

Almost twenty years ago I first spoke out in favor of expanding East-West trade. And this is what inspired me. In December, 1954, I formally announced turning my old home in Pugwash, Nova Scotia, into a meeting place for authors, scholars, statesmen, labor leaders, and businessmen from all over the world. There they could "relax together, exchange views, sharpen their own thinking, and design formulas for us to live in this brand-new world."

The first Pugwash Conference convened in August, 1955. In 1956, Alexander Samarin, a corresponding member of the Academy of Sciences in Moscow, attended, and we exchanged ideas. Following John Stuart Mill, I have always felt that an exposure to the ideas of another is desirable. No one has a monopoly on the truth. An opposite point of view may reveal one's own logical fallacies or at least stimulate his defense and develop methods to combat the errors he encounters. This is the leitmotif of the Pugwash Conferences.

What I am leading up to is that exposure to Samarin gave me enormous insight into the development of the U.S.S.R. I saw that it was then, and would continue to be, a mighty force to be reckoned with. The launching of Sputnik I in 1957 was therefore no surprise to me.

But how should one reckon with this emerging force? In 1957 Pugwash began a series of meetings of nuclear scientists.

They issued a chilling manifesto: "Misuse of nuclear energy could lead to the annihilation of mankind...unrestricted warfare would be a disaster of unprecedented magnitude." (→ SALT talks?) An American scientist then told me the Soviets were our equals if not our superiors in nuclear affairs.

At this point I came firmly to believe that "It is better to trade bulls than bullets," that Commerce is better than Cold War. It has long been time to relegate the Cold War to the pages of history. Economics, technology and trade are determining the nature of relations between countries to an ever increasing degree. Trade bonds can create a vested interest in peace; they can broaden and deepen the base for communication with East Europe and thereby bring understanding. The potential for trade between the two largest nations in the world is tremendous.

I have been preaching this line consistently now for close to twenty years - unlike many pundits in the public arena. While I was hoping to substitute my bullets for bulls, Mr. Nixon was loading his into guns. Winning elections by linking rival politicians with Communism, notably in the Alger Hiss case, Nixon was commenting on the necessity "to shoot rats straight!" Labor expressed its opinion with the Firestone wildcat strike; in 1963 AFL-CIO International Affairs Chief, Jay Lovestone, would rather "Let the Russians go to hell. Let 'em starve!" than scrap the

50-50 shipping requirement that precluded any grain sales. (The high cost of American shipping priced the grain out of the market.)

Given these surroundings, I, of course, was relentlessly attacked. One of my "favorite" of the tyrades was that made by a Washington columnist, Henry J. Taylor, in 1965. Not only did he present me as an enemy of America, but he also had some rather choice comments about Averell Harriman, next on the agenda of speakers.

Specifically, Taylor called attention to the Duna Intercontinental Hotel, which was actually built not by me, but by my son...Mr. Taylor assured me that I would "lose my shirt" by dealing with the Communists.

In fact, of course, the hotel, which opened in 1969, has been enormously successful and financially rewarding for all.

And this brings us to the present. Total U.S. trade with the Comecon countries in 1971 was \$607 million. This is actually only the amount of trade negotiated by companies located in the U.S.A., and therefore does not include trade conducted by their subsidiaries abroad. American industry, realizing the business potential in East Europe, circumvented U.S. regulations and impediments by negotiating through European and Canadian subsidiaries.

To the extent that this trade supplants direct U.S. trade, our balance of payments suffers and our employment picture

is not improved. And these bad effects are certainly not counter-balanced by the satisfaction of not allowing the Communists to "build up their muscles" by placing an embargo on strategic goods -- they can get these goods from the numerous other developed nations with less stringent restrictions. Furthermore, as I have already noted, the Soviets were our equals in nuclear power as long ago as the 1950s.

It is overwhelmingly clear to me that the government should therefore remove all obstacles to East-West trade -- obstacles which accomplish no positive purpose and only hurt our balance of trade and cut back our employment.

Specifically, (1) the government should further pare down the list of prohibited goods -- goods which other countries are supplying anyway.

(2) Grant most-favored-nation treatment to East Europe, thus removing the high tariff barrier now impeding the free exchange of goods. Trade is a two-way street.

(3) Settle lend-lease debts, so that the Johnson Debt Default Act no longer applies. This act restricts long-term private loans to countries in default of payments, and, while not its original intent, has come to have application predominantly

to Communist nations. *Since WWII was an allied effort in which each country contributed what it could: money, resources, or men. It would appear that Russia's sacrifice of 22 million men was not*

(4) Especially develop a new concept of financing. *It might, for the U.S. to...*

might well be said that what East Europe needs and wants, now,

-4- Establishment of mixed "sectors" within US Chamber of Commerce, as in England - With regular meetings at set intervals made up of US businessmen & select representatives

above all, is hard currency. We should make effective use of the Export-Import Bank to implement trade with all these countries.

But we should not rely solely on the American government for financing, American banks should get together and present something large enough for these new large-scale deals -- perhaps even in collaboration with our Canadian neighbors. The Russians should be allowed to establish their own bank on American soil -- they have wanted to do so for a long time and already have branch banks in London (Moscow Narodny), Paris (Banque Commerciale pour L'Europe du Nord), and Zurich (Wosshold Handelsbank).

For trade with Russians is now approaching the dimensions I envisioned years ago. The recent agriculture deal may entail some \$1 billion worth of purchases in this year alone. (cf \$607 million total with all EE) (It was negotiated in part by Vladimir Matskevitch, who headed the Soviet delegation for agriculture in 1955, and with whom I began my pilot trade in cattle.)

We should look toward exporting agricultural related items, not only grain, in the production of which we have a great comparative advantage, but also fertilizers, technology and know-how. The U.S.S.R. is placing a new emphasis on consumer goods. We should export our technology for light industry, and, of course, with it the know-how and managerial skills necessary

for its correct use.

In return, we can import natural resources, particularly huge amounts of LNG. Everyone is now aware of the energy crisis we face today and tomorrow.

But it is a mistake to think of the Soviet Union only as a supplier of raw materials, and technologically incompetent. Russia has long emphasized her sector of heavy industry, and there she has developed an expertise from which we can benefit, as shown by the recent Kaiser Aluminum deal. *or Hydro electric technology*

We should cooperate in the fields of space, medicine, ecology, and education as well.

For duplication of effort on the part of the two countries with the largest GNPs is wasteful. The world is small --developments in communications and the nuclear capacity to destroy it have shown us that. It is also the only world we have and may be equally destroyed by running out of our resources.

Nations have realized that efficiency means a greater reliance on economic rather than political considerations. Competition and cold war antics divert resources from growth and consumption and cause wasteful duplication. With the energy crisis and environmental disruption emerging as global problems, efficiency as global problems, efficiency must mean not only maximizing output, but minimizing input, not just growth but minimal throughput.

Trade can do this through economies of scale and comparative advantage.

There are great possibilities for profit in trade with East Europe, as, indeed, our subsidiaries abroad tell us. More importantly, there are great possibilities for establishing peaceful relationships. Trade can expand the base for communications and create a vested interest in peace.

But trade requires finance; trade requires continuity. It is for this reason that I emphasize the formation of private consortiums of banks to provide finance. Trade policies and the extension of credit cannot bounce back and forth with political elections and changing moral sensitivity<sup>\*</sup> without hurting business. Few public figures have maintained, as I have, a consistent view toward trade with Communists.

Does trade follow the flag? Trade should be divorced from the flag: Business should be able to make its own free choice whether or not to negotiate with East Europe ~~or not~~. The Government should clear away all the artificial impediments to this trade -- impediments which create a blanket epitaph to trade with these nations, and reduce the realm of our effective freedoms.

Bulls, not bullets. West Germany and Japan have a

lesson for us here. Devoted to economics, not armament, since World War II, they have emerged from the holocaust with economies enviably stron. Our cold war <sup>and hot war</sup> activity has diverted limited resources from productive uses and also created a new type of inflation -- people are paid for producing goods they cannot buy.

Cooperation, not suspicious competition. Trade with East Europe should be a private matter of free choice, without government proscription or complication. Let us broaden our freedom of choice, let us broaden and deepen our locus of communication and cooperation.

Cold War is wasteful diversion; war itself is disaster. Let businessmen be our diplomats on many fronts. Japan and West Germany have yet another lesson for us -- defeated by the U.S., they now have perhaps the strongest prospects for economic success....Only the U.S. seems preoccupied with the extent to which trade builds up the muscle, not the midriff, of the Communists (Pisar)

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To return to John Stuart Mill, I'd like to extend an idea of his to the macro-realmeconomic realm. The two largest nations in the world have empha\$z\$ed such differnt sectors that they have all the more to gain from each other in communication and exchange.