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DÉTENTE: PROSPECTS FOR INCREASED TRADE WITH WARSAW PACT COUNTRIES

REPORT

OF A

SPECIAL STUDY MISSION TO THE
SOVIET UNION AND EASTERN EUROPE
AUGUST 22 TO SEPTEMBER 8, 1974

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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DÉTENTE: PROSPECTS FOR INCREASED TRADE WITH WARSAW PACT COUNTRIES

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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., October 24, 1974.

This report of a special study mission has been prepared for the Committee on Foreign Affairs by Hon. Leo J. Ryan.

The findings contained in the report are those of Representative Ryan, and do not necessarily reflect the views of the members of the Committee on Foreign Affairs.

THOMAS E. MORGAN, *Chairman.*

LETTER OF TRANSMITTAL

WASHINGTON, D.C., *October 24, 1974.*

Hon. THOMAS E. MORGAN,
Chairman, Committee on Foreign Affairs,
Washington, D.C.

DEAR MR. CHAIRMAN: There is transmitted herewith my report of a special study mission conducted between August 22 and September 8, 1974. I was accompanied by Robert K. Boyer, staff consultant, Committee on Foreign Affairs.

The purpose of the study mission was to gather information regarding the status and future of economic relations between the United States and the Warsaw Pact countries in view of the current détente with the Soviet Union.

In the field, the study mission conferred with a wide range of individuals, including U.S. diplomatic officials, high-ranking representatives of the countries visited, and U.S. businessmen with operations in the various countries.

The study mission concluded its field trip with a visit to Athens, Greece, in order to get a firsthand impression of the effect of the Cyprus crisis on Greek-American relations and the extent to which Greece may turn to the Soviet Union as a result of its partial withdrawal from NATO.

I would like to express my thanks and appreciation for the assistance, cooperation, and hospitality extended to the study mission by officials of the Department of State, the Bureau of East-West Trade of the Department of Commerce, and the U.S. missions in the countries visited.

It is hoped that the information contained in this report will be helpful to the members of the Committee on Foreign Affairs and the Congress in their deliberations on U.S. foreign economic policy issues involving the Warsaw Pact countries.

LEO J. RYAN.

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DIGEST OF FINDINGS AND RECOMMENDATIONS

Most-Favored-Nation (MFN) Tariff Treatment

The officials with whom the study mission conferred in the Soviet Union, and in the other Warsaw Pact countries visited, all expressed their nations' strong desire to be granted MFN by the United States.[1]

If MFN were granted to the Warsaw Pact countries, it is estimated by the Department of Commerce Bureau of East-West Trade that the volume of trade in manufactured goods, between the United States and that area, could increase in the United States' favor by nearly $2 billion by 1980. Such an increase, according to government experts, would create 116,000 new jobs in the United States.

Apart from the possible economic benefits which could accrue to the United States from granting MFN to the Warsaw Pact countries, the increase in trade relations would improve the climate in East-West political relations. The study mission recognizes that trade between nations does not necessarily insure permanent peace. Trade, by itself, cannot settle all major outstanding issues between the United States and the Warsaw Pact countries—nor can it accomplish a basic change in the Communist system. However, trade can serve as a catalyst toward the improvement of political relations by reducing animosities and providing a basis for working out mutually acceptable solutions to common problems.

Properly conceived and wisely administered, increased trade with the Soviet Union and its East European allies could become a significant and useful device in the pursuit of our national security and welfare, and of world peace.

In the study mission's opinion, there are significant benefits to be gained from granting MFN to the Warsaw Pact countries. Therefore, the following courses of action are recommended:

1. Congress should authorize the President to grant the U.S.S.R. MFN for a trial period of 2 years. After the initial 2-year period, Congress should review the political and economic consequences of its action. If the results are favorable, MFN for the Soviet Union could be extended. If Congress finds that the arrangement has been disadvantageous, it could terminate the relationship.[2]

2. Congress should permit the President to grant the other Warsaw Pact countries MFN on a permanent basis. Such a measure should be considered for two reasons:

First, the forces of nationalism have made significant gains among the Soviet Union's East European neighbors in recent years. Faced with growing demands of their populations for better living standards, countries such as Poland (already an MFN trading partner of

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[1] Current law prohibits granting MFN to all Communist countries except Poland and Yugoslavia.

[2] After this report had been written, but prior to its publication, an announcement was made at the White House on October 18, 1974, that the Soviet Union had given the United States assurances that it would relax its emigration policies in return for MFN treatment. Senator Henry M. Jackson said that he would offer an amendment to the Trade Reform Act, implementing the Soviet-American understanding. Senator Jackson's amendment is similar to the study mission's recommendation.

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the United States), Hungary, and Romania have increased their economic ties with the West while liberalizing their domestic economic systems. Granting permanent MFN to these countries would encourage the trend toward polycentrism in Eastern Europe.

Second, the obstacles to normalization of trade with these governments are not as severe as in the U.S.S.R. For example, restrictive emigration policies practiced by the U.S.S.R. on Soviet Jews and other Russian minorities, have been a major roadblock to granting MFN to the Warsaw Pact area. Since this problem pertains only to the U.S.S.R., the granting of MFN to the other members of the Pact should not be tied to the resolution of the problem.

Credits

As U.S. trade with the Soviet Union and other East European countries expands, with or without MFN, the availability of credits will become more and more crucial. At present, none of the Warsaw Pact members possesses a convertible currency,[3] nor are they likely to seek convertibility in the foreseeable future. Thus, they are forced to rely on their hard currency reserves which are thought to be universally low, and on credits, in order to buy Western goods.

Under current law, the President can authorize the Export-Import Bank to extend financing support to a Communist country if he determines that such support is in the national interest. To date, such determinations have been made with regard to the U.S.S.R., Poland, and Romania.

However, with respect to the Soviet Union, the Bank decided in June to stop participating in any credits to the Soviet Union until Congress renews its lending authority. Before the suspension, the Soviets could make a 10 percent downpayment on their purchases and borrow half of the rest from the Bank at a 6 percent fixed annual interest rate, and the other half from a U.S. commercial bank at the best rate they could find.

As a result of the suspension of Export-Import Bank credits, the Soviets are not taking any further trade loans from the United States, and some American manufacturers have slowed their active sales programs in the U.S.S.R.

The study mission's recommendations with regard to credit policy are as follows:

1. Congress should extend the President's authority to allow Export-Import Bank loans to Communist countries, if such loans are deemed to be in the national interest.

2. However, trade with the Warsaw Pact countries should not be subsidized. Export-Import Bank loans should not be offered at rates lower than prevailing equivalent domestic interest rates. The American taxpayer should not be asked to subsidize or otherwise pay for artificial encouragement of our foreign trade programs.

The Transfer of Technology

In each of the countries visited by the study mission (U.S.S.R., Poland, Hungary, and Romania), it was made clear that, in terms of increased trade with the United States, they are mainly interested

[3] Of all the Warsaw Pact currencies the Hungarian forint has the strongest potential for convertibility.

in obtaining our best machinery, our advanced industrial plant systems, and our latest technical data.

Opponents of such a transfer of American technology to the Warsaw Pact countries argue that it would permit the Soviet Union and its allies to allocate more of their scarce research and development resources to the military sector, thus endangering the national security of the United States.

The opposite viewpoint is more likely. The U.S.S.R. must acquire technical know-how from the United States just to prevent its technological gap from widening. Once the Soviets begin to use advanced American technology, they will begin to develop their own industrial systems in a manner which will make them interdependent with the West. It would then be disadvantageous for them to act in such a way as to isolate themselves from Western products. This follows the pattern of industrial development in other nations where the United States has developed substantial trade relations; e.g., West Germany, Japan, and Brazil.

The Export Control Act states "it is the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further the national security and foreign policy objectives of the United States." The study mission believes that this policy is still applicable. Therefore, using that policy as a general guideline, the following recommendations are made with respect to the sale of American technology to Warsaw Pact countries.

1. A thorough review of the restrictions and controls placed on trade with Communist countries by existing legislation, such as the Battle Act,[4] should be initiated by the House Committee on Foreign Affairs and other appropriate committees of the Congress.

Such a review should be directed toward removing obsolete restrictions and controls from the law, while redefining and updating references to strategic items which could have an adverse effect on our national security if transferred to the Soviet Union or to any other Communist country.

2. In no case, however, should the United States drop its controls on those strategic items that might enhance the Soviet Union's military capabilities unless significant progress is achieved in ongoing U.S.-U.S.S.R. arms control negotiations.

3. The sale of technology to the Soviet Union and its Eastern European allies, whether strategic or nonstrategic in nature, should not be guided solely by narrow commercial or economic considerations. The primary consideration should be the national security and the general welfare of the American people.

U.S. Imports From Warsaw Pact Countries

In the absence of nondiscriminatory (MFN) treatment, with respect to the Soviet Union and other Warsaw Pact members, all exports from those countries to the United States amounted to a mere eight-tenths of 1 percent of total U.S. imports in 1973. According to the Department of Commerce Bureau of East-West Trade, the granting of MFN would have a relatively small immediate upward effect on exports from the East European countries to the United

[4] The Mutual Defense Assistance Control Act of 1951.

States, and a negligible effect on the amount of Soviet exports. Two reasons are cited:

1. The leadtime required for the state-owned industries of the Warsaw Pact area to produce enough goods to export is considerable;

2. Even if these industries become productive enough to satisfy their domestic needs, the U.S. market will be a difficult one for them in which to become competitive in the area of manufactured goods.

It is in the area of primary resources, particularly in the field of energy, where the Soviet Union (along with Poland and Romania) have something to offer the United States. In the case of the Soviet Union and Romania, the resource is oil, while Poland possesses vast coal deposits and advanced conversion technology. The Soviet Union also has large reserves of natural gas in the Siberian area.

During the study mission's meetings with Soviet economic planners in Moscow, it was obvious that there is an ongoing debate about the future disposition of their energy resources. Some feel that their oil and gas should remain in-country to be used to develop Soviet industry, with the excess for export only within the CEMA bloc.[5] Others see an opportunity to sell these resources on the world market at free market prices, thus earning valuable foreign exchange.[6]

The study mission's recommendations with respect to U.S. access to the energy resources of the Soviet Union and Eastern Europe are as follows:

1. In negotiating MFN treatment and subsequent trade arrangements with the Soviet Union, the United States should, as quid pro quo, insist on access to Soviet oil and gas. Availability of Soviet oil and gas would be helpful to the United States in two important areas:

(*a*) It would offer a much needed new source of oil and gas while we are engaged in the long term project of seeking energy alternatives; and

(*b*) Increased availability of Soviet oil and gas in the free market could help to force the price down to reasonable levels—a major objective of the Western industrial nations.

2. The United States should accelerate joint cooperative programs with Poland to improve the extraction and refinement of coal. Since both countries possess large coal reserves, such an effort would be mutually beneficial now that the deep-shaft mining of coal has once again become economically feasible.

The Special Role of the American Businessman

In each of the Warsaw Pact countries visited, the study mission met with American businessmen who have established operations in those countries. The consensus among them was that, despite numerous obstacles, the effort to expand trade in that area is worthwhile. They also unanimously agreed that the granting of MFN to those countries would be helpful to their companies.

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[5] The Council for Mutual Economic Assistance (CEMA) is roughly similar to the Common Market of Western Europe. Membership includes the U.S.S.R., Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Cuba, and Mongolia.

[6] Soviet oil exports to Eastern European countries are at the current rate of $2.50 per barrel, far below the free market price.

While the businessmen in each of the countries informed the study mission of a wide range of problems they have encountered, the most severe obstacles to conducting business occur in the Soviet Union. The most glaring example of the lack of cooperation on the part of Soviet officials is their refusal to permit American business representatives to examine sites where their companies are being asked to participate in construction projects.

The study mission is cognizant of the extraordinary circumstances surrounding American business activities in the Soviet Union and elsewhere in the Warsaw Pact area. Nowhere in the world are U.S. trade relations so intertwined with our national security, foreign policy, and domestic issues, as they are in our relations with Communist countries—particularly the Soviet Union. Therefore, it is essential that, as trade with these countries expands, the United States review at regular intervals its total trade program in the Warsaw Pact area to confirm that it remains consistent with our foreign and domestic policy objectives.

With respect to the activities of American companies in the Soviet Union and in other Warsaw Pact countries, the following specific recommendations are offered.

1. The United States should insist, in the course of Soviet-American trade negotiations with the Soviet Union, that the U.S.S.R. improve the conditions under which American businessmen are required to operate in that country.

2. Transactions between American companies and Warsaw Pact countries should not benefit the companies at the expense of the American consumer. Such transactions, particularly those in the commodity field, should not disrupt prices and supplies in the United States. Therefore, it is recommended that the system of supervision, designed to monitor large exports of wheat and other commodities which was recently announced by the Department of Agriculture, be strengthened legislatively in order to insure that such exports will not drive up prices at home.

EAST-WEST TRADE: BACKGROUND

The past isolation of the economies of the Communist nations from Western influence was due largely to policies in both the East and West. With the exception of short-lived upsurges in commercial exchanges during the early 1930's which facilitated Soviet economic development and the lend-lease period of World War II for defense purposes, the East has minimized its economic dependence on external sources while, at the same time, the West has denied free Eastern access to advanced Western technology. The trade relations which existed in spite of these restrictive policies were small in volume, short in duration, and limited to a low level of technology.

However, since the advent of détente,[1] the economic needs and trade policies of both sides have undergone significant changes—changes which could move future East-West economic relations toward a significant degree of interdependence.

While trade between the United States and the Communist nations (including both the Warsaw Pact members and the People's Republic of China) has increased considerably during the détente period, the volume of trade with those nations still represents only a small portion of our total foreign trade.[2] However, certain recent trends have been developing which could contribute to a significant increase in economic and commercial relations between the United States and the Warsaw Pact countries.

In the case of the United States, as well as the other Western industrialized nations, the energy crisis precipitated by the 1973–74 Arab oil embargo, has placed the United States in the relatively weak market position so long occupied by the countries supplying raw materials. As a result of the energy shortage and related price increases, the projected bill for U.S. oil imports in 1974 is $35 billion—a $20 billion increase over the amount paid out in 1973.

Due largely to the increased cost of imported oil, the United States has incurred a $2.1 billion balance of trade deficit through the first 8 months of 1974. Even without the added burden of imported oil costs, persistent U.S. trade and balance of payments deficits have caused two official dollar devaluations within the last 3 years.

Thus, it is clear that it would be in the interest of the United States to expand its trade relations with countries with which wider trade would be beneficial to our balance of trade position. There are strong indications that the U.S.S.R. and its Warsaw Pact allies could fill the role.

In a departure from their traditional economic independence, it now appears that the Communist nations, particularly the Warsaw

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[1] Détente, in its current context, officially became a cornerstone of U.S. foreign policy in 1969 with the inauguration of the Nixon administration, and was formalized by the 1972 Nixon-Brezhnev summit meeting in Moscow.

[2] Department of Commerce figures for 1973 show that only 3.5 percent of all U.S. exports went to Communist countries, while an even smaller percentage of U.S. imports (0.8 percent) came from the East.

Pact countries, are moving toward acceptance of a long-term reliance on Western technology to meet their economic goals. The Communist countries, particularly the Soviet Union, have concluded that, without vast inputs of Western industrial technology, the gap between them and the West will widen. Moreover, they have decided that among the industrialized nations of the West, the United States possesses the equipment and know-how that their societies so desperately need to progress.

It was in light of this situation, that this Member decided that a survey of the Warsaw Pact area would be useful at this time in view of current congressional deliberations regarding the normalization of trade relations with that region.

What follows is a report containing the study mission's findings and recommendations with respect to each of the countries visited.

U.S. TRADE RELATIONS WITH WARSAW PACT COUNTRIES

U.S.S.R.

CHANGING SOVIET VIEWS ON TRADE WITH THE WEST

The genesis of the recent growth in Soviet economic and commercial relations with the West can be traced to former Communist Party Secretary Nikita Khrushchev's decision in the late 1950's to modernize the Soviet economy. Due to Khrushchev's initiatives, the Soviet Union finally began to emulate Western industrial nations in two significant areas—energy and metal supply.

In the field of energy, the U.S.S.R. shifted from its heavy reliance on coal to the use of petroleum and natural gas. Higher quality nonferrous metals and alloys began to replace iron and steel throughout Soviet industry and construction. In both areas of change, the other Warsaw Pact nations followed the Soviet lead. Khrushchev's new policies marked a revolutionary departure from the Soviet Union's reliance on coal and steel during the Stalinist era. More importantly, the new policies were dependent on a much higher level of technology than the Stalinist methods required.

Khrushchev also changed the Soviet policy toward per capita consumption. In contrast to the Stalinist approach which minimized consumption in favor of heavy industry, Khrushchev moved toward the use of rising real income as an incentive to increase production. This policy could be described as a modified, albeit limited, use of market forces.

Khrushchev's new policies on technological change and consumer incentives were set forth by the 21st Party Congress and the 7-year plan introduced in 1958. The new programs altered three basic areas of Stalinist policy—resource allocation, the system of planning and management, and foreign trade. Specifically, the Khrushchev reforms were as follows:

1. The Stalinist priority on heavy industry and defense was modified to provide more resources for economic modernization and consumer improvement.

2. In the area of planning and management, the use of Western econometric and computer methods were accepted, and the principle of sales and profits was adopted as an appropriate yardstick of success for Soviet enterprises.

3. Trade with Western industrial nations was encouraged to meet the new technological and consumer needs.

Due largely to the unstable international political situation in the 1960's, the new economic opening to the West was less than successful. Improved U.S.-U.S.S.R. economic relations were slowed by crises in Berlin, Cuba, the Middle East, and Southeast Asia. In addition, the

Sino-Soviet split further heightened international tensions. Resources that were to be released to the civilian sector of the economy went instead to the military. Missile production increased, the Soviet navy became a global force, and Soviet ground forces grew to 4 million men—an increase of 1 million from 1960.

Despite this retardation of economic change and trade relations with the West, pressures for technological improvements and consumer satisfaction remained strong in the Warsaw Pact area. However, the East European countries could not expand their Western commercial relations without Soviet example or approval. Yugoslavia (not a member of the Pact) and Romania were exceptions.

The Yugoslavian Government began to reorient its foreign trade relations toward the West in 1948, during its political confrontation with the Soviet Union. Romania began to build steel, chemical, and petrochemical industries with Western inputs. Khrushchev argued unsuccessfully in 1961 that Romania should leave such sophisticated industrial efforts to the more developed members of CEMA. Romania, however, had a special advantage in its exportable oil and grain which freed it from the Soviet economic leverage felt by the other CEMA members. Moreover, the other Warsaw Pact countries were discouraged from emulating Romania due to such Soviet constraints as the military and political intervention in Czechoslovakia.

Meanwhile, despite the unfavorable international political scene during the 1960's, the U.S.S.R. did enter into a significant commercial arrangement with a Western manufacturer. Pressured by growing needs for effective consumer incentives, the Soviets, in 1966, signed a major agreement with Fiat of Italy. In the past, foreign technology was obtained primarily by license or supply of turnkey plants. In contrast to past practice, the Soviet Fiat deal involved the trainin of 2,500 Russian technicians in Italy, and the stationing of 850 Western technicians at the Soviet plantsite. This unprecedented industrial cooperation opened up prospects for wider East European cooperative arrangements with Western industrial countries. The Czech invasion and the assertion of the Brezhnev doctrine probably slowed the process, but did not reverse the westward trend in Warsaw Pact area economic relations.

SUMMARY OF U.S.-U.S.S.R. TRADE RELATIONS SINCE DÉTENTE

With the advent of détente in 1969–70, the trend toward East-West economic interdependence accelerated. The 24th Party Congress and 9th 5-year plan, announced by the Soviets in 1971, revived the Khrushchev policies of modernization, consumer orientation, and Western commercial relations. In addition to the U.S.-Soviet détente, the Ostpolitik agreements with West Germany brightened prospects for wider East-West commerce. Finally, the Soviets' 10th 5-year plan (1976–80) reportedly envisages Western cooperative ventures and increased East-West commercial relations.[1]

At the outset of the U.S.-Soviet détente, the United States initial commercial policy was to "link" trade and political relations with the

[1] During an interview with a high official of Gosplan (the Soviet economic planning agency), the study mission was informed that the 5-year plan for 1976–80 contemplates a significant increase in U.S.-U.S.S.R. trade activities.

Soviet Union. Trade would be encouraged and concessions granted only in response to Soviet cooperation in other areas. At the same time, export controls were administratively relaxed to permit a broader range of nonstrategic U.S. goods to be sold to Communist countries.

At first, American business firms moved with caution and uncertainty in seeking to make deals in the Soviet Union. For example, Ford Motor Co. announced a major venture in the U.S.S.R. in 1970, but subsequently canceled the deal the same year. In 1971 there was a similar announcement and later cancellation of Soviet deals by the Mack Truck Co.

In an apparent relaxation of its "linkage" policy, the administration, toward the end of 1971, began to actively encourage commercial ties with the Soviet Union and other Warsaw Pact countries without insisting on the settlement of political issues as a quid pro quo.

Such a course was promoted publicly by the Secretary of Commerce who traveled to Moscow for trade discussions. Following his trip, the Department of Commerce approved several licenses for the export of truck manufacturing equipment and other industrial goods to the U.S.S.R.

As a result, the American business community responded enthusiastically. In November 1971 U.S. business leaders and their West European counterparts met in Moscow with Soviet officials in order to explore the possibilities of large-scale joint ventures.

Trade relations between the United States and the Soviet Union received a major impetus in 1972 due to the Nixon-Brezhnev Moscow summit meeting in May. In addition to the first strategic arms limitation accord (SALT I), a number of cooperative agreements in the economic and commercial areas were signed. The most important among them was an agreement to negotiate a major trade accord, incorporating the settlement of the outstanding Soviet lend-lease debt, in return for Export-Import credits and the granting of MFN status by the United States. The agreement also established a joint U.S.-U.S.S.R. Commercial Commission.

After two meetings of the joint commission, a comprehensive commercial agreement was signed in October 1972, in which the Soviet Union agreed to repay $722 million of its World War II lend-lease debts in return for credits and MFN. In addition, each country agreed to establish a commercial office in the other's capital.[2]

While 1972 was a watershed year for the expansion of U.S.-U.S.S.R. trade relations, it was also the year that the issue of Soviet treatment of Russian Jews and other minorities threatened to prevent commercial relations between the two nations from attaining their full potential. In October 1972 an amendment to the Trade Reform Act legislation was introduced in the Senate by Senator Henry M. Jackson, and in the House by Representative Charles Vanik. The amendment prohibited the extension of credits or MFN status to countries with nonmarket economies which place restrictions or levy taxes on their citizens who wish to emigrate. Without stating its target specifically, the amendment was directed at Soviet restrictions on the emigration of Jews and other minorities, and the Soviet imposition of an excessive exit visa tax on emigrants. The failure to resolve this issue continues

[2] During the study mission's visit in Moscow, the American commercial office was in operation.

to block passage of the Trade Reform Act and, theoretically, renders the 1972 trade agreement inoperative because it is keyed to congressional approval of MFN treatment for the U.S.S.R.

Even without MFN, U.S.-U.S.S.R. trade grew. The largest transaction in 1972, was a 3-year $750 million grain deal signed in July, under which the United States agreed to provide credits of $500 million to finance the shipments. Other major contracts involved the sale of tractors, truck manufacturing equipment, and equipment for fertilizer and natural gas processing plants. Actual Soviet-American trade in 1972 totaled $642.1 million, of which U.S. exports constituted $546.7 million.[3]

Although Soviet-American commerce continued to increase, 1973 was a year of mixed developments in terms of détente. On the positive side, the Vietnam Peace Agreement in January reduced U.S.-U.S.S.R. rivalry in Southeast Asia. However, the Vietnam irritant was replaced by an even greater threat to improved East-West relations—renewal of the Middle East war in October 1973.

Although peace was eventually restored, and negotiations between the combatants begun largely due to U.S. efforts, many Americans suspected that the Soviet Union had acted in a manner inconsistent with the principles of détente. In particular, they resented the Soviet's open encouragement of the Arab oil embargo against the United States and other Western countries.

Détente and the prospects for wider economic relations were clouded by a growing sentiment in the United States to link trade concessions to human rights issues. In addition to their concern over the treatment of Soviet Jews, Americans became more aware of the maltreatment of intellectual dissidents (such as Andrei Sakharov and Aleksandr Solzhenitsyn). Although the Soviet Government terminated its exit visa tax in April 1973, the gesture did not satisfy those in Congress and others who wanted to tie credit guarantees and MFN to Soviet assurances of a liberalized emigration policy. Underscoring its determination on this issue, the House passed the Jackson-Vanik amendment in December 1973.

In spite of these problems, Soviet-American commercial relations scored some gains. At the Nixon-Brezhnev June 1973 summit meetings in Washington, a target of $2–$3 billion in trade over the next 3 years was set. Several American oil companies signed agreements for joint development of the Yakutsk gas fields in Siberia, in return for natural gas shipments to the United States over a period of time. Occidental Petroleum Co. announced plans to undertake an $8 billion joint project in fertilizer production in the Soviet Union over the next 20 years. Finally, in October 1973, a U.S.-U.S.S.R. Trade and Economic Council was established following talks between Soviet officials and American businessmen. The stated purpose of the Council is to facilitate American commercial activities in the Soviet Union and to find markets for Russian products in the United States.

Total Soviet-American trade in 1973 was $1.4 billion. Shipments resulting from the 1972 grain deal made up a significant part of the total. The sharp increase over the 1972 trade figures was due in large part to the availability of low-interest Export-Import Bank credits.[4]

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[3] See appendix 3 for a computation of U.S. trade with Eastern Europe (including the U.S.S.R.), from 1972 through June 1974.

[4] The Export-Import Bank issued its first Soviet loan in February 1973 at a 6-percent rate of interest.

The future of Soviet-American economic relations, however, became less certain as developments in 1974 began to unfold. Although the disengagement of Israeli and Arab forces have reduced Soviet-American tensions in the Middle East, other political issues have contributed to a pause in the détente period. The disarmament and force reduction negotiations have stalled, and the human rights issue has blocked the passage of the Trade Reform Act (which includes MFN treatment for the Soviet Union). Moreover, the Export-Import Bank, whose authorization expired in June, has suspended its participation in credits for Soviet-American business deals.[5]

Due to this combination of unresolved problems, many Americans have begun to question the value of détente, and particularly, the wisdom of encouraging wider Soviet-American trade.

It was against this background that the study mission arrived in Moscow, August 26, 1974, to discuss the trade situation with Soviet officials and American businessmen operating in the Soviet Union. The following is a summary of the issues reviewed by the study mission.

MFN AND THE TREATMENT OF SOVIET JEWRY AND OTHER RUSSIAN MINORITIES

The history of most-favored-nation trading status and Russia's treatment of its Jewish population predate the Bolshevik Revolution of 1917. The United States and Czarist Russia had an active trade relationship dating to 1832, when the two countries signed a commercial treaty which included MFN to both partners. The MFN portion of the agreement was abrogated by the United States, in 1911, due to the Russian Government's refusal to grant visas to Jewish Americans.

After U.S. recognition of the Soviet Union in 1933 and the signing of a Soviet-American commercial agreement in 1935, MFN was reinstated. Subsequently, the Lend-Lease Agreement of 1942 produced the highest level of Soviet-American trade ($2.5 billion per year) in history. This period of trade relations ended in the late 1940's, as the world entered the cold war era. The United States enacted measures to curb commercial relations with Communist countries, while the U.S.S.R. simultaneously instituted policies designed to promote economic self-sufficiency and to limit East-West contacts. In the case of the United States, the Export Control Act (1949), the Trade Agreement Extension Act (1951), and the Battle Act (1951), systematically closed the door to Soviet-American trade and revoked MFN status for the Soviet Union.

The MFN issue was revived in 1972 with the signing of a comprehensive commercial agreement under which the U.S.S.R. would repay $722 million in World War II lend-lease debts, in return for Export-Import Bank credits and MFN status.[6] While Export-Import Bank credits were extended to the Soviet Union, the MFN issue again came into conflict with Russian treatment of Jews and other minorities (including dissident intellectuals—typified by Aleksandr Solzhenitsyn).

In response to efforts of the Congress to link the granting of MFN to the relaxation of Soviet emigration policies on Russian Jews, the

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[5] The Bank, at this writing, is operating under a continuing resolution which expires at the adjournment of the 93d Congress.

[6] Although Congress has not approved the granting of MFN status to the U.S.S.R., the Soviets have thus far repayed $36 million of the lend-lease debt, in accordance with the schedule set forth in the agreement.

Soviet Government lifted its exorbitant tax on exit visas for Jewish emigrants and permitted 35,000 Jews to emigrate to Israel in 1973.[7] In addition, the dissident Nobel Prize-winning author Aleksandr Solzhenitsyn and ballet stars Valery and Galina Panov were allowed to leave the Soviet Union.

These token measures, however, did not convince Congress that the Soviet Government's repressive policies, vis-a-vis Russian Jews and other minorities, had been alleviated enough to award MFN status for the U.S.S.R. Although 35,000 people had left the Soviet Union for Israel, there was still evidence of harrassment of Jews and dissidents. Persons were reported to have been fired from their jobs after applying for permission to emigrate. Still others have been arrested and imprisoned for attempting to emigrate.

In reaction to Congress' refusal to approve MFN, the Soviets have cut the 1974 flow of Jewish emigrants in half, and generally voiced a hard line—charging that the United States is interfering in the U.S.S.R.'s internal affairs. A major concern underlying the hardening of the Soviet position is the fear that relaxation of emigration procedures with respect to Soviet Jews could encourage unrest among other Soviet minority groups—and the Soviet Union is largely a country of minority groups. A Soviet official hinted at his country's dilemma when he said to this Member, "If the Jewish issue were to be resolved, some American Congressman would chose our Cossacks as his favorite cause."

Clearly, if both sides remain unyielding on this issue, Soviet-American commercial relations and détente itself could suffer a serious setback. The question our Government must deal with is whether a compromise solution to this problem is in the best interest of the United States. The study mission is convinced that it is.

From an economic standpoint, the granting of MFN to the U.S.S.R. and its Warsaw Pact allies would be beneficial to the United States. According to the Department of Commerce Bureau of East-West Trade, the export of American manufactured goods to the Warsaw Pact area could increase by $2 billion by 1980, under MFN conditions.[8] In addition to improving our balance of trade and payments position, such an increase would create 116,000 new jobs in the United States. Therefore, in order to realize these benefits, the study mission recommends the following courses of action:

1. The foreign trade legislation now pending in Congress should be amended to permit the President to grant the U.S.S.R. MFN trade status for a trial period of 2 years. After the initial 2-year period, Congress should review the political and economic consequences of its action. If the results are favorable, MFN for the Soviet Union could be extended. If Congress finds that the arrangement has been disadvantageous, it could terminate the relationship.

2. Congress should permit the President to grant the other Warsaw Pact countries MFN on a permanent basis. Such a measure should be considered for two reasons:

First, the forces of nationalism have made significant gains among the Soviet Union's East European neighbors in recent years. Faced

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[7] Of the estimated 2.5 million Jews in the Soviet Union, it is believed that 120,000 to 200,000 have formally applied for permission to go to Israel.

[8] Agricultural products, which have constituted the major portion of recent U.S. exports to the U.S.S.R., were not included in this projection due to the unpredictable price fluctuations in this area of trade.

with growing demands of their populations for better living standards, countries such as Poland (already an MFN trading partner of the United States), Hungary, and Romania have increased their economic ties with the West while liberalizing their domestic economic systems. Granting permanent MFN to these countries would encourage this trend toward polycentrism in Eastern Europe.

Second, the obstacles to normalization of trade with these governments are not as severe as in the U.S.S.R. For example, restrictive emigration policies practiced by the U.S.S.R., on Soviet Jews and other Russian minorities, have been a major roadblock to granting MFN to the Warsaw Pact area. Since this problem pertains only to the U.S.S.R., the granting of MFN to the other members of the Pact should not be tied to the resolution of the problem.

CREDITS

The continued expansion of Soviet-American commercial relations will not only depend on a resolution of the MFN issue, but also on the availability of credit-financing for Russian purchases of American goods and services. Currently, neither the Soviet Union nor its Warsaw Pact allies possesses a convertible currency, nor are they likely to seek convertibility in the foreseeable future.[9] Thus, they are forced to rely on their hard currency reserves (which are thought to be universally low), and on credits in order to buy Western products.

Under existing law, the Export-Import Bank can grant loans to the Soviet Union, and other Communist countries, if the President determines that such action is in the national interest. Since the signing of the Soviet-American commercial pact in 1972, total Export-Import Bank loan commitments to Soviet enterprises have amounted to $487,406,000. (See appendix 4 for a summary of Bank loans to the U.S.S.R.)

Thus far, the Bank's activities, with respect to the Soviet Union, have been limited to direct loans—since private banks have not yet requested Government guarantees for their loans. However, the Bank suspended its participation in Soviet-American ventures, in June, due largely to the continued opposition in Congress to Soviet policies toward Russian Jews. Moreover, the Bank's legislative authority expired in June 1974; and, at this writing, it is operating under a continuing resolution.

Prior to the suspension of Bank credits, the Soviets could pay 10 percent down on their purchases, borrow 45 percent of the purchase price from the Bank at a 6 percent fixed annual interest rate, and secure the remaining 45 percent from an American commercial bank at the best rate available.[10] Bank loans to Soviet enterprises have had an average duration period of 5 years.

As a result of the suspension of Export-Import Bank credits the Soviets have not secured any further trade loans from U.S. sources; and some American firms have slowed their sales programs in the

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[9] The Russian ruble has a limited form of convertibility within the confines of the Warsaw Pact's Council for Mutual Economic Assistance (CEMA). The International Investment Bank (the banking arm of CEMA) has a paid-in capital of 368 million transferrable rubles. The Bank decided, in 1973, to create a Special Fund for developing countries. The fund will contain 1 billion transferrable rubles.

[10] Since the suspension of loans to the U.S.S.R., Export-Import Bank interest rates have been placed on a floating rate. Thus far, that rate has varied between 7½ and 8 percent.

U.S.S.R. According to U.S. diplomatic officials and Soviet authorities with whom this Member conferred, this situation should be alleviated as soon as Congress renews the Bank's lending authority. The study mission supports the continuation of Export-Import Bank participation in the Soviet Union and other Warsaw Pact countries within the following guidelines:

1. Congress should extend the President's authority to allow Export-Import Bank loans to the Soviet Union and other Warsaw Pact countries, if such loans are deemed to be in the national interest.

2. However, trade with those countries should not be subsidized. Export-Import Bank loans should not be offered at rates lower than prevailing equivalent domestic interest rates. The American taxpayer should not be asked to subsidize or otherwise support artificial encouragement of our foreign trade programs.

U.S. EXPORTS TO THE SOVIET UNION

While U.S. exports to the Soviet Union during the détente period have been dominated by the agricultural sector (due to large Soviet grain purchases), the Russians are most interested in obtaining our best machinery, our advanced industrial plant systems and our latest technological data. (See appendix 5 for U.S. exports by category to the U.S.S.R., 1971–73.)

According to the Department of Commerce, the Soviets' current 5-year plan (1971–75) indicates major trade opportunities for U.S. firms in the following areas: Automated machine tools; automotive maintenance and servicing; automotive production; chemicals (especially plastics); electronics; gas and petroleum exlporation; and gas and oil field development. The study mission was told that the tenth 5-year plan (1976–80) contemplates further Soviet acquisition of American equipment and technology.[11]

Is the sale of such sophisticated equipment and technology in the interest of the United States? From an economic point of view, the answer, as shown by the Department of Commerce projections for Soviet-American trade, is yes. The American firms involved in selling machinery, equipment, and systems will benefit as will their employees. Moreover, the benefits of such trade will be all the greater if it can help ease the period of recession the U.S. economy has entered.

From a strategic point of view, the answer is less clear. Opponents of the sale of American technology to the Soviet Union, and its allies in Eastern Europe, argue that such activity will give the U.S.S.R. leeway to allocate more of its research and development resources to the military sector, thus endangering the national security of the United States.

However, the opposite viewpoint is more likely in light of the evolution of Soviet economic policies over the years. There was a consensus among the U.S. Government experts, and, by inference, among the Soviet officials with whom the study mission conferred, that the U.S.S.R. must acquire technical know-how from the United States just to prevent its technological gap from widening.[12] Once the Soviets

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[11] Interview with V. B. Spandaryan, Chief, Foreign Trade Section, State Planning Committee.

[12] Agricultural technology is a useful example of the Soviet gap. The same amount of capital infusion that would double output on an American farm, would only increase production on a Russian collective farm by 1.3 percent. The Soviet goal of 21 bushels of wheat per acre in 1975 would be seen as a bad year in the United States.

begin to integrate American equipment and systems into their economy, they will, of necessity, become interdependent with the West. Thus, once the trend toward interdependency is underway, it would be disadvantageous for the U.S.S.R. to act in such a way as to isolate itself from American trade.

While the study mission is convinced that the United States would find increased technological trade with the Soviets beneficial, it should be remembered that détente is not entente. Therefore, this aspect of our trade relations with the Soviet Union should be governed by the policy set forth in the Export Control Act. The act states "It is the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further the national security and foreign policy objectives of the United States." Using that policy as a general guideline, the following recommendations are made with respect to the sale of American technology to the Soviet Union and its allies:

1. A thorough review of the restrictions and controls placed on trade with Communist countries by existing legislation, such as the Battle Act, should be initiated by the House Committee on Foreign Affairs and other appropriate committees of the Congress.

Such a review should be directed toward removing obsolete restrictions and controls from the law, while redefining and updating references to strategic items which could have an adverse effect on our national security, if transferred to the Soviet Union, or to any other Communist country.

2. In no case, however, should the United States drop its controls on strategic items that could enhance the Soviet Union's military capabilities unless significant progress is achieved in ongoing U.S.-U.S.S.R. arms control negotiations.

3. The sale of technology to the Soviet Union and its Eastern European allies, whether strategic or nonstrategic in nature, should not be guided solely by narrow commercial or economic considerations. The primary consideration should be the national security and the general welfare of the American public.

The latter consideration is perhaps as applicable to the sale of food as it is to the sale of technology. Although the ill-conceived 1973 grain deals contributed to a significant increase in the volume of Soviet-American trade figures, they had a negative effect on the American consumer in terms of diminished supply and higher prices at home. What proved to be good for Continental Grain Co. was not necessarily good for the general public.

In order to prevent future disruptions in domestic prices and supplies of such commodities as wheat, it is recommended that the system of supervision (designed to monitor large commodity exports), which was recently invoked by the Department of Agriculture, be legislatively strengthened to protect the American consumer.

SOVIET EXPORTS TO THE UNITED STATES

Soviet-American trade during the détente period has been running heavily in favor of U.S. exports. (See appendix 5.) Even with MFN, the Soviets will not be able to make significant sales of their manufactured products on the American market for two reasons:

1. The leadtime required for their state-owned industries to produce enough goods to export is considerable;

2. Even if these industries become productive enough to satisfy their domestic needs, the U.S. market will be a difficult one for them in which to become competitive in the area of manufactured goods.

While Soviet exports of manufactured goods to the United States will not play a large role in the near future, Russian oil and gas offer more immediate opportunities. During the study mission's meetings with Soviet economic planners in Moscow, it became apparent that there is an ongoing debate about the disposition of their energy resources. Some argue that their oil and gas should be conserved and used primarily in-country to develop Soviet industry.

Those who favor exporting larger quantities of oil and gas, as the fields become productive, see an opportunity to earn valuable foreign exchange. At the current inflated free market prices, a slight increase in Soviet oil exports from 118.3 million metric tons (1973) to 125 million metric tons, could double the U.S.S.R.'s oil earnings to more than 5 billion rubles. Such an increase would represent nearly one-third of the entire value of Soviet worldwide exports in 1973.

The United States should, in its own interest, encourage the latter view in the Soviet Union. American access to Soviet oil and gas would be helpful to the United States in two important areas:

1. It would offer a much needed new source of energy, while we are engaged in the long term project of seeking energy alternatives;

2. Increased availability of Soviet oil and gas in the free market could help to force the price down to reasonable levels—a major objective of the Western industrial nations.

THE VIEW OF THE AMERICAN BUSINESSMAN

In each of the Warsaw Pact countries visited, the study mission met with American businessmen who have established operations in those countries. The consensus among them was that, despite numerous obstacles, the effort to expand trade in that area is worthwhile. They also unanimously agreed that the granting of MFN to those countries would be helpful to their companies.

While the businessmen in each of the countries informed the study mission of a wide range of problems they have encountered, the most severe obstacles to conducting business occur in the Soviet Union.[13] These obstacles are due in large part, according to the businessmen, to the Soviet bureaucracy—which has not yet been penetrated by the practical aspects of détente. (See appendix 6 for an organizational chart of Soviet foreign trade agencies.)

The following are examples of specific complaints voiced to the study mission by American businessmen in Moscow.

1. Housing and office space are difficult to obtain and expensive. (During the study mission's stay in Moscow, the office rent of one American business representative was doubled without prior notification.)

2. The Soviet Government will issue only one multiple entry visa to a firm. If a firm is represented by more than one individual, exits

[13] To date, 17 American firms have been accredited by the Soviet Government and have established offices in Moscow.

and reentries by the other members of the firm can be difficult and time-consuming.

3. Because there is a lack of office-trained secretarial personnel in the Soviet Union, an American firm will often train Russian employees at its own expense. This process often involves a period of training in the United States. After such training, it is not unusual for Soviet state enterprises to raid the American firm for its newly trained Russian employees.

4. The most serious deterrent to the American businessman in the Soviet Union is his lack of access to relevant information. A glaring example of this problem is the refusal of Soviet officials to permit American business representatives to inspect sites where the companies are being asked to participate in construction projects.

When this Member relayed these complaints to various Soviet officials during the course of the study mission's schedule in Moscow, each of the officials expressed surprise that such problems existed, and asserted that his agency was not responsible for such difficulties. According to the American Embassy in Moscow, this reaction is typical of the Soviet bureaucracy. To date, such problems have been dealt with individually—with the United States often resorting to retaliatory actions with respect to Soviet officials in this country.

Rather than continuing to confront this issue on a piecemeal basis, the study mission believes that the United States should insist, in the course of Soviet-American trade negotiations, that the U.S.S.R. improve the conditions under which American businessmen are required to operate in that country. If necessary, procedures involving housing, office space, employment, visas, and access to information should be spelled out in a formal agreement between the United States and the Soviet Union.

Poland, Hungary, and Romania

In addition to the U.S.S.R. the study mission included in its survey of U.S. trade relations with the Warsaw Pact area visits to three countries—Poland, Hungary, and Romania—which demonstrate in varying degrees the extent to which the Soviet Union's East European allies have chartered independent economic and commercial policies. With respect to each of three countries, the following general observations can be made:

1. The economies of all three nations are much more consumer oriented than is the Soviet economy.

2. Each of the three countries maintains a higher percentage of its foreign trade with Western trading partners than does the Soviet Union.

3. Like the U.S.S.R., each of the three countries is desirous of increased trade relations with the United States—including MFN treatment,[14] Export-Import Bank credits, and American technology.

POLAND

According to Department of State experts in Polish affairs, there is more personal freedom in Poland than in any other Warsaw Pact country. Foreign broadcasts, such as Voice of America programs, are not jammed; and East-West contacts are greater in Poland than

[14] Poland has already been granted MFN status.

elsewhere in Eastern Europe.[15] Since Poland became a part of the Communist bloc, its regimes have been twice overthrown by workers' revolts. While Poland is still ruled by a totalitarian form of government, the present regime came to power in 1970 as a result of a workers' strike, and thus can be said to have a popular base.

The leader of the present Polish Government, Edward Gierek, has adopted a domestic economic policy which emphasizes higher real wages and improved living standard, while keeping prices frozen through a program of government subsidies. Although his foreign policy does not deviate markedly from the Soviet Union's in the political field, Gierek's foreign economic and commercial policies have been pointing westward at a faster rate than have the U.S.S.R.'s.

At the end of 1973, Poland showed a foreign trade turnover of $14.3 billion, of which 44 percent was with non-Communist countries. Both U.S. and Polish observers expect Poland's trade with the West to hit 50 percent of its total foreign trade volume, in 2 to 3 years. In addition to its membership in CEMA, Poland participates in the General Agreement on Tariffs and Trade (GATT), the Food and Agriculture Organization (FAO), and the U.S. Economic Commission for Europe.

At present, the United States is Poland's third-ranked Western trading partner, behind West Germany and Great Britain. However, both American and Polish forecasters predict that the United States will soon assume first place due to the following factors:

1. Unlike other Warsaw Pact members, Poland has been the recipient of MFN treatment since 1961.

2. Poland has been eligible to receive Export-Import Bank credits since 1972. (See appendix 7 for a list of Export-Import Bank loans to Poland.)

3. The Polish Government is making a concerted effort to induce increased American trade and industrial cooperation.[16]

According to the Bureau of East-West Trade, U.S. exports to Poland in 1974 should exceed $400 million—a 20 percent increase over 1973. Polish exports to the United States should reach $250 million, which would represent a 70-percent gain over the 1973 level.

In view of the availability of Export-Import Bank financing and the sharp increase in sophisticated industrial cooperation pacts between Polish state enterprises and American firms, the joint United States-Polish Trade Commission predicted in September, that the level of Polish-American trade should reach $1 billion by 1976, and $2 billion by 1980.

Among the ongoing and proposed industrial cooperation pacts between Poland and the United States, the study mission found the joint agreement on coal conversion to possess the greatest potential.

The agreement, which was finalized during Secretary Gierek's visit to Washington in October, involved joint research and development of technological processes aimed at converting coal into natural gas and oil. The project is of particular interest to the United States, since the Poles have vast coal reserves (Poland is second only to the United States as an exporter of coal), and have made significant advances in coal technology.

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[15] In 1972, there were 20,000 visits to Poland by U.S. citizens, and 23,000 Poles toured the United States.

[16] This accelerated effort on Poland's part was recently highlighted by the visit of Secretary Gierek to the United States. (For the text of his speech, delivered to Members of Congress, see appendix 8.)

Success in this joint venture would be beneficial to both parties in view of the worldwide energy crisis. In Poland's case, the conversion of coal to natural gas and oil would help to free the Poles from excessive dependence on Soviet oil.[17] In the case of the United States, an accelerated effort in coal technology could lessen our dependence on imported petroleum.

HUNGARY

While Polish-American trade relations are in a period of boom, United States–Hungarian commercial activity is at a relatively low level. U.S. exports to Hungary reached $33 million in 1973, while the Hungarians sent $16 million in goods to the United States.[18] Although Hungary's trade with Western countries (33 percent of its total foreign trade) is rising at a faster rate than its intra-CEMA trade, commercial relations with the United States are hampered by two obstacles—the absence of MFN tariff treatment and the nonavailability of Export-Import Bank credits.

In 1952, at the time of the Korean war, the United States withdrew MFN tariff treatment from U.S. imports of Hungarian products. As a result, such imports are subject to a higher tariff than that which is applied to U.S. imports from most non-Communist countries. In return, Hungary applies to American products tariff duties which are twice those applicable to goods from most other non-Communist countries.

In March 1973 the United States and Hungary signed an agreement providing for the settlement of U.S. war damage and nationalization claims. In return for Hungary's willingness to settle these claims, the executive branch requested congressional authority to extend MFN tariff treatment to Hungary. However, the measure has not been given congressional approval because it is tied to MFN treatment for the Soviet Union, which has been blocked due to the Soviet Jewry issue.

Under the Export Administration Act of 1971, the President has the authority to extend Export-Import Bank credits to East European countries if he determines such an action to be in the national interest. No such determination has been made in the case of Hungary. Hungary has, however, made use of the Commodity Credit Corporation (CCC) to finance its imports of U.S. agricultural products.

According to U.S. diplomatic officials and Hungarian officials with whom the study mission conferred, there are several reasons to be optimistic about the future of Hungarian-American trade given the mutual granting of MFN and the availability of credits.

One source of this optimism relates to Hungary's adoption, in 1968, of a significant economic reform called the new economic mechanism (NEM). The principal aim of the NEM is to introduce into the economy such factors as profit, loss, and incentives in place of the more ideologically based criteria of the past. In practice, the NEM has meant the replacement of a highly centralized, rigidly planned, quasi-military system by a more flexible arrangement. The producing enterprises have gained more authority over their operations. While

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[17] At present, Poland imports 85 percent of its oil from the U.S.S.R. at $2.50 per barrel. That price is expected to increase significantly as the new 5-year plans are launched.

[18] The Bureau of East-West Trade forecasts that U.S. exports to Hungary in 1974 will reach $45 million and imports will climb to $25 million.

central planning is still an essential part of the system, it is less detailed and much more flexible than in the Soviet Union.

One result of the NEM is the realization that resource-poor Hungary cannot continue to produce all of the goods it needs, as it has tried to do in the past. Hungary is now striving to concentrate its efforts on those items it can produce economically and profitably for domestic consumption and export, while importing the rest of its requirements. This readiness to trade, coupled with an urgent need to modernize its industry, has brought increased sales opportunities for Western firms on the Hungarian market.

Another optimistic trend with respect to increased Hungarian-American commercial activity is Hungary's relatively favorable monetary position. The Hungarian currency (the forint), while not convertible, is regarded as having the strongest potential of all Warsaw Pact currencies. In addition, Hungary has strengthened its monetary position due to the activity of its bankers in Western money markets.

Through skillful drawing of credits, the Hungarian National Bank has been able to increase the pool of resources available for financing imports from the West. The most notable Hungarian transactions were Eurobond issues by the National Bank—$25 million in 1971 and $50 million in 1972. The 1972 issue was the first Eurobond issue by a Communist country. In 1973, a credit of $50 million was obtained from a consortium of 13 Japanese banks. More recently, Hungarian bankers have been buying U.S. dollars and exchanging visits with such American bankers as Chase Manhattan's David Rockefeller and Gabriel Hauge of Manufacturer's Hanover Trust.

Yet another promising aspect of Hungary's evolving approach to foreign trade is its experimentation with joint venture schemes as a way to lure much desired Western technology. Thus far, West Germany is the principal partner with Hungary in such cooperative efforts.

Finally, Hungary issued a decree in 1972 which opened the door to possible equity arrangements with foreign firms. The decree permits "economic associations" in the form of joint stock companies, share companies, limited liability companies or joint enterprises. The terms of such participation by a foreign firm are to be determined by a contract which would specify the share of the foreign partner's investment and profit. The decree states that "in general" the foreign partner's share should not exceed 49 percent. The phrase "in general" indicates that the foreign investor's share could be greater than 49 percent, but this has yet to be tested.

In light of these progressive developments, the study mission is convinced that the granting of MFN tariff treatment and Export-Import Bank credits to Hungary would be mutually advantageous. Therefore, it is recommended that Congress separate the problem of MFN treatment for the Soviet Union from the Hungarian proposal, and grant Hungary unconditional nondiscriminatory trade preferences.

ROMANIA

Romania is probably the most individualistic member of the Warsaw Pact. It sees itself as "an island of Latins in a sea of Slavs and Magyars." Under the leadership of President Nicholae Ceausescu,

Romania has plotted the most independent foreign policy of all Warsaw Pact countries. This independence is reflected in Romania's political/military relations as well as its commercial activities.

In the political field, Romania was the first, and to date the only, Warsaw Pact country to overtly support the Chinese in the Sino-Soviet dispute. At the same time, it has made overtures to the West—often in advance of the Soviet Union's lead. Unlike Poland and Hungary, Romania does not have Soviet troops on its soil;[19] and it has not participated in multilateral Warsaw Pact troop exercises since 1962.

In the economic area, Romania is the most active Warsaw Pact member in East-West trade. Fifty percent of its foreign trade turnover is with non-Communist countries. It is a member of the International Monetary Fund (IMF) and the World Bank. In contrast, it is the least active participant in CEMA and has the least volume of trade (20 percent) with the Soviet Union. Much of Romania's leeway is due to its exportable oil and grain, which frees it from the Soviet economic leverage felt by other CEMA countries. Romanian officials are eager to acquire Western technology while avoiding any Moscow dictated specialized role in the Soviet trading bloc.

In order to encourage Western investment, Romania, like Hungary, approved a decree which permits foreign firms to establish commercial offices and to make direct capital investment—up to 49 percent ownership in production enterprises in Romania.

Except for Poland, the framework and outlook for U.S. commercial activity in Romania is the most promising in the Warsaw Pact area. While the current U.S. share of the Romanian import market is estimated at 8 percent, total trade turnover has increased markedly since the 1968 level of $22 million. In 1973, U.S. exports to Romania totaled $116.6 million and are expected to reach $200 million in 1974; while U.S. imports from Romania will nearly double from $55.7 million in 1973, to $90.5 million in 1974. Both American and Romanian officials predict that the total trade turnover should surpass $500 million in 1976.

The upsurge in Romanian-American trade can be attributed to deliberate efforts by both sides to reduce barriers and to make trade relations mutually beneficial. U.S. actions to improve trade relations are as follows:

1. *Export control regulations.*—Romania is now treated more liberally by U.S. export control regulations than any other Warsaw Pact country. In April 1971, the President placed Romania in a special category under the Export Control Act, which gave Romania the same status as Yugoslavia and Western European countries. As a result, more than 90 percent of U.S. exports to Romania do not require individual licenses.

2. *Credits and guarantees.*—The Export Expansion Finance Act of 1971 gave the President authority to extend Export-Import Bank credits to Eastern European countries—if he determines such action to be in the national interest. The President made such a determination with respect to Romania in November 1971. The Foreign Assistance Act of 1971 contained an amendment authorizing Overseas

[19] Russian forces were withdrawn from Romania in 1958.

Private Investment Corporation (OPIC) programs in Romania and Yugoslavia, if they are determined to be in the national interest. The President made such a determination in March 1972. Finally, to facilitate Romanian purchases of U.S. grain, a line of Commodity Credit Corporation (CCC) credits totaling $40 million was established.

However, one major obstacle to expanding Romanian-American trade remains—the absence of MFN tariff treatment. As in the case of other Warsaw Pact countries, the United States withdrew MFN tariff treatment for imports from Romania, in 1952, at the time of the Korean war. Although the executive branch has requested authority to reinstate MFN tariff treatment for Romanian products, the measure has not been passed due to the controversy over the Soviet Union's treatment of its Jewish population.

In view of the westward trend in Romania's foreign policy, the study mission is convinced that it would be beneficial to both the United States and to Romania if MFN tariff treatment were reinstated. Therefore, it is recommended that Congress authorize the President to grant Romania MFN on a permanent basis. Such an action would encourage Romania's efforts to become more independent from the Soviet bloc.

APPENDIX 1

Schedule of Meetings, Interviews, and Discussions

Washington, D.C., August 14, 1974

John A. Armitage, Deputy Assistant Secretary of State for European Affairs.
Roger D. Severance, Director, Eastern Europe Affairs Division of the Bureau of East-West Trade, Department of Commerce.
Kenneth Yalowitz, Deputy Director, U.S.S.R. Affairs Division, Bureau of East-West Trade.

Copenhagen, Denmark, August 23–25, 1974

Hon. Phillip K. Crowe, U.S. Ambassador.
Paul K. Stahnke, Economic Counselor, U.S. Embassy.
Robert G. Kemp, Commercial Attaché, U.S. Embassy.
Paul Stokes, Office of Inspector General of the Foreign Service.

Moscow, U.S.S.R., August 26–29, 1974

U.S. Embassy officials:
- Adolph Dubs, Deputy Chief of Mission.
- Noble M. Melencamp, Economic/Commercial Officer.
- Arthur J. Smith, Economic/Commercial Officer.
- David H. Swartz, Economic/Commercial Officer.
- Warren Zimmerman, Political Officer.

U.S. businessmen in Moscow:
- Anthony Drahorad, Pan American World Airways.
- Michael Pendill, First National City Bank.
- A. S. Yankovich, Bank of America.
- Robert Costello, Pullman Corp.
- Robert Krattli, Pullman Corp.
- Richard Buckley, Chase Manhattan Bank.
- George Kaiser, Arthur Anderson, Inc.

Soviet officials:
- V. S. Alkhimov, Deputy Minister of Foreign Trade.
- Dr. G. A. Arbatov, Director, U.S.A. Institute.
- N. V. Zinovyev, Chief, Administration for Trade With Countries of the Americas, Ministry of Foreign Trade.
- Dr. B. Z. Milner, Chief, Economic Department, U.S.A. Institute.
- Dr. V. N. Krestyanov, Scientific Secretary, U.S.A. Institute.
- V. B. Spandaryan, Chief, Foreign Trade Section, State Planning Committee (GOSPLAN).
- A. R. Makeyev, Deputy Chairman, Foreign Trade Bank.
- E. A. Aykazyan, Chief, U.S.A. Section, Administration for Foreign Relations, State Committee for Science and Technology.
- K. G. Fedoseyev, Deputy Chief, U.S.A. Division, Ministry of Foreign Affairs.
- R. G. Gorbunov, Executive Secretary, Soviet Section, Joint U.S.-U.S.S.R. Commercial Commission.

Officials of the International Investment Bank [the bank's members are composed of the membership of the Council for Mutual Economic Assistance (CEMA)].
- Dr. S. Kobak, Deputy Chairman (Poland).
- Dr. Gottfried Lösche, Deputy Chairman (East Germany).

Warsaw, Poland, August 29–September 1, 1974

U.S. Embassy officials:
John R. Davis, Deputy Chief of Mission.
John D. Scanlan, Counselor for Political Affairs.
Harry Kopp, Chief, Economic/Commercial Section.
James A. Hutchins, Agricultural Attaché.
George Boutin, Economic/Commercial Officer.
Dell Pendergrast, Acting Chief, Press and Cultural Affairs Section.
Polish officials:
H. E. Romuald Spasowski, Vice Minister of Foreign Affairs.
H. E. Stanislaw Dlugosz, Vice Minister of Foreign Trade and Maritime Economy.
Roman Malesa, President, Bank Handlowy.
Henry K. Skrobisz, Member, Committee on Foreign Economic Policy, Sejm (Polish Parliament).
Jan Woloszyn, Deputy Director General, Bank Handlowy.
Jan Kinast, Director, Department III (North and South America), Ministry of Foreign Affairs.
Dr. Jan Chowaniec, Economic Adviser to Department III.
Janusz Hys, Deputy Director, Branch Office of Polish Chamber of Foreign Trade, San Francisco.
Jerzy Milobedzki, Director, Department of Licenses, Components, and Subassemblies, Unitra Foreign Trade Enterprise.
U.S. businessmen:
Sheldon Smith, A. Epstein International.
Pierre Desjardins, FMC Corp.
Rex Frisken, International Harvester.
John Kovelan, Pullman.

Budapest, Hungary, September 1–3, 1974

U.S. Embassy officials:
Hon. Richard F. Pederson, Ambassador.
Robert C. Mudd, Deputy Chief of Mission.
Stephen F. Dachi, Public Affairs Officer.
Keith Smith, Political Officer.
Thomas Gerth, Consular Officer.
Col. Conrad K. Housman, Defense Attaché.
Lt. Col. John H. Edgar, Air Force Attaché.
Hungarian officials:
H. E. Janos Nagy, Deputy Foreign Minister.
Ferenc Furulyas, Deputy Minister of Foreign Trade.
H. E. Jozef Varkonyi, Chief Department V (North American Affairs), Ministry of Foreign Affairs (former Ambassador to the United States).
Peter Kovari, Chief, North American Section, Ministry of Foreign Trade.
Odon Kallos, President, Hungarian Chamber of Commerce.
Lorant Faludi, Chief Executive, Hungarian Chamber of Commerce.
Dr. Erno Foti, Special Adviser, Ministry of Metallurgy and Machine Building.

Bucharest, Romania, September 3–5, 1974

U.S. Embassy officials:
Hon. Harry G. Barnes, Jr., Ambassador.
Richard D. Vits, Deputy Chief of Mission.
Aurelius Fernandez, Public Affairs Officer.
Donald A. Bramante, Economic/Commercial Officer.
Henry Clark, Economic/Commercial Officer.
Ints M. Silins, Economic/Commercial Officer.
Eugene Craighead, Consular Officer.
U.S. businessmen:
Rino Raicovich, Manufacturer, Hanover Trust Bank.
Ken Yaeger, Control Data Corp.
Oz Perrine, General Tire Corp.
Max Turner, Boeing Aircraft Corp.

Romanian officials:
Vasile Rauta, Vice President, State Planning Committee.
Iulian Bituleaunu, Deputy Minister of Finance for International Cooperation.
Bogdan Baltazar, Deputy Director, Economic Directorate Ministry of Foreign Affairs.
Romanian journalists:
Dinu Dragomirescu, *Viata Economica.*
Nicolae Lupu, *Rominia Libera.*
Mihai Matei, *Lumea.*

Athens, Greece, September 6–8, 1974

U.S. Embassy officials:
Monteagle Stearns, Deputy Chief of Mission.
Miller Dunn, Counselor for Economic Affairs.
Thomas W. Davis, Consular Officer.
John A. Collins, Political Officer.
Capt. George F. Smith (U.S.N.), Defense Attaché.
Robert I. Pugh, Political/Military Affairs Officer.
Greek officials:
H. E. Xenophon Zolatas, Minister of Coordination.
H. E. Panayiotis Papaligouras, Governor, Bank of Greece.
H. E. Dimitrios Bitsios, Deputy Minister of Foreign Affairs.
Private businessmen:
John Enepekides, Deputy Chairman, Credit Bank of Greece.
Ched Ristich, Vice President and Manager of the Bank of America, Athens Branch.

APPENDIX 2

Chronological Summary of Soviet-American Commercial Relations 1969–74 [1]

A. Frame of Reference

The following chronological summary contains major events in Soviet-American commercial relations during the years 1969–74. Some events relating specifically to Soviet-American political relations have been included as background to the developments in economic relations.

B. Chronology

1969

January 22—Soviet Union agrees to participate in Washington communications satellite conference.

The Soviet Union agreed to send representatives to an international conference on communication satellites to be held in Washington in February, according to a State Department announcement (USIA chronology).[2]

March 17—United States receives Soviet proposal for the establiment of shnew consulates in Leningrad and San Francisco.

Ambassador Anatoly F. Dobrynin passed on to the U.S. Government a Soviet suggestion that an American consulate be established in Leningrad in exchange for a new Soviet consulate in San Francisco. (USIA chronology).

May 28—President Nixon is opposed to expanding trade with Communist countries in the absence of agreement in other areas.

Administration representatives testified before the Senate Banking Committee that President Nixon would not encourage expansion of trade with the Soviet Union and other Communist countries until agreement was reached on the negotiation of a whole range of problems in Soviet-American relations. According to the witnesses, the President expected the Soviet Union to reciprocate for expanded trade with concessions in other areas.

The Christian Science Monitor reported that trade between the United States and Communist countries was at an insignificant level. (DD:663)

July 21—Department of Commerce announces 1968 trade figures for the Soviet Union and Eastern Europe.

The U.S. Department of Commerce published its 1968 statistics on trade with the Soviet Union and Eastern Europe. American exports to the Soviet Union were placed at $57.5 million. Imports from the Soviet Union amounted to $58.3 million. American exports to the countries of Eastern Europe totaled $159.3 million, while imports from those countries were $140.4 million. Trade turnover between the United States and the Communist countries exceeded the 1967 figure by $43 million. (FF:557)

October 13—Soviet aid to North Vietnam reportedly reduced.

After North Vietnamese Premier Pham van Dong paid an official visit to the Soviet Union, Soviet leaders promised to continue to provide all necessary aid to his country's war effort. However, it was believed in the West that Soviet military aid had dropped considerably from the 1967 peak. (DD:561)

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[1] Prepared by Francis T. Miko, Research Assistant in Soviet and East European Affairs, Foreign Affairs Division, Congressional Research Service, Library of Congress.

[2] See chronology sources at end of this appendix.

November 3—Soviet Foreign Minister accuses United States of creating dangerous situation in Laos.

Foreign Minister Gromyko sent messages to the United States and other members of the 1962 Geneva Conference on Laos, charging that American military actions there had created an alarming situation. (DD:562)

December 23—Congress limits Presidential control over exports to Communist countries.

Congress passed a law requiring the President to review regularly the list of strategic items barred from shipment to Communist countries. Before an item could be placed on the commodity control list, it had to be ascertained that the item was not easily available elsewhere. The economic criterion was removed among considerations for refusing export licenses. Observers believed that the new law would result in a considerable reduction of the number of goods barred from sale to Communist countries. (DD–US:682/683)

1970

April 20—Henry Ford announces plan to participate in joint project to establish a truck manufacturing complex in the Soviet Union.

Henry Ford II announced from the American Embassy in Moscow that the Ford Motor Co. was considering a Soviet offer to build jointly a giant truck manufacturing plant near Kazan in the Soviet Union. According to plans, the factory would produce 150,000 trucks per year by 1974. (DD:568–569; FF:291)

May 14—Ford Motor Co. rejects Soviet offer of joint truck manufacturing project.

Henry Ford II announced in Detroit that the Ford Motor Co. had rejected a Soviet offer to participate in the building of a truck manufacturing plant in the Soviet Union. The announcement followed Government pressure to turn down the deal. Secretary of Defense, Melvin Laird voiced his opposition to the project on May 11, saying that the Soviet Union was supplying large numbers of trucks to North Vietnam. Ford said that there were still prospects for cooperation with the Soviet Union in the manufacture of nonstrategic goods. (FF:605; DD–US:691)

June 1—Massive Soviet buildup in Egypt is reported.

A detailed report in Newsweek claimed that the Soviet Union had installed 22 SAM–3 missile sites in Egypt, that 23 other sites were under construction, and that a further 17 were planned. The report also claimed that Israeli forces had captured four Soviet advisors in conjunction with the seizure of a missile site on the Gulf of Suez. It had been reported earlier (April 29) that Soviet pilots were flying operational missions over Egypt. (FF:303; 378)

July 1—President Nixon warns of dangerous Middle East situation.

In a television interview, President Nixon warned that the Middle East situation was more dangerous than the one in Vietnam, "like the Balkans before World War I." He said that the United States and the Soviet Union could be drawn into direct conflict against their will. He accused the Arabs of continuing to pursue the aim of driving Israel into the sea. He warned the Soviet Union that the United States would not tolerate a change in the power balance in the Middle East or Mediterranean area. (FF:479)

August 12—West German-Soviet Treaty signed.

A treaty was signed between West German Chancellor Willy Brandt and Soviet Premier Alexei Kosygin normalizing relations between their two countries. Both sides renounced the use of force; each recognized the inviolability of all European frontiers, including the Oder-Neisse line, and the unchanged Four-Power status of West Berlin. The United States applauded the treaty as a prelude to a new era in Europe. (DD:697)

September 16—Civil war erupts in Jordan.

Following King Hussein's announcement that he had established a military government to cope with Palestinian Commando activities, war erupted between government and Palestinian forces in Jordan. On September 17, President Nixon warned that the United States was prepared to intervene, if Syria or Iraq came to the aid of the Palestinians. The Soviet Union declared its neutrality in the Jordanian conflict and warned against any foreign intervention. (FF:670)

September 20—Syria intervenes in Jordanian war.

A Syrian motorized brigade led by tanks crossed the border into Jordan to support Palestinian forces. The U.S. State Department issued a strong warning to Syria. There were claims of an American military buildup in the Mediterranean in preparation for direct U.S. intervention. The Soviet Union allegedly informed the United States and Great Britain (September 22) that it was pressing Syria to withdraw its troops from Jordan. Reports were also published asserting possible Soviet support for the Syrian intervention; other reports denied this allegation.

The potentially critical situation improved with the implementation of a cease-fire on September 25, following a summit meeting of Arab leaders in Cairo. (FF:671/672, 690)

October 22—U.S. Maritime Commission approves Soviet shipping rates.

The rates submitted by the Soviet Far Eastern Steamship Line were cleared by the U.S. Maritime Commission. This action allowed for the establishment of regular shipping services between the United States and the Soviet Union. The rates were described as being comparable to those of other independent carriers serving the same routes. (DD:581)

November 6—Soviet and American publishers conclude agreement.

Doubleday & Co. signed an agreement with the Soviet Novosti Press Agency whereby the Soviet publisher would supply the manuscript of a Russian book on the Soviet space program to Doubleday for an undisclosed amount of money. Novosti guaranteed that the book would not be published in the Soviet Union until it had been released in the United States, thus establishing Doubleday's international copyright. The agreement marked the first time that the Soviet Union had recognized the copyright of an American publisher. Although the agreement pertained only to one book, it raised hopes that a more general agreement could be reached to put an end to the mutual "pirating" of books. The Soviet Union was not yet a party to any international copyright agreements. (DD:583; FF:861)

November 6—Commerce Department announces suspension of the sale of oil refining plant to Poland.

The Commerce Department announced that it had temporarily suspended the sale of a $1 million oil refining plant to Poland. The move was interpreted as a response to the deterioration in Soviet-American relations as a result of the Middle East situation. Polish sources called the move an indication of the Nixon administration's hostility to the idea of East-West reconciliation. The United States indicated that it was interested in "bridge-building" with countries that were not hostile to the United States (i.e. Romania and Yugoslavia). (DD–US:711)

December 7—Polish-West German treaty signed.

Poland and West Germany signed a treaty recognizing the Oder-Neisse line as the western boundary of Poland and establishing diplomatic relations between the two countries. The treaty was viewed as an important step in the process of normalizing East-West relations. (DD:586)

December 17—United States voices opposition to Soviet-British computer deal.

President Nixon conferred with British Prime Minister Edward Heath in Washington. He reportedly expressed American opposition to British plans to sell computers to the Soviet Union since they violated a general agreement between Western countries to prohibit the sale of strategic goods to the Soviet Union. Heath gave assurances that the computers would not benefit the Soviet Union's military capabilities. (FF:959)

1971

February 4—Soviet Union joins International Tin Agreement.

The Financial Times of London reported that the Soviet Union had joined the 4th International Tin Agreement. This would presumably give the Soviet Union some influence on future world tin supplies. The United States, almost totally dependent on imported tin, could become affected by any policies to interrupt worldwide supplies. (DD:589/590)

February 17—Secretary of Commerce, Stans, urges expansion of Soviet-American trade.

Secretary of Commerce, Maurice H. Stans, urged that the United States look to expanded commercial relations with the Soviet Union and other Communist countries as a means of improving its trade balance. A more rapid increase in imports than exports, he said, was leading to a decline in the U.S. foreign trade surplus, from $2.7 billion in 1970 to $2 billion in 1971. (DD:721)

March 30–April 9—Soviet Communist Party holds 24th Congress.

The 24th Congress of the Communist Party of the Soviet Union was held in Moscow. The Congress reaffirmed Soviet policies of peaceful coexistence with the United States. The Ninth 5-Year Plan was launched with the goal of modernizing the Soviet economy through major technological advances, increases in the efficiency of planning and management, and improvements in the quality and availability of consumer goods.

To attain the economic objectives set forth in the plan, the Soviet Union required large technological inputs from the West. The Congress marked the beginning of an intensive new Soviet effort to expand commercial relations with the United States (DD:593–595)

April 25—Soviet Union protests bombing of New York trade offices.

The Soviet Government officially protested what it called continued harassment against Soviet offices and citizens, following the explosion of a bomb in the New York offices of a Soviet trade organization. It demanded that the American Government take effective measures to stop such incidents. (DD:597)

May 18—Mack Trucks firm signs preliminary agreement with the Soviet Union.

According to The New York Times, the U.S. firm of Mack Trucks reached a preliminary agreement with Soviet representatives in New York to supply $750 million worth of equipment for a Soviet truck manufacturing plant. This was the largest agreement in the history of Soviet-American trade. (DD–US:734)

June 1—Department of Commerce approves licenses for export of $85 million worth of vehicle-manufacturing equipment.

The Department of Commerce announced that it had approved licenses for the export of $85 million worth of truck manufacturing equipment to the Soviet Union. Some observers felt the licenses signaled a breakthrough in Soviet-American trade. (A year earlier, pressure from Secretary of Defense Laird was believed to have been a key factor causing the Ford Motor Co. to reject a Soviet truck manufacturing deal). (DD–US:734; DD:599/600)

June 9—U.S. authorities seize Soviet freighter in California.

Federal authorities seized a Soviet freighter in Alameda, Calif., as security in a damage suit filed by a company in Massachusetts, whose lobster nets had been cut by Soviet trawlers off the Nantucket coast. Despite an agreement between U.S. officials and a Soviet fishing fleet commander, similar incidents continued to occur. (USIA chronology)

June 10—President Nixon removes some restrictions on trade with the Communist countries.

President Nixon removed grain from the list of items requiring licenses to be exported to the Soviet Union, Eastern Europe, and China. At the same time he suspended the requirement that half of all grain shipments to those countries be made by American vessels. (DD–US:737)

August 9—Department of Commerce issues licenses for export of $162 million worth of truck manufacturing equipment to the Soviet Union.

The Department of Commerce revealed that it had approved licenses for the export of $162 million worth of foundry equipment for a truck manufacturing complex in the Soviet Union. It was believed that the licenses pertained to equipment for the manufacture of light trucks which would have no great military value. The Government indicated that the licenses did not constitute approval of the larger Mack Truck deal which allegedly called for shipment of equipment designed for the manufacture of heavy trucks. (DD–US:734/735)

September 3—Four-Power Berlin agreement is signed.

France, Britain, the United States, and the Soviet Union signed an agreement on the status of Berlin. The Soviet Union accepted responsibility for the unimpeded flow of traffic between West Berlin and West Germany. Secretary of State Rogers said that the agreement enhanced prospects for peace and security in Europe. It cleared the way for NATO preparations for intensive talks on balanced force reductions. (DD:607)

September 13—Williams Report urges greater Congressional involvement in U.S. foreign economic policy.

A report prepared by the President's Commission on International Trade and Investment Policy (Williams Commission) was released to the public. It urged that Congress be brought more actively into the various stages of foreign trade policy formulation. This was seen as being especially applicable in the area of East-West trade where cooperation between the branches of Government was essential. (Williams: pp. 279–280; pp. 299–300)

September 15—Mack Trucks, Inc., cancels agreement to supply equipment for Soviet truck manufacturing plant.

Mack Trucks, Inc. announced that it had canceled an agreement to supply $750 million worth of truck manufacturing equipment to the Soviet Union. It was widely believed that the American firm had withdrawn from the deal under Government pressure. Department of Commerce officials denied that the U.S. Government had blocked the deal. They said that the license applications were too vague and that the Commerce Department had therefore requested further information from the firm. The request was allegedly never answered. (DD:760)

October 6—U.S. Senate passes resolution on chrome imports.

The Senate passed an amendment to the weapons procurement bill stating that the Government could not prohibit the importation of strategic material from any country if the same item was being imported from a Communist country. The main suppliers of chrome to the United States are the Soviet Union and Rhodesia. The aim of the amendment was to allow the importation of chrome from Rhodesia despite a United Nations embargo on trade with that country. (DD:763)

October 12—President Nixon announces plan to visit the Soviet Union.

The President announced that he planned to travel to Moscow in May 1972, on a working trip. On October 15, Premier Kosygin told eight visiting American governors that the planned trip would further the cause of world peace. While on an official visit to Canada on October 20, Premier Kosygin said that the Soviet Union was looking forward to President Nixon's visit arranged in response to a mutual desire to ease world tensions. (USIA chronology, DD)

November 5—U.S. Department of Agriculture authorizes grain sales to the Soviet Union.

According to a Department of Agriculture announcement, the Government approved the sale of $136 million worth of grain to the Soviet Union. This was the first grain deal since 1964 when the United States exported $125 million worth of grain to the Soviet Union. The deal was initially opposed by American maritime unions, since the grain would not be transported on American vessels. (DD:617; DD–US:768)

November 16—Soviet trade official visits the United States.

Soviet Deputy Foreign Trade Minister Vladimir S. Alkhimov began a 9-day visit to the United States. In New York, he stressed the Soviet interest in MFN treatment from the United States. American officials said that MFN must be linked to settlement of the World War II Lend-Lease debt, a subject that Soviet leaders had thus far refused to discuss. Alkhimov was optimistic about the possibilities for large-scale joint Soviet-American economic ventures in areas such as copper mining and off-shore oil exploration. (DD:617)

November 20—Secretary of Commerce Stans visits the Soviet Union.

Secretary of Commerce Stans traveled to Moscow for exploratory talks on expanding Soviet-American trade. At the end of his visit, Stans termed his discussions with Soviet leaders "extremely cordial and constructive." He said that the two sides had discussed trade potentials and obstacles. However, he gave no indication that any concrete agreements had been reached. According to some observers, one of the obstacles to improvement of trade relations was that the Soviet Union had few products which could find a market in the United States. The Soviet Union was interested in acquiring American capital and technology but needed American credits to buy equipment from the United States (DD:617/618; DD–US:771)

November 28—American business executives meet with Soviet leaders.

Business executives from the United States and Western Europe met with Soviet leaders in Moscow to discuss joint ventures and other trade possibilities. The atmosphere of the talks was described as very positive. The meeting was held at a time when the general assessment in the American press was that the administration had made a major turnabout in its trade policies. The position that a trade thaw must follow improvements in political relations with the Soviet Union was apparently being replaced by the idea that trade relaxations could be used as a first step to encourage progress in political relations. (DD:618; DD–US:771)

November 30—Satra Corp. signs trade agreements with the Soviet Union.

The Satra Corp. based in New York concluded an agreement with the Soviet Government whereby the American firm (in conjunction with other American companies) would supply $65 million worth of mining and drilling equipment to the Soviet Union in return for $60 million worth of nonferrous metals. (DD:618)

December 4—Swiss paper reports American Government licensing of $950 million worth of equipment exports to the Soviet Union for the Kama truck plant.

According to the Neue Zurcher Zeitung, President Nixon approved licenses for shipment to the Soviet Union of $950 million worth of truck manufacturing equipment. The equipment was to be sent to the giant Kama River truck manufacturing complex. The paper reported that the licenses were approved some time in November. (DD:618)

December 27—Peterson Report sees prospect for expanded East-West trade; greater congressional role in trade policy recommended.

A report prepared by Peter G. Peterson, Assistant to the President for International Economic Affairs, was released under the heading "The United States in the Changing World Economy." In Volume I, "A Foreign Economic Perspective," he expressed optimism over the prospects for U.S. trade with the Communist countries despite a number of restrictions and obstacles. Peterson recommended that Congress be given a greater role in the conduct of foreign trade policy, as had been previously recommended by the Williams Commission. (Peterson: p. 43, 47)

1972

February 16—United States approves licenses for export of $367 million worth of truck manufacturing equipment to the Soviet Union.

The Department of Commerce announced that the Government had approved 51 licenses for the export of $367 million worth of truck manufacturing equipment destined for the Kama River truck manufacturing complex. Two previous licenses had been issued. The amounts licensed were not necessarily an indication of the quantities delivered, as some authorized deals were not finally concluded. (DD–US:785; DD:626)

February 17—Soviet Union agrees to reopen Lend-Lease settlement talks with the United States.

The State Department announced that the Soviet Union had agreed to resume talks on the settlement of the Soviet Lend-Lease debt to the United States. According to The New York Times, the United States was asking that the Soviet Union pay for equipment that was still usable after World War II. The United States reduced its demands from $2.6 billion to $800 million in 1952. The Soviet Union reportedly now wanted to settle Lend-Lease as part of a larger trade agreement. (DD:624; FF:200)

February 21–28—President Nixon visits the People's Republic of China.

President Nixon traveled to China for talks with Premier Chou En-lai and Communist Party Chairman Mao Tse-tung. The trip culminated months of steadily improving relations between the United States and the People's Republic. A statement emerging from the meetings, with possible reference to the Soviet Union, warned that no changes would be allowed in Asia that would endanger peace or be contrary to shared U.S.-Chinese interests.

The Soviet press reacted to the trip with suspicion. Pravda accused President Nixon of exploiting Sino-Soviet differences. It characterized the meetings as secret and suggested that the real focus of the talks may not have been reflected by official communiques. (DD–US: 785–787)

April 8–12—Secretary of Agriculture Butz visits the Soviet Union.

Secretary of Agriculture Earl L. Butz traveled to the Soviet Union for talks with Soviet officials. A proposed $200 million grain deal was reportedly the main topic of conversation during his visit. He predicted the conclusion of a major grain sale agreement following his trip. (FF: 264)

April 18—U.S. publishing firm signs agreement with the Soviet Union.

Crowell-Collier and Macmillan announced the signing of an agreement with a Soviet publishing agency to publish jointly an English edition of the official 30-volume "Great Soviet Encyclopedia." (FF: 454)

April 19—The Soviet Union releases foreign trade figures for 1971.

The Soviet Union published its foreign trade figures for 1971. Total trade was set at 23.6 billion rubles. The United States ranked far behind Japan and many West European countries among the Soviet Union's non-Communist trading partners. Soviet-American trade was reported to total 184 million rubles for the year. (DD: 630)

April 21—Soviet-American maritime agreement announced.

The United States and Soviet Union reached an agreement giving ships of each nation greater access to the ports of the other. The agreement reportedly removed barriers which had previously made it very difficult for Soviet ships to use American ports. According to The Washington Post, the agreement seemed to assure that only Soviet and American ships would carry goods between the two countries. The agreement was expected to be signed during President Nixon's impending visit to Moscow. (DD:630, DD–US: 795)

April 23—Soviet Union underwrites insurance on American overseas investments.

The Black Sea and Baltic Insurance Co., a subsidiary of the Soviet Union's state insurance agency (Ingosstrakh), agreed to partially underwrite $26 million worth of insurance for American private investments in the developing nations against foreign expropriation. According to the U.S. Government's Overseas Private Investment Corporation, this was the first time that the Soviet Union had participated in insuring American overseas investment. (DD:631)

May 8—United States announces the mining and blockade of North Vietnamese harbors.

President Nixon announced the immediate implementation of a blockade around all North Vietnamese ports and the mining of Haiphong and other harbors as well as the bombing of rail links to China. Soviet reaction was one of surprising restraint. The Soviet Government said that the American action violated the rules of international law and called for the lifting of the blockade. There was no threat that Soviet ships would challenge the blockade. Neither was there any hint that President Nixon's upcoming trip would be canceled. (DD:632)

May 22–29—President Nixon visits the Soviet Union.

Following months of careful preparation, President Nixon traveled to Moscow for meetings with Soviet leaders. The talks were not visibly marred by escalations in the Vietnam War. President Nixon and Soviet Party General Secretary Brezhnev signed numerous agreements, the most important of which was the Strategic Arms Limitation accord (SALT I) placing limits on total numbers of American and Soviet offensive and defensive missiles. The two sides agreed to begin consultations on a European security conference after final signature of the Four-Power agreement on Berlin. They also agreed to pursue the possibility of mutual force reductions in central Europe (MBFR). The two leaders initialed several other agreements previously negotiated. These included accords on cooperation in medical research, space exploration, avoidance of collision at sea, increased cultural and scientific exchanges and joint efforts at solving environmental problems. The communique released at the end of the Nixon visit expressed continuing disagreement on the question of Vietnam and the Middle East.

In the area of trade, the two sides agreed to establish a joint U.S.-U.S.S.R. Commercial Commission which would meet alternately in the two countries. The Commission was to draw up an overall trade agreement, study areas of possible cooperation, and monitor the progress of trade relations between the two countries.

The section of the joint communique released following the talks dealing with trade relations stated that the two countries would negotiate a general trade agreement incorporating a settlement of the Soviet Lend-Lease debt. The two countries recognized that conditions existed for the expansion of mutually beneficial trade. Both sides pledged to encourage and facilitate the conclusion of long-term contracts between organizations and firms of the two countries. (K:25313–25315; DD:632–633)

May 30—Secretary of Commerce Peterson, notes progress in Soviet-American trade relations.

Secretary of Commerce Peter G. Peterson held a press conference in which he declared that progress trade relations achieved during President Nixon's visit to the Soviet Union "exceeded expectations." He emphasized the importance of the joint commission established at the summit in resolving outstanding problems hindering increased trade. He announced that the joint commission would meet in Moscow in July for the first time. (DD–US:806)

June 2—U.S. firm announces agreement with Soviet Union to supply production line for truck manufacturing plant.

Gulf and Western Industries, Inc. announced a $20 million deal with a Soviet trading agency to provide a production line for the manufacture of parts at the Kama River truck complex. (FF:419)

June 19—U.S. tool manufacturing firm concludes $55 million agreement with the Soviet Union.

It was announced that Alliance Tool and Die Corp. and Atlas Fabricators, Inc., had virtually completed a $55 million agreement to furnish factories in several Soviet cities. (FF:460)

July 8—United States and Soviet Union sign grain agreement.

An agreement was signed in Washington between Secretary of Agriculture Butz and Soviet Deputy Foreign Trade Minister Mikhail Kusmin, providing for purchase by the Soviet Union of over $750 million worth of grain over a 3-year period. The United States would supply credits (not to exceed $500 million) for the purchase. The agreement was the largest in the history of the two countries' commercial relations. On August 10, Secretary Butz stated that Soviet grain purchases would substantially exceed the commitments made in the agreement. The grain deal was expected to wipe out the American trade deficit but at the same time increase inflationary pressure. It was hailed by the administration, but criticized in some sectors for allegedly contributing to food shortages and high food prices in the United States. (K:25391; DD:636, DD–US:811–812)

July 14—Occidental Petroleum Corp. signs 5-year agreement with the Soviet Union.

Occidental Petroleum Corp. signed an agreement in Moscow, whereby the American company would provide technological assistance in the production of oil and natural gas, chemical fertilizers, metal plating, hotel construction, and solid waste utilization. In exchange, the Soviet Union would supply the company with raw materials, including oil and gas, fertilizers, nickel and chromium. The company's president, Armand Hammer, said that the prospects for expansion of East-West trade were better than ever. (DD:636; DD–US:812)

July 20–August 1—Secretary of Commerce Peterson travels to Soviet Union; U.S.-U.S.S.R. Commercial Commission meets.

Secretary of Commerce Peterson traveled to Moscow as head of a 30-member American delegation to the U.S.-U.S.S.R. Commercial Commission. He met with Soviet officials to discuss a maritime agreement, the Soviet Lend-Lease debt, credits, and most-favored-nation status for the Soviet Union. At a Moscow press conference on August 1, Peterson said the sides were closer on the Lend-Lease issue but that no agreement had been reached. He stressed that the United States would not extend Export-Import Bank credits until Lend-Lease was settled. (DD:637, DD–US:812/813)

August 3—Soviet Union establishes emigration fee.

The Soviet Council of Ministers announced a decree establishing a graduated exit visa fee. The purpose of the fee was allegedly to reclaim expenses incurred by the Soviet State in educating prospective emigrants. The fee could reach $25,000 for a person with an advanced degree. It was viewed in the West as a measure aimed at discouraging Jewish emigration to Israel. (DD:638)

August 14—Secretary of Commerce Peterson issues report on prospects for American trade.

Secretary of Commerce Peter G. Peterson issued a report entitled "United States-Soviet Commercial Relationships in a New Era." The report viewed favorably the prospects for joint Soviet-American ventures, especially in the exploitation of Soviet natural resources.

There was no discussion of the congressional role in trade negotiations, a major theme of his 1971 report. Administration critics pointed to the failure of the executive branch to heed its own recommendations of cooperation with Congress with respect to commercial policies. (DD:636; Hardt)

August 16—International Harvester Co. announces deal to supply tractors to the Soviet Union.

International Harvester Co. concluded an agreement with the Soviet Union to sell $40 million worth of tractors and equipment in 1973. The machines were to be used in natural gas pipeline construction. (FF:713)

October 4—Jackson amendment to the Trade Reform Act bill introduced.

An amendment to the Trade Reform Act was introduced by Senator Henry M. Jackson (D–Wash.) with the cosponsorship of 72 other Senators. It prohibited the extension of credits or most-favored-nation status to non-market economies which restricted or taxed emigration by their citizens. The amendment was aimed at the Soviet Union in response to its restrictive policies on Jewish emigration. (DD–US:817)

October 14—United States and Soviet Union sign maritime agreement.

American Secretary of Commerce Peterson and Soviet Merchant Marine Minister Guzhenko reached an agreement opening 40 ports of each country to merchant vessels of the other. It was also agreed that American ships carrying grain to the Soviet Union would be paid the highest current world market rates. (DD:640; DD–US:818)

October 18—United States and Soviet Union sign comprehensive trade agreement.

Upon conclusion of the second meeting in Washington of the U.S.-U.S.S.R. Commercial Commission, Secretary of State William P. Rogers and Soviet Foreign Trade Minister Nikolai S. Patolichev, signed a comprehensive trade agreement. According to the terms, the Soviet Union would pay $722 million in World War II lend-lease debts, the U.S. Export-Import Bank would extend credits to the Soviet Union, the Soviet Union would be granted most-favored-nation treatment, there would be established permanent Soviet commercial representation in Washington. (K:25585; DD:640)

October 20—Caterpillar Tractor Co. signs $68 million agreement with the Soviet Union.

Caterpillar Overseas, the Geneva based subsidiary of the Caterpillar Tractor Co., signed a contract to sell $68 million worth of American agricultural machinery and pipe-laying equipment to the Soviet Union. (DD:640)

November 16—Pepsi-Cola Co. announces Soviet deal.

The Pepsi-Cola Co. concluded an agreement whereby the soft drink Pepsi-Cola would be made and sold in the Soviet Union. In exhange the American company would market Soviet vodka and wines in the United States. (DD:641; DD–US:820)

November 17—Chase Manhattan Bank receives authorization to open a branch in Moscow.

The Chase Manhattan Bank announced that its plan to open a Moscow branch had been approved by Soviet authorities. First National City Bank of New York which had also applied for authorization to open a branch in Moscow was still awaiting a reply (FF:928; DD–US:820)

1973

January 12—General Electric Co. signs agreement with the Soviet Union.

An agreement was reached in Moscow between the General Electric Co. and the Soviet State Committee for Science and Technology. The agreement called for cooperation and joint ventures in the development of electric power generator technology. (DD:643)

January 16—Soviet-American trade figures released for 1972.

According to American officials, American trade with the Soviet Union totaled $642.1 million in 1972. The United States exported $546.7 million worth of goods to the Soviet Union and imported goods valued at $95.4 million from that country. (FF:131)

January 23—Vietnam peace agreement announced.

President Nixon announced the signing in Paris of a Vietnam peace agreement that would go into effect on January 27. He said that the agreement contained all the points that the United States had demanded. He called on all parties in the Vietnam conflict to transform the Paris agreement into a lasting peace, and said he expected "other interested nations" to help insure the peace agreement. Soviet Party General Secretary Brezhnev praised the agreement and emphasized the constructive role the Soviet Union had played in bringing it about. (DD:643)

March 6—Secretary of the Treasury Shultz named chief U.S. representative on U.S.-U.S.S.R. Joint Commercial Commission.

The White House announced that President Nixon had named Secretary of the Treasury Shultz chief American representative on the U.S.-U.S.S.R. Joint Commercial Commission. He was also named as head of the East-West Trade Policy Committee. (FF:205)

March 11–14—Secretary of the Treasury Shultz holds trade talks in Moscow.

Secretary of the Treasury George P. Shultz visited the Soviet Union for trade talks with Soviet leaders. He discussed the question of Soviet emigration restrictions and taxes with Soviet Party General Secretary Leonid Brezhnev, since these measures were blocking American congressional approval of trade concessions to the Soviet Union. The previously negotiated Soviet-American trade agreement could not go into effect until Congress approved most-favored-nation status for the Soviet Union. Secretary Shultz characterized his meetings as "serious, professional, and constructive." He gave no indication that any specific agreements had been reached. (FF:203; DD:664; DD–US:828)

March 15—Jackson amendment to the Trade Reform Act bill reintroduced.

Senator Henry M. Jackson reintroduced his amendment to the East-West trade relations bill, cosponsored by 73 Senators, barring credits and most-favored-nation status to the Soviet Union until that country allows free emigration of its citizens. (DD–US:828)

March 20—Export-Import Bank grants loans to the Soviet Union.

The Export-Import Bank signed its first loan agreement with the Soviet Union. The Soviet Union Foreign Trade Bank was granted $101.2 million in direct loans and another $101.2 million in guaranteed American commercial bank loans for the purchase of industrial equipment in the United States. (DD–US:828)

April 12—Occidental Petroleum Corp. signs fertilizer agreement with Soviet Union.

Occidental Petroleum Corp. announced that it had signed an agreement with the Soviet Foreign Trade Ministry calling for Occidental to supply technology and equipment for a Soviet fertilizer manufacturing complex in exchange for Soviet shipments of ammonia, urea, and potash over the next 20 years. The value of the transaction was placed at $8 billion. (DD:645; DD–US:892; K25905)

April 18—Soviet Union lifts emigration fee.

The White House announced that President Nixon had received assurances from the Soviet Union that it was suspending its special emigration visa fees, imposed on Soviet Jews wishing to leave for Israel. The President urged that Congress now act on most-favored-nation status for the Soviet Union. (DD:645)

April 23—Soviet Party leader Brezhnev calls for expanded trade with the United States.

Soviet Party General Secretary Brezhnev told a group of visiting American Senators in Moscow that the Soviet Union hoped for a major expansion in Soviet-American trade. He warned, however, that Jewish emigration could not be linked to trade relations. He expressed Soviet interest in long-term projects involving the exchange of American technology and equipment for Soviet natural resources. (FF:329)

May 27—Soviet Union joins the International Copyright Convention.

In a move said to be aimed primarily at Soviet dissident writers, the Soviet Union joined the Geneva Copyright Convention. In the future, according to amendments of the Soviet copyright law, works could be sent abroad for publication only through an official Soviet publishing agency. Royalties to authors who published abroad illegally would not be permitted into the country. (DD:646)

May 31—Soviet-American radio and television agreement signed.

The National Broadcasting Co. and the Soviet Council of Ministers Television and Broadcasting Committee agreed to future exchanges of radio and television programs and personnel. (DD:646)

June 5—New Soviet-American shipping agreement signed.

Soviet and American officials negotiated a new shipping agreement whereby American ships would be paid higher rates for agricultural goods carried to the Soviet Union. According to the agreement, the rates would fluctuate in line with world prices. They would not apply to shipments stemming from the 1972 grain deals because contracts had already been signed covering them. (DD:646)

June 8—American oil companies sign Siberian natural gas agreement.

The Soviet Trade Ministry and the U.S. Occidental Petroleum Co. and El Paso Natural Gas Co. reached an agreement whereby the American companies would participate in the exploration and development of natural gas fields in the Yakutsk region. The 25-year, $10 billion project would involve the shipment of 2 billion cubic feet of gas to the United States daily. (DD:647)

June 17–25—Soviet Party General Secretary Brezhnev visits the United States.

Leonid Brezhnev and a delegation of Soviet officials traveled to the United States for the second summit meeting with President Nixon. During the talks the two sides signed a declaration of principles pledging to speed-up strategic arms limitation talks with a goal of a SALT II treaty by the end of 1974. Agreements reached at the Washington summit were viewed generally as being significant from the standpoint of demonstrating the determination by both sides to continue the momentum of détente. Accords were signed on cooperation in oceanography and peaceful uses of atomic energy and on an expansion of cultural exchanges.

Several agreements were signed during the talks affecting Soviet-American commercial relation. These included agreements on cooperative projects in agriculture and cooperation in solving problems of transportation. Protocols were signed establishing a Soviet trade mission in Washington and a Soviet-American chamber of commerce. There was an agreement to expand air traffic between the United States and the Soviet Union. A tax convention was signed to eliminate double taxation of citizens of either country residing in the other.

The communique released at the end of the meetings noted with satisfaction that trade relations between the United States and the Soviet Union had improved significantly. Both sides pledged to seek further improvement with a target of $2 to $3 billion trade over the next 3 years. The two countries declared themselves in favor of mutually advantageous joint long-term economic ventures. Specific projects discussed included Siberian natural gas exploration and extraction. President Nixon indicated that he would give favorable consideration to efforts by American firms to undertake joint projects with the Soviet Union. (K:2600–2603; FF:505–506)

June 29—American oil companies announce natural gas agreements with the Soviet Union.

American and Japanese oil firms signed agreements with the Soviet Union calling for joint development of the Yakutsk gas fields in Siberia. The Soviet Union would receive a loan of $150 million from the United States and Japan for the development of the region, in return for 1.5 million tons of liquid gas to be delivered over a 20-year period. The agreements could not go into effect until they received approval from the U.S. Government. (FF:631)

July 3–7—Conference on Security and Cooperation in Europe opens in Helsinki.

The first stage of the Conference on Security and Cooperation in Europe was held in Helsinki at the foreign ministers' level. The meeting confirmed the agreements reached in the preliminary talks and set September 18 as the date for beginning the next stage of talks. (DD:648)

July 19—National Security Adviser Kissinger reveals Soviet pledge on emigration.

Henry Kissinger told American Jewish leaders that President Nixon had received assurances from Soviet Party leader Brezhnev while he was in Moscow that a large number of Soviet Jews would soon be permitted to emigrate. However, only 56 of a special hardship list of 1,000 presented by President Nixon to the Soviet leader had been thus far allowed to leave the country. Total Jewish emigration was reported down slightly in the first half of 1973 (12,300 compared with 14,000 on the first half of 1972). (FF:652)

July 31—Figures show substantial growth in Soviet-American trade.

The U.S. Commerce Department released statistics showing that trade volume between the United States and the Soviet Union for the first half of 1973 was greater than the entire year 1972. American exports to the Soviet Union totaled $694.4 million for the period. (FF:711)

August 21—Soviet physicist Sakharov warns West against détente.

Dissident Soviet physicist Andrei Sakharov warned Western newsmen of the dangers implicit in acceptence of détente on Soviet terms. He supported the Jackson-Vanik amendment to the Trade Reform Act (denying trade benefits to the Soviet Union until it allowed free emigration) as a minimal demand and urged that Soviet leaders be pressured to grant basic human rights as a price for détente. (FF:711)

August 29—Soviet anti-Sakharov campaign brings American reaction.

A Soviet press campaign against dissident physicist Andrei Sakharov, begun on August 29 in response to his warnings on détente, brought protests from the West. The Executive Council of the U.S. National Academy of Sciences informed its Soviet counterpart that further harrassment of Sakharov could end participation by American scientists in joint research projects with the Soviet Union. Rep. Wilbur Mills (D–Ark.), Chairman of the House Ways and Means Committee, said (September 29) that he would oppose

legislation favoring Soviet-American trade if the Soviet Government continued to harass men like Sakharov and Aleksandr Solzhenitsyn. (FF:774)

September 29—Gromyko holds talks with President Nixon.

Soviet Foreign Minister Gromyko met with President Nixon at the White House. The President was reported to have assured Gromyko that he would continue to press Congress to grant most-favored-nation status to the Soviet Union. The MBFR and SALT talks also were discussed. (FF:823)

October 1–3—Secretary of the Treasury Shultz holds trade talks in Moscow.

Secretary of the Treasury George P. Shultz visited the Soviet Union to discuss matters concerning bilateral trade. At the end of the 3-day visit, Secretary Shultz predicted that Soviet-American trade could reach $1.5 billion in 1973. He noted that further trade expansion was being held up by the most-favored-nation issue. He indicated that Soviet leaders were unwilling to make further concessions on the Jewish emigration question, which was holding up MFN action in Congress. Other topics discussed in Moscow included joint ventures in mining and refining bauxite, copper, and magnesium, Siberian oil and gas projects, and the problem of Soviet economic secrecy. (FF:855)

October 2—U.S.-U.S.S.R. Trade and Economic Council established.

A number of American businessmen headed by Pepsico President Donald P. Kendall reached an agreement with Soviet officials to establish a U.S.-U.S.S.R. Trade and Economic Council. Its purpose was to facilitate American business activities in the Soviet Union and to find markets for Soviet products in the United States.

The Council would be made up of Soviet commercial agency representatives and members of the U.S. National Association of Manufacturers, the U.S. Chamber of Commerce, and executives of 23 large American companies. (FF:856)

October 6—War erupts in the Middle East.

A war broke out between Israel and Arab countries on two fronts. Egyptian forces crossed the Suez Canal into the Sinai Peninsula, held by Israel since the 1967 war. Syrian forces attacked Israeli positions in the Golan Heights. Other Arab nations came to the support of Egypt and Syria. After initial Arab advances, Israel was able to launch a counteroffensive and solidify its lines on both fronts. Egyptian forces held onto positions on the East bank of the Suez Canal, while Israeli troops established positions on the West bank, thereby cutting off the city of Suez. The United States and the Soviet Union staged massive airlifts to resupply Israel and the Arabs respectively. The Mediterranean fleets of both nations moved closer to the war zone. (DD; FL; FF:833–917)

October 17—Arab nations place embargo on oil exports.

The Organization of Arab Petroleum Exporting Countries, following a ministerial meeting in Kuwait, announced that member countries would cut total oil production by 5 percent each month until Israel withdrew from Arab land occupied in the 1967 war. In the ensuing weeks the individual Arab nations placed embargoes on all shipments of oil to the United States and other nations supporting Israel. (FF:901)

October 24—American firms announce Soviet trade deals.

Control Data Corp. announced the signing of a 10-year agreement with the Soviet government calling for joint development of Soviet computer technology and services. Other companies signing major Soviet agreements included the Occidental Petroleum Co., General Dynamics Corp., Stanford Research Institute, and General Motors. (FF:895)

October 30—MBFR talks begin in Vienna.

Mutual and balanced force reduction talks began in Vienna between NATO and Warsaw Pact nations. The chief U.S. delegate stated the American negotiating position that troop strength should be cut by both sides to equal levels. This contrasted with the Soviet position which called for preservation of the existing power balance in Central Europe heavily in favor of the Communists. (FF:921)

December 11—U.S. House of Representatives passes bill with amendment curbing Soviet-American trade.

A foreign trade bill containing the Jackson-Vanik amendment barring most-favored-nation treatment for any Communist nation that restricted emigration by its citizens was passed by the House of Representatives. The outcome was a defeat for President Nixon who did not want the Jewish emigration issue to stand in the way of expanded trade and had given Soviet leaders assurances that MFN would be granted. (FF:1037)

1974

January 15—Conference on Security and Cooperation in Europe resumes.

The 35-nation Conference on Security and Cooperation in Europe resumed in Geneva after a holiday recess. Progress toward conclusion of the conference was held up over the question of free exchanges of people, information and ideas between East and West. Western participants demanded that guarantees of free exchange be part of an overall European agreement. The Soviet Union would not go beyond token gestures on this issue. (FF:59)

January 17—MBFR talks resume in Vienna.

After recessing for the holidays (December 13) with no apparent progress, the talks on mutual and balanced force reductions resumed in Vienna. NATO nations were calling for initial ground troop reductions in Central Europe by the Soviet Union and the United States. The Warsaw Treaty Organization members demanded across the board military reductions by all participating nations. NATO delegates continued to insist on reductions that would bring about equivalence between the forces of the two blocs, while Warsaw Pact delegates demanded that any reductions be made on an equal percentage basis, thus preserving the numerical balance in favor of the East. (FF:41)

January 18—Egypt and Israel reach separation of forces agreement.

Egypt and Israel reached an agreement to separate their forces along the Suez Canal, whereby Israel would move back from the East bank allowing the future opening of the Canal. The mediation of Secretary of State Kissinger was instrumental in bringing about the agreement. It came after several trips by Kissinger to Egypt and Israel. (FF:17)

January 23—Kaiser Industries signs Soviet agreement.

Kaiser Industries announced that it had concluded a 5-year cooperation agreement with the Soviet Union. The agreement provided the basis for future projects involving mineral extraction and metallurgical industries. (FF:41)

February 6—Soviet-American trade figures for 1973 show substantial growth.

U.S. Government figures were released showing that Soviet-American trade had risen sharply in 1973. Total trade between the two nations climbed to $1.4 billion from the 1972 volume of $642 million. American exports exceeded imports by $976 million. (FF:79)

February 13—Soviet Union expels Aleksandr Solzhenitsyn.

Nobel Prize winning author Aleksandr Solzhenitsyn was deported to West Germany following his arrest in Moscow. His expulsion was preceded by a campaign of denunciation, as a result of publication in the West of his book, "Gulag Archipelago," exposing the Soviet labor camp system under Stalin and his successors. The official American reaction was that the expulsion would not affect Soviet-American relations, but it strengthened the mood in Congress and the press to reassess détente and its benefits. (FF:108, 141)

February 26—Chemetron Corp. announces Soviet agreement.

The U.S. based Chemetron Corp. announced the conclusion of an agreement with the Soviet Union. Chemetron was to manufacture and market a Soviet invented welding process in the West. (FF:238)

February 26—Soviet trade delegation visits the United States.

A 22-member Soviet delegation led by Soviet Foreign Trade Minister Nikolai S. Patolichev visited the United States to participate in the first full meeting of the U.S.-U.S.S.R. Trade and Economic Council. Patolichev warned in public statements that if congressional attempts to halt credits to the Soviet Union were successful, Soviet leaders would have to turn to other Western countries for the credits and large-scale projects.

Patolichev was briefed by Secretary of the Treasury Shultz on Administration trade policies. He was assured of continued Presidential support of MFN and credits to the Soviet Union. (FF:191)

March 5—New American Ambassador to Moscow meets with Soviet Party General Secretary Brezhnev.

Upon his arrival in Moscow, Ambassador Walter J. Stoessel met with Soviet President Podgorny and Party General Secretary Brezhnev. He was given a warm welcome by Soviet leaders. The appointment of Stoessel ended a 14-month vacancy in the diplomatic post following the departure of Ambassador Jacob Beam. Soviet officials had not concealed their displeasure at American delay in filling Beam's position. Favorable Soviet press coverage indicated Soviet approval of Stoessel's appointment. (NYT:3/5/74)

March 11–23—Export-Import Bank temporarily halts credits to the Soviet Union.

Credits to the Soviet Union and three other Communist countries were halted by the Export-Import Bank on March 11, over a legal technicality. Credits were resumed on March 23. The cutoff coincided with Senate consideration of a trade bill which would deny preferential tariff treatment and credits to the Soviet Union. Treasury Secretary, George P. Shultz, had assured Soviet Foreign Trade Minister Nikolai S. Patolichev of continued Government interest in expanded trade (on February 25). Secretary of State Henry Kissinger had warned Congress (on March 8) against linking trade with the issue of Jewish emigration from the Soviet Union. He said that if favorable trade conditions were not granted to the Soviet Union, détente itself might be in jeopardy. This point was emphasized by Soviet Foreign Trade Minister Patolichev (on March 18). He declared that trade could not be carried on in the absence of credits and expressed disappointment at attempts to link trade to Soviet internal policies. (WP:3/23/74; WP:2/26/74; CSM:3/8/74; FF:191)

March 18—Arab oil embargo against the United States is lifted.

Most Arab oil producing nations agreed in Vienna to lift the oil embargo against the United States. Only Libya and Syria refused to end their ban. The move cleared the way for further improvement of Arab-American relations. The Soviet press, after encouraging continuation of the Arab oil embargo, criticized the move to end it. (FF:209)

March 20—PPG Industries, Inc., announces Soviet plastics agreement.

PPG Industries, Inc., reported the signing of a letter of intent with Soviet officials to build jointly a giant plastic resin manufacturing complex in the Soviet Union. (FF:283)

March 24–28—Secretary of State Kissinger holds talks in the Soviet Union.

Secretary of State Kissinger traveled to Moscow in preparation for President Nixon's scheduled visit to the Soviet Union. Upon his departure from Washington, the Secretary of State raised hopes of major achievements in Moscow. He expected a "conceptual break-through" on SALT II to result from his Moscow trip. The general consensus was that the talks failed to achieve what was intended. It was reported unofficially that the Soviet Union had stiffened its position on strategic arms limitation and appeared to be testing President Nixon's continued effectiveness as a national leader. In response to the general negative coverage of the Moscow talks, the Soviet and American Governments issued stronger and more positive statements on progress achieved at the talks. (WP:3/26/74; 3/31/74)

March 25—Philip Morris, Inc., signs 5-year Soviet agreement.

Philip Morris, Inc., announced the signing of a 5-year agreement with the Soviet Union on scientific and technological cooperation in various areas. (FF:283)

March 26—Total Export-Import Bank credits to the Soviet Union reported.

The Export-Import Bank of the United States reportedly had made loans to the Soviet Union totaling $289 million on American contracts valued at $642.1 million since approval of the first credit to that country in February 1973. (Eximbank fact sheet, 3/26/74)

April 9—Secretary of Commerce Dent visits the Soviet Union.

Secretary of Commerce Frederick Dent led an American trade delegation to the Soviet Union. In Moscow he visited a trade exhibit in which 76 American companies were participating. In talks with Soviet officials he expressed the hope that Congress would pass the Trade Reform Act quickly. He assured Soviet leaders of the U.S. business community's eagerness to expand trade relations with the Soviet Union. (FF:28)

April 12—Soviet Foreign Minister returns to Washington for talks.

Soviet Foreign Minister Gromyko visited Washington after an appearance before the United Nations General Assembly in New York. He reportedly conferred with President Nixon and Secretary of State Kissinger on the Middle East situation and the Strategic Arms Limitation Talks. Following the meeting, Secretary Kissinger indicated that a comprehensive SALT II agreement was unlikely in 1974, due to the complexity of the issues involved. He said that efforts would be directed at working out partial agreements. (WP:4/13/74)

May 21—Soviet Parliamentary delegation visits the United States.

A high level Supreme Soviet delegation headed by Boris Ponomarev (candidate member of the Politburo of the Soviet Communist Party) visited the United States. The primary aim of the visit was to hold talks with members of Congress. According to some observers, the unprecedented trip symbolized a recognition by the Soviet Union of Congress' important role in U.S. policy-making. (NYT–5/24/74)

May 21—Export-Import Bank approves $180 million loan to the Soviet Union.

The Export-Import Bank of the United States, after months of hesitation, approved $180 million worth of credits to the Soviet Union. The loan was to help finance the $400 million worth of deals to supply fertilizer plants, chemical storage facilities, pumping stations, railroad tank cars, and a pipeline to the Soviet Union. The credits had been held up because of congressional opposition at a time when Congress was considering the renewal of the Bank's charter, due to expire on June 30.

The decision to grant the loan reportedly followed direct intervention by President Nixon who feared that further delays on granting the credit would not only jeopardize the deals in question, but could have an adverse effect on détente in general. (WP–5/22/74, p. 1)

May 22—U.S.-U.S.S.R. Commercial Commission ends meeting.

The U.S.-U.S.S.R. Commercial Commission ended 2 days of talks in Washington. Following the meetings, Secretary of the Treasury William E. Simon announced that the United States and the Soviet Union were aiming to sign a long-term agreement on joint economic projects during President Nixon's upcoming Moscow visit. Simon stressed that there were great economic benefits to be derived from trade with the Soviet Union. He said that the administration was determined to continue granting credits and to achieve nondiscriminatory trade treatment for the Soviet Union. Some observers interpreted the announcement of a planned economic agreement as an effort to demonstrate continued momentum in Soviet-American relations through trade.

The U.S.-U.S.S.R. Commercial Commission released a communique saying that if the Soviet Union received favorable tariff treatment, trade between the two countries could easily surpass the $2–$3 billion projected through 1975. (WP:5/23/74)

May 27—Soviet Oil Production Minister announces Soviet decision against joint oil development projects with the West.

Soviet Oil Production Minister Valentin D. Shashin reportedly told American journalists that the Soviet Government had decided against undertaking joint Soviet oil development projects with Western countries and would undertake planned projects by itself. The most serious immediate impact of the announcement was on Japan which for several years had been negotiating a joint development arrangement. American oil companies were also interested in participating in cooperative ventures, despite considerable congressional opposition.

Some observers felt that a shift in Soviet thinking had taken place as a result of the world energy situation. Others discounted the significance of the announcement saying that it was simply a bargaining tactic to prod the United States and Japan into concluding agreements. (WP: 5/28/74)

May 27—Soviet officials report negotiations on $500 million worth of contracts with the American companies.

Trade officials in Moscow revealed that the Soviet Union was in the process of negotiating more than $500 million worth of deals with American companies. The negotiations involved the construction of chemical and fertilizer plants in the Soviet Union. Several American companies were reportedly placing bids on contracts, including the Occidental Petroleum Corp. and M. W. Kellogg Co. (NYT: 5/28/74)

May 31—Syria and Israel sign separation of forces agreement.

Syrian and Israeli representatives signed a cease-fire and separation of forces agreement in Geneva. The two countries agreed to establish a United Nations policed buffer zone on the Golan Heights and to begin an exchange of prisoners. The accord followed a month of direct mediation by Secretary of State Henry Kissinger. (FF: 429)

June 4—Soviet Union releases trade figures for 1973.

Soviet trade figures showed that the Soviet Union achieved a balance of trade surplus in 1973, although it had substantial deficits in trade with advanced Western nations and with East European socialist nations. The overall surplus resulted from the large positive balance it held in trade with the developing nations of the Third World ($1.6 billion). The Soviet Union

had a deficit of $1.125 billion in trade with capitalist countries and a deficit of $402 million in trade within Comecon. (WP: 6/5/74)

June 5—President Nixon warns against American attempts to intervene in Soviet internal affairs.

President Nixon, speaking before a class of graduating Midshipmen at the U.S. Naval Academy in Annapolis, warned against congressional efforts to link the future of Soviet-American relations to the issue of Jewish emigration. He indicated that while the United States could not "acquiesce in the suppression of human liberties," the main goal had to be to reduce the danger of nuclear confrontation. He concluded that "not by our choice but by our capacity, our primary concern in foreign policy must be to help influence the international conduct of nations in the world arena." (WP: 5/6/74)

June 5—Boeing Aircraft Co. signs protocol with Soviet officials.

A protocol was signed between Boeing Aircraft Corp. and Soviet officials following discussions on cooperative projects in the field of civil aviation. Negotiations included the possible construction of Boeing of an airplane manufacturing facility in the Soviet Union. The Soviet news agency TASS reported that the protocol could lead to cooperation in the design and construction of new aircraft. Boeing spokesmen emphasized that the protocol merely formalized discussions which had been going on for years and that no specific agreements had been reached. The American firm could not proceed with any specific projects without U.S. Government approval. (WP: 6/6/74)

June 26—Coca-Cola Co. signs Soviet agreement.

A joint statement by Soviet officials and Coca-Cola Co. executives announced an agreement whereby the American firm would take part in cooperative ventures, including enriched nutritional food development, tea processing and beverage production. The soft drink Coca-Cola would not be produced in the Soviet Union as a part of the agreement. (WP: 6/27/74)

June 27–July 3—President Nixon visits the Soviet Union.

President Richard M. Nixon traveled to Moscow for his third round of summit talks with Soviet leaders. Negotiations resulted in only limited agreement on strategic arms limitations. These restricted each country to one anti-ballistic missile (ABM) site and placed restrictions on underground nuclear tests after 1976. The two sides pledged themselves to continue efforts at settling international problems and to expand cooperation in medicine, space exploration, environmental protection, energy and other areas.

A Soviet-American economic agreement was signed on June 29. It aimed at establishing the broad framework for trade relations over the next 10 years. The accord listed possible areas of cooperation, such as contracts involving pulp and paper, timber, ferrous and nonferrous metallurgy, natural gas, the engineering industry, and the extraction and processing of high-energy-consuming minerals. Efforts would be made by both countries to facilitate and encourage further trade. (NYT: 7/4/74)

June 28—Occidental Petroleum Corp. announces the signing of Soviet contracts worth $20 billion.

The Occidental Petroleum Corp. announced the signing of four contracts in Moscow, bringing to a conclusion agreements negotiated in 1973. According to company spokesmen, the 20-year $20 billion agreement involved the construction of major chemical fertilizer plants in the Soviet Union in exchange for Soviet shipments to the United States of ammonia, urea, and potash. The deal required large Export-Import Bank and private American credits to the Soviet Union. (NYT–6/29/74)

June 30—Export-Import Bank authorization expires.

Authorization under the Export-Import Bank Act of 1945 to grant credits and loans to foreign countries through the Export-Import Bank expired. Authorization was extended by 30 days on July 1. (WP: 7/2/74)

July 18—Secretary of State Kissinger meets with three Senators; compromise on Jackson amendment hinted.

Secretary of State Kissinger hosted a breakfast for Senators Jacob K. Javits (R–N.Y.), Abraham A. Ribicoff (D–Conn.), and Henry M. Jackson (D–Wash.) to discuss the issue of Jewish emigration and congressional action on MFN and credits for the Soviet Union.

Following the meeting, informed congressional and administration sources were quoted as indicating that a compromise solution to the deadlock was close to completion. MFN and credits would be permitted for a trial period, subject to review after one year. Reportedly, the Soviet Union agreed to allow larger numbers of Jews to emigrate but would not publicly commit itself. (WS: 7/19/74)

July 31—U.S. Senate passes the Export Administration Act Amendments of 1974.

The Senate passed a resolution extending and amending the Export Administration Act of 1969. The amendments placed restrictions on the export of strategic goods to Communist countries. The Secretary of Defense was given a formal role in controlling such exports. A decision on his part to disallow the export of certain foods could be overruled by the President. The President's ruling, however, would then have to be submitted to Congress for review. (CR: 7/31/74)

August 9—Gerald R. Ford takes oath as 38th President of the United States; pledges to continue efforts to improve relations with the Soviet Union.

Gerald R. Ford took the oath of office as President of the United States following the resignation of President Nixon in connection with "Watergate" related developments. He immediately assured the world that he intended to continue his predecessor's policies aimed at normalizing relations with Communist countries. The continuation in office of Secretary of State Kissinger was viewed as further assurance that relations with the Soviet Union would not be affected by the change in leadership. (WP: 8/9/74)

August 13—U.S. House of Representatives extends the Export Administration Act without Senate controls on trade with Communist countries.

The House passed its version of the Export Administration Act Amendments. The restrictions on trade with Communist countries and the role of the Secretary of Defense in their determination, included in the Senate amendments, were not adopted by the House. (CR: 8/13/74; CR: 8/14/74)

August 15—Senate Committee on Banking, Housing and Urban Affairs reports a bill to extend Export-Import Bank authority for 4 years.

The Senate Committee on Banking, Housing and Urban Affairs reported a bill authorizing Export-Import Bank operations for 4 years. The bill called for an annual review of authorization to grant credits to Communist countries. The total loan ceiling would be raised to $30 billion. (Senate report No. 93–1097, S. 3917)

August 21—U.S. House of Representatives extends funding for the Export-Import Bank; curbs credits to the Soviet Union until passage of the Trade Reform Act.

By a vote of 330 to 67, the House extended funding of the Export-Import Bank, but added an amendment prohibiting the extension of credits and loans to the Soviet Union until passage of the Trade Reform Act. Another amendment which would have required congressional approval in advance for any loans to Communist countries was defeated. (WP: 8/22/74)

September 7—Compromise agreement on the Trade Reform Act is reported.

The Washington Post reportedly learned that a compromise agreement had been reached, clearing the way for passage of the Trade Reform Act. According to the report, the Jackson amendment would include a rider allowing the President to waive the restrictions on MFN and credits to the Soviet Union for 1 year. The United States and Soviet Union reportedly reached informal agreement on the Jewish emigration issue which had been blocking action on the Trade Reform Act. The Soviet Union would stop harassment of Jews applying for emigration visas and act on the applications in the order in which they were presented. Presumably, the number of Jews allowed to leave would be set at a figure higher than 45,000 per year. There would follow an exchange of letters between the President and Congress detailing the terms of the Soviet-American agreement, to be followed by addition of the rider to the Jackson Amendment.

The compromise was reportedly reached after three-way discussions between President Ford and Senators Jackson, Javits and Ribicoff on one hand, and between Secretary of State Kissinger and Soviet Ambassador Anatoly F. Dobrynin on the other. (WP: 8/16/74)

Chronology Sources (With Identifying Abbreviations)

(CR)—Congressional Record.
(DD)—Deadline Data of World Affairs. (Greenwich, Conn.)
(FF)—Facts on File. (New York)
(K)—Keesing's Contemporary Archives. (London)
(NYT)—The New York Times.
(USIA chronology)—U.S. Information Agency. A chronology of U.S.-U.S.S.R. relations, 1917–April 1972. Washington, the Agency Library, 1972. 86 pp.
(WP)—The Washington Post.
(WS)—Washington Star-News.

APPENDIX 3

U.S. Trade With Eastern Europe, 1972–74

[In millions of dollars]

Country	U.S. exports to—				U.S. imports from—			
			January–June				January–June	
	1972	1973	1973	1974	1972	1973	1973	1974
Albania	0.2	0.2	----	0.2	0.5	0.5	0.3	0.2
Bulgaria	3.5	6.5	3.3	4.0	2.9	4.5	1.9	6.4
Czechoslovakia	50.0	72.1	33.1	23.1	28.0	35.2	17.2	19.7
G.D.R	17.5	28.0	7.3	13.7	10.3	10.5	5.0	7.6
Hungary	22.6	33.0	23.8	37.1	12.7	16.4	6.8	32.4
Poland	113.6	350.0	173.1	212.3	139.2	181.9	84.3	120.6
Romania	69.4	116.6	64.2	159.1	31.5	55.7	26.1	90.5
Total	276.8	606.4	304.8	449.5	225.1	304.7	141.6	277.4
U.S.S.R	542.2	1,190.2	692.7	316.5	95.5	213.9	85.5	187.7
Grand total	819.0	1,796.6	997.5	766.0	320.6	518.6	227.1	465.1

Source: Bureau of Census Data.

APPENDIX 4

EXPORT-IMPORT LOANS TO THE U.S.S.R.

[In thousands of dollars]

Project	U.S. export value of contract	Loan	Approved
Approved direct credits:			
Submersible electric pumps	25,937	68,956	Feb. 21, 1973
Tableware plant	6,893	3,102	Mar. 5, 1973
Kama River truck plant	342,120	153,950	Do.[1]
Circular knitting machines	5,620	2,529	Sept. 6, 1973
2d tableware plant	21,833	9,825	Nov. 26, 1973
Assembly line for piston manufacture	12,902	5,806	Do.
38 gas reinjection compressors	26,252	11,813	Dec. 20, 1973
Iron ore pellet plant	36,000	16,200	Do.
Machining friction drums	5,580	2,511	Do.
Transfer lines for piston plant	15,722	7,075	Do.
Acetic acid plant	44,515	20,032	Feb. 21, 1974
Transfer line for machine flywheels	7,458	3,356	Feb. 28, 1974
Moscow trade center	80,000	36,000	Mar. 22, 1974
Canal building machinery	6,600	2,970	Do.
Chemical fertilizer product manufacturing: storage/transit	400,000	180,000	May 21, 1974
Subtotal	1,042,132	468,956	
Approved preliminary commitments for which applications for direct credits have been received: transfer lines for crankshaft halfbearings	41,000	18,450	
Total, U.S. commitments	1,083,132	487,406	
Applications for preliminary commitments:			
Yakutsk exploration phase	110,000	49,500	
Oil pipeline pressure regulators	10,000	4,500	
Tractor factory	50,000	22,500	
Total	170,000	76,500	

[1] Credit increased, Feb. 21, 1974.

APPENDIX 5

U.S.-U.S.S.R. Imports and Exports

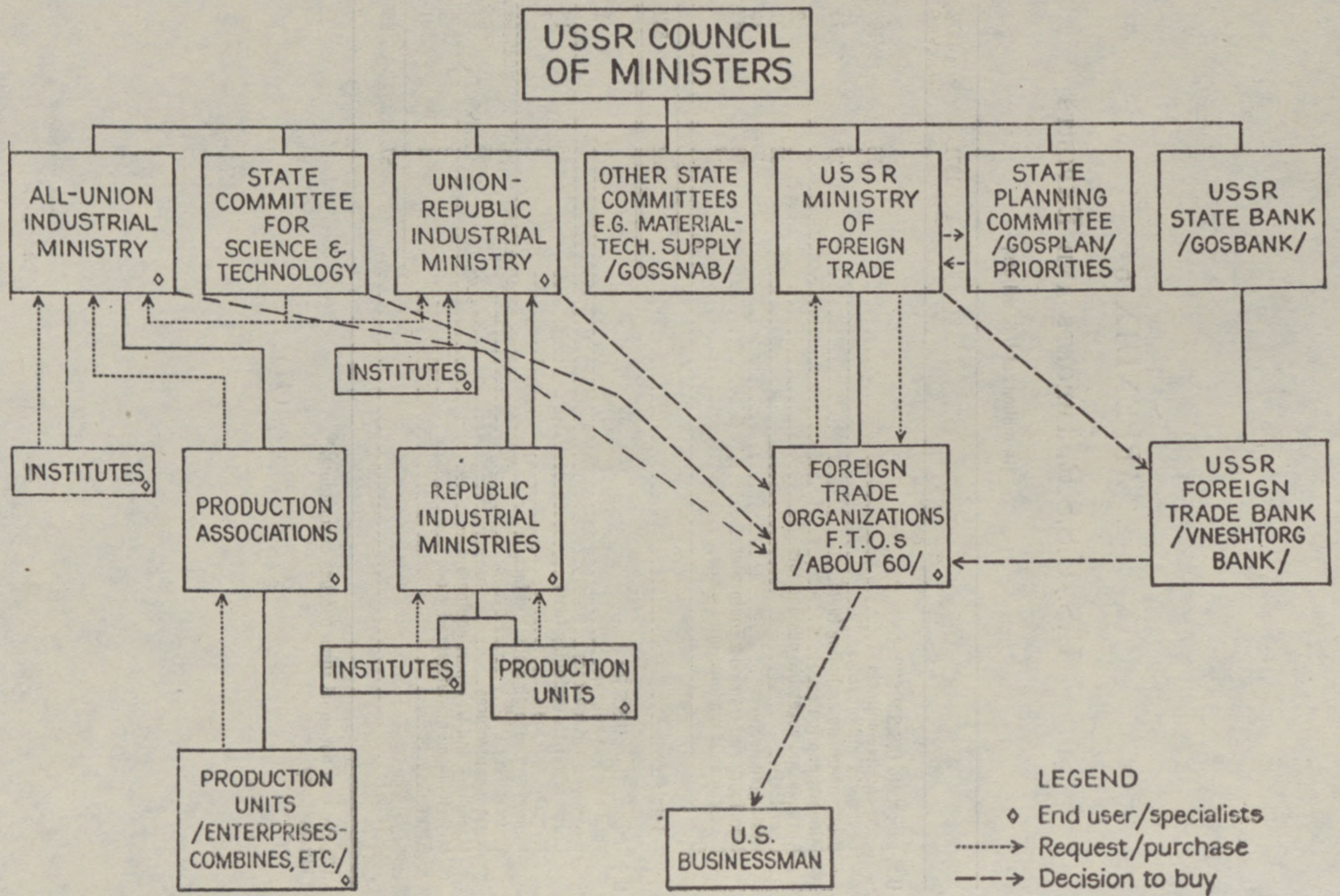
[In millions of U.S. dollars]

	1971	1972	1973[2]
U.S. exports to U.S.S.R.:			
Food and live animals	16	366	842
Beverages and tobaccos	1	1	--
Crude materials excluding fuels	27	71	73
Minerals and fuels	--	--	--
Animals and vegetable oils and fats	--	2	6
Chemicals	38	21	17
Basic manufactures	10	10	35
Machinery and transport equipment	63	62	204
Miscellaneous manufactured goods	7	9	9
Other	--	--	2
Total[1]	162	542	1,188
U.S. imports from U.S.S.R.:			
Food and live animals	--	1	--
Beverages and tobaccos	--	--	1
Crude materials excluding fuels	16	18	11
Minerals and fuels	1	7	76
Animal and vegetable oils and fats	--	--	--
Chemicals	1	1	2
Basic manufactures	35	64	118
Machinery and transport equipment	--	--	--
Miscellaneous manufactured goods	3	3	4
Other	1	1	1
Total[1]	57	95	214

[1] Totals may not equal sums because of rounding.
[2] Preliminary.

APPENDIX 6

USSR ORGANIZATIONS IN FOREIGN TRADE



APPENDIX 7

Export-Import Bank Loans to Poland

U.S. supplier and project	*Loan amount*
Alan Scott, 2 meat processing plants	$8, 910, 000
Control data, Cyber 72–14 computer system	1, 094, 850
Waterburn-Farrell, Division of Textron, Sendzimir rolling mill	1, 989, 000
International Harvester, components for tractors	696, 600
Westinghouse, electronics (power thyristors and rectifiers)	4, 378, 500
Techtra Corp., computer output graphics equipment	692, 500
Verson Allsteel, automobile wheel disks	827, 477
FMC, powdered pectin plant	1, 093, 140
Epstein, meat-processing plant turnkey	10, 535, 625
Waterbury-Farrell, Division of Textron, equipment and technical assistance for brass and copper rolling process	24, 926, 000
Singer Business Machines, 3 Singer system 10 computers	486, 900
Control Data, Cyber 72–15 computer system	1, 341, 900
Leesona, textile machine (automatic winding machines)	870, 300
Univac (Sperry Rand), Univac 1106 computer system	591, 100
UniRoyal, radial-ply passenger tire plant	733, 125
Anderson IBEC, 2 lines for synthetic rubber production	510, 000
American Hoist & Derrick Co., 4 crawler cranes and spare parts	1, 164, 063
International Harvester, components for crawler tractors	2, 722, 500
CRC Crose International, welding equipment and special equipment for pipewelding and laying	720, 000

APPENDIX 8

Address of Polish First Secretary Edward Gierek on the Occasion of His Visit to Congress, October 9, 1974

Mr. Chairman, gentlemen, I thank you most sincerely, Mr. Chairman, for your warm words of welcome. I accept them with gratitude as an expression of your friendly attitude to my country, to the Polish nation and to the objectives of my visit to the United States.

It is a great honor for me to be able to meet with you gentlemen who here, in Congress formulate the law and exert a great influence on the development of the United States and on its international policy. I greatly appreciate this opportunity to talk with you.

As you know, gentlemen, the principal goal of my visit to the United States is to consolidate the progress we have achieved in recent years and to further expand Polish-U.S. relations. I am pleased to note that the talks we have had with President Ford confirmed the existence of identical attitudes on your side as well as the existence of good conditions for their realization. I am convinced that the joint statements the President and I are going to sign today, as well as the currently concluded important agreements concerning different spheres of life, will open virtually new prospects for cooperation between the two countries and invest it with greater impetus.

We attach particular importance to the expansion of economic relations. They are mutually beneficial, create the most durable of bonds and provide the material basis for broader cooperation in all other domains. Throughout most of the postwar period Poland has been in first place among America's East European economic partners. In recent years trade between our two countries has trebled and next year it should achieve a level of $1 billion. We are satisfied with that growth, although it does not fully reflect the existing possibilities. On the part of the United States, with its enormous economic potential, they are virtually unlimited. Today Poland has a new potential as well as one of the world's highest rates of economic growth. We are interested in a basic expansion of trade. Over the next 5 years it should achieve a level of at least $2 billion. We have developed a large-scale program of purchasing entire industrial plants, licenses, technologies, machinery and equipment. We also wish to continue purchasing from the United States on appropriately convenient terms agricultural surpluses. In this respect, Poland has been traditionally one of the most stable partners and I trust that that fact will enable her to count on a favorable attitude toward her postulates.

I do not wish to make a secret of the fact that the realization of these objectives and the growth of economic cooperation with the United States in general—just like with other countries—is of essential significance to us. It is closely related to the development strategy we have been implementing for several years now, whose over-riding aim is to provide our nation with improved material conditions and a higher standard of living. Much of the work is still ahead of us and we intend to continue that strategy consistently.

In general, we believe that there exist conditions for the United States to become Poland's major Western economic partner in the near future. I know that a similar interest exists in the United States, especially among your country's industrial and financial circles with which numerous contacts have been established. The further expansion of economic contacts will certainly prove equally beneficial to both sides.

We have also discussed with President Ford the expansion of cooperation in science and technology, health, and protection of the natural environment. New and important agreements have been concluded yesterday in these and other domains. We also desire to create better conditions for contacts between our two societies, between people. All those things should contribute to the all-round development of Polish-American relations.

I believe, gentlemen, that there exists a favorable climate for the development of cooperation between our two countries. It is backed by a long tradition of friendly relations between our two nations, which we wish to cultivate and further enrich with closer present-day cooperation. I trust also that it will be welcomed by the millions of Americans of Polish descent who, whilst being good citizens of the United States, continue to retain emotional ties with the old homeland.

I trust, gentlemen, that this continued development of Polish-American relations will meet with a favorable attitude on the part of the U.S. Congress. Such an attitude of Congress has on more than one occasion in the past played a significant role in ensuring the hitherto progress. For that I wish to express my appreciation also to your colleagues in both Houses of Congress.

In recent years I have had the opportunity to meet with many of you in Poland. I have remembered those meetings. On behalf of our Seym and on behalf of Polish authorities in general, I should like to invite you to visit our country more often. Direct contacts produce better mutual understanding and are always useful.

Permit me, gentlemen, to draw your attention to one additional matter. My visit in the United States, as well as all the progress achieved in Polish-American relations in recent years are one of the results of the process of international détente. Poland attaches great importance to that process and is actively involved in its intensification and consolidation. This stems from a recollection of our nation's tragic experiences, from the needs of the country's present, dynamic, socialist development, and from all its vital interests.

The already well-advanced improvement of American-Soviet relations has produced particularly beneficial effects on the entire international situation. I emphasize this fact because we can see its essential significance for protecting mankind from a new world war, extinguishing and containing local conflicts, achieving progress in European détente and in general in terms of the favorable development of relations among all countries of East and West. Together with the U.S.S.R. and other allies we unreservedly declare our support for the continuation of détente and making it an irreversible process.

We have also discussed these matters with President Ford and the Secretary of State, Dr. Kissinger. It is with satisfaction that I learned of the United States' intention to continue its policy of détente. I am convinced that in this process it can play a great and positive role, whilst—through its peace efforts—strengthening its authority throughout the world at the same time.

With all due respect I wanted to tell you, gentlemen, about the matters which I consider the most important. Permit me to once again express my satisfaction at being able to meet with you, to which fact I attach great value.

APPENDIX 9

Approved Export-Import Credits to Romania, Fiscal Year 1974

[In thousands of dollars]

Credit No.	Buyer	Item	U.S. content	Loan	Guarantee	Approved
4781	Romchim	Equipment for ammonia plants (De-Lanal Turbine Inc.)	10,420	4,689	----------	Aug. 27, 1973
4883	Metarom	2 electric furnaces for silicone steel (Ipsen Industries, Division of Alco Standard).	1,635	736	----------	Nov. 1, 1973
4958	Uzinexportimport	Engine components factory (DAB Industries).	1,746	786	$786	Nov. 28, 1973
5283	Metarom	5 welding machines	818	368	----------	Mar. 22, 1974
5368	do	Pipemaking machinery	1,550	698	698	Apr. 15, 1974
5379	Uzinexportimport	Engine bearing plant	5,600	2,520	----------	Apr. 18, 1974
	Total		21,769	9,797	1,484	