

have been variations and inconsistencies in determining whether goods are strategic or nonstrategic in issuing export licenses. Goods are neither peaceful nor warlike; it is people who are peaceful or warlike. Most goods can be used for military as well as civilian purposes. There has been no disagreement about an embargo on arms, implements of war, atomic materials, and other military goods and highly sophisticated technologies with important military uses. However, the problem arises when strategic goods are extended to include a wide range of industrial materials and equipment that have significant civilian applications as well as possible military uses. It can readily be seen that many materials, machines and techniques can contribute to the industrial development and economic strength of a nation. A nation's industrial base and its entire economy can be shifted to support a military effort. Thus, if strategic goods are thought of in terms of those that make "a significant contribution to the military or economic potential" as defined in the Export Control Act as amended, a wide range of goods and techniques can be defined as strategic. Moreover, a widespread belief that trade with the potential enemy is immoral, the negative emphasis of the Export Control Act and the Battle Act, and Congressional attitudes have encouraged the United States governments to be highly restrictive in trade with the East.

The difficulty of applying a comprehensive system of export controls to limit the military-industrial potential of a sophisticated and highly self-sufficient economy like the Soviet Union should be recognized. The Soviet Union is a highly advanced economy capable of producing nearly everything that it needs. With a substantial scientific and technological base, it is capable of finding substitutes for most controlled goods. In fact, strategic controls may force technological change and more rapid development of substitute products. Moreover, the costs of strategic controls to such an economy may be overestimated. The Soviet Union, of course, may prefer to import goods and technologies available in the West at lower cost. In turn to pay for these imports, it has to devote resources to produce exports that can be sold to the West. When strategic controls are imposed on goods that the Soviets would like to import, they can shift resources that would be devoted to exports to development and production of substitutes. This may lead to a less efficient use of resources and increase costs. But the increase in costs may be of marginal significance in slowing down economic growth or military potential. The Soviet Union has demonstrated that it can develop practically any product or technology it wishes if it is willing to devote sufficient resources to it, even though it can be costly.

There is no precise way of measuring the effectiveness of the strategic trade controls in holding down or increasing the costs of the development of Soviet military-industrial potential. Yet, the fact that the Soviet Union has become the second major military power, that it has achieved impressive space and other scientific accomplishments, and that it has experienced a high rate of economic growth and industrial expansion during the period of the use of strategic trade controls would indicate that the trade embargo has had little effect in achieving its major objectives. The main effect probably has been to serve as an irritant in relations between the United States and the Soviet Union.

Since the United States has enforced more rigorous controls than other COCOM countries and most products only embargoed in this country could be readily obtained in Western countries, the system has been ineffective. The result has been to lead the Soviet Union and other Eastern European countries to buy goods in Western Europe and Japan rather than in the United States. This has penalized American businessmen and has served to favor businessmen in other countries. It has also given businessmen in other Western nations an opportunity to get a firm foothold in the rapidly growing markets in Eastern Europe. This will make it more difficult for American companies to compete in these markets in the future.

One way of assessing a policy such as the strategic controls is to weigh the benefits against the costs. In my judgment, the costs have exceeded the benefits because the policy has been ineffective in attaining its major objectives; it has been a major barrier to the expansion of U.S. trade with Eastern Europe and increased business contacts; it has given businessmen in other countries an advantage over American businessmen in conducting trade with these countries; it has aggravated tensions with COMECON countries, and it has increased frictions with other Western nations.