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THE POLITICAL STAKES
IN EAST-WEST TRADE

A Report on a Factfinding Trip to
the U.S.S.R. and Eastern Europe

SUBMITTED TO THE
SUBCOMMITTEE ON FOREIGN ECONOMIC POLICY
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

BY
Senator JACOB K. JAVITS



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LETTERS OF TRANSMITTAL

FEBRUARY 2, 1962.

To the Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee and other Members of the Congress is a study paper prepared by Senator Jacob K. Javits for the Subcommittee on Foreign Economic Policy titled, "Political Stakes in East-West Trade: A Report on a Fascinating Trip to the U.S.S.R. and Eastern Europe."

It is hoped that this paper will be especially useful to the members of the committee and to other Members of Congress in their consideration and study of foreign economic policy questions.

Sincerely,]

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

FEBRUARY 2, 1962.

HON. WRIGHT PATMAN,
*Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a study paper which has been prepared for the Subcommittee on Foreign Economic Policy: This paper, entitled "Political Stakes in East-West Trade: A Report on a Fascinating Trip to the U.S.S.R. and Eastern Europe," has been prepared by Senator Jacob K. Javits. Senator Javits who recently conducted an investigation in the Soviet countries for the subcommittee presents some of his findings in this report.

I believe that this study paper will be extremely helpful to the members of the Joint Economic Committee and to other Members of Congress in their considerations of foreign economic policy issues.

Sincerely,

HALE BOGGS,
Chairman, Subcommittee on Foreign Economic Policy.

JANUARY 31, 1962.

HON. HALE BOGGS,
*Chairman, Subcommittee on Foreign Economic Policy, Joint Economic
Committee, Washington, D.C.*

DEAR MR. CHAIRMAN: I submit herewith my report on a fact-finding trip, made in November 1961 on authorization of the subcommittee, to the U.S.S.R. and other parts of Eastern Europe.

In this report, I have attempted to (a) convey the substance of the extended conversations held with various Soviet bloc officials and Western diplomatic representatives in Moscow on the subject of East-West trade; and (b) record some of my personal reflections upon the present state of our trade relations with the Soviet bloc in particular.

I should like to avail myself of this opportunity to express my appreciation to the subcommittee and to you, Mr. Chairman, for the cooperation you have extended to me and for the assignment as my staff assistants for the duration of the trip of two such highly qualified experts to help me deal with the problems inherent in trading with Communist countries, namely Samuel Pisar, Esq., and Mr. Leon M. Herman.

Mr. Pisar, who is a public-spirited lawyer with extensive experience in the legal aspects of Soviet foreign trade, has been most helpful in working on the intricate problems that arise in the course of the commercial transactions between private enterprise economies and state trading nations. You will recall, his most recent public contribution in this field was the study, titled "A New Look at Trade Policy Toward the Communist Bloc," prepared for the subcommittee and issued as a joint committee print. For my own purposes, as related to this trip, I found Mr. Pisar's study most helpful in providing a well-balanced presentation of factual data and interpretation of the legal issues involved in the conduct of East-West trade.

Mr. Leon M. Herman, a specialist on the Soviet economy working with the Legislative Reference Service, Library of Congress, was most helpful as a technical consultant and in our investigations in the field. His expert knowledge of the subject of East-West trade is based on 20 years of service in this field with the U.S. Government, first, with the U.S. Department of Commerce and, since 1958, with the Library of Congress.

In addition to their close knowledge of the technical side of Soviet foreign trade, both of these specialists are fully conversant with the language, institutions, commercial history, and cultural environment of the U.S.S.R., and proved to be of invaluable assistance during our official interviews as well as in our briefing sessions.

Sincerely yours,

JACOB K. JAVITS.

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INTRODUCTION

My recent oversea exploration of the economic policy problems that arise in connection with East-West trade, carried out on the authorization of the Subcommittee on Foreign Economic Policy, took me mainly to the Soviet Union. I concentrated my inquiry on the U.S.S.R., during the last of November 1961, in the attempt to find answers to the pertinent questions through interviews with responsible officials and through direct observation, to the extent that such observation is feasible or meaningful in a Communist-governed country.

In arranging appointments with the appropriate officials in the U.S.S.R., we ran into the usual measure of delay, uncertainty, and indirection. Nevertheless, we succeeded in holding productive interviews with high level officials of the Soviet Ministry of Foreign Affairs, in the State Committee for Cultural Relations with Foreign Countries, in the Ministry of Foreign Trade, and with representatives of the Supreme Soviet of the U.S.S.R.

In exploring the area of Soviet trade trends and prospects, I made specific inquiries as to what are the plans of the U.S.S.R. with respect to its likely participation in international agreements on patents and copyrights. Another area which I explored in these exchanges was the possibility of working out a mutually acceptable code of trading practices between the West and the Soviet bloc which would take account of the difference in trading institutions in effect in the two systems and provide a mutually acceptable formula for protection against such hazards as dumping and other unfair trading practices.

In the course of these encounters with Soviet officials, I also had the opportunity on a number of occasions to express my own views on present trends in world trade, calling attention to the fact that the flexible, multilateral system of international trade is showing every sign of winning out over the more rigid bilateral method of trading. On such occasions I also ventured my personal opinion that, under present conditions of rapid technological change, economic autarchy and minimization of foreign trade could not be an adequate policy for the great industrial nations of our times. I stated that our own national experience and that of the other economically advanced countries around the world has demonstrated the fact that the industrial nations are each other's best customers and that the outlook for the future is for a tremendous expansion in such trade commensurate with the growth in industrial development among the nations of the world.

I came away confirmed in my belief that the Communists fear most the potential of an economically integrated Atlantic community and, eventually, an economically integrated free world, and that, therefore, their hope for advantage resides now in exploiting any divisions in the economic policies of the Atlantic community. This report is intended to contribute to the formulation of policies which, by uniting the free world in its economic dealings with the Soviet monolith, can rebuff Communist expectations of penetration through trade.

THE POLITICAL STAKES IN EAST-WEST TRADE

I. A TIME FOR REVIEW OF OUR TRADE POLICY TOWARD THE SOVIET BLOC

The conduct of our commercial relations with the countries of the Communist bloc cannot be isolated from our international policy as a whole. The policies we pursue in this sector of our trade exert a significant influence on the nature of our commercial posture toward the rest of the world. They affect directly the climate of our relations with the advanced industrialized countries of the West as well as the nature of our response to the needs of the emergent and still underdeveloped nations around the globe. For this reason, it seems to me, it is of the utmost importance at the present juncture in our trade policy discussions to reexamine the whole complex of problems involved in trading with the Communist countries. There is an urgent need at the present moment to bring our commercial posture into better balance with the newly evolving patterns of economic relations in the main lanes of the world market that are certain to be of great consequence to the flow of our own trade as well as to the stability of the international economy as a whole. An economically integrated Atlantic community, through the tangible realization of its united interests, can resist the great pressure now exerted by the Communist bloc in its attempts to pick the best fruit of our technology to build up its own economic machinery.

There is no question that even a little trade with the industrialized free world is of advantage to the Soviets. But the facts also indicate that the disadvantage to our national interest in trade with the Communist bloc grows in proportion with the disunity among the free world industrialized nations on this subject. This disadvantage must be turned into a gain for the free world—a gain commensurate with the objectives of trade between equals. The real issue is not in withholding from the Soviet bloc nations all of the goods which they seek to import, but in utilizing their desire for those goods which a united Atlantic community is willing to sell, as the basis for maximum gains for peace and freedom. Judicious application of this policy with Soviet satellite countries is especially important.

A. OUR ECONOMIC RELATIONS WITHIN THE WESTERN COMMUNITY

The serious inquiries that are now underway, and will undoubtedly continue well into the future, bearing upon the conditions of our economic intercourse with the European Economic Community, ought to provide the necessary backdrop against which the Western community of nations might proceed to reexamine in a constructive way the role likely to be played by Soviet bloc trade in the international economic relations of the industrialized nations. Our friends across

the Atlantic are increasing their economic and political cohesion, they are developing a kind of United States of Europe, which is projected to be an economic unit large and powerful enough to create an internal market of a size comparable to the United States and the U.S.S.R. To the extent that this will improve the economic health of Western Europe, we are all convinced that the movement is proceeding in the right direction. We are persuaded that it will offer vast new opportunities for increased economic investment and thereby raise the level of prosperity and mass consumption in the whole free world.

In that spirit, we have already taken several joint steps to strengthen the bonds that tie us in the Western Hemisphere to the nations on the other side of the Atlantic. We have done this, among others, through the OECD—the Organization for Economic Cooperation and Development. In this new organization we are working together with Canada and the European countries; we are developing common economic policies, pooling our resources and our ideas on production and investment, devising techniques to improve and stabilize the operation of providing aid to underdeveloped nations, wrestling with the difficult problem of widely fluctuating prices of primary commodities and other disturbing influences in the world market.

Now a new growing trade community, and along with it a new economic climate, is in the making in Western Europe. It offers new and challenging opportunities for the United States to cooperate and exchange the benefits of progress with this area by improving the conditions for a freer flow of international trade. By availing ourselves of these opportunities, we should be able to see a number of problems from a better perspective. Western Europe is in the midst of a "ferment of change." A period of sustained high rates of growth has created on that continent, in part with our assistance, an atmosphere of self-confidence, bringing in its wake a steady rise in the standard of living.

In this atmosphere of change, we must see to it that the process of change pursues a constructive course. We must see to it that as a result of this transformation the economic strength of Europe will be reinforced by our own considerable capabilities and dynamism for the purpose of merging the forces of economic freedom into one vast economic marketplace where the goods and the skills of nations can be exchanged in a climate of good will and justice to the advantage of all participants.

The President of the United States has given expression to the opportunities beckoning beyond the new economic horizon in his message to the 48th National Foreign Trade Convention in New York on November 1, 1961:

Our supreme economic challenge at this moment in our history does not arise from the Sino-Soviet bloc itself. Our greatest immediate challenge is the task of achieving maximum interaction and cooperation between the expanding industrial societies of North America and Western Europe—for the purpose of assuring our mutual prosperity, of accelerating our rate of economic growth, in order that we may together promote the stability and progress of the less developed nations of the world. * * *

We are determined that the United States shall adopt policies which will enable us to meet this challenge, and thereby resume our proper role of leadership, in the development of a dynamic and prosperous free world economy.

B. A COMMON POLICY TOWARD THE BLOC

The need for resuming more actively our position of leadership is strongly indicated by all signs on the world economic landscape. It is especially urgent, I submit, in the area of East-West trade. In this sphere, our policies seem to have broken away from the moorings of close cooperation with our Western allies and we are now drifting in the uncharted waters of unilateral action. We have surrendered the advantages of free world solidarity with which we confronted the Soviet bloc during the late 1940's and early 1950's and have received nothing tangible in return. The strategists of the Soviet Union have not failed to exploit this lack of a common position on the issue of East-West trade within the Atlantic alliance. They have exploited the existing lack of unity, have pitted one Western nation against the other in a campaign of commercial pressures and blandishments in which major trading firms in Europe, have been forced to compete among themselves in a race to see who will contribute more, in goods, in know-how, and in commercial credits to the modernization of the large but technologically relatively sluggish industrial plant of the Communist bloc insofar as it deals with civilian goods.

I believe that at the present momentous stage in intra-Western cooperation it is most appropriate and timely to resolve the issue of a coordinated commercial policy toward the Soviet bloc. Assuredly, such a policy of practical coordination must soon emerge as one of our basic objectives. However, such coordination must not be achieved at the expense of any member of the alliance. It must, as its foremost goal, attempt to reconcile the legitimate commercial interests of Western businessmen with the abiding need of the governments of the Atlantic coalition for a common response on all major issues that enter into our political confrontation of the Communist world.

When the time comes to sit down around the table with our partners in Western Europe to discuss the wider opening of our own vast market to their products, we should be prepared to submit specific proposals on how to include within the intra-Western trading mechanism a common procedure for commercial relations with Communist countries. To arrive at such a joint procedure, it may be necessary to trade off certain specific safeguards and practices that have proved useful and congenial to individual countries in the past for a concerted approach on the basis of a procedure acceptable to the community as a whole. In the long run, this would be a small price indeed to pay for the all-important objective of bridging the wide gaps in policy that now stand as an invitation to the Soviet bloc strategists to lower commercial standards, to sow discord and to promote rivalry and friction among the members of the Atlantic Community.

Economic defense against the fierce commercial pressures applied by the trading monopolies of the Soviet bloc cannot be pursued by any country in isolation. Each nation, if it wants to, can achieve a certain moral satisfaction by ordering its trade with the Soviet bloc according to the dictates of its own conscience. It can indeed decide for itself what to sell to, and what to withhold from, the Communist trade monopolies. By following a withholding policy, however, very little is accomplished: the manufacturers and traders of a country may be deprived of a chance to export a particular product to the Soviet

bloc market, but the Communist economies are not deprived of that product, not so long as producers in another advanced industrial nation are governed by a less restrictive national export policy.

In short, the line of economic action must run along the outside boundary of the community of industrialized nations. Only then can the governments of these countries be secure against bloc political depredations through commerce. Only then can they, moreover, carry out their responsibilities related to the protection of their industrial innovations and the compensation and encouragement of the inventiveness and the creative enterprise of their citizens.

II. THE OPPORTUNITIES FOR BETTER COORDINATION OF WESTERN POLICIES

A. THE STEADY EXPANSION OF EAST-WEST TRADE

One essential fact in the present situation is that the scale of commodity trade between the West and the Communist bloc has been steadily rising in recent years. Whereas in 1953, the value of all goods imported by the countries of the Communist camp from the outside world amounted to \$1.4 billion, by 1960 this same import trade was measured by a figure more than three times as large, namely, \$4.4 billion. At the same time, as a result of its increased participation in trade outside the bloc, the Communist camp has become a more important factor in world trade. Its relative share rose from 1.8 percent of world trade in 1953 to 3.8 percent in 1960.

As far as the industrialized countries of Europe are concerned, the increase in trade with the bloc since 1953 has been ever larger, nearly fourfold. The Communist countries have stepped up, in particular, their procurement from Western Europe of finished industrial products, especially machinery and equipment. The strong trend towards finished industrial products may be illustrated by a few figures from the statistical record.

[In millions of dollars]

	1958	1959	1960	Index ¹
Total exports to Soviet bloc (European Cocom countries)	1,595	1,686	2,018	127
Machinery and equipment	303	369	514	170
Other manufactured goods	678	711	858	127
Chemicals	190	235	224	118
Crude materials	220	169	197	90

¹ 1960 as percent of 1958.

What these figures indicate specifically is that Western exports of machinery increased by 70 percent during the latest 3-year period, as compared with a 27-percent rise in exports across the board to the Soviet bloc.

B. THE SOVIET APPETITE FOR WESTERN TECHNOLOGY

One factor, therefore, looms quite large on the present horizon of East-West trade, namely the manifest strong interest of the Soviet leaders in the economic fruits of their trade with the West. They are, by all indications, strongly bent on continuing and possibly widening

their present procurement of new technology on a massive scale from the advanced industrial countries. It is only fair to say, of course that the private Western firms are equally interested in the consummation of the large export transactions to the Communist bloc. We may be sure, however, that it is not the profit-motivated commercial interest of the Western firms that is decisive in this case. If the Western desire to export were the only factor present, the Soviet authorities, we may be quite certain, would not hesitate for one moment to turn off the tap anytime it suited their purpose. What is in evidence at present, however, is a fairly stable interest on the part of the Moscow leadership in keeping the doors open to this category of seminal imports from the West, and in supporting this inflow, wherever possible, with the aid of large credits extended by the exporting firms. This long-range interest represents something of a new element in the situation. The systematic intake of Western technology represents a major factor in the new economic means employed by the Soviet hierarchy in planning its latest strategy for winning the economic competition against capitalism.

In the course of his long discussion of the weaknesses of the Soviet chemical industry, made public in May 1958, Chairman Khrushchev gave public expression to the notion of sustaining the competition against the West on the basis of appropriating Western equipment and production ideas through a carefully selected import campaign. Such an import campaign, he argued, "would bring about a more rapid fulfillment of our program for the construction of new chemical enterprises without wasting time on the creation of designs and mastering the process of production of new types of equipment."¹

The same theme has been taken up more recently by Deputy Premier Mikoyan. In October 1961, in his speech to the XXII Party Congress, he served notice that the technique of selective importation of prototypes of newly developed equipment from the West will continue to be employed for the purpose of saving the Soviet Government the high cost of innovation in nonmilitary fields of technology. This approach, in other words, has become settled Soviet policy in recent years. Mikoyan's summation of this policy, which may sound rather cryptic to the foreign reader but is abundantly clear to his initiated audience, reads as follows:

It will be necessary to make wide use of foreign trade as a factor for economizing in current production expenditures and in capital investment, with the aim of accelerating the development of corresponding branches.²

The fact that the importation of Western equipment has been acknowledged by the regime to represent a contribution of tremendous and continuing value to the Soviet economy, needs to be given serious consideration in our future commercial approach to the Soviet bloc in general and the U.S.S.R. in particular.

Some appreciation of the rising tempo at which the Soviet Union has recently turned to non-Communist markets to help meet the needs of a lagging industry is provided by the example of the chemical industry. As may be seen below, Soviet imports of equipment, including whole plants, for its chemical industry from the free world have expanded sevenfold within the past 2 years:

¹ Pravda, May 7, 1958.

² *Ibid.*, Oct. 22, 1961.

U.S.S.R. imports of equipment for the chemical industry from free world, 1958-60

[Value in thousands of dollars]

Country	1958	1959	1960
Total.....	19,481	77,843	135,222
United States.....	241	1,663	3,839
Sweden.....	2,204	2,868	251
United Kingdom.....	6,286	33,497	39,142
France.....	3,708	7,215	17,646
German Federal Republic.....	5,497	22,232	41,512
Austria.....	1,525	1,464	2,925
Italy.....	20	6,680	22,818
Switzerland.....		1,155	481
Japan.....		1,069	4,044
Netherlands.....			401
Belgium.....			2,163

Rubles converted to dollars at \$1.11.

Source: Ministry of Foreign Trade. Foreign Trade of U.S.S.R. in 1960. [In Russian], Moscow, 1961.

III. THE NATURE OF THE COMMUNIST TRADING SYSTEM

A. MARKET PRACTICES OF THE STATE TRADING AGENCIES

One underlying fact on the technical side of the East-West commercial confrontation is that the private trading firm always labors under a serious handicap in doing business with the state-run trading agencies of the Soviet bloc. We may take the situation in the U.S.S.R. as representative of the trading system in effect throughout the area. In that huge economy, the largest on the European Continent, the whole foreign trade operation is concentrated in 24 government corporations, each exercising a monopoly over a specific list of commodities. Under no circumstance can any of these monopoly bodies be circumvented. Their functions are prescribed by law. The private trader or commercial firm must come to terms with officially designated trading corporations or forget about the Soviet market.

In general, when dealing with the Communist countries, the foreign trader finds himself working in the dark. He is rarely allowed direct contact with potential consumers of his product, if he is a seller; or with the manufacturing unit whose product he may be prepared to import. He cannot establish local representation; cannot supervise the adequate servicing of his own export product; cannot advertise his product except on the highly restrictive terms prescribed by the organs of the Ministry of Foreign Trade.

Furthermore, he cannot secure legal protection for his rights vested in a product for which he holds a patent. The Soviet Government does not recognize private property rights in new production ideas, and is not a signatory to any of the international conventions pertaining to patents or copyrights.

Nor is the foreign trader able to find any clue to the possible advantage of buying or selling in the Soviet bloc market by following domestic price levels in the Soviet bloc countries. The reason is simple: their currencies are not convertible, exchange rates are a matter of simple fiat. Prices, moreover, are wholly arbitrary, set on the basis of mysterious bureaucratic criteria and arbitrarily revised by the central authorities in response to shifting administrative pressures or bookkeeping convenience.

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

break into new markets, no matter what the cost. If we add to this the fact that nobody in the Communist camp goes broke as a result of selling below cost, no matter how long or how often, it becomes quite clear why we hear so often the outcry of individual firms, industries or countries that have suffered damage as result of recurrent Soviet price-cutting operations in the world market.

C. CURRENT PRESSURES AGAINST WESTERN FIRMS

By contrast with the monolithic trading combines of the bloc, the business firms in the West selling to the Communist bloc work independently, competing one against another for a chance to confront individually the full power of the state trading monopoly. Under such conditions, the temptation is very strong for the Soviet commercial strategists to exploit their advantage to the hilt. When so tempted, bloc trade agencies do not as a rule resist very hard. In recent years, in particular, the demands they have made for special terms and for extra privileges upon Western businessmen have been escalating steadily. They have demanded extreme discount allowances, extra long periods of repayment. At the same time, they have demanded the latest innovations in technology, usually without compensation to the patentholder in the form of royalties based on volume of production.

The Soviet trading agencies are very adept, for example, at promoting unrestrained competition among sellers as well as buyers within each free world country and from time to time, across the national frontiers of these countries. Party boss Khrushchev himself is an expert practitioner in the art of dangling the bait of "big orders" in order to extract in advance a credit large enough to make the order truly "big." In his elaborately staged appearance before an audience of Western businessmen at the Leipzig Fair, made in March 1959, Khrushchev laid down a firm rule on how to get large Soviet orders:

If some states or firms are interested in securing big new orders from us in order to help them keep their industry at capacity and provide employment for their workers, we can give such orders on condition that we are granted credits. . . . Trade is a voluntary matter. If you do not want to grant us any credits, if you do not need this trade, then leave it alone. It does not matter to us.

Since then, Soviet pressure has been rather intense in regard to commercial credits. Western firms have been made to compete against one another in offering their exports on the most extended credit terms. To this end, the Soviet trade agents keep the pot constantly at a lively boil. They place into circulation dubious pieces of "information," alleging to report the latest "offers" they have received from various national groups of businessmen. On August 31, 1961, for example, the official Soviet news agency, Tass, reported a "specific proposal" received from an Italian group of export manufacturers to provide the U.S.S.R. with a credit of \$75 million over a period of 10 years.³ Such a "proposal" was not reported in any Western source; nor has the Soviet press ever repeated it again. Evidently, it was no more than a device to encourage some higher bidding on the part of other countries or groups of firms that may wish to export to the Soviet market. It is a curious fact indeed that although they are very large operators functioning in a modern busi-

³ Tass-Radio Moscow, Aug. 31, 1961.

ness environment, Soviet commercial agents continue to employ some rather primitive tactics of the horse-trading era. It will undoubtedly take a lot of time and patience to convince them of the disutility of these and other crude business methods.

D. THE POSITION OF OUR WESTERN ALLIES

It became quite apparent from my discussions with representatives of the European nations that are now engaged in active trade with the Soviet bloc countries—government officials as well as businessmen—that they are acutely aware of a need to regularize the present welter of commercial practices in use between countries belonging to the two competing trading systems. They would like to see the air cleared of the cobwebs of malpractices that have grown up over the years. Their discontents, moreover, are real, and it is fair to say that they have become more rather than less conscious of the disparities in trade motivation and tactics as a result of the recently increased flow of trade between East and West.

Thus, for example, they report a rise in tension within the Western trading community that has resulted, in particular, from the deliberate efforts of the Soviet bloc to promote fierce competition for selling industrial equipment to the Communist market. For the most part, Western businessmen engaged in exporting to the bloc find it all but impossible to get in touch with the ultimate industrial consumer of their equipment, spending most of their time shuttling back and forth along the corridors of the various Ministries of Foreign Trade, stumbling upon their competitors in the capitals of Eastern Europe. In their experience, contract terms with the bloc countries seem never to remain stable; they are forever being pressed for another round of negotiations, for more favorable conditions in the matter of specifications, delivery schedules, and length of credit. These demands are pressed steadily upward on the alleged grounds that they are already "the order of the day," that some other sellers have already agreed to these terms.

The Western nations could only benefit by being able to face the Soviet bloc negotiators with a single, firm answer as to what constitutes a minimum commercial order, how to deal with export products covered by a patent, and under what conditions, and for what length of time, commercial firms could be expected to extend credits to cover exports to the Communist market.

There is good reason to believe that a common position taken by the industrial nations on these commercial terms would not result in a diminution of trade. But it would help in a practical way to weed out the unseemly, time-consuming, and disruptive practices pursued by the foreign trade monopolies in the Soviet bloc.

Another impression that emerged from our conversations with Western businessmen in Moscow was that they were quite convinced that the Soviet record of performance in keeping up with the rapid march of modern technology is more spotty than is generally realized in the outside world. They have visited some of the leading industrial plants in the bloc and inspected the latest products of their assembly lines. The more removed a Soviet industry is from the privileged defense sector, they have found, the more it suffers from the tendency toward technological stagnation. Hence, these businessmen feel that, pro-

vided there is no war, some Western industries, depending upon the particular emphasis at any moment within the bloc, will continue to receive periodically large orders with a view to help modernize some neglected sector of production in the U.S.S.R. or in the satellite countries.

At the same time, some of the business people we talked to are not too seriously disturbed over the Soviet habit of importing pieces of new equipment to be used as prototypes for copying. It takes them so long to get these models into production, they report, that by the time they are fully "tooled up," the more advanced model being produced by the outside firm has already rendered the copied model obsolete. Some producers, in fact, regard this Russian habit of copying as an implicit way of building obsolescence into large parts of their industrial system.

IV. THE UNIQUE POSITION OF THE SOVIET SATELLITES

Despite their heavy mutual involvement in intrabloc trade, it is quite clear that the commercial needs of the satellite countries are quite different from those of the U.S.S.R. As smaller economies, these countries are far more dependent on foreign trade than is the continental land mass of the U.S.S.R. For the most part, furthermore, the satellites have a number of important industries that are heavily oriented toward the world market, either as an outlet for their surplus production or as a source of the raw materials required by these industries. Typical surplus industries are coal in Poland, steel in Czechoslovakia, oil in Rumania, electrical machinery in Hungary, etc. As a consequence, these countries cannot consider autarchy as a feasible national economic policy. Furthermore, they are in close touch with and well informed about the world market. They know the alternatives in quality between the goods available for procurement from the export-conscious trading nations of the world as against the goods available for import from other parts of the bloc.

Under present conditions, of course, they do not enjoy the freedom of action they need. They do not earn enough foreign exchange in the world market to exercise their choice in imports. To that extent, they are thrown back into a state of heavy dependence upon the resources of the bloc in general, and the U.S.S.R. in particular. Yet, their special skills and their finished products are well known in the outside world. They also still possess skilled trading personnel with recent world trade experience who make more congenial commercial partners than the thoroughly bureaucratic commercial offices of the ministerial structure in the U.S.S.R.

The Western nations would indeed be performing a genuine service to the cause of the international division of labor, and indirectly to economic betterment within the smaller countries of Eastern Europe, if a way could be found to provide them, as a start, with a chance for increased access to the markets of the world. Such a move would be in keeping with the present trend toward more abundant trading opportunities and toward reduced barriers to world commerce. It is reasonable to assume that the Soviet Union would not raise any great objection to a more active participation by the smaller countries of Eastern Europe in trading with the world market, even if selling nations took precautions against transshipment and indirect help to the U.S.S.R.'s economy of a kind it could not get directly. Such in-

creased exchanges could bring economic benefit to the people of these countries, by way of helping them to put to optimal use their economic resources, with greater independence of the U.S.S.R., and thereby raise the standard of living and the morale of their citizens.

Even at present, it is quite striking to see how much more active the satellites are than the U.S.S.R. in the world market. If we look at 1960 data, for example, we find that the satellites imported \$2.2 billion worth of goods from the non-Communist world, as compared with \$1.5 billion imported by the U.S.S.R. from the same market. On a per capita basis, the difference is especially marked: for the U.S.S.R., this amounts to \$7; for the satellites, \$22 per person per annum. Still, it may be reasonably assumed that the potential of the satellite countries for commercial relations outside the bloc is at present not being utilized to the full.

V. THE UNDERDEVELOPED WORLD: A MAJOR ARENA OF POLITICAL DECISION

In a sense, the political friction associated with the movement of East-West commerce has been so strong as to attract a degree of attention that is far greater than is warranted by the economic value of this trade. It is important to remember, therefore, that as far as the Western nations are concerned, the Communist market, though covering an area inhabited by over 1 billion persons, absorbs only some \$2 billion worth of their export product. The value of all exports from the developed countries, by comparison, now runs at an annual figure of about \$70 billion a year.

Viewing the market of the free world as a whole, we find that the bloc imported \$4.4 billion worth of goods in 1960. In the same year, however, the less developed countries of the free world absorbed \$29.7 billion worth of goods of all types. In the important category of machinery, furthermore, the dollar value of exports to the whole bloc market from the West came to \$513 million in 1960. By contrast, the less developed countries, with a population roughly equal to that of the Soviet bloc, import nearly half of all the machinery moving in world commerce.

A. THE FLOW OF EQUIPMENT FROM THE WEST IS ALREADY LARGE

In 1959, for example, the 13 leading industrial nations exported a total of \$19 billion worth of machinery. Of this amount, a flow of equipment valued at \$8.2 billion, or 43 percent of all shipments, went to the less developed countries. Clearly, this is a market possessing great current significance as well as a promising future.

Export of machinery and equipment from 13 industrialized free world countries

[In millions of U.S. dollars]

	1958	1959
To all free world countries.....	17,530	19,000
To developed countries.....	9,090	10,880
To less developed countries.....	8,490	8,220
Share of less developed (percent).....	48.3	43.0

¹ Of this total, machinery exports from the United States amounted to \$6.1 billion, or 32 percent, in 1959. Source: United Nations, Monthly Bulletin of Statistics, March 1961.

The large, sustained flow of Western equipment toward the emerging countries is a phenomenon of tremendous political importance. There are three obvious reasons for such importance. In the first place, this flow assures the continuing delivery of the tools of economic development where they are most needed, where they help to increase the productivity of the new national communities and promote their social stability. Secondly, the demand for this type of export, on a continuing basis, contributes conspicuously to the prosperity of the West, helps to expand the market for industrial equipment and thereby to reduce the cost of production in this vital group of commodities. Thirdly, the massive flow of production equipment helps to dramatize the natural economic complementarity that exists between the West and the developing nations around the world.

Indirectly, too, the very magnitude of this flow helps to underscore the limited volume and spotlight-oriented character of the Communist contribution to the economic development of the emerging nations. For example, under all the development projects of the Soviet Union now in effect outside the bloc, the value of machinery shipped to the less-developed countries amounted to \$68 million in 1960.⁴ Total Soviet exports of machinery to non-Communist new nations in 1960 amounted to \$131 million. Altogether, the Soviet bloc provides roughly \$200 million worth of machinery per year to the developing nations or about 2½ percent of the equivalent commerce of the principal free world exporting nations.

B. THE BLOC IS STAGING ITS EFFECTS

We must, therefore, recognize the belated Soviet venture into foreign aid for what it is, namely a desperate attempt on the part of the Kremlin masterminds to intervene into the sphere of economic relations within the non-Communist world in the hope of disrupting the natural movement of economic cooperation between the industrialized West and the new nations seeking industrial development. They obviously feel that they must prevent this movement from attaining its full momentum. Since they cannot themselves make a sustained and positive contribution to the cause of industrialization among the new countries remotely equal to that of the West, the strategists in Moscow can only seek to prevent the surplus-producing nations from doing the job that needs to be done. They can establish small bases of operations in less developed countries, through their selected development projects, from which they can proceed, as opportunities arise, to sabotage economic and political relations among the non-Communist countries of the world. Unfortunately, as we know all too well, the opportunities for such disruptive operations are ever present. The Soviet propaganda mills try, for example, to exploit the reservoir of resentment by the newly liberated people against some individual nations of the West which have a colonial past. They still seek to make capital from the sense of the insecurity and inexperience of some of the leaders of the new states and try to cultivate the pools of poverty and illiteracy in these areas as potential breeding grounds of communism.

But time, as I see it, is working on the side of the forces favoring political stability and gradual economic betterment. There are

⁴ Foreign Trade (in Russian) monthly organ of the Ministry of Foreign Trade, the U.S.S.R., No. 6, 1961, p.11.

leaders of developing countries who are independent, intelligent, and dedicated statesmen with ideas of their own on the vital issue of economic development. They are steadily gaining in experience and becoming politically more discriminating. As a result, the monotonous Soviet incitement to hatred of the West as a first principle in international relations, and its recommendation of the dictatorial form of rule in internal affairs as the most "progressive," tends in many new countries to become more and more irrelevant to the actual problems confronting the leaders of these nations. The real nature of their problems is such, in fact, that they can best be solved by more, rather than less, trade and economic cooperation with the West. It is the West that has the tools they need for their economic advancement, in accordance with their own choice. The West, moreover, has the will, the interest, and the established institutions to provide the variety of necessary financing to help keep the flow of these tools moving upward in step with the rising level of output and earnings in the newly developing countries. A rising scale of trade between these two complementary areas will, in the foreseeable future, redound to the advantage of all countries interested in maintaining the integrity of their national existence and in advancing the well-being and dignity of their citizens.

The free world's knowledge of and utilization of credit as an institution to aid human progress is so far ahead of its use by the Communist bloc as to distinguish it as a unique tool for the free world which is organically alien to the Communist world.

VI. THE NEED FOR A CODE OF FAIR TRADE PRACTICES

Against this background, the reasons for unifying our scattered commercial forces are, as I see them, most compelling. We cannot wait until the ground has been washed out from under us by such competition as may be self-destructive or by the divisive strategy of the Soviet leadership. Once we have established our capacity to speak as an organized community, the Western trading nations ought to find the means to make it clear to the political authorities of the Communist bloc: (a) That the trade resources of the Atlantic community are committed primarily to the task of advancing the prosperity and the economic integration of the family of nations committed to the rule of law; (b) that the West will always be willing to respond to trade offers from the Soviet bloc on honorable terms, i.e., in the same measure as these countries are prepared to abide by a code of mutually beneficial trade practices.

A. TYPES OF PROTECTION REQUIRED BY THE WEST

Under such a code of fair trade practices, on which a good deal of technical preparatory work would have to be soon undertaken, the Soviet bloc state trading nations would have to undertake no special obligations; they would be required only to abide by the standards of commercial behavior generally accepted in the normal trading world. Among these, a few could be cited by way of illustration.

1. The exportation of goods for sale in the world market at commercial prices which will not discriminate against private traders and firms.

2. The recognition of the principle of legal protection of patent rights, including the obligation to pay to the owner of the patent for the cost of the development of a new product, plus the cost of installations used in launching industrial production. Such protection should also cover the right to royalties for permission to produce an article under license from the patentholder. Such recognition of accepted practices should include, furthermore, the right to compensation for creative writers for the translation of work covered by copyright.

3. The waiver by the Soviet bloc governments of all claims of sovereign immunity for their trading organizations and commercial personnel in order thereby to remove the disadvantage suffered by the private trading firm in entering into contractual arrangements with official bodies claiming the right to invoke the privilege of national sovereignty to cover certain properties (viz. ships, office buildings, warehouses, etc.) legally owned by their respective governments.

4. The submission of commercial disputes that may arise between a private Western firm and a state trading corporation in the Soviet bloc to an impartial arbitration authority.

5. The extension by the Soviet bloc countries to free world businessmen of direct access to the particular enterprise that is the intended consumer, or producer, of the commodity or piece of equipment involved in commercial negotiations. Such a right of direct contact, now enjoyed by the bloc countries in the free world, should also be extended to include the right to maintain commercial representatives on the territory of the state-trading countries.

B. INTRA-WEST CEILINGS ON COMMERCIAL TERMS

With respect to the trade practices of the Soviet bloc, in which the trading nations have a vital stake, it should also be possible to reach agreement within the Atlantic Community on a ceiling to certain commercial terms. This would prevent the state-trading countries from pushing their demands right through the roof. Action is urgently needed on matters, including the following:

1. Measures to be taken against the Soviet bloc practice of buying only one or two units of a machine and using them as prototypes for imitation by their domestic industrial plants.

2. The procedure under which newly developed products should be sold to the Communist states, under terms of a license, in order to assure the country in which the innovation originated that it will be duly compensated for an important contribution made to the pool of new technological ideas. Under accepted worldwide practice, the holder of the patent should be paid, in proportion to the number of units of this product manufactured within the country using this innovation under license terms.

3. The duration of commercial credits to be granted to the Communist states by commercial firms in the outside world.

What makes safeguards of this type necessary is the critical fact that the trade monopoly, by its very existence, introduces an artificial element, a sharp distortion, into any commodity exchange it conducts with a private firm. The monopoly trader is rarely content to let the

balance in economic advantages between the two partners fall where it may. It usually chooses to stretch out the bargaining period to the limit. Because it has personnel and time to spare, and is not profit-oriented, it can bargain until it extracts an added advantage from the time-conscious private firm, whether it be in the form of a lower price, larger discount, better credit terms, longer operational guarantee period, or anything else it might use before the higher bureaucratic authority as "objective" evidence of its trading skill.

The precise form in which agreement between free and state trading enterprise could be reached on these practical issues cannot be determined in advance. There are a number of alternatives open to our choice. An agreement could conceivably take the form of an annex to the GATT rules, designed to deal specifically and in detail with the conditions of trade between private firms and official trading monopolies. Another logical possibility that suggests itself is a code of trade practices prepared by the trade experts of the Economic Commission for Europe. [United Nations]. Perhaps the most exact way of regularizing the whole complex of trade practices in this area could be by making them the subject of a commercial convention between the OECD, on behalf of the West and CEMA (The Council of Economic Mutual Assistance) representing the Communist-ruled countries. Quite clearly, this would require considerable advance preparation within the Western community. An adequate definite preparation for such a far-reaching enterprise could be assured, by the advance selection of a group of qualified and respected "wise men," who would review the issues in depth and recommend a balanced approach on which all might agree.

VII. THE RESPONSIBILITIES OF THE UNITED STATES IN EAST-WEST TRADE

During the next phase in the present movement toward greater Western cohesion, the United States will be confronted by the need to make some hard decisions. Our own enlightened self-interest will prompt us to play an expanded, forward-looking role in the growing cooperative effort among the free nations. In addition, it will be our responsibility to contribute new ideas and procedures to render more effective the economic confrontation between the nations of the Atlantic community and the Communist-dominated countries. Before we can begin to carry out this responsibility, however, we must try to identify the overriding goals of the free world coalition in East-West trade.

One immediate, specific goal looms up quite clearly. Our best thoughts and energies must be urgently directed to the prime task of reestablishing a multilateral approach toward trading with the Communist bloc. Such a unified policy, it is well to remind ourselves, served the cause of Western unity most effectively during the critical years 1949-54. It helped to deflect Soviet pressure against the free world, and, ultimately, compelled the Kremlin to revise its own commercial policy drastically after the death of Stalin. All that has happened in East-West relations since 1954 has demonstrated time and again that there is no substitute for a common economic policy. It is quite self-evident that so long as the Communist bloc, under the iron discipline of Moscow, remains irrationally committed

to a dual policy of promoting suspicion and discord within the Western World and subverting the new societies in the less developed regions of the world, the independent nations of the world must be ready to respond with collective action. No one nation alone, no matter how great its resources, can counteract this ruthless pressure, can be decisive in its counteraction. This is especially true in the arena of world trade. With all the will and determination in the world, for example, the United States alone, through unilateral export controls, cannot prevent the Soviet bloc from harvesting the ripe fruit of technological innovation in free world industry through selective imports. Working together, however, the industrialized nations of the free world can make their weight felt in the balance of international economic action. They can constructively link their economic exchanges with the bloc to the cause of international peace. By applying the criterion of peace and political self-determination, the free nations can exercise decisively their choice of either providing to the bloc, or withholding from it, free access to the vast and diversified reservoir of industrial production available to them.

It is an incontrovertible fact that the advanced industrial countries possess decisive economic power in the world community. Although they represent only 18 percent of the world's population, they dispose of two-thirds of its industrial capacity. Working as a group, they represent an economic bargaining unit of tremendous weight. Their productive capacities are at present in a state of rapid expansion, under the stimulus of a growing internal market and a rising standard of living. They have it within their capability ultimately to persuade the leadership of the Soviet bloc that the path of economic cooperation rather than political expansionism is by far the more promising road to world peace and internal social progress.

It is quite feasible, therefore, at this juncture to attempt to make it clear to the Soviet bloc that trade policy does not function in a political vacuum. We are not convinced by their shallow preachments to the effect that improved trade relations bring in their wake, in a simple progression, better political relations among nations. Historically, this has not been true in the past, either recent or remote. To this day, it is quite obvious that the rising flow of trade between East and West has not reduced by one iota the Soviet drive to communize the world. The West European nations, for example, have kept their trade gates open to the Soviet bloc in good faith since the mid-fifties. But that has not prevented the Soviet leaders from provoking one war crisis after another, over the freedom of Berlin and other issues, thereby bringing the world recurrently to the brink of war through their persistent attempts to extend their political control over more territory.

By contrast, we say, with far greater justice, that the most urgent business at hand is to restore confidence among nations through the political process. Once the problem of peace and security has been faced in a spirit of good will, and a settlement has been achieved over such burning issues as Germany and Berlin to the satisfaction of both sides, two-way trade could begin to increase in earnest, without any mental reservations, without business people having to look constantly over their shoulders to see what new crisis may be brewing on the horizon as a result of the latest move on the part of the Soviet leadership to expand its imperial domain.

The goal of a peaceable restraint of Communist aggression could be pursued realistically only by a resolute coalition of free nations acting together in a spirit of responsible and far sighted self-interest. A passive or divided alliance, it is plain enough, cannot work consistently toward a high purpose of this kind—or any other purpose, for that matter. Instead, our present state of division only stands as an open invitation to the Kremlin to use its trade blandishments and thereby weaken the alliance by the injection of strong doses of commercial rivalry.

At the same time, it is also highly important that we begin to consider the position of the U.S. businessman more sympathetically than we have in the past. Our manufacturers and exporters have manifested a high order of loyalty and patience in consistently placing the national interest above their individual economic interest in the matter of East-West trade. We cannot blame them, however, if they are beginning to wonder precisely what positive purpose their policy of self-denial in this area is serving at present, under conditions where only the United States applies a set of rigorous criteria in withholding strategic goods from the Soviet. They see themselves deprived of a chance to sell certain types of commodities to the bloc, while the bloc countries are not deprived of the goods in question.

Their competitors in other parts of the free world, governed by a different set of national export regulations, are quite free to export the same type of commodities.

We must be willing to face the fact that in the pursuit of an alignment of our position on East-West trade with that of our traditional allies in Western Europe, the United States will have to yield some points in regard to the definition of strategic commodities. In asking ourselves whether we can afford to pay this price to achieve a concerted trade policy, it is well to remember that the U.S. definitions, however fully justified by our own lights, at present prevail over a very small area (less than 10 percent) of NATO exports to the Communist countries.⁵ Moreover, we must accept the proposition that the focal point in Western trade policy toward the bloc needs to be shifted, in response to the inexorable pressure of world events, away from short-term controls over current exports in the direction of long-term economic competition. While the danger of Soviet military aggression continues to be ever present, the Moscow leadership is fully aware that no cheap victories can at present be won by this route. Whenever it has been attempted, the Atlantic Community has demonstrated its

⁵ See the following:

NOTE ON DISPARITIES IN EXPORT CONTROL PRACTICE

There is general agreement among the nations of the West that the Soviet bloc is basically self-sufficient in economic resources and, therefore, vulnerable only in the sense of being dependent with respect to relatively few types of materials and equipment which need to be imported from the outside. It has not, however, been as easy for the nations of the Atlantic Community to agree upon the precise types of materials, equipment, or technology that should be denied export licenses when requested for shipment to the bloc. The U.S. Government has generally favored a scope of control covering a more comprehensive list of export commodities than is considered necessary by our allies in Europe. Moreover, in cases where such a unilateral denial by the United States is considered likely to have a telling effect, our Government has generally favored taking embargo action. Inevitably, such differences in policy views and in licensing practice have tended to cause friction with the other industrial nations. Such friction occurs most commonly in cases where U.S. control considerations are indirectly extended to foreign corporations interested in exporting to the bloc equipment containing technology or component parts of U.S. origin.

Such divergence in views and practices has created, in effect, a double standard in Western exports to the bloc. Under such a standard, exporters in the countries of free Europe can ship to the Communist bloc types of merchandise that the American trader is not permitted to export. In addition, the standard in effect in the United States tends to be inconsistent, too. Because there is a wide area of administrative discretion in our export control operation, the same commodity may be refused for export to the bloc on one occasion and approved on another, depending on the prevailing climate of opinion. A prominent recent example of this type of inconsistency in licensing practice was the case of a shipment of ball-bearing machinery which was successively approved, suspended, approved again, and finally denied.

solidarity in response to Soviet military pressures and threats. Accordingly, Soviet strategy is now reoriented toward the attainment of its goal of undermining the Atlantic Community through economic rather than military means. This is the danger with which we will have to coexist during the coming decades. The ingenuity and steadfastness of our statemanship will be severely tested in the years ahead; we must develop a response to Soviet economic aggression equal in its effectiveness at least to our response to the recurrent threats of military aggression.

VIII. SOME CONCLUSIONS ON THE SCOPE OF REQUIRED NEW LEGISLATION

My exposure to the whole complex of facts involved in the area of foreign economic policy, as well as the interviews conducted in the course of my visit to the U.S.S.R., have convinced me that if U.S. policy in East-West trade is to be made more flexible with respect to our allies, and more effective as to the Communist countries, it will be up to the Congress to provide the needed modification and simplification of the legislative structure that governs this sphere of U.S. foreign relations. All that I can hope to undertake in the present report is to sketch out the direction along which, as the problem shapes up at present, it would be necessary to provide the needed new legislative authority to the executive branch of the Government. Such new legislation would have to try to carry out the following objectives:

1. Amend present legislation pertaining to the extension of credits, or other forms of indirect aid, to an individual Communist-ruled country whenever such action may be considered beneficial to the national interest.

2. Enable the President to make more flexible use of his authority to barter, or sell for local currency, surplus agricultural products to any nation, not excluding an individual Communist-ruled nation, whenever he deems such a transaction to be in the national interest.

3. Provide the needed authorization to the President to undertake specific initiatives, under special practical circumstances, as required in the national interest, to impose or lift an embargo on trade with Communist countries either in respect of individual commodities or across the board.

4. Modify existing restrictions on private commercial credits in export transactions involving the Communist countries in order to give the President room for initiative with respect to individual Communist-ruled countries as well as an added bargaining counter in any likely negotiation with the U.S.S.R.

5. Bring up to date the definition of "dumping," especially in cases involving the Communist countries, in order to afford the needed protection to domestic producers as well as to friendly third country suppliers to our market. The latter provision may serve to establish a precedent for parallel legislation in other countries, in order to protect U.S. exports.

6. Make provision either (a) for announcement by the Attorney General of a procedure by which businessmen and business concerns, cooperating with the Federal Government in an integrated trade policy with respect to Communist-dominated countries, may under appropriate regulation enter into approved arrangements with busi-

nessmen or business concerns in other countries and be exempt from the antitrust laws so long as they operate under those arrangements; or (b) amend the antitrust laws to grant the necessary authority for such purposes.

7. State the sense of the Congress that the President should, as soon as practicable, undertake negotiations within the most appropriate organization to work out a common approach and appropriate institutional framework for the conduct of trade between market-type economies and the Communist-dominated countries. I suggest for this purpose the Organization for Economic Cooperation and Development (OECD).

8. State the sense of the Congress that the delegation of the President's authority under the Export Control Act of 1949 to the Commerce Department should be accompanied by an instruction to carry out its responsibilities in a manner calculated to heighten the effectiveness of our export controls by coordinating our policies and practices with those of the other advanced industrial nations.

