

With the major changes taking place in Eastern Europe and the very rapid increase in trade between Western Europe and Eastern Europe, East-West trade offers us an opportunity for the United States. Trade of OECD countries reached \$9 billion in 1967. It has doubled during the last 5 years. U.S. trade was around \$370 million. It actually declined in 1967 from 1966.

There are many problems in trading with Eastern Europe and Communist countries, and these are well recognized; including the nature of their systems and many other aspects, by U.S. Government regulations, the controls, the failure to extend treatment to these countries where it may be justified, and financing factors and so forth make it difficult for U.S. companies to compete in Eastern Europe.

In general, I believe in decontrolling further. There are many items that are barriers which could be eliminated from the control list.

A second thing I would advocate is the passage of the East-West Trade Regulations Act, under which the President would have authority to extend most-favored-nation treatment to Communist countries in return for equivalent concessions.

Business authority could be very helpful to deal with a situation like that which is emerging in Czechoslovakia at the present time. I hope in the future the committee will reconsider the whole question of the East-West Trade Regulations Act. And if we negotiate a settlement in Vietnam, which, of course, is very difficult and slow at this time, the whole question of East-West trade needs to be reexamined, with the opportunities it offers for U.S. companies and the U.S. economy.

I appreciate this opportunity to make this statement.
(Dr. Dymnsa's prepared statement follows:)

STATEMENT OF DR. WILLIAM A. DYMSZA, RESEARCH DIRECTOR, INTERNATIONAL BUSINESS INSTITUTE, GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, RUTGERS UNIVERSITY

SELECTED ISSUES IN POST-KENNEDY ROUND TRADE POLICY

A. Policies To Deal With the U.S. Balance-of-Payments Problem

The balance of payments is not likely to be improved by the imposition of import quotas as demanded by many industries. Any improvement would be very transitory, as we would expect foreign countries to retaliate. The most likely effect would be to generate a series of quotas and other restrictions abroad that would stifle trade and do away with much of the progress made in the Kennedy Round and previous trade negotiations going back to 1934.

Under GATT rules the United States has the authority to impose import quotas temporarily to deal with a balance of payments disequilibrium. It also has the right to impose exchange controls on current transactions under the International Monetary Fund regulations when there is a finding that a fundamental disequilibrium exists in its balance of payments. These measures, however, are not intended to protect American industries against foreign competition. Such restrictions should be eliminated once the balance of payments problem is resolved. Experience, however, indicates that once such restrictions are imposed, some American industries would pressure for their continuation. Another problem is that trade and exchange controls do not deal adequately with basic causes of the deficit. Furthermore, this country is such a large factor in world trade that its actions have a substantial impact on the balance of payments of other countries; thus import quotas would probably lead to retaliatory actions.

The U.S. balance of payments disequilibrium results from a number of factors—this country's worldwide commitments including the war in Vietnam, the deterioration in this country's competitive trade position partly as a result of the