

In these countries, the foreign trader cannot choose among alternatives, as he can in a normal, competitive market. He is directed to a designated state export (or import) agency. There, he soon comes face to face with an unresponsive, bureaucratic monolith which exercises a monopoly over the specified commodity of interest to him. The only choice he has is either to persuade this agency to deal with him or to pull out of the market altogether.

Because they do not really "have a feel" for the market, and are mechanically supervised, the state-trading agencies spend an inordinate amount of their time "shopping," sampling offers from all types of sources. In these time-consuming operations, they try to use the one obvious advantage they have, namely their size, to promote sharp competition among a vast number of free world traders for each major transaction. More often than not, these trading corporations are motivated by goals and considerations that have very little in common with private commercial firms. Typically, their behavior is marked by the following characteristics:

1. Elaborate and slow procedures for negotiating and completing commercial transactions.
2. Unusually large size of average transactions.
3. Lack of independence on the part of the trading units: all are state-owned and directed from a single political center.
4. A strong bias in favor of linked transactions, i.e., barter deals designed to improve their position to earn exchange whenever they have a large order to place.
5. A tendency toward sharp reversals in practice due to unexpected changes in directives and periodic shifts in personnel.
6. Reluctance to provide market information, or any other guide to future economic behavior, due in part to the absence of published domestic market data in the type of "command economy" that is in effect in the Soviet bloc.

B. THE PROPENSITY TO DUMP

The manner in which the Soviet bloc trade agencies price their exports has been another serious obstacle to the development of mutual confidence in East-West trade. On our side, we have tried hard to identify the motives that so often impel the Soviet Union and its allies to dispose of some of their commodities at dumping prices. In the process of searching for specific motives that may be operative in each particular case, we have overlooked, it seems to me, an important basic cause of this behavior, namely, the built-in propensity to dump that stems from the general method of operation under the State trading system.

This is a system, as we know, that is not sensitive to minor shifts in the supply-demand balance. Internally, the economy works without the benefit of an organized jobber-wholesaler trade. The "plan," presumably, makes that unnecessary. Hence, the trade monopoly often finds itself with large unhedged surpluses or deficits on its hands. Just as often, too, it is suddenly confronted by a heavy deficit in foreign exchange of one kind or another. In such cases, the order goes out to sell, in a given market, at any price, and before the expiration of a given accounting period.

To this set of characteristics has to be added still another source of motivation to dump. This is the continuing, recurrent attempts to