proliferation treaty—we must not forget that it is scarcely six years since the Berlin Wall was built, and not yet five years since the Cuban nuclear confrontation. In addition, the Soviets currently are providing large-scale military assistance to North Viet Nam, thus prolonging the Vietnamese war. On the other hand, the communist countries no longer constitute a monolithic bloc. The apparently irrevocable split between China and the Soviet Union and the efforts of certain East European countries to assert increasing independence of the USSR afford opportunities for the United States to use its dominant position in world trade in furtherance of its policies.

Until very recently, it has been U.S. policy to limit trade with most communist countries to minimum levels. This policy has been based largely on the theory (or the fear) that such trade would be of greater benefit to the communists than to ourselves. During periods of acute crisis or war, many Americans have felt moral compunctions about trading with the enemy. Most West European countries and Japan, however, have deliberately and steadily increased their trade with communist nations. They have acted jointly with the United States only in embargoing trade in certain strategic military hardware and goods having direct military application, the so-called COCOM list, which has been steadily shrinking in length over the years. The U.S. list of embargoed items is considerably more extensive than the COCOM list.

Because of our more rigid and uncompromising attitude—official or popular—toward expanding trade with communist nations, many U.S. firms have either been prohibited from competing for such business or inhibited from bidding because of fear of adverse publicity in this country. In many cases they have been unable to match the more liberal credit terms offered by competitors in other industrialized countries.

While the communist states have generally been punctilious in the prompt repayment of commercial credits in convertible currencies, private firms are nevertheless reluctant to extend such credits without guarantees. The Export-Import Bank has been cautious in extending such guarantees to American trades, adhering to the rules of the Berne Convention in limiting guarantees to five years, and then only for major capital exports.[12] Our government has taken the view that guarantees are in effect a form of foreign aid, and can be equated with the transfer of capital, releasing scarce foreign exchange which communist governments might use for purposes hostile to U.S. interests. Other Western countries have been more liberal in guaranteeing commercial credits, and efforts to hammer our agreements on credit terms with our NATO allies and Japan have so far been unsuccessful.

The first recomendation for future U.S. East-West trade policy is procedural in nature: The President should be granted sufficient authority to determine a course of action without the burden of Congressional prohibitions. Since communist trade policies are rarely established without regard to their political implications, the President should have the freedom to determine U.S. measures of economic intercourse so as to achieve the greatest political and security, as well as economic, advantage for the United States. He should be accountable to Congress for his actions, of course, and should be required to present an annual report on steps taken to expand or contract trade with communist nations.

Specifically, the President should be authorized to extend or withdraw MFN treatment in trade relations with selected communist countries when he finds this to be in the national interest of the United States. (At present, this authority exists only for trade with Poland and Yugoslavia.) He should also be given authority to permit appropriate government agencies to extend credits or to guarantee private credit for nonstrategic trade with communist countries up to a maximum of five years, or, if forced by competition from other noncommunist countries, for an even longer period.

Finally, our policy of a complete embargo on trade with Communist China should be reviewed. Despite that country's intransigent and aggressive posture, there is always the possibility that limited trade with China could be of distinct advantage to us. For example, the United States might have been able to bid

[12] The President can authorize the Export-Import Bank to guarantee commercial credits to a communist country when he determines that guarantees to such a country are in the national interest. The terms of such credits must be within the range of common commercial practices, but in any event it is U.S. government policy to limit such credits to five years. This limit is also consistent with the Berne Union—a long-standing, though informal, agreement reached by leading insuring and guaranteeing institutions in the field of international credit.