27TH QUARTERLY REPORT TO THE CONGRESS AND THE TRADE POLICY COMMITTEE ON TRADE BETWEEN THE UNITED STATES AND THE NONMARKET ECONOMY COUNTRIES DURING APRIL-JUNE 1981

USITC PUBLICATION 1188

SEPTEMBER 1981

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

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INTRODUCTION

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

The previous reports in this series have included Yugoslavia among the nonmarket economy countries whose trade with the United States is monitored. At the suggestion of the United States Trade Representative, and after consultation with the appropriate congressional committees, the Commission has decided that Yugoslavia will no longer be included in the countries covered by this report. In the opinion of many analysts, Yugoslavia is not appropriately classified as a nonmarket economy country. Also, it is not a member of the Warsaw Pact or the Council for Mutual Economic Assistance. It is a contracting party to the General Agreement on Tariffs and Trade (GATT), and a member of the International Monetary Fund and the World Bank. Yugoslavia has special status with the Organization for Economic Cooperation and Development, and is a leader in the movement of nonaligned countries. As specified by the statute, one objective of the report is to provide data on the effect of imports from nonmarket economy countries on the production of like or directly competitive articles in the United States and on employment within industries producing those articles. Therefore, the report includes trade statistics for those NME's whose current trade with the United States is at least at a level that could present problems for domestic industry: Albania, Bulgaria, China, Cuba, Czechoslovakia, the German Democratic Republic (East Germany), Hungary, Mongolia, North Korea, Poland, Romania, the U.S.S.R., and Vietnam.

At the present time, Poland, Romania, Hungary, and China receive most-favored-nation (MFN) tariff treatment from the United States. Most of the NME's have not been accorded this treatment because of the policy legislated as section 5 of the Trade Agreements Extension Act of 1951, i.e., that the President should take appropriate action to deny the benefit of

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

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

trade-agreement concessions to imports from certain Communist nations or areas. In the TSUS, the unconditional MFN rates of duty are set forth in column 1. The rates applicable to products of designated Communist nations 1/ are set forth in column 2; for the most part, these are the higher rates that were established in 1930. The rates of duty resulting from this policy vary considerably from item to item, and discrimination is not present at all for products that historically have been duty free or dutiable at the same rates in columns 1 and 2. Therefore, actual or potential U.S. imports from countries that do not enjoy MFN privileges depend in some measure on the rates of duty on the specific items involved.

This particular report contains a summary of U.S. trade with the NME's during April-June 1981 and examines U.S. exports, imports, and the balance of trade with each country as well as the commodity composition of such trade. Important issues in U.S. commercial relations with the NME's and pertinent economic and trade developments are discussed. Part II of the report is the result of a special research project forwarded to the Commission by the Office of Economics and published for the information of our readers.

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

SUMMARY OF SECOND-QUARTER DEVELOPMENTS

The total value of trade between the United States and the nonmarket economy countries declined 33.7 percent from January-March 1981 to April-June 1981, when it amounted to $2.4 billion. U.S. exports to the NME's decreased 47 percent between the two periods, and imports from the NME's increased 14 percent. The traditional surplus in the U.S. balance of trade with the NME's plummeted 72 percent to $544 million, while the share of total U.S. trade accounted for by trade with the NME's during the quarter was lower than in any quarter since April-June 1980.

Exports to China, the leading NME market for U.S. goods--accounting for 44 percent of all U.S. exports to the NME's--fell by 43 percent. A large part of this decline was the result of diminished Chinese purchases of U.S. cotton during the quarter, following improved cotton harvests in that country. Cotton exports were down more than 80 percent in the second quarter of 1981 compared with those in the second quarter of 1980. The Soviet Union, which accounts for a quarter of U.S. exports to the NME's, also imported less from the United States during April-June 1981 than during the preceding 3-month period, as did Romania, Poland, East Germany, Hungary, and Czechosolvakia. The decrease in exports to several European NME's may reflect their efforts to reduce their hard-currency deficits with the West.

The 14-percent increase in U.S. imports from the NME's during the second quarter was largely accounted for by purchases of peanuts from China. When peanuts are excluded, imports from the NME's in April-June 1981 declined relative to the January-March level. A 1981 drought in the United States reduced the peanut harvest by 42 percent; this resulted in increased import opportunities for peanuts as substantial import quotas were opened.

As well as being the principal market among the NME's for U.S. exports, China continued as the main NME source of U.S. imports. During the second quarter the Soviet Union slipped from second to fourth place as a source for U.S. imports, behind China, Romania, and Poland.

Several developments affecting U.S. commercial relations with NME's occurred during the quarter. The most significant of these was the lifting of the agricultural sanctions against the U.S.S.R. On April 24, President Reagan revoked the nearly 15-month limitations on agricultural exports and exports of phosphatic fertilizers, which had originally been imposed in January 1980 in response to the Soviet invasion of Afghanistan. The suspension of the trade sanctions was followed by an authorization under which the Soviets were allowed to purchase 6 million additional tons of U.S. grain for delivery prior to September 30 of this year.

Also during the quarter the President recommended that most-favored-nation status for Romania, Hungary, and China be extended for another year, the first World Bank loan to China was announced, and further liberalization of the controls on exports to China took place.

SECOND-QUARTER DEVELOPMENTS IN TRADE BETWEEN THE UNITED STATES AND NONMARKET ECONOMY COUNTRIES

In April-June 1981, the upward trend in trade between the United States and the NME's slowed. While U.S. imports from the NME's reached new heights, exports, by far the larger component of U.S.-NME trade, were barely above levels established during April-June 1980. This minimal increase in exports is particularly noteworthy since exports during April-June 1980 were already dramatically lower than usual because of the economic sanctions applied against the Soviet Union.

Total U.S. imports from the NME's in April-June 1981 were valued at $904 million and increased by 57 percent from those in April-June 1980, which were depressed because of decreased imports of Soviet gold. The increase in the value of U.S. imports from January-March 1981 to April-June 1981 was less than 14 percent.

U.S. exports to the NME's suffered significantly during April-June 1981. Compared with the April-June 1980 level, exports were up by just 0.1 percent, reaching a level of $1.4 billion. Compared with exports in January-March 1981, they declined by almost 50 percent, the greatest consecutive-quarter decline in at least 3-1/2 years.

Total trade turnover (exports plus imports) between the United States and the NME's was about $2.4 billion in April-June 1981. This represents a 16-percent increase in trade turnover since April-June 1980. Relative to the January-March 1981 trade level, however, trade turnover declined by over a third.

Trade Patterns With NME's

U.S. exports to the NME's declined from $2.8 billion in January-March 1981 to $1.4 billion in April-June 1981, or by 47 percent (table 1). During the same period, exports to the world increased by almost 2 percent. U.S. imports from the NME's in the period increased by 14 percent, from $793 million to $904 million, and imports from the world increased by almost 3 percent.

The rise in U.S. imports from the NME's was due largely to increased peanut imports. Were it not for the increase in the 1980/81 U.S. import quota for peanuts, 1/ U.S. imports from the NME's in April-June 1981 would have declined relative to those in January-March 1981, reaching a level roughly even with that established in October-December 1979, or $800 million.

As U.S. imports from the NME's increased by more than U.S. imports from the world, the NME share of total U.S. imports rose slightly in April-June 1981, to 1.4 percent. This share was higher than it had been since October-December 1979.

However, U.S. exports to the NME's, which usually account for more than three-quarters of all U.S.-NME trade, declined both absolutely and relative to U.S. exports to the world. The NME share of total U.S. exports dropped from

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1/ Imports of peanuts during the first 6 months of 1981 are discussed later in this section.

Table 1.--U.S. trade with the world and with the nonmarket economy countries (NME's), by quarters, April 1980-June 1981

Item	1980 April-June	1980 July-September	1980 October-December	1981 January-March	1981 April-June
Total U.S. trade:					
Exports--------------million dollars--:	55,510	52,062	56,985	58,614	59,572
Imports-------------------------do----:	60,611	56,856	60,877	64,422	66,085
Balance-----------------------do----:	-5,101	-4,794	-3,892	-5,808	-6,513
Trade turnover (exports plus imports) million dollars--:	116,122	108,918	117,863	123,036	125,657
U.S. trade with NME's:					
Exports--------------million dollars--:	1,446	1,706	2,464	2,754	1,448
Imports-------------------------do----:	575	687	647	793	904
Balance-----------------------do----:	871	1,018	1,817	1,961	544
Trade turnover (exports plus imports) million dollars--:	2,022	2,393	3,112	3,547	2,351
Share of total U.S. trade accounted for by trade with NME's:					
Exports----------------------percent--:	2.61	3.28	4.32	4.70	2.43
Imports-------------------------do----:	.95	1.21	1.06	1.23	1.37
Trade turnover-----------------do----:	1.74	2.20	2.64	2.88	1.87

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

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

4.7 percent in January-March 1981 to 2.4 percent in April-June. This represents the lowest NME share of total U.S. exports since at least 1977. 1/

A portion of the decline in U.S. exports can be attributed to a drop in Soviet purchases of grain. Almost 40 percent of the decline, however, was seen in U.S. exports to China. On a comparable-quarter basis, exports to China declined for the first time since at least 1978. Major declines were also recorded in exports to several other NME's.

The U.S. trade surplus with the NME's declined from $2.0 billion in January-March 1981 to less than $600 million in April-June 1981, representing a drop of 72 percent. This was the lowest trade surplus between the United States and the NME's since October-December 1978. The U.S. trade balances with each of the major NME's except Hungary 2/ and Czechoslovakia remained positive.

U.S. Exports to the NME's

The distribution of U.S. exports to the NME's and to the world by SITC numbers is shown in table 2 for January-June 1980 and January-June 1981. The category showing the largest absolute increase in U.S. exports to the NME's as a group was Section 0 (food and live animals), exports of which increased by $765 million.

About 40 percent of the $765 million increase is accounted for by heavy purchases of grain by the Soviet Union during the first quarter 1981. The Soviets, under terms of the 1975 U.S.-U.S.S.R. grain supply agreement, agreed to purchase at least 6 million to 8 million metric tons of grain annually. Following the Soviet invasion of Afghanistan, the United States established 8 million tons as the maximum level of grain exports allowed to be shipped to the U.S.S.R. during each agreement year, which runs from October 1 to

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1/ This observation and all which follow are based on 1978 and later trade data. Comparisons with trade data before 1978 are not entirely valid due to the exclusion of nonmonetary gold and other classification differences between the two periods.

2/ U.S. exports to Hungary and a few other NME's (primarily East Germany) are underestimated because of grain transshipments. Due to poor or nonexistent port facilities, countries may have to buy a product from one country, unload it in a nearby country which has adequate port facilities, and then bring the product overland from the second country. The United States often records these exports as going to the middle country instead of the country of final destination. The importing country usually records the United States as the source of supply. In Hungary's case, U.S. grain is often transshipped through Yugoslavia (East Germany transships through West Germany). Hungary claims that its 1980 imports from the United States amounted to $118 million more than the U.S. export figures to Hungary show. Much of this difference could be in transshipments. Including presumed transshipments for January-June 1981, U.S. exports to Hungary probably exceeded U.S. imports. As such, the recorded U.S. trade deficit with Hungary may in fact be a trade surplus.

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

SITC Section No.	Description	Total exports: Jan.-June 1980	Total exports: Jan.-June 1981	Exports to the NME's: Jan.-June 1980	Exports to the NME's: Jan.-June 1981
		Value (million dollars)			
0	Food and live animals	12,437	15,849	1,527	2,292
1	Beverages and tobacco	1,313	1,357	14	22
2	Crude material--inedible, except fuel	13,129	11,497	951	813
3	Mineral fuels, lubricants, etc	3,581	4,148	61	66
4	Oils and fats--animal and vegetable	1,056	917	81	68
5	Chemicals	10,499	10,853	210	233
6	Manufactured goods classified by chief material	11,288	11,031	131	285
7	Machinery and transport equipment	41,287	49,349	362	339
8	Miscellaneous manufactured articles	8,464	8,562	88	77
9	Commodities and transactions not elsewhere classified	4,490	4,624	5	6
	Total	107,545	118,186	3,430	4,202
		Percent of total			
0	Food and live animals	11.6	13.4	44.5	54.6
1	Beverages and tobacco	1.2	1.1	.4	.5
2	Crude material--inedible, except fuel	12.2	9.7	27.7	19.4
3	Mineral fuels, lubricants, etc	3.3	3.5	1.8	1.6
4	Oils and fats--animal and vegetable	1.0	.8	2.4	1.6
5	Chemicals	9.8	9.2	6.1	5.6
6	Manufactured goods classified by chief material	10.5	9.3	3.8	6.8
7	Machinery and transport equipment	38.3	41.8	10.6	8.1
8	Miscellaneous manufactured articles	7.9	7.2	2.6	1.8
9	Commodities and transactions not elsewhere classified	4.2	3.9	.1	.1
	Total	100.0	100.0	100.0	100.0

1/ Standard International Trade Classification.

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

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

September 30. The Soviets reached the 1980/81 quota in April 1981, and no exports of U.S. grain were made to the U.S.S.R. in May or June. 1/

The composition of U.S. exports to the NME's remains significantly different from that of U.S. exports to the world. Over half of U.S. exports to the NME's are of food and live animals (SITC Section 0), compared with just one-eighth of U.S. exports to the world. The NME's accounted for almost 15 percent of U.S. food exports, but less than 4 percent of total U.S. exports in January-June 1981.

By contrast, manufactured items (SITC Sections 6, 7, and 8) accounted for almost 60 percent of U.S. exports to the world and only 17 percent of all exports to the NME's. U.S. exports of manufactured goods to the NME's represent just 1 percent of overall U.S. exports of manufactures. The fastest growing component of U.S. manufactured exports to the NME's is manufactured goods classified by chief material (SITC Section 6). Exports of these products, primarily to China, more than doubled in the first half of 1981.

A major decline in U.S. exports to the NME's occurred in the crude materials category (SITC Section 2). Such exports were down by 15 percent between January-June 1980 and the corresponding period of 1981. Much of the decrease was due to lower cotton exports to China, a result of improved cotton harvests in that country and the higher price of U.S. cotton following a relatively poor harvest in the United States in 1980.

In table 3, U.S. exports in each SITC category for April-June 1981 are shown for individual NME's. China was the major NME customer in 5 of the 10 SITC categories, accounting for two-thirds or more of the value of exports in 3 of them (Sections 2, 5, and 6). Major items exported to China in the crude materials category included cotton, polyester fibers, soybeans, wood pulp, and logs (table A-3 in the appendix); major chemicals exports included phosphatic fertilizers and polyester resins; and exports in the category of manufactured goods classified by chief material included textured yarns, leather, and kraft linerboard--a wood product used in the manufacture of cardboard boxes.

The Soviet Union accounted for over 60 percent of U.S. exports to the NME's in the minor categories of mineral fuels and lubricants (petroleum coke and assorted oils) and oils and fats (primarily tallow). It also accounted for almost half the machinery and transportation equipment exports (primarily tractors and metalworking machinery, and parts).

U.S. exports to the individual NME's are shown in table 4 and are illustrated in figure 1. The table shows that exports on a year-to-date basis clearly increased, up 23 percent from January-June 1980 to January-June 1981. The January-June 1980 base period is, however, unusually low because of the trade sanctions imposed by the United States against the Soviet Union. U.S.

1/ Soviet representatives met with a U.S. Government interagency group on June 8 and 9 in London. At this meeting, the United States agreed to supply an additional 6 million metric tons (mmt) of grain (3 million each of corn and wheat) to the U.S.S.R. during the remainder of the current agreement year. Sales of 1.55 mmt were subsequently made under this additional allotment, and the grain was exported in August and September. On August 3-5, U.S. and Soviet representatives met again, this time in Vienna. At this meeting, the United States agreed to extend the original 5-year grain supply agreement for another year. Shipments under the extension can begin Oct. 1, the start of a new agreement year.

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

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary
0	Food and live animals	-	56,984	228,553	-	1,835	66,755	1,295
1	Beverages and tobacco	-	5,233	404	-	9	163	-
2	Crude material--inedible, except fuel	-	7,760	183,339	-	1,732	769	1,396
3	Mineral fuels, lubricants, etc	965	-	16	-	1	-	2
4	Oils and fats--animal and vegetable	-	-	2	-	-	-	4
5	Chemicals	4	7,375	72,215	24	779	1,222	3,282
6	Manufactured goods classified by chief material	-	199	106,108	-	891	416	2,337
7	Machinery and transport equipment	-	1,510	61,030	8	1,732	490	9,173
8	Miscellaneous manufactured articles	-	1,236	25,148	2	1,116	412	969
9	Commodities and transactions not elsewhere classified	2	79	630	-	61	198	177
	Total	972	80,376	677,443	35	8,156	70,425	18,634

SITC Section No.	Description	Mongolia	North Korea	Poland	Romania	U.S.S.R.	Viet-nam	Total
0	Food and live animals	-	-	95,517	134,768	96,347	91	682,146
1	Beverages and tobacco	-	-	5,355	6,171	-	-	17,334
2	Crude material--inedible, except fuel	-	-	13,312	28,932	10,262	-	247,503
3	Mineral fuels, lubricants, etc	-	-	10	9,048	15,081	-	25,122
4	Oils and fats--animal and vegetable	-	-	930	-	12,590	-	13,525
5	Chemicals	-	-	2,968	1,354	18,316	151	107,690
6	Manufactured goods classified by chief material	8	-	1,644	1,784	14,838	3	128,227
7	Machinery and transport equipment	4	-	13,092	7,270	82,792	-	177,102
8	Miscellaneous manufactured articles	-	-	948	2,006	14,040	534	46,413
9	Commodities and transactions not elsewhere classified	-	-	761	121	113	530	2,672
	Total	12	-	134,538	191,453	264,380	1,310	1,447,735

1/ Standard International Trade Classification.

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

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

Table 4.--U.S. exports to the individual nonmarket economy countries and to the world, 1979-80, January-June 1980, January-June 1981, April-June 1980, and April-June 1981

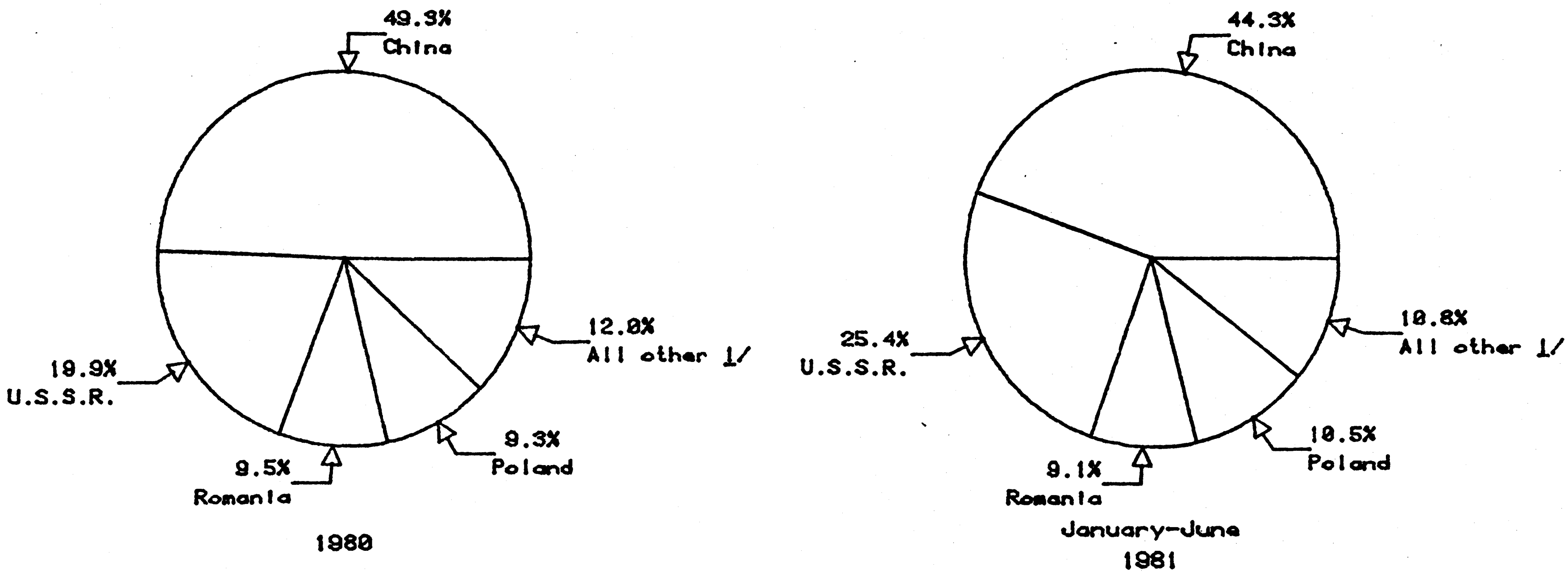
(In thousands of dollars)

Market	1979	1980	January-June--		April-June--	
			1980	1981	1980	1981
China	1,716,500	3,748,993	1,487,026	1,860,596	713,117	677,444
U.S.S.R	3,603,632	1,509,728	693,035	1,065,529	206,005	264,380
Romania	500,464	720,231	364,522	382,979	181,122	191,453
Poland	786,258	710,446	359,077	439,278	132,944	134,538
East Germany	354,522	477,389	305,667	203,918	129,522	70,425
Bulgaria	56,225	160,701	59,840	153,962	28,151	80,376
Hungary	77,588	79,020	42,008	42,662	20,533	18,634
Czechoslovakia	281,129	185,145	114,841	50,515	32,308	8,156
Albania	10,054	6,891	3,277	1,021	2,316	972
Mongolia	80	64	13	27	7	12
Vietnam	541	1,148	272	1,313	72	1,310
Cuba	299	119	50	49	28	35
North Korea	13	-	-	-	-	-
Total	7,387,305	7,599,876	3,429,627	4,201,848	1,446,124	1,447,735
Total, U.S. exports to the world	178,578,003	216,592,219	107,544,841	118,186,374	55,510,186	59,572,327

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

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

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



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

Source: Based on data in table 4.

exports in April-June 1981 were 47 percent below the level set during January-March 1981, a record-high quarter for U.S. exports to the NME's. Despite the fact that the sanctions had their greatest negative impact on U.S. exports to the NME's during April-June 1980, exports increased by only 0.1 percent between April-June 1980 and the corresponding period of 1981.

The decline in exports, unusual enough for U.S. trade with NME's as a group, is seen in trade with most of the individual NME's as well. This is true even of exports to China on a comparable-quarter basis, which had been increasing steadily since at least 1978. Exports to China declined principally as a result of the improved cotton harvests in that country. The "economic adjustment" currently taking place in China also contributed to the decline. China launched some overly ambitious industrialization programs 3 years ago, trying to create a heavy industrial base by the end of the century. Many contracts were signed and purchases arranged. After a year or so, China realized it could not finance the planned expansion and shifted production goals toward agriculture and light industry. Drops in U.S. heavy-industry-related exports to China resulted. At the same time, exports of goods for agriculture (such as fertilizers) and light industry (such as some types of textile-manufacturing equipment) increased. 1/

The following tabulation shows percentage changes in exports to individual NME's on both comparable- and consecutive-quarter bases:

Market	Percentage change, April-June 1981 from April-June 1980	Percentage change, April-June 1981 from January-March 1981
China	-5.0	-42.7
U.S.S.R	28.3	-67.0
Romania	5.7	1/
Poland	1.2	-55.9
East Germany	-45.6	-47.2
Bulgaria	185.5	9.2
Hungary	-9.2	-22.4
Czechoslovakia	-74.8	-80.7
Albania	-58.0	1,883.7
Mongolia	71.4	-20.0
Vietnam	1,719.4	43,566.7
Cuba	2/	133.3
North Korea	-	-
Total NME's	.1	-47.4
World	7.3	1.6

1/ Less than 0.05 percent.
2/ No change.

1/ Exports of urea, a commodity used in fertilizer production, have declined despite China's emphasis on increasing agricultural production. While \$13.7 million in U.S. urea exports went to China in January-June 1980, only half that amount was exported in January-June 1981. This decline occurred because the Chinese now have plants to produce their own urea.

On a comparable-quarter basis, the declines in exports to China, Czechoslovakia, and East Germany were greater than at any time since at least 1977. On a consecutive-quarter basis, the same is true of exports to China, Czechoslovakia, the Soviet Union, and the NME's as a whole. While the declines in U.S. exports in the most recent period were not universal among all NME's, they were fairly widespread. Bulgaria--one of the few Eastern European countries to have an overall trade surplus recently--is perhaps the most significant exception.

The decline in exports to several NME's may reflect their determination to reduce their hard-currency deficits with the West. East Germany, for example, has totally reorganized its industrial sector over the last 2 years, consolidating industries into larger kombinats (combines) and establishing Foreign Trade Enterprises. The reorganization has eliminated some of the bureaucratic layers which stifled East German production in the past, and may allow the industries to respond better to market demands. The emphasis has been to increase domestic production, and thus exports, while at the same time reducing imports. In both respects, the East Germans were successful In April-June 1981.

In figure 2, exports by quarters are shown for the NME's as a group, the Soviet Union, and China. On average, exports to the NME's increased by 5.4 percent each quarter since 1977. The rate of growth to China was much faster, averaging 17.4 percent per quarter. U.S. exports to the Soviet Union show an average quarterly decline of 4.5 percent.

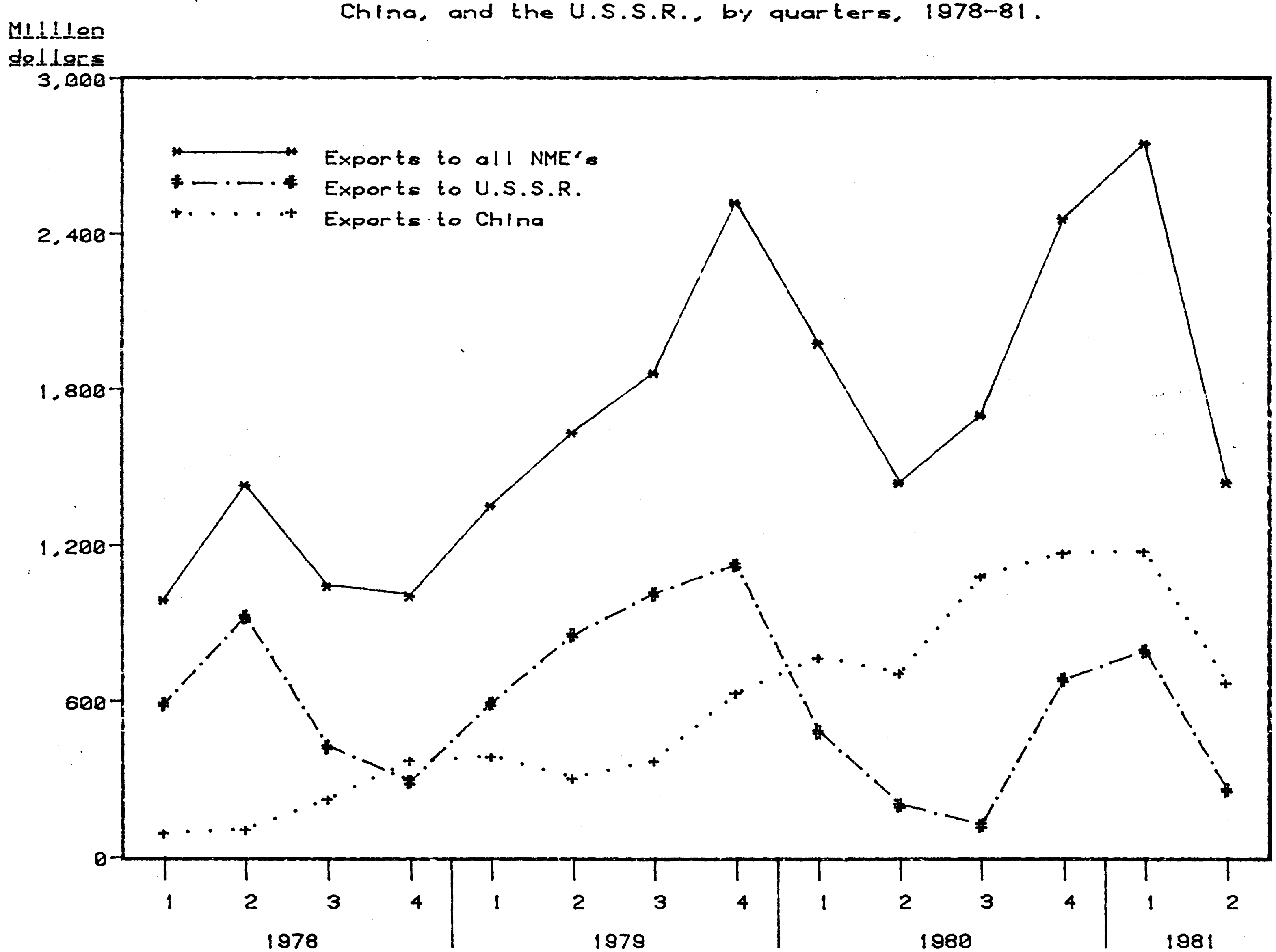
There were no exports at all to North Korea during April-June 1981. These exports, like those to Vietnam and Cuba, are tightly controlled by the U.S. Department of Commerce under the Export Administration Act of 1979. Almost every item exported to these countries has to be specifically approved by the U.S. Government. Exports to North Korea were recorded in only two quarters--October-December 1978 and July-September 1979--out of the last 14. Exports to Vietnam and Cuba have been relatively high. Many of the exports were gifts from religious groups. Another source is people who have friends or relatives remaining in these countries. 1/

The bulk of U.S. exports to the NME's are agricultural items. These exports, shown in table 5, constituted 54 percent of all U.S. exports to the NME's in April-June 1981, compared with less than 20 percent of U.S. exports to the world. While the NME's accounted for just over 2 percent of total U.S. exports in April-June 1981, they accounted for almost 8 percent of U.S. agricultural exports.

1/ The U.S. Office of Export Administration designates all countries as belonging to one of eight country groups. Each group is assigned a letter, and the grouping determines the sort of export controls which will apply to the country.

The eight groups are P, Q, S, T, V, W, Y, and Z. North Korea, Vietnam, Cuba, and Kampuchea belong to group Z, the most restrictive on-going group. Albania, Bulgaria, Czechoslovakia, East Germany, Estonia, Laos, Latvia, Lithuania, Mongolia, and the Soviet Union make up group Y, which is the second most restricted group. Group W comprises Hungary and Poland. China constitutes group P and Romania, group Q. Country group S, currently empty, designates those countries to which exports are embargoed. Group T is composed of all remaining countries in the American continents except Canada, which is not included in any group. Group V is made up of all other countries.

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



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

Table 5.--Agricultural items: U.S. exports to the individual nonmarket economy countries and to the world, 1979-80, January-June 1980, January-June 1981, April-June 1980, April-June 1981

Market	1979	1980	January-June-- 1980	January-June-- 1981	April-June-- 1980	April-June-- 1981
	Value (1,000 dollars)					
China	990,159	2,209,524	930,570	1,035,843	436,723	284,522
U.S.S.R	2,854,896	1,047,118	494,756	798,058	87,419	108,933
Romania	336,515	462,595	262,200	300,956	132,288	149,928
Poland	651,371	571,461	294,758	382,935	101,564	109,457
East Germany	321,818	453,248	288,771	197,403	119,475	67,231
Bulgaria	41,019	127,339	51,297	126,797	22,320	62,520
Hungary	24,466	24,419	17,813	4,373	7,628	2,534
Czechoslovakia	247,999	154,574	96,296	39,565	25,474	3,250
Albania	151	224	-	-	-	-
Mongolia	-	-	-	-	-	-
Vietnam	-	-	-	-	-	-
Cuba	-	-	-	91	-	91
North Korea	-	-	-	-	-	-
Total	5,468,394	5,050,503	2,436,460	2,886,021	932,891	788,467
Total, U.S. agricultural exports to the world	34,745,385	41,255,934	20,007,724	23,069,252	9,689,247	10,509,487
	Agricultural exports as a percentage of total exports					
China	57.7	58.9	62.6	55.7	61.2	42.0
U.S.S.R	79.2	69.4	71.4	74.9	42.4	41.2
Romania	67.2	64.2	71.9	78.6	73.0	78.3
Poland	82.8	80.4	82.1	87.2	76.4	81.4
East Germany	90.8	94.9	94.5	96.8	92.2	95.5
Bulgaria	73.0	79.2	85.7	82.4	79.3	77.8
Hungary	31.5	30.9	42.4	10.2	37.2	13.6
Czechoslovakia	88.2	83.5	83.9	78.3	78.8	39.8
Albania	1.5	3.3	-	-	-	-
Mongolia	-	-	-	-	-	-
Vietnam	-	-	-	-	-	-
Cuba	-	-	-	6.9	-	7.0
North Korea	-	-	-	-	-	-
Total	74.0	66.5	71.0	68.7	64.5	54.4
Total, U.S. exports to the world	20.8	19.5	18.6	19.5	17.5	17.6

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

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

Agricultural exports, however, were down 15 percent in April-June 1981 from the level in the preceding quarter. Such exports were lower than during any quarter since October-December 1978, and were even below the levels recorded during the period of trade sanctions against the Soviet Union. Without agricultural items, exports to the NME's would have increased slightly from January-March to April-June 1981 instead of dropping by 47 percent.

The largest absolute decline in agricultural exports was to China. Many of these exports are accounted for by cotton, U.S. shipments of which were down due to the previously mentioned increased cotton harvests in China last year. 1/ Since different crops are grown in different locations and at different times, other harvests in China have not necessarily followed the trend for cotton. Due to reduced wheat harvests, for example, China's imports of U.S. wheat more than tripled in January-June 1981 over those in January-June 1980. 2/ China also imported more U.S. wheat to use instead of U.S. corn, a close feed grain substitute, because of increased corn prices. Chinese imports of U.S. soybeans were down because of generally improved harvests in China in 1980. Czechoslovakia, Hungary, and East Germany also had improved harvests last year, and U.S. agricultural exports were down to these countries as well.

Agricultural exports to Poland were also down in April-June 1981 from those in January-March. While agricultural items valued at $273 million were exported to Poland in the first quarter of 1981, exports in the second quarter were just $109 million. This decline occurred despite increased Polish food needs during this time, promoted in part by crop failures in 1980. 3/

While the Poles have a continuing need to import agricultural products, in March and April of this year they began to be delinquent in meeting the payments on some of the public and private loans that financed past imports. Discussions were held to consider rescheduling Poland's debt. An

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1/ China has also been faced with increasing worldwide pressures, in the form of quotas, to limit its textile exports. Because of the decreasing prospects for its textile industry, China has not been expanding the industry. This has led to a lessened demand for textile inputs, such as cotton. China was the leading customer for U.S. cotton exports in 1980, a year in which cotton was the second leading U.S. export to China. In January-June 1981, China fell behind both South Korea and Japan as a market for U.S. cotton.

2/ China was the leading customer for U.S. wheat in January-June 1981. The Soviet Union was second and Brazil, third.

3/ Poland's 1981 harvests are expected to increase slightly over last year's. While about 18 million metric tons of grain were harvested in Poland in 1980, between 20 million and 22 million tons should be harvested this year. Poland will still have to import between 6-1/2 million and 7 million tons of grain from outside sources in 1982. The United States will provide perhaps 2.5 million tons of this total. Polish representatives have notified U.S. Government agencies that Poland intends to import 2.3 million tons of corn from the United States--the only major supplier of this commodity--in 1982.

intergovernmental agreement was reached on April 27 to reschedule nearly $3 billion in publicly guaranteed credits due in 1981. 1/

Much of the value of U.S. agricultural exports to Poland is currently supported by U.S. Commodity Credit Corporation (CCC) guarantees. The CCC guarantees the principal amount and up to 6 percent of the interest on loans to purchase U.S. agricultural commodities. Any amount of interest between the 6-percent and the market interest rate, which has ranged from 13 to 21 percent during 1981, is not guaranteed. Because of this "interest-rate gap," U.S. banks began to balk at extending new loans to Poland. As credit dried up, U.S. agricultural exports to Poland slowed to a trickle. 2/

Some agricultural items were exported to Poland during April-June 1981, although most were at levels below those in January-March. Two notable items (table A-9) were butter and nonfat dry milk. The United States supplied 30,000 metric tons of butter and 30,000 metric tons of nonfat dry milk to Poland, 90 percent of which will be exported during July-September. 3/ Other agricultural items which continue to be exported to Poland include fish, linseed oil, and lard.

Agricultural exports to Bulgaria and some other NME's were up in January-June 1981 compared with exports in January-June 1980. Bulgaria's 1980 harvest was poor, perhaps 10 percent lower than in 1979 for grains and oilseeds. This in itself increased demands for grain, from the United States and elsewhere. It is believed that the Bulgarians may also be trying to upgrade their livestock-feeding practices by using more corn for feed. The United States is the only major world supplier of corn.

Table 6 shows U.S. exports to the NME's in selected major commodity groups. The NME's account for more than a quarter of all U.S. exports of wheat and manmade fibers, most of which are sent to China. The NME's also

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1/ Debts which came due from May 1 through Dec. 31, 1981, were rescheduled to be paid during 1986-89. In the case of loans guaranteed by the Commodity Credit Corporation, the U.S. Government repaid the banks involved and is effectively loaning Poland the amount of the debt until Poland repays.

2/ In July, Poland agreed to prepay the interest-rate gap, in effect guaranteeing that the banks would get back all the interest as well as the principal on any loans to Poland. Since this time, agricultural exports to Poland have increased again.

3/ The United States has made this and other efforts to alleviate Poland's agricultural problems without exacerbating its hard-currency shortage. In an arrangement worked out in April, the United States supplied the butter and milk in exchange for Polish currency, which is not freely convertible. As the zloty is not a hard currency, the only way the U.S. Government could use it would be to buy something from Poland with it, possibly displacing what would otherwise be hard-currency purchases. To avoid this, the United States plans to hold the zloty balances, using them later for U.S. Government projects in Poland. Both butter and nonfat dried milk are currently stockpiled by the U.S. Government under price-support programs.

The United States agreed in July to lend $50 million to Poland to pay for 350,000 metric tons of corn. The credits were made as part of the Food for Peace program, under Public Law 480. These shipments will be made in the latter half of 1981.

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

Commodity	Major NME customer	Share of total exports accounted for by NME's: Jan.-June 1980	Share of total exports accounted for by NME's: Jan.-June 1981	Value of exports to all NME's: Jan.-June 1980	Value of exports to all NME's: Jan.-June 1981
		Percent	Percent	1,000 dollars	1,000 dollars
Cattle hides	Romania	11.5	8.3	41,257	28,057
Cereal grains	U.S.S.R	18.0	20.5	1,294,671	1,963,474
Corn, unmilled	do	25.0	21.6	923,756	1,021,978
Wheat	China	14.0	25.5	370,598	941,330
Coal	Romania	2.1	1.1	47,014	25,862
Fertilizers	China	6.5	7.7	90,598	104,628
Magnesium	Romania	12.2	2.2	9,295	1,131
Metal ores	U.S.S.R and Bulgaria	1.0	2.3	9,143	15,171
Petroleum and natural gas	U.S.S.R	.1	1.3	1,054	18,677
Soybean oilcake and meal	Romania and Poland	21.4	24.9	197,913	239,725
Soybeans	China	8.6	3.7	259,054	122,467
Textiles	do	12.1	12.8	637,273	669,395
Cotton	do	26.5	24.1	508,785	360,866
Manmade fibers	do	14.2	27.9	101,720	242,444
Titanium	do	-	2.0	-	1,700
Tobacco	Bulgaria and Poland	1.1	1.7	13,393	21,151

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

account for a significant share of U.S. exports of cereals, soybean oilcake and meal, and cotton. Table 7 shows those items for which NME's take a major share of U.S. exports. For example, over 95 percent of U.S. exports of tugboats and towboats during January-June 1981 were sent to the NME's.

China is the primary NME destination for exactly half the 20 items shown in the table. Most of these commodities are textile items. 1/ Poland is the major NME customer for most of the remaining items. These commodities are usually agricultural items, imported to improve the food supply situation in Poland.

U.S. export items whose value rose by large percentages from January-June 1980 to January-June 1981 are shown in table 8. Nearly all the items showing large increases are those for which the major NME market is China, the NME which has also shown the highest rate of growth as a market for total U.S. exports since at least 1977. 2/ The Soviet Union is the leading NME market for the remaining items. The Soviets import molybdenum ore for alloying steel; they also import phosphoric acid under a countertrade agreement with Occidental Petroleum Corp. of California. 3/

Export items which declined greatly in percentage terms are also shown in table 8. One such item is drilling and boring machines, exports of which declined as a result of a slowdown in Chinese drilling operations. This slowdown occurred both because of the general heavy industry slowdown in the country and because of declining growth in accessible (on-shore) oil reserves.

1/ For a detailed report on U.S. exports of textiles to China, see "Textile Fibers and Textile Products to China" in 26th Quarterly Report to the Congress and the Trade Policy Committee on Trade Between the United States and the Nonmarket Economy Countries During January-March 1981, USITC Publication 1161, June 1981, hereafter 26th Quarterly Report . . . , pp. 45-66.

2/ U.S. exports to China rose by an average of 17.4 percent in each of the last 13 quarters. Exports to Bulgaria, the second fastest growing NME export partner for the United States, increased by an average of 16.7 percent over the same period.

3/ On Apr. 12, 1973, Occidental and the Soviets signed a 20-year $20 billion countertrade agreement. Under the agreement, Occidental was to receive anhydrous ammonia, urea, and potash from the U.S.S.R. In exchange, the Soviets were to be provided with superphosphoric acid (SPA). On Feb. 12, 1980, U.S. phosphate exports were halted as part of the economic sanctions imposed by the United States against the U.S.S.R. Out of the planned 1 million metric tons, only 41,000 tons of SPA were sent to the U.S.S.R. in 1980 before exports were halted. U.S. imports of ammonia amounted to 1.1 mmt instead of the planned 2.1 mmt, probably due to Soviet production problems. The trade sanctions were lifted on Apr. 24, 1981. After some hesitation, SPA exports resumed in June and are expected to reach 500,000 metric tons (perhaps $200 million) during July-December 1981. Prospectus of the Iowa Beef Processors, Inc.-Occidental Petroleum Corporation Joint Proxy Statement, July 10, 1981, p. 59. See also discussion of phosphate exports in "Phosphates" in 22d Quarterly Report . . ., pp. 52-58.

Table 7.--20 U.S. export items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by Schedule B Nos., January-June 1980 and January-June 1981 1/

Schedule B No.	Commodity	Major NME customer	Share of total exports accounted for by NME's: Jan.-June 1980	Share of total exports accounted for by NME's: Jan.-June 1981	Value of exports to all NME's in Jan.-June 1981
			Percent	Percent	1,000 dollars
699.0030	Tugboats and towboats	China	-	95.2	19,982
116.0100	Butter	Poland	-	94.8	9,370
112.6000	Fish in airtight containers	do	-	91.6	2,838
113.8040	Fish, prepared or preserved, n.e.s	do	-	80.0	1,849
300.1530	American Pima Cotton	do	40.7	73.5	6,400
309.4242	Polyester fibers, noncontinuous	China	53.8	72.4	120,169
252.8230	Corrugating medium wrapping and packaging paper.	do	-	71.6	4,858
674.3529	Gear tooth grinding and finishing metalworking machines.	U.S.S.R	27.5	65.9	8,270
176.2520	Linseed oil, crude	Poland	-	63.5	3,360
121.7060	Leather, n.e.s	China	6.2	57.9	19,224
358.0400	Belting and belts, for machinery, of textile fibers, n.e.s.	U.S.S.R	.4	57.5	8,016
444.6000	Polyester resins, unsaturated	China	56.0	53.4	21,804
310.0010	Textured yarns, of polyester	do	28.0	51.0	61,780
182.9742	Flour and grits, defatted, derived from oilseeds.	Poland	68.7	50.9	2,005
345.5052	Knit fabrics of noncellulosic fibers, circular knit.	China	-	46.8	3,925
177.5000	Lard	Poland	-	45.8	11,977
310.0034	Polyester continous yarns with a tenacity of 8 grams per denier or more.	China	-	45.5	2,957
310.0008	Textured yarns of nylon, less than 1,000 denier.	do	6.3	44.9	8,922
300.1550	Other cotton, staple length 1-1/8 inches or more.	do	25.4	44.8	110,086
601.2500	Lead ore	Bulgaria	.1	41.9	5,010

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

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

Table 8.--20 U.S. export items to the nonmarket economy countries (NME's) which changed substantially, by Schedule B Nos., January-June 1980 and January-June 1981 1/

Schedule B No.	Commodity	Major NME customer	Percentage change, January-June 1981 from January-June 1980: All NME's	Percentage change, January-June 1981 from January-June 1980: World	Value of exports to all NME's in Jan.-June 1981
			Percent	Percent	1,000 dollars
121.7060	Leather, n.e.s	China	1,902.4	114.2	19,224
310.0008	Textured yarns of nylon, less than 1,000 denier.	do	1,620.5	142.2	8,922
601.3300	Molybdenum ore	U.S.S.R	1,333.2	-37.7	7,703
480.7015	Phosphoric acid	do	1,239.5	44.8	14,076
252.7810	Kraft linerboard	China	1,038.4	11.4	33,884
444.1700	Polypropylene resins	do	892.5	-21.5	12,051
250.0225	Wood pulp, sulphite, bleached	do	842.4	12.0	21,121
200.3510	Douglas-fir logs and timber, rough	do	722.1	-39.5	20,991
310.0026	Yarns of cellulosic fibers, other	do	716.2	25.5	5,490
661.7005	Nonmixing industrial processing vessels and parts.	do	607.8	14.9	6,805
683.9540	Parts of industrial and laboratory furnaces and ovens.	Poland	-91.7	-1.5	603
630.3540	Magnesium, unwrought	Romania	-87.0	-22.8	1,131
664.0513	Drilling and boring machines, n.e.s	China	-86.3	18.4	602
674.3588	Mechanical presses, metal forming	Czechoslovakia	-81.8	-.9	501
676.2840	Terminals for data processing, n.s.p.f	China	-77.4	16.6	620
664.0225	Integral tractor shovel loaders	U.S.S.R	-75.2	-18.0	973
121.0515	Bovine leather, not split	China	-73.3	-68.4	918
486.2900	Insecticides, unmixed, n.e.s	Romania	-69.3	-3.8	5,856
521.3110	Low volatile bituminous coal	do	-67.4	-16.8	10,125
120.2022	Sheep and lamb skins	Poland	-63.6	-59.3	1,200

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

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

U.S. Imports From the NME's

Import levels

The United States imported over 900 million dollars' worth of goods from the NME's during April-June 1981. This was the highest level of imports ever, representing a 57-percent jump over imports in April-June 1980 and a 14-percent increase over the level established in January-March 1981. However, if imports of peanuts (in SITC Section 2--crude materials) are excluded, U.S. imports from the NME's in April-June 1981 would have increased by only a third relative to those in the corresponding period of 1980; imports would actually have declined relative to the January-March 1981 level. 1/

Imports from the NME's by SITC sections are shown in table 9 for January-June 1980 and January-June 1981. Almost a third of U.S. imports from the world are mineral fuels and lubricants, (Section 3). While only 16 percent of U.S. imports from the NME's fall in this category, this share grew from 10 percent in January-June 1981 due to large increases in U.S. imports of Chinese gasoline. 2/

The NME's account for a disproportionate share of manufactured goods classified by chief material (SITC Section 6) and miscellaneous manufactured articles (SITC Section 8). The most significant items imported under the former category are steel plates from Romania, nickel and palladium from the Soviet Union, and some textile items from China. Items of importance in the latter section include corduroy coats from China and leather footwear from Poland and Romania.

In table 10, U.S. imports from the NME's by SITC sections are broken down by individual countries for April-June 1981. China is the major NME supplier of products in half of the 10 categories, accounting for 94 percent of total U.S. imports from the NME's of crude materials (SITC Section 2). Over three-quarters of these imports from China consisted of peanuts. Other commodities supplied by China in this section include barium sulfate, feathers, tungsten ore, and bauxite (see table A-4).

China also provides over half of all U.S. imports from the NME's of chemicals (SITC Section 5), miscellaneous manufactured articles (SITC Section 8), and commodities and transactions not elsewhere classified (SITC Section 9). Normally, the latter category is dominated by gold imports from the Soviet Union. Some gold was imported from Poland in April-June 1981 (less than a thousand dollars' worth) but none was imported from the

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1/ Imports of peanuts were an important component of U.S. imports from the NME's during January-June 1981. See the separate section on peanuts from China, below.

2/ As was mentioned previously, the Chinese have cut down on purchases of petroleum-drilling machinery. Nevertheless, petroleum products already rival textiles as China's leading export, and China needs the hard currency produced by petroleum exports. As their readily accessible on-land oilfields have begun to dry up, the Chinese are moving toward off-shore oil production. China has studied its off-shore oil fields and may begin production in these areas during 1984-86. In the meantime, China will try to develop the infrastructure necessary to exploit the oil found on-shore in less accessible areas. Until this change can be made, Chinese oil production may actually experience a period of decline.

Table 9.--U.S. imports from the world and from the nonmarket economy countries (NME's), by SITC 1/ Nos. (Revision 2), January-June 1980 and January-June 1981

SITC Section No.	Description	Total imports		Imports from the NME's	
		Jan.-June 1980	Jan.-June 1981	Jan.-June 1980	Jan.-June 1981
		Value (million dollars)			
0	Food and live animals	7,930	7,912	142	163
1	Beverages and tobacco	1,135	1,364	14	15
2	Crude material--inedible, except fuel	5,233	6,003	84	248
3	Mineral fuels, lubricants, etc	41,831	43,176	109	267
4	Oils and fats--animal and vegetable	272	252	3	1
5	Chemicals	4,458	4,662	132	127
6	Manufactured goods classified by chief material	16,806	17,918	256	378
7	Machinery and transport equipment	30,190	33,766	102	126
8	Miscellaneous manufactured articles	11,138	11,904	258	347
9	Commodities and transactions not elsewhere classified	3,268	3,491	4	23
	Total	122,261	130,507	1,105	1,697
		Percent of total			
0	Food and live animals	6.5	6.1	12.8	9.6
1	Beverages and tobacco	.9	1.0	1.2	.9
2	Crude material--inedible, except fuel	4.3	4.6	7.6	14.6
3	Mineral fuels, lubricants, etc	34.2	33.1	9.9	15.8
4	Oils and fats--animal and vegetable	.2	.2	.2	.1
5	Chemicals	3.6	3.6	12.0	7.5
6	Manufactured goods classified by chief material	13.7	13.7	23.2	22.3
7	Machinery and transport equipment	24.7	25.8	9.3	7.4
8	Miscellaneous manufactured articles	9.1	9.1	23.3	20.4
9	Commodities and transactions not elsewhere classified	2.7	2.7	.4	1.4
	Total	100.0	100.0	100.0	100.0

1/ Standard International Trade Classification.

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

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

Table 10.--U.S. imports from the nonmarket economy countries, by SITC 1/ Nos. (Revision 2), April-June 1981

(In thousands of dollars)

SITC Section No.	Description	Albania	Bulgaria	China	Cuba	Czecho-slovakia	East Germany	Hungary
0	Food and live animals	19	279	29,095	-	1,220	63	6,409
1	Beverages and tobacco	-	3,301	363	-	272	2	258
2	Crude material--inedible, except fuel	953	17	149,479	-	125	138	1,055
3	Mineral fuels, lubricants, etc	-	-	56,550	-	-	-	-
4	Oils and fats--animal and vegetable	-	-	79	-	-	341	-
5	Chemicals	15	81	33,653	-	373	2,698	1,795
6	Manufactured goods classified by chief material	-	-	82,059	-	5,390	2,958	1,666
7	Machinery and transport equipment	-	960	6,258	-	4,137	4,083	14,791
8	Miscellaneous manufactured articles	9	3	129,847	-	5,813	964	3,087
9	Commodities and transactions not elsewhere classified	-	1	1,939	25	159	50	31
	Total	996	4,641	489,321	25	17,489	11,298	29,092

SITC Section No.	Description	Mongolia	North Korea	Poland	Romania	U.S.S.R.	Viet-nam	Total
0	Food and live animals	-	-	39,286	3,759	309	-	80,439
1	Beverages and tobacco	-	-	327	307	1,952	-	6,782
2	Crude material--inedible, except fuel	1,121	-	1,857	3,087	2,016	-	159,848
3	Mineral fuels, lubricants, etc	-	-	-	80,813	9,773	-	147,477
4	Oils and fats--animal and vegetable	-	-	90	-	1	-	169
5	Chemicals	-	-	3,854	3,698	12,595	-	58,762
6	Manufactured goods classified by chief material	1	-	28,364	39,224	41,097	-	200,761
7	Machinery and transport equipment	-	35	12,137	21,644	333	-	64,376
8	Miscellaneous manufactured articles	108	3	17,174	24,757	627	-	182,390
9	Commodities and transactions not elsewhere classified	-	-	104	69	303	6	2,688
	Total	1,230	38	103,192	177,358	69,006	6	903,692

1/ Standard International Trade Classification.

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

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

Soviet Union. Although the declining price of gold makes gold sales less profitable, U.S. Department of Commerce experts believe that the Soviet Union will export large amounts of gold in 1981. As the Soviet grain harvest is expected to be small again this year, the U.S.S.R. will need to import large amounts of grain from other countries. Past history suggests that the Soviets may sell significant quantities of gold on world markets in order to meet the hard-currency requirements of these grain shipments.

Total U.S. imports from each of the NME's are summarized in table 11 and figure 3. China accounted for just over half of all U.S. imports from the NME's in January-June 1981, a record share for the Chinese. Total U.S. imports from the NME's increased by 57 percent between April-June 1980 and the corresponding period of 1981--the largest comparable-quarter increase since at least 1977. Imports of peanuts caused total imports from China to more than double between these periods, and imports from Romania increased by 78 percent, the largest percentage increase since at least 1977.

On a consecutive-quarter basis, these increases are somewhat less notable, as shown in the tabulation below:

Source	Percentage change, April-June 1981 from April-June 1980	Percentage change, April-June 1981 from January-March 1981
China	101.3	36.0
U.S.S.R	13.0	-53.9
Romania	78.1	65.6
Poland	-9.1	-.1
East Germany	12.3	.4
Bulgaria	-22.2	-29.9
Hungary	26.0	-18.1
Czechoslovakia	18.4	-.4
Albania	-74.9	-10.1
Mongolia	250.4	1.9
Vietnam	-77.8	-92.9
Cuba	257.1	1,150.0
North Korea	52.0	280.0
Total NME's	57.0	13.9
World	9.0	2.6

On a comparable-quarter basis, U.S. imports from the NME's declined for 4 of the 13 countries. Imports of canned hams and coal from Poland declined due to political problems. 1/ Imports from Bulgaria, especially of footwear and tobacco, also declined by a significant amount. Albanian trade was stunted by a dramatic drop in U.S. chrome ore imports, which fell from $4.3 million

1/ Poland's manufacturing sector has slowed down due to labor problems. Adding to this, Polish dock workers have periodically refused to load or unload ships. In August 1981, dock workers refused to load canned hams for export due to shortages at home.

Table 11.--U.S. imports from the individual nonmarket economy countries and from the world, 1979-80, January-June 1980, January-June 1981, April-June 1980, and April-June 1981

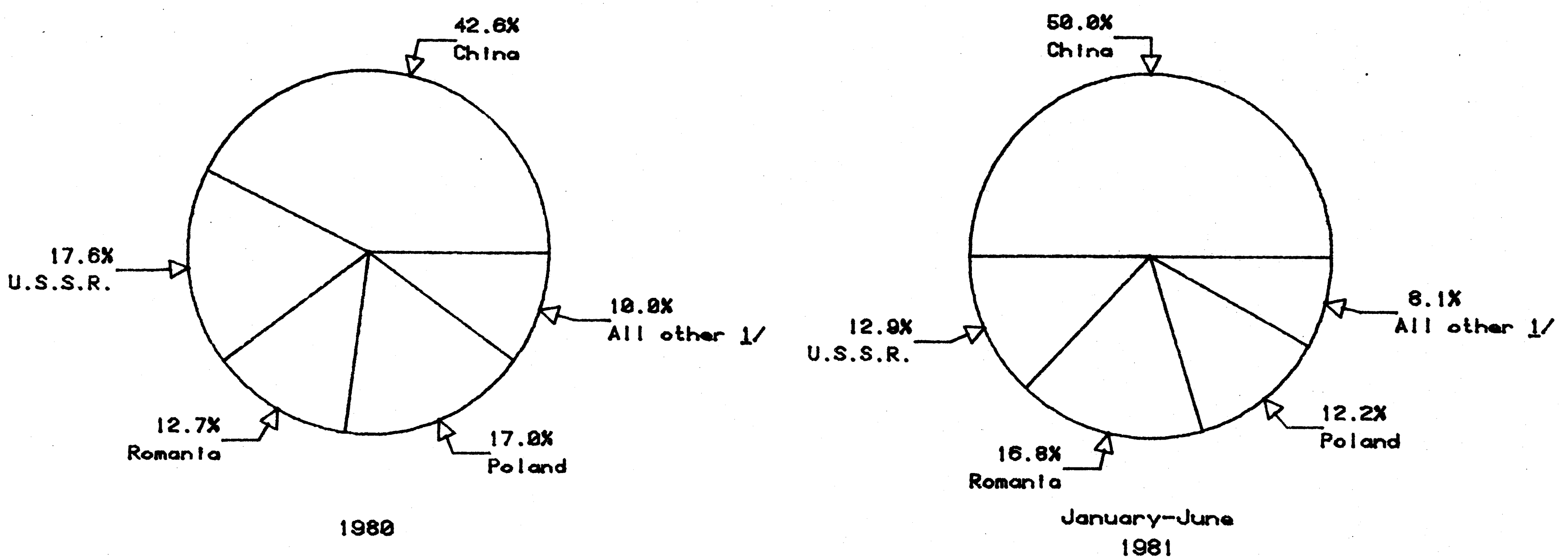
(In thousands of dollars)

Market	1979	1980	January-June--		April-June--	
			1980	1981	1980	1981
China	548,543	1,039,177	443,278	849,107	243,090	489,321
U.S.S.R	872,595	430,387	160,873	218,672	61,046	69,006
Romania	329,051	310,561	163,058	284,466	99,569	177,358
Poland	426,090	414,919	213,817	206,443	113,471	103,192
East Germany	35,666	42,959	23,433	22,551	10,058	11,298
Bulgaria	30,145	22,845	11,628	11,261	5,965	4,641
Hungary	112,129	104,269	51,396	64,620	23,091	29,092
Czechoslovakia	49,899	61,102	30,141	35,040	14,767	17,489
Albania	9,002	10,718	6,265	2,104	3,963	996
Mongolia	3,753	2,223	780	2,437	351	1,230
Vietnam	711	34	29	91	27	6
Cuba	152	19	16	27	7	25
North Korea	127	52	51	47	25	38
Total	2,417,863	2,439,263	1,104,764	1,696,867	575,429	903,692
Total, U.S. imports from the world	205,922,700	239,994,468	122,260,936	130,506,796	60,611,407	66,084,934

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

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

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



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

Source: Based on data in table 11.

(more than two-thirds of all Albanian imports) to only $580,000 (just over a quarter of the total). Total U.S. imports of chrome ore from all sources have declined so far in 1981. The ore is used mainly in steel production, which has recently fallen off in the United States. Also, high interest rates have forced producers to limit inventories of the inputs into steel production, including chrome ore.

Imports of major products from East Germany generally showed a slight increase in April-June 1981, perhaps as a result of East Germany's industrial reorganization. 1/ Going against this trend, however, U.S. imports of East German montan wax, traditionally one of the leading U.S. imports from East Germany, have markedly declined since 1980. 2/ This has occurred since the U.S. International Trade Commission determined in October 1980 that there was a reasonable indication that the sole U.S. producer of montan wax was being injured or threatened with material injury by reason of imports from East Germany. 3/ The U.S. importer of the wax was required to post a bond eventually equal to 13.02 percent of the value of montan wax imports while the Commission and the Department of Commerce concluded their investigations. 4/

U.S. imports from the NME's as a group, from China, and from the Soviet Union are shown in figure 4. Imports from the NME's increased by an average of 5.2 percent each quarter since 1977. Imports from China increased by 14.8 percent each quarter. For the Soviet Union, quarterly imports declined by an average of 1.6 percent.

Imports from Romania were up sharply in April-June 1981. Much of the increase was in petroleum products, such as naphthas and gasoline (see table A-8). While overall imports of these products were slight in 1980, they have traditionally been a major U.S. import from Romania. Romania has its own oil reserves, but its exports are refined products made with imported Iraqi and Libyan crude. Romanian petroleum exports have fluctuated considerably, and the current levels of U.S. imports are not believed to reflect any long-term trend.

Agricultural imports, shown in table 12, account for almost one-fourth of total U.S. imports from the NME's. This compares with the 6-percent share accounted for by agricultural products in total U.S. imports from the world. More than three-quarters of the agricultural imports from NME's during April-June 1981 came from China, which supplied feathers and downs 5/ as well

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1/ This reorganization is discussed above.

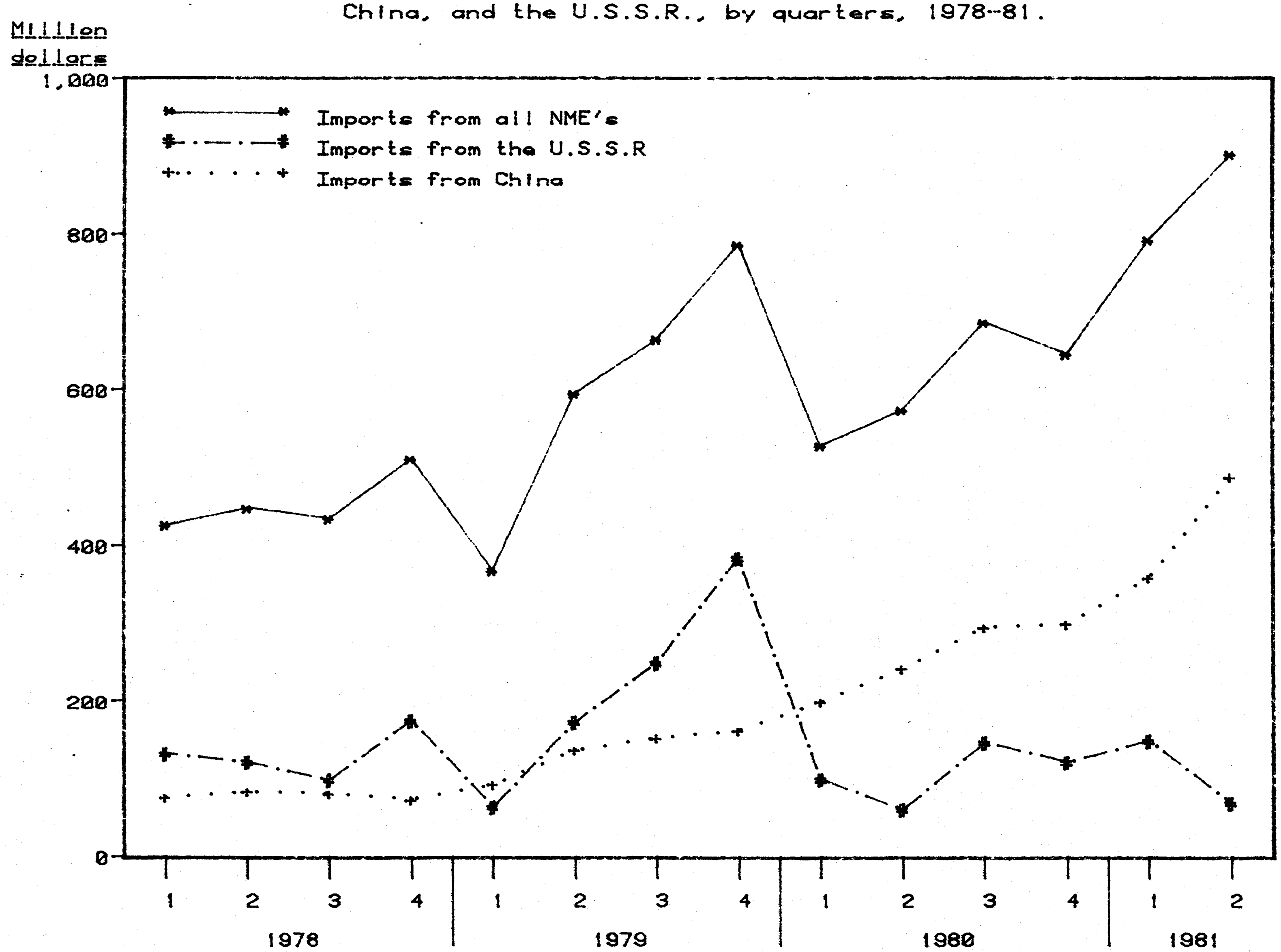
2/ For a more detailed description of U.S. montan wax imports from East Germany, see 25th Quarterly Report . . ., pp. 93-94.

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

4/ On Aug. 26, the Commission made a final determination of injury in the case. In a unanimous decision, the Commission found that the domestic industry was being injured by the imports from East Germany. See Unrefined Montan Wax From East Germany, Determination of the Commission in Investigation No. 731-TA-30 (Final) Under the Tariff Act of 1930 Together With the Information Obtained in the Investigation, USITC Publication 1180, Aug. 1981.

5/ Feathers and downs have always been a major U.S. import item from China, where ducks are the major domestic livestock.

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



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

Table 12.--Agricultural items: U.S. imports from the world and from the individual nonmarket economy countries, 1979-80, January-June 1980, January-June 1981, April-June 1980, and April-June 1981

Market	1979	1980	January-June--		April-June--	
			1980	1981	1980	1981
	Value (1,000 dollars)					
China	85,684	133,125	65,176	222,906	35,230	154,509
U.S.S.R	14,698	9,636	4,541	5,665	738	948
Romania	33,588	30,470	16,132	15,157	9,141	4,382
Poland	163,969	155,743	79,048	75,490	38,835	35,532
East Germany	2,248	2,825	2,438	337	889	152
Bulgaria	23,239	17,440	8,994	8,787	4,589	3,617
Hungary	35,752	30,586	15,007	19,944	7,069	7,936
Czechoslovakia	7,726	10,441	4,887	6,186	1,514	1,674
Albania	2,524	3,833	1,880	1,431	1,265	559
Mongolia	3,752	2,197	780	2,328	351	1,121
Vietnam	1	-	-	-	-	-
Cuba	-	-	-	-	-	-
North Korea	-	-	-	-	-	-
Total	373,192	396,280	198,883	358,241	99,620	210,461
Total, U.S. agricultural imports from the world	16,725,061	17,366,236	8,886,893	8,929,860	4,344,237	4,235,004
	Agricultural imports as a percentage of total imports					
China	15.6	12.8	14.7	26.3	14.5	31.6
U.S.S.R	1.7	2.2	2.8	2.6	1.2	1.4
Romania	10.2	9.8	9.9	5.3	9.2	2.5
Poland	38.5	37.5	37.0	36.6	34.2	34.4
East Germany	6.3	6.6	10.4	1.5	8.8	1.3
Bulgaria	77.1	76.3	77.4	78.0	76.9	77.9
Hungary	31.9	29.3	29.2	30.9	30.6	27.3
Czechoslovakia	15.5	17.1	16.2	17.7	10.3	9.6
Albania	28.0	35.8	30.0	68.0	31.9	59.1
Mongolia	1/ 99.9	98.9	100.0	95.5	100.0	91.1
Vietnam	.1	-	-	-	-	-
Cuba	-	-	-	-	-	-
North Korea	-	-	-	-	-	-
Total	16.4	15.9	18.0	21.1	17.3	23.3
Total, U.S. imports from the world	8.1	7.2	7.3	6.8	7.2	6.4

1/ Actually 99.97 percent.

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

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

as peanuts. Several Eastern European NME's, primarily Poland, Hungary, and Romania, provided the other major agricultural import, canned hams. 1/ Together, these three commodities account for over two-thirds of all U.S. agricultural imports from the NME's. The major agricultural commodities imported from the world are coffee and sugar.

Table 13 summarizes imports from the NME's by major commodity groupings. The NME's provide slightly over half of all U.S. imports of prepared pork, primarily canned hams. They also provide a large portion of U.S. unmilled corn imports. NME's both import and export corn in trade with the United States. This may be because of differences in corn types (the unit value of U.S. corn exported to the NME's is $4 per bushel; that of corn imported from the NME's is $36 per bushel) and because of unusual countertrade demands placed on U.S. exporters. 2/

The importance of NME producers in the U.S. import picture is shown in table 14, which lists leading items for which the NME's provide the major source of imports. The table shows that all U.S. imports of ammonium molybdate come from the NME's; in fact, all come from China. The NME's, primarily China, are also a major source for a number of animal hair and textile products.

Table 15 shows the items for which imports increased or decreased significantly between January-June 1980 and January-June 1981. Peanuts do not appear on the list because imports in January-June 1980 were less than $500,000, the minimum value required for an item to appear in the table. Of the 10 items for which imports increased the most, China accounts for 7.

The fastest growing import item on the list has been oil well casings from Czechoslovakia. Oil well casings are metal tubes which are sunk into the ground during drilling operations. They protect against explosions and protect the tubing used to carry the oil against outside elements.

In the last year or so, as oil price decontrol has taken effect, demand for oil-drilling equipment has been very strong in the United States. Oilfield equipment companies in the United States have not been able to change production fast enough to serve this higher level of increased demand. As a result, the United States has been importing an increasing amount of oil well casings to serve this shortage.

Items for which the value of imports declined substantially in percentage terms are also shown in table 15. China and the Soviet Union each account for 4 of the 10 items.

Peanuts from China

During the 1980 growing season, drought in the United States reduced the peanut harvest by 42 percent. The United States, normally self-sufficient,

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1/ For a discussion of canned ham imports, see "Canned Hams From Eastern Europe" in 23d Quarterly Report . . ., pp. 47-63.

2/ Countertrade arrangements are employed by several countries to limit their hard-currency expenses. Under the terms of a typical countertrade agreement, firms which sell commodities to a country are obligated to purchase other commodities from that country. The ratio of sales to purchases can vary, but at times U.S. exporters have been forced to buy back more goods than they export.

Table 13.--U.S. imports of selected major commodities from the nonmarket economy countries (NME's), January-June 1980 and January-June 1981

Commodity	Major NME supplier	Share of total imports accounted for by NME's: Jan.-June 1980	Share of total imports accounted for by NME's: Jan.-June 1981	Value of imports from all NME's: Jan.-June 1980	Value of imports from all NME's: Jan.-June 1981
		Percent	Percent	1,000 dollars	1,000 dollars
Cereal grains	Romania	2.4	15.3	466	4,512
Corn, unmilled	do	14.4	40.3	466	4,507
Chromium scrap	China	1.4	3.7	214	534
Coal	Poland	9.2	3.2	6,225	1,439
Copper	do	.6	.2	5,399	1,2[illegible]7
Feathers and downs	China	41.9	38.6	13,610	15,206
Fertilizers	U.S.S.R	6.8	6.5	41,313	45,653
Furniture	Romania	4.9	4.7	13,261	13,194
Glass and glass products	do	5.3	4.3	19,830	18,681
Metal coins	China	2.3	1.0	22,710	6,424
Metal ores	do	1.2	.8	22,577	15,476
Nickel	U.S.S.R	2.9	6.1	14,509	34,495
Petroleum and natural gas	Romania	.2	.6	102,182	265,464
Precious metals	U.S.S.R	1.8	2.0	49,010	44,346
Gold bullion	do	-	2.0	-	18,349
Platinum	do	7.7	6.8	34,607	23,071
Silver bullion	China	-	.1	-	252
Prepared pork	Poland	55.2	51.6	94,494	90,464
Textiles	China	4.3	6.0	254,109	398,254
Footwear	do	3.3	3.3	47,242	50,711
Nonrubber footwear	Romania and China	5.0	4.3	40,659	35,642
Titanium	China	28.1	12.2	12,972	9,732
Tobacco	Bulgaria	3.7	3.2	9,267	9,061
Typewriters	Bulgaria and East Germany	1.9	2.1	3,478	3,548

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

Table 14.--20 U.S. import items for which the nonmarket economy countries (NME's) collectively account for the largest market share, by TSUSA Nos., January-June 1980 and January-June 1981 1/

TSUSA item No.	Commodity	Major NME supplier	Share of total imports accounted for by NME's: Jan.-June 1980	Share of total imports accounted for by NME's: Jan.-June 1981	Value of imports from all NME's in Jan.-June 1981
			Percent	Percent	1,000 dollars
417.2800	Ammonium molybdate	China	95.1	100.0	10,470
542.3120	Ordinary glass	Hungary and Romania	93.0	99.5	1,127
306.4293	Camel hair, sorted	Mongolia and China	68.8	99.3	3,028
380.0609	Men's and boy's jogging jackets	Romania	79.0	98.1	2,755
186.3000	Bristles, crude or processed	China	92.2	95.2	3,774
222.5700	Floor coverings of unspun vegetable materials.	do	88.3	94.8	5,671
363.3020	Cotton pillow cases including bolster sets.	do	78.9	93.3	1,243
702.3785	Headwear, n.e.s., not sewed	do	80.0	89.8	5,453
366.6000	Pile or tuft construction of cotton	do	83.0	88.0	1,200
380.3941	Men's and boy's suit-type cotton coats	Poland	76.4	85.2	2,014
188.5025	Gum rosin	China	56.8	84.9	2,435
192.4000	Licorice root	do	99.3	84.6	3,169
326.3026	Woven fabrics in chief value not wholly of cotton, not fancy, not colored.	do	-	80.7	1,993
690.1500	Railway cars, passenger	Romania	13.8	77.9	5,989
320.2032	Printcloth shirting, cotton	China	75.0	76.9	16,317
365.8670	Tablecloths and napkins, of manmade fibers.	do	59.8	76.4	2,299
308.0440	Raw silk	do	63.9	74.1	3,514
366.2740	Shop towels	do	36.7	73.3	3,294
452.1200	Cassia oil	do	69.4	72.9	2,736
380.0612	Men's and boy's coats of cotton, n.e.s	Romania	9.4	72.6	1,314

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

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

Table 15.--20 U.S. import items from the nonmarket economy countries (NME's) which changed substantially, by TSUSA Nos., January-June 1980 and January-June 1981 1/

TSUSA item No.	Commodity	Major NME supplier	Percentage change, January-June 1980 from January-June 1981: All NME's	Percentage change, January-June 1980 from January-June 1981: World	Value of imports from all NME's in Jan.-June 1981
			Percent	Percent	1,000 dollars
610.3920	Oil well casing, other than alloy steel, not advanced.	Czechoslovakia	645.7	415.3	5,491
382.1223	Women's coats, n.e.s., 3/4-length or longer.	China	599.7	62.4	6,258
607.6615	Sheets of iron or steel	Romania	575.5	37.5	56,652
141.7000	Water chestnuts	China	433.5	101.3	3,976
382.1220	Girl's and infants' corduroy coats, 3/4-length or longer, valued over $4 each.	do	377.6	192.9	11,797
365.7865	Cotton net furnishings	do	357.0	71.1	2,911
382.8187	Women's, girl's, and infants' suits	Romania	336.6	49.9	2,575
382.5871	Women's sweaters, n.e.s., of wool, valued over $5 per pound.	China	324.3	5.3	6,725
144.2053	Mushrooms, n.e.s	do	224.7	-30.6	5,392
365.8670	Tablecloths and napkins, of manmade fibers.	do	218.1	149.0	2,299
605.0710	Platinum bars, plates, etc	U.S.S.R	-88.1	13.6	603
520.3300	Diamonds, over 1/2 carat	do	-80.4	69.2	560
382.3309	Women's wearing apparel, cotton	China	-77.9	32.9	596
605.0750	Palladium bars, plates, etc	U.S.S.R	-76.1	-23.9	1,955
521.3180	Coal, n.e.s., not peat	Poland	-72.8	-37.7	1,439
653.2200	Metal coins	China	-71.7	-33.5	6,424
765.0300	Paintings, etc., by hand	do	-68.4	1.4	1,425
186.1565	Downs, not meeting Federal standards	do	-66.9	-18.0	1,203
601.1560	Chrome ore, 46 percent or more chromic oxide.	U.S.S.R	-65.1	-40.9	1,026
605.0270	Rhodium	do	-65.0	-43.1	1,542

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

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

found it necessary to import large quantities of peanuts. Since international trade in edible peanuts is small compared with U.S. production or consumption, the U.S. peanut shortage placed unprecedented demand on the world market. Peanut imports are subject to import quotas under section 22 of the Agricultural Adjustment Act which provides for the imposition of special tariffs or quotas on imports of items which have been found to render or tend to render ineffective, or materially interfere with, any program of the U.S. Department of Agriculture. 1/ On December 4, 1980, the import quota on peanuts was temporarily increased pending the results of an investigation by the International Trade Commission, allowing an additional 200 million pounds of peanuts to enter through June 30, 1981, over the 1,709,000 pounds allowed under the previous quota. On April 14, 1981, following the receipt of the Commission's report, 2/ the President raised the temporary quota to 300 million pounds for the quota year ending July 31.

China, having been a minor supplier of peanuts to the United States under the original 1,709,000-pound quota, began almost immediately to make large shipments under the new quota. U.S. imports of peanuts from China are shown for 1980 and by months in January-June 1981 in the tabulation below: 3/

Period	Imports from China		
	Value	Quantity	
		1,000 pounds	Percent of total from all countries
	1,000 dollars		
1980	27	53	29.8
1981:			
January	1,145	1,362	87.5
February	11,073	10,545	21.7
March	22,474	22,474	39.6
April	28,007	30,386	55.3
May	63,320	64,921	69.5
June	22,594	25,555	57.6

As the data demonstrate, U.S. imports from China increased dramatically during the first 5 months of the year. Few U.S. importers thought the Chinese, the world's largest producer of inedible peanuts, could export as many edible peanuts as they did in such a short time. Yet the Chinese, accustomed to peanut prices in the range of $800-$900 per metric ton, quickly pushed their peanuts out in a world market which paid $1,700-$1,800 per metric ton, helping to fill both peanut quotas quickly. The supplementary quota of 300 million pounds was filled on June 8, a little over 6 months after the much larger limit was established. The original quota of 1.7 million pounds was filled later, on June 12.

1/ Peanuts are covered under a USDA price-support program.

2/ Peanuts, Report to the President on Investigation No. 22-42 Under Section 22 of the Agricultural Adjustment Act as Amended, USITC Publication 1124, January 1981.

3/ Compiled from official statistics of the U.S. Department of Commerce.

The 26 million pounds of peanuts entering the United States during June represented only a fraction of the peanuts which were lined up to enter the country. Fifty to sixty million pounds, 1/ much of which was from China, was still in U.S. ports on August 3 when the regular 1,709,000-pound quota was opened for 1981/82. 2/ This situation caused financial problems for many U.S. peanut purchasers, although the Chinese, having already sold the peanuts, benefited from the exports.

Peanuts accounted for over 20 percent of all U.S. imports from China during April-June 1981 and for almost 9 percent of imports from all the NME's in January-June. They were the leading item imported from all NME's in January-June 1981, surpassing the traditional leading import item, canned hams (see table A-2).

1/ USDA analysts place the amount of unaccepted peanuts in U.S. ports at 50-60 million pounds. Newspaper accounts report "at least" 60 million pounds. (Washington Post, July 21, 1981, p. A-3.) An industry spokesman, James Mack, general counsel for the Peanut Butter and Nut Processors Association as well as for the National Confectioners Association, claims that 64 million pounds of peanuts was purchased above the quota level. Some of this amount presumably was rerouted to other countries before the 1.7-million-pound quota reopened.

2/ The quota was filled immediately upon opening. The U.S. Customs Service, faced with applications from importers for the entry of 22 million pounds of peanuts, accepted 7.8 percent of them.

SECOND-QUARTER DEVELOPMENTS AFFECTING U.S. COMMERCIAL RELATIONS WITH NONMARKET ECONOMY COUNTRIES

Lifting the Agricultural Trade Sanctions Against the U.S.S.R.

On April 24, 1981, President Reagan revoked the U.S. limitations on agricultural exports and exports of phosphatic fertilizers to the Soviet Union. Among other measures, these restrictions were imposed by President Carter in January 1980 in response to the Soviet invasion of Afghanistan. 1/ In announcing his decision, President Reagan recalled his opposition to the curb on these sales "because American farmers had been unfairly singled out to bear the burden of this ineffective national policy." 2/ The President further stated that his decision followed careful consideration of national security, foreign policy, and agricultural needs. The revocation covered all restrictions on exports relating to Soviet feed and livestock production--most notably the partial embargo on grain and the full embargo on U.S. sales of soybeans and phosphatic fertilizers.

The partial grain embargo had prohibited U.S. grain sales in excess of 8 million tons a year to the Soviet Union in the fourth and fifth agreement years (October 1, 1979 through September 30, 1981) of the 1975 U.S.-U.S.S.R. grain supply agreement. Under the agreement, the United States was committed to sell at least 8 million tons of grain in each October 1-September 30 agreement year. The agreement was signed with the objective of smoothing out the wide yearly fluctuations in Soviet grain purchases from the United States. Under its terms, the Soviets agreed to purchase at least 6 million tons and the United States agreed to offer for sale at least 8 million tons of U.S. wheat and corn combined in each agreement year from October 1, 1976, to September 30, 1981.

Early in June 1981, the United States and the U.S.S.R. held their first consultations on grain trade following the lifting of the embargo. This meeting resulted in the United States' authorizing the Soviets to purchase an additional 6 million tons of U.S. grain for delivery before September 30, 1981. This amount was over and above the minimum sales commitment for the 1980/81 agreement year of 8 million tons that was honored even during the embargo and that the Soviets had already exhausted by April 1981. Allowing the Soviets to buy more marked a return to the preembargo procedure that permitted them purchases, after consultation, in excess of the minimum sales commitment. 3/ At the same meeting, the U.S. Government also authorized the Soviet Union to purchase up to 6 million tons of grain for delivery after September 30, 1981, without prior consultation.

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

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

3/ Thus, because the terms of the 1975 grain supply agreement required consultations prior to purchases above 8 million tons, there was no possibility of grain purchases by the Soviets even after the April revocation of the partial embargo on grain until the June announcement authorizing additional grain sales. Sales of soybeans and phosphate fertilizers, however, were permitted to resume immediately after the April announcement.

Since they had been able to secure grain supplies during 1980/81 from other sources, the Soviets were not expected to buy major amounts of U.S. grain for delivery before September 30. In late July, the Soviet Union resumed purchasing U.S. grain for delivery after September 30. Subsequently, however, they also began to buy U.S. grain for delivery in the current agreement year. As of September 1, 650,000 tons of wheat and 900,000 tons of corn had been purchased for delivery before September 30.

Because of the grain embargo, it was very doubtful whether a new long-term U.S.-U.S.S.R. grain agreement would be concluded to replace the one expiring in September 1981. The prospects for such a new agreement markedly improved, however, after the embargo was revoked.

On August 5, the United States and the Soviet Union agreed to extend the current agreement for another year. This had the effect of commiting the Soviets to buy at least 6 million tons during October 1981-September 1982. There had been no such commitment at the June meeting. It also raised the authorization made by the United States in June from 6 million tons to 8 million tons. More important, the agreement also opened the door for additional purchases of U.S. grains under specified conditions. 1/

The impact of the embargo

While in effect, the embargo drastically curtailed U.S. agricultural exports to the U.S.S.R. and, as intended, adversely affected Soviet feed and livestock production. The extent of the economic damage to the Soviet Union remains controversial, however, with assessments thereof ranging from trivial to significant. Equally controversial is the assessment of the extent of damage the embargo inflicted on U.S. interests.

The embargo apparently had an influence on grain production policy in the Soviet Union, where the old theme of self-sufficiency was revived in response to the U.S. trade sanctions. The 11th 5-year plan (FYP)(1981-85) calls for increasing average annual grain output to a range of 238 million to 243 million tons. This target appears more ambitious than most of the other Soviet economic goals in the plan; it is well above the target of 215 million to 220 million tons planned under the previous FYP, of which less than 200 million tons was actually attained.

The embargo affected third countries as well, by changing international trade patterns. Some experts believe that the embargo may also have triggered long-term production responses in those countries that gained access to the Soviet market, most notably Argentina. 2/

1/ As of Sept. 1, the Soviets had contracted for 1 million tons of wheat and 1.6 million tons of corn for delivery after Sept. 30.

2/ "An Assessment of the Afghanistan Sanctions: Implications for Trade and Diplomacy in the 1980's," report prepared for the U.S. House of Representatives, Committee on Foreign Affairs, by the Congressional Research Service, April 1981, p. 47.

U.S.-Soviet trade.--Of all the U.S. trade sanctions imposed following the invasion of Afghanistan, the partial grain embargo curtailed U.S.-Soviet trade most severely. Grains constituted the largest part of this trade, accounting for 61 percent of total U.S. exports to the Soviet Union in 1979--the last preembargo year. When the embargo was imposed in January 1980, the Soviets had already purchased almost all the 8 million tons the United States was committed to sell during the fourth year under the grain supply agreement. Consequently, they could import virtually no grain from the United States before the fifth agreement year began in October 1980. In that month, although the partial embargo had not been lifted, the Soviets were able to resume their purchases of U.S. grain for the final agreement year. They continued to purchase grain through April 1981.

The full embargo on other U.S. exports relating to the Soviet feed-livestock complex--principally soybeans and phosphates--caused further significant reductions in U.S.-Soviet trade. Table 16 shows U.S. exports to the U.S.S.R. of the principal commodities affected by the farm-related embargo from 1976 through January-June 1981. Table 17 shows the impact of the trade sanctions on total U.S. exports to the Soviet Union, by quarters, for 1980 and the first half of 1981. In large measure, the overall data follow the fluctuations of U.S. grain shipments to the Soviet Union.

With the embargo in place, China overtook the Soviet Union as the principal U.S. trading partner among the NME's. Prior to 1980, the Soviet Union had consistently been the major NME trading partner of the United States.

Impact on Soviet interests.--The Soviet Union was apparently able to replace much of the embargoed U.S. grain with grain from other sources, and imported record amounts while the embargo was in effect (table 18, fig. 5). Previous reports in this series published in 1980 cited U.S. Department of Agriculture (USDA) estimates that the grain embargo led to a shortfall in Soviet grain consumption of 6 million tons in 1979/80 on a July-June marketing-year basis, 1/ and a shortfall of 9 million tons on an October-September marketing-year basis. 2/ However, this appraisal conflicts with certain nongovernment sources which estimated that the shortfall was negligible.

Although grain replacement opportunities for the Soviets turned out to be better than originally expected, searching for nontraditional sources and contending with irregular arrival schedules (which led to congested ports) was apparently inconvenient. Moreover, the embargo compelled the Soviets to pay higher prices, reduce feed use in the latter half of 1980, and draw down stocks. 3/ Some decline in 1980 in Soviet hog, sheep, and goat inventories and a decrease in the number of cattle and hogs slaughtered (as well as a lower average slaughter weight) were also seen as likely consequences of the U.S. sales suspension. 4/ Many observers considered the shortages of Soviet meat and milk supplies in 1980 as evidence of the embargo's impact. 5/

1/ 24th Quarterly Report. . ., p. 30.
2/ 23d Quarterly Report. . ., p. 42.
3/ USDA, Foreign Agricultural Situation Report, WAS-24, April 1981, p. 18.
4/ Ibid.
5/ USDA, Update: Impact of Agricultural Trade Restrictions on the Soviet Union, Foreign Agricultural Economic Report No. 160, July 1980.

Table 16.--U.S. exports to the U.S.S.R. of principal commodities affected by the lifting of 1980 U.S. trade sanctions, 1976-80, January-June 1980, and January-June 1981

(In millions of dollars)

Commodity	1976	1977	1978	1979	1980	January-June--	
						1980	1981
Agricultural items:							
Corn	1,078.4	396.6	1,055.7	1,402.1	602.2	315.5	386.8
Wheat	250.0	426.8	355.8	811.7	336.1	89.0	334.5
Soybeans	124.7	154.3	199.8	489.3	45.3	45.3	-
Barley	-	-	-	31.0	-	-	-
Soybean oilcake and meal	-	1.6	.2	22.5	-	-	-
Tallow	-	-	18.7	57.6	28.1	19.6	39.7
Subtotal	1,453.0	979.3	1,630.2	2,814.3	1,001.7	469.4	761.0
Phosphates	-	1/	-	93.6	17.4	17.4	14.1
Total affected exports	1,453.0	979.3	1,603.2	2,907.9	1,019.1	486.8	775.1
Total U.S. exports to the U.S.S.R	2,305.9	1,623.5	2,249.0	3,603.6	1,509.7	693.0	1,065.5

1/ Less than $50,000.

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

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

Table 17.--U.S. exports to the U.S.S.R., by quarters, January 1979-June 1981

Period	1979	1980	Percentage change, 1980 from 1979	1981	Percentage change, 1981 from 1980
	--Million dollars--			Million dollars	
January-March-----	597	487	-18	801	64
April-June---------	860	206	-76	264	28
July-September----	1,017	128	-87	-	-
October-December--	1,130	689	-39	-	-
Total---------	3,604	1,510	-58	-	-

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

Table 18.--Imports of grain by the U.S.S.R, by types and by principal sources, marketing years 1972/73 to 1980/81 1/

(In millions of metric tons)

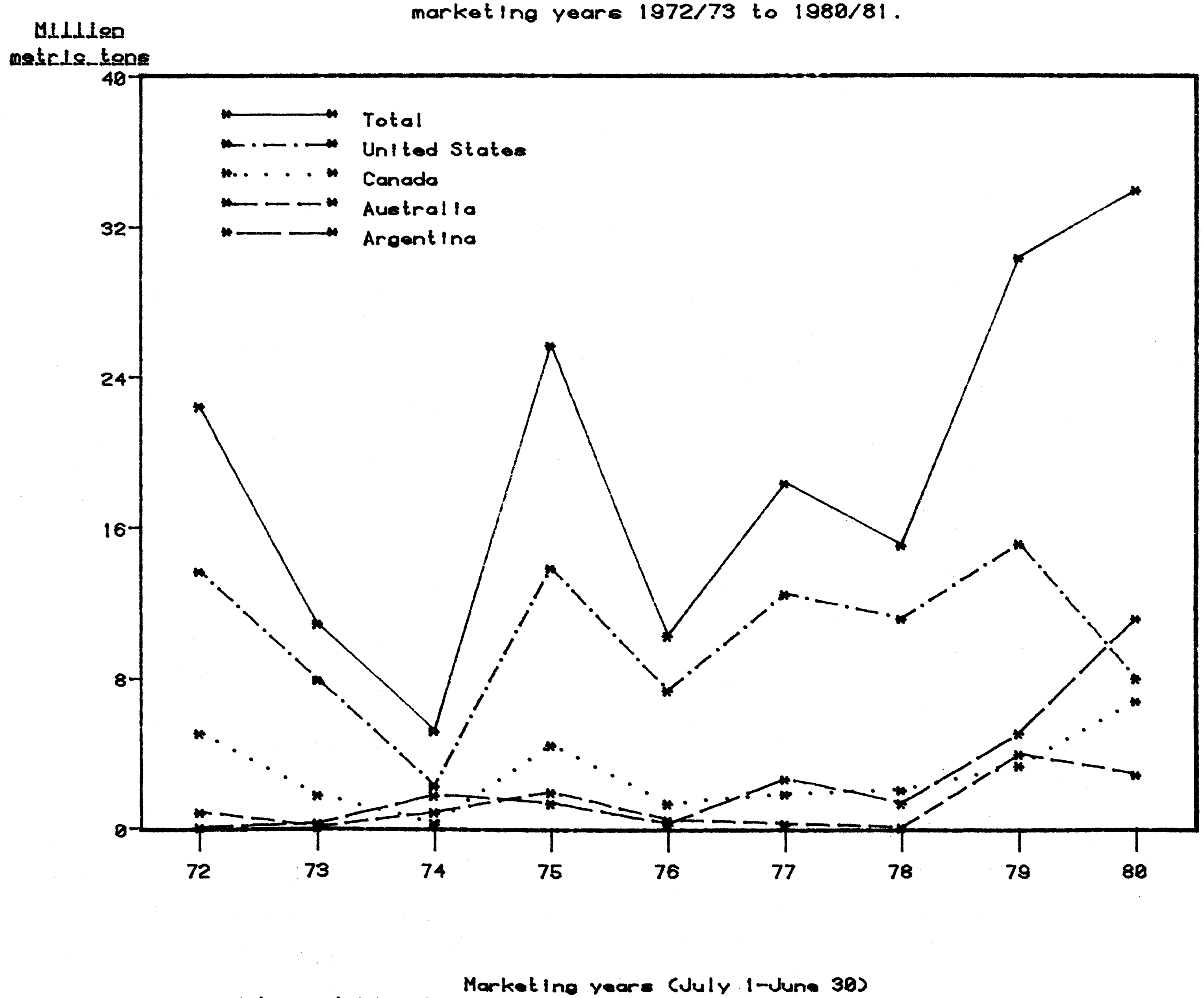
Type and source	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 2/
Total:									
United States 3/	13.7	7.9	2.3	13.9	7.4	12.5	11.2	15.2	8.0
Canada	5.1	1.8	.3	4.5	1.4	1.9	2.1	3.4	6.8
Australia	.9	.1	.9	2.0	.5	.3	.1	4.0	2.9
Argentina	.1	.3	1.8	1.4	.3	2.7	1.4	5.1	11.2
European Community	1.9	.5	.1	.5	.2	.2	.2	.9	1.2
All other	.8	.3	.1	3.0	.3	.8	.1	1.8	4.0
Total	22.5	10.9	5.2	25.7	10.3	18.4	15.1	30.4	34.0
Wheat:									
United States 3/	9.5	2.7	1.0	4.0	2.9	3.3	2.9	3.9	3.0
Canada	4.2	1.6	.3	3.2	1.2	1.7	2.0	2.1	4.5
Australia	.9	.1	.8	1.2	.4	.3	.1	2.7	2.4
Argentina	4/	4/	.7	1.2	.1	1.1	4/	2.0	3.0
European Community	.7	4/	4/	4/	4/	4/	4/	.7	.9
All other	.3	.1	4/	.4	4/	.2	.1	.6	2.2
Total	15.6	4.5	2.5	10.1	4.6	6.7	5.1	12.1	16.0
Coarse grains:									
United States 3/	4.2	5.2	1.3	9.9	4.5	9.2	8.3	11.3	5.0
Canada	.9	.2	4/	1.3	.2	.2	.1	1.3	2.3
Australia	4/	0	.1	.8	.1	4/	4/	1.3	.5
Argentina	.1	.3	1.1	.2	.2	1.6	1.4	3.1	8.1
European Community	1.2	.5	.1	.5	.2	.2	.2	.2	.3
All other	.5	.2	.1	2.6	.3	.6	4/	1.2	1.8
Total	6.9	6.4	2.7	15.6	5.7	11.7	10.0	18.3	18.0

1/ July 1-June 30.
2/ Preliminary.
3/ Based on export sales data, which usually include transshipments.
4/ Less than 50,000 tons.

Source: U.S. Department of Agriculture, Foreign Agricultural Circular, FG-30-81, Aug. 13, 1981, and USDA calculations from reports of countries exporting to the U.S.S.R.

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

Figure 5.--Imports of grain by the U.S.S.R. by principal suppliers, marketing years 1972/73 to 1980/81.



Source: Based on data in table 18.

The 14-month embargo on phosphate fertilizers 1/ is expected to have a delayed effect on the Soviet capability to produce liquid phosphatic fertilizers. The shortage in the Soviet Union of fertilizers in general, and phosphatic fertlizers in particular, was noted at the 26th Congress of the Communist Party. 2/

Impact on U.S. interests.--The cost of the embargo to the U.S. Government and the farming community remained equally undetermined. U.S. farm income in 1980 suffered from circumstances unrelated to the embargo, such as steep increases in costs, and an oversupply caused by the record grain crop of 1979. Farmers claimed, however, that the downward pressure on grain prices brought about by the partial loss of the large Soviet market seriously exacerbated their financial problems, despite countervailing measures by the U.S. Government. 3/

The United States found other markets for the grain exports suspended to the Soviet Union. 4/ Total U.S. sales of grains reached record levels in fiscal year 1980, and are expected to do so again in fiscal year 1981. However, in fiscal year 1981 total U.S. exports of soybeans are projected to decline, 5/ and those of Brazil and Argentina are projected to rise sharply.

International trade.--The U.S. embargo provided other grain-exporting countries unexpected opportunities in the Soviet market. Despite commitments made in January 1980 not to replace the embargoed U.S. grains and oilseeds, most major exporting countries notably increased their shipments to the U.S.S.R. during the embargo. Table 18 and figure 5 show Soviet grain imports, by sources on a July-June marketing-year basis. The sharp change in 1979/80 and 1980/81 in the country-by-country composition of Soviet imports reflects the effects of the U.S. embargo.

Argentina, which declined to cooperate fully with the U.S. embargo, became the principal source of replacement grain for the Soviet Union in 1980/81, and was by far its largest single supplier. In July 1980, the Government of Argentina concluded a 5-year agreement with the Soviet Union to sell it 4.5 million tons of corn, sorghum, and soybeans annually. Brazil, a major soybean and soybean product exporter, also benefited from the U.S. embargo; like Argentina, it declined to cooperate with the United States.

1/ The embargo on phosphate sales to the Soviet Union was imposed on Feb. 21, 1980.

2/ Foreign Broadcast Information Service (FBIS), Daily Report, Soviet Union, Proceedings of the 26th CPSU Congress, vol. VIII, p. 13.

3/ Testimony before the Senate Banking Committee by the National Corn Growers Association and the National Association of Wheat Growers in August 1980.

4/ Trade data show significant increases in U.S. exports of grains and preparations to Mexico, South Korea, and Japan between 1979 and 1980.

5/ USDA, Outlook for U.S. Agricultural Exports, Aug. 24, 1981, table 4.

By the end of 1980, the official support of other major grain exporters (Canada, Australia, and France) for the continuation of the grain embargo weakened. Canada and Australia were displeased with the grain supply agreement the United States concluded in October 1980 with China, both countries having been traditional grain suppliers to that market. On November 19, Canada announced that it would no longer impose quantitative limits on grain sales to the Soviet Union. 1/

The U.S. embargo affected the grain-importing countries as well. Some turned to the United States to fill their needs when, in response to the U.S. embargo, their traditional suppliers diverted exports to the Soviet market. The pattern of international grain trade was thus rearranged.

The changes in international grain trade patterns precipitated by the embargo seemed to be continuing even after it was lifted in April of this year. The Soviets have continued to seek annual and long-term contractual arrangements with Canada and other countries to lessen their dependence on the United States and to improve their bargaining position in future grain negotiations with U.S. officials.

Canada, which expanded its grain exports to the U.S.S.R. during the U.S. sales supension (table 18), concluded a 5-year agreement with it in May 1981, involving the sale of at least 4 million tons of grains annually. 2/ In July 1981, the Soviet Union and Brazil signed their first comprehensive trade accord. It provides for large-scale Soviet purchases of Brazilian soybeans over the next 5 years and of Brazilian corn beginning in 1983. The Soviet Union, in turn, agreed to sharply increase its petroleum exports to Brazil.

Outlook

Certain effects of the U.S. embargo are expected to endure. Some believe that the apparent resolve of the Soviet Union to reduce its dependence on foreign supplies might eventually lead to a decline in total Soviet grain imports. However, experts also stress that ". . . the Soviets will continue to be a very large factor in the world's grain market over the next 5 years." 3/

Even though the U.S. agricultural embargo is no longer in effect, Soviet sources of imports are expected to remain diversified, reflecting both a cautious postembargo grain supply policy and new trade commitments of the U.S.S.R. Accordingly, the U.S. share of the Soviet grain market--on the average about two-thirds in preembargo years--is likely to settle at a lower level. Still, according to the USDA, "based on prices, marketing practices, ease of transportation, and other factors, the United States provides the best source of supply to the Soviets." 4/ Moreover, some claim that the United States is the only dependable supplier of corn and soybeans, owing to the

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1/ Wall Street Journal, Dec. 2, 1980.

2/ Washington Post, May 27, 1981, p. D7.

3/ USDA, Foreign Agricultural Circular, FG-27-81, July 13, 1981, pp. 3 and 4.

4/ Ibid., p. 1.

unpredictable weather in the Southern Hemisphere. 1/ In view of the above and the prospects of continuing strong Soviet demand, it is expected that U.S. agricultural exports to the Soviet Union will still be substantial. The 1 year extension of the U.S.-U.S.S.R. grain supply agreement created an improved climate for the fulfillment of these expectations.

In August 1981, the USDA estimated the 1981 Soviet grain crop at 185 million tons. 2/ This falls significantly short of the announced target of 236 million tons and is even less than the poor crop of 189 million tons attained in 1980/81. On this basis, the USDA estimates that the Soviets may import a record 40 million tons of grain in 1981/82, compared with the 34.5 million tons in 1980/81. The Soviets have already imported more than 20 million tons of the estimated amount through purchases earlier in the year and trade arrangements with other countries.

According to the USDA, the United States might again become an important source for the balance of Soviet grain imports this year, depending mostly on the extent to which Soviet demand is for coarse grains in particular and on coarse-grain availability from other exporting countries. If the Soviets lean heavily on coarse grains versus wheat in their import mix, they would purchase significant quantities of U.S. grains, especially for delivery during October 1981 through March 1982. This is the time when exportable supplies from other countries are most limited. 3/

Eximbank Loan to Romania for Nuclear Power Station

On June 30, the Export-Import Bank of the United States (Eximbank) authorized financing for the Government of Romania to purchase two 700 MW steam turbine generators plus related spare parts and services for use in the construction of a nuclear power station. Although Eximbank made the preliminary loan commitment to Romania in 1980, the approval of both the President and Congress was required before the financing could be authorized.

The Government of Romania selected General Electric Co. to provide the goods and services for the plant, which have a total U.S. contract value of $142 million. The Eximbank credit will cover $120.7 million, or 85 percent, of this amount, and Romania will make a cash payment for the remaining 15 percent of the transaction. Although Romenergo, the Romanian foreign trade organization responsible for all imports relating to the Government's power projects, is the borrower, the Government-owned Romanian Bank for Foreign Trade has also unconditionally guaranteed repayment of the loan, as it has for all loans that Eximbank has extended to Romania.

As prospects for the development of nuclear power in Romania have dimmed, especially during the last 2 years, exports have offered a greater potential for increasing the U.S. production and sale of large steam-turbine generators for use in nuclear power facilities. At the same time, U.S. companies have faced intense competition in the export market. Bids by European suppliers for the Romanian project were also supported by their official export credit agencies, which offered substantially better credit terms than those normally

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1/ View expressed by Richard Bell, executive vice president of Riceland Foods Co., cited in the Wall Street Journal, Apr. 27, 1981, p. 4.
2/ Foreign Agricultural Circular, FG-30-81, Aug. 13, 1981, p. 1.
3/ Ibid.

extended by Eximbank. To meet foreign competition, Eximbank agreed to finance 85 percent of the contract price of the project: it generally supports up to only 65 percent of an export transaction. 1/ In the final stages of the negotiations, a French company emerged as General Electric's strongest competitor, largely because France's export credit agency offered to finance the project at a fixed annual interest rate of 7.75 percent. To provide U.S. financing to Romania at this rate of interest, the Eximbank loan will bear a rate of 8 percent per annum (as compared with the standard interest rate of 8.75 percent that was in effect when the commitment was made), 2/ and General Electric will pay the difference of 0.25 percent per annum. The terms of the loan also include a repayment period of 10 years beginning July 5, 1989, 6 months after the estimated start-up date of the second generator. Eximbank financing of U.S. capital-equipment exports and large-scale installations is normally for a 5- to 10-year period following the time required for delivery of the equipment or completion of the construction, and the repayment terms for nuclear power plants occasionally extend for as long as 15 years.

Agreement was reached on the credit terms of the loan and a preliminary commitment was made to Romania by Eximbank in September 1980. However, before the loan could be authorized, the Board of Directors of the Bank was required to submit a description of the transaction and an explanation of the reasons for financing this purchase by Romania to both the President and the Congress. These steps were taken in conformity with the following requirements. First, Eximbank cannot guarantee, insure, or extend credit for the purchase of any product by a Communist country in an amount of $50 million or more unless the President determines that this action would be in the national interest. 3/ Second, Eximbank cannot extend a loan or loan guarantee (1) to any country in an amount equal to or exceeding $100 million or (2) for the export of any technology, goods, or services to be used in the construction of a nuclear power facility unless a statement detailing the purposes of the loan and credit arrangements has been submitted to the Congress at least 25 days prior to the date of final approval. 4/ On May 20, President Reagan determined that this loan to Romania is in the U.S. national interest, 5/ and the required statement on the transaction was submitted to the Speaker of the House and the President of the Senate on May 26.

1/ Eximbank will extend credit for up to 75 percent of the contract value of a transaction if the U.S. exporter agrees to finance 10 percent of the value of the sale at a fixed rate of interest no higher than the Eximbank rate. When 85-percent financing is required to meet foreign competition, the use of this shared approach is not uncommon. However, Eximbank has made direct loans of 85 percent on only a few other occasions.

2/ Because of the high private market rates of interest that Eximbank has recently had to pay for its borrowings, the standard rate on new loan commitments was increased in July from 8.75 percent to 10.75 percent. This action was taken to reduce anticipated losses of as much as $120 million in fiscal year 1982. In turn--to enable U.S. exporters to counter in part the lower interest rates still available through the official export credit agencies of other industrial countries--Eximbank will, on a case-by-case basis, lengthen the repayment terms it offers. (Eximbank news release, July 16, 1981.)

3/ Export-Import Bank Act of 1945, sec. 2(b)(2).

4/ Ibid., sec. 2(b)(3)(i) and (iii).

5/ Presidential Determination No. 81-7.

Congressional approval of a transaction is not required before Eximbank officials can authorize the loan; legislation would have to be passed in order to cancel a loan commitment subject to congressional review.

According to the statement submitted to the President and the Congress, the sale will create work in four of General Electric's production facilities and is expected to result in 2 million hours of employment. In addition, General Electric has estimated that approximately 2,000 subsuppliers will participate in the transaction.

In lieu of payment in currency, General Electric has agreed to accept 100 percent countertrade on the $142 million export contract. Romania has recently passed foreign trade legislation that firmly establishes the principle of "parallel sales," or full countertrade, as part of each contract with a Western company. The countertrade agreement calls for General Electric to purchase Romanian products equal to the value of the sale (including technical services) over an 11-year period. This settlement time is reportedly somewhat longer than is preferred by the Romanian Government, for which countertrade arrangements serve both to alleviate hard-currency deficits and to create outlets for the country's exportable machinery and other manufactures. 1/ Among Western companies, however, there is some concern about the quality of the manufactures produced in NME's, and a company that is able to negotiate an agreement to make the purchases over a long period of time is likely to command more control over the quality of the goods it must import. 2/ Although General Electric may import some of the Romanian products for its own use or for sale to other U.S. companies, a large portion of the goods will be offered for sale to third countries. Therefore, Eximbank has concluded, the countertrade agreement is not likely to have a significant adverse effect on production and employment in the U.S. economy. 3/

The Romanian Government also awarded contracts on the project to a Canadian company and an Italian company. Atomic Energy Canada Ltd. will supply the nuclear equipment, and Ansaldo Meccanico Nucleare will supply the rest of the plant in association with General Electric.

Extension of Most-Favored-Nation Treatment to Romania, Hungary, and China

On June 2, President Reagan sent a message to the Congress recommending that his authority to waive section 402(a) and (b) of the Trade Act of 1974 be renewed and that the waivers currently in effect for Romania, Hungary, and China be continued for another 12 months. Section 402(a) and (b) prohibits the extension of most-favored-nation tariff treatment to the products of any NME that denies or severely restricts emigration by its citizens. The President may waive the prohibition if he determines that granting the country

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1/ Officials are concentrating on engineering and machine building in Romania's industrial program, and engineering products in particular are targeted for export promotion.

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

3/ Statement on the transaction submitted to the Speaker of the House and the President of the Senate on May 26, 1981, p. 3.

MFN status will promote freedom of emigration; however, both the general waiver authority of the President and the waivers that have been granted by him are subject to successive annual reviews and approval by the Congress. 1/

On the same date, the President also sent a memorandum 2/ to the United States Trade Representative authorizing renewal, for the second time, of the 3-year bilateral trade agreement with Romania and, for the first time, the 3-year trade agreement with Hungary. The agreements include the provisions for MFN tariff treatment, which, following congressional approval of the initial agreements, was extended to Romania on August 3, 1975, and to Hungary on July 7, 1978. The 3-year United States-China trade agreement, granting MFN tariff status to that country, did not enter into force until February 1, 1980.

The annual review process began with a hearing before the House Committee on Ways and Means, Subcommittee on Trade, on June 22. 3/ As in past years, the primary issue was the Romanian Government's complicated and lengthy emigration procedures. However, the number of persons emigrating from Romania has increased substantially in the 6 years since that country was granted MFN status. Most witnesses supported renewal of the waivers for Romania, Hungary, and China; in addition to promoting freedom of emigration from these countries, the extension of MFN tariff treatment has been essential to the rapid expansion of bilateral trade and has strengthened bilateral political relations.

In 1980, former Congressman Charles Vanik, then Chairman of the House Subcommittee on Trade, proposed that the status of the NME's receiving MFN tariff treatment under the waiver authority of the President be reviewed by the Congress only every 2 or 3 years, rather than annually. Support for this proposal has increased in the Congress and, according to administration witnesses who appeared before the subcommittee this year, an interagency committee is considering the probable economic effects of adopting the proposal and changing other legislative provisions and regulations that are regarded as barriers or potential barriers to the conduct of U.S. trade with NME's. U.S. businessmen contend that the frequency of the current review process creates too much uncertainty in trade and investment relations with Romania, Hungary, and China.

The testimony presented at the hearing on June 22 indicated that no significant objections to continuing the waivers for another 12 months will be raised by the Congress this year. By adopting a simple resolution of disapproval in either the House or the Senate, Congress can terminate the general waiver authority of the President or the application of MFN treatment to the products of any country subject to disapproval. If neither the Senate nor the House acts between July 3--the annual expiration date of the waiver

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1/ The general waiver authority is conferred on the President in sec. 402(c). The provision for the extension of the waiver authority and the continuation of currently applicable waivers is in sec. 402(d).

2/ Presidential Determination No. 81-9.

3/ A hearing was also held before the Senate Committee on Finance, Subcommittee on International Trade, on July 27.

authority and of any waivers granted under that authority--and August 31, the waiver authority applicable to Romania, Hungary, and China is automatically continued. 1/

First World Bank Loan to China

Following the resumption of China's membership in the World Bank on May 15, 1980, 2/ an economic mission consisting of several teams from the Bank undertook a survey of the Chinese economy. The purpose of the mission was to gain some understanding of the way in which the economy had developed since the Communist revolution in 1949, of the policies followed, and of the present system of economic management in that country. The information gathered provided a basis for the World Bank to evaluate China's economic potential and current development priorities and to begin a loan program.

In seeking representation at the World Bank, the Chinese were motivated primarily by the prospect of receiving extensive low-cost financing for their modernization projects. Government leaders expressed a particular interest in the lending facilities of the International Development Association (IDA), a World Bank affiliate. While the World Bank offers more favorable credit terms than those available to China in the private international capital markets, IDA financing is provided to qualifying countries on a concessionary basis. The standard long-term loan made by the World Bank is for a maximum of 20 years with a 5-year grace period and has a fixed annual interest rate that in recent months has ranged from 9 to 10 percent. 3/ On the other hand, IDA loans have 50-year maturities following a 10-year grace period and are interest free. 4/

1/ Neither the House nor the Senate acted during the 60-day period ending Aug. 31, 1981, and the waivers therefore remain in effect.

2/ The Republic of China became a charter member of the International Monetary Fund (IMF) and its sister institution, the World Bank, in 1946. That government (now Taiwan) retained the seat in both organizations after the Communist revolution and founding of the People's Republic of China in 1949. To accommodate China's request for membership in 1980, the IMF and World Bank recognized the People's Republic of China as a successor government, making China their official representative, and Taiwan's credentials were accordingly revoked.

3/ The rate of interest charged the recipient country is 0.5 percent point above the cost of the money to the World Bank at the time the credit is negotiated.

4/ IDA levies a service charge of 0.75 percent per annum on the outstanding balance of a loan.

As a developing country with an annual per capita gross national product (GNP) of less than $730, China is eligible for IDA assistance. 1/ The data gathered by the World Bank's economic mission to China indicate that nominal per capita GNP grew at an average annual rate of 2.5 to 3.0 percent during the period 1957 to 1979, reaching $260 in 1979. This rate of growth is significantly above the average for other developing countries in the "low-income" group (1.6 percent in 1960-79), but well below the average rate for developing countries in the "middle-income" group (3.8 percent). 2/ After verifying China's eligibility for IDA credit, World Bank officials proposed a lending program that called for a blend of IDA and World Bank financing. On the basis of China's creditworthiness and other considerations, the Bank reportedly calculated that 25 percent of the financing should consist of IDA funds and 75 percent should consist of funds provided under the terms of the World Bank's standard loan program. 3/ However, the Chinese insisted that no less than 50 percent of their borrowing must be from the IDA.

The first loan to China, which is for $200 million, will be divided equally between IDA and World Bank funds. 4/ The loan is designed primarily to support an increase in student enrollment in science and engineering at 26 universities in China and to improve the quality of teaching and research in these areas. The funds will also be used to assist in strengthening the management of universities and China's Ministry of Education, which is responsible for implementing the university development project. A persistent shortage of trained manpower has been one of the principal factors impeding the modernization of the Chinese economy. This project was therefore selected as the first phase of China's program to expand and upgrade its system of higher education.

The total cost of the project will be an estimated $295 million. The $200 million loan will cover the full foreign-exchange cost, and the Chinese Government will finance the remaining $95 million. The standard credit terms of the IDA and World Bank will apply to the loan, with the $100 million in Bank funds subject to a fixed annual interest rate of 9.6 percent. While the World Bank borrows funds to finance its development projects, the

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1/ A per capita GNP of less than $730, expressed in 1980 U.S. dollars, is currently the official figure used by the World Bank in determining a developing country's eligibility for special financing assistance.

2/ World Bank, World Development Report 1981, August 1981, p. 85. The World Bank classifies 36 countries with per capita incomes of $370 or less (in 1979 U.S. dollars) as "low-income countries," and 60 countries with per capita incomes in the range of $380 to $4,380 as "middle-income countries." In the latter group, only 20 countries have a per capita income that is low enough (less than $730) to make them eligible for IDA financing. In arriving at $260 as the per capita income for China in 1979, the World Bank adjusted its calculations to allow for the unusual structure of prices in that country.

3/ Far Eastern Economic Review, May 29, 1981, p. 49.

4/ World Bank news release No. 81/122--IDA news release No. 81/107, June 24, 1981.

interest-free financing extended by the IDA depends upon the contributions of 33 donor countries. The IDA credit will be committed for this project when funds become available. 1/

The World Bank is in the process of evaluating at least two additional projects in China. One loan, if extended, will support the construction of irrigation and drainage systems for use in rehabilitating farmland in the flood plain of north China; in addition, it may provide for the establishment of a rural credit program and other agricultural support services. The financing of a project to modernize existing port facilities is also under consideration, and several other potential investments in China have been identified by bank officials.

Steps To Further Liberalize Controls on Exports to China

On June 4, the Reagan administration decided that measures would be implemented to reduce controls on the export of dual-use, high-technology products to China. 2/ Although no details about the policy or new procedures were given at that time, the decision in effect confirmed that China is officially regarded as a friendly nation. The announcement was made 10 days prior to a trip to China by Secretary of State Alexander Haig and paved the way for him to discuss with Chinese leaders the possibility of selling military equipment to China. By the end of his 3-day visit, the decision had been made: Mr. Haig announced that the United States was willing to consider the sale of armaments to them on a case-by-case basis.

1/ The U.S. commitment to the IDA replenishment fund was $3.24 billion for the 3 fiscal years 1981-83, which began on July 1, 1980. This amount represents 27 percent of the total $12 billion commitment to IDA, and, since 80 percent of the commitments must be secured before any allocation becomes effective, the failure of the United States to authorize its pledge amounted to a veto of the funding. In order to meet loan commitments that had been made in anticipation of receiving the replenishment on schedule, IDA was able to negotiate bridging loans--i.e., a group of major Western European countries and Japan advanced a portion of their commitments. However, no new credit commitments could be made by IDA until the United States had ratified its pledge to the replenishment fund.

On Aug. 13, President Reagan signed into law Public Law 97-35, the Omnibus Reconciliation Act of 1981 (the budget act), which includes a section authorizing the $3.24 billion U.S. contribution to IDA. The authorization stipulates, however, that the contribution is without fiscal-year limitation, rather than for a 3-year period. The commitment to make the contribution is subject to obtaining the necessary appropriation.

2/ For purposes of national security, the U.S. Department of Commerce, Office of Export Administration, controls the export of certain "dual-use" commodities, i.e., commodities having both civilian and potentially significant military applications.

These decisions are an extension of steps taken by the Carter administration, rather than a marked change in U.S. policy. In March 1980, the U.S. Department of State, Office of Munitions Control, issued guidelines for the sale of military-support equipment to China. While no weapons were included on this list of potential exports, the United States was willing to consider, on a case-by-case basis, sales to China of nonlethal items such as military trucks and trailers; aircraft designed for liaison and for carrying cargo and personnel; certain electronic equipment, including radar search systems and weather navigation devices; and some auxiliary military goods, including aerial and other special-purpose cameras. 1/ Changes were also made in the regulations and criteria that applied to the review of applications for export licenses to export dual-use goods and technology to China. On April 25, 1980, the Office of Export Administration (OEA) removed China from the export control classification which includes the U.S.S.R. (Country Group Y) and placed it in a category by itself (Country Group P). This action provided the administrative vehicle for applying less stringent criteria in granting licenses to export dual-use items to China. Under the new guidelines, which were put into effect on July 24, 1980, 2/ certain exports to China for military use were no longer automatically rejected. The new criteria also permitted the sale to China of more technologically advanced equipment than the United States will approve for export to the Soviet Union and other controlled countries. 3/

The guidelines formulated by the Carter administration were suspended after the November elections, pending a review by the new administration. However, when the decision to implement a more liberal export-control policy toward China was announced on June 4, Secretary of Commerce Malcolm Baldrige noted that action had already been taken to expedite review procedures for the great majority of license applications. 4/ Hundreds of applications to export dual-use, high-technology products to China were made following the liberalization of the guidelines last year, but only a few licenses were granted. While the measures instituted by the Reagan administration provide for an increase in the number of dual-use items that may be exported to China, they place particular emphasis upon reducing the number of administrative steps required to process applications. 5/

1/ A complete list of the items was announced in Department of State, Office of Munitions Control, Munitions Control Newsletter, No. 81, March 1980. To date, the Chinese have purchased only one item on this list. Cessna aircraft that China bought in 1980 were equipped with cameras for border surveillance.

2/ OEA delayed processing a number of applications for sales to China until the more liberal criteria had been formulated. Following the review of pending applications, the guidelines were published on Sept. 12, 1980. Department of Commerce, International Trade Administration, news release No. ITA 80-155.

3/ For a more detailed account of the guidelines and other changes made by the Carter administration in the sale of controlled exports to China, see 24th Quarterly Report . . ., pp. 38-40.

4/ Address at annual meeting of the National Council on U.S.-China Trade, June 4, 1981.

5/ Details of the new policy were announced on July 8. Department of Commerce, International Trade Administration, news release No. ITA 81-118.

Speaking before the National Council on U.S.-China trade, Bo Denysyk, Deputy Assistant Secretary for Export Administration, explained that under the new policy there will be "a presumption of approval for products with technical levels twice those previously approved." He gave the following example:

> In computers . . . exports would be favorably considered for those systems with a processing data rate of 64 (a unit characterizing the amount of data that can be processed in a second), instead of the previously allowed processing data rate of 32.

License applications to sell more technically advanced products to China will be considered on a case-by-case basis. However, applications that do not require the approval of the Coordinating Committee for Multilateral Export Controls (COCOM) 1/ will be processed by the Commerce Department rather than subjected to an interagency review. The interagency review procedure is normally followed in processing applications for the export of high-technology equipment to Communist countries. Mr. Denysyk estimated that elimination of the interagency review would reduce the processing time threefold.

In announcing the decision to lift restrictions that have prevented the sale of arms to China, Secretary Haig emphasized that the administration would be proceeding cautiously. He noted that China is regarded as a friendly nation with which this country shares many interests, but it is not an ally of the United States. The administration is expected to develop guidelines on the export of military equipment to China only after extensive consultations with the Congress and U.S. allies. In addition, a high-level Chinese military delegation has been invited to Washington to discuss weapons requirements in relation to what the United States may be willing to sell to China.

1/ COCOM, whose members are the NATO countries (except Iceland) plus Japan, establishes guidelines for the control of exports to Communist countries. A member country that approves an application to export an item on the COCOM list must also receive clearance for the export from the other COCOM members.

ISSUES OF NME PARTICIPATION IN THE GATT 1/

Introduction

Recent years have witnessed increased trade between nonmarket economy countries and Western industrialized countries. An almost total absence of commercial relations between the two areas in 1952 2/ developed into an East-West trade volume of $5.0 billion in 1960 and $105.5 billion in 1979 (table 19). Buoyed by the earlier lessening of tensions between the United States and the Soviet Union, East-West trade generally increased more rapidly than trade among the western industrialized countries from 1970 to 1975 (fig. 6).

A development concomitant with increased East-West trade has been the increased participation of NME's in the General Agreement on Tariffs and Trade, which had been regarded in some quarters as susceptible to adoption and application only by countries having market-oriented economies. The GATT is a set of general rules which form a code of international commercial policy and schedules of tariff concessions which have been made under the agreement. It was established by 23 original contracting parties in 1947. 3/ Since then, the number of signatories has grown to 86, with one additional country participating under provisional accession and 30 more applying the GATT de facto to their commercial relations. The GATT has provided the framework for several rounds of multilateral trade negotiations; the most recent such round was concluded in Geneva in 1979.

None of the original contracting parties to the GATT were NME's when the agreement was negotiated. 4/ In 1957, however, both Poland and Romania obtained observer status in the GATT (table 20). Poland became a full member under a special protocol of accession in 1967, followed by Romania in 1971. Hungary, which had obtained observer status in 1966, became a full member in 1973. One other NME, Bulgaria, has had observer status in the GATT since June 1967.

1/ This part of the report contains the results of a special research project forwarded to the Commission by the Office of Economics and published for the information of our readers.

2/ Franklyn D. Holzman, International Trade Under Communism: Politics and Economics, New York, 1976, p. 136.

3/ The original contracting parties were "The Governments of the Commonwealth of Australia, the Kingdom of Belgium, the United States of Brazil, Burma, Canada, Ceylon, the Republic of Chile, the Republic of China, the Republic of Cuba, the Czechoslovak Republic, the French Republic, India, Lebanon, the Grand-Duchy of Luxemburg, the Kingdom of the Netherlands, New Zealand, the Kingdom of Norway, Pakistan, Southern Rhodesia, Syria, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland, and the United States of America."

4/ Czechoslovakia and Cuba, original contracting parties to the GATT, became NME's in 1948 and 1959, respectively. Since 1959, Cuba's participation in the GATT and in East-West trade liberalization has been marginal, and it will therefore not be discussed in this part of the report.

Table 19.--Exports to and imports from nonmarket economy countries (NME's) belonging to the GATT and total NME's, by specified markets and sources, specified years, 1960 to 1979

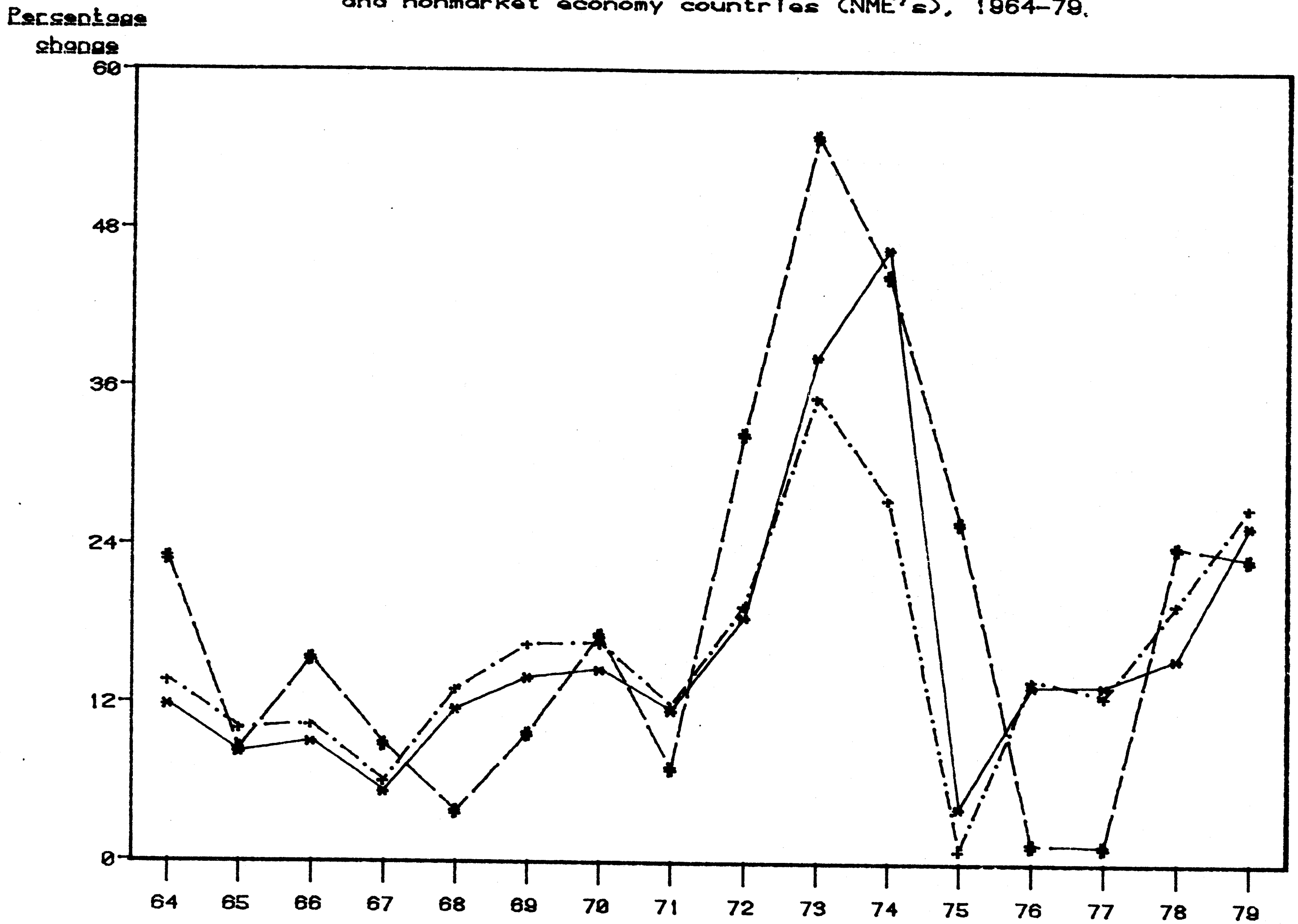
(In millions of U.S. dollars, f.o.b. basis)

Year and market or source	GATT NME's 1/		All NME's	
	Exports	Imports	Exports	Imports
1960:				
NME's	3,252	3,320	9,438	9,231
Developed countries:				
European Community	656	703	1,626	1,711
United States	48	99	78	164
Japan	3	2	83	64
Other	70	23	618	679
Subtotal	777	827	2,405	2,618
All other	817	787	1,344	1,541
Total	4,846	4,934	13,187	13,390
1965:				
NME's	4,966	4,964	13,682	13,543
Developed countries:				
European Community	1,068	1,087	2,671	2,535
United States	98	79	145	152
Japan	21	35	457	491
Other	686	799	1,720	2,568
Subtotal	1,873	2,000	4,993	5,746
All other	688	646	3,332	2,542
Total	7,527	7,610	22,007	21,831
1970:				
NME's	7,176	7,390	19,910	19,925
Developed countries:				
European Community	1,928	2,079	4,419	4,937
United States	139	173	216	334
Japan	52	75	755	1,042
Other	1,223	1,258	2,777	3,510
Subtotal	3,342	3,585	8,167	9,823
All other	990	794	5,070	3,332
Total	11,508	11,769	33,147	33,080
1975:				
NME's	18,060	18,299	47,424	47,574
Developed countries:				
European Community	4,897	7,287	11,234	16,457
United States	398	998	787	3,372
Japan	154	562	2,728	4,856
Other	3,417	4,489	9,763	13,652
Subtotal	8,866	13,336	24,512	38,337
All other	3,145	2,496	13,741	10,422
Total	30,071	34,131	85,677	96,333
1979:				
NME's	28,261	27,487	76,855	75,762
Developed countries:				
European Community	8,748	9,489	23,928	23,469
United States	1,052	1,894	2,316	7,486
Japan	230	608	4,896	7,637
Other	4,944	6,236	16,263	19,507
Subtotal	14,974	18,227	47,403	58,099
All other	3,874	5,722	27,149	17,928
Total	47,109	51,436	151,407	151,789

1/ Poland, Hungary, Romania, and Czechoslovakia.

Source: United Nations, Monthly Bulletin of Statistics, June 1978 and July 1981.

Figure 6.--Percentage change in world trade, total and among developed and nonmarket economy countries (NME's), 1964-79.



Total world trade
Trade between developed countries
Trade between developed countries and NME's

Source: United Nations, <u>Yearbook of International Trade Statistics</u>.

Table 20.--Chronology of relations between NME's and the GATT

Date	Occurrence
February 1948	Czechoslovakia, an original signatory, becomes an NME.
October 1957	Poland and Romania obtain observer status.
March 1965	Contracting Parties agree to Poland's participation in the Kennedy Round to negotiate for accession.
November 1966	Hungary obtains observer status.
June 1967	Bulgaria obtains observer status.
October 1967	Poland accedes to full membership.
November 1971	Romania accedes to full membership.
September 1973	Hungary accedes to full membership.

This part of the report examines the operation of the GATT in the context of East-West trade liberalization and focuses on the GATT accession of Poland, Hungary, and Romania. NME participation has revealed the difficulty of pursuing the traditional GATT goal of universal trade liberalization when conflicting economic systems are involved. The original purpose of the GATT was to increase world trade by establishing a set of rules and procedures to eliminate trade barriers. The liberalization of trade between market and nonmarket economy countries is in consonance with this goal. However, the GATT was established specifically on the principles of private enterprise and classical trade theory, and originally assumed the common link of decentralized market organization among its members. The free-market tenets of the GATT conflict directly with the concepts of central planning and distribution that distinguish nonmarket economic organization.

The experience of the Contracting Parties of the GATT in extending membership to Poland, Romania, and Hungary has therefore consisted mainly of finding ways to accommodate the original GATT provisions to the participation of NME's. The basic conflict between the underlying principles of the GATT and the participation of NME's is outlined in the following section. The third section analyzes the evolution in attitudes among the contracting parties and NME's towards NME participation in the GATT. The inadequacy of the original GATT provisions for NME membership and the development of acceptable protocols of accession are examined in the fourth section. There follows a review of the record of NME participation in the GATT, and a number of conclusions which can be drawn from it.

GATT Principles and Problems of NME Participation

As stated in its preamble, the GATT pursues the goal of "developing the full use of the resources of the world and expanding the production and exchange of goods." The principal means by which this goal is to be achieved are:

1. The elimination of quantitative trade restrictions and the use of tariffs as the only artificial control or limitation on imports;

2. Nondiscrimination, as embodied in the "most-favored nation" clause; and

3. Reciprocal reduction of tariffs and other trade barriers through negotiations.

It is important to recognize that the principles of the GATT are grounded in free market economic traditions. Furthermore, the concepts that stand behind the GATT are ideals that can perhaps never be fully realized, but which present a consistent set of goals and standards by which to measure international trade relations. The objective of improving world resource allocation through international trade, for example, is based on classical economic theory, which states that free trade is necessary in order to maximize world economic welfare. The advantages of free trade, in turn, are based upon the assumed optimality of market organization in general. In essence, the concept of unrestricted international trade is merely a logical extension of the idea of the unhindered exchange of goods within national borders. The freer trade becomes, the more efficiently resources for production can be allocated, the wider the choice offered to consumers, and, as a result, the greater the total economic welfare. This theoretical basis for a market economy assumes, furthermore, that private firms in competition are the most efficient productive units, and that society's economic welfare will be maximized when individual consumers are able to freely choose the combination of goods they desire. In short, decentralized markets with minimal government intervention serve as the model for economic organization in the GATT.

The GATT rests upon this economic foundation. The objective of reducing government trade intervention through tariff reductions, for example, is based on the ultimate goal of maximizing economic efficiency. The GATT sets out to eliminate the use of quantitative restrictions (article XI), limiting their application to strictly defined emergency situations (articles XII, XVIII, and XIX), and to establish the tariff as the only legitimate barrier to trade. The reasoning behind this approach has both a theoretical and a practical component. Tariffs are, first of all, considered superior to other forms of trade restriction because they do not subvert the price mechanism, but only act as a tax on imports. The relative protective effect of a tariff, unlike that of rigid quotas, or other nontariff trade barriers, is not altered by changing conditions of supply and demand. The role of market forces in international trade therefore remains unimpaired under a system of tariffs. In addition, tariffs are the most visible, systematic, and predictable means of trade restriction, and therefore offer the most effective framework for trade liberalization negotiations. These features are particularly suited to the sort of tedious, gradualist measures which characterize trade negotiations.

The principle of nondiscrimination also reflects free-market ideals. Equal access by all suppliers to all markets insures at once the most efficient production of goods and the greatest benefit to consumers. The most-favored-nation clause (article I) attempts to achieve this goal by requiring contracting parties to extend the same trade conditions to each other and placing strict limitations on preferential treatment. The insistence on nondiscrimination permeates the GATT, and is its single most important unifying theme.

Reciprocity in general (article XXVII) and the reciprocal reduction of tariffs and other trade barriers, is a pragmatic negotiating principle which aims to facilitate the mutual extension of trade concessions and thereby consolidate the economic gains of liberalized trade. According to the classical theory of international trade, a single country will still benefit from increased trade even if it extends concessions unilaterally to all other countries, and should therefore not need the incentive of reciprocal concessions in order to liberalize its commercial policy. However, two factors make this approach to trade liberalization was effective. First, it is clear from economic theory that the benefits of trade liberalization will be even greater if both parties lower import barriers. An incentive is thereby established to make trade liberalization conditional on reciprocal concessions. Second, and of more political importance, is the need in democratic societies to form a "free trade consensus" by securing offsetting foreign-trade concessions. In a policymaking environment of competing interest groups, a system of reciprocal trade concessions helps to enlist the political support of exporting firms for trade liberalization as a counterbalance to the potential opposition of import-competing firms that fear the prospect of increased import penetration. In general, the establishment of reciprocity in trade concessions lends legitimacy to the results of trade negotiations as the fruits of an open and even-handed bargaining process, and thereby enhances their political acceptability in the negotiating country.

In this manner, the negotiating framework offered by the GATT attempts to secure a domestic consensus of free trade among the contracting parties so the broader economic principles described above can assert themselves and make possible an international consensus of free trade. The economic welfare implications of classical trade theory are clear: all countries participating in an agreement that lowers trade barriers between them will benefit from the increased commerce and improved resource allocation that results. The GATT therefore appeals directly to the self-interest of nations, and its success depends upon its ability to facilitate liberalized trade relations of mutual benefit to all contracting parties.

Yet the ultimate purpose of the GATT, as it was envisaged at its founding in 1947, goes beyond the attainment of increased national wealth among the contracting parties. Ideally, the GATT aspires to create a liberal world trade order that facilitates peaceful international relations in general. This concept flows from the assumption that measures which eliminate discriminatory trade practices and increase economic welfare universally will also lessen tensions among their beneficiaries. The historical context of the creation of the GATT is important in understanding this goal. At the time of the GATT's inception, a retrospective of trade relations preceding World War II revealed a strong correlation between mercantilist and discriminatory trade policies on the one hand and the general deterioration of political relations culminating in open military conflict on the other. 1/ One of the driving forces behind the GATT, therefore, was a desire to reaffirm and extend the principle of open, free, and nondiscriminatory trade as a means of achieving mutually beneficial and peaceful coexistence.

1/ A review of interwar trade relations is contained in Gerard Curzon, Multilateral Commercial Diplomacy: The General Agreement on Tariffs and Trade and its Impact on National Commercial Policies and Techniques, New York, 1965, pp. 20-27.

The GATT and NME's: conflicts of economic structure

The idea of NME participation in the GATT would appear from a theoretical perspective to be almost totally at odds with the principles of the agreement. 1/ The GATT, in its reliance on the concepts of market organization and nondiscriminatory commercial relations, rejects the basic tenets of the socialist economy. The conflict can be traced to three interrelated features of the nonmarket economy: (1) Non-market price formation and resource allocation, (2) the ultimate control of trade by a central state authority, and (3) the inconvertibility of currency.

Nonmarket price formation and exports.--The theoretical incompatibility of the GATT system with NME participation can generally be characterized as an iss e of incompatible economic structures. The concept of central planning and distribution used in an NME breaks the link between the opportunity cost of resources in productive activity (i.e., the value of all contributing factors of production in their most efficient alternative use) and wages and prices. This link serves as the basis for economic activity in a market economy, and insures, in principle, that raw materials, labor, and capital will be employed in a manner most beneficial to the society as a whole. It also insures that goods and services will be allocated according to consumer preference. Central planning rejects this system by replacing market structures with administrative measures. These include (1) defining detailed national economic and production goals, (2) allocating resources on a national scale, and (3) setting wages and prices according to an overall social plan. The key decisions of investment, production, and distribution, which are determined by impersonal market forces in capitalist societies, are made by state authorities in NME's. 2/

The distinction between the market and the nonmarket economy is no longer so starkly defined. In recent years, governments in many Western industrialized countries have vastly expanded their role in setting national economic objectives, and have even put some of their industries under national control. Nonmarket economies, on the other hand, have, in some cases, liberalized their strict central planning schemes, and have even attempted to decentralize production and distribution decisions. 3/

However, the basic economic structure of NME's is still dominated by central state control. Insofar as the central planning system breaks the link between the opportunity cost and the returns to labor and other resource use, it carries a serious implication for international trade. According to neoclassical trade theory, market organization allows different countries to specialize in the production of goods according to their particular resource endowments. The resulting pattern of comparative advantage then permits all countries to improve their economic welfare by trading goods they produce most efficiently in exchange for goods the other countries produce most efficiently. In rejecting the market system, the NME also denies, in

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1/ Art. XVII contains provisions for the operation of state trading enterprises. See, infra., "GATT provisions for state trading."

2/ For a general discussion of central planning, see Holzman, op. cit., pp. 21-50.

3/ The economic reforms in Hungary provide the most prominent example of this. See, infra., "The terms of accession: Trade concessions."

principle, the workings of comparative advantage. As a result, potential Western trading partners tend to be very concerned about exports from NME's to the extent that the external pattern of commerce of these countries is considered artificial. 1/ The major concern in this regard is that NME's, because of their economic organization, have the ability to increase production for export and to sell exported goods at prices below the cost of production. It is also feared that tariff barriers in market economies are ineffective in limiting imports from NME's since state trading authorities could presumably offset any foreign tariff increase with an equivalent decrease in export price. In short, the common link of market organization which has traditionally existed among GATT members has acted as a basis of trust in the legitimacy of trade patterns among them. Since this link is absent in NME's, it has been difficult for them to overcome the stigma of "central planning" and its assumed trade-distorting effects.

NME control over trade.--A related conflict between the GATT and nonmarket economic organization springs from state control over the conduct of trade relations. In NME's, both imports and exports are ultimately controlled by central trade authorities and are typically administered by foreign trade organizations (FTO's). FTO's are government agencies subsidiary to the trade ministry which act as intermediaries between the producers or consumers of goods in the NME and the foreign importer or exporter. 2/ State-controlled channels of trade subject imports and exports to predetermined targets, which generally form a part of the broader economic plan for the country.

The problem this presents for GATT participation by NME's stems from the fact that tariffs cannot affect trade flows under a state trading system, and it is the tariff on which trade liberalization in the GATT negotiations has traditionally depended. The problem has two roots. As explained above, internal price formation in an NME is determined by administrative judgments of social value rather than by a rational market-clearing mechanism. Insofar as this system denies the existence of a link between NME domestic prices and the world prices of imported products, tariffs are irrelevant to the control of trade. 3/ This is because a tariff cannot, on its own, change the domestic price of a traded good when it can be set at will by state authorities. Yet even if the link between world and domestic prices does exist in an NME, tariffs can only play a role in the flow of imports if state authorities specifically relinquish their direct control over trade. As long as import targets are set by implicit quotas, any tariff system is redundant. In essence, therefore, state trading contradicts the GATT principle that trade control should be limited to import taxes working through an autonomous price mechanism.

The conflict between the GATT and state trading extends to the most important GATT principle: nondiscrimination. Strictly speaking, only a system of private trade can be conducted on the basis of commercial considerations alone and in a nondiscriminatory manner. 4/ Insofar as

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1/ Holzman, op, cit., p. 23.

2/ State trading practices in Hungary are an exception to this pattern. See Holzman, op. cit., pp. 22-23.

3/ Kostecki, op. cit., p. 41.

4/ K. R. Gupta, "GATT and State Trading," Economia Internazionale, February 1967, p. 59.

trade is subject to central planning in advance, commercial motives, adapting to changes in demand and profit opportunities, are not permitted to operate. In addition, the NME's in the Council for Mutual Economic Assistance (CMEA) 1/ conduct trade within that organization on the basis of rigid bilateral exchange agreements which commit a certain amount of each member country's resources for a period of 1 year or more. 2/ The fulfillment of these resource commitments effectively preempts the application of commercial principles in world markets, and implicitly discriminates against Western trade.

Currency inconvertibility.--One common feature of many NME currencies is that they are inconvertible. 3/ Official exchange rates are artificially set and serve primarily as units of account. They do not reflect the purchasing power of the currency and play no role in international markets. A second set of exchange rates, however, is used by NME's to link foreign and domestic prices. These are the commercial exchange rates, which are used to calculate the profitability of a foreign transaction. With the help of world market-economy prices, the NME uses a ruble exchange rate to judge the value of CMEA transactions and a dollar exchange rate to judge the value of market economy trade. Trade accounts with CMEA countries are then generally settled by a barter system, and trade accounts with Western market-economy countries are settled in convertible currencies or by countertrade arrangements. 4/ NME's thus differentiate between trade with convertible currency areas and that with nonconvertible currency areas.

The inconvertibility of NME currencies involves a number of potential problems with the GATT. First of all, such a trade payments system has the ability to foster discriminatory trade relations between CMEA and market-economy countries. This stems from the separation of the two currency areas by the implicit dual commercial exchange rates used in regulating trade.

A second problem arises from the absence in NME's of a monetary balance-of-payments adjustment mechanism. In market economies, a deficit in the balance of payments under flexible exchange rates implies adjustment through a depreciation in the exchange rate and supporting fiscal/monetary policies. Under fixed exchange rates, such a deficit implies a drain on foreign reserves from the deficit country, generally leading to a currency devaluation as a policy measure if the deficit persists. Without convertible currencies of their own, NME's under balance-of-payments pressure cannot adjust in this manner, and must intervene directly to alter the flow of exports and/or imports. The use of quantitative import controls is, to be

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1/ CMEA members originally included Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and the U.S.S.R.

2/ Franklyn D. Holzman and Robert Levgold, "Economics and Politics of East-West Relations" in C. F. Bergsten and L. B. Kraus, eds., World Politics and International Economics, Washington, 1975, pp. 315-316.

3/ Kenneth Dam, The GATT: Law and International Economic Organization, Chicago, 1970, p. 319; Holzman, op. cit., pp. 42-43.

4/ Kostecki, op. cit., pp. 75-77.

sure, allowed by GATT article XII to correct a balance-of-payments deficit, as long as the principle of nondiscrimination is followed. 1/ On the other hand, if an NME used administrative or policy measures which result in a drop in price and lead to increased exports to improve its payments position, it could be exposed to charges of dumping, as described in the section above on nonmarket price formation and exports. 2/

Summary

The conflicts which exist, in principle, between the GATT system and NME participation in it result from a clash of economic structures. Nonmarket price formation, state trading, and the inconvertibility of NME currencies are not compatible with the market mechanisms which form the basis of the GATT. Specifically, these features of nonmarket organization cast doubt upon the ability of NME's to guarantee compliance with the GATT principles of nondiscrimination and the elimination of nontariff barriers. The questionable effectiveness of tariffs as a trade policy instrument in a state trading system and the questionable effectiveness of market-economy tariffs as a barrier to NME imports conflict with the GATT's traditional reliance on tariff negotiations as the primary means of trade liberalization. The problem then arises of what basis exists for mutually beneficial trade concessions.

In essence, GATT principles have traditionally operated through a self-regulating market mechanism, a link between world and domestic prices, and a transparent system of government intervention in trade. The instruments of control over the economy in state trading countries complicate adherence to the rules of the GATT.

The Evolution of Attitudes Towards NME Participation

The cold war

From 1948 to 1955, cold war politics prevented the GATT from playing a constructive role in East-West trade liberalization. During this period, the conflicts in economic structure described in the previous section became part of a much larger political conflict. The prevalent view was that international trade was a dangerous practice when conducted with a political adversary which could, according to this view, exploit the benefits of trade to achieve its own political ends. 3/ The Soviet Union denounced the GATT and, although Czechoslovakia retained its GATT status, prevented any of the other Eastern bloc countries from joining this organization. The United

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1/ The GATT exhorts the contracting parties to avoid "an uneconomic employment of productive resources" and to take measures which "expand rather than contract international trade" (art. XII, 3a.) in dealing with balance-of-payments problems. These guidelines point to the free-trade, market-economy approach of the GATT.

2/ The problem of currency inconvertibility could be responsible for the perception that imports from NME's are dumped. See remarks of Professor Holzman before the conference on the application of U.S. antidumping and countervailing duty laws to imports from state-controlled economies and state-owned enterprises, Don Wallace, Jr., George C. Spina, and Richard M. Rausson, eds., Interface One, Institute for International and Foreign Trade Law, Washington, 1980, pp. 51-52.

3/ Holzman, op. cit., p. 125.

States was equally opposed to the participation by Communist countries in the GATT, and its position in the organization precluded any consideration of this possibility.

The Soviet objection to the GATT stemmed from the fear that it was part of a U.S. plan to achieve world economic and political domination. 1/ Multilateral trade relations, the removal of trade barriers, and the free-market-determined international flow of capital and goods represented, from its perspective, an attempt to impose a capitalist economic system upon the entire world. 2/ Countries that had just recently come under the Soviet sphere of influence, especially those Eastern European countries with strong traditional trading ties with the West, 3/ were therefore susceptible to the penetration of capitalist economic influence. This fear also served as the basis for the principles of bilateralism in Soviet trade relations and autarky in Soviet planning. Only the tight control of all trade by the state and the reduction of such transactions to a minimum, it was thought, could achieve the independence of the socialist state.

Yet the primary concern of the Soviet Union was apparently to keep its Eastern European satellites from negotiating new protocols of accession to the GATT, since it did not force Czechoslovakia to withdraw from the organization. Czechoslovakia had joined the GATT as an original signatory while still an independent, capitalist country. Just 4 months after signing the GATT on October 30, 1947, however, it became a Communist state. 4/ Although the Communist government continued to apply the tariff concessions negotiated under the GATT by the previous regime, the transformation of the economy to a centrally planned, state trading entity eliminated the tariff structure as an effective instrument of trade regulation. Czechoslovakian participation in the GATT apparently was perceived to provide no direct threat to the Soviet Union of "capitalist penetration" in the Eastern bloc. In fact, Czechoslovakian participation in the GATT became more formal than substantial after the Communist regime gained power. 5/ Yet the potential benefits to Czechoslovakia of retaining commercial ties with Western industrialized countries, at no apparent political cost, provided ample reason for it to remain a member of the GATT.

However, those Eastern bloc countries that were not original signatories rejected participation in the GATT, and all of them, including Czechoslovakia, initially followed the Soviet model of autarkic economic development. The rejection of the GATT was, in fact, an expression of the general repudiation of the need for trade with the West. The formation of the Council for Mutual Economic Assistance in 1949 represented an attempt to integrate the centrally

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1/ Kostecki, op. cit., p.3.

2/ Eugen Varga, New Times, Moscow, No. 14, 1948, pp. 1-3. Quoted in Kostecki, op. cit., p. 18.

3/ See, infra., "The beginnings of rapprochement."

4/ The GATT was signed by the original negotiators in October 1947. It became effective for each of the signatories, however, at different dates after each country had completed its necessary domestic procedures. For Czechoslovakia, this was April 1, 1948, some weeks after it became a Communist country.

5/ Despite the ineffectiveness of its tariff system under state trading, Czechoslovakia continued to participate in GATT trade negotiations, making pro forma tariff cuts. Kostecki, op. cit., p. 24.

planned economies of Eastern Europe through a system of bilateral trade agreements, with the goal of attaining collective self-sufficiency and independence from external trade. 1/ Thereafter, the requirements of CMEA membership determined the conduct of trade relations of Soviet bloc countries, even those of Czechoslovakia, whose official GATT membership became subordinate to its state trading commitments. This situation allowed, at best, a low level of trade between Czechoslovakia and the other GATT countries. Ironically, the near insignificance of its trade with the West in the early years of the GATT allowed Czechoslovakia to retain its GATT membership without bringing into the open the incompatibility of its trade regime with GATT principles.

The opposition of the United States to GATT participation by Soviet bloc countries was part of a general effort to hinder their economic and military development for political reasons. 2/ This goal was to be accomplished through measures such as an export embargo on strategic materials and the denial of most-favored nation status and credits and loans. 3/ In short, U.S. East-West trade policy aimed to deny the Soviet bloc countries the benefits of trade, especially with regard to strategic materials.

The main instruments of this policy were the Export Control Act of 1949 and the Trade Agreements Extension Act of 1951. The Export Control Act established a system of export licensing by product and country of destination, allowing Government officials to control strategic materials shipments to Communist-dominated countries. The administrative scope of this legislation resulted in an economic blockade of a broad range of strategic goods to the Soviet bloc. 4/ The United States tried to secure the participation of other NATO countries in the embargo in order to make it more effective, an effort which appeared to succeed at least through 1954. 5/ The Trade Agreements Extension Act provided the means to deny MFN status to imports from NME's. 6/ The act directed the President "to suspend, withdraw, or prevent the application of any tariff concession contained in any trade agreement to imports from the Soviet Union, and from any Communist-dominated or Communist-controlled countries or areas." 7/

Thus, the United States not only opposed the participation of NME's in the GATT but also introduced trade restrictions that specifically discriminated against them. Since the United States was the world's dominant trading power, such measures would have nearly eliminated any benefits from GATT membership that would have accrued had membership been possible.

1/ Karin Kock, International Trade Policy and the GATT, 1947-1967, Stockholm, 1969, pp. 189-90.

2/ See, for example, U.S. Department of State Bulletin, Vol. 18, No. 12, March 29, 1948, pp. 422-425.

3/ Holzman, op. cit., p. 125.

4/ Export Act of 1949, ch. 11, secs. 1-12, 63 Stat. 7 (replaced by the Export Administration Act (EAA) of 1969 and the EAA of 1979). Kazimierz Grzybowski, "East-West Trade Regulations in the United States: The U.S. Trade Act, Title IV," Journal of World Trade Law, vol. 11(6), November-December 1977, p. 505.

5/ Kock, op. cit., pp. 188-89.

6/ Trade Agreements Extension Act of 1951, ch. 141, sec. 5, 65 Stat. 73.

7/ U.S. Tariff Commission, Operation of the Trade Agreements Program, Fifth Report, July 1951-June 1951, Report No. 191, Second Series, 1954, p. 3.

The strategic trade embargo and denial of MFN status to all Communist countries inevitably clashed with the GATT commitments of the United States towards Czechoslovakia. In order to officially remove itself from such commitments, the United States invoked article XXV of the GATT, which allowed for waivers of GATT obligations "in exceptional circumstances." 1/ Czechoslovakia contested this action. 2/ The GATT, however, had no specific provisions to deal with what was essentially a political dispute between members. Finally, the United States issued a declaration to the GATT renouncing its GATT relationship with Czechoslovakia. 3/ The other contracting parties recognized the situation as one that went beyond the purview of the GATT, and they quietly acquiesced in the suspension of GATT obligations between the two countries.

The confrontation between the United States and Czechoslovakia in the GATT was, by virtue of the unusual circumstances surrounding the latter's participation in the agreement, a sui generis case. No precedent for East-West trade relations in the GATT could emerge from the United States' suspension of obligations, simply because at the time no other NME was an original signatory. 4/ In addition, no other GATT member chose to suspend its obligations to Czechoslovakia as the United States had. Still, this episode of GATT relations was symbolic of the institutional conflict between East and West trading systems, and was indicative of the general difficulty of conducting trade relations in an atmosphere of political animosity. Even under conditions of détente several years later, the incompatibility of the NME trading system with GATT principles would require special arrangements.

The beginnings of rapprochement

The first changes in Soviet bloc attitudes towards GATT appeared during the period following Stalin's death in 1953. The shift was marked by a gradual transition from political to economic factors as the motivating force in Soviet policy on trade with the West. First of all, the Soviet Union's consolidation of political power in Eastern Europe lessened Soviet fears of Western economic and political penetration in that area. In general, the cold war had reached a stalemate by 1955, and political tensions had already been reduced by the end of the Korean war (1953) and the Indochina armistice (1954). Conditions for increased trade between East and West were further improved by the relatively amicable four-power summit conference in Geneva in 1955. This atmosphere of rapprochement facilitated the renewal of trade relations between the two areas based on commercial interests. 5/

The lessening of tensions was accompanied by a shift in Soviet attitudes towards trade relations in general. Previously, the Soviet Union had rejected the GATT principles of nondiscrimination and multilateralism in favor of a

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1/ Art. XXV, para. 5. "In exceptional circumstances not elsewhere provided for in this Agreement, the Contracting Parties may waive an obligation imposed upon a contracting party by this Agreement; Provided that any such decision shall be approved by a two-thirds majority."

2/ Curzon, op. cit., pp. 298-300.

3/ Declaration of Sept. 27, 1951: Suspension of Obligations Between Czechoslovakia and the United States Under the Agreement. Contracting Parties to the GATT, Basic Instruments and Selected Documents (BISD), vol. II, p. 36.

4/ See footnote 4, p. 57.

5/ Holzman, op. cit., pp. 138-139.

bilateral approach to trade relations. 1/ However, the advantages of a more liberal, multilateral system of world trade became clear to the Soviet Union as it suffered from discriminatory trade restrictions applied by the West. At the same time, it was not interested in participating directly in the GATT. As a result, the Soviet bloc began to press in 1955 for the creation of a new international trade organization within the framework of the United Nations. This effort met with Western opposition, since the mere Soviet endorsement of multilateralism could not resolve the more fundamental conflicts between state trading and GATT principles. Furthermore, many Western countries believed that the Soviet initiatives were motivated by efforts to circumvent the embargo on strategic trade. 2/ The lack of a political basis of agreement therefore prevented progress from being made in creating a new institutional framework for East-West trade.

The smaller trading countries of Eastern Europe were, however, motivated by more immediate commercial interests, and were becoming more and more willing to work within the existing GATT framework. These countries realized, first of all, that access to Western markets on an MFN basis would be particularly beneficial to them. 3/ Their interest in Western trade was reinforced by the historical commercial ties many Eastern European countries had with the West, especially Western Europe (table 21). Before World War II, Poland, Hungary, and Romania had conducted most of their trade with the countries of Western Europe, while trade with other Eastern European countries and the Soviet Union had been relatively low. Political developments after World War II reversed this pattern of trade. By the late 1950's, the shortcomings of the economic plans of Eastern European countries pointed to the potential advantages of increased access to Western technology. 4/ In order to earn the hard foreign currencies needed to acquire these goods, Soviet bloc countries would also need access to Western import markets.

In view of their interest in renewing traditional commercial ties, a major factor in motivating Eastern European countries to seek GATT membership was the creation of the European Economic Community (EEC). The attitude of the Soviet bloc towards the EEC in the first years after its formation was extremely hostile, largely because it was perceived as a sort of economic arm of NATO. Yet as a customs union, the EEC also appeared to threaten access by Soviet bloc countries to Western European markets. 5/ Despite their protests, however, the Eastern European countries realized that the matter was beyond their control, and they could only attempt to secure the best possible

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1/ Kostecki, op. cit., pp. 3-5.
2/ Kock, op. cit., p. 195.
3/ Kostecki, op. cit., p. 5. Since a smaller country's bilateral trade bargaining position is normally hampered by the size of its import market, multilateral negotiations and nondiscrimination are especially advantageous to it. Gerard and Victoria Curzon, "The Management of Trade Relations in the GATT" in Andrew Shonfield, ed., International Economic Relations of the Western World, 1957-1971. London, 1976, p. 200.
4/ Kostecki, op. cit., p. 6.
5/ Holzman, op. cit., p. 155.

Table 21.--Percentage distribution of exports from and imports to Poland, Hungary, Romania, and Czechoslovakia, by specified markets and sources, 1931 and 1960

(In percent)

Year and market or source	Poland		Hungary	
	Exports	Imports	Exports	Imports
1931:				
Western Europe	65.3	60.9	75.8	60.4
United States	.7	10.6	.7	4.3
Eastern Europe and the Soviet Union	17.4	11.0	9.8	27.2
All other	16.6	17.5	13.7	8.1
1960:				
Western Europe	22.2	19.6	19.6	22.8
United States	2.4	5.6	.3	.2
Eastern Europe and the Soviet Union	54.7	57.9	60.3	62.0
All other	20.7	16.9	19.8	15.0
	Romania		Czechoslovakia	
	Exports	Imports	Exports	Imports
1931:				
Western Europe	63.9	69.9	56.4	58.1
United States	.2	3.7	6.1	4.1
Eastern Europe and the Soviet Union	20.1	20.9	7.7	11.2
All other	15.0	5.5	29.8	26.6
1960:				
Western Europe	19.3	20.8	12.7	14.2
United States	.1	1.0	.6	.3
Eastern Europe and the Soviet Union	65.6	67.8	63.2	63.6
All other	15.0	10.4	23.5	21.9

Source: United Nations, Yearbook of International Trade Statistics, 1960, and League of Nations, International Trade Statistics, 1930/31.

arrangement through the existing institutional framework of international trade as defined by the GATT. 1/ In 1957, Poland and Romania were granted observer status in the GATT. Hungary and Bulgaria were granted observer status in 1966 and 1967, respectively.

The establishment of a relationship between the GATT and Soviet bloc countries would have been impossible, however, if a reciprocal interest in improved East-West trade relations had not developed among Western countries. As the role of cold war politics in trade policy diminished in the late 1950's, commercial considerations in Western European countries became a major factor in developing trade relations with much of Eastern Europe and facilitating that area's participation in the GATT. This trend was later reinforced by the foreign-policy interests of the United States, which was still, in general, a reluctant trading partner with the Soviet bloc, but which saw the political advantages of increasing the economic independence of Eastern European countries through increased trade with the West.

As cold war tensions eased, the Western European allies of the United States were eager to phase out the embargo on strategic trade in which they had participated against the Soviet bloc countries. They pointed to the failure of the embargo either to block the military development of the Soviet Union or to bring about political change in Eastern Europe. 2/ The basic motivating factor in their desire to improve East-West trade relations was an interest in resuming the historical commercial ties which had existed before World War II.

There was thus a symmetry in the economic interests of Eastern and Western Europe in renewing trade relations. Western European countries were particularly interested in gaining access to import markets in Eastern Europe. 3/ In general, the fact that commercial considerations played such a prominant role in the reestablishment of trade relations between Eastern and Western Europe indicated that trade liberalization between the two regions could contribute to the improved allocation of resources and increased economic welfare for both. The potential economic gains from trade provided the basis for a consensus among the contracting parties to allow NME's to participate in the GATT.

For the United States, on the other hand, commercial considerations did not play a large role in the issue of East-West trade, since it had never traded extensively with Eastern European countries (table 21). The growing interest in the United States throughout the 1960's and 1970's in improving East-West relations pointed to the development of increased trade relations as a useful adjunct to a foreign policy of détente. This reflected the philosophy of the GATT that an international economic order based on liberal trade makes peaceful international relations possible, and provided an additional basis for forming a consensus within the GATT to allow the participation of NME's.

1/ Holzman, op. cit., p. 156, notes that the only Eastern European nation which has not shown an interest in increased trade relations between the EEC and Eastern Europe is East Germany. East Germany already had direct access to the lucrative markets in West Germany; in addition, it was, according to Holzman, in a position to lose machinery export markets in Soviet bloc countries as a result of the rapprochement between EEC and CMEA countries.

2/ Kock, op. cit., p. 198; Holzman, op. cit., p. 139.

3/ Holzman, op. cit., p. 139.

Finally, East-West trade liberalization through the GATT was seen as a means of pursuing more specific U.S. policy goals. If the GATT could increase the economic ties of the smaller Soviet bloc nations with the West, for example, it would foster the economic independence of these countries from the Soviet Union. 1/ In addition, the prospect of trade concessions by the West might encourage more independent foreign and domestic policies in Eastern Europe. The link between foreign and trade policies towards these countries was an important factor in generating interest in the United States, the largest and most influential trading country in the world, in East-West trade liberalization in general.

Summary

The attitude of East and West towards NME participation in the GATT evolved from one of rejection, based on cold war hostility, to one of acceptance, based on mutual economic interests and perceived compatibility with other foreign-policy goals. Among Eastern European countries, participation in the GATT could lead to increased access to Western technology, investment, and consumer goods. It also provided the opportunity to renew traditional commercial ties with Western Europe, which were, from the Eastern European perspective, endangered by the formation of the EEC. For the members of the GATT, especially those in Western Europe, there was a corresponding interest in reestablishing trade relations, reinforced by a broader interest in détente.

Progress in East-West trade liberalization under the GATT was dependent, however, on the approval of the superpowers. The Soviet Union, while not interested in becoming a part of the Western-dominated GATT, eventually acquiesced in the participation of its client states in the agreement. The infusion of Western goods into the Soviet bloc was regarded as a way to release Soviet resources for other uses. Meanwhile, the U.S. acceptance of participation of NME's in the GATT was one way of encouraging the independence of Eastern Europe from the Soviet Union.

NME Accession to the GATT

GATT provisions for state trading

While the GATT member countries were by 1957 willing to consider the participation of NME's in the agreement, the agreement itself provided little guidance on how to proceed. As was noted in the section on GATT principles, the agreement assumes among its members a common link of decentralized market organization, which facilitates the application of the basic GATT principles of nondiscrimination, the use of negotiable tariffs as the major instrument of trade policy, and reciprocity in trade negotiations. At the time the original GATT was being negotiated, the Soviet Union was the only centrally planned, state trading country in the world, and it refused to participate in the preparatory work on the GATT draft. Since trade officials in 1947 could not have foreseen the emergence of other fully state trading countries in the

1/ Kostecki, op. cit., p. 14; Holzman, op. cit., p. 143.

world economy, provisions for the participation of such countries in the GATT were not considered necessary. 1/ Instead, the GATT envisaged only the problem of occasional state trading, performed in isolated sectors of the economy by an otherwise market-oriented trading country. 2/ The conflict between a fully state trading country and GATT principles and the accompanying problems of GATT participation by such a country are not addressed in the text of the agreement.

The main GATT provisions for state trading are contained in article XVII, 3/ but these refer mainly to individual state enterprises and are rarely applicable to centrally planned, fully state trading economies. The thrust of article XVII is to assure that the principle of nondiscrimination is upheld when state trading takes place. Thus a state enterprise "shall act in a manner consistent with the general principles of nondiscriminatory treatment" 4/ and "make any . . . purchases or sales solely in accordance with commercial considerations." 5/ Since no specific rules are given to guarantee nondiscriminatory treatment and the exclusive application of commercial considerations, compliance with the provisions of article XVII is left to the good faith of the contracting party. 6/ However, as long as state trading is the exception and not the rule in a given trade regime, the existence of the GATT negotiating structure, based on tariffs and reciprocal treatment, offers a viable framework for voluntary compliance with these provisions. In the context of limited state trading, a violation of the principle of nondiscrimination is an isolated transgression, subject to specific negotiations or isolated retaliatory measures undertaken by the affected contracting party. 7/ Yet when all commerce is conducted on a state trading basis, the entire structure of trade policy becomes a cause for concern. Where no common ground exists between trading partners in the form of private foreign commerce and a reciprocal negotiating framework based on tariffs, there will be a much more skeptical attitude towards the state trader's ability to comply with the principle of nondiscrimination. There is, in addition, little guidance in the GATT on the problem of state trading practices as nontariff barriers to trade, although article XVII recognizes that state trading enterprises "might be operated so as to create serious obstacles to trade." 8/ A GATT review of the problem of state trading

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1/ The United States had submitted an article for inclusion in the charter of the International Trade Organization (ITO) which dealt directly with centrally planned, state trading economies. The ITO, a predecessor of the GATT, never came into being, but the proposed art. 28 ("Expansion of Trade by Complete State Monopolies of Import Trade") was deleted during the negotiations over the draft anyway, for the same reasons that the GATT disregarded the matter. Dam, op. cit., pp. 316-318.

2/ Dam, op. cit., p. 316; John H. Jackson, World Trade and the Law of GATT, Indianapolis, 1969, p. 334.

3/ A detailed analysis of the provisions of article XVII is offered in Jackson, op. cit., pp. 336-361.

4/ Art. XVII(1a).

5/ Art. XVII(1b).

6/ Dam, op. cit., p. 322.

7/ Ibid. This assumes that the violation can be identified, which is not an easy task. However, the violation of the principle of nondiscrimination is presumably not a major problem under occasional state trading and is, in any case, not regarded as a threat to the entire conduct of GATT trade relations.

8/ Art. XVII(3).

also acknowledged that it might serve as "a substitute for other measures covered by the General Agreement such as quantitative restrictions, tariffs and subsidies," 1/ but there is no indication in the GATT of how state trading practices might be reconciled with the basic principles of the agreement or otherwise monitored or modified in a satisfactory manner. Article II does specify that a state trading enterprise dealing in a product covered by a GATT tariff schedule "shall not, except as provided for in that schedule or as otherwise agreed between the parties which initially negotiated the concession, operate so as to afford protection on the average in excess of the amount of protection provided for in that schedule." 2/ Yet this GATT provision again refers to isolated state trading monopolies in an otherwise free enterprise system. The underlying economic theory of protectionist abuse through the operation of a state trading enterprise involves a monopolistic restriction on import supply, which drives the market price of the product up. 3/ In a centrally planned, fully state trading country the protectionist effect is achieved not so much through the operation of the enterprise as through the central authorities' setting of mandatory import target levels and domestic prices. 4/ Levels of protection in such a trading system can therefore be set independently of tariffs. The essential conflict of full state trading with the GATT system lies in the irrelevance of tariffs as an instrument of import protection and the resulting absence of a common basis for trade negotiations.

Aside from the incompatability of state trading with the GATT system on the broad issues of nondiscrimination, protective trade policy instruments, and reciprocity, the GATT does not deal directly with the technical but fundamental issue of dumping allegations against state trading countries. Dumping has traditionally been defined as price discrimination in international trade, practiced by an exporter, either between different foreign markets or between the exporter's domestic and foreign markets. 5/ More recently, some countries, including the United States and the members of the EEC, have occasionally employed an alternative definition of pricing at below the average cost of production. 6/ Article VI(1) of the GATT accommodates both definitions, 7/ but notes that in the case of domestic price formation under state trading, "difficulties may exist in determining price

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1/ BISD, 9th supp., 1961, p. 183.

2/ Art. II(4).

3/ Thus, a state trading enterprise with a monopoly on both domestic production and import supply can increase the gap between the import price of a product and its final domestic selling price by reducing the quantity supplied to the market. The resulting price difference will exceed that given by the tariff rate. See Gottfried von Haberler, The Theory of International Trade, New York, 1971, pp. 349 and 327.

4/ Dam, op. cit., p. 323.

5/ William A. Wares, The Theory of Dumping and American Commercial Policy, Lexington, Mass., 1977, pp. 3-4.

6/ See 19 U.S.C. 164(b) for the U.S. cost-of-production criteria. The EEC applies cost-of-production criteria to imported steel. See Commission Recommendation No. 77/329/ECSC, Official Journal of the European Communities (No. L114), 1977, p. 6.

7/ GATT art. VI(1a) and VI(1bi) contains the price discrimination criteria; Art. VI(1bii) contains the cost-of-production criteria.

comparability for the purposes of paragraph 1, and in such cases importing contracting parties may find it necessary to take into account the possibility that a strict comparison with domestic prices in such a country may not always be appropriate." 1/ The GATT's recognition of the problem posed by central planning for establishing dumping criteria was a result of Czechoslovakia's participation in the agreement. 2/ Yet neither the GATT itself nor the Antidumping Code, adopted by the Contracting Parties in 1967, 3/ provides specific guidelines for dealing with goods allegedly dumped by state-trading countries. The problem is particularly difficult because market prices form the basis on which a dumping investigation is currently made. The concern among market economy GATT members with below-cost pricing of exports from state trading countries makes such products potential targets of antidumping investigations as soon as they enter an import market at a competitive price. 4/

The lacunae in substantive GATT provisions regarding state trading countries pointed to the need for new guidelines and procedures for the participation of these countries in the GATT. Specifically, any framework for GATT membership would have to accommodate the following problems:

1. The assurance of nondiscrimination in the trade relations of the state-trading country, with regard to both the nature of CMEA commitments and trade in general;

2. The establishment of a new system of trade concessions and reciprocity, in view of the problematic nature of tariffs under full state-trading; and

3. The creation of new guidelines on dumping and market disruption, which would bring some order to the problem of perceived nonmarket price formation in state traded exports.

These three issues represented the major obstacles to increased East-West trade liberalization. Their resolution was necessary not only to fulfill the practical requirements of reciprocal trade relations, but also to reconcile the participation of nonmarket economies with the market principles of the GATT.

The NME protocols of accession

In view of the difficulties involved in bringing NME participation in the GATT into accord with the basic principles of the organization, the negotiations for the accession of the first new NME members proceeded slowly. As Eric Wyndham-White, the first Director-General of the GATT, stated in 1959, the GATT's relations with Eastern European countries should proceed "gradually and realistically." 5/ This meant, in essence, that the negotiations for NME

1/ Interpretive note to GATT art. VI(1), sec. 2.

2/ Kostecki, op. cit., p. 24.

3/ General Agreement on Tariffs and Trade, Agreement on Implementation of Article VI, Geneva, 1969.

4/ For a further discussion, see Interface One, op. cit., p. 151ff.

5/ Eric Wyndham-White, "International Trade: Challenge and Response," address at the Fletcher School of Law and Diplomacy, published by the GATT Secretariat, Geneva, 1959, p. 19. Quoted in Kostecki, op. cit., p. 15.

accession would be more cautious than was usually the case. Normally, a market economy country accedes to the GATT by negotiating tariff concessions, the traditional "ticket of admission." A protocol of accession is then drafted, giving the country the advantages of membership as specified in the text of the GATT. 1/

The novelty of NME accession led to a different approach. Instead of adding new provisions to the GATT on state trading, the GATT members agreed that each NME applicant should be treated separately, so that membership would be based on individually negotiated protocols of accession. Each protocol would take into account the special nature of state trading in the context of the GATT. The country-by-country approach was chosen for both institutional and political reasons. First, the best way to reconcile the conflict between NME membership and GATT principles was, from the GATT perspective, to make the new members more like market economies. Individual negotiations afforded the GATT leverage in encouraging the NME's to adopt policies of decentralization and liberalized trade. 2/ In addition, separate treatment allowed the contracting parties to insert special conditions on the participation of NME's and thereby emphasize the exceptional nature of their presence among the members of the GATT. 3/ This also allowed the GATT to differentiate among the various trading systems used by NME's. Since the lessening of tensions between East and West began in the mid-1950's, varying degrees of decentralization and trade policy reform had been achieved by the NME applicants to the GATT. Finally, the individual negotiations were consistent with the bilateral nature of trade and political relations which had developed between the GATT members and Eastern European countries. 4/

The terms of accession: trade concessions.--At present, three NME's have negotiated protocols of accession to the GATT: Poland (1967), Romania (1971), and Hungary (1973). While the protocols are similar in many respects, the manner in which each addresses the conflicts of state trading with GATT principles is different. This is especially true with regard to the various reciprocity formulas devised for each NME.

Poland.--The Protocol of Accession for Poland was signed in June 1967. At various stages of the negotiations, a number of different proposals for Polish trade concessions were discussed. 5/ Agreement was finally reached on a formula which called for Poland to increase its imports from GATT member countries at a rate of at least 7 percent annually. 6/ This was deemed the "price" Poland would pay in exchange for

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1/ Jackson, op. cit., pp. 92-96.

2/ Kostecki, op. cit., p. 15.

3/ Ibid.

4/ Ibid. In particular, Kostecki argues that the individual approach allowed GATT members to link foreign policy considerations to the negotiation of each country's protocol of accession.

5/ For an account of Poland's long road to GATT membership, see Kostecki, pp. 93-95.

6/ BISD, 15th supp., Protocol for the Accession of Poland, Annex B, sec. 1. This formula is reminiscent of the general provisions for trade liberalization between state trading and market economies discussed during the negotiations on the ITO charter. Dam, op. cit., p. 327; Jackson, op. cit., p. 364.

tariff concessions and the gradual removal of quantitative restrictions against it by the Contracting Parties.

A number of problems emerged from this approach to establishing a system of reciprocity in East-West trade relations. First of all, the asymmetry of trade concessions made it difficult to judge the comparative effectiveness of the two sides' liberalizing measures. Tariff reductions and the removal of quantitative restrictions are structural measures that reduce distortions in the import market and thereby facilitate the freer flow of goods. A target increase in general imports, on the other hand, merely establishes the goal of increasing the flow of goods without necessarily improving the economic mechanism by which this is to occur. Furthermore, an arbitrary percentage figure pays no regard to the changing conditions of supply and demand. For example, under given import demand conditions, a large increase in GATT countries' general export supply in 1 year would cause export prices to drop. If true trade liberalization had taken place (i.e., former import restrictions had been removed), the corresponding increase in imports might well be greater than a given percentage. In a year of tight export supply, on the other hand, genuine trade-liberalizing measures might still not lead to the requisite percentage increase in imports. 1/

The disregard of market conditions in the fixed percentage formula points to yet another imbalance in its content. By not accounting for the rate of export growth, the requirement of an arbitrary rate of import increase pays no heed to balance-of-payments considerations. This is of particular concern to an NME, which must generally sell its exports in Western markets and obtain hard currencies before it can import from the West. A shortfall in Polish exports, for example, independent of its import policy measures, could make a 7-percent increase in imports extremely difficult to achieve. The GATT's use of a required increase in general imports as the "ticket of admission" to the agreement, taken in isolation from all other economic variables, thereby breaks the structural link between import performance and trade policy liberalization which normally exists under a system of tariff and nontariff barrier reductions.

Finally, the use of current dollar prices in the calculation of Polish imports subjected the Polish commitment--and its significance to the GATT countries--to the vicissitudes of inflation. Again, the designation of an arbitrary rate of increased imports in the context of changing world monetary and export market conditions could not stand as convincing proof of trade liberalization. 2/

1/ The provision for an annual required increase in Polish imports from the GATT countries was renegotiated during the third review under the protocol of accession in February 1971. The new formula involved the same rate of annual increase, but in the form of a compounded commitment over a longer period. This would allow a shortfall in the 7-percent increase in one year to be offset by a greater increase in the next year. The first commitment period under the new arrangement was 2 years long; subsequent periods were designated to cover 3 years. BISD, 18th supp. L/3475, pp. 198-201. While the new arrangement introduced some flexibility into the agreement on Polish trade concessions, the basic economic criticism of it remains.

2/ Kostecki, op. cit., pp. 125 and 130.

Romania.--In contrast to Poland's binding commitment to increase its imports from the GATT contracting parties by 7 percent annually, Romania was required only to state that it "will develop and diversify its trade with the contracting parties as a whole, and firmly intends to increase its imports from the contracting parties as a whole at a rate not smaller than the growth of total Romanian imports provided for in its Five-Year Plans." 1/

As a low-income country already suffering from chronic trade deficits, Romania argued that a general import commitment along the lines of the Polish formula for accession would be too demanding on its fragile economy. 2/ By linking its GATT trade commitment to its 5-year plan, Romania retained control over import policies to correct possible balance-of-payments deficits. 3/ Western members of the GATT were willing to charge this lower "price of admission" for GATT membership as a result of Romania's independence from Moscow during the events of August 1968 in Czechoslovakia. 4/

As a new method of achieving reciprocity in East-West trade liberalization, however, the Romanian provision for an informal GATT import "target" tied to central planning figures suffers from many of the same drawbacks as the Polish formula. Unlike the removal or lowering of traditional trade barriers, such as tariffs and quotas, the promise to increase imports according to a state-directed plan does not necessarily reduce the distortions present in protected import markets or improve the efficiency of resource allocation. A trade policy measure which works through the administrative discretion of central authorities can only liberalize import restrictions to the extent that state control over imports is reduced. No provisions to reduce this form of protectionism are included in the Romanian Protocol of Accession.

The vagueness of Romania's informal promise to increase trade with the GATT contracting parties makes the value of the agreement particularly uncertain. There is no assurance, in the first place, that central planners will allow total Romanian imports to grow at all in a given year or 5-year period. Implicit quotas in the form of import targets can be varied by trade authorities at will, leaving import suppliers uncertain as to the prevailing level of protection at any given point in time. Furthermore, the phrasing of the Romanian trade concession links imports from the contracting parties with planned, not actual, total imports. This could theoretically restrict the growth of imports from GATT countries to the planned increase in general imports, even if actual total imports exceeded the plan.

Hungary.--The terms of accession for Hungary represented a marked departure from those negotiated with the other two NME's in that the Hungarian trade concession of 1973 was based on its recently introduced system of customs tariffs. This at least appeared to offer a means by which East-West trade negotiations could take place. Ideally, it would represent the establishment of a link between world and domestic prices in Hungary, and would signify the dismantling of the state trading protective mechanisms, which were anathema to the GATT principles. In short, it would provide a basis for the operation of reciprocity in trade liberalization as envisaged by

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1/ BISD, 18th supp., Protocol for the Accession of Romania to the General Agreement on Tariffs and Trade, annex B, sec. 1, p. 10.

2/ Kostecki, op. cit., pp. 95-96.

3/ See, supra, "Currency inconvertibility."

4/ Kostecki, op. cit., p. 30.

the GATT. Yet, while the Western GATT members viewed the Hungarian tariff system as a positive development, lingering doubts remained as to its ability to live up to the market principles of the GATT.

The introduction of a tariff system in Hungary was part of a broad program of economic reform, begun in 1968, whose unifying theme was decentralization. The New Economic Mechanism (NEM), as it was called, set out to bring planning decisions down to the level of individual state enterprises and to establish a system of economic incentives to improve efficiency. 1/ The introduction of ostensibly market-oriented economic reforms, including a schedule of tariffs, in a formerly highly centralized state trading country was viewed with skepticism by many of the GATT members reviewing Hungary's application for accession. 2/ This doubt was based on the lack of confidence in the ability of an NME to effectively dismantle a central planning system and remove itself from pricing and trade-targeting policies.

However, the GATT working party on Hungary's accession investigated the trade implications of the NEM reforms in detail, and was satisfied enough with the progress in decentralization and the removal of state trading import restrictions to recommend that Hungary's tariff concessions be used as the basis for its entry into the GATT. 3/ In spite of the doubts regarding the effectiveness of a customs tariff as an instrument of trade policy in an NME, the genuine attempt by Hungary to align its trading system with Western market principles was viewed favorably by many GATT members. 4/ To the extent that the goal of the Western members of the GATT was to draw such countries closer to a system of market-oriented economic organization, the Hungarian tariff emerged as an efficacious means of accommodating NME participation. The contracting parties were therefore willing to give Hungary's tariff system a chance to work, and demanded no additional trade concession in admitting it to the GATT.

The issue of nondiscrimination.--None of the NME protocols of accession to the GATT squarely addressed the conflict between state trading and the principle of nondiscrimination. While Poland, Romania, and Hungary maintained throughout the accession negotiations that their trading systems operated on a nondiscriminatory basis and followed commercial considerations, certain aspects of their trade relations raised doubts about their ability to fulfill this basic GATT obligation. First of all, the special trade relations among CMEA countries could discriminate against Western trading partners. 5/ In addition, the licensing systems of the three countries were viewed as a possible means of allowing state authorities to direct trade according to bilateral agreements, in violation of the principle of multilateralism. 6/

The issue of CMEA trade relations received mention only in the Hungarian protocol, which stated that Hungary's obligations under the GATT would "not prevent the maintenance by Hungary of its existing trade regulations with

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1/ Holzman, op. cit., pp. 19-20.

2/ The EEC countries, Canada, the United Kingdom, and Sweden reportedly showed the greatest concern. Kostecki, op. cit., p. 97.

3/ BISD, 20th supp., No. L/3889, pp. 34-38.

4/ Kostecki, op. cit., p. 97, and footnote 15, p. 111.

5/ As was noted earlier, the bilateral trade commitments of CMEA countries, which are based on barter arrangements, can be manipulated to divert NME trade, both exports and imports, from the Western to the Eastern trading area.

6/ Holzman, op. cit., pp. 61 and 143; Kostecki, op. cit., p. 54

respect to products originating in or destined for [CMEA] countries . . . ." 1/ Otherwise, the nondiscriminatory operation of NME trading practices under the GATT was to be enforced by monitoring, with any problems leading to consultations. 2/ The protocols stressed the goal of increased trade with GATT countries in general, but the periodic reviews were also designed to insure that NME trade did not discriminate between GATT members. Thus, in the absence of any means to reduce the structural tendency of state trading countries to discriminate in their commercial relations, 3/ the contracting parties tried to contain the problem by accepting NME assurances of nondiscrimination and then providing for periodic reviews of the composition of NME trade.

GATT "insurance" against NME market disruption.--The failure of the NME protocols to resolve the conflicts between state trading and the GATT principles resulted in the imposition of special conditions on the membership of Poland, Romania, and Hungary in the GATT. The one apprehension among GATT members that has continually plagued East-West trade and hampered the development of GATT relations with NME's is the fear of the disruptive effects of nonmarket price formation. The liberal trading order envisaged by the GATT is ultimately based on the legitimacy of markets in allocating resources and determining the prices of traded goods. The absence or reduced role of markets in NME's thus not only makes it difficult for them to comply with GATT trading principles, but also undermines the willingness of market economies to establish trade relations with them at all. In order to compensate for the absence of market pricing in NME enterprises and to allay the fears of GATT contracting parties regarding market disruption, the NME protocols of accession and their supporting documents included provisions for dumping and import surges from the new state trading GATT members, and for the maintenance of discriminatory quantitative restrictions against them.

Dumping.--The GATT contracting parties agreed in the working party reports which preceded the drafting of the protocols of accession for Poland, Hungary, and Romania that the "normal value" of an NME product allegedly dumped could be obtained by using prices or constructed costs of the same product in a surrogate, market-oriented country, presumably one at a similar stage of development as the NME in question. 4/ This measure would allow a GATT country to restrict imports from NME's through the broadened use of antidumping statutes.

Ironically, this attempt to compensate for the absence of markets in an NME resulted in a formula that does not follow the economic criteria otherwise formulated in the GATT. This new dumping criterion would prevent any NME from successfully exploiting its true comparative advantage in a particular product, since, as soon as its export price dropped below the lowest level prevailing in a potential surrogate country, it would become exposed to antidumping duties, even if it could document its own genuinely lower costs. In addition, the use of antidumping statutes in general against NME imports has been criticized as a misdirected attempt to deal with what is actually a

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1/ BISD, 20th supp., sec. 3a, p. 4.

2/ BISD, 20th supp., annex B, p. 8; 18th supp., annex A, pp. 9-10; and 15th supp., annex A, pp. 51-52.

3/ Gupta, op. cit., pp. 59-63.

4/ BISD, supp. 15, L/2806 (Poland), sec. 13, p. 111; supp. 18, L/3557 (Romania), sec. 13, p. 96; supp. 20, L/3889 (Hungary), sec. 18, p. 37.

problem of subsidization. 1/ Nevertheless, the guarantee of antidumping protection against NME imports has proved necessary within the GATT to secure a consensus on East-West trade liberalization.

Surges in imports.--All three protocols of accession included a safeguard provision which allowed the GATT contracting parties to restrict trade if imports from the NME occurred "in such increased quantities or under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products." 2/ However, unlike article XIX of the GATT, which regulates this problem when it occurs between market economy contracting parties, the NME protocols specifically allowed discriminatory trade restrictions to be imposed against imports from the NME in question. 3/ This provision thus denied the NME countries most-favored-nation treatment in the application of the safeguards measures, and thereby denied them a major advantage of normal GATT membership. 4/

Discriminatory quantitative restrictions.--In principle, the protocols provided for the removal of quantitative import restrictions (QR's) maintained by the GATT contracting parties against the respective NME's acceding to the GATT. This was in accordance with the ban on discriminatory QR's as set forth in GATT article XIII. However, the practice of setting bilateral quotas as a means of preventing market disruption by NME imports was deeply ingrained in several GATT countries 5/ and was not yielded easily. The negotiations over NME accession finally led to a compromise which allowed the contracting parties to maintain current QR's against the new NME members of the GATT, provided that the discriminatory or restrictive element in the QR's was (1) not increased, and (2) progressively relaxed and eventually eliminated over a transitional period. 6/ Since no binding commitment was established to remove the QR's, 7/ the continuation of these discriminatory restrictions again denied the NME's the benefits of normal GATT membership.

Summary.--The NME protocols of accession could not completely reconcile the conflict between state trading and the principles of the GATT. Specifically, the protocols could not create a framework for mutual trade concessions (with the exception of Hungary) which could act as a basis for reciprocity, they could not assure nondiscrimination in state trading practices, and they could not ultimately resolve the problem of nonmarket pricing as an impediment to East-West trade. Insofar as these gaps could not be bridged within the GATT system, special provisions were introduced to regulate the participation of state trading countries in the GATT and thereby protect the market economy members from NME market disruption. Included were

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1/ See Curzon, pp. 297-298. However, the problem of measuring a specific product or industry subsidy in a state-controlled economy is at least as difficult as that of determining the existence of dumping.

2/ BISD, supp. 15, sec. 4d. p. 48; supp. 18, sec. 4d, p. 7; and supp. 20, p. sec. 5d, p. 5.

3/ Ibid.

4/ Kostecki, op. cit., pp. 106-108.

5/ The EEC countries, the United Kingdom, Sweden, Finland, and Austria are listed by Kostecki (p. 98) as the main countries using such import restrictions.

6/ See protocols of Poland, sec. 3; Romania, sec. 3; and Hungary, sec. 4.

7/ No transitional period was set for Poland. The period for Romania and Hungary was set to end on Jan. 1, 1975. However, the commitment among GATT contracting parties to end QR's by this date was not binding.

measures which facilitated the use of antidumping laws against NME's, allowed the use of discriminatory restrictions against surges in NME imports, and permitted the maintenance of discriminatory QR's against NME products, with a provision for only gradual relaxation. It is noteworthy that even in the case of Hungary, where a basis for normal GATT relations had ostensibly been created through mutual tariff concessions, the suspicions of GATT contracting parties regarding nonmarket price formation still prevailed.

The participation of NME's in the GATT was thus made conditional upon severe restrictions on the benefits of membership. This revealed the level of irreducible incompatibility existing between the centrally planned, state trading systems and the GATT system, which relegated the NME's to what could be argued is a second tier of GATT membership.

East-West Trade Relations Under the GATT

The previous section showed that the basic conflicts between state trading and the GATT system could not be resolved by special protocols of accession. The special provisions for NME trade concessions in the form of import commitments, as well as measures to protect the contracting parties from NME market disruption and dumping, tended, in fact, to accentuate rather than lessen the differences between market and nonmarket trading systems. As a result, the postaccession trade relations of Poland, Hungary, and Romania have been marked by an attempt to complete the unfinished task of gaining full acceptance in the world trading system.

The special nature of these countries' GATT membership has had two implications for the conduct of their commercial relations in pursuing this goal. The first has been the motivation of the NME members of the GATT to establish, as much as possible, the legitimacy of their trade regimes to the Western GATT members in order to secure a position in the world trading system on an equal footing with the market economies. Their approach has been to try to convince the GATT contracting parties of the nondiscriminatory operation of their trading practices, the validity of their tariff structures, the nondisruptive nature of their export policies, and the use of commercial considerations in trade decisions. Increased confidence among the major market economy countries in the assimilation by the NME's of Western trade policy principles and methods would then presumably lead to universal and unconditional MFN status, the elimination of discriminatory quantitative restrictions, a reduction in the Western fear of NME dumping and, generally, the expansion of trade opportunities worldwide within the framework of the GATT.

At the same time, the presence of the NME's in the GATT, however tentative, has implied a willingness on their part to draw closer to the GATT principles. The East-West rapprochement within the GATT has therefore provided a starting point for Poland, Hungary, and Romania to seek acceptance in the international trading system. First and foremost, the GATT has provided a forum for negotiations and consultations in which new approaches to East-West trade liberalization could be considered and discussed. Aside from the access to the multilateral trade negotiations which the GATT afforded the NME's, the working party reviews of NME membership in the GATT have established a medium for discussing the ongoing problems of discriminatory treatment, market disruption, and dumping regulations, which represent the greatest impediments to East-West trade liberalization. In addition, the partial integration of the NME's into the world trading system through the GATT has aided their efforts to improve bilateral trade relations with the United States and the EEC. Thus, even if the state trading countries could not fully comply with the GATT principles, their success in gaining entry to the GATT has given them an enhanced claim to legitimacy within the community of Western trading nations.

These aspects of postaccession East-West trade relations will be scrutinized in the following section. The examination begins with a review of the problems of MFN treatment by the United States and of developments in the application of QR's by the EEC and other countries against NME members of the GATT. Next, dumping provisions and market disruption, which provide perhaps the most stubborn impediment to East-West trade liberalization, will be discussed. There follows a review of the performance of the NME's under their respective GATT obligations. Finally, a summary of the participation of the NME's in the Multilateral Trade Negotiations points to the possibilities and limitations of East-West trade liberalization under the GATT.

Bilateral trade relations and MFN treatment.--A major problem of the protocols of accession for Romania and Hungary was the accompanying invocation of GATT article XXXV by the United States, which allowed it to refrain from establishing GATT relations with these two particular NME's. The use of article XXXV meant that the United States need not automatically extend most-favored-nation treatment to the new GATT members, as is required under normal GATT relations. This action was required by existing U.S. legislation, 1/ which denied the extension of MFN status to any NME except Poland. 2/ The policy continued in different form under the Trade Act of 1974, 3/ which allowed MFN status to be granted to an NME only under special conditions, including that of a liberal emigration policy. 4/ Even then, the granting of MFN status under the legislation is limited to 1 year and is renewable with congressional approval.

The United States did, in fact, grant MFN status to Romania (1975) and Hungary (1978) under the provisions of section 402 of the Trade Act of 1974. However, the limitations and conditions imposed on the MFN treatment have required the United States to continue to invoke GATT article XXXV regarding Romania and Hungary. From these two countries' point of view, it is likely that the trade opportunities lost as a result of U.S. policy have not been so damaging as the symbolic element of nonrecognition in the GATT by the United States. As was shown in the previous section, the NME's had already found it difficult to achieve equality in the GATT; the refusal by the world's largest trading country to establish GATT relations detracted further from the prestige they had hoped to attain as GATT members.

1/ Trade Expansion Act of 1962.

2/ After suspending MFN status to all NME's in 1951 (see supra, "The evolution of attitudes towards NME participation"), MFN treatment was restored to Poland in 1960.

3/ 19 U.S.C. 2101 et seq.

4/ The conditions are detailed in sec. 402, 19 U.S.C. 2432.

At the same time, Romania's and Hungary's membership in the GATT played an important role in the congressional decision to grant them temporary MFN status. 1/ Thus, even in the absence of official U.S. recognition in the GATT, the prestige of membership has increased the standing of these countries as potential trading partners. At present, no Eastern European country which is not a member of the GATT receives MFN treatment from the United States. 2/

Yet the political element continues to weigh heavily in the conduct of trade relations between the United States and the NME's. In this context, the conflicts in economic principles between East and West are exacerbated by parallel political conflicts. Progress in East-West trade liberalization is, therefore, necessarily tied to developments in political detente.

Discriminatory Quantitative Restrictions

Despite the provisions of the protocols of accession for the GATT contracting parties to progressively remove discriminatory QR's against the NME's joining the GATT, many such restrictions have stubbornly persisted. For the EEC, Sweden, Norway, and Finland, in particular, they still represent a means by which to prevent market disruption by the NME's. 3/ Since special provisions to protect contracting parties against import disruption are already included in the protocols of accession, 4/ the imposition of QR's appears to be redundant in pursuing this goal. However, a closer examination of the exchanges during the GATT reviews of NME accession reveals that the underlying purpose of the discriminatory QR's is to provide added "insurance" against the price-distorting practices of central planning in the NME's. 5/ This element of apprehension in East-West trade relations is the result of the conflict between market principles and NME trading practices which GATT membership has so far failed to resolve.

To be sure, the progressive reduction in the protective effect of QR's has been achieved in many cases. 6/ Yet even after 13 years of Polish

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1/ U.S. Congress, House Committee on Ways and Means, United States-Romanian Trade Agreement, Hearing before the Committee on Ways and Means, 94th Cong., 1st sess., May 7 and 8, 1975, p. 32; U.S. Congress, House Committee on Ways and Means, Most-Favored-Nation Treatment With Respect to Products of Hungary, Hearing before the Committee on Ways and Means, 95th Cong., 2d sess., Apr. 14, 1978, pp. 40ff.

2/ Czechoslovakia and Cuba, while still members of the GATT, do not receive MFN treatment from the United States.

3/ See, for example, the comments of Finland, in BISD, 24th supp., L/4469, sec. 14, p. 152; and Sweden, in BISD, 22d supp., L/4228, sec. 24, p. 58.

4/ See supra, "GATT 'insurance' against NME market disruption."

5/ See especially BISD, 22d Supp., L/4228, sec. 25, p. 59: " . . . the Hungarian system of subsidies which, in the view of (EEC) authorities, constituted a permanent threat . . . ." See also 22d Supp. L/4237, sec. 20, p. 69, citing one trade official's view that "quantitative restrictions [are] the most appropriate instrument of trade defence at the present time, taking into account the direct or indirect aids or other forms of State intervention in effect in Poland."

6/ In general, the provisions of the GATT protocols of accession have led to a reduction in (1) the number of countries applying QR's to the NME members of the GATT, and (2) the scope of the QR's in countries still applying them. These developments are discussed in each GATT working party review: BISD, 22d supp., L/3875, L/4469 (Romania); L/4228, L/4633 (Hungary); and L/3093, L/3315, L/3475, L/3597, L/3751, L/3946, L/4096, L/4237, and L/4483 (Poland).

membership in the GATT, and after deadlines for the removal of discriminatory QR's against Romania and Hungary have run out, 1/ substantial ones still exist against the NME's. In the mid-1970's, the EEC offered to further relax its discriminatory QR's in exchange for bilateral agreements with the NME's which would provide for greater cooperation in trade relations. 2/ Hungary and Poland have so far rejected this offer, fearing that they would have to bargain once again for the trade concessions they thought they had won in the GATT accession negotiations. 3/ Romania, however, concluded such an agreement with the EEC in 1980. 4/

The further liberalization of discriminatory QR's against the NME's will probably depend in large part on their progress in achieving legitimacy as equal partners in the world trading system. As a manifestation of distrust in NME export pricing, the perceived need for such QR's will decrease if the export performance of the NME's dispels their image as potential trade disrupters. In the GATT reviews of NME accession, Poland, Hungary, and Romania have all emphasized the absence of any actions taken by contracting parties under the market disruption provisions of the protocols of accession. While attaining the degree of acceptance necessary to eliminate the need for special protective measures is a time-consuming process, the presence of the NME's in the GATT appears to have accelerated their progress in reaching this goal.

Dumping and nontariff barriers

While the enforcement of antidumping statutes against NME exports has been criticized as an inappropriate method of dealing with the problem of nonmarket price formation, it has, nevertheless, represented the principal response among market-economy GATT members to troublesome import penetration by NME products. In spite of the availability of other protective policy instruments, such as the discriminatory escape-clause provisions of the NME protocols of accession, which are designed specifically to counter import disruption, antidumping statutes provide the most convenient administrative framework for achieving rapid import protection for specific products. In addition, their application to low-priced NME goods emphasizes the perception in market economy countries that surges in imports from state trading countries are generally the result of an irrational pricing system, which is unlawful in international trade if prices fall below a specific "fair value."

In the United States, 198 dumping investigations have been initiated since 1961 (table 22). Of this total, 19 were directed against NME's, including 11 against Czechoslovakia, Poland, Hungary, and Romania since their admission to the GATT. While these amount to 9.6 percent of the dumping investigations, the share of U.S. imports accounted for by NME's was much smaller, ranging from 0.5 percent in 1960 to 3.6 percent in 1979. Of the total number of complaints filed, 5.6 percent were directed against GATT NME's, which had a U.S. import share of approximately 0.3 percent in 1960 and 0.9 percent in 1979. Membership in the GATT has apparently had little impact on the incidence of dumping complaints against NME's.

1/ See footnote 5, p. 119.

2/ BISD, 22d supp., L/4237, sec. 19, p. 67 (Poland); L/4469, sec. 13, p. 151 (Romania); L/4228, sec. 25, p. 58. (Hungary).

3/ See especially BISD, 22d supp., L/4228, sec. 27, pp. 59-60.

4/ Official Journal of the European Communities, L352, Dec. 29, 1980.

Table 22.--U.S. antidumping cases, total and against NME's, 1960-79

Item	Number	Percent of total
Non-GATT NME's	8	4.0
GATT NME's 1/	11	5.6
Other	179	90.4
Total	198	100.0

1/ Czechoslovakia, Poland, Romania, and Hungary.

Source: U.S. International Trade Commission annual reports.

Additional protection for U.S. producers against injury from imports from NME's is provided by section 406 of the Trade Act of 1974, 1/ which allows increased tariffs or other import restrictions to be applied to an NME product (whether or not the NME is a member of the GATT) if market disruption exists. 2/ Whereas the antidumping statute requires a determination both of less than fair value sales and of material injury or threat thereof, the section 406 provisions require the injury determination. The section 406 provisions are therefore theoretically different in their application than the antidumping statutes. Only six such market disruption investigations have been initiated, however, resulting in just one determination of injury. 3/ As is the case with dumping, the number of affirmative determinations is perhaps not as significant as the intimidating effect of the existing trade statutes in restricting imports from NME's.

In the EEC, where very few dumping investigations are ever pursued to a final determination, the initiation of an investigation has the greatest effect on NME trade. The announcement of an antidumping complaint generally leads to a bilateral agreement between the EEC and the exporting country on the price of the product in question in exchange for a termination of the antidumping procedure. 4/ There were 110 such dumping complaints filed in the

1/ 19 U.S.C. 2436.

2/ According to the statute, "market disruption exists within a domestic industry whenever 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."

3/ See Clothespins from the People's Republic of China, The Polish People's Republic, and the Socialist Republic of Romania: Report to the President on Investigations Nos. TA-406-2, TA-406-3, and TA-406-4 . . ., Publication 902, August 1978. On Oct. 2, 1978, the President determined that the question of import relief in this case would be more appropriately decided in the course of a pending escape-clause investigation and denied relief under sec. 406.

4/ See Ivo Van Bael's comments in Dieter Oldekop and Ivo Van Bael, "European Antidumping Law and Procedure," in Steven M. Harris, ed., Antidumping Law: Policy and Implementation, Michigan Yearbook of International Legal Studies, vol. I, Ann Arbor, 1979, pp. 230-244.

EEC from 1972 through 1979 (table 23). Of these, 34 (31 percent) involved NME's in general, while 29 (26 percent) involved GATT NME's.

Table 23.--EEC dumping complaints against NME's, 1972-79

Item	Number of complaints
Total dumping complaints	110
Complaints aganist NME's	34
Complaints against GATT NME's	29
Total country/product complaints 1/	220
Complaints against NME's	81
Complaints against GATT NME's	51

1/ An EEC dumping complaint regarding a particular product often involves more than 1 country. These data count each country per product as a separate complaint.

Source: Official Journal of the European Communities, annual index, various issues.

Using country/product calculations (see footnote to table 23), 220 complaints were filed, including 81 (37 percent) against NME's and 51 (23 percent) against GATT NME's. The shares of EEC imports accounted for by NME's were approximately 4.7 percent in 1970 and 4.1 percent in 1979. The shares accounted for by GATT NME's were 1.9 percent in 1970 and 1.7 percent in 1979. 1/ As in the United States, a disproportionate share of dumping complaints have been lodged against NME's.

The administrative nature of antidumping procedures, in conjunction with the automatic concern with below-cost export pricing when NME products begin to impinge on domestic markets, continues to make antidumping statutes a formidable barrier to East-West trade. Their strict enforcement can effectively negate other liberalizing measures. Their elimination as an impediment to East-West trade liberalization would require either (1) internal economic reforms in NME's which would satisfy Western countries that market forces underlie price formation, (2) a change in attitudes in the West that would remove the stigma of state trading from NME imported goods, or (3) a reform of antidumping statutes themselves.

The nonmarket economy countries' fulfillment of GATT obligations

The early years of GATT membership for Poland, Romania, and Hungary coincided with a general boom in trade with the West. Aside from some first-year difficulties, Poland exceeded the required 7-percent increase in GATT country imports in each year through 1976 (table 24). 2/ Romania's GATT imports increased according to its membership commitment during its 1971-1975 5-year plan (table 25), and Hungary's imports from GATT countries, while not subject to specific GATT commitments, increased substantially from its accession in 1973 through 1978 (table 26). The contracting parties were

1/ Derived from United Nations, Yearbook of International Trade Statistics.

2/ A compounding formula covering 2-, and later, 3-year periods was adopted at the Third Review of Accession, BISD, 18th Supp., L/3475.

Table 24.--Poland's trade with the world and with the developed market economy countries, 1967-79

(Value on an f.o.b. basis)

Year	Total imports		Imports from developed countries		Total exports		Exports to developed countries	
	Value	Percentage change	Value	Percentage change	Value	Percentage change	Value	Percentage change
	Million dollars		Million dollars		Million dollars		Million dollars	
1967	2,645	6.1	835	-	2,527	11.2	746	-
1968	2,853	7.9	862	3.2	2,858	13.1	823	10.3
1969	3,210	12.5	937	8.7	3,142	9.9	892	8.4
1970	3,608	12.4	981	4.7	3,548	12.9	1,061	19.0
1971	4,038	11.9	1,191	21.4	3,872	9.1	1,220	15.0
1972	5,335	32.1	1,889	58.6	4,932	27.4	1,573	28.9
1973	7,813	46.5	3,602	90.7	6,374	29.2	2,256	43.4
1974	10,482	34.2	5,482	52.2	8,315	30.5	3,143	39.3
1975	12,536	19.6	6,368	16.2	10,282	23.7	3,424	8.9
1976	13,867	10.6	6,989	9.8	11,017	7.2	3,691	7.8
1977	14,616	5.4	6,475	-7.4	12,265	11.3	4,048	9.7
1978	16,089	10.1	6,661	2.9	14,114	15.1	4,700	16.1
1979	17,488	8.7	1/	1/	16,233	15.0	1/	1/

1/ Not available.

Source: United Nations, Yearbook of International Trade Statistics, 1972-73 and 1979.

Table 25.--Romania's trade with the world and with the developed market economy countries, 1971-79

(Value on an f.o.b. basis)

Year	Total imports		Imports from developed countries		Total exports		Exports to developed countries	
	Value	Percentage change	Value	Percentage change	Value	Percentage change	Value	Percentage change
	Million dollars		Million dollars		Million dollars		Million dollars	
1971	2,103	7.3	883	-	2,101	13.5	792	-
1972	2,616	24.4	1,133	28.3	2,599	23.7	969	22.4
1973	3,468	32.6	1,581	39.5	3,699	42.3	1,424	47.0
1974	5,144	48.3	2,644	67.2	4,874	31.8	2,198	54.4
1975	5,342	3.9	2,388	-9.7	5,341	9.6	2,067	-6.0
1976	6,095	14.1	2,316	-3.0	6,138	14.9	2,302	11.4
1977	7,018	15.1	2,688	16.1	7,021	14.4	2,296	-.3
1978	6,910	-1.5	2,764	2.8	8,077	15.0	2,851	24.2
1979	10,916	58.0	1/	1/	9,724	20.4	1/	1/

1/ Not available.

Source: United Nations, Yearbook of International Trade Statistics, 1972-73 and 1979.

Table 26.--Hungary's trade with the world and with the developed market economy countries, 1973-79

(Value on an f.o.b. basis)

Year	Total imports		Imports from developed countries		Total exports		Exports to developed countries	
	Value	Percentage change	Value	Percentage change	Value	Percentage change	Value	Percentage change
	Million dollars		Million dollars		Million dollars		Million dollars	
1973	3,919	24.3	1,242	-	4,433	34.7	1,277	-
1974	5,576	42.3	2,052	65.2	5,130	15.7	1,477	15.7
1975	7,176	28.7	2,038	-.7	6,091	18.7	1,437	-2.7
1976	5,528	-23.0	2,095	2.8	4,932	-19.0	1,657	15.3
1977	6,523	18.0	2,524	20.5	5,832	18.3	1,960	18.3
1978	7,902	21.1	3,200	26.8	6,345	8.8	2,113	7.8
1979	6,674	-15.5	2,683	-16.2	7,938	25.1	2,778	31.5

Source: United Nations, Yearbook of International Trade Statistics, 1979.

therefore satisfied with the apparent reciprocity in import trade offered by NME's in exchange for the advantages of GATT membership during their first years in the organization.

However, the worldwide economic downturn of the late 1970's resulted in a sharp drop in NME imports from GATT countries, and revealed some of the broader shortcomings of the GATT reciprocity formulas for NME participation in the GATT. For Poland and Romania, the downward trend in GATT country imports in the late 1970's prompted the contracting parties to question the validity of import commitments as reciprocity for the GATT tariff concessions granted to NME countries. 1/ As was mentioned in the earlier discussion of the GATT terms of accession, there is no direct link between import commitments and the structural liberalization of the importing country's trade restrictions.

For Hungary, the uneven trend in GATT country imports, combined with ongoing suspicions regarding the role of state authorities in trade, raised doubts as to the effectiveness of the NEM reforms and the associated tariff system. 2/ A number of contracting parties have expressed their doubts as to whether state trading practices, including policies of import targets, have been eliminated by the economic reforms.

The GATT reviews of NME accession have also raised the question of the ability of a centrally planned, state-trading country to guarantee compliance with the GATT obligation of nondiscrimination. This concern has arisen especially with regard to Poland's composition of imports. 3/ An examination of the import market shares of Poland and Romania shows, furthermore, that GATT membership tended to increase the relative importance of Western trade until the mid-1970's, when commerce began to shift back to the intra-CMEA sphere (tables 27 and 28). The reversion to previous trade patterns suggests that the improved allocation of world resources could not be guaranteed by simple import commitments as the means of entering the GATT. Hungary, on the other hand, has exhibited a consistently increasing share of imports from Western developed countries (table 29).

In general, the development of the contracting parties' attitudes towards NME participation in the GATT has indicated a general disillusionment with import commitments as a means of reciprocity. For all the doubts about the effectiveness of Hungary's economic reforms, its tariff system has appeared to represent a step towards genuine trade liberalization according to traditional GATT standards. The implication of the initial GATT experience with NME membership was that the most fruitful approach to East-West trade liberalization was the systematic reduction of trade barriers, not the arbitrary fixing of import commitments.

NME participation in the Tokyo Round

The Tokyo Round of Multilateral Trade Negotiations (MTN) (1973-79) offered Hungary and Romania their first opportunity to participate in a

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1/ See Mark Orr, "Eastern European Participation in the Tokyo Round of Multilateral Trade Negotiations," in East European Economic Assessment, A Compendium of Papers submitted to the Joint Economic Committee, Congress of the United States, Washington, 1981, p. 810.

2/ Holzman and Legvold, op. cit., p. 289.

3/ BISD, 25th supp., L/4633, sec. 22, p. 162.

Table 27.--Percentage distribution of Poland's imports and exports, by specified sources and markets, 1967-78

(In percent)

Year	Imports: Developed countries	Imports: Nonmarket economy countries	Imports: All other	Exports: Developed countries	Exports: Nonmarket economy countries	Exports: All other
1967 1/	31.6	60.0	8.4	29.5	62.8	7.7
1968	30.2	62.8	7.0	28.8	63.7	7.5
1969	29.2	64.0	6.8	28.4	63.5	8.1
1970	27.2	66.8	6.0	29.9	61.9	8.2
1971	29.5	65.0	5.5	31.5	60.9	7.6
1972	35.4	59.0	5.6	31.9	61.5	6.6
1973	46.1	49.9	4.0	35.4	58.8	5.8
1974	52.3	42.7	5.0	37.8	53.7	8.5
1975	50.8	44.2	5.0	33.3	57.6	9.1
1976	50.4	45.3	4.3	33.5	57.7	8.8
1977	44.3	50.2	5.5	33.0	57.9	9.1
1978	41.4	52.4	6.2	33.3	58.5	8.2

1/ Actually average shares for the period 1965-67.

Source: United Nations, Yearbook of International Trade Statistics, 1972-73 and 1979; GATT Secretariat, International Trade, 1967.

Table 28.--Percentage distribution of Romania's imports and exports, by specified sources and markets, 1971-78

(In percent)

Year	Imports: Developed countries	Imports: Nonmarket economy countries	Imports: All other	Exports: Developed countries	Exports: Nonmarket economy countries	Exports: All other
1971	42.0	51.1	6.9	37.7	53.3	9.0
1972	43.3	49.1	7.6	37.3	53.1	9.6
1973	45.6	44.5	9.9	38.5	49.4	12.1
1974	51.4	36.0	12.6	45.1	40.4	14.5
1975	44.7	41.4	13.9	38.7	42.0	19.3
1976	38.0	43.4	18.6	37.5	42.8	19.7
1977	38.3	45.9	15.8	32.7	45.5	21.8
1978	40.0	42.1	17.9	35.3	46.7	18.0

Source: United Nations, Yearbook of International Trade Statistics, 1972-73 and 1979.

Table 29.--Percentage distribution of Hungary's imports and exports, by specified sources and markets, 1973-79

(In percent)

Year	Imports: Developed countries	Imports: Nonmarket economy countries	Imports: All other	Exports: Developed countries	Exports: Nonmarket economy countries	Exports: All other
1973	31.7	61.2	7.1	28.8	66.0	5.2
1974	36.8	54.8	8.4	28.8	64.3	6.9
1975	28.4	64.0	7.6	23.6	69.4	7.0
1976	37.9	51.7	10.4	33.6	56.8	9.6
1977	38.7	50.5	10.8	33.6	57.0	9.4
1978	40.5	49.7	9.8	33.3	55.7	11.0
1979	40.2	50.9	8.9	35.0	53.6	11.4

Source: United Nations, Yearbook of International Trade Statistics, 1979.

multilateral round of trade and tariff negotiations under the auspices of the GATT. 1/ Poland, Romania, and Hungary placed great importance on their participation in the talks, since it gave them the chance not only to increase their access to Western markets, but also to strengthen their position as "equal partners" in international trade. The GATT's negative experience with import commitments as trade concessions, however, pointed to the need for new methods of establishing reciprocity in East-West trade liberalization.

Poland and Romania recognized the relative success of Hungary's customs tariff as a means of facilitating GATT relations, and during the Tokyo Round both countries set out to develop a tariff structure which could serve as a basis for reciprocal trade concessions. However, the contracting parties of the GATT reviewed the proposed Polish and Romanian tariff systems, and finally rejected their use as the major instrument of reciprocity. 2/ In view of the continued interest within the GATT to liberalize East-West trade and the growing consensus on the advantages of a structural approach to the removal of trade barriers, the challenge was to find alternative, nontariff concessions acceptable to both the NME's and market-oriented countries in the GATT.

The Tokyo Round negotiations offered two such alternatives. The first was a set of codes covering several nontariff barriers to trade: industrial, health, and safety product standards; import licensing; customs valuation; subsidies and countervailing duties; and government procurement procedures. The codes sought to establish rules of conduct governing the use of administrative measures which tend to restrict trade. The common elements of administrative trade regulation between market economies and NME's provided the means for discussions and negotiations on an equal footing in the standards, licensing, and customs valuation codes. 3/ Romania and Hungary formally acceded to these three codes, and Poland has retained observer status on a number of implementing committees (table 30). 4/

Table 30.--Status of Tokyo Round MTN agreement signatures and acceptances by NME's as of Apr. 15, 1981

Agreement	Bulgaria	Czechoslovakia	Hungary	Romania
Tariff protocol		Accepted	Accepted	Accepted
Standards			Accepted	Accepted
Beef	Accepted		Accepted	Accepted
Dairy	Accepted		Accepted	Accepted
Customs valuation			Accepted	Accepted
Licensing		Accepted	Accepted	Accepted
Aircraft				Accepted
Antidumping		Accepted	Accepted	Accepted

Source: USDA, Report on Agricultural Concessions in the Multilateral Trade Negotiations, FAS-M-301, June 1981, table 4, pp. 128-131.

The codes represented a new area of trade liberalization which helped to integrate NME's into the Western trading system. However, adherence to the

1/ Poland participated in the Kennedy Round.

2/ Orr, op. cit., pp. 815-816.

3/ Ibid., pp. 812-813. The subsidies and government procurement codes would have required far-reaching reforms in the domestic economic structure of Hungary, Poland, and Romania which apparently were unacceptable to these countries.

4/ Ibid., p. 821.

codes alone was not a trade concession sufficient to balance the tariff reductions offered by the market economy countries in the MTN. After lengthy negotiations, the main Western trading entities, the United States and the EEC, agreed to a number of business-facilitation measures as reciprocal trade concessions on the part of NME's other than Hungary. 1/ These measures focused on access to economic information and the liberalization of regulations regarding the operation of Western business enterprises in NME's. 2/

The results of the MTN revealed both the current limitations on East-West trade negotiations and the possibilities of increased liberalization in the removal of nontariff barriers. Since the perennial conflict between the centrally planned economic system and GATT principles still dominates East-West trade relations, the NME's could not attain an equal standing at the MTN with the market economies, with the partial exception of Hungary, whose customs tariff appears to have achieved acceptance as a negotiating instrument. Although the progressive decline in the importance of the tariff has opened new areas of trade liberalization to GATT negotiations, negotiations on those trade barriers which involve market-oriented pricing rules, such as the dumping regulations, still remain outside the grasp of the NME's, including Hungary. The path to the full acceptance of the NME's in the GATT system's present framework continues to be restricted to avenues of decentralization, market-oriented economic reforms, and reduced state intervention in trade.

Summary

The presence of Poland, Hungary, and Romania in the GATT has failed to develop normal GATT relations between NME's and market economy countries. The United States has refused to grant unconditional MFN status to Hungary and Romania, and the EEC and other GATT countries continue to maintain discriminatory quantitative restrictions against NME's in the GATT, a departure from the requirements of article XIII. The enforcement of special dumping criteria against NME's also restricts their ability to increase exports to the West. In addition, while the unusual terms of GATT accession for Poland and Romania has proved difficult to fulfill in times of world economic recession, the Tokyo Round continued the use of ad hoc concession formulas to accommodate the NME countries' participation in the negotiations, reinforcing their compartmentalization as state trading countries. In short, NME membership in the GATT continues to be qualified by the persistent incompatibility of centrally planned, state trading systems and the market orientation of the GATT.

In their ongoing pursuit of legitimacy and acceptance in the world trading system, however, the GATT has nevertheless provided Hungary, Poland, and Romania with access to a forum for negotiations and discussions which can improve East-West trade relations. Hungary has even succeeded in entering into tariff negotiations with the market economy countries of the GATT. The prospect of further nontariff barrier liberalization also holds some promise for NME participation. Yet normal GATT relations for the NME's appear to depend on the pursuit of economic reforms that more closely align their trading practices with those in the GATT system.

1/ Czechoslovakia and Bulgaria also took part in this trade concession agreement. Orr, op. cit., traces the course of the negotiations, pp. 815-821.

2/ Ibid. For a discussion of the U.S. approach to issues of East-West trade in the MTN, see Interface One, pp. 141-150.

APPENDIX

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

Table A-1.--Leading items exported to the nonmarket economy countries (NME's), by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$1,020,386,109	$270,708,705	$331,881,577
130.6540	Wheat, unmilled, not donated for relief	941,330,096	296,530,180	146,710,884
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	243,164,609	32,807,678	191,648,385
184.5260	Soybean oilcake and meal	239,725,099	72,008,563	62,971,767
175.4100	Soybeans, n.e.s	122,457,229	38,499,134	111,445,674
309.4242	Polyester fibers, noncontinuous	120,169,108	71,957,882	43,762,798
300.1550	Other cotton, staple length 1-1/8 inches or more	110,085,563	-	1,650,589
310.0010	Textured yarns, of polyester	61,780,016	31,154,627	7,794,293
480.8005	Diammonium phosphate fertilizer	46,228,105	21,397,703	10,375,000
177.5640	Tallow, inedible	42,449,052	12,023,746	20,479,399
692.3820	Parts of tracklaying tractors, n.s.p.f	39,028,508	14,498,359	15,427,964
252.7810	Kraft linerboard, unbleached	33,884,330	16,678,151	2,976,431
120.1400	Cattle hides, whole	27,498,228	9,287,722	13,173,898
250.0281	Wood pulp, sulphate and soda, bleached, softwood	24,743,046	7,773,308	54,106
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	23,666,332	18,727,300	4,052,953
480.7050	Concentrated superphosphates	23,534,439	3,232,137	-
664.0584	Parts, n.e.s., of oil and gas field drilling machines	22,525,245	6,018,052	4,798,520
444.6000	Polyester resins, unsaturated, etc	21,804,382	9,173,884	19,325,200
517.5120	Petroleum coke, calcined	21,247,049	8,972,000	4,410,639
250.0225	Wood pulp, sulphite, bleached	21,120,737	16,295,303	928,783
	Total	3,206,827,282	957,744,434	993,868,860
	Total, U.S. exports to the NME's	4,201,848,405	1,447,734,662	1,446,124,351

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

Table A-2.--Leading items imported from the nonmarket economy countries (NME's), by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June--	
			1981	1980
145.4880	Peanuts, shelled	$148,613,582	$113,922,055	$1,048
475.2520	Gasoline	125,268,634	102,964,058	28,339,783
107.3525	Canned hams and shoulders, 3 pounds and over	84,815,278	38,658,026	45,422,422
475.3500	Naphthas, derived from petroleum, etc., n.e.s	72,046,204	36,389,091	37,487,328
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	58,681,904	7,782,497	-
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	56,651,631	28,259,038	5,608,107
480.6540	Anhydrous ammonia	39,679,663	11,725,671	21,155,380
620.0300	Nickel, unwrought	34,494,417	27,349,569	829,526
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	25,778,576	11,104,533	10,006,074
605.2020	Gold bullion, refined	18,348,909	909	-
605.0260	Palladium	18,193,665	7,701,624	14,321,936
320.2032	Printcloth shirting, wholly of cotton, n.e.s. (average yarn number 20)	16,317,430	6,413,362	4,610,839
755.1500	Fireworks	14,912,854	9,172,954	8,354,408
186.1560	Feathers, not meeting Federal standards	13,927,105	7,114,443	4,692,065
692.3288	Parts for motor vehicles, n.e.s	12,576,082	4,484,328	3,724,818
472.1000	Barytes ore, crude	12,361,584	7,213,755	5,755,171
382.1220	Women's, girls', or infants' coats, 3/4-length or longer, corduroy, valued over $4 each	11,797,121	8,784,498	2,422,263
700.3550	Men's footwear, of leather, n.e.s., cement soles	11,341,682	5,740,496	5,643,414
417.2800	Ammonium molybdate	10,469,646	3,588,126	6,539,387
475.1035	Heavy fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal vicosity at 100 degrees F of more than 125 seconds	9,466,806	-	-
	Total	795,742,773	438,369,033	204,913,969
	Total, U.S. imports from the NME's	1,696,866,794	903,692,266	575,429,273

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

Table A-3.--Leading items exported to China, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.6540	Wheat, unmilled, not donated for relief	$575,072,286	$222,554,899	$109,684,072
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	236,873,129	31,877,769	189,928,212
309.4242	Polyester fibers, noncontinuous	119,892,999	71,957,882	42,583,528
300.1550	Other cotton, staple length 1-1/8 inches or more	108,234,971	-	1,650,589
175.4100	Soybeans, n.e.s	72,837,140	23,208,215	55,339,055
310.0010	Textured yarns, of polyester	61,780,016	31,154,627	7,224,862
480.8005	Diammonium phosphate fertilizer	46,228,105	21,397,703	10,375,000
252.7810	Kraft linerboard, unbleached	33,884,330	16,678,151	2,976,431
250.0281	Wood pulp, sulphate and soda, bleached, softwood	24,076,491	7,181,948	-
130.3465	Yellow corn, not donated for relief	21,158,960	5,874,867	48,162,398
250.0225	Wood pulp, sulphite, bleached	21,120,737	16,295,303	928,783
200.3510	Douglas-fir logs and timber, in the rough	20,990,967	10,586,976	2,553,460
444.6000	Polyester resins, unsaturated, etc	20,757,986	8,127,488	19,325,200
664.0584	Parts, n.e.s., of oil and gas field drilling machines	20,023,770	4,562,750	3,476,673
699.0030	Tugboats and towboats	19,982,000	19,982,000	-
121.7060	Leather, n.e.s	19,223,951	7,942,704	61,663
338.2930	Woven fabrics of polyester, continuous	18,783,959	7,077,663	4,309
176.5220	Soybean oil, crude, including degummed	17,090,745	-	21,732,358
309.4245	Acrylic and modacrylic fibers (in noncontinuous form)	14,771,194	7,513,603	235,552
252.8010	Kraft linerboard, bleached	12,709,075	4,129,491	-
	Total	1,485,492,811	518,104,039	516,242,145
	Total, U.S. exports to China	1,860,595,800	677,443,634	713,117,070

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

Table A-4.--Leading items imported from China, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
145.4880	Peanuts, shelled	$148,613,582	$113,922,055	$1,048
475.2520	Gasoline	67,518,257	45,213,681	28,339,783
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	22,002,591	9,941,539	7,926,016
320.2032	Printcloth shirting, wholly of cotton, n.e.s. (average yarn number 20)	16,317,430	6,413,362	4,610,839
755.1500	Fireworks	14,912,854	9,172,954	8,354,408
475.3500	Naphthas, derived from petroleum, etc., n.e.s	13,303,190	11,335,945	11,663,550
472.1000	Barytes ore, crude	12,361,584	7,213,755	5,755,171
186.1560	Feathers, not meeting Federal standards	12,133,568	6,252,519	4,085,534
382.1220	Women's, girls', or infants' coats, 3/4-length or longer, corduroy, valued over $4 each	10,662,659	7,988,879	1,216,661
417.2800	Ammonium molybdate	10,469,646	3,588,126	6,539,387
601.5400	Tungsten ore	8,847,186	5,548,323	4,984,644
222.4000	Baskets and bags of bamboo	8,827,535	4,491,781	2,598,085
326.3092	Woven fabrics, not wholly of cotton, not fancy or figured, not colored	8,168,074	3,248,087	-
521.1720	Bauxite, calcined, other	7,443,403	1,321,608	1/
700.6015	Footwear, U.S. type, oxford height, for women and misses	6,881,423	3,989,133	2,090,624
766.2560	Antiques, n.s.p.f	6,649,217	3,656,697	3,196,077
382.5871	Women's sweaters, n.e.s., of wool, valued over $5 per pound	6,577,110	147,609	1,526,884
380.0652	Men's and boys' shirts, of cotton, knit, n.s.p.f	6,509,828	3,299,295	680,834
622.0200	Tin, other than alloyed, unwrought	5,968,314	1,739,910	1,558,485
521.1710	Bauxite, calcined, refractory grade	5,923,636	1,349,594	1/
	Total 2/	400,091,087	249,834,852	95,128,030
	Total, U.S. imports from China	849,106,860	489,320,530	243,090,109

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 521.1700.
2/ Because of changes in the TSUSA trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-5.--Leading items exported to the U.S.S.R., by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$386,782,442	$26,215,175	$67,583,570
130.6540	Wheat, unmilled, not donated for relief	334,490,716	58,144,282	-
177.5640	Tallow, inedible	39,655,137	11,089,523	11,870,809
692.3820	Parts of tracklaying tractors, n.s.p.f	33,848,126	12,262,644	14,492,119
692.3160	Tracklaying tractors, new, with net engine horsepower of 345 and over	23,666,332	18,727,300	4,052,953
517.5120	Petroleum coke, calcined	21,247,049	8,972,000	4,410,639
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	14,780,901	9,943,796	1,125,471
145.4300	Shelled almonds, not blanched	14,514,605	1,089,040	2,047,320
480.7015	Phosphoric acid	14,076,000	14,076,000	-
790.5510	Pressure-sensitive tape, with plastic backing	13,256,367	9,960,199	13,914,815
475.4580	Lubricating oils, n.s.p.f., except white mineral oils	12,001,620	14,222	1/
155.2025	Crystalline or dry amorphous sugar beets or sugar cane, suitable for human consumption without further refining	10,888,503	10,888,503	-
192.2500	Hops	10,008,603	-	257,500
417.1240	Aluminum oxide (alumina)	8,429,453	4,493,136	-
674.3529	Metalworking machines for gear-tooth grinding and finishing, valued at least $2,500 each	8,126,553	4,859,505	-
358.0400	Belting and belts, for machinery, of textile fibers, n.e.s	8,008,121	7,326,977	5,000
601.3300	Molybdenum ore	7,702,705	4,296,544	-
475.4555	Insulating or transformer oils	5,161,442	5,161,442	-
660.5440	Parts of tractor engines	5,096,779	2,693,672	1,565,852
678.3512	Tire-building machines, including vulcanizing presses	4,732,000	3,332,000	530,000
	Total 2/	976,473,454	213,545,960	121,856,048
	Total, U.S. exports to the U.S.S.R.	1,065,529,190	264,380,028	206,004,623

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

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

Table A-6.--Leading items imported from the U.S.S.R., by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June--	
			1981	1980
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	$49,773,957	$7,782,497	-
480.6540	Anhydrous ammonia	39,679,663	11,725,671	$21,155,380
620.0300	Nickel, unwrought	34,494,417	27,349,569	829,526
605.2020	Gold bullion, refined	18,348,000	-	-
605.0260	Palladium	18,193,665	7,701,624	14,321,936
475.3500	Naphthas, derived from petroleum, etc., n.e.s	16,592,091	1,990,095	-
475.1035	Heavy fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal vicosity at 100 degrees F of more than 125 seconds	9,466,806	-	-
124.1045	Sable furskins, whole, undressed	3,474,899	234,619	110,310
169.3800	Vodka, in containers holding not over 1 gallon, valued over $7.75 per gallon	2,592,029	1,405,433	430,026
618.1000	Aluminum waste and scrap	2,213,260	-	-
605.0220	Platinum sponge	2,062,925	1,461,721	1,043,612
605.0750	Palladium bars, plates, etc	1,955,000	172,903	2,533,758
629.1420	Titanium sponge, unwrought	1,745,625	875,000	-
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	1,706,432	582,400	3,237,888
605.0270	Rhodium	1,542,392	604,595	3,164,231
240.1440	Plywood, with face ply of birch, not face finished	1,185,833	633,476	85,162
601.1560	Chrome ore, 46 percent or more chromic oxide	1,020,600	1,020,600	-
605.0290	Platinum group metals and combinations, n.e.s	813,207	313,530	1,038,710
605.0710	Platinum bars, plates, etc	602,626	432,611	796,353
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	593,701	167,977	363,754
	Total	208,057,128	64,454,321	49,110,646
	Total, U.S. imports from the U.S.S.R.	218,672,153	69,006,327	61,045,950

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

Table A-7.--Leading items exported to Romania, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$167,116,015	$92,242,632	$36,877,658
184.5260	Soybean oilcake and meal	86,697,465	35,567,248	11,953,196
175.4100	Soybeans, n.e.s	17,916,318	8,336,584	40,062,184
120.1400	Cattle hides, whole	17,858,625	6,818,372	6,470,426
521.3120	Bituminous coal, n.e.s	15,736,922	6,865,919	3,245,307
415.4500	Sulfur, native elemental or recovered	9,810,723	7,223,222	-
521.3110	Low volatile bituminous coal	9,159,989	2,162,250	9,773,531
170.6500	Cigarettes	6,170,874	6,170,874	-
130.6540	Wheat, unmilled, not donated for relief	5,243,090	5,243,090	32,289,944
480.4500	Phosphates, crude, and apatite	4,379,845	4,379,845	8,971,143
486.2900	Insecticides, unmixed, n.e.s	2,716,225	-	2,160
119.5300	Eggs in the shell, other	2,702,686	1,674,865	-
664.1096	Parts, for oil and gas field lifting equipment, other	2,610,000	-	-
674.9002	Parts, for appliances, other	2,544,467	444,538	-
250.0284	Wood pulp, special alpha and dissolving grades	2,481,914	1,157,774	-
676.5560	Parts for automatic data processing machines and units, n.s.p.f	1,774,363	1,116,074	1,676,724
678.3075	Parts for glassworking machines	1,750,000	1,750,000	-
140.3100	Beans, seed	1,412,292	-	-
664.1068	Derricks, n.s.p.f	1,033,125	-	-
676.2700	Digital data processing machines, n.s.p.f	976,660	-	200,554
	Total	360,091,598	181,153,287	151,522,827
	Total, U.S. exports to Romania	382,979,118	191,453,398	181,122,106

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

Table A-8.--Leading items imported from Romania, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
475.2520	Gasoline	$57,750,377	$57,750,377	-
475.3500	Naphthas, derived from petroleum, etc., n.e.s	42,150,923	23,063,051	$25,823,778
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	34,783,049	19,187,804	1,308,960
475.1015	Light fuel oils, testing 25 degrees A.P.I. or more, Saybolt Universal viscosity at 100 degrees F of less than 45 seconds	8,907,947	-	-
690.3560	Parts of cars, other	6,689,929	3,361,415	1/
107.3525	Canned hams and shoulders, 3 pounds and over	6,627,483	2,448,150	5,736,113
690.1500	Passenger, baggage, etc., railroad cars, not self-propelled	5,988,972	3,927,468	1,417,220
692.3406	Agricultural tractors, power takeoff horsepower of 40 or more but less than 80	5,363,704	4,002,422	3,590,972
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	5,169,675	3,726,706	1,370,502
700.3550	Men's footwear, of leather, n.e.s., cement soles	4,272,062	2,559,640	1,873,717
660.9756	Reciprocating pumps, other, except parts	4,218,883	2,647,373	653
446.1531	Polyisoprene rubber	4,207,514	2,724,368	1,822,977
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	3,713,908	1,149,114	2,058,904
727.3540	Furniture, of wood, n.s.p.f	3,489,046	1,408,129	2,424,110
130.3000	Seed corn or maize, certified	3,243,503	25,149	-
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	3,144,906	2,632,248	3,963,969
480.3000	Urea, n.e.s	2,892,500	2,892,500	2,439,360
610.4930	Hollow bars, not suitable for use in manufacture of ball or roller bearings, n.e.s	2,773,077	2,521,426	246,295
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	2,570,005	1,584,521	892,230
382.8187	Women's, girls', or infants' suits, of man-made fibers, not knit	2,487,187	1,848,530	19,884
	Total 2/	210,444,650	139,460,391	54,989,644
	Total, U.S. imports from Romania	284,465,506	177,358,135	99,568,972

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 690.3500.
2/ Because of changes in the TSUSA trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-9.--Leading items exported to Poland, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$209,188,177	$56,911,003	$46,355,489
184.5260	Soybean oilcake and meal	73,539,706	11,697,470	19,005,983
175.4100	Soybeans, n.e.s	25,287,422	6,718,394	15,810,885
177.5000	Lard	11,976,939	3,422,614	-
116.0100	Butter	9,369,972	9,369,972	-
480.4500	Phosphates, crude, and apatite	6,691,056	-	6,947,995
300.1060	Cotton, not carded, staple length 1 to 1-1/8 inches	6,188,939	929,909	-
300.1530	American Pima cotton and Sea Island cotton	6,090,909	4,335,927	2,670,415
692.3820	Parts of tracklaying tractors, n.s.p.f	4,454,076	1,984,915	920,762
115.5700	Nonfat dry milk, containing not over 3 percent of butterfat, other	4,270,553	4,270,553	-
170.3320	Flue-cured cigarette filler tobacco, stemmed	4,212,769	4,212,769	4,707,298
176.5220	Soybean oil, crude, including degummed	3,981,063	-	912,797
131.3030	Head rice, long grain, not parboiled, not donated for relief	3,930,083	-	-
131.3040	Head rice, medium grain, not parboiled, not donated for relief	3,595,556	446,961	-
176.2520	Linseed oil, crude	3,360,140	-	-
685.2765	Radio equipment and parts, n.s.p.f	3,218,257	2,726,757	3,472
112.6000	Fish, in airtight containers, other than canned	2,837,835	2,653,560	-
184.5000	Linseed oilcake and meal	2,792,066	2,792,066	1,342,472
177.5640	Tallow, inedible	2,790,085	930,393	1,177,530
120.1400	Cattle hides, whole	2,562,571	1,042,881	3,913,602
	Total	390,338,174	114,446,144	103,768,700
	Total, U.S. exports to Poland	439,277,777	134,537,991	132,944,269

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

Table A-10.--Leading items imported from Poland, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
107.3525	Canned hams and shoulders, 3 pounds and over	$62,649,951	$29,771,997	$33,938,195
607.6615	Sheets, of iron or steel, not shaped, not pickled or cold-rolled, n.e.s	21,868,582	9,071,234	4,299,147
110.4740	Pollock blocks, frozen, over 10 pounds	6,149,185	4,903,482	1,288,412
700.3550	Men's footwear, of leather, n.e.s., cement soles	4,218,261	1,753,094	2,414,276
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	4,078,183	2,139,007	2,148,240
674.3512	Machine tools, metal-cutting, engine or toolroom	3,698,791	1,942,176	1,790,292
380.6653	Men's suits, of wool, valued over $4 per pound	2,987,836	1,948,674	1,460,171
672.1620	Sewing machines, other	2,652,332	991,942	1/
646.2622	Brads, nails, etc., of iron or steel, smooth shank, 1 inch or more in length, uncoated	2,607,510	1,471,196	868,664
646.2626	Brads, nails, etc., of iron or steel, smooth shank, 1 inch or more in length, coated	2,357,133	1,312,837	1,025,213
366.2460	Terry towels of cotton, of pile or tufted construction, valued over $1.45 per pound	2,117,412	882,201	1,000,135
692.1090	Automobile trucks, valued under $1,000	2,077,350	860,310	1,116,127
727.1500	Furniture and parts, of bentwood	2,031,894	1,051,406	1,154,298
700.2960	Men's welt footwear, of leather, n.e.s., valued over $6.80 per pair	2,023,791	938,386	1,273,519
192.2500	Hops	1,930,909	145,985	-
380.3941	Men's and boys' suit-type coats, of cotton, not knit, not ornamented	1,791,253	1,036,568	1,610,041
609.8041	Channels, other than alloy iron or steel, maximum cross-sectional dimension of 3 inches or more	1,766,027	751,336	957,201
110.4710	Cod blocks, frozen, over 10 pounds	1,623,469	1,323,970	1,729,886
382.1206	Women's raincoats, n.e.s., 3/4-length or longer, valued over $4 each	1,590,249	744,675	116,062
646.6320	Cap screws, of iron or steel, having shanks or threads over 0.24 inch in diameter	1,552,189	1,070,818	1,364,228
	Total 2/	131,772,307	64,111,294	59,554,107
	Total, U.S. imports from Poland	206,443,383	103,191,750	113,470,826

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 672.1600.
2/ Because of changes in the TSUSA trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-11.--Leading items exported to East Germany, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$122,776,071	$46,388,666	$105,211,319
184.5260	Soybean oilcake and meal	48,451,000	10,951,500	13,854,552
130.6540	Wheat, unmilled, not donated for relief	25,350,835	9,414,740	-
444.6000	Polyester resins, unsaturated, etc	1,046,396	1,046,396	-
355.0740	Paddings, waddings, and upholstery fillings, of manmade fibers, other	937,700	319,377	-
309.7630	Manmade fibers of polyester, waste and advanced waste	671,335	315,958	-
818.9000	General merchandise, valued not over $500	533,715	197,633	335,928
711.8070	Pressure gages, industrial process, electrical	424,736	-	-
175.4100	Soybeans, n.e.s	235,941	235,941	233,550
685.2725	Transceivers for frequencies over 400 MHz	211,737	211,737	-
661.9880	Parts, n.s.p.f., of filtering and purifying equipment	208,294	151,921	30,404
444.2520	Polymerization- and copolymerization-type resins	202,656	-	505,200
300.3021	Cotton linters, n.e.s	197,168	77,148	112,434
170.3320	Flue-cured cigarette filler tobacco, stemmed	163,037	163,037	56,951
444.5410	Epoxy molding compounds	150,082	-	1/
690.3310	Airbrake equipment, designed for locomotives, other	135,427	-	-
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	119,908	62,772	2,313
661.1288	Parts, refrigeration and airconditioning compressors, other	115,709	-	-
664.0591	Parts, n.e.s., of excavating machinery, other	110,391	-	-
446.1526	Ethylene-propylene	109,514	47,144	93,063
	Total 2/	202,151,652	69,583,970	120,435,714
	Total, U.S. exports to East Germany	203,918,366	70,424,608	129,522,017

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 444.5400.
2/ Because of changes in the Schedule B trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-12.--Leading items imported from East Germany, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	$3,518,802	$1,182,239	$1,099,660
480.5000	Potassium chloride, crude	3,050,168	2,226,968	-
772.5105	Passenger car tires, new	1,889,970	788,158	507,448
676.0510	Typewriters, electric, nonautomatic, portable	1,014,290	752,180	336,900
121.5000	Pig and hog leather	718,800	207,600	474,000
668.2340	Offset presses, of the roll-fed type, weighing 3,500 pounds or more	587,435	-	-
772.5115	Pneumatic truck and bus tires, new	548,536	287,301	293,434
494.2000	Montan wax	541,080	340,506	479,119
674.3025	Gear hobbers	444,662	61,909	-
668.5060	Parts of printing presses	396,037	203,684	142,161
546.6040	Tableware, etc., valued over $0.30 but not over $3	377,983	197,932	32,760
546.6840	Tableware, kitchen ware, and cooking ware, valued over $5 each	368,690	158,018	28,655
534.1100	Ceramic statues, etc., valued over $2.50 each	345,650	137,259	69,343
408.2300	Herbicides, including plant growth regulators, n.e.s	327,805	327,805	-
722.1635	Still 35-mm cameras, n.e.s., valued over $10 each	299,238	123,577	142,493
685.7080	Sound signalling apparatus, n.e.s	291,560	291,560	-
674.3527	Gear-tooth grinding and finishing machines	285,361	155,692	40,187
670.2000	Knitting machines, other than circular knitting machines, n.e.s	283,171	283,171	157,920
380.0609	Jogging, warmup, and similar types of athletic jackets	276,667	157,208	533,555
674.3272	Boring machines, used or rebuilt	257,789	100,812	21,500
	Total	15,823,694	7,983,579	4,359,135
	Total, U.S. imports from East Germany	22,550,606	11,298,379	10,057,650

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

Table A-13.--Leading items exported to Bulgaria, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June--	
			1981	1980
130.3465	Yellow corn, not donated for relief	$85,571,222	$42,448,051	$12,292,364
184.5260	Soybean oilcake and meal	26,187,398	13,792,345	8,672,718
480.7050	Concentrated superphosphates	6,402,227	1,967,424	-
175.4100	Soybeans, n.e.s	6,180,408	-	-
601.2500	Lead ore	5,010,112	5,010,112	-
422.7700	Zinc compounds, n.e.s	4,931,500	4,931,500	-
170.3320	Flue-cured cigarette filler tobacco, stemmed	4,503,525	3,450,041	621,502
170.3340	Burley cigarette filler tobacco, stemmed	2,718,186	1,610,672	-
601.6100	Zinc ore	2,420,336	2,420,336	-
415.4500	Sulfur, native elemental or recovered	1,774,511	-	-
676.2700	Digital data processing machines, n.s.p.f	742,859	742,859	-
140.0300	Great northern beans, except seed, dried, etc	698,897	698,897	-
250.0284	Wood pulp, special alpha and dissolving grades	575,719	-	-
712.5025	Frequency-testing apparatus, and parts	375,912	375,912	-
435.8500	Anticonvulsants, hypnotics, and sedatives	318,600	75,600	18,900
124.1525	Mink furskins, whole, undressed	303,003	303,003	-
486.2900	Insecticides, unmixed, n.e.s	292,500	195,000	-
170.5100	Unmanufactured tobacco, n.s.p.f	261,895	126,512	-
688.0240	Telephone and telegraph wire and cable, other	235,886	-	-
131.4050	Bulgur, donated for relief	235,794	-	-
	Total	149,740,490	78,148,264	21,605,484
	Total, U.S. exports to Bulgaria	153,961,575	80,376,386	28,150,628

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

Table A-14.--Leading items imported from Bulgaria, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
170.2800	Cigarette leaf, not stemmed, not over 8.5 inches	$7,627,672	$3,215,758	$4,086,041
676.0530	Typewriters, nonelectric, nonautomatic, portable	1,237,391	671,426	269,154
117.6700	Pecorino cheese, not for grating	603,698	240,000	193,710
674.3512	Machine tools, metal-cutting, engine or toolroom	506,941	117,740	341,211
167.3020	Wine, not over 14 percent alcohol, valued not over $4 per gallon, in containers not over 1 gallon	217,239	78,450	164,645
676.0510	Typewriters, electric, nonautomatic, portable	151,330	151,330	-
700.3550	Men's footwear, of leather, n.e.s., cement soles	144,141	-	263,317
653.2200	Metal coins, n.e.s	126,063	450	-
439.1090	Natural drugs, n.e.s., crude	119,733	46,746	54,225
107.3525	Canned hams and shoulders, 3 pounds and over	100,408	-	82,690
161.7100	Paprika, ground or unground	69,291	-	-
452.6000	Rose oil or attar of roses	61,511	-	40,435
382.6315	Women's, girls', or infants' coats, n.e.s., of wool, valued over $4 per pound	41,572	-	301
452.3200	Lavender and spike lavender oil	41,108	20,460	18,810
546.6060	Glassware, not tumblers or tableware, valued over $0.30 but not over $3, n.e.s	27,226	-	2,291
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	19,221	-	46,771
161.5500	Mint leaves, crude or not manufactured	17,425	17,425	-
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	17,138	-	-
674.3522	Machine tools, metal-cutting, n.e.s	16,891	16,891	100,335
161.6700	Crude origanum	16,246	16,246	-
	Total	11,162,245	4,592,922	5,663,936
	Total, U.S. imports from Bulgaria	11,261,492	4,641,134	5,965,440

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

Table A-15.--Leading items exported to Hungary, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
480.7050	Concentrated superphosphates	$5,406,866	$1,264,713	-
692.3840	Parts, n.e.s., of other tractors, n.s.p.f	2,629,260	1,613,269	$654,881
678.5002	Oil and gas field wire line and downhold equipment and parts thereof	2,419,741	120,684	1,788
540.4200	Glass rods, tubes, and tubing	1,659,258	886,086	873,659
120.1400	Cattle hides, whole	1,438,428	580,209	283,220
692.1680	Special-purpose vehicles, nonmilitary, n.s.p.f	1,200,000	1,200,000	-
692.3340	Tractors, wheel-type, agricultural, with horsepower of at least 120 but less than 140	1,132,308	-	-
435.7700	Cardiovascular drugs	1,121,534	-	1,125,387
687.6087	Parts of transistors, chips, dice, and wafers	1,009,594	559,507	-
692.2985	Parts, n.s.p.f., of motor-vehicle chassis, bodies, etc	903,187	170,010	619,942
692.2928	Brakes and parts thereof, n.e.s	717,252	544,502	17,517
666.0063	Parts for harrows, roller stalk cutters, and soil pulverizers, n.s.p.f	679,804	156,406	155,447
435.3300	Corticosteroids, n.s.p.f. (bulk)	662,372	90,457	560,000
130.3440	Corn seed, except sweet, not donated for relief	646,880	518,175	196,580
435.1530	Penicillin, other	629,949	169,370	-
678.5071	Concrete pavers, finishers, and spreaders	568,530	568,530	-
664.0584	Parts, n.e.s., of oil and gas field drilling machines	566,274	61,627	208,393
120.1740	Kip skins, whole	546,260	440,810	50,490
660.4872	Gasoline engines, not automobile or marine, under 6 brake horsepower	466,701	207,832	293,355
666.0007	Plows and listers, other	432,044	-	-
	Total	24,836,242	9,152,187	5,040,659
	Total, U.S. exports to Hungary	42,661,635	18,634,133	20,532,841

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

Table A-16.--Leading items imported from Hungary, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
107.3525	Canned hams and shoulders, 3 pounds and over	$13,150,562	$5,308,205	$4,812,864
692.3288	Parts for motor vehicles, n.e.s	12,354,766	4,418,890	3,647,463
692.3460	Parts for agricultural tractors	5,053,577	2,243,252	2,132,527
686.9030	Other lamps, including standard household	4,723,310	2,758,309	2,517,685
692.0440	Motor buses, other (including diesel)	3,564,469	2,220,254	-
700.4540	Women's footwear, of leather, cement soles, valued over $2.50 per pair	2,601,960	1,288,900	351,570
124.1040	Rabbit furskins, whole, undressed	1,340,693	985,729	-
130.3000	Seed corn or maize, certified	1,263,264	-	-
678.3220	Machines for assembling electric filament and discharge lamps, n.e.s	937,202	937,202	-
107.3040	Bacon, not boned and cooked	838,618	327,336	866,702
161.7100	Paprika, ground or unground	815,042	229,341	273,390
425.3620	Pesticides	697,635	697,635	-
676.0560	Typewriters, nonelectric, nonautomatic	684,421	325,286	579,074
167.3040	Wine, not over 14 percent alcohol, valued over $4 per gallon, in containers not over 1 gallon	596,228	242,855	315,108
542.3120	Ordinary glass, weighing over 16 but not over 18.5 ounces per square foot, not over 40 united inches	564,897	258,589	185,838
708.4520	Sunglasses and sungoggles, valued over $2.50 per dozen	533,070	180,240	173,280
411.2400	Sulfamethazine	504,821	242,330	1/ -
437.3250	Antibiotics, other	489,975	1,211	90,041
772.5115	Pneumatic truck and bus tires, new	453,053	209,611	231,738
546.1820	Tumblers, goblets, and other stemware, valued over $3 but not over $5 each	411,413	182,627	43,489
	Total	51,578,976	23,057,802	16,220,769
	Total, U.S. imports from Hungary	64,619,912	29,092,415	23,090,598

1/ Prior to July 1, 1980, this item was classified under the now-deleted item 407.7220. There were no imports of this item from Hungary in April-June 1980.

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

Table A-17.--Leading items exported to Czechoslovakia, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
130.3465	Yellow corn, not donated for relief	$27,793,222	$628,311	$15,398,779
184.5260	Soybean oilcake and meal	4,849,530	-	3,045,000
120.1400	Cattle hides, whole	3,855,049	846,260	1,099,852
130.6540	Wheat, unmilled, not donated for relief	1,173,169	1,173,169	4,736,868
670.1220	Textile machines, reeling or winding	1,100,765	515,506	72,248
124.1527	Muskrat furskins, whole, undressed	734,750	519,750	340,250
207.0035	Wooden pencil slats	722,721	316,154	229,850
192.2500	Hops	679,641	-	-
486.2900	Insecticides, unmixed, n.e.s	573,165	386,175	232,560
674.3588	Mechanical presses, metalforming	501,032	-	-
310.0026	Yarns of cellulosic fibers, other	485,815	275,833	123,279
674.3575	Shearing machines, valued at $2,500 and more, other	432,485	-	-
818.9000	General merchandise, valued not over $500	353,782	50,496	207,399
662.1265	Packaging and wrapping machinery, other	332,799	-	-
250.0292	Cotton linter pulp	330,587	111,996	76,883
711.8710	Chemical-analysis equipment and parts, electrical, n.s.p.f	329,711	254,775	152,720
687.6047	Microprocessors, n.e.s	278,291	239,039	1/
676.5560	Parts for automatic data processing machines and units, n.s.p.f	235,629	65,848	159,022
124.1528	Nutria furskins, whole, undressed	219,800	-	-
540.4200	Glass rods, tubes, and tubing	204,711	204,711	323,726
	Total 2/	45,186,654	5,588,023	26,198,436
	Total, U.S. exports to Czechoslovakia	50,514,559	8,156,079	32,307,580

1/ Prior to Jan. 1, 1981, this item was classified under the now-deleted and more comprehensive item 687.6043.
2/ Because of changes in the Schedule B trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-18.--Leading items imported from Czechoslovakia, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
610.3920	Oil well casing, other than alloy steel, not advanced	$3,094,766	$1,530,263	$504,185
192.2500	Hops	2,919,871	-	271,519
700.2940	Welt work footwear, of leather, valued over $6.80 per pair	2,570,851	1,551,203	2,236,487
107.3525	Canned hams and shoulders, 3 pounds and over	2,286,874	1,129,674	852,560
336.6041	Woven fabrics of wool, not over 10 ounces per square yard	1,378,314	574,495	523
670.1436	Weaving machines, jet type	1,272,823	358,214	314,741
700.3550	Men's footwear, of leather, n.e.s., cement soles	1,054,354	586,846	515,856
692.5010	Motorcycles, with piston displacement not over 50 cubic centimeters	1,027,194	363,623	599,630
766.2560	Antiques, n.s.p.f	829,588	829,588	-
668.2100	Offset printing presses, weighing 3,500 pounds or more, roll-fed type	818,344	315,093	360,730
546.6020	Glass tumblers, etc., valued over $0.30 but not over $3 each	773,141	482,214	407,232
336.6043	Woven fabrics of wool, over 10 ounces per square yard	677,410	266,046	-
437.3000	Antibiotics, natural and not artificially mixed	644,356	236,984	165,552
674.3512	Machine tools, metal-cutting, engine or toolroom	592,144	255,245	856,428
610.4220	Oil well casing, other than alloy steel, threaded or otherwise	559,701	559,701	234,339
670.0620	Spinning machines, specially designed for wool	550,607	550,607	139,356
727.1500	Furniture and parts, of bentwood	527,476	287,510	207,710
741.3500	Imitation gemstones, except imitation gemstone beads	502,173	253,031	246,781
766.2540	Antique furniture	500,000	500,000	-
335.9500	Woven fabrics, other, of vegetable fibers, n.e.s., weighing over 4 ounces per square yard	499,497	242,224	147,902
	Total	23,079,484	10,872,561	8,061,531
	Total, U.S. imports from Czechoslovakia	35,040,121	17,488,614	14,766,946

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

Table A-19.--Leading items exported to Albania, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
521.3110	Low volatile bituminous coal	$965,121	$965,121	$2,061,981
688.1900	Insulated wire and cable, n.s.p.f	46,262	-	-
438.1090	Blood and blood derivatives, except for passive immunization, n.e.s	4,324	4,324	-
661.2280	Air-conditioners, 60,000 Btu per hour and over	3,076	-	-
	Total	1,018,783	969,445	2,061,981
	Total, U.S. exports to Albania	1,021,083	971,745	2,316,401

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

Table A-20.--Leading items imported from Albania, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
161.9400	Sage, unground	$1,366,965	$568,755	$1,219,625
601.1520	Chrome ore, chromium content not over 40 percent chromic oxide	444,482	277,152	1,454,284
601.1540	Chrome ore, chromium content over 40 but under 46 percent chromic oxide	129,553	100,586	-
439.1090	Natural drugs, n.e.s., crude	76,082	15,494	22,730
161.9000	Rosemary, crude or not manufactured	26,286	-	-
161.3900	Laurel bay leaves, crude or not manufactured	18,630	18,630	-
162.0100	Savory, crude or not manufactured	12,685	-	34,404
653.2200	Metal coins, n.e.s	8,700	8,700	2,178
606.8809	Bars of steel, cold formed, finished, not alloy, not over 0.25 percent carbon	8,537	1/	1/
193.2560	Vegetable substances, crude, n.s.p.f	6,625	1,611	-
601.1560	Chrome ore, 46 percent or more chromic oxide	5,234	5,234	1,218,864
	Total 2/	2,103,779	996,162	3,952,085
	Total, U.S. imports from Albania	2,103,779	996,162	3,962,890

1/ On Nov. 1, 1980, this item was designated to indicate that portion of the trade in items 606.8805 and 606.8815 accepted under temporarily reduced tariff rates.

2/ Because of changes in the TSUSA trade classifications from 1980 to 1981, comparisons are not possible.

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

Table A-21.--Leading items exported to Mongolia, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
630.7080	Tungsten, n.e.s	$8,220	$8,220	-
711.8740	Chemical-analysis equipment and parts, nonelectrical, n.s.p.f	4,597	-	-
709.1620	Electromedical therapeutic apparatus, n.s.p.f	3,762	3,762	-
711.8720	Nonelectric spectrometric instruments and parts thereof	2,995	-	-
727.1380	Furniture designed for household use, other	2,708	-	-
252.8640	Corrugated paper and paperboard, other	1,995	-	-
818.3900	Products, n.e.s., donated for relief	1,388	-	-
680.3586	Ball bearings, other	1,200	-	
	Total	26,865	11,982	-
	Total, U.S. exports to Mongolia	26,865	11,982	$7,235

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

Table A-22.--Leading items imported from Mongolia, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
306.4293	Camel hair, sorted, etc	$1,617,142	$619,581	$350,800
306.6200	Cashmere goat hair, sorted, etc	710,524	501,447	-
380.5900	Men's and boy's sweaters, of wool, knit, valued over $18 per pound wholly of cashmere	76,700	76,700	-
382.5600	Women's, girls', or infants' sweaters, of wool, knit, valued over $18 per pound wholly of cashmere	31,200	31,200	-
360.1515	Floor coverings of wool, valued over 66-2/3 cents per square foot	1,382	1,382	-
	Total	2,436,948	1,230,310	350,800
	Total, U.S. imports from Mongolia	2,436,948	1,230,310	350,800

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

Table A-23.--Leading items exported to Vietnam, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
818.3400	Apparel, donated for relief	$493,099	$493,099	-
818.3900	Products, n.e.s., donated for relief	420,141	418,821	$48,800
818.3300	Medicine, etc., donated for relief	151,007	151,007	-
818.9000	General merchandise, valued not over $500	112,935	111,313	11,481
182.9780	Vegetable protein, n.e.s	74,682	74,682	-
772.0400	Household articles of rubber or plastics, n.s.p.f	39,922	39,922	-
818.3100	Food products, n.s.p.f., donated for relief or charity by individuals or private agencies	16,466	16,466	-
256.3840	Graphic paper and paperboard not further advanced than cut to size and shape, n.s.p.f	2,204	2,204	-
709.4000	Mechano-therapy appliances, and massage apparatus; and parts thereof, n.s.p.f	1,328	1,328	-
256.4900	Envelopes for correspondence, n.e.s	1,175	1,175	-
	Total	1,312,959	1,310,017	60,281
	Total, U.S. exports to Vietnam	1,312,959	1,310,017	71,746

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

Table A-24.--Leading items imported from Vietnam, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
653.2200	Metal coins, n.e.s	$2,665	-	-
	Total	2,665	-	-
	Total, U.S. imports from Vietnam	91,428	$6,000	$26,607

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

Table A-25.--Leading items exported to Cuba, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
818.3300	Medicine, etc., donated for relief	$24,000	$24,000	$10,000
661.1030	Fans and blowers, other	5,292	-	-
674.7421	Drills, except rock drills, screwdrivers and nut runners	4,860	4,860	-
676.3050	Automatic typewriters and word processing units, other	3,655	-	-
722.9600	Equipment for processing or printing motion-picture film	3,074	-	-
709.3000	Medical, dental, surgical, and veterinary instruments, n.s.p.f	2,796	-	-
724.0120	Feature films, 35-mm. and over, positive prints	2,499	2,499	-
668.2005	Duplicating machines, stencil-type	2,111	2,111	-
674.7427	Parts and attachments for non-electric power-operated handtools	1,191	1,191	-
	Total	49,478	34,661	10,000
	Total, U.S. exports to Cuba	49,478	34,661	27,835

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

Table A-26.--Leading items imported from Cuba, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
724.1045	Motion-picture film, n.e.s., positive release prints	$1,050	-	-
724.2000	Sound recordings produced on photographic or magnetic film, tape, or wire, and suitable for use in motion picture exhibits	1,000	-	-
606.0900	Iron or steel waste and scrap, other	322	-	-
	Total	2,372	-	-
	Total, U.S. imports from Cuba	27,372	$25,000	$7,395

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

Table A-27.--Leading items exported to North Korea, by Schedule B Nos., January-June 1981, April-June 1981, and April-June 1980 1/

Schedule B No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
	Total, U.S. exports to North Korea	-	-	-

1/ There were no exports to North Korea in 1980 or January-June 1981.

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

Table A-28.--Leading items imported from North Korea, by TSUSA items, January-June 1981, April-June 1981, and April-June 1980

TSUSA item No.	Description	January-June 1981	April-June-- 1981	April-June-- 1980
685.2411	Solid-state tubeless radio receivers incorporating a clock or timer other than digital	$34,672	$34,672	-
304.3220	Jute butts, waste, and advanced waste	9,724	-	-
376.5630	Textile rainwear garments, of fabrics which are coated or filled, with rubber or plastic n.e.s	2,838	2,838	-
	Total	47,234	37,510	-
	Total, U.S. imports from North Korea	47,234	37,510	$25,090

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

GLOSSARY

Abbreviation	Full wording
CAP	Common Agricultural Policy (EC)
CCC	Commodity Credit Corporation (U.S. Department of Agriculture)
CCL	Commodity Control List
CMEA	Council for Mutual Economic Assistance
COCOM	Coordinating Committee for Multilateral Export Controls
EAA	Export Administration Act of 1979 (United States)
EC	European Community
EXIMBANK	Export-Import Bank of the United States
FAO	Food and Agricultural Organization (United Nations)
FYP	Five-year Plan
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LTFV	Less than Fair Value
MFA	Multifiber Arrangement
MFN	Most-favored Nation
NME's	Nonmarket Economy Countries
OEA	Office of Export Administration (U.S. Department of Commerce)
OECD	Organization for Economic Cooperation and Development
OEWPP	Office of East-West Policy and Planning (U.S. Department of Commerce)
OPIC	Overseas Private Investment Corporation (United States)
QGL	Qualified General License
SDR	Special Drawing Rights
SITC	Standard International Trade Classification SITC categories are defined as follows: 1-digit SITC: Section 2-digit SITC: Division 3-digit SITC: Group 4-digit SITC: Subgroup 5-digit SITC: Item
SYE	Square Yard Equivalents
TSUSA	Tarriff Schedules of the United States Annotated
USC	United States Code
USDA	U.S. Department of Agriculture
USITC	U.S. International Trade Commission

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Each Quarterly Report to the Congress and the Trade Policy Committee on Trade between the United States and the Nonmarket Economy Countries contains:

(1) summary of developments in U.S.-NME trade for that calendar quarter, with the summary of the fourth quarter as an annual review;

(2) summary tables and figures describing the value, direction, composition, and individual country trade shares of U.S.-NME trade in that calendar quarter;

(3) a series of appendix tables describing the leading items traded by the United States with each of the NME countries covered, disaggregated to the 7-digit level of the respective export and import schedules, through the end of that calendar quarter.

Other subjects covered periodically or on an irregular basis are listed below. All page numbers refer to the official USITC publication, with the exception of Report No. 4. Page numbers for that report refer to the copy published by the U.S. Government Printing Office.