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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
127499	PAPER	RE TRADE WITH THE GERMAN DEMOCRATIC REPUBLIC	2	ND	B1
		<i>R 2/3/2017 STATE WAVIER 2015</i>			

The above documents were not referred for declassification review at time of processing

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DEPUTY UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506
202-395-5114

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CONFIDENTIAL ATTACHMENT

February 26, 1988

MEMORANDUM

TO: MEMBERS OF THE TRADE POLICY REVIEW GROUP
FROM: MICHAEL B. SMITH, ^{dlm}Chairman
SUBJECT: TPRG Meeting, February 29

The attached material was submitted by the Department of State as background for our meeting on Monday, February 29.

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1/19/12 (007)

127499

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TPRG AUTHORIZATION FOR TRADE AND
BUSINESS FACILITATION NEGOTIATIONS
WITH THE GERMAN DEMOCRATIC REPUBLIC

ISSUE

The German Democratic Republic (GDR) has proposed discussions to improve bilateral trade relations. The United States Government must decide how to respond to the GDR's request for "limited trade negotiations."

RECOMMENDATION

That the United States Trade Representative be authorized to enter into trade negotiations with the GDR seeking to obtain improvements in access to GDR markets for U.S. exporters as well as to determine the desirability of selective reductions in U.S. tariffs on items of export interest to the GDR. The TPRG would review the results of the negotiations at an appropriately early stage.

PRIVATE SECTOR VIEWS

Extensive consultation with the private sector has not yet taken place. However, some industry and labor groups may be expected to voice concerns about any reductions in their tariff protection. Others want to see improved access to the GDR market. During the course of our consultations, these views will become more clearly defined and will be taken into account in the negotiations. Highly sensitive import items should not be included in the agreement.

BACKGROUND

On January 11, 1988, the GDR Embassy, by diplomatic note, proposed entering negotiations "on the conclusion of an intergovernmental agreement on easier terms of trade, including tariff reductions in respect of certain groups of export goods of the German Democratic Republic to the United States of America." This latest request reiterates GDR interest, expressed earlier through informal GDR contacts over several years, in a very limited list of items which would be accorded column one tariff treatment for a specific period of time. Several agencies were briefed in 1986 and 1987 on these exploratory GDR soundings.

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Trade talks are being considered at this time in conjunction with ongoing discussions of other issues in the bilateral relationship. While in the trade area the East Germans are focussing on improved tariff treatment, the U.S. objectives in the talks should be to obtain significant benefits through improved access to the East German market. This could be achieved, inter alia, through an agreement with the GDR to improve "doing business" conditions for U.S. citizens in the GDR.

The results of these negotiations will be subject to interagency review. In view of the broader context in which these negotiations are taking place, final decisions on the outcome of the trade talks would not be made in advance of nor independently from, the satisfactory conclusion of negotiations on several issues of interest to the United States.

Current U.S. trade with the GDR is quite limited (see attached fact sheet).

Attachment: As stated.

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ECONOMIC FACT SHEET -- GDR

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
1. Economic Indicators				
-- 1a. Population (mid-year, million)	16.70	16.66	16.64	16.62
-- 1b. Official Unemployment Rate (percent)	0	0	0	0
-- 1c. Gross Domestic Product* (M million)	217.8	229.9	241.9	252.2
-- 1d. GDP Per Capita (M)	13045.0	13791.0	14532.0	15171.0
-- 1e. Investment/GDP Ratio (percent)	20.2	17.7	17.6	18.2
-- 1f. Real GDP** (percent change)	4.62	5.55	5.20	4.28
-- 1g. Real GDP Per Capita (percent change)	4.61	5.81	5.34	4.38
-- 1h. Inflation Rate (Official Prices in percent)	0	0	-0.1	0
2. Fiscal Indicators				
-- 2a. Public Sector Revenues	<u>1975</u>	<u>1980</u>	<u>1985</u>	
-- as Percent of GDP	80.53	85.88	97.38	
-- 2b. Public Sector Expenditures				
-- as Percent of GDP	80.16	85.69	96.91	
-- 2c. Public Sector Balance as Percent of GDP	.0035	.0019	.0047	
3. Balance of Payments				
-- 3a. Exports to U.S. (\$ million)	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
-- 3b. Imports from U.S. (\$ million)	139.0	136.9	72.5	67.9
-- 3c. Total Exports*** (VM billion)	62.6	167.4	101.1	94.1
-- 3d. Total Imports (VM billion)	84.2	90.4	93.5	91.5
-- 3e. Merchandise Trade Balance (VM billion)	76.2	83.5	86.7	90.5
--	8.0	6.9	6.8	1.0

FOOTNOTES:

* Represents GDR macroeconomic aggregate ("Produced National Income") most closely corresponding to GDP, but omits "nonproductive" services and depreciation charges.

** GDR statistics probably not inflation-adjusted -- real GDP growth likely lower than official figures.

*** VM ("Valuta Mark") is non-convertible GDR unit of account for foreign trade.

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OFFICE OF THE
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1/14/1 East Germany*

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The Honorable Dan Crippen
Deputy Assistant to the President
West Wing
THE WHITE HOUSE

- 1) on demand
- 2) Prescription / Political
- 3) Counter production
- 4) - negotiation conditions

- Robi Miller
- 1) draft for EPC
 - 2) State - Canada - econ. balance
 - 3) State - Canada - political
 - 4) meet in 2 weeks
 - 5) alternative to EPC

pro: Gibbons - Federal - Return
 con: ... will be difficulties
 Claims \$100 - 300 m
 timing 3-6 months
 GDR book market
 April 12-13

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- Economics?
- Prescription / politics - Cong. response?
- timing
- leg. strategy / probability of success -
- bilateral discussions? - eg. April 12-13

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 OEA
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 NSC