

TRADE WITH COMMUNIST COUNTRIES

Before I close I want to call to your attention one other topic upon which European and British views have been changing fast in the years since the Kennedy Round began.

I refer to trade between the West and the Communist countries, especially those of Eastern Europe. This has been, I know, a relatively small part of the trade of all Western countries and an almost negligible part of United States trade. Although there are Communist governments in the GATT, the work of GATT has had little relevance to what has come to be called East-West trade.

The point which I wish to make is that the importance of this trade has been rising fast in Europe and that great efforts are being made, on both sides of the divide, to accelerate this trend. Over a 9-year period the exports of the Eastern bloc to E.E.C. have gone up by 125%, starting, it is true, from a very modest base.

Though quantitatively this trade may still be of only secondary importance, its political significance is increasing in two ways. In the first place, improved relations with Eastern Europe have become one of the major political objectives of both France and the Federal Republic of Germany. In the new atmosphere in Europe, it is important that the Atlantic orientation of western trade should not seem to be an obstacle to simultaneous increase in trade with the East. While the limit of trade with Eastern Europe is still set principally by the capacity of the Eastern countries to produce goods which are acceptable in Western markets, there are various forms of Western discrimination or quota restriction which add to the difficulties. For instance, in so far as restrictions are imposed upon the export by Western Europe to Communist countries of goods which incorporate American patented processes, this is now counter-productive in relations between Western Europe and North America. I had a rather ludicrous example of this in my own Institute recently, where we found that we could acquire a second hand American calculating machine, worth some \$450 only if we signed an undertaking not to export it to a long list of Communist controlled countries and even the British colony of Hong Kong. It may be timely to consider how far these regulations still fulfill any important American purpose.

The second way in which East-West trade is acquiring new significance lies in the keen wish of several East European countries, notably Czechoslovakia, Poland, Hungary and Romania, to maximise their Western trade. There are growing signs that they may be willing to make adjustments in their own industrial and commercial practices in order to facilitate this trade and that these adjustments in turn contribute to the general process of liberalisation and to the decentralisation of authority within the Communist world, which the West has long professed to welcome.

What is being suggested here is not any drastic re-orientation of the trade of the United States itself with Communist countries, which seems likely to remain marginal. It is rather a further shift away from the spirit of the old policy, which deliberately discouraged the growth of trade between the countries of East and West Europe, presumably on the assumption that, even apart from strictly strategic issues, it was a Western objective to impede wherever possible the economic advance of the countries of the Communist bloc. This is not a doctrine which any longer commands support in Western Europe.

CONCLUSION

I would emphasize in conclusion, how decisive it has been for the stability and prosperity of the Western world that the United States has given the lead since the Second World War in working towards a free system of multilateral trade. Had she pursued a contrary course—and there must have been many temptations to do so—we should today be faced with much sharper divisions among the Western countries, especially between the United States and Europe; while the large number of newly independent countries, whose need is for the diversification of their foreign trade, would now be tightly encased within much more rigid discriminatory preferential systems than they are today.

For much of the period since 1945, strategic arguments for keeping the Atlantic countries together in the economic as well as the military sphere have been persuasive. I have indicated my view that these particular arguments have