Trade policy: the Administration versus industry

Henry Kissinger, unofficial director of U.S. foreign policy: "The extension of Soviet spheres is a process which must be stopped. But it is helped by free East-West trade. Just as we cannot ask industrialists to make foreign policy, so the Western governments must establish an East-West code in order to stop the escalation which serves Soviet expansion." (Speech before the International Iron and Steel Institute in Colorado Springs, reported Oct. 5 in the French paper *Les Echos*).

National Security Council 1978 report on trade: "Broadly defined....trade is what most of international relations is all about. *For that reason, trade is national security policy*." (Emphasis in original).

Secretary of Defense Harold Brown: "Defense's primary objective in the control of exports of U.S. technology is to protect the United States' lead time relative to its potential adversaries in the application of technology to military capabilities."

Industry responds:

- **Robert Malott, FMC Chief Executive**: "This country's worsening export posture has been obscured by the Administration's fixation with the so-called 'oil-caused trade deficit.' *The fact is oil is not the primary culprit*....more than half of last year's unprecedented deficit increase can be attributed directly to the decline in U.S. manufacturing and agricultural trade."
- **The National Machine Tool Builders' Association**: "The national security of our nation is not enhanced if the subject equipment is freely supplied by a foreign nation. Rather, the national security of this nation is improved if our machine tool factories are kept operating at a high rate of production, thus enabling them to better meet fixed expenses as well as to keep a trained workforce together."
- **The Computer and Business Equipment Manufacturers**: "The use of controls on foreign commercial trade to achieve foreign policy and military security objectives is ill-conceived and fundamentally injurious to our economic vitality, and a danger to national security."
- **James Thwait, President of International Operations, 3M Corp.**: "There's nothing wrong with importing $45 billion of oil, we could have the exports to pay for it."
- **A Sperry-Rand executive**: "A sale once lost can mean a whole market loss for twenty years or more — the U.S. government is our own worst enemy."
- **Machinery and Allied Products Institute**: "There are very few products or technologies where U.S. restrictions can effectively deny an economic capability to a foreign country. There are very few items which foreigners 'must' purchase from the U.S."
- **Frederick Huszagh, Executive Director, Dean Rusk Center at University of Georgia**: "A number of studies have established that research and development is directly correlated to export performance ... the American industries having the highest levels of R and D expenditures are the industries subject to the most burdensome controls and policies of delay and uncertainty.... This leads to a reduction in domestic R and D and a reduction of our technological lead.... Ultimately, this vicious cycle can affect not only our economic vitality, but also our military strength."

Shoddy treatment of industrialists has become standard practice. One industry executive related the following experience: "After months of phone calls and letters trying for an appointment, I walk into the office of this Assistant Secretary . . . with down-at-the-heels loafers propped up on his desk and wearing an open-necked blue-collar work shirt. His greeting is 'Well, what's your bitch?' I give him a short course on why an embargo on exports would cripple, if not destroy, our industry and all he says is, 'You mean you don't support the President's policy. You industry guys are all alike. You're looking for the bucks; not the moral obligation'."

3. The declining position of the U.S.

Even though exports accounted for only 6.3 percent of the U.S. Gross National Product last year, exports account for 40 percent of the market for construction machinery producers, 30 percent for aerospace, and 33 percent for computer manufactures. The U.S. trade deficit is wholly a result of the negative growth in high-technology exports, according to trade association estimates. And as was noted before, the multitude of restrictions on trade are mainly hitting the high-technology industries — nuclear, computers, computerized machine tools — exactly those