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Committee on Finance, U.S. Senate

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INTERNATIONAL TRADE

Soviet Export Data



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**National Security and
International Affairs Division**

B-239716

July 18, 1990

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

Dear Mr. Chairman:

As you requested, this briefing report provides information on Soviet exports which may be useful in evaluating the impact of the trade agreement between the United States and the Soviet Union signed in June 1990. This agreement, which is awaiting congressional approval, would grant the Soviet Union "most-favored-nation" (MFN) trade status.

This report (1) provides data on Soviet exports to the United States and the rest of the world, (2) compares the similarity between leading Soviet exports to the United States and other selected countries, (3) provides data on tariff rates for U.S. imports from the Soviet Union, and (4) compares them to rates for countries granted MFN trade status.

An examination of Soviet trade data shows that the bulk of Soviet exports to the world are natural resources and semiprocessed goods, rather than manufactured goods. Fuel products, for example, have accounted for over half of the Soviet Union's total exports in recent years.

Although the United States has not granted the Soviet Union MFN status, the commodities the United States imports from the Soviet Union are generally similar to those imported by countries that have offered the Soviet Union MFN status. This suggests that the types of commodities the Soviet Union will export to the United States, if granted MFN status, will probably not differ significantly from those exported at present. There is also a similarity between the commodities that the United States imports from the Soviet Union and those imported by countries with nonconvertible currencies, such as India and East European countries. This suggests that, even in the absence of granting MFN status, there is a possible opportunity for the Soviet Union to divert trade from these "soft" currency countries to the United States or West European countries for hard currency earnings.

Although the Soviet Union does not have MFN status, U.S. tariff rates on Soviet imports are generally very low, primarily because the bulk of Soviet exports are nonmanufactured goods that traditionally have low

tariff rates. More than half of Soviet exports enter the United States duty free. The average tariff rate, on a trade-weighted basis, for the remaining Soviet exports on which duties do apply is 9.9 percent, compared to an average tariff rate on dutiable products for MFN countries of 5.2 percent. Granting MFN status to the Soviet Union would reduce the average tariff rates by 4.7 percent. The drop in tariff rates for most dutiable products is quite small and would probably not be enough to encourage a large increase in Soviet exports of these products. However, for some commodity groups, like plywood, paper and paperboard, and machinery, the tariff rate differentials between MFN and non-MFN are substantial, and additional Soviet exports may be forthcoming.

Appendix I provides information on Soviet exports to selected countries. Appendix II includes information on tariff rates on U.S. imports from the Soviet Union. Appendix III shows Soviet exports as reported by the United Nations and the Central Intelligence Agency. Appendix IV contains a description of 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 listed in appendix V.

Sincerely yours,



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

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Abbreviations

CIA	Central Intelligence Agency
MFN	Most-Favored-Nation
SITC	Standard International Trade Classification
U.N.	United Nations

Soviet Exports to Selected Countries

The bulk of Soviet exports to the world are natural resources and other nonmanufactured goods. The similarity between Soviet export trade with the United States and with industrialized countries that offer the Soviet Union MFN trade status suggests that granting the Soviet Union MFN trade benefits will probably not result in a major change in the types of products the Soviet Union exports to the United States. However, there is a possible opportunity for the Soviet Union to divert some of its exports from countries with nonconvertible currencies to the United States or West European countries for hard currency earnings.

Leading Soviet Exports

Table I.1 shows the average annual dollar value of the leading Soviet exports during the late 1980s to the United States, to other selected countries, and to all countries reporting trade data to the United Nations (U.N.). The data are based on reports of imports from the Soviet Union by its trading partners.¹ Only three East European countries—Czechoslovakia, Hungary, and Poland—report their trade to the U.N. Therefore, the estimate of Soviet exports to all reporting nations understates total Soviet exports. The total 3-year average of \$39.5 billion of exports to reporting countries represents 43 percent of total Soviet exports for the same period reported by the Central Intelligence Agency (CIA).²

The 35 leading commodity groups cited in table I.1 account for 75 percent of Soviet exports to the world. The amount of each country's Soviet imports covered by these 35 groups ranges from a low of 42 percent for reporting East European countries, to a high of 97 percent for India.

Fuel products—petroleum, natural gas, and coal—are the Soviet Union's major exports, accounting for 54 percent of total exports. For each of the selected countries, one or more of these fuel products are among the country's top four imports from the Soviet Union. Other raw materials and semiprocessed goods, such as wood products, cotton, precious stones, ferrous and nonferrous metals, and inorganic elements, account for most of the Soviet Union's remaining leading exports. However, the Soviet Union also exports manufactured goods, including

¹Imports are usually reported on a cost, insurance, and freight basis. Data availability differed for the selected countries. 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 most recent data available for each country or region.

²Questions have been raised regarding the overall methodology used to estimate the value of Soviet production, including its exports. We are currently investigating this issue. Appendix III compares U.N. and CIA reported data on Soviet exports for developed, less developed, and Communist countries.

Appendix I
Soviet Exports to Selected Countries

motor vehicles, chemicals, electric and nonelectric machinery, and telecommunications equipment.

Appendix I
Soviet Exports to Selected Countries

Table I.1: Leading Soviet Exports to Selected Countries (Late 1980s)

Dollars in thousands

Commodity group		World	USA	Canada	Japan	West Germany	France	India	Eastern Europe ^a
All commodities		\$39,530,870	\$522,798	\$18,315	\$1,979,008	\$3,994,871	\$2,547,648	\$1,492,393	\$14,140,825
(1)	332—Petroleum products	8,501,608	128,999	2,219	107,826	816,753	566,428	572,359	1,375,387
(2)	331—Crude petroleum, etc.	8,183,946	8,359	*	6,119	562,232	575,330	645,388	1,163,857
(3)	341—Gas (natural and manuf.)	4,009,647	*	*	*	350,518	937,600	*	737,589
(4)	321—Coal, coke, briquettes	674,705	*	*	319,652	21,189	14,261	*	20,513
(5)	243—Wood (shaped)	589,035	617	*	20,615	99,903	43,925	*	10,518
(6)	242—Wood (rough)	581,163	*	*	464,184	304	296	*	4,884
(7)	732—Road motor vehicles	574,912	489	633	304	35,799	58,351	784	228,867
(8)	561—Fertilizers (manuf.)	558,818	36,330	2,291	18,735	596	7,689	40,304	216,140
(9)	263—Cotton	445,329	44	53	47,374	43,249	49,027	*	191,803
(10)	667—Pearls, precious, semiprec.	436,014	896	6	46,921	56,007	22	4	*
(11)	513—Inorg. elemnts, oxides, etc.	426,740	84,881	120	5,066	6,498	2,611	21	58,815
(12)	281—Iron ore, concentrates	405,786	*	*	*	610	*	*	454,082
(13)	351—Electric energy	357,058	*	*	*	*	*	*	320,213
(14)	719—Machines, nonelec., nes ^b	355,737	65	230	993	6,443	4,669	110,029	67,492
(15)	681—Silver, platinum, etc.	333,422	99,632	725	343,923	55,955	12,139	776	*
(16)	512—Organic chemicals	301,000	19,052	15	9,610	39,294	17,851	3,095	38,285
(17)	282—Iron and steel scrap	299,870	*	*	48,081	10,603	70	68	114
(18)	684—Aluminum	291,750	2,774	*	99,556	10,672	14,136	7,155	28,089
(19)	671—Pig iron, etc.	233,368	8,843	15	64,992	28,076	3,669	*	177,751
(20)	251—Pulp and waste paper	215,161	160	*	1,847	36,729	29,083	*	69,298
(21)	515—Radioactive material, etc.	206,811	9,133	48	4,683	141,259	73,099	*	730
(22)	718—Machs. for spcl. inds.	197,450	328	105	12	5,450	101	8,639	139,203
(23)	711—Power machinery (nonelec.)	193,489	180	59	110	1,026	329	7,334	181,309
(24)	031—Fish (fresh, presvd.)	167,211	1,722	963	148,066	380	1,544	*	231
(25)	683—Nickel	146,103	22	*	44,940	130,049	22,545	7,809	*
(26)	715—Metalworking machinery	139,605	598	1,612	6,814	6,179	2,117	6,304	90,800
(27)	641—Paper and paperboard	135,687	6,898	*	67	23,256	375	31,627	47,299
(28)	712—Agricultural machinery	125,922	6,494	1,592	18	431	1,122	117	79,304
(29)	631—Veneers, plywood, etc.	110,288	2,751	733	25,543	6,650	7,391	1	19,025
(30)	724—Telecommunications equip.	109,522	267	*	59	6,402	1,130	57	91,656
(31)	212—Fur skins (undressed)	108,457	17,069	2,172	8,383	22,133	6,032	*	*
(32)	729—Electrical machinery, nes	104,028	975	29	408	2,762	1,220	5,799	71,924
(33)	672—Iron, stl. (primary forms)	95,926	2,684	*	103	8,182	1,500	39	2,195
(34)	231—Rubber (crude, synthetic)	95,420	167	20	3,872	10,611	1,903	23	53,569

(continued)

Appendix I
Soviet Exports to Selected Countries

Commodity group	World	USA	Canada	Japan	West Germany	France	India	Eastern Europe ^a
(35) 674—Irn., stl.(plate,sheet)	90,842	*	*	565	6,220	720	755	60,300
Total (selected commodities)	\$29,801,827	\$440,431	\$13,640	\$1,849,442	\$2,552,421	\$2,458,285	\$1,448,487	\$6,001,242
Percent of total Soviet exports	75.39	84.24	74.48	93.45	63.89	96.49	97.06	42.44

Notes: Soviet exports are the trade partners' reported imports from the Soviet Union. There are 248 three-digit Standard International Trade Classification (SITC) Revision 1 commodity groups. Export figures for each country are 3-year averages for the latest available years: 1986-88 for the United States, West Germany, and Japan; 1985-87 for Canada, France, Hungary, and Poland; 1983-85 for India; 1983, 1984, and 1986 for Czechoslovakia; and 1984-86 for the world. These latter years were chosen to calculate world totals because many countries had not yet reported their 1987 and 1988 trade figures.

An * denotes less than \$500.

^aEastern Europe data include only trade reported by Czechoslovakia, Hungary, and Poland.

^bNes denotes not elsewhere specified.

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

Soviet Trade Patterns

An examination of current Soviet export trade patterns to selected countries may provide some insight into possible short-term prospects for Soviet exports to the United States and other countries. Table I.2 provides a summary figure to compare trade pattern similarities for selected pairs of countries. The correlation coefficient³ is computed for bilateral trade in the leading 35 Soviet export commodities in table I.1 for each pair of countries. The correlation coefficient ranges from +1.00 to -1.00. A coefficient value of +1.00 implies an exact similarity between the two countries' trade patterns; 0.00 implies no similarity or association in trade patterns; and -1.00 implies an exact inverse relationship or pattern of similarity. Nations with a high correlation coefficient with the United States are those with similar trade patterns. For example, the correlation coefficient between Soviet exports to the United States and Canada is 0.46. This indicates a stronger similarity in trade patterns between the Soviet Union's leading commodity exports to Canada and the United States than is implied by the 0.25 coefficient between the United States and Japan.

³The correlation coefficient computes the relative association between two series of numbers. It is not proof of causation.

Appendix I
Soviet Exports to Selected Countries

Table I.2: Trade Pattern Similarity for Leading Soviet Exports to Selected Countries

	United States	Canada	Japan	West Germany	France	India	Eastern Europe
United States	1.00	0.46	0.25	0.50	0.24	0.43	0.40
Canada	•	1.00	0.00	0.23	0.08	0.24	0.22
Japan	•	•	1.00	0.00	-0.07	-0.02	-0.11
West Germany	•	•	•	1.00	0.83	0.88	0.90
France	•	•	•	•	1.00	0.61	0.82
India	•	•	•	•	•	1.00	0.86
Eastern Europe	•	•	•	•	•	•	1.00

Note: The correlation coefficient is used as an indicator of trade pattern similarity for the leading 35 Soviet exports to the respective pairs of countries. A value of 1.00 is exact similarity, 0.00 is no similarity, and -1.00 indicates an exact inverse relationship.

There are many possible reasons for differences in trade patterns among nations. First, different nations have different formal trade relationships with the Soviet Union. For example, the United States does not offer the Soviet Union MFN trade status, while Canada, Japan, West Germany, and France do. Second, India and the East European countries have bilateral trade agreements with the Soviet Union, which allow for payment of Soviet exports in nonconvertible “soft” currencies, although the Soviet Union is apparently trying to require payment in “hard” currencies such as the dollar, Deutsche mark, or yen, from its export customers.

The type and amount of goods a country imports from the Soviet Union depends on both the country’s demand and available supply from the Soviet Union. Countries with similar standards of living, geographic location, and resource endowments may be expected to have roughly similar net demands for Soviet exports. Since these countries are buying from the same supplier, one would expect a positive correlation coefficient, indicating similar trade patterns. For most pairs of countries, including India and Eastern Europe, this appears to be the case. However, Japan has a trade pattern dissimilar to most of the selected countries, probably because of its relative scarcity of natural resources. For example, the correlation coefficient for Japan and West Germany is 0.00, indicating no similarity in trade patterns; the -0.11 coefficient for Japan and Eastern Europe suggests a small inverse association in trade patterns.

This analysis of similarities in trade patterns cannot provide a definitive assessment of how U.S.-Soviet trade patterns may look if the United

States grants the Soviet Union MFN trade status. The dramatic changes in the political and economic environments in Eastern Europe and the Soviet Union will probably affect Soviet export trade. Some key factors that will affect Soviet exports, for example, will be internal price reform and realistic foreign exchange rates.

If the United States grants MFN status to the Soviet Union, the reduced U.S. import tariffs may result in an increase in Soviet exports to the United States. However, because of rigidities in Soviet production and domestic shortages of goods, the Soviet Union will probably not be able to substantially expand its total volume of exports in the short term. An increase in exports to the United States or other developed countries may result from the Soviet diversion of current export trade rather than from any substantial expansion of exports. If the Soviet Union is interested in earning hard currency, it probably will not divert exports from Western countries like France, Japan, or West Germany to the United States. It may be more willing, depending on political considerations, to divert exports for which it receives payment in nonconvertible currencies.

Table I.2 indicates a positive similarity in export trade patterns from the Soviet Union to the United States and India and Eastern Europe, respectively. This suggests a possible opportunity for trade diversion from these soft currency countries to the United States. Such a trade diversion, however, may affect the volume of exports to the United States rather than the product composition of trade. Similarly, there is a possible opportunity for trade diversion to some West European countries like France and West Germany. Because of their geographic proximity, West European nations may be more attractive markets for the Soviet Union to divert exports to than the United States. However, this analysis cannot possibly determine whether such an export diversion would have a greater effect on Western Europe or the United States.

Tariff Rates on U.S. Imports From the Soviet Union

Although the Soviet Union does not have MFN trade status, U.S. tariff rates on Soviet imports are generally very low, primarily because the bulk of Soviet exports are nonmanufactured goods. Granting MFN status to the Soviet Union would reduce the average tariff rates on dutiable products by less than 5 percent. This drop in tariff rates would probably not be enough to encourage a significant increase in Soviet exports to the United States.

U.S. Tariff Rates on Leading Soviet Exports

An examination of U.S. tariff rates on Soviet imports may be useful in assessing the possible effects of granting MFN status to the Soviet Union. Table II.1 shows the average imputed U.S. tariff rates for the 35 leading Soviet exports to the world, as cited in table I.1. The average imputed tariff rate is computed as a ratio of calculated duties collected to all imports, both dutiable and duty free. The average imputed tariff rate can be interpreted as an additional percentage cost increase added to the average commodity group price.

Column 3 in table II.1 shows the relative importance of imports from the Soviet Union to total U.S. imports for each commodity group. For five commodity groups, the Soviet share of U.S. imports is greater than 1 percent, with the highest being 10 percent for fur skins. For most groups, however, the Soviet share is less than 1 percent. Even if the Soviet Union doubles these exports to the United States, it probably would not significantly affect market shares or prices for these commodity groups. In general, exporters with such low market shares do not have the ability to substantially affect prices.

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Table II.1: U.S. Imports and Their Tariff Rates for Leading Soviet Exports to the World (1986-88)

Dollars in thousands

Commodity group (1)	U.S. imports from Soviet Union (2)	Soviet share of total U.S. imports (percent) (3)	Average tariff rate on total imports from	
			Soviet Union (percent) (4)	MFN countries (percent) (5)
All commodities	\$522,798	0.12	4.44	3.64
(1) 332—Petroleum products	128,999	1.00	1.63	0.92
(2) 331—Crude petroleum, etc.	8,359	0.03	2.14	0.60
(3) 341—Gas (natural and manuf.)	*	0.00	— ^a	0.00
(4) 321—Coal, coke, briquettes	*	0.00	0.00	0.00
(5) 243—Wood (shaped)	617	0.02	6.93	0.00
(6) 242—Wood (rough)	*	0.00	—	0.00
(7) 732—Road motor vehicles	489	0.00	3.14	1.87
(8) 561—Fertilizers (manuf.)	36,330	3.73	0.00	0.00
(9) 263—Cotton	44	0.40	5.30	0.49
(10) 667—Pearls, precious, semiprec.	896	0.02	3.70	0.12
(11) 513—Inorg. elemnts, oxides	84,881	3.99	0.31	1.99
(12) 281—Iron ore, concentrates	*	0.00	—	0.00
(13) 351—Electric energy	*	—	—	—
(14) 719—Machines, nonelec., nes ^b	65	0.00	40.87	3.49
(15) 681—Silver, platinum, etc.	99,632	5.44	0.00	0.01
(16) 512—Organic chemicals	19,052	0.40	3.93	6.86
(17) 282—Iron and steel scrap	*	0.00	0.00	0.00
(18) 684—Aluminum	2,774	0.09	4.22	1.18
(19) 671—Pig iron, etc.	8,843	1.05	5.98	1.74
(20) 251—Pulp and waste paper	160	0.01	0.00	0.00
(21) 515—Radioactive material	9,133	0.77	4.89	0.05
(22) 718—Machs. for spcl. inds.	328	0.01	35.00	3.00
(23) 711—Power mach. (nonelec.)	180	0.00	1.17	1.52
(24) 031—Fish fresh, presvd.	1,722	0.04	0.42	0.25
(25) 683—Nickel	22	0.00	1.78	0.30
(26) 715—Metalworking mach.	598	0.02	30.31	4.00
(27) 641—Paper and paperboard	6,898	0.10	29.52	0.39
(28) 712—Agricultural mach.	6,494	0.34	0.00	0.23
(29) 631—Veneers, plywood, etc.	2,751	0.23	46.70	4.90
(30) 724—Telecomm. equip.	267	0.00	26.80	5.12
(31) 212—Fur skins (undressed)	17,069	9.87	0.00	0.14
(32) 729—Electrical machinery, nes	975	0.01	28.35	1.70
(33) 672—Iron, stl. (primary forms)	2,684	0.37	9.07	4.74
(34) 231—Rubber (crude, synthetic)	167	0.01	0.78	0.04

(continued)

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Commodity group (1)	U.S. imports from Soviet Union (2)	Soviet share of total U.S. imports (percent) (3)	Average tariff rate on total imports from	
			Soviet Union (percent) (4)	MFN countries (percent) (5)
(35) 674—Irn, stl. (plate, sheet)	*	0.00	0.00	5.74
Total (selected commodities)	\$440,431	0.19	1.79	1.94
Percent of total Soviet exports to the United States	84.24			

Notes: Trade provisions for which the Soviet Union is not eligible, such as the General System of Preferences and the Caribbean Basin Initiative, are excluded in computing the average MFN tariff rate.

An * indicates imports valued at less than \$500.

^aA dash denotes number is not meaningful.

^bNes denotes not elsewhere specified.

Source: U.N. trade data at the three-digit SITC Revision 1 level. Average tariff rates—calculated duties collected as a percent of total (customs value) imports—are based on U.S. Department of Commerce data.

The average imputed tariff rates for commodity group imports from the Soviet Union and countries granted MFN status are presented in columns 4 and 5 of table II.1, respectively. For some commodity groups, such as plywood and machinery, the non-MFN Soviet tariff rates are in the 25- to 50- percent range. In general, however, the average rate on Soviet imports is much lower. The average tariff rate for all Soviet exports to the United States is 4.4 percent.¹ For the leading commodity groups, which account for 84 percent of the total Soviet exports to the United States, it is 1.8 percent. This compares to the average tariff rate for MFN countries of 3.6 percent for all commodities, and 1.9 percent for these selected commodities.

Granting the Soviet Union MFN status would lower the average tariff rate for all exports (both dutiable and nondutiable) by less than 1 percent. This decrease in prices would probably be too small to encourage a large increase in Soviet exports; and, as noted in appendix I, granting MFN status would not have a very strong influence on the types of products that the United States would import from the Soviet Union. However, for some commodity groups, like plywood, paper and paperboard, and machinery, the tariff rate differentials between MFN and non-MFN are substantial, and additional Soviet exports may be forthcoming.

Table II.2 presents the value of imports and comparable ad valorem equivalent tariff rates for the leading U.S. imports from the Soviet

¹The average tariff rate is weighted using actual values of U.S. imports from the Soviet Union. Since the Soviet Union may export few or no commodities with high tariff rates, this weighting procedure may underestimate the non-MFN tariff rate facing the Soviet Union.

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Union during the 1987-89 period. An ad valorem equivalent tariff rate is computed as a ratio of calculated duties collected to total dutiable imports. The 35 leading commodity groups account for 97.7 percent of all U.S. imports from the Soviet Union (column 2). As shown in column 3, 53.7 percent of all imports from the Soviet Union entered the United States duty free. The average ad valorem equivalent tariff rate for the remaining dutiable imports from the Soviet Union is 9.9 percent (column 4). This compares to an average tariff rate of 5.2 percent (column 5) for dutiable imports from all MFN countries. The difference between non-MFN and MFN tariff rates is greater for the 35 leading commodity groups. The non-MFN Soviet Union's average tariff rate for the 35 leading commodities is 9.3 percent, compared to the average tariff rate of 1.9 percent for MFN countries.

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Table II.2: MFN and Non-MFN Tariff Rates on Leading U.S. Imports From the Soviet Union (1987-89)

Dollars in thousands

	Commodity group (1)	Imports from Soviet Union (2)	Duty free share (percent) (3)	Rate on dutiable imports	
				Soviet Union (percent) (4)	MFN countries (percent) (5)
	All commodities	\$554,324	53.65	9.93	5.24
(1)	334—Oil (not crude) from petrol. & bitum. min.	167,996	0.00	1.45	1.10
(2)	681—Silver, platinum & other platinum group metals	125,179	100.00	0.00	6.30
(3)	522—Inorganic chemical elements, oxides, halogen	56,380	98.66	23.75	3.81
(4)	333—Crude oil from petroleum or bituminous min.	21,978	0.00	1.66	0.59
(5)	288—Nonferrous base metal waste & scrap, nes ^a	19,987	97.05	16.00	2.88
(6)	112—Alcoholic beverages	18,879	0.79	63.47	2.91
(7)	212—Furskins, raw	16,809	100.00	0.00	8.00
(8)	525—Radioactive and associated materials	16,175	88.00	25.00	4.00
(9)	562—Fertilizers (except crude)	14,699	100.00	0.00	3.10
(10)	511—Hydrocarbons & specified derivatives, nes	13,219	100.00	0.00	8.50
(11)	671—Pig iron, iron & steel powd.	11,068	0.00	5.25	2.34
(12)	896—Works of art, collectors' pieces, and antiques	9,595	99.99	33.37	3.61
(13)	722—Tractors (oth. than mechanical handling equipment)	8,288	100.00	0.00	2.19
(14)	652—Cotton fabrics, woven (not narrow or spec. fabric)	5,800	0.00	16.05	9.25
(15)	634—Veneers, plywood, particle bd., oth. wood	5,532	0.00	35.96	6.37
(16)	037—Fish/crustaceans/molluscs/aq. invbrte.	3,131	9.56	29.75	9.05
(17)	931—Special transactions & commod.	2,657	99.72	5.56	0.95
(18)	672—Iron or steel primary forms & semifinish. prod.	2,599	61.95	20.02	4.37
(19)	684—Aluminum	2,203	82.06	10.50	3.30
(20)	512—Alcohols, phenols, etc. & halogenated, deriv.	1,895	0.00	27.42	8.95
(21)	689—Misc. nonferrous base metals for metallur. & cer.	1,890	73.05	19.52	6.89
(22)	036—Crustaceans, etc.	1,692	100.00	0.00	7.41
(23)	666—Pottery	1,683	0.00	69.86	9.03
(24)	892—Printed matter	1,413	96.54	14.05	2.97
(25)	664—Glass	1,360	0.00	18.62	5.78
(26)	277—Natural abrasives, nes	1,242	99.45	0.00	1.41
(27)	035—Fish, dried, salted, or in brine; smoked fish	1,196	0.00	28.14	2.83
(28)	950—Coins, including gold; proof and pres. sets	1,053	100.00	0.00	0.00
(29)	263—Cotton textile fibers	986	0.00	4.86	3.95
(30)	776—Thermionic, cold cathode, photocathode valves	906	8.21	35.00	5.67
(31)	523—Metallic salts and peroxy salts of inorganic acid	902	24.47	5.28	3.14
(32)	287—Ores & concentrates of base metals, nes	900	100.00	0.00	5.32
(33)	984—Est. of low valued items elig. for informal ent.	826	45.28	0.00	0.00
(34)	667—Pearls, precious & semiprecious	737	76.23	10.20	2.34

(continued)

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Commodity group (1)	Imports from Soviet Union (2)	Duty free share (percent) (3)	Rate on dutiable imports	
			Soviet Union (percent) (4)	MFN countries (percent) (5)
(35) 665—Glassware	698	0.00	54.47	10.97
Total (35 leading commodity groups)	\$541,551	54.00	9.31	1.91
Percent of total U.S. imports from the Soviet Union	97.70			

Note: Commodity groups are at the three-digit SITC Revision 3 level. Tariffs on Soviet imports are assessed at the non-MFN rate.

^aNes denotes not elsewhere specified.

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

As shown in table II.2, the average tariff rates on Soviet exports are already quite low, primarily because the bulk of Soviet exports are natural resources and semiprocessed goods, commodities with low tariff rates compared to manufactured goods. More than half of Soviet exports enter the United States duty free (see column 3).

Table II.3 presents U.S. imports from the Soviet Union with the highest ad valorem equivalent tariff rates. The 35 commodity groups with the highest tariff rates account for 4.2 percent of U.S. imports from the Soviet Union. The amount of high tariff goods that enter the U.S. market is quite small. This may be due to the high tariff rates. Three of the groups—alcoholic beverages, pottery, and glassware—are among the leading U.S. imports from the Soviet Union shown in table II.2 and account for 92 percent of the dollar value of the imports included in table II.3. About 1 percent of the imports shown in table II.3 enter the United States duty free. The average non-MFN Soviet tariff rate for these imports is 64 percent, compared to an average tariff rate of 11.9 percent for MFN countries. These commodities are primarily manufactured or processed goods. Textiles account for 11 of the 35 groups. Lower tariff rates under MFN may cause the Soviets' export of these products to the United States to increase as well as other manufactured goods that the Soviet Union does not currently export to the United States.

**Appendix II
Tariff Rates on U.S. Imports From the
Soviet Union**

Table II.3: MFN and Non-MFN Tariff Rates on U.S. Imports From the Soviet Union With the Highest Rates (1987-89)

Dollars in thousands

Commodity group (1)	Imports from Soviet Union (2)	Rate on dutiable imports	
		Soviet Union (percent) (3)	MFN countries (percent) (4)
All commodities	\$554,324	9.93	5.24
(1) 122—Tobacco, mfg.	3	143.60	43.86
(2) 542—Medicaments (including veterinary medicaments)	8	134.74	5.26
(3) 515—Organ-inorganic & heterocyclic compounds etc.	127	121.56	7.51
(4) 269—Worn clothing & other textile articles; rags	2	93.01	2.38
(5) 657—Special yarns, special textile fabrics, etc.	*	80.12	8.42
(6) 897—Jewelry, goldsmiths' & silversmiths' wares	40	79.94	7.18
(7) 813—Lighting fixtures and fittings, nes ^a	5	78.63	6.87
(8) 553—Perfumery, cosmet. or toilet prep., exc. soaps	80	76.87	4.95
(9) 845—Articles of apparel of textile fabrics, nes	119	76.79	20.99
(10) 884—Optical goods, nes	7	73.69	6.90
(11) 843—Mens' or boys' coats, jackets, text., knit	*	72.33	23.87
(12) 844—Womens' or girls' coats, capes, etc., textile, knit	5	71.99	22.53
(13) 696—Cutlery	2	71.80	8.83
(14) 846—Clothing accessories, of tex., ex. babies'	8	70.26	13.33
(15) 666—Pottery	1,683	69.86	9.03
(16) 894—Baby carriages, toys, games, and sporting goods	338	67.89	5.78
(17) 746—Ball or roller bearings	24	66.34	8.91
(18) 885—Watches and clocks	369	64.41	3.67
(19) 112—Alcoholic beverages	18,879	63.47	2.91
(20) 841—Mens' or boys' coats, jackets, text., not knit	58	56.71	20.65
(21) 654—Woven fabrics of text. mat., not cotton or manmade	11	56.19	14.11
(22) 842—Women/girls' coats, capes, text. fabric, not knit	95	55.90	17.40
(23) 665—Glassware	698	54.47	10.97
(24) 514—Nitrogen-function compounds	28	53.04	9.36
(25) 893—Articles, nes, of plastics	69	49.33	4.35
(26) 871—Optical instruments and apparatus, nes	11	47.41	7.67
(27) 872—Inst. & appls., nes, for medical, dental purposes	15	46.53	6.00
(28) 659—Floor coverings, etc.	112	45.50	6.59
(29) 058—Fruit, prsvd., fruit preparations (excl. fruit jc.)	21	45.40	5.20
(30) 749—Nonelectric parts & accessories of machry., nes	*	44.89	4.04
(31) 658—Made-up articles of textile materials, nes	49	44.46	9.46
(32) 699—Manufactures of base metal, nes	79	43.77	5.26
(33) 891—Arms and ammunition	39	43.39	4.65
(34) 848—Apparel & cl. acc. exc. textile; hdgear, all mat.	25	42.19	6.59

(continued)

**Appendix II
 Tariff Rates on U.S. Imports From the
 Soviet Union**

Commodity group (1)	Imports from Soviet Union (2)	Rate on dutiable imports	
		Soviet Union (percent) (3)	MFN countries (percent) (4)
(35) 786—Trailrs & semi-trailrs; oth. veh. not mechan. propld.	3	41.44	3.25
Total (selected commodity groups)	\$23,014	63.55	11.88
Percent of total U.S. imports from the Soviet Union	4.15		

Notes: Commodity groups are at the three-digit SITC Revision 3 level. Tariffs on Soviet imports are assessed at the non-MFN rate.

An * indicates imports are valued at less than \$500.

^aDenotes not elsewhere specified.

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

Soviet Exports as Reported by the CIA and GAO Estimates Using U.N. Data (1984 - 86)

Dollars in millions

Country grouping	Number of countries reporting to the U.N.			Average export estimates using U.N. data	Average CIA export estimates	Export estimates as percent of CIA estimates
	1984	1985	1986			
Developed countries	27	27	27	\$25,053	\$22,581	110.95
Less developed countries	66	57	41	2,391	12,548	19.05
Communist countries	4	2	3	12,087	56,786	21.29
Total	97	86	71	\$39,531	\$91,915	43.01
(Percent of the total) ^a						
Developed countries				63.38	24.57	
Less developed countries				6.05	13.65	
Communist countries				30.58	61.78	

Notes: U.N. trade data are based on reports of imports from the Soviet Union by its trading partners. Not all countries report their trade data to the United Nations. This is particularly true for Communist countries. Bulgaria, Cuba, and East Germany are three countries with substantial trade with the Soviet Union that do not report their trade figures. This may explain some of the differences in the estimates of Soviet exports using the U.N. and CIA data.

Imports are usually reported on a cost, insurance, and freight basis. This overstates the free-on-board value of exports. The International Monetary Fund's International Financial Statistics estimates the cost, insurance, and freight/free-on-board factor at 4.5 percent for developed countries and 10 percent for less developed countries.

The data reported by the CIA are official Soviet statistics using the U.S. dollar exchange rates for the Soviet foreign exchange ruble as announced by the State Bank of the Soviet Union. Exports are reported free on board. Average exports are for the 3 years 1984-86.

^aDoes not total 100 percent because of rounding.

Source: U.N. trade data computer tapes; Directorate of Intelligence, CIA, Handbook of Economic Statistics, 1989, p. 159.

Objectives, Scope, and Methodology

In developing this briefing report, our objectives were to (1) provide data on Soviet exports to the United States and the rest of the world, (2) compare the similarity between leading Soviet exports to the United States and other selected countries, (3) provide data on tariff rates for U.S. imports from the Soviet Union, and (4) compare them to rates for countries granted MFN trade status.

We obtained information on Soviet exports from reports of imports from the Soviet Union by its trading partners. This information is compiled by the U.N. However, because only three East European countries report their trade to the U.N., the estimate of Soviet exports to all reporting nations understates total Soviet exports.¹

We used U.N. trade data at a three-digit SITC Revision 1 commodity group classification level to construct comparable Soviet export trade to the United States, other selected countries, and all reporting countries. For table II.1, we used a U.N. trade concordance to match SITC Revision 1 trade groups with SITC Revision 2 tariff rates computed from Department of Commerce trade data. Tables II.2 and II.3 report imports for 35 three-digit SITC Revision 3 commodity groups from a total of 263 commodity groups.

We used a 3-year average of trade to ensure that normal trade patterns were represented. U.S. trade figures included in tables I.1 and II.1 cover the 1986-88 period, while those in tables II.2 and II.3 are for the 1987-89 period. These are the most recent data available for each country or region. We reported information for the leading 35 commodity groups out of a possible 248 groups.

We obtained information on U.S. tariff rates, the Soviet share of total U.S. imports, and the share of U.S. imports that is duty free from U.S. trade data reported by the Department of Commerce. For all the tables in appendixes I and II, the commodity codes and descriptions are those provided in the U.N. or U.S. computer trade databases.

We computed the average tariff rates as a ratio of calculated duties collected, divided by the value of U.S. imports using data from the U.S. trade computer database maintained by the Department of Commerce. This is a trade weighted average tariff rate with actual import values

¹East European and Communist countries that do not report their trade to the United Nations include Albania, Bulgaria, Cambodia (Kampuchea), Cuba, East Germany, North Korea, Laos, Mongolia, Romania, the Soviet Union, and Vietnam.

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 the Soviet Union and countries granted MFN may not be fully comparable at the three-digit commodity group level.² In tables II.1, II.2, and II.3, the percentage composition of individual goods in the MFN group may differ from the percentage composition of Soviet imports in a corresponding group. This may result in weighting the average commodity group tariff rates differently.³ On the other hand, if the Soviet Union begins to diversify its exports if it is granted MFN status, the three-digit MFN tariff rate may approximate the tariff rate for future Soviet exports.

We conducted this review from February through May 1990 in accordance with generally accepted government auditing standards. As requested, we did not seek formal agency comments on this report.

²Average tariff rates can be compared at the individual commodity 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 Soviet group. In all cases, the MFN tariff rate must be less than or equal to the non-MFN rate for an individual commodity.

³For example, 99 percent of Soviet imports of inorganic elements shown in table II.1 enter the United States duty free. The average tariff rate for the remaining 1 percent is 24.5 percent. For MFN imports, 56 percent enter duty free, and the average tariff rate on the remaining dutiable imports is 4.6 percent. Although the non-MFN Soviet tariff rate is higher, the different percentage composition weightings result in a lower average tariff rate of 0.31 percent for imports from the Soviet Union compared to 1.99 percent for imports from MFN countries.

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