CHAPTER V

The Foreign Policy Implications of U.S. Export Administration Policy Toward the U.S.S.R.

Contents

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One of the enduring debates in the area of American export administration policy has been over the propriety and effectiveness of using controls on trade as instruments of foreign policy. Chapter IV discusses the ecnonomic consequences of imposing such export controls. The purpose of this chapter is to examine this subject from another perspective, i.e., the foreign policy consequences for the United States of the actions taken in administering the 1979 Export Administration Act (EAA) The chapter focuses on the political impact on U.S. relations with its Western allies and with the U. S. S. R. of controling exports to the Soviet Union,

U.S.-ALLIED RELATIONS[1]

It is by now commonplace to point out that America's CoCom allies in Western Europe and Japan have notions of the role, importance, and acceptable scope of trade with the Soviet Union which are different from the views prevailing in the U.S. Government. OTA addressed this issue in 1979 in *Technology and East-West Trade* and again in 1981 in *Technology and* Soviet Energy *Availability*. Since the publication of the latter report. the policies of America's allies toward trade with, and more particular}" energy development in, the U.S.S.R. have come increasingly into the public spotlight. It would appear, however, that OTA previous findings are still valid. These include the following:

- Trade with the U.S.S.R. has been far more important for the economies of most of America's CoCom allies than it has been for the United States.
- There is widespread skepticism in Europe and Japan over the utility of trade sanctions in achieving political objectives vis-à-vis the U.S.S.R.
- These nations, unlike the United States. consider trade with the U.S.S.R. a desirable element in their foreign and domestic economic policies, and they largely eschew the use of foreign policy controls for political purposes. Nor do these countries have national legislation comparable to EAA to provide legal mechanisms for such controls.
- The United States and its allies had different expectations from detente and therefore different evaluations of its results. In general, West Europeans have counted the gains of detente in terms of normal trading relationships and a continuing dialog with Moscow, both of which contribute to maintenance of the European status quo. In the case of West Germany, detente has also become a means of significantly improving relations with East Germany. Soviet activities in the Third World are seen as violations of an American-defined code of conduct, but not necessarily a breach of the U.S.S.R. detente commitments in Europe.

[1]See Angela Stent, in Library of Congress, Congressional Research Service, *The Premises of East-West Commercial Relations: A Workshop Sponsored by the Committee on Foreign Relations, United States Senate* (Washington, D.C.: U.S. Government Printing Office, 1983), p. 153-164.

- Given the constraints under which it operates, CoCom works well. It is an effective mechanism for implementing national security controls in those areas where the members agree that such controls are necessary and effective. CoCom does not function well where this kind of consensus is lacking.
- All CoCom partners agree that exports to the U.S.S.R. of equipment and technology with direct military relevance should be controlled for reasons of national security, but the United States tends to favor a much broader interpretation of "military relevance" than its allies. Similarly, the European and Japanese definitions of "security" include an economic dimension which inclines them to view trade with the Soviet Union as a positive factor in East-West relations.
- Western Europe and Japan already import or plan to import significant quantities of Soviet energy. These countries view with apparent equanimity the quantum rise in the level of East-West energy interdependence which will result from the West Siberian gas pipeline project.
- West Germany, France, and Italy all consider importing Siberian gas a desirable way to increase and diversify energy supplies while simultaneously stimulating equipment and technology exports. The latter consideration is also important to Japan.
- Western importers of Soviet energy, particularly gas, are all mindful of the risks of energy dependence on the U.S.S.R. These countries have developed contingency plans in case of a cutoff of Soviet gas. The plans as they stand now appear inadequate to many U.S. observers; nevertheless, the nations involved believe that the potential benefits of importing Soviet gas outweigh the risks.

These views have persisted in Western Europe and Japan despite U.S. diplomatic efforts to change them. American critics of the policies of other CoCom nations have tended to view them as short-sighted and dangerous to the security of the alliance. Europeans in turn stress the failure of the United States to appreciate the extent to which their own conceptions of national security are influenced by their history and geography-particularly their export dependent economies and their proximity to the U.S.S.R. They also resent attempts by the United States to dictate what they see as matters of internal economic policy, and to take major foreign policy steps without consultation or even prior notification of the affected parties. The resulting case of mutual recrimination is well illustrated by the chain of events following the Versailles summit meeting.

DISAGREEMENTS OVER EAST-WEST TRADE POLICY

The declaration signed by the foreign ministers of the North Atlantic Treaty Organizations (NATO) at the close of the Versailles summit in June 1982 stated that the participating countries would approach East-West economic relations "in a prudent and diversified manner consistent with our political and security interests. " The signatories also agreed to observe "commercial prudence" in granting export credits to the Communist world, and to exchange information on "all aspects of our economic, commercial, and financial relations with Warsaw Pact countries. " This undertaking was clearly the result of U.S. initiatives. It is also clear that eliciting such a statement was a high priority with the U.S. delegation, which was troubled by the East-West economic policies of America's NATO partners, particularly those resulting in favorable credit terms for the U.S.S.R. (This subject is discussed in greater detail in the appendix.)

It took only about a week for the basic policy differences which lay behind this joint statement to manifest themselves. Immediately after Versailles, President Mitterrand denied that the declaration would affect France's credit policy vis-à-vis the U.S.S.R. This action effectively eliminated any impression of a unified Western commercial policy on East-West trade. The fact that the U.S. administration had publicly heralded the statement as just such a development made Mitterrand's announcement all the more disturbing, both as an apparent manifestation of the likely limits of good faith cooperation on East-West trade among the allies and as an indicator of the inability or unwillingness of the United States to accept and work within those limits.

There are several interpretations of the roots of the controversy which followed the Versailles declaration. To some it is an example of the propensity of European nations to pay lip service to policies they have no intention of carrying out. To others, it is an example of America's failure to accept European nations' views of their own political and security interests. According to this *view,* the contretemps arose over the simultaneous unwillingness of the French to appear to make public policy concessions in the face of U.S. pressure, and the failure of the United States to appreciate both the substantive limits to, and the public sensitivity of, the Versailles declaration in Europe.

Whatever the cause, the effect of this episode was to reveal an element of discord in alliance relations. The situation was seriously exacerbated by President Reagan's announcement, hard on the heels of Mitterrand's statement, that the United States would extend its foreign policy controls on oil and gas equipment exports to the U.S.S.R. retroactively and extraterritorially, i.e., to cover completed contracts for equipment produced overseas by subsidiaries and licensees of U.S.

Photo credit: TASS from SOVFOTO

Separation installations at a West Siberian gas compression station firms. (See chs. III and IV above.) European countries with firms affected by this order pro fessed surprise. All reacted as if to a U.S. violation of their national sovereignty. Indeed, as noted in chapter III, the British and French Governments ordered the companies on their soil to disregard the American order and to fulfill their contractual obligations to ship the equipment to the U.S.S.R. in compliance with national laws. In addition, the European Economic Community strongly protested the U.S. action. Nevertheless, the United States imposed sanctions—in the form of orders denying the privilege of importing any U.S.-origin goods or technical data related to oil and gas exploration, production, transmission, or refinement—on the firms in England, France, West Germany, and Italy which had defied the U.S. embargo. Extensive as this ban was, it actually represented a relaxation of the Government original order which would have pre vented the export of all U.S.-origin goods and data to the affected companies. *

The resolution of this situation took nearly 5 months. In November 1982, President Reagan announced the lifting of the controls on oil and gas transmission and refining equipment. At the same time, he announced that the governments of the major West European nations, Japan, and Canada had agreed to conduct studies aimed at arriving at a common policy on major aspects of East-West trade: energy purchases from the Soviet Union, credit policies, and strengthened controls on strategic exports. The participants also agreed not to sign new contracts to purchase Soviet gas until the completion of the studies, a stipulation which is probably moot in any case, as the state of the world economy and energy markets has for the present significantly diminished West European demand for Siberian gas.

Some confusion still exists as to whether all parties explicitly committed themselves to undertake the studies as a public quid pro quo for the lifting of U.S. sanctions. Obvious as such an arrangement might have seemed to observers, the issue was still controversial enough within the French Government for it to later deny that it was a party to the agreement. However, the French are now participating in the studies.

*The firms were *AEG*- Kanis (FRG), Creusot-Loire (France), Dresser France, ,John Brown Engineering (U. K.), Mannesmann (FRG) and Nuovo Pignone (Italy).

COSTS AND BENEFITS OF U.S. POLICY

As in the aftermath of the Versailles summit, this episode is variously interpreted as an example of divisions within the French Government and/or French hypocrisy, or of U.S. maladroitness and insensitivity to European political reality. However one apportions the responsibility, it is another example of the basic lack of communication between the United States and its closest allies on an issue of vital importance to the continued viability of the alliance itself. Given these precedents and the residue of recrimination and ill will occasioned by the U.S. sanctions, it is reasonable to question the likelihood that a concrete and meaningful common policy on East-West trade will emerge from the studies, and to consider the political costs and benefits to the United States of its sanctions policy. Not surprisingly, there are widely divergent views on each of these points.

The studies announced in November 1982 are proceeding under four separate aegises. The Organization for Economic Cooperation and Development (OECD) is evaluating Western credit policies toward the U. S. S. R.; the International Energy Agency (IEA) is examining alternatives to Soviet energy for Western Europe; CoCom is considering proposals to strengthen its controls on strategic items and to add oil and gas equipment to the CoCom list; and an umbrella study, designed to coordinate the findings of the other groups and to add a strategic perspective, is going on under the direction of the Economic Secretariat in NATO. Major U.S. European allies and Japan are represented in OECD, IEA, and CoCom. Japan, while not a member of NATO, is participating informally in the latter exercise through a mechanism which allows it to observe or be briefed on the results of NATO meetings and to comment through a NATO member.

Officially, the U.S. (government has hailed these studies as concrete evidence that the allies have "reached agreement on taking a firmer stance toward trade with the Soviet Union. " Indeed, the President made them the subject of his November 13 radio address to the Nation, declaring that the industrialized democracies had "reached substantial agreement on a plan of action. But this interpretation is not universal, even within the administration. Some observers familiar with the OECD study process are skeptical that OECD and IEA efforts will produce more than a reiteration of credit and energy studies already on the shelf. Indeed, given the time constraints and the sensitivity that this kind of multilateral study has engendered in the past, any other result would be remarkable. In addition, there are differing opinions as to when results can be anticipated and what form they will take. Some U.S. officials cite a May 1983 deadline for completion of the studies, set so that the conclusions and practical policy recommendations can be ready for the next summit, to be held that month in Williamsburg, Va. Others believe that only general or preliminary results will be ready in time for Williamsburg, with detailed findings t o follow at some unspecified date. Still others doubt the subject will even be raised at Williamsburg.

Similarly, there has been no public formal commitment as to the status of the complete reports. They could be endorsed by the governments involved; or conclusions could appear in the name of the OECD and IEA Directorates. The latter would obviously have a weaker impact. Nor is there general agreement on the question of what the studies will ultimately produce-concrete and specific "rules" to which sovereign governments will agree to adhere; nonbinding general guidelines; a basis for ongoing negotiations; or any combination of these.

[3] *Business America*, Feb 21, 1 983, p 18

Given the degree of confusion within the United States, it is also reasonable to anticipate differences among the other participants in their perceptions of the meaning and utility of these studies. The "worst case' outcome of this exercise is not that it will fail to produce new allied agreements or united policy initiatives on East-West trade. Rather, it is that continued lack of communication and persistent differences among the motives, intentions, and interests of the parties involved will lead to another public display of serious disagreement between the United States and its allies on the issue of policy toward the Soviet Union.

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 its trade policy. While it admits that the imposition of extraterritorial foreign policy controls had serious costs in terms of U.S.-allied relations, the administration contends that its policy of sending strong "signals' about U.S. resolve in the area of Soviet trade to Europe and Japan will lead to significant long-term benefits. These include causing real delay in the completion of the West Siberian gas pipeline; and precipitating a new awareness of the dangers of East-West trade in the Western alliance. Evidence of the latter, it is claimed, will be seen in future allied East-West trade policies, and is already manifest in a new cooperative spirit in CoCom, where U.S. efforts to strengthen the CoCom list are meeting with significant success.

Many informed observers interpret the progress in CoCom as being less the direct product of high-level reaction to U.S. "signals, than the outcome of carefully documented and highly technical cases, in which the United States has been able to demonstrate—with concrete evidence—that specific Western technologies have been used directly by the Soviet military in the production or deployment of weapons. In other words, when the United States "does its homework" and prepares a convincing case for a technology's having direct military utility, its allies are willing to listen. Their receptivity of course may have been heightened in the first place by their perceptions of a new strength of U.S. commitment to these issues. But this does not necessarily mean that the allies are willing to expand their own definitions of military relevance to the point desired by the United States. Thus, it is likely that battles will continue to be fought out in CoCom on a case-by-case basis and that progress will continue to be slow.

The claim that U.S. actions effectively delayed the completion of the gas pipeline is more difficult to evaluate. There is intelligence information tending to support this claim. However, to anyone familiar with the inefficiencies inherent in the Soviet economic system and the poor Soviet track record for on-time completion of large projects, pipeline delays were inevitable—for a myriad of reasons having little or nothing to do with the U.S. embargo. It is, therefore, extremely difficult to isolate the impact of embargo-caused delays and distinguish these from the series of other problems which are probably plaguing the project. Moreover, delays in completion of the new pipeline will not necessarily affect Soviet ability to deliver increased quantities of gas to Western Europe through excess capacity in existing pipelines.

But even assuming that U.S. trade controls had a real incremental impact on the pipeline construction and gas delivery schedules, a disturbing question remains. 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. The West German position, for instance, is that the pipeline is "a project considered by the Europeans to be reasonable and very important for their future. On the other hand, the United States believes that European participation in the West Siberian gas pipeline project is, in the words of the former Under Secretary of State for Security Assistance, Science, and Technology, "ill-advised and potentially harmful to our joint security interest. "[4] It would appear in this case that the United States has used 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 more likely to be shaped 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 any of the fundamental beliefs about East-West trade presented at the beginning of this chapter. To the extent that retrenchment takes place, particularly in granting credits to or buying energy from the U. S. S. R., it will most likely in large part be due to the state of the world credit and energy markets.

‘Letter from the German American Chamber of Commerce to Sen. Charles McC. Mathias, in U.S. Congress, Senate Committee on Foreign Relations, Subcommittee on International Economic Policy, *Economic Relations With the Soviet Union*, hearings, 97th Cong., 2d sess., July 30, Aug. 12-13, 1982 (Washington, D. C.: U.S. Government Printing Office, 1982), p. 69.

"'Statement of Hon. James F. Buckley, " in the above, p. 15.

U.S.-SOVIET RELATIONS

Several months after the passage of the 1979 Export Administration Act, the U.S.S.R. invaded Afghanistan and relations between the United States and the Soviet Union cooled markedly. The election of an administration with an avowedly "hard-line" stance toward the U.S.S.R. and events in Poland have conjoined to inhibit any noticeable improvement in U.S.-Soviet relations. The White House views export controls as important weapons in its foreign policy arsenal, and their use has accompanied the strained relationship between the United States and the Soviet Union. Opinions as to their effect on the U.S.S.R. and their effectiveness in furthering U.S. policy goals differ, however. The remainder of this chapter is devoted to examining these two aspects of U.S. trade policy, i.e., its economic impact on the U. S. S. R.; and the foreign policy costs and benefits which have accrued to the United States from its implementation.

ECONOMIC IMPACT ON THE SOVIET UNION

At the heart of much of the controversy over the wisdom of controlling trade with the U.S.S.R. for reasons of foreign policy are differing evaluations of the strength of the Soviet economy; the degree to which the U.S.S.R. is dependent on Western exports for its economic development; and the maximum impact that denial of Western goods and technologies could have on the Soviets. One feature of the administration's view of the U.S.S.R. is that while it characterizes the Soviet military sector almost entirely in terms of its strengths, its characterization of the Soviet economy is almost always in terms of its weaknesses, Thus, William P. Clark has spoken of making the Soviets bear the brunt of their own economic failures. A few others have suggested that the U.S.S.R. economy could be "brought to its knees" by Western trade policies or even that economic pressure could force the collapse and eventual restructuring—along Western lines-of the entire economic system. The latter view seems to assume that political moderation inevitably follows the establishment of a free market economy, and therefore that it is not in the interests of the United States for the Soviet Union to improve its economic efficiency. This is a highly debatable point. Be that as it may, there is a substantial body of opinion which questions the factual premise on which all of these positions are based.

The views of the U.S. intelligence community are pertinent here. In a briefing before the Joint Economic Coremittee in December 1982,

Photo credit: Oil and Gas Journal

50-inch gas pipeline being laid in West Siberia the Central Intelligence Agency presented the following evaluation of the Soviet economy:[5]

- The Soviet economy is undeniably plagued with many problems, and Soviet economic performance can accurately be described as poor by Western standards and "deteriorating" in its own terms. Yet, an economic collapse—i.e., a sudden and sustained decline in Soviet GNP—is not "even a remote possibility.
- Despite the serious weaknesses inherent in the Soviet economic system, that system enjoys many strengths. Among these is the U.S.S.R. high degree of economic self-sufficiency.
- The U.S.S.R. is not autarkic. Western imports have relieved critical shortages, hastened technological progress, and generally improved economic performance. On the other hand, the U.S.S.R. does not depend on trade for survival and "the ability of the Soviet economy to remain viable in the absence of imports is much greater than that of most, possibly all, other industrialized economies. Consequently, the susceptibility of the Soviet Union to economic leverage tends to be limited. "

This view weighs against the utility of broad policies of economic warfare, but it leaves room for the possibility of affecting the Soviet Union through well-targeted sanctions. Such a policy would be further supported by the work of the Wharton Econometric Forecasting Associates, which found that while in the aggregate the dependence of the Soviet economy on trade with the West is low, there nevertheless could be limited areas in which the Soviet economy is critically dependent on such trade.[6] Following this line of argument, one arrives at the position that through a carefully crafted policy of trade leverage, the United States could exert economic pressure on points of Soviet vulnerability and thereby exact changes in Soviet behavior.

The theory and practice of trade leverage or linkage are the subjects of widespread debate. The assumptions behind and past effects of this policy are discussed in detail in *Technology and East-West Trade and Technology and Soviet Energy Availability.* The conclusion of both reports is that first, it has yet to be convincingly demonstrated–indeed it would be virtually impossible to prove—that the U.S.S.R. has ever moderated its policies in response to threats or actual imposition of trade sanctions: and second, that in order for a policy of trade leverage to be effective, the United States would itself have to have either a virtual monopoly on the goods in question or to elicit broad cooperation from alternative suppliers willing to participate in the embargo. In other words, trade leverage can only work under very limited conditions and past precedents have demonstrated its weakness when used against the Soviet Union.

The aftermath of United States attempts to embargo exports of both grain and energy equipment to the U.S.S.R. (see chs. III and IV) dramatically demonstrate the limitations on U.S. power to successfully conduct a trade leverage policy. These embargoes were both directed at vulnerable areas of the Soviet economy. Soviet agricultural productivity is notoriously poor, and problems in this sector have been exacerbated by bad weather and a series of poor harvests. The pipeline is being built largely with imported Western equipment and its importance to Soviet economic plans in the 1980's can hardly be overestimated. Yet the results of U.S. embargoes in each of these areas are inconclusive at best. Many argue that both were failures, and according to this view, while the embargoes inflicted some costs on the U.S.S.R. (perhaps smaller costs than were inflicted on the United States), the Soviet Union has been able to pay these costs without changing its policies and without incurring serious or long-term damage to its economy. American grain has been replaced in the Soviet marketplace with grain from alternate suppliers. And despite the pos-

[5] "Central Intelligence Agency Briefing on the Soviet Economy, Statement of Henry Rowen, Chairman, National Intelligence Council, Central Intelligence Agency, before the Joint Economic Committee, Subcommittee on International Trade, Finance, and Security Economics," Dec. 1, 1982.

[6] Reprinted in *Premises of East-West Commercial Relations*, op.cit., pp. 9,5-102.

sibility that the United States may have caused some additional delays to the completion of the West Siberian gas pipeline, not even the most avid supporter of the pipeline embargo has suggested that the project will not be completed. [J. S. sanctions and embargoes have hurt the U. S. S. R., hut it is debatable whether they have hurt enough to make a real economic difference, at least in the short and medium term.

POLITICAL COSTS AND BENEFITS

The economic impact on the U.S.S.R. of U.S. trade embargoes has been equivocal, However, there might still be a sense in which the United States could be said to have gained diplomatic or politicall benefits from its export control policies, Such advantages cannot, be measured in terms of Soviet political concessions. The Sovet Union is still occupying Afghanistan: little or no progress has been made in Poland; and the situations with respect to dissidence and emigration have worsened. Indeed, the Andropov regime shows little signs of flexibility in any of the areas which have been cited by the United States as targets for its sanctions.

It has been argued that lack of Soviet movement in these areas in no way vitiates the effect of or importance of undertaking U.S. policies. It was vital that the United States display its concern over Soviet actions; indeed, it is impossible to imagine that the United States should not undertake some dramatic measures, short of military action, to assure the U.S.S.R. of its outrage. This argument raises several difficult questions: are trade sanctions appropriate means through which to show concern; should they be imposed even if there exists a danger that they will hurt the United States as much or more than they hurt the U. S. S. R.; and should they be imposed even if they risk damage t o alliance relationships?

A variation of the "displaying concern" reasoning is that just as American actions have sent strong signals to the Western allies, so too the political utility of trade sanctions lies as much in the clear 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 mitigatd 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 [J. S. policies.

The first of these problems stems from the fact that the United States has sent the Soviet Union mixed messages. It has engaged in behavior that can he interpreted as inconsistent or unsustained — removing the grain embargo, for example; and it has not always made clear—to the Soviets, to the allies, or even to itself—the objectives of its policies. The latter point is illustrated by the fact that the gas pipeline sanctions have been justified at various times and by various Government spokesmen as being designed to:

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

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 one's estimation of the value which the U.S.S.R. places on driving wedges between the United States and other 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, then it could be argued that the gas pipeline embargo was a welcome political windfall for the U.S.S.R. This charge has in fact been made by opponents of the administration's policy in Congress, in the business community and, private ly, in the executive branch. 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 effectively postpones judgment of the effects of U.S. policies to the indeterminate future.

In the final analysis, each of the positions described here rests as much on fundamental beliefs as it does on empirical evidence. Each is shaped as much by the world view of its holders as by objective weighing of the economic, political, military costs, and benefits of alternative policies. Those who believe that the United States and Soviet Union are destined to remain implacable enemies, that military conflict is probably inevitable, and/or that it is primarily the threat of retaliatory force which restrains Soviet aggression are likely to judge that the benefits of U.S. policies have outweighed the costs. Those who believe that the United States can and must learn to live with a strong Soviet Union, and that the U.S.S.R. is best restrained by being drawn into normal relations with the Western world are more likely to look askance at the utility of trade sanctions in moderating Soviet behavior.

SUMMARY AND CONCLUSIONS

The past few years have seen an increasing amount of attention accorded to the use of export controls as instruments of U.S. foreign policy. The controversy over the propriety and effectiveness of such controls escalated markedly in 1982, when the U.S. Government applied them extraterritorially and thereby attempted to obtain the participation of West European firms in actions to which their governments did not acquiesce. The outcome of U.S. policy has still to be finally assessed. In the short term, alliance relations appear to have been damaged while the U.S.S.R. seems little affected. Prospects still exist for longer term benefits—including the achievement of a unified Western policy on trade with the Soviet Union–but these prospects must be tempered by the persistence in Western Europe and Japan of notions of the role, importance, and acceptable scope of Soviet trade which are fundamentally different from those prevailing in the U.S. Government.