ATOMIC ENERGY UNIT WARNED ABOUT UTILITY TRADE GROUP

[From the Watertown (N.Y.) Daily Times, Mar. 8, 1968]

WASHINGTON.—Sen. Lee Metcalf today warned the Atomic Energy commission that the private utility trade association was taking it "down the primrose path."

The Montana Democrat told A.E.C. Chairman Glen T. Seaborg that the Edison Electric institute—which the A.E.C. has proposed to head a nationwide survey of atomic power plant sites—"is notorious for misleading and using public officials in order to increase the advantage and profit of its segment of the industry."

The A.E.C. has come under increasing fire because of its proposal and its failure to provide an equal role for public power groups and the government.

Informed sources say the commission will shift its stand in a few days and call for the Federal Power commission to head the survey.

Metcalf told Seaborg he should familiarize himself with E.E.I.'s qualifications to head up any public policy study.

He said he had a "deep interest in making the tremendous benefits of nuclear power available to all Americans on equitable terms."

Metcalf said the F.P.C. showed, in its conduct of the national power survey, how it could marshal all segments of the power industry and government while retaining responsibility.

Available facts, the senator added, indicated to him the A.E.C. did not have that capability.

Metcalf said he had been "deeply disturbed" by the original A.E.C. plan. He noted the E.E.I. was neither a public body nor did it represent the whole electric power industry.

As of the end of February, he continued, no one on the A.E.C. had consulted with F.P.C. or public power groups about participating in the nuclear power plant site survey.

[From the Watertown (N.Y.) Daily News, Mar. 15, 1968]

NUCLEAR POWER SITE SURVEY NOT PRIVATE INTEREST SHOW

(By Alan Emory)

WASHINGTON.—Atomic Energy commission Chairman Glenn T. Seaborg today promised not to turn over the government's atomic power plant site survey to the private utility companies' trade association.

He said the A.E.C. had "no intention" of pursuing such a plan. Seaborg also conceded the A.E.C. would have done better to explore the problem with more organizations than just the Edison Electric institute.

The chairman indicated the end result would probably be an interdepartmental study along the lines suggested in October by A.E.C. Commissioner James T. Ramey. Ramey favored having the Federal Power commission run the show, but Seaborg said it might be headed by a newly-formed energy policy staff.

An A.E.C. proposal to allow the E.E.I. to head the study and have other federal agencies and public power groups participate "as required" drew fire in and out of congress.

Seaborg said discussions with other organizations were designed to focus industry attention on the subject of power plant sites. Discussions with E.E.I., he said, were "only a part of the overall study plans" and part of that was "still in the formative stage."

The early talks are aimed mainly at identifying factors to be considered, he added, and "no definitive arrangements have been consummated regarding the conduct of such studies."

In a letter to American Public Power association General Manager Alex Radin, Seaborg, said A.E.C. officials had referred to the future involvement of the F.P.C. and Radin's association.

The A.E.C., said the chairman, "does not plan to commission others, such as the E.E.I. to conduct such comprehensive siting studies for nuclear plants except as would be part of an interdepartmental or similar effort."

Early talks were held with the private industry group, he said, because E.E.I. comprised "by far the largest segment of the industry and E.E.I. expressed a willingness to participate in such efforts."

"We have not delegated any responsibility to E.E.I., he added, "and A.E.C. has no intention of doing so."

Seaborg hinted again the A.E.C. did not have jurisdiction over the consumer aspects of power operations, and the consumer angle reinforced the need for an interdepartmental group to conduct the survey. The A.E.C. endorses this "more strongly than ever," he declared.

"In retrospect," Seaborg told Radin, "a broader exploration of the problem with more organizations would have been in order."

CONGRESSIONAL SCHOLARS PROGRAM

HON. JOHN R. DELLENBACK

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 7, 1968

Mr. DELLENBACK. Mr. Speaker, in an effort to make our National Government come alive to our young people, last year Mrs. Dellenback and I instituted a program which we called our congressional scholars program.

When we began the program, we asked the school authorities of Oregon's Fourth Congressional District to select students who would be particularly able to learn and profit from a week in the Nation's Capital and who would be willing and able to pass along to their fellow students in their respective counties what they learned here.

The transportation expenses were taken care of through arrangements made by the education districts involved. While in Washington, the students were the guests of the Dellenback family.

The eight students who visited us last year did a marvelous job of reporting their experiences upon their return to Oregon. Our young guests' stay with us was so successful that we decided to continue the program this year and to expand the number of congressional scholars to 12.

From more than 100 applicants, 12 outstanding young people were selected by a committee of educators to be our guests this year. Mrs. Dellenback, the children, and I were pleased to have living in our home during this year's program:

Bill Ankeny, Myrtle Creek; Steve Greenwood, Eugene; John Heinz, Coos Bay; Robert Pete, Phoenix; Gary Cully, Eugene; John Fisher, Eugene; Kris Keil, Ashland; Teri Schwarz, Gold Beach; Ronald Blanton, Eugene; Cynthia Buhl, Myrtle Creek; John Craig, Springfield; Celia Duboraw, Grants Pass.

While they were with us, we sought to give these scholars an opportunity to meet some of the people and observe as many as possible of the procedures and structures through which and in which our National Government lives and performs its functions. It was a most encouraging and stimulating experience for us to note the concerned and responsible manner in which these outstanding young people observed, thought about, and discussed the representatives and operations of their Government first hand.

I mention this program today with the thought that some of my colleagues might be interested in this kind of program and adapt it for scholars in their respective districts. I know that involvement in such a program has been a most satisfying experience for the Dellenbacks.

EAST-WEST TRADE

HON. WAYNE MORSE

OF OREGON

IN THE SENATE OF THE UNITED STATES

Tuesday, May 7, 1968

Mr. MORSE. Mr. President, the American Management Association performed a singular service to our economic community when, early in March, it hosted an orientation and briefing conference in New York City on the subject of East-West trade. I was among those privileged to address this important session. My remarks on that occasion were placed into the RECORD, on April 29.

The conference agenda included important remarks by a number of distinguished businessmen, scholars, and diplomats. I know that several of the addresses delivered contained particularly significant commentary on the East-West trade structure that will be of interest to my colleagues and to the public.

I ask unanimous consent that a selection of addresses by various conference participants be printed in the Extensions of Remarks.

There being no objection, the addresses were ordered to be printed in the RECORD, as follows:

OPPORTUNITIES FOR TRADE WITH THE EAST: LOST AND FOUND

(By Tino Perutz, Managing Director, Omni Division, C. Tennant, Sons & Co., of New York)

The topic of my talk is Opportunities for Trade With the East: Lost and Found. My remarks are personal, and not necessarily the views of my company.

Ever since Caesar, on his way to the Forum, was warned by the soothsayer to beware the Ides of March, this has been a month of important events.

Fifty years ago yesterday the new Bolshevik government, which assumed power in Russia on November 7, 1917, signed the peace treaty of Brest-Litovsk with the central powers. A year later, in March 1919, the third International (Comintern) was founded with the ultimate aim of bringing about world revolution. (Comintern was dissolved—as Cominform—in 1956.) On the Ides of March 1921 Lenin introduced N.E.P., the New Economic Policy, by saying "let's take one step backward in order to take two steps forward." A year later Stalin became Secretary-General of the Party.

In March 1953 Stalin died, and three years later at the twentieth Party Congress, was denounced for megalomania and repressions. After de-Stalinization the Soviet Union went on to scientific, technological achievements, among them the launching of the first astronaut into space. The standard of living of the Russian people was greatly improved, and on the political scene, collective leadership was established.

With the publication in 1962 of Professor Evzei Liberman's economic theories, a new economic concept was proposed, substituting profitability for Stakhanovism, and market demand for rigid central planning.

Fifty years ago in the United States the income tax ranged from one to six percent—the Gross National Product reached 40 billion dollars, and Congress was about to determine that we should disengage ourselves from international involvements. A Rip van Winkle, who had fallen asleep at that time, would hardly comprehend the changes that have made America the world's leading industrial and political power. And had he been interested in our economy at the time he feel asleep, he would now undoubtedly cry: "Socialism".

If, similarly, the hero of Mayakowski's "Bedbug" would have been frozen for the same period, and would now thaw into a new Russia, he might well mutter: "Capitalism".

I had the privilege of addressing the East-West seminar last year, and would like to compare today's outlook and opportunities in East-West trade with those of last year. Last year some of us expected that hearings on the East-West Trade Bill would be scheduled in 1967. This bill was added to the legislative junkheap in May 1966, as Senator Mansfield announced upon introducing the bill. Now we have all given up hope that this bill will be salvaged in the course of this year.

President Johnson authorized the Eximbank in October 1966 to extend its export guarantee program to sales of U.S. goods to five East European countries. Under this authorization medium term guarantees would have enabled U.S. companies to obtain non-recourse financing through U.S. banks or through Eurodollar sources, thereby allowing U.S. exporters to compete with European sellers. When the Senate passed the Eximbank extension bill in August 1967, this presidential authorization was specifically repudiated. The House passed this restrictive bill on February 7, 1968. This is a serious setback compared to last year.

The omission of reference to East-West trade in the President's State of the Union message this year indicates that the bridge-building concept of 1967 has been abandoned, at least temporarily.

The over-all feeling in Congress toward trade with Eastern Europe has changed in the last twelve months from a more or less passive unfriendliness to active hostility. This change in sentiment was naturally caused by the escalation in Vietnam.

Last year we expected some easing of export controls; essentially they have remained as rigid as they were. Tomorrow we will hear the Department of Commerce discuss export controls. I know it will be a comprehensive presentation. Nevertheless, I would like to submit an exporter's assessment of these controls.

The Export Control Act was enacted in February 1949 as a temporary measure and was renewed every two or three years. The Export Control Act establishes vague and undefinable criteria of control. The administrators of the Act, in their day to day decisions, must weigh the approval of a license against possible damage to our national security and welfare or to possible benefit to the recipient country's military or economic potential. Thus the administration of regulations in a changing political atmosphere becomes a major act of bureaucratic statesmanship.

At last year's seminar Rep. Lipscomb of California, ranking minority member of the Defense Subcommittee and constant critic of the tolerance of export controls, declared that export licenses for fertilizers should be denied because of the strategic character of this product.

The Office of Export Control is advised in its functions by an interdepartmental committee composed of Defense, State and Treasury departments, and by the so-called "amorphous body of the intelligence community". It seems to me that such divided interpretation leads to diffusion of responsibilities.

Originally our export controls were to be applied equally by all nations having defense commitments with the USA. In the course of years, however, our defense partners liberalized their exports to Eastern Europe, whereas U.S. controls remained inflexible. This self imposed restraint, for restraint's sake, is depriving us of our share of this trade.

As a member of the N.Y. Regional Export Expansion Council, I am, of course, much concerned with the general expansion of U.S. exports, as we all are, and I would welcome an executive order expressly stating that export licenses shall *not* be denied if such denial would diminish the U.S. trade surplus. While such an order would obviously increase dramatically the uncertainties of licensing, it would at least help to point up the paradox.

The perennial deficit in our balance of payments, which reached a figure of almost four billion dollars in 1967, was the theme of the President's message to the nation on January first of this year. Several measures are proposed in this message which—if enacted—will obviously reduce our imbalance of payments.

In his message, the President states that: quote "to the average citizen the imbalance of payments, the strength of the dollar . . . are meaningless phrases. They seem to have little relevance to our daily lives. Yet their consequences touch us all." unquote.

Yet, the government expects that these meaningless phrases will make an average citizen accept the proposed limitations, including the limitations on travel abroad. The government is apparently unable to persuade the average (uninformed) citizen that freer and larger exports to Eastern Europe would conceivably decrease our deficit within the next few years by the several hundred million dollars.

Every average Englishman or Swiss or Austrian has accepted some variation of the slogan "To export or die". In the USA a general apathy towards exports seems to exist. Exports to Eastern Europe in particular are regarded as a contract with the devil, and trade with the devil would compromise our lofty moral principles. Our giant automobile industry did not even compete for the Russian business of setting up a passenger car industry. It yielded to Fiat of Italy to supply plant installations and services in the value of some 400 million dollars. Perhaps our American cars are too sophisticated. If so, our automobile industry could have competed for this business through their European affiliates in England or Germany where the smaller cars are being manufactured.

We understand very well that sale of equipment and know-how to Russia would result in stigmatizing the company in the USA. The resulting loss of domestic business would be an unacceptable risk. We are quite cognizant of this dilemma.

But is this an unalterable fact? Must it remain unalterable in the light of the President's message, in the light of a serious monetary crisis?

When will our political leaders assume the responsibilities inherent in their leadership so that the dangers to our economy, to the health and well-being of this nation will become meaningful phrases?

Are we to assume that the average Italian understands better the relevance of trade to his daily life, or should we assume simply that every Fiat owner in Italy and abroad is a communist sympathizer at heart?

The Fiat automobile plant in the USSR will build hundreds of thousands of passenger cars and thereby fulfill the dream of travel to many Russians. This new plant will oblige the Soviet Union to divert a qualified labor force to the automotive industry, to the improvement of road systems, to the building of service stations and motels.

Is it contrary to our national interest to expect within a few years traffic tie-ups on Gorky Street in Moscow similar to the snail's pace on Madison Avenue—with its daily loss of tens of thousands of "executive" man-hours?

Trade between the western countries and Eastern Europe has reached the impressive figure of 16 billion dollars in 1967, a 20% increase over the preceding year, which again exceeded 1965 by 20%. The Common Market's trade with Eastern Europe in 1967 was in excess of five billion dollars (more than 80% increase in the last five years).

The U.S. trade figure for 1967 for all exports to and imports from Eastern Europe was 372 million dollars, which is less than 0.7% of our total worldwide trade. Our exports to Eastern Europe were 195 million dollars, which is 0.6% of our total exports.

I will not dwell on figures. The fact that we are barely participating in existing East-West trade is well established.

Obviously these trade relations between the industrial nations of the west and Eastern Europe have resulted in much improved personal contacts; in acceptance of western technical standards, such as DIN and BSS, and reliance on western spare parts. Western service personnel and engineers travel widely in the east, and their field reports are a constant source of information. Certain negotiating patterns and basic contract conditions have evolved and have normalized business relations. It will be difficult for U.S. sellers to displace such well entrenched competitors.

These contacts have also enabled the west to observe closely and to take advantage of the new economic concepts which are gradually being introduced in Eastern Europe. I am referring to the so-called "economist's revolt" which I would prefer to call more appropriately a "renaissance" of some old and proven principles of economics. When some of the Comecon nations encountered increasing difficulties to compete in western markets, they recognized the shortcomings of rigidly and centrally directed economies. This recognition accompanied the growing desire for greater national assertion, particularly among the more industrialized former satellite countries. In Czechoslovakia, for example, only seven years after the Communist takeover, a group of outstanding economists, headed by Prof. Ota Sik, started to explore new economic orientation.

The theories of Prof. Sik are, I believe, similar to those being promulgated in other Eastern European countries. Therefore, a brief review of Czech economic development, as presented by Sik in a recent talk in Stockholm, will be illuminating.

Shortly after the Communist takeover in Czechoslovakia in 1948 industry and trade were nationalized; from the smallest machine shop to the Skoda Works, from the Bata Shoe empire to the cobbler's bench. Strict centralized planning and direction were introduced, in emulation of the USSR, the only country which, until then, had been practicing this system.

No past experiences, no other theories, were acceptable because rigid centralized control was regarded as the only possible form a socialist economy could take. Any deviation from this rigidity, in thought or in practice, was considered heresy.

The central bureaucracy established five-year programs for the entire industry, determined the production volume of each factory—in pieces or tonnage—and fixed sales prices for some one and a half millions items.

The postwar boom had obscured some weaknesses of the economy until 1956-57 when Czech foreign trade started to experience major difficulties. Even though industrial production, by its emphasis on manufacture of capital goods, had increased by four hundred percent, exports to the west declined because of rapidly increasing production costs and a lag in technical development. At the same time, agricultural output remained at prewar levels, thus making necessary the import of additional foodstuffs. Farm workers had been diverted to industry, and therefore the average age of agricultural workers rose to about 50 years. These older people could not be trained to accept new techniques, which would have improved agricultural output.

The Czech government decided to experiment with some of Prof. Sik's recommendations, which gave managers more freedom of action and introduced incentives. However, further economic decline in the next few years brought on a complete reversal, and even more rigid centralism was adopted. Despite frequent violent attacks from within, the Sik theories were finally accepted by the government in 1967. Yet even today opposition is strong from those party members who claim that the new economic system will deprive workers of their privileges.

I am describing these conflicting trends because the final outcome will determine decisively Czechoslovakia's success in international trade and, by analogy, the international trading position of most other Eastern European countries.

The broad aims of this new economic system are, in Prof. Sik's words:— . . . . "to establish an entirely new relationship between planning and the mechanics of the market within a socialist economy"; . . . . to establish profit as the only valid and measurable indicator for the success of an industrial operation, and . . . . "to introduce incentives which (as under capitalism) will improve efficiency."

In the period of transition from old to new system, decentralization will first affect individual factories (all of which are part of larger trusts). These factories will establish their own short term (one year) planning. This phase is referred to as micro-economy.

Top management of the trusts will issue medium (five year) and long term (15 to 20 year) plans which will have the character of economic forecasts rather than of inflexible directives. The Central State authority will issue macro-economic guidelines for the entire industry.

The factories (producing for profit) will pay three types of taxes:

1. a tax on invested capital (6%)
2. a tax on gross income, i.e., gross sales, less raw material, less amortization (18%)
3. a wage tax computed both on a per capita basis and a total payroll basis, so that reduction in the number of workers will result in a more favorable tax rate even though the individual wage level might be increased.

The domestic price structure will be determined by fixed government prices for essential raw materials and services, by ceiling prices for many consumer items, and by completely free prices for less essential goods.

Strong emphasis will be placed on the training of new managers. According to Prof. Sik: . . . . "entirely new management personnel will be required" . . . . I would assume that this displacement will cause some discontent among older, faithful party bureaucrats.

I would suggest that this association consider making available its experience in managerial training to the management training centers in Prague and Warsaw, Moscow and Budapest.

Similiar changes toward a "freer enterprise" within a socialist economy are taking place in all other Eastern countries except Poland. (Poland's centralism is somewhat lessened by Polish individualism and ingenuity.) In Hungary a new economic system establishing the independence and responsibility of industrial managers has become law on January first of this year. Incentives for managers may reach 80% of their basic salary. Laborer's wages can be increased by 20%. East Germany, Rumania and Bulgaria have introduced to varying degrees some form of new economic theories. In the USSR, where the three leading economists, Liberman, Kantorovich and Novozhilov, were awarded the Lenin Prize in 1965 (the Soviet Union's highest honor), all industry is to be on a new profit-oriented decentralized system by the end of this year. However, some reports indicate that these economic reforms are being eroded by conservative elements, both at central and local levels. Nevertheless, I am convinced that once it has been recognized that efficiency, individual responsibility and incentive are organically interrelated, the economic reformers in the Soviet Union will succeed with their program.

I am equally convinced that the prospects for future U.S. exports to Eastern Europe will be much improved by the liberalization of economies. Profit-minded managers will want to adopt American manufacturing methods and will want to purchase American technology, machinery and equipment. The prestige of American technology is probably highest in Eastern Europe. In no other part of the world have I met so much genuine admiration for our technical and industrial accomplishments, for the achievements of our research and development. (U.S. expenditures for research and development of three and a half percent of our Gross National Product are about twice as high as the expenditures by the European Common Market nations.)

After having been buried by Khruschev, we have now been resurrected by Servant-Schreiber in his book LE DEFI AMERICAN—"The American Challenge"—which sold 150,000 copies in France in the first year of publication. Servant-Schreiber evaluates American economic presence in Western Europe as the world's third economic power.

This form of economic penetration will obviously be impossible in Socialist countries. Therefore the question arises whether and to what degree these countries will be able to pay for major imports from America. It is felt by many who favor greater trade between this country and Eastern Europe that such trade must remain at low levels. It is claimed that no historical trade pattern exists between the USA and Russia, or Poland or the Balkan States, and that, in the absence of such reciprocal opportunities, trading volume will be quite limited.

I do not concur with these views. Poland, the only Eastern nation which enjoys Most Favored Nations tariff, was able to reach a trade volume with the U.S. of 150 million dollars in 1967, which represents more than 40% of our total trade with Eastern Europe and exceeds our trade with the Soviet Union by 50 million dollars. The removal of present discriminatory U.S. tariffs by granting MFN treatment to the other Eastern countries, will certainly increase the trade volume.

I also do not concur with the advocates of balanced reciprocal trade because such link between exports and imports leads to bilateralism. I suspect that existing bilateral agreements between west and east might have been forced upon Eastern Europe by such considerations and by the apprehension that cheap Eastern products could inundate home markets. Let us not be entrapped in bilateral systems, thereby reducing our own opportunities.

These opportunities far exceed the normal pattern of buying and selling. The gradual introduction of new economic systems, that we spoke about, the eventual and conceivable separation of party and economics, open up great possibilities for U.S. industry. I can visualize major co-production ventures, particularly with the USSR, involving the supply of American technology and machinery, which will be paid for by the product of such joint venture. The vast natural resources of the Soviet Union in ores, metals, rare metals, industrial diamonds and precious stones, timber, will be the means of payment to the co-production partner.

This is the vision I see on the horizon, an answer to *the* important question. If this is not the answer, we will have to re-examine the ominous question.

Remarks of Theodore C. Sorensen at the International Management Briefing Session on "East-West Trade" of the American Management Association, Hotel Pierre, Mar. 4, 1968

Clearly there is no early end to the Vietnam War in sight. Clearly there is no easy solution. Neither side will give up or get out; neither side can obtain a final military victory; and neither side is willing to enter upon serious negotiations leading to a settlement that meets the other side's minimum conditions. Thus we are in all probability in for a long siege in Vietnam unless and until there is a change in the international atmosphere. In my opinion, a substantial increase in trade in non-strategic goods between the United States and the nations of Eastern Europe—including the Soviet Union—can help create the kind of atmosphere in which a reasonable Vietnamese settlement can be achieved.

First, it is in our interest to prevent the war from spreading beyond the borders of Vietnam. We do not want any present or future American action or provocation to induce the Soviet Union to enter fully and formally into the Vietnamese War. Trade is one way of deterring such a drastic decision in Moscow—by improving Soviet-American relations and by making less desirable and more difficult the severing of relations which open warfare would require . . .

Second, it is in our interest to persuade the North Vietnamese that it is not our ambition to eradicate Communism from the face of the earth. By engaging in trade with the Soviet Union and Eastern Europe, we can demonstrate that there is some hope for peaceful coexistence, that Communist states can make progress in the community of nations by methods other than aggression, and that the United States is willing to deal with nations of a different social, economic and political system.

Third, it is in our interest to improve communications and reduce tensions with all nations supporting Hanoi. This is a dangerous period, during which every effort must be made to increase understanding and minimize misunderstanding, to increase contacts and make new friends in Communist governments, to obtain new experiences in working together and talking together on subjects other than cold war threats and deterrents. To place further restrictions on our trade with Eastern Europe can only force the Communist nations back into a hard and fast bloc which obviously no longer exists.

Fourth, and finally, it is in our interest, while fighting a war of attrition, to engage in those transactions which would develop the American economy and divert Soviet and Eastern European resources away from military efforts. To the extent that increased exposure to our goods and competition can lead gradually to an erosion in their dogma or an evolution in their system, the atmosphere for a Vietnamese settlement would be thereby improved.

. . . I do not suggest the sale of strategic goods to those who are supplying our enemies; nor do I suggest that trade can solve or prevent the conflicts of interest and ideology that necessarily divide us from the Communists. But inasmuch as it is clear that the Soviets and Eastern Europeans can obtain elsewhere all the goods we refuse to sell to them, I am suggesting that this country's policy of excluding itself from the growing network of East-West economic relations is harming only our own business prospects and as well as our foreign policy interests.

THE ROLE OF THE DEPARTMENT OF COMMERCE IN EAST-WEST TRADE

(Speech by Sherman R. Abrahamson delivered in New York City March 5, 1968, at the American Management Association's briefing session on East-West Trade)

I am very pleased to be here today to discuss with you the role of the Department of Commerce in East-West trade and our policies and procedures related thereto. To begin my discussion, I should like to refer to those parts of the Export Control Act that bear directly on East-West trade.

THE EXPORT CONTROL ACT

Section 2 of the Export Control Act contains the following policy statements:

"The Congress hereby declares that it is the policy of the United States to use export controls to the extent necessary . . . (b) to further the foreign policy of the United States and to aid in fulfilling its international responsibilities; and (c) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security of the United States." "The Congress further declares that it is the policy of the United States to formulate . . . a unified commercial and trade policy to be observed by the non-Communist-dominated nations for areas in their dealings with the Communist-dominated nations."

Section 3 of the Act authorized the President to effectuate these policies. In so doing, however, it permitted him to "delegate the power, authority, and discretion conferred upon him by the Act as he may deem appropriate."

He has delegated this authority, by means of an Executive Order, to the Secretary of Commerce.

Congress realized that the regulation of U.S. exports affects the responsibilities and interests of a number of departments and agencies. In Section 4 of the Act, therefore, Congress stipulated the following:

"In determining what shall be controlled hereunder, and in determining the extent to which exports shall be limited, any department, agency, or official making these determinations shall seek information and advice from the several executive departments and independent agencies concerned with aspects of our domestic and foreign policies and operations having an important bearing on exports."

These then, are the principal authorizing and policy provisions of the Export Control Act that relate directly to East-West Trade. Of interest, also is the fact that the Act applies to about 90 percent of all the goods exported from the United States.

THE COMMERCE DEPARTMENT'S EAST-WEST TRADE POLICY

The Congress also has passed a Trade Expansion Act, and the Department of Commerce has been given important responsibilities in expanding trade as well. It has developed several new programs designed to stimulate sales of U.S. goods in foreign countries. The Department's policy, therefore, can be stated quite simply: It is to regulate U.S. exports in consonance with the laws passed by Congress.

Stating the policy is easy. But carrying it out is quite a different matter. Not everyone in Congress is of one mind as to what constitutes an export that would be adverse to our national security. There are those who believe that we should not trade at all with Communist countries. Others believe that avenues of trade should be widened to the fullest extent. Attitudes in the Congress on East West trade range over the entire spectrum.

By and large, there is little, if any, difference among the Executive Branch Departments and agencies involved in export control matters. The reason is that President Johnson, and each of his three predecessors, as heads of the Executive Branch, have declared that our pursuit of opportunities to maximize our trade in peaceful goods with Communist nations of Eastern Europe can influence them to develop along paths that are favorable to world peace.

BARRIERS TO EAST-WEST TRADE EXPANSION

Expanding trade with Eastern Europe is not so easy, however. Factors on both sides inhibit it. On the U.S. side, there is a lack of interest by many American firms, stemming at least partly from a lack of knowledge of East European import needs and export products, as well as how to do business with their trading organizations. Credit is more difficult to obtain than for exports to Western Europe. Our imports from most Communist countries are subject to tariff and other barriers that do not apply to imports from Western Europe.

On the Eastern European side, there is a shortage of gold and hard currency, and they have rather few products of interest to U.S. buyers. In general, the Eastern Europeans do not know the design and marketing techniques essential for selling in the United States. The trading organizations, which control all trade in the Communist countries, prefer to manage trade on a bilateral, instead of a multilateral, basis, which is preferred by the United States. These factors interfere with buying and selling on strictly rational economic grounds.

U.S. EXPORTS TO EASTERN EUROPE IN 1967

Notwithstanding these impediments, we do carry on some trade with Eastern Europe. In goods alone, our exports amounted to nearly $200 million last year, and exports of technology, if we could value them properly, probably added some tens of millions to this figure. Those firms that do export to Eastern European countries, generally have found their trade to be profitable. And in their zeal to expand their trade, some U.S. businessmen have visited our offices and petitioned us to authorize for Eastern Europe export transactions that are pretty self-evident of strategic significance. Also, there are firms that refuse to conduct any trade with Eastern Europe, in any goods at any price.

OBTAINING INFORMATION AND ADVICE AS REQUIRED BY THE ACT

How can the Office of Export Control—the Secretary of Commerce's principal instrument for administering the Export Control Act—satisfy both the proponents and critics of the President's bridge-building policy and a wide variety of business interests in the regulation of U.S. exports? The answer is: We can't. But we try.

You will remember that the Congress, in the language of the Export Control Act, instructed the administrator of Export Control to seek "information and advice." To carry out this instruction on a regular basis, the Advisory Committee on Export Policy was established: Its chairman is Commerce's Assistant Secretary for Domestic and International Business. Members are the Departments of State, Defense, Treasury, Agriculture, and Interior, the Atomic Energy Commission, Federal Aviation Agency, and the National Aeronautics and Space Administration. The Office of Emergency Planning is an observer and the Central Intelligence Agency is an advisor. The Advisory Committee, or ACEP for short, is convened only when difficult policy issues arise or when an especially troublesome export license application is received that raises policy problems. Clearing away the bulk of the work is the ACEP's subgroup, the Operating Committee. Its membership is the same as that for ACEP, but at the senior staff level. The Operating Committee, or OC for short, deals both with policy issues and exceptional export applications. Its recommendations are made to the Chairman of ACEP. As a result of the information, advice, and recommendations thus presented, the Commerce Department determines the broad policies to be applied by the Office of Export Control to commodities, destinations, and types of transactions, as well as licensing actions to be taken on unusual applications.

THE RULE OF UNANIMITY

The interdepartmental advisory procedure I have just sketched is of enormous importance in the policy planning for, and the administration of, our export controls. Fundamentally, decisions reached through this procedure govern the content and scope of our export control regulations and the content of our Commodity Control List. Of special significance, however, is the fact that both the OC and the ACEP follow the rule of unanimity. Although the Secretary of Commerce has the authority to make export control decisions, in practice he follows the rule of unanimity. If it cannot be achieved in the OC, the dissenting agency appeals the case to ACEP. If ACEP cannot achieve unanimity, the issue is referred to the Export Control Review Board. Its Chairman is the Secretary of Commerce. The only other members are the Secretaries of Defense and State. As you may suspect, the Export Control Review Board does not meet often. Recommendations reached by the OC and the ACEP form the basis for the board licensing policies followed by the Office of Export Control, and make unnecessary the referral to the OC and ACEP each of the thousands of cases received each year by the Department. The ramification of the tradition or practice of unanimity is that any export legitimately made to Eastern Europe under either a General License or a Validated License, or to any other destination, at least theoretically, has the approval of all of the departments and agencies in the Executive Branch of the Federal Government that have an interest in export control policies.

GENERAL AND VALIDATED EXPORT LICENSES

I have just used two terms that may be new to some of you. They are General License and Validated License. Knowledge of them is essential to an understanding of our procedures.

A General License is a broad authorization that permits exports of certain commodities to certain destinations with a minimum amount of paper work. For example, the only requirement we place on an exporter who wants to ship unlimited quantities of cleansing tissue to the USSR is that he file an export declaration with Customs at the port of shipment. A Validated License is a formal document issued to an exporter who has submitted a signed application to our office. It authorizes the export of only the commodities specified on the license under the conditions and terms therein specified. The Commodity Control List identifies for each listed commodity the destinations for which a Validated Export License is required.

When the Export Control Act was first passed, a Validated License was required for nearly all exports to Eastern Europe. You may remember that in June 1948 the USSR blocked all rail, water, and highway routes through East Germany to West Berlin. The U.S. responded first with a massive airlift, and in February 1949 Congress passed the Export Control Act. During the blockade, trade between the United States and Eastern Europe was negligible. There were no General Licenses for such trade, and applications for Validated Licenses were not approved.

REMOVAL OF VALIDATED LICENSE REQUIREMENTS

Since that time U.S. relations with Eastern European countries have improved gradually, but the curve has indeed had its ups-and-downs. Keeping pace with the improvement in relations has been a sort of progressive removal of the Validated License requirement for a wide range of both producer and consumer goods.

The removal process is a continuing one. Each commodity listing is scrutinized and tested against various strategic criteria. In this process the Department of Commerce plays a leading role. Deeply involved with trade expansion as well as with trade control, the Department believes that the U.S. national interest is best served by encouraging trade in peaceful goods with Eastern Europe. We contend that removing the Validated License requirement over a commodity listing is a positive step in that direction.

The removal process moves slowly, however. Validated License requirements are not removed until each commodity is carefully considered by the ACEP structure and found no longer to meet any of the strategic criteria. You can appreciate that when a Validated License is no longer required for a commodity to be exported to an Eastern European destination, the item can be shipped without any special authorization from the Office of Export Control. Our basic position, therefore, is this: If a certain commodity is believed to be incapable of making a contribution to any Eastern European country that would be so significant as to be detrimental to our security and welfare (for example, cleansing tissue, tobacco products, sugar, etc.), it is considered nonstrategic and removed from validated license control to all Communist countries except Far Eastern Communist countries and Cuba.

EXTENDING VALIDATED LICENSE REQUIREMENTS

Although broadening the range of goods that can be exported to Eastern Europe has been the trend, stricter licensing controls have also had to be imposed on certain commodities. During the last year or so, stricter controls have been placed, for example, on ablative materials. These permit re-entry of space vehicles at high temperatures. Tighter controls have also been placed on structural sandwich construction materials, which because of their heat resistance and high strength-weight ratios are especially useful in military aircraft and missile applications. Also subjected to tighter controls are isostatic presses, which are used in the manufacture of nuclear weapons. These items were under Validated License requirements to Eastern Europe before controls were tightened. The underlying purposes of stricter controls are to minimize the risks of unauthorized diversion and to impose special controls over the export of the technology to manufacture them. The tightening of controls also requires unanimity in ACEP.

"GRAY AREA" CASES

Our recent reports to Congress show that some types of commodities and technology are being approved for Eastern European countries that we were not approving to any of them a few years ago. This does not mean that we have ceased to regard these items as strategic, and that we are ready to remove them from Validated License control. They are still "gray area" items, meaning items that can have both peaceful and strategic uses. We are, however, able to approve *some items* in the gray area because analysis has shown that they will most probably be used in the particular instance for peaceful purposes. Where this probability cannot be established to our satisfaction, the transactions are not approved. Still other items have such strategic potentiality that we would not license them under any conditions to any of the Eastern European countries.

CRITERIA FOR DETERMINING WHETHER A COMMODITY IS STRATEGIC

For commodities not so clearly nonstrategic we review each commodity in all applications to determine whether, in that transaction and for that stated end use, it is strategic. Entering into this decision are such considerations as

1. Is the commodity designed, intended, or capable of being used for military purposes?
2. Does it contain unique or advanced technology that is extractable?
3. Would it contribute significantly to the military-industrial base of the country of destination?
4. Would it contribute to the economy of the Communist countries to the detriment of our own security?
5. Are there adequate substitutes available elsewhere that would make export denial by us futile?
6. Are the quantities and types of equipment appropriate for the proposed use?
7. Is the equipment an integral part of a larger package and, therefore, unlikely to be used for other than the stated civilian purposes?

Our East-West trade policy and our regulation of exports pursuant to the Export Control Act present a controversial area in which men of good will admittedly can and sometimes do see things differently. We interpret the Act to call for *denial* of export licenses when the proposed export obviously would affect adversely our national security and foreign policy objectives, and for *approval* when those national interests would benefit thereby.

THE RECENT COURSE OF EAST-WEST TRADE

(By Leon M. Herman, Senior Specialist in Soviet Economics, February 8, 1968)

1. OVERALL PROPORTIONS

In terms of its aggregate volume, commodity trade between East and West now looms larger than ever before. Expressed in dollars, the value of exports from the entire "West" to the whole of the "East", as these shorthand terms are usually defined, reached a figure of 8.5 billion dollars in 1966 (the latest calendar year for which such figures are at present available). The import side of this trade, in keeping with recent trends, came to a somewhat larger value in the same year, namely 9.0 billion dollars.

In recent years, as shown by the record, this segment of international commerce has expanded at a somewhat faster pace than world trade in general. As a result, trade with the communist areas of Europe and Asia came to account for 4.7 percent of all foreign trade transactions of the non-communist countries by 1966. This represents a measurable improvement over 1960, when the share of the East in the total trade of the West amounted to 3.8 percent.

In general, therefore, the growth of East-West trade during the current decade has been rather impressive. In the case of both exports and imports, the annual dollar figures approximately doubled between 1960 and 1966, which reflects a yearly growth rate of 12 percent. In dollar terms, exports to the East increased from $4,425 million to $8,509 million; imports rose from $4,462 million to $9,047 million.

2. MAJOR PARTICIPATION AREAS

The largest single trading nation in the East, throughout the recent past, has been the USSR, which in 1966 absorbed $2.8 billion worth of merchandise originating in the West. This comes out to somewhat more than 30 percent of all commodities moving from West to East in that year. As has been the case right along, the six small countries of Eastern Europe, as a group, did far better. They accounted in the same year for $4.2 billion worth of Western exports, or 52 percent of all goods sold to the East. Sales to Mainland China in 1966 came to a figure of 1.4 billion dollars, representing 17.5 percent of all exports from West to East. As might be expected, the import side of the commodity flow showed the same percentage distribution among the three major geographic areas making up the East.

As far as the West is concerned, the main component areas have also remained unchanged in recent years. Western Europe continues to be the most active participant in East-West trade, reflecting the fact that this region has been traditionally a natural market for the major export commodities of Eastern Europe and, at the same time, a readily accessible source of industrial products of the kind regularly imported by the East. In 1966, specifically, Western Europe contributed some 55 percent to the total value of the exchange of commodities between East and West. All the industrially developed countries, taken together, i.e., the nations making up the O.E.C.D. group, have emerged in recent years as the principal factor in this two-way trade, accounting for 70 percent of the entire trade turnover between East and West. This leaves 30 percent for the share of the less developed nations as participants in East-West trade.

3. COMMODITY COMPETITION OF EAST-WEST TRADE

A. Trade Between East and West in Europe.—The historic pattern of trade between the countries of Western and Eastern Europe has not changed materially in recent years. As in the past, the Western group of nations continue to import from the Eastern half of the continent primarily raw materials and foodstuffs, while exporting, in turn, finished products of metal and other materials.

On the import side, the group of foodstuffs imported into West Europe for example, accounted for, respectively, 21.3 and 22.9 percent of all goods purchased from the East in 1964 and 1965. Included among these were: meat and dairy products, cereals, fruits, vegetables, and sugar.

Next, the broad group of crude materials, which includes fuels and base metals, represented 49.7 and 58.2 percent respectively, of all goods moving from East to West in Europe. The most prominent, clearly identifiable commodities in this group were: petroleum, coal, coke, timber products, and base metals.

Finished products makes up the third, and least important, broad group of import commodities of Eastern origin that have been finding their way into Western Europe in recent years. This group as a whole accounted for 17.0 and 16.8 percent, respectively, of all such imports into Western Europe during 1964 and 1965. More specifically, it was represented by such commodities as chemicals, transport equipment, and industrial machinery. The dollar value of the machinery category of imports, it may be noted, added up to only 5 percent of the value of all merchandise imported from the Eastern half of Europe.

To sum up, four commodity categories stand out most prominently in the range of imports from Eastern Europe. These are: meat and dairy products (10.7 percent of all imports in 1965); timber products (16.5 percent), mineral fuels (20.0 percent), and base metals (9.2 percent). Added together, foodstuffs, crude materials, fuels, and base metals, added up to 81 percent of all Western Europe's imports in this trade, with "manufactures" and "miscellaneous" making up the remainder.

On the export side of this exchange, i.e., the movement from West Europe to the Eastern half of the continent, the product mix has been quite different. Here, finished goods as a broad group, accounted for the largest share of ahe commodity flow, namely 59.6 and 58.0 during 1964 and 1965. The three principle components of this group have been: industrial equipment, ships, and chemicals.

The second group of importance among West Europe's exports to the East has been that of crude materials. The share of this group came to 24.6 percent of all export to the East for both years under review. Most prominent among the commodities in this group were: base metals and such industrial raw materials as synthetic rubber and fibers. By way of contrast, exports of mineral fuels from West to East in Europe account for less than 0.5 percent of all recorded shipments.

Foodstuffs, as a group, have been of least importance in the composition of West Europe's exports to its trade partners in the East. During the two years under review, the major commodity categories in this group were grains, meat, fruits and vegetables.

B. General Economic Character of Trade With the East.—As illustrated briefly above, by means of the commodity content of East-West trade in Europe, the trade pattern of the communist countries, both on the export and import side of the exchanges, is that of an industrially underdeveloped group of economies. Basically, they tend to exchange crude materials and farm products for manufactured goods in general and machinery in particular. In this regard, the most characteristic feature of the exchange is illustrated by the fact that some 30 percent of West Europe's exports to the East consists of productive machinery, whereas the commodity flow in the reverse direction contains only 5 percent of industrial equipment.

One significant development of the past few years has been the decline in the momentum of machinery imports into the Soviet Union from the West in general. After a steady rise through the early sixties, Soviet purchases in this category of goods began to level off, with the result that machinery imports were only marginally (6 percent) larger in 1966 than they were in 1962, as may be seen in the figures below:

[In millions of dollars]

	1961	1962	1963	1964	1965	1966
Amount	474.4	601.3	588.1	620.4	505.2	638.0

The recent decline in Soviet imports of industrial equipment from the West is assumed to have been caused by a tightness in the supply of hard currency, and in particular by the urgent need on several recent occasions to maintain a trade surplus with the countries of the Industrial West in order to pay for the wheat purchases. The smaller countries of Eastern Europe, on the other hand, have continued to expand their procurement of machinery in the West. In Western Europe alone, for example, they purchased $442 million in 1964, followed by an import value of $535 million in 1965. From the West as a whole, imports of machinery into the smaller countries of East Europe rose from $549 million to $687 million during the two years in question.

4. THE OUTLOOK

The economic evidence at hand tends to support a forecast of continued steady growth of the present volume of trade between the East and West. There are a number of evidently strong economic incentives at work on both sides of the exchange to expand both direct commodity trade and other, newer forms of industrial cooperation between private firms in the West and the state enterprises of East Europe.

For the industrially developed countries of the West the pull of the East at present appears to be of a long-term character. The economies of the Western nations will, without a doubt, continue to be substantially dependent upon the world market as a means for supplementing their own resources with substantial quantities of imported commodities of a wide variety. As far ahead as we can see, therefore, the industrialized countries will continue to seek abroad the kind of fuels and mineral materials that are normally exported by the East. If the latter countries should, moreover, improve their surplus position in some categories of foodstuffs, these too could presumably be absorbed by the expanding economies of the West in larger quantities than at present. The plain fact is, moreover, that the Western countries as a group have a substantial and continuing interest in helping the East to market more of their commodities and thereby improve their hard currency resources as potential importers of Western goods.

As traditional producers of industrial surpluses, the Western trading nations, furthermore, cannot afford to ignore a market having the kind of characteristics that Eastern Europe has displayed during the past two decades. According to the recent record, some two-thirds of all the goods imported by Eastern Europe from the O.E.C.D. countries have consisted of finished industrial goods. Given the present disparities in the levels of industrial technology in several branches of production between the two regions, the tendency for more advanced types of equipment, products, as well as synthetic materials to flow from West to East may be expected to continue for the foreseeable future. The hard fact is, after all, that the industrial labor force of the developed countries of the West, and presumably the scale of industrial activity in general, are at least twice as large as in Eastern Europe.

If we add to this the fact that a number of the major trading nations of the West are now extending long-term credits to the East and, on a substantial scale at that, we may reasonably conclude that (a) financing facilities for the expansion of imports into the East are likely to be better than in the past; (b) the current foreign exchange earnings of the East should improve steadily in the near term.

The economic forces at work in the East also appear to be operating in favor of expanding the volume of trade with the industrially developed market economies. To the extent that the centrally planned economies are gradually discarding the purely ideological approach to trade and economic development in general, they have come to recognize the nature of the conditions under which technical progress is generated in the world today. They are aware, for example, that the main theatre of operations and research in industry is located in Western Europe, North America, and Japan. By their own reckoning, in fact, the countries of East Europe today account for only some 30 percent of the global output of industry, while the bulk of the world's industrial output, including its research and development, is to be found among the nations that make up the O.E.C.D. grouping.

In addition, it needs to be borne in mind that economic ideas of an operational character have begun to take strong root in East Europe within the past few years. These practical ideas have come to be widely accepted in the region as a result of a steadily growing interest in ways and means to develop a more effective system of domestic production and external trade. Thus, for example, there is now wide acceptance in the area of the view that only large scale production, based on the best tested technology, can achieve the universally desired objective of quality production at steadily lower average real costs.

There is also now fairly general acceptance in East Europe of such propositions, to cite just a few, as the following: (a) that comparative costs are the most important factor in calculating the rationality of a country's participation in international trade; (b) that international trade decisions based on the physical ability to produce the commodities in question rather than their cost and utility tends to reduce the total output and income that could be derived from the finite supply of resources available within a national economy; and (c) that autarky, whether national or regional, is nothing more than a potential source of waste in the use of national resources; that it imposes an unnecessary diffusion of national skills and capacities, and, hence, leads to low productivity and economic weakness rather than strength.

While we can expect the countries of Eastern Europe to continue to expand, and to refine, the present pattern of their intraregional trade, there is nonetheless good reason to believe that in the course of this process of refinement they will also earnestly seek ways and means to introduce certain practical modifications in the established commodity composition of this trade. These modifications are, of course, likely to take a variety of forms. But they may be reasonably expected to include the gradual elimination from the range of goods exchanged with other trade partners in Eastern Europe such materials and finished goods, including machinery, that are produced either under less than optimal economic conditions or according to specifications of quality and utility that are perceptibly below existing world standards. If this process of adjustment is guided largely by considerations of economic effectiveness, as they are very likely to be, the outlook would seem to be favorable for a steadily expanding exchange of goods with an ever wider range of industrialized trade partners, based on a more rigorous calculus of real costs of production both at home and abroad.

RELATIVE IMPORTANCE OF EAST-WEST TRADE TO THE PARTICIPATING AREAS

Year	Industrially developed countries					
	Imports			Exports		
	Total	From Eastern Europe	Percent	Total	To Eastern Europe	Percent
1964	113,279	3,048	2.7	108,984	3,210	2.9
1965	124,633	3,588	2.9	119,990	3,195	2.7
1966	138,453	4,048	2.9	132,720	3,853	2.9

Year	Eastern Europe					
	Imports			Exports		
	Total	From developing countries	Percent	Total	To developing countries	Percent
1964	19,500	3,210	16.5	18,680	3,048	16.3
1965	20,600	3,195	15.5	20,000	3,588	17.9
1966	21,700	3,853	17.8	21,210	4,048	19.1

[TRADE OF INDUSTRIAL WEST [1] WITH EAST EUROPE]

[In millions of U.S. dollars]

	Imports			Exports		
	1964	1965	1966	1964	1965	1966
Food and live animals	576	724	805	924	628	760
Beverages and tobacco	30	31	36	40	47	56
Crude materials, inedible except fuel	775	893	973	290	330	432
Mineral fuels, lubricants, and related materials	645	650	735	15	13	11
Animal and vegetable oils and fats	31	46	54	40	56	36
Chemicals	147	171	202	325	411	467
Manufactured goods	549	719	831	531	664	763
Machinery and transport equipment	147	180	208	939	918	1,239
Miscellaneous manufactured articles	138	155	183	67	102	155
Commodities and transactions not classified	10	18	21	38	26	25
Total	3,048	3,588	4,048	3,210	3,195	3,853

[1] All members of OECD.

Source: "Commodity Trade," series B, January-December 1966, vol. 6, OECD, Paris, pp. 6-7.

GEOGRAPHIC DISTRIBUTION OF EAST-WEST TRADE—VIEWED FROM THE WEST

[In millions of dollars]

	Exports from the West			Imports into the West		
	All Communist areas	Communist areas in Europe	U.S.S.R.	All Communist areas	Communist areas in Europe	U.S.S.R.
Total West:						
1965	7,668	6,296	2,749	8,098	6,539	2,949
1966	8,509	6,967	2,769	9,047	7,166	3,175
Developed countries:						
1965	4,998	4,262	1,536	5,190	4,673	1,891
1966	5,995	4,995	1,674	6,000	5,210	2,150
Western Europe, NATO:						
1965	2,677	2,347	592	3,163	2,857	1,086
1966	3,265	2,824	578	3,577	3,206	1,204
Developed countries—Con. Western Europe, other:						
1965	1,324	1,280	548	1,307	1,264	513
1966	1,396	1,334	544	1,484	1,427	585
Developing countries:						
1965	2,559	1,958	1,160	2,666	1,740	936
1966	2,514	1,972	1,095	3,047	1,956	1,026

Source: U.S. Department of Commerce.

DOLLAR VALUE AND PERCENTAGE OF EAST-WEST TRADE

[In millions of dollars]

Year	Exports from the West			Imports into the West		
	Total exports	Exports to Communist areas	Percent	Total imports	Imports from Communist areas	Percent
1960	113,700	4,425.1	3.9	119,600	4,462.1	3.7
1961	118,800	4,966.6	4.2	124,800	4,987.1	4.0
1962	124,900	5,172.2	4.1	132,800	5,517.8	4.2
1963	136,100	5,622.1	4.1	144,000	6,240.6	4.3
1964	153,300	6,814.9	4.4	161,800	7,072.3	4.4
1965	166,200	7,667.7	4.6	176,100	8,097.6	4.5
1966	182,000	8,508.7	4.7	193,400	9,047.1	4.7

Source: U.S. Department of Commerce.

EAST-WEST TRADE AND THE UNITED STATES

(By Jerome Gilbert, trade economist, New York Port Authority, New York, N.Y.)

Surface evidence suggests, or perhaps the surface evidence makes it easy to convince one's self that the self-exclusion of the United States from the East European markets represents a substantial and growing loss to both the United States community and the United States economy.

For example, there is the spectacular increase in the trade of the Communist countries with the industrialized countries of the West, primarily Western Europe and Japan, an increase that has been growing at a large rate—approximately 15% per annum.

Then there is the matter of the astronomical figures thrown about by the communist leaders. Khrushchev's talent for expansiveness was, for example, never more evident than when he was holding out the lure of massive Soviet orders for western products, including especially products from the United States. Thus, in his "shopping list" letter to President Eisenhower in 1958, he proposed a trade between the USSR and the United States "of several billion dollars . . . over the next several years," and he went into great detail as to the specific categories of goods the Soviet Union would want to buy. And this was but one of a number of Soviet avowals of a willingness, even a strong desire, to transform trade relations with the United States from a state of abysmal paucity to overflowing plenty.

While doubtless subject to some discount by nearly all observers, these glowingly depicted prospects of vast new trade opportunities have quite evidently had a substantial impact on wide circles in the United States. It is thus not surprising that serious groups of business leaders have come to talk of a level of trade between the United States and Eastern Europe equal to that of the West European countries, something that would mean a two-way turnover of some $6 billion a year, compared with an actual turnover that averages about $300 million.

Quite obviously, trade possibilities of this magnitude, if they should be real, would be of great moment to a variety of particular American interests and to the nation as a whole. To continue to close the door on such an opportunity through a deliberate policy of trade denial would quite obviously involve serious sacrifices or costs for the United States. To be sure, few Americans would complain of the costs if it were clear that substantial results were being achieved in the way of furthering the nation's foreign policy objectives against the communists. If, however, the resulting gains for the United States should be only marginal, complaints of a "bad bargain" for the United States would be both understandable and justified. "If the cold war is to continue," a sensible person might well be expected to say under this circumstance, "let it continue, but let us fight it in ways and with means that hurt the adversary more than we are hurt. Where we, rather than the communists are suffering the greater damage, as in the case of this trade denial policy, let us back up and start over again."

What are the facts about the importance of trade between the United States and the communist bloc? They are revealing. The level of trade between the United States and Eastern Europe has always been extremely low, both in relative and absolute terms. Except for the two world war periods, the volume of exchange has been but a fraction of that of Western Europe. Even during the desperate first five-year plan drive of the Soviet Union for machinery and technology from abroad, most Soviet orders went to Western Europe and not to the United States. And since the wind-up of Lend-Lease and UNRRA transactions, trade between the United States and the European bloc has been all but negligible.

While this in part has been due to deliberate policies of the governments on each side, the major cause has without question been the fact that the United States and Eastern European economies do not complement each other. Only where United States aid efforts shore up trade transactions, as in the case of Yugoslavia and Poland, do exchanges between the United States and individual communist countries equal a level worthy of statistical note within the overall accounting of United States foreign trade. Except for this one factor, the total of United States trade with Eastern Europe is about at the level of the turnover within a major United States shopping center in one of the larger American cities.

Should there be a change in United States trade policy toward the communist countries to bring it into line with the West

European, a substantial increase in trade would almost certainly take place. Percentagewise and over the short term, the improvement could be expected to be quite great. There would doubtless be a flurry of backlog orders for United States products embodying technology superior to that available in Europe or Japan, or offering some other distinct advantage. But the total of all such products would be small indeed when compared with the volume of purchases from other industrial countries. And much of the buying would be non-recurring. Similarly, the extension of most-favored-nation treatment to the communist countries—which would necessarily have to be part of the United States decision to relax restrictions if the relaxation were to have meaning—would yield some increase in United States exports. But again the quantities in both absolute and comparative terms would not be sufficient to raise substantially the general level of trade.

To put the matter in more concrete terms, the following points can be used as a basis for a reasonably realistic calculation of the possible amount of United States trade with the communist countries in 1970, based on the assumption that all special United States obstacles to such trade (legislative, administrative and psychological) are removed: Let us factually measure the size of the market, based on the following steps:

1. With regard to *demand*, United States exporters under the assumed conditions could reasonably expect to secure a share of the East European market. Their participation would be based exclusively on their competitive position as suppliers. This is a truism.

2. A measure of what the competitive position of United States exporters would be is how well they do in the West European market, since their competitors in this market are the same as they would face in the eastern market.

3. In other words, the United States share of the East European demand for particular categories of goods should be roughly equal to its share of the West European market.

4. Three-fourths of East European imports from the industrial West consist of (a) machinery and equipment, and (b) metals and metal manufactures.

5. The United States supplies approximately 15% of Western European imports of machinery and equipment and about 4% of its imports of metals and metal manufactures.

6. It is usually assumed that imports of the East European countries from the industrial West will increase in the years ahead by a rate at least equal to the rate of growth of the gross national product of these countries.

7. United States exports to the East European countries of commodities other than metals and equipment and metals and metal manufactures consist primarily of agricultural Public Law 480 shipments and other special arrangements. Since no determination can be made of what the United States will do about the continuation of subsidized exports to Poland and Yugoslavia, it is impossible to estimate with any degree of exactness what United States exports of goods in this other category will be by 1970. It should equal about 25% of the machinery and metals category.

8. Putting all these steps together would result in total imports from the United States in 1970 of approximately $350 to 400 million, to Eastern Europe. This represents about a 150 percent increase over existing levels, but it falls far short of $6 billion, assuming imports of the East European countries continue to increase at the rate of 5% per annum.

The foregoing quite obviously represents a very rough calculative process. Yet it probably furnishes as sound a basis as any for a realistic estimate of the size of possible East European demand for American goods, if the United States brings its restrictive system into harmony with that of the countries of Western Europe. Certainly this process, crude as it may seem, is far more dependable than one that involves projections based upon planned programs of industrial and agricultural expansion, for the semantic wish fulfillment of political soothsayers, Gross National Product, rates of growth, or claims and lures put out by communist leaders.

Yet, however attractive United States goods may be for buyers in the Eastern market, there will always be the problem of payment. While communist resources are adequate to sustain a low minimal level of imports or to cover a one-shot splurge of orders—even though scrounging is often required in these cases—the matter of financing is a very serious one for any sustained build-up of communist imports from the United States. It is so serious, in fact, that it serves as a built-in ceiling on the expansion that can be effected in trade between the communists and the United States. To be specific, United States exports to the communist bloc at the range given above, that is at a $350 to $400 million level, would be extremely difficult for the communists to take care of. Several points need to be noted in this connection.

1. Exports of the European communist countries to the United States in 1967 are estimated to be approximately something in excess of $150 million. About 70% came from Eastern Europe and 30% from the Soviet Union.

2. The low level of these imports was due in part to factors rising from United States policies and attitudes. These factors include: the application of discriminatory tariff duties, reflecting the denial of most-favored-nation treatment; certain United States import restrictions; and consumer bias against products from the communist countries. However, the low level was due more importantly to the inability of the East European countries to produce substantial quantities of goods marketable in the United States.

3. The elimination of the United States restrictive system, including the granting of most-favored-nation treatment, would by itself enable an appreciable increase in the United States take from the communist countries, with, however, more of the benefit going to the satellites than to the Soviet Union. Also, with the increased motivation that would follow from the greater opportunities to buy in the United States, some improvement in the quality and variety of goods offered for the United States market might well take place. However, given the production pattern in the communist countries, particularly within the Soviet Union, such an improvement would necessarily be marginal. Here, it is important to note, the situation with regard to the United States and Western Europe is entirely different, at least up to a point. The West European countries can readily take the foodstuffs, crude materials, and petroleum which make up the great mass of the exports of the Soviet Union and Eastern Europe. These products can only be sold on a small scale in the United States.

4. At this juncture, I would like to quote Harry Schwartz of the *New York Times* about the role of credits. He said: "Without substantial western credits, it may be all but impossible for Eastern Europe to build its economy and sell sizeable amounts of anything but its traditional agricultural and semi-finished products to the West. In other words, the problem of the communist regimes is how to pay for the goods they want from the west.

Many American businessmen are increasingly reluctant to indulge in the kind of barter deals that are all but mandatory in trading with Western Europe. What's more, President Johnson has urged a clamp-down on dollar investments abroad, which significantly includes Eastern Europe on the banned developed nation list. It is significant that West Germany remains the most promising source of credit, if only because the Bonn government is willing to pay for diplomatic recognition.

If I may continue quoting Mr. Schwartz, he said: "Rumania succumbed a year ago and Poland and Yugoslavia may be expected to recognize Bonn in return for the same handsome dowry accorded Rumania. Until recently, the other huge source of credit was Great Britain. Its needs to export requires no elaboration.

5. The hope exists in some quarters that an answer can be found to the payments problem in Soviet gold shipments or in a triangulation process through which Western Europe would pay for communist exports in convertible currency and the communists wuold pay for United States exports with the currency thus earned. However, such hope appears to be ill founded.

It is necessary to analyze what prospects lie in expanding trade through increased production of gold upon the part of the Eastern Europeans. It is estimated that the annual gold production of the communist bloc runs between $200 and $250 millions per year.

And in the period since 1957—that is, during the time when the Soviet Union and the satellites have so strongly increase their imports from the industrial West—gold sales have greatly exceeded production: for example, by more than two and a half times in 1963 and 1964, and by more than two times in two other years. Gold reserves have consequently fallen to a very low figure, though they are now in the process of being built up. Theoretically, gold shipments within the limits set by current production and the precarious reserve, could be diverted from the other industrialized countries to the United States. However, this possibility is limited not only by the needs of the communist countries to continue to procure goods from Western Europe, including many items requiring a long lead time for manufacture that have already been placed on order, but also by the need for gold to finance chronic deficits on service accounts. Some increase in gold production is possible and even likely over the next several years. But the quantities involved will not be sufficient to alleviate more than very moderately the payments pinch.

Each of the other industrial countries carries on its trade with individual countries of the communist bloc, mainly under a bilateral agreement. Import surpluses are accepted in the short run, but remedial action is taken if they persist. Also, the communist countries of Eastern Europe are more than $1 billion in debt to Western Europe, most of it in the form of medium-term credits, and the debt is growing. Communist countries need, therefore, to build up export surpluses with their Western European trade partners merely to take care of servicing these debts. For these reasons, the United States can hardly expect hard currencies to be available in any substantial quantities for the financing of communist purchases in the United States.

The communist leaders, and here reference is primarily to the leaders of the Soviet Union, have made clear they would hope, and expect, to finance expanded imports from the United States by means of extensive credits. In fact, on many occasions when the Soviets have spoken of the need for the United States to change its trade policies, they have by implication equated granting credits with the elimination of "discriminatory" measures. Ordinary commercial credits, even if government guaranteed and liberally interpreted so as to run for a longish "short-term" (e.g. up to five years), would not solve, but only postpone the problem. Credits, if they are to serve as a basis for substantially expanded United States trade with either the Soviet Union or the other communist countries, must be long-term, that is, of the fifteen-to-twenty-five-year variety.

It is such long-term credits, government-to-government in nature, the communist have in mind. But even if the United States did fall in with communist wishes for a long-time postponement of the day of reckoning through such credits, it is difficult to see how repayment could be made when it came due.

So long as the communist countries continue to concentrate their resources and energies on the development of their basic industries and otherwise expanding their power base, they will be unable to find means to meet their current needs, much less to service long-term debts.

Thus, even long-term credits would only serve to postpone and eventually to complicate the basic problem of payments. The communist leaders doubtlessly recognize this, but persist in their demands and hopes, evidently on the basis of their hallowed belief that the United States is so beset, or will become so beset, by the problem of surpluses that it is only a matter of time before it will be forced to resort to almost any extreme in order to get relief, including the extreme of going along with a subterfuge in order to virtually give goods away.

Assuming the United States will avoid any such slippery credit slope as the communists would have to get on, the only situation for the payments problem—the only way in which the Eastern European countries can finance substantially increased imports from the United States—is for them to develop export industries capable of producing products that could find a ready market in the United States. This, however, would require the diversion of enormous resources and energies from cherished developmental goods. It would, in effect, require a major shift in the long-set direction in which the communist economies have been moving. And it would risk a chain reaction that would have far-reaching repercussions on the very system that makes communist countries communist.

We can be sure, therefore, that as long as the ruling regimes have freedom of choice, they will avoid such a dangerous course. And we can be equally sure that if the regimes do in fact stay away from export industries, their ability to pay for goods in the American market will be so constrained as to place a limit of some $350 million annual imports from the United States.

These economic conclusions can be paraphrased in terms of a modern American overseas businessman. That is, "modern management is looking for more than the opportunity to sell on price. Modern management is more interested in developing markets and supplying them than in selling its production plants or its technical and industrial processes."

If one temporarily puts aside the United States temporary ban on the export of capital, there is need to examine the joint-venture projects that seemingly could provide an alternative method of trade between East and this country.

The first and simplest joint-venture is exemplified by the Simmons-Skoda deal. Skoda became a sub-contractor for Simmons in the production of vertical and horizontal boring mills and other machine tools. There does not appear to have been any significant capital investment in Skoda on the part of Simmons. The parts were simply made by Skoda in Pilsen according to Simmons specifications and then marketed by Simmons, largely in the Western hemisphere, with the product bearing the trade mark of Simmons-Skoda.

The second type of partnership or joint venture goes one step further. The communist partner becomes, in effect, a subsidiary. This means significant investment on the part of the western partner. Krupp, with partnerships of one kind or another with working partnerships in Poland, Hungary, Rumania and Bulgaria, has made some notable agreements of this kind. One has been in operation since it was made in 1964 between Krupp and a Polish trade enterprise, Cekop, engaged in manufacturing and exporting complete sugar refineries and other industrial equipment to development countries in Africa and Latin America.

One of Sweden's largest factories, Ikea, sends various raw materials to its Polish subsidiary, where, with Swedish machinery and design and meeting Swedish standards, semi-finished furniture is manufactured. It is then shipped back to Sweden for finishing and marketing by Ikea.

In all of the joint ventures, the bloc countries make it clear that there is no question of western ownership. The western firm makes a capital investment and provides technology in return for which it is paid with products for which it has marketing rights outside of the bloc countries. The profits are shared.

To summarize, if the United States is to engage successfully in competition with Western Europe for a substantial part of East-West trade, it must do more than end its "discriminatory practices," and more than bring to bear the competitive skills of American traders. The simple fact is that the West Europeans enjoy a decisive advantage in trading with the East; they are able and willing to accept in payment for their goods the products available in those countries for export. The United States, on the other hand, is not. The only way in which the situation can be substantially changed is for the United States, or individual United States traders, to offer concessions to the communists adequate to offset the advantages enjoyed by the West Europeans.

Moreover, there must be a willingness to outdo the West Europeans in this subsidization game, which they are already playing to a certain extent among themselves, and which they would surely step up against the United States.

The issue, however, is not whether the United States can outdo the Europeans in this type of contest. The issue is whether it would be economically beneficial for the United States to enter into the contest in the first place.

Indeed, if the United States removed all trade restrictions against the East, trade would not sharply balloon upward unless the government were to throw its immense resources into the struggle. I contend that that is a slim possibility in the days ahead. (What many members of the American business community is seeking in pursuing the Eastern markets is a mirage.) Trade will not develop in a large volume without government aid.

SOME TRENDS IN SOVIET TRADE WITH WESTERN COUNTRIES

(By Leonid V. Sabelnikov, First Secretary, Embassy of the Union of Soviet Socialist Republics, Washington, D.C.; and Igor Dokuchaev, Vice Chairman, Amtorg Trading Corp., New York, N.Y.)

The Soviet Union is not only an advocate but an active partner in East-West trade. In 1967 our turnover with 84 non-socialist countries amounted to more than $6 billion. Since 1960 this section of USSR foreign trade has increased to 60%. Only in the past three years our turnover has gone up by $200 million with Great Britain and Japan, by $150 million with France and by $100 million with Finland. It proves that the differences in social systems cannot be considered as obstacles for the broad economic exchange between nations. In the next couple of years our turnover with some western developed countries, we expect, may come close to $1 billion.

The statistical data represent the final results of trade. It looks like the upper part of an iceberg visible to everybody. Let me take a look now at the lower part of it and show you how we came to these results. If we do this we will find many new trends in the Soviet foreign trade: in goods, structure, in terms of trade and in management.

Traditionally the Soviet Union exports a large quantity of industrial raw materials to the developed western countries because vast natural resources are available in our country. But each year many new manufactured commodities, foremost machinery and equipment, are becoming our export items, as the USSR is the largest producer of these commodities in Europe and ranks second in the world.

We now sell abroad, for instance, the biggest civil helicopter, holder of 14 world records, and the most portable x-ray apparatus; we export 5,000 types and sizes of machine tools to 50 countries, including Great Britain, France and Japan; we also export 5 million watches to 70 countries, even to Switzerland. We started to produce and export giant turbine-generators long before the USA made a decision to reconstruct Grand Coulee Dam. Last year the Soviet Union put into operation 500 thousand kilowatt generators (in the United States the largest generator in service now has 204 thousand kilowatts). But today our plant in Leningrad is creating even more powerful generators—the biggest in the world. All these facts help to explain why our shipments of machinery and equipment to the western advanced countries are developing faster than the export as a whole.

Our import assortment from western countries has also become wider in the last years owing to many items of consumer goods such as clothing, footwear, drugs and home appliances.

More than 10 years ago the Soviet Union began to sign inter-government long term trade agreements with western countries, fixing the legal rules, the terms of trade and the volume of shipments. These agreements made for stability and perspective in trade with many of them. Recently we have taken some new steps in this direction.

During the last 3 years some Soviet Ministries, State Committee for Science and Technology, Academy of Science and other organizations signed many international agreements or protocols on economic, scientific and technical cooperation. The agreements were concluded as with similar establishments in Great Britain, France, Italy and Japan as with their research institutions and large industrial firms, like "Imperial Chemical Industry," "Plessey Co.," "Renaute," "Ron Pulennc," "FIAT." According to the agreements, for instance, 39 Soviet research institutions cooperate now with 35 similar institutions only in Great Britain and solely in the sphere of agriculture.

Such cooperation brings not only lower production cost, but infinite possibilities for additional contracts. The best example of that kind is the agreement between FIAT and the Soviet State Committee for Science and Technology, signed in July 1965. It gave our specialists a chance to take a better view of FIAT experience in the car production and convinced them in a year to place the well known order with Italy for construction of a car plant—an order which the foreign press called the largest transaction of this kind in the international trade practice. In short, this trend for wide cooperation opens a new era in East-West trade relations, signifying a further step on the way from separate commercial transactions to the establishment of long term collaboration.

Another similar step is the agreements setting permanent inter-government commissions, which were concluded with Italy and France in 1966 and with Finland in 1967.

These joint commissions are studying the practical questions of extension of economical ties and are especially obliged to take care of the future development of commercial exchange. The latest such commission discussed in 1967 such questions as participation of Finnish workers in building operations on Soviet territory, construction of a nuclear plant in Finland and a subway in Helsinki.

A new form of cooperation was established in our trade with Japan. A couple of years ago the U.S.S.R. Chamber of Commerce and the Japanese Chamber of Trade and Industry decided to hold joint meetings of their representatives periodically for studying principal ideas of extension of economic exchange. At the first such meeting in Tokyo in 1966 the Soviet Union released some long range projects of cooperation in the development of Siberian resources. Most of the projects found great interest in Japan and were accepted at the second meeting in Moscow in 1967, for instance, the project of exploration of copper mines, development of timber industry, construction of oil pipe, as well as the modernization of our ports in the Far East.

Unfortunately, I have no time to speak in detail about the establishment of some new mixed Chambers of Commerce, such as the Soviet-Italian and the Soviet-French, which study mutual trade requirements, make easier business contracts and improve the advertising of the goods. All these and many other similar actions we consider as East-West trade in motion.

Credits in the foreign trade are very old instruments, as old as trade itself, but in this sphere we can also find some new trends today. You are, obviously, familiar with the U.S. restrictive legislation concerning the granting of long term credits to the USSR. But I should like to remind you of some figures, showing that such credits have already become the usual practice in our trade relations with other large western countries. From 1964 to 1966 our Bank of Foreign Trade received 16 credits from British, French and Italian banks amounting approximately to $1 billion for 10 to 15 years. This big sum is used for buying various industrial equipment: chemical, electrical, car plant, refining, food, clothing, etc.

Long-term credits allow us considerably to increase the number of orders placed in these countries and, on the other hand, give our trade partners guaranteed big markets for many years to come. In short, it is a deal of mutual benefit.

Many western and eastern cities became well known as traditional places for international fairs and exhibitions: Vienna, Leipzig, Prague. Now you may add Moscow to the list of similar centers. The periodical international exhibitions recently started in our capital are not only a display of most modern goods but also a convenient place for the concluding of commercial contracts between participants. Last year, for example, the following exhibitions took place: "Equipment for food industry," "Mining Equipment," first of its kind in the world, and a "Clothing exhibition," where, in general, contracts were concluded for approximately $300 million.

In the near future we plan to organize many new similar exhibitions, for instance, in May and July 1968, "Public service and home appliances" and "Machinery for catching and processing fish and sea products." In 1969 "Equipment for the automation of production processes" and "Printing Machinery," in 1970 "Equipment for light industry," and "Chemistry exhibition."

It is up to the U.S. firms to decide now "to be or not to be" present at these exhibitions in Moscow.

At least, we can find some new trends in the management of our trade operation. From time to time we hear complaints that absence of permanent representations of foreign firms in our country create difficulties for them. Now this problem has also found a positive solution. I wish to inform you that in 1968 two Japanese companies, the largest traders with the Soviet Union, were permitted to open permanent offices in Moscow. Other big foreign companies which have close relations with our trade organizations will receive similar privileges in the near future.

On the other hand we decided to organize abroad new mixed sales firms to satisfy the growing demand for our manufactured consumer goods. One of them was the Soviet-British "Technical and Optical Equipment" opened in London in 1967. This is experimental, but if it is successful, and we hope it will be, our trade organizations plan to establish similar companies, as for example, in Italy or Holland, where our movie and photo equipment in large quantities is exported.

What conclusions can we draw from all these facts? East-West trade is developing rather fast between some countries, but it is not automatic. This trend is developing successfully only where and when both sides make strong efforts to exclude discrimination and to promote the trade, not in words, but in deeds.

Mr. Chairman, Ladies and Gentlemen, I appreciate the opportunity extended to me by the American Management Association to present you some aspects of the trade between the USSR foreign trade corporations and companies of this country.

Amtorg Trading Corporation, which I represent, is a stock company, the main goal of which is to carry out business by representing in the USA most of the USSR foreign trade corporations.

Although the subject of today's discussions proposed by AMA is what the American businessman can expect to buy and sell in Eastern European countries, among them in the USSR, it would be more fruitful to consider this problem in the aspect of what both the Soviet and the American businessmen can expect to buy from each other and to sell each other. This is not the first time we discussed the opportunities of extending our trade. I am not inclined to repeat here again what was presented last year and I will only try to draw a pattern of business relations for the period of time since our last meeting. The turnover of trade between the USSR and U.S. amounted last year to a little more than $100 million.

[In percent]

	1966	1967
The structure of the U.S.S.R. exports (some items):		
Machines and equipment	0.03	2.5
Metals, ores, and chemical products	47.20	39.1
Furs	12.40	11.0
Industrial commodities of mass consumption	11.20	23.7
The structure of the U.S.S.R. imports:		
Machines and equipment	9.70	15.0
Chemical products	15.10	10.6
Raw materials of vegetable and animal origin, including	70.80	66.4
Hides and skins	45.70	43.9

Not only the volume of trade but the varieties of items are very limited, especially when it refers to machines and equipment. The complicated system of the US export and import control in respect to the USSR is the reason for that.

The highlights of this system are: prohibition to export from the USA the so-called "strategic" goods and "know-how"; prohibition to import from the USSR 7 varieties of Russian furs; a barricade of practically prohibitive customs tariffs, which are 2, 3, and even 4 times higher than those for the non-socialist conutries; the prohibitive system of foreign assets control, as well as other limited and discriminatory rules and regulations. "Kennedy round" agreement will also effect negatively the trade because the agreed privileges will not be enjoyed by the USSR foreign trade corporations.

These are some examples which will show you the direct influence of the above discriminatory regulations on the trade:

(1) The Soviet corporation V/K "Techsnabexport", have placed an order for delivery to the USSR Single Crystal Diffractometer. Amtorg applied to the Department of Commerce for a validated license early in October, 1967. The license is still pending in this Department. It also took about 5 months for this Department to issue a validated license for the purchased professional "movie camera".

(2) Last year, our principals, V/O "Medexport", agreed to sell to the U.S. market 4 kg. of wild Ginzeng root of Russian origin of total value app. $17,000, which as you know, is a very precious product used in medicine. However, the foreign assets control office did not issue a license and prohibited import of this product in the USA on the basis that this root could be of a Chinese origin. Of course, this commodity was easily sold by V/O "Medexport" in the European market.

(3) The same office on the same basis prohibited admission to this country two samples of Russian jade, semi-precious stones-130 and 110 grams each of the total value equal to $1.92.

(4) For the last 2–3 years the Bureau of Customs initiated "dumping" investigations concerning Soviet window glass, seafoods, titanium sponge and pig iron.

One of the results of these investigations was the decision of the Soviet corporation, "Promsirjoimport" to stop shipment of pig iron to this country.

It is self-understood that the trade between the USSR foreign trade corporations and the American business companies is limited to those goods and commodities which are off the above restrictions and prohibitions. These are so-called "non-strategic goods" and also commodities on which relatively low import duties are imposed.

So, the Soviet exports to this country are limited to a relatively small number of items among which can be cited: chrome ore, precious metals, cut diamonds, sheet glass, some varieties of furs, animal hair, watch movements, hydrofoils, and some other products.

The American exports include, in particular: hides and skins, cattle for breeding, some machine tools and instruments, woodpulp, chemicals, etc.

It is easy to imagine what an increase in trade would mean to the mutual benefit of both sides and how a better relationship could bring the abolishing of the prohibitive system of US export and import control.

The Soviet foreign trading corporations, could now offer for sale to this market various equipment, including complete installations for different branches of industry as well as licences for example:

I. FOR METALLURGICAL INDUSTRY

1. Mills for cold-rolling of seamless thin-walled tubes with diameters from 8 to 120 mm.
2. Ribbed tubes rolling mills.
3. Three-roll mills for rolling round varying profiles.
4. Ball-rolling mills.
5. Complete installations for continuous casting of steel.

II. FOR MACHINE-TOOL INDUSTRY

1. Heavy-duty engine lathes.
2. Double-column vertical boring and turning mills.
3. Four-spindle planer mills.

4. Hydraulic stamping presses, capacity from 3,000 to 70,000 tons.
5. Hydraulic forging presses.
6. Horizontal Hydraulic tube and bar extrusion presses.

III. FOR MINING INDUSTRY

1. Different types of powerful heading machines for coal mining.
2. Electric and turbo drills.
3. Mechanized shields for tunneling, diameter 3.6—5.5 m.
4. Equipment for turbine jet drilling.
5. Equipment for peat-extraction.

IV. FOR TEXTILE INDUSTRY

1. A new machine which won a gold medal at the exhibition in Czechoslovakia for producing twisted yarn on a combined spinning and twisting frame.
2. Semi-automatic sewing machines.
3. Automatic looms.

V. FOR ELECTRONICS INDUSTRY

1. Electrical measuring instruments.
2. Communication equipment.
3. Radio and TV Sets, electrical computors, etc.

LICENSES FOR

1. The largest in the world blast furnaces, capacity 2,000 cu. m.
2. Method to obtain ferrochrome of special purity with carbon content less than 0.20%.
3. A new method for production of hydrogen peroxide.
4. Detergent for cleaning tanker ships from remains of oil products or fats.
5. Various licenses for welding equipment.
6. Method of production of medical preparations for treatment T.B., anti-cancerous preparations, for eye diseases, etc.
7. Continuous-flow champagnization of wine.

The Soviet corporations would be prepared to consider offers from American companies for purchasing equipment in the USA:

(1) for production of bearing rings by means of stamping with further rolling on automatic lines;

(2) for production of bimetallic roll with antifriction alloys;

(3) compressors and turbo-compressors.

Besides that, our principals would be ready to consider offers for purchasing licenses:

(1) for a technological process for chrome plating of piston rings;

(2) for the manufacturing of strand-type continuous furnaces for annealing nonferrous products;

(3) for different types of gas-pumping installations.

I did not mention the long list of Soviet traditional and new raw materials and manufactured goods available for selling to this country like manganese ore, fish meal, newsprint, plywood, rare earth metals and materials, fertilizers, chemicals, etc. On the other hand, on the Soviet purchasing list you find: woodpulp, alumina, certain grades of chemicals, musical instruments, etc.

Of course, the list of the above products is not comprehensive and those who are willing to discuss business with our company or with our principals will find a welcome in our office.

Thank you!

STATEMENT BY MR. J. CHOWANIEC, COMMERCIAL ATTACHÉ, EMBASSY OF THE POLISH PEOPLE'S REPUBLIC IN WASHINGTON, D.C., MADE ON MARCH 5, 1968 BEFORE THE AMA BRIEFING SESSION ON EAST-WEST TRADE

Mr. Chairman, it is my great pleasure and indeed honor to participate again in your Briefing Session on East-West Trade. I find it always rewarding to speak to the American business community on our trade problems with the United States not only because we can discuss those problems in a friendly and constructive atmosphere, but also because we can usually learn something from each other.

This time I have been asked by the organizers to be very brief and to limit my opening remarks to showing only the real new developments which have occurred in our trade relations with this country since our last Session a year ago.

Frankly speaking this does not make my situation much easier, not because there were no new developments, but rather because those developments were not so new, and—to put it plainly—not so inspiring.

It is true that on the whole we have not only survived several significant difficulties and uncertainties, but we have also registered perhaps modest but nevertheless important progress in both our export and import trade with this country.

Mr. Chairman, those of us who attended the last year's Session certainly remember many encouraging and promising statements and real hopes expressed from this rostrum as to the nearest perspectives of American trade with the countries of Eastern Europe. I don't think that those statements were insincere at that time. I would even say that there was some well founded evidence for hope and encouragement.

However, most of you if not all will probably agree with me that the real performance of American-East European trade in 1967 falls short of our expectations and forecasts made a year ago, and certainly much short of what should and could have been achieved under more normal circumstances.

Also by saying that the new developments were perhaps not so new I mean that 1967 was not the first year in which the U.S. Congress wanted to deprive Poland the M.F.N. treatment in this country nor was it the first time when we lost the Eximbank's credit facilities. Most of you are fully aware that we had experienced similar difficulties also in earlier years. Nevertheless, what is sad about our 1967 experience is that it confirmed once again the fact of instability of our trade relations with the United States. I would be ready to admit that some of the negative developments which we have registered in our trade relations with this country over the last year ran even contrary to the intentions and wishes of the U.S. Government. But this does not change the basic fact that such developments have taken place, and, what is more, that they deeply affected both the size and the pattern of our mutual trade.

Mr. Chairman, I certainly have the reason to be proud that despite all those difficulties and setbacks which we have experienced, Poland was able to increase her exports to the United States from $82.9 mln. in 1966 to almost $91 mln. in 1967, that is by 11 percent. At the same time Polish imports from the United States increased from $53 mln. in 1966 to $60.8 mln. in 1967, or by 11.5 percent. I should like to add, however, that our credit repayments to the United States in 1967 amounted $28.3 mln., of which $22.2 was repaid in hard currency and $6.0 mln. in Polish currency. Though the rate of growth in our exports to this country has slowed down a little as compared with earlier years, it was still well above the average increase of U.S. merchandise imports in that year. This indicates beyond any doubt that we have not slowed down our efforts to increase trade with the United States and that if the general situation had been more normal and stable, the rate of growth would have been higher.

However, I cannot miss this opportunity to stress that if the United States does not improve its competitive position as a trading partner in the sense of offering competitive credit facilities for imports of machinery, industry equipment as well as other goods to the countries of Eastern Europe, I have no doubt that in the years to come it is going to lose a substantial volume of its export-trade to this area. In this context the recent congressional decision to bar Eximbank credits and guaranties for export to socialist countries is most regrettable. The Eximbank credits or guaranties cannot be looked upon as a form of economic aid to socialist countries. They have to be treated as a purely commercial and indispensable factor in any normal trade. Nobody is going to buy machinery and industrial equipment for cash in the United States when he can obtain them on convenient and generally applicable credit terms from other sources.

I can only hope, that the American business community can influence in many ways, including through such meetings as the present one, the formulation of future U.S. trade policies with regard to our countries in a constructive spirit and bring more sense to them. Only in this way can we hope to achieve a much needed improvement in our mutual trade relations and inject into them a measure of stability so necessary for any healthy growth of trade.

(By Philip Ishbekov, Commercial Counselor, Office of the Commercial Counselor to the Bulgarian Embassy, New York, N.Y.)

Mr. Chairman, Ladies and Gentlemen, First I would like to thank our hosts, the American Management Association for the noble efforts to organize this Briefing Session and for giving me the possibility to take part in it.

The development of East-West economic relations is a very noble imperative of the international relations today and a reliable basis of the peaceful coexistence. I believe this idea is shared by all, who are on the front lines in East-West trade, and who helped very much to scatter, through partly the dark clouds which covered the sky of international commerce.

The economic and commercial relations between the countries with different social and economic systems have shown a considerable growth for the last several years. For example the trade between the European socialist countries and the industrial western countries totaled about 10 billion dollars in 1966 which is twice as much as the 1960 figure.

There are some other peculiarities, which characterize East-West trade lately. By now an average figure of 20% of the foreign trade of the European socialist countries goes to western countries. But if we study the structure of these 20% we will discover that 80% of the whole volume is allotted to the European capitalist countries, 10% to Japan, about 5% to Canada (mainly cereals) and less than 4% to the United States.

If we take the composition of the export of the western countries we will observe that the overwhelming part of over 80% goes to the manufactured industrial goods. The plans for accelerated growth of the industry in the European socialist countries are of great importance to the current of goods to and from. This has a double influence: the purchase orders of the socialist countries grow, and at that they grow mainly at the expense of the complete plants and equipment. On the other hand the export potential of the socialist countries augments. This is a reliable basis for a steadily expanding and mutually profitable cooperation.

All this is good but it is far under the existing possibilities. Unfortunately the dark clouds in the trade relations with the United States are numerous. There is an English proverb which runs like this: "Every Dark Cloud Has a Silver Lining." This is a very sage proverb, but it cannot reassure much, because the dark clouds are numerous and the sincerity requires to be mentioned that they are being dispersed very slowly.

Creation of the best conditions for the expansion and the development of trade between the countries of different social systems has always been the basic principle in the policy of foreign economic relations of the People's Republic of Bulgaria. Discrimination is unknown instrument, never used by our country. Also, we must point out that, where material possibilities have prevailed and our partners have been responsive, good results have always occured. The last decade witnessed a manyfold increase of the trade between Bulgarian and West European countries.

A vivid example of that is the trade between Bulgaria and Western Germany, which is greater in volume than the foreign trade of Bulgaria with all countries before World War II.

In contrast to the commerce with Western Europe our trade with the United States shows a low percentage of growth and in general a low achieved level. But the economic possibilities for the development of the trade are really great. The American market can take a number of goods of the Bulgarian export list, which includes more than 650 groups of items from all branches of the economy of a country which is both industrial and agricultural.

The figures of the foreign trade of Bulgaria show that the two way traffic of goods has passed the three billion dollars mark but United States account for less than 0.2% of the total.

The plans for the expansion of our industry provide for an yearly increase in the industrial production on an everage over 10%. This draws huge investment primarily in machine building, chemical, metallurgical and power industry. That means a considerable volume of imports of complete plants, machines, equipment, and know how. Part of these goods Bulgaria can order with the U.S. companies.

These are the possibilities but the reality at present has a different image. The regular commercial relations between the U.S.A. and Bulgaria date back to before the turn of the century. The twenties and the thirties witnessed the rapid growth and comparatively high level of exchange of goods. The war severed all commercial ties, which were resumed to a certain extent immediately after the war but enjoyed success only about two years and were wrecked by the unilateral imposition of the embargo by the United States.

The trade between the two countries was reborn about a decade ago and started on a small and limited scale. The last two or three years were the most successful and the two way volume is somewhere in the vicinity of the four million. The Bulgarian exports to the United States consist mainly of foodstuff, commodities and some manufactured goods. Two conclusions may be drawn from the statistics: the variety of the goods is limited, not exceeding a dozen of items and the volume of each is unsatisfactorily small.

What are the reasons for this? It is clear that the economic possibilities for the expansion of the trade between the two countries do exist, and if we add also the fact that in the business circles there is a desire for a break through in the commerce, the only place where we can find the reasons is in the area of the commercial policy, e.g. in the discrimination which has been imposed on the trade with Bulgaria for more than two decades.

A long list of Bulgarian goods can profit from the vast American market if let in, and a boom of Bulgarian exports to the U.S.A. will not surprise the business community. The goods which can enjoy an immediate success are metal-working machines, fork-lift truck hoists, motorcycles, a whole range of chemical products, canned fruits and vegetables, foodstuffs, wines, textiles, ready made garments, tobacco and products of tobacco and many other commodities and finished products.

We can also specify many other goods that can find good market in this country after the trade policies and practices are improved. The high tariff and especially the high degree of discrimination and non tariff obstruction discourage the American companies and force them to abstain from purchases in Bulgaria.

One example can prove this and that is the oné of tobacco. Bulgaria is a leading country producer and exporter of the best oriental tobacco in the world. U.S. tobacco industry will have no difficulties in taking great quantities of this commodity, but for the last twenty-five years not a pinch of Bulgarian tobacco, if we do not include the great many samples has crossed the border of this country, and the Bulgarian exporters are not to blame for that, because they did and do their best. Only for information, we should mention that before the war Bulgaria was an important supplier of tobacco to the U.S.A.

Bulgaria appears on the world market as a big buyer of machines and equipment. At the present moment we can buy from the U.S.A. complete plants, equipment, machines and a number of other goods totaling high above the present symbolic amount. All this is good, but there are two obstacles on the part of the U.S.A.: the severe terms of credit and the unfavorable treatment of the Bulgarian goods which reduces our purchasing abilities.

All this can be removed only by employing measures which can remove the discrimination. Such action will serve the best interests of both countries.

This conference has noble aims. It is a pleasant fact that the necessity of expansion of the relations on the basis of equality and reciprocal advantage is being more and more clearly realized. Yet we must be optimistic and work daily and incessantly for the expansion of East-West trade. That is the reason why we are here.

Thank you.

(By Jaroslav Mercl, Commercial Attaché, Office of the Czechoslovak Commercial Attaché, Washington, D.C.)

Mr. Chairman, Gentlemen: When I received the invitation for today's meeting I was at a loss whether to accept or not. It has been already my third participation on the seminar of East-West Trade here in New York, and one has to ask himself what we have achieved so far, whether there have been some results from these meetings at all. We are talking here, examining what are our mutual possibilities for extending trade and how to understand better of each other. I do not want to say that nothing has been accomplished from these meetings but it is true that we are still at the beginning if I consider our trade with the United States only. We know, all of us, that there are problems and obstacles which can not be removed easily and that these obstacles and difficulties are of political reasons mainly. But they are the ones which actually break our relationship and hold our trade in a very low level.

In my consideration to come to this meeting or not I stuck to my belief that trade is a very good tool we have for improving our relationship generally and thus helping to improve and influence trade among us. Therefore I decided to come again and offer my humble help in the fight of extending our trade with the United States. It will give me the biggest satisfaction if my participation can really help in this way.

I have prepared for today's meeting only a very brief statement about the situation in our national economy and our foreign trade during the last year, as well as few numbers about our trade with the United States.

Czechoslovakia's economy continued to grow throughout the whole year. Social product rose approximately by 8% and agriculture production by 3.5%. Industrial production registered a 7.1% increase. The Engineering production rose 10.4%; production of Chemical Industry 10.2%, etc. The structure of industrial production continued to register a tendency toward higher growth in the manufacturing section as compared with the raw material section.

The number of workers in industry averaged 2.6 million during the first half of 1967 which was an increase of about 1.6% over the same period of 1966. However, compared with recent years, the rise in the number of workers was substantially lower. Productivity of labor per worker in industry rose 6% and it was more than our economy counted for. There is no doubt that these favorable results we gained last year were influenced by the new system of management which we have applied in our economy at the beginning of 1967. In this respect I have to say that so far we have gained very good experience and results from the application of that new system of management. Not everything of course was in order, and we have to correct and adjust such decisions and conclusions where our calculation appeared insufficient. It is a question of time and we believe we are on the right way.

The qualitative changes at present taking place in Czechoslovakia economy are reflected in the process of dynamic economic balance. Great emphasis is laid on foreign trade as an active factor of economic growth realizing the savings of social work. The principal course of further development of our economy is, and will continue to be, the utilization of scientific and technical revolution under given conditions, optimum participation of Czechoslovakia economy in the international division of labor which in turn means a greater and intensified share of Czechoslovakia in international trade. Foreign trade is of course also an important factor of balance between sources and needs, this playing an important role in Czechoslovakia consideration as well.

The turnover of foreign trade during 1967 registered a favorable balance of about $330 million. Export and import totalled $5.7 billion which was about 2% more over 1966. Total export was little more than 3 billion dollars and import $2.7 billion.

Exchange of goods with socialist countries rose 3.6% and reached the total of $4.0 billion, while our trade with western countries remained practically on the 1966 level, which means about $816 million in export and about $800 million in import. The pattern of foreign trade did not register conspicuous changes in the last year. Import of machinery and equipment from western countries showed a further growth. To meet the requirements of national economy, Czechoslovakia imported above all crude oil, sulphur, fertilizers, crude rubber, wood pulp, tobacco, wheat, etc. Increase in export was accounted for by metal working machines, tractors, papers, glassware, shoes, etc.

Our trade with the United States last year was actually below level of 1966, by 31%. It was mainly because we did not buy so many agricultural products. The total turnover last year was $45.4 million of which export to the USA was $26.2 million and our import was $19.2 million (according to the USA statistics).

There was no change in the structure in our export to the United States last year. Our item No. 1 was machinery, mainly heavy machines tools, as well as typewriters, and other machines. Further it was shoes, glassware, custom jewelry, ham, bicycles, etc. In our purchases in the United States we were limited mostly to agricultural products again. There are, as all of you know quite well, obstacles in extending commercial credit to socialist countries and on that condition it is very difficult to provide purchases of engineering items. We are afraid that this policy will continue and that there will be no chance for any relaxation in the foreseeable future.

In my conclusion I would like to stress that Czechoslovakia has been interested in developing and expanding its economic relation and cooperation with western countries. We have certain tradition in these relations and we shall try to develop our production in this course. In the recent past we have started close industrial cooperation with companies in Great Britain, France, Italy, West Germany and Sweden. Allow me to quote a few remarks of our Economic Digest published last December. I quote: "Negotiations concerning licensed production of Renault-Saviem trucks at the automobile works of Avie, Letnany, came to an end last October. It is one of the major licenses purchased by Czechoslovakia recently. Czechoslovakia will pay about $8 million for both the license and the mechanical equipment. Under the license, Avie will manufacture trucks of 1.5 up to 3 tons payload. At the first stage, Avie will assemble trucks using imported parts. In the meantime the factory will prepare its own production under the license granted, in order to be able to turn out 12,000 trucks annually as soon as possible. At the same time contracts have been fixed under which Czechoslovak factories will supply to the French automobile works some parts for their trucks. Moreover Messrs. Renault-Saviem will buy machine tools in Czechoslovakia. Life of the license will be ten years."

The same periodical of October announced, and I quote: "Cost of the licenses obtained and royalties paid for their use in Czechoslovakia registered a more than three fold increase in 1966. Czechoslovakia obtained a total of 62 licenses. One of the most important contracts is the license of float glass process obtained from Great Britain, railway diesel engines and production of quartz tubes from France. Another hundred licenses agreements on the use of foreign patents were negotiated in 1967. The number of licenses granted has also been rising, though not as fast as that of the licenses obtained."

These reports, I think do not need any further explanation.

Thank you very much.

MAKE HUMAN RENEWAL A NATIONWIDE INDUSTRY

HON. CHARLES E. GOODELL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 7, 1968

Mr. GOODELL. Mr. Speaker, our very distinguished minority leader, Representative GERALD R. FORD, of Michigan, recenty addressed the Allied Educational Foundation, Local 815, IBT, in New York City.

He made what I felt to be an incisive observation on how the Nation can take steps to halt the violence and the civil disorders that have swept the country. He has identified and cited the dangers of inflation that haunt this country.

And he has suggested means to meet these problems in an effective way without throwing the country into further chaos.

Although the speech of the gentleman from Michigan takes note of our problems, as all reasonable men must, it is an optimistic speech and I commend it to the attention of the membership of the House and to the public.

I am pleased, therefore, to insert his comments before the Allied Educational Foundation, Local 815 IBT, in New York City, May 2, 1968, at this point in the RECORD:

SPEECH BY REPRESENTATIVE GERALD R. FORD, MICHIGAN, HOUSE REPUBLICAN LEADER, BEFORE THE ALLIED EDUCATIONAL FOUNDATION, LOCAL 815, IBT, MAY 2, 1968, NEW YORK CITY

There are those whose idea of an agreeable person is someone who agrees with them.

I want you to know that I find it not only agreeable but a distinct pleasure to be here with you—and that does not presuppose that you will agree with everything I say, or even with anything I say.

But this is an Educational Foundation, and I hope to do a little educating today. Perhaps when I am finished I will find that many of you who are agreeable people but do not presently share my views will wind up agreeing with me.

I welcome this opportunity to speak to you because I feel sure you are people with open minds. This is a refreshing change for me after engaging in debate in the House of Representatives.

To be serious, since this is a labor group I would like to begin with this quotation:

"Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much higher consideration. (However) Capital has its rights, which are as worthy of protection as any other rights."

Who made that statement? Eugene Debs? Samuel Gompers? Franklin D. Roosevelt?

Not any of these. Those words were spoken by a great Republican president, Abraham Lincoln, during his first annual message to Congress on December 3, 1861.

I began with this quote from Lincoln because it points up a political truth which needs telling until it is etched in the mind of every working man in America: The Republican Party is dedicated to the welfare of all the working people of this great land of ours. This was true of the Republican Party led by Abraham Lincoln and it is true of the Republican Party of today.

There is no kind of honest labor that demeans a man. The best service a man can do for himself and his country is to do well whatever job he is called upon to do.

The working man in America today also would do himself and his country a great service if he would become deeply involved in politics. Not in terms of blindly affiliating himself with one political party or the other but in sharply analyzing the records and the philosophies of the two major political parties and then making an intelligent choice.

As an election approaches most American voters at least subconsciously make a choice of some kind. Often this is simply an intuitive reaction to a particular candidate and ignores the issues.

Today I appeal to the American people—especially to the working men and women of America—to examine the issues carefully before making a choice next November 5.

To quote a man who recently placed himself above politics I am saying, "Come. Let us reason together."

America today is a country in crisis. We must meet and resolve the challenges which confront us, if our Nation is to survive.

I shall not speak about Vietnam except to say that I applaud the President's decision to limit the bombing of North Vietnam as the basis for initiating peace talks and to gradually shift the burden of the fighting from U.S. troops to the South Vietnamese. Incidentally, it may interest you to know that the bombing limitation plan used by Lyndon Johnson as a basis for peace talks was urged upon the President privately—and later made public—by a group of nine House Republicans a year ago.

Other crises now are thrusting themselves upon us with greater urgency than the Vietnam conflict.

We recently saw parts of more than 100 American cities burned and looted in a kind of re-run of last year's civil disorders. This is the crisis of the cities.

We have also seen the Johnson-Humphrey Administration and Democratic-controlled Congress spend us into accumulated deficits totalling $70 billion while inflation puffed up the economy and cheapened the dollar. This has reached the point where Europeans have lost confidence in the American dollar, our record-low gold stock is slipping away from us, the dollar is in question as a world currency, a paralysis of world trade threatens and a recession may await us.

It is difficult for white Americans to see the burning and the looting without some reacting as the mayor of Chicago did when he said police should shoot to kill arsonists and shoot to maim looters. But I don't think this is the answer.

Wherever possible, overwhelming manpower—not firepower—should be used to quell riots.

Neither do I think it helpful for a high public official to encourage rioting by speaking as though slum conditions justify widespread civil disorders.

I refer to the statement made by Vice-President Humphrey on July 18, 1966, before the National Association of Counties at New Orleans when he said: "If I were in those conditions—if that should happen to have been my situation, I think you would have had a little more trouble than you have had already, because I have enough spark left in me to lead a mighty good revolt under those conditions."

Well, we have had more trouble—a lot more.

I agree with those who believe we should deal firmly with rioters, and I want as much as any other public official in America to wipe out slum conditions. But I submit that both the mayor of Chicago and the Vice-President err on the side of extremism.

The best way to handle riots is to prevent them. If that proves impossible, then experience indicates we should smother them with police and military manpower and wholesale arrests. After some delay and possibly some indecision, this worked well in the recent Washington, D.C., riot. The problem there was that the military wasn't moved in fast enough.

The miserable conditions of the slums are well known. There is no excuse for such conditions and we should move to eradicate them as quickly as possible. But neither is there any excuse for rioting—even under the conditions the Vice-President spoke of.

Abraham Lincoln once said: "There is no grievance that is a fit object of redress by mob law." That is also my credo, and I commend it to all of the American people including the 24 million Negroes in this Nation.

If Negroes would revolutionize to right the wrongs done them, let them use the ballot and not the bullet, the soap box and not the torch.

As for the 177 million white Americans, let them all begin living the truth that the Declaration of Independence held to be self-evident—that all men are created equal.

How should we go about preventing riots? The National Advisory Commission on Civil Disorders has laid out a blueprint for us. While I do not agree with some of the recommendations, I find much good in the report.

Where do we go from here? Let's start with the fact that nearly one-third of job-age non-white youths in the 20 largest metropolitan areas are unemployed. Most of these youths are Negroes.

Do we spend billions of dollars to make work for these youths? Or should we induce industry to train and hire them for decent, good-paying jobs despite their past records?

I think the only way to lick urban poverty and prevent riots is to rebuild not only the central cities but the people in them.

The best hope for achieving this is to bring industry into the people-rebuilding process through a system of income tax credits offered to industry as an incentive—tax credits to pay the extraordinarily high costs involved in on-the-job training for the poorly motivated hard-core unemployed and the underemployed.

I am completely convinced you will see a return for all of the American people in this kind of government investment—an investment in people and the free enterprise system, an investment in domestic tranquillity which will make taxpayers out of tax eaters and potential rioters.

What have the billions poured into the War on Poverty accomplished? From what I have seen the results have been meager in terms of the funds spent. The War on Poverty has produced some tangible results—but at extravagant cost.

The Republican approach is to help the poor and disadvantaged help themselves up the economic and social ladder—not to rely on Federal tax dollars to solve all the problems of poverty. Educational programs, on-the-job training, tax incentives and equal opportunities—these are the means by which poverty can be eliminated.

The Federal Government cannot solve the problems of the cities. That task requires the talent, resources and creativity of private enterprise. Business already is responding—in the field of housing as well as job training and recruitment for jobs. It is the Federal Government's responsibility to identify the problems and to provide the incentive for business to make human renewal a nationwide industry.

There are limits—particularly in this time of federal financial crisis—to federal funding of solutions to the urban crisis. I personally feel that tax credits to trigger a nationwide program of low-income home construction and on-the-job training by industry is the only realistic course both in terms of what is possible and what is most beneficial.

The Democratic Party would like the working men and women of America to believe that all the do-gooder dollars spent by Democratic Administrations come out of the pockets of the rich. This, of course, is sheer nonsense.

I am not surprised that there is a Poor People's March on Washington. This is an indication of just how far the War on Poverty has fallen short. Perhaps there should also be a Taxpayers March on Washington to ask where all the billions went that have pushed this country's national debt past the $350 billion mark so that we now pay interest on the debt of nearly $15 billion a year. Think of what that $15 billion annually could do for our poor! Instead it is going into the pockets of investors rich enough to buy high-interest-paying government securities.

The Democratic Party is largely identified with labor. Yet Democratic Party policies in recent years have been damaging to labor and have hurt the working man.

The American worker thinks he has made strong wage gains in the past two years. But the U.S. Labor Department has flatly stated that inflation has wiped out those supposed wage advances.

It used to be said that a fool and his money were soon parted. Now it happens to all of us—because of the mistaken fiscal and monetary policies pursued by the Democratic Party in recent years.

To invite inflation is to invite disaster, and that is just what the Democratic Party has done. When President Johnson says "you never had it so good" he is equating inflation with prosperity. He is saying inflation is prosperity. I say he is dead wrong.

It is not prosperity for the American worker to be placed on a treadmill where he keeps running hard but never gets anywhere. Inflation is a delusion. The worker doesn't get ahead with cheap dollars that keep dropping in value—even if he accumulates more of them.

Consider the fact that the 1957–59 dollar now is worth just 83 cents in purchasing power. Ponder the fact that the cost of living has gone up nearly 20 per cent since the 1957–59 period. And then let the President tell you the American worker never had it so good.

Let the Democratic Party also explain why total federal spending has gone up 80 per cent between 1960 and 1967 while the population increased only 11 per cent . . . and why the number of federal employes has increased 25 per cent and the cost of the federal civilian payroll has jumped 75 per cent during that same period.

Is Vietnam responsible for the sharp jump in spending? Between 1960 and 1967, defense spending rose 68 per cent while nondefense spending increased by 97 per cent.

The whole nation is in trouble because the Democratic Party has overcommitted America both at home and abroad, and because the Democratic Party believes only in federal solutions, federally financed and federally administered.

I am sure some Administration officials privately blame our inflationary spiral on labor and industry. This is nonsense. The truth is that the Johnson-Humphrey Administration could have halted the present inflation in its beginning stages two years ago with a hold-down in federal spending. Instead the Administration kept right on stimulating an already overheated economy. In desperation, the Federal Reserve Board tightened up on the money supply. The result was sharply rising prices despite record-high interest rates and a virtual depression in home construction.

Early in 1967 we had a mini-recession, and then the inflationary spiral took hold again as the Johnson-Humphrey Administration led us toward the first $20 billion deficit since World War II.

In 1967 work stoppages were the highest since 1959. U.S. Labor Department estimates for the first nine months of 1967 show 3,756 stoppages involving 2.5 million workers, with 28.3 million man-days lost.

The unions clearly were trying to catch up with Johnson-Humphrey inflation.

But what happened? When wages are adjusted for consumer price increases and for social security and income taxes, we find that weekly earnings of the average worker in non-agricultural private employment were actually a trifle lower in 1966 than in 1965 and again a trifle lower in 1967 than in 1966.

You can't win in a race with inflation. The American worker needs real progress—real wage gains achieved through a restoration of price stability.

Now Johnson-Humphrey Administration spending likely will result in an income tax increase. Where will that leave the American worker?

I plead today for common sense in government. I am here to tell you that Molly and the babies want and need and deserve more than food in the belly and a drive in the family car on Sunday.

The American worker wants to advance. Throughout history, our workers have always stood out because they have stood on their own two feet. They have helped to make America great. They deserve to enjoy their just share of the fruits of the American economy—not have it taken from them by inflation and high taxes.

I would like to close by again quoting a great Democratic President whose wise words are being ignored by his party today.

In his first inaugural address, On March 4, 1801, Thomas Jefferson said:

"Still one thing more, fellow citizens—a wise and frugal government, which shall restrain men from injuring one another, which shall leave them free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close our circle of felicities."

THE LACK OF FINANCING CHOKES NEGRO BUSINESS—ARTICLE BY WILLIAM RASPBERRY

HON. JOSEPH D. TYDINGS

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Tuesday, May 7, 1968

Mr. TYDINGS. Mr. President, as chairman of the Subcommittee on Business and Commerce of the Committee on the District of Columbia, I am particularly interested in the commercial life of the Nation's Capital and the problems of local businessmen. I find that many persons are unaware of the unique problems of establishing a business in a so-called high risk, inner city neighborhood. It is difficult, if not impossible, to get insurance, and if financing is available it may be on prohibitive terms.

That these problems may be compounded if the businessman is Negro was explained recently in a column by William Raspberry, published in the Washington Post. I commend Mr. Raspberry's illuminating article to the Senate, and ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

LACK OF FINANCING CHOKING NEGRO BUSINESS

(By William Raspberry)

A glance at the Red Carpet Lounge, one of the city's newest and most popular clubs, would tell you that the owner, Cornelius C. Pitts, is well on the road to fulfilling the American dream of success and wealth.

It would be a most deceiving glance.

It is true that the lounge, occupying much of the Pitts Motor Hotel at 1451 Belmont st. nw., is doing a booming business, that it has become one of the favorite night spots for Washington's Negro middle class.

Negroes who don't even remember the Pitts Hotel when it was a mere 12-room guest house feel a special kind of pride to see one of their own running a first-class 50-room motel and posh supper club.

What they don't know is that Cornelius Pitts is perilously close to losing the whole works.

His is a problem that has long plagued Negro businessmen: financing.

Pitts, who holds a degree in business administration from Howard University, bought a building at 1451 Belmont st. in 1950 and opened the guest house that he ambitiously called a "hotel." Nine years later, he bought a property three doors away, at 1457 Belmont st. as part of his long-range plan to open a modern motor inn.

In late 1964, he decided to make his move. His first step was the acquisition of three other properties: 1443, 1445 and 1447 Belmont st. And that's where his financial troubles started.

"Two of the properties were rooming houses," he recalls, "and the third was a