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SENATE JOINT RESOLUTION 169—INTRODUCTION OF JOINT RESOLUTION RELATING TO EAST-WEST TRADE

Mr. MONDALE. Mr. President, I introduce today, for myself and Mr. CLARK, Mr. HARTKE, Mr. INOUYE, Mr. JAVITS, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. McGOVERN, Mr. MORTON, Mr. MOSS, Mr. PELL, Mr. PERCY, and Mr. YOUNG of Ohio, a joint resolution on East-West trade. It is intended to indicate that the Senate favors East-West trade in peaceful goods. Trade relationships do not develop when they are plagued with uncertainties and with financing and licensing restrictions.

Mr. President, nearly 2 years ago President Johnson, in recognition of the vast possibilities for peaceful ties to be found in the development of trade between East and West, said:

> Our task is to achieve a reconciliation with the East, a shift from the narrow concept of co-existence to the broader vision of peaceful engagement. And I pledge you today that Americans now stand ready to do their part . . . We seek healthy economic and cultural relations with the Communist states.

His words increase in timeliness with the recent turn of events in Eastern Europe. Changes in Rumania, Czechoslovakia, and Poland indicate efforts at greater independence within Eastern Europe and better relationships with the West. A central premise of economic reform in these countries is the necessity sooner or later of large Western credits and a sharp increase in trade with the West.

Yet today the American environment for increased East-West trade is far from reliable. In response to the President's leadership, the executive branch of the Government has encouraged American business interest in Eastern Europe; Congress, meanwhile, has done its part to destroy the kind of confidence business and private investors must have to develop a market. This subtle psychological barrier arising from an uncertain Government policy is the worst barrier of all to American participation in East-West trade.

The harshest restrictions coming from Congress have ended Export-Import Bank assistance for exports to Communist countries. Beginning with the Foreign Assistance Appropriation Act of 1964, all foreign aid legislation has included a provision prohibiting the Export-Import Bank from guaranteeing export credits to any Communist country unless the President determines it to be in the national interest to do so. He determined they were.

But the President's discretion ended in February with final passage of the bill to extend the lending authority of the Export-Import Bank. A provision was added to the bill forbidding the use of Eximbank credit to finance sales of American goods to any country whose government trades with nations with which the United States is engaged in armed conflict—North Vietnam. Congress in effect denied credit guarantees to American companies for their exports to the nations of Eastern Europe. The amendment included exports to be used in Communist countries such as the American machinery for the Fiat plant in the Soviet Union.

Another amendment attached to the excise tax bill and intended to limit East-West trade even further narrowly met defeat on the Senate floor in late March. It would have set up an insuperable barrier to such trade by imposing upon any American businessman who engages in export trade with any Communist country supplying material to North Vietnam a tax equal to 20 percent of the total taxable income of the taxpayer for that year.

The presumptions behind the amendments are that the nations of Eastern Europe supply major assistance to North Vietnam and that the nations of Eastern Europe, without nonstrategic foodstuffs and goods from the United States, would have no other sources of supply.

Both presumptions are wrong. Our exports to Eastern Europe are primarily agricultural commodities. In turn, the Eastern European countries trade only to a limited extent with North Vietnam. Their aid tends to be a pro forma commitment, designed to diminish the embarrassment in the Communist world, and not a fundamental or material commitment to North Vietnam.

When Congress prevents American businessmen from supplying certain peaceful commodities to consumers in Eastern Europe, other nations are only too willing to fill the breach. By our actions, either the Eastern Europeans are thrown back into the arms of the Soviets, or the French and other Western Europeans take over all of the growing, consumer-oriented markets of Eastern Europe.

Mr. President, we must prevent efforts in Congress attempting to block the expansion of economic relationships between Eastern Europe and the United States. With this in mind, we intend to begin hearings in the International Finance Subcommittee of the Banking and Currency Committee on problems of East-West trade. As you know, the subcommittee has responsibility for the Eximbank and the export control regulations.

We hope the hearings will provide legislative suggestions for increasing trade in peaceful goods and a hearing record of use in educating Congress and our people about the difficulties our policies are creating for our businessmen, for our diplomatic efforts abroad, and for those Eastern European leaders who are struggling to establish their independence.

I believe that our policy should be aimed at encouraging independence and bringing the United States and the nations of Eastern Europe into a better relationship through increased trade.

I base my views on a 3-week study tour of Europe which I made for the Subcommittee on International Finance in January. I talked with government officials, businessmen, journalists, and our diplomats in Western and Eastern Europe—in Brussels, London, Paris, Geneva, Vienna, Bucharest, Moscow, Prague, and Warsaw—identifying some of the problems and possibilities of expanded trade with Eastern European nations and Russia.

Let me relate a few of the things I learned.

Western Europeans are astonished by the repressive attitude Congress has taken toward trade with Eastern Europe. But they are frank to admit that they benefit from the absence of our competition. The volume of East-West trade in 1966 exceeded $10 billion, and other Western countries accounted for 96 percent of it. In the market experiencing the most rapid growth in world trade, the United States trails behind Sweden and Austria, accounts for less than one-half the volume of Italy and of France, less than one-third the volume of Japan and of Britain, and less than one-sixth the volume of West Germany.

The main effect of our export control policies and restrictions on export credits is the loss of a great deal of business to Western European competitors. Trade with Communist countries is subject to Government control and limitation in the form of quota and licensing restrictions. The Export Control Act of 1949 authorizes the President to prohibit the exportation of commodities which would prove detrimental to the security of the United States. Although the number of items on the export control list was reduced several years ago, American export licensing is still more stringent than COCOM's—the instrument of our allies for assessing the strategic nature of exports. By maintaining uniform export control policies, the United States fails to take account of changes within Eastern Europe. For example, the Czechs are 80 to 100 percent dependent on the Soviet Union for oil and iron ore. We do not prevent them from obtaining oil and iron ore, we only determine the source.

Although Eastern Europeans complain that U.S. export control legislation is an important inhibiting factor in our trade, it is probably more the uncertainty and delay in receiving licenses than the actual restrictions which make this a significant factor in trade relations. While the American businessman is waiting for approval of his proposed contract, his West German counterpart supplies the goods.

Since 1964 the Export-Import Bank has been prohibited from lending its own funds for the financing of American exports to any Communist country and since February, as I mentioned earlier, the Bank has been prohibited from guaranteeing or insuring loans extended by private lenders to finance American exports to Communist countries. Before the Eximbank credits to Communist countries were cut off, Russia and Eastern European countries had to prove their credit worthiness to a greater extent than was required of other nations.

These precautions are needless and counterproductive. There has never been default on any Western transaction with any Eastern European nation. The denial of Export-Import credits prohibits any trade which is not paid for on the spot. Goods and industries normally are bought on terms as long as 8 years and more. Especially for a country such as Rumania engaged in making great investments, cash deals are impossible.

Romania's dramatic increase of trade with the Western nations, her rapid pace of industrialization,and her corresponding economic independence within the Eastern bloc has been made possible by the willingness of Western trading nations to extend substantial medium- and long-term credits supported by Government guarantees or insurance. The American holdback in extending longer credit terms arises from the cold war conviction that the extension of longer credit terms represents an indirect extension of aid to our adversaries.

On the other hand Eastern countries have felt free to extend credit for the sale of hydroelectric or industrial equipment in the West, and the countries of Western Europe and Japan have extended credits in the 10- to 12-year range for sales to the East. In addition the British and Italians guarantee transactions at much lower rates than the Eximbank can.

Export-Import guarantees are vital if American suppliers are to compete in Eastern European markets. The lack of such a guarantee will be a serious barrier to American participation in East-West trade—and as long as this barrier remains in effect, we can expect to see American exports lose ground in their current 4 percent of the market.

I must add that American corporations are trading a great deal more with Eastern Europe and Russia than official figures show. This trade, which may run as high as $300 or $400 million a year, is carried on through American subsidiaries in Western Europe. Thes subsidiaries are eager to expand their trade with the Eastern European nations, and Eastern Europeans are eager to purchase goods of the quality developed with American know-how. Ironically, the balance-of-payments measures which limit American investment in Europe mean that a large increase in the American share of the Eastern European market will not be forthcoming through the mechanism of American subsidiaries.

Eastern Europeans, despite their inclination to favor American quality, are reluctant now to look to the United States for trade. They have learned that they simply cannot depend upon American trade. An Eastern European trade minister may be taking his life in his hands—certainly his job—by committing himself to a trade deal. When we back off, he pays the price. A high official in the Polish Foreign Ministry told me that there is great uncertainty there about U.S. trade policy; he cited the constant threat of the removal of most-favored-nation treatment for Poland—along with Yugoslavia, Poland receives the benefits of lower tariffs under most-favored-nation arrangements with the United States—changes in Public Law 480, and the recent restrictions on the Export-Import Bank.

With the exceptions of Yugoslavia and Poland, Eastern European nations pay the prohibitively high Smoot-Hawley rates for their products. The lack of most-favored-nation treatment, a routine concession to most nations of the world, is a serious barrier to U.S. participation in East-West trade. A high Romanian trade official told me that lack of most-favored-nation treatment by the United States means that Romanian exports are directed to Western Europe, thereby limiting the potential for import of goods from the United States.

The most-favored-nation clause has been gradually extended to most of the Eastern countries by a very large number of Western countries. Refusal to apply it may be regarded as an exception except in the case of the United States. The President submitted an East-West trade relations bill of 1966 to give the Executive authority to negotiate trade agreements extending most-favored-nation treatment to European Communist states; Congress should enact such legislation.

Perhaps the most formidable opposition any American business wishing to trade with Eastern Europe faces is the threat of attacks or an actual campaign by certain groups which fear any contacts at all with Eastern Europe. Despite the State Department's efforts to reassure American businessmen, the groups inject themselves into the operation of our foreign policy through intimidation of individual companies.

Unfortunately, the campaign launched by Young Americans for Freedom against the Firestone Rubber Co.'s proposed synthetic rubber plant, a plant approved by our Office of Export Control—and Firestone's consequent withdrawal of its plans—left Romania with little faith in arrangements with American companies. At a time when Romania is attempting to assert her independence, this lack of faith becomes critical.

The apprehensions about East-West trade center on our participation in the economic advancement of a rival economic system. The presumption is that Eastern European countries cannot achieve economic success without us. The Soviet Union's achievements in space and the growing volume of trade on the part of Western Europeans with Eastern Europe show the weaknesses of that theory.

There is little support in either Western or Eastern Europe, among Government officials, economic and political experts, American diplomatic officers, and American and European businessmen for the fears commonly expressed in the United States that trade with Eastern Europe strengthens communism. Indeed, quite the opposite is felt to be the case—that America's restrictive policies force Eastern European nations to depend on Russia, and therefore strengthen Moscow's failing attempt to keep her former satellites dependent on her.

The time has come when we must deal head-on with the recurring myth of the efficacy of economic warfare. This is no longer a matter of question—hard evidence indicates that economic warfare measures are ineffective even under ideal "laboratory conditions."

In fact, economic warfare may have exactly the opposite effect from that we intend. By withholding trade, we encourage a nation to develop its own resources. Rigid export restrictions result in a denial forcing the creation of new industrial capacity to produce the item denied.

On the other hand, freely encouraged trade creates a certain dependency. Western Europeans today are chafing at the "technological gap" which grew from European overdependence upon U.S. industry and technology.

Internally, Western trade can have a profound effect on the nature of life in Russia and in Eastern Europe. An Italian official pointed out to me the implications of the Fiat contract with the Russians: they will need repairs, gasoline, highways, and insurance, all factors in social change.

As Communist economic policy devolves, producers may become more responsive to market demands. If Eastern European countries are to participate in greater trade with the United States, they will have to pay for their imports with increased exports since credit is difficult to obtain. To export, their products must be competitive with the highly sophisticated Western products and they must develop sales techniques which will meet Western consumer demands.

The United States can assist in a variety of ways. One is by the above-mentioned loosening of restrictions on Export-Import Bank credit. Another is by helping these nations find markets in the United States or elsewhere in the world. In many respects the Eastern European nations are more comparable to the developing nations of the world than to the Western European nations and the United States. A dialog to help the Eastern Europeans find markets is engaged in everywhere except the United States.

Eastern Europe is at an economic crossroads. It is not at all certain that they must move toward Western-type relationships. In chaos and with little encouragement from us they could go back to the older practices.

Changes are coming faster than we can keep track of them in Eastern Europe. A power struggle appears underway in Poland. With a change of government in Czechoslovakia have come astounding liberalizations in the areas of free speech and press. Romania's continued participation in the activities of the Soviet bloc's military and economic alliances is in question. And last week the Soviet Government announced ratification of a consular convention with the United States.

At the moment many of these changes are rebounding to favor the West. The Soviets canceled a quarterly delivery of wheat to Czechoslovakia; the Czechs turned to Canada for wheat to replace the Soviet imports. Instead of wheat shipments, the Russians offered the Czechoslovaks a $400 million loan in hard currency to be paid back with goods which Moscow buys from the West. The Czechs intend to use the loan to buy construction equipment and licenses for the chemical industry in the West, to expand warehouse and transport facilities, and to build hotels for Western tourists.

And while we are watching the current events in Eastern Europe, we must not forget that trade opportunities there provide a chance to add exports which assist a favorable balance of payments. In March, for the first time in 5 years, the United States had a trade deficit—our exports were outstripped by our imports. Now is not the time when we can afford to overlook the fastest growing market in the world—Eastern Europe.

We need to examine the relevancy of our trade policies—their relevancy to the events in Eastern Europe, to our payments problems, and to the competitive position of American business. It is time to dispel the public misconceptions saddling American participation in East-West trade with unnecessary and unproductive restrictions. Most important of all we must indicate that the Senate believes increased East-West trade in peaceful goods to be in the best interests of the United States. Only then will we overcome the subtle psychological barrier to such trade arising from an uncertain Government policy.

Winds of change are blowing across Eastern Europe, but the breezes rarely enter Congress. We must respond to these changes. If we do not, the nations of Eastern Europe and of the West will correctly decide that we have shunned an opportunity to alter the economic dependency with the Communist bloc. History will make the same judgment.

I ask unanimous consent that the joint resolution be printed in the RECORD.

The PRESIDING OFFICER. The joint resolution will be received and appropriately referred; and, without objection, the joint resolution will be printed in the RECORD.

The joint resolution (S.J. Res. 169) relating to East-West trade, introduced by Mr. MONDALE (for himself and other Senators), was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

S.J. RES. 169

Whereas current export credit and other restrictions on United States trade in peaceful goods with Eastern Europe impede the response of the United States to changes within the Communist world; and

Whereas the changes in Eastern Europe are vital to the maintenance of United States objectives in building a peaceful, democratic world; and

Whereas an increase in United States exports to Eastern Europe will assist in meeting the United States balance of payments problems; and

Whereas public misconceptions plague efforts to expand East-West trade: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That it is the sense of the Congress that the Export Control Act regulations and the Export-Import Bank financing restrictions should be examined and modified to promote the best interests of the United States by permitting an increase in trade in peaceful goods between the United States and the nations of Eastern Europe.

SENATE JOINT RESOLUTION 170—INTRODUCTION OF JOINT RESOLUTION TO INCREASE FARM DISASTER LOANS

Mr. HARTKE. Mr. President, we have a serious situation across the country. The Farmers Home Administration is without funds for emergency loans. The Indiana Office of the Farmers Home Administration has $1,250,000 in disaster loan applications. These are from farmers in 76 "disaster" designated counties. The Farmers Home Administration revolving fund cannot meet the financial requirements for $250,000 in loans which have been approved. Another $1 million in applications are in process—with absolutely no hope of funding.

If the situation is so desperate in Indians, then other States are similarly crippled in their financial needs to farmers. Therefore, Mr. President, I introduce a joint resolution to transfer $30 million from the Commody Credit Corporation to the Farmers Home Administration. The funds would be returned by appropriation and when proceeds of other loans are realized.

I urge swift passage of my joint resolution before the lack of funds forces more farmers off the land, creates any more hardships on our farm families and causes serious legal and financial problems for our Nation's farmers.

The very nature of the emergency loan system makes it imperative that we pass my resolution, Mr. President. Many of the farmers in Indiana's 76 counties were ruined by natural disaster—drought and later, by rains which flooded fields. The Federal Government offered a helping hand with the eligibility for loans. Now our people are being told there are no funds to fill these requests for help. It is a sorry state when we renege on our Federal promises.

The PRESIDING OFFICER. The joint resolution will be received and appropriately referred.

The joint resolution (S.J. Res. 170) to authorize the temporary funding of the emergency credit revolving fund, introduced by Mr. HARTKE, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTION

Mr. CLARK. Mr. President, I ask unanimous consent that, at its next printing, the name of the junior Senator from Montana [Mr. METCALF] be added as a cosponsor of the bill (S. 2938) to extend certain expiring provisions of the Manpower Development and Training Act of 1962.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CLARK. Mr. President, also I ask unanimous consent that, at its next printing, the names of the senior Senator from Massachusetts [Mr. KENNEDY] and the junior Senator from Montana [Mr. METCALF], be added as cosponsors of the bill (S. 3063) to provide employment and training opportunities for low-income and unemployed persons.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, on behalf of the Senator from South Dakota [Mr. MUNDT], I ask unanimous consent that, at its next printing, the name of the Senator from West Virginia [Mr. RANDOLPH] be added as a cosponsor of the joint resolution (S.J. Res. 165) authorizing the President to proclaim August 11, 1968, as Family Reunion Day.

The PRESIDING OFFICER. Without objection, it is so ordered.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, May 9, 1968, he presented to the President of the United States the enrolled bill (S. 1909) to provide for the striking of medals in commemoration of the 100th anniversary of the completion of the first transcontinental railroad.

OMNIBUS CRIME CONTROL AND SAFE STREETS ACT OF 1967—AMENDMENTS

AMENDMENT NO. 749

Mr. PERCY. Mr. President, I submit an amendment, intended to be proposed by me, to the bill (S. 917) to assist State and local governments in reducing the incidence of crime, to increase the effectiveness, fairness, and coordination of law enforcement and criminal justice systems at all levels of government, and for other purposes, and I ask that it be printed.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. PERCY. Mr. President, I will not take the time of my colleague, who has been kind enough to yield briefly to me this afternoon, to discuss the amendment I have just introduced. I would hope tomorrow to have the opportunity to make some extended remarks for the RECORD on my amendment.

The purpose of the amendment is to provide authorization in the bill for the formation and utilization of community service officers under the provisions of title I of the Omnibus Crime Control Act. My amendment parallels the Community Service Officers Act of 1968 which is today being introduced in the House of Representatives by Congressman CHARLES E. GOODELL, of New York.

Mr. President, this amendment is designed to implement the recommendations of two blue-ribbon Commissions appointed by this administration which dealt with the problems of law and order in our cities. The Presidents Commission on Law Enforcement and the Administration of Justice recommended the constitution of community service officer programs in its report published in February 1967. The National Advisory Commission on Civil Disorders made a nearly identical recommendation in March 1968. Mr. President, I would hope that other Senators who are familiar with these reports and who are interested in the sensitive area of police-community relations will join me in both sponsorships and support of this amendment.

AMENDMENTS NOS. 750 THROUGH 768

Mr. HART. Mr. President, I submit 19 amendments to title III of the pending bill, S. 917, and ask that they be received and printed in the RECORD. With each amendment I have also submitted a short explanation which I ask be printed following the amendment.

Mr. President, I hope the Senate will seriously consider these amendments to title III as well as those amendments to title III which have been submitted by the Senator from Missouri [Mr. LONG] and the Senator from Hawaii [Mr. FONG].