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SOVIET BLOC TRADE HOPES: REACTIONS TO THE TRADE ACT OF 1974

REPORT OF A STUDY MISSION TO THE SOVIET UNION AND FOUR EASTERN EUROPEAN NATIONS

PURSUANT TO

H. Res. 267

AUTHORIZING THE COMMITTEE ON INTERNATIONAL RE-
LATIONS TO CONDUCT THOROUGH STUDIES AND INVESTI-
GATIONS OF ALL MATTERS COMING WITHIN THE JURIS-
DICTION OF THE COMMITTEE



JUNE 28, 1975

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(II)

FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., June 28, 1975.

This report has been submitted to the Committee on International Relations by a special study mission to the Soviet Union, Poland, Czechoslovakia, Romania, and Hungary which visited those countries March 27 to April 8, 1975.

The findings in this report are those of the special study mission and do not necessarily reflect the views of the membership of the full Committee on International Relations.

THOMAS E. MORGAN,
Chairman.

(III)

A FOREWORD

THE EDITOR OF THE JOURNAL OF THE
AMERICAN MEDICAL ASSOCIATION
HAS THE PLEASURE TO ANNOUNCE
THE PUBLICATION OF THE
JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION
FOR THE YEAR 1917.
The Journal of the American Medical Association
is published weekly, except on Sundays,
and is the largest and most influential
of the medical journals of the United States.
It is published by the American Medical Association,
535 North Dearborn Street, Chicago, Ill.

THOMAS H. HARRIS,
Editor.

(11)

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTERNATIONAL TRADE AND COMMERCE,
Washington, D.C., June 28, 1975.

Hon. THOMAS E. MORGAN,
Chairman, Committee on International Relations, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a report of a special study mission of the Committee on International Relations to Poland, the Soviet Union, Czechoslovakia, Romania, and Hungary which we conducted between March 27 and April 8, 1975.

The major purpose of the mission was to assess conditions and prospects for negotiation of commercial agreements to expand U.S. trade with Eastern European nations and with the Soviet Union, particularly in light of congressional enactment of the Trade Act of 1974.

We trust our report will prove useful to the committee and the Congress in anticipating developments in our trade and foreign relations with this important part of the world and in considering future trade legislation.

Sincerely,

JONATHAN B. BINGHAM, *Chairman.*
EDWARD G. BIESTER, JR.
CHARLES W. WHALEN, Jr.

LETTER OF TRANSMITTAL

TO THE
COMMISSIONER OF THE
BUREAU OF THE CENSUS
WASHINGTON, D. C.

SIR:

I have the honor to acknowledge the receipt of your letter of the 10th inst., in relation to the matter of the Census of the United States, 1900, and in reply to inform you that the same has been forwarded to the proper authorities for their consideration.

I am, Sir, very respectfully,
Yours,
Very truly,
J. Edgar Hoover

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INTRODUCTION

This report contains the findings, observations, and impressions of a congressional study mission to the Soviet Union and four Eastern European nations. The mission consisted of Representatives Jonathan B. Bingham of New York (chairman, Subcommittee on International Trade and Commerce), Edward G. Biester, Jr., of Pennsylvania, and Charles W. Whalen, Jr., of Ohio (both members of the International Trade and Commerce Subcommittee).

Representatives Bingham and Whalen visited Warsaw, Poland, on successive days (March 28–31) and were joined in Moscow by Representative Biester. The mission spent several days in the Soviet Union (March 31–April 3), followed by a visit to Prague, Czechoslovakia (April 3–5). From Czechoslovakia, Representative Bingham returned to the United States, while Representative Biester went on for a brief visit to Romania and Representative Whalen visited Hungary (April 5–7).

On January 14, 1975, Soviet officials rejected any possibility of a trade agreement with the United States based upon the U.S. Trade Act of 1974 enacted at the close of the 93d Congress. At the same time, however, United States and Romanian negotiators were making progress toward a trade agreement based upon apparent compliance by Romania with provisions of the Trade Act. A United States-Romania trade agreement was initialed (subject to congressional approval) in Bucharest April 2, 1975—3 days before Representative Biester arrived there. Other Eastern European nations were evaluating the implications of both of these developments, and the U.S. Trade Act itself, for their own prospects for expanded trade with the United States.

The members of the study mission were the first American legislators to visit the Soviet Union and Eastern Europe after the collapse of United States-Soviet trade negotiations. The trip was thus timely to test official attitudes, strategies, and projections for trade and foreign relations with the United States.

The members of the study mission are grateful to the U.S. officials in Washington and abroad, U.S. businessmen, foreign citizens, and foreign officials who assisted with preparations for the mission, extended hospitality and made arrangements during the mission's travels, and gave the mission the benefit of their views.

The section of this report on the U.S.S.R. was prepared by Representative Bingham; those on Poland and Hungary by Representative Whalen, and those on Czechoslovakia and Romania by Representative Biester.

(1)

INTRODUCTION

This report contains the findings of a study conducted in 1964-1965 by the National Science Foundation, Office of Biological Services, and the National Cancer Institute. The study was conducted in the laboratory of Dr. J. H. Winton, Jr., of the National Cancer Institute, and the results are presented in this report.

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UNION OF SOVIET SOCIALIST REPUBLICS¹

TALKS WITH SOVIET OFFICIALS

The general approach of Soviet officialdom these days toward trade with and credits from the United States is to play it cool. They would like, they say, to see both trade and credits increased, but not on conditions which they consider interference with their internal affairs. They stoutly deny that they ever agreed otherwise.

Members of the delegation were received by the following for talks of at least an hour: Deputy Minister A. N. Manzhulo and associates of the Ministry of Foreign Trade; Deputy Chairman Makeev of the U.S.S.R. Bank for Foreign Trade, and associates; Prof. Dr. Oleg N. Bykor of the Institute of World Economy and International Relations; Dr. Evgenie Shershnev, Dr. Vitaly V. Zhurkin, Dr. Michael A. Milstein (former lieutenant general) and Vladimir N. Krestianov of the Institute of U.S.A. and Canada Studies. (Of the foregoing, all but Mr. Makeev spoke in fluent English.)

In addition, members had the opportunity to meet and talk with representatives of the Foreign Office and about 15 journalists, representing Pravda, Izvestia, and other publications.

A request for an appointment with the Procurator General of the U.S.S.R. or his deputy, although pending for more than a week and personally pursued by Ambassador Stoessel, was not granted. No explanation was given.

Although there were differences in style, tone, and emphasis among the various representatives of the Soviet establishment (including the journalists and the members of "independent" institutes), they all expressed essentially the following views: (1) the Jackson-Vanik amendment to the Trade Act was an attempt to interfere with Soviet domestic policy, was discriminatory against "Socialist countries" and was "unacceptable"; (2) the Soviets had never agreed to any compromise such as was outlined in the Kissinger-Jackson exchange of letters dated October 18, 1974; this was proved by the Gromyko letter of the same date; (3) it was not true to say that the Soviet rejection of the 1972 Trade Agreement had been caused by the limit of \$300 million in credits contained in the Export-Import Bank Act; (4) although the U.S.S.R. would like to enjoy most-favored-nation treatment from the United States, the denial of which it considers discriminatory, the U.S.S.R. can get along without MFN and will in any case try to increase its trade with the United States; (5) especially in view of the credits extended by West Germany, France, the United Kingdom, Italy, and Japan, the U.S.S.R. does not need credits from the United States, which in any case carry higher interests than credits from the others; (6) the U.S.S.R. can buy what it needs from the United States for cash; and (7) the U.S.S.R. would like to have the matter of MFN and credits from the United States resolved soon because the next

¹ For basic data on Soviet trade, see appendix, p. 27.

5-year plan is in process of preparation, and the United States would do well to take account of this fact if the United States wishes to increase its exports to the U.S.S.R.

There was some disagreement among the Soviets as to the significance of MFN to the U.S.S.R.: Dr. Shershnev of the U.S.A.-Canada Institute, said it was "10 percent economic, 90 percent political," however, representatives of the Foreign Trade Bank and Ministry, while agreeing that current U.S.S.R. exports to the United States were not much affected by tariffs, suggested that possible future exports, for example, machinery and aluminum, would be more so.

In each conversation, the chairman of the delegation made the following points in response to the Soviets: (a) the vast majority of the Congress favored détente and increased trade with the U.S.S.R. and was disappointed when the U.S.S.R. declared the Trade Act unacceptable, the Congress having been led to believe by the administration that a compromise had been worked out; (b) the Soviets should not expect repeal of Jackson-Vanik, since this provision expresses a deep concern of the Congress and a view that détente should include steps toward freer movement and communication across national borders; (c) the limitation on credit contained in the Export-Import Bank Act had not received the same degree of study by the Congress as a whole as the Jackson-Vanik amendment and might be easier to change; and (d) the Soviets could increase the chances for improving the situation by pursuing a more liberal emigration policy and stopping harassment of those who wished to emigrate, but they seemed to be doing just the opposite, as illustrated by the severe sentences imposed on Nashpitz and Tsetlinok.²

MEETING WITH U.S. BUSINESSMEN

The U.S. Government has recently established a trade center occupying an attractively decorated set of ground floor offices. The center is operated by a small American staff to assist U.S. industries and financial institutions interested in doing business in the U.S.S.R.

We were invited to the center for a breakfast meeting with resident representatives of a number of American banks and companies. The fact that such representatives are permitted to live in Moscow is a recent expression of the Soviet interest in doing business with U.S. concerns.

Generally, those present spoke of the excellent working relationships they had been able to establish with the Soviets they dealt with. They said those relationships had not been affected by the Trade Act and the Soviets' rejection of it. In most cases it appeared also that the business deals they were working on had not been affected.

However, the American businessmen and bankers were emphatic in expressing their dismay at Jackson-Vanik and the \$300 million limitation on credits. They felt the Soviets were interested in increasing trade with the United States, as evidenced by their restrained reaction to the legislation aimed at the U.S.S.R.

Some of those present agreed with the theory that the Soviet rejection had been caused by the \$300 million credit limitation, but

² On Monday, Mar. 31, these two were tried and sentenced to 5 years "exile" (usually this means Siberia) for taking part in a minor, peaceful demonstration on the steps of the Lenin Library. For a description of the trial by a relative, see page 6. This sentence has since been affirmed on appeal.

they nevertheless argued that, once the compromise had been rejected, the Soviets would not be willing to consider such an agreement *de novo*.

Without apparent dissent, the group felt Jackson-Vanik set back détente and was a bad mistake which ought to be rectified as soon as possible. The delegation gave them little encouragement on this score, pointing out that the Trade Act itself was not likely to come up for amendment in the near future.

TALKS WITH DISSIDENTS

On Wednesday afternoon, April 2, members of the delegation were able to meet for more than 2 hours with a group of about 18 Jewish dissidents at the apartment home of Dr. and Mrs. Alexander Lerner.

Contact with this group was arranged, not by the U.S. Embassy, but through the good offices of an American journalist. Our guide and interpreter was Alexander Goldfarb, a young Soviet scientist and dissident who had recently received permission to emigrate to Israel.³

Except for Goldfarb, all those we met with have been refused permission to leave, some for as long as 5 years. They call themselves "refuseniks."

Dr. Lerner led the discussion and called on others in the group to contribute to it.

During the meeting we were joined by a scientist who reported that he had just come from a KGB grilling. He had been handed a written "warning," the receipt of which he had been asked to acknowledge. He refused to do this. He had also been asked to submit a written explanation for his activities, which he also declined to do. He and others said such explanations were often the first step toward collaboration with the KGB.

Dr. Lerner and others expressed great appreciation for the help and support given to Soviet Jewry by the U.S. Congress. They said specifically that U.S. pressure—including the threat of the Jackson-Vanik amendment—had been largely responsible for inducing the Soviets substantially to increase the allowed emigration to Israel in 1972, 1973, and the first part of 1974.⁴

Dr. Lerner said he was convinced that the Soviets had agreed to the arrangements outlined in the October 18 Kissinger-Jackson correspondence, but had decided to reject the deal when the main *quid pro quo*—that is, credits—had been reduced to what they considered a discriminatory and absurdly small total. He therefore felt that imposition of the credit ceiling had been a mistake. He implied that removing it might result in a change in the Soviet policies on emigration.

When asked for their interpretation of the Gromyko letter of October 18 (which appeared to deny that any understanding had been reached), Dr. Lerner and his friends said they thought this letter had been written and sent for the record, to be released only if the negotiations for a compromise collapsed. This theory derives support from

³ Goldfarb has since emigrated.

⁴ The Soviet spokesmen deny this. In response to a direct question, Mr. Shershnev of the U.S.A.-Canada Institute asserted that U.S. pressure had had nothing to do with U.S.S.R. liberalization of emigration policies in those years. This assertion seems unconvincing, especially in view of the fact that such liberalization was bitterly opposed and criticized by the Arabs. However, the assertion has to be made, if the Soviets are to cling to the proposition that emigration policies are a wholly internal matter, not subject to being altered in response to international pressure.

the fact that the U.S.S.R. did not announce the sending of the letter for 2 months.

According to various members of the group, rejection of the Trade Act by the Soviets has been followed this year by a new offensive against emigration consisting of increased refusals and KGB harassment of those who apply. This was illustrated by the cutting of the telephones of virtually all of the "refuseniks" who until this year had not only been able to communicate with each other but to receive calls from supporters in the United States.

The group pointed out that refusals of even a few applications for exit visas had the effect of reducing the number of applications. People are afraid to apply if they fear they will be refused. Once a person files an application, he or she is almost certain to lose any kind of a professional job and become an enemy of the state. If the person declines to work at some menial task, he or she is subject to prosecution for "parasitism."

Such an event as the sentencing of two "refuseniks" like Nashpitz and Tsetlinok to 5 years exile, on the basis of an inconsequential charge and flimsy evidence, also has the effect of discouraging new applications for exit visas. Thus the rate of applications has "dropped off" sharply this year and by no means reflects the extent of the desire to emigrate.⁵

One of the women in the apartment, also a scientist, gave an account of the trial of Nashpitz and Tsetlinok, which has occurred on the preceding Monday (2 days before) and which she had managed to attend as a relative of one of the defendants. Under the applicable law, the trial was supposed to be open, but it was scheduled on short notice in an out-of-the-way building far from the center of Moscow. When reporters and friends of the defendants arrived at the site, they were first told the building was being cleaned. Later, when officials were seen to enter, those outside were told, yes, the trial was on but the courtroom was full. When two relatives of the defendants were finally admitted, they observed that the courtroom was filled with soldiers, guards, and some charwomen, all of whom had apparently been brought in a back way.

At the trial, defendants' lawyers were not allowed to bring in their witnesses. Since the prosecution witnesses testimony was very weak as to what the defendants had done at the peaceful demonstration on the steps of the Lenin Library on February 24 to protest the plight of the "refuseniks," the prosecutors relied heavily on the transcript of an initial investigation. Nine demonstrators had been arrested, but all but Nashpitz and Tsetlinok were released after questioning or sentenced to 10 or 15 days in jail.

The Tass agency announcement of the sentencing of Nashpitz and Tsetlinok made clear that they were being singled out for a long sentence because of prior "parasitism" and, in the case of Nashpitz, because of a prior 1-year sentence for evading a military callup as a reserve officer (such callups are often used as a device to prevent emigration, since a person in the armed services is not allowed to emigrate for several years after completing military service).

⁵ The refuseniks had no information to contribute on the numbers of Soviet Jews who desire to emigrate. They referred to information from Israel that about 140,000 invitations from relatives have been issued to Soviet citizens desiring them. They added that, according to reports from various areas, many thousands of these invitations may not have been delivered by Soviet postal authorities.

Because the sentence on such a minor charge was so severely punitive, about half the "refuseniks" in the Lerner apartment were said to be on a hunger strike in protest. A middle-aged Dr. Luntz, who spoke very movingly of Soviet harassment, apologized for not being very articulate; he explained that lack of food was affecting his mental powers.

Another type of harassment of scientists was described by Dr. Victor Brailowsky and others. Cut off from scientific thought and contacts, a group of "refusenik" scientists had formed a seminar among themselves for discussion of new scientific developments and the like. The Soviets had gone to great lengths to break up the group, including suddenly summoning one of the leaders for military service at the age of 43.

Dr. Alexander Goldfarb also mentioned the rough treatment meted out to Jews at the Moscow Synagogue the week before on Passover Eve and on the Sabbath. Goldfarb said one of the incidents had been somewhat exaggerated in press accounts: the Soviet Police had not, he said, entered the Synagogue to break up the service, but had done so after the service, which the Rabbi had been persuaded to rush through. The adjoining street, he said, had been filled with obstacles, so as to provide the police with an excuse to prevent the congregation from lingering outside after the service by claiming that they were blocking pedestrian and vehicular traffic on the street.

The group was asked for comment on the claim so frequently made by Soviet officials, attempting to refute charges of Soviet anti-semitism, that Jews hold a disproportionately high number of the official, professional, scientific, and artistic positions—and chairs in the corresponding schools. Dr. Luntz replied that this situation was rapidly changing, and that in select schools where the percentage of Jews had once been 10 or 20 percent it might well now be less than 2 percent.

Toward the end of the meeting, Dr. Lerner expressed the fear that things were going to get worse for the "refuseniks," especially as a result of the Soviet drive to reduce emigration. In response to an American suggestion that the Soviets might be deliberately getting tougher so as to seek more credit for loosening up a bit later on, he agreed.

Dr. Lerner said the group did not know just what strategy to suggest for the United States, but was confident the Congress would find a way to help. He urged, however, that the United States not offer any further concessions from the compromise contained in the Kissinger-Jackson letters; this, he said, would be viewed by the Soviets as a sign of weakness; the Soviets are saying that the West is no longer interested in the plight of Soviet Jewry; it is essential that the error of this conclusion be demonstrated to them.

CONVERSATION WITH SAKHAROV

Thanks to Dr. Goldfarb, Representative Bingham had the opportunity of meeting with Dr. Andrei Sakharov and his wife in their apartment.

This meeting followed by a few days the Soviet Government's announced decision to refuse the Sakharovs' request for permission to travel to Italy to receive medical treatment for Mrs. Sakharov's

eyes. Mrs. Sakharov, their application had explained, is progressively losing her sight from an interrelated disease of the thyroid and eyes. An Italian association had invited the Sakharovs to Italy so that Mrs. Sakharov could receive necessary extended treatment by specialists at a hospital in Siena. Without such treatment (which they felt she could not get in the U.S.S.R.), the Sakharovs were convinced Mrs. Sakharov would lose her sight. After months of delay, the application for travel permission was finally denied. The Sakharovs felt the decision was cruel and were understandably bitter.

In Professor Sakharov's view, it is essential for the United States to press in every way for a more open Soviet society. Only along this road can mutual trust be developed. Without such openness and consequent trust, détente as it is now is dangerous and the United States must be constantly on guard.

GENERAL IMPRESSIONS

No startling conclusions can be drawn from a 4-day visit to the capital of a vast country. Nevertheless, for the benefit of those who have not visited Moscow, it is worth noting that the experience is a depressing one. One cannot escape the pervasive atmosphere of tight control and of fear. The fear is doubtless no longer the fear of the GPU knock in the night, but is the bureaucratic fear of getting out of line and therefore into trouble, the citizens' fear of being thought too friendly with a foreigner, the official fear of unorthodox ideas.

American and British newspapers, except for Communist Party organs, cannot be purchased at news stands. In view of the obvious improvement in the standard of living, we asked one official why the Government is afraid to let different ideas in. He looked uncomfortable and answered evasively.⁶

Those Soviets who are authorized to speak with visitors express precisely the same line. They do so with apparant conviction, but the visitor receives the clear impression that the line could change overnight and that the spokesmen would then expound the new line with equal apparent conviction.

This is true, for example, with respect to the Soviets' current support for détente. That support, one feels, could disappear tomorrow. American policies should be calculated accordingly.

The Soviets are very conscious of their status as one of the two superpowers in the world. We did not get the impression that they are preoccupied about China, at least not to the same degree that they are preoccupied with their rival superpower, the United States.

THE MFN-CREDITS PROBLEM

It seems clear that the Soviets, in spite of their protestations to the contrary, will make concessions in emigration policy, as an aspect of an international negotiation, if they have sufficient incentive for doing so.

In spite of Soviet denials, we believe that the Soviets' substantial liberalization of emigration in 1972 and 1973 was in response to the pressure of United States and world opinion, and reflected the Soviets'

⁶ In fairness, it should be noted that, since détente, the Voice of America is no longer jammed. Radio Liberty, which broadcasts news of dissidents' activities in the U.S.S.R. and other material of interest to those dissidents, continues to be jammed.

desire for détente with the United States, including a trade agreement with MFN. From the fall of 1972 on, the threat of a Jackson-Vanik type of amendment seemed to be an effective instrument (unfortunately it seems to have been more effective as a threat than as a provision of law).

It is also significant that, in the European Security and Cooperation Conference negotiations in Geneva, the Soviets have accepted the concept that the emerging agreement will include provisions on freedom of communication and movement. Obviously, whatever concessions the Soviets make in that regard will be because they very much want a European security agreement.

Although various Soviet spokesmen attempted to downplay the Soviets' need for MFN and for American credits, we believe that these still represent major goals for the U.S.S.R., and that credits eagerly offered by other countries are not a wholly satisfactory substitute.

In future discussions or considerations of trade credits for the Soviet Union, however, we believe that potential gains to the United States should be examined and questioned critically. For example, exports financed with credits constitute a drain initially upon the economy of the exporting nation. The United States must, then, consider what we would gain from granting large credits to the Soviets that could offset the initial costs to our economy of their credit purchases.

We see no urgent need for the United States to make the first move to resolve the present impasse. The administration's posture, we would suggest, might be along the following lines: (1) the majority of the U.S. Congress is in favor of détente but is convinced that to be real, détente must include steps toward greater freedom of movement and communication; (2) the Geneva negotiations may point the way to a formula that could be helpful in resolving the MFN problem; and (3) the atmosphere for a satisfactory resolution of the current impasse will be greatly improved if the Soviets will liberalize their emigration policies, including especially the release for emigration of outspoken dissidents such as Nashpitz and Tsetlinok, permission for Elena Sakharov to go to Italy for medical treatment, and cessation of the current wave of harassment of those who wish to emigrate.

In the section of this report on Romania, congressional approval of the trade agreement initiated with that country is favored even though Romania's emigration policies leave much to be desired. That agreement, if approved, may be useful as an example of what can be done to further détente in the humanitarian, as well as the economic, sense.

POLISH PEOPLE'S REPUBLIC

The Polish People's Republic was the initial stop in Eastern Europe by members of the Subcommittee on International Trade and Commerce. Subcommittee Chairman, Jonathan B. Bingham, visited Warsaw March 28-30, followed by Congressman Charles W. Whalen, Jr., on March 31-April 1.

Representatives Bingham and Whalen met with the following Polish officials: Jerzy Olszewski, Minister of Foreign Trade and Maritime Affairs; Wlodzimier Wisniewski, President, Polish Chamber of Commerce; Romuald Spasowski, Vice Minister of Foreign Affairs. Discussions also were held with U.S. Ambassador Richard T. Davies and members of his staff.

THE POLISH ECONOMY

Poland's 33.5 million citizens, who reside in a 120,700-square-mile area, each receive an average yearly income of \$1,650. Currently, 33 percent of the workers are engaged in agriculture (only 15 percent of the land is operated collectively) while 67 percent are employed in the industrial and service sectors of the economy.

During the past 10 years Poland's industrial output has grown at the rate of 7 to 9 percent annually. Principal products include hard coal, textiles, iron, steel, artificial fertilizer, petrochemicals, machine tools, electrical machinery, electronics equipment, and ships (including supertankers).

Poland is one of Europe's leading producers of hogs, rye, oats, potatoes, and sugar beets. Nevertheless, relatively poor soil and weather conditions have necessitated increased importations of grain and fodder during the past several years.

In an effort to respond to the demands of the Polish people for better living standards, the Sixth Party Congress, in December 1971, adopted a 5-year plan emphasizing production of consumer goods. This program, in order to succeed, requires an expanded foreign trade.¹

UNITED STATES-POLAND TRADE RELATIONS

One of the provisions of the Trade Agreement Extension Act of 1951 directed the President to "suspend, withdraw or prevent the application of MFN (most-favored-nation) treatment to imports from the Soviet Union and from any nation or area dominated or controlled by the foreign organizations controlling the world communist movement." As a result of this Korean War inspired legislation, Polish products were denied the opportunity to enter the U.S. market on terms comparable to those available to other nations. The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480)

¹ For volumes and areas of Poland's trade with major trading partners, see appendix, p. 29.

further discriminated against Poland and other Eastern European states by prohibiting farm commodity credit sales, repayable in local currencies, to communist-controlled countries.

The restriction contained in Public Law 480 was lifted against Poland in 1957 (although reimposed in 1966 as a result of the Findley amendment to the Agricultural Trade and Development Act). In 1960, President Eisenhower waived the MFN sanction after declaring that the Polish People's Republic was not Soviet-dominated (as defined by the 1951 Trade Agreement Extension Act). The Trade Expansion Act of 1962, while removing the Presidential MFN waiver contained in the 1951 law, preserved the Executive's option for Poland and Yugoslavia. Thus, these two countries are the only ones in Eastern Europe which, today, enjoy relative equality with other American trading partners.

In November 1972, President Nixon, acting in conformity with congressional authority extended him in 1971, certified that Export-Import Bank financing of U.S. sales to Poland is in the national interest. Since that date Poland has received \$8.9 million in financial guarantees and \$156.8 million in loans from the Export-Import Bank.

As a consequence of these actions, our commercial exchange with Poland exceeds that with other Eastern European nations (not including the Soviet Union).

FUTURE U.S. TRADE WITH POLAND

In September 1974, the joint United States-Polish Trade Commission predicted that trade between the two countries could reach \$1 billion by 1976 and \$2 billion by 1980. This forecast was reiterated by Polish officials in discussions with Representatives Bingham and Whalen.

However, in remarks made to Representative Bingham, Jerzy Olszewski, Minister of Foreign Trade and Maritime Affairs, voiced the hope that this will be a two-way expansion, not one which generates a huge Polish trade deficit.

Minister Olszewski suggested two strategies for dealing with this problem.

First, the solution which he favors is industrial cooperation. By this he means agreement between U.S. firms and Polish enterprises in which the Polish organization pays in products for the technology and equipment it receives from its American partner. As possible projects for industrial cooperation, the Minister sees special promise in programs based on the extraction of Polish raw materials, particularly coal (in the Lublin region) and copper.

Second, Minister Olszewski cited trade balancing as another means of rectifying Poland's deficit with the United States. This would mean, he noted, that Poland would have to increase substantially the range of goods exported to America. For Poland, which does not produce a broad range of export products, this would be extremely difficult.

Two other issues were delineated by Polish spokesmen during interviews with Representatives Bingham and Whalen:

COTTON TEXTILE AGREEMENT

While trade in cotton textiles with Poland is currently covered by the "voluntary" textile trade agreement of March 15, 1967 (which extends into 1976), the United States sent a team to Poland on April 28 to negotiate a new bilateral textile agreement in conformity with the GATT Arrangement Regarding International Trade in Textiles.

The GATT Arrangement, called the Multi-Fiber Arrangement (MFA), replaced previous international textile agreements covering only cotton textiles. A new agreement generally would allow greater flexibility by signatories in allocation of textile quotas between classes of textiles and years of production. However, since the arrangement covers a wider variety of textiles, Polish officials may be hesitant to replace the current agreement with an agreement under the MFA, because it would bring manmade fibers under quotas.

This presents the Polish Government with a problem since manmade fibers are clearly the dynamic element in their textile trade. Under the current agreement Poland is allowed cotton textile exports to the United States of 10 million square yards for the year March 1, 1974, to February 28, 1975, with 5 percent increases each year thereafter. In the calendar year 1974 Poland exported 4,609,516 equivalent square yards of cotton textiles and did not exceed quota restrictions in any of the 64 enumerated categories of textiles. The export of textiles of manmade fibers to the United States from Poland in 1974 was more than 9,727,000 equivalent square yards or more than double the volume of exports of cotton textiles.

ANTIDUMPING PROCEEDINGS—POLISH GOLF CARTS

The antidumping investigation now under way on imports of Polish golf carts is required because there was a complaint from American firms that imported Polish golf carts, amounting to \$2.4 million in 1973, were being "dumped." The Anti-Dumping Act of 1921 makes such an investigation mandatory and establishes two requirements for a finding of dumping: (1) that the Treasury Department determines that sales at less-than-fair-value have occurred; and (2) that the U.S. International Trade Commission (ITC) finds injury or likelihood of injury to a domestic industry.

The Treasury Department regulations require publication of a proceeding notice within 30 days of receipt of complaint. On June 14, 1974, the Treasury Department published notice in the Federal Register of antidumping proceedings concerning electric golf carts imported from Poland, and initiated a fair-value investigation to be completed by December 14.

Early in December the Polish Government requested, and received, an extension of the "fair-value" proceedings to March 14, 1975. This was later extended at the request of the Polish Government to June.

If the Treasury Department rules affirmatively in June, the case will go to the ITC. If the ITC subsequently finds injury, dumping duties equal to the difference between the actual price and the "fair value" of the carts will be assessed on all imports of carts from the

initial date of the withholding of appraisement. Under the current timetable, the Treasury Department will issue a finding by June 14, 1975, and the ITC will make its decision by September 14.²

CONCLUSION

Four factors tend to insure continued expansion of two-way exchange between the United States and Poland: (1) Poland's size (sixth largest country in Europe); (2) the relative sophistication of its industrial operation; (3) Poland's dependency upon foreign trade to achieve its growth goals; and (4) the absence of legal impediments to trade between the United States and the Polish People's Republic.

While the level of Polish-American trade might reach \$2 billion by 1980, it is unlikely that this projection can be met without Poland's incurring a substantial deficit. Confronted with this prospect, Polish authorities may have to abandon the \$2 billion goal (by reducing imports from the United States) so as to attain trade equilibrium with our country.

² The Treasury Department ruled June 16, 1975, that Polish golf carts are being sold in the United States at "less than fair value."

CZECHOSLOVAK SOCIALIST REPUBLIC

Discussions in Czechoslovakia centered on issues of trade relations between the United States and Czechoslovakia—particularly on the importance of sections 402 and 408 of the Trade Act of 1974. All discussions took place in Prague.

All three members of the congressional delegation met for discussions with Minister of Foreign Trade Andrej Barcak, Miloslav Ruzek, Deputy Minister of Foreign Affairs, Mr. Vilem Novy, a member of the Foreign Affairs Committee of the Federal Assembly, and Dr. Jindrich Cinkl, Vice President of the Czechoslovak Chamber of Commerce. Discussions were also held with U.S. Ambassador Albert W. Sherer, Jr., and his political and economic staff.

THE CZECHOSLOVAK ECONOMY

In 1974, the Czechoslovak economy expanded by 5.5 percent in terms of national income,¹ a growth rate below that of Poland and Romania, but comparing favorably with that of many Western economies. Czechoslovakia's expanding economy (1973 Gross National Product: \$39.5 billion) probably gives its more than 15 million inhabitants a per capita national income second only to that of East Germany among the Communist nations of the Council for Mutual Economic Assistance (CEMA).

1975 is the fifth year of Czechoslovakia's present 5-year plan (FYP). A target growth rate of 5.6 percent is planned. The planned rate may not be attainable, however, due to rising energy and raw materials costs.

The state economic plan for 1975 will follow lines similar to those of past years. Czechoslovakia will seek to attain rapid growth in industrial and construction-industry productive capacity, economize on imported fuels and raw materials, increase supplies of domestic consumer goods, slow down growth in capital construction, intensify cooperation with CEMA countries, and more rapidly modernize productive capacities.

Projects in the petrochemical industry and expansion of production facilities for steel pipes and tubes, medium-sized trucks, and nuclear powerplants will receive high-priority attention.

In the 1940's, Czechoslovakia embarked upon a program to expand extensively the nation's industrial base while concentrating on the development of heavy industry. Today, Czechoslovakia produces a very wide range of industrial goods which severely restricts the resources available for new capital construction and modernization of existing plant and equipment. Czechoslovakia's ability to compete in the international economy is hampered by this lack of modern equipment in a number of industries and overextension into too wide a range of industrial goods.

¹ For details, see appendix, p. 30.

CZECHOSLOVAKIA'S INTERNATIONAL TRADE

Last year Czechoslovakia, which derives 40 percent of its national income from foreign trade, ended the year in overall deficit with both its Communist and non-Communist trading partners. Overall foreign trade increased by 23.2 percent. Trade with socialist trading partners was up 14.5 percent. Trade with both industrialized and less developed countries of the nonsocialist world was up 34.7 percent. However, 25 percent of this overall increase was due to higher prices and only 10 percent due to higher volume.

Czechoslovak exports grew by over 20 percent of which almost 34 percent was to nonsocialist countries. Czechoslovak imports grew by almost 26 percent—again, 35 percent from nonsocialist countries.

CEMA maintains that bilateral trade with nonsocialist countries should be limited to one-third of each member country's total trade by value. Czechoslovakia has closely abided by that implied rule, and it can be expected that Czechoslovakia will further strengthen trading ties with its CEMA partners.

For the future, Czechoslovakia expects to double its exports of machinery in 5 years.

UNITED STATES-CZECHOSLOVAK TRADE RELATIONS

For the first time since 1968, United States-Czechoslovak trade fell in 1974 to a total volume of \$94.1 million, 12.3 percent less than in 1973. The following U.S. Department of Commerce figures indicate the extent of United States-Czechoslovak trade.²

U.S./Czechoslovak trade (1970-1974)

<i>U.S. Exports to Czechoslovakia:</i>	<i>Millions</i>
1970-----	\$23. 0
1971-----	39. 0
1972-----	50. 0
1973-----	72. 1
1974-----	48. 6
<i>U.S. Imports from Czechoslovakia:</i>	
1970-----	24. 0
1971-----	23. 0
1972-----	28. 0
1973-----	35. 2
1974-----	45. 6

Source: U.S. Department of Commerce.

Czechoslovak statistics indicate that exports to the United States accounted for under 1 percent of total exports in 1974, and imports from the United States for less than 2 percent. However, those same Czechoslovak statistics indicate a somewhat different picture of United States-Czechoslovak trade relations. According to Czechoslovak figures, total bilateral trade with the United States is twice as large (at official parity) than U.S. figures indicate.

² For breakdown of major United States-Czechoslovakia exports and imports by product groups, see appendix, p. 30.

IMPLICATIONS OF THE TRADE ACT FOR U.S. TRADE WITH
CZECHOSLOVAKIA

The Czechoslovak officials were disturbed and disappointed by the enactment of the Trade Act containing section 402 which links most-favored-nation status to emigration considerations and section 408 which effectively precludes Czechoslovakia from MFN and any other benefits under the act until the agreement initialed July 5, 1974, with respect to the settlement of the claims of citizens and nationals of the United States against the Government of Czechoslovakia, is renegotiated to the satisfaction of the Congress. Section 408 further stipulates that the United States "shall not release any Czechoslovak gold held directly or indirectly by the United States pursuant to the provisions of the Paris Reparations Agreement of January 24, 1946, or otherwise, until such agreement has been approved by the Congress."³

The Czechoslovak officials are concerned that the United States and Czechoslovakia cannot yet proceed to full trading relations on a normal basis. They point out that Czechoslovakia maintains normal trading relations with Britain, West Germany, Denmark, and other countries of the European Community, and that approximately 30 percent of Czechoslovakia's trade is with the West.

Czechoslovak officials indicate that trade with the United States will certainly continue but at a lower level than was hoped for by Czechoslovakia. Given the broader language of section 402 of the Trade Act and the subsequent abrogation of the 1972 trade agreement between the United States and the U.S.S.R., it seems likely that the section 402 question will have to be dealt with within the larger context of Soviet-American relations. Section 408, however, involves solely the United States and Czechoslovakia.

The mutually acceptable Financial and Claims Settlement Agreement initialed by the United States and Czechoslovakia on July 5, 1974, provides for payment by Czechoslovakia of a lump sum of \$20.5 million, in installments, to settle all legally valid claims of U.S. nationals against the Government of Czechoslovakia for nationalization or other taking of property since January 1, 1945.

The agreement further provides for payment in full by Czechoslovakia for surplus property debts over \$7 million including principal and interest which were incurred in the immediate postwar period.

Third, the agreement includes a Czechoslovak commitment to begin negotiations with the U.S. Foreign Bondholders Protective Council on settlement of defaulted bonds.

Finally, the agreement provides that the United States would withdraw its objection to the return of 18,400 kilograms of Czechoslovak gold presently held in the custody of the Tripartite Commission for the Restitution of Monetary Gold.

With the initialing of the agreement, both the United States and Czechoslovakia assumed that lack of agreement on these matters—continuing irritants and obstacles to normal trade relations—was effectively removed.

³ See appendix, p. 34, for text of resolution passed by Czechoslovak Federal Assembly, and p. 35 for text of section 408.

But effective lobbying by a comparative handful of the 2,630 claimants dissatisfied with the agreement prompted the Senate to amend the Trade Act requiring renegotiation of the settlement provision. The amendment survived in conference and became law.

The Czechoslovaks point out that the amendment treats Czechoslovakia unfairly since the initialed agreement is similar to, if not better than, those negotiated with other East European countries.

They contend that normal trade relationships cannot be built on a political basis, and that to accept the conditions of sections 402 and 408 of the Trade Act would be to accept political discrimination.

They point out that normalizing trade relations would be mutually beneficial. It is estimated that the lack of MFN status means an average 26 percent price increase for Czechoslovak goods in the United States. They point out further that American industry and technology are held in very high esteem in Czechoslovakia and that it offers an important market for U.S. business.

CONCLUSION

While disappointed at restrictions written into the Trade Act, Czechoslovak officials made it clear they would do nothing to pour oil on the fire of damaged relations. Czechoslovakia desires good relations with the United States, and officials said their Government would do nothing to jeopardize this situation.

Czechoslovakia, a highly industrialized country burdened by aging plant capacity and equipment, seems eager to import industrial technology and machinery. Given past trading relations (for a brief time in the 1930's, the United States was Czechoslovakia's third largest trading partner) and the already high reputation of American goods and techniques in Czechoslovakia, improved and increased trading relations between the two countries seem highly desirable. Czechoslovakia seems an obvious customer for American-produced machine tools and other production-related equipment. It seems that the United States could in fact become a major Western supplier to Czechoslovakia. In Prague, we saw an office building constructed by a Swedish contractor. This willingness to import construction capacity coupled with a need for further construction indicated another area in which there might exist a natural market for American goods and services.

Given the mutually beneficial potential of increased trade relations between the United States and the Czechoslovak Socialist Republic, it seems likely the two countries will sooner or later work out solutions to the obstacles which presently prevent full normal trade relations. For the present, however, there should be no doubt as to the degree to which section 408 and section 402 of the Trade Act have affected United States-Czechoslovak trade relations. Section 408, in particular, requiring renegotiation of the Financial and Claims Settlement Agreement, is seen as pointedly discriminatory and unfair by the Czechoslovaks. It is a serious obstacle to expanded and normalized trade relations, and we favor its repeal.

SOCIALIST REPUBLIC OF ROMANIA

Representative Biester visited the Socialist Republic of Romania from April 5-7. The Romanian officials with whom he met included Nicolae Giosan, President of the Grand National Assembly (GNA), Dumitru Turcus, Secretary of the GNA Commission for Foreign Relations, and GNA Deputies Gheorghe Crainiceanu, Iuliu Fejes, Nicolae Dumistrescu, as well as Acting Foreign Minister Vasile Gliga. Deputy Crainiceanu serves as Director of the Currency Department of the Ministry of Finance and participated in the negotiations which led to the United States-Romanian Trade Agreement. He has specialized in Romania's relations with the World Bank and the International Monetary Fund. Deputy Dumistrescu is Director of the Ministry of Foreign Trade and an expert on Romania's negotiations of economic agreements with the West, particularly the European Community, and also played an active role in U.S. trade agreement negotiations.

Representative Biester also met with U.S. Ambassador Harry G. Barnes, Jr., Deputy Chief of Mission Richard N. Viets, and Political Officer James K. Connell.

THE ROMANIAN ECONOMY

Romania boasts one of the highest growth rates in Europe with GNP increasing at an average rate of 9 percent from 1971-73. The country has achieved overall self-sufficiency in food grains.

Over 50 percent of Romania's industrial output is now accounted for by the metals, machinery, and chemical industries, a dramatic increase since 1950 when those industries made up less than 25 percent of industrial output.

In 1973, Romania produced 85 percent of the country's steel consumption, but dependence on imports of iron ore, coke, and coking coal has increased. While Romania has explored alternative Western suppliers, particularly for iron ore and coking coal, the U.S.S.R. remains Romania's principal source of industrial raw materials.

Like Czechoslovakia, Romania is now in the final year of its present 5-year plan. The new 1976-80 plan will continue to stress the growth of heavy industry. Investment is expected to continue to grow rapidly and to absorb one-third of national output.

Investment policy—tightly controlled by the central government—has induced some changes in industrial growth patterns since 1965.¹ While the share of industrial investment going to fuels, power, and the metallurgical industries has decreased, the share to chemicals, machinery, and consumer goods industries has sharply increased. Investment policy has favored those aspects of industry associated with modernization and export earnings, and that pattern will continue.

¹ For details of growth of industrial investment and output, see appendix, p. 31.

President Ceausescu's government has increasingly centralized economic policymaking, experimenting with a variety of means in an effort to stem certain inefficiencies associated with rapid growth.

Romania's growth rate is high and overall economic health is good. In addition, the Romanian consumer is beginning to experience an increase in living standards. While in statistical terms Romania is ranked as one of the poorer Eastern European countries, I found living standards to be substantially higher than such data would indicate.

ROMANIA'S FOREIGN TRADE AND INTERNATIONAL ECONOMIC RELATIONS

Romania's international economic policy, like its overall foreign policy, demonstrates considerable independence of the Soviet Union. Since 1970, Romania has pursued improved economic relations with the industrial West, and in 1973 became the first Warsaw Pact member to conduct more than one-half its trade with non-Communist countries.² Romania participates in the International Monetary Fund and the General Agreement on Trade and Tariffs, and allows 49 percent Western ownership in selected industries.

While on balance Western companies have shown some reluctance to locate in Romania, the country has proved very successful in obtaining Western financing. The United States, West Germany, France, and the United Kingdom have provided government-guaranteed credits, and in 1973, the European Community granted Romania generalized trade preferences. The World Bank also granted Romania a total of \$190 million in long-term loans.

Since 1970 the commodity structure of Romania's exports has changed with greater growth in the export of manufactures compared to raw materials. Romania has increased exports of machinery and equipment for production, primarily to Communist and developing nations. Romania exports extraction and refining installations for the oil industry, diesel engines, gas generators, tractors and other farm machinery, as well as complete installations for cement factories.

Exports to the industrial West continue to feature foodstuffs and fuels, with some increase in exports of fertilizer and industrial consumer goods. Since 1970, the commodity structure of Romanian imports has not changed significantly, with industrial production machinery and transport equipment comprising more than two-fifths of total imports in 1973.

Imports of Western technology have played an important role in Romania's growth since the early 1960's. Approximately 15 percent of the machinery placed on the production line each year is Western in origin. The Romanians want to continue to import Western technology.

UNITED STATES-ROMANIAN TRADE RELATIONS

The United States maintains a substantial trade surplus with Romania, exporting over \$277 million worth of goods in 1974, and importing \$130.5 million. The United States could be expected to main-

² See appendix, p. 31, for comparison of Romanian volume of imports and exports with Communist Third World, and Industrialized Western nations.

tain a trade surplus under the United States-Romanian Trade Agreement. The bulk of U.S. imports from Romania are mineral fuels and lubes. In 1974, the United States exported over \$93 million in food and live animals, over \$88 million in machinery and transport equipment, and nearly \$70 million in crude materials.³

Romania's dependence on imported Western technology for continued rapid industrial growth necessitates increased exports to the West to earn hard currency to pay for that technology and repay the credits which have financed much of its purchase. Most-favored-nation status is thus quite significant to the Romanians. The following U.S. Tariff Commission data indicates just what MFN would mean to the duties on selected Romanian imports.

COMPARISON OF NON-MFN DUTY RATES WITH MFN DUTY RATES FOR SELECTED IMPORTS FROM ROMANIA

Product	Non-MFN rate	MFN rate
Fuel oil, under 25° API (per gallon).....	\$0.005	\$0.00125
Pork hams (per pound).....	\$0.03	\$0.03
Agricultural tractors.....	Free	Free
Fuel oil, over 25° API (per gallon).....	\$0.005	\$0.0025
Flat glass, 40 to 60 in (per pound).....	\$0.019	\$0.009
Flat glass, 60 to 100 in (per pound).....	\$0.029	\$0.011
Wooden chairs (percent).....	40	8.5
Cheese, sheeps milk (percent).....	35	9
Feathers and down (percent).....	20	15

Source: United States Tariff Commission.

THE UNITED STATES-ROMANIAN TRADE AGREEMENT

The negotiation of a trade agreement between Romania and the United States in April 1975 represents an important step in expanded and normalized economic relations between the two countries. Putting Romanian exports to the United States on a nondiscriminatory tariff basis would allow Romania to expand its hard currency earnings and thus substantially increase purchases of desired U.S. goods. Two thirds of Romania's current exports to the United States are affected by present tariffs and many Romanian export products are vitually prohibited from entering the U.S. market. Indeed my travels and discussions in Romania convinced me that the trade agreement is of the utmost political and economic importance to Romania. I also believe it is in the best political and economic interests of the United States.

Reservations about the trade agreement have centered around the question of emigration. While section 402 of the Trade Act does not single out any one country or ethnic or religious group, the language contained therein did originate in deep concern for the human rights of the Jewish population of the Soviet Union.

Romania's tradition and policy in this important matter, however, have been in dramatic contrast to that of the Soviet Union. I am informed that a total of approximately 400,000 Jews have left Romania since the end of the Second World War. In recent years, over 100,000 have left. Of the community of approximately 100,000 Jews who

³ See appendix, p. 32, for detailed figures.

remain in Romania, indications are that from 30,000–40,000 would like to leave, and the Department of State indicates that about 10,000 have begun the application process. In 1974, about 3,400 Jews left Romania.

There is no indication that those Romanians who apply for exit visas are harassed in the Soviet manner. Application for an exit visa does not mean that one loses one's job or is otherwise punished. Romania, furthermore, has not interfered with the religious freedom of Jews, making general conditions for Jews in that country possibly the best in Eastern Europe.

The bulk of Romania's Jewish emigration has been to Israel, establishing Romanians as one of the largest national groups within Israel. This situation has helped to make uninterrupted relations between Israel and Romania possible.

Throughout the severe strains of the Arab-Israeli dispute, Romania has maintained diplomatic and economic relations with Israel, and unlike other Eastern European countries, did not cut ties following the Six-Day War. In 1972, then Prime Minister Golda Meir made a state visit to Bucharest, and since then various Israeli officials have visited the country.

On May 27 through June 1, 1975, Israeli Foreign Minister Yigal Allon visited Romania. The communique issued following that visit stressed Romanian-Israeli agreement on extending cooperation in cultural, scientific, and technical matters. I am informed by the Israeli Embassy in Washington that a number of Israelis have also visited Romania during the past year in a private capacity—but with the approval of the Israeli Government—to promote Israeli exports to Romania. Romania is the only Eastern European country maintaining diplomatic ties with Israel.

HUNGARIAN PEOPLE'S REPUBLIC

Representative Charles W. Whalen, Jr., visited Budapest, Hungary, during the period April 5-7, 1975. He conferred with the following officials of the Hungarian People's Republic: Frigyes Puja, Minister of Foreign Affairs; Janos Nagy, Deputy Minister of Foreign Affairs; Eszter Galyos, Ambassador-designate to the United States; Janos Szita, chairman of the Secretariat for International Economic Relations of the Council of Ministers; Sandor Barcs, member of the National Assembly and Director General of MTI (Hungarian News Agency). Representative Whalen also held a 90-minute question and answer session with Hungarian media representatives at the residence of Stephen Dachi, U.S. Information Agency.

THE HUNGARIAN ECONOMY

Hungary, with an estimated population of 10.5 million, has a \$1,534 per capita income. This places Hungary in the "medium-developed" range, a higher standard of living than that in developing nations but somewhat less than that enjoyed in Western economies.

Since 1950 the number employed in agriculture has dropped from 50 to less than 30 percent of the total work force. Notwithstanding this decline, Hungarian agriculture is not only self-sufficient but serves as a source of export sales to Western Europe. While also possessing sufficient supplies of coal and natural gas to meet its domestic requirements, Hungary must import most of its oil, coke, and iron ore. Principal industrial products include machinery, machine tools, transportation equipment, pharmaceuticals, and other chemicals.

A cursory inspection of Budapest shops reveals that Hungary is more consumer-oriented than the Soviet Union. This undoubtedly is a reflection of the new economic mechanism (NEM) which was instituted in 1968. This approach represents a blending of "state ownership" with the forces of a "market economy." Instead of central planning, the Government has permitted state-owned enterprises to determine what to produce and in what quantities, sources of equipment and supplies, wage levels, and prices to be charged.

Under this system production and wages have risen modestly, while consumer prices (thanks to price controls and Government subsidization of the industrial sector) have remained relatively stable. The impact of world inflation combined with rapidly accelerating (49 percent) industrial subsidies, means that consumer prices now are artificially low. In all probability, price increases will be mandated in the near future so as to avoid the economic dislocations which occur when prices no longer reflect real value.

HUNGARY'S INTERNATIONAL TRADE

The new economic mechanism emphasizes Hungarian participation in the "international division of labor." Thus, foreign trade accounts for approximately 40 percent of Hungary's gross national

product. In 1973, the People's Republic of Hungary enjoyed a \$518 million trade surplus (exports, \$4.594 billion; imports, \$4.076 billion).¹

Presently Hungary's 5-year plan (1976-80) is in process of formulation. It tentatively calls for a 60 percent increase in international trade during the last half of this decade.

UNITED STATES-HUNGARY TRADE RELATIONS

The provision permitting a waiver of the most-favored-nation (MFN) ban contained in the 1951 Trade Agreements Extension Act was not exercised in behalf of Hungary by Presidents Eisenhower and Kennedy. This discretionary authority was removed when Congress enacted the Trade Expansion Act of 1962. Thus, on any dutiable items imported from Hungary, the United States imposes tariffs at the Smoot-Hawley (1930) rate. In retaliation, Hungary levies higher rates on incoming American goods than applied to competing Western European products.

These discriminatory restrictions, coupled with Hungary's lack of hard currency and limited product line, have inhibited the attainment of significant trade levels between the United States and the Hungarian People's Republic.

During the past 3 years, exchange between the two countries totaled:

[In millions of dollars]

Year	U.S. Exports to Hungary ¹	U.S. Imports from Hungary ¹
1972.....	22.4	12.9
1973.....	32.8	13.1
1975.....	56.2	² 75.4

¹ Based on official U.S. trade figures.

² Substantial increase partially due to purchases of gold coins.

U.S. exports to Hungary are dominated by food and agricultural products, while U.S. imports from Hungary are mostly light manufactured articles.²

FUTURE UNITED STATES-HUNGARY TRADE RELATIONS

The Minister of Foreign Affairs, Frigyes Puja, indicated that, in the absence of present trade barriers, the United States undoubtedly would experience a greater growth in trade with Hungary than the overall 60-percent expansion targeted for 1976-80. He based this assumption on three factors: (1) the present disproportionately low trade base; (2) the difficulties Hungary is encountering in its exchange with the European Economic Community (Italy's restrictions on meat imports, for example); and (3) availability in the United States of high-technology equipment needed by Hungary.

However, Minister Puja viewed passage of the Trade Act of 1974 as an impediment to expanded commerce between the United States and the Hungarian People's Republic (a view echoed by other contacts). This legislation permits the executive branch to negotiate a

¹ For breakdown of export revenues by source and product categories in 1973, see appendix, p. 33.

² For details of 1974 United States-Hungarian imports and exports by product areas, see appendix, p. 33.

trade agreement, including MFN treatment, with "nonmarket" economies. However, the act also requires a Presidential finding of freedom of emigration and affirmative action by both the Senate and the House of Representatives within 60 days, or a temporary Presidential waiver of the statutory restrictions. While this provision was directed toward the Soviet Union's restriction of Jewish emigration, it also affects Hungary. In order to avoid Soviet interference in the formulation of its domestic programs, Hungary has linked its foreign policies to those of Russia. Thus, in the light of the U.S.S.R.'s renunciation of its 1972 compact with the United States, Hungary cannot be expected to engage in trade discussions with American representatives.

Without exception the officials with whom Representative Whalen met viewed section 402 of the Trade Act of 1974 as "an intrusion" in Hungary's domestic affairs. Representative Whalen replied that he personally had opposed inclusion of this language, but despite his own personal reservations, he foresees no early repeal of section 402.

First, there is no legislative urgency. The principal purpose of the Trade Act of 1974—providing the President and his representative the authority to negotiate in Geneva with our GATT (General Agreement on Tariffs and Trade) associates—has been fulfilled. The Ways and Means Committee, consequently, will devote its time to such priority issues as national health insurance, energy, tax reform, and social security review.

Second, in Representative Whalen's opinion, a majority of the Members of Congress still support section 402.

Third, Congress is fearful that, by repealing the emigration clause, it will be accused of succumbing to "Russian pressure" (the same attitude in reverse was displayed by the Soviets when section 402 was adopted.)

Fourth, the administration may not make an "all-out" effort to secure modification of section 402. By asking Congress to open up the Trade Act to amendment, the President realizes that he may end up with even more restrictions.

NONTRADE ISSUE—CROWN OF ST. STEPHEN

In his report submitted to Hon. Thomas E. Morgan, chairman, Committee on International Relations (March 1975), Representative Charles Wilson (of Texas) referred to the concern caused by continued American possession of one of Hungary's national treasures, the Crown of St. Stephen. In responding to the displeasure expressed by Hungarian authorities, Representative Whalen noted that Representative Wilson plans to introduce legislation directing the executive branch to return the crown to the Hungarian People's Republic.³

CONCLUSION

Because the United States is a major source of the sophisticated equipment which Hungary requires for its economic development, a moderate increase in exchange between these two nations can be anticipated. However, congressional passage of the Trade Act of 1974,

³ In the 94th Congress, H.J. Res. 468 by Mr. Wilson of Texas, H. Con. Res. 30 by Mr. Roe, H. Con. Res. 43 by Mr. Horton, and H. Con. Res. 157 by Mr. Nowak.

with its restrictive emigration amendment, comes at a time when the Hungarian People's Republic is fashioning its next 5-year plan. Inasmuch as an American-Hungarian trade agreement appears unlikely in the foreseeable future, prospects for inclusion of increased U.S. goods in the fifth 5-year plan are dim.

Thus, it is improbable that the United States will benefit proportionately from Hungary's projected 60 percent trade growth between 1976-80.

APPENDIX

FIGURES ON SOVIET TRADE AND ECONOMY

Western observers estimate Soviet gross national product (GNP) for 1973 at the equivalent of about \$661.4 billion (in 1972 dollars) and per capita income at more than \$2,648. The U.S.S.R. has a largely self-sufficient economy with a broad industrial base developed, until recent years, at the expense of agriculture and consumer goods and services. But except for such top priority sectors as defense and space, Soviet technology lags behind developed Western countries. Current problems include the need to improve production planning and management, increase industrial efficiency, as well as continue to modernize the economy and improve agricultural production.

Soviet foreign trade amounted to an estimated \$42.3 billion in 1973—about 6.4 percent of Soviet GNP. Approximately one fifth of total Soviet trade (exports and imports) is conducted with six East European members of the Council of Mutual Economic Assistance (CEMA)—Romania, Bulgaria, Poland, Czechoslovakia, Hungary, and East Germany. This trade centers around Soviet provision of most East European needs for fuel and raw materials, although Soviet machinery exports are increasing.

The Soviet Union exchanged about \$11.0 billion in imports and exports with industrialized Western nations in 1973. That figure climbed 49 percent (partly due to inflation) to \$16.4 billion in 1974. Western European countries and Japan are the leading trade partners among all noncommunist developed nations.

Total United States-Soviet trade in 1974 totaled about \$979 million—down sharply from a peak in 1973 of over \$1.53 billion. The decline was due largely to reductions in Soviet imports from the United States while exports to the United States rose from about \$200 million in 1973 to nearly \$350 million in 1974. The United States which, in 1973, had been the U.S.S.R.'s second largest noncommunist trade partner—for both agricultural and nonagricultural products—in 1974 ranked behind six other noncommunist countries. It should be noted, however, that the 1973 jump in the U.S. ranking among developed Western countries was due largely to the so-called "grain deals." A real drop in the U.S. standing based upon factors other than transitory jumps in agricultural sales is expected to occur in 1976-77. That prediction is based upon contracts currently being negotiated for products that will be shipped in 1976-77 in the absence of substantial credits and preferred tariff treatment of trade with the Soviet Union. The following table indicates the composition of United States-Soviet trade:

COMPOSITION OF SOVIET TRADE WITH THE UNITED STATES

[Amount in thousands of U.S. dollars]

	Exports to United States (1974)		Imports from United States (1974)	
	Amount	Percent	Amount	Percent
Food and live animals.....	619	0.2	287,026	47.3
Beverages and tobacco.....	516	.1	714	.1
Crude materials except fuels.....	19,168	5.5	24,913	4.1
Mineral fuels and related materials.....	105,814	30.3	1,336	.2
Animal and vegetable oils and fats.....	2			
Chemicals.....	12,437	3.6	28,017	4.6
Manufactures.....	204,426	58.5	27,429	4.5
Machinery.....	1,746	.5	224,546	37.0
Miscellaneous manufactured goods.....	3,645	1.0	12,529	2.1
Commodities and transactions, n.e.c.....	1,145	.3	852	.1
Total.....	349,518	100.0	607,362	100.0

Source: U.N. trade data: FT 155, 455.

MAJOR SOVIET-UNITED STATES TRADE VOLUMES (1974)

[Amount in thousands of dollars]

SITC and description	1974	Percent of total 1974
SOVIET IMPORTS FROM UNITED STATES		
04—Cereals and preparations of cereals, flour.....	277,925	45.7
72—Machinery, nonelectric.....	188,184	30.9
72—Electric machinery and equipment.....	27,573	4.5
51—Chemical elements and compounds.....	14,219	2.3
21—Hides, skins, furskins—undressed.....	12,426	2.0
89—Miscellaneous manufactured articles.....	8,802	1.4
73—Transport equipment.....	8,789	1.4
05—Fruits and vegetables.....	8,392	1.4
62—Rubber manufactures—finished and semifinished.....	8,120	1.3
67—Iron and steel.....	7,786	1.3
Total.....	562,216	92.2
SOVIET EXPORTS TO UNITED STATES		
68—Nonferrous metals.....	186,910	53.5
33—Petroleum and petroleum products.....	103,435	29.6
66—Nonmetallic mineral manufacturers.....	13,611	3.9
28—Metal ores and metal scrap.....	12,202	3.5
51—Chemical elements and compounds.....	8,344	2.4
21—Hides, skins, furskins—undressed.....	4,722	1.4
89—Miscellaneous manufactured articles.....	3,444	1.0
59—Chemical products and materials, n.e.s.....	2,419	.7
32—Coal, coke, and briquets.....	2,379	.7
56—Fertilizer and fertilizer materials.....	1,459	.4
Total.....	338,925	97.1

Source: U.N. trade data; FT 155; 455.

U.S.S.R. TRADE TURNOVER WITH SELECTED COUNTRIES IN 1972, 1973, AND 1974 (IN MILLIONS OF U.S. DOLLARS)¹

[Developed non-Communist countries]

	1972	1973	1974
Federal Republic of Germany ²	1,092	1,597	2,916
Japan.....	1,077	1,312	2,222
Finland.....	795	1,026	2,033
Italy.....	612	810	1,501
France.....	718	953	1,242
Great Britain.....	737	944	1,175
United States.....	(6) 710	(2) 1,533	(7) 979
Netherlands.....	293	470	754

¹ Converted at prevailing 1974 official U.S.S.R. tourist exchange rate of \$1.32 per ruble.² Does not include U.S.S.R. trade with West Berlin.

Note: Figures in parentheses indicate U.S. rank among 8 nations listed.

FIGURES ON POLISH TRADE AND ECONOMY

In 1973, Poland sustained a \$1.429 billion trade deficit (exports, \$6.428 billion; imports, \$7.857 billion). [Note: Yearly figures available for 1973 only]

Leading trade partners:

Exports:	Millions ¹	Imports:	Millions ¹
Soviet Union-----	\$2, 074	Soviet Union-----	\$1, 909
East Germany (GDR)-	656	West Germany (FRG)----	921
Czechoslovakia-----	503	East Germany (GDR)----	724
West Germany (FRG)-	429	Czechoslovakia-----	596
United Kingdom-----	257	United Kingdom-----	374
Italy-----	255	United States-----	314
Hungary-----	193	France-----	266
France-----	191	Hungary-----	260
United States-----	190		

Principal exports and imports in 1973:

Exports:		Imports:	
Electrical machinery--	2, 659	Electrical machinery-----	3, 499
Fuels and energy-----	810	Metallurgical products----	1, 203
Food industry prod-		Chemical products-----	748
ucts-----	673	Agricultural products, grain,	
Chemicals-----	613	live animals, nonprocess-	
Light industry prod-		ed foods-----	542
ucts-----	592	Food industry products---	474
Metallurgical products	464	Fuels and energy-----	450
Agricultural products--	290	Light industry products---	440

¹ Based on Polish Official Trade Figures.

Note.—Discrepancies between U.S. figures and Polish figures are due to differences in reporting procedures and accounting practices.

TOTAL TRADE DURING THE PASTS 3 YEARS

[In millions]

Year	U.S. exports to Poland ¹	U.S. imports from Poland ¹
1972-----	\$111. 5	\$139. 1
1973-----	349. 3	181. 9
1974-----	394. 6	265. 9

¹ Based on U.S. Official trade figures.

Note.—Discrepancies between U.S. figures and Polish figures are due to differences in reporting procedures and accounting practices.

Principal items exchanged in 1974:

U.S. exports to Poland:	Millions ¹
Food and live animals-----	\$171. 5
Machinery and transport equipment-----	81. 31
Crude materials, inedibles except fuels-----	73. 42
Manufactured goods-----	28. 60
U.S. imports from Poland:	
Manufactured goods-----	103. 1
Food and live animals-----	82. 4
Miscellaneous manufactured articles-----	28. 8
Chemicals-----	20. 0

¹ Based on U.S. official trade figures.

NOTE.—Discrepancies between U.S. figures and Polish figures are due to differences in reporting procedures and accounting practices.

FIGURES ON CZECHOSLOVAK TRADE AND ECONOMY

MAJOR U.S. EXPORTS TO CZECHOSLOVAKIA (1974)

Rank and description	SITC	Value	Percent of total
1 Soybean oil, cake and meal.....	081	\$15,134,909	31.15
2 Cattle hides.....	211	9,678,211	19.92
3 Aircraft parts.....	734	2,133,120	5.21
4 Telecommunications equipment.....	724	1,979,865	4.08
5 Sunflower seeds.....	221	1,749,901	3.60
6 Office machinery parts.....	714	1,510,540	3.11
7 Tobacco, unmanufactured.....	121	1,343,469	2.77
8 Earthmoving equipment.....	718	1,115,073	2.30
9 Tobacco, manufactured.....	122	1,071,677	2.21
10 Electrical instruments.....	729	1,062,061	2.19
Total U.S. exports.....		48,582,189	

MAJOR U.S. IMPORTS FROM CZECHOSLOVAKIA (1974)

1 Steel wire rod.....	673	\$11,433,693	25.09
2 Footwear.....	851	5,820,541	12.77
3 Glassware.....	665	4,206,127	9.23
4 Spinning machines.....	717	2,775,280	6.09
5* Machine tools.....	715	2,677,180	5.88
6 Motor cycles.....	732	2,670,927	5.86
7 Steel pipe and tubes.....	678	958,522	2.10
8 Furniture.....	821	834,788	1.83
9 Preserved meats.....	013	736,338	1.62
10 Weaving and knitting machines.....	717	705,399	1.55
Total U.S. imports.....		45,562,046	

Source: U.S. Department of Commerce.

KEY ECONOMIC INDICATORS: CZECHOSLOVAKIA

[All values as stated; average official exchange rate in 1974, U.S. \$1.00=5.83 Czech crowns (Kcs)]

Item and physical*unit or value	1972	1973	1974	Percent change 1974-73
Income, production, employment:				
National income.....billion Czech crowns..	312.4	329.0	345	+4.9
Per capita (NI).....Czech crowns..	215.70	225.70	231.50	+2.5
Capital investment.....million Czech crowns..	101	101	117	+6.4
Average industrial wage.....monthly Czech crowns..	2,091	2,161	2,234	+3.4
Labor force.....million workers..	7.2	7.2	7.3	+1.3
Retail sales turnover.....million Czech crowns..	180	190	205	+7.9
Basic industrial output:				
Electricity.....million kilowatt hours..	51,402	53,473	56,035	+4.8
Crude steel.....1,000 tons..	12,727	13,158	13,640	+3.7
Plastics (PVC, polyethylene, etc.).....do..	300.9	356.2	389.8	+9.5
Chemical fibres.....do..	116.5	124.8	131.3	+5.2
Private cars.....units..	154,454	164,448	168,701	+2.6
Cement.....1,000 tons..	8,045	8,381	8,967	+7.0
Paper.....do..	627	647	661	+2.2
Foreign trade (Czechoslovak data):				
Imports:				
Total.....million Czech crowns..	30,912	35,805	43,974	+22.8
Socialist countries.....do..	21,856	24,386	28,580	+17.2
Non-Socialist.....do..	9,056	11,419	15,394	+34.8
From United States ¹do..	417	1,669	2,695	+3.9
Exports:				
Total.....do..	32,588	35,322	42,930	+21.5
Socialist countries.....do..	23,424	24,954	28,047	+12.4
Non-Socialist.....do..	9,164	10,368	14,833	+43.6
To United States ¹do..	174	2,194	2,286	+47.0
(U.S. data):				
Exports to CSSR ¹million dollars..	50.0	72.1	48.6	-32.5
Imports from CSSR ¹do..	28.0	35.2	45.6	+29.6
Balance.....	+22.0	+36.9	+3.0	-91.9

¹ The difference in magnitude between U.S. and Czechoslovak (when converted to dollars at official parity) trade data is largely due to fact that much of what Czechoslovakia buys from the United States is transhipped through west European ports—often through subsidiaries of U.S. firms—thus appearing as exports to Western Europe in U.S. statistics, but accurately reflected as imports from the United States in Czechoslovak trade data.

² 11-month data.

Sources: Statistical Yearbook CSSR (1974); Statistické Přehledy No. 2 (1975); U.S. Department of Commerce Data.

FIGURES ON ROMANIAN TRADE AND ECONOMY

REAL GROWTH OF GROSS INDUSTRIAL OUTPUT

[Average annual rate in percent]

	1966-70	1971	1972	1973	1971-73
Total.....	11.8	11.7	11.8	14.6	12.7
Electricity.....	16.7	12.1	10.7	8.3	10.4
Fuels.....	6.0	3.7	3.5	6.6	4.5
Coal.....	10.3	1.0	5.9	1.0	2.6
Crude oil.....	1.4	3.0	2.9	1.0	2.3
Petroleum products.....	6.5	5.0	2.9	9.0	5.6
Natural gas.....	8.9	7.0	3.7	5.5	5.4
Ferrous metallurgy.....	12.2	7.6	13.4	12.6	11.1
Nonferrous metallurgy.....	12.5	6.4	3.5	9.7	6.5
Machinery.....	15.9	15.9	15.9	20.4	17.4
Chemicals.....	21.2	15.0	12.1	18.3	15.1
Lumber and woodworking.....	6.5	5.0	5.3	8.0	6.1
Food.....	6.5	8.8	5.4	9.8	8.0
Light industry.....	10.5	13.4	13.7	16.1	14.4

INVESTMENT IN INDUSTRY

	1965	1970	1971	1972
Total (billion 1963 lei).....	23.0	38.0	42.9	49.3
Total (percent).....	100.0	100.0	100.0	100.0
Electricity.....	17.0	15.2	14.8	13.0
Fuels.....	21.5	13.7	13.1	12.2
Ferrous metallurgy.....	11.6	9.0	7.1	6.4
Nonferrous metallurgy.....	6.8	3.0	3.8	4.7
Machinery.....	6.7	19.8	19.5	19.8
Chemicals.....	12.3	11.3	13.5	17.5
Food.....	4.1	6.4	6.5	5.9
Lumber and woodworking.....	5.8	4.5	3.9	3.2
Light industry.....	3.7	6.7	6.4	6.1
Other.....	10.5	10.4	11.4	11.2

FOREIGN TRADE

[In millions of U.S. dollars]

	1965	1966	1967	1968	1969	1970	1971	1972	1973
Total: ¹									
Exports.....	1,101	1,186	1,395	1,469	1,633	1,851	2,101	2,599	3,738
Imports.....	1,077	1,213	1,546	1,609	1,740	1,960	2,103	2,616	3,505
Communist countries:									
Exports.....	756	735	789	873	970	1,075	1,197	1,451	1,854
Imports.....	660	694	754	827	888	1,057	1,132	1,351	1,581
The Third World:									
Exports.....	91	114	193	180	201	225	235	322	579
Imports.....	70	73	84	108	141	147	156	220	424
Industrial West: ²									
Exports.....	255	337	413	415	462	550	669	826	1,305
Imports.....	348	446	708	674	712	756	815	1,045	1,500

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

² Including Australia, Austria, Belgium, Canada, Denmark, Finland, France, Iceland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, United States, and West Germany.

COMMODITY COMPOSITION OF EXPORTS

[In millions of U.S. dollars]

Commodity	1965	1970	1971	1972	1973
Total	1,101.4	1,850.8	2,101.0	2,599.1	3,738.0
Machinery and equipment	205.3	422.4	485.4	646.6	912.1
Chemicals, fertilizers, and rubber	70.9	129.7	171.9	213.7	272.9
Industrial consumer goods	121.4	335.4	386.6	491.7	702.4
Fuels, mineral raw materials, and metals	276.5	418.8	425.4	428.2	646.7
Petroleum products	139.1	123.1	142.9	137.8	276.6
Other	137.4	295.7	282.5	290.4	370.1
Building materials and fillings	37.4	47.6	55.9	75.6	123.4
Vegetable and animal raw materials (excluding food)	151.7	195.8	201.3	223.1	302.8
Live animals	.2	.7	.3	.2	.2
Raw materials for foodstuffs production	84.9	76.2	74.6	195.6	269.1
Foodstuffs	153.1	224.2	299.6	324.4	508.4

UNITED STATES-ROMANIAN TRADE, 1967 AND 1970-74

[In millions of dollars]

	1967	1970	1971	1972	1973	1974
U.S. exports to Romania	16.8	66.4	52.5	69.4	116.6	277.1
U.S. imports from Romania	6.2	13.4	13.8	31.5	55.9	130.5
Total trade	23.0	79.8	76.3	100.9	172.5	407.6

Source: Department of Commerce—1967-73: Bureau of East-West Trade "Quarterly Report Under Export Administration Act"; 1974: Bureau of East-West Trade "U.S. Trade Status with Socialist Countries."

UNITED STATES-ROMANIAN TRADE, BY MAJOR COMMODITIES, 1974

[In millions of dollars]

Major commodities	U.S. exports to Romania	U.S. imports from Romania
Food and live animals	93.35	11.16
Beverages and tobacco	.13	.24
Crude materials, except fuels	69.16	1.05
Mineral fuels and lubes	5.54	80.24
Edible oils and fats	0	0
Chemicals	7.94	3.66
Manufactured goods	10.72	6.06
Machinery and transport equipment	88.24	8.60
Miscellaneous manufactures	1.65	19.15
Other	.38	.35
Total	277.12	130.52

Source: Department of Commerce, Bureau of East-West Trade "U.S. Trade Status with Socialist Countries."

FIGURES ON HUNGARIAN TRADE AND ECONOMY

Hungary's principal trading partners in 1973 were:

Countries

Hungarian exports:	<i>Millions</i> ¹
Soviet Union-----	\$1, 534
East Germany (GDR)-----	514
Czechoslovakia-----	406
Italy-----	295
West Germany (FRG)-----	285
Poland-----	283
Austria-----	142
Romania-----	139
Yugoslavia-----	91
Switzerland-----	76
 Hungarian imports:	
Soviet Union-----	1, 390
East Germany (GDR)-----	353
West Germany (FRG)-----	352
Czechoslovakia-----	334
Poland-----	199
Austria-----	144
Italy-----	134
Romania-----	124
France-----	95
United Kingdom-----	82

¹ Based on official U.S. trade figures.

In 1973, Hungary's principal exports were:

Product:	<i>Export value (millions)</i> ¹
1. Raw materials, semifinished products, spare parts-----	\$1, 265
2. Machinery, transport equipment, and other capital goods-----	1, 251
3. Raw materials for food industry, live animals, and food products--	1, 113
4. Industrial consumer goods-----	928
5. Fuel and electric energy-----	38

¹ Based on Hungarian official trade figures.

In 1973, Hungary's principal imports were:

Product:	<i>Import value (millions)</i> ¹
1. Raw materials, semifinished products, spare parts-----	\$2, 074
2. Machinery, transport equipment, and other capital goods-----	844
3. Raw materials for food industry, live animals, and food products--	423
4. Industrial consumer goods-----	404
5. Fuel and electrical energy-----	331

¹ Based on Hungarian official trade figures.

In 1974 principal American trade with Hungary included:

U.S. exports to Hungary:	<i>Millions</i> ¹
Food and live animals-----	\$29. 1
Machinery and transport equipment-----	11. 7
Crude materials, inedibles except fuels-----	8. 9
 U.S. imports from Hungary:	
Miscellaneous manufactured articles (gold coins)-----	54. 0
Food and live animals-----	9. 1
Manufactured goods-----	6. 2

¹ Based on Hungarian official trade figures.

CZECHOSLOVAKIAN FEDERAL ASSEMBLY RESOLUTION ON THE U.S. TRADE ACT OF 1974

FEDERAL ASSEMBLY OF THE CZECHOSLOVAK SOCIALIST REPUBLIC

HOUSE OF NATIONS

Resolution No. 96

Adopted by the 27th session of the House of Nations Foreign Committee jointly with the House of People Foreign Committee on January 15, 1975.

Agenda item: Miscellaneous.

The House of Nations Foreign Committee: (1) heard information on the current state of property rights talks between the CSSR and the U.S.; (2) expressed regrets about the U.S. Congress having passed a trade bill amendment containing political conditions unacceptable to socialist countries and a so-called Czechoslovak amendment that makes it impossible to sign the property rights agreement negotiated and initialed on July 5, 1974, that was to be a major step toward full normalization of Czechoslovak-American relations.

Dr. PAVEL AUERSPERG, Sc. C.,
Chairman of the HN FC.

VOJTECH ERBAN, J. D.,
Verifier of the HN CF.

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(33)

SECTION 408 OF THE TRADE ACT OF 1974 (PUBLIC LAW 93-618)

* * * * *

SEC. 408. PAYMENT BY CZECHOSLOVAKIA OF AMOUNTS OWED UNITED STATES
CITIZENS AND NATIONALS

(a) The arrangement initialed on July 5, 1974, with respect to the settlement of the claims of citizens and nationals of the United States against the Government of Czechoslovakia shall be renegotiated and shall be submitted to the Congress as part of any agreement entered into under this title with Czechoslovakia.

(b) The United States shall not release any gold belonging to Czechoslovakia and controlled directly or indirectly by the United States pursuant to the provisions of the Paris Reparations Agreement of January 24, 1946, or otherwise, until such agreement has been approved by the Congress.

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