

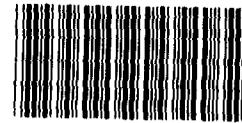
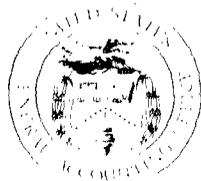
GAO

Briefing Report to the Chairman,  
Committee on Finance, U.S. Senate

September 1990

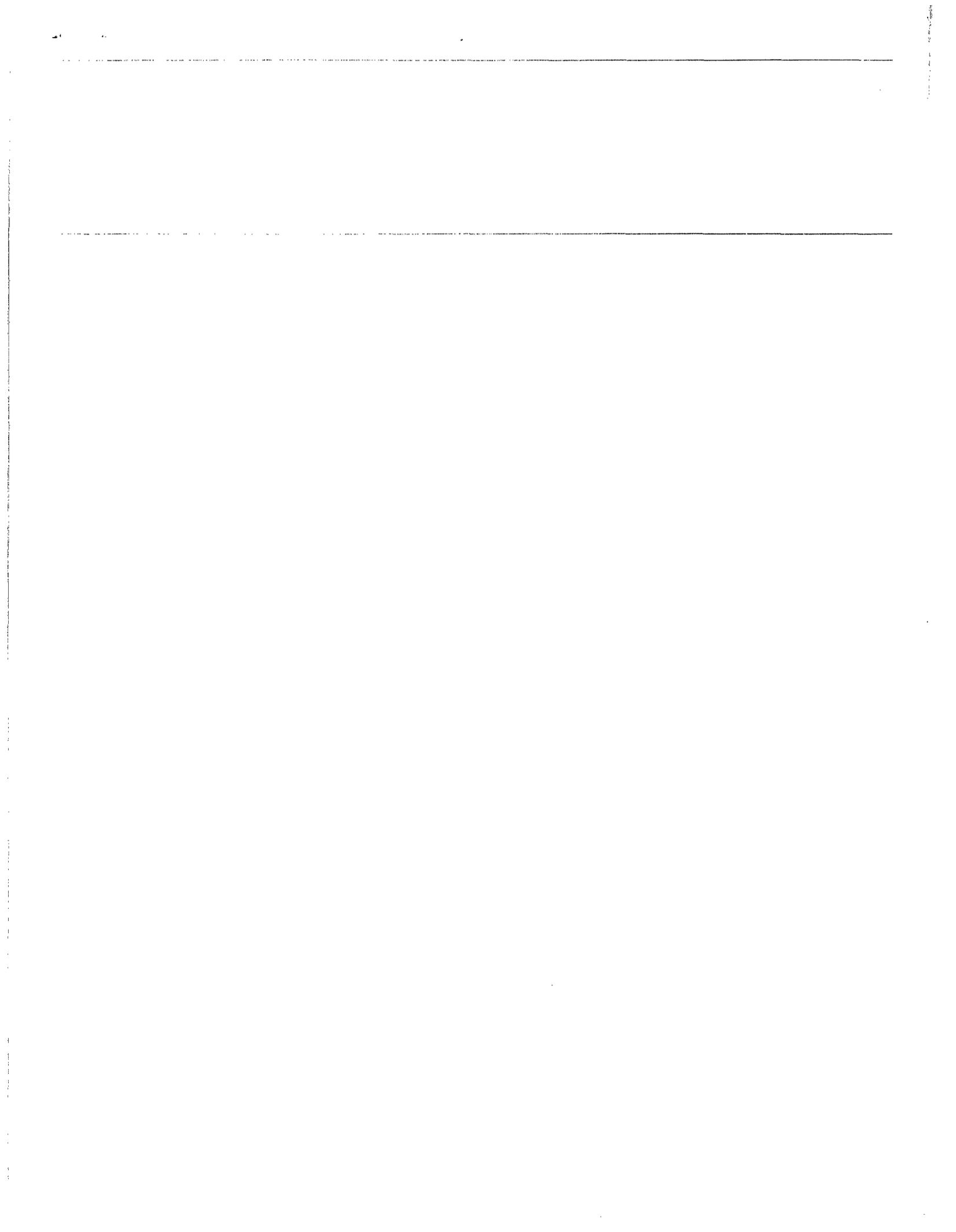
# INTERNATIONAL TRADE

## Czech Trade Data



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**National Security and  
International Affairs Division**

B-241103

September 20, 1990

The Honorable Lloyd Bentsen  
Chairman, Committee on Finance  
United States Senate

Dear Mr. Chairman:

As you requested, we are providing information to help in evaluating the impact of the trade agreement between the United States and Czechoslovakia signed in April 1990. This agreement, which is awaiting congressional approval, would grant Czechoslovakia "most-favored-nation" (MFN)<sup>1</sup> trade status. In particular, the report includes data on (1) Czech exports and imports to selected countries, (2) tariff rates on U.S. imports from Czechoslovakia as compared to rates on imports from countries with MFN status, (3) Czechoslovakia's eligibility for receiving generalized system of preference (GSP)<sup>2</sup> trade benefits, and (4) leading U.S. exports to and imports from Czechoslovakia from 1987 to 1990.

Czech trade data shows that 89 percent of its exports to the world are manufactured goods. Machinery and transport equipment account for over one-half of all Czech exports. The Soviet Union and East European countries are Czechoslovakia's major trade partners, accounting for about 70 percent of its total trade. The United States, by contrast, is a minor trade partner, accounting for less than one-half of 1 percent of Czechoslovakia's trade.

Granting MFN status to Czechoslovakia would reduce the weighted average tariff rate<sup>3</sup> on dutiable products from 29.5 percent to an estimated 5.2 percent, a 24-percentage point drop. U.S. tariff rates on Czech imports are generally high because the bulk of its exports are manufactured goods, commodities with high tariff rates, as compared to natural resources and semiprocessed goods. A drop in tariff rates would probably encourage an increase in Czech exports to the United States. However, because Czechoslovakia's share of U.S. imports is less than one-tenth of 1 percent, and its total exports to all countries amount to only 5.5 percent of total U.S. imports, even a substantial increase in U.S.

<sup>1</sup>MFN treatment generally refers to the practice of providing nondiscriminatory treatment in the form of customs duties and other charges imposed on imported products.

<sup>2</sup>GSP provides temporary duty-free tariff preferences for developing countries.

<sup>3</sup>The tariff rate is weighted using the actual values of U.S. imports.

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imports from Czechoslovakia would probably have only a small impact on total U.S. imports.

Czechoslovakia meets the per capita income eligibility requirement for the generalized system of preferences program. However, to receive GSP benefits, Czechoslovakia must first receive MFN status. Almost all of Czechoslovakia's leading exports to the United States would qualify for GSP benefits. However, providing Czechoslovakia with GSP benefits would not lower U.S. tariff rates on Czech imports as dramatically as granting the country MFN status. With GSP, the tariff rate on all eligible Czech exports to the United States would decrease from an average MFN rate of 5.2 percent to zero.

U.S. exports to Czechoslovakia averaged \$51 million annually between 1987 and 1989, with hides and skins, measuring instruments and apparatus, fertilizers, and specialized machinery being the leading exports. U.S. imports from Czechoslovakia averaged \$82 million during the same period, with footwear, glassware, tractors, and men's coats and jackets being the leading imports.

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Appendix I provides information on Czech exports and imports to selected countries. Appendix II includes information on tariff rates on U.S. imports from Czechoslovakia. Appendix III discusses Czechoslovakia's eligibility for the GSP program. Appendix IV shows leading U.S. exports to and imports from Czechoslovakia from 1987 to 1989. Appendix V describes our objectives, scope, and methodology.

As agreed with your office, we will distribute this briefing report to other congressional offices and will make it available to additional interested parties upon request.

Please contact me at (202) 275-4812 if you or your staff have any questions concerning this briefing report. Other major contributors to this briefing report are in appendix VI.

Sincerely yours,



Allan I. Mendelowitz, Director  
Trade, Energy, and Finance Issues



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**Abbreviations**

GNP	gross national product
GSP	generalized system of preferences
MFN	most-favored-nation
SITC	Standard International Trade Classification
U.N.	United Nations

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# Czech Exports to and Imports From Selected Countries

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The bulk of Czech exports to the world are manufactured goods. Machinery and transport equipment account for more than one-half of all exports. Fuels and machinery and transport equipment each account for about one-third of Czech imports. The Soviet Union and East European countries are Czechoslovakia's major trade partners, accounting for about 70 percent of its trade. The United States is a small trade partner, accounting for less than one-half of 1 percent of Czechoslovakia's trade.

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## Czech Exports

Table I.1 shows the structure of Czech exports to the world, the United States, and other selected countries and regions during the mid-1980s. The figures are based on trade data reported by Czechoslovakia to the United Nations (U.N.).<sup>1</sup> The Soviet Union and Eastern Europe account for \$12.6 billion, or 70 percent, of Czechoslovakia's exports. The United States, by contrast, accounts for less than 0.4 percent of its exports.

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<sup>1</sup>The data are based on a 3-year average of trade to ensure that normal trade patterns are represented. The averages are based on the latest years of available Czech data: 1983, 1984, and 1986. Czechoslovakia includes arms trade in its aggregate trade statistics. However, Czech arms trade is not reported at any disaggregated commodity level.

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

**Table I.1: Structure of Czech Exports to Selected Countries (Mid-1980s)**

Dollars in thousands

Commodity category	World	USA	Japan	European Community	USSR	Eastern Europe	Developing countries	China
All commodities	\$18,028,819	\$68,102	\$44,580	\$1,752,354	\$7,744,353	\$4,818,731	\$1,497,082	\$155,833
<b>Percent of country/region total</b>								
(1) Fuels, minerals, and metals	4.82	0.00	17.86	10.42	0.69	5.39	0.62	0.00
(2) Other primary commodities <sup>a</sup>	5.75	10.96	38.49	14.97	4.62	2.72	3.80	0.00
(3) Machinery and transport equipment	52.95	10.77	6.73	12.47	63.07	58.79	68.60	65.45
(4) Other manufactures, of which	36.48	78.27	36.92	62.15	31.62	33.10	26.98	34.55
(a) Textiles and clothing	6.05	22.08	6.57	9.39	6.22	2.98	3.07	0.00
<b>Total<sup>b</sup></b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Share of total exports to selected countries	100.00	0.38	0.25	9.72	42.96	26.73	8.30	0.86

Notes: Export figures are 3-year averages for the latest years of available Czech data: 1983, 1984, and 1986. Commodity categories are those used by the World Bank's World Development Report.

Czechoslovakia does not report arms exports at a disaggregated level. According to a U.S. Arms Control and Disarmament Agency report, for the 5-year period 1982-86, Czechoslovakia's average annual arms exports were \$950 million, or 5.3 percent of its nonmilitary exports. The Soviet Union received 29 percent of Czechoslovakia's arms exports; Eastern Europe, 9 percent; and developing countries, 62 percent (of which Libya and Iraq were the largest recipients, with 29 percent and 9 percent, respectively).

<sup>a</sup>Other primary commodities include food and live animals, beverages and tobacco, inedible crude materials (excluding minerals and crude fertilizers, and metalliferous ores), oils, fats, and waxes.

<sup>b</sup>Figures may not add up to 100 due to rounding.

Source: U.N. Standard International Trade Classification (SITC) Revision 1 trade data; U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987, pp. 127-128.

Manufactured goods represent 89 percent of Czech exports, with machinery and transport equipment accounting for 53 percent of the total. Fuels, minerals, metals, and other primary commodities account for the remaining 11 percent. Machinery and transport equipment account for about 12 percent of Czech exports to the western industrialized countries shown in table I.1, compared to about 61 percent of its exports to the Soviet Union and Eastern Europe and 69 percent to developing countries. Whereas textiles and clothing constitute only 6 percent of Czechoslovakia's total exports, they represent 22 percent of its exports to the United States.

Table I.2 provides a detailed breakdown of the average annual dollar value of leading Czech exports to selected countries and regions. The

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

leading 25 commodity groups account for 73 percent of Czech exports to the world. The amount of Czech exports to each country covered by these 25 groups ranges from a low of 21 percent for Japan to 90 percent for China. The top six commodity group exports are machinery and transport equipment.

**Table I.2: Leading Czech Exports to Selected Countries (Mid-1980s)**

Dollars in thousands

	<b>Commodity group</b>	<b>World</b>	<b>USA</b>	<b>Japan</b>	<b>European Community</b>	<b>USSR</b>	<b>Eastern Europe</b>	<b>Developing countries</b>	<b>China</b>
	All commodities	\$18,028,819	\$68,102	\$44,580	\$1,752,354	\$7,744,353	\$4,818,731	\$1,497,082	\$155,833
(1)	719—Machines, nonelec., nes*	3,057,530	264	*	17,633	721,988	321,618	175,618	1,748
(2)	732—Road motor vehicles	1,571,092	445	*	70,344	672,942	573,934	92,337	62,497
(3)	717—Textile, leather machinery	837,182	681	*	8,938	583,289	166,094	31,545	5,720
(4)	718—Machs. for spcl. inds.	709,214	307	986	9,218	384,531	192,077	58,563	1,565
(5)	715—Metalworking machinery	616,205	57	1,502	22,621	318,866	181,378	41,323	7,012
(6)	731—Railway vehicles	558,730	*	*	33	388,761	120,750	7,007	*
(7)	851—Footwear	511,834	8,121	*	22,886	423,313	28,199	8,614	*
(8)	711—Power machinery, non-elec	499,618	*	*	3,048	233,123	77,644	69,657	17,018
(9)	841—Clothing, not of fur	489,909	4,778	804	54,395	322,841	42,362	4,963	*
(10)	712—Agricultural machinery	454,964	1,687	*	28,785	149,272	192,061	28,660	2,267
(11)	673—Iron and steel shapes	359,620	1,140	*	74,126	53,461	97,663	72,785	9,658
(12)	321—Coal, coke, briquettes	358,602	*	*	78,551	1,319	193,644	*	*
(13)	678—Iron, stl tubes, pipes, etc.	339,345	241	*	14,597	229,434	62,440	8,575	2,704
(14)	729—Electrical mach., nes	284,050	*	57	4,348	39,799	182,397	8,746	264
(15)	674—Irn., stl. (plate, sheet)	272,012	1,205	*	83,243	20,555	44,216	23,342	21,228
(16)	512—Organic chemicals	268,861	*	918	120,847	*	53,679	547	*
(17)	821—Furniture	240,705	1,182	456	26,296	169,570	33,262	238	*

(continued)

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

	<b>Commodity group</b>	<b>World</b>	<b>USA</b>	<b>Japan</b>	<b>European Community</b>	<b>USSR</b>	<b>Eastern Europe</b>	<b>Developing countries</b>	<b>China</b>
(18)	714—Office machines	239,063	*	*	*	154,408	71,632	5,363	*
(19)	581—Plastic materials, etc.	232,458	*	4,237	25,061	26,161	28,046	24,323	7,907
(20)	724—Telecommunications equip.	228,792	*	*	789	160,092	35,392	1,731	*
(21)	861—Instruments, apparatus	217,655	*	49	435	87,798	100,677	3,417	19
(22)	332—Petroleum products	209,814	*	*	81,292	5,951	16,742	*	*
(23)	662—Clay, refractory bldg. prd.	192,164	*	*	13,786	56,838	108,869	6,256	*
(24)	722—Elec. pwr. mach., switchgr.	189,117	*	*	18,598	43,708	91,189	16,703	*
(25)	653—Woven textiles, noncotton	184,922	8,418	475	32,285	32,088	26,469	12,063	*
	<b>Total (selected commodities)</b>	<b>\$13,123,459</b>	<b>\$28,525</b>	<b>\$9,484</b>	<b>\$812,156</b>	<b>\$5,280,107</b>	<b>\$3,042,435</b>	<b>\$702,378</b>	<b>\$139,607</b>
	Percent of total Czech exports	72.79	41.89	21.27	46.35	68.18	63.14	46.92	89.59

Notes: Export figures are 3-year averages for the latest years of available Czech data: 1983, 1984, and 1986. There are 248 3-digit SITC Revision 1 commodity groups.

An \* denotes less than \$500.

<sup>a</sup>Nes denotes not elsewhere specified.

Source: U.N. trade data at the 3-digit SITC Revision 1 level.

## Czech Imports

Table I.3 shows the structure of Czech imports from selected countries and regions during the mid-1980s. The Soviet Union and Eastern Europe provide 46 percent and 28 percent of Czech imports, respectively. The United States accounts for less than 0.4 percent of Czech imports. Fuels and machinery and transport equipment each account for about one-third of Czech imports. Fuel from the Soviet Union represents 94 percent of Czechoslovakia's fuel imports. Food, representing 7 percent of all imports, comes primarily from developing countries and Eastern Europe.

Table I.4 shows the average annual dollar value of leading Czech imports from selected countries and regions. The leading 25 commodity groups account for 74 percent of Czech imports from the world. The amount of Czech imports from each country covered by these 25 groups

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

ranges from a low of 35 percent for China to 66 percent for Japan. The top six commodity groups are petroleum products, nonelectric machinery, gas, motor vehicles, nonferrous metals, and machines for special industries.

**Table I.3: Structure of Czech Imports From Selected Countries (Mid-1980s)**

Dollars in thousands

Commodity category	World	USA	Japan	European Community	USSR	Eastern Europe	Developing countries	China
All commodities	\$18,163,642	\$63,402	\$74,137	\$1,682,224	\$8,354,520	\$5,091,372	\$846,227	\$184,841
<b>Percent of country/region total</b>								
(1) Food	6.53	14.69	0.34	10.56	0.68	6.72	43.75	39.70
(2) Fuels	30.53	0.00	0.09	0.25	62.36	3.90	12.53	0.24
(3) Other primary commodities <sup>a</sup>	11.69	24.67	11.35	11.92	10.56	5.34	34.37	23.80
(4) Machinery and transport equipment	32.00	17.81	67.77	36.91	19.54	57.04	0.52	0.15
(5) Other manufactures	19.22	42.83	20.18	40.36	6.85	26.99	8.83	36.10
<b>Total<sup>b</sup></b>	<b>99.97</b>	<b>100.00</b>	<b>99.73</b>	<b>100.00</b>	<b>99.99</b>	<b>99.99</b>	<b>100.00</b>	<b>99.99</b>
Share of total imports from selected countries	100.00	0.35	0.41	9.26	46.00	28.03	4.66	1.02

Notes: Import figures are 3-year averages for the latest years of available Czech data: 1983, 1984, and 1986. Commodity categories are from World Bank's World Development Report.

Czechoslovakia does not report arms imports at a disaggregated level. According to a U.S. Arms Control and Disarmament Agency report, for the 5-year period 1982-86, average annual arms imports were \$450 million, or 2.5 percent of its nonmilitary imports. Czechoslovakia receives 94 percent of its arms imports from the Soviet Union, 1 percent from Poland, and 5 percent from other countries.

<sup>a</sup>Other primary commodities include crude materials (excluding fuels, oilseeds, and nuts), tobacco, and nonferrous metals.

<sup>b</sup>Due to rounding, the totals may not add up to 100 percent.

Source: U.N. SITC Revision 1 trade data; U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987, p. 128.

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

**Table I.4: Leading Czech Imports From Selected Countries (Mid-1980s)**

Dollars in thousands

Commodity group	World	USA	Japan	European Community	USSR	Eastern Europe	Developing countries	China
All commodities	\$18,163,642	\$63,402	\$74,137	\$1,682,224	\$8,354,520	\$5,091,372	\$846,227	\$184,841
(1) 33—Petroleum products	3,664,091	0	0	2,351	3,528,276	55,774	35,586	452
(2) 719—Machs., nonelec., nes	2,158,497	444	3,718	230,993	34,892	451,358	237	268
(3) 34—Gas, nat. & manufctd.	1,463,769	0	0	0	0	0	0	0
(4) 732—Road motor vehicles	554,269	0	0	16,069	124,891	381,543	0	0
(5) 68—Nonferrous metals	548,571	188	523	68,118	240,461	57,326	38,171	0
(6) 718—Machs. for spcl. inds.	521,364	4,851	7,081	99,676	90,202	204,272	0	0
(7) 714—Office machines	405,345	145	285	12,250	80,605	282,732	292	0
(8) 281—Iron ore, concentrates	377,842	0	0	0	339,993	1,218	31,030	0
(9) 715—Metalworking machinery	358,874	528	323	61,087	45,510	176,970	56	0
(10) 712—Agricultural machinery	354,127	192	0	16,716	41,610	270,932	245	0
(11) 711—Power mach., nonelec.	336,115	0	0	25,720	172,886	96,680	403	0
(12) 32—Coal, coke, briquettes	309,197	0	0	0	122,282	129,294	0	0
(13) 729—Electrical mach., nes	304,431	504	20,363	21,162	38,949	173,695	75	0
(14) 724—Telecomm. equip.	237,222	0	7,132	6,389	52,030	139,770	0	0
(15) 263—Cotton	228,506	0	0	6,497	120,573	0	66,103	16,677
(16) 561—Fertilizers, manufctd.	208,125	16,149	0	5,557	88,162	62,291	2,983	0
(17) 512—Organic chemicals	185,488	58	228	86,140	32,563	32,355	166	0
(18) 861—Instruments, apparatus	180,237	170	266	36,274	0	82,055	0	449
(19) 717—Textile, leather mach.	160,293	818	720	42,947	14,735	75,429	0	0
(20) 283—Nonfer base mtl ore, conc	157,672	73	81	19,332	52,648	13,242	28,668	14,133
(21) 841—Clothing, not of fur	157,165	581	0	8,108	0	38,619	3,320	18,062
(22) 541—Medicinal prods., etc.	152,828	0	1,500	22,821	12,936	72,218	0	5,813
(23) 231—Rubber (crude, syn.)	149,026	0	6,546	30,682	41,804	16,533	39,547	0
(24) 051—Fruit frsh, nuts frsh/dry	148,584	0	0	29,902	0	52,091	50,950	2,153

(continued)

**Appendix I  
Czech Exports to and Imports From  
Selected Countries**

Commodity group	World	USA	Japan	European Community	USSR	Eastern Europe	Developing countries	China
(25) 081—Animal feeding stuff	143,433	4,419	0	18,192	4,320	15,419	94,434	6,649
<b>Total (selected commodities)</b>	<b>\$13,465,070</b>	<b>\$29,119</b>	<b>\$48,766</b>	<b>\$866,983</b>	<b>\$5,280,327</b>	<b>\$2,881,818</b>	<b>\$392,266</b>	<b>\$64,656</b>
Percent of total Czech imports	74.13	45.93	65.78	51.54	63.20	56.60	46.35	34.98

Notes: Import figures are 3-year averages for the latest years of available Czech data: 1983, 1984, and 1986.

Due to incomplete reporting of trade data at the 3-digit commodity group level, 2-digit commodity groups are used for four items: petroleum, natural gas, nonferrous metals, and coal.

Source: U.N. SITC Revision 1 trade data.

Table I.5 may provide some insight into whether Czechoslovakia has managed its trade to achieve bilateral trade balances. Bilateral trade balances have been sought within the Council for Mutual Economic Assistance, the trade institution to which Czechoslovakia belongs. It is unclear whether achieving a bilateral trade balance will remain a goal of the Czech trade policy.

Table I.5 shows Czechoslovakia's exports, imports, and trade balance for selected countries during the mid-1980s. During this period, Czechoslovakia has generally run a trade surplus with market economies and a deficit with the Soviet Union and other East European countries. Overall, it had a trade deficit of about \$135 million, less than 1 percent of its exports.

**Table I.5: Czechoslovakia's Exports, Imports, and Trade Balance for Selected Countries (Mid-1980s)**

Dollars in thousands

	World	USA	Japan	European Community	USSR	Eastern Europe	Developing countries	China
Exports	\$18,028,819	\$68,102	\$44,580	\$1,752,354	\$7,744,353	\$4,818,731	\$1,497,082	\$155,833
Imports	18,163,642	63,402	74,137	1,682,224	8,354,520	5,091,372	846,227	184,841
Trade balance	(\$134,823)	\$4,700	(\$29,557)	\$70,130	(\$610,167)	(\$272,640)	\$650,856	(\$29,008)
Trade balance as a percent of exports	-0.75	6.90	-66.30	4.00	-7.88	-5.66	43.47	-18.61

Notes: Import and export figures are 3-year averages for the latest years of available data: 1983, 1984, and 1986. Parentheses indicate a negative trade balance.

Source: U.N. trade data.

# Tariff Rates on U.S. Imports From Czechoslovakia

U.S. tariff rates on Czech imports are generally high because the bulk of Czech exports are manufactured goods. Granting MFN status to Czechoslovakia would reduce the average tariff rate on dutiable products by more than 24 percentage points, from the current 29.5 percent, to an estimated 5.2 percent.<sup>1</sup> This drop in tariff rates would probably encourage an increase in Czech exports to the United States. However, since Czechoslovakia's share of U.S. imports is less than one-tenth of 1 percent, and total Czech exports to all countries represent only 5.5 percent of total U.S. imports, even a substantial increase in Czech imports would probably have only a small effect on total U.S. imports. These effects, however, may vary for a few selected products.

## U.S. Tariff Rates on Leading Czech Exports

An examination of U.S. tariff rates on Czech imports may help in assessing the possible effects of granting MFN status to Czechoslovakia. Table II.1 presents the value of imports and comparable MFN and non-MFN ad valorem equivalent tariff rates for the 25 leading U.S. imports from Czechoslovakia during the 1987-89 period. The ad valorem equivalent tariff rate is computed as a ratio of calculated duties collected to total dutiable imports. The 25 leading commodity groups account for 84.4 percent of all U.S. imports from Czechoslovakia (col. 2). The average tariff rate on dutiable imports from Czechoslovakia is 29.5 percent (col. 3).<sup>2</sup> This compares to an average tariff rate of 5.2 percent (col. 4) for dutiable imports from all MFN countries. For the 25 leading commodity groups, the average non-MFN tariff rate on Czech imports is 28.3 percent, compared to the average tariff rate of 7.6 percent for MFN countries.

<sup>1</sup>This estimate of the average tariff rate on imports from MFN countries is based on the product composition of imports from all MFN countries. While this is not the same product composition as current U.S. imports from Czechoslovakia, the estimate may better approximate the average tariff rate if Czechoslovakia is granted MFN status and diversifies its exports to the United States.

<sup>2</sup>The average ad valorem equivalent tariff rate is weighted using actual values of U.S. imports from Czechoslovakia. Since Czechoslovakia may export few or no commodities with high tariff rates, this weighting procedure may underestimate the non-MFN tariff rate facing Czechoslovakia.

**Appendix II  
Tariff Rates on U.S. Imports  
From Czechoslovakia**

**Table II.1: MFN and Non-MFN Tariff Rates on Leading U.S. Imports From Czechoslovakia (1987-89)**

Dollars in thousands

Commodity group (1)	U.S. imports from Czechoslovakia (2)	Rate on dutiable imports		Czech share of U.S. imports (percent) (5)
		Czechoslovakia (percent) (3)	MFN countries (percent) (4)	
All commodities	\$81,600	29.53	5.17	0.02
(1) 851—Footwear	9,831	20.01	10.40	0.12
(2) 665—Glassware	8,775	49.48	10.97	1.01
(3) 722—Tractors (other than mechanical handling equip.)	5,308	0.00	2.19	0.44
(4) 841—Men's or boys' coats, jackets, text. not knit	4,939	59.36	20.65	0.11
(5) 054—Vegs fr, chld, froz; roots, tubers, fresh, dried	4,504	10.35	9.98	0.52
(6) 673—Iron & nonalloy steel flat-roll prod, not clad., etc.	4,498	20.07	5.13	0.20
(7) 625—Rubber tires, inter treads, tire flaps, & inn tubes	4,375	10.00	4.09	0.18
(8) 654—Woven fabrics of text mat, not cotton or manmade	3,345	42.90	14.11	0.52
(9) 679—Iron & steel tubes, pipes, fittings, etc.	2,771	14.14	4.31	0.14
(10) 017—Meat & edbl meat, prepared or preserved nes	2,544	2.61	2.72	0.36
(11) 676—Iron & steel bars, rods, angles, shapes, & sects.	2,009	5.80	3.19	0.11
(12) 821—Furniture & pts; bedding, mattresses, etc.	1,908	41.22	3.61	0.04
(13) 984—Est of low-valued items eligible fr informal entry	1,439	0.00	0.00	0.06
(14) 112—Alcoholic beverages	1,288	20.79	2.91	0.04
(15) 726—Printng & bookbindng machinery & parts thereof	1,224	19.59	2.73	0.10
(16) 897—Jewelry, goldsmiths' & silversmiths' wares, etc.	1,182	81.56	7.18	0.04
(17) 541—Medicinal products, except medicaments	1,159	11.49	4.52	0.09
(18) 731—Mach tools working by removing metl or oth mat.	1,148	30.00	4.31	0.07
(19) 893—Articles, of plastics, nes	1,123	29.67	4.35	0.04
(20) 848—Apparel & cl. acc. exc. textile; hdgear, all mat.	1,102	52.06	6.59	0.05
(21) 892—Printed matter	985	22.67	2.97	0.06
(22) 658—Made-up articles of textile materials, nes	906	33.27	9.46	0.08
(23) 813—Lighting fixtures and fittings, nes	850	52.07	6.87	0.10
(24) 652—Cotton fabrics, woven (not narrow or spec. fabrics)	848	35.23	9.25	0.08
(25) 724—Textiles & leather machinery & pts thereof, nes	834	33.10	3.61	0.04
<b>Total</b>	<b>\$68,894</b>	<b>28.30</b>	<b>7.62</b>	<b>0.13</b>
Percent of total U.S. imports from Czechoslovakia	84.43			

Notes: Import figures are 3-year averages for 1987-89. Commodity groups are at the 3-digit SITC Revision 3 level. Tariffs on Czech imports are assessed at the non-MFN rate.

Source: Compiled from U.S. Department of Commerce trade data.

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**Appendix II**  
**Tariff Rates on U.S. Imports**  
**From Czechoslovakia**

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The average tariff rates on Czech exports to the United States are high, primarily because the bulk of its exports are manufactured goods—commodities with high tariff rates compared to natural resources and semiprocessed goods. Relatively few Czech exports enter the United States duty free. Only 14.9 percent of Czech exports enter the United States duty free. This compares to an average duty-free share of 34.5 percent for non-MFN countries and 33.7 percent for MFN countries.

Column 5 in table II.1 shows the relative importance of imports from Czechoslovakia to total U.S. imports for each commodity group. For only one commodity group, glassware, the Czech share of U.S. imports is greater than 1 percent. For most groups, the Czech share is less than one-tenth of 1 percent. Overall, Czechoslovakia accounts for 0.02 percent of total U.S. imports under the current tariff structure.

In addition to the low share of the U.S. market that Czechoslovakia now has, Czech exports to all countries amount to only 5.5 percent of total U.S. imports. This suggests that even if Czechoslovakia were to divert all of its exports to the United States, this potential import expansion probably would not significantly affect the market share or prices for these leading commodity groups. In general, exporters with such low market shares do not have the ability to substantially affect prices.

Table II.2 presents U.S. imports from Czechoslovakia with the highest ad valorem equivalent tariff rates. The 25 commodity groups with the highest tariff rates account for 12.2 percent of U.S. imports from Czechoslovakia. The average non-MFN Czech tariff rate for these imports is 59.3 percent, compared to an average tariff rate of 14.4 percent for MFN countries. The amount of high-tariff goods that enter the U.S. market is small. This may be due to the high tariff rates. Four of the groups—jewelry, men's and boys' coats, lighting fixtures, and apparel and clothing accessories—are among the leading U.S. imports from Czechoslovakia, as shown in table II.1. They account for 81 percent of the dollar value of imports included in table II.2. Textiles account for 9 of the 25 groups. Lower tariff rates under MFN may cause Czech exports of these products to the United States to increase as well as those of other manufactured goods that Czechoslovakia does not currently export to the United States.

**Appendix II  
Tariff Rates on U.S. Imports  
From Czechoslovakia**

**Table II.2: MFN and Non-MFN Tariff Rates on U.S. Imports From Czechoslovakia With the Highest Rates (1987-89)**

Dollars in thousands

Commodity group (1)	Imports from Czechoslovakia (2)	Rate on dutiable imports Figures in percent	
		Czechoslovakia (3)	MFN countries (4)
All commodities	\$81,600	29.53	5.17
(1) 515—Organ-inorganic & heterocyclic compounds, etc.	61	131.96	7.51
(2) 844—Womens' or girls' coats, capes, textile, knit, etc	5	89.38	22.53
(3) 885—Watches and clocks	56	84.50	3.67
(4) 621—Materials of rubber (pastes, plates, sheets, etc.)	0	82.35	3.54
(5) 897—Jewelry, goldsmiths' & silversmiths' wares, etc.	1,182	81.56	7.18
(6) 653—Wov fabrics, mm text mat (not narrow or spec fab)	556	72.86	16.83
(7) 746—Ball or roller bearings	213	67.00	8.91
(8) 845—Articles of apparel of textile fabrics, nes	52	66.86	20.99
(9) 656—Tulles, lace, embroidery, ribbons, trimmings, etc.	66	65.94	9.29
(10) 582—Plates, sheets, film, foil, & strip of plastics	21	65.31	4.81
(11) 511—Hydrocarbons & specified derivatives, nes	70	63.60	8.50
(12) 514—Nitrogen-function compounds	170	62.26	9.36
(13) 531—Synthetic organic color. matter, color lakes, etc.	61	61.77	14.97
(14) 542—Medicaments (including veterinary medicaments)	20	61.65	5.26
(15) 655—Knitted or crocheted fabrics, nes	20	61.59	14.27
(16) 659—Floor coverings, etc.	7	59.99	6.59
(17) 841—Men's or boys' coats, jackets, etc, text, not knit	4,939	59.36	20.65
(18) 842—Women/girls' coats, capes, tex fabric, not knit	98	58.49	17.40
(19) 846—Clothing accs., of tex, knit or nt, exc. baby	96	57.97	13.33
(20) 629—Articles of rubber, nes	12	57.69	4.48
(21) 843—Men's or boys' coats, jackets, text, knitted	50	54.56	23.87
(22) 664—Glass	276	52.09	5.78
(23) 813—Lighting fixtures and fittings, nes	850	52.07	6.87
(24) 848—Apparel & cl acc exc textile; hdgear, all mat.	1,102	52.06	6.59
(25) 512—Alcohols, phenols & halogenated derivativs	1	50.00	8.95
<b>Total (selected commodity groups)</b>	<b>\$9,985</b>	<b>59.34</b>	<b>14.36</b>
Percent of total U.S. imports from Czechoslovakia	12.24		

Note: Import figures are 3-year averages for 1987-89. Commodity groups are at the 3-digit SITC Revision 3 level. Tariffs on Czech imports are assessed at the non-MFN tariff rate.

Source: Compiled from U.S. Department of Commerce trade data.

# Czechoslovakia's Eligibility for Generalized System of Preference Benefits

Czechoslovakia must first receive MFN status to be eligible for GSP benefits. Granting GSP benefits to Czechoslovakia would not lower U.S. tariff rates on Czech imports as dramatically as granting Czechoslovakia MFN status. The tariff rate on all dutiable GSP Czech exports to the United States would decrease to zero, compared to an average MFN rate of 5.2 percent. Almost all of Czechoslovakia's leading exports to the United States would be eligible for GSP benefits.<sup>1</sup>

Granting GSP to Czechoslovakia would have little effect on U.S. trade, however. Only 3.4 percent of U.S. imports from all countries enter the United States under the GSP program. Even if all Czech exports entered the United States under GSP, it would not significantly affect U.S. market shares or prices for these commodity groups.

## The U.S. Generalized System of Preferences Program

The U.S. GSP program, instituted January 1, 1976, provides for temporary duty-free tariff preferences for developing countries. The program allows nonreciprocal, temporary preferential treatment to beneficiary developing countries to help them compete effectively with industrialized nations in the U.S. market. The principle underlying GSP is that trade, rather than aid, is a more cost-effective way of promoting sustainable development and of promoting U.S. exports. As of January 1990, 27 countries, including Czechoslovakia, had provided GSP preferences to other countries.<sup>2</sup>

The President has the authority to grant GSP benefits for certain products<sup>3</sup> imported from eligible beneficiary developing countries, provided that at least 35 percent of the product's value is added in the beneficiary country. GSP benefits are granted to a beneficiary country only up to a certain dollar value (i.e., cost of materials and processing) or certain percentage of the total imported product. In 1989, GSP benefits were afforded to about 135 countries on approximately 4,150 products.

<sup>1</sup>Because these commodity groups are at an aggregate level, they include some individual commodities that are not eligible under GSP. These commodity groups are reported here at the 3-digit SITC Revision 3 level. (Individual commodities are reported at the 5-digit or higher level.) However, the majority of individual commodities aggregated under these 3-digit SITC codes are eligible for GSP.

<sup>2</sup>Other countries extending GSP preferences include Australia, Austria, Bulgaria, Canada, Czechoslovakia, European Community countries, Finland, Hungary, Japan, New Zealand, Norway, Poland, Sweden, Switzerland, and the USSR.

<sup>3</sup>The President may not designate certain articles for GSP benefits that are deemed import sensitive, such as textile and apparel articles that are subject to textile agreements, as well as articles subject to certain trade restrictions.

GSP benefits can only be granted if certain requirements are met. The Trade Act of 1974, as amended, outlines the mandatory and discretionary eligibility criteria that are used to evaluate whether a country is eligible for GSP benefits. For example, mandatory criteria prohibit the President from extending GSP preferences, except under certain circumstances, to any country that has nationalized property owned by a U.S. citizen without providing prompt, adequate, and effective compensation. The criteria also prohibit the President from granting GSP benefits to countries that fail to act in good faith when arbitration awards favor the United States, or that aid any group involved in international terrorism. Another provision states that GSP benefits cannot be extended to designated communist countries unless certain additional criteria are met.

Discretionary criteria require the President to consider, among other things, whether the developing country (1) has assured the United States that it will provide equitable access to its markets and basic commodity resources, (2) maintains reasonable export practices and enforces exclusive rights in intellectual property, including patents, trademarks, and copyrights, and (3) has acted to reduce trade-distorting investment practices and reduce or eliminate barriers to trade in services.

In addition to the above mandatory and discretionary eligibility criteria, a 1984 amendment to the 1974 Trade Act generally prohibits any country that has exceeded the per capita gross national product (GNP) limit on GSP eligibility from receiving GSP benefits. The GNP limit is calculated each year by the Office of the U.S. Trade Representative. In 1989, the maximum GNP level was \$10,149. The U.S. Trade Representative estimates that the figure for 1990 will be \$10,392. (See table III.1.)

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### **Czech Eligibility for the U.S. GSP Program**

As table III.1 shows, Czech per capita GNP is estimated to be \$7,985 in 1990, which would meet the GSP eligibility requirement.<sup>4</sup> In addition to meeting this requirement and the other mandatory and discretionary criteria, Czechoslovakia, because it is considered a communist country, is required by the 1974 Trade Act to receive MFN status and to become a

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<sup>4</sup>The Department of Commerce is responsible for calculating a country's per capita GNP to determine its eligibility for GSP benefits. Commerce uses World Bank GNP estimates for this calculation, not Central Intelligence Agency data. The World Bank does not estimate a country's GNP unless it is a member of the International Monetary Fund. Czechoslovakia became a member of the Fund in September 1990.

**Appendix III  
Czechoslovakia's Eligibility for Generalized  
System of Preference Benefits**

member of the International Monetary Fund in order to receive GSP benefits.

**Table III.1: Per Capita GNP and GSP Eligibility for Czechoslovakia** (Current Year Dollars)

<b>Per capita GNP</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>
Czechoslovakia	\$7,183	\$7,360	\$7,469	\$7,702	\$7,878	\$7,985
GSP eligibility limit	\$8,763	\$9,001	\$9,304	\$9,728	\$10,149	\$10,392 <sup>a</sup>

Note: Per capita GNP figures are based on the Central Intelligence Agency's recently revised estimates of per capita GNP in constant 1989 dollars.

<sup>a</sup>Estimate.

Source: Czech per capita GNP is compiled from "Eastern Europe: Long Road Ahead to Economic Well-Being," a paper presented by the Central Intelligence Agency to the Technology and National Security Subcommittee of the Joint Economic Committee on April 16, 1990. Per capita GNP for 1990 is estimated using real growth rates from the WEFA Group, an econometric forecasting company. GSP eligibility limits for per capita GNP are provided by the U.S. Trade Representative.

**GSP Share of U.S. Imports Is Small**

As column 6 in table III.2 shows, only 3.4 percent of all U.S. imports enter the United States under GSP. (Table III.2 is the same as table II.1, with the addition of column 6, the GSP share of U.S. imports.) On average, only 5.3 percent of Czechoslovakia's 25 leading exports to the United States are products that are imported from other countries under GSP. Even if Czech exports of these commodities doubled, U.S. imports under the GSP program would increase by only 0.3 percent.

**Appendix III  
Czechoslovakia's Eligibility for Generalized  
System of Preference Benefits**

**Table III.2: MFN and Non-MFN Tariff Rates and GSP Share of Leading U.S. Imports From Czechoslovakia (1987-89)**

Dollars in thousands

Commodity group (1)	Imports from Czechoslovakia (2)	Rate on dutiable imports		Czech share of U.S. imports (percent) (5)	GSP share of U.S. imports (percent) (6) <sup>a</sup>
		Czechoslovakia (percent) (3)	MFN countries (percent) (4)		
All commodities	\$81,600	29.53	5.17	0.02	3.44
(1) 851—Footwear	9,831	20.01	10.40	0.12	2.10
(2) 665—Glassware	8,775	49.48	10.97	1.01	6.01
(3) 722—Tractors (other than mechanical handling equipment)	5,308	0.00	2.19	0.44	0.21
(4) 841—Men's or boys' coats, jackets, text, not knit	4,939	59.36	20.65	0.11	0.00
(5) 054—Vegs fr, chld, froz; roots, tubers, fresh, dried	4,504	10.35	9.98	0.52	6.01
(6) 673—Iron & nonalloy steel flat-roll prod, not clad, etc	4,498	20.07	5.13	0.20	0.15
(7) 625—Rubber tires, inter treads, tire flaps, & inn tubes	4,375	10.00	4.09	0.18	5.18
(8) 654—Woven fabrics of text mat, not cotton or manmade	3,345	42.90	14.11	0.52	3.73
(9) 679—Iron & steel tubes, pipes, fittings, etc.	2,771	14.14	4.31	0.14	3.58
(10) 017—Meat & edbl meat offal, prepared or presrved, nes	2,544	2.61	2.72	0.36	12.93
(11) 676—Iron & steel bars, rods, angles, shapes, & sects.	2,009	5.80	3.19	0.11	0.02
(12) 821—Furniture & pts; bedding, mattresses, etc.	1,908	41.22	3.61	0.04	13.76
(13) 984—Est of low-valued items eligible fr informal entry	1,439	0.00	0.00	0.06	0.00
(14) 112—Alcoholic beverages	1,288	20.79	2.91	0.04	1.57
(15) 726—Printng & bookbindng machinery & parts thereof	1,224	19.59	2.73	0.10	0.77
(16) 897—Jewelry, goldsmiths' & silversmiths' wares, etc.	1,182	81.56	7.18	0.04	20.54
(17) 541—Medicinal products, except medicaments	1,159	11.49	4.52	0.09	2.00
(18) 731—Mach tools workng by removing metl or oth mat.	1,148	30.00	4.31	0.07	2.19
(19) 893—Articles, of plastics, nes	1,123	29.67	4.35	0.04	11.80
(20) 848—Apparel & cl. acc. exc. textile; hdgear, all mat.	1,102	52.06	6.59	0.05	10.39
(21) 892—Printed matter	985	22.67	2.97	0.06	1.58

(continued)

**Appendix III  
Czechoslovakia's Eligibility for Generalized  
System of Preference Benefits**

Commodity group (1)	Imports from Czechoslovakia (2)	Rate on dutiable imports		Czech share of U.S. imports (percent) (5)	GSP share of U.S. imports (percent) (6) <sup>a</sup>
		Czechoslovakia (percent) (3)	MFN countries (percent) (4)		
(22) 658—Made-up articles of textile materials, nes	906	33.27	9.46	0.08	2.65
(23) 813—Lighting fixtures and fittings, nes	850	52.07	6.87	0.10	16.53
(24) 652—Cotton fabrics, woven (not narrow or spec fabs.)	848	35.23	9.25	0.08	0.32
(25) 724—Textile & leather machinery, & pts thereof, nes	834	33.10	3.61	0.04	2.65
<b>Total</b>	<b>\$68,894</b>	<b>28.30</b>	<b>7.62</b>	<b>0.13</b>	<b>5.32</b>
Percent of total U.S. imports from Czechoslovakia	84.43				

Note: Import figures are 3-year averages for 1987-89. Commodity groups are at the 3-digit SITC Revision 3 level. Tariffs on Czechoslovakian imports are assessed at the non-MFN rate.

<sup>a</sup>Column 6 is the weighted average of U.S. imports under the GSP program to total U.S. imports for these 25 commodity groups.

Source: Compiled from U.S. Department of Commerce trade data.

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# Leading U.S. Imports From and Exports to Czechoslovakia

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Table IV.1 shows the value of the 25 leading U.S. imports from Czechoslovakia from 1987 to 1989 and during the first 6 months of 1990. From 1987 to 1989, the United States imported an average of \$82 million a year in goods from Czechoslovakia. The five leading imports were footwear, glassware, tractors, men's coats and jackets, and vegetables.

**Appendix IV  
Leading U.S. Imports From and Exports  
to Czechoslovakia**

**Table IV.1: Leading U.S. Imports From Czechoslovakia (1987-90)**

Dollars in thousands

Commodity group (1)	1987 (2)	1988 (3)	1989 (4)	January - June		Average
				1989 (5)	1990 (6)	1987-89 (7)
All commodities	\$77,793	\$84,891	\$82,117	\$37,598	\$36,908	\$81,600
(1) 851—Footwear	8,974	10,410	10,108	4,623	4,042	9,831
(2) 665—Glassware	8,060	8,226	10,039	4,514	3,707	8,775
(3) 722—Tractors (oth than mechanical handling equip.)	3,608	6,237	6,077	3,622	5,761	5,308
(4) 841—Men's or boys' coats, jackets, text, not knit	5,001	6,103	3,715	1,094	784	4,939
(5) 054—Vegs fr, chld, froz, roots, tubers, fresh, dried	8,590	2,413	2,508	1,851	5,699	4,504
(6) 673—Iron & nonalloy steel flat-roll prod, not clad	2,936	5,280	5,277	239	0	4,498
(7) 625—Rubber tires, inter treads, flaps, & inn. tbes.	4,334	4,377	4,415	1,855	3,301	4,375
(8) 654—Woven fabrics of text mat (not cotton or manmade)	3,461	4,600	1,975	1,074	860	3,345
(9) 679—Iron & steel tubes, pipes & hl profiles, ftngs.	2,057	3,477	2,779	541	605	2,771
(10) 017—Meat & edbl meat, offal, prepared or presrved, nes	2,684	2,543	2,404	1,179	1,099	2,544
(11) 676—Iron & steel bars, rods, angles, shapes, & sects.	2,164	3,267	595	0	0	2,009
(12) 821—Furniture & pts; bedding, mattresses, etc.	1,885	1,751	2,089	1,083	1,211	1,908
(13) 984—Est of low-valued items elig. for informal ent.	1,408	1,560	1,348	629	863	1,439
(14) 112—Alcoholic beverages	1,151	1,345	1,369	498	298	1,288
(15) 726—Printng & bookbindng machinery & parts thereof	1,158	897	1,618	832	1,045	1,224
(16) 897—Jewelry, goldsmiths' & silversmiths' wares, etc.	1,995	1,008	541	232	196	1,182
(17) 541—Medicinal products, except medicaments	2,050	1,355	73	32	0	1,159
(18) 731—Mach tools workng by removing metl or oth mtrl.	726	1,650	1,066	607	574	1,148
(19) 893—Articles, of plastics, nes	1,455	1,708	207	98	1	1,123
(20) 848—Apparel & cl acc exc textile; hdgear, all mtrl.	730	779	1,797	672	273	1,102
(21) 892—Printed matter	539	911	1,504	806	262	985
(22) 658—Made-up articles of textile materials, nes	976	1,091	652	319	207	906
(23) 813—Lighting fixtures and fittings, nes.	691	782	1,077	471	242	850
(24) 652—Cotton fabrics, woven (not narrow or spec fabs.)	714	696	1,133	491	322	848
(25) 724—Textile & leather machinery & pts thereof, nes	578	666	1,258	521	257	834
<b>Total</b>	<b>\$67,926</b>	<b>\$73,135</b>	<b>\$65,622</b>	<b>\$27,880</b>	<b>\$31,610</b>	<b>\$68,894</b>
Percent of total U.S. imports from Czechoslovakia	87.32	86.15	79.91	74.15	85.64	84.43

Note: Commodity groups are at the 3-digit SITC Revision 3 level.

Source: Compiled from U.S. Department of Commerce trade data.

Table IV.2 shows the value of the leading 25 U.S. exports to Czechoslovakia from 1987 to 1989 and during the first 6 months of 1990. From 1987 to 1989, the United States exported an average of \$51 million a year in goods to Czechoslovakia. The five leading exports

**Appendix IV  
Leading U.S. Imports From and Exports  
to Czechoslovakia**

were hides and skins (except furskins), measuring instruments and apparatus, fertilizers, specialized machinery, and automatic data processing machines.

**Table IV.2: Leading U.S. Exports to Czechoslovakia (1987-1990)**

Dollars in thousands

Commodity group (1)	1987 (2)	1988 (3)	1989 (4)	January - June		Average 1987-89 (7)
				1989 (5)	1990 (6)	
All commodities	\$46,942	\$54,423	\$51,287	\$27,626	\$29,338	\$50,884
(1) 211—Hides & skins (except furskins), raw	14,064	13,502	13,483	7,878	5,543	13,683
(2) 874—Measuring/checking/analysing, inst. & appt., nes	2,467	4,966	3,725	715	1,613	3,719
(3) 562—Fertilizers (except crude of group 272)	2,798	0	3,256	3,256	696	2,018
(4) 728—Machry, specializd for particulr industries, nes	307	3,587	1,469	882	525	1,788
(5) 752—Automatic data process machs & units thereof	1,911	1,860	1,360	972	641	1,710
(6) 881—Photographic apparatus and equipment, nes	1,020	3,427	299	205	54	1,582
(7) 122—Tobacco, mfg, whether containing tobacco substitute	1,820	1,162	906	363	14	1,296
(8) 651—Textile yarn	517	1,715	1,522	919	900	1,251
(9) 724—Textile & leather machinery & pts thereof nes	1,329	1,133	1,114	493	890	1,192
(10) 598—Miscellaneous chemical products, nes	534	927	2,099	1,109	97	1,187
(11) 522—Inorgan. chemical elements, oxides, halogen salts	2,564	197	504	212	897	1,088
(12) 722—Tractors (oth than mechanical handling equipment)	812	1,145	1,055	870	231	1,004
(13) 743—Pumps, air or other gas compressors, and fans	1,869	360	718	327	132	982
(14) 266—Synthetic fibers suitable for spinning	378	784	1,725	809	56	962
(15) 263—Cotton textile fibers	0	0	2,715	1,971	4,322	905
(16) 994—Estimate of shipments valued under \$1,501	422	1,044	1,087	512	781	851
(17) 541—Medicinal products, except medicaments	273	706	1,246	515	617	742
(18) 778—Electrical machinery and apparatus, nes	742	654	590	365	337	662
(19) 121—Tobacco, unmanufactured; tobacco refuse	988	917	0	0	0	635
(20) 664—Glass	663	783	441	177	427	629
(21) 764—Telecommunications equipment, nes, & pts, nes	390	983	365	245	263	580
(22) 742—Pumps for liquids; liquid elevators & pts	130	884	622	247	225	545
(23) 714—Engs and motors, nonelect & pts, nes	0	1,545	0	0	0	515
(24) 723—Civil engineering & contractors' plant & equip.	438	488	570	10	25	499
(25) 212—Furskins, raw	881	440	165	165	25	495
<b>Total</b>	<b>\$37,317</b>	<b>\$43,211</b>	<b>\$41,036</b>	<b>\$23,216</b>	<b>\$19,314</b>	<b>\$40,521</b>
Percent of total U.S. exports to Czechoslovakia	79.50	79.40	80.01	84.04	65.83	79.63

Note: Commodity groups are at the 3-digit SITC Revision 3 level.

Source: Compiled from U.S. Department of Commerce trade data.

# Objectives, Scope, and Methodology

In developing this briefing report, our objectives were to provide data on (1) Czech imports and exports to selected countries, (2) tariff rates on U.S. imports from Czechoslovakia as compared to rates on imports from countries with MFN status, (3) Czechoslovakia's eligibility for GSP benefits, and (4) leading U.S. exports to and imports from Czechoslovakia from 1987 to 1990.

For appendix I, we obtained information on Czech exports and imports from data that Czechoslovakia reports to the U.N. Generally, we used U.N. data at a 3-digit SITC Revision 1 commodity group classification level to report Czech trade with selected countries. For some commodities, however, Czechoslovakia only reports trade at the more aggregated 2-digit level. In these cases, we used the 2-digit reported data. In table I.4, there are four commodities—petroleum products, natural gas, coal, and non-ferrous metals—that are reported at the 2-digit level.

For all the tables in appendix I, the countries included under "Eastern Europe" include Bulgaria, East Germany, Hungary, Poland, and Romania. The countries included under the "European Community" include Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, and the United Kingdom.

We used a 3-year average of trade to ensure that normal trade patterns were represented. All the values in this report are in current year dollars. In all the tables in appendix I, the averages are based on the latest years of available Czech data: 1983, 1984, and 1986. We reported information for the leading 25 commodities out of a possible 248 groups.

Tables II.1, II.2, and III.2 cover 1987-89; tables IV.1 and IV.2 cover 1987-90. For these tables, we used U.S. trade data at the 3-digit SITC Revision 3 classification level as reported by the Department of Commerce. We reported information for 25 commodities out of a possible 263 groups.

We obtained information on U.S. tariff rates, the Czech share of total U.S. imports, and the GSP share of U.S. imports from trade data reported by the Department of Commerce. In tables I.1 and I.3, the definition of trade categories are from the World Bank's World Development Report. For all the other tables, the commodity codes and descriptions are those provided in the U.N. or U.S. computer trade data bases. For all tables in appendix I, Czech imports and exports are reported on a free-on-board basis (i.e., transportation charges are included).

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For tables II.1, II.2, III.2, and IV.1, imports are reported on a customs value basis. For table IV.2, exports are reported on a free-along-side basis, which excludes transportation costs.

We computed the average ad valorem tariff rates as a ratio of calculated duties collected, divided by the dutiable value of U.S. imports using data from the U.S. trade computer data base maintained by the Department of Commerce. This is a trade weighted average tariff rate with actual import values used as weights. Since high tariff rates may reduce the quantity of goods imported, this weighting procedure may underestimate the average tariff rate if there are many high-tariff items. The average tariff rates on imports from Czechoslovakia and countries granted MFN status may not be fully comparable at the 3-digit commodity group level.<sup>1</sup> In tables II.1, II.2, and III.2, the percentage composition of individual goods in the MFN group may differ from the percentage composition of Czech imports in a corresponding group. This may result in weighting the average commodity group tariff rates differently. On the other hand, if Czechoslovakia begins to diversify its exports if it is granted MFN status, the 3-digit MFN tariff rate may approximate the tariff rate for future Czech exports.

We obtained information on Czech arms exports and imports reported in the notes in tables I.1 and I.3 from the U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987.

For table III.1, we obtained information from the Office of the U.S. Trade Representative on the per capita income eligibility requirements for granting GSP benefits for the period 1985-90. For the same table, we used Central Intelligence Agency estimates of Czech per capita GNP included in a report presented to the Joint Economic Committee in April 1990.

In table III.2, we computed the ratio of U.S. imports under the GSP program to total U.S. imports to determine the percent of imports that currently enter the United States under GSP for the 25 leading imports from Czechoslovakia. To determine whether all individual commodities within the 3-digit SITC commodity groups are eligible for GSP benefits, we checked the concordance between selected SITC groups and the individual commodities in the Harmonized Tariff System of the United

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<sup>1</sup> Average tariff rates can be compared at the individual commodity group level at which the tariff rates are established. For a comparison of tariff rates between the groups, the relative percentage composition in the MFN group should correspond with that in the Czech group. In all cases, the MFN tariff rate must be less than or equal to the non-MFN rate for that individual commodity.

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States, where GSP eligibility is designated. The 3-digit commodity groups shown in this table are trade aggregates and may include individual commodities that are not eligible for duty-free entry under GSP.

We performed our review in August and September 1990 in accordance with generally accepted government auditing standards. As directed, we did not seek formal agency comments on this briefing report.

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