materials like styrenes, diammonium phosphate fertilizers, and polyethylene resins.

1/ Eastern Europe, Aug. 14, 1980, p. I-6.
2/ The Yugoslav corn harvest appears to have been 10 percent less than in 1979.

Table 19.--U.S. trade with Yugoslavia, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	53,715	186,489	188,358
1	Beverages and tobacco	6,167	17,258	5,748
2	Crude materials--inedible, except fuel	62,864	107,560	107,758
3	Mineral fuels, lubricants, etc	14,775	56,143	54,734
4	Oils and fats--animal and vegetable	-	4	12,258
5	Chemicals	41,626	61,851	73,870
6	Manufactured goods classified by chief material	18,761	23,096	20,834
7	Machinery and transport equipment	253,687	253,533	256,163
8	Miscellaneous manufactured articles	18,116	22,245	28,660
9	Commodities and transactions not elsewhere classified	1,587	3,599	3,573
	Total	471,298	731,784	751,954
		U.S. imports		
0	Food and live animals	72,340	56,257	37,626
1	Beverages and tobacco	27,253	22,622	22,036
2	Crude materials--inedible, except fuel	13,593	8,018	5,051
3	Mineral fuels, lubricants, etc	71	68	40,844
4	Oils and fats--animal and vegetable	5	4	-
5	Chemicals	15,562	17,181	11,429
6	Manufactured goods classified by chief material	108,156	112,975	119,164
7	Machinery and transport equipment	23,471	33,101	42,040
8	Miscellaneous manufactured articles	135,971	126,376	139,294
9	Commodities and transactions not elsewhere classified	10,132	14,399	31,433
	Total	406,533	391,003	448,919

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.

Nonmilitary airplanes are a fairly significant U.S. export to Yugoslavia, accounting for 2 of the 20 largest U.S. export items (table A-7). In total, airplanes valued at $41.8 million were exported to Yugoslavia in 1980, down slightly from $48.5 million in 1979. Due to the high cost of a single airplane, this amount represents the sale of only seven airplanes in 1980, compared with five in 1979. At least two of these planes, accounting for $30.5 million in 1980 exports, were financed by Eximbank credits, for which Yugoslavia is eligible because of its MFN status. 1/ Because of planned U.S. Government budget cutbacks, these exports may be reduced further in future years.

Airplanes fall into the machinery and transportation equipment category (SITC Section 7). Other items exported in this section are machinery parts, trucks, and locomotives. Exports in this section rose slightly in 1980 (by just over 1 percent), accounting for about one-third of total U.S. exports to Yugoslavia.

Yugoslavia is a significant market for several U.S. products. Exports of machines suitable for extruding or drawing manmade textile filaments (TSUS item 670.00) to Yugoslavia in 1980 were valued at $1.9 million, accounting for 57 percent of U.S. exports of that item. Exports of hides and skins, not specially provided for, to Yugoslavia in 1980 were valued at $3.8 million, accounting for over a quarter of those exports. Yugoslavia also accounts for 8 percent of U.S. exports of copper ore, 8 percent of vinyl chloride, and 6 percent of U.S. diesel locomotive and tender exports.

U.S. imports

U.S. imports from Yugoslavia increased by 14.8 percent in 1980, to $448.9 million. A leading cause for this increase should have been the new economic measures in Yugoslavia, especially the June devaluation, which should have boosted Yugoslav exports to all countries, including the United States. U.S. imports in the second half of 1980 increased 27.3 percent over those in the corresponding period of 1979. However, U.S. imports in the second half of 1980 (postdevaluation) were lower than imports during the first half and, in examining individual imports, it is apparent that most of the increase was probably attributable to the escalated prices of precious metals.

Precious metals account for 14 percent of U.S. imports from Yugoslavia. The three highest precious metal imports over the past 3 years were as follows:

Commodity	Value			Quantity		
	1978	1979	1980	1978	1979	1980
	----Million dollars--			----1,000 troy ounces----		
Silver bullion, refined	7.9	14.5	29.4	1,435	1,251	1,127
Gold bullion, refined	7.1	11.7	27.9	39	41	45
Osmium, osmium content	-	-	3.7	0	0	97
Total	14.9	16.2	61.0	1,474	1,293	1,272

1/ Yugoslavia, like Romania, receives both MFN and GSP treatment from the United States. Yugoslavia has received GSP treatment since 1974 and effective MFN treatment since 1881.

As the tabulation shows, the value of these three precious metal imports in 1980 almost quadrupled over such imports in 1979. The increased value accounts for $44.8 million of the $57.9-million increase in overall imports seen in 1980. Quantities of different precious metal imports have both increased and declined since at least 1978; the increased value of imports is primarily due to the increased unit value of these imports rather than to substantial increases in quantity.

Forty-three percent of Yugoslavia's exports to the United States enter duty free because of GSP, 1/ and Yugoslavia is among the top 10 users of GSP. 2/ In 1980, firms in Yugoslavia petitioned the United States to have GSP treatment extended to four additional Yugoslav products: wines, sardines, silicon metal, and pig and hog leather. Because of the sensitivity of these imports into the United States, the requests for the first three were rejected outright. The request concerning leather has been under consideration and will be decided by the end of March. It is likely that Yugoslavia will lose GSP coverage for its leading export to the United States--wooden chairs--because of the large value of 1980 imports of this items. 3/

On an SITC basis, the greatest increase in imports came in the mineral fuels, lubricants, and so forth category (SITC Section 3). Naphthas derived from petroleum and valued at $40.8 million accounted for 9 percent of the imports in this section in 1980. This item is distilled from crude petroleum, and in the form imported is used primarily as a solvent for drycleaning and for making petrochemical products. Naphthas were not imported from Yugoslavia in 1979, although they account for almost all 1980 trade in this SITC section.

Increases were also seen in SITC Sections 7 (machinery and transportation equipment), 8 (miscellaneous manufactured articles), and 9 (commodities and transactions not elsewhere classified). Section 7 included insulated electrical conductors, valves, and refrigerator compressors. Section 8 imports, the largest import section, consisted primarily of wooden furniture, and Section 9 imports were largely gold bullion. Yugoslavia is a significant supplier of wooden furniture to the United States: it supplies over a third of U.S. imports of wooden chairs not specially provided for and 17 percent of wooden furniture parts.

1/ The precious metals cited above enter the United States duty free regardless of source.

2/ Top users are determined by figuring what share of imports in GSP-eligible items actually receive GSP treatment. For Yugoslavia, the figure is 96 to 97 percent; no country has 100 percent.

3/ The United States specifically designates imports in certain five-digit TSUS items to enter the country duty free under GSP. Imports of these items from an eligible country may enter the United States duty free under GSP as long as (a) that country does not provide over half of the U.S. imports of that item, and (b) the value of these imports does not exceed a certain percentage of U.S. gross national product in that year. The percentage is minute, 0.0017 percent, and in 1980 the value of imports could amount to $45.8 million and still be GSP-eligible. No duty is levied on wooden chairs (TSUS item 727.29) because of GSP, while the standard MFN rate of 8.1 percent would apply without GSP. Since imports of this item amounted to $46.0 million in 1980, it will probably be excluded from further GSP treatment for Yugoslavia. A decision on this will be made by Mar. 31.

The largest decline was in food and live animals (SITC Section 0); it is also reflected in the agricultural import figures (see table 12). Agricultural production in Yugoslavia declined 2 percent in 1980. U.S. imports of agricultural items from Yugoslavia declined more than $20 million, reflecting a decline in canned hams, which had been the leading import item in each of the years 1977-79. This decline was due to several factors. Poor cereal harvests in previous years in Yugoslavia had reduced the size of the pig population in that country. This, combined with the record slaughter of pigs in the United States in 1980, which depressed domestic pork prices, provided little incentive to ship canned hams to the United States. 1/

The United States is the major importer of oriental cigarette leaf from Yugoslavia. Imports of this commodity were down slightly in value in 1980 (table A-8), due primarily to a sharp drop in Yugoslavia's tobacco stocks at the end of 1979.

The second largest import group was manufactured goods classified by chief material (SITC Section 6), including silver bullion, ferrochrome, ferrosilicon, aluminum, pneumatic tires, and osmium.

Poland

Total trade between the United States and Poland topped $1 billion for the third consecutive year, totaling $1.1 billion in 1980. This level is 7.2 percent below the previous high registered in 1979. U.S. exports to Poland fell by nearly 10 percent, to $710 million, and imports decreased by almost 3 percent, to $415 million. Although a bilateral trade surplus has been maintained since 1973, the decline in U.S. exports to Poland contributed to an 18-percent reduction in the level of the surplus from that of the previous year.

Following a 2-percent reduction in national income in 1979, Poland's economy suffered another disastrous year in 1980, with national income declining at the rate of 3 percent. 2/ That situation coupled with the worst agricultural performance in 10 years led to an inevitable worsening in the external economic situation.

Despite the austere policy of restricting all but the most essential imports from the West and curbing domestic investment, Poland's overall imports expanded by 6.1 percent in 1980 while exports increased 3 percent. Thus, Poland's trade deficit worsened; the deficit with the West was over $800 million. Poland is faced with the dilemma of attempting to make its exports more competitive--a policy which requires increased capital goods from the industrialized countries--at a time when its international credit situation is precarious. The expansion of exports is crucial to any long-term solution to the seemingly intractable problems confronting the Polish economy.

1/ Since pork demand was high and Yugoslav corn production was good in 1980, the number of hogs increased slightly by the end of the year. Thus canned ham exports might increase in 1981.

2/ Business Eastern Europe, Feb. 13, 1981, p. 49.

At the beginning of 1980 the Polish debt was estimated at $20 billion, up from $7 billion in 1975 and less than $1 billion in 1971. The debt-service ratio, or percentage of export earnings required to cover both payments and interest on the debt, was 94 percent. The rise in the debt level is the result of considerable external borrowing by the Poles in the 1970's to finance capital investment in heavy industry at home and to finance the agricultural imports necessitated by consecutive years of failure to meet farm targets. By the end of 1980, the debt level was estimated to be approaching $25 billion, with servicing costs greater than hard-currency export earnings. 1/ Of this amount, approximately $19 billion is commercially held debt, the remainder being officially backed loans, mostly export credits. Poland's major Western creditors are West Germany, the United States, France, and the United Kingdom. 2/ Repayments on two-thirds of the debt are due in the next 3 years. It is estimated that $10.9 billion will be needed during 1981 alone, $3.2 billion to cover a projected current account deficit and $7.7 billion for loan servicing and repayment. This projected shortfall in 1981 revenues points out the economic plight of the country and the need for Poland and its creditors to come to some agreement with regard to future debt levels and financing. 3/ Poland is seeking to reschedule its debt over the next 10 years. The outcome of negotiations on this question is not yet known.

In Poland the NME custom of 5-year planning has been temporarily postponed for 1981-85. In its place, a 3-year stabilization program is envisioned. Stabilization in Poland is closely associated with economic reform. A reform program which emphasizes greater independence for producers while at the same time clarifying the role of central planning has been unveiled. 4/

U.S.-Polish trade is not significantly different from U.S. trade with the NME's as a whole. In 1980, U.S. exports to Poland were heavily agricultural (80.4 percent), whereas U.S. imports were predominantly manufactured goods and chemicals (58.0 percent). Among Western industrialized countries, the United States ranked fifth in 1979 as a market for Polish products, after West Germany, the United Kingdom, France, and Italy. As a source for Polish imports the United States was second to West Germany, which was Poland's most significant Western trading partner, accounting for 9 percent of imports and 7 percent of exports. Poland's CEMA partners account for the largest share of its imports and exports; the U.S.S.R. is the most important, responsible for 31 percent of Polish imports and 35 percent of Polish exports. The United States accounts for 2.6 percent of Poland's exports and 4.3 percent of its imports.

1/ The debt-service ratio at the end of 1980 was estimated at 118 percent by the National Foreign Assessment Center.

2/ Of the total debt, approximately 12 percent is owed to U.S. commercial banks and the U.S. Government.

3/ In November the United States was requested by the Poles to provide $3 billion in emergency economic aid. The requested assistance would consist of concessional loans and rescheduling of payments on existing debt. Action on this request was deferred by the outgoing administration, and no new official policy toward Poland has been announced by the new administration. In February 1981, however, it was announced that the United States had granted a deferral of $80 million on Polish repayment of CCC loans.

4/ Certain facets of the Polish economic reform program have been compared with elements of the Hungarian and Yugoslav economic systems. (See Times (London), Nov. 19, 1980, p. 7; New York Times, Jan. 9, 1981, p. A3; and The Economist, Jan. 17, 1981, pp. 47-8.)

U.S. exports

U.S. exports to Poland declined by 9.6 percent in 1980, falling to $710 million from the previous record of $786 million in 1979. The drop reflects the Government's desire to cut back on imports in the face of the extremely difficult Polish debt situation. The 1980 level of exports is only 5 percent greater in value terms than that recorded in 1978. Over four-fifths of the total is accounted for by agricultural products, reflecting Poland's need to supplement domestic production. Much of the decrease in the level of exports can be attributed to a decline in shipments of food and live animals (SITC Section 0), a category which includes grains and which is the single most important SITC category for U.S. exports to Poland, accounting for 63 percent of the total (table 20). Decreases were registered in each of the other major SITC categories except crude materials (SITC Section 2), the second largest category, in which exports increased 12 percent from the 1979 level, to $143.6 million. A significant decline occurred in the oils and fats category (SITC Section 4), as exports dropped by nearly two-thirds from the 1979 level. Indicative of the Polish Government's attempt to cut back on imports of hard-currency items, U.S. exports of machinery and transport equipment (SITC Section 7), a traditionally important sector, declined from $61.0 million in 1979 to $53.2 million in 1980.

The significance of agricultural products in the exports shipped to Poland underscores the importance of this sector to the Polish economy and the unsatisfactory performance of domestic production in certain key areas. The agriculture sector is basic to the Polish economy. Its functioning determines the country's import requirements and its credit rating abroad. 1/

Polish agricultural performance in 1980 was the worst in 10 years. The grain crop, hit by drought and then torrential rains and flooding, was 20 percent below target and 12 percent below the already low level of 1979. The calamitous results for certain crops (e.g., potatoes and sugar beets) brought additional pressure on the livestock sector, and occasioned resort to additional imports of grains, further worsening the already bad debt situation. 2/

1/ "More than any other single factor the fate of farming seasons--afflicted by bad weather, poor management, faulty supplies of inputs--is responsible for Poland's massive debt and consumer unrest." Journal of Commerce, Jan. 28, 1981, p. 11.

2/ It was reported in November that exports of food from Poland were being halted in order to meet domestic necessities. (Times (London), Nov. 15, 1980, p. 1.) U.S. importers have reported delays in shipments of goods from Poland and shortages in certain areas, but a complete drying up of food exports to the U.S. has not been substantiated. (Journal of Commerce, Feb. 13, 1981, p. 1.)

Table 20.--U.S. trade with Poland, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	413,715	508,520	447,867
1	Beverages and tobacco	11,237	13,369	11,831
2	Crude materials--inedible, except fuel	97,584	127,975	143,555
3	Mineral fuels, lubricants, etc	151	355	53
4	Oils and fats--animal and vegetable	11,425	29,391	10,440
5	Chemicals	10,260	17,793	16,884
6	Manufactured goods classified by chief material	12,743	15,747	15,223
7	Machinery and transport equipment	103,312	60,979	53,160
8	Miscellaneous manufactured articles	15,284	10,281	9,193
9	Commodities and transactions not elsewhere classified	1,312	1,848	2,240
	Total	677,022	786,258	710,446
		U.S. imports		
0	Food and live animals	151,404	168,066	159,190
1	Beverages and tobacco	685	520	1,152
2	Crude materials--inedible, except fuel	4,844	3,306	1,652
3	Mineral fuels, lubricants, etc	19,744	20,838	9,542
4	Oils and fats--animal and vegetable	1,708	1,550	1,996
5	Chemicals	21,382	22,638	23,324
6	Manufactured goods classified by chief material	109,674	80,666	96,430
7	Machinery and transport equipment	33,453	46,616	49,461
8	Miscellaneous manufactured articles	92,067	81,151	71,501
9	Commodities and transactions not elsewhere classified	987	738	671
	Total	435,947	426,090	414,919

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.

Exports of food and live animals declined from $508.5 million in 1979 to $447.9 million in 1980. Since 1977 this particular category has accounted for the greatest value of U.S. goods shipped to Poland. U.S. grain exports accounted for 80 percent of the value of such shipments. These exports decreased from $390 million in 1979 to $357 million in 1980, or by 8.4 percent. In turn, shipments of corn accounted for nearly two-thirds of U.S. grain exports, amounting to $298 million in 1980. 1/ Yellow corn constituted the single most significant item in overall U.S. exports to Poland in 1980, accounting for 41 percent of the value of the total (table A-9). Despite the disastrous year in Polish agriculture, the quantity of grains exported to Poland in 1980 was 18 percent below the 1979 level. The 5-percent expansion in the quantity of corn exported was not sufficient to offset the decline in wheat shipments and the disappearance of grain sorghum and barley from among the grains exported in 1980. The following tabulation shows the quantity and unit value of U.S. grain and soybean exports to Poland in 1979 and 1980:

Commodity	1979		1980	
	Quantity	Unit value	Quantity	Unit value
	1,000 metric tons	Per metric ton	1,000 metric tons	Per metric ton
Corn	2,153	$115.95	2,259	$132.10
Wheat	699	153.85	323	181.17
Grain sorghum	244	112.71	-	-
Barley	52	94.79	-	-
Soybeans	200	272.49	242	276.44
Soybean oilcake and meal	343	222.29	311	231.27

Oilcake and meal constitute the other major category of products in SITC Section 0 which are exported to Poland. Although the quantity of soybeans 2/ included in U.S. agricultural shipments to Poland expanded by one-fifth during a time when U.S. soybean production was declining, the cutback in exports of soybean oilcake and meal reflects the diminished U.S. supplies of the principal product. U.S. exports of linseed oilcake and meal plunged from $14.3 million in 1979, when such shipments accounted for 53 percent of all U.S. exports of the item, to $3.0 million in 1980, when Poland's market share was only 13 percent.

1/ The figure includes over $5 million in corn seed for planting purposes, which was exported during the fourth quarter in response to severe flooding which wiped out significant quantities of several important Polish agricultural crops.

2/ Soybeans are included in the crude materials category, SITC Section 2, and soybean oil falls within the vegetable oils category, SITC Section 4.

The second largest category of U.S. exports to Poland is crude materials. In the only increase among major export classes, U.S. shipments of crude materials climbed to $143.6 million in 1980, a 12.2-percent jump from shipments in 1979. The share accounted for by crude materials in overall U.S. exports to Poland rose from 16.3 percent to 20.2 percent. Soybeans were the leading export item in the crude materials category (table A-9); imports were valued at $66.8 million, representing an increase over the 1979 level. The United States is the major supplier of soybeans to Poland, and soybeans accounted for 47 percent of all crude materials exported to Poland in 1980. Shipments of cattle hides, used in the production of leather footwear--a prominent Polish export item--remained significant during the year although virtually unchanged from those in 1979. Another important crude product imported from the United States by Poland, which figures significantly in Polish textile exports, is raw cotton, U.S. exports of which declined by more than half in 1980. U.S. shipments of raw cotton in July-December suffered considerably as a result of the summer drought, which cut yields sharply. Sales of soybeans, phosphates, cattle hides, cotton, and sheep skins accounted for 90 percent of 1980 exports in the crude materials category.

Valued at $61.0 million in 1979, exports to Poland of machinery and transport equipment declined to $53.2 million in 1980. Among the 20 leading items exported to Poland (table A-9), 4 fall in this category: parts of tracklaying tractors (up 28 percent in value), digital data processing machines (up fivefold in quantity 1/), certain motor starters and contactors (unchanged in quantity but up nearly fortyfold in value), and parts of other tractors (down 30 percent in value).

U.S. exports of animal and vegetable oils and fats decreased by 64.5 percent, from $29.4 million in 1979 to $10.4 million in 1980. As a share of overall U.S. exports to Poland, they declined from 3.7 to 1.5 percent. U.S. production of fats and oils decreased significantly during the year, diminishing supplies available for export. 2/

A considerable portion of U.S. agricultural exports to Poland are backed by CCC credit guarantees. During fiscal 1980, $550 million was authorized for purchases by Poland under the export credit guarantee program. That initial amount was increased by $50 million in order to assist in purchases of corn delivered during the period June through August. Of the $550 million in U.S. commodities exported to Poland under the fiscal 1980 authorization, the leading items were corn ($198 million), soybean meal ($95 million), soybeans ($78 million), and wheat ($36 million).

1/ Two such computers, valued at $20,700 were sold in 1979. Ten computers, valued at $5.5 million, were sold in 1980, half of them in the last quarter. The October-December sales accounted for over 90 percent of 1980 exports of this item.

2/ According to a Department of Agriculture publication, U.S. production of the products from which oilseeds are derived declined in the 1980/81 crop year: soybean production was down 22 percent, peanuts were down 40 percent, and sunflower seeds were down over 40 percent. (World Agricultural Situation, WAS-24, December 1980, p. 17.)

For fiscal year 1981, which began on October 1, 1980, the CCC has been authorized to extend up to $2 billion in credit guarantees on exports. In September, the President approved an allocation of $670 million for Poland alone. It is significant that one-third of the total credits extended by the CCC for fiscal year 1981 have been allocated to Poland.

Commodity designations have already been established for almost all the $670 million extended for sales through next September 30. The CCC will provide guarantees for up to $336 million for sales of U.S. feed grains (corn, barley, sorghum, or oats), $110 million for protein meals (cottonseed, linseed, soybean, or sunflower seed meal), $60 million for wheat, $53 million for soybeans, $16 million for vegetable oils (cottonseed, linseed, peanut, soybean or sunflower seed oil), $16 million for lard, $15 million for cotton, $12 million for fresh lemons, $8 million for rice, $8 million for meat and bone meal, $6 million for edible soy protein, $4.5 million for tobacco, $3 million for alfalfa seed, $2 million for tallow, and $1.3 million for protein feed concentrates. 1/ The allocation of the remaining $19.2 million will be announced later. Of the $670 million in credit guarantees on U.S. exports of grains and other farm products, over three-fourths of the total, $525 million, has already been committed to U.S. exporters having made firm sales to Poland, leaving nearly $145 million to be issued.

There has been a gradual decline in official lending to Poland as the country has cut back its level of external borrowing for investment. During calendar year 1980 only one Eximbank loan was made to Poland: $4 million for a satellite communications earth station. In November the Poles requested a medium-term credit line of $17.5 million to cover expenditures for small capital goods items. Action on this request has been deferred, pending the outcome of the ongoing debt renegotiation talks.

The $670 million in CCC commodity credit guarantees will support continued high U.S. agricultural exports to Poland in 1981. Other areas of export opportunity include agricultural machinery and fertilizers and grain storage and food processing equipment.

U.S. imports

The value of U.S. imports from Poland in 1980 was nearly $415 million, the lowest level in 3 years, down 2.6 percent from imports in 1979. The major category of imports continued to be food and live animals, which accounted for 38 percent of the total. Other significant categories were manufactured goods (SITC Sections 6-8, accounting for 52.4 percent of imports) and chemicals (SITC Section 5) (5.6 percent of imports).

1/ This list covers the commodity assignments through March 10.

The 2.6-percent decline in the value of U.S. imports from Poland in 1980 underscores the problems faced by the Poles. In a year when hard-currency needs necessitated a major effort to boost Polish exports to the West, the real level of exports to the United States declined significantly. The reduced level of imports can, in many cases, be directly attributed to shortfalls in Polish production as a result of the labor unrest which occurred in the last half of the year. The $15 million decline in imports from Poland during the third quarter was greater than the decline for the entire year ($11 million). Decreased production coupled with strikes by dockworkers and plant closures contributed to a reduction in the level of Polish shipments to many of its trading partners.

The composition of U.S. imports from Poland changed slightly in 1980. The share of imports accounted for by manufactured goods classified by chief material, a category which includes iron and steel, nonferrous metals, and textile yarns and fabrics, increased to 23.2 percent over its 1979 share of 18.9 percent. The value of imports of mineral fuels and lubricants declined by more than 50 percent, to only 2.3 percent of total U.S. imports from Poland in 1980.

Food and live animals (SITC Section 0) constitute the leading category of goods into which U.S. imports from Poland are classified. The value of imports in this category fell by $8.9 million, or 5.2 percent, between 1979 and 1980. Among the leading Polish products in this class are hams, pollock, cod, frozen strawberries, and whiting.

Canned hams weighing over 3 pounds constitute the leading U.S. import item from both Poland and the NME's as a group. This single product accounted for 32 percent of total U.S. imports from Poland (table A-10), 7 percent of total U.S. imports from NME's (table A-2), and 65 percent of total canned hams imported from NME's in 1980. They were the most significant item in the food and live animals category, accounting for 84 percent of Polish shipments to the United States in that category in 1980. Two-thirds of the decrease in value in imports in food and live animals can be attributed to the drop in the value of Polish canned hams between 1979 and 1980; the quantity of canned ham imports from Poland, however, remained virtually unchanged. The unit value of the Polish product declined from $1.57 in 1979 to $1.49 in 1980.

One of the immediate causes of the strike along the Baltic coast in the summer of 1980 was consumer and labor unrest following the announcement of official increases in the price of meat. It has been suggested that Polish dockworkers refused to load preserved meat for export in the face of meat shortages at home. Canned hams constitute one of the major hard-currency earners among Polish exports. It is likely that the quantity of exports of this product might have been even greater than that registered but for a reported decision to direct meat supplies away from the export market to the home market. Quarterly import data show that the quantity of imports of Polish canned hams was lower in the fourth quarter of 1980 than in the corresponding period of 1979.

Among manufactured goods, the import value of goods classified by chief material (SITC Section 6) is the most significant, accounting for
$96.4 million in U.S. imports from Poland. Such imports increased by nearly 76
20 percent from 1979 to 1980, and their share of total imports increased from 18.9 percent in 1979 to 23.2 percent in 1980. Eight of the top 20 TSUSA items imported from Poland (table A-10) fall within this class. Among these items

is steel plate, Polish shipments of which increased from $13.7 million in 1979 to $18.1 million in 1980. Other notable items include nails and screws, brass rods, certain woven fabric, and cotton towels. During the fourth quarter of 1980, the Poles sold $5 million in refined silver bullion to the United States. It can be assumed that this sale was prompted by the need for hard currency.

Imports of miscellaneous manufactured articles (SITC Section 8) include apparel, footwear, furniture, and bicycles. The 1980 value of such imports, representing the third largest import cateory, was 12 percent below the 1979 level and 23 percent below the 1978 level. Poland accounted for 11 percent of the footwear imported from the NME's in 1980, compared with 14 percent in 1979. While imports of footwear from Poland declined only slightly (1.5 percent) in 1980, such imports from the NME's increased significantly (26.6 percent) (table 15). The value of U.S. imports of footwear from Poland was $16.3 million. The principal item of footwear imported from Poland, unchanged from 1979, was men's leather construction footwear, imports of which increased 7 percent in quantity over the 1979 level.

Textile apparel represented 46 percent of the value of the goods imported in SITC Section 8. U.S. imports of textiles and textile products from a number of countries are limited by bilateral agreements under the Arrangement Regarding International Trade in Textiles, more commonly referred to as the Multifiber Arrangement (MFA). 1/ The United States-Poland bilateral agreement was effective for a period of 3 years from January 1, 1978, to December 31, 1980. 2/ In 1980 this agreement applied to all categories of cotton, wool, and manmade-fiber textiles, and provided for an aggregate limitation of 50.5 million square yard equivalents (SYE). Four subgroups, each with a separate quantitative limitation, are specified. Apparel constituted nearly 84 percent, or 42.2 million SYE, of the overall aggregate. Preliminary data indicate that U.S. textile imports from Poland in 1980 filled only 32.8 percent of the aggregate limit specified in the agreement. 3/ The comparable figure for 1979 was 59.7 percent.

Imports of Polish apparel amounted to nearly $33 million in 1980, representing a 25-percent decline from the 1979 level of $44 million. Included were such items as men's and boys' wool suits, 4/ cotton coats and jackets, raincoats, trousers and slacks, shirts, knit athletic jackets, and cotton overalls and jumpsuits, and women's cotton raincoats.

1/ For a recent examination of the administration of the MFA and issues currently being discussed concerning its renewal, see U.S. International Trade Commission, The Multifiber Arrangement, 1973 to 1980 . . ., USITC Publication 1131, March 1981.

2/ Renegotiation has taken place and a new 4-year agreement was concluded in January 1981. Official settlement and details of the agreement have not yet been announced.

3/ Based on Census data, as of Jan. 31, 1981. The final figure is expected to be over 40 percent.

4/ Men's and boys' wool suits and all suits of manmade fibers make up one of the four subgroups within which textile imports from Poland are monitored under the bilateral agreement.

The third significant section constituting manufactured goods is machinery and transport equipment (SITC Section 7). U.S. imports of such goods from Poland continued their upward trend, increasing 6 percent in 1980 to a level of $49.5 million. Among the significant products included in this category are sewing machines, metalworking machine tools, and golf cars. The number of sewing machines imported from Poland in 1980 increased by 50 percent, to nearly 64,000. U.S. imports of metalworking machine tools from Poland amounted to $12.5 million in 1980, a quarter of the goods supplied from Poland in this SITC section.

Polish shipments of electric golf cars to the United States amounted to $2.5 million in 1980, down from the 1979 level of $4.3 million. In 1980, the U.S. International Trade Commission reviewed its 1975 determination 1/ of injury concerning less than fair value sales of electric golf cars from Poland. The Commission determined in June 1980 2/ that changed circumstances existed which indicated that an industry in the United States would not be threatened with material injury if the antidumping finding were revoked. 3/ The number of golf cars imported fell from 5,190 in 1979 to 2,770 in 1980, nearly half of which entered in October-December.

Chemicals (SITC Section 5) account for only 6 percent of all imports from Poland. Such imports rose modestly, by 3 percent in 1980. Over a third of the value of imports in this category consist of shipments of sulfathiazole (an anti-infective agent added to animal feeds as a growth promoter) and casein (the principal protein of milk used mainly in imitation cheeses, nondairy whiteners, and dessert toppings). The casein imported from Poland is industrial grade and has multiple applications in paper products and adhesives. Other major chemical imports from Poland include naphthols and the pharmaceutical products erythromycins and tetracyclines.

Owing to a decrease in the amount of coal shipped to the United States as a result of Polish labor problems, work stoppages, and cuts in the number of hours and shifts worked by miners, imports in the mineral fuels and lubricants category (SITC Section 3) suffered the greatest decline among all categories, dropping from $20.8 million in 1979 to $9.5 million in 1980, or by 54 percent. Lignite accounted for $9.7 million of the $11.3 million decrease in the category, and bituminous coal, for the remainder. Poland is the world's largest exporter of coal, after the United States, and the 1980 decline in Polish coal production exacerbated the country's debt problems by resulting in losses of hard-currency earnings. At the same time, decreased availability of coal contributed to interruptions in electrical-power generation at home, thereby affecting both the production and the reliability of shipment of other products, some of which are produced mainly for export to the West.

1/ Electric Golf Cars From Poland . . ., inv. No. AA1921-147, ITC Publication 740, September 1975.

2/ The determination was made by a 5-to-0 vote. The Commissioners voting were Chairman Catherine Bedell, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Paula Stern and Michael J. Calhoun. See Electric Golf Cars From Poland . . ., inv. No. AA1921-147A (Review), USITC Publication 1069, June 1980.

3/ 45 F.R. 52780

Romania

The value of trade between the United States and Romania amounted to $1 billion in 1980, representing a 24-percent increase over 1979 trade. With U.S. exports accounting for 70 percent of the two-way total, the trade surplus with Romania was $410 million; the U.S. surplus was $171 million in 1979. During the past 2 years, Romania imported substantially larger amounts of U.S. grains and protein feeds than in 1978. In addition, coal became a major U.S. export item in 1980. As U.S. exports to Romania grew, from $317 million in 1978 to $720 million in 1980, U.S. imports from Romania declined, from $345 million in 1978 to $311 million in 1980.

While nearly 40 percent of Romania's trade is with other countries in the CEMA, the United States continues to be one of its most important Western trading partners, ranking second after West Germany. In 1979, the latest year for which data on world trade are available, the United States accounted for 4.5 percent of Romania's imports and 3.1 percent of its exports. Among the NME's Romania ranked fifth in total bilateral trade with the United States in 1980, following China, the U.S.S.R., Yugoslavia, and Poland.

Despite the decrease in U.S. imports from Romania over the last 2 years, imports of some Romanian products have increased. Among the factors underlying the increase are the application of MFN treatment to products from Romania and, even more important, its designation by the United States as a beneficiary country under the GSP program.

The mutual extension of MFN treatment was provided for under the United States-Romania trade agreement. This accord was initially approved by the Congress and entered into force on August 3, 1975, 1/ making Romania the first NME to receive MFN tariff status under a waiver provision in section 402 of the Trade Act of 1974. Section 402 prohibits the granting of MFN treatment to any NME that denies or severely restricts emigration by its citizens, but authorizes the President to waive this prohibition for a limited period of time if he determines that doing so will promote freedom of emigration. A waiver initially granted by the President then becomes subject to an annual congressional review. In 1980, in hearings held before committees of both the Senate and House, a number of witnesses testified to the difficulties encountered by a number of Romanians seeking to emigrate during the past year and opposed the further continuation of the waiver authority for Romania. The termination of MFN treatment for a country requires the adoption of a simple resolution of disapproval in either the Senate or the House. However, when neither had acted by September 1, as required by law, MFN status for Romania was automatically extended for another year.

As one of the poorer countries of Eastern Europe, Romania is recognized as a developing nation. In 1975, following the granting of MFN status to Romania, the United States also designated Romania as a beneficiary country under the GSP. In 1980, 27 percent of imports from Romania, valued at $83.5 million, were duty free under this program, rather than subject to the MFN tariff rates that would have otherwise applied.

Romania has been eligible for the credit and credit-guarantee programs of the CCC and the Eximbank since 1970 and 1971, respectively. In fiscal year

1/ The 3-year agreement was renewed for another 3 years in 1978.

1980, which began on October 1, 1979, the United States exported $25 million in soybean meal to Romania under the export credit sales program of the CCC. Of this amount, soybean meal worth $16.7 million was shipped in calendar year 1980.

In 1980, the Romanian Bank for Foreign Trade had access to two lines of credit established by the Eximbank late in 1979, under its authorization for fiscal year 1980. One was $30 million in credit to finance 85 percent of the value of Romanian imports of general-purpose U.S. goods and services. Most of this had been utilized by the end of 1980. The second was a project line of credit to finance 70 percent of the export value of U.S. contracts with Romania that range from $5 million to $10 million. It was established to cover up to $50 million in U.S. contracts over a 2-year period. From October-December 1979, it had supported $17 million in U.S. sales, but no use was made of the line during calendar year 1980. In addition, the Eximbank and the Romanian Bank for Foreign Trade have completed negotiations on a preliminary loan commitment to build a nuclear power plant in Romania. The credit was arranged with General Electric Co., the major U.S. participant in the project.

Among the several United States-Romania agreements that are now in effect, the two relating to textile imports from Romania have been especially important in providing a basis for continuing consultation and amendment as market conditions change. Both are bilateral accords under the MFA. One is a 5-year agreement that covers cotton apparel and other cotton textile imports and will be in effect through December 31, 1982. The other agreement, which covers textiles of wool or manmade fibers, was scheduled to expire on December 31, 1980, and was extended during the year to March 31, 1981, while negotiations on a new agreement were underway. 1/ Neither agreement places an aggregate limitation on Romanian exports to the United States, but specified items of apparel are subject to quantitative restrictions. Consultation levels are designated for certain other items; i.e., the items are subject to consultation if Romania's exports exceed a specified level.

Two agreements concluded between the European Community and Romania in 1980 could have an adverse effect on U.S.-Romanian trade over the next few years. The first covers trade in industrial products, and the second provides for the establishment of a Joint Community-Romania Committee. Both accords were signed on July 28 and will run concurrently with Romania's 5-year plan (1981-85). Romania is the first CEMA country to act independently of this organization in negotiating a bilateral trade agreement with the EC. However, before the EC-Romania agreements were negotiated, limited protocol agreements on textiles and steel existed between the EC and a number of the individual CEMA countries; these products were therefore not included in the new trade accords.

The industrial-products agreement covers some 85 percent of Romania's trade with the EC and eliminates about two-thirds of the EC import quotas that applied to Romanian products. For those Romanian goods still subject to quantitative restrictions, the quota levels were scheduled to be increased by 20 percent in 1981. In turn, Romania has committed itself to reduce the tariffs on some products that are imported from the EC and to increase imports

---

1/ The new agreement was concluded in January 1981, and is effective for a 4-year period, from Apr. 1, 1981, through Mar. 31, 1985.

from the EC by at least as much as from any GATT member country. The feature of the Joint Community-Romania Committee that currently appears to be most advantageous to the EC is a commitment by the Romanian Government to provide EC officials with ongoing information about the country's import plans and priorities. The accord also provides for the Joint Committee to draft future agreements on industrial and other economic cooperation, although the language of the agreements does not specifically accord preferential treatment by Romania to EC suppliers.

Romania's economic performance during the 5-year planning period 1976-80 fell short of the targeted levels in all sectors except foreign trade, in which Romania achieved a targeted rate of annual growth of nearly 16 percent. The draft of the new plan calls for more modest goals in all sectors of the economy over the next 5 years. However, the target for growth in agricultural production in 1981 has been raised sharply, to 9 percent as compared with a 4.5- to 5.0-percent projected rate of annual increase over the entire 5-year period (1981-85). The expansion and improvement of agriculture and the food processing industry are aimed primarily at meeting consumer needs; the doubling of the agricultural growth rate for 1981 was announced in October 1980, indicating that concern for the Romanian consumer is closely related to the crisis in Poland.

Foreign-trade turnover is projected to grow 10 percent in 1981, including a planned increase of 21 percent in exports. The goal is not only to bring merchandise trade into balance, but to begin the process of liquidating Romania's hard-currency debt. Although the planned rate of growth for industrial production in 1981 is 8.1 percent, the growth targets for the strong export industries are substantially higher. The expansion of the chemical industry is being given particular emphasis in the 1981 plan, and the machine-building sector and the light industries also have priority. While the plan will entail imports of key pieces of machinery and equipment for these industries, the Romanians intend to rely increasingly on domestic, rather than foreign, suppliers of capital goods. The goal is to limit hard-currency expenditures for machinery and equipment in order to better afford the rising cost of their import requirements for agricultural products, fuel, and raw materials. This aim was reflected in the composition of U.S. exports to Romania in 1980.

U.S. exports

U.S. exports to Romania exceeded their 1979 level by nearly $220 million, or 44 percent (table 21). Food (SITC Section 0) was the highest category, accounting for $339 million, or 47 percent of total exports in 1980, followed by crude materials (SITC Section 2), which amounted to $165 million, or 23 percent of the total. Machinery and transport equipment (SITC Section 7) accounted for another $90 million in exports, although the increase in U.S. sales of these items to Romania was only $14 million, or 18 percent. The largest rate of increase was in mineral fuels (SITC Section 3), consisting principally of coal. Exports to Romania in this category amounted to $81 million in 1980, almost three times their value in 1979.

Table 21.—U.S. trade with Romania, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	41,966	178,831	339,036
1	Beverages and tobacco	-	-	-
2	Crude materials--inedible, except fuel	123,775	191,848	165,135
3	Mineral fuels, lubricants, etc	32,593	29,114	81,207
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	4,411	4,652	5,526
6	Manufactured goods classified by chief material	10,365	10,476	25,275
7	Machinery and transport equipment	96,604	76,400	90,090
8	Miscellaneous manufactured articles	7,513	8,757	13,528
9	Commodities and transactions not elsewhere classified	195	386	433
	Total	317,423	500,464	720,231
		U.S. imports		
0	Food and live animals	27,889	30,778	26,969
1	Beverages and tobacco	910	763	1,657
2	Crude materials--inedible, except fuel	9,297	11,920	9,081
3	Mineral fuels, lubricants, etc	94,447	55,146	44,483
4	Oils and fats--animal and vegetable	32	-	-
5	Chemicals	9,877	7,805	10,745
6	Manufactured goods classified by chief material	70,250	64,559	57,751
7	Machinery and transport equipment	24,124	56,360	68,317
8	Miscellaneous manufactured articles	107,236	101,158	91,106
9	Commodities and transactions not elsewhere classified	498	562	451
	Total	344,561	329,051	310,561

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.

Agricultural products, consisting of both food and crude materials, were valued at $463 million, or 64 percent of U.S. exports to Romania in 1980. Corn, wheat, soybean oilcake and meal, and soybeans were the leading items (table A-11), accounting for 82 percent of all agricultural exports and 52 percent of the total value of sales.

Romania has been expanding the production of beef, pork, and poultry meat for both domestic consumption and export. As a result, U.S. exports of corn and protein feeds to Romania were significantly larger in 1979 and 1980 than in previous years. U.S. shipments of corn to Romania amounted to $158 million in 1980, representing an increase of 52 percent over the value in 1979, when these exports were some five times their 1978 level. Exports of soybean oilcake and meal also increased, from $57 million in 1979 (when sales were seven times their 1978 value) to $69 million in 1980. Although exports of soybeans decreased from $74 million in 1979 to $62 million in 1980, sales were still substantially higher than the $41 million in soybean exports reported for 1978. With the unit value of corn exports to Romania nearly 15 percent higher than in 1979, the 52-percent increase in value represented only a 33-percent increase in quantity; on the other hand, the unit value of both soybean oilcake and meal and soybeans was slightly lower in 1980 than in 1979.

Three agricultural products--soybeans, cotton, and cattle hides--accounted for 75 percent of the value of U.S. sales to Romania in the crude materials category. Cotton apparel and leather footwear are two of Romania's major export industries, and both depend largely upon imports to meet their raw-material requirements. Imports of U.S. cotton increased from $24 million in 1979 to $33 million in 1980, or by 38 percent in value and 29 percent in quantity. In contrast, Romania's purchases of U.S. cattle hides decreased, from $60 million in 1979 to $29 million in 1980, or by more than 50 percent in value, but--because the unit value was almost 40 percent lower than that in 1979--by only 21 percent in quantity.

The substantial increase in U.S. exports of coal to Romania in 1980 was part of the effort to cope with a worsening energy crisis. Romania's domestic oil reserves are being rapidly depleted, and, with the rising cost of oil imports, the search for alternative fuels is one of the country's top priorities. The problem is compounded by the fact that Romania is importing an increasing amount of crude oil in an effort to maintain its present output of refined petroleum products, which are its leading export to the industrial West and, therefore, a major source of hard-currency earnings.

In addition to its purchases of bituminous coal from the United States, which amounted to $61 million, Romania bought almost 19 million dollars' worth of coking coal for the first time in 1980. The increase in U.S. sales represented the implementation of a contract between a Romanian Government foreign trade corporation, Mineralimportexport (sic), and Island Creek Coal Co., a subsidiary of Occidental Petroleum Corp. The agreement calls for the delivery of about 2 million tons of coal to Romania annually, or a total of $40 million tons over a period of 20 years or longer, for a total estimated value of roughly $1 billion. 1/

1/ Foreign Broadcast Information Service, Daily Report (Eastern Europe), Apr. 4, 1980, p. H-6; New York Times, Apr. 24, 1980, sec. 4, p. 5; and Wall Street Journal, Apr. 24, 1980, p. 4.

The value of exports of U.S. manufactured goods to Romania (SITC Sections 6-8) increased from $96 million in 1979 to $129 million in 1980, or by 35 percent. Machinery and transport equipment accounted for $68 million, or 53 percent, of the total value and included a $30 million sale of one airplane. The other major manufactured exports consisted of a few items for industrial production (iron and steel plates, sheets, and strips, and drilling and boring machines) and high-technology equipment (parts of automatic data processing machines, geophysical instruments for use in oil exploration, and other scientific apparatus). The largest number of items consisted of replacement parts for machinery and equipment already in place.

Probably the principal factor hampering U.S. exports of manufactures to Romania is its strict countertrade regulations. Romania's purchases of industrial products, even though limited to priority items, must be largely--and in some cases, totally--compensated for by sales of Romanian products. As a rule, a firm contract must be made by U.S. and other Western exporters as a prerequisite for Romanian imports. The regulations were recently tightened; whenever possible, the exports and imports must now be in the same industrial sector.

U.S. imports

After reaching $345 million--their highest level--in 1978, U.S. imports from Romania decreased to $311 million in 1980, or by about 10 percent. The cutback occurred in almost every category, with machinery and transport equipment (SITC Section 7) the only noteworthy exception. Imports in this category continued to increase, rising 21 percent in 1980 compared with their value in 1979 and amounting to nearly three times their 1978 level. However, imports of miscellaneous manufactures (SITC Section 8), still the category with the highest import value, and mineral fuels and lubricants (SITC Section 3), consisting of Romania's exports of petroleum products, decreased steadily after 1978.

The value of U.S. imports of naphthas and other derivatives and of heavy fuel oils--the two leading petroleum products from Romania--decreased 4 percent and 49 percent, respectively, in 1980 (table A-12). With the value of these items continuing to rise, the decrease in the quantity of each was even larger. Imports of naphthas dropped by 25 percent, from 1.1 million barrels in 1979 to 852,000 barrels in 1980, and the purchases of heavy oils decreased from 846,000 barrels in 1979 to 368,000 barrels in 1980, less than half the previous level. This followed a substantially sharper decrease in both the value and quantity of these imports in 1979. In 1980, Romania's dollar earnings from these two items were only $44.5 million, compared with $92.6 million in 1978.

While petroleum products were still Romania's single largest source of export revenue from the United States and other industrialized countries of the West in 1980, its outlay of hard-currency for imported crude oil increased substantially. Of the 15 million tons of oil that Romania bought in 1980, most was purchased on the world market, with some coming from the Soviet Union, which also demanded payment in hard-currency. 1/ The imports from the U.S.S.R. mark a significant departure from tradition; Romania is the most economically independent of the CEMA countries and has not previously purchased crude petroleum from the Soviet Union.

Although petroleum products were the major items underlying the further decrease in imports from Romania in 1980, manufactured goods (SITC Sections 6-8), which accounted for 70 percent of the imports, failed to offset the downward trend. This sector consists of a number of consumer products (textile fabrics and apparel, footwear, bentwood furniture, and glassware); machine-building products and metalworking machine tools (ball and roller bearings and lathes); and transport equipment (tractors and railway cars).

The value of U.S. imports of manufactured goods from Romania decreased from $222 million in 1979 to $217 million in 1980, or by 2 percent. While the import value of some manufactures remained virtually unchanged, that of an even larger number decreased. Overall, the value of this sector was maintained in 1980 because a very few items increased. For example, while most footwear imports were below their 1979 level, U.S. purchases of leather athletic footwear were substantially larger. Total imports of nonrubber footwear from Romania amounted to $41.4 million in 1980, representing a rise of 1.3 percent. Similarly, the import value of one item of apparel--women's manmade-fiber coats--increased from $0.6 million in 1979 to $3.1 million in 1980. However, total apparel imports from Romania decreased, from $37.8 million in 1979 to $30 million in 1980.

The rise in imports of machinery and transport equipment (SITC Section 7), the one category of manufactures that increased in 1980, was largely attributable to increases in imports of railway cars and parts, which amounted to $30.4 million in 1980 compared with $19.7 million in 1979, the first year in which they were imported from Romania. Because Romania is eligible for the GSP program, the railway cars are imported duty free, whereas the MFN rate of 18 percent would otherwise apply. The Romanian product is a kit for assembly, rather than a finished car.

East Germany

Total direct bilateral trade between the United States and East Germany increased by 33.4 percent in 1980, reaching half a billion dollars for the first time. U.S. imports increased by 20.4 percent, and direct exports increased by 34.7 percent. The United States had a 1980 balance-of-trade surplus with East Germany of $434.4 million, up 36 percent from 1979. This growth in exports occurred despite a determined effort by the East German Government to reduce imports from the Western economies. 2/

1/ Business Eastern Europe, Nov. 7, 1980, p. 355. See also U.S. Department of Commerce, U.S.-Romanian Trade Trends, January-June 1980, September 1980, p. 2.

2/ U.S. Department of Commerce, International Trade Administration, U.S.-GDR Trade Trends, January-December 1979, March 1980, p. 15.

East Germany has the most technologically advanced economy in Eastern Europe. Its per capita income is the highest in the Communist world, and only five countries in the world have both a higher per capita gross national product and a larger population than East Germany. 1/ Its economic growth in 1980 was 4.2 percent, the highest in Europe.

Production centers on a very diverse blend of manufactured goods, including heavy machinery. With extremely limited natural resources of its own, except lignite and potash, East Germany must import most raw materials. Faced with increasing raw-material costs, an aging industrial base, a labor shortage, 2/ and a technology which is not sophisticated enough in many areas to make a number of its products competitive on the world market, it is unable to increase its exports sufficiently to cover these higher raw-material costs. 3/ As a result, its trade deficit in recent years has worsened.

Since prices of goods from the CEMA countries are based on a 5-year moving average of world prices, East Germany, like other members of CEMA, is partially insulated from the recent increases in world prices of raw materials. As these average prices increased, East Germany, due to its policy of domestic price subsidization, began to have trouble containing the increases. Accordingly, the Government announced a new pricing policy in December 1979 which divides consumer goods into basics, standard goods, and luxury products. Prices of all but the basics were allowed to rise gradually.

East Germany had a hard-currency debt of $9 billion with the West at the end of 1979. By the end of 1980, the debt had increased by another billion dollars. While this is not substantial by Eastern European standards, 4/ it has caused the East Germans to continue to emphasize hard-currency exports to the West as a means of facilitating debt repayment.

Imports from the West are expected to increase the industrial base. They consist largely of sophisticated capital equipment, key industrial inputs, some consumer goods, and feed grains and other raw materials which are not available elsewhere. From its allies in the CEMA group, East Germany imports fuels and raw products. In exchange, it exports chemicals, industrial and light manufactures, and agricultural raw materials. Because much of its production is considered inferior on the world market, East Germany has not been able to increase exports to the West as much as it has desired.

1/ The United States, Japan, West Germany, France, and Canada.

2/ About half the East German population is under the age of 30, and a quarter are beyond retirement age. The remaining quarter is the prime domestic source for skilled workers in the country. Because of this, a very large percentage of East German women work, and the country employs 40,000 foreign laborers.

3/ Recently, the country began to reorganize its industries into kombinats (combines), a system of both vertical and horizontal mergers. All firms in a given industry, from research to production and marketing, are integrated into one kombinat in order to improve the efficiency of the industry as a whole.

4/ Poland's debt at the end of 1980 was $25 billion.

Accordingly, while the country has been cutting back on industrial investment as a whole, 1/ East Germany has tried to direct domestic production more into exportable high-quality products. Production of such goods increased by 20 percent in 1979.

For large sales to East Germany, firms must often accept countertrade agreements of 100 percent or more. In view of fears about the spread of independent workers' movements, the country is still willing to pay cash for smaller purchases that are urgently needed.

Due to the attempts to increase exports and decrease imports, East Germany's trade deficit with the non-Communist world improved slightly in 1980, declining from $1.5 billion to $1.3 billion. The country's debt-service ratio, the ratio of hard-currency earnings to the principal and interest owed on hard-currency loans, increased slightly to 55 percent. The ratio was 54 percent in 1979, up from 40 percent in 1977.

About a fifth of East Germany's national product enters foreign trade. The U.S.S.R. accounts for about one-third of all East German trade, and the U.S.S.R. and East Germany are each other's leading trading partners. East Germany has a substantial trade deficit with the U.S.S.R., on which it relies to supply 90 percent of its petroleum and gasoline and 85 percent of its cotton imports. 2/ Another third is accounted for by other members of CEMA, primarily Czechoslovakia and Poland. The remaining third is accounted for by trade with the West, the majority being with West Germany. While trade with West Germany has been in surplus recently, East Germany's trade with nearly all other countries of the Organization for Economic Cooperation and Development (OECD) is in deficit.

The following tabulation shows the shares of East German trade with selected OECD countries: 3/

Trading partner	Exports to East Germany			Imports from East Germany		
	1978 share	1979 share	1979 rank	1978 share	1979 share	1979 rank
West Germany	61.9	53.5	1	61.9	63.8	1
United States	5.6	8.4	2	1.1	.9	11
France	4.6	7.5	3	7.1	5.5	3
United Kingdom	2.5	2.6	10	5.4	6.0	2

1/ Industrial investment was scheduled to increase by 2.4 percent in 1980. Overall, zero growth is planned for industrial investment in 1981 although certain industries--electronics and electrotechnology, heavy machinery and plant construction, metalworking and machine tools, and agricultural, automotive, and general machinery production--are scheduled for growth.

2/ The trade deficit with the Soviet Union amounted to $1.6 billion in 1979.

3/ Derived from U.N. and OECD. data as reported by the U.S. Department of Commerce, International Trade Administration, U.S.-GDR Trade Trends, January-June 1980, September 1980, pp. 12 and 14.

In 1979, the United States accounted for 8.4 percent of exports from the industrialized West to East Germany, second only to West Germany. However, the U.S. share of imports from East Germany is minute.

U.S. exports

U.S. exports to East Germany increased by 34.7 percent in 1980. While the East Germans imported vast amounts of capital and technological goods from other Western nations, almost 95 percent of U.S. exports to East Germany in 1980 were agricultural products. Because of special arrangements, East Germany can rely on West Germany and the CEMA countries to provide most of its industrial needs, leaving the United States to fill its agricultural requirements. East Germany provided one of the largest Eastern European markets for U.S. agricultural products in 1980.

Food shortages are still common in East Germany, and direct agricultural exports from the United States increased by $132 million in 1980. Yellow corn exports increased by $146 million and now account for over two-thirds of East Germany's imports from the United States (compared with just over half in 1979). This dramatic increase occurred despite the fact that East Germany's agricultural harvest in 1980 was above average (in fact, grain production was the third highest ever) and was considerably better than the 1979 harvest. 1/ This apparent paradox is explained by many factors. About two-thirds of the exports occurred during the first 6 months of 1980, when East Germany required vast agricultural imports to compensate for poor domestic harvests in 1979 and also to compensate for the fact that the other CEMA nations, especially the U.S.S.R., cut back on their own agricultural sales to East Germany in 1980, leaving it to import from Western nations. Due to drought in the United States, some of the increase in the value of U.S. agricultural exports was the result of increased prices instead of increased quantities. The East Germans also increased livestock production in 1980, necessitating further imports of feed grains.

It was suggested in some U.S. publications that much of the grain going to East Germany was being rerouted to the Soviet Union, subverting the U.S. grain embargo against that country. 2/ USDA officials, however, relying on careful monitoring of U.S. grain sales and on demand studies, claim there is no basis to conclude that this was happening. 3/

Transshipments have traditionally been a major element in U.S.-East German trade. Transshipments are goods which, while not initially sold to a specific country, eventually end up in that country. The value of goods transshipped to East Germany remained fairly large until 1978, when East German port facilities were improved, especially at Rostock, and trade reporting became more accurate.

1/ U.S. Department of Agriculture, Foreign Agricultural Service, East European Grain Production and Trade Outlook for 1980 and 1981, Foreign Agricultural Circular FG-37-80, Dec. 29, 1980.

2/ Los Angeles Times, May 12, 1980, p. 1.

3/ U.S. Department of Agriculture, Update: Impact of Agricultural Trade Restrictions on the Soviet Union, Foreign Agricultural Economic Report #160, July 1980.

The tabulation below shows U.S. direct exports, transshipped exports, and total exports to East Germany since 1976: 1/

Year	Direct exports	Trans-shipments	Total exports	Ratio of transshipments to total exports
	Million dollars			Percent
1976	64.8	353.2	418.0	84.5
1977	36.1	208.9	245.0	85.3
1978	170.1	33.3	203.4	16.4
1979	354.5	48.3	402.8	12.0
1980	477.4	1/ 59.3	536.7	11.0

1/ Preliminary estimates. The final figure will be higher as it is adjusted for soybean meal through the Netherlands.

While other CEMA nations used to supply significant amounts of grain to East Germany, the United States has become a major agricultural supplier in recent years, providing over half of East Germany's grain imports and over a quarter of the soybean meal imports in 1979. To preserve this link, the United States and East Germany have had (since 1976) an informal agreement that the latter will purchase a minimum of 1.5 million to 2 million metric tons of grain annually, primarily corn and wheat. There is no termination date on the agreement. In 1980, East Germany imported about 2.5 million metric tons of corn and wheat.

U.S. agricultural exports to East Germany are highly concentrated. Three commodities have accounted for over 80 percent of all direct U.S. exports since 1978. These three items, which have been the top three items exported to East Germany in each year since 1977, and the share of total direct exports to East Germany that these items account for, are shown below:

Item	1978	1979	1980
Yellow corn:			
Quantity-------million bushels--	29	56	92
Value----------million dollars--	76	186	332
Soybean oilcake and meal:			
Quantity------1,000 short tons--	226	336	398
Value----------million dollars--	44	73	76
Unmilled wheat:			
Quantity-------million bushels--	7,390	7,218	7,297
Value----------million dollars--	26	35	39
Total----------------------do----	145	294	446
Total direct U.S. exports to East Germany---million dollars--	170	355	477
Ratio of total of 3 leading exports to total direct exports percent--	85	83	93

89

1/ Data on direct exports were compiled from official statistics of the U.S. Department of Commerce; transshipment information was provided by the U.S. Department of Agriculture. Unless noted otherwise, all other figures in this section of the report will be expressed in terms of direct exports.

Because of agricultural trade, the United States was East Germany's second largest source of imports from the West in 1979, accounting for 8 percent of its imports from the industrialized West (see earlier tabulation). The United States was a very small market for East German exports, accounting for less than 1 percent of the country's exports to the industrialized West in 1979. 1/

The increase in U.S. agricultural exports to East Germany in 1980, shown in table 5, was offset by a decrease in nonagricultural exports: agricultural exports increased by $131 million, and nonagricultural exports decreased by almost $9 million, or 26 percent. None of these exports are eligible for MFN treatment or U.S. Government-subsidized loans because of East Germany's restrictive emigration policies.

Leading U.S. nonagricultural export items to East Germany include molybdenum compounds, which are used primarily as catalysts in making organic chemicals, and copper ore (table A-13). These two products accounted for over a third of the nonagricultural exports. East Germany accounts for more than 6 percent of U.S. exports of molybdenum compounds.

Certain items were conspicuously absent from the list of leading U.S. export items in 1980. East Germany's economic growth in 1979 was jarred by a bitter winter, which disrupted power supplies and reduced production throughout the country. Grain sorghum, the fourth leading export item in 1979, was not exported to East Germany at all in 1980. This was because 1980 sorghum production in the United States was 33 percent below the 1979 level due to a drought, and prices increased to the extent that sorghum became much less attractive than corn, a substitute. Also dropped from the list was low volatile bituminous coal, the sixth leading item in 1979. Neither of these commodities was exported to East Germany in 1978. 2/

U.S. imports

U.S. imports from East Germany in 1980 increased by 20.4 percent over those in 1979, growing by $7.3 million to $43 million. 3/ Much of this increase in imports was in manufactured goods classified by chief material

---

1/ East Germany's leading OECD trading partner in both imports and exports during this time was West Germany, which accounted for over half its imports and 60 percent of its exports. East Germany has special trade arrangements with West Germany, including a $485 million interest-free "swing credit" for purchases. West Germany does not impose tariffs or the value-added tax on imports from East Germany. Despite this, trade with West Germany has been growing more slowly than that with other OECD members, and East Germany had a trade surplus with West Germany in 1980 for the first time. World Business Weekly, Dec. 24, 1979, p. 25, and Journal of Commerce, Dec. 2, 1980.

2/ The exports of bituminous coal in 1979 may have been temporarily needed by the East Germans when their own lignite supplies froze in the winter of 1979.

3/ A portion of this increase is due to a reporting error. In the third quarter of 1980, 660,157 dollars' worth of passenger cars was officially imported from East Germany. As noted in the 24th Quarterly Report (table A-12, p. 99), these imports actually came from West Germany but were misclassified. When this shipment is taken into account, U.S. imports from East Germany increased by 18.6 percent instead of 20.4 percent.

(SITC Section 6), the largest import section, which increased by $4.5 million in 1980 (table 22). The greatest increase within this section was in passenger cars tires, imports of which jumped from $0.5 million dollars in 1979 to $2.8 million in 1980 (table A-13). The East Germans have been overhauling their entire automotive industry and, although the process may take the entire life of the next 5-year plan, the production and quality of their automobiles and automobile components, like tires, will increase. Consequently, U.S. imports of this product might increase gradually over the next 5 to 10 years.

Other items included under this section are pig and hog leather and glassware. Pig and hog leather imports grew somewhat in 1980. Imports from East Germany accounted for 22 percent of total U.S. imports of this item. Glassware has become an important although hidden import from East Germany. While such imports during 1980 amounted to $2.7 million, trade was spread among 40 different TSUSA items. None are individually shown as leading import items from East Germany and most fall in SITC Section 6, manufactured goods classified by chief material. These imports were up sharply from $0.7 million in 1979. Glass was scheduled to be a growth industry in East Germany in 1980, 1/ and imports could increase in the future.

A moderate increase was seen in the second largest import section, machinery and transportation equipment (SITC Section 7). Imports here include offset printing presses and typewriters. Imports of offset printing presses, a leading import item for at least 5 years, decreased slightly in 1980.

U.S. imports of manual typewriters, usually an important item in U.S.-East German trade, dropped from $3.1 million in 1979 to $1.8 million in 1980. A single action led to the dramatic drop. All manual typewriters sold in the United States are imported. The General Services Administration (GSA) is the U.S. Government agency that determines what supplies other Government agencies may purchase. Prior to 1980, if manual typewriters were requested, GSA allowed only those of East German origin to be purchased. Sales to U.S. Government agencies accounted for the vast majority of typewriters imported from East Germany. When importers representing other countries complained, GSA dropped the list, allowing agencies to purchase any typewriter on an open-market basis. Typewriters from other countries, including NME's such as Hungary and Yugoslavia, could then be purchased along with those from East Germany. 2/

Potassium chloride, which is used as a fertilizer, has been an increasingly important U.S. import from East Germany and became the leading item in 1980, with imports amounting to $3.7 million. Such imports, which accounted for over two-thirds of chemical imports (SITC Section 5) in 1980, have fluctuated since 1976, when potassium chloride was also the leading

---

1/ Business Eastern Europe, Apr. 4, 1980, p. 107.
2/ Since open-market purchases often increase prices paid, GSA will soon return to an exclusive-contract basis for purchasing typewriters. Bids from various companies (importers) will be accepted, and the least expensive typewriters will receive the contract. This system was responsible for East Germany's previous status as exclusive supplier of the market.

Table 22.--U.S. trade with East Germany, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	151,943	319,315	451,348
1	Beverages and tobacco	-	-	237
2	Crude materials--inedible, except fuel	3,803	5,058	6,231
3	Mineral fuels, lubricants, etc	29	6,124	434
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	2,412	9,690	8,807
6	Manufactured goods classified by chief material	588	1,678	798
7	Machinery and transport equipment	2,763	5,993	6,136
8	Miscellaneous manufactured articles	8,521	6,062	2,441
9	Commodities and transactions not elsewhere classified	62	603	956
	Total	170,121	354,522	477,389
		U.S. imports		
0	Food and live animals	326	248	192
1	Beverages and tobacco	176	164	170
2	Crude materials--inedible, except fuel	3,472	2,520	2,625
3	Mineral fuels, lubricants, etc	924	978	1,597
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	7,470	4,210	5,292
6	Manufactured goods classified by chief material	6,351	8,389	12,896
7	Machinery and transport equipment	7,749	11,630	12,630
8	Miscellaneous manufactured articles	8,501	6,091	7,309
9	Commodities and transactions not elsewhere classified	251	1,435	247
	Total	35,220	35,666	42,959

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.

import from East Germany. In 1978, it was only the 12th leading import from East Germany. The quantity of these imports declined in 1980, from 60,500 short tons to 53,800 short tons, because East Germany began to reduce the growth of chemical industry production. Apparently, continued expansion of petrochemical production has become prohibitive, especially with increased prices of Soviet crude oil. The Soviet Union supplies 90 percent of East Germany's crude oil imports, and the U.S.S.R.-East German trade balance has showed a deficit since 1975. Oil is slated to become especially scarce in the future, because the U.S.S.R. has agreed to increase slightly exports to East Germany over the next 5 years. Gasoline prices in East Germany are already the second highest in the world. 1/

Another significant and historically important item imported by the United States from East Germany is montan wax, imports of which were valued at $1.6 million in 1980. These imports constituted almost 90 percent of U.S. imports of that commodity in 1980, up from almost 75 percent in 1979. 2/ Montan wax is also the only U.S. import from East Germany in the mineral fuels and lubricant section (SITC Section 3). The product is derived from lignite, a raw material which is plentiful in East Germany, and is used primarily as a flow agent in the manufacture of one-time carbon paper. As a result of a petition filed by the single U.S. producer of montax wax, the U.S. International Trade Commission made a preliminary determination on October 23, 1980, that there was a reasonable indication that the U.S. producer of montan wax is materially injured or threatened with material injury by reason of the imports from East Germany. 3/ The case has gone back to the U.S. Department of Commerce, which will release its own preliminary determination in March. 4/ Imports of montan wax have been rising steadily since 1977. The

---

1/ In August 1979, gas sold there for $3.25 a gallon. In Bulgaria, gas sold for $4.15. James A. Hart, The German Democratic Republic in 1980: An Opportunity for U.S. Business, US-GDR Trade and Economic Council, 1980.

2/ In fact, all U.S. imports of montan wax are believed to originate in East Germany since only East Germany and the United States are thought to have the necessary raw materials to produce any significant amounts of the product. Eight percent of the imports came from West Germany, which imports crude montan wax from East Germany, partially refines it, and then exports it to the United States. The remaining 4 percent is thought to be misclassified in the trade statistical reports.

3/ See Montan Wax From East Germany: Determination of a Reasonable Indication of Material Injury, or Threat of Material Injury, in Investigation No. 731-TA-30 (Preliminary) . . ., USITC Publication 1103, October 1980.

4/ Montan wax from East Germany and Czechoslovakia was the subject of another Commission investigation in 1956. While the imports were found to be sold at less than fair value, the Commission ruled unanimously that the domestic industry was not being, and was not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia. Czechoslovakia has since ceased to export montax wax.

following tabulation shows imports of the item by year from 1973 through 1980, as well as the rank of the item among imports from East Germany in each year:

Year	Value 1,000 dollars	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

A significant new import from East Germany was men's and boys' jogging jackets, which accounted for 30 percent of U.S. imports of that commodity in 1980.

East German products are not eligible for MFN treatment from the United States due to the restrictive emigration policy in that country. 1/ MFN treatment would certainly increase East German exports to the United States since easily three-quarters of East Germany's exports to the world are of items for which a difference between the column 1 and column 2 rates of duty exists.

Czechoslovakia

Total trade between the United States and Czechoslovakia, as shown in table 23, dropped 25.6 percent in 1980, to $246.2 million, compared with $331.0 million in 1979. The reason for this decline was a 34.1-percent reduction in U.S. exports to Czechoslovakia, from $281.1 million in 1979 to $185.1 million in 1980. Czechoslovak exports to the United States actually rose 22.5 percent in 1980, to $61.1 million, compared with $49.9 million in 1979. The 1980 U.S. trade balance with Czechoslovakia was a surplus of $124 million. Czechoslovakia's deficit in trade with the United States is relatively minor when compared with the $6.4 billion total Czechoslovak deficit in trade with the West. 2/

1/ Of the major market economy countries, only the United States and Canada refuse East Germany MFN treatment.

2/ Despite this significant deficit in trade with the West, Czechoslovakia entered 1980 with a net debt of approximately $3 billion and debt-service ratio of 27 percent; both are lower than those of other East European countries.

Table 23.—U.S. trade with Czechoslovakia, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	56,672	210,475	141,125
1	Beverages and tobacco	1,820	2,006	3,644
2	Crude materials--inedible, except fuel	20,174	36,395	11,181
3	Mineral fuels, lubricants, etc	24	1	11
4	Oils and fats--animal and vegetable	6	-	-
5	Chemicals	3,818	13,357	3,714
6	Manufactured goods classified by chief material	2,132	2,757	4,920
7	Machinery and transport equipment	17,112	10,028	13,763
8	Miscellaneous manufactured articles	3,222	4,784	5,730
9	Commodities and transactions not elsewhere classified	368	1,325	1,056
	Total	105,349	281,129	185,145
		U.S. imports		
0	Food and live animals	4,692	6,712	9,240
1	Beverages and tobacco	730	388	660
2	Crude materials--inedible, except fuel	611	649	417
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	1,604	1,241	1,531
6	Manufactured goods classified by chief material	20,818	13,924	13,739
7	Machinery and transport equipment	11,086	12,522	14,638
8	Miscellaneous manufactured articles	17,446	13,979	20,330
9	Commodities and transactions not elsewhere classified	323	484	546
	Total	57,359	49,899	61,102

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.

No repeat of the severe winter and drought which plagued the Czechoslovak economy in 1979 occurred in 1980, and most of the cutbacks in Czechoslovak imports from the United States were in food and live animals (SITC Section 0). The rise in U.S. imports from Czechoslovakia resulted from a substantial increase (45.4 percent) in miscellaneous manufactured articles, one of the major hard-currency Czechoslovak exports. Czechoslovak exports to the United States, however, continued to be hampered by the fact that MFN status is not accorded Czechoslovakia because of unsettled U.S. claims against Czechoslovakia. 1/

Because of the disastrous weather of 1979, the just-concluded 1976-80 5-year plan fell short of planned goals in all major economic areas. The following tabulation contains information drawn from Czechoslovak publications illustrating the growth rates in national income and in various sectors of the Czechoslovak economy under the previous and current 5-year plans (in percent):

Item	1976-80 plan	1976-80 actual	1981-85 provisional plan	1981 plan
National income	4.9-5.2	3.7	3.0	3.0
Industry	5.9-6.0	4.6	4.0	3.5
Engineering	8.1-8.5	6.8	1/	6.5
Agriculture	2.7-2.8	1.8	2.0	2.0
Investment	6.4-6.7	4.5	2.0	1.0
Retail trade	4.2-4.6	3.9	2.8	1/

1/ Not available.

Efforts to offset some of the poor performance in 1979 did not meet with much success under the 1980 plan. This is particularly true of national income, which grew only 1.3 percent in 1980 compared with 17.2 percent in 1976-79, or 4.3 percent a year for the first 4 years of the just-completed 5-year plan. Current plans from the new 1981-85 FYP call for a considerable scaledown of efforts; its success will be largely dependent on energy needs and availability and on the effectiveness of a closer working relationship with other CEMA members.

1/ To expedite settlement of U.S. claims against the Czechoslovak Government arising from the 1948 Communist takeover, a hearing was held in September 1980 on S. 2721, introduced by Senator Moynihan (D-N.Y.). The bill would have authorized the U.S. Treasury to sell 18 metric tons of Czechoslovak gold; the proceeds would go to satisfy U.S. claims and thus make Czechoslovakia eligible for MFN treatment. This unilateral action, however, would have ignored the United Kingdom and France, which were the other two members of the Tripartite Commission that originally withheld the gold assigned to Czechoslovakia under the Paris Reparations Agreement of 1946. The bill has been referred to a number of Federal agencies for review, effectively "killing" the measure and leaving Czechoslovakia's trade status with the United States unaltered.

The new 1981-85 FYP will not be officially reported until the spring of 1981. The provisional 1981-85 FYP is austere and calls for growth rates (in all key sectors except agriculture) to be below not only the previous 1976-80 FYP goals, as shown in the table above, but also the realized rates of growth of that period. The new FYP will give most emphasis to energy needs, utilization of domestic resources, expansion of exports, and greater participation in CEMA.

The new 1981-85 FYP, however, is essentially subordinated to Czechoslovakia's energy needs. Exports of Soviet oil to Czechoslovakia in 1981 will remain at the 1980 level, or 18.8 million tons, but projections suggest that Czechoslovak needs will rise to 25.0 million tons by 1985, and there are no assurances that the Soviet Union will be able to raise its oil export quota. As reported earlier, 1/ Czechoslovakia has embarked on a massive effort to increase its use of nuclear power to provide electricity, not only to itself, but to other CEMA members. This will strengthen its ties to the group. It is projected that 85.0 percent of newly generated electricity will come from nuclear power stations by 1985, but as a safeguard, Czechoslovakia will also seek to modernize and expand its coal and lignite production as well. A repeat of the 1979 winter or any shortfalls in the current plan, however, will require Czechoslovakia to compete in the world market for Organization of Petroleum Exporting Countries oil, further damaging its hard-currency postion as well as working to the detriment of the modest goals set forth in the new 1981-85 FYP.

On the surface, prospects for Czechoslovak trade with the West in general, and the United States in particular, do not appear good. Imports from CEMA countries are to rise by 22.8 percent as Czechoslovakia becomes more deeply involved with purely CEMA cooperation projects, such as nuclear power development; for example, Czechoslovak imports from the U.S.S.R. are slated to increase by 37.7 percent over the next 5 years. Czechoslovak exports to CEMA are to rise by 29.1 percent, and those to the U.S.S.R., by 45.0 percent, during the same period. The greatest potential for trade with the West and the United States appears to lie in the area of energy-resource development and conservation equipment, equipment to improve coal and lignite mining, technology to upgrade the agriculture sector (particularly packaging materials for consumer foodstuffs), microelectronics (particularly semiconductor devices for consumer durables), value-added technology for the chemical industry, and other high-technology products required to restore certain Czechoslovak export products to world standards.

U.S. exports

The 1980 decline in U.S. exports to Czechoslovakia can be explained by reductions in three principal SITC sections. U.S. shipments of food and live animals (Section 0), which accounted for 75.0 percent of the total in 1979, dropped 33.0 percent. Nevertheless, it remains the major U.S. export category, still accounting for just over 75.0 percent of total U.S. exports to Czechoslovakia in 1980. U.S. shipments of crude materials (Section 2) dropped 69.0 percent in 1980, and this category's share of total U.S. exports to Czechoslovakia declined from 12.9 percent in 1979 to 6.0 percent in 1980. Finally, U.S. shipments of chemicals (Section 5) fell 72.2 percent in 1980, with a corresponding reduction in the share of total U.S. exports to Czechoslovakia, from 4.8 percent of total in 1979 to 2.0 percent in 1980.

1/ See 21st Quarterly Report . . ., p. 61.

With weather improving considerably in 1980, Czechoslovakia was not required to import the quantities of food and live animals it found necessary in 1979. Specifically, in terms of value, 1980 Czechoslovak imports of unmilled wheat from the United States dropped 74.7 percent from the 1979 level; imports of soybean oil and oilcake fell 13.6 percent; and those of yellow corn dropped 8.2 percent. Some of this decline was offset by $1.4 million in exports of hops, which were not sold in 1979.

Within the crude materials category, exports of whole cattle hides dropped 70.6 percent, and whole undressed muskrat furskins, 28.8 percent, in value.

Broad declines were registered in several chemical subcategories, but most of the decline in chemicals can be explained by the elimination of $9.6 million in U.S. exports of concentrated superphosphate to Czechoslovakia in 1980.

Although insufficient to offset the total decline in U.S. exports to Czechoslovakia, exports in some SITC sections registered gains in 1980. Principal among these in terms of value was machinery and transport equipment (SITC Section 7), which increased 37 percent, to $13.8 million. Within this section, certain parts for industrial and laboratory furnaces and ovens, for which no exports were recorded in 1979, accounted for $3.4 million in exports in 1980. Similarly, exports of weaving and other wire fabrication machinery amounted to nearly $1 million in 1980, but there was no trade in 1979. Other SITC sections that registered export-value gains were beverages and tobacco (SITC Section 1), 80.0 percent; manufactured goods classified by chief material (SITC Section 6), 75.0 percent; and miscellaneous manufactured articles (SITC Section 9), 19.0 percent.

U.S. imports

U.S. imports from Czechoslovakia increased 22.5 percent in 1980 over those in 1979, reversing the decline of 13.1 percent from 1978 to 1979. The total value of U.S. imports from Czechoslovakia in 1980 was $61.1 million. Of the SITC sections shown in table 23, only food and live animals and machinery and transport equipment continued their upward trend, increasing 37.3 percent and 16.9 percent, respectively.

Within the food and live animals category, the principal increase occurred in imports of hops, 1/ which rose 135.9 percent in value compared with 1979 imports. Within the machinery and transport equipment category, imports of engine or turret horizontal lathes, sheet-type offset printing presses, and external cylinder grinding machines were valued at $4.0 million in 1980. These items were not traded in 1979. In 1980, the value of imports of motorcycles with engines not over 50 cc's increased 154.6 percent, parts of power-driven weaving machines increased 46.8 percent, and parts for metal-working machine tools increased 56.9 percent.

1/ The appearance of this commodity as both a leading export and a leading import is accounted for by differences in the types of hops traded.

U.S. imports of miscellaneous manufactured articles (SITC Section 9), the major category of imports from Czechoslovakia (accounting for a third of the total), increased over $6 million in 1980, or by 45.4 percent, to a level of $20.3 million. Principal subcategories consisted of certain types of men's leather footwear. Finally, imports in the remaining SITC sections, with the exception of crude materials (SITC Section 2) and manufactured goods classified by chief material (SITC Section 6), also increased slightly.

Bulgaria

U.S.-Bulgarian two-way trade doubled in 1980, to almost $184 million, reflecting significant growth in Bulgarian purchases of U.S. goods (table 24). Total U.S. exports increased to $161 million, nearly three times the 1979 level. Food and live animals remained the largest category of U.S. exports to Bulgaria, rising 303 percent in 1980. U.S. imports fell to $23 million, about two-thirds of which was in the beverages and tobacco category. Agricultural products accounted for nearly 80 percent of total two-way trade, with U.S. exports of yellow corn and soybean meal and imports of tobacco representing over 70 percent of the total. The U.S. trade surplus with Bulgaria rose to $138 million in 1980, by more than fourfold from 1979.

In 1979, Bulgaria conducted 78 percent of its external trade with other NME's; 15 percent, with advanced Western countries; and the remainder, with developing countries. West Germany is Bulgaria's largest trading partner in the West, accounting for about 3 percent of Bulgaria's total trade in 1979. The United States does not accord MFN treatment to imports from Bulgaria, and duty rates about four times as high as the average rates on U.S. imports are levied on Bulgarian goods. 1/ Since 1977, Bulgaria has also charged higher import duties on U.S. products. Bulgarian sources have estimated that the value of trade with the United States could increase substantially if MFN status is granted. 2/

Bulgaria's net hard-currency debt, which resulted from past increases in imports from the West not balanced by hard-currency earnings, has led to policy measures designed to increase exports to the West and hard-currency receipts. Use of countertrade arrangements to finance imports of machinery, equipment, and plants from Western countries has been encouraged (although countertrade arrangements have not significantly increased hard-currency earnings). In addition, in March 1980 Bulgaria introduced a new foreign-investment law designed to promote joint ventures with Western firms on Bulgarian soil. The law permits the foreign partner to repatriate profits and allows foreign majority participation, although provisions give Bulgarians veto power in management decisions. Changing the composition of Bulgaria's trade with the West by increasing domestic supplies of machinery and equipment and exports of nonagricultural products is a goal. Increased scientific and technical cooperation with Western countries is also desired: Bulgarian planners would like to acquire Western technology and expertise to improve production efficiency, increasing production while using fewer raw materials and less energy. 3/

1/ U.S. Bureau of the Census, Highlights of U.S. Export and Import Trade, FT 990, table I-5.

2/ 21st Quarterly Report . . ., p. 77.

3/ Business Eastern Europe, July 11, 1980, p. 219; U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Bulgaria, June 1980, p. 9.

Table 24.--U.S. trade with Bulgaria, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	38,058	29,526	118,929
1	Beverages and tobacco	634	1,675	7,187
2	Crude materials--inedible, except fuel	1,567	14,314	4,676
3	Mineral fuels, lubricants, etc	1	9	30
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	1,226	916	12,188
6	Manufactured goods classified by chief material	710	513	1,682
7	Machinery and transport equipment	3,599	5,173	7,260
8	Miscellaneous manufactured articles	2,265	4,047	8,657
9	Commodities and transactions not elsewhere classified	61	52	93
	Total	48,120	56,225	160,701
		U.S. imports		
0	Food and live animals	1,482	1,546	1,944
1	Beverages and tobacco	22,842	20,780	15,173
2	Crude materials--inedible, except fuel	182	1,009	35
3	Mineral fuels, lubricants, etc	-	-	1
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	856	1,357	493
6	Manufactured goods classified by chief material	224	424	456
7	Machinery and transport equipment	1,106	2,435	2,736
8	Miscellaneous manufactured articles	1,157	2,551	1,953
9	Commodities and transactions not elsewhere classified	50	44	53
	Total	27,909	30,145	22,845

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.

As part of Bulgaria's economic plans, Bulgarian officials have released a list of specific economic projects slated for joint development with Western firms. The list included projects in the following areas: energy and mining (priority sectors), electronics, machine building, metallurgy, chemicals, light industry, food industry, and tourism. 1/ Bulgarian sources report that Japanese and West German firms have begun looking for domestic partners in electronics, light industry, chemicals, machinery, and equipment ventures. 2/

Bulgaria's economic performance worsened in 1980. Most 1980 growth-rate goals in the 2-year "mini-plan" introduced in 1979, particularly goals for agricultural production, were not met. Bulgarian national income grew 5.7 percent in 1980, meeting goals adopted in 1979 but falling short of the 7.2-percent growth rate for 1980 included in 1978 plans. Industrial output grew 5 percent in 1980, considerably below the planned 6.3-percent rate. Chemicals, a key sector, grew 8.9 percent in 1980 (planned growth was 13 percent). Western sources estimated that output of the agricultural and food industry sectors declined in 1980; increases of 3.7 and 5.8 percent, respectively, were goals. Only labor productivity and foreign-trade turnover exceeded goals for 1980.

Since 1979, Bulgaria has used a 2-year planning system to permit short-term adjustment of 5-year plan targets. The new 1981-82 plan sets lower growth-rate goals than previous plans and places increased emphasis on improving product quality. It sets more moderate planned growth rates for agriculture, and rates for light industry are expected to increase more slowly than those for national income and heavy industry. However, the stated goals of the eighth 5-year plan (1981-85) call for increased emphasis on light industry and the food production industry, sectors which directly affect the consumer. Previous plans placed more emphasis on development of heavy industry. The shorter term 1981-82 plan particularly emphasizes increased growth in the energy, machine-building, metallurgy, and chemical industries, although light industry and food processing will also receive larger investment outlays. Bulgarian foreign trade is scheduled to grow by 8.3 percent in 1981 and by 8 percent in 1982.

U.S. exports

U.S. exports to Bulgaria increased dramatically from $56 million in 1979 to $161 million in 1980, or by 186 percent. As in the past, yellow corn and soybean meal were the leading export items, together accounting for 73 percent of the value of 1980 exports. Corn exports were responsible for most (69 percent) of the export increase, and amounted to 48 percent of total U.S. exports to Bulgaria. Both items are used as animal feed and are needed to achieve goals Bulgarian planners have set for an expanded and improved livestock industry. A poor 1980 Bulgarian grain harvest, caused chiefly by bad weather, contributed to the large increase in U.S. exports of feed grains, and is likely to contribute to strong Bulgarian demand for U.S. corn in 1981. U.S. corn exports to Bulgaria fluctuate widely, depending largely on weather conditions in Bulgaria.

1/ Business Eastern Europe, Oct. 3 1980, p. 315; Oct. 10, 1980, p. 324.
2/ Journal of Commerce, Nov. 18, 1980, p. 3.

U.S. exports of soybean meal to Bulgaria increased steadily in recent years, rising from 57,000 metric tons in 1978 to 103,000 metric tons in 1979 and to 160,000 metric tons in 1980. In 1980, U.S. soybean meal exports were valued at $40 million, a quarter of all U.S. exports to Bulgaria. Bulgaria is attempting to increase both its soybean crop and its domestic facilities for manufacturing soybean meal from soybeans. However, current plans for expanding the Bulgarian livestock industry make continuing demand for imported soybean meal likely. The United States might export more soybeans, and less soybean meal, as Bulgarian soybean-crushing capacity increases.

Manufactured exports, outpaced by rapid growth in agricultural exports, represented only 11 percent of total U.S. exports to Bulgaria in 1980 (down from 17 percent in 1979). Total U.S. exports of manufactured goods to Bulgaria rose 81 percent, to nearly $18 million, in 1980. Sales of miscellaneous manufactured articles doubled, growing to almost $9 million, and machinery and transport equipment exports increased to $7 million. Exports of crude materials fell in 1980 from a very high 1979 level; exports of crude materials had increased eightfold in 1979, owing mostly to an increase in sunflower seed exports.

Exports of chemicals increased thirteenfold in 1980, to $12 million, almost 8 percent of total U.S. exports to Bulgaria. Concentrated superphosphate fertilizer, valued at nearly $10 million, accounted for 82 percent of 1980 chemical exports. Bulgarian plans attach high priority to expanding the domestic chemical industry, which currently amounts to about 12 percent of total industrial production. 1/ Projects for future development of the chemical industry (in the 1981-85 FYP) include expanded capacity for recovery of soda ash effluents used in the manufacture of phosphate fertilizers. Future demand for U.S. chemical products will depend on the success of Bulgarian plans.

U.S. imports

In 1980, U.S. imports from Bulgaria fell 24 percent to $23 million (table 24). Oriental (or Turkish) leaf tobacco (used in the manufacture of cigarettes) remained the main U.S. import from Bulgaria in 1980, accounting for 64 percent of total imports and for 86 percent of the decrease in U.S. imports.

Oriental leaf tobacco, an important ingredient in the blends used in most U.S. brands of cigarettes, is produced using very labor-intensive, unmechanized methods unsuited to production conditions in the United States. Such U.S. imports decreased 30 percent in 1980 to a value of $15 million, 6 percent of total U.S. imports of oriental leaf tobacco. Bulgaria ranked fourth in 1980 as a supplier of such tobacco to the United States, preceded by Turkey (57 percent), Greece (16 percent), and Yugoslavia (8 percent). The United States charges higher (column 2) duty rates on imports from Bulgaria than on imports from the other major tobacco-supplying countries, all of which receive MFN treatment: 1980 ad valorem equivalent duty rates charged on oriental leaf tobacco averaged 25.3 percent for Bulgaria and 8.3 percent for Turkey, Greece, and Yugoslavia.

1/ Business America, Feb. 9, 1981, p. 22; U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Bulgaria, June 1980, p. 8.

U.S. imports other than tobacco fell 11 percent, to $8 million, in 1980, down from $9 million in 1979. The decrease was spread over a broad spectrum of small-volume items. Imports of the leading items--pecorino cheese, nonautomatic portable typewriters, and leather footwear--increased in 1980, imports of pecorino cheese, to $1.7 million, and imports of nonautomatic portable electric typewriters, which entered duty free, to $1.5 million.

Hungary

In 1980, Hungary continued to be the only NME with which the United States experienced a trade deficit. 1/ A reversal of the traditional U.S. trade surplus with Hungary occurred in 1979. The U.S. deficit did decline in 1980, however, to $25 million from $34.5 million in 1979. The value of two-way trade fell by 3.4 percent during the year, indicating a notable decline in quantity (table 25). Shrinking U.S. imports from Hungary (down 7 percent) were principally responsible for the decline, while U.S. exports to Hungary remained virtually unchanged (up only 2 percent).

There are indications, however, that poor trade documentation distorts the picture, understating U.S. sales to Hungary of items such as soybeans, cotton, cowhides, superphosphates--items transshipped through ports of third countries to Hungary. Also, part of U.S. sales move through European subsidiaries, in which case their U.S. origin is not recorded. 2/ Hungarians brought the problem to the attention of U.S. officials, and both parties agreed to work at identifying and minimizing statistical discrepancies.

Hungary is a resource-poor country, and therefore highly dependent on foreign trade. Advanced industrial market economies--principally West Germany, Austria, and Italy--are important trading partners. In 1976-79, Western countries' share of Hungary's exports fluctuated between 21.5 and 23 percent, while their share of Hungary's imports trended downward from 30.5 percent in 1976 to 27.9 percent in 1979. 3/ In 1979, about half of Hungary's foreign trade was with its CEMA partners, while trade with developing countries accounted for 6 percent of the total. According to Hungarian statistics, the United States accounted for less than 1 percent of Hungarian exports and for 2 percent of Hungarian imports in 1979. 4/

In 1980, the Hungarian trade surplus with the United States reflected Hungary's continued 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 deficit in 1979 from the record levels of 1978, 5/ eliminating it completely in 1980. According to Government analysts, Hungary has also curbed foreign borrowing to reduce its Western debt.

1/ Not counting Albania and Mongolia, with which U.S. trade is negligible.
2/ Journal of Commerce, Feb. 21, 1981, p. 1, and U.S. Departments of Commerce and State, Foreign Economic Trends (Hungary), July 1980, p. 9.
3/ Based on Hungarian statistical data, as cited by U.S. Department of Commerce, East-West Trade Update: A Commercial Fact Sheet for U.S. Business, OBR 80-25, August 1980, p. 9.
4/ Ibid.

5/ U.S. Departments of Commerce and State, Foreign Economic Trends (Hungary), July 1980, p. 8.

Table 25.—U.S. trade with Hungary, by SITC 1/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	46,494	14,818	19,331
1	Beverages and tobacco	-	134	420
2	Crude materials--inedible, except fuel	6,496	9,854	4,769
3	Mineral fuels, lubricants, etc	14	18	17
4	Oils and fats--animal and vegetable	1	14	15
5	Chemicals	9,711	18,531	9,171
6	Manufactured goods classified by chief material	3,430	6,601	11,818
7	Machinery and transport equipment	27,113	22,486	26,450
8	Miscellaneous manufactured articles	3,946	4,878	6,519
9	Commodities and transactions not elsewhere classified	477	254	510
	Total	97,682	77,588	79,020
		U.S. imports		
0	Food and live animals	31,275	33,615	27,776
1	Beverages and tobacco	728	1,261	1,421
2	Crude materials--inedible, except fuel	136	695	778
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	5,735	9,255	5,781
6	Manufactured goods classified by chief material	5,340	9,406	8,628
7	Machinery and transport equipment	15,442	39,565	38,417
8	Miscellaneous manufactured articles	10,218	17,672	21,174
9	Commodities and transactions not elsewhere classified	279	661	293
	Total	69,153	112,129	104,269

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.

Hungary's net hard-currency debt was $8 billion at yearend 1979, 1/ when Hungary owed more than 93 percent of its liabilities to Western commercial banks; U.S. banks held about 13 percent of this total. Hungary's debt-service ratio was 36 percent, higher than that of Czechoslovakia or Romania, but lower than the ratios of the other East European countries. 2/

Restoration of external financial equilibrium became the centerpiece of Hungarian economic policy in the last 2 years. A range of austerity measures was introduced in 1979 and the beginning of 1980. The Hungarian Government deliberately limited economic growth in order to restrain investment spending and imports, while making a major effort to encourage exports, especially to hard-currency markets. Measures serving this objective included modernization and restructuring of industry, and strong marketing efforts in the West.

A price reform, designed to gradually align Hungarian prices with world market prices, is an important part of recent Hungarian economic policy. Changes in producer prices and other economic regulators introduced in January 1980 were aimed at making domestic enterprises more responsive to world market prices and preventing wasteful use of energy and raw materials. The reform of producer prices followed the raising of numerous basic consumer prices--bread, heating oil, and dairy products among others--in July 1979. There were some additional changes in consumer prices in 1980.

Hungarian planners consider price reform part of their progress toward convertibility of the forint (the Hungarian currency), which is expected to greatly ease transactions--trade, loan arrangements, payments, and so forth--with Western partners. Convertibility is regarded as a highly desirable goal in Hungary, in view of the country's considerable reliance on trade with non-Communist countries. The head of the Hungarian State Planning Office reportedly stated in a recent interview that convertibility might be achieved by 1985. 3/ For years, Hungary has been pioneering the use of market forces among centrally planned economies, and the attainment of a convertible national currency would be another unprecedented development for a member of CEMA.

Hungary's fifth 5-year plan ended in 1980. The details of the sixth FYP (1981-85) that have been made public to date indicate that Hungary's current economic policy will be applied in the longer term as well. The targets of the new plan are modest: national income is to grow by 14 to 17 percent over the period, compared with the 30- to 32-percent growth slated and the 19- to 20-percent growth achieved in the fifth FYP. 4/ The sixth plan shows a continued emphasis on exports, which are targeted to grow 37 to 39 percent, compared with an 18- to 19-percent growth in imports. The outlines of the sixth FYP imply a comparatively low level of investment and unchanging living standards in the coming years. 5/

1/ U.S. Department of Commerce, International Trade Administration, U.S.-Hungarian Trade Trends, January-June 1980, p. 14.
2/ Ibid.
3/ Washington Post, Jan. 28, 1981, p. A18.
4/ Business Eastern Europe, Dec. 5, 1980, p. 388.
5/ Ibid.

Both the generally limited goals of the plan and the high priority placed on exports seem to indicate that Hungarian planners have come to terms with the major constraints that inhibit more ambitious objectives: dependence on costly energy and deteriorating terms of trade. 1/

The year 1980 was the second full year since the signing of the United States-Hungary bilateral trade agreement in 1978, the most important recent development in economic relations between the two countries. Among other measures facilitating the exchange of goods and services, this agreement provided for reciprocal MFN tariff treatment based upon the provisions of the GATT. The agreement also assured equal treatment for U.S. business with that of other Western companies in Hungary. To date, two U.S. firms--Dow Chemical and National City Bank of Minneapolis--have opened offices in Budapest.

Earlier hopes that the trade agreement would spur U.S.-Hungarian trade have thus far not materialized, for reasons unrelated to mutual economic relations. The agreement coincided with the beginning of import austerity in Hungary, causing purchases from the United States to decline from $97 million 1978 to less than $80 million in 1979 and 1980, even in current-value terms. MFN status appeared to boost Hungarian exports to the United States from under $70 million in 1978 to over $100 million in 1979 and 1980.

Developments in U.S.-Hungarian commercial relations during the year included a meeting of the United States-Hungarian Joint Economic Committee, 2/ an easing of export controls by the U.S. Government for certain items shipped to Hungary, and the extension of Hungary's MFN status by the U.S. Congress for another year.

At the meeting of the United States-Hungarian Joint Economic Committee in April, the parties discussed a broad spectrum of trade and economic issues. The United States raised, inter alia, the matter of Hungarian patent practices in the area of agricultural chemicals, an issue which has not yet been resolved to the satisfaction of adversely affected U.S. interests. The matter involved the problem of U.S. companies' trying to patent their chemicals in Hungary and their allegations of patent infringement by the Hungarians in third countries. 3/

The principal concern expressed by the Hungarians involved the post-invasion export policy of the United States. The U.S. delegation assured the Hungarians that the basic U.S. policy on the export of high technology to Hungary was unchanged. It explained that delays in the issuing of export licenses resulted from the large backlog of cases being reviewed in the light of new restrictions directed against the Soviet Union. 4/

1/ Hungarian economists estimate that since 1972 Hungary has suffered deterioration of more than 20 percent in its terms of trade in convertible currency and some 17 percent in ruble trade.

2/ The Joint Economic Committee is a government-to-government body which was formed in 1979 to explore mutual commercial opportunities and to discuss and resolve commercial problems.

3/ See the discussion in 19th Quarterly Report. . ., p. 19.

4/ Report from U.S. Embassy, Budapest, April 1980.

The Hungarians also expressed concern about the annual congressional review of Hungary's MFN status (see discussion below), the frequency of which--they repeatedly claimed--causes uncertainties in trade relations. They further raised the issue of barriers to their exports to the U.S. market of cheese (U.S. dairy quotas) and narcotic raw materials (U.S. drug regulations).

In June, Hungary was removed from Country Group Y and placed in Country Group W for export-control purposes. The new designation permitted U.S. exporters to ship certain products to Hungary under less restrictive controls. Country Group W now includes Poland and Hungary. 1/

In July, the extension of Hungary's MFN status came up for congressional review for the second time. Acting on the recommendation of President Carter, Congress granted the extension in both 1979 and 1980. 2/ However, in both years, the matter of Hungarian patent violations emerged as a factor that could have prevented the extension. In 1980, the congressional committee that conducted the MFN review 3/ requested the Commerce Department to proceed with its efforts toward resolving this persistent problem. Hungarian exports of truck axles to the United States and allegations of possible dumping or market disruption were also raised at the MFN review hearing. 4/

U.S. exports

In 1980, U.S. exports to Hungary rose to $79 million, less than 2 percent more than exports in 1979. This followed a 21-percent decline from the 1978 level (table 25). Hungary's determination to curtail hard-currency imports apparently was the principal reason for the decline in 1979 and for the stagnation in 1980.

The composition of U.S. exports to Hungary changed in 1980 as sales in two major categories--chemicals and crude materials--dropped to half their 1979 value and sales of manufactures classified by chief material almost doubled. Machinery and transportation equipment (SITC Section 7) continued to rank as the dominant commodity category, with food and live animals (SITC Section 0) as the second most important category. Meanwhile, manufactures classified by chief material (SITC Section 6) displaced chemicals (SITC Section 5) as the third largest category.

1/ U.S. Department of Commerce, Export Administration Bulletin No. 205, June 9, 1980, p. 3. See also 23d Quarterly Report . . ., p. 29.

2/ Conferring MFN status on Hungary involved a congressional waiver of sec. 402(a) and (b) of the Trade Act of 1974, making the waiver subject to annual congressional review. Sec. 402(a) and (b) of the Trade Act of 1974 prohibits the granting of MFN treatment and the extension of U.S. Government credit and investment guarantees to any NME that denies or severely restricts emigration by its citizens.

3/ The Subcommittee on International Trade of the Senate Committee on Finance.

4/ See section on "U.S. imports."

In 1980, machinery and transportation equipment accounted for one-third of all U.S. exports to Hungary, increasing 17.6 percent, to $26 million. Hungarian purchases of U.S. tractor parts and computer-related items rebounded, after having been sharply curtailed in 1979 (table A-19). Parts of agricultural machinery also remained an important item in U.S. sales to Hungary: Hungary accounted for 12 percent of total U.S. exports of one such item (parts for harrows, not specifically provided for). Some other important U.S. machinery exports to Hungary--tracklaying tractors, controlling and measuring instruments--disappeared from the list of the leading 20 items in 1980 (table A-19), and metalworking gear-cutting equipment was a new entry on the list.

Exports of food and animal products to Hungary increased 30 percent in current value from 1979 to 1980 (table 25). Nevertheless, these 1980 exports were at less than half the level in 1978, when Hungary purchased substantial amounts of U.S. food, including corn. Hungary does not regularly purchase corn from the United States, as other East European countries do, since Hungary is itself an exporter when its crop is favorable.

In 1979 and 1980, virtually all U.S. food exports to Hungary consisted of soybean oilcake and meal--the number one U.S. export item to that country in both years (table A-19). Sales in 1980 amounted to $18 million, almost a quarter of total U.S. exports to Hungary, exceeding sales in 1979 by 34.5 percent (31 percent on a quantity basis) but remaining notably below the 1978 level. Brazilian soybean oilcake and meal competes with the U.S. product on the Hungarian market.

Exports to Hungary of manufactured products classified by chief material almost doubled in 1980 to $12 million. Over 40 percent of the increase was attributable to cotton denims, a new entry among leading export items. Sales of cotton denims to Hungary resulted from an industrial cooperation agreement between Levi Strauss Co. and a Hungarian textile enterprise. Glass rods and tubing are another leading item in this group, ranking as the third most important U.S. export product to Hungary.

Chemical exports to Hungary dropped to less than half their 1979 value, as U.S. sales of concentrated superphosphates were discontinued in 1980. In 1979, superphosphates were the second ranking U.S. export item to Hungary, accounting for two-thirds of all chemical exports. Insecticides also disappeared from the list of 20 leading exports in 1980, although sales remained important. In contrast, corticosteroids and cardiovascular drugs were among the leading 20 export items during the year, with notable increases in sales from the previous year.

Smaller sales of cattle hides, compared with those in 1979, accounted for almost two-thirds of the decline in crude-material sales to Hungary in 1980. Moreover, sales of cotton, a leading crude material exported to Hungary in 1979, were not repeated in 1980. While Hungary does import all the cotton for its large cotton textile industry, most of its imports are from the Soviet Union.

Hungary's plan to continue the policy of austerity will limit U.S. prospects of exporting to the Hungarian market in the foreseeable future. Nevertheless, some business opportunities for U.S. companies are seen, notably in designated priority areas in the new FYP. Analysts in the Department of Commerce identify technology for coal and gas production, for modernization of steel- and aluminum-producing facilities, and for the development of the Hungarian pharmaceutical industry (including licensing arrangements) as major areas of possible interest for U.S. technology exports. Food-processing equipment also remains on the Hungarian list of imports. 1/

U.S. imports

In 1980--the second consecutive year in which Hungarian products enjoyed MFN tariff treatment--U.S. imports from Hungary declined 7 percent, to $104 million, but were still 51 percent above the 1978 level. Imports decreased in the two largest commodity categories: machinery and transportation equipment, and food and live animals. On the other hand, imports of miscellaneous manufactures--the third largest category of imports from Hungary--increased.

The concentration of U.S. imports from Hungary into a few relatively major commodity categories and specific items intensified in 1980: the three major SITC sections made up 87 percent of the total, compared with 81 percent in 1979. Moreover, whereas the 20 leading imports accounted for 47 percent of the value of all imports from Hungary in 1979, 46 percent of the total in 1980 consisted of only 3 leading imports--canned hams, motor-vehicle parts, and tractor parts (table A-20).

Canned hams, which were not affected by the application of MFN treatment, are the traditional number one import from Hungary. They continued to be the leading item in 1980, although the imports dropped 9 percent in quantity and 4 percent in value. Canned hams constituted one-fifth of total imports from Hungary, amounting to $22 million. The decline in food and live animal imports in 1980 was caused mostly by the decrease in canned ham imports. A reduction in U.S. purchases of paprika--another leading import--also contributed to the decline.

Motor-vehicle and tractor parts ranked second and third among leading imports from Hungary in 1980, as they did in 1979. Imports of these two items combined amounted to $24 million, not changing notably in current value from their 1979 level. 2/

A U.S. producer testified in July at the congressional hearing concerning the extension of Hungary's MFN status that heavy-duty truck and trailer axles and axle components from Hungary show indications of disrupting the U.S.

1/ Business America, Feb. 9, 1981, p. 25.

2/ In table A-20, motor-vehicle and tractor parts appear as new entrants among the leading imports from Hungary in 1980. However, motor-vehicle and tractor parts were leading imports in 1979 as well; owing to a change in the TSUSA on Jan. 1, 1980, the items were classified differently in 1979 and 1980. Therefore, the items imported in 1979 disappeared from the list of leading imports, whereas the ones imported in 1980 appear as new imports.

market, causing adverse effects on U.S. production and employment. 1/ He further stated that Hungarian axles compete on the strength of unfair prices. 2/ Competing through prices can offer an easy advantage to NME exporters, which can set prices without regard to production costs.

Imports of electric light bulbs from Hungary--a leading import item for years--declined 13 percent, to $7 million. Light bulbs are manufactured and imported by Action-Tungsram, a joint venture between the U.S. firm Action Industries and the Hungarian enterprise Tungsram. The decline of U.S. imports in the machinery and transportation equipment group is attributable mostly to the decline in U.S. imports of light bulbs and manual typewriters.

A 58-percent rise in imports of Hungarian leather footwear, to $7.3 million, accounted for 75 percent of the increase in imports of miscellaneous manufactures ($21 million). Duties on leather footwear were reduced from 20 to 10 percent ad valorem when MFN status was conferred on Hungary in 1978. One-third of miscellaneous manufactures imported from Hungary in 1980 consisted of leather footwear. The remainder included a wide variety of items, such as clothing and art objects; none accounted for considerable value, even in terms of the small level of U.S.-Hungarian trade. An increase in imports of puzzles to over $1 million in 1980 compared with a negligible level in 1979, and rising U.S. interest in Hungarian coins were notable developments in the miscellaneous category.

Imports of sulfametazine--a leading pharmaceutical product from Hungary in 1979--were virtually discontinued in 1980, causing chemical imports to decline in current value to their 1978 level ($5.8 million). A 1979 increase in imports of the same item--used for the prevention of infections in humans and as an ingredient in animal feed--resulted in a notable increase in chemical imports from Hungary that year. The pharmaceutical industry is one of the leading hard-currency earners for Hungary, and its products are marketed aggressively worldwide. In 1980, alkaloids continued to be among the 20 leading imports from Hungary, but these imports have declined since 1978. As noted above, Hungary expressed concern about U.S. drug regulations, which they perceived as barriers to Hungarian sales of narcotic raw materials to the United States.

U.S. imports from Hungary of manufactures classified by chief material also declined. Imports of pneumatic truck and bus tires--the principal item in this group--decreased to 40 percent of their 1979 value and to less than their value in 1978.

1/ Testimony of A. P. Ronan, president of Rockwell International's axle group, before the Senate Finance Committee's Subcommittee on International Trade.

2/ In February 1981, the same producer filed an antidumping petition with the Department of Commerce and the U.S. International Trade Commission. On Mar. 23, 1981, the Commission found unanimously that there was a reasonable indication of injury to a domestic industry that has resulted from imports of truck-trailer axles from Hungary.

Other Nonmarket Economy Countries

Total U.S. bilateral trade with the five smallest NME's--Albania, Mongolia, Vietnam, Cuba, and North Korea--declined slightly in 1980, from $25 million in 1979 to $21 million (table 26). The decline was due primarily to a drop in U.S. trade with Albania, from $19.1 million in 1979 to $17.6 million in 1980. Despite this dip, Albania continues to be the most significant of these five trading partners, accounting for 83 percent of total bilateral trade in 1980. Trade with Cuba and North Korea shrank to less than $200,000 in 1980. The U.S. trade deficit with the five rose to $4.8 million, from $2.8 million in 1979, due in part to the drop in sales to Albania.

Trade with the five continued to be structured differently from U.S. trade with the rest of the NME's. With the exception of Mongolia, virtually all trade with the five was nonagricultural during the year. Restrictions on bilateral trade are in place with Cuba, North Korea, and Vietnam, and there are limited, unofficial commercial ties with Albania.

Albania

The U.S. trade balance with Albania slid dramatically in 1980 dropping from a $1 million surplus in 1979 to a $3.8 million deficit. Trade was marked by a 31.5-percent drop in U.S. exports, linked to a decline in Albanian reliance on U.S. coal reserves during 1980. Coal is still the number one U.S. export to that country, accounting for $6.3 million of $6.9 million in total exports in 1980, a drop of 33 percent from the 1979 level of $9.5 million. The United States also exports cattle hides, herbicide preparations, and tape recorders to Albania.

U.S. imports from Albania rose 19 percent in 1980. The prime U.S. imports from Albania are sage (ground or unground) and chrome ore (all grades). Both increased in 1980; sage was up 66 percent from the 1979 level, and chrome ore rose 6 percent. The United States must rely on foreign sources for 90 percent of its chrome needs; Albania is its number three supplier. Chrome ore (all grades) constituted 64 percent of U.S. imports from that country in 1980. Albania jumped to the position of second largest exporter of chrome ore to the world in 1980, behind South Africa, relegating the U.S.S.R. to third-place. Other imports include certain herbs, metal coins, and gums and gum resins. The United States imported chemical products from Albania for the first time during 1980.

Since the chilling of Chinese-Albanian relations in 1978, Albania has sought to expand the export sector of its economy, and trade with the West has increased rapidly. 1/ U.S. imports from Albania jumped 206 percent during 1978-80, and U.S. exports to Albania rose 54 percent. The small country has shied from aligning itself with the superpowers and honors a constitutional ban on external aid and credits. Therefore, all commercial transactions are on a barter basis. The country's economic planners emphasize independent development and self-sufficiency. Although the United States has no official trade or diplomatic relations with Albania, commercial attaches from Switzerland, Italy, Yugoslavia, and Finland are often the couriers of trade-related communication between the two countries.

111

1/ Washington Post, Nov. 18, 1980, p. A21.

Table 26.—U.S. trade with selected 1/ nonmarket economy countries, by SITC 2/ Nos. (Revision 2), 1978-80

(In thousands of dollars)

SITC Section No.	Description	1978	1979	1980
		U.S. exports		
0	Food and live animals	1,502	-	-
1	Beverages and tobacco	-	-	-
2	Crude materials--inedible, except fuel	356	151	224
3	Mineral fuels, lubricants, etc	3,953	9,459	6,307
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	134	187	505
6	Manufactured goods classified by chief material	216	7	17
7	Machinery and transport equipment	176	684	339
8	Miscellaneous manufactured articles	104	335	470
9	Commodities and transactions not elsewhere classified	311	163	359
	Total	6,751	10,986	8,222
		U.S. imports		
0	Food and live animals	-	26	65
1	Beverages and tobacco	-	194	-
2	Crude materials--inedible, except fuel	7,150	12,549	12,795
3	Mineral fuels, lubricants, etc	-	-	-
4	Oils and fats--animal and vegetable	-	-	-
5	Chemicals	6	1	54
6	Manufactured goods classified by chief material	4	48	22
7	Machinery and transport equipment	72	476	3/
8	Miscellaneous manufactured articles	136	307	81
9	Commodities and transactions not elsewhere classified	52	144	28
	Total	7,465	13,745	13,045

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.

Albania's sixth FYP plan, ending in 1980, showed marked increases in labor productivity (historically among the lowest in Europe), industrial production, and agricultural output. The country is 85 percent sufficient in consumer goods and self-sufficient in grains. The seventh 5-year plan, for the period 1981-85, features heavy investment for expansion of refining and other intermediate processing of mineral ores, energy materials, and textiles. 1/ Labor productivity is expected to provide much of the impetus for growth, projected to reach 7 percent a year. Despite the development of a vital export sector in the Albanian economy, no official opening of markets is expected to characterize Albanian-U.S. relations in the near term.

Mongolia

U.S. imports from Mongolia fell to $2.2 million in 1980 from $3.8 million in 1979, or by 41 percent. Imports of camel hair, traditionally the leading import from that country, fell 28 percent in 1980 from the level in 1979. Camel hair accounted for 98 percent of all imports from Mongolia in 1980. The disappearance of cashmere from U.S. trade in 1980 may be attributed to bad weather, which decreased the size of Mongolian goat herds. A decline in exports of donated commodities and shipments of certain electrical instruments and apparatus contributed to the 20-percent drop in exports to Mongolia in 1980.

Vietnam

Bilateral trade with Vietnam was marked by a shift in the U.S. trade balance from a deficit of $170,000 in 1979 to a surplus of $1.1 million in 1980. Exports to Vietnam doubled from the 1979 level, rising to $1.1 million in 1980. Chemicals and miscellaneous manufactured goods, such as chlorinated hydrocarbon preparations and household goods, contributed to the increase. Imports from Vietnam dropped from $711,000 in 1979 to only $34,000 in 1980; the decline can be attributed to the virtual elimination of many miscellaneous manufactured items and textile products, such as electric luminescent lamps, integrated circuits, men's cotton knit sweaters, tape players, radios, and phonographs. The major imports from Vietnam in 1980 were in a special category covering U.S. goods that have been previously exported to Vietnam and which are subsequently returned to the United States without further processing (returned U.S. goods). These accounted for 70 percent of all imports.

Trade restrictions were imposed on North Vietnam in 1958, and in 1975 the application of the restrictions was expanded to include all of Vietnam. Under current restrictions, approval to export to Vietnam must be obtained from the Commerce Department, under the Export Administration Act of 1979. Export requests must be for noncommercial humanitarian or emergency needs. In some instances, requests for export licensing are granted for the purpose of meeting the needs of friendly embassies in Vietnam. Imports are contolled by the Treasury Department under the Foreign Assets Control Regulations of 1975 pursuant to the Trading with the Enemy Act of 1917.

1/ Foreign Broadcast Information Service, Daily Report (Eastern Europe), Jan. 9, 1981, p. B1.

Cuba

U.S.-Cuban trade dropped sharply during 1980, due in large part to the decrease in returned U.S. goods (96.7 percent), which accounted for $129,500 in U.S. imports in 1979. Total trade was a scant $137,700 in 1980. Imports from Cuba declined by 87.5 percent; however, such imports represent less than 1 percent of all U.S. imports from NME's. Of these, feature film (exposed feature film is often sent to the United States by journalists who have recorded news stories on the island), returned U.S. goods, books, and antique furniture are most important. U.S. exports to Cuba dropped 60 percent in 1980, from $298,800 in 1979 to $118,900 in 1980. Principal U.S. exports are medicinals, pharmaceutical and hygienic articles, and dental instruments (these items have been granted export permits through the Secretary of Commerce for shipment to international health organizations, Western diplomatic missions and charitable organizations). No agricultural trade has taken place since the U.S. trade embargo began 18 years ago. U.S. trade with Cuba has been embargoed since Feb. 7, 1962, when President Kennedy, acting under the authority of sec. 602(a) of the Foreign Assistance Act of 1961, issued Presidential Proclamation No. 3447. Under sec. 602(a) of the act, the Secretaries of Commerce and the Treasury are directed to implement the prohibition of exports and imports, respectively. In both cases, exceptions may be granted by the appropriate Secretary. The embargo allows business transactions between Cuban firms and U.S. subsidiaries in third countries. The United States registered a trade surplus of nearly $100,000 during the year.

North Korea

Total imports from North Korea, the smallest NME trading partner, dropped 59 percent in 1980, to $52,000. All the imports were nonagricultural items, such as hair ornaments (except combs), polyester woven fabrics, artists' brushes, and hairbrushes. A major cause for the drop was the elimination of imports of cassette tape recorders and radios, the leading import item in 1979. The United States did not export any products to North Korea in 1980. Trade restrictions against North Korea have been in effect since 1950; the current restrictions are essentially the same as those for Vietnam.

APPENDIX A

LEADING U.S. IMPORTS AND EXPORTS IN TRADE

WITH THE NONMARKET ECONOMY COUNTRIES

Table A-1.—Leading items exported to the nonmarket economy countries (NME's), by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$1,767,695,443	$2,399,284,292	$646,346,390
130.6540	Wheat, unmilled, not donated for relief	1,717,938,236	1,315,598,154	696,637,016
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	575,890,625	331,536,632	92,618,560
175.4100	Soybeans, n.e.s	379,346,439	798,076,295	73,974,363
184.5260	Soybean oilcake and meal	356,802,831	311,375,298	96,230,406
694.4062	Airplanes, multiple engine, passenger transport, nonmilitary, over 33,000 pounds	201,500,295	39,983,098	30,451,452
309.4242	Polyester fibers, noncontinuous	185,335,108	59,025,665	62,276,214
300.1550	Other cotton, staple length 1-1/8 inches or more	160,960,548	70,307,864	41,653,486
521.3110	Low volatile bituminous coal	101,054,056	95,046,172	22,934,465
480.8005	Diammonium phosphate fertilizer	93,508,540	9,646,194	35,491,591
120.1400	Cattle hides, whole	86,418,132	134,870,820	16,687,629
252.7810	Kraft linerboard	79,966,494	2,535,109	36,983,590
176.5220	Soybean oil, crude, including degummed	75,797,697	66,583,643	17,368,868
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	52,733,208	20,909,445	20,796,803
444.6000	Polyester resins, unsaturated, etc	51,585,820	24,265,811	11,587,682
480.4500	Phosphates, crude, and apatite	48,947,378	43,207,956	11,804,362
177.5640	Tallow, inedible	46,899,508	69,241,107	12,909,335
310.0010	Textured yarns, of polyester	46,225,264	28,155,069	14,853,251
692.3820	Parts of tracklaying tractors, n.s.p.f	46,002,947	33,734,567	11,383,697
357.8040	Noncellulosic fibers for use in pneumatic tires	43,950,481	5,890,798	16,006,124
	Total	6,118,559,050	5,859,273,989	1,968,995,284
	Total, U.S. exports to the NME's	8,351,829,744	8,119,088,793	2,682,219,255

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

Table A-2.--Leading items imported from the nonmarket economy countries (NME's), by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
107.3525	Canned hams and shoulders, 3 pounds and over	$205,534,679	$233,438,826	$54,440,659
605.2020	Gold bullion, refined	113,631,651	560,021,456	25,975,141
475.3500	Naphthas, derived from petroleum, etc., n.e.s	111,684,829	39,259,216	38,027,991
480.6540	Anhydrous ammonia	94,796,182	56,465,576	37,737,530
475.2520	Gasoline	81,809,456	30,452,137	20,128,938
605.0260	Palladium	55,166,287	62,598,738	13,761,768
727.2900	Chairs of wood, not folding, not teak, n.e.s	49,695,738	1/	11,632,324
653.2200	Metal coins, n.e.s	44,804,656	26,206,415	9,807,614
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	44,784,807	-	10,747,974
700.3515	Men's and boys' athletic footwear, of leather, n.e.s	42,397,194	25,000,018	7,745,417
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	36,584,584	43,984,766	8,336,158
605.2040	Silver bullion, refined	34,649,796	16,633,059	10,807,143
422.5220	Uranium compounds, fluorides	34,603,033	-	25,379,458
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	29,430,917	-	13,357,615
727.3540	Furniture, of wood, n.s.p.f	25,936,656	22,066,821	5,563,585
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	24,538,399	23,829,203	5,820,033
382.5871	Women's sweaters, n.e.s., of wool, valued over $5 per pound	23,861,835	160,447	11,282,704
700.3550	Men's footwear, of leather, n.e.s., cement soles	23,515,868	16,372,868	4,117,732
755.1500	Fireworks	23,181,017	15,642,145	7,266,126
417.2800	Ammonium molybdate	22,507,926	13,136,891	4,673,743
	Total 2/	1,123,135,510	1,185,268,582	326,614,653
	Total, U.S. imports from the NME's	2,888,181,332	2,808,865,296	756,293,779

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 727.3300.
2/ Because of changes in the TSUSA trade classifications from 1979 to 1980, comparisons are not possible.

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

Table A-3.--Leading items exported to China, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.6540	Wheat, unmilled, not donated for relief	$1,039,308,818	$214,105,583	$390,474,948
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	538,955,612	294,398,625	92,618,560
130.3465	Yellow corn, not donated for relief	224,540,392	268,547,073	87,724,798
309.4242	Polyester fibers, noncontinuous	182,915,820	56,777,062	61,744,293
300.1550	Other cotton, staple length 1-1/8 inches or more	158,017,837	62,364,391	41,653,486
175.4100	Soybeans, n.e.s	155,190,644	106,722,343	38,746,974
694.4062	Airplanes, multiple engine, passenger transport, nonmilitary, over 33,000 pounds	141,396,453	-	-
480.8005	Diammonium phosphate fertilizer	85,168,077	3,723,182	35,491,591
252.7810	Kraft linerboard	79,966,494	2,535,109	36,983,590
176.5220	Soybean oil, crude, including degummed	56,313,932	35,894,335	-
444.6000	Polyester resins, unsaturated, etc	50,836,636	22,565,155	11,587,682
310.0010	Textured yarns, of polyester	45,168,346	22,416,073	14,853,251
357.8040	Noncellulosic fibers for use in pneumatic tires	39,958,168	5,682,827	14,706,711
480.3000	Urea	35,036,552	27,179,233	11,971,413
200.3510	Douglas-fir logs and timber, in the rough	34,285,868	-	[illegible]
250.0225	Wood pulp, sulphite, bleached	32,845,515	-	24,982,760
480.7050	Concentrated superphosphates	29,544,698	13,705,459	13,780,850
486.2900	Insecticides, unmixed, n.e.s	25,555,157	3,616,307	6,839,814
649.5040	Rock-drilling bits, core bits, and reamers, n.e.s	24,899,340	16,466,947	8,367,594
664.0584	Parts, n.e.s., of oil and gas field drilling machines	22,703,206	54,157,663	3,860,011
	Total	3,002,607,565	1,210,857,367	920,664,316
	Total, U.S. exports to China	3,748,993,443	1,716,499,905	1,177,110,335

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

118

Table A-4.--Leading items imported from China, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
475.2520	Gasoline	$81,809,456	$21,614,894	$20,128,938
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	36,094,237	-	9,248,309
475.3500	Naphthas, derived from petroleum, etc., n.e.s	30,946,427	3,017,671	13,135,924
382.5871	Women's sweaters, n.e.s., of wool, valued over $5 per pound	23,849,097	159,659	11,277,925
755.1500	Fireworks	23,181,017	15,623,799	7,266,126
417.2800	Ammonium molybdate	22,507,926	13,136,891	4,673,743
320.2032	Printcloth shirting, wholly of cotton, n.e.s. (average yarn number 20)	21,351,295	13,930,945	5,361,275
653.2200	Metal coins, n.e.s	20,625,658	361,708	8,509,130
475.1010	Crude petroleum, testing 25 degrees A.P.I. or more	18,808,941	71,788,895	-
186.1560	Feathers, not meeting Federal standards	18,755,208	7,392,638	4,471,283
472.1000	Barytes ore, crude	18,560,490	7,285,738	5,749,086
629.1420	Titanium sponge, unwrought	16,422,678	1/ 753,908	6,535,063
601.5400	Tungsten ore	16,129,800	9,314,857	3,511,006
622.0200	Tin, other than alloyed, unwrought	13,854,486	2,686,262	8,355,049
766.2560	Antiques, n.s.p.f	13,316,690	12,261,184	3,557,470
222.4000	Baskets and bags of bamboo	12,781,224	8,817,994	4,070,468
192.4000	Licorice root	12,578,845	7,272,630	3,407,068
521.1700	Bauxite, calcined	10,386,734	2,512,625	4,113,018
160.5000	Tea, crude or prepared	9,921,634	7,659,630	2,274,671
186.3000	Bristles, crude or processed	9,074,312	9,635,783	1,716,606
	Total	431,456,155	215,227,711	127,362,158
	Total, U.S. imports from China	1,039,176,550	548,543,395	300,177,826

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 629.7520.

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

Table A-5.--Leading items exported to the U.S.S.R., by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$602,155,585	$1,402,146,365	$286,667,502
130.6540	Wheat, unmilled, not donated for relief	336,084,227	811,674,467	247,103,215
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	51,261,032	15,466,035	20,796,803
175.4100	Soybeans, n.e.s	45,321,774	489,278,229	-
790.5510	Pressure-sensitive tape, with plastic backing	42,387,256	50,239,107	11,861,262
692.3820	Parts of tracklaying tractors, n.s.p.f	38,554,592	27,856,259	8,377,540
177.5640	Tallow, inedible	28,148,185	57,611,650	7,796,717
517.5120	Petroleum coke, calcined	19,718,482	14,265,063	5,353,676
480.7025	Phosphoric acid	17,440,329	92,698,920	-
145.4300	Shelled almonds, not blanched	17,399,345	7,707,255	3,052,445
773.3860	Belting and belts for machinery, of rubber or plastics, not for conveyors, elevators, or motor vehicles, n.s.p.f	12,589,375	1,600,398	823,817
192.2500	Hops	10,229,736	5,123,192	5,664,717
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	9,644,671	2,443,310	5,214.526
772.6220	Wrapped reinforced hose	9,272,605	24,871	4,0[illegible]1,471
338.2600	Woven fabrics of glass	8,591,740	9,755,262	2,541,799
664.0230	Integral tractor shovel loaders, rear-engine mounted, new, 4-wheel drive, bucket capacity of 6.5 to 10 cubic yards	8,191,412	-	6,270,912
678.5090	Concrete and bituminous pavers, finishers, and spreaders, parts	6,789,037	5,208,807	916,942
678.3557	Parts of tire-building machines	6,002,718	1,975	2,116,718
674.3542	Internal cylindrical grinding machines, metal-cutting, new, valued at $2,500 or more	5,835,160	-	1,912,908
692.2985	Parts, n.s.p.f., of motor-vehicle chassis, bodies, etc	5,707,305	3,995,328	1,676,057
	Total	1,281,324,566	2,997,096,493	622,219,027
	Total, U.S. exports to the U.S.S.R	1,509,727,806	3,603,632,345	688,684,279

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

120

Table A-6.--Leading items imported from the U.S.S.R., by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
480.6540	Anhydrous ammonia	$94,796,182	$56,465,576	$37,737,530
605.2020	Gold bullion, refined	85,694,910	548,338,801	19,805,566
605.0260	Palladium	54,562,774	62,093,304	13,761,768
422.5220	Uranium compounds, fluorides	34,603,033	-	25,379,458
620.0300	Nickel, unwrought	20,748,311	28,581,176	3,839,083
653.2200	Metal coins, n.e.s	18,279,719	25,181,419	964,732
605.0750	Palladium bars, plates, etc	11,658,442	2,285,035	-
422.5240	Uranium compounds, n.e.s	9,000,000	-	-
605.0710	Platinum bars, plates, etc	6,998,970	3,527,849	918,612
765.0300	Paintings, etc., by hand	6,726,746	1,239,933	33,356
605.0270	Rhodium	6,276,312	9,939,439	1,283,451
475.0535	Crude petroleum, testing under 25 degrees A.P.I. (heavy fuel oils)	6,256,293	6,847,013	-
124.1045	Sable furskins, whole, undressed	5,937,533	8,763,876	503,096
605.0290	Platinum group metals and combinations, n.e.s	5,521,753	16,010,340	1,399,222
475.3500	Naphthas, derived from petroleum, etc., n.e.s	4,975,238	-	4,975,238
629.1200	Titanium waste and scrap, unwrought	4,618,925	1/ 8,040,855	1,204,738
605.0220	Platinum sponge	4,603,506	5,225,965	1,143,606
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	3,791,388	10,781,002	-
520.3300	Diamonds, over 1/2 carat, cut, not set	2,979,189	1,931,921	137,598
629.1420	Titanium sponge, unwrought	2,740,871	2/ 2,257,799	-
	Total	390,770,095	797,511,303	113,087,054
	Total, U.S. imports from the U.S.S.R	430,386,955	872,594,811	122,031,055

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 629.1580.
2/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 629.1520.

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

Table A-7.--Leading items exported to Yugoslavia, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.6540	Wheat, unmilled, not donated for relief	$135,886,335	$55,792,217	$22,079,208
175.4100	Soybeans, n.e.s	49,519,257	72,243,966	11,449,263
521.3110	Low volatile bituminous coal	49,220,840	52,795,237	11,053,726
184.5260	Soybean oilcake and meal	45,437,488	18,978,559	18,551,988
694.4062	Airplanes, multiple engine, passenger transport, nonmilitary, over 33,000 pounds	30,451,452	39,983,098	30,451,452
601.2200	Copper ore	16,790,000	-	-
404.0560	Styrene (monomer)	16,261,663	3,483,795	-
120.1400	Cattle hides, whole	14,897,224	14,639,477	1,604,303
431.0480	Vinyl chloride, monomer	13,456,793	23,073,881	5,555,028
176.5220	Soybean oil, crude, including degummed	12,257,153	-	12,257,153
676.5560	Parts for automatic data processing machines and units, n.s.p.f	11,790,544	6,134,114	2,747,151
309.3270	Grouped filaments and strips, n.e.s	9,395,638	3,481,312	4,539,804
664.0584	Parts, n.e.s., of oil and gas field drilling machines	8,819,589	4,041,047	2,321,497
694.6506	Parts, n.e.s., for aircraft and spacecraft	8,354,109	2,533,047	2,183,630
480.8005	Diammonium phosphate fertilizer	8,340,463	5,923,012	-
692.0566	Off-highway trucks, nonmilitary, rear dump, over 100 ton capacity	7,514,242	-	3,154,242
694.4020	Used nonmilitary airplanes	7,000,000	1/	-
444.1610	Polyethylene resins, low and medium density	6,575,556	2,229,217	101,883
678.5090	Concrete and bituminous pavers, finishers, and spreaders, parts	5,413,936	2,284,137	467,063
690.0510	Locomotives and tenders, diesel-electric, rail-service type	5,382,000	13,156,000	-
	Total 2/	462,764,282	327,772,116	128,517,391
	Total, U.S. exports to Yugoslavia	751,954,238	731,783,522	217,806,443

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 692.0560.
2/ Because of changes in the Schedule B trade classifications from 1979 to 1980, comparisons are not possible.

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

122

Table A-8.--Leading items imported from Yugoslavia, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
727.2900	Chairs of wood, not folding, not teak, n.e.s	$46,010,026	1/	$10,938,976
475.3500	Naphthas, derived from petroleum, etc., n.e.s	40,844,151	-	19,916,829
700.3515	Men's and boys' athletic footwear, of leather, n.e.s	36,714,991	$21,592,396	6,537,894
605.2040	Silver bullion, refined	29,369,863	14,540,454	5,527,210
605.2020	Gold bullion, refined	27,936,741	11,682,655	6,169,575
107.3525	Canned hams and shoulders, 3 pounds and over	27,777,360	47,603,441	6,815,903
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	20,560,514	21,759,682	4,706,032
727.3540	Furniture, of wood, n.s.p.f	14,515,771	14,126,105	2,689,711
688.0465	Insulated electrical conductors, power cable designed for 601 volts or less	14,421,665	12,810,908	4,064,834
606.2400	Ferrochrome, over 3 percent carbon	11,103,038	2/ 16,306,508	1,408,312
612.0640	Copper, unwrought, not alloyed, n.e.s	9,261,470	5,401,055	3,554,997
727.4040	Parts of wood furniture, n.s.p.f	7,931,284	7,056,367	2,605,940
606.4400	Ferrosilicon manganese	4,522,347	3/ 6,543,670	965,580
618.1540	Aluminum rods, wrought, 0.375 inch or more in diameter	4,417,841	5,298,264	1,039,317
772.5105	Passenger car tires, new	4,328,901	2,214,630	1,568,495
192.2500	Hops	4,161,672	2,926,741	446,540
605.0240	Osmium	3,715,000	-	-
680.1710	Gate valves, of iron or steel, containing over 2.5 percent carbon by weight	3,468,174	4/ 982,035	467,171
661.3505	Refrigerators and combination refrigerator-freezers, refrigerated volume under 6.5 cubic feet	3,240,836	1,518,699	686,581
618.2565	Aluminum sheets and strip, not clad, wrought	3,055,510	9,516,357	531,592
	Total 5/	317,357,155	201,879,967	80,641,490
	Total, U.S. imports from Yugoslavia	448,918,727	391,002,720	109,183,209

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 727.3300.
2/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 601.3100.
3/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 607.5700.
4/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 680.1210.
5/ Because of changes in the TSUSA trade classifications from 1979 to 1980, comparisons are not possible.

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

Table A-9.--Leading items exported to Poland, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$293,207,062	$249,593,822	$95,228,340
184.5260	Soybean oilcake and meal	72,023,323	76,317,476	9,608,246
175.4100	Soybeans, n.e.s	66,808,502	54,585,441	23,173,125
130.6540	Wheat, unmilled, not donated for relief	58,570,278	107,564,163	36,979,645
480.4500	Phosphates, crude, and apatite	31,672,350	21,382,304	7,125,342
120.1400	Cattle hides, whole	19,451,073	19,573,586	1,992,240
170.3320	Flue-cured cigarette filler tobacco, stemmed	9,115,036	10,955,543	-
176.5220	Soybean oil, crude, including degummed	7,226,612	14,907,308	5,111,715
131.3040	Head rice, medium grain, not parboiled, not donated for relief	7,089,980	9,172,948	1,838,383
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	6,215,265	19,985,767	-
692.3820	Parts of tracklaying tractors, n.s.p.f	5,508,993	4,302,373	2,403,370
676.2700	Digital data processing machines, n.s.p.f	5,454,072	20,700	4,966,335
130.3440	Corn seed, except sweet, not donated for relief	5,213,115	-	5,213,115
685.9077	DC motor starters and contractors and DC motor control centers	4,641,778	118,483	4,641,778
182.9742	Flours and grits, defatted, derived from oilseeds	4,406,134	4,079,065	312,669
120.2022	Sheep and lamb skins without wool on the skin	4,369,716	2,847,891	-
300.1530	American Pima cotton and Sea Island cotton	3,805,415	2,267,018	-
177.5640	Tallow, inedible	3,213,380	5,488,110	-
184.5000	Linseed oilcake and meal	2,955,108	14,260,891	1,612,636
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	2,502,598	3,583,041	36,140
	Total	613,449,790	621,005,930	200,243,079
	Total, U.S. exports to Poland	710,445,935	786,257,941	225,429,604

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

Table A-10.—Leading items imported from Poland, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
107.3525	Canned hams and shoulders, 3 pounds and over	$133,815,220	$139,425,407	$34,784,896
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	18,136,335	1/ 13,732,164	5,845,816
700.3550	Men's footwear, of leather, n.e.s., cement soles	9,500,061	7,941,437	2,389,122
521.3180	Coal, n.e.s., including lignite, but not including peat	7,640,822	17,371,377	1,160,705
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	7,482,232	6,861,755	1,777,340
110.4740	Pollock blocks, frozen, over 10 pounds	6,528,801	1,269,182	1,124,051
672.1600	Parts of sewing machines	5,339,733	-	1,263,220
407.8521	Sulfathiazole	5,174,225	5,213,821	-
380.6653	Men's suits, of wool, valued over $4 per pound	5,101,088	4,830,582	649,604
674.3512	Machine tools, metal-cutting, engine or toolroom	5,040,038	2/	2,068,175
646.2622	Brads, nails, etc., of iron or steel, smooth shank, 1 inch or more in length, uncoated	5,028,058	3,620,281	1,670,893
605.2040	Silver bullion, refined	5,000,000	-	5,000,000
727.1500	Furniture and parts, of bentwood	4,082,950	5,727,746	871,762
700.2960	Men's welt footwear, of leather, n.e.s., valued over $6.80 per pair	3,987,205	3,075,578	1,097,428
609.8041	Channels, other than alloy iron or steel, maximum sectional dimension of 3 inches or more	3,866,189	-	2,740,043
366.2460	Terry towels of cotton, of pile or tufted construction, valued over $1.45 per pound	3,847,356	2,445,477	1,342,022
493.1200	Casein	3,570,829	3/ 1,263,355	1,214,964
380.3941	Men's and boys' suit-type coats, of cotton, not knit, not ornamented	3,525,430	5,124,765	503,990
612.6200	Brass rods, wrought	3,303,986	3,928,456	88,524
646.6320	Cap screws, of iron or steel, having shanks or threads over 0.24 inch in diameter	3,277,644	3,899,686	390,850
	Total 4/	243,248,202	275,731,069	65,983,405
	Total, U.S. imports from Poland	414,918,818	426,089,899	105,211,974

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 608.8415.
2/ Prior to Jan. 1, 1980, this item was classified under the now deleted and more comprehensive item 674.3547.
3/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 493.1500.
4/ Because of changes in the TSUSA trade classifications from 1979 to 1980, comparisons are not possible.

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

Table A-11.--Leading items exported to Romania, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$157,902,511	$104,189,153	$39,536,454
130.6540	Wheat, unmilled, not donated for relief	89,091,801	12,510,118	-
184.5260	Soybean oilcake and meal	69,233,593	57,016,083	32,234,043
175.4100	Soybeans, n.e.s	61,667,711	73,947,278	-
521.3110	Low volatile bituminous coal	45,525,804	29,060,523	11,880,739
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	30,071,678	16,046,495	-
694.4062	Airplanes, multiple engine, passenger transport, nonmilitary, over 33,000 pounds	29,652,390	-	-
120.1400	Cattle hides, whole	28,813,826	59,671,971	8,166,017
521.3148	Coal coke, commercially suitable for use as a fuel	18,642,313	-	2,888,611
480.4500	Phosphates, crude, and apatite	17,275,028	21,824,452	4,679,020
521.3120	Bituminous coal, n.e.s	15,659,411	-	3,121,945
609.1610	Primary tinplates, of iron and steel	15,478,099	535,871	10,532,824
105.4120	Chickens, whole	11,165,000	-	-
130.1000	Barley	7,984,540	-	2,298,872
415.4500	Sulfur, native elemental or recovered	7,155,852	2,722,345	2,56[illegible],486
601.2200	Copper ore	7,135,000	-	7,135,000
676.5560	Parts for automatic data processing machines and units, n.s.p.f	5,163,028	7,582,024	1,141,325
664.0513	Drilling and boring machines, n.e.s	5,093,850	324,500	-
250.0284	Wood pulp, special alpha and dissolving grades	4,988,467	6,729,289	1,355,412
710.2820	Geophysical instruments and parts, electrical	4,195,490	561,188	156,143
	Total	631,895,392	392,721,290	127,691,893
	Total, U.S. exports to Romania	720,231,101	500,464,174	146,444,659

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

126

Table A-12.--Leading items imported from Romania, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
475.3500	Naphthas, derived from petroleum, etc., n.e.s	$34,919,013	$36,241,545	-
690.3500	Parts, except brake regulators, for passenger, baggage, etc., railroad cars, not self-propelled	18,806,280	7,574,308	$7,519,184
107.3525	Canned hams and shoulders, 3 pounds and over	17,568,065	19,040,238	4,531,073
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	13,799,089	12,515,769	1,988,673
690.1500	Passenger, baggage, etc., railroad cars, not self-propelled	11,619,751	12,135,030	2,331,472
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	11,297,155	-	7,511,799
475.0535	Crude petroleum, testing under 25 degrees A.P.I. (heavy fuel oils)	9,564,170	18,904,643	-
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	8,568,494	-	1,484,016
700.2940	Welt work footwear, of leather, valued over $6.80 per pair	8,425,835	11,784,021	642,019
700.3550	Men's footwear, of leather, n.e.s., cement soles	8,062,503	5,937,562	586,790
727.3540	Furniture, of wood, n.s.p.f	7,922,242	6,202,705	1,817,130
446.1531	Polyisoprene rubber	7,314,555	8,486,841	1,597,476
692.3406	Agricultural tractors, power takeoff horsepower of 40 or more but less than 80	6,582,255	1/ 6,263,533	3,998
480.3000	Urea, n.e.s	5,267,944	-	-
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	4,803,770	3,557,441	2,182,166
700.3515	Men's and boys' athletic footwear, of leather, n.e.s	4,657,364	2,786,570	686,672
117.6700	Pecorino cheese, not for grating	4,135,332	3,098,200	995,854
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	3,895,122	-	971,512
727.1500	Furniture and parts, of bentwood	3,135,518	3,283,422	738,527
382.8163	Women's wearing apparel of manmade fibers, n.e.s	3,134,259	616,366	217,316
	Total	193,478,716	158,428,194	35,805,680
	Total, U.S. imports from Romania	310,561,118	329,050,888	59,611,917

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 692.3006.

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

Table A-13.--Leading items exported to East Germany, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$331,686,634	$185,567,453	$94,440,355
184.5260	Soybean oilcake and meal	75,555,463	72,835,167	16,374,220
130.6540	Wheat, unmilled, not donated for relief	39,080,555	35,262,239	-
419.6000	Molybdenum compounds	5,449,360	-	-
130.1000	Barley	4,349,279	1,437,203	4,349,279
601.2200	Copper ore	3,204,435	-	-
444.2520	Polymerization- and copolymerization-type resins	1,611,550	3,933,583	1,017,550
661.7075	Industrial machinery for treatment of other materials; and parts	1,265,273	-	1,758
818.9000	General merchandise, valued not over $500	950,809	567,190	154,211
624.0400	Lead waste and scrap	932,685	-	30,478
680.2265	Taps, etc., of iron or steel, not containing over 2.5 percent carbon, n.e.s	924,028	-	-
680.1330	Molds for rubber and plastics, n.s.p.f	851,731	1,390,931	618,086
120.1400	Cattle hides, whole	844,487	1,109,300	233,172
444.6000	Polyester resins, unsaturated, etc	747,078	1,693,213	-
147.1900	Lemons, fresh	549,003	-	288,288
711.8740	Chemical-analysis equipment and parts, nonelectrical, n.s.p.f	524,897	10,860	-
724.4420	Sound recordings produced on magnetic tape	522,795	-	522,795
722.9540	Photofinishing equipment, n.e.s	493,097	1,752,871	203,599
435.2300	Antibiotics, n.e.s. (bulk)	488,259	-	759
678.5065	Machines, for production and assembly of semiconductor devices, etc., n.s.p.f	449,595	602,970	244,080
	Total	470,481,013	306,162,980	118,478,630
	Total, U.S. exports to East Germany	477,389,076	354,522,026	120,915,385

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

128

Table A-14.—Leading items imported from East Germany, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
480.5000	Potassium chloride, crude	$3,705,542	$3,190,853	$454,666
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	3,612,585	1/ 3,720,543	869,310
772.5105	Passenger car tires, new	2,778,547	549,486	937,719
124.1025	Mink furskins, except "Japanese mink," undressed	2,229,479	1,768,724	12,479
121.5000	Pig and hog leather	1,685,780	1,125,300	485,780
494.2000	Montan wax	1,596,545	977,983	351,759
772.5115	Pneumatic truck and bus tires, new	1,559,339	1,183,239	596,472
380.0609	Jogging, warmup, and similar types of athletic jackets	1,289,982	-	261,433
380.0645	Men's and boys' sweatshirts, of cotton, knit	887,431	906,883	123,271
766.2560	Antiques, n.s.p.f	878,250	2,106	-
676.0530	Typewriters, nonelectric, nonautomatic, portable	839,236	904,177	310,153
668.5060	Parts of printing presses	746,878	550,248	246,340
692.1010	Passenger automobiles, new, with piston-type engines	2/ 680,862	42,060	-
676.0510	Typewriters, electric, nonautomatic, portable	678,200	2,094,495	26,300
688.4550	Electrical articles and parts, n.e.s., except ferrite core memories	673,057	3/ 1,693	-
642.1120	Wire strand, of iron or steel, for prestressing concrete	666,765	-	569,295
437.8240	Vitamin C	643,070	-	-
674.3283	Boring machines, including vertical turret lathes, n.e.s	615,922	4/	221,418
207.0080	Articles of wood, n.s.p.f	575,437	504,624	116,871
722.1635	Still 35-mm cameras, n.e.s., valued over $10 each	519,645	1,506,452	203,805
	Total 5/	26,862,552	19,028,867	5,789,571
	Total, U.S. imports from East Germany	42,958,764	35,665,966	10,228,878

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 688.2035.
2/ Official trade statistics of the Department of Commerce incorrectly reported imports of this item in the 3d quarter from East Germany. All 3d-quarter imports of this item were actually from West Germany.
3/ On Apr. 1, 1980, the more comprehensive item 688.4040 became items 688.4550 and 688.4400. Trade totals are the aggregate of all 3 numbers.
4/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 674.3265.
5/ Because of changes in the TSUSA trade classifications, comparisons are not possible.

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

Table A-15.--Leading items exported to Czechoslovakia, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$81,199,745	$88,470,208	$24,087,756
184.5260	Soybean oilcake and meal	36,997,619	42,836,400	9,113,790
130.6540	Wheat, unmilled, not donated for relief	19,916,222	78,689,367	-
683.9540	Parts of industrial and laboratory furnaces and ovens	8,388,575	28,508,577	1,209,663
170.3310	Flue-cured cigarette filler tobacco, unstemmed	3,354,358	-	1,800
207.0035	Wooden pencil slats	2,284,047	1,062,500	135,747
147.1900	Lemons, fresh	1,505,922	594,540	459,822
192.2500	Hops	1,453,032	396,984	-
170.4300	Leaf tobacco, n.e.s	1,438,464	-	1,438,464
381.1520	Men's and boys' denim slacks, of cotton, not knit	1,260,039	572,102	120,000
480.7015	Phosphoric acid	1,205,929	439,082	227,103
818.9000	General merchandise, valued not over $500	1,050,834	948,949	-
540.4200	Glass rods, tubes, and tubing	976,038	1,228,981	202,430
678.5019	Machines for weaving and other wire-fabricating and wire-drawing machines and draw benches	960,571	702,240	179,089
678.5065	Machines, for production and assembly of semiconductor devices, etc., n.s.p.f	900,486	-	-
124.1527	Muskrat furskins, whole, undressed	836,198	137,650	92,999
676.5560	Parts for automatic data processing machines and units, n.s.p.f	811,866	1,140,650	-
250.0267	Wood pulp, sulphate, bleached, hardwood	759,232	924,993	178,257
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	739,326	292,490	167,858
	Total	711,963	605,244	282,278
	Total, U.S. exports to Czechoslovakia	166,750,466	247,550,957	37,897,056
		185,144,990	281,129,452	43,090,207

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

Table A-16.--Leading items imported from Czechoslovakia, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
700.2940	Welt work footwear, of leather, valued over $6.80 per pair	$7,044,208	$4,225,379	$1,873,335
107.3525	Canned hams and shoulders, 3 pounds and over	4,383,421	4,383,773	1,369,415
192.2500	Hops	4,383,143	1,858,220	2,353,758
700.2960	Men's welt footwear, of leather, n.e.s., valued over $6.80 per pair	3,000,343	1,311,871	444,341
610.3920	Oil well casing, other than alloy steel, not advanced	2,895,387	659,651	527,488
670.1436	Weaving machines, jet type	2,600,240	3,407,499	868,354
700.3550	Men's footwear, of leather, n.e.s., cement soles	1,704,954	555,447	132,971
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	1,676,681	1/ 1,719,529	312,137
674.3512	Machine tools, metal-cutting, engine or toolroom	1,668,083	-	260,477
270.2580	Books, n.s.p.f., by foreign authors	1,547,833	1,066,752	192,244
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	1,486,119	2/ 1,012,098	567,802
692.5010	Motorcycles, with piston displacement not over 50 cubic centimeters	1,283,675	504,131	191,991
741.3500	Imitation gemstones, except imitation gemstone beads	989,019	1,306,172	206,092
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	910,249	595,990	258,288
674.3554	Grinding and finishing machines, external cylindrical, valued $2,500 or over each	865,083	3/ 785,769	217,085
437.3000	Antibiotics, natural and not artificially mixed	863,250	687,840	79,138
545.5700	Glass prisms for chandeliers, etc	727,048	796,144	180,261
727.1500	Furniture and parts, of bentwood	708,224	1,163,958	181,572
670.7430	Parts of power-driven weaving machines	676,479	460,587	211,418
674.5340	Parts for other metalworking machine tools	670,026	427,089	139,350
	Total	40,083,465	26,928,899	10,567,517
	Total, U.S. imports from Czechoslovakia	61,101,577	49,898,739	15,715,820

1/ On Jan. 1, 1980, item 546.6020 was designated to include items 546.5420 and 546.5620. Totals for 1979 are an aggregation of the 2 numbers.
2/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 668.2035.
3/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 674.3551.

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

Table A-17.--Leading items exported to Bulgaria, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
130.3465	Yellow corn, not donated for relief	$77,003,514	$5,389,496	$18,661,185
184.5260	Soybean oilcake and meal	39,617,751	23,314,008	10,348,119
480.7050	Concentrated superphosphates	9,942,870	-	3,003,811
170.3320	Flue-cured cigarette filler tobacco, stemmed	5,055,552	432,538	807,951
710.2820	Geophysical instruments and parts, electrical	4,361,805	107,594	800,695
603.0020	Materials in chief weight of lead	2,091,714	-	2,091,714
140.0300	Great northern beans, except seed, dried, etc	2,008,842	-	2,008,842
250.0284	Wood pulp, special alpha and dissolving grades	1,264,411	3,129,581	-
120.1400	Cattle hides, whole	1,221,866	1,880,242	-
170.3340	Burley cigarette filler tobacco, stemmed	1,058,664	-	-
381.1520	Men's and boys' denim slacks, of cotton, not knit	1,053,726	2,788,181	208,372
480.7015	Phosphoric acid	1,036,722	-	-
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	674,010	-	-
630.7060	Tungsten, unwrought, and waste and scrap	607,400	-	382,400
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	551,196	115,980	265,402
170.3330	Burley cigarette filler tobacco, unstemmed	537,452	-	-
170.3310	Flue-cured cigarette filler tobacco, unstemmed	535,125	-	-
711.8010	Temperature-control instruments, electrical, other than industrial process, and parts thereof	462,151	-	462,151
687.6043	Metal oxide silicon integrated circuits, not linear or bipolar	460,317	120,947	235,945
678.5090	Concrete and bituminous pavers, finishers, and spreaders, parts	437,257	205,790	-
	Total	149,982,345	37,484,357	39,276,587
	Total, U.S. exports to Bulgaria	160,701,288	56,224,949	43,474,614

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

Table A-18.--Leading items imported from Bulgaria, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	$14,522,138	$20,779,603	$3,283,770
117.6700	Pecorino cheese, not for grating	1,694,276	1,245,329	802,462
676.0530	Typewriters, nonelectric, nonautomatic, portable	1,465,550	1,256,705	469,629
700.3550	Men's footwear, of leather, n.e.s., cement soles	1,031,725	517,973	79,589
674.3512	Machine tools, metal-cutting, engine or toolroom	782,516	-	69,239
167.3020	Wine, not over 14 percent alcohol, valued not over $4 per gallon, in containers not over 1 gallon	650,588	-	278,201
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	288,205	1/ 320,999	84,620
653.2200	Metal coins, n.e.s	211,812	35,120	10,050
676.0510	Typewriters, electric, nonautomatic, portable	191,596	-	120,700
452.6000	Rose oil or attar of roses	157,882	703,821	31,331
439.1090	Natural drugs, n.e.s., crude	145,173	239,292	59,771
674.3522	Machine tools, metal-cutting, n.e.s	143,123	2/	27,188
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	139,978	268,463	11,700
452.3200	Lavender and spike lavender oil	130,792	84,211	7,596
380.6615	Men's and boys' overcoats, etc., of wool, not knit, valued over $4 per pound	129,195	96,166	26,000
107.3525	Canned hams and shoulders, 3 pounds and over	122,666	101,579	-
382.6315	Women's, girls', or infants' coats, n.e.s., of wool, valued over $4 per pound	118,051	-	61,517
117.6500	Cheeses made from sheep's milk, in original loaves and suitable for grating	91,417	10,975	47,677
380.6324	Men's and boys' coats, of wool, valued over $4 per pound	82,359	-	-
692.4020	Parts of forklift trucks	69,605	-	-
	Total 3/	22,168,647	25,660,236	5,471,040
	Total, U.S. imports from Bulgaria	22,844,779	30,144,799	5,609,952

1/ On Jan. 1, 1980, item 546.5020 was redesignated to include items 546.5420 and 546.5620. Totals for 1979 are the aggregation of the 2 numbers.
2/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 674.3547.
3/ Because of changes in the TSUSA trade classifications from 1979 to 1980, comparisons are not possible.

133

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

Table A-19.--Leading items exported to Hungary, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
184.5260	Soybean oilcake and meal	$17,937,594	$13,333,559	-
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	5,278,762	3,209,200	$2,005,357
540.4200	Glass rods, tubes, and tubing	2,868,937	2,242,407	522,884
321.2908	Cotton denims	2,859,929	620,529	808,962
435.3300	Corticosteroids, n.s.p.f. (bulk)	2,459,194	988,000	33,573
692.2985	Parts, n.s.p.f., of motor-vehicle chassis, bodies, etc	2,169,292	437,562	738,594
120.1400	Cattle hides, whole	2,138,552	5,373,967	351,178
435.7700	Cardiovascular drugs	1,690,948	1,186	565,561
692.2926	Brake linings and disc brake pads for automobiles and trucks	1,330,820	43,319	371,622
666.0063	Parts for harrows, roller stalk cutters, and soil pulverizers, n.s.p.f	1,213,693	1,395,244	491,419
121.7060	Leather, n.e.s	1,203,697	871,741	17,964
676.5560	Parts for automatic data processing machines and units, n.s.p.f	1,164,429	632,416	589,420
692.3360	Tractors suitable for agricultural use, new or used, other	1,098,744	20,000	1,098,744
674.3045	Metalworking machine tools, for cutting or hobbing gears, n.s.p.f	1,054,007	1/	-
666.0060	Parts for plows, listers, cultivators, and weeders, n.s.p.f	945,163	687,535	149,564
421.2400	Phosphates other than tripolyphosphate	942,687	286,593	756,000
676.2820	Digital central processing units, n.s.p.f	842,249	24,624	685,803
727.0300	Motor-vehicle or aircraft furniture; and parts thereof, n.s.p.f	717,180	-	4,813
692.3340	Tractors, wheel-type, agricultural, with horsepower of at least 120 but less than 140	698,671	46,580	698,671
664.0584	Parts, n.e.s., of oil and gas field drilling machines	671,851	689,300	30,284
	Total 2/	49,286,399	30,903,762	9,920,413
	Total, U.S. exports to Hungary	79,020,297	77,588,284	18,656,716

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 674.3030.
2/ Because of changes in the Schedule B trade classifications from 1979 to 1980, comparisons are not possible.

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

Table A-20.--Leading items imported from Hungary, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
107.3525	Canned hams and shoulders, 3 pounds and over	$21,810,665	$22,823,498	$6,939,372
692.3288	Parts for motor vehicles, n.e.s	14,613,730	1/	3,316,637
692.3460	Parts for agricultural tractors	9,742,914	2/ 10,524,607	1,479,809
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	7,330,943	4,650,425	3,306,729
686.9030	Other lamps, including standard household	7,023,231	8,065,413	1,587,970
107.3040	Bacon, not boned and cooked	2,872,124	2,602,650	933,027
676.0560	Typewriters, nonelectric, nonautomatic	2,170,848	3,035,250	117,457
735.2020	Puzzles and parts thereof	1,608,565	1,700	436,212
772.5115	Pneumatic truck and bus tires, new	1,571,837	3,983,233	654,091
161.7100	Paprika, ground or unground	1,398,961	2,002,756	134,721
167.3040	Wine, not over 14 percent alcohol, valued over $4 per gallon, in containers not over 1 gallon	1,261,781	958,817	326,973
653.2200	Metal coins, n.e.s	1,037,367	206,391	741
542.3120	Ordinary glass, weighing over 16 but not over 18.5 ounces per square foot, not over 40 united inches	999,518	722,596	228,562
107.3515	Canned hams and shoulders, less than 3 pounds	818,554	279,861	159,025
437.2080	Alkaloids and compounds, synthetic, n.s.p.f	806,589	840,203	151,372
692.3272	Brakes and parts thereof	739,238	3/ 359,130	516
708.4520	Sunglasses and sungoggles, valued over $2.50 per dozen	738,527	140,160	250,487
382.6320	Women's, girls', and infants' coats, n.e.s., of wool, valued over $4 per pound	716,349	141,225	72,587
380.6653	Men's suits, of wool, valued over $4 per pound	641,509	997,594	58,327
425.5290	Nitrogenous compounds, n.s.p.f	620,184	745,802	-
	Total 4/	78,523,434	63,081,311	20,184,615
	Total, U.S. imports from Hungary	104,268,812	112,128,967	26,374,631

1/ Prior to Jan. 1, 1980, this item was classified under the now-deleted and more comprehensive item 692.3060.
2/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 692.3060.
3/ Prior to Jan. 1, 1980, this item was classified under the now-deleted item 692.2772.
4/ Because of changes in the TSUSA trade classifications from 1979 to 1980, comparisons are not possible.

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

Table A-21.--Leading items exported to Albania, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
521.3110	Low volatile bituminous coal	$6,307,412	$9,458,908	-
685.4050	Tape recorders and parts, video, color	246,181	-	-
120.1400	Cattle hides, whole	224,433	151,210	-
688.1900	Insulated wire and cable, n.s.p.f	43,906	132,202	$43,906
486.8900	Herbicide preparations, n.e.s	5,489	-	-
688.4020	Particle accelerators, and parts thereof	2,750	-	-
270.8240	Periodicals, paper-covered or unbound, not business or professional, n.s.p.f	1,140	-	-
	Total	6,831,311	9,742,320	43,906
	Total, U.S. exports to Albania	6,891,214	10,053,908	43,906

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

Table A-22.--Leading items imported from Albania, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
161.9400	Sage, unground	$3,666,893	$2,256,456	$1,337,685
601.1540	Chrome ore, chromium content over 40 but under 46 percent chromic oxide	2,944,080	5,787,178	-
601.1560	Chrome ore, 46 percent or more chromic oxide	2,420,309	-	-
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	1,454,284	674,345	-
161.9600	Sage, ground or rubbed	77,274	-	77,274
162.0100	Savory, crude or not manufactured	50,423	25,682	-
439.1090	Natural drugs, n.e.s., crude	49,826	-	12,596
161.9000	Rosemary, crude or not manufactured	23,278	23,784	-
161.6700	Crude origanum	14,805	-	-
748.3000	Dried or bleached plants, not flowers, for bouquets or other ornamental use	7,818	-	-
653.2200	Metal coins, n.e.s	5,219	8,049	3,041
188.3870	Gums, gum resins, and resins, natural, n.s.p.f	3,373	-	-
	Total	10,717,582	8,775,494	1,430,596
	Total, U.S. imports from Albania	10,717,582	9,002,210	1,430,596

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

Table A-23.—Leading items exported to Mongolia, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	$19,831	$3,380	-
433.1079	Prepared culture media	9,895	-	$7,379
547.6000	Pharmaceutical, hygenic, or laboratory glassware	7,875	912	-
190.8000	Skeletons and other preparations of anatomy	7,824	-	7,824
661.3530	Freezers	2,970	-	-
818.3900	Products, n.e.s., donated for relief	2,809	32,460	-
711.8070	Pressure gages, industrial process, electrical	1,928	-	1,928
711.8740	Chemical-analysis equipment and parts, nonelectrical, n.s.p.f	1,836	-	1,836
727.1740	Wood furniture, other	1,762	-	1,762
709.1340	Syringes, nonhypodermic, medical	1,564	-	-
711.8760	Chemical- or physical-analysis equipment and parts, nonelectrical, n.s.p.f	1,462	-	-
438.6000	Diagnostic reagents, n.e.s	1,394	1,982	-
688.4060	Electrical articles and parts, n.s.p.f	1,200	-	-
711.8720	Nonelectric spectrometric instruments and parts thereof	1,157	-	1,157
	Total	63,507	38,734	21,886
	Total, U.S. exports to Mongolia	63,507	80,247	21,886

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

Table A-24.--Leading items imported from Mongolia, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
306.4293	Camel hair, sorted, etc	$2,171,328	$3,001,404	$712,636
124.1025	Mink furskins, except "Japanese mink," undressed	25,928	-	-
653.2200	Metal coins, n.e.s	25,500	299	500
	Total	2,222,756	3,001,703	713,136
	Total, U.S. imports from Mongolia	2,222,756	3,752,785	713,136

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

Table A-25.—Leading items exported to Vietnam, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
772.0400	Household articles of rubber or plastics, n.s.p.f	$352,220	–	$352,220
486.6200	Chlorinated hydrocarbon insecticides (including DDT preparations)	351,854	–	–
818.3900	Products, n.e.s., donated for relief	171,060	$45,250	38,000
818.9000	General merchandise, valued not over $500	111,266	34,082	84,933
818.3300	Medicine, etc., donated for relief	97,767	37,710	–
661.7015	Sterilizers and autoclaves and parts	16,685	–	–
682.6035	Generator sets, diesel-engine-driven, over 1,000 kilowatts	12,009	–	–
709.5700	Orthopedic appliances, internal fixation devices, n.s.p.f	11,465	–	–
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	10,545	–	–
795.0000	Nonenumerated products, n.s.p.f	7,560	34,629	7,560
709.4500	Artificial respiration and other therapy equipment, n.s.p.f	2,200	19,226	2,200
433.1079	Prepared culture media	2,174	12,033	–
433.1056	Laboratory reagent preparations, organic and inorganic	1,186	–	–
	Total	1,147,991	182,930	484,913
	Total, U.S. exports to Vietnam	1,147,991	540,537	484,913

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

140

Table A-26.--Leading items imported from Vietnam, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
520.3200	Diamonds, not over 1/2 carat, cut, not set	$4,601	-	-
389.6100	Artificial flowers, of silk, not ornamented	2,926	$405	-
653.2200	Metal coins, n.e.s	2,895	-	$900
	Total	10,422	405	900
	Total, U.S. imports from Vietnam	34,360	711,244	900

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

141

Table A-27.--Leading items exported to Cuba, by Schedule B Nos., 1980, 1979, and October-December 1980

Schedule B No.	Description	1980	1979	October-December 1980
818.3300	Medicine, etc., donated for relief	$33,500	$31,968	$23,500
772.4200	Ice bags, douche bags, etc., of rubber or plastics	24,432	3,500	24,432
709.2540	Dental instruments, n.s.p.f., and parts, n.s.p.f	12,782	-	-
270.3080	Technical, scientific, and professional books	7,751	-	-
818.3900	Products, n.e.s., donated for relief	5,972	16,934	2,376
709.3000	Medical, dental, surgical, and veterinary instruments, n.s.p.f	5,852	-	-
772.5105	New car tires	5,100	-	-
676.0520	Typewriters, nonautomatic, portable	4,814	-	3,238
683.1020	Lead-acid storage batteries	4,412	-	-
724.0160	Motion-picture films, less than 1,600 linear feet in length each	3,885	-	-
660.9435	Centrifugal pumps, single-stage, single-suction, close-coupled, with discharge outlets greater than 2 inches in diameter	2,762	-	2,762
256.3840	Graphic paper and paperboard not further advanced than cut to size and shape, n.s.p.f	1,918	-	-
433.1056	Laboratory reagent preparations, organic and inorganic	1,674	-	-
661.2270	Air-conditioners, 60,000 Btu per hour and under	1,588	-	-
252.6700	Writing, printing, or other graphic paper containing over 10 percent by weight mechanical wood pulp	1,400	-	-
256.7190	Paper and paperboard, cut to size or shape; and other articles of pulp, papier-mache, paper, or paperboard, n.s.p.f	1,016	-	-
	Total	118,858	52,402	56,308
	Total, U.S. exports to Cuba	118,858	298,823	56,308

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

142

Table A-28.--Leading items imported from Cuba, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
724.1025	Feature film, 35-mm and over, n.e.s	$11,500	$1,070	$2,000
270.2580	Books, n.s.p.f., by foreign authors	1,200	965	1,200
766.2540	Antique furniture	1,105	-	-
653.2200	Metal coins, n.e.s	773	1,975	-
	Total	14,578	4,010	3,200
	Total, U.S. imports from Cuba	18,868	152,338	3,200

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

Table A-29.—Leading items exported to North Korea, by Schedule B Nos., 1980, 1979, and October-December 1980 1/

Schedule B No.	Description	1980	1979	October-December 1980
	Total, U.S. exports to North Korea	-	$12,680	-

1/ There were no exports to North Korea in 1980.

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

144

Table A-30.--Leading items imported from North Korea, by TSUSA items, 1980, 1979, and October-December 1980

TSUSA item No.	Description	1980	1979	October-December 1980
750.2000	Hair ornaments of rubber or plastics	$20,530	-	-
338.3057	Woven fabrics, of polyester, n.s.p.f	12,500	$560	-
750.6000	Artists' brushes and hair pencils, valued over 10 cents each	7,500	-	-
790.1500	Ribbon fly catchers	4,560	-	-
774.5500	Rubber or plastics articles, n.s.p.f., n.e.s	3,400	-	-
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	1,891	-	-
750.4500	Toilet brushes, valued not over 40 cents each	600	1,731	-
660.9702	Motor-vehicle pumps	362	-	-
734.7760	Golf gloves	323	-	$362
	Total	51,666	2,291	323
	Total, U.S. imports from North Korea	51,666	126,535	685

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

145

APPENDIX B

U.S. EXPORTS OF CEREALS AND CEREAL PREPARATIONS

Cereals and cereal preparations: U.S. exports to the nonmarket economy countries (NME's) and to the world, 1978-80, October-December 1979, and October-December 1980

Market	1978	1979	1980	October-December-- 1979	October-December-- 1980
China--------------1,000 dollars--	361,902	482,653	1,263,870	111,126	478,200
U.S.S.R--------------------do----	1,417,438	2,253,946	938,240	708,041	533,771
Yugoslavia-----------------do----	28,575	162,704	135,964	57,996	22,079
Poland---------------------do----	270,474	399,277	364,744	150,908	139,391
Romania--------------------do----	32,546	116,747	255,322	25,103	41,835
East Germany---------------do----	106,813	245,774	375,116	142,246	98,790
Czechoslovakia-------------do----	44,643	167,226	101,212	95,814	24,088
Bulgaria-------------------do----	25,010	5,515	77,017	-	18,661
Hungary--------------------do----	12,439	666	630	-	-
Albania--------------------do----	-	-	-	-	-
Mongolia-------------------do----	-	-	-	-	-
Vietnam--------------------do----	-	-	-	-	-
Cuba-----------------------do----	-	-	-	-	-
North Korea----------------do----	-	-	-	-	-
Total------------------do----	2,299,840	3,834,508	3,512,115	1,294,234	1,356,815
Total, U.S. cereal exports to the world 1,000 dollars--	11,633,969	14,450,494	18,078,962	4,566,002	5,404,025
U.S. exports of cereals to the NME's as a share of total cereal exports---------percent--	19.8	26.5	19.4	28.4	25.1

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

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

GLOSSARY

Abbreviation	Full wording
CAP	Common Agricultural Policy (EC)
CCC	Commodity Credit Corporation (U.S. Department of Agriculture)
CCL	Commodity Control List
CEMA	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
OEWPP	Office of East-West Policy and Planning (U.S. Department of Commerce)
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	Tarriff Schedules of the United States Annotated
USC	United States Code
USDA	U.S. Department of Agriculture
USITC	U.S. International Trade Commission

INDEX

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.

154

157

158

 160