

the time is ripe to make more active use of trade agreements as political instruments in relations with communist countries." "Trade is a tactical tool to be used with other policy instruments in pursuing our national objectives." "Commercial considerations, however, have not been the determining factor in framing U.S. policy in this subject and should not be now. It is not the amount of trade that is important but the politics of offering trade or withholding it." "In sum, trade with European Communist countries is politics in the broadest sense."

In my judgment the Miller Report overemphasized the political and cold war aspects of trade with Communist countries and failed to give sufficient importance to the economic and business aspects. It placed too great emphasis on the ideological struggle with Communism. It failed to adequately consider the changes taking place within Communism, the strong forces at work in East and West to expand mutually advantageous trade, and the opportunities for the United States to develop more common policies with other Western nations.

E. The Broad Directions of U.S. East-West Trade Policy

A forward looking American trade policy should seek to encourage the constructive developments taking place in Eastern Europe, such as the managerial decentralization, the movement toward Western market concepts, the trend toward more consumer oriented economies, and closer integration of the trade of these countries with the world economy. It should encourage movements toward greater independence such as those taking place in Czechoslovakia and Rumania. It should strive to align U.S. policies more closely with those of other O. E. C. D. countries. The objective should be to develop common Western policies on trade and finance with European Communist countries. The political and economic warfare aspects of trade should be de-emphasized and the economic and business aspects should be brought to the forefront. As political conditions permit, the United States should move to eliminate the differentiation in its policies with individual COMECON countries and evolve common policies for all Eastern Europe, including the Soviet Union. Difficult as it is, the United States should work for the establishment of a satisfactory code of principles between centrally-planned and market economies and strive to bring the Eastern European countries into a multilateral trading system based upon commercial considerations and involving convertibility of currencies. Finally, despite the many problems, this country should initiate trade with Communist China as a way of opening doors with this nation of 800 million people.

F. The East-West Trade Relations Act.

The passage of the East-West Trade Relations Act would be an important first step until the international atmosphere changes and more fundamental changes in policy can be undertaken. Under the act the President would have the authority to extend most favored national treatment to individual Communist countries, when he determines it is in the national interest after consulting with the government agencies concerned, business groups, and others. The authority could be used to negotiate commercial agreements with a particular country granting non-discriminatory tariff treatment in return for equivalent concessions to the United States. Such commercial agreements would be for initial periods not longer than three years. The concessions received in return could include better access to markets on the basis of commercial considerations, more adequate arrangements for the protection of patents and other industrial property, agreements on procedures to avoid dumping and other forms of market disruption, and assurances regarding the arbitration of commercial disputes in third countries. Such a commercial agreement should provide the Eastern European country an opportunity to sell more in the United States as a result of the lower tariff rates. It should also improve the opportunities for American companies to develop their exports to the country, provided that other restrictions such as the strategic controls and financial restrictions are eased. However, in time as the United States gains experience in such agreements and trade expands and when political conditions permit, it should move toward the extension of most favored nation treatment to all Eastern European countries.

G. The Strategic Control System

The strategic control policy of the United States and its administration has proved to be ineffective in its major objectives and should be substantially modified. The United States distinguishes between strategic and peaceful goods in trade with the East. However, the distinction has not been a clear one. There