CHAPTER I

# Summary: Issues and Findings

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**CHAPTER I**

# Summary: Issues and Findings

Since the passage of the Export Administration Act of 1979 (EAA), evidence has mounted of an extensive Soviet military buildup; the U.S.S.R. has invaded Afghanistan; and it has borne direct responsibility for the imposition of martial law in Poland. These activities, coupled with the election of a U.S. President who takes a strong anti-Communist position, have all tended to reinforce the belief that U.S. national security requires greater protection of America's technological leads. Simultaneously, worldwide and domestic recession have increased the importance to the U.S. and other 'Western economies of a healthy export sector, requiring the development of new markets and the maintenance of established trading relationships. These trends together have made the question of the relative costs and benefits of trade with the Soviet Union a matter of increased interest at home and rising tension abroad, as the United States and its allies publicly disagree about the appropriate bounds of such trade.

The reactions to and consequences of the Soviet trade policies pursued under EAA have confirmed and sharpened a basic perception shared by many of the act framers—there is no export control policy which does not incur undeniable costs and confer uncertain benefits on the United States. Before EAA expires on September 30, 1983, Congress has to determine whether the present law remains adequate in the face of these developments and should therefore be renewed without major changes; whether amendment or new legislation is required to meet changing technological, political, and economic circumstances; and, if so, how such legislation should be drafted.

This document, written at the request of the Chairman and the Ranking Minority Member of the Senate Committee on Banking, Housing, and Urban Affairs, is designed to assist Congress in this process. EAA applies to U.S. trade with all nations. However, this update focuses narrowly on American exports to the U.S.S.R. It does not argue for a particular "right' answer regarding the optimum direction and details of U.S. trade policy toward the Soviet Union. It does seek to clarify the issues and the tradeoffs entailed in crafting such a policy.

In 1979, the debate over export control ended with an attempt to strike a practical compromise between the demands for increased protection of U.S. national security; the ability to use trade leverage in the conduct of foreign policy; and predictability in the export licensing process. This effort was complicated by the nature of technology transfer itself. In the present environment, technology is complex, often intangible, widely diffused, and subject to swift change. Thus, the difficulty of definition exacerbates the difficulties of control.

One way in which EAA sought to provide a framework for dealing with these issues was by clearly separating the criteria and procedures of controls enacted for national security from those instituted for foreign policy reasons. The former *were* to be applied only when necessary to restrict exports which make a significant contribution to the military potential of another country which would prove detrimental to the national security of the United States. The latter were to be used only where necessary to significantly further the foreign policy of the United States or to fulfill U.S. international obligations. However, controversies have arisen over the proper scope and implementation of both kinds of controls.

In the national security area, both the Carter and Reagan administrations have expressed concern over the magnitude of the Soviet military threat and the degree to which the U.S.S.R. has used U.S. and other Western technologies to increase that threat. But the ambition of protecting U.S. military technological leads through development of a list of militarily critical technologies-which both the United States and its allies would deny the U.S.S.R.–is far from being fulfilled. This effort has been inhibited at home, where the inclusiveness of the proposed critical technologies list has been criticized. It is also progressing very slowly abroad, where opinions on the bounds of military significance differ from those in the White House. The administration maintains that U.S. initiatives to expand and tighten export controls are succeeding, albeit on a case-by-case basis, in the Coordinating Committee for Multilateral Export Controls (CoCom), an informal organization composed of the United States and 14 of its allies (the NATO countries, minus Iceland and Spain, plus Japan) that attempts to implement a uniform export control system throughout the Western bloc. However, as the discussion below makes clear, it is unlikely that the other CoCom members will undergo the wholesale change of attitude necessary to bring the organization in line with the opinion prevailing in the U.S. Government.

Foreign policy controls have provoked a different set of problems. The EAA does not provide for congressional veto over the exercise of foreign policy controls other than those on agricultural commodities, but it does stipulate that affected industries be consulted and Congress be notified before the imposition of restrictions; and it directs the President to consider alternative actions and a detailed list of criteria before instituting the controls.

Herein lies a basic dilemma. EAA assumes that the freedom to export is a right, to be abridged only under specific circumstances. At the same time, it grants the Executive sweeping powers to define these circumstances and places the burden of proof in questionable cases on the potential exporter. The Executive power is offset primarily by nonbinding provisions designed to limit its use; i.e., EAA requests, but does not enforce, Executive self--restraint. This is the root of much of the controversy which has recently surrounded export administration. When an emergency produces a national consensus on trade controls, the law works well. Under less drastic circumstances where the President and Congress disagree as to whether export controls are appropriate or effective, the provisions of EAA tend to magnify basic policy differences, and the distinction between national security and foreign policy controls tends to blur. This was the case with both President Carter's partial embargo on U.S. grain sales to the U. S. S. R., and with President Reagan's controls on sales of oil and gas equipment and technology.

The grain embargo was imposed by President Carter after the Soviet invasion of Afghanistan. It roused intense domestic opposition, particularly from farm interests. Its economic impact on both the United States and the U.S.S.R. is still a matter of debate, but it is probably accurate to say that the costs borne by the American economy were at least as great as those which devolved on the U. S. S. R., and that the Soviet Union seems to have succeeded in replacing the United States as its principal agricultural supplier. In addition, the conduct of the grain embargo raised two troublesome policy issues. First, domestic political reaction resulted in legislation to prevent agricultural commodities from being singled out for use as foreign policy tools, and to guarantee the sanctity of agricultural export contracts. Exporters of goods not subject to these protections are now questioning the equity of such legislation. Second, the fact that the grain embargo was imposed on grounds of both national security and foreign policy has helped confuse important differences between these mechanisms.

The Reagan administration lifted the grain embargo, but provoked a controversy of its own when it imposed extraterritorial and retroactive controls on oil and gas technology exports to the U.S.S.R. as part of its reaction to the declaration of martial law in Poland. This action pro~'eked intense controversy at home, and outrage in Western Europe. U.S. business has reacted to the situation's unpredictability: in some cases, the fate of license applications has been the subject of great uncertainty; in other cases, ongoing previously approved deals have been abrogated. The reaction abroad stemmed from the attempt to prevent foreign firms with legal commercial relations to U.S. firms from exporting petroleum equipment and technology to the U.S.S.R. This attempt failed in the sense that foreign governments and firms in France, the United Kingdom, West Germany, and Italy defied U.S. orders. The controls were lifted after Allied agreement to a series of studies on aspects of a unified East-West trade policy.

Europeans have charged that these foreign policy controls have been implemented in a hypocritical and unfair manner. In their view, the U.S. Government has bowed to domestic pressures to lift sanctions on grain, the one export in which the United States dominated the Soviet market; at the same time, U.S. officials continually call for allied restraint on sales of oil and gas equipment and technology, items in which Europe and Japan have a greater economic stake. It could be argued that this seeming contradiction in U.S. policy has given the Europeans an additional justification for declining to endorse American views on East-West trade. Other consequences for the United States of the major events in export administration, and the lessons to be learned from these consequences for the drafting of new legislation, are explored in the following pages.

Photo credit: TASS from SOVFOTO

American equipment at the construction of the second Shatyk—Khiva pipeline, U.S.S.R.

# IMPACTS ON THE U.S. ECONOMY

The volume of U.S. trade with the Soviet Union is small and is likely to remain so. Its role in the U.S. economy is not well understood; assessments of its impact and importance have been controversial; and this impact cannot be measured solely through balance-of-trade statistics. Important components of the foreign trade balance sheet are indirect and unquantifiable, and weighing their importance relative to the political and national security consequences of trade is a highly subjective matter.

One view of the commercial value of U. S.-Soviet trade is that it is of such trivial economic consequence that policy makers should not be deterred from restricting it, no matter how slight the resulting national security gain. Those who question this position raise two points. First, exports can be of small significance to the economy as a whole, but still very important to specific sectors of that economy, particular industries, or firms within those industries. Second, there are indirect impacts of the expansion or contraction of trade that are felt on both the micro and macro levels. Both points are illustrated in the results of the recent U.S. embargoes on exports of grain, and oil and gas technology to the U.S.S.R.

In the case of grain, the magnitude of the economic costs to the United States is still debatable, but it is clear that these included the direct costs of farm support programs and the less easily quantifiable values of lost market shares and the acquisition by U.S. suppliers of the reputation as unreliable. It is charged that this reputation also now surrounds oil and gas equipment and technology firms, several of which have similarly lost—perhaps permanently—lucrative market shares.

The retroactive and extraterritorial nature of the oil and gas controls has given rise to other economic problems. While it is disingenuous of U.S. firms to assert or imply that broad controls of this sort are likely to be frequently or lightly applied, it is similarly naive to deny that the possibility of such actions casts a pall over the conduct of international trade. Concern over possible interruption of future transactions may produce a chilling effect on the climate in which U.S. firms operate and on the business decisions they make. The broad scope of extraterritorial controls, as they were applied in this case, may lead to long-term adverse impacts on West-West trade, far more important to the U.S. economy than trade with the Soviet Union. The intense negative reaction at home and abroad provoked by the U.S. sanctions argues that they struck close to the nerve. Multilateral deals are highly intricate, potentially involving multifarious second- and third-order relationships in several nations. Extraterritorial controls can therefore have many unanticipated and undesirable consequences as their impact spreads in a ripple-like effect to numerous and varied interested parties.

Unfortunately, there is no way to measure this kind of impact, even after the fact. Neither is it possible to gauge the magnitude of such effects in advance. One can judge that the indirect negative economic impacts of sanctions are real-and perhaps more important than the direct impacts. It is probably also true that these impacts are not as severe as their harshest critics assert.

# POLITICAL IMPACTS

## U.S.-ALLIED RELATIONS

It is now commonplace to point out that America's allies in Western Europe and Japan have different notions of the role, importance, and acceptable scope of trade with the Soviet Union than those prevailing in the White House. Many of these differences have crystallized around the issue of the new West Siberian gas pipeline, which is being built largely with European and Japanese equipment. President Reagan opposed this pipeline, but West Germany, France, and Italy consider importing Siberian gas a desirable way to increase and diversify energy supplies while simultaneously stimulating equipment and technology sales. The West European policies have persisted despite U.S. diplomatic efforts to change them. American critics have tended to view them as shortsighted and dangerous to the cohesion of the alliance. Europeans in turn stress the failure of the United States to appreciate the grounds for their conceptions of national security. They also resent American attempts to dictate matters which they consider to be internal economic policy, and to take major foreign policy steps without consultation.

Public displays of these differences on East-West trade policy have increased markedly during the Reagan administration, culminating with a dispute between the United States and France over the meaning and intent of a declaration on East-West trade signed at the June 1982 Versailles Summit. This dispute was immediately followed by U.S. imposition of extraterritorial, retroactive export controls on oil and gas technology. Through these sanctions, the United States attempted to embargo all oil and gas equipment trade between the U.S.S.R. and foreign subsidiaries and licensees of U.S. firms. When European firms defied U.S. orders, several were then subjected to American export control sanctions. The controls were lifted in November 1982, only after the United States and its allies agreed to conduct a series of multilateral studies concerning trade with the U.S.S.R.

Within the United States itself, informed observers offer markedly different interpretations of the content, timing, and status of the multilateral studies. Given the degree of confusion within the United States, and the residue of recrimination and ill will in Europe, it is reasonable to expect differences among the other participants' perceptions as to the meaning and utility of this exercise. The "worst case" outcome of these studies is not that they will fail to produce new allied policy initiatives on East-West trade. Rather, it is that continued lack of communication and persistent differences will lead to another public display of serious disagreement between the United States and its allies on Soviet trade policy.

Just as the meaning and potential import of the forthcoming studies are debatable, so too is the evaluation of the political costs and benefits which have accrued to the United States in the wake of the sanctions. Some have claimed that American export controls caused a significant incremental delay in completion of the West Siberian pipeline and a consequent loss in hard currency for the Soviets; others are skeptical. Regardless of the actual impact on the pipeline schedule, the effort to disrupt the project raises a disturbing question. In this case the U.S. Government's evaluation of what is best for West European security differs from that of the West Europeans themselves. Should the United States use its foreign policy controls on exports to the U.S.S.R. as much to inconvenience and modify the policies of its allies as to inconvenience or exact concessions from the Soviet Union? This is arguably a bad precedent for the conduct of U.S. foreign policy in general and for alliance relations in particular.

In the end, future allied trade relations with the U.S.S.R. are likely to be shaped more by domestic imperatives in Europe and Japan and worldwide economic forces than they are by U.S. concerns. There is no evidence that allied nations are about to renounce their fundamental beliefs about East-West trade. To the extent that retrenchment takes place, particularly in granting credits to or buying energy from the U. S. S. R., it will likely in large part be due to the state of the world credit and energy markets.

## U.S.-SOVIET RELATIONS

According to the view currently predominant in the administration, the East-West confrontation is an expression of a fundamentally adversarial relationship which is unlikely to be changed in the near future, and certainly unlikely to be relaxed through trade. Indeed, trade with the Soviet Union is no longer seen as in part an opportunity for forging peaceful ties, but rather exclusively as the means by which the West is contributing to the strength —and hence the threat-of a country it has every reason to distrust. In this view Western trade policy toward the U.S.S.R. should also avoid creating situations in which the U.S.S.R. might gain leverage over its trading partners (as in the case of the pipeline). At the same time, it can be used as an effective means of expressing displeasure at Soviet actions in a manner which will inflict harm on the U.S.S.R.'s economy (hence, technology and equipment embargoes).

U.S. policymakers have long tended to characterize the Soviet military sector almost entirely in terms of its strengths, and the Soviet economy almost always in terms of its weaknesses. But despite serious inherent weaknesses the Soviet economic system enjoys many strengths. On the other hand, Western imports have relieved critical shortages, hastened technological progress, and generally improved economic performance. Consequently, many believe that policies of economic leverage are useful and that the United States can affect the Soviet Union through well-targeted sanctions which exert economic pressure on points of Soviet vulnerability and thereby exact changes in Soviet behavior. This is a controversial view.

In both *Technology and East-West Trade* and *Technology and Soviet Energy Availability,* OTA found that trade leverage usually works under very limited conditions, and that past precedents have demonstrated its weakness when used against the Soviet Union. The aftermath of U.S. attempts to embargo grain and energy equipment exports to the U.S.S.R. dramatically demonstrate the limitations on U.S. power to successfully conduct a trade leverage policy. Although both embargoes were directed at vulnerable areas of the Soviet economy, their results were inconclusive at best. U.S. sanctions and embargoes may well have hurt the U. S. S. R., but it is unlikely that they have hurt enough to make a real economic difference.

It has been argued that equivocal economic impacts aside, the political utility of trade sanctions lies as much in the message of U.S. resolve that they convey to the U.S.S.R. as in precipitating measurable changes in Soviet behavior. According to this view, U.S. policies can and should be judged according to their symbolic value. The impact of these symbolic actions has been lessened by two factors, however: the messages sent to the U.S.S.R. have been unclear; and the U.S.S.R. may itself have benefited from the disruptions in the Western alliance precipitated by U.S. policies. The gas pipeline sanctions have been variously justified as being designed to:

- protest Soviet responsibility for the declaration of martial law in Poland;
- prevent West European dependence on Soviet gas;
- damage-or at least not aid-general Soviet economic development by inhibiting a project of' great economic importance;
- protest the use of "slave labor' in pipeline construction; or
- deny the U.S.S.R. hard currency earnings from gas sales in Europe.

These are very different goals. Yet, if the success of a policy rests on its symbolic message, its impact may be weakened when the message itself is unclear.

The extent of the second problem can only be determined in the context of the value which the U.S.S.R. places on driving wedges between the members of the Western alliance. If an important Soviet political goal is to generate as much divisiveness as possible among NATO partners, and to encourage the West Europeans and Japanese to depart from U.S. policies on East. West relations, the gas pipeline embargo was arguably a welcome political windfall for the U.S.S.R. A counterargument is that any such damage was superficial, illusory, and/or short-term. In this view, the West is going through a necessary, albeit painful, reevaluation which will eventually result in a stronger and more unified front vis-à-vis the U.S.S.R. This position in effect defers judgment of the effects of U.S. policies to the indeterminate future.

"Model A" Fords roll off the Gorki assembly lines in 1929 *Photo credit: TASS from SOVFOTO*

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# MILITARY IMPACTS

There is no question that the U.S.S.R. has benefited militarily from Western technologies and equipment. In cases where the U.S. Government has expressly permitted the sale of such items to the Soviet Union, it has engaged in actions which injure its own national security. Recent intelligence analysis has confirmed the fact that the U.S.S.R. is engaged in a massive high-level effort to acquire militarily relevant Western technology, and that it has obtained these technologies by both legal and illegal means.

Observers of the Soviet economy still disagree over the efficiency of this technology acquisition program, but the significance of its multifaceted nature for U.S. policy makers is that different transfer mechanisms lend themselves to different legislative and administrative remedies. Unfortunately, in the rhetoric surrounding export control, the distinction between legal and illegal technology transfers is often blurred. The resulting confusion intensifies the impression that the West is a "sieve, and that the U.S.S.R. is benefiting from a veritable hemorrhage of U.S. technology. This impression is in turn useful in fostering a climate of public opinion supportive of extending controls to a larger array of technologies and products, and reducing American commercial relations with the U.S.S.R. Regardless of the wisdom of such a policy, maintaining a clear distinction between military gains made by the U.S.S.R. through theft and deception, and gains made "legitimately" under U.S. law, is essential to any serious attempt to reform or refine that law so as to minimize future gains.

Thus, any serious attempt to affect militarily relevant U.S. technology flows to the U.S.S.R. must carefully separate the following channels:

I. Legal transfers made possible by the open nature of Western society, e.g., transfers occurring through perusal of open scientific literature, academic exchanges, trade fairs, etc.

II. Legal transfers through purchase of technologies under general license.

III. Legal transfers through purchase of technologies under validated license.

IV. Illegal transfers through purchase, e.g., by agents, through third countries or foreign embassies, dummy corporations, etc.

V. Illegal transfer through industrial espionage or the theft of materials classified by the U.S. Government.

Constraints on technology transfers in category I risk impinging on the free worldwide access to scientific developments, on which scientific advances depend. In addition, American academics are jealous of the prerogatives of academic freedom. U.S. exchange programs with the U.S.S.R. have been characterized by a basic lack of symmetry, but the transfer of information through academic and scientific exchange programs is probably less likely to result in the ability to absorb, diffuse, and improve on a technology than are more active—i.e., commercial-channels. In addition, strong legal and social forces in the United States make this area particularly intractable to well-targeted controls.

Categories IV and V involve illegal actions on the part of the U.S.S.R. or its agents. There is broad agreement that better enforcement of existing laws and regulations should become an important priority, although opinions differ as to how enforcement efforts should be implemented. These efforts are complicated by the fact that there are both domestic and foreign aspects to the problem of illegal transfer. The problems of improving enforcement within the United States are relatively tractable compared to those which surround the illegal disposition of American technologies once they leave the country. Here, the United States must rely on the enforcement agencies of other nations, and cooperation has not always been forthcoming. So long as East-West trade policy differences between the United States and its allies persist, no quick or easy solution to this problem can be expected.

Categories II and III contain items which, to the extent that they strengthen the Soviet military, are not adequately protected by U.S. law. Category II raises the issue of identifying those items which should be, but are not, controlled for national security purposes. Agencies charged with export control are faced with the enormous technical task of keeping abreast of rapidly developing technologies in a variety of fields, with a variety of potential military applications. It is the task of the legislator to allocate adequate resources for an administrative framework within which flexible and farsighted evaluation of the direction of technological change in both the civilian and military sectors can take place. This effort will be made more difficult by the fact that important new technologies are now being developed in the civilian, not the military, sector. These may have no known or practical military utility now, but could well have important military applications in the future.

Problems in category III arise from the existing export licensing apparatus, which in theory should adequately identify technologies and products with potential "dual" (i.e., both military and civilian) use, and allay all reasonable doubt that sale of the item in question will not result in a military gain by the U.S.S.R. In practice, export licensing procedures have been the subject of intense criticism. The problem is that while it is relatively easy to identify past licensing decisions that seem to have contributed to Soviet military capabilities, it is not clear that:

- economic or political considerations at the time were not considered by high-level decisionmakers to outweigh the military risks;
- these military applications could have been anticipated at the time;
- denial of a U.S. license would have withheld the technology from the U. S. S. R.; and/or
- any other licensing mechanism would necessarily result in fewer such "mistakes.

The lesson here is that evaluation of the export licensing process cannot be undertaken in isolation from an understanding of the basic assumptions which guide it. The technical and logical criteria for including technologies in the export licensing process and the "case law" which provides the grounds for granting licenses in disputed cases together reflect an understanding of the concept of "military significance," which has been subject to widely varied interpretations, often colored by the prevailing political climate. Congress has endorsed efforts to develop a means of assessing military risk which rests on objective technological criteria' and is therefore relatively immune to shifting political opinion. This effort is predicated on the assumption that one can identify the subset of technologies on which U.S. military technological superiority is most dependent; and that these technologies can be described on a Militarily Critical Technologies List (MCTL), and subjected to stringent export control. One advantage of producing such a list would be that the items on it could be made immune from attempts to use them as instruments of political leverage. It is difficult, after all, to make a rational case for selling a militarily critical item or process to the U. S. S. R., no matter what the political demands of the moment.

However, it would be both misleading and unwise to regard the MCTL as a panacea. The existing MCTL has been criticized for being so extensive that it constitutes a "Modern Technologies List, " a reflection of the fact that the Department of Defense's view of the scope of military criticality is controversial. On the evidence of the historical precedent for changes in the prevailing interpretation of the concept of military significance, and of the longstanding difficulties surrounding the Critical Technology Exercise, it is unlikely that controversy in the export licensing community over the boundary between acceptable and nonacceptable military risk will be quickly or permanently laid to rest.

In sum, there are severe constraints on the power of U.S. export licensing to deny the Soviet Union access to the Western technologies it most wants. These constraints include the extent to which the Soviets use illegal means to acquire Western technology; lack of allied agreement on a more strenuous multilateral export control policy; the difficulties inherent in identifying in advance which technologies will have important military payoffs; and the increasing worldwide diffusion of technology. While existing export criteria could certainly be tightened, it is most improbable that even drastic changes in U.S. export control policy could alter the fact that the U.S.S.R. benefits militarily from Western technology. Moreover, it is rare to find examples of technologies obtained from the West which the U.S.S.R. could not have produced itself, albeit with delays.

Given this situation, it is important that the United States not lose sight of the primary objectives of a realistic export control program. It is successful to the extent that it increases the cost to the U.S.S.R.—in time, money, effort, and efficiency–of obtaining the technologies it desires; and to the extent that the roadblocks it creates limit the rate and volume of Soviet technological acquisitions.

## OPTIONS FOR U.S. POLICY

The debate over U.S. export administration policy centers on how to simultaneously pursue and to balance four different objectives. All members of the export licensing community believe to some extent in each of these goals. They differ in their priorities, and in the past, the relative emphasis accorded these elements has shifted. A new or revised Export Administration Act will reflect congressional decisions on how best to accommodate all four which are described below. Table 1 lists some of the major policy options which are available to Congress in furthering these objectives, and identifies the primary thrust of each.

**Table 1.—Options for U.S. Policy**

| | Primary goal | | | |
|---|---|---|---|---|
| Option | National security | Foreign policy | Efficiency | Trade-promotion |
| Change the locus of primary export licensing responsibility: | | | | |
| Create an Office of Strategic Trade | X | X | X | — |
| Give primary responsibility to the Secretary of Defense | X | — | | — |
| Eliminate indexing (i.e., the automatic decontrol of "obsolete" technologies) | X | | | — |
| Broaden the definition of technology to bring more transactions under national security controls | X | — | — | — |
| Redefine foreign availability criteria: | | | | |
| Eliminate foreign availability as a reason for granting licenses | X | X | X | — |
| Make it easier to prove foreign availability | — | — | X | X |
| Use militarily critical technologies list (MCTL): | | | | |
| Adopt the existing MCTL | X | — | X | — |
| Shorten the MCTL | — | — | X | X |
| Tighten West-West export controls | X | — | — | — |
| Strengthen CoCorn | X | — | | — |
| Curtail exchanges and access to open literature | X | — | | — |
| Restrict technology sales to foreign embassies | X | — | | — |
| Restrict the application of foreign policy controls | — | — | X | X |
| Decontrol embedded technology | — | — | | X |
| Decontrol West-West trade | — | — | X | X |
| Create a comprehensive operations license | — | — | | X |
| Improve enforcement | X | — | X | — |

SOURCE Office of Technology Assessment

## THE NATIONAL SECURITY PERSPECTIVE

### Goals

The primary goal of policy options which focus on U.S. national security is to make it as difficult as possible for the Soviet defense establishment to acquire and use Western technology. Proposed legislation is designed to prevent or inhibit the dissemination of equipment and technologies believed to have military utility.

### Assumptions

Adherents of this perspective believe that:

- the U.S.S.R. is making important military gains through the acquisition of Western technology;
- tightening U.S. export licensing requirements can make significant inroads into this process;
- the security benefits of such controls outweigh the economic costs of foregone exports; and
- that sustained U.S. pressure can bring America's allies closer to its own position on these matters.

## THE FOREIGN POLICY PERSPECTIVE

### Goals

The primary goal here is to preserve a situation in which Presidential use of trade as an instrument for achieving political objectives has been as easy and effective as possible. This involves the power to apply controls to items which do not fall under the rubric of national security, and envisages that such controls would be flexible and of limited duration.

### Assumptions

Advocates of maintaining broad executive discretion in the use of foreign policy controls believe that:

- the Soviet need for Western imports provides an effective lever for affecting Soviet policy and behavior;
- political intervention in the conduct of international trade is an appropriate mechanism of diplomacy; and/or
- U.S. foreign policy requires a means by which the 'President can reward or punish Soviet actions where no suitable alternative to manipulation of trade controls exists.

## THE EFFICIENCY PERSPECTIVE

### Goals

The primary goal here is to allow actual or potential exporters the ability to plan ahead, make long-term commitments, and to acquire the reputation of reliable suppliers. A secondary goal is to encourage compliance and increase the efficiency of the export licensing process. These ends would be achieved by making the export control system more predictable, consistent, and efficient.

### Assumptions

This perspective is based on the proposition that, whether its objective is to limit or encourage exports, U.S. policy should be administered in a timely and predictable manner and enforced so as to encourage compliance and achieve the maximum benefit/cost ratio for its policing efforts. It also assumes that such development would allow U.S. companies to invest more sensibly and compete more efficiently in international markets. Holders of this perspective tend to believe that foreign policy controls are highly disruptive of trade but unlikely to cause changes in policies abroad; and that complex licensing procedures place unnecessary burdens on U.S. businessmen and taxpayers which could be avoided by adherence to a clear and consistent policy.

## THE TRADE PROMOTION PERSPECTIVE

### Goals

The primary goal of the trade promotion perspective is to enable U.S. companies to compete effectively in selling the widest possible variety of civilian goods and technologies anywhere in the world. Therefore, controls should be tightly limited in scope and administered in a consistent and predictable manner.

### Assumptions

The trade promotion perspective rests on various combinations of some or all of three basic lines of reasoning. First, the United States does not have a worldwide technological monopoly; and since our allies are unlikely to change their own export promotion policies, which protect only clearly military items, U.S. efforts to deny the U.S.S.R. many products and technologies are destined to fail. Second, foreign policy controls nearly always fail to alter the behavior of those against whom they are directed. Moreover, because they are by nature unpredictable, these controls are highly disruptive. Third, export controls are costly to the United States and should be used to the minimum extent necessary. This view is based on the perceptions that because the United States is and must remain part of a world market, a healthy export sector is increasingly important; and that export controls beyond those obviously necessary for national security purposes reduce U.S. firms' ability to compete for sales.

## COMBINING THE PERSPECTIVES

In some cases, these policy orientations are mutually supportive. It is consistent, for instance, to sponsor both provisions which strengthen national security controls and those which promote flexibility for imposing foreign policy controls on trade. In others, they are inherently at odds. An obvious case is the national security and export promotion perspectives, but there are others. For example, the very existence of foreign policy controls introduces an element of unpredictability into the export licensing system, which works against both efficiency and trade promotion. Renewal of the Export Administration Act may well lead to legislation that addresses some or all of these perspectives. It is possible that Congress will make difficult choices and select among consistent measures. If it does not, it risks leaving export administration in much the same state as at present. Implementation of the 1979 EAA has been complicated by the fact that inconsistencies of this sort were built into it. If this situation continues, controversies will once again be transferred for the legislative to the executive arena and resolved by Presidential decisions or administrative action.