17TH QUARTERLY REPORT TO THE CONGRESS AND THE EAST-WEST FOREIGN TRADE BOARD ON TRADE BETWEEN THE UNITED STATES AND THE NONMARKET ECONOMY COUNTRIES DURING 1978

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C O N T E N T S

INTRODUCTION

This series of reports by the United States International Trade Commission is made pursuant to section 410 of the Trade Act of 1974 (19 U.S.C. 2440), which requires the Commission to monitor imports from and exports to the nonmarket economy countries (NME's). Under the statute, the Commission is to publish a summary of trade data not less frequently than once each calendar quarter for Congress and the East-West Foreign Trade Board. An important objective of the report is the analysis of data for identification of those imported items which may have an impact on the relevant U.S. industry and on employment within that industry, as requested by the statute.

In addition to summary discussions of trade in the quarter, the reports have covered other topics of relevance to East-West trade. The most frequent subject has been the significance of selected imports on the U.S. market, including, where practicable, an assessment of the effect of such imports on relevant U.S. production and employment. Other quarterly issues have discussed selected U.S. exports as a special feature, as well as two-way trade in selected items of significance for U.S. production or trade. Still another type of report, recurring each year in the first calendar quarter, presents annual summaries of U.S. trade with NME's as a whole and by countries. The present issue is the latest one of this type, covering U.S. trade with NME's in 1978.

The nonmarket economy countries for which trade statistics are included in this series of reports are Albania, Bulgaria, the People's Republic of China (China), Cuba, Czechoslovakia, the German Democratic Republic (East Germany), Hungary, Mongolia, Poland, Romania, the U.S.S.R., and Yugoslavia. At a later date, the Democratic People's Republic of Korea (North Korea), Vietnam, Laos, and Democratic Kampuchea (formerly Cambodia) may be included, pending development of trade. Most countries have not been accorded most-favored-nation (MFN) treatment by the United States during the last 27 years. At the present time, only Poland, Yugoslavia, Romania, and Hungary receive MFN treatment.

In the Tariff Schedules of the United States (TSUS), the unconditional MFN rates are set forth in rate-of-duty column 1. The rates applicable to products of designated Communist nations are set forth in rate-of-duty column 2; for the most part these are the original statutory rates, enacted in 1930. The underlying rate policy was made effective in 1951 and 1952 pursuant to section 5 of the Trade Agreements Extension Act of 1951. The act directed the President to take appropriate action to deny the benefit of trade-agreement concessions to imports from certain Communist nations or areas. The rate discrimination resulting from this policy varies considerably from item to item, and it is not present at all for products which had been historically duty free, or dutiable at the same rates. Actual or potential U.S. imports from those countries which do not enjoy MFN privileges depend, therefore, in some measure on the rate treatment of the specific item involved.

This issue contains a summary of U.S. trade with NME's in 1978, examining U.S. exports and imports and the balance of trade on a country-by-country basis, and analyzing the commodity composition of the relevant trade flows. Important changes in bilateral commercial relations and pertinent economic and trade developments in the NME's may also be briefly discussed.

The discussion of each NME contains data on trade with the United States in broad product categories in the body of the text, and on leading export and import items in the appendix. It should be noted that extensive changes have been made in U.S. foreign trade classifications for 1978. 1/ Data for 1978 are therefore not directly comparable with those of previous years. The effect of reclassification on major groupings of data does not prevent judicious comparisons of data in different time periods in the aggregate. Data for years prior to 1978 for major groups have therefore been included and referred to in discussions where appropriate. Comparisons of trade of leading import items are generally possible over time. Export classifications are so changed in 1978 that comparisons of data on specific items with data in earlier periods are largely impossible. Tables on leading export items do not present data prior to 1978.

1/ The 14th quarterly report includes a summary of the changes in U.S. foreign trade classifications that became effective on Jan. 1, 1978, and their effect on data presentation and analysis in this series.

U.S. TRADE WITH THE NONMARKET ECONOMY COUNTRIES IN 1978

U.S. trade with the nonmarket economy countries (NME's) rebounded in 1978 from its low level in 1977. Trade flows in both directions and the ensuing U.S. trade surplus registered records for the year. Trade turnover between the United States and the NME's amounted to $7.2 billion in 1978, or 51.5 percent more than in 1977. U.S. exports to NME's increased 62 percent to $5 billion; imports from them rose 32.3 percent to $2.2 billion. The U.S. trade surplus vis-a-vis the NME's amounted to $2.8 billion, double the level in 1977 (table 1).

In recent years, in terms of balance and composition, U.S. trade with NME's was markedly different from U.S. trade with the world. In stark contrast to an overall U.S. trade deficit in 3 out of the last 4 years, which reached a record $28.4 billion in 1978, the United States has consistently registered a trade surplus with the NME's. The surplus position of U.S. trade with this group of countries has increased in the last 4 years as U.S. exports to NME's increased more rapidly than overall U.S. exports, while imports from them rose on a parallel with U.S. imports from the world. As demand pressures in NME's for food and certain high technology manufactures became stronger, the NME share of U.S. exports to the world increased significantly. The share rose steadily from 2.6 percent in 1974 to 3.5 percent in 1978, interrupted only in the atypical year of 1977. Meanwhile, the 1.3 percent share of imports from NME's in U.S. imports from the world remained essentially the same as in 1974 (table 1). 1/

In 1978 the fundamental differences between the commodity composition of U.S exports to NME's and U.S. exports to the world became even more pronounced. Table 2 shows the heavy concentration of exports to NME's in products classified as food, beverages, and tobacco. Their share increased from 42.5 percent in 1977 to 53 percent in 1978, owing to the large proportion of food items in the year's sales to NME's. Deliveries to NME's of cereals alone were $1.2 billion more in 1978 than the year before, accounting for almost two-thirds of the entire increase of U.S. exports to NME's. In contrast to their 53 percent weight in total U.S. exports to NME's, food, beverages, and tobacco constituted less than 15 percent of U.S. exports to the world.

In accordance with the disproportionately large weight of food, the share of manufactures in U.S. exports to NME's is comparatively small. In 1978, manufactured items (SITC Commodity groups 5 through 9) accounted for only 27.2 percent; in contrast, they represented over 70 percent of U.S. exports to the world. Although the share of manufactures in all U.S. exports to NME's declined, the value of their sales actually expanded vigorously during the year. U.S. shipments of other manufactured goods (SITC 7 through 9), which consist mostly of the high technology products especially sought by NME's, rose 17 percent. In the last quarter of the year they reflected sales of machinery and transport equipment, mostly to Yugoslavia, the Soviet Union, and China, in that order. Other than food, crude materials constituted the fastest growing product class of U.S. exports to NME countries in 1978, owing in large measure to considerable soybean exports to several countries and cotton exports to China.

1/ Table 1 does not include data for 1974 and 1975. These were shown in the Commission's ninth and thirteenth quarterly reports.

Table 1.--U.S. trade with the world and with the nonmarket economy countries, 1976-78, October-December 1977, and October-December 1978 1/

Item	1976	1977	1978	October-December	
				1977	1978
U.S. world trade:					
Exports---------million U.S. dollars--	115,340	121,242	143,660	30,673	40,363
Imports-------------------------do----	121,009	147,670	172,025	38,128	45,129
Balance----------------------do----	-5,669	-26,428	-28,365	-7,455	-4,766
U.S. trade with nonmarket economy countries:					
Exports---------million U.S. dollars--	3,937	3,073	4,978	767	1,194
Imports-------------------------do----	1,467	1,683	2,226	432	592
Balance----------------------do----	2,470	1,390	2,752	335	602
Trade turnover (exports plus imports)---	5,404	4,756	7,204	1,199	1,786
Share of U.S. total trade with non-market economy countries:					
Exports---------------------percent--	3.41	2.53	3.47	2.50	2.96
Imports-------------------------do----	1.21	1.14	1.29	1.13	1.31

1/ Because of the inclusion of nonmonetary gold in the statistics for 1978, data for 1976 and 1977 have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Therefore, data in this table for 1976 and 1977 are not comparable with data for 1976 and 1977 in similar tables in reports 9 and 13. Data on imports for 1976 and 1977 are not adjusted for date of importation.

Source: U.S. Department of Commerce publication FT990. Export data for 1976 are from tables 5 and E-3 and include domestic and foreign merchandise and Defense Department military assistance grant-in-aid shipments. Import data for 1976 are from tables 6B and I-4B and are general imports. Export data for 1977 and 1978 are from tables 7 and E-3 and include domestic and foreign merchandise and Defense Department military assistance grant-in-aid shipments. Import data for 1977 and 1978 are from tables 8 and 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 the report

Table 2.--U.S. trade with the world and with the nonmarket economy countries (NME's), by SITC 1/ Nos., 1977 and 1978 2/ 3/

SITC commodity code No.	Description	U.S. trade with the world 1977 4/	U.S. trade with the world 1978 5/	U.S. trade with the NME's 1977 4/	U.S. trade with the NME's 1978 5/
		Exports (million U.S. dollars)			
0, 1	Food, beverages, and tobacco	15,983	20,626	1,303	2,629
2, 4	Crude materials	14,389	17,074	507	895
3	Mineral fuels and lubricants	4,183	3,878	86	84
5	Chemicals	10,823	12,618	121	164
6	Manufactured goods classified by chief material	10,858	12,466	145	131
7, 8, 9	Other manufactured goods and miscellaneous	62,807	74,491	902	1,056
	Total	119,042	141,154	3,063	4,959
		Imports (million U.S. dollars)			
0, 1	Food, beverages, and tobacco	14,001	15,583	297	376
2, 4	Crude materials	8,144	9,626	130	151
3	Mineral fuels and lubricants	43,995	42,243	159	159
5	Chemicals	5,430	6,426	68	132
6	Manufactured goods classified by chief material	21,604	27,465	336	507
7, 8, 9	Other manufactured goods and miscellaneous	54,576	71,610	666	905
	Total	147,749	172,952	1,656	2,230
		Percent of total exports			
0, 1	Food, beverages, and tobacco	13.4	14.6	42.5	53.0
2, 4	Crude materials	12.1	12.1	16.6	18.0
3	Mineral fuels and lubricants	3.5	2.7	2.8	1.7
5	Chemicals	9.1	8.9	4.0	3.3
6	Manufactured goods classified by chief material	9.1	8.8	4.7	2.6
7, 8, 9	Other manufactured goods and miscellaneous	52.8	52.8	29.4	21.3
	Total 6/	100.0	100.0	100.0	100.0
		Percent of total imports			
0, 1	Food, beverages, and tobacco	9.5	9.0	17.9	16.9
2, 4	Crude materials	5.5	5.6	7.9	6.8
3	Mineral fuels and lubricants	29.8	24.4	9.6	7.1
5	Chemicals	3.7	3.7	4.1	5.9
6	Manufactured goods classified by chief material	14.6	15.9	20.3	22.7
7, 8, 9	Other manufactured goods and miscellaneous	36.9	41.4	40.2	40.6
	Total 6/	100.0	100.0	100.0	100.0

Footnotes for table 2

1/ Standard International Trade Classification.

2/ Because of extensive changes in U.S. import and export statistics effective Jan. 1, 1978, only the following comparisions of statistics are possible: (1) U.S. trade with the NME's on a 1-digit basis in 1977 with U.S. trade with the world on a 1-digit basis in 1977; (2) similarly for 1978; (3) total U.S. trade with the world in 1977 with total U.S. trade with the world in 1978 (import data are not adjusted for date of importation); and (4) similarly for total U.S. trade with the NME's. Data for 1977 on a 1-digit basis should not be compared with data for 1978 on a 1-digit basis for either U.S. trade with the world or for U.S. trade with the NME's.

3/ Because of the inclusion of nonmonetary gold in the statistics for 1978, data for 1977 have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Therefore, 1977 data for this table in this report are not comparable with data for 1977 in similar tables in quarterly reports 9 through 13. Data for 1977 are on the basis of the SITC Revision 1 except for the inclusion of nonmonetary gold; data for imports are not adjusted for date of importation.

4/ Data for exports from old schedule B, domestic merchandise only; data for imports from old schedule A.

5/ Data for exports from new schedule E, domestic merchandise only; data for imports from revised schedule A.

6/ Because of rounding, figures may not add to the totals shown.

Source: U.S. Department of Commerce publication FT990. Data on U.S. trade wth the world for 1977 from tables 4 and 3B. Data on U.S. trade with the world for 1978 from tables 3 and 6. Data on U.S. trade with the NME's for 1977 and 1978 from the Bureau of East-West Trade, U.S. Department of Commerce.

On the import side, the structural contrast between U.S. trade with NME's and U.S. trade with the world is reduced. The principal difference exists between the significance of mineral fuels, mostly petroleum-based, in overall U.S. imports (24.4 percent), and the small share of this product class in U.S. imports from NME's (7.1 percent). Another dissimilarity is the comparatively large weight of food items in U.S. purchases from NME's (16.9 percent), compared with U. S. imports from the world (9 percent). Also, manufactured products classified by chief material are more important in U.S. imports from NME's than from the world, accounting for 22.7 percent and 15.9 percent respectively. In 1978 this was the most rapidly growing class of U.S. imports from NME's. Included in this category were steel from Poland and textiles from China, which have evoked protests from affected U.S. parties and triggered initial steps toward remedial action by the U.S. Government.

Other manufactured goods, etc. (SITC 7 through 9), accounted for 41 percent of U.S. imports both from the world and from NME's in 1978. This group includes footwear, shirts, gloves, suits, wooden furniture, handicrafts, and other labor-intensive items of light industry. These feature prominently in U.S. imports from several NME's, especially from the less advanced countries, such as China, where there is an abundance of labor (table 3). Some of these items, such as cotton work gloves from China and clothespins from China, Poland and Romania, came under investigation by the U.S. International Trade Commission during the year as possible causes of market disruption for a U.S. industry. The group also includes imports from NME's which have become hard currency earners on the basis of high quality or uniqueness. Such items include tires from Hungary, textile machines from Czechoslovakia, and machine tools from East Germany. Specific high quality items designated for Western markets made U.S. imports of chemicals from NME's rise faster than those of other product groups.

The Soviet Union and China were primarily responsible for the $1.4 billion increment in the U.S. trade surplus with NME's generated during the year (tables 3, 4, 5, and 6). The already large trade surplus of the United States vis-a-vis the Soviet Union in 1977 increased by more than $0.5 billion to $1.7 billion in 1978. With China, the United States closed the year with $0.5 billion surplus in 1978, even though in 1977 it had a small trade deficit with that country. Romania was the only NME with which the United States registered a trade deficit in 1978, amounting to $27 million.

The nearly $1.9 billion growth in U.S. exports to NME's in 1978 was unevenly distributed. With the exception of Cuba, U.S. exports in 1978 increased to all NME's. The largest purchasers of U.S. cereals and cereal products were the Soviet Union, China, Poland, and East Germany (table 7). The United States actually multiplied its total exports to China, Bulgaria, and East Germany, which had not imported cereals on any meaningful scale in 1977 but were cereal purchasers in 1978 (table 7).

Table 7 shows U.S. exports of cereals and cereal products to each NME since 1976. A combination of bad harvests and increasing consumption in several NME's caused U.S. cereal exports to soar from 1977 to 1978. These surges occurred in exports to all NME's except Romania, where they actually

Table 3.--U.S. imports from the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1978

(In thousands of U.S. dollars)

SITC commodity code No.	Description	Albania	Bulgaria	China	Cuba	Czechoslovakia	East Germany	Hungary
0	Food and live animals	-	400	7,244	-	1,427	44	7,801
1	Beverages and tobacco	-	4,329	20	-	267	64	250
2	Crude material--inedible, except fuel	737	11	11,716	-	16	822	59
3	Mineral fuels, lubricants, etc	-	-	-	-	-	308	-
4	Oils and fats--animal and vegetable	-	-	245	-	-	-	-
5	Chemicals	-	211	11,194	-	201	54	992
6	Manufactured goods, classified by chief material	-	69	19,458	-	4,987	1,845	939
7	Machinery and transport equipment	-	444	138	-	2,809	2,607	5,428
8	Miscellaneous manufactured articles	6	358	24,272	6	4,670	1,203	4,740
9	Commodities and transactions not elsewhere classified	-	9	229	5	50	92	48
	Total 2/	743	5,832	74,516	11	14,427	7,038	20,257

SITC commodity code No.	Description	Mongolia	Poland	Romania	U.S.S.R.	Yugoslavia	Total
0	Food and live animals	-	41,392	5,706	679	18,003	82,696
1	Beverages and tobacco	-	89	182	1,299	5,963	12,463
2	Crude material--inedible, except fuel	1,098	413	1,954	14,590	1,344	32,760
3	Mineral fuels, lubricants, etc	-	6,415	41,712	19,609	-	68,044
4	Oils and fats--animal and vegetable	-	460	32	4	-	741
5	Chemicals	-	4,450	3,543	8,675	4,202	33,522
6	Manufactured goods, classified by chief material	-	28,653	19,013	29,050	22,404	126,418
7	Machinery and transport equipment	-	7,927	5,101	1,916	5,309	31,679
8	Miscellaneous manufactured articles	-	20,323	24,360	2,263	30,014	112,215
9	Commodities and transactions not elsewhere classified	-	209	275	97,714	1,941	100,572
	Total 2/	1,098	110,331	101,879	175,799	89,180	601,112

1/ Standard International Trade Classification.
2/ Because of rounding, figures may not add to the totals shown.

Source: U.S. Department of Commerce, Bureau of East-West Trade,

Note.--Total imports shown are imports for consumption and differ from the figures in table 1, which are general imports.

Table 4.--U.S. exports to the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), October-December 1978

(In thousands of U.S. dollars)

SITC commodity code No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary
0	Food and live animals	-	13,791	244,312	2	15,536	61,605	11,721
1	Beverages and tobacco	-	317	-	-	369	-	-
2	Crude material--inedible, except fuel	-	390	47,464	-	9,392	1,731	2,192
3	Mineral fuels, lubricants, etc	3,953	-	1,646	-	1	-	1
4	Oils and fats--animal and vegetable	-	-	-	-	6	-	-
5	Chemicals	-	420	20,104	31	221	647	5,243
6	Manufactured goods, classified by chief material	-	169	14,498	6	636	311	592
7	Machinery and transport equipment	58	1,101	44,305	3	7,007	415	7,102
8	Miscellaneous manufactured articles	-	925	5,145	9	859	6,715	853
9	Commodities and transactions not elsewhere classified	-	14	4	26	88	20	91
	Total 2/	4,010	17,127	377,478	76	34,115	71,443	27,795

SITC commodity code No.	Description	Mongolia	Poland	Romania	U.S.S.R.	Yugoslavia	Total
0	Food and live animals	-	36,393	28,915	128,530	24,671	565,476
1	Beverages and tobacco	-	1,467	-	483	3,572	6,208
2	Crude material--inedible, except fuel	-	20,596	27,878	23,937	20,620	154,200
3	Mineral fuels, lubricants, etc	-	72	11,334	15,171	6,541	38,719
4	Oils and fats--animal and vegetable	-	-	-	-	-	6
5	Chemicals	9	3,597	360	7,694	12,320	50,646
6	Manufactured goods, classified by chief material	-	3,061	1,676	10,371	3,949	35,269
7	Machinery and transport equipment	1	20,366	18,121	83,601	99,035	281,115
8	Miscellaneous manufactured articles	-	4,772	1,826	26,086	5,227	52,417
9	Commodities and transactions not elsewhere classified	3	352	56	457	434	1,545
	Total 2/	14	90,676	90,165	296,330	176,369	1,185,599

1/ Standard International Trade Classification.
2/ Because of rounding, figures may not add to the totals shown.

Source: U.S. Department of Commerce, Bureau of East-West Trade.

Table 5.--U.S. imports for consumption from the individual nonmarket economy countries, 1976-78, October-December 1977, and October-December 1978

(In thousands of U.S. dollars)

Source	1976	1977	1978	October-December 1977	October-December 1978
U.S.S.R	225,840	421,581	529,579	162,817	175,799
China	194,649	197,400	316,743	41,794	74,516
Poland	314,436	326,508	435,947	75,245	110,331
Yugoslavia	395,043	347,899	406,553	70,300	89,180
Romania	200,118	231,020	344,561	41,021	101,879
Czechoslovakia	34,802	36,392	57,359	7,532	14,427
East Germany	13,421	16,863	35,220	4,045	7,038
Hungary	47,569	46,800	69,153	10,446	20,257
Bulgaria	11,231	26,043	27,909	6,447	5,832
Albania	2,544	3,399	3,497	2,056	743
Cuba	27	106	66	-	11
Mongolia	2,252	2,076	3,679	352	1,098
Total 1/	1,441,932	1,656,089	2,230,267	422,055	601,112
Total U.S. imports from all countries 1/	121,451,886	149,749,366	172,952,194	37,348,604	45,213,750

1/ These figures do not agree exactly with the import figures in table 1 because these figures are imports for consumption, whereas the import figures in table 1 are general imports.

Source: U.S. Department of Commerce publication IM-146, and Bureau of East-West Trade.

Table 6.--U.S. exports to the individual nonmarket economy countries, 1976-78, October-December 1977, and October-December 1978

(In thousands of U.S. dollars)

Market	1976	1977	1978	October-December	
				1977	1978
U.S.S.R	2,305,934	1,623,484	2,249,020	344,670	296,330
China	135,388	171,318	818,241	81,844	377,478
Poland	621,035	436,536	677,022	109,990	90,676
Yugoslavia	295,413	355,436	471,298	84,142	176,369
Romania	249,033	259,405	317,423	81,492	90,165
Czechoslovakia	147,466	73,989	105,349	17,319	34,115
East Germany	64,767	36,099	170,121	13,091	71,443
Hungary	62,960	79,717	97,682	23,967	27,795
Bulgaria	43,320	23,910	48,120	6,564	17,127
Albania	1,076	2,209	4,469	77	4,010
Cuba	89	588	340	50	76
Mongolia	31	11	62	6	14
Total 1/	3,926,512	3,062,701	4,959,147	763,214	1,185,599
Total U.S. exports to all countries 1/	113,670,672	119,005,375	141,154,185	30,111,857	39,663,759

1/ These figures do not correspond exactly to those given in table 1 because export figures in table 1 include U.S. exports of foreign merchandise, whereas figures in this table do not. Also, in total U.S. exports, figures in this table do not include Department of Defense militarty-assistance shipments, whereas corresponding figures in table 1 include these figures. Exports are valued on an f.a.s. basis.

Source: U.S. Department of Commerce publication EM 450/455, and Bureau of East-West Trade.

Table 7.--U.S. exports of cereals and cereal preparations to the nonmarket economy countries and to the world, 1976-78, October-December 1977, and October-December 1978

Market	1976	1977	1978	October-December	
				1977	1978
Bulgaria---------1,000 U.S. dollars--:	28,455	175	25,010	90	4,293
China------------------------do----:	-	-	361,902	-	87,013
Czechoslovakia-----------------do----:	69,630	8,936	44,643	33	8
East Germany-------------------do----:	48,742	20,246	106,813	6,466	12,215
Hungary------------------------do----:	411	9,875	12,439	3,911	61
Poland-------------------------do----:	346,737	197,686	270,474	58,359	126,796
Romania------------------------do----:	74,039	36,840	32,546	22,641	2,908
U.S.S.R------------------------do----:	1,346,938	848,629	1,417,438	236,968	279,468
Yugoslavia---------------------do----:	155	129	28,575	-	6,915
Total 1/-------------------do----:	1,915,157	1,122,312	2,299,840	328,448	519,677
Total U.S. cereal exports to the world--1,000 U.S. dollars--:	10,910,926	8,754,798	11,633,969	2,186,838	2,768,441
U.S. exports of cereals to the nonmarket economy countries as a share of total cereal exports---------------percent--:	17.6	12.8	19.8	15.0	18.8

1/ Because of rounding, figures may not add to the totals shown.

Source: U.S. Department of Commerce publication EM 450/455, and Bureau of East-West Trade.

Note.--Data for 1976-77 are based on old Schedule B, Division 04. Data for 1978 are based on new Schedule E, Division 04. Data are comparable.

declined, and to Hungary, where the increase was small. 1/ However, compared with sales in 1976, which was the previous record year of U.S. cereal sales to NME's, 1978 sales were smaller to Bulgaria, Czechoslovakia, Poland, and Romania. Yet China's resumption of purchases after a hiatus of 3 years had the counterbalancing effect of establishing a new record of U.S. cereal exports to NME's in 1978.

In 1978 U.S. imports for consumption also rose from all NME's except Cuba (table 5). Increases from Bulgaria and Albania were minimal. U.S. imports rose most rapidly from East Germany; their value doubled compared with 1977 values, and the increment was spread out across several commodity groups.

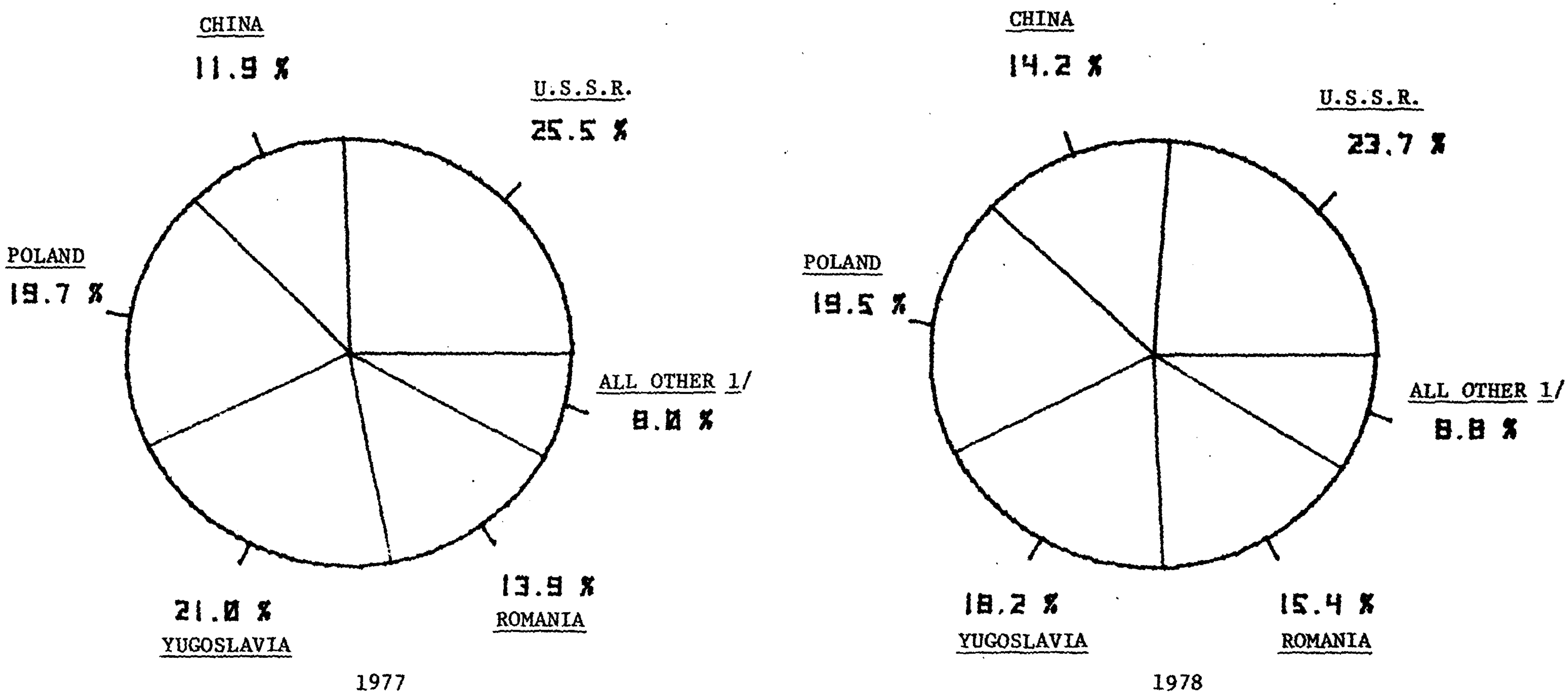
Figures 1 and 2 illustrate the changes that occurred during the year in the shares of total U.S. trade with principal NME's. Noticeable is a shift in the distribution of U.S. exports between the NME's (fig. 2) as China's share jumped to a significant 16.5 percent during the year, compared with a modest 5.6 percent in 1977. China became the second largest NME recipient of U.S. exports following the Soviet Union, displacing Poland to third and depressing the relative shares of the Soviet Union, Romania, and Yugoslavia. The distribution of U.S. imports among NME's (fig. 1) remained essentially the same in 1978 as they had been in 1977, showing a more even spread of U.S. imports than U.S. exports among these countries. China's share of U.S. imports increased (to 14.2 percent), but not as dramatically as did its role as final destination for U.S. exports. Romania's greater significance as an NME supplier of U.S. imports was another noteworthy change.

Prospects for increased trade with the NME's are favorable. In general, record agricultural sales to the Soviet Union and China in 1978 are expected to be repeated in 1979 on the basis of purchases already made and evidence of increased demand for agricultural products. Larger sales of capital equipment to the Soviet Union are also anticipated, as indicated by the prevailing trend of an increasing U.S. share in all Soviet orders from Western industrial countries. Chinese purchases of U.S. capital equipment will definitely soar on the basis of commitments made during the year. Yugoslavia is expected to divert capital equipment purchases to the United States, especially if it can obtain favorable credit terms. U.S. exports to these three countries alone accounted for almost half of U.S.-NME trade turnover in 1978. Hungary's recently obtained MFN status and eligibility for official credits will probably boost United States-Hungarian trade. Similar privileges, particularly official credits, would have a significant impact if granted to the Soviet Union and China--now generally seen as a possibility in 1979.

The major constraints on U.S. exports to NME's are the austere import policies, and a general economic slowdown in several of these countries. For such reasons, for example, the outlook for 1979 for U.S. trade with Poland, also a major NME trading partner for the United States, does not appear overly promising. In the longer run, the NME's expect to alleviate their hard currency shortage by various strategies, such as developing their natural resources for exports (China), or attaining excellence in producing manufactured items which are competitive in hard currency markets, or will be

1/ Higher values of cereal sales generally reflect increases in the volume of exports, as average price changes of cereals were not significant between 1977 and 1978. For certain cereal products and qualities, and in certain markets, however, prices did decline as well as rise.

Figure 1.--Relative shares of U.S. imports from the nonmarket economy countries in 1977 and 1978

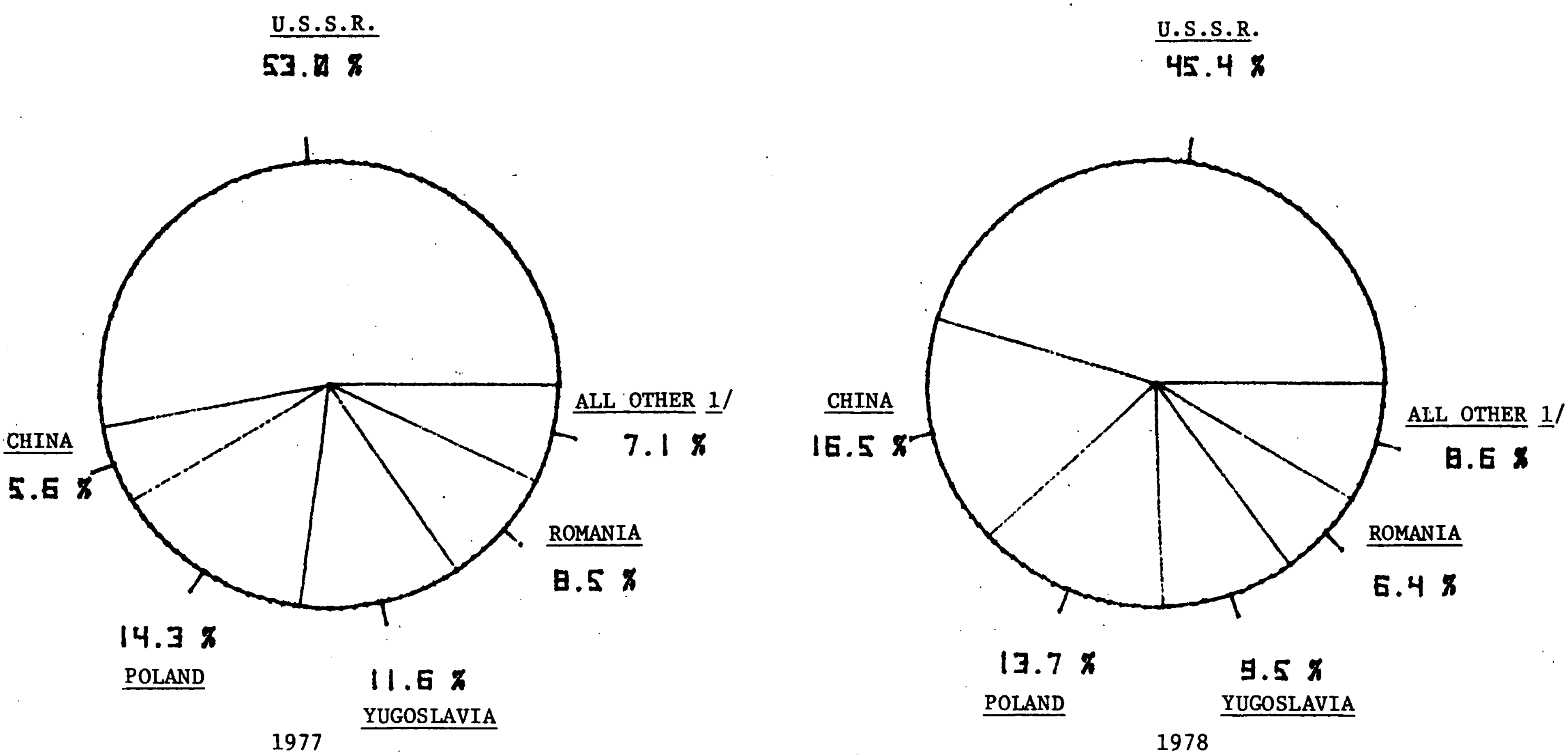


1/ Czechoslovakia, East Germany, Hungary, Bulgaria, Albania, Cuba, and Mongolia.

Source: Based on data in table 5.

Note.--Because of rounding, percentages may not add to exactly 100.

Figure 2.--Relative shares of U.S. exports to the nonmarket economy countries in 1977 and 1978



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

Source: Based on data in table 6.

Note.--Because of rounding, percentages may not add to exactly 100.

accepted in countertrade (Eastern Europe). 1/ NME pressure for countertrade is expected to intensify greatly in 1979 and following years, with the likely impact of raising U.S. imports from NME's.

U.S.S.R.

After a decline in 1977, U.S. trade with the Soviet Union resumed its upward movement, reaching a record high of $2.8 billion in 1978, representing an increase of 35.9 percent over 1977 trade levels (table 8). Soaring U.S. grain exports, although somewhat offset by steadily declining exports of machinery and transport equipment, increased U.S. exports to $2.2 billion. This was 38.5 percent higher than the level of exports in 1977, but slightly below the record $2.3 billion of exports registered in 1976. U.S. imports increased 25.6 percent to $529.6 million in 1978 owing to expanding imports of gold bullion and nonferrous metals. The U.S. trade surplus increased substantially from $1.2 billion in 1977 to $1.7 billion, but was still well below the record $2.1 billion surplus achieved in 1976.

The level of United States-Soviet trade is determined to a large degree by the availability of hard currency in the Soviet Union. With a hard-currency debt between $16 billion and $17 billion by the end of 1978, the Soviet Union's ability to import from the United States and other Western countries is constrained by its capacity to raise hard currency through exports or borrowing. Especially in years of harvest shortfall, the unavoidable increase in grain purchases have a limiting effect on the importation of Western industrial goods. In recent years the Soviet Union has been making a serious effort to reduce its hard-currency deficit with Western countries by restricting imports from market economy countries. From a peak of $6.3 billion in 1975, the Soviet trade deficit with non-Communist countries declined to $5.5 billion in 1976, and $2.4 billion in 1977. However, based on January-September data, the Soviet deficit with non-Communist countries rose again in 1978 to $3.4 billion. Soviet efforts to cut back on imports may have affected industrial imports into the Soviet Union from the United States relatively more than imports from other advanced industrial countries. As Soviet planners have a tendency to seek bilateral balance in their foreign trade, the necessity of heavy U.S. grain purchases may have induced Soviet officials to hold down imports of other products from the United States.

The failure of the United States to grant most-favored-nation status to the Soviet Union is believed to have had a negative impact on bilateral trade between the two countries. Soviet officials have repeatedly stated their intention to divert as many of their purchases as possible to countries offering nondiscriminatory tariff treatment to imports originating in the

1/ The U.S. Department of Commerce defines countertrade as a transaction in which a seller (a Western exporter) provides a buyer (an Eastern importer) with deliveries (e.g., technology, know-how, finished products, machinery, and equipment) and contractually agrees to purchase goods from the buyer equal to an agreed-upon percentage of the original sales contract value. For an extended discussion of countertrade, see "Ammonia from the U.S.S.R. in Countertrade" in the International Trade Commission's 16th Quarterly Report to the Congress and the East-West Foreign Trade Board on Trade Between the United States and the Nonmarket Economy Countries During July-September 1978; December 1978.

Table 8.--U.S. trade with the U.S.S.R., by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	967	1,358,562	876,009	1,441,798
1	Beverages and tobacco	1,322	1,137	1,427	2,638
2	Crude materials--inedible, except fuel	31,986	141,399	180,998	286,384
3	Mineral fuels, lubricants, etc	775	9,273	16,858	30,514
4	Oils and fats--animal and vegetable	-	16	87	18,750
5	Chemicals	24,683	37,423	40,469	29,866
6	Manufactured goods classified by chief material	8,776	116 282	89,275	56,879
7	Machinery and transport equipment	44,320	604,799	373,595	283,173
8	Miscellaneous manufactured articles	5,287	35,581	44,036	97,563
9	Commodities and transactions not elsewhere classified	190	1,465	730	1,454
	Total 2/	118,215	2,305,934	1,623,484	2,249,020
		U.S. imports 3/			
0	Food and live animals	474	881	886	1,702
1	Beverages and tobacco	145	902	1,911	4,838
2	Crude materials--inedible, except fuel	18,313	49,351	47,031	49,705
3	Mineral fuels, lubricants, etc	2,807	54,090	64,156	43,642
4	Oils and fats--animal and vegetable	1	2	45	10
5	Chemicals	912	5,926	6,090	36,840
6	Manufactured goods classified by chief material	46,443	81,008	80,363	93,028
7	Machinery and transport equipment	67	4,158	3,092	3,083
8	Miscellaneous manufactured articles	2,615	16,368	10,228	9,459
9	Commodities and transactions not elsewhere classified	446	13,155	207,781	287,270
	Total 2/	72,224	225,840	421,582	529,579

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

Soviet Union. Yet, the impact of MFN treatment, if granted, on the level of Soviet sales to the United States is questionable. More than 70 percent of the value of the top 20 items the Soviet Union sold to the United States in 1978 entered duty-free under column 2, and a marked shift in the composition of this trade flow in response to possible MFN privileges is unlikely. The absence of MFN status also affects the Soviet Union as a purchaser of U.S. exports, making it ineligible to participate in any program of the U.S. Government which extends credits, credit or investment guarantees, directly or indirectly. 1/ Because of the Soviet Union's relative shortage of hard currency, the extension of such credits may have a positive effect on the level of U.S. exports. Other factors, such as U.S. export controls and the unwillingness of U.S. firms to engage in countertrade arrangements, are also considered to exert a downward pressure on the level of of U.S. exports to the Soviet Union.

Prospects for increased bilateral trade, particularly for U.S. exports, are promising for 1979. On February 27, 1979, President Carter stated his views concerning the possibility for granting MFN to the Soviet Union. The President noted that in the last 6 months, the Soviet Union has permitted Jewish emigration at a rate in excess of 40,000 annually, the highest rate in recent history. This means that the Soviet Union is approaching the point where it is in compliance with the provisions of Section 402 of the Trade Act as interpreted by the Congress and, therefore, eligible for MFN status. The President concluded his remarks by stating that he hoped and expected that it would be possible to have most-favored-nation status granted both to China and to the Soviet Union within the next few months, pending Congressional approval. 2/

Legislation was introduced in Congress on February 5, 1979, for the amendment of both the Jackson-Vanik Amendment (section 402 of the Trade Act of 1974) and the Export-Import Bank Act. 3/ If adopted, the bill would liberalize provisions concerning NME emigration practices and facilitate eligibility for MFN treatment and Eximbank credits. It would delete the requirement that the President must receive assurances that a Communist country allows free emigration. Instead, it would substitute the requirement of a Presidential determination that the emigration practices of a Communist country will henceforth lead substantially to the achievement of the free emigration objectives of section 402 of the Trade Act. The legislation further provides that waivers under the Trade Act shall be in effect for 5 years rather than for 1 year, as presently prescribed. Most important, the amendments remove provisions in the Export-Import Bank Act and the Trade Act (sec. 613) which single out the Soviet Union for discriminatory treatment among NME's with respect to credits, and they raise the limitation on Eximbank loans or financial guarantees to the Soviet Union from the present $300 million to $2 billion.

1/ Section 402 of the Trade Act of 1974 prohibits those countries which deny their citizens the right or opportunity to emigrate from participating in any program of the Government of the United States which extends credits or credit guarantees or investment guarantees, directly or indirectly.

2/ Remarks by President Carter at a White House Dinner honoring governors attending the National Governors' Association Winter Session. Feb. 27, 1979.

3/ S. 339 introduced by Senator Adlai E. Stevenson (D.-Ill.) and H.R. 1835 introduced by Representative Walter Leslie AuCoin (D.-Ore.).

A meeting of the United States-U.S.S.R. Trade and Economic Council took place in Moscow in December 1978 with high-level U.S. officials and the representatives of leading U.S. corporations and organizations in attendance. This meeting marked a turning point in U.S.-Soviet relations, according to the co-Chairman of the Council. The interest of the United States in promoting good trading relations with the Soviet Union was underscored by a concurrent announcement by the Secretary of Commerce that 22 requests from 14 U.S. companies seeking to sell oil equipment to buyers in the Soviet Union had been approved. In August 1978 the President of the United States, in reaction to what the United States felt was unjust Soviet treatment of political dissidents, had announced that exports of oil and gas exploration equipment would become subject to validated export license controls. To date, no requests for licenses for the export of oil equipment have been denied.

The Soviet economy recovered in 1978 from the setback caused by the 1977 harvest shortfall. National income rose 5 percent in 1978, slightly higher than the targeted 4.5 percent. Heavy industrial production increased 5.3 percent, and agricultural production increased 4.1 percent with a record grain harvest of 235 million tons. The Chairman of the Soviet State Planning Commission has stated that the 1979 plan calls for a 5.7 percent increase in industrial production and a 5.8 percent rise in agricultural output. It should be noted that there has been a continuing lag from year to year in fulfilling the general goals of the current 5-year plan (1976-80) which calls, for example, for an average annual increase in industrial production of 6.5 percent. The Chairman pointed out that the Soviet Union must concentrate on eliminating such problems as bottlenecks in certain sectors, poor quality of goods, bad management, poor utilization of materials, and low labor productivity. To achieve this, the plan emphasizes mechanization, automation, and modernization of industry and agriculture. In the improved atmosphere for trade expected in 1979, the Soviet Union may very well turn to the United States for some of the industrial equipment it needs to achieve its goals. The United States can frequently offer technical superiority and better delivery time than other Western competitors, and the depreciation of the dollar has increased U.S. competitiveness. U.S. export controls do not affect many items for which the Soviet Union has expressed an interest.

U.S. exports

The value of U.S. exports to the Soviet Union increased 38.5 percent from $1,623 million in 1977 to $2,249 million in 1978. Exports of corn, wheat, and soybeans increased by $626 million or 66.6 percent, while the sales of all other items collectively declined. These three items were together responsible for 71.5 percent of total U.S. exports to the Soviet Union in 1978 compared with 59.5 percent in 1977. Exports of miscellaneous manufactured items more than doubled, but these items accounted for only 4.3 percent of the total. Exports of chemicals, semimanufactured items, and machinery and transport equipment, which accounted for 16.4 percent of the total, all experienced significant decreases compared with their levels in 1977.

The United States exported nearly 13 million metric tons of corn and wheat, valued at $1,409 million, to the Soviet Union in 1978. This represented one-fifth of total U.S. corn exports, and approximately 8.5 percent of total U.S. wheat exports. No other country purchased as much U.S. corn as did the Soviet Union, and only Japan's imports of U.S. wheat exceeded those of the Soviet Union. The Soviet Union also purchased a significant amount of U.S. soybeans in 1978, along with a small quantity of soybean oil cake and meal. The tabulation below shows the quantity, value, and unit value of U.S. exports of these items to the Soviet Union in 1977 and 1978:

Item	1977			1978		
	Quantity	Value	Unit value	Quantity	Value	Unit value
	1,000 metric tons	1,000 dollars	Per metric ton	1,000 metric tons	1,000 dollars	Per metric ton
Corn	3,581.8	384,742	$107.42	9,925.0	1,053,166	$106.11
Wheat	3,016.6	426,769	141.48	2,925.4	355,792	121.62
Soybeans	564.6	154,307	273.30	744.3	199,771	268.39
Soybean oil-cake and meal	154.2	86,279	559.53	495.3	239	483.09

The tabulation shows a near-tripling of U.S. exports of corn and soybean oil cake and meal, as well as a significant increase in exports of soybeans. Wheat exports declined slightly on a quantity basis. The unit values of all four items declined in 1978 relative to those of 1977.

Under the 1975 U.S.-U.S.S.R. Grain Agreement, which came into force October 1, 1976, the Soviet Union is obligated to purchase 6 million metric tons of wheat and corn, in approximately equal amounts, in each of the 5 years of the agreement (1976-81). The Agreement further provides that the Soviet Union may purchase up to 8 million metric tons without consultations in any 12-month period, unless the U.S. grain harvest falls below 225 million metric tons. Intergovernmental consultations are required if the Soviet Union wishes to purchase more than 8 million metric tons of grain. In the fall of 1977, after a 1977 Soviet harvest shortfall and a bumper U.S. harvest, the U.S. Agriculture Department authorized the Soviet Union to increase its grain purchases to 15 million metric tons for FY 1978.

The Soviet Union harvested a record 235 million metric tons in 1978, 50 million tons higher than the average harvest during the 1971-75 period, and 11 million tons higher than the record 1976 harvest. In spite of the bountiful harvest, the U.S. Department of Agriculture expects the Soviet Union to be a significant purchaser of U.S. grain in 1979, possibly equaling their 1978 purchases. The Soviet Union must rebuild inventories depleted by the 1975 and 1977 harvest shortfalls. There is the persistent problem of machinery breaking down and of distribution of fuel to farms. This slows the movement of the grain from field to storage facility, and may result in some losses in the field before the grain can be transported to storage. Furthermore, because of heavy rains during the harvest period, some of the grain is wet and dirty and may spoil over the winter in the storage facilities. Finally, the Soviet Union's plan to increase meat production and feed a growing number of cattle increases consumption of feedgrains.

While U.S. exports of miscellaneous manufactured items increased, exports of semimanufactured products, machinery and transport equipment, and other manufactured items as a whole declined 15.8 percent from $506.9 million in 1977 to $437.6 million in 1978. Leading items exported in 1978 included pressure sensitive tape, tractors and parts, oil- and gas-drilling machinery, and computer equipment. Conceivably, the level of U.S. exports of oil and gas development machinery and computer equipment may have been lowered in 1978, owing to delays experienced by U.S. firms in obtaining export licenses and the President's disapproval of the sale of a Sperry Univac computer. These may have caused the Soviet Union to divert its purchases of such equipment to other sources.

On the basis of commercial agreements reached in 1978 between U.S. companies and the Soviet Union the outlook for U.S. exports to the Soviet Union in 1979 is encouraging. Pertinent developments in the last quarter are that Control Data Corp. announced on October 31, 1978, that it had received the Soviet Government's permission to open an office in Moscow. It has been licensed by the U.S. Government to provide special computer data services to both the Soviet Union and Eastern Europe. Also in October, RCA signed a contract worth more than $25 million with a Soviet Foreign Trade Organization (FTO) for a color television picture tube plant to be set up at Voronezh. The company also concluded a 10-year scientific and technical cooperation agreement with the Soviet FTO covering the exchange of patents and licenses for the manufacture of color TV picture tubes. Another U.S. firm received an order in late 1978 for a $9.8 million roller bearing plant. Coca-Cola announced in December that it would be involved in the construction of a large bottling plant and will provide technical assistance and distribution expertise in soft drink production, retailing, and the development of new beverages and food products.

Several other U.S. firms are currently negotiating with the Soviet Union. General Motors is competing with several Western European auto companies for a contract for approximately $1 billion for the complete modernization of the huge Moskvich auto plant in Moscow. GM would provide technical assistance, licensing, and quality control, as well as supply a certain percentage of the automobile parts and take a portion of the cars for resale in markets outside the United States. Negotiations are also being conducted between the Soviet Union and a U.S. jeans company for the construction of jeans plants in the Soviet Union. Another U.S. firm is currently competing with Japanese and Western European firms for contracts involving the expansion and streamlining of the entire telephone system of the Soviet Union, including the manufacture of electronic phone switching systems and the training of Soviet personnel. Other opportunities may exist for U.S. businessmen to participate in the construction in Siberia of a refinery and petroleum complex worth up to $1 billion and to sell oil exploration equipment worth $5 billion for the development of Soviet oil reserves. The U.S.-U.S.S.R. Trade and Economic Council estimates that thousands of U.S. jobs could be created by the successful conclusion of these contracts.

U.S. imports

The value of U.S. imports from the Soviet Union increased from $421.6 million in 1977 to $529.6 million in 1978, or by 25.6 percent. In contrast to the composition of imports from other NME's, fully 54 percent of total U.S. imports from the Soviet Union consisted of gold bullion. 1/ Imports of gold bullion increased 41.4 percent to $285.8 million in 1978. Part of this growth resulted from an increase in unit value from $143.27 per troy ounce in 1977 to $196.95 per troy ounce in 1978. Imports of gold bullion accounted for 73.6 percent of the total increase in imports, as the relative share of all other product classes declined. Considerably more than half of the remaining imports consisted of manufactured items classified by chief materials and crude materials, such as aluminum, platinum-group metals, nickel, diamonds, furskins, chrome ore, hardboard, and titanium. Imports of semimanufactured items and crude materials increased 12 percent, from $127.4 million in 1977 to $142.7 million in 1978. The largest percentage increase was in chemicals, where imports expanded more than five-fold, from $6.1 million in 1977 to $36.8 million in 1978. Imports of mineral fuels decreased by about one-third to $43.6 million, representing only 8.2 percent of total imports in 1978, down from 15.2 percent in 1977.

As its manufactured products are generally uncompetitive on the world market in terms of quality, style, and technology, the Soviet Union depends heavily upon exports of raw or semimanufactured items such as nonferrous metals and petroleum products to generate needed hard currency. U.S. imports of nonferrous metals from the Soviet Union totaled $105.3 million in 1978 and accounted for 43.2 percent of U.S. imports of items other than gold compared with $89.3 million accounting for 40.7 percent of these imports in 1977. Within the group, imports of platinum group metals--principally platinum, palladium, and rhodium--are the most significant. Imports of platinum-group metals amounted to $43.6 million in 1978, down slightly from $44.7 million in 1977. Platinum group metals are used in a number of industries, including the automobile, chemical, petroleum, electrical, glass, pharmaceutical, and jewelry industries.

Other nonferrous metal imports from the Soviet Union which increased in value in 1978 included aluminum waste and scrap, nickel, and titanium. U.S. demand for aluminum waste and scrap comes from the automobile industry, where it is used in the production of castings. Over half of the 100 pounds of aluminum used in the average late-model car consists of castings. The use of aluminum castings in automobiles will probably increase as producers seek to reduce the weight of cars and increase fuel economy in response to legislated mileage requirements. 2/ Nickel is used by producers of stainless steel, alloy steel, and chemicals, and by petroleum refiners, all of whom value nickel because it adds corrosion resistance and strength, improves wear resistance, and minimizes cracking and spalling. Nickel also has chemical

1/ Gold represented virtually all imports of "commodities and transactions not elsewhere classified"; see table 8.

2/ U.S. International Trade Commission, 14th Quarterly Report to the Congress and the East-West Foreign Trade Board on Trade Between the United States and the Nonmarket Economy Countries During January-March 1978. June 1978, pp. 26-30.

properties needed in the production of batteries, dyes, pigments, catalysts, and insecticides. 1/ Titanium is used in the production of aircraft, missiles, and military equipment because it has a high strength-to-weight ratio and is more difficult to pierce than steel. It is also used in small amounts to add strength, toughness, and hardness to chromium steel, stainless steel, tool steel, and cast iron.

Imports of mineral fuels decreased from $64.2 million in 1977 to $43.6 million in 1978 as a result of decreased imports of naphthas and fuel oils over 25 degrees A.P.I. 2/ The Soviet Union accounted for approximately 0.1 percent of the total $42.2 billion worth of U.S. imports of mineral fuels in 1978.

U.S. imports of chemicals from the Soviet Union amounted to $36.8 million in 1978, a five-fold increase from 1977. This was mainly the result of Soviet shipments of anhydrous ammonia, which began in 1978 as part of a 20-year industrial cooperation agreement which Soviet officials signed with Occidental Petroleum Corp. in 1973. Under the terms of the agreement, Occidental will supply superphosphoric acid to the Soviet Union and help in the construction of ammonia plants in return for Soviet ammonia. Construction of the ammonia plants accounts for the 5-year lag between the time the agreement was signed and the first shipments of ammonia were delivered. 3/

Spirits for beverages was the only Soviet food or beverage to appear in the leading 20 import items. Imports of spirits, which consisted entirely of vodka, more than doubled from $1.7 million in 1977 to $3.9 million in 1978. Sales of Soviet vodka in the United States are linked to sales of Pepsi concentrate in the Soviet Union under a 1972 barter agreement. The Soviets use the hard currency generated through the sale of vodka in the United States to purchase the Pepsi concentrate. Pepsico maintains quality and packaging control and controls the use of product logos in the Soviet Union. The Pepsi bottling plants and distribution networks are Soviet-owned and operated, although some of the equipment was installed by Pepsi specialists. Imports of Soviet vodka are subject to a duty of $5.00 per gallon compared with a tariff of $1.25 per gallon levied on imports from MFN countries.

China

U.S. trade with China more than tripled in 1978 compared with trade in 1977, surging to $1.1 billion. Following 2 years of relatively low two-way trade levels and negative U.S. balances, the United States achieved a positive balance-of-trade position with China of $0.5 billion in 1978. As in 1975, when the last surplus occurred, it was the result of large U.S. agricultural sales (table 9).

1/ U.S. International Trade Commission, 14th Quarterly Report to the Congress and the East-West Foreign Trade Board on Trade Between the United States and the Nonmarket Economy Countries During January-March 1978. June 1978, pp. 22-26.

2/ A.P.I. stands for American Petroleum Institute.

3/ U.S. International Trade Commission, 16th Quarterly Report to the Congress and the East-West Foreign Trade Board on Trade Between the United States and the Nonmarket Economy Countries During July-September 1978; December 1978, pp. 26-32.

Table 9.--U.S. trade with China, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
			U.S. exports		
0	Food and live animals	-	-	27	362,253
1	Beverages and tobacco	-	1	5	-
2	Crude materials--inedible, except fuel	-	13,020	52,349	223,905
3	Mineral fuels, lubricants, etc	-	108	64	1,765
4	Oils and fats--animal and vegetable	-	-	31,987	37,775
5	Chemicals	-	10,443	19,595	60,494
6	Manufactured goods classified by chief material	-	43,300	10,837	25,296
7	Machinery and transport equipment	-	65,118	51,881	93,007
8	Miscellaneous manufactured articles	-	3,380	4,541	13,706
9	Commodities and transactions not elsewhere classified	-	17	32	40
	Total 2/	-	135,388	171,318	818,241
			U.S. imports 3/		
0	Food and live animals	-	23,505	25,514	26,057
1	Beverages and tobacco	-	245	200	643
2	Crude materials--inedible, except fuel	-	37,603	43,970	57,375
3	Mineral fuels, lubricants, etc	-	1	950	4/
4	Oils and fats--animal and vegetable	-	2,429	55	3,262
5	Chemicals	-	17,701	21,369	32,795
6	Manufactured goods classified by chief material	1	63,972	47,868	93,082
7	Machinery and transport equipment	-	906	750	565
8	Miscellaneous manufactured articles	-	46,646	55,041	101,993
9	Commodities and transactions not elsewhere classified	-	1,641	1,684	972
	Total 2/	1	194,649	197,400	316,743

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

4/ Less than $500.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

The President of the United States announced on December 15, 1978, that normal diplomatic relations would be established with China beginning in 1979. This development was preceded by several events that revolutionized China's relations with the entire Western world. A softening in the Chinese attitude concerning economic ties with market economies had already been under way. In 1978, China signed long-term trade agreements with Japan and the European Community, thus formalizing trade relations with these important partners. Both treaties included provisions for the extension of MFN treatment to the other's exports. Under the provisions of the 8-year Sino-Japanese treaty, Japan will import significant volumes of Chinese crude oil and coal. In return, China will buy modern Japanese industrial plant and equipment and a considerable quantity of construction materials. Under the 5-year Sino-European Community pact, the Community agreed to substitute "friendly consultation arrangements" for unilateral preventive action against disruptive imports from China. Europeans expect to gain important advantages in the development of the world's most populous markets, while China is interested in gaining access to sophisticated European techniques and equipment needed in its industrial and agricultural modernization programs. In December France signed a separate long-term trade agreement with China, identifying targets for two-way trade and areas in which trade in both directions would be specifically developed. 1/

This acceptance of foreign products and financial and technical services on a large scale represents a sharp break with past Chinese policies of self-reliance. China has dropped the long-standing policy of not borrowing abroad to finance capital purchases. Chinese officials now shows interest in obtaining financing from industrial countries, both from private sources and national and international lending institutions. In November 1978 China requested economic aid from the United Nations for the first time. To further maximize the benefits of foreign technology in its modernization program, China is now considering new alternatives in attracting capital from market economies. Permitting foreign ownership will indeed represent a radical break with the past.

The ambitiousness for China's future is best expressed in the revised 10-year plan, announced in March 1978 for the remaining 8 years of the 1976-85 plan period. The plan revealed enormous implications for China's foreign trade and economic relations. It aims at bringing China to "...an economic and technological level in most fields close to that of the most developed capitalist countries by the year 2000." Growth of industrial output is scheduled at over 10 percent per year. Farm production is to grow by 4 to 5 percent annually, twice the rate experienced in 1973-77, and the output of grains is to be expanded by more than one-third. The backbone of the plan comprises 120 key projects, including steel plants and nonferrous complexes, oil and gas fields, coal bases, electric power stations, harbors, and railroads. Advanced-market economies are invited to play a major role in these projects. The plan includes a program for substantial imports of equipment and technology from Japan, Western Europe, and the United States, in

1/ There has been growing indication in the first quarter of 1979 that the ambitious targets of the long-range plan and several resulting Chinese import commitments to market economies are now under revision.

that order. Although the plan provides for larger exports to pay for additional imports, China must go heavily in debt to satisfy its vast needs. Some believe that this indebtedness will ultimately act as a constraint on the growth of United States-Chinese trade, although the actual impact is subject to debate.

The National Council for United States-China Trade, a semiofficial entity in United States-Chinese relations, has estimated that China's combined imports and exports with the world will approach $20 billion in 1978, 30 percent more than in 1977. Market economies, predominantly Japan, Hong Kong, and the European Community, accounted for about four-fifths of China's total trade during the year. The U.S. share amounted to only an estimated 5 percent.

The relatively small U.S. share of Chinese trade has not dampened American business enthusiasm to tap the market of the world's most populous country. Despite the absence of formal ties this past year, the institutional framework of United States-China trade expanded vigorously with frequent exchanges between U.S. and Chinese traders, technicians, and officials. Probably the most significant Government-to-Government contact was made in the last quarter of the year when the U.S. Secretary of Agriculture visited China. He discussed U.S. grain sales and other matters with Chinese officials, such as exchanges of scientists, students, and trading information on pest-control methods and breeding techniques. Representatives of private U.S. interests and Chinese authorities have initated negotiations or concluded several contracts which will have a marked effect on the future level and composition of United States-Chinese trade.

Normalization of economic relations is generally expected to lead to a long-term trade agreement between the United States and China, such as those China has concluded with Japan and the European Community. MFN treatment and Eximbank financing are expected to be part of such an agreement and to boost the presently small U.S. share of China's aggregate foreign trade. However, while the removal of political and institutional obstacles will undoubtedly generate more bilateral trade, the level will ultimately depend on China's ability to finance and absorb a large amount of foreign capital and technology.

U.S. exports

In 1978, U.S. exports to China amounted to $818 million, almost five times more than in 1977. Food and crude materials jointly constituted over 70 percent of these exports. In 1977, there were virtually no U.S. sales in the food category, and exports of crude materials that year accounted for less than a quarter of such exports in 1978.

Two grain items were responsible for all food exports--wheat and yellow corn. These were the first U.S. grain sales to China since 1974, although China has been a substantial grain importer from the early sixties. Its principal suppliers have been Canada and Australia, countries with which China has long-term trade agreements. In 1973 and 1974 China bought large quantities of grain from the United States too, but made no further purchases in 1975-77, despite significant imports from other sources. Chinese officials have indicated that the discovery of TCK smut (a plant disease) in 1974 shipments was the primary grounds for the rejection of U.S. grains.

In 1978, China resumed grain purchases from the United States, sourcing more than one half of its total grain imports from the United States. U.S. grain deliveries exceeded 2 million metric tons of wheat and 1 million metric tons of corn in 1978, a joint value of $362 million. However, China purchased more than double this quantity during the year, part of it for delivery in 1979. Renewed Chinese grain purchases from the United States stemmed from several causes. Mutual relations had been steadily improving, even prior to the presidential announcement concerning normal diplomatic relations. Meanwhile, a poor harvest in China for the second year in succession, coinciding with the limited availability of exports from China's traditional suppliers, made substantial imports from the United States a necessity. The interest of Chinese officials in U.S. grains was strengthened by assurances from the Secretary of the U.S. Department of Agriculture that the quality problems of past U.S. grain shipments would not arise again.

The occasion for such assurances was the Secretary's visit to China in November 1978, which marked a turning point in United States-Chinese agricultural trade. Chinese officials indicated at that time that the United States could become an important regular supplier for China, instead of a residual one. They said that China's grain imports are expected to amount to 10 million metric tons annually, of which U.S. grains could account for 5 million to 6 million. Indeed, despite the ambitious grain output targets specified in the 10-year plan, China's grain imports are likely to increase substantially. The Government's recent emphasis on livestock, pork, and poultry production for increased domestic meat consumption will generate greater demand for imported feed grains. Higher per capita human consumption of grains and the Government's policy of stockpiling will also create additional demand. With steadily normalizing relations, the United States is expected to capture a substantial share of this growing market. For 1979, a repetition of large U.S. grain deliveries is expected on the basis of purchases already made last year.

The U.S. share of the Chinese grain market will depend on the availability of Government-backed credit. During his visit the Secretary of Agriculture discussed the extension of deferred payments' credits for China's grain purchases from the United States. As the Agricultural Act of 1978, which made China eligible for Commodity Credit Corporation (CCC) credits, passed only shortly before the Secretary's visit in November, 1/ this was the first time this matter was mutually considered. CCC credits for China--a function of the amount of all CCC credits in the Federal Budget and their allocation between recipients--will heighten the competition between U.S. grain exporters and their Canadian and Australian competitors.

U.S. sales of raw materials to China amounted to $224 million in 1978. Cotton constituted 70 percent of this value, polyester fibers and soybeans the rest. In 1978, China resumed cotton purchases from the United States on a large scale. U.S. exports amounted to $157 million or more than 500,000 bales. Exports in 1977 were less than 18,000 bales, following a hiatus in 1976. In 1975, the last year of meaningful cotton exports to China, U.S. sales amounted to about half of sales in 1978. As with grains, data on U.S. cotton exports in 1978 indicate only part of the Chinese purchases made during the year. On the basis of deliveries already scheduled for 1979, a repetition this year of major U.S. cotton exports to China is a virtual certainty.

1/ Public Law 95-501, passed Oct. 21, 1978.

Although dwarfed by soaring agricultural sales, U.S. exports of manufactures to China also rose in 1978. Exports of machinery and transportation equipment amounted to $93 million, 80 percent more than in 1977. Imports consisted of capital equipment, led by parts of machinery and equipment for oilfield and gasfield drilling, steam turbines, air and gas compressors, and pumps. Other principal export items in the group were diesel engines and trucks. U.S. sales of chemicals tripled in 1978; they rose to $60 million, reflecting increased sales of fertilizers.

Some of these exports may have already resulted from United States-Chinese contracts inspired by China's recent modernization drive. No change of basic composition is expected in the sense that agricultural exports will remain dominant, and manufactures will be concentrated in capital equipment. But the latter are expected to be not only much larger than before, but also more diversified. It is estimated that the United States has already reached agreements involving sales of capital equipment for well over $2 billion. These include sometimes complete plants with associated technology and equipment. For example, Bethlehem Steel and U.S. Steel agreed to develop iron mining and processing establishments and the Fluor Corp. agreed to plan and build a copper-mining project for China. As reported in the 16th quarterly report, 1/ the hotel subsidiary of Pan American Airways won a contract to build hotels in China and manage them for several years. In addition to large projects, U.S. companies have agreed to sell, among other products, agricultural machinery, aircraft, producers' goods for coal mining such as shuttle cars, drilling, pumping, and prospecting equipment, and oilfield vehicles for the petroleum industry. It should be noted that exports to China of U.S. technology involving air transportation and petroleum already had precedents, principally between 1972 and 1975.

There are currently no U.S. exports of consumers' items to China, and very few are expected, in view of China's limited ability to pay even for high-priority producers' goods. Exceptions will be products used by tourists. U.S. sales of Coca-Cola in China, agreed on by the Coca-Cola Co. and Chinese officials, come under this heading.

The contracts China signed with representatives from other advanced industrial countries, mostly Japan, West Germany, and France, involve many times higher trade levels than the U.S. export commitments now on the books. Exporters from these countries are backed by their governments' long-term credit guarantees, which can give them a marked competitive edge over U.S. suppliers. To eliminate this handicap of U.S. companies, a bill was submitted in Congress in early 1978 which would have made China eligible for Eximbank credit guarantees. Congress voted down the proposal, but it has reappeared in a bill introduced in February, 1979. 2/ Meanwhile, anticipating an early resolution of the problem, large U.S. banks have already offered to open investment capital relationships with the Bank of China.

1/U.S. International Trade Commission, 16th Quarterly Report to Congress and the East West Foreign Trade Board on East-West Trade.

2/ See discussion of proposed amendments on the Export-Import Bank Act on p. 23.

U.S. imports

U.S. imports from China increased 60 percent to $317 million in 1978. Imports of certain labor-intensive items diversified and rose markedly even though most of these items are subject to column 2 duties.

U.S. purchases of miscellaneous manufactured articles, the leading major product class of imports from China, doubled, compared with their level in 1977. This group includes antiques, baskets, which are traditional imports from China, but also comprises cotton gloves, shirts, jeans, blouses, and nightwear, the imports of which rose rapidly, causing protests from U.S. manufacturers.

Cotton gloves from China were the first imports which became the subject of an investigation by the U.S. International Trade Commission for possible market disruption, under section 406(a) of the Trade Act of 1974. Section 406(e)(2) of the Trade Act defines market disruption to exist within a domestic industry if "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." On the basis of this investigation, the Commission reported to the President on March 15, 1978, its determination that market disruption does not exist within the meaning of the statute. 1/ Later in 1978, clothespins, another product from China, became the subject of an investigation under the same statute. In August the Commission reported to the President its determination that clothespins imported from China were the cause of market disruption, while such imports from Poland and Romania were not. The Commission recommended annual quotas on clothespins from China as a remedy for market disruption. In October the President of the United States rejected the Commission's recommendation on grounds that such relief would not solve the domestic industry's problems, noting the significance of imports from sources other than China. Another investigation on the Commission's own motion concerning imports of clothespins from all sources led to Presidential authorization of global quotas in February 1979.

Another major import category from China in 1978 with almost twice the import value of that in 1977 was manufactured goods classified by chief material. This group includes textiles, imports of which have soared, providing cause for serious domestic concern. Purchases of textiles began to increase slowly after United States-Chinese trade relations resumed in 1973. They became significant in 1976, but declined in 1977, perhaps as a result of an earthquake in the textile-producing regions of China. Imports reached record levels in 1978. U.S. purchases of print cloth shirt made of cotton, the number one item among all U.S. imports from China, amounted to $13 million in 1976, $8 million in 1977 and $20 million in 1978. This fabric is used for making shirts as well as other clothing items. Imports of cotton textiles rose most rapidly, but those made of wool and manmade fibers also increased. The U.S. industry raised protests about these developments and expressed concern about the threat of further increases, especially if China is granted MFN treatment. In response, early this year, the U.S. Government began to negotiate orderly growth for imports from China. It should be noted that

1/See U.S. International Trade Commission, 15th Quarterly Report to the Congress and the East-West Foreign Trade Board, p.16.

imports of Chinese textiles, in addition to apparel items, increased, despite a significant column 2 duty differential applicable to these items.

Unwrought tin, another traditional import item from China is also included in manufactured goods classified by chief material. Imports by value more than tripled from their unusually low level in 1977 to $15.5 million in 1978. For years China has been an important U.S. supplier of tin.

Imports of crude materials rose by 30.5 percent from 1977, amounting to $57 million in 1978. Feathers, with imports amounting to $15 million in 1978, are the leading item in the group. China has been historicaly the dominant U.S. supplier of feathers, which have been entering the United States duty free since April 1975, provided they are in an uncleaned state. In January-September 1978, imports from China accounted for 36 percent of all U.S. imports by volume. Compared with value in 1977, the value of U.S.imports increased 21.7 percent in 1978, but as prices increased even faster, the volume of imports has actually declined. Other important crude materials from China are tungsten ore and raw silk.

Mineral oil, a potential Chinese export item with the capability to pay for a large part of potential U.S. exports under China's modernization program, has not yet surfaced in the 1978 import picture. However, the foundations of future U.S. imports of mineral oil from China were laid during the year. In November, China agreed to sell 0.5 million tons (about 3.6 million barrels) of crude oil to Coastal States Trading Inc., a Texas-based oil company. The contract with Coastal States represented the first Chinese oil exports to a private corporation, as previously Chinese crude oil was sold only on a Government-to-Government basis. Delivery is scheduled for early 1979, and by mid-March, more than 20 million dollars worth had entered the United States.

The level of future oil imports from China will depend on, among other things, the outcome of agreements currently under consideration between China and large U.S.-based multinational oil companies, Exxon, Union Oil, Phillips, Pennzoil, and possibly others, concerning U.S. assistance in the development of China's oil resources. Such agreements would involve U.S. imports of crude oil as "pay-back" for equipment, technology, and other services.

Poland

Total United States-Polish trade in 1978 achieved a record $1.1 billion as U.S. exports to Poland soared 55 percent to $677 million and imports increased by 34 percent to $436 million (table 10). Increased exports of U.S. agricultural products and imports of Polish semimanufactured and manufactured items were the principal causes of the 46 percent increase in total trade turnover. The resulting U.S. trade surplus of $241 million was substantially above the 1977 surplus of $110 million but below surpluses registered in 1975 and 1976.

Prospects for continued high growth in trade are mixed. Poland incurred massive debts in its efforts to modernize its industry and to supplement its grain production, which has been hampered by a series of poor harvests. By

Table 10.--U.S. trade with Poland, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	18,383	430,073	251,600	413,715
1	Beverages and tobacco	1,757	6,492	11,119	11,237
2	Crude materials--inedible, except fuel	24,028	47,087	50,403	97,584
3	Mineral fuels, lubricants, etc	48	273	242	151
4	Oils and fats--animal and vegetable	12,900	8,306	3,748	11,425
5	Chemicals	6,513	16,062	16,038	10,260
6	Manufactured goods classified by chief material	1,211	13,835	11,083	12,743
7	Machinery and transport equipment	3,602	89,308	85,546	103,312
8	Miscellaneous manufactured articles	1,220	8,550	7,517	15,284
9	Commodities and transactions not elsewhere classified	172	1,049	1,240	1,312
	Total 2/	69,838	621,035	436,536	677,022
		U.S. imports 3/			
0	Food and live animals	54,408	144,955	126,680	151,404
1	Beverages and tobacco	315	529	452	685
2	Crude materials--inedible, except fuel	3,181	7,201	7,168	4,844
3	Mineral fuels, lubricants, etc	88	9,197	18,819	19,744
4	Oils and fats--animal and vegetable	12	908	1,721	1,708
5	Chemicals	3,442	22,608	16,353	21,382
6	Manufactured goods classified by chief material	26,487	50,748	61,730	109,674
7	Machinery and transport equipment	1,934	18,435	28,316	33,453
8	Miscellaneous manufactured articles	7,831	58,506	64,747	92,067
9	Commodities and transactions not elsewhere classified	176	1,349	522	987
	Total 2/	97,946	314,436	326,508	435,947

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

the end of 1978, Poland had built up an estimated long-term debt of $14.8 billion, plus an estimated $2 billion more in short-term credits of less than 1 year. West Germany and Great Britain are its major creditors, but Poland is indebted to the United States for some $1.9 billion, including about $1.24 billion in debts held by U.S. banks, approximately $500 million in credits from the Commodity Credit Corporation (CCC) for grain purchases, and about $175 million from the Export-Import Bank. Poland's debt-service ratio has been estimated at 40 to 60 percent, well above the 25 to 30 percent level that most bankers agree to be reasonable. However, Western creditors continue to extend credit to Poland and to consider the country a good credit risk for two main reasons: (1) Poland has a solid record of paying its debts in full and on time, and (2) the Western creditors believe that the Soviet Union would not permit Poland to default on any loans.

Because of its large debts, Poland has been limiting its overall imports from the West in an attempt to lower its trade deficit. Although imports from the United States increased in 1978, the overall trade deficit with the West decreased from $2.1 billion in 1977 to about $1.5 billion in 1978. Poland intends to cut its trade deficit further with the West in 1979 by freezing imports and expanding exports. Poland's First Deputy Minister of Finance has been quoted as saying "beyond doubt, there will be no increase in imports" from the West in 1979. 1/ However, the effect on U.S. exports, which are highly concentrated in agricultural products and dependent on the state of the Polish harvest, is not known. Poland has, for example, already been authorized $404 million in CCC credits for 1979. Another pressure on the trade deficit is that Poland faces a deceleration in its rates of both population and labor-force expansion, and will need to import capital goods from the West to automate its industry and mechanize its agricultural production in order for its economy to continue to grow.

The Fourth Plenary Session of the Polish-U.S. Economic Council met in May 1978 in Washington, D.C. Discussions were held on trade financing and industrial cooperation, the availability of long-term capital from private U.S. markets, the U.S. Export-Import Bank, Eurodollar markets, and prospective joint ventures. During the meetings, the General Motors Corp. and the Polish Industrial Organizations under the Ministry of Machine Industry signed a general agreement on industrial, technological, and trade cooperation. Under the terms of the agreement, the two parties will develop two-way trade of mutual interest involving purchases and sales of General Motors and Polish products. The agreement also provides opportunities for licensing technical assistance and development of cooperative programs.

U.S. exports

U.S. exports to Poland increased to a record $677.0 million, almost 10 percent above the previous record of $621.0 million established in 1976 and 55.3 percent above the level in 1977. Much of this increase can be attributed to substantially increased exports of food and live animals, which accounted for more than 60 percent of total U.S. exports to Poland. Exports of food and live animals have represented more than 50 percent of total U.S. exports to Poland for the past 4 years, as Poland has had to supplement domestic production. Exports in the next largest category, machinery and transport

1/ Journal of Commerce, Dec. 11, 1978.

equipment, increased from $85.5 million in 1977 to $103.3 million in 1978, or approximately 15 percent of total exports. Exports of crude materials increased substantially from $50.4 million in 1977 to $97.6 million in 1978. Agricultural products accounted for approximately two-thirds of the value of exports in this category. The remaining categories represented 9.2 percent of total exports. There were sizable percentage increases in exports of miscellaneous manufactured articles and oils and fats, while exports of chemicals and mineral fuels declined.

U.S. exports of agricultural products to Poland amounted to $503.5 million, or 74.4 percent of total exports. Agricultural products include all items categorized as food and live animals, plus certain products in the following categories: beverages and tobacco, crude materials, oils and fats, and chemicals. Principal exports were corn ($161.4 million), soybean oil cake and meal ($108.5 million), wheat ($63.4 million), soybeans ($39.8 million), grain sorghum ($32.4 million), barley ($13.2 million), cotton ($13.0 million), and cattle hides ($8.3 million).

U.S. grain and soybean exports to Poland increased from $238.8 million in 1977 to $418.7 million in 1978. Although generally higher unit values accounted for some of the increase, larger quantities of most grain and soybean exports was the principal reason for the increase. The tabulation below shows the quantity and unit value of U.S. grain and soybean exports to Poland in 1977 and 1978:

Item	1977		1978	
	Quantity	Unit value	Quantity	Unit value
	1,000 metric tons	Per metric ton	1,000 metric tons	Per metric ton
Corn	1,351	$95.06	1,566	$103.07
Soybeans	0	-	151	263.28
Wheat	605	92.24	546	116.02
Soybean oil cake and meal	178	232.44	518	209.36
Grain sorghums	134	97.53	320	101.14
Barley	4	76.24	141	93.40

The level of U.S. grain exports to Poland during any calendar year is largely the result of the previous year's harvest and the predicted level of the current harvest. Poland's 1977 harvest was the worst of a series of four bad harvests, with output actually 3.5 percent lower than in 1976. The 1978 harvest of 21.5 million tons was an 11-percent improvement over the harvest of 1977, but was still below the harvest levels of 1973 and 1974. Whenever harvest shortfalls occur, Poland must supplement domestic production with imports in order to increase livestock production. Poland relies on meat exports as its most important means of generating hard currency. In addition, the country is attempting to alleviate domestic consumer unrest over chronic meat shortages. Even with the modest improvement in the 1978 harvest, Poland will probably find it necessary to import large quantities of grain in 1979, to rebuild livestock herds depleted during the grain shortages, and to increase inventories.

Poland and the United States currently have an understanding on grain trade, under which Poland has stated its intent to purchase 2.5 million tons of U.S. grain (plus or minus 20 percent) a year until 1980, depending on U.S. supplies. Because Polish officials estimate their needs to be substantially greater, they have indicated strong interest in concluding a long-term supply agreement with the United States. However, U.S. Secretary of Agriculture Bergland stated during his visit to Poland in May 1978 that the United States does not need a formal written agreement, but simply the best indication of needs.

To facilitate its purchases of U.S. agricultural products, Poland received $504.6 million in CCC credits in 1978. Credits were granted for the purchase of barley, corn, cotton, cottonseed meal, grain sorghums, linseed meal and oil, soybean oil, soy protein, soybeans, soybean meal, tallow, and wheat. For 1979, Poland has been authorized $404 million in CCC credit. By February 9, 1979, Poland had received financing for $65.7 million worth of products under the 1979 credit line.

Machinery and transport equipment ($103.3 million) constituted another important area of U.S. exports to Poland in 1978. Principal exports in this group included gas generators, various engines and parts, industrial furnaces, nonelectric metal-processing furnaces and parts, other heating and cooling machinery, steam- and blast-cleaning machinery, conveyors, parts for pulp and papermaking machines, metalworking machinery, machine tools, computer equipment, glassworking machinery, machines for producing and assembling semiconductors, radar apparatus, and tractor parts.

Poland, the tenth-largest industrial country in the world today, has made substantial progress in modernizing its industry. However, its industry is still hampered by production inefficiencies and lack of quality control. Therefore, despite its austere import policy, Poland continues to be a prospective market for U.S. products which will automate its industry and mechanize its agricultural production. Specific areas for future U.S. exports include food-processing machinery; equipment for the expansion and modernization of the coal industry; equipment for the development of such raw materials as copper, sulfur, and salt; and products for the agro-industrial complex.

U.S. imports

The value of U.S. imports from Poland increased dramatically from $327 million in 1977 to $436 million in 1978, or by 33.3 percent. Imports of food and live animals, which have traditionally dominated U.S. imports from Poland, increased absolutely to $151.4 million in 1978, but their share of total imports declined from about 40 percent to approximately 35 percent. In contrast, imports of manufactured goods classified chiefly by material increased by more than 75 percent and accounted for one-fourth of total imports. Imports of miscellaneous manufactured articles increased absolutely, but the share of these items in total imports remained approximately the same as in 1977--20 percent. There were only minor increases in imports in the other categories, and imports of crude materials actually decreased.

Slightly over one-third of U.S. imports from Poland consisted of food and live animals. Imports of canned hams weighing more than 3 pounds accounted for 83.0 percent of total imports in this category and 28.8 percent of total imports. Valued at a record $125.7 million, U.S. imports of canned hams were considerably in excess of their 1977 level of $102.5 million. Including imports of other canned pork and ham products, the United States imported a total of 135.4 million dollars worth of these items in 1978. This is probably at least partly attributable to the fact that Poland's swine population, which had been declining for several years, registered an increase in 1978. Other products imported in this group included frozen cod blocks, frozen strawberries, certain cheese substitutes, and frozen turbot.

Approximately one-fourth of total U.S. imports from Poland were manufactured goods classified by chief material. Compared with imports in 1977, this group of imports increased substantially, both absolutely and as a percentage of total imports. The most significant single item in this group of imports was carbon steel plate, not in coils, shaped, cold-rolled, or alloyed. Imports of steel plate from Poland were valued at $47.9 million, nearly four times higher than the value in 1977. Moreover, Poland's share of total U.S. imports of this item was 9.3 percent by value and 13.4 percent by quantity, compared with 4.8 and 6.4 percent, respectively, in 1977. These imports had a unit value of 8.3 cents per pound, compared with an average 12.0 cents per pound for total imports of this item. The low price of imported steel plate from Poland led the Treasury Department to initiate an investigation on October 25, 1978 in conjunction with its administration of the "trigger price mechanism," a program established in December 1977 to monitor prices at which certain steel mill products enter the United States. Part of the trigger-price mechanism involves the use of a Special Summary Steel Invoice, applicable to imports of all steel mill products. Information contained in the invoice indicated that imports of carbon steel plate from Poland were being sold at prices less than the appropriate "trigger price" for that product, and further investigation revealed the possibility that these steel plates were being, or were likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Furthermore, these less-than-fair-value imports were seen as a possible cause of injury or a likelihood of injury to the U.S. domestic industry. On the basis of information developed in the antidumping investigation, the Treasury Department made a tentative determination, published in the Federal Register on February 5, 1979, that certain carbon steel plate from Poland is being sold at less than fair value (LTFV). Appraisement for the purpose of determining proper duties applicable to entries of the steel plate is suspended for not more than 6 months. The final determination must be completed within 3 months, and, if affirmative, the investigation will come to the Commission for an injury determination.

Other import items of manufactured goods classified by chief material included nails, certain woven vegetable-fiber fabrics, unwrought zinc, cotton towels, unwrought brass rods, and barbed wire. Another item of considerable interest, although not one of the leading imports, was spring clothespins, with 1978 imports from Poland valued at $222,100, representing a decrease of about half from the level in 1977. Clothespins from Poland were the subject of an investigation of market disruption which was instituted by the Commission on May 3, 1978, under section 406(a) of the Trade Act of 1974. Section 406(e)(2) of the Trade Act defines market disruption to exist within a domestic industry if "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." On August 3, 1978, the Commission reported to the President its determination by a vote of 5 to 1 that market disruption does not exist with respect to imports from Poland. 1/

The third largest group of U.S. imports was miscellaneous manufactured articles. The value of merchandise entered under this category in 1978 was $92.1 million, representing an increase of $21.3 million over the 1977 level. As in previous years, textile products, footwear, and furniture and parts of bentwood were the principal items in this group.

On the basis of quantity, U.S. imports of textile products from Poland increased in 1978. The following tabulation shows total U.S. textile imports from Poland and from the world, grouped by fiber types (in thousands of equivalent square yards: 2/

Year	Cotton		Wool		Man-made fibers	
	Poland	World	Poland	World	Poland	World
1976	11,330	1,920,392	1,032	148,481	6,027	2,954,314
1977	11,873	1,655,686	2,336	198,127	16,178	3,221,901
1978	16,479	2,225,948	2,972	143,937	16,262	3,391,806

The tabulation shows that U.S. textile imports from Poland increased in all three categories, but most significantly in imports of cotton textiles. For a detailed listing of the top textile items imported from Poland, see appendix A.

U.S. imports of textiles and textile products from Poland are limited by a bilateral agreement under the Multifiber Arrangement (MFA). The original agreement under the MFA expired on December 31, 1977. In January 1978 the United States and Poland exchanged notes to effect a new bilateral textiles agreement. This agreement covers the period January 1, 1978-December 31, 1980, and limits Polish exports of cotton, wool, and manmade fiber textiles and textile products to specifically agreed-upon amounts during each calendar year. Exports may exceed by a maximum of 11 percent (6 percent during the first agreement year) the aggregate limit and any group limit by allocating to such limit for that agreement year an unused portion of the corresponding limit for the previous agreement year (carryover) or a portion of the corresponding limit for the succeeding agreement year (carry forward). The agreement allows for 6.5 percent annual growth in imports. Total U.S. textile imports from Poland in 1978 were below the aggregate limit specified in the agreement.

1/ Chairman Parker determined that market disruption does exist within the meaning of sec. 406.

2/ These are general imports.

U.S. imports of nonrubber footwear from Poland increased on both a quantity and a value basis. Imports rose from 3,173,000 pairs, valued at $13.6 million, in 1977 to 4,611,000 pairs, valued at $22.0 million, in 1978. The unit value of nonrubber footwear imports from Poland increased from $4.29 per pair in 1977 to $4.79 per pair in 1978, or by 11.7 percent. Nevertheless, the unit value of imports from Poland was below the average of $5.66 per pair from all countries. In spite of the increase in imports of footwear from Poland, that country continued to account for only a small share of total U.S. footwear imports--1.3 percent by quantity and 1.1 percent by value.

U.S. imports of furniture and parts of bentwood increased from $5.4 million in 1977 to $7.0 million in 1978. Other items imported in this group of commodities included certain bicycles, willow baskets and bags, and glass Christmas ornaments.

U.S. imports of mineral fuels from Poland, which consisted almost entirely of coal, increased slightly to almost $20 million in 1978. In contrast to imports in 1977, there were no imports of Polish gasoline in 1978. However, coal imports from Poland were over twice as large in 1978 as they were in 1977. Most of the coal which the United States imported from Poland in 1978 entered under TSUSA item 521.3180--coal, not elsewhere specified, including lignite and excluding peat. Poland supplied 70.0 percent of total imports of this item on a quantity basis and 53.1 percent on a value basis, making the unit value of the Polish coal significantly lower than that imported from other sources. This item was the third-leading export of Poland to the United States in 1978 and, with bituminous coal, has been a leading export item in previous years. Poland was also the source of 5.7 percent of U.S. imports of bituminous coal.

Although lacking in oil and gas resources, Poland has rich coal reserves, which, since 1970, have allowed it to realize a surplus in trade in energy resources. However, this surplus has been declining since reaching a peak of $882 million in 1975, as the price of imported petroleum products continues to rise. Hence, Poland is putting increased emphasis on the development of its coal reserves. Lignite, with proven reserves of about 9 billion metric tons, currently accounts for 30 percent of all electricity generated in Poland, and this is expected to increase to 40 percent in the 1980's. About 40 million metric tons of lignite is annually produced, but with the opening of several new mines in the 1980's, production is expected to increase to 130 million to 140 million metric tons by 1990. About two-thirds of the electricity generated in Poland is based on anthracite (hard coal), of which the country has proven reserves of 57 billion metric tons. Production of anthracite reached 192.6 million metric tons in 1978 and is slated to increase to 210 million metric tons by 1980, and to 250 million metric tons by 1990. In addition, preliminary figures indicate that Poland's production of coking coal was 28 million metric tons, up from 20 million metric tons in 1977.

Yugoslavia

Trade between the United States and Yugoslavia generated a $65 million U.S. trade surplus in 1978, following a $7.5 million surplus in 1977, and a U.S. trade deficit in 1976 (table 11). Two-way trade rose to $878 million, a significant increase from the levels of previous years.

Table 11.--U.S. trade with Yugoslavia, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	22,859	28,674	28,491	53,715
1	Beverages and tobacco	2,496	2,132	2,807	6,167
2	Crude materials--inedible, except fuel	17,035	15,413	48,140	62,864
3	Mineral fuels, lubricants, etc	3,897	14,418	13,033	14,775
4	Oils and fats--animal and vegetable	14,731	-	-	-
5	Chemicals	6,400	35,297	23,044	41,626
6	Manufactured goods classified by chief material	31,438	15,454	16,200	18,761
7	Machinery and transport equipment	64,601	175,694	213,312	253,687
8	Miscellaneous manufactured articles	2,680	7,637	9,314	18,116
9	Commodities and transactions not elsewhere classified	785	694	1,095	1,587
	Total 2/	167,033	295,413	355,436	471,298
		U.S. imports 3/			
0	Food and live animals	12,123	49,127	52,020	72,340
1	Beverages and tobacco	14,332	20,133	20,690	27,253
2	Crude materials--inedible, except fuel	3,887	7,165	15,086	13,593
3	Mineral fuels, lubricants, etc	-	1,801	7	71
4	Oils and fats--animal and vegetable	8	2	1	5
5	Chemicals	2,347	9,752	9,538	15,562
6	Manufactured goods classified by chief material	24,637	167,593	94,800	108,156
7	Machinery and transport equipment	11,616	24,384	21,154	23,471
8	Miscellaneous manufactured articles	26,274	101,902	121,175	135,971
9	Commodities and transactions not elsewhere classified	728	13,184	13,428	10,132
	Total 2/	95,951	395,043	347,899	406,553

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

Relations between the two countries were excellent. In the fall of 1978, a high-level U.S. delegation opened a business center in Belgrade, and a delegation of Yugoslav business leaders visited the United States. New, bilateral governmental working groups have been established and are to convene semiannually.

In recent years, Yugoslavia has had a more balanced trade pattern with the United States than with other countries. The Yugoslav trade deficit with the world exceeded $4 billion both in 1977 and 1978. The bulk of this negative balance, about $2.6 billion, reflected soaring Yugoslav imports from the European Community, mostly from the Federal Republic of Germany and Italy. The expansive monetary and fiscal policies Yugoslavia followed during most of the past 2 years were largely responsible. These policies boosted imports and also diverted potential exports to the domestic market. Even though the Yugoslav Government considers the size of the last 2 years' overall trade deficit unacceptable, it has not reintroduced stringent import controls of the kind that were in effect during 1976. Doing so would have conflicted with economic development goals, 1/ especially the urgent need to create jobs and reduce the average annual rate of unemployment, which exceeded 10 percent in 1978.

In the second half of the year, decisions concerning imports became more selective in terms of development priorities. The willingness of foreign suppliers to offer advantageous financing or engage in countertrade became important. 2/ To attack the trade deficit on the export side, the Government applied new export-stimulation measures, including credits and tariff rebates. Booming foreign tourism and a further increase in the remittances of workers living abroad, even though the number of such workers declined, were expected to alleviate the deficit in the current account in 1978, offsetting to some extent the deterioration in the trade balance.

Economic growth was reported to be 7 percent in 1978, as planned. 3/ Industrial production increased 9 percent, somewhat faster than planned, but performance in agriculture remained below expectations. There were frequent energy problems involving oil and electric power shortages. While expansionary economic policy succeeded in stemming a further rise in unemployment, strong inflationary pressures prevailed during the year, which the Government blamed on the poor efficiency of many domestic production units. In the fourth quarter of the year, inflation was reported to be at an annual level of 15 percent, compared with 7 to 8 percent in 1976-1977. In accordance with the Yugoslav self-management system, the financial losses suffered by these enterprises resulted in substantial reductions in the wages and salaries of workers associated with them. In the annual plan for 1979, Yugoslav planners gave high priority to the reduction of the external debt. The plan calls for an increase of 6 percent in the Social Product, and allows for only a 2-percent increase in imports.

1/ The Yugoslav 5-year plan (1976-80) targets a 7-percent average yearly growth rate for the economy.

2/ Although countertrade requirements are not published, it is generally understood that import contracts must be accompanied by export contracts worth at least 40 percent of the value of imports to obtain approval by higher authorities.

3/ Growth of Social Product, a GNP equivalent.

Joint undertakings, for which Yugoslavia is considered to have the most favorable climate in Eastern Europe, have been the most dynamic field of United States-Yugoslav economic relations. In 1978, Yugoslavia introduced a new code governing direct foreign investments which, on the whole, is believed to be more flexible than its predecessors. However, priorities have not changed; as before, the Yugoslav Government favors foreign partners, which bring new technology into the country or have a beneficial impact on Yugoslavia's balance of trade by boosting exports or reducing imports. For example, U.S. companies interested in exporting to less developed countries from Yugoslavia are welcome. In September 1978 the U.S. Department of Commerce reported 19 United States-Yugoslav joint undertakings. The Dow Chemical Co. accounted for the bulk of equity investment by U.S. partners in these joint ventures through its participation in the construction of a large petrochemical complex on the island of Krk. Other recent joint United States-Yugoslav ventures involve production of heavy-duty wheeled tractors, hay-harvesting machines, oil refinement products, and the bottling of soft drinks.

U.S. exports

The value of U.S. exports to Yugoslavia amounted to $471.3 million in 1978, exceeding their 1977 level by one-third. Exports of items classified as "food" rose at the fastest rate.

Over half of U.S. sales to Yugoslavia consisted of items classified as "machinery and transport equipment," exports of which increased by 18.9 percent. They included aircraft and parts, motor vehicle parts, digital computers, and trucks--a new leading item. They also included nuclear reactors, an apparent continuation of deliveries that began in 1977, in accordance with the commitment of Westinghouse Corp. to build the country's first nuclear power plant in Krsko. As pointed out in the 13th quarterly report, 1/ since their purchase from Westinghouse the Yugoslav Government has been contemplating the acquisition of additional nuclear plants. According to recent reports, it is now ready to contract for a second one. Yugoslav demand continues to be strong for nonnuclear electric power plants and other capital equipment such as metal processing equipment and computers. A major U.S. sale of computers to the Associated Commercial Bank of Sarajevo, which operates 22 regional offices throughout Yugoslavia, was reported in September 1978, involving about $15 million. The installation is expected to take 2 years.

"Crude materials" are the second major category of U.S. exports to Yugoslavia. Sales in this group were $63 million in 1978, of which soybeans alone accounted for $48.5 million. Yugoslavia purchases soybeans generally from China, Romania, Canada, Italy, and Hungary. In 1977 it resumed imports from the United States and increased them in 1978. It is believed that there is a strong U.S. export potential to the Yugoslav market for soybeans. Other crude materials with significant U.S. sales are wood pulp and

1/ U.S. International Trade Commission, 13th quarterly report to Congress on East-West Trade.

cattle hides. Exports of all crude materials to Yugoslavia rose by 30.5 percent during the year.

While soybeans were the leading U.S. export item to Yugoslavia, soybean oil and cake, which are processed soybean products, ranked fourth in 1978. Such exports amounted to $23 million and constituted a large share of all food and live animals the United States sold to Yugoslavia during the year. U.S. exports of soybean feed items were more significant than those of unprocessed soybeans in earlier years; however, Brazil has captured part of the Yugoslav market since 1976. In Yugoslavia, demand for protein feed exceeds domestic supply. As the 1976-80 plan calls for increased livestock production, and Yugoslav planners specify soybean meal as an essential ingredient in mixed feed formulas, their demand for imported oilseeds and cake and meal will continue to remain strong.

U.S. sales of yellow corn were even larger in the food and live animals category than those of processed soy products. Amounting to $25 million, corn ranked as the third leading U.S. export item to Yugoslavia. After two years of self-sufficiency in corn, Yugoslavia reverted to imports in 1978. Grain production fell below the record level attained in 1977, and the hot and dry summer weather was particularly harmful to the corn crop. Yugoslav authorities now believe that the prescribed domestic price of corn in relation to the price of wheat is too low, and after appropriate adjustments in their farm-price structure, self-sufficiency in corn can be reestablished. If the shortage continues, however, U.S. sales to Yugoslavia will probably be repeated, as the country's corn imports are expected to be of U.S. origin. Owing to large sales of soybean products and corn, U.S. exports to Yugoslavia classified as food increased 88.4 percent in 1978.

During the year, the United States exported phosphate fertilizers to Yugoslavia, which became a new major export item for that market, accounting for almost 19 percent of all chemical exports. Sales of chemicals as a group rose by 80.6 percent during the year.

U.S. imports

U.S. imports from Yugoslavia increased 16.9 percent to $407 million in 1978. Imports in the leading major product categories rose at a lesser rate. As in the previous 2 years, miscellaneous manufacturing articles constituted the largest major group of import items, accounting for $136 million, or about one-third of all U.S. imports. Included are some typical purchases from Yugoslavia such as men's and boys' leather footwear, and wood chairs and furniture and parts thereof, which collectively amounted to about one-fifth of all U.S. imports in this group. Imports of all miscellaneous manufacturing articles rose 12.2 percent, and were spread across a wide range of imports of comparatively small value.

Imports in the second major leading import category, manufactured goods classified by chief material, rose 14.1 percent to $108 million during the year. The decline of more than $6 million, or 32 percent, of U.S. copper purchases reflected not only the falling prices of the item in 1978, but a decline in the volume of their imports from Yugoslavia. Such imports peaked in 1976 but fell massively thereafter, largely as a result of competition on the U.S. market by imports from Canada (the largest supplier), Chile, and Zambia. 1/

The continued rapid decline in the imports of unwrought, unalloyed copper was offset by larger purchases of other nonferrous metals and ferrous metals. Increased imports in the group included ferrochrome, from $10 million in 1977 to $17 million, and silicon. The latter (referred to in table A-7 as base metals including 96-99 percent silicon) became one of the leading import items during the year, making Yugoslavia the second-ranking U.S. supplier after Canada.

In the third-ranking major import category, food and live animals, imports increased 39 percent to $72 million, or much faster than all U.S. imports from Yugoslavia. In 1978 the United States imported 64 million dollars' worth of canned hams compared with 47 million dollars' worth in 1977. Canned hams have generally ranked first or second on the list of principal U.S. imports from Yugoslavia in recent years, as they also are high on the list of U.S. imports from most other Eastern European countries.

There are other significant U.S. import items from Yugoslavia classified outside the leading three product categories discussed above. Like Bulgaria, Yugoslavia is a source of cigarette leaf tobacco for the United States. The value of imports for consumption in that item rose by one-third in 1978. However, most of this increment does not represent actual arrivals from Bulgaria during the year, but withdrawals from bonded warehouses from stocks accumulated in previous years. 2/ Taking higher prices of the item in consideration, the volume of 1978 arrivals from Yugoslavia probably declined. Down of waterfowl is another regular item on the list of principal imports from Yugoslavia. On the basis of the first 9 months' data in 1978, Yugoslavia was the third largest U.S. supplier of down, after China and France. Refined gold bullion and silver bullion are also leading U.S. imports from Yugoslavia. The United States purchased less of each from that country in 1978, even though a record was established during the year for all U.S. gold purchases. Other than the Soviet Union, Yugoslavia is the only NME source of U.S. gold bullion imports.

In January 1976, Yugoslavia became eligible for preferential tariff treatment under the U.S. Generalized System of Preferences (GSP). U.S. imports from Yugoslavia of commodities eligible for GSP amounted to $173.9 million in 1978. Because of additional restrictive conditions attached to GSP treatment 88 percent of this value actually received the tariff preferences. In 1977, imports eligible under GSP amounted to $149.3 million of which 87 percent entered under GSP treatment. Leading product categories entering the U.S. market under GSP are manufactured goods classified by chief material such as ferromanganese, ferrosilicon, unwrought copper, and antibiotics.

1/ Following an investigation conducted under section 202(b) of the Trade Act of 1974, the U.S. International Trade Commission found that imports of unalloyed, unwrought copper were the cause of serious injury to the domestic industry, and recommended quotas to remedy the problem. The President of the United States decided, however, that quotas were not in the national interest.

2/ The import data on which trade analysis are based in this series of reports are imports for consumption, which are a combination of entries for immediate consumption and withdrawals from bonded customs warehouses.

Romania

A sharp expansion in U.S. imports from Romania, coupled with a lesser increase in U.S. exports, has given the United States its first trade deficit with Romania during this decade (table 12). U.S. imports from Romania, particularly of manufactured products, have been rising steadily since Romania was granted most-favored-nation status (MFN) in August 1975. In 1978, total imports from Romania reached $345 million, representing a 49.1 percent increase compared with imports in 1977. U.S. exports to Romania increased by a more modest, but still substantial, 22.4 percent, from $259 million in 1977 to $317 million in 1978. Total two-way trade between the two countries increased from $490 million in 1977 to $662 million in 1978, or by 35.1 percent.

Several factors have been associated with the continuing growth in U.S.-Romanian trade. Romania was the first Communist country to be granted MFN status under the Trade Act of 1974. Section 402 of the Act prohibits the granting of MFN treatment, government-supported export credits or investment guarantees, or the negotiation of a commercial agreement with any Communist country if that country does not allow its citizens the freedom to emigrate. However, section 402 also permits the President to waive this prohibition for limited periods of time if he determines that doing so will promote freedom of emigration. On June 2, 1978, the President recommended to the Congress the extension of this waiver for Romania. Hearings were held in the House of Representatives on June 15, 1978, and in the Senate on July 12, 1978. Since no Congressional action was taken by August 31, 1978, the waiver authority was automatically extended until July 3, 1979.

The U.S.-Romanian Trade Agreement has also been a positive influence on trade between the two countries and was automatically renewed for a 3-year period extending through August 3, 1981. Under section 405 of the Trade Act of 1974, the President may authorize the renewal of bilateral commercial agreements between the United States and a Communist country if he determines that a satisfactory balance of concessions in trade and services has been maintained during the life of such agreement, and that actual or foreseeable reductions in United States tariff and nontariff barriers to trade resulting from multilateral negotiations are satisfactorily reciprocated by the other party to the bilateral agreement. On June 2, 1978, the President issued a finding and determination that these conditions had been met in the case of Romania.

A third factor contributing to increased U.S.-Romanian trade derives from Romania's independent foreign policy stance. Although ideologically Romania adheres to Soviet Communist Party principles in its domestic affairs, it has pursued an independent foreign policy, including maintaining friendly relations with such countries as China and Egypt. One result of this has been that while Romania is still dependent on the Soviet Union for several raw materials, it has cut its percentage of foreign trade with the U.S.S.R. from about 40 to 18 percent.

Finally, Romania's economic plan calls for high rates of real growth based on very high investment ratios of approximately one-third of national income. These high growth targets have led to rapidly increasing demands for

Table 12.--U.S. trade with Romania, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	16,188	91,988	46,340	41,966
1	Beverages and tobacco	57	-	-	-
2	Crude materials--inedible, except fuel	15,731	96,828	98,154	123,775
3	Mineral fuels, lubricants, etc	15,492	10,787	53,610	32,593
4	Oils and fats--animal and vegetable	-	-	2	-
5	Chemicals	1,460	2,763	5,053	4,411
6	Manufactured goods classified by chief material	11,269	16,846	9,662	10,365
7	Machinery and transport equipment	5,525	25,964	40,584	96,604
8	Miscellaneous manufactured articles	460	3,715	5,726	7,513
9	Commodities and transactions not elsewhere classified	93	142	274	195
	Total 2/	66,274	249,033	259,405	317,423
		U.S. imports 3/			
0	Food live animals	654	15,700	18,693	27,889
1	Beverages and tobacco	33	179	704	910
2	Crude materials--inedible, except fuel	646	5,440	5,158	9,297
3	Mineral fuels, lubricants, etc	5,546	81,869	74,516	94,447
4	Oils and fats--animal and vegetable	-	-	-	32
5	Chemicals	1,362	8,424	4,267	9,877
6	Manufactured goods classified by chief material	1,229	21,197	31,952	70,250
7	Machinery and transport equipment	7	15,920	21,640	24,124
8	Miscellaneous manufactured articles	3,914	51,063	73,915	107,236
9	Commodities and transactions not elsewhere classified	33	327	174	498
	Total 2/	13,424	200,118	231,020	344,561

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1975-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

both imported investment goods from industrial market economy countries and imported raw materials. To support the sharp increases in imports while maintaining a sustainable balance-of-payments position and keeping foreign borrowing within reasonable limits, Romanian planners have found they must allocate adequate production for export and encourage exporters to seek foreign markets for their output.

Romanian interest in developing the U.S. market was again demonstrated by the visit of President Ceausescu to the United States in April 1978. The Romanian president met twice with President Carter. The two Presidents reaffirmed their commitments to promote the expansion of trade and economic cooperation, the reduction of tariff and nontariff barriers, and the diversification of the structure of bilateral trade. President Ceausescu also visited firms in a number of U.S. cities including Chattanooga, Dallas, Houston, New Orleans, and New York, to discuss potential business opportunities.

U.S. exports

U.S. exports to Romania increased from $259.4 million in 1977 to $317.4 million in 1978, or by 22.4 percent. The largest category of exports was crude materials, which represented 39.0 percent of U.S. exports to Romania in 1978. Of the $123.8 million of crude materials exported, $106.6 million, or 86.1 percent, were agricultural products. Other agricultural exports, listed under the classification food and live animals, accounted for an additional 13.2 percent of U.S. exports to Romania. Exports of semimanufactured and manufactured items amounted to $114.5 million, substantially above the level in 1977. The bulk of these exports consisted of machinery and transport equipment. Exports of mineral fuels declined to $32.6 million as a result of decreased coal shipments.

U.S. agricultural exports to Romania, classified under food and live animals or crude materials, were valued at $148.5 million in 1978. Exports of corn, soybeans, soybean oil cake and meal, and grain sorghums amounted to $81.7 million in 1978 compared with $68.9 million in 1977. In addition, 1977 exports included nearly 16 million dollars worth of wheat. Except for wheat and soybean oil cake and meal, the quantities shipped were higher in 1978 than in 1977, as shown in the following tabulation (in thousands of metric tons):

Item	Quantity 1977	Quantity 1978
Corn	184.0	226.5
Soybeans	137.4	190.5
Soybean oil cake and meal	47.3	38.3
Grain sorghum	57.7	100.8
Wheat	170.8	.0

Romania's harvest of 18.6 million metric tons of grain in 1977 fell short of the planned target and was 6 percent below the 1976 harvest, with corn production particularly affected. The 1978 harvest of about 19 million metric tons was 2 percent greater than in 1977, but again fell short of the targeted 23.2 million tons. Romania continues to be a net grain exporter, but the country has had to import feedgrains as it attempts to expand meat production for export purposes. Plans to increase domestic soybean production for this purpose have been largely unsuccessful to date, and Romania has had to turn to outside sources. In the past, Romania has imported soybeans from Brazil, but these imports have declined in 1978 because of the limited availability of Brazilian soybeans.

Romanian purchases of U.S. soybeans in 1978 were facilitated by the extension of credit through the Commodity Credit Corporation (CCC). Romania purchased $23 million worth of soybeans with CCC financing out of a total $40.8 million of soybean imports from the United States in 1978. Soybeans were the only product for which Romania received CCC credit in 1978. Since 1970, Romania has purchased 184 million dollars worth of agricultural products through the CCC. In August 1978 a $110 million line of CCC credit was established to finance sales of U.S. feedgrains to Romania. Deliveries of these feedgrains, which consist almost exclusively of corn, must be completed by August 31, 1979. Romania had received the financing for $29.5 million worth of feedgrains under this line of credit by the end of February 1979.

Other agricultural export products included cattle hides ($52.2 million) and cotton ($13.5 million). These items are used by Romania's light industry sector to produce textiles and footwear, generally for export.

U.S. exports of semimanufactured items, machinery and transport equipment, and manufactured products were valued at $114.5 million. Many of the items exported are related to Romania's desire to expand its petrochemical, electronics, and machine-building industries. To some extent, U.S. exports in these areas have been hindered by export controls, which are more stringent in the United States than in Western Europe or Japan, and by the reluctance of some U.S. firms to engage in countertrade arrangements. Only one U.S. firm, Control Data Corp., currently has an equity joint venture in Romania--a plant for the manufacture of computer peripherals--but active development of other projects is under way. On April 17, 1978, during President Ceausescu's visit, Control Data and Romania signed a framework agreement which will provide the basis for a series of individual joint venture projects over a 10-year period. In addition, U.S. firms are currently negotiating some cooperative projects with Romania involving gear boxes for large off-road trucks, turboblowers, electric-drive wheels for large off-road trucks, automatic molding equipment, miniature ceramic capacitors, and radio telephones. For a detailed listing of the leading U.S. exports of manufactured products in 1978, see appendix A.

<u>U.S. imports</u>

U.S. imports from Romania increased substantially from $231.0 million in 1977 to $344.6 million in 1978. Significant increases in each category of imports contributed to an overall increase in total imports of 49.1 percent. Imports from Romania are considerably more concentrated in manufactured items and mineral fuels compared with the composition of imports from the NME's as a whole. U.S. imports from Romania of semimanufactures, miscellaneous manufactured items, and machinery and transport equipment posted a healthy increase of 58.1 percent and accounted for 58.5 percent of total imports from Romania in 1978. U.S. imports of mineral fuels increased 26.7 percent and represented 27.4 percent of total imports in 1978. The share of mineral fuels in total U.S. imports from Romania has been declining continuously since 1975, when they represented 63 percent of total imports. Imports of food and live animals, while increasing 49.2 percent, accounted for only 8.1 percent of total imports.

The largest single category of imports from Romania was miscellaneous manufactured articles. Imports of these items, principally textile products and footwear, reached $107.2 million, more than double the level in 1976. Overall U.S. imports of textile products from Romania increased in 1978. The following tabulation shows total U.S. textile imports from Romania and from the world, grouped by fiber types (in thousands of equivalent square yards): 1/

Year	Cotton		Wool		Manmade fibers	
	Romania	World	Romania	World	Romania	World
1976----	13,246	1,920,392	1,076	148,471	14,808	2,954,314
1977----	11,350	1,655,686	1,073	198,127	16,511	3,221,901
1978----	17,888	2,225,948	936	143,937	21,973	3,391,806

The vast majority of textile imports from Romania are constructed of cotton or manmade fibers. Sizable increases occurred in imports of items constructed of both these fiber types. Imports of wool textiles from Romania decreased, paralleling the decline in total U.S. wool imports. For a detailed listing of the leading U.S. textile imports from Romania, see appendix A.

U.S. imports of textiles and textile products from Romania are limited by a bilateral agreement under the Multifiber Arrangement (MFA). On June 17, 1977, the United States and Romania signed a bilateral agreement limiting

Romanian exports of wool and manmade fiber textiles for the period January 1, 1977-December 31, 1980. A similar agreement relating to trade in cotton textiles was signed on January 6, 1978, for the period January 1, 1978-December 31, 1982. Limits for exports of textiles are to be increased in each succeeding agreement year by 7 percent, except that specific limits for wool categories are to be increased by only 1 percent. 2/ Both agreements allow exports to exceed any specific limit by a maximum of 11 percent by allocating to the limit for that year an unused portion of the specific limit for the previous agreement year (carryover) or a portion of the specific limit for the succeeding agreement year (carry forward), except that carryover is not available during the first agreement year. Carryover may be utilized as

1/ These are general imports.

2/ An amendment to the cotton textile agreement, signed on Oct. 13, 1978, limits the increase in cotton textile exports to 4.5 percent in 1979.

available up to the full 11 percent of the receiving year's specific limit, while carry forward may be utilized up to 6 percent and charged against the next year's specific limit. During 1978, Romanian exports of wool and manmade fiber textiles were well within the prescribed limits, but exports of cotton textiles were slightly over their limits.
U.S. imports of nonrubber footwear from Romania increased 59.4 percent by quantity and 71.5 percent by value. Imports increased from 3.7 million pair, valued at $20.4 million, in 1977 to 6.0 million pair, valued $35.0 million, in 1978. However, Romania's share of total U.S. nonrubber footwear imports was only 1.6 percent by quantity and 1.7 percent by value. The unit value of the Romanian footwear increased 7.7 percent to $5.87 per pair, slightly above the average unit value of $5.66 per pair for total imports.

The second largest category of U.S. imports from Romania was mineral fuels and lubricants. Although the share of these products in total U.S. imports from Romania has been declining in recent years, there was a notable increase in the value of these items in 1978. This is attributable to 44.0 million dollars worth of imports of naphthas, an item which has not been imported in any quantity from Romania since 1975. In contrast, imports of fuel oils and gasoline, while sizable, declined in 1978. The future for continued U.S. imports is uncertain. Romanian oil production has reportedly leveled off; however, exploitation of lignite deposits may provide some opportunity for import substitution, thus releasing oil products for export. 1/ Romania will probably attempt to maintain oil exports as long as it is feasible, in order to minimize the deficit in the balance of payments.

Approximately one-fifth of U.S. imports from Romania consisted of semimanufactured items. This group of imports more than doubled in value from $32.0 million in 1977 to $70.3 million in 1978. Leading items imported included oil well casing, steel plate, aluminum sheets, strips, and plates, pile floor coverings, and glassware. Another item of interest, although not one of the leading imports, was spring clothespins, with 1978 imports from Romania valued at $80.0 million, slightly less than half the value of these imports in 1977. Clothespins from Romania were the subject of an investigation of market disruption, which was instituted by the Commission on May 3, 1978, under section 406(a) of the Trade Act of 1974. Section 406(e)(2) of the Trade Act defines market disruption to exist within a domestic industry if "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." On August 3, 1978, the Commission reported to the President its determination that market disruption does not exist with respect to imports from Romania.

U.S. imports of food, beverages, and tobacco amounted to $28.8 million, or 8.4 percent of the total, in 1978, maintaining the same share of total imports as in 1977. Imports of pork and ham products were $21.8 million, representing 75.6 percent of the total imports in these categories. Other items imported in this group included pecorino cheese, cheese from sheep's milk, apple and pear juice, coriander, and certain wines not over 14-percent alcohol.

1/ *IMF Survey*, June 19, 1978, p. 188.

Machinery and transport equipment composed 7 percent of U.S. imports from Romania. This group of imports showed an 11.5 percent increase, the smallest compared with other imports in 1977. The principal imports were agricultural tractors and parts valued at $8.4 million. Although imports of tractors declined relative to imports in 1977, they continued to represent slightly over one-third of total machinery imports. Tractors are an important industrial export item for Romania, which ranks among the top eight tractor producers in the world. Romania currently exports about 50,000 tractors annually to more than 80 countries. Other items imported in this group included machine tools, radio receivers, ball bearings, and roller bearings.

In January 1976 Romania became eligible for preferential tariff treatment under the U.S. Generalized System of Preferences (GSP). Imports from Romania of commodities eligible for GSP amounted to $9 million in 1975, $20 million in 1976, and $25 million in 1977. In 1978 imports from Romania which were potentially eligible to receive GSP totaled $55.5 million. However, because of additional restrictive conditions attached to GSP treatment, only 50.3 million dollars worth of commodities actually received the tariff preferences. Most of the commodities receiving GSP were manufactured products or chemicals. The main beneficiary items were: aluminum bars, plates, sheets, and strips ($7.0 million), benzenoid products ($4.2 million), furniture and parts of bentwood ($3.9 million), synthetic rubber ($3.5 million), wood chairs other than folding ($2.9 million), wood furniture ($2.9 million), boring, drilling, and milling machines ($2.8 million), pecorino cheese ($2.7 million), hardboard ($2.4 million), rubber or plastic manufactures ($2.0 million), radio receivers ($1.2 million), other wood folding chairs ($1.0 million), cheese from sheep's milk ($1.0 million), metal-cutting machine tools ($0.5 million), metalworking machine tools ($0.5 million), data-processing machines ($0.5 million), parts for data-processing machines ($0.5 million), and leather wearing apparel ($0.3 million).

Czechoslovakia

Trade turnover between the United States and Czechoslovakia rose 47 percent to $163 million in 1978, following a steep decline in 1977. Trade was, however, less than $182 million, the level attained in 1976. The instability in United States-Czechoslovak trade derives from the fact that U.S. grain sales to Czechoslovakia fluctuate widely, and if they take place at all, they usually account for a large share of U.S. exports. The U.S. trade surplus vis-a-vis Czechoslovakia, also determined in large measure by the fluctuation of U.S. farm exports, increased by over $10 million to $48 million. This again was less than the $113 million surplus of 1976, the largest the United States ever experienced with Czechoslovakia.

Bilateral trade still represents a relatively insignificant share of each country's foreign trade, reflecting no significant improvement in mutual relations. Czechoslovakia belongs to that group of NME's which do not enjoy MFN treatment. The impact of U.S. tariff discrimination on Czechoslovakia is probably greater than on other NME's, as imports originating in that country are overwhelmingly concentrated in manufactured items on which Column 2

Table 13.--U.S. trade with Czechoslovakia, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	4,360	99,240	27,252	56,672
1	Beverages and tobacco	54	5,841	3,166	1,820
2	Crude materials--inedible, except fuel	10,095	19,973	24,905	20,174
3	Mineral fuels, lubricants, etc	-	16	25	24
4	Oils and fats--animal and vegetable	1	-	13	6
5	Chemicals	813	2,721	2,787	3,818
6	Manufactured goods classified by chief material	1,645	2,340	1,964	2,132
7	Machinery and transport equipment	3,848	13,660	11,257	17,112
8	Miscellaneous manufactured articles	920	3,255	2,382	3,222
9	Commodities and transactions not elsewhere classified	139	420	239	368
	Total 2/	21,883	147,466	73,989	105,349
		U.S. imports 3/			
0	Food and live animals	2,314	3,026	3,588	4,692
1	Beverages and tobacco	146	404	334	730
2	Crude materials--inedible, except fuel	513	596	1,556	661
3	Mineral fuels, lubricants, etc	-	-	-	-
4	Oils and fats--animal and vegetable	-	-	-	-
5	Chemicals	324	1,249	1,205	1,604
6	Manufactured goods classified by chief material	6,987	10,514	10,244	20,818
7	Machinery and transport equipment	5,137	7,456	7,218	11,086
8	Miscellaneous manufactured articles	8,251	10,927	11,889	17,446
9	Commodities and transactions not elsewhere classified	239	631	358	323
	Total 2/	23,912	34,802	36,392	57,359

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

tariffs differ significantly from column 1 tariffs. Czechoslovak officials maintain that an initiative of the United States is called for to open the way to normal economic relations. This would involve granting MFN status and access to U.S. Export-Import Bank credits for Czechoslovakia and would also alleviate certain export controls applied against it. There was, however, some measure of improvement in formal bilateral relations during the year. At the third plenary session of the U.S.-CSSR Economic Council in Prague, both countries' leading representatives discussed the possibility of expanding trade and economic relations. The two sides made formal commitments to make further efforts for improvement.

Foreign trade is equivalent to almost one-third of Czechoslovakia's national income, reflecting its crucial importance for the country. Council for Mutual Economic Assistance (CEMA) partners account for over two-thirds of foreign trade; the Federal Republic of Germany, Yugoslavia, and Austria are the major trading partners outside the CEMA bloc. Government policy concerning Czechoslovakia's trade with industrial market economies is shaped by the necessity to increase exports continually and significantly in order to pay for the imports the economy needs. The Czechoslovak Government, which is known to be more reluctant to become indebted to the West than most other NME's, is therefore continually concerned over the trade deficit in hard currency.

Although in 1978 this trade deficit was reduced, the Czechoslovak Government found the country's foreign trade performance disappointing. Czechoslovak sources report that exports to nonsocialist countries increased 8.5 percent in 1978, remaining well below the planned 14.5 percent growth targets, and the 17-percent actual growth of such exports the previous year. 1/ The year's export performance suffered from the persistent problems of the Czechoslovak manufacturing industries--obsolete plants and technology, poor quality and design, and difficulties in producing spare parts. These shortcomings impaired the competitiveness of Czechoslovak export products in Western markets. Sales to the West became more difficult also because of the recession and resulting revival of protectionist forces in many countries, with an adverse impact on important Czechoslovak export items such as footwear and steel products. Inadequate export performance brought forth stringent measures designed to control hard-currency imports. The value of imports from nonsocialist countries was held virtually on the same value level in 1978 as the previous year. While alleviating the hard-currency trade deficit, import restrictions further impaired Czechoslovakia's future export potential, which is greatly dependent on imported technology.

Czechoslovakia's national income increased 4 percent in 1978, or 1 percent less than the already modest target. 2/ The year was especially marked by serious energy problems--breakdowns of power plants and shortages of coal. The fulfillment of the plan was uneven; certain important manufacturing branches geared to exports have not met their output targets. Agricultural output was also below target, despite a good grain harvest. In some other

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1/ Source: Business Eastern Europe, March 16, 1979, based on information from Rude Pravo, the leading daily newspaper in Czechoslovakia

2/ The 1976-80 annual average growth rate target for industrial output of 5.9 percent is the lowest of all CEMA countries.

areas, especially in that of steel, there was overproduction. The Czechoslovak Government's greatest emphasis is on growth in the chemical and engineering industries for exports. For domestic purposes, growth priorities are agriculture, the achievement self-sufficiency in food and animal feed, and the development of domestic energy resources.

The Czechoslovak Government has high hopes that its industrial reorganization reform launched at the end of 1977 will eventually be rewarding, especially in terms of more effective trade performance with the West. The measure involved regrouping some 150 manufacturing enterprises into 12 large units with expanded autonomy. Officials expect from these new units, among others, a greater managerial sensibility for world market requirements and better use of hard currency for imports. More effective trading in terms of hard currency earnings or savings are rewarded with bonuses, also in hard currency. The system, which represents only a fraction of Czechoslovak production and work force, is considered experimental, as several conflicts between the new units and earlier established levels of the bureaucratic system remain unresolved.

U.S. exports

U.S. exports to Czechoslovakia increased 42.4 percent to $105 million in 1978. Sales of food products, mostly feedgrains, comprised 53.8 per cent of this trade flow, compared with 36.9 percent in 1977. In 1976 the share of this group was two-thirds of the total, even larger than in 1978. The value of exports of food and feed products rebounded during the year because of large sales of yellow corn. Although Czechoslovakia had a record grain harvest in 1978, production of corn was well below target. Czechoslovakia is dependent on imported corn, as a relatively small share of farm land in grains is allocated to this item. Poor corn output in 1978 frustrated the apparent efforts of Czechoslovak authorities, motivated by price considerations, to substitute corn for soybeans in animal feed. As a result, corn accounted for most of Czechoslovakia's hard-currency expenditures for grains during the year. When CEMA partners Hungary and Romania cannot meet its needs, the United States is generally the country's Western supplier of corn. U.S. sales of corn to Czechoslovakia amounted to $45 million in 1978. In 1977, sales were significantly less, but they were considerable in 1976, a year of disastrous drought. The Czechoslovak Government aims at self-sufficiency in grains, to be attained principally by means of higher yields, as a meaningful expansion of acreage is not possible. An increase in the share of land planted in corn is planned at the expense of acreage allocated to rye, oats, and barley. In view of such efforts and generally smaller Czechoslovak grain imports projected for this year, it is unlikely that similarly large U.S. corn sales will be repeated.

Soybean oil cake and meal (principally meal), usually the number one U.S. export item to Czechoslovakia, ranked third among leading export products in 1978. Sales amounted to $11 million, or significantly less than sales in 1977. The U.S. share in Czechoslovakia's imports of the product apparently continued to decline in favor of supplies from Brazil and probably India. The already-mentioned substitution of corn for soybeans as animal feed may have contributed to the decline in U.S. sales of soybean products.

Sales of crude materials, the second leading category of U.S. exports to Czechoslovakia, declined almost 20 percent to $20 million in 1978. Important items in this group are cattle hides, sunflower seed, and wood pulp. However, there was a noticeable increase in U.S. exports of manufactures, led by items classified as "machinery and transportation equipment." U.S. sales in this group amounted to $17 million, 52 percent more than in 1977. Leading categories included office machines, cranes, parts of boring and drilling equipment, and gas turbines.

A significant untapped potential exists for U.S. sales of capital equipment to Czechoslovakia. Although total Czechoslovak imports from nonsocialist countries are not allowed to increase beyond 2 percent in 1979, a continued emphasis on modernization will keep opportunities open for sales of sophisticated machinery and processes. Demand exists especially in the area of electronic data processing, certain machine tools, food processing and packaging machinery, and for modern equipment in coal mining, chemical and engineering industries. Willingness of U.S. suppliers to engage in countertrade arrangements appears to be the most effective way to open up existing sales opportunities. There was some development in this direction in 1978, when the Sperry Rand Corp. signed a scientific and technical cooperation agreement with the Czechoslovak Government involving countertrade. Under the agreement, the U.S. company will supply technology for hydraulic products; Czechoslovakia will reciprocate with hydraulic components to Sperry Rand.

There was a noteworthy increase of U.S. chemical exports to Czechoslovakia in 1978, which totaled $4 million, $1 million more than in 1977. The surge was caused by sales of concentrated superphosphate, amounting to $1.8 million.

U.S. imports

U.S. imports from Czechoslovakia amounted to $57 million, or a 57.7 percent increase from imports in 1977. Imports have been traditionally concentrated among a small group of products, the composition of which remained similar from year to year. Manufacturing items account for close to 90 percent, reflecting the country's high degree of industrialization. Column 2 tariff discrimination on Czechoslovak products entering the United States is significant.

In 1978 the value of U.S. imports more than doubled in the principal major import category of manufactured goods classified by chief material. Imports of steel products, principally steel wire rods and steel pipes (the latter includes oilwell casings) surged from $2.4 million in 1977 to $9 million in 1978. Steel wire rods became the number one U.S. import product from Czechoslovakia. Steel is one of those areas of the Czechoslovak industry in which actual production materially exceeded the planned output in 1978. In recent years, Czechoslovakia, like some other NME's, began to sell steel products to Western markets at low prices in an effort to earn hard currency. Steel exports of Czechoslovakia rose substantially to the European Community (E.C.), leading to a mutually agreed, E.C. quota on Czechoslovakian sales for 1978. Czechoslovakia was the first NME with which the Community concluded such an agreement. The surge of U.S. steel purchases in 1978 made manufactured goods classified by chief material the number one major import category from Czechoslovakia and contributed greatly to the doubling of all U.S. imports in that category, compared with imports in the previous year. U.S. imports of glassware, which also includes synthetic gemstones, are also important in this group. The glass industry is one of Czechoslovakia's major export industries which didn't meet their yearly output target in 1978 .

Miscellaneous manufactured articles, which includes footwear, became the second leading major import category in 1978, with a 46.2-percent increase in total value to $17 million. 1/ U.S. imports of leather footwear, mostly men's work shoes, increased from $7 million in 1977 to $10 million in 1978. Footwear is a traditional major Czechoslovak export product sold to some 90 countries. Imports of other items in this group, such as furniture and bentwood parts, also increased markedly.

U.S. purchases of machinery and transportation equipment, the third major leading import category, rose by 54.2 percent to $11 million. Engineering is presently considered the principal Czechoslovak export sector. Under a recent program, Czechoslovak planners give special emphasis to the production of a few selected engineering items with the brightest export prospects. This high-priority group includes weaving machines, the U.S. imports of which almost doubled during the year. Other machinery items, such as offset printing presses, and boring, drilling and milling machines, not numerically controlled, also became important U.S. imports during the year.

In the major category of food and live animals, U.S. purchases from Czechoslovakia have grown significantly in recent years. Although their value is small compared with that of manufactured imports, they include canned hams, one of the principal items imported from Czechoslovakia and several other NME's. There is no column 2 tariff discrimination on canned hams, which makes them all the more desirable in the mix of Czechoslovak exports to the United States. The value of U.S. purchases of canned hams from Czechoslovakia continued to rise in 1978, amounting to $4 million. Hops, the other important item in the food category, are used by some U.S. producers of premium beer. U.S. imports of hops declined precipitously from last year's level.

East Germany

Official U.S. trade statistics show an enormous increase in total two-way trade between the United States and East Germany, from $53.0 million in 1977 to 205.3 million in 1978 (table 14). U.S. exports increased from $36.1 million in 1977 to $170.1 million in 1978 on the basis of greatly expanded U.S. grain exports. U.S. imports more than doubled from $16.9 million in 1977 to $35.2 million in 1978. As a result, the U.S. trade surplus soared to $134.9 million, compared with $19.2 million in 1977.

Official U.S. trade statistics, however, do not take into account the presence of transshipments, which are substantial in the case of East Germany. Over the past several years, a large amount of U.S.-origin exports

1/ In 1977, "miscellaneous manufactured articles" were the major U.S. import category from Czechoslovakia.

Table 14.--U.S. trade with East Germany, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	11,389	52,442	27,708	151,943
1	Beverages and tobacco	436	2	-	-
2	Crude materials--inedible, except fuel	3,696	2,516	3,467	3,803
3	Mineral fuels, lubricants, etc	5,942	-	-	29
4	Oils and fats--animal and vegetable	-	4,190	720	-
5	Chemicals	524	1,001	334	2,412
6	Manufactured goods classified by chief material	1,507	476	979	588
7	Machinery and transport equipment	8,430	2,974	2,234	2,763
8	Miscellaneous manufactured articles	561	1,133	572	8,521
9	Commodities and transactions not elsewhere classified	47	34	85	62
	Total 2/	32,532	64,767	36,099	170,121
		U.S. imports 3/			
0	Food and live animals	-	119	178	326
1	Beverages and tobacco	3	36	39	176
2	Crude materials--inedible, except fuel	149	844	1,670	3,472
3	Mineral fuels, lubricants, etc	654	562	452	924
4	Oils and fats--animal and vegetable	-	-	-	-
5	Chemicals	892	2,575	3,740	7,470
6	Manufactured goods classified by chief material	1,408	2,311	3,584	6,351
7	Machinery and transport equipment	4,107	4,025	4,295	7,749
8	Miscellaneous manufactured articles	2,061	2,770	2,684	8,501
9	Commodities and transactions not elsewhere classified	120	181	221	251
	Total 2/	9,394	13,422	16,863	35,220

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

of agricultural products ultimately destined for East Germany were transshipped through third countries, primarily Canada, West Germany, and the Netherlands. Since U.S. trade statistics record these as being direct exports to the country of transshipment, the actual level of exports to East Germany has been understated by a wide margin. The growth in U.S. exports to East Germany shown in table 14 resulted largely from improved reporting, with exporters showing East Germany as the final destination on appropriate shipping documents even though the U.S. goods continued to move through third countries. Also, improved port facilities in East Germany allow a larger share of U.S commodities to move directly through its ports. U.S. direct shipments of agricultural products to East Germany increased from $31.2 million in 1977 to $152.0 million in 1978, while known transshipments decreased from $208.7 million in 1977 to $48.9 million in 1978. The tabulation below shows U.S. exports excluding transshipments, transshipments, and total U.S. exports including transshipments for the years 1973-78 (in millions of dollars):

Year	Total U.S. exports excluding transshipments	Transshipments	Total U.S. exports including transshipments
1973	$ 28.1	$107.9	$135.9
1974	20.9	197.8	218.8
1975	17.2	333.1	350.3
1976	64.8	354.3	419.1
1977	36.1	208.7	244.8
1978	170.1	1/ 48.9	219.0

1/ Preliminary.

Grains are the principal agricultural products exported to East Germany, followed by soybean oil cake and meal. Total grain sales for 1973-78, including transshipments, were as follows:

	Value 1,000 dollars
1973	101,948
1974	152,162
1975	288,024
1976	359,528
1977	134,581
1978	1/ 144,232

1/ Preliminary.

In November 1976, East Germany and the United States reached an understanding in which the East Germans expressed their intention to purchase approximately 1.5 million to 2.0 million metric tons of grain annually from the United States. Actual purchases during 1977 and 1978 have fallen somewhat short of this amount. In 1978, East Germany purchased a total of 1.31 million metric tons of grain comprising 316,400 tons of wheat and 997,200 tons of coarse grains (mainly corn with some barley). This compares with 1977 purchases totaling 1.34 million metric tons consisting of 83,900 tons of wheat and 1,255,200 tons of coarse grains.

East Germany had moderately successful harvests in both 1977 and 1978, following 2 years of poor harvests in 1975 and 1976. Because it is a residual supplier, the level of U.S. grain exports to East Germany is dependent on the success of the harvest in both East Germany and the Soviet Union. U.S. grain exports to East Germany in 1975 and 1976 were unusually high because of poor harvests in that country and a 1975 harvest disaster in the Soviet Union which left little grain available for export. As the East German harvests improved in 1977 and 1978, the level of U.S. grain exports diminished.

U.S. and East German officials held consultations in Washington, D.C., on February 6, 1979, regarding the expected requirements for U.S. grain in 1979. The East Germans indicated that they expected 1979 imports of U.S. grain to be at about the same level as in 1978 and expressed a preference for U.S. corn over feed barley from other origins, depending on corn-barley price relationships. The two countries also agreed to exchange grain trade data on a quarterly basis.

Over the past several years, East Germany has developed sizable trade imbalances in both its dollar and ruble accounts. A resource-poor country, East Germany must import all of the oil, iron ore, asbestos, titanium oxide, and cotton which it needs for production. In addition, the country must import lumber, aluminum, and natural gas. The Soviet Union supplies about half of these import requirements. The result is that East Germany currently has the largest trade deficit vis-a-vis the Soviet Union of any country in Eastern Europe. To repay this debt, East Germany must increase its exports of goods to the Soviet Union, thus limiting the amount of goods available for export to hard-currency countries.

The success of U.S. firms in penetrating the East German industrial market is dependent on the extent to which they offer products or processes which conserve scarce labor, raw materials, and fuels, or can substitute innovative production techniques. To the extent that increased U.S. imports from East Germany result in increased U.S. exports, East Germany is taking active steps to increase its penetration of the U.S. market. In May 1978 East Germany sponsored its first Economic/Technological Congress in the United States. The seminars focussed on management, planning, and financing of East Germany's foreign trade, and on licensing policy and practice. In addition, the East Germans made presentations in the following areas: optical instruments, printing and bookbinding machinery, machine tools, welding technology, and plasma-beam smelting. Increasing imports from East Germany may be hampered by that country's lack of MFN status, especially since most of the products which East Germany offers for export are manufactured products which are subject to high column 2 duty rates.

<u>Direct U.S. exports</u>

On the basis of U.S. trade figures, which do not include transshipments, U.S. exports to East Germany increased sharply from $36.1 million in 1977 to $170.1 million in 1978. Increases occurred in all categories of exports except oils and fats, semimanufactured articles, and commodities and transactions not elsewhere classified, but the most notable increase came in exports of food and live animals, for reasons previously discussed. Sizable increases also occurred in exports of chemicals and miscellaneous manufactured items.

Direct U.S. exports of agricultural items amounted to $154 million, accounting for more than 90 percent of total exports. Included were corn ($75.8 million), soybean oil cake and meal ($43.6 million), wheat ($25.8 million), barley ($5.2 million), fresh lemons ($1.3 million), cattle hides ($0.8 million), cotton linters ($0.5 million), sunflower seed ($0.3 million), and soybeans ($0.3 million).

The next largest category was miscellaneous manufactured articles, with exports of $8.5 million. More than 70 percent of the value of this category consisted of men's and boys' cotton denim slacks, all shipped in November and December 1978. Although consumer items are not of high priority in the overall East German economic plan, the country does import modest amounts of wearing apparel, food items, and appliances for sale to the public, in certain cases for hard currency. Other exports in this group included parts for radiation measuring and detecting machines, chemical and physical analysis equipment, and certain types of film.

U.S. exports of machinery and transport equipment to East Germany, which had been declining since 1975, began climbing in 1978, but accounted for only 1.6 percent of total direct exports. East Germany represents a potentially significant market for U.S. industrial products, especially for those goods and technology which will increase productivity in the domestic industry. At the present time, East Germany's ability to import these items from the United States is constrained by its limited hard currency resources. Moreover, East Germany is ineligible to receive U.S. Government credits or loans, since it has not attained MFN status. However, East Germany is presently seeking to interest U.S. firms in a number of countertrade transactions, and to the extent that U.S. firms become willing to engage in such arrangements, exports will probably increase. U.S. firms did begin negotiations on a number of contracts during the 1978 Leipzig Spring Fair; however, many of the transactions will probably take place between East German firms and European subsidiaries of U.S. firms. The leading manufactured items exported during 1978 included parts of molding or forming machinery, gas generators, electrical apparatus, power industrial vehicles, and computer equipment.

There was a massive increase in U.S. chemical exports from $0.3 million in 1977 to $2.4 million in 1978. Exports in this group, valued more than $100,000, included: rubber or plastic shapes, silicone resins, polyhydric alcohols, film of polyvinyl polymers and copolymers, fungicides, nickel compound catalysts, amines and their derivatives, and antineoplastic and immunosuppressive preparations. At the Leipzig Spring Fair, Dow Chemical signed a $250 million contract with East German officials, providing for East German deliveries of propylene to Dow Europe in return for propylene oxide.

Exports of crude materials amounted to $3.8 million; however, most of the products in this group were included in the discussion of U.S. agricultural exports. Nonagricultural exports of crude materials included carbon steel waste and scrap, wood pulp, synthetic rubber, neoprene rubber, and unalloyed copper waste and scrap.

U.S. imports

The value of U.S. imports from East Germany more than doubled from $16.9 million in 1977 to $35.2 million in 1978. Substantial percentage increases occurred in all categories of imports. The imports are highly concentrated in chemicals, semimanufactured items, and manufactured products, reflecting East Germany's position as the leading industrial nation among nonmarket countries, and the ninth largest country in the world in terms of gross national product.

Imports of chemicals, semimanufactured items, machinery and transport equipment, and miscellaneous manufactured products rose 110.2 percent to $30.1 million, and accounted for 85.4 percent of total U.S. imports. The largest single item was urea, an ammonia derivative mainly used as a fertilizer, but also used as an animal feed supplement and in plastics manufacture. Imports of urea increased from $2.8 million in 1977 to $6.1 million in 1978. The United States also imported an increased amount of two other fertilizers from East Germany--potassium nitrate and potassium chloride. The recent expansion in U.S. imports of urea and other nitrogenous fertilizers from East Germany is related to the commissioning of two new ammonia plants in that country, which has given a sizable boost to total output. In addition, all of these items enter the United States free of duty under column 2.

In terms of products offered, the outlook for increased United States-East German chemical trade is promising; however, the absence of MFN currently poses a significant trade barrier to a large expansion. The East German chemical industry is an important and growing sector of the economy, currently contributing 13 percent of the country's national income and 17 percent of its industrial goods. U.S. firms have expressed interest in a number of East German chemical products or processes such as lignite gasification technology. However, column 2 duty rates on chemicals range up to 40 percent. Therefore, at this time, most of the trade between U.S. chemical companies and East Germany involves West European subsidiaries of the U.S. firms, rather than direct sales.

Imports of East German machine tools increased from $719,077 in 1977 to nearly $1.9 million in 1978. The market for East German machine tools in the United States has been estimated to be between $10 million and $15 million; however, lack of MFN status subjects these items to duties ranging from 27.5 to 45 percent compared with duties between 4.5 and 9.5 percent for column 1 countries. This tends to reduce the competitiveness of the East German product. Among East European countries, East Germany is the specialist in production of large-scale, sophisticated machine tools. Currently, the country exports machine tools to the West equipped with computer numerical control units imported from the West. Beginning in 1979, East Germany will export machine tools equipped with computer numerical control units based entirely on East German technology to other Eastern European countries. East Germany also expects that microprocessor technology will be available on its machine tools beginning in 1980. Nonmarket countries are lagging behind the Western nations in this technology, owing in large part to a U.S. embargo on the export of microprocessor technology to NME's.

Other imports of manufactured products included offset printing presses, cameras, bus and truck tires, automobile tires, pig and hog leather, certain men's and boys' cotton knit textile products, glassware, and transmissions for passenger automobiles. Column 2 duties on these products ranged from 10 to 60 percent. Also classified as miscellaneous manufactured items were imports of paintings and antiques. Both of these items enter free of duty.

U.S. imports of mineral fuels from East Germany are negligible, and amounted to less than $1 million in 1978. However, imports of one item in this group--montan wax--are significant. Montan wax, a material extracted from lignite coal, is produced in only two places in the world--East Germany and California. During 1978, montan wax imported from East Germany undersold the domestic product by approximately 15 percent. One major user of montan wax has stated that the use of the California wax or the East German variety is largely a matter of preference for the formulator. The domestic producer is reported to have raised its prices 18 percent between mid-1977 and mid-1978, probably as a result of inflationary pressures. To equalize the prices of domestic and imported montan wax, a bill was introduced in Congress on July 11, 1978, to impose a duty of 6.5¢ per pound (equal to the difference in price) on imported montan was. Montan wax currently enters the United States free of duty. The bill was referred to the Ways and Means Committee but was never enacted.

U.S. imports of crude materials from East Germany totaled $3.4 million in 1978, more than twice the value in 1977. Mink furs were the principal item in this group; imports of this item accounted for 70 percent of the total value of this category. There is no duty on imports of mink furs.

Hungary

United States-Hungarian relations were advanced in July 1978 with the enactment of the United States-Hungarian Trade Agreement, which reciprocally confers most-favored-nation (MFN) tariff status under the GATT to each partner's exports. The United States withdrew MFN status from Hungary, as well as the other Communist countries except Yugoslavia, in the Trade Agreements Extension Act of 1951, thereby subjecting imports from the affected countries to the high duties of the Smoot-Hawley Tariff Act of 1930. In retaliation, Hungary used various tariff and nontariff measures to discriminate against U.S. imports, using the United States as a supplier of last resort. Hungary became eligible for consideration of MFN status and credits from the Eximbank and the Commodity Credit Corporation (CCC) in the Trade Act of 1974. Following the enactment in July of Hungary's MFN status, the President of the United States authorized the extension of credits, guarantees, and other programs of the Eximbank to Hungary, determining that such action would be in the national interest of the United States.

The restoration of Hungary's MFN status made commercial relationships between the two countries more favorable than they had been for three decades. Motivated by several causes, Hungary has developed a strong commitment to increased trade with the United States in recent years. Since 1974-1975, trade with its traditional Western partners such as West Germany, Austria, Italy, and Switzerland had been less than satisfactory from the

Hungarian viewpoint. Recession in most of these countries, and resulting protective provisions of their Governments such as a ban of the European Community on imports of beef and cattle, restricted Hungary's sales to these markets. Meanwhile, inflation in most Western European countries raised the prices of the items Hungary purchased from them, and the terms of trade deteriorated severely for Hungary. As Hungary's dependence on imports, mostly capital goods, continued, its previously balanced trade with Western Europe was transformed into a sizable trade deficit and indebtedness in hard currency. 1/ In view of an increasingly protectionst Europe, the Hungarian Government began to consider the United States a most desirable hard-currency market, especially if discriminatory duties on Hungarian goods were removed. The keen Hungarian interest in the U.S. market was evidenced during the year by a series of trade promotion events the Hungarian Chamber of Commerce staged in the United States. The depreciation of the dollar made U.S. prices more competitive for Hungarian purchasers, and with the prospect of normal trade relations, favorable U.S. financing of these purchases also appeared feasible. The possibilities of expanded bilateral farm trade and agricultural scientific-technical cooperation were the focus of discussions between U.S. and Hungarian officials in May, when the Secretary of the U.S. Department of Agriculture visited Hungary.

Trade between the United States and Hungary is negligible in terms of both countries' total trade. Normalization of mutual relations is likely to give a boost to trade flows between the two countries in both directions. A major Hungarian drive to diversify exports to the U.S. market, which thus far are concentrated in food items, specifically canned ham, is expected. Hungarians will probably emphasize sales of manufacturing items to take advantage of the significant decline, in some cases, of discriminatory duties previously levied under column 2. U.S. exports to Hungary of certain farm products and high-technology items are also bound to increase, the latter probably at the expense of Hungary's traditional European suppliers. The U.S export potential on the Hungarian market will be limited, however, by the Hungarian Government's determined efforts to restrict imports from hard-currency areas.

Aggravated by a worse-than-expected deterioration in the terms of its trade, Hungary's trade deficit with market economies worsened in 1978, amounting to an estimated $1.4 million by the end of the year. 2/ According to preliminary data, Hungary exported 8 percent more to the West in 1978 than than in 1977, or well below the planned 12 to 13 percent growth of export value. By contrast, imports from the West increased by 17 percent, against the planned rise of only 3 to 5 percent. The Hungarian Government paid the price of a widening trade deficit for the near-fulfillment of its overall economic growth target for 1978 and faster rising investment and stocks than planned. 3/ In the 1979 economic plan, therefore, the Hungarian Government gives high priority to programs designed to reduce the trade deficit. In order to cut down on imports from hard-currency areas, overall economic growth, investment, and personal consumption are targeted at lower rates than

1/ 1973 was the last year Hungary maintained balanced trade with Western Europe and, in general, with the Western world.

2/ Hungary's estimated total trade deficit, including its deficit towards nonmarket economies, amounted to an estimated $1.7 billion at the end of 1978.

3/ Growth of national income in 1978 was 4 or 4.5 percent compared with the 5 percent target.

Table 15.--U.S. trade with Hungary, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	15,966	15,473	25,108	46,494
1	Beverages and tobacco	-	7	-	-
2	Crude materials--inedible, except fuel	5,433	7,371	9,622	6,496
3	Mineral fuels, lubricants, etc	64	13	2	14
4	Oils and fats--animal and vegetable	107	8	4	1
5	Chemicals	2,358	16,702	11,260	9,711
6	Manufactured goods classified by chief material	310	1,997	3,796	3,430
7	Machinery and transport equipment	2,359	19,002	27,293	27,113
8	Miscellaneous manufactured articles	1,467	2,292	2,505	3,946
9	Commodities and transactions not elsewhere classified	72	95	128	477
	Total 2/	28,137	62,960	79,717	97,682
		U.S. imports 3/			
0	Food and live animals	2,949	21,675	21,679	31,275
1	Beverages and tobacco	289	582	891	728
2	Crude materials--inedible, except fuel	91	437	522	136
3	Mineral fuels, lubricants, etc	-	-	-	-
4	Oils and fats--animal and vegetable	-	-	-	-
5	Chemicals	71	2,702	5,035	5,735
6	Manufactured goods classified by chief material	907	4,306	3,965	5,340
7	Machinery and transport equipment	366	14,510	9,551	15,442
8	Miscellaneous manufactured articles	1,454	3,200	5,043	10,218
9	Commodities and transactions not elsewhere classified	97	156	114	279
	Total 2/	6,224	47,568	46,800	69,153

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

their actual growth expected for 1978. No major centrally planned investment projects are to be launched in 1979. Instead, the plan emphasizes the completion of investment projects already under way and behind schedule. Therefore, in terms of the 1979 plan, Hungary promises a limited market for capital goods in general, although demand in high-priority areas still remains.

Some recently instituted regulations of the Hungarian Government will be instrumental in reducing hard-currency imports and forcing enterprises to economize in their purchases of capital goods for hard currency. Most important of these is the alinement of domestic producers' prices with world market prices and the phasing out of certain export subsidies. This will induce a strong critical review by managers of production targets and the purchases relating to them. The Hungarian Government is tightening the availability of credit for hard-currency imports, even if they pertain to export-oriented investments, and will subject credit requests to a profitability test of the intended exports. Sales to market economies which, because of their high import content or for other reasons are not profitable in terms of hard currency earnings, are being phased out. Hungary also emphasizes countertrade as a means of avoiding deficits, although it lags behind some other CEMA countries in this practice.

In November 1978 the first joint United States-Hungarian manufacturing company on U.S. territory began operations in New Brunswick, N.J. The company, Action-Tungsram, produces incandescent light bulbs for the U.S. market, a traditional Hungarian export item. The improved legal and economic environment recently created by Hungarian laws became more favorable for joint United States-Hungarian ventures in Hungarian territory. Dow Chemical Co. is reported to be in an advanced stage of negotiations involving a large joint project. Yet, problems of joint ventures have cropped up recently, both from the Hungarian and the Western partners' viewpoint. Hungarian complaints revolve around the price, the lack of up-to-date technology, and the punctuality of deliveries by the Western partner; conversely, the Western partners are frustrated by red tape in Hungarian official quarters.

U.S. exports

U.S. exports to Hungary expanded 22.6 percent to $98 million in 1978. An 85-percent surge of food exports was alone responsible for the increase; exports stagnated or declined in all other important categories. In 1978, sales classified as food accounted for almost half of total exports. Soybean oil cake and meal remained the dominant U.S. export item. These exports surged to $32 million during the year, following a decline in the previous 2 years. Hungary produces only a small share of the soybeans and derivatives it needs. It purchases minimal quantities of soybeans and oil cake, but imports substantial amounts of oil meal. The U.S. share of the Hungarian market was more than 60 percent in 1971, declined to less than 20 percent by 1976, and is expected to account again for probably 40 percent in 1978. Competition from Brazil, which also cut into other Eastern European markets, was the principal reason for declining U.S. sales; by the same token, the 1978 shortfall of Brazilian soybean production returned a large share of the Hungarian market to U.S. suppliers. The present emphasis of the Hungarian Government on intensifying livestock production, and the country's great dependence on protein meal indicates that U.S. exports of soybean meal will probably increase over the next few years. During the visit of the Secretary of the U.S. Department of Agriculture to Budapest, which took place in May, Hungarian officials expressed interest in a long-term agreement with the United States concerning purchases of soybean products.

An increase in corn exports to $12 million in 1978 also contributed to the surge of U.S. farm sales to Hungary. 1978 was the second successive year of Hungarian corn purchases from the United States. Hungary itself is a producer and, under favorable conditions, exporter of corn to Eastern European markets.

U.S. exports of manufactured items classified as machinery and transport equipment rose from less than $1 million in 1968 to $27 million in 1977. In 1978, U.S. sales in this category were the same, but owing to extensive statistical reclassifications and changes in prices, no comparisons can be made. In 1978 this group of products accounted for 27.7 percent of all U.S. exports to Hungary, consisting predominantly of agricultural machinery. U.S. sales of engineering items to Hungary nonetheless became more diversified in 1978. In addition to tractor parts and accessories, which are traditional U.S. export items to Hungary, U.S. sales of engineering items included farm machinery for soil preparation, cultivation, and harvesting. They also included parts and accessories for each. This branching out of U.S. farm machinery sales probably derives in some measure from a countertrade agreement a U.S. supplier signed with Hungary in 1977. Sales of parts and accessories result, at least in part, from previous exports of the primary product. Tracklaying tractors and parts and accessories of mining and drilling equipment also entered the list of leading U.S. export items to Hungary in 1978.

Concentrated superphosphate fertilizers have for years been among the principal products the United States sold to Hungary. In 1978, however, their sales declined substantially. This contributed in large measure to a 14.2 percent drop in U.S. sales of all chemicals, which are the third-ranking major product category of U.S. exports to Hungary. U.S. sales of crude materials also declined. This group includes cattle hides, kip and sheepskins, and various fur skins.

Hungary is emphasizing industrial development in the aluminum industry, petrochemicals, electronic, and food-processing industries. A U.S. company, jointly with European firms, signed a contract in 1978 to provide equipment and technology for a modern high-fructose plant to be built in Hungary. Hungarian planners continue to emphasize production of machine tools, leather items, and pharmaceuticals. High-technology capital equipment serving mechanization and modernization, particularly in the above areas, is a good potential market for U.S. sales. This is especially true if the U.S. exporter can find a formula which allows Hungary to reciprocate with the resulting product under a countertrade arrangement. The Hungarian Government generally encourages long-term agreements under which the Western partner provides machinery and know-how in return for raw materials and manufactured items.

U.S. imports

U.S. imports from Hungary increased 47.6 percent to $69 million in 1978. Similarly to U.S. exports to Hungary, they were concentrated in food items, which accounted for 45-46 percent of all imports in the last 3 years. In 1978, canned ham, the leading U.S. import item from Hungary, was alone responsible for 35.5 percent of all U.S. imports from that country. Imports of canned ham surged 40 percent in 1978 to $25 million. Canned ham ranks first or second on the list of U.S. imports from several Eastern European countries. U.S. purchases of paprika, another important food item on the U.S. import list from Hungary, doubled in 1978, amounting to more than $2 million during the year.

There was a noteworthy increase in U.S. imports of items classified as machinery and transportation equipment to $15 million in 1978. Household light bulbs, the number two leading U.S. import product from Hungary, contributed in large measure to the increase. U.S. purchases of this item rose from $3.6 million in 1977 to $5.2 million. Traditionally very competitive Hungarian export products, household light bulbs have entered the U.S. market for years, even though they were subject to column 2 duties. At the request of the Westinghouse Electric Corp., the Treasury Department instituted antidumping proceedings with respect to these imports in August 1978. Following the finding of the U.S. International Trade Commission that there was no reasonable indication of injury, or the likelihood thereof to the domestic industry, Treasury later terminated the proceedings. The U.S. importer of Hungarian household light bulbs is Action-Tungsram of New Jersey, the only United States-Hungarian company presently on U.S. territory which engages in production for the U.S. market. Therefore, despite the reduction of duties on Hungarian bulbs to the MFN level, the share of imports may decline in favor of sales by the joint United States-Hungarian producer.

Other engineering products from Hungary are motor vehicle parts, tractor parts (the third leading U.S. import item), and parts of automatic data-processing machines. U.S. purchases of the latter two are, in part, results of countertrade arrangements, increasingly relied on by the Hungarian Government. Under such an arrangement, a U.S. company which supplied license, technology, and components to Hungary for the manufacturing of tractors buys back tractor axles in countertrade.

U.S. purchases of miscellaneous manufactures, the third leading product category of U.S. imports from Hungary, doubled in 1978. This group included women's athletic footwear, the U.S. imports of which increased five times, from $0.8 million in 1977 to $4 million in 1978. Hungarian footwear enters the United States also under countertrade. They are produced with the aid of U.S. equipment, design, and know-how, and represent a "buy-back" counterflow for U.S. products and services. Other Hungarian miscellaneous manufactured products (clothing, textiles, and so forth), although they have important markets in Western Europe, have not yet entered the United States in significant volume. Column 2 duties applied to them before Hungary was accorded MFN status may have been an important cause.

Imports of pneumatic bus and truck tires, another important item from Hungary, increased more than three times in 1978 to $2.5 million, compared with 1977 imports, following a decline of U.S. imports that year. Although Hungary's newly acquired MFN status will not lower the duties on these products significantly, the U.S. Department of Commerce estimates a continued increase in U.S. imports until 1982 in response to projected U.S. demand. In January-June 1978 Hungary supplied almost 6 percent of all U.S. imports. Tires are among those Hungarian items designated to become competitive in world markets and targeted for exports. The United States is currently their principal foreign user, followed by Western European countries.

Opium alkaloids, a main ingredient in many opium-based drugs, are another leading U.S. import item from Hungary. Hungarian opium alkaloids are competitive by world standards and thus are important earners of hard currency. The Hungarian pharmaceutical industry is licensor to several U.S. companies, and is investing heavily to expand. Reduction of duties on pharmaceuticals resulting from Hungary's MFN status is likely to increase U.S. imports and possibly induce U.S. purchases of other chemicals too. However, as it stands now, U.S. imports of opium alkaloids amounted to less than $3 million in 1978, remaining essentially on the same level as in 1977.

Bulgaria

Two-way United States-Bulgarian trade surged 52 percent in 1978, owing to renewed Bulgarian purchases of U.S. farm products on a large scale. The trade turnover amounted to $76 million in 1978, compared with $50 million in 1977, when U.S. agricultural exports to Bulgaria were negligible. Three products, corn, soy-related items supplied by the United States, and cigarette tobacco leaf supplied by Bulgaria, accounted for almost four-fifths of bilateral trade. The U.S. trade surplus with Bulgaria was $20.2 million in 1978, almost 10 times the previous year's surplus.

U.S. trade with Bulgaria is less than with most other Eastern European countries. It is negligible as a share of total U.S. trade, and even for Bulgaria, it probably amounts to less than 1 percent of that country's total trade. CEMA partners account for close to four-fifths of Bulgaria's foreign trade. Among market economies, West Germany and Italy are its dominant trading partners. Despite its significantly smaller trade with the West than other Eastern European NME's, Bulgaria has reached a high level of hard-currency debt and is therefore determined to cut down further on imports from the West, unless they can be done on a countertrade basis.

Bulgaria's emphatic resentment over not being granted MFN status gave way to a more friendly attitude towards the United States during the year. 1/ U.S. officials noted several signs of increased Bulgarian interest in better contacts with, and more purchases from, the United States of specific technology and equipment. Also a strong indication of improved relations is the 5-year scientific technical cooperation agreement between the National Science Foundation and Bulgarian authorities that became effective in March 1978. The program provides for exchanges of information and experts in many spheres of science and technology. A separate joint statement on agricultural cooperation initialed in November by both parties will probably lead to similar exchanges in the area of agriculture.

1/ Bulgaria's recently revised tariff system puts the United States as the sole country in a special discriminatory category of its tariff schedules, reserved for countries which practice tariff discrimination against Bulgaria.

Table 16.--U.S. trade with Bulgaria, by SITC Nos. (Revision 1 and 2), 1/ 1970, 1976-78

(In thousands of U.S. dollars)

SITC commodity code No.	Description	1970	1976	1977	1978
		U.S. exports			
0	Food and live animals	5,293	30,502	980	38,058
1	Beverages and tobacco	242	275	529	634
2	Crude materials--inedible, except fuel	135	3,080	2,296	1,567
3	Mineral fuels, lubricants, etc	7,755	2	5	1
4	Oils and fats--animal and vegetable	-	-	-	-
5	Chemicals	1,063	1,581	2,190	1,226
6	Manufactured goods classified by chief material	11	203	777	710
7	Machinery and transport equipment	531	6,498	15,916	3,599
8	Miscellaneous manufactured articles	210	1,113	1,169	2,265
9	Commodities and transactions not elsewhere classified	39	67	49	61
	Total 2/	15,279	43,320	23,910	48,120
		U.S. imports 3/			
0	Food and live animals	921	1,439	1,004	1,482
1	Beverages and tobacco	5	8,743	21,930	22,842
2	Crude materials--inedible, except fuel	270	220	234	182
3	Mineral fuels, lubricants, etc	-	-	-	-
4	Oils and fats--animal and vegetable	-	-	-	-
5	Chemicals	786	601	490	856
6	Manufactured goods classified by chief material	186	132	1,458	234
7	Machinery and transport equipment	159	179	511	1,106
8	Miscellaneous manufactured articles	98	125	107	1,157
9	Commodities and transactions not elsewhere classified	5	63	309	50
	Total 2/	2,431	11,231	26,043	27,909

1/ Data for 1970, 1976, and 1977 are based on the Standard International Trade Classification (SITC), Revised, but have been adjusted by the inclusion of nonmonetary gold to both exports and imports. Data for 1978 are based on the SITC, Revision 2. Because of changes in classifications between the 2 revisions, data for 1978 on a 1-digit basis are not comparable with data for earlier periods. See the discussion in the introduction of this report.

2/ Because of rounding, the sum of the column may not equal the total.

3/ Data for 1970 are U.S. general imports; data for 1976-78 are U.S. imports for consumption.

Source: U.S. Department of Commerce publications and U.S. Department of Commerce, Bureau of East-West Trade.

The Bulgarian economy is still in a comparatively early stage of development, which allows planners to set targets of rapid growth rates. Troubled by low labor productivity, low product quality, and poor economic management, Bulgaria is nonetheless determined to develop a modern industrial base. The ambitious seventh 5-year plan geared to this objective is in its third year. According to preliminary data, growth of national income was 6 percent in 1978, compared with a target of 6.8 percent. There was a lag of industrial growth, including underperformance by the high-priority chemical and engineering industries. For the remaining 2 years of the 5-year plan a separate biannual plan was announced, which contains downward modifications of the original targets. Despite the compromises made, the new rates of growth for 1979-1980 remain comparatively high. The emphasis on engineering, chemicals, and electronics as key industries has been retained, and foreign trade is to rise even faster than originally planned.

U.S. exports

U.S. exports to Bulgaria more than doubled in 1978 compared with their 1977 level, rising to $48 million. Two food items, yellow corn and soybean oil cake and meal, accounted for $36 million, i.e., three-fourths of this trade flow. Bad climate in 1977 and 1978 had an adverse effect on Bulgarian harvests and grain reserves, inducing authorities to resume corn purchases from the United States, which they had discontinued in 1977. In 1978 Bulgaria purchased U.S. corn for $25 million. The value of purchases in 1976 was $28.5 million. However, as prices declined in that 2-year period by about 20 percent, Bulgaria imported a somewhat larger volume of corn in 1978 than in 1976. For 1979 the Bulgarian economic plan targets the growth of domestic feed-grain production at 15.9 percent, to be achieved principally by increased corn output. This ambitious goal corresponds to the special emphasis Bulgarian planners have given meat production and exports since the early seventies. Future U.S. corn sales to Bulgaria can probably be expected to be erratic, as before, depending largely on weather conditions in Bulgaria.

Although Bulgaria produces both sunflower seed and soybeans, it is a regular importer of protein meals, especially soybean meal. In recent years most of its soymeal imports have come from Brazil. In 1975, Bulgaria purchased from the United States some 24,000 tons, 11,000 tons in 1976, and none in 1977. In 1978, however, imports from the United States of soybean oil meal surged, amounting to 57,000 tons valued at $12 million, or a quarter of all U.S. exports to Bulgaria. The principal apparent cause was a severe shortfall of Brazilian soybean production in the last season owing to adverse weather. All imports of U.S. soybean meal took place in the last quarter of 1978, raising this quarter's U.S. trade with Bulgaria significantly above previous quarterly levels. The Bulgarian Government intends to make soybeans a major domestic crop and plans to expand the country's limited oil-crushing facilities to accomodate soybean oil and cake production. Nonetheless, for years to come Bulgaria will remain dependent on imports of soybeans or meal. Supplies from Brazil are not expected to reach their earlier projected levels for 1 or 2 years; therefore, U.S. sales opportunities may be favorable, at least in the short run. After the planned soybean-processing plants begin operating, Bulgaria's demand for meal will probably shift to more imports of crude soybeans. According to the U.S. Department of Agriculture, it is likely that U.S. opportunities for soybean-related sales would then be enhanced by technical assistance on soybean processing techniques that could be jointly provided.

U.S. exports to Bulgaria, other than food and feed, were negligible in 1978. Sales in the major category of crude materials declined materially during the year; they included the usual sales items--cattle hides and wood pulp. With respect to manufactured items, none of those the United States sold to Bulgaria exceeded an export value of $1 million. In fact, total U.S. exports of manufactures to Bulgaria were cut in half from their 1977 level, as the major sales of rolling-mill machinery then taking place have not been repeated. U.S. exports of manufactures representing modern technology and equipment for key industrial branches may, nevertheless, rise significantly in the future. Bulgarian authorities, among others, expressed interest to make purchases in the area of ferrous and nonferrous metallurgy, oil and gas geology, and seismic exploration. Moreover, the previously mentioned United States-Bulgarian joint statement on agriculture will probably lead to U.S. sales of agricultural machinery.

U.S. imports

In 1978, U.S. imports for consumption from Bulgaria amounted to $28 million, $23 million, or four-fifths of which consisted of cigarette leaf tobacco. 1/ Tobacco imports were, for the most part, actual arrivals from Bulgaria, whereas a large share of imports recorded for 1977, valued at $22 million, were withdrawals from stockpiles, accumulated in bonded customs warehouses during earlier years. The relatively small increase in the value of imports for consumption indicates that the volume of such imports declined somewhat in 1978. The type of tobacco purchased in Bulgaria is an important ingredient of the blends used in most U.S. brands of cigarettes. Demand for this so-called oriental-type tobacco is a function of availability and price, which is influenced largely by Turkey and Greece, the principal suppliers. Lower unit values of imports from Bulgaria more than offset the effect of discriminatory duties on prices in the U.S. market vis-a-vis MFN suppliers. In 1978 the average ad valorem equivalent duty for Bulgarian tobacco was 24.2 percent compared with 9.8 percent for all countries.

U.S. imports other than tobacco totaled $5 million in 1978 compared with $4 million in 1977. The leading item was pecorino cheese, with imports exceeding $1 million. Nonautomatic portable typewriters which enter the United States duty free were the principal manufactured import product.

1/ The import data on which trade analysis is based in this series of reports are "imports for consumption," which are a combination of entries for immediate consumption and withdrawals from bonded customs warehouses.

Albania, Cuba, and Mongolia

Total two-way trade between the United States and the three smallest countries covered by this report increased 44.4 percent from $8.4 million in 1977 to $12.1 million in 1978. U.S. exports increased from $2.8 million in 1977 to $4.9 million in 1978, or by 73.5 percent. This expansion was due principally to a doubling in the value of exports to Albania. Imports increased 29.8 percent from $5.6 million in 1977 to $7.2 million in 1978. Despite these increases, U.S. trade with Albania, Cuba, and Mongolia remained negligible, even in terms of U.S.-NME trade, where it accounted for less than 0.2 percent of total trade turnover.

Compared with U.S.-NME trade as a whole, the composition of U.S. trade with Albania, Cuba, and Mongolia is strikingly different. Trade in agricultural goods, which accounts for about one-half of U.S.-NME trade, is here almost nonexistent. No U.S. grain exports to any of these three countries have been reported since 1972. U.S. imports consist almost entirely of crude materials; these items make up only 6.8 percent of U.S. imports from all NME's.

Albania is the largest U.S. trade partner of the three, with 1978 two-way trade amounting to $8.0 million, or nearly two-thirds of the total. This represents a 42.1-percent increase over 1977 trade. Most of this increase resulted from a doubling of exports to $4.5 million; imports also increased marginally to $3.5 million. The principal item exported to Albania in both 1977 and 1978 was bituminous coal. Exports of this item increased from $1.8 million in 1977 to $4.0 million in 1978, accounting for 88.4 percent of total exports.

Exports of cattle hides declined to $217,000 in 1978 from $270,000 in 1977 and $419,000 in 1976. Other export items included grouped filament ($138,000), and various industrial products with a total value of less than $160,000. U.S. imports were dominated by purchases of chrome ore and unground sage, as has been the case during the past 5 years. Imports of these two items amounted to $3.4 million. The remaining items imported in 1978--martin furskins, coins, crude drugs, and floor coverings--were valued at approximately $57,000.

In 1978 Albania's foreign trade policy experienced one of those abrupt reversals which have characterized it since the end of World War II. Albania had developed close ties with the Soviet Union after World War II, but broke these relations in 1961 and gave its allegiance to China. As China began improving ties with Western countries, its relations with Albania cooled. In July 1978 these two countries broke relations and all aid and trade ceased. China had previously accounted for at least 50 percent of Albania's foreign trade and had provided a total of $5 billion in foreign aid over a 24-year period. Since July Albania has been making cautious overtures to several Western countries, principally Italy (its second largest trading partner after China), Greece, and Turkey. Also, despite hostilities, Albania plans to increase trade in 1979 with most Eastern European countries except the Soviet Union. Albanian officials have emphasized that they will not accept credits from Western countries.

U.S. relations with Cuba continued to thaw in 1978, but no substantial progress in normalizing relations occurred. Trade between the United States and Cuba has been restricted by a continuing U.S. embargo which has been in effect since February 1962. Resumption of normal diplomatic and trade relations is complicated by the issue of $1.8 billion in claims by U.S. citizens and corporations for property and other assets seized by Cuban President Fidel Castro's regime after it came to power in 1959. However, a high-ranking Cuban official told a group of U.S. businessmen and U.S. Government personnel who visited the island in February 1978 that Cuba would be willing to negotiate claims with the United States once the embargo was lifted or at least partially lifted. He stated, furthermore, that Cuba would be willing to discuss such claims with individual U.S. corporate entities should that be feasible. Another breakthrough came in August 1978 when the Cuban Government agreed to permit 480 dual citizens of Cuba and the United States to emigrate to the United States.

Meanwhile, a limited amount of United States-Cuba trade is allowed under special permits issued by the U.S. Departments of Treasury and Commerce. Two-way trade in 1978 declined to about $400,000 compared with $700,000 in trade in 1977. Leading U.S. export items included aluminum doors and parts, medicines, paint, and photographic equipment. Film, paintings, and metal coins were the principal items imported.

Although some increase in trade would be expected in the event of normalized relations, since the United States offers for sale many products which Cuba needs for development, it is not expected that a great expansion in trade would occur immediately. Cuba currently conducts about 30 percent of its trade with Western countries, and the remaining 70 percent with other CEMA countries--the Soviet Union, Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia, and Vietnam--from which it receives special preferences as the least developed CEMA member. Since many of Cuba's export products are already committed for delivery to CEMA countries, Cuba would need financing for many of the items it would import from the United States. Unless Cuba received MFN status, it would not be eligible for U.S. Government credits or loans under section 406 of the Trade Act. This would work to contain the overall level of United States-Cuba trade.

United States-Mongolian trade is exceedingly one-sided, consisting mainly of U.S. imports of Mongolian camel hair, cashmere goat hair, and furskins. U.S. exports were valued at $62,000, two-thirds of which consisted of unspecified products donated for relief. The remaining exports included scientific materials, typewriters, and wood counters. Total two-way trade in 1978 amounted to about $3.7 million compared with $2.1 million in 1977.

APPENDIX

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

Table A-1.--Leading items imported from the U.S.S.R., by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
605.2020	Gold bullion, refined	202,133,763	285,792,782	97,539,425
475.0535	Fuel oils, under 25 degrees A.P.I. Saybolt Universal viscosity at 100 F of more than 125 seconds (heavy fuel oils)	42,094,068	40,159,102	16,127,553
618.1000	Aluminum waste and scrap	25,069,454	29,880,900	11,060,467
605.0260	Palladium	24,196,252	28,215,720	9,648,978
480.6540	Anhydrous ammonia	-	26,675,992	6,726,390
620.0300	Unwrought nickel	6,540,227	16,274,923	3,856,056
520.3200	Diamonds, not over 1/2 carat, cut, not set	9,850,043	9,189,764	2,161,007
124.1045	Sable furskins, whole, raw	6,093,583	7,886,950	630,515
605.0270	Rhodium	7,822,146	7,627,854	3,669,923
601.1520	Chrome ore, not over 40-percent chromic oxide	1,900,117	6,704,824	2,001,997
653.2200	Metal coins, n.e.s	1/ 1,466,963	6,025,815	1,796,068
245.1000	Hardboard, valued $48.33-1/3 to $96.66-2/3 per short ton	2,470,396	4,233,337	1,105,311
168.5200	Spirits, n.s.p.f., for beverages	1,747,237	3,941,755	1,073,268
475.1010	Crude petroleum, 25 degrees A.P.I. or more	7,930,440	3,482,530	3,481,128
520.3300	Diamonds, over 1/2 carat, cut, not set	4,239,213	3,478,504	1,225,931
423.0030	Rare-earth oxides	2/	3,329,576	899,545
629.1580	Titanium waste and scrap	2/	2,915,185	-
605.0290	Platinum group metals and combinations, n.e.s	10,529,054	2,500,012	-
629.1520	Unwrought titanium sponge	2/	2,392,987	671,268
493.1500	Casein	1,700,674	2,362,262	596,441
	Total	3/	493,070,774	164,271,271
	Total U.S. imports from the U.S.S.R	421,581,696	529,578,994	179,798,916

1/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 653.2220, 653.2240, and 653.2260.
2/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-2.--Leading items exported to the U.S.S.R., by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.3465	Yellow corn, not donated for relief	1,053,166,492	93,942,256
130.6540	Wheat, unmilled, not donated for relief	355,792,441	33,243,559
175.4100	Soybeans, n.s.p.f	199,770,836	33,666
790.5510	Pressure-sensitive tape, with plastic backing	36,563,887	16,851,021
692.3800	Parts, n.s.p.f., of tractors	29,817,587	11,076,773
664.0584	Parts, n.s.p.f., of oil and gas field drilling machines	27,828,297	6,694,180
601.3300	Molybdenum ore	26,064,949	8,725,329
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	25,589,037	6,097,600
711.8006	Electrical temperature control instruments, industrial process	24,659,345	395,303
652.9110	Prefabricated and portable buildings, of iron and steel	20,288,000	-
177.5640	Tallow, inedible	18,744,193	-
517.5120	Petroleum coke, calcined	18,174,880	8,304,059
145.4700	Shelled peanuts, not blanched	15,013,508	238,134
145.4300	Shelled almonds, not blanched	12,701,465	-
250.0284	Wood pulp, special alpha and dissolving grades	9,576,630	1,781,878
676.2820	Digital and electronic processing units	8,136,062	545,526
120.1400	Cattle hides, whole	8,089,102	422,496
601.2200	Copper ores	7,416,945	7,416,945
475.4565	Lubricating oils, other	6,165,836	5,721,072
664.0523	Mechanical shovels and front-end loaders, 4-wheel drive, bucket capacity of 7-1/2 cubic yards and over	6,053,870	911,814
	Total	1,909,613,362	202,400,611
	Total U.S. exports to the U.S.S.R	2,249,020,257	296,330,215

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-3.--Leading items imported from China, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
320.2032	Printcloth shirting, n.e.s., wholly of cotton (average yarn number 20)	8,142,199	20,413,703	3,546,921
622.0200	Tin, other than alloys, unwrought	4,345,340	15,493,584	686,228
186.1560	Feathers, not meeting Federal standards	12,399,434	15,093,082	656,133
755.1500	Fireworks	10,000,459	12,095,781	3,927,472
766.2560	Antiques, n.s.p.f	7,280,341	10,811,941	2,670,632
186.1565	Down, not meeting Federal standards	6,479,826	9,711,754	386,138
360.1500	Floor coverings of pile, etc., valued over 66-2/3 cents per square foot	5,611,910	1/ 8,982,263	2,377,028
320.1038	ABC white cotton sheeting, carded (average yarn number 10)	4,440,626	7,997,334	2,622,353
222.4000	Baskets and bags of bamboo	5,064,066	7,262,981	2,200,927
186.3000	Bristles, crude or processed	8,719,215	6,928,114	2,371,988
145.4400	Cashew nuts, shelled, etc	4,809,742	6,513,824	2,008,355
704.4010	Cotton gloves, without fourchettes	1,814,711	5,977,580	1,608,945
380.2788	Men's cotton sport shirts, not knit	2/ 2,800,735	5,919,013	671,549
601.5400	Tungsten ore	4,255,665	5,832,284	2,350,892
160.5000	Tea, crude or prepared	5,185,544	4,750,350	1,791,442
452.1200	Cassia oil	3,181,558	4,569,524	1,524,876
308.0440	Raw silk, in skeins, etc., n.e.s	2,245,184	4,517,119	1,562,194
632.0200	Antimony, unwrought, and waste and scrap	1,136,736	4,175,311	1,049,514
320.3032	Printcloth shirting, n.e.s., wholly of cotton (average yarn number 30)	624,112	3,837,202	791,239
382.3349	Girls' and infants' denim slacks	3/	3,331,873	525,940
	Total	4/	164,214,617	35,330,766
	Total U.S. imports from China	197,400,043	316,743,230	74,516,136

1/ On Sept. 1, 1978, this item was transferred to the 2 new item numbers: 360.1505 and 360.1510. Data for 1978 are the aggregation of these 3 numbers.

2/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 380.2785, 380.2787, and 380.2789.

3/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.

4/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-4.--Leading items exported to China, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.6540	Wheat, unmilled, not donated for relief	250,174,410	132,290,442
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	140,396,065	23,961,234
130.3465	Yellow corn, not donated for relief	111,725,822	111,725,822
309.4242	Polyester fibers, noncontinuous	44,299,341	5,832,832
664.0584	Parts, n.s.p.f., of oilfield and gasfield drilling machines	31,449,897	27,782,206
176.5220	Soybean oil, crude, degummed	26,117,742	-
480.8005	Diammonium phosphate fertilizer	19,748,952	3,653,770
300.1550	Cotton, n.e.c., staple length 1-1/8 inches or more	16,878,927	-
175.4100	Soybeans, n.s.p.f.	15,300,134	15,300,134
480.3000	Urea	15,174,623	7,842,790
649.5040	Rock drill bits, core bits and beamers, n.s.p.f	13,018,750	5,307,836
177.5640	Tallow, inedible	11,657,449	-
660.4137	Diesel engines, n.s.p.f., 1001-1500 horsepower	4,506,455	-
612.0440	Copper, unalloyed, unwrought	4,369,715	4,369,715
486.2800	Organophosphorus insecticides, n.s.p.f	3,818,538	3,818,538
480.7050	Concentrated superphosphate	3,795,750	-
660.3040	Parts, n.s.p.f., of steam turbines	3,695,603	330,284
692.0560	Off-highway trucks, nonmilitary, over 44,000 pounds	3,589,588	3,589,588
661.1271	Parts, for air and gas compressors	3,190,308	1,633,938
664.9490	Parts, n.s.p.f., of pumps for liquids	2,714,889	145,387
	Total	725,622,958	347,584,516
	Total U.S. exports to China	818,241,117	377,477,523

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-5.--Leading items imported from Poland, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
107.3525	Canned hams, shoulders, over 3 pounds	102,502,980	125,655,903	33,437,924
608.8415	Steel plates, not alloy, not in coils, not pickled or cold rolled	16,449,844	47,930,031	16,971,075
521.3180	Coal, n.e.s., including lignite, but not including peat	3,692,125	17,352,860	6,415,090
700.3550	Men's leather footwear, n.e.s., cement soles	7,289,238	11,995,577	2,616,468
692.1090	Motor vehicles, n.e.s	4,975,908	7,441,405	1,486,650
107.3560	Pork, n.e.s., canned, boned, cooked	3,889,022	7,225,949	2,947,195
727.1500	Furniture and parts of bentwood	5,391,007	7,046,350	1,674,673
646.2622	Brads, nails, etc., of iron and steel, smooth shank, 1 inch or more in length, uncoated	1/	6,489,340	789,323
335.9500	Other woven fabrics of vegetable fibers, n.e.s., over 4 ounces per square yard	4,882,796	5,552,691	1,353,166
646.2626	Brads, nails, etc., of iron and steel, smooth shank, 1 inch or more in length, coated	1/	4,776,038	1,027,768
674.3547	Metal-cutting lathes, n.s.p.f	1/	3,666,273	1,580,747
407.8521	Sulfathiazole	2/ 2,335,267	3,632,369	831,588
382.1206	Women's raincoats, n.e.s., 3/4 length or longer, valued over $4 each	2,620,829	3,555,787	872,566
700.2738	Men's leather welt footwear, n.e.s., valued $5-$6.80 per pair	2,139,159	3,428,820	651,701
380.6653	Men's wool suits, valued over $4 per pound	1/	3,423,476	411,354
380.0611	Men's and boys' cotton coats, knit, not ornamented, n.s.p.f.	3/ 109,895	3,408,353	1,048,154
110.4710	Cod blocks, frozen, over 10 pounds each	4,059,921	3,394,365	270,333
380.1206	Men's and boys' cotton suit-type coats, n.e.s., not knit, valued over $4 each	1/	3,217,475	-
146.7530	Strawberries, frozen, in containers over 40 ounces	3,369,368	2,942,446	609,174
626.0200	Unwrought zinc, other than alloyed	1,991,222	2,827,868	-
	Total	4/	274,963,376	74,994,949
	Total U.S. imports from Poland	326,508,162	435,947,058	110,331,380

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
2/ Prior to Jan. 1, 1978, this item was classified as the now-deleted item no. 407.8540.
3/ Prior to Jan. 1, 1978, this item was classified under 2 now-deleted numbers: 380.0610 and 380.0615.
4/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-6.--Leading items exported to Poland, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.3465	Yellow corn, not donated for relief	161,416,770	27,589,710
184.5260	Soybean oil cake and meal	108,549,679	5,078,308
130.6540	Wheat, unmilled, not donated for relief	63,381,334	-
175.4100	Soybeans, n.s.p.f	39,827,478	5,695,760
130.4040	Grain sorghum, except seed	32,376,498	-
480.4500	Phosphate, crude and apatite	25,442,358	8,034,302
130.1000	Barley	13,188,235	-
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	12,999,587	370,000
184.5000	Linseed oil cake and meal	12,758,759	724,893
692.3800	Parts, n.s.p.f., of tractors	11,427,885	2,065,885
674.3520	Grinding machines, metal-cutting, cylindrical, external	10,412,656	4,754,677
120.1400	Cattle hides, whole	8,319,633	3,287,195
147.1900	Lemons, fresh	7,767,483	1,813,805
176.2520	Linseed oil, crude	7,161,637	-
170.3320	Flue-cured cigarette filler tobacco, stemmed	7,017,587	1,197,781
184.5240	Cottonseed oil cake and meal	5,713,835	-
674.3563	Multistation (transfer) machines, metal-cutting	5,439,615	2,548,041
661.7060	Industrial machinery, for treatment of chemicals	4,997,511	8,868
182.9754	Vegetable protein concentrates, etc	4,169,840	382,785
310.0010	Textured yarns, of polyester	3,818,531	720,479
	Total	546,186,911	64,272,489
	Total U.S. exports to Poland	677,021,771	90,675,960

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-7.--Leading items imported from Yugoslavia, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
107.3525	Canned hams, shoulders; over 3 pounds	47,112,273	64,345,974	16,507,117
700.3515	Men's and boys' leather athletic footwear, n.e.s	27,657,417	32,410,863	4,820,190
727.3300	Wood chairs, n.s.p.f	1/ 31,531,802	29,871,749	8,599,149
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	19,953,657	26,428,506	5,765,806
607.3100	Ferrochrome, over 3-percent carbon	10,761,880	16,828,669	835,060
612.0640	Unwrought copper, not alloyed, n.e.s	20,030,421	13,630,972	1,005,601
618.2565	Wrought aluminum sheets and strip	2/	13,359,670	2,433,455
727.3540	Wood furniture, n.s.p.f	2/	12,944,509	3,216,373
688.0465	Insulated electrical conductors, power cable designed for 601 volts or less	2/	9,545,545	2,480,917
605.2040	Silver bullion, refined	9,006,127	7,871,557	4,355,677
186.1565	Down, not meeting Federal standards	8,289,115	7,460,736	564,007
727.4040	Wood furniture parts, n.s.p.f	2/	7,377,532	2,513,251
605.2020	Gold bullion, refined	11,243,815	7,084,219	1,028,988
727.3040	Wood chairs, n.s.p.f	31,531,802	5,771,768	-
632.8420	Base metals, unwrought alloys, containing 96-99 percent silicon	1,862,609	4,905,690	1,030,560
607.5700	Ferrosilicon manganese	1,845,515	4,654,954	718,800
407.7220	Sulfamethazine	1,122,753	4,489,032	1,718,744
618.1540	Wrought aluminum rods, 0.375 inch or more in diameter	3,216,952	4,128,137	1,174,512
607.3700	Ferromanganese, over 4-percent carbon	2,167,592	4,063,880	-
646.2622	Brads, nails, etc., of iron and steel, smooth shank, 1 inch or more in length, uncoated	2/	2,820,275	560,259
	Total	3/	279,994,237	59,328,466
	Total U.S. imports from Yugoslavia	347,898,483	406,553,396	89,180,471

1/ Prior to Mar. 1, 1978, this item was classified as the now-deleted item no. 727.3040.
2/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-8.--Leading items exported to Yugoslavia, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
175.4100	Soybeans, n.s.p.f	48,478,203	16,475,661
694.4062	Airplanes, passenger transport, over 33,000 pounds	37,447,036	37,447,036
130.3465	Yellow corn, not donated for relief	25,305,007	18,389,972
184.5260	Soybean oil cake and meal	22,685,759	3,152,749
692.0560	Off-highway trucks, nonmilitary, over 44,000 pounds	13,992,745	4,519,829
431.0480	Vinyl chloride, monomer	13,621,779	4,711,909
521.3110	Low volatile bituminous coal	10,697,042	4,870,015
694.6506	Parts, n.s.p.f., for aircraft and spacecraft	10,665,380	3,520,116
480.8005	Diammonium phosphate fertilizer	7,976,015	-
683.9540	Parts, n.s.p.f., of industrial and laboratory furnaces and ovens	7,785,852	4,562,225
678.5041	Nuclear reactors and parts	6,612,244	808,645
661.3046	Metal treating furnaces, nonelectric, n.s.p.f	6,275,294	1,807,589
692.2985	Parts, n.s.p.f., of motor vehicles	5,656,079	758,715
664.0584	Parts, n.s.p.f., of oilfield and gasfield drilling machines	5,508,552	1,897,449
250.0284	Wood pulp, special alpha and dissolving grades	5,306,467	1,790,022
676.2700	Digital machines	4,915,819	2,206,078
480.7050	Concentrated superphosphate	3,871,676	2,499,829
170.6500	Cigarettes	3,612,915	3,572,475
120.1400	Cattle hides, whole	3,585,988	680,240
692.3150	Tracklaying tractors, new, with net engine horsepower of 260-344	3,263,140	1,365,593
	Total	247,262,992	115,036,147
	Total U.S. exports to Yugoslavia	471,298,476	176,369,336

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-9.--Leading items imported from Romania, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
475.0535	Fuel oils, under 25 degrees A.P.I. Saybolt Universal viscosity at 100 F of more than 125 seconds (heavy fuel oils)	53,020,837	48,586,660	10,589,941
475.3500	Naphthas derived from petroleum, etc., n.e.s	-	44,041,031	31,122,508
107.3525	Canned hams, shoulders, over 3 pounds	10,722,712	15,004,223	3,187,315
700.4540	Women's leather footwear, cement soles, valued over $2.50 per pair	6,852,799	9,984,551	1,324,491
610.4225	Oil well casing, seamless, other than alloy steel, advanced	3,361,717	9,558,394	2,405,010
608.8415	Steel plates, not alloy, not in coils, not pickled or cold rolled	1,862,283	9,495,994	1,296,877
700.2940	Leather welt work footwear, valued over $6.80 per pair	3,715,743	7,972,451	1,868,105
618.2565	Wrought aluminum sheets and strip	1/	6,927,338	2,685,851
360.1500	Floor coverings of pile, etc., valued over 66-2/3 cents per square foot	4,144,894	2/ 6,165,477	537,423
380.0645	Men's and boys' cotton knit sport shirts	3,779,469	5,899,384	1,159,347
107.3560	Pork, n.e.s., canned, boned, cooked	3,181,623	5,534,517	1,044,443
700.3550	Men's leather footwear, n.e.s., cement soles	2,226,132	4,756,618	820,239
692.3003	Agricultural tractors, under 40 horsepower, power-takeoff type	1/	4,726,908	849,851
727.1500	Furniture and parts of bentwood	1,566,608	3,948,413	903,618
380.8452	Men's and boys' suits, of manmade fibers, not knit	1/	3,227,117	604,059
446.1531	Polyisoprene rubber	1/	3,221,608	991,362
546.5420	Glass tumblers, etc., valued 30¢-$1 each	1/	3,021,725	730,001
380.0611	Men's and boys' cotton coats, knit, not ornamented, n.s.p.f	3/ 633,885	2,995,618	1,794,752
608.8440	Steel sheets, not shaped, not cold rolled, not plated	-	2,987,256	1,493,242
380.2788	Men's cotton sport shirts, not knit	4/ 2,101,914	2,970,156	984,100
	Total	5/	199,731,113	65,855,112
	Total U.S. imports from Romania	213,019,883	344,561,293	101,879,337

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.

2/ On Sept. 1, 1978, this item was transferred to 2 new item numbers: 360.1505 and 360.1510. Data for 1978 are the aggregation of these 3 numbers.

3/ Prior to Jan. 1, 1978, this item was classified under 2 now-deleted numbers: 380.0610 and 380.0615.

4/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 380.2785, 380.2787, and 380.2789.

5/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-10.--Leading items exported to Romania, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
120.1400	Cattle hides, whole	52,223,118	23,992,885
175.4100	Soybeans, n.s.p.f	40,788,410	-
521.3110	Low volatile bituminous coal	32,392,908	11,271,725
130.3465	Yellow corn, not donated for relief	22,653,705	22,653,705
674.2009	Rolling mill machinery and parts, n.s.p.f	13,339,745	2,256,664
674.3520	Grinding machines, metal-cutting, cylindrical, external	13,002,270	-
480.4500	Phosphates, crude or apatite	11,023,195	2,393,621
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	10,447,278	1,269,368
130.4040	Grain sorghum, except seed	9,757,799	-
184.5260	Soybean oil cake and meal	8,466,433	6,261,633
676.5560	Parts of automatic data-processing machines and units	8,314,409	2,566,154
661.9810	Oil and gas separation equipment and parts	8,001,440	-
674.5440	Parts, n.s.p.f., of metal forming machine tools	6,884,789	8,543
609.1610	Primary tinplates of iron and steel	5,840,405	-
250.0284	Wood pulp, special alpha and dissolving grades	5,293,980	-
683.9540	Parts, n.s.p.f., of industrial and laboratory furnaces and ovens, etc	2,914,978	1,209,532
300.1530	American Pima-cotton and Sea Island cotton	2,477,579	-
433.1035	Compound catalysts, n.s.p.f	2,199,562	-
694.6506	Parts, n.s.p.f., for aircraft and spacecraft	2,134,661	779,337
678.3560	Parts of machines for molding or forming rubber or plastic articles	2,035,503	1,060
	Total	265,192,167	74,664,227
	Total U.S. exports to Romania	317,423,176	90,164,725

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-11.--Leading items imported from Czechoslovakia, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
608.7100	Steel wire rods, not tempered or treated, valued over $4 per pound	1,401,175	6,618,374	1,840,481
700.2940	Leather welt work footwear, valued over $6.80 per pair	2,233,749	6,270,870	1,836,732
107.3525	Canned hams, shoulders, over 3 pounds	2,107,036	3,765,974	1,324,284
610.4225	Oil well casing, seamless, unalloyed, advanced	1,045,756	2,431,640	123,295
670.1436	Weaving machines, jet type	1,119,034	1,921,376	783,081
546.5420	Glass tumblers, etc., valued 30¢-$1 each	1/	1,779,629	494,285
668.2035	Offset printing presses, sheet-fed	333,843	1,368,178	285,631
674.3525	Metal-cutting engine lathes, valued over $2,500 each	1/	1,349,781	404,244
727.1500	Furniture and parts of bentwood	887,942	1,178,957	330,590
741.3500	Imitation gemstones, except beads	735,331	1,149,649	316,184
610.3925	Oil well casing, seamless, unalloyed	-	1,100,426	180,694
674.3265	Boring machines, n.s.p.f., valued over $2,500 each	1/	1,070,245	282,987
700.3550	Men's leather footwear, n.e.s., cement soles	817,037	1,039,788	298,476
700.2960	Men's leather welt footwear, n.e.s., valued over $6.80 per pair	1,658,264	949,279	117,356
270.2580	Books, n.s.p.f., by author who is a national or domiciliary of the United States	166,664	909,722	301,038
545.5700	Glass prisms for chandeliers, etc	520,402	837,209	262,588
670.7430	Parts for power-driven weaving machines	1/	792,774	34,960
692.5010	Motorcycles, with piston displacement not over 50 cubic centimeters	328,694	792,393	8,400
700.2718	Leather welt work footwear, valued $5-$6.80 per pair	769,457	720,385	-
380.6653	Men's wool suits, valued over $4 per pound	1/	708,799	136,202
	Total	2/	36,755,448	9,361,508
	Total U.S. imports from Czechoslovakia	36,392,465	57,359,361	14,426,895

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.

2/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-12.--Leading items exported to Czechoslovakia, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.3465	Yellow corn, not donated for relief	44,598,035	10,408,005
120.1400	Cattle hides, whole	13,999,189	4,060,161
184.5260	Soybean oil cake and meal	10,746,424	4,773,588
175.5100	Sunflower seed	4,251,537	4,251,537
480.7050	Concentrated superphosphate	1,782,625	-
170.3310	Flue-cured cigarette filler tobacco, unstemmed	1,575,506	319,310
676.5560	Parts for automatic data processing machines and units	1,531,424	663,301
660.4965	Gas turbines for mechanical drives	1,481,953	-
676.2820	Digital central processing units consisting of arithmetical, etc., elements	1,396,948	1,298,896
676.2700	Digital machines	996,498	200,925
540.4200	Glass rods, tubes, and tubing	924,438	258,968
415.4500	Native elemental or recovered sulfur	889,931	889,931
147.1900	Lemons, fresh	859,808	-
692.1620	Cable cranes, crawler mounted	779,464	779,464
711.8070	Pressure gauges, industrial process, electrical	534,909	25,117
685.7050	Signal equipment, except for roads and railways	524,691	511,000
710.2820	Geophysical instruments and parts, electrical	491,328	9,572
676.2855	Printers, for automatic data-processing machines	478,500	437,200
664.0586	Parts, n.s.p.f., of boring and drilling machines	473,382	-
250.0267	Wood pulp, sulphate, bleached, hardwood, n.s.p.f	461,375	124,740
	Total	88,777,965	29,011,715
	Total U.S. exports to Czechoslovakia	105,348,637	34,115,289

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-13.--Leading items imported from East Germany, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
480.3000	Urea, n.e.s	2,770,661	6,083,539	-
124.1025	Mink furskins, except Japanese, undressed	1,423,124	2,424,397	50,131
668.2035	Offset printing presses, weighing 3,500 pounds or more, sheet-fed type	572,837	2,334,063	683,648
722.1635	Still 35mm cameras, n.s.p.f., valued over $10 each	1/	1,454,545	250,260
765.0300	Paintings, etc., by hand	-	1,258,750	-
766.2560	Antiques, n.s.p.f	6,286	1,128,445	16,825
772.5115	Pneumatic truck and bus tires, new	-	1,112,273	383,012
121.5000	Pig and hog leather	662,933	1,108,154	354,400
480.6000	Potassium nitrate, crude	-	883,418	718,902
494.2000	Montan wax	452,415	859,254	308,117
380.0611	Men's and boys' cotton coats, knit, not ornamented, n.s.p.f	2/ -	811,531	-
480.5000	Potassium chloride, crude	388,327	811,175	-
668.5060	Printing press parts	188,867	536,654	226,635
546.5860	Glassware, n.s.p.f., cut or engraved, valued over $3 each	1/	465,638	145,527
380.0645	Men's and boys' cotton knit sweatshirts	-	451,660	111,887
207.0080	Articles of wood, n.s.p.f	1/	432,288	119,469
692.2776	Transmissions, for passenger automobiles	1/	413,648	413,648
546.5840	Tableware, etc., cut or engraved, valued over $3 each	1/	387,099	136,354
674.3010	Gear hobbers and shapers	1/	362,429	100,947
772.5105	Automobile tires, new	1/	334,617	57,055
	Total	3/	23,653,577	4,076,817
	Total U.S. imports from East Germany	16,862,797	35,220,296	7,038,361

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
2/ Prior to Jan. 1, 1978, this item was classified under 2 now-deleted numbers: 380.0610 and 380.0615.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-14.--Leading items exported to East Germany, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.3465	Yellow corn, not donated for relief	75,820,214	30,032,047
184.5260	Soybean oil cake and meal	43,573,680	26,984,310
130.6540	Wheat, unmilled, not donated for relief	35,800,770	4,494,460
381.1520	Men's and boys' denim slacks, of cotton, not knit	6,161,538	6,161,538
130.1000	Barley	5,191,691	-
147.1900	Lemons, fresh	1,292,344	94,021
712.1560	Parts, n.s.p.f., of radiation measuring and detecting instruments	1,173,220	-
120.1400	Cattle hides, whole	753,894	-
678.3560	Parts of molding or forming machines, for rubber or plastic articles, n.e.s	708,105	-
607.0825	Carbon steel and iron scrap, No. 2 bundles	679,142	679,142
771.6000	Shapes, of rubber or plastic, n.s.p.f	482,612	-
300.3021	Cotton linters, other	476,232	180,382
660.2400	Gas generators and parts	461,045	-
711.8740	Chemical analysis equipment, nonelectrical, n.s.p.f	442,210	442,210
444.6600	Silicone resins	355,126	-
250.0284	Wood pulp, special alpha and dissolving grades	340,987	340,987
175.5100	Sunflower seed	313,737	313,737
688.4060	Electrical articles and electrical parts, n.s.p.f	279,873	45,113
692.4016	Power industrial vehicles, n.s.p.f., operator-riding	271,952	-
175.4100	Soybeans, n.s.p.f	250,000	250,000
	Total	164,828,372	70,017,947
	Total U.S. exports to East Germany	170,120,675	71,443,370

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-15.--Leading items imported from Hungary, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
107.3525	Canned hams, shoulders, over 3 pounds	18,102,675	24,611,994	6,136,391
686.9030	Other lamps, including household	3,618,829	5,246,094	1,471,653
692.3060	Parts of agricultural tractors	4,022,610	4,437,491	832,535
700.4540	Women's leather athletic footwear, cement soles, valued over $2.50 per pair	814,468	4,392,291	1,731,846
437.1400	Opium alkaloids	2,496,866	2,674,419	-
772.5115	Pneumatic truck and bus tires, new	716,902	2,487,969	276,596
161.7100	Paprika, ground and unground	1,066,418	2,290,936	515,378
107.3540	Pork bacon, boned, cooked, canned	1,910,789	1,682,455	111,765
692.2785	Parts, n.s.p.f., of motor vehicles	1/	1,236,926	1,219,346
437.2080	Alkaloids and synthetic compounds, n.s.p.f	1/	1,201,607	243,435
676.0560	Typewriters, nonautomatic, nonelectric	19,349	1,124,420	656,249
700.4560	Women's leather footwear, n.s.p.f., valued over $2.50 per pair	870,192	1,061,593	898,264
107.3040	Pork bacon, not boned or cooked	-	896,596	509,042
700.4530	Women's leather footwear, n.e.s., valued over $2.50 per pair	-	776,228	693,079
130.3000	Corn or maize seed, certified	-	688,000	-
117.6025	Swiss or emmenthaler cheese	90,106	639,189	379,763
167.3040	Wine, over 14-percent alcohol, valued over $4 per gallon, containers not over 1 gallon	341,463	624,525	245,699
790.3900	Inflatable articles, n.s.p.f	318,547	541,443	44,822
678.3220	Machines for assembling electric filament and discharge lamps	1/	523,170	-
676.5230	Parts of automatic data-processing machines	1/	519,374	170,360
	Total	2/	57,656,720	16,136,223
	Total U.S. imports from Hungary	46,800,088	69,153,233	20,257,029

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.

2/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-16.--Leading items exported to Hungary, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
184.5260	Soybean oil cake and meal	32,360,896	11,364,802
130.3465	Yellow corn, not donated for relief	11,864,980	-
666.0063	Parts of harrows, roller stalk cutters, etc	6,400,958	1,643,711
480.7050	Concentrated superphosphate	5,801,239	3,477,584
692.3800	Parts, n.s.p.f., of tractors	4,332,517	1,275,739
120.1400	Cattle hides, whole	4,066,033	1,761,436
540.4200	Glass rods, tubes, and tubing	2,307,442	330,471
666.0065	Parts for planters, seeders, and fertilizers	2,086,312	1,574,584
666.0060	Parts for plows, cultivators, weeders, etc	1,950,408	574,115
676.5560	Parts for automatic data processing machines and units	1,505,566	201,749
435.3300	Corticosteroids, n.s.p.f., bulk	1,340,000	804,000
435.1100	Erythromycin and derivatives	948,965	366,420
664.1092	Parts, n.s.p.f., for conveyors	745,268	-
123.0000	Sheep, etc., skins, whole, for furs	660,014	67,323
711.8710	Chemical analysis equipment and parts, electrical	630,993	156,912
692.3130	Tracklaying tractors, new, with net engine horsepower of 90 to 159	587,024	-
664.0584	Parts, n.s.p.f., of oilfield and gasfield drilling machines	564,846	30,011
120.1740	Kip skins, whole	542,986	53,930
666.0068	Parts, n.s.p.f., for haying machines	540,430	128,332
666.0044	Harvesting, machines, n.s.p.f	540,331	247,500
	Total	79,777,208	24,058,619
	Total U.S. exports to Hungary	97,681,551	27,795,123

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-17.--Leading items imported from Bulgaria, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	21,928,681	22,842,329	4,329,254
117.6700	Pecorino cheese, not for grating	377,708	1,081,958	344,344
676.0530	Portable typewriters, nonautomatic, nonelectric	400,510	836,728	314,066
382.6014	Women's, girls', and infants' coats, valued not over $4 per pound	1/	447,056	143,859
380.6320	Men's and boys' wool coats, valued over $4 per pound	-	356,200	19,088
452.6000	Rose oil and attar of roses	129,813	278,974	146,730
437.2080	Alkaloids and synthetic compounds, n.s.p.f	2/	222,940	-
674.3525	Metal-cutting engine lathes, valued over $2,500 each	2/	220,367	130,136
161.7100	Paprika, ground or unground	270,861	179,315	55,884
546.5420	Glass tumblers, etc., valued 30¢-$1 each	2/	162,630	42,920
165.1500	Apple and pear juice, not over 1 percent alcohol	248,189	140,533	-
700.3550	Men's leather footwear, n.e.s., cement soles	14,718	132,480	-
380.6653	Men's wool suits, valued over $4 per pound	2/	120,121	120,121
439.1090	Natural crude drugs, n.e.s	2/	113,712	37,035
421.3600	Sodium silicofluoride	12,268	103,168	-
124.1025	Mink furskins, except Japanese, undressed	-	72,096	-
117.7000	Cheese, n.e.s., from sheep's milk	-	69,940	-
124.1020	Marten furskins, undressed, whole	-	41,875	-
999.9500	Formal and informal entries under $251 estimated	6,000	40,100	7,600
460.0540	Enfleurage greases, etc., of vegetable origin	2/	38,000	-
	Total	3/	27,500,522	5,691,037
	Total U.S. imports from Bulgaria	26,042,806	27,909,046	5,831,816

1/ Prior to Jan. 1, 1978, this item was classified under 2 now-deleted numbers: 382.6015, and 382.6020.
2/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-18.--Leading items exported to Bulgaria, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
130.3465	Yellow corn, not donated for relief	24,844,772	4,312,815
184.5260	Soybean oil cake and meal	11,637,312	8,349,383
120.1400	Cattle hides, whole	1,128,972	346,333
140.0700	Navy or pea beans except seed, dried, etc	1,033,850	1,033,850
685.6025	Radar apparatus, n.s.p.f	993,073	-
170.3320	Flue-cured cigarette filler tobacco, stemmed	633,717	316,859
381.1520	Men's and boys' cotton denim slacks, not knit	591,631	339,017
676.2820	Digital and electronic processing units	463,797	463,797
250.0284	Wood pulp, special alpha and dissolving grades	354,633	-
771.2600	Film, etc., of cellulosic plastics, n.s.p.f	321,753	-
687.6061	Diodes and rectifiers, microwave	297,669	-
687.6043	Integrated circuits, monolithic, except bipolar, metal oxide silicon	267,904	151,029
712.5020	Voltage, current, and resistance test equipment	248,011	4,209
610.3935	Oil well tubing, seamless, of iron and steel	232,908	-
649.5040	Rock drill bits, core bits, and reamers, n.s.p.f	225,504	40,330
100.0220	Chickens, breeder stock, live	215,110	-
678.3512	Tire building machines, including vulcanizing presses	215,000	-
710.2820	Geophysical instruments and parts, electrical	210,670	210,670
711.8750	Physical analysis equipment and parts, electrical	179,415	8,507
435.3300	Corticosteroids, n.s.p.f., bulk	170,366	78,200
	Total	44,266,067	15,654,999
	Total U.S. exports to Bulgaria	48,120,357	17,127,093

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-19.--Leading items imported from Albania, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
601.1540	Chrome ore, chromium content 41 to 46 percent chromic oxide	2,488,433	3,592,091	624,191
161.9400	Unground sage	829,075	847,730	113,040
124.1020	Marten furskins, undressed, whole	9,717	36,818	-
653.2200	Metal coins, n.e.s	1/ 14,970	13,155	5,617
439.1090	Natural crude drugs, n.e.s	2/	5,991	-
360.1500	Floor coverings of pile, etc., valued over 66-2/3 cents per square foot	-	1,086	-
	Total	3/	3,496,871	742,848
	Total U.S. imports from Albania	3,399,159	3,496,871	742,848

1/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 653.2220, 653.2240, 653.2260.
2/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-20.--Leading items exported to Albania, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
521.3110	Low volatile bituminous coal	3,952,890	3,952,890
120.1400	Cattle hides, whole	217,297	-
309.3270	Grouped filaments and strips, n.e.s	138,212	-
660.9490	Parts, n.s.p.f., of pumps for liquids	58,000	-
688.1900	Insulated wire and cable, n.s.p.f	57,542	57,542
685.4075	Tape recorders and parts, n.s.p.f	29,957	-
685.5390	Parts, n.s.p.f., of combination machines	11,912	-
712.5035	Wave form measuring equipment and parts, n.s.p.f	3,086	-
	Total	4,468,896	4,010,432
	Total U.S. exports to Albania	4,468,896	4,010,432

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-21.--Leading items imported from Cuba, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
851.1000	Photographic films, etc., for public institutions	-	43,128	5,208
765.0300	Paintings, etc., by hand	-	8,220	-
653.2200	Metal coins, n.e.s	1/ 1,100	3,500	3,500
274.5000	Photographs, etchings, etc., n.e.s., printed over 20 years at time of importation	-	2,258	2,258
724.1045	Motion-picture film, exposed, n.e.s	-	1,100	-
725.3200	Drums	-	450	-
	Total	1,100	58,656	10,966
	Total U.S. imports from Cuba	106,100	65,656	10,966

1/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 653.2220, 653.2240, 653.2260.

Note.--The difference between the totals for 1978 is the value of U.S. goods returned.

Table A-22.--Leading items exported to Cuba, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
652.9220	Aluminum doors, frames, sashes, molding and trim	84,247	-
818.3300	Medicines, etc., donated for relief	44,617	27,797
795.0000	Nonenumerated products, n.s.p.f	37,815	25,815
474.3710	Exterior oil-type trade sales paint and enamel	33,384	1,100
474.3720	Exterior water-type trade sales emulsion paints	25,970	2,200
383.7900	Women's, girls', and infants' wearing apparel, n.s.p.f	16,700	-
818.3900	Products, n.s.p.f., donated for relief	14,500	-
442.0900	Single antibiotics, systematic, n.s.p.f	10,000	-
722.4120	Slide projectors	7,855	1,996
711.8002	Control instruments and parts, for heating systems, etc	7,486	-
711.8760	Physical analysis equipment and parts, nonelectrical	6,081	-
652.2000	Anchor or stud link chain or chains, and parts	5,548	-
685.4010	Tape recorders, etc., audio, n.s.p.f	5,440	-
709.3000	Medical, dental surgical, and veterinary instruments, n.s.p.f	5,100	-
774.1000	Pipe fittings, n.s.p.f., of rubber or plastics	4,169	-
722.1990	Still cameras, other than hand-held type, n.s.p.f	2,900	2,900
711.8740	Chemical analysis equipment, nonelectrical, n.s.p.f	2,860	-
676.0570	Typewriters, nonautomatic, n.s.p.f	2,776	1,375
653.2000	Safes, strong boxes, etc., of base metal	2,500	2,500
660.2400	Gas generators and parts	1,871	1,871
	Total	321,819	67,554
	Total U.S. exports to Cuba	340,257	76,192

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

Table A-23.--Leading items imported from Mongolia, by TSUSA items, 1977, 1978, and October-December 1978

(In U.S. dollars)

TSUSA item No.	Description	1977	1978	October-December 1978
306.4293	Camel hair, sorted, etc	606,422	1,942,934	801,788
306.6200	Cashmere goat hair, sorted, etc	997,360	1,645,282	296,536
306.6100	Cashmere goat hair, not sorted, etc	277,599	54,685	-
124.1058	Whole furskins, n.e.s., raw	1/	27,805	-
274.7040	Photographs, engravings, etc., produced by relief or stencil printing process, n.s.p.f	1/	4,798	-
124.1045	Sable furskins, whole, raw	-	2,159	-
653.2200	Metal coins, n.e.s	2/	1,262	-
	Total	3/	3,678,925	1,098,324
	Total U.S. imports from Mongolia	2,076,652	3,678,925	1,098,324

1/ Because this is a new TSUSA item classification, data are not available. Details of the derivation of this classification can be obtained from the Office of Economic Research, U.S. International Trade Commission.
2/ Prior to Jan. 1, 1978, this item was classified under 3 now-deleted numbers: 653.2220, 653.2240, 653.2260.
3/ Because of changes in the TSUSA item classifications from 1977 to 1978, the total is not available.

Table A-24.--Leading items exported to Mongolia, by Schedule B Nos., 1978 and October-December 1978

(In U.S. dollars)

Schedule B No.	Description	1978	October-December 1978
818.3900	Products, n.s.p.f., donated for relief	41,628	2,775
433.1079	Prepared culture media	8,909	7,780
433.1056	Laboratory reagent preparations, organic and inorganic	3,941	1,542
438.6000	Diagnostic reagents, n.s.p.f	3,156	-
676.0570	Typewriters, nonautomatic, n.s.p.f	1,404	1,404
727.1720	Wood counters, shelves, etc	1,296	-
661.9870	Filtering and purifying equipment, n.s.p.f	1,264	-
	Total	61,598	13,501
	Total U.S. exports to Mongolia	61,598	13,501

Note.--Comparisons of year-to-date and quarterly totals for 1978 with data for earlier periods are not generally possible because of changes in trade classifications. See discussion in 14th quarterly report.

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Each Quarterly Report to the Congress and the East-West Foreign Trade Board 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) seven summary tables and two 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 12 NME countries covered, disaggregated to the 7-digit level of the respective import and export 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 #4. Page numbers for that report refer to the copy published by the U.S. Government Printing Office.

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