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1. ~~East German~~ export sales prices for products sold to non-Soviet Bloc countries are not necessarily indicative of the manufacturing costs of the product. While these latter costs are included in the calculations, the factor of competitive prices for the same product on the world market in non-Soviet Bloc countries is used to determine the export sales price. In general terms, the export sales price is determined as follows. 25X1

- a. The manufacturer of a product for export informs the DIA organization handling the export order of the manufacturing costs. This includes all expenses involved in the manufacture of the product. The DIA adds prescribed profit quotas and the cost of shipping the product to an export harbor or other station from which the product would normally leave the country.
- b. Sales representatives in non-Communist Bloc countries constantly submit quotations of sales prices of products exported by other countries. These sales prices from competitors are used to establish a maximum sales price for the East German product which can compete favorably with the sales prices offered by other countries. A relationship is then established between the total DME costs, including a satisfactory profit and the optimum sales prices developed to compete on the world market. This relationship is expressed by a coefficient, by which the DME sales price is multiplied in order to find the export sales price expressed in foreign currency.
- c. The following is a hypothetical example. A certain type of radio receiver, Type "A", costs 150 DME to manufacture, pack, and ship to a potential customer country. A similar radio, built by a competing country, sells in the same potential customer country for the equivalent of \$50.00. This shows a ratio of 150 DME to \$50 and can be expressed by the coefficient .33. ~~Other sales prices show a similar relationship between competing sales prices and DME costs. For example, the DME cost of a certain type of radio receiver is 150 DME and it sells for \$50.00 in the customer country.~~

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instance, such a coefficient would be .33 for a radio which costs 150.00 DME to produce, ship, and sell is sold for about \$46.50 or \$47.50. This, of course, is out of all proportion to the price of the radio if free money market conversions were used. 150 DME on the Berlin open exchange is worth approximately 33.33 DMW; which [REDACTED] approximately \$7.93.

- d. These conversion coefficients are prepared to at least four decimal places. It has been observed, however, that the conversion coefficient from DME to U.S. currency fluctuates between .3 and .33 for machinery exported by DIA-Invest-Export, depending upon the country and the specific type of product. The coefficient applicable to DME and pound sterling conversion varies from .25 to .1. The latter factor seldom goes that low, however.
2. It happens at times that the East German Government decrees that a certain product be sold at less than cost for various reasons, such as prestige, desire to damage the industry or economy of a competitor country, or need to acquire hard-currency foreign credits.

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