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# Testimony of Ambassador Clayton K. Yeutter U.S. Deputy Special Representative for Trade Negotiations The American Role in East-West Trade Before The U.S. Senate Committee on Commerce

Clayton K. Yeutter

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TESTIMONY OF AMBASSADOR CLAYTON K. YEUTTER  
U.S. DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS  
THE AMERICAN ROLE IN EAST-WEST TRADE  
BEFORE THE  
U.S. SENATE COMMITTEE ON COMMERCE  
DECEMBER 12, 1975

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR EXTENDING TO ME THIS OPPORTUNITY TO PARTICIPATE IN THESE HEARINGS ON THE CURRENT STATUS OF EAST-WEST TRADE. THIS REVIEW OF THE U.S. ROLE IN EAST-WEST TRADE IS BOTH IMPORTANT AND TIMELY. AMBASSADOR DENT HAD LOOKED FORWARD TO BEING WITH YOU, AND REGRETS THAT HE IS OUT OF THE COUNTRY AND UNABLE TO TESTIFY TODAY.

I WOULD LIKE TO DISCUSS WITH YOU WHY WE FEEL THE PROSPECTS FOR TRADE BETWEEN THE UNITED STATES AND NON-MARKET ECONOMY COUNTRIES ARE PROMISING, HOW WE COULD BE IN A UNIQUE POSITION TO NEGOTIATE BOTH BILATERALLY AND MULTILATERALLY NEW OPPORTUNITIES FOR U.S. SUPPLIERS, AND FINALLY HOW WE ARE CURRENTLY PREVENTED FROM REALIZING THE OPPORTUNITIES THAT EXIST.

POLITICAL DETENTE HAS PROVIDED A CLIMATE IN WHICH IMPROVED COMMERCIAL RELATIONS BETWEEN EAST AND WEST CAN BE DEVELOPED, AND HAS HELPED OPEN DOORS TO EASTERN MARKETS WHICH HAVE BEEN CLOSED SINCE THE EARLY 1950's. GRADUALLY, EASTERN EUROPEAN COUNTRIES ARE TURNING FROM AUTARKY TO FULLER PARTICIPATION IN THE INTERNATIONAL TRADING SYSTEM. THIS REFLECTS A DELIBERATE AND WELCOME DECISION BY NON-MARKET ECONOMY COUNTRIES TO DEPEND MORE HEAVILY ON INTERNATIONAL TRADE FOR THEIR OWN ECONOMIC DEVELOPMENT.

THIS POLICY SHIFT HAS BEEN ACCOMPANIED BY RAPID ECONOMIC GROWTH IN RECENT YEARS. NATIONAL INCOME IN EASTERN EUROPE GREW BY MORE THAN 8 PERCENT IN 1973 AND BY 6 TO 7 PERCENT IN 1974.

EXTERNAL TRADE HAS BEEN A DYNAMIC COMPONENT OF THE RECENT ECONOMIC GROWTH IN EASTERN EUROPE AND HAS SIGNIFICANTLY EXCEEDED GROWTH IN NATIONAL INCOME. THIS TRADE IS INCREASINGLY ORIENTED TOWARDS THE WEST. TRADE BETWEEN COMMUNIST COUNTRIES AND DEVELOPED MARKET ECONOMIES WAS \$17.4 BILLION IN 1971, \$19 BILLION IN 1972, \$30.8 BILLION IN 1973 AND REACHED \$43.5 BILLION IN 1974. THE WEST HAS ACCUMULATED INCREASING TRADE SURPLUSES DURING THIS PERIOD. IN RECENT YEARS THE U.S. HAS MAINTAINED AN ANNUAL SURPLUS OF WELL OVER \$1 BILLION IN TRADE WITH COMMUNIST COUNTRIES.

THE FUTURE COULD BE EVEN MORE PROMISING. THE MOST RECENT ECONOMIC PLANS OF THE COMMUNIST BLOC COUNTRIES CALL FOR CONTINUED SUBSTANTIAL TRADE INCREASES. THEY PROVIDE FOR CONTINUED HIGH RATES OF GROWTH IN CAPITAL INVESTMENT IN WHICH THE SHARE OF IMPORTED EQUIPMENT IS RISING IN ALL MAJOR NON-MARKET ECONOMY COUNTRIES. ADDITIONALLY, THERE IS INCREASING RECOGNITION THAT CONTINUED GROWTH REQUIRES IMPORTS OF QUALITY STEELS AND CHEMICALS FROM THE WEST. EXPECTED INCREASES IN IMPORTS OF CONSUMER GOODS WILL ALSO FEATURE IMPORTANTLY IN TRADE WITH THE WEST. ADDED TO EXPORTS OF AGRICULTURAL COMMODITIES AND RAW MATERIALS WHICH HAVE TRADITIONALLY PROVIDED THE BULK OF OUR TRADE WITH THE NON-MARKET ECONOMY COUNTRIES, THESE DEVELOPMENTS PRESENT CLEARLY PROMISING OPPORTUNITIES FOR U.S. INDUSTRY AND AGRICULTURE. WE SHOULD TAKE ADVANTAGE OF THEM. OTHER COUNTRIES ARE DOING SO.

AS NEW ECONOMIC POLICIES IN NON-MARKET ECONOMY COUNTRIES HAVE LED TO IMPROVED ACCESS FOR WESTERN GOODS, WEST EUROPEAN GOVERNMENTS HAVE TAKEN STEPS TO PROMOTE THE EXPANSION OF TRADE. FRANCE, THE U.K., WEST GERMANY, ITALY AND VARIOUS OTHER COUNTRIES HAVE INCREASED THE VOLUME OF GOODS PERMITTED TO ENTER UNDER THEIR EXISTING QUOTAS AND HAVE EXTENDED THE LIST OF GOODS EXEMPT FROM LICENSING ARRANGEMENTS. EARLY THIS YEAR, AUSTRIA ELIMINATED ALTOGETHER ITS QUOTA RESTRICTIONS ON IMPORTS FROM EASTERN EUROPE. VARIOUS WESTERN COUNTRIES HAVE LIBERALIZED IMPORT DELIVERIES MADE UNDER INDUSTRIAL COOPERATION CONTRACTS. ALL WESTERN EUROPEAN COUNTRIES GRANT THE SOVIET UNION AND THE COUNTRIES OF EASTERN EUROPE MOST-FAVORED-NATION TREATMENT. THIS IS DONE IN THE FULL EXPECTATION OF RECIPROCAL BENEFITS.

THE USSR HAS COMPLETED GOVERNMENT-TO-GOVERNMENT TRADE AND COOPERATION AGREEMENTS WITH NEARLY ALL MAJOR WESTERN DEVELOPED COUNTRIES. EASTERN AND WESTERN EUROPE HAVE BEEN LINKED BY A PROLIFERATING NETWORK OF SIMILAR AGREEMENTS. THESE AGREEMENTS PROVIDE THE NECESSARY FRAMEWORK FOR BUSINESSMEN, AND HAVE PROVED TO BE A USEFUL INSTRUMENT IN THE FURTHERANCE OF TRADE AND ECONOMIC COOPERATION.

IN THE ABSENCE OF SIMILAR GOVERNMENT-TO-GOVERNMENT AGREEMENTS BETWEEN THE UNITED STATES ON THE ONE HAND AND EASTERN EUROPE AND THE USSR ON THE OTHER, OUR BUSINESSMEN HAVE HAD TO TAKE THE LEAD ON THEIR OWN. THE PRIVATE SECTOR HAS MADE THE CONTACTS AND DEVELOPED THE GROUNDWORK UPON WHICH A FRUITFUL COMMERCIAL RELATIONSHIP DEPENDS. THEIR EFFORTS HAVE LED TO A FIVE-FOLD INCREASE IN EXPORTS TO COMMUNIST COUNTRIES IN THE LAST THREE YEARS. OUR EXPORTERS ARE NOW IN A MOST FAVORABLE POSITION TO BENEFIT FROM THE REALIGNMENT OF CURRENCIES WHICH HAS ENDED THE ERA OF THE OVER-VALUED DOLLAR. THE COMPARATIVELY HIGH RATES OF INFLATION SUFFERED BY OUR MAJOR TRADING PARTNERS HAVE MADE OUR EXPORTS INCREASINGLY COMPETITIVE. IF WE CAN TURN DEFICITS IN OUR TRADE WITH OTHER MARKET ORIENTED COUNTRIES INTO SURPLUSES, OUR PROSPECTS IN TRADE WITH NON-MARKET ECONOMY COUNTRIES, WHERE WE HAVE CONSISTENTLY BEEN IN SURPLUS, ARE THAT MUCH MORE PROMISING.

THE POTENTIAL FOR INCREASED EXPORTS TRANSLATES INTO GREAT POTENTIAL FOR INCREASED JOBS. THIS POINT CANNOT BE OVER-EMPHASIZED. TOO OFTEN NATIONS ARE TEMPTED TO TURN INWARD IN TIMES OF ECONOMIC DIFFICULTIES, FEARING PROSPECTIVE IMPORTS WHILE IGNORING POTENTIAL EXPORTS. WE IN THE UNITED STATES ARE NOW PRESENTED WITH A CLEAR OPPORTUNITY TO EASE DOMESTIC UNEMPLOYMENT BY TAKING ADVANTAGE OF THE INCREASED DEMAND ABROAD FOR U.S. GOODS.

HOWEVER, DESPITE THE NEW RECEPTIVITY OF NON-MARKET ECONOMY COUNTRIES TO TRADE WITH THE U.S., DESPITE THE COMPETITIVE DOLLAR AND DESPITE THE NOTEWORTHY EFFORTS OF PRIVATE INDUSTRY, THERE ARE SIGNS THAT IF WE DO NOT ACT TO PUT OUR BUSINESSMEN ON THE SAME FOOTING WITH THEIR COMPETITORS, EAST-WEST TRADE WILL INCREASINGLY BELONG TO THE EUROPEANS AND THE JAPANESE.

WE CANNOT EXPECT NON-MARKET ECONOMY COUNTRIES TO PURCHASE U.S. GOODS WHEN OUR DISCRIMINATORY DUTY RATES MAKE A MUTUALLY ADVANTAGEOUS TRADING RELATIONSHIP IMPOSSIBLE. THE UNITED STATES GRANTS MOST-FAVORED-NATION TREATMENT TO THE PRODUCTS OF ALL BUT A HANDFUL OF COMMUNIST COUNTRIES. THE MOST-FAVORED-NATION PRINCIPLE HAS, SINCE THE MID-1930'S, BEEN THE CORNERSTONE OF THE UNITED STATES TRADE AGREEMENTS PROGRAM. IT IS THE BASIS UPON WHICH THE INTERNATIONAL TRADING RULES OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE HAVE BEEN DEVELOPED. IT IS A PRECONDITION FOR A SIGNIFICANT TRADING RELATIONSHIP. IT IS NOT A SPECIAL PRIVILEGE EXTENDED TO A FEW, BUT THE NORM OF THE INTERNATIONAL TRADING SYSTEM.

SIMILARLY, DISCRIMINATORY RESTRICTIONS ON CREDITS MUST BE REMOVED IF WE ARE TO CONTINUE TO DEVELOP MUTUALLY BENEFICIAL ECONOMIC RELATIONS WITH THE EAST. AS EAST EUROPEAN AND SOVIET DEFICITS WITH THE WEST MOUNT, THEIR NEED FOR CREDIT BECOMES MORE ACUTE. IF OUR EXPORTERS CAN OFFER COMPETITIVE GOODS, BUT ARE NOT ALLOWED TO COMPETE IN PROVIDING FINANCING, VALUABLE SALES WILL BE LOST.

THE TRADE ACT OF 1974 AUTHORIZES, FOR THE FIRST TIME IN MANY YEARS, TRADE AGREEMENTS BETWEEN THE U.S. AND NON-MARKET ECONOMY COUNTRIES ON BOTH A BILATERAL AND MULTILATERAL BASIS. IT PROVIDES A SOUND ECONOMIC FRAMEWORK FOR TRADE WITH COMMUNIST COUNTRIES. HOWEVER, BECAUSE OF WHAT MOST OF THESE COUNTRIES VIEW AS UNACCEPTABLE POLITICAL CONDITIONS ON EXPANDING TRADE WITH THE EAST, THE ECONOMIC OBJECTIVES OF THE ACT HAVE BEEN LARGELY FRUSTRATED.

IN DRAFTING THE TRADE ACT, THE CONGRESS RECOGNIZED THAT THERE ARE FUNDAMENTAL DIFFERENCES BETWEEN TRADING WITH MARKET AND NON-MARKET ECONOMY COUNTRIES. TITLE IV CONTAINS CAREFULLY DRAWN PROVISIONS DESIGNED TO ENSURE A SATISFACTORY BALANCE OF CONCESSIONS IN TRADE WITH THE EAST. MOST-FAVORED-NATION TREATMENT MAY BE EXTENDED ONLY AFTER A BILATERAL TRADE AGREEMENT MEETING THE SPECIFICATIONS OF SECTION 405 OF THE TRADE ACT HAS BEEN CONSUMMATED. THEREAFTER, FOR AS LONG AS A "SECTION 405" AGREEMENT IS IN EFFECT, TRADE BARRIER REDUCTIONS NEGOTIATED AS A RESULT OF EITHER BILATERAL OR MULTILATERAL TRADE NEGOTIATIONS CAN BE EXTENDED TO A COMMUNIST COUNTRY, PROVIDED THAT THE U.S. IS GIVEN SATISFACTORY RECIPROCAL CONCESSIONS.



UNDER SECTION 405 OF THE TRADE ACT, THE CONGRESS HAS REQUIRED THAT A SATISFACTORY BALANCE OF TRADE IN BOTH GOODS AND SERVICES BE MAINTAINED OVER THE LIFE OF AN AGREEMENT EXTENDING MOST-FAVORED-NATION TREATMENT TO A NON-MARKET ECONOMY COUNTRY. THIS INCLUDES RECIPROCAL CONCESSIONS FOR ANY REDUCTIONS OF U.S. TARIFFS OR NON-TARIFF BARRIERS NEGOTIATED WITH OTHER COUNTRIES AND EXTENDED TO SUCH COUNTRIES. ALSO REQUIRED ARE PROVISIONS FOR THE PROTECTION OF U.S. NATIONALS WITH RESPECT TO PATENTS, TRADE MARKS, COPY RIGHTS AND INDUSTRIAL RIGHTS AND PROCESSES. FURTHERMORE, IN ORDER TO PROVIDE AMERICANS WITH THE ABILITY TO ADEQUATELY CONDUCT BUSINESS IN COMMUNIST COUNTRIES, EXTENSIVE PROVISIONS ON BUSINESS FACILITATION ARE ALSO REQUIRED.

THE BALANCING OF BENEFITS UNDER COMMERCIAL AGREEMENTS WITH STATE-TRADING COUNTRIES IS NECESSARILY SOMEWHAT IMPRECISE. THEREFORE, WE MUST PERIODICALLY REVIEW THE OPERATION OF THE AGREEMENTS TO ASSESS THIS BALANCE. NEVERTHELESS, THE RESULTS OF EAST-WEST TRADE HAVE, IN THE PAST, BEEN CLEARLY BENEFICIAL TO THE UNITED STATES AND WE FULLY EXPECT THAT RESULTS UNDER ANY FUTURE AGREEMENTS WILL BE EQUALLY BENEFICIAL.

IN ADDITION TO THE PROVISIONS OF THE TRADE ACT DESIGNED TO ENSURE THAT THE U.S. WILL RECEIVE RECIPROCAL ECONOMIC BENEFITS FROM NEGOTIATED TRADE AGREEMENTS - CLEARLY A NECESSARY PRECONDITION FOR SATISFACTORY AGREEMENTS - THE TRADE ACT IS ALSO PROPERLY CONCERNED WITH THE NEED TO PROTECT AMERICAN WORKERS AND INDUSTRIES FROM MARKET DISRUPTION THAT MIGHT BE CAUSED BY INCREASED IMPORTS FROM COMMUNIST COUNTRIES.

INCREASED TRADE -- INCLUDING INCREASED IMPORTS -- IS TO BE EXPECTED FROM ANY TRADE AGREEMENT; HOWEVER, SINCE NON-MARKET ECONOMY COUNTRIES HAVE THE ABILITY TO CONCENTRATE PRODUCTION AND EXPORTS BY CENTRAL DIRECTIVE, THE UNITED STATES MUST INSIST ON SAFEGUARD PROVISIONS TO PROTECT AGAINST DISRUPTION OF DOMESTIC MARKETS. TIGHT SAFEGUARD PROVISIONS WILL BE INCLUDED IN ALL SECTION 405 AGREEMENTS. THE TRADE AGREEMENT WITH ROMANIA APPROVED BY THE CONGRESS IN JULY - THE FIRST AND ONLY AGREEMENT THAT HAS BEEN NEGOTIATED UNDER THE PROVISIONS OF TITLE IV OF THE TRADE ACT - INCLUDES STRONGER SAFEGUARD PROVISIONS THAN HAVE EVER BEFORE BEEN NEGOTIATED UNDER A TRADE AGREEMENT.

IN ADDITION, SECTION 406 OF THE TRADE ACT ESTABLISHES A PROCEDURE BY WHICH DOMESTIC PRODUCERS OR WORKERS MAY PETITION THE U.S. INTERNATIONAL TRADE COMMISSION FOR IMPORT RELIEF FROM MARKET DISRUPTION. RELIEF UNDER SECTION 406 IS MORE READILY AVAILABLE THAN RELIEF FROM INJURY CAUSED BY IMPORTS FROM MARKET ECONOMY COUNTRIES. ALSO SAFEGUARDS CAN BE IMPOSED WITHOUT DELAY IF THE PRESIDENT DETERMINES EMERGENCY ACTION IS REQUIRED TO PROTECT U.S. INDUSTRIES AND WORKERS FROM INJURY.

FINALLY, IN THIS BRIEF REVIEW OF THE PROVISIONS OF BILATERAL AGREEMENTS WITH COMMUNIST COUNTRIES, I SHOULD NOTE THAT SUCH AGREEMENTS DO NOT PREVENT THE UNITED STATES FROM TAKING ANY ACTION DEEMED NECESSARY FOR THE PROTECTION OF OUR NATIONAL SECURITY.

AS TRADE BETWEEN EAST AND WEST GROWS, PARTICIPATION OF THE NON-MARKET ECONOMY COUNTRIES IN THE INTERNATIONAL TRADING SYSTEM BECOMES MORE IMPORTANT. INTEGRATION OF THESE COUNTRIES IN A TRADING SYSTEM DESIGNED FOR MARKET ECONOMY COUNTRIES POSES ONE OF THE DIFFICULT PROBLEMS WE AND OTHER WESTERN COUNTRIES MUST DEAL WITH IN THE MULTILATERAL TRADE NEGOTIATIONS (THE MTN) CURRENTLY UNDERWAY IN GENEVA.

POLAND, HUNGARY, CZECHOSLOVAKIA, ROMANIA, BULGARIA AND CUBA ARE ALL PARTICIPATING IN THE MTN. THEY ARE INVOLVED IN BOTH TARIFF AND NONTARIFF BARRIER NEGOTIATIONS. WE ARE STUDYING WAYS OF ASSURING THAT SATISFACTORY RECIPROCITY WILL BE GIVEN FOR CONCESSIONS OFFERED BY THE U.S.

NEITHER WE NOR MOST OTHER DEVELOPED COUNTRIES BELIEVE THAT TARIFFS MAINTAINED BY NON-MARKET ECONOMY COUNTRIES SIGNIFICANTLY INFLUENCE TRADE FLOWS. THUS WHILE WE ARE PREPARED TO EXTEND THE BENEFITS OF U.S. TARIFF CONCESSIONS TO THOSE COUNTRIES ELIGIBLE TO RECEIVE MFN, WE DO NOT BELIEVE THAT TARIFF CUTS BY POLAND OR ROMANIA OFFER SATISFACTORY RECIPROCITY.

WHEN POLAND AND ROMANIA JOINED THE GATT, THEY WERE REQUIRED TO COMMIT THEMSELVES TO INCREASING IMPORTS FROM GATT MEMBERS BY CERTAIN AMOUNTS. THESE IMPORT COMMITMENTS WERE A SUBSTITUTE FOR THE TARIFF SCHEDULES OF MARKET ECONOMY COUNTRIES. IN THE MTN IT MAY BE NECESSARY TO SEEK FURTHER COMMITMENTS ALONG SUCH LINES. ONE POSSIBILITY MIGHT BE TO NEGOTIATE COMMITMENTS FOR INCREASED IMPORTS WITHIN PRODUCT SECTORS. NO POLICY DECISIONS HAVE YET BEEN MADE IN THIS REGARD. THEY WILL HAVE TO BE MADE AS THE MTN PROGRESSES.

ANOTHER IMPORTANT ISSUE WILL BE MAKING PARTICIPATION BY NON-MARKET ECONOMY COUNTRIES IN AGREEMENTS ON NON-TARIFF BARRIERS MEANINGFUL. IN THE MTN WE ARE, FOR THE FIRST TIME, NEGOTIATING ON A WIDE RANGE OF NONTARIFF BARRIERS TO TRADE.

PROPOSED AGREEMENTS ON SUCH MATTERS AS PRODUCT STANDARDS AND CUSTOMS MATTERS WILL NOT INVOLVE THE PRICE MECHANISM AND THUS THE EAST EUROPEANS SHOULD BE ABLE TO PARTICIPATE IN MUCH THE SAME MANNER AS WESTERN COUNTRIES. THE PARTICIPATION OF EASTERN EUROPEAN COUNTRIES SHOULD GIVE OUR EXPORTERS ASSURANCES AGAINST ARBITRARY PRACTICES.

IN OTHER CASES THE PROBLEMS ARE MORE DIFFICULT.

THE APPLICATION OF A GOVERNMENT PROCUREMENT CODE TO NON-MARKET ECONOMY COUNTRIES PRESENTS OBVIOUS PROBLEMS; CONTRACT AWARDS BASED ON OPEN BIDDING MAY BE FUNDAMENTALLY INCOMPATIBLE WITH A PLANNED ECONOMY. HOWEVER WE WANT TO EXPLORE WHETHER MUTUALLY BENEFICIAL PARTICIPATION BY STATE TRADING COUNTRIES IN A PROCUREMENT CODE IS POSSIBLE.

IN OTHER CODES SUCH AS SUBSIDIES/COUNTERVAILING DUTIES SPECIAL RULES FOR STATE TRADING COUNTRIES WILL HAVE TO BE DEVELOPED.

SUBSIDY/COUNTERVAILING DUTY RULES ARE ESSENTIALLY IRRELEVANT TO IMPORTS FROM NON-MARKET ECONOMY COUNTRIES. THE NATURE OF THEIR ECONOMIES MAKE IT DIFFICULT, IF NOT IMPOSSIBLE TO DETERMINE WHETHER A BOUNTY OR GRANT IS BEING BESTOWED ON EXPORTS. NO COUNTERVAILING DUTY COMPLAINT HAS EVER BEEN BROUGHT UNDER U.S. LAW AGAINST IMPORTS FROM A NON-MARKET ECONOMY COUNTRY. IT MAKES CONSIDERABLE SENSE TO PROVIDE SPECIAL RULES FOR IMPORTS FROM NON-MARKET ECONOMY COUNTRIES IN ANY SUBSIDY/COUNTERVAILING DUTY CODE - PERHAPS IN THE CONTEXT OF SAFEGUARD PROCEDURES.

ANTIDUMPING COMPLAINTS HAVE BEEN BROUGHT UNDER U.S. LAW AGAINST IMPORTS FROM NON-MARKET ECONOMY COUNTRIES. THE DIFFICULTIES IN ADMINISTERING THE ANTIDUMPING LAW IN SUCH CASES ILLUSTRATE THE PROBLEMS OF APPLYING RULES BASED ON MARKET PRICE MECHANISMS TO IMPORTS FROM STATE TRADING COUNTRIES. IN DUMPING CASES, HOME MARKET VALUE HAS BEEN VERY DIFFICULT TO DETERMINE AND TREASURY HAS HAD TO COMPARE EXPORT PRICES FROM THE STATE TRADING COUNTRY WITH PRICES FOR SIMILAR MERCHANDISE CHARGED BY FIRMS IN MARKET ECONOMY COUNTRIES AT A COMPARABLE STAGE OF DEVELOPMENT. THIS PROCEDURE IS UNSATISFACTORY. UNDER SUCH CIRCUMSTANCES, A FINDING OF SALES AT LESS THAN FAIR MARKET VALUE COULD WELL BE MADE ON THE BASIS OF FACTORS OVER WHICH THE STATE TRADING COUNTRY HAS NO CONTROL. HERE, TOO, A SAFEGUARD TEST COULD MAKE CONSIDERABLE SENSE.

WHILE BRINGING EASTERN EUROPE FULLY INTO THE INTERNATIONAL TRADING SYSTEM ON A MEANINGFUL BASIS CANNOT BE ACCOMPLISHED OVERNIGHT OR WITHOUT DIFFICULTIES, WE BELIEVE THAT TO DATE SIGNIFICANT PROGRESS HAS BEEN MADE. EASTERN EUROPEAN COUNTRIES ARE WORKING ACTIVELY AND CONSTRUCTIVELY IN GENEVA AND, ON A NUMBER OF ISSUES, ARE WORKING CLOSELY WITH THE U.S. DELEGATION. IN THE IMPORTANT AREA OF AGRICULTURE, FOR EXAMPLE, WE HAVE A STRONG MUTUAL INTEREST IN ENCOURAGING LIBERALIZATION AND EXPANSION OF AGRICULTURAL IMPORTS INTO THE EUROPEAN COMMUNITY AND OTHER MARKETS.

AT PRESENT THE PROMISE OF EXPANDED COMMERCIAL TIES WITH NON-MARKET ECONOMY COUNTRIES THROUGH AGREEMENTS UNDER THE TRADE ACT REMAINS LARGELY FRUSTRATED. THE SOVIET UNION AND MOST OTHER COMMUNIST COUNTRIES HAVE OBJECTED TO WHAT THEY VIEW AS UNACCEPTABLE POLITICAL CONDITIONS ON THE EXTENSION OF MFN AND CREDITS. THE ADMINISTRATION HAS CONSISTENTLY VIEWED THESE PROVISIONS OF THE TRADE ACT AS COUNTERPRODUCTIVE TO BOTH COMMERCIAL AND HUMANITARIAN INTERESTS. THERE HAS BEEN CONSIDERABLE DISCUSSION AND CONSULTATION BETWEEN THE ADMINISTRATION AND THE CONGRESS ON THIS ISSUE AND HOPEFULLY THE DIALOGUE WILL CONTINUE UNTIL A SOLUTION IS REACHED.

IN CLOSING, LET ME NOTE THAT, UNDER THE TRADE ACT, THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS IS RESPONSIBLE TO BOTH THE PRESIDENT AND THE CONGRESS FOR ADMINISTRATION OF THE UNITED STATES TRADE AGREEMENTS PROGRAM. AMBASSADOR DENT AND ALL OF US AT STR ARE VERY MUCH AWARE OF THE CONSTITUTIONAL RESPONSIBILITY OF THE CONGRESS FOR TRADE MATTERS. WE RECOGNIZE THAT A SUCCESSFUL TRADE POLICY REQUIRES CLOSE COOPERATION WITH THE CONGRESS. THIS IS AS MUCH THE CASE FOR TRADE AGREEMENTS WITH COMMUNIST COUNTRIES AS WITH OTHER TRADE AGREEMENTS. TO DATE WE HAVE NEGOTIATED ONLY THE ROMANIAN AGREEMENT UNDER THE PROVISIONS OF TITLE IV OF THE TRADE ACT. IN THAT EFFORT WE WERE CAREFUL TO CONSULT FULLY WITH THE CONGRESS AND I BELIEVE THAT THE EXPERIENCE WAS SATISFACTORY ON BOTH SIDES. I TRUST THAT WE WILL CONTINUE TO COOPERATE TO REALIZE THE FULL POTENTIAL OF EAST-WEST TRADE FOR THE UNITED STATES.