

What's Blocking East-West Trade?

'Hard-line' Legislation Is Losing The U.S. Billions

How much is Henry Jackson worth to the United States? It's a question more U.S. business, political, and labor leaders should be asking — since the Senator and his British backers' "tough on the Soviets" posture is costing the nation tens of billions of dollars a year in East-West trade deals.

Projections by an official in the East-West Trade Bureau of the Commerce Department confirm that if it were not for the Jackson-Vanik Amendment and a host of similar restrictions on economic dealings with the Soviet sector, within an approximate five-year period, expanded U.S. exports to the East bloc would entirely balance the U.S. trade deficit, which last year ran \$27.8 billion.

"The Soviet bloc countries are anxious to buy American commodities, especially advanced technology items," the official said. "At present they do not have sufficient hard currencies to purchase the items they need and, while I cannot give any figures, I predict that were these restrictions removed, they might indulge themselves wildly if credits were available.... There is no

question these countries could give financial guarantees."

With continuing restrictions, he reports, the U.S. deficit will continue to rise — and the deficit figures being passed around the Commerce Department are "very scary." He underlined the magnitude of economic interference staged through these "anticommunist" political showpieces with the following predictions:

(1) With only a minimal easing of restrictions, trade with the Soviet Union could edge up to the \$2 to \$5 billion mark over the next one to two years.

(2) If the rate of expansion of the 1972-1973 period had been allowed to continue, Soviet-American trade would now be in the \$13 billion range.

(3) With all restrictions removed, it is conceivable that East bloc exports would balance the U.S. deficit within five years.

Legal blocks to expanded economic East-West cooperation, as pushed by the likes of Senator Jackson, are represented by the following review of some key political obstacles to trade with the Soviets.

The Stevenson Amendment to the Export-Import Bank Act of 1945, as revised in 1974

Senator Adlai Stevenson (D-Ill.)

DEFINITION

Places a \$300 million ceiling on credits and lending to the Soviet Union, and a \$40 million ceiling on credit for the purchase of anything involving fossil fuel energy resources.

HOW IT WORKS

The Stevenson Amendment became *Section 7 (b)* of the Export-Import Bank Act of 1974. It reads, in part:

"After the date of enactment of the Export-Import Bank Amendments of 1974, the Bank shall not approve any loans or financial guarantees, or combination thereof, in connection with exports to the Union of Soviet Socialist Republics in an aggregate in excess of \$300,000,000. No such loan or financial guarantee shall be for the purchase, lease, or procurement of any product or service for production (including processing and distribution) of fossil fuel energy resources. No more than \$40,000,000 of such aggregate amount shall be for the purchase, lease or procurement of any product or service which involves research or exploration of fossil fuel energy resources."

The Byrd Amendment to the Trade Act of 1974

Senator Robert Byrd, D-W. Va.

DEFINITION

Essentially the same as the Stevenson Amendment, but attached to the Trade Act of 1974.

HOW IT WORKS

Places the same ceiling amount on credits and lending to the Soviet Union.

The Jackson-Vanik Amendment to Trade Act of 1974

Senator Henry Jackson (D-Wash.), Representative Charles Vanik, (D-Ohio)

DEFINITIONS

Forbids Most Favored Nation status to all East bloc and "Communist" countries due to lack of free emigration for minorities. The Amendment prohibits all credit and funding from U.S. government institutions to non-MFN nations unless the President makes a special request to Congress which stipulates how such lending will promote the requirements of the Amendment.

The Jackson-Vanik Amendment applies to all lending agencies of the United States Government. In particular, it shackles the following institutions, which could otherwise be extending credits or guarantees for East-West trade:

1. Export-Import Bank
2. Commodity Credit Corporation of the Agriculture Department
3. International Finance Corporation
4. International Development Association
5. Agency for International Development

HOW IT WORKS

Jackson-Vanik became *Section 402* of the 1974 Trade Act entitled "Freedom of Emigration in East-West Trade," with provisions as follows:

402 A — "On the basis of protecting human rights...products from any non-market economy country shall not be eligible to receive nondiscriminatory treatment (Most Favored Nation treatment) and such country shall not participate in any program of the Government of the United States which extends credits or credit guarantees or investment guarantees, directly or indirectly, and the President shall not conclude any commercial agreement with any such country during the period beginning with the date on which the President determines that such country (i) Denies its citizens the rights or opportunities to emigrate; (ii) Imposes more than a nominal tax on emigration or on the visas or other documents required for emigration for any purpose or cause whatsoever; or (iii) Imposes more than a nominal tax, levy, fine, fee or other charge."

402 B — Requires that the President make special reports to Congress proving that a non-MFN nation meets these requirements before concluding any commercial agreements. This must then be acted upon by Congress.

402 C — Waiver clause. Since no "communist country" can meet such provisions, *Section 402 C* allows the President to waive the requirements of *Sections 402 A* and *402 B* if such a waiver can be proven to "promote these requirements or lead — in a definite time frame — to meeting these provisions." It is this waiver clause which was used to gain MFN status for Romania and will be used to gain MFN status for Hungary. Waiver authority is granted to the President for only 12-month periods, and waiver extensions must be granted by Congress.

Johnson Debt Default Act of 1948 (part of the Export- Import Bank Act)

DEFINITION

Prohibits credits or loans to any government which has defaulted upon or not renegotiated the terms of U.S. government or government-backed bonds; requires a Presidential review of particular situations and submission to Congress for exemption from this Act.

HOW IT WORKS

Applies essentially to the Soviet Union and East bloc countries who defaulted following World War II or who refused to abide by the conditions of such bonds.

Section (2 (b) (3)) to the Export-Import Bank Act

Senator Frank Church, D-Idaho

DEFINITION

Places harsh restrictions on all high-technology and energy exports, with particularly harsh provisions applicable to the Soviet Union.

Church's argument for his Amendment was propounded during Senate floor debate Dec. 19, 1974: "I believe that the only way we can be certain that major energy development projects inside the Soviet Union are not to be underwritten with American capital, is to insist upon the right of Congress to pass judgment, prior to the making of any foot-in-the-door loans through the Export-Import Bank, on whether the ultimate purpose of the transaction serves the best interests of the United States."

HOW IT WORKS

This Section provides:

"No loan or financial guarantee or combination thereof (i) In an amount which equals or exceeds \$60 million (ii) In an amount which equals or exceeds \$25 million for the export of goods or services involving research, exploration, or production of fossil fuel energy resources in the U.S.S.R., or (iii) For the export of technology, fuel, equipment, materials or goods or services to be used in the construction, alteration, operation, or maintenance of nuclear power, enrichment, reprocessing, research, or heavy water production facilities, unless, in each case, the Bank has submitted to the Congress with respect to such loans financial guarantees or combination thereof, a detailed statement describing or explaining the transaction — at least 25 days of continuous session of Congress prior to the date of final approval."

International Security Assistance Act

DEFINITION

Restricts sales of military or military-related technologies to, especially, "communist countries." Most important is how decisions on "gray areas" are determined, that is, "of potential military application," which can include chemicals, baseball bats, etc.

HOW IT WORKS

Revised yearly as a subsumed part of the Arms Control Export Act.

Decisions on application of the Act are now made by the President on recommendation of the State Department's Office of Munitions Control and the Office of Human Rights. Formerly such decisions were made by the Commerce Department.

U.S.-British Joint Declassification Agreement on International Fusion Research

DEFINITION

Established in 1958 between the United Kingdom and the United States. Makes the British privy to all U.S. developments in the field of fusion energy development. More importantly, it allows the British government effective veto power over all areas of U.S.-Soviet cooperation in fusion research, by giving Britain the power to determine what material is or is not "classified." Anything labeled "classified" — however far-fetched the basis for "classification" — thereby cannot be shared with the Soviets.

HOW IT WORKS

This agreement was the basis for British sabotage of a series of Soviet proposals during the past year for advanced U.S.-Soviet collaboration in fusion research. Last November, for example, leading Soviet fusion scientist Basov made a proposal for integration of Soviet fusion technologies at certain U.S. laboratories such as Los Alamos — a proposal vetoed by Energy Secretary James Schlesinger and the British government. Had the Basov initiative been accepted — combining the Soviet Union's advanced fusion technology with the high energy resources of the U.S. — the United States could produce a demonstration on-line model fusion reactor by the mid-1980s.