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## USA—USSR: Back To Detente?

by John B. Holt, Georgetown, Maine\*

**Since the beginning of detente in the sixties the United States' economic policy toward the Soviet Union has steered a zig-zag course. The latest spectacular step was President Reagan's lift — apparently without an adequate quid pro quo — of the embargo on grain and phosphates imposed by his predecessor in response to the Soviet invasion of Afghanistan. Our author explains the interplay of different interests and schools of thought bearing on trade policy as an instrument for pursuing foreign policy objectives.**

On April 24, President Reagan lifted Ex-President Carter's embargo on sales of grain to the Soviet Union in excess of the eight million tons guaranteed annually under the US-USSR agreement of 1975. Mr. Reagan thereby fulfilled his early campaign pledge and the Republican Party pre-election promise to American agricultural interests. Candidate Reagan had characterized the grain embargo in essence as ineffective and silly, as placing on American farmers the unfair major burden of the US retaliation against the Soviet Union for its military occupation of Afghanistan. The President also lifted the embargo on phosphates important for agriculture, under contract from the Occidental Petroleum Company.

The timing of the President's action invited speculation that it was designed to insure the maximum support from the "farm belt" in Congress for the President's economic program, which faced difficulties in the House of Representatives. The embargo lift occurred four days before the President addressed Congress to rally support for the immediate enactment of his program and just as the Congress was placing final touches on the annual agricultural legislative bill.

Administration spokesmen explained that the action carried out a campaign pledge to which the President felt strongly bound and that it reflected an easing of Soviet military pressure on Poland. When President Reagan lifted the embargo on grain and phosphates for the Soviet Union, the Warsaw Pact maneuvers on the Polish border had indeed ended, but Mr. Suslov had come to Poland, presumably to insure political orthodoxy. It is questionable whether this could be perceived properly as a lessening of Soviet pressure on Poland or that Polish freedom from the threat of Soviet intervention in the near future was assured. The situations in El Salvador and Rumania, to which the President and Secretary Haig had referred as desirable areas for Soviet restraint have scarcely shown

improvement sufficient to justify American withdrawal of the grain embargo at this particular time.

In short, the most acceptable interpretation of the Reagan administration's embargo lift and its timing was the need of the administration at this time for maximum farm support for its economic program.

### Costs of the Grain Embargo

How much the American farmer lost because of the embargo or stood to gain by its removal has been debated. Grain prices declined briefly after the embargo was imposed but quickly rose again above the previous level as the government added its purchases for price support to the increase in world demand. Much of the latter increase was on the part of third countries replacing their increased sales to the Soviet Union. Allied countries for the most part agreed not to increase their sales to the Soviet Union beyond their normal level.

An analysis by Professor MacAvoy of Yale University maintained that the Soviet Union had made up the 17 million ton deficit caused by the embargo through purchases of 11 million tons from non-embargoing nations and withholding three million tons from its normal sales to East European countries, increasing at the same time its meat imports to make up for the remaining loss in imported grain for livestock. According to Professor MacAvoy these measures had increased the sum total of Soviet grain supplies and compensating meat imports had been brought to a level higher than before the embargo began. The Russians had suffered increased purchase and transportation costs but had not been forced to reduce livestock inventories or meat consumption insofar as could be determined.<sup>1</sup> Professor MacAvoy did not quantify the increased cost of Soviet imports of meat and grain. This increase in Soviet costs may have stimulated the reported Soviet eagerness to resume negotiations with and purchases from the US.

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<sup>1</sup> Cf. New York Times of March 15, 1981.

Professor MacAvoy cited at \$ 2 billion the cost to the US government of price support purchases immediately after the imposition of the embargo. According to him the government purchases resulted in a demand additional to the increased world demand and a consequent price rise to the American consumer. The Soviet media asserted that the United States suffered more from the embargo than the Soviet Union. However, it is assumed that the US government was able to dispose readily of its purchases without appreciable loss. Actually the United States sold more grain overseas in 1980 than ever before. The Department of Agriculture estimated that in 1981 the country would probably sell an additional 20 % above sales in 1980. According to the foregoing, neither the American farmer nor grain dealer lost because of the embargo. If anyone did, it was the American consumer and the Soviet Union.

### **Control of Advanced Technology Exports**

The embargo on grain sales to the Soviet Union beyond the eight million tons guaranteed by the US-USSR agreement of 1975 was, it will be recalled, only one of the restrictions on exports to the Soviet Union which had been imposed by the Carter administration. Phosphates of all kinds important for Soviet agriculture had been embargoed, also the goods and data of advanced technology for the exploration and production of petroleum and gas. Plant equipment and replacement parts were shortly afterwards released from control, in order to avoid adding to Soviet incentives for gaining control of Persian Gulf oil fields. But tools, materials, and technology for the manufacture of petroleum and gas exploration and development were kept on the control list.

All previously issued export licenses and all applications for new licenses had been temporarily suspended pending a thorough review of East-West trade policy and issuance of new "guidelines". The new guidelines of the Carter administration for trade with the Soviet Union were issued on March 15, 1980. They tightened the controls in certain categories, such as data processing equipment and programs and essential technology and material for the production of advanced technical equipment essential for the defense industries. The export of production plants which contained militarily significant processes were more narrowly restricted. According to these new guidelines, license application for the export of computer manufacturing plants was blocked to end-users who were also active or could be active for the defense field.

Criteria for technical data and designs for production or use of military material was more narrowly defined for items subject to Western international export control. It was emphasized that the criteria for goods and technology that might be transferred through third countries to the Soviet Union would be narrowed. Furthermore, the US government undertook in the future not to request exceptions from the coordinating committee for goods of joint Western export control lists except for items intended for public health and safety purposes, to assure the supply of indispensable raw materials, or to service plant equipment already sold. However, such exceptions would have to be justified as being in the national interest.

The Carter administration undertook to obtain Allied cooperation in applying export controls through the unofficial NATO Coordinating Committee (COCOM). It succeeded in some areas. The Committee was prepared to add a few items to the control list, among them equipment and material for the manufacture of semi-conductor "chips", "chips" of certain capacities or types, and certain types of fibre optics. The Allies had already agreed to the request of the US government not to make up Soviet Union grain import deficits caused by the US embargo.

### **The Concept of "Critical Technology"**

Revisions in the Export Control and Administration Acts of previous years had provided that goods and technology not of substantial military significance and goods and technology available from other countries could be exported freely. In 1976 the so-called Bucy Committee had been appointed with the task of reviewing US export control policy with reference to national security. It recommended that export control for Eastern Europe should be concentrated on "critical technologies" and be more strictly applied. On the other hand, the control of goods and products of advanced technologies should be lifted insofar as these products are of no military significance. "Critical technology" was defined in the report as all data and processes which would enable the possessor to make substantial advance in the production of equipment having military significance. Several years elapsed before, on October 1, 1980, the Department of Defense was able to publish a list of categories of critical technology. However, the specific data and processes remained confidential.

Presumably the examiners of export license applications were to take the critical technologies list into consideration in reviewing applications. Recent enquiry revealed that personnel charged with

examining export applications were not only subjecting applications to a close scrutiny but also were exercising greater caution in approving licenses lest they later be held responsible for having approved the export of technology deemed later to be of critical significance for the development of Soviet Union production for military use. Their extreme caution led to long delays and ultimate rejection in many cases, discouraging to exporters.

During the 1980 election campaign, candidate Reagan had indicated his strong objection to the transfer of advanced technology to the Soviet Union. In office in January 1981 his administration continued the Carter administration's close scrutiny of all applications for export licenses which might involve the transfer of advanced technology of substantial significance for development of Soviet military capability, even via third countries. American companies interviewed in early April in the Chicago area complained uniformly of the lengthened delay in the scrutiny and decision regarding their applications for export licenses. They complained equally about the lack of positive indication of policy direction under the new administration and the lack of specifications which could guide them in endeavoring to develop their export trade.

#### **Other Instruments of US Foreign Economic Policy**

Export control is but one of the three major instruments of foreign economic policy, the other two being the granting of US government Export-Import Bank credits and guarantees and the accordence of status equal to the most-favored trade partner in the matter of customs duties ("most-favored-nation" status). Both these benefits were provided in the US-USSR agreements initialed in 1972, inaugurating detente. They were lost to the Soviet union when it refused to put the agreements into force because of the Jackson-Vanik amendment to the Foreign Trade Act of 1974. The amendment forbade the accordence of most-favored-nation status and access to US Export-Import Bank credits and guarantees to communist countries which had not assured the US government that their emigration policies would lead to free emigration. At issue was the Soviet Union impediment to emigration, affecting mostly Jewish citizens and stirring Senator Jackson and the American Jewish community to organize congressional support from labor, other minorities from Central Europe, and the general public for the Jackson-Vanik amendment.

Enquiry in Congress and in the executive branch of the government in the early spring of 1981 revealed no initiative or even interest to revive proposals for granting

the Soviet Union most-favored-nation status for imports or for granting it access to US Export-Import Bank credit or guarantees. An examination of public opinion poll results in the fall of 1980 exposed a deep distrust of the Soviet Union among the general population. But public sentiment is notoriously inconstant. Encouraged perhaps by the Reagan repeal of the grain embargo, the US-USSR Trade and Economic Council, pressed by the Soviet partners, may revive its proposal to grant the USSR both most-favored-nation status and access to US government bank credits and guarantees. However, unlike the cancelation of the grain embargo, the Jackson-Vanik amendment would require radical legislative surgery before the President could bestow such benefits on the Soviet Union by executive action.

#### **Frequent Changes of Course**

Historically, since the beginning of detente in the sixties, United States economic policy toward Eastern Europe, especially the Soviet Union, has steered a zig-zag course. The explanation is simple: The export-oriented industrial, financial, and commercial interest groups and those interested in redressing our balance of payments, generally encouraged by the Soviet Union, have pressed for a reduction of export controls and for legislation to provide the Soviet Union with US government credits and import duties granted our most-favored trading partners. Time and again, however, the resulting trend toward commercial detente has been reversed by Soviet initiatives that have threatened the interests of important segments of the American public, whether influential political minorities, including the Jews and Polish-Americans, or the national-defense-minded public and agencies, including the White House and congressional leadership.

Export-oriented commercial, financial, and agricultural interest groups were able to achieve a liberalization of trade controls in the successive export control and administration acts from 1969 through 1979 as well as the economic agreements with the Soviet Union in 1972, initialed but not put into effect. Detente was abruptly halted by the Soviet imposition of a high tax on emigration from the Soviet Union, by which the Jewish community felt especially struck. In 1978 President Carter, in addressing the midshipmen of the U. S. Naval Academy, complained sharply of the steady Soviet military build-up as a violation of the rules of detente. But he threatened no retaliation. Immediately afterward, the Soviet prosecution of dissenters led him to suspend licenses for the export of drilling equipment and a large computer, though the export of the drilling equipment was later permitted lest a shortage of oil in

the Soviet Union increase Soviet efforts to gain control in the Persian Gulf.

The Export Administration Act of 1979 was particularly an effort by the export-oriented interest groups to restrict the use of export controls by the President for so-called "foreign policy", not specifically national defense, purposes, an effort to insulate economic policy from diplomacy, to remove economic policy from the diplomatic arsenal except in special, highly circumscribed cases, which must be justified thoroughly by the President to Congress, for which prior consultation with executive, legislative, and trade groups was required, and which automatically lapsed unless periodically renewed. The Act had been on the books just over two months when the Soviet Union sent its forces into Afghanistan and President Carter imposed the grain embargo and suspended export licenses for advanced equipment and technology until a thorough review of government guidelines could be made. A few months later the Polish workers renewed their revolt and relations with the Soviet Union became tense. Meanwhile the issue of Soviet military build-up and expansion became the target of the Republican campaign.

#### **Effectiveness of Economic Sanctions**

Thus, the course of US economic policy toward Eastern Europe has zigged and zagged. It zigs in favor of trade "normalization" or "liberalization" when export-oriented interest groups encounter little or no strong opposition to their efforts to gain more freedom and support for trade with Eastern European countries. It zags when the Soviet Union undertakes initiatives which threaten the interests of politically influential minorities and especially the national defense sensitivities of the American public.

In the recent removal of the grain embargo, the export-oriented interest groups prevailed politically over the defense-oriented establishment. This may reflect the view that Soviet expansion into Afghanistan was a military operation which could only be countered by military strength, not by economic sanctions. It is a view which discounts the effectiveness of economic boycott as a tool of, and endeavors to insulate trade from, diplomacy. It regards the ideological issue of human rights as a counter-productive instrument of diplomacy, because it interferes with foreign trade and its diplomatic effectiveness in destabilizing or

constraining communist regimes is debatable, and because its destabilizing effect on non-communist regimes, from the viewpoint of trade, is thought regrettable.

#### **The Opposing Schools of Thought**

In helping assess the net value to the United States of trade with the Soviet Union, Ronda Bresnick, a congressional research scholar, observed that there are two schools of thought in Congress, in the executive branch, and in academic circles. One emphasizes the mutual benefits and importance of continued economic interdependence as a means of maximizing benefits and chances of peace. The other stresses the fundamental adversarial nature of the Soviet-West relationships and the desirability of maintaining economic independence from Eastern Europe, avoiding substantial assistance to its economic and military development.

The pro-trade school predicts that an expanded market would not only increase the income of American companies but through this means add to the support of research and development, helping the West maintain its technological lead. Through increased personal contact Soviet attitudes would be mellowed by the gradual perception that dependence on the West gives the Soviet Union a stake in the well-being of the Western economy and in the stability of the world market. It would bring a Soviet shift away from military concerns toward more peaceful objectives, such as economic growth and improved economic welfare. This school considers the use of economic leverage for specific political gain to be ineffective.

The adversarial school, on the other hand, views the fundamental relationship between the USSR and the West as a zero-sum game, i. e., whatever gain accrues to one side brings a corresponding loss to the other. The Soviet Union would not only be able to import technology to meet shortfalls in its planned growth but would be able to reduce pressures on itself to reform its economic and political system, ease the military burden, and assist the Soviet Union in closing the military gap.<sup>2</sup>

The thinking of the zero-sum school would seem to parallel in the West what Judson Mitchell has called the "New Brezhnev Doctrine", the assertion that the purpose of detente is to help shift the "coordination of forces" (Soviet term for balance of power) from the capitalist to the socialist camp. Detente, it holds, has been achieved by the socialist leadership through diplomatic means, avoiding war, and serves the socialist camp by enabling it to move without war to

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<sup>2</sup> Ronda A. Bresnick: The Setting: The Congress and East-West Commercial Relations, in: Issues in East-West Commercial Relations, U. S. 95th Congress, Joint Economic Committee, Joint Economic Print, January 12, 1979, pp. 3-4.

predominance in determining the course of international relations.

Mitchell quotes Brezhnev's speech of June 14, 1974: "Having evaluated the overall balance of forces in the world, we arrived at the conclusion a few years ago that there was a real possibility of bringing about a fundamental change in the international situation."<sup>3</sup> Then Mitchell quotes Gromyko's statement a year and a half later: "The present marked preponderance of forces of peace and progress gives them the opportunity of laying down the direction of international politics."<sup>4</sup>

Mitchell observes from his analysis of Soviet writings: "The easing of tensions associated with detente is regarded as a definite plus for the socialist camp and a necessary loss — though a rationally minimized one — for the imperialist camp. Detente does not prevent the further disintegration of imperialism and it does not resolve the inner tensions of bourgeois society . . . Given the difference in cohesiveness between the centers (the USSR and the US), the overall change in the correlation (balance) of forces, and the structural realignments of international relations that have taken place, rational behavior for the capitalists, in the Soviet view, involves acceptance of detente; it is perceived as providing conditions for the further augmentation of the socialist's camps weight in the world balance . . . For the capitalists, according to communist ideology, only short-run rationality is possible, in the long run, there is no rational course that can avert disintegration of their system. Rational capitalist strategy therefore dictates cutting short-run losses as much as possible, in Soviet eyes that is the Western motivation for acceptance of detente. The consistent Soviet view of relations between the two camps is that of a zero-sum game, with the socialist camp more immune to the effects of structural disequilibrium than the imperialist camp, and with the weights of the players progressively changing in favor of the former."<sup>5</sup>

The Western pro-trade and co-existence school believes essentially in a non-zero-sum game relationship as a real possibility and wisest course, ultimately equally, if not more, beneficial to the West, since it envisions a taming of Soviet aggressive, military ambitions through economic superiority and persuasion. The Soviet doctrinal view, as presented by Mitchell, while expressing Soviet official hopes and convictions, may lack predictive finality. Soviet aspirations may exceed Soviet capabilities. As a system of power and economic growth, the actual

communist system as it has developed seems to show some inherent contradictions itself. Recent events indicate that its cohesiveness is as uncertain as that of the West.

### Open Issues

Where the preponderance of power lies in the present and foreseeable balance or correlation of forces may depend considerably on the theater of operations. If, furthermore, political systems depend for their power on their ideological, military, and economic strengths, waning ideological strength in both systems may affect both economic and military strengths. The ultimate military strengths may eventually lack willing and capable manpower and an adequate economic base. Moreover the two-camp concept may have become already unrealistic. Meanwhile the Western pro-trade non-zero-sum game school might wish to consider whether, in a non-zero-sum game, while both sides may gain, the differential gain of one side may be great enough over time to diminish critically the bargaining power of the other, thereby converting the game thereafter into a virtual zero-sum game.

The transfer of advanced technology to the Soviet Union, which the Soviet Union so wisely perceives as its means to leap forward relatively to the West, may have as much consequence indirectly for Soviet military power, when transferred primarily for non-military use, as technology transferred for military use. After all, the Soviet military machine rests basically on the strength of its general economy, its gross national product.

Finally, an increasing East-West economic interdependence would seem to have some eventual military significance for the United States, too. Do the Soviets, for example, estimate that their dependence on the United States for food, directly or indirectly, will equal the American farmer's dependence on the Soviet Union as a market? Does the Soviet Union estimate that its future requirements for Western equipment and technology will remain as great as the Western need for the Soviet market for its technology and equipment?

On these issues the pro-trade and zero-sum gamblers are placing their bets. The pro-trade Westerner may easily say that he does not know the answer to these questions but that he does know that if he does not sell, he will lose the deal to his competitor. Perhaps we must admit that we are forced by our own Western system of nationally promoted competition to accelerate the shift in the preponderance of forces.

<sup>4</sup> *Sovietskaya Rossiya* of February 23, 1976, p. 1.

<sup>5</sup> R. Judson Mitchell: *New Brezhnev Doctrine*, in: *Journal of World Politics*, October 1977, pp. 366-390.

<sup>3</sup> Prawda of June 15, 1974.