

tion in the U.S.S.R.-Fiat arrangement be an absolute necessity or consummation?

Mr. PECCEI. I am not in a position to give you a lucid answer.

Representative WIDNALL. Is Fiat prepared to move ahead without U.S. machine tools?

Mr. PECCEI. In all likelihood, yes, because there surely are other machine tools, which can be obtained from England, Germany, and perhaps Italy, and which can be a substitute for the U.S. machine tools which are considered now.

Representative WIDNALL. I have been very interested in looking over some trade figures which I obtained from the Library of Congress on the balance of trade of Western European countries and the Soviet Union and Eastern European countries in 1965, and the first half of 1966. These figures show a considerable deficit in trade with the Soviet Union for both 1965 and 1966, and a deficit changed to a surplus with Eastern Europe in 1965 and 1966. Now, given the change between 1965 and 1966 from a deficit to a surplus intrade with Eastern Europe as opposed to the Soviet Union, what has been the reason for this?

Mr. PECCEI. I think in the case of the Soviet Union they are buying presently more than they are selling in Western Europe; and they are buying on credit terms and selling mostly cash.

Representative WIDNALL. Actually, the balance is in favor of the Soviet Union for both 1965 and 1966 in the trading with Western Europe?

Mr. PECCEI. It might be that they stepped up their sales to Western Europe to offset the adverse trade balances.

Representative WIDNALL. I would like to ask both of you, should we really be talking of East-West trade as a whole, or rather trade with particular countries?

Mr. PECCEI. I think that if we consider our long-term policies, that is, what are we going to do as far as trade is concerned with that part of the world during the next 10 years, we should devise an overall harmonious policy for the whole area, which then may have different implementations as to different countries. For instance, already now in the case of Yugoslavia, many European countries are following different practices than those applied to Eastern Germany. But I believe that we must come to an overall decision as to what to do on the long run for Eastern Europe and the U.S.S.R. as far as trade is concerned.

Representative WIDNALL. Mr. Younger, would you answer that, please?

Mr. YOUNGER. I don't know that I am very well qualified in this field to say more than I have already said. What my original remarks were aimed at was an over-all discrimination in Western trade against trade with Communist countries as such. And my view there was that one would wish to see that discrimination diminished or abolished, except in a purely strategic aspect, for all alike. Obviously, the application of this might work out differently in the case of different countries. They have very different capabilities of trade with the West.