INCREASED TRADE: HOW?

This brings us to the other major aspect of this policy change: what are the prospects for an increase of trade?

There are many difficult aspects to the engineering of a greater flow of trade between the United States and the Eastern European countries. The most fundamental involve:

1. Providing greater access to the U.S. market, principally by modification of U.S. tariff restrictions on imports (most-favored-nation treatment already being sought in pending legislation), improved and more extensive consular relationships (in process), and commercial agreements facilitating elements of contractual relationships (authority being sought).

2. Encouragement and support for U.S. efforts to penetrate and develop the Eastern European markets, including:

Modification of export controls (some action recently taken);

Support of U.S. trade missions and trade exhibits (could be substantially stepped up);

Extension of credit facilities and guarantees (partially undertaken on normal commercial terms);

Development of better means for personal and business contacts and relationships.

Most testimony by trade experts indicates that, even with active promotional efforts and vigorous attempts to remove various barriers to greater two-way trade, the best that can be foreseen is an annual level of trade of perhaps a modest $500 million within several years. This estimate is based upon general premises, however, which need not hold indefinitely for the future. First, that the extension of commercial credit will be very restricted; second, that the exchange will continue to be in strict balance; and finally, that shortage of foreign exchange holdings and lack of capabilities for earning more by the Eastern European countries will prove a severely limiting factor to an expansion of trade with the United States.

If, indeed, an expansion of direct United States-Eastern European trade is deemed beneficial by both parties and reasonably facilitated—there is no reason to believe that trade preference for U.S. products might not arise in Eastern European nations as it has with many other countries—in spite of other free world competition. Similarly, there is no compelling reason why the rigid pattern of rigorously balanced exchanges between the Communist nations and Western European areas need be maintained forever. In fact, an eventual three-way trade and payments development would appear a more logical pattern than the present—with West Europe importing relatively more from the East, the eastern countries buying relatively more from the United States and the usual increases in United States demand for West European exports completing the circle. Obviously, this change would take some doing—but it would be consistent with the avowed purpose of bringing the eastern countries more fully and freely into the world trading community. In this case, one could wish that the essence of the political argument supporting a change in policy would be more consistent with regard to the expected or desired economic outcome of such a policy. Many of the exponents of the proposed change in United