

D. U.S. Policy as an Obstacle to Trade

While not underestimating the other obstacles to United States trade with Eastern Europe, we want to emphasize that American trade policies have been a major barrier to the development of this trade. The more rigorous trade controls maintained by the United States on exports to Eastern Europe than those of other O.E.C.D. countries, the complex administrative organization and procedures for making decision on export controls and licensing under the Export Control Act, the withdrawal of most favored nation treatment to all COMECON countries except Poland, the Battle Act which applies coercion on other non-Communist countries to maintain controls on their trade with Communist countries, and the various laws and regulations that prevent or limit financial relations with Eastern European countries—all have impeded in a major way the development of this trade. Furthermore, trade with Communist countries has become a highly political and emotional issue in Congress and with elements of public opinion. The Vietnamese conflict has intensified the emotional aspects and we find statements such as that trading with the Soviet Bloc Communist countries is helping the enemy.

U.S. policy on East-West trade have been highly rigid and failed to adapt to the far-reaching changes taking place in Eastern Europe and in Western countries. The President enunciated in his State of the Union messages of 1966 and 1967 but not the one in 1968 that development of East-West trade was a way of building bridges between the United States and Eastern European Communist nations. However, the proposed East-West Trade Relations Act has not even been considered by the appropriate committees of Congress. Despite the easing of strategic controls in October 1966 and slightly in June 1967, this country, as previously mentioned, maintains a more severe level of strategic controls on exports to Eastern European countries than other Western nations do. Other O.E.C.D. countries generally embargo exports on goods clearly of strategic importance as agreed by COCOM, the permanent international working committee of the Consultative Group comprising all NATO countries (except Iceland) and Japan. As a result of the divergence on controls, Western European and Japanese business firms can export many products and technologies that American companies cannot. This has been frustrating to many companies in this country. It has also led to some frictions with other Western nations, especially when U.S. controls are extended indirectly to foreign corporations through the withholding of technology or components of American origin. However, even of greater significance, U.S. policy has failed to sufficiently consider the deep-rooted movement in Western Europe to abandon the doctrine of containment of Communism, reduce tensions with Communist countries, expand business and other contacts, and restore more normal economic and political relationships. Thus, U.S. policy on East-West trade has isolated this country on a major issue from other Western nations and has encouraged some tendencies toward establishment of a third force in Western Europe.

There is no question that President Johnson and his Administration have been ahead of Congress in recommending changes in East-West trade policies, but with the intensification of the Vietnamese war, they have not pushed vigorously for these changes. Recently, the Export-Import Bank Extension Act contained a provision prohibiting the Bank from extending credit guarantees to any Communist nation that is directly involved in supplying goods to Vietnam. This in effect limits medium term credit for the export of capital goods to COMECON countries. Thus in many respects the U.S. policy of building bridges with Eastern European nations through trade has become a casualty of the Vietnamese conflict and its emotional and political ramifications.

Nevertheless, in shaping future trade policy, we have to look beyond the political and emotional involvements of the president to the role that increased trade and business contracts can play in reducing international tension and conflicts and contributing toward more normal relationships. Along this line the Report of the Special Committee on U.S. Trade Relations with Eastern European Countries and the Soviet Union, more commonly called the Miller Report submitted to the President in April, 1965 is an inadequate framework for future East-West Trade Policy. The report did make a number of constructive recommendations, the most important one leading to the proposed East-West Trade Relations Act. However, the underlying philosophy of the report emphasized the Cold War, the containment of Communism, and the political aspects of trade. It stressed using trade as a political instrument of national policy in dealing with Communism. It used statements such as the following: " * * *