

financial initiatives on any big energy deal with the Russians — such as Yakutsk — would trigger the formation of a National Security Council *ad hoc* committee to review its security impact.

The idea of easing the Jackson-Vanik restrictions was attacked by Senator Henry Jackson, who (sitting on the Armed Services and Energy Committees of the Senate), reportedly threatened to block Senate approval of Carter's energy package and ratification of any SALT treaty in return!

Nevertheless, *Platt's Oilgram* reported March 31 that the Bank of America is presently considering an investment in Yakutsk to the amount of \$2 billion; Bank of America is willing to go in without the Exim guarantees. But for the Bank of America's commitment to stick, for its example to be followed by other banks and firms, the combined public and private sector political drive for an industrial growth and export policy in the United States is crucial.

—Rachel Berthoff

Soviet-American Trade Drops Sharply

The volume of trade between the United States and the Soviet Union fell off by 26.5 percent in 1977, according to preliminary figures released by U.S. commercial officials in Moscow. The steep slide reversed the trade expansion between the two great powers, which took off at the start of this decade and then stagnated under the weight of legislative strictures and recession in the West.

As of the third quarter last year, Soviet trade with its biggest Western European trading partner, West Germany, was declining about seven percent below 1976 levels, while Franco-Soviet trade was holding steady. Japan fared slightly better, gaining 21 percent in total volume, 15 percent in exports to the USSR. (The pace of Japan's steel sales to the USSR, however, did not hold up.)

All of these countries did more business with the Soviets than the U.S.; the West Germans, almost doubled.

In reporting the 1977 decline in Soviet-American trade, the business pages of many American newspapers took note of the smaller Soviet purchases of U.S. grain, which resulted from the superior wheat and corn harvest in the USSR in 1976. Hopes are voiced that 1978 will see Moscow place more grain orders, after their modest 1977 crop fell short of the Soviet plan target. Trade publications are even praying that Soviet grain buys will spark a trade recovery.

This speculation fails to face up to the sorry state of affairs in which two-thirds of U.S. exports to the other greatest industrial power in the world is made up of food-stuffs. What's more, the 40 percent drop in U.S.

agricultural exports to the Soviets was matched by a 25 percent decline in industrial exports. U.S. industrial technology delivered to the USSR amounted to just \$500 million in 1977.

Given today's scale of U.S. trade deficit, the Soviet-American trade decline is but a tiny symptom of the malaise blighting U.S. exports. The 26.5 percent figure, after all, is a dollar volume drop to \$1.86 billion from a high of only \$2.5 billion; U.S. exports to the USSR were \$1.6 billion in 1976 and \$2.3 billion last year.

It is necessary, therefore, to consider not just what has been lost from 1976 to 1977, but where Soviet-American trade would stand if even the potential defined by the 1972 Trade Agreement had been realized. At the 1972-73 rate of expansion, Soviet-American trade would now be in the \$13 billion range.

Soviet Deputy Foreign Trade Minister Vladimir Sushkov gave a mid-1977 estimate of \$6-12 billion for the value of projects currently under discussion between U.S. firms and Soviet trade and industrial organizations. These are the big projects — the Yakutsk natural gas deal, petrochemical complexes in Western Siberia — which have been blocked by U.S. law. These projects would immediately send Soviet-American trade upward again, not through grain sales, but through strong U.S. industrial exports. This would mean jobs and business on the U.S. side, and the generation of Soviet export capacity — an important outcome of Siberian resource development — and future Soviet demand for still more American exports, as both economies strengthen and world trade expands.

U.S.-USSR Trade Total Turnover 1970 = 100

