

**U.S. DEPARTMENT OF COMMERCE
BUREAU OF INTERNATIONAL COMMERCE
OFFICE OF EXPORT CONTROL
Washington, D.C., April 28, 1967**

MEMORANDUM

To: All OEC Personnel
From: Rauer H. Meyer
Subject: Licensing of scientific laboratory equipment to Eastern Europe

The President's Scientific Advisor, Dr. Horning, is concerned over reported delays in our licensing of research instruments for scientific laboratories in Eastern Europe. He is especially desirous of expanding personal contacts between scientists in the United States and those in Eastern Europe, and he believes that expeditious handling of export license applications for scientific instruments to Eastern Europe will assist materially in attaining this objective.

ended tomorrow, the "timeless" arguments against Communist trade remain.

The general arguments recognize, first, that the goal of communism is inherently imperialistic, whether piecemeal — country-by-country, or, over the long-term, the entire world. Second, the success of that goal is a function of power of various sorts — all related to each other. Thus a Soviet Union having internal problems, political or economic, is less likely to engage in international subversion than a Soviet Union internally secure.

Similarly, the Soviet military capability, as well as that of its Communist allies, obviously depends, first, on total economic resources available and, second, on allocation of those resources to the military sector.

While the question of total economic resources is important, the allocation of resources within the Soviet economy is of more immediate concern. If we roughly divide the Soviet economy into two types of spending, production of consumer-oriented goods and production of goods for the military sector, it follows that given fixed resources, increased allocation for either type of spending results in decreased allocation for the other.

Put another way, if the Soviet economy is increasing its total output and total resources available for allocation, it must increase allocation to both consumer and military spending, in order to maintain the same percentage allocation of each. Thus, if the Soviet Union were allocating half its resources to each type of spending, and experienced a \$50 billion increase in output, it would devote \$25 billion of the increased output to each type of spending to maintain the same ratio of 50 percent consumer/military spending.

But, after fifty years of starving the consumer sector in favor of the industrial and military sectors in the Soviet Union, the pressure is slowly mounting for a greater emphasis on goods *for the people*. It should be pointed out that analogous situations exist in the other Communist nations in Eastern Europe.

Guns Vs. Butter

Communist nations have been pursuing heavy investment spending and arms spending at the cost of a higher standard of living for the people. The West should take advantage of this allocation problem. The West should not help the Communist extricate themselves.

We should not readily bail Communists out of situations caused by their own mismanagement. Why should the Communists allocate more resources to wheat production, if the West stands ready to sell the Communists wheat — at bargain rates?

If Communist trade is to be used at all, it should be conditional. Thus, the Communists should accept certain conditions as prerequisites to such trade, such as pressuring the North Vietnamese to de-escalate, or tearing down the Berlin Wall, or whatever goal is deemed both desirable and practical by qualified American Cold War strategists.

Serious humanitarians should oppose Communist trade because it often permits the Communists to continue diverting resources *from* peaceful uses and consumer goods for the people *to* military hardware. What incentive does the Soviet Union have to invest in resources to secure higher wheat production, when it can always count on the West?

To oppose Communist trade now is not to oppose it forever. But under present conditions, even trade does not appear desirable. If this country were to consider economic warfare, as well as diplomatic and military initiatives, then, given an enlightened national leadership in the U.S., Communist trade might be used as a weapon to extract concessions from the other side.

At present, the best form of economic warfare appears to be not trading with the Communists *at all*.

Trading with the Communists means increasing their capability to wage war. This may be in the form of strategic trading, such as the Fiat auto plant deal (automotive products are supplied by the Soviet Union to Hanoi). This may be in the form of providing goods to the Communists at costs lower than such production would have cost them. We may aid Communists in diverting resources to military uses.

Free Trade Argument Discounted

It is argued that American corporations can profit from Communist trade and that our balance of payments problem will be helped. Helping those American corporations with the political connections and size to engage in Communist trade is not so desirable as to take precedence over national security. Our balance of payments problem is due to many causes,

If you are interested in learning more about the issue of Communist trade, you should consider the book, Trading With the Communists, by Samuel F. Clabaugh and Edwin J. Feulner, Jr. This 254 page survey of the topic features an 85 page annotated bibliography of suggested reading. To order a copy send two dollars to: The Center for Strategic Studies, Georgetown University, Washington, D.C.