billion dollars in the latter year. This represents an annual rate of growth of about 12% a year. The eastern European markets have been the most rapidly growing ones for O.E.C.D. exports during this period.

Besides the conventional exports and imports Western industrial nations have entered into licensing arrangements, sales of technology, and turnkey agreements involving sales of machinery and technology and provision fo engineering services for the establishment of plants in Eastern Europe. A major recent development has been negotiation of types of joint ventures or co-production agreements. The Western partner in these co-production arrangements usually supplies machinery, technical know-how, some management in an advisory capacity, and world marketing channels. The East European partner supplies the plant, workers, raw materials, and often certain components. Some of the output may be marketed in the Western country or in third countries through the marketing channels of the Western partner. This provides part of the payment to the Western company. Other payment takes the form of fees, royalties, interest on loans, and a share of earnings on sales. This type of arrangement is advantageous to both sides because it utilizes the comparative advantage of both parties, facilitates payment for equipment and technology, provides an opportunity of producing goods in Eastern Europe utilizing the substantial supply of skilled, well trained, and inexpensive workers, technicians, and engineers, and enables the produced goods to be sold in Eastern Europe, Western Europe, and other countries. These co-production ventures are expected to multiply in the years ahead.

United States has hardly participated in the growing trade with Eastern Europe. Its exports and imports amounted to 376 million dollars, about 7% of its total world trade in 1966 and 372 million dollars, about 6% of its total world trade in 1967. On the other hand, the trade of other O. E. C. D. countries increased by about 11% in 1967. Still, we should consider that a number of American companies conduct trade with Eastern Europe through their subsidiaries while no precise data is available, it is estimated that sales of machinery and equipment through U.S. subsidiaries are about three times greater than those from plants in this country. Few American companies have participated in the turnkey agreements, the package deals, and the co-production ventures—all of which have become increasingly important in recent years—except through their subsidiaries.

C. Some Major Problems in Trading with Communist Countries

It should be emphasized that many of the problems in developing East-West trade arise from the Communist economic system and their political and economic policies, including the centrally planned economies of Communist countries in which imports and exports are determined as part of their national plan, the monopolistic conduct of trade by state trading organizations, the past Soviet efforts to achieve autarchy and to restructure trade among COMECON countries, the bilateral character of their trade, the divorcement of their domestic prices and world market prices, their shortage of gold and convertible currencies, and their difficulty in selling to the West. Even with the recent expansion of East-West trade, only 30% of the foreign trade of CONECON countries has been with countries outside of this economic bloc. Furthermore, the Eastern European countries continue to be primarily exporters of agricultural foodstuffs, petroleum, minerals, and other raw materials, which have limited opportunities for expansion in the West in view of alternative available sources of supply, trends in demand, and developments in technology.

The obstacles are even greater in developing trade between the United States and Eastern Europe. The United States does not have the long historical trade ties with Eastern Europe that Western Europe has, now in the process of being revived. Furthermore, the economy of this country is far less complementary than that of Western Europe and Japan with Eastern Europe. Since the Eastern European countries have been primarily exporters of agricultural foodstuffs, fuels, raw materials, and base metals, in recent years, they have considerable difficulty in selling to the United States. Nevertheless, COMECON countries have developed a considerable industrial base and history shows that as nations industrialize and modernize their economies, the structure of their trade changes. The continuation of economic reforms, the establishment of more consumer oriented economies, and higher living standards in Eastern Europe should not only foster a rapid growth of trade but major structural changes in the composition and direction of their international trade.