

Limits Of Trade Sanctions

By Ellen L. Frost and Angela E. Stent

WASHINGTON — During the next six weeks, sharp Congressional debate about the renewal of the 1979 Export Administration Act will revive questions about East-West economic relations that have lain unresolved since the lifting of the sanctions on the Soviet-West European natural gas pipeline last November. To what extent does East-West commerce threaten Western security, and should these economic relations be used for political purposes? These questions will continue to divide the United States from its allies until we can resolve the differences between our conflicting interpretations of security.

The Export Administration Act empowers the President to restrict exports for reasons of national security and foreign policy. Through the export licensing system, our allies have been required to adopt many of these controls, causing severe strains.

Europeans argue that economic health and export-led employment have been an essential part of their postwar security. By security, they mean the survival of a democratic way of life and the stability of the social order, both of which require healthy exporting industries. By contrast, Americans have tended to define security in overwhelmingly military terms. Many tend to treat exports simply as a favor to other countries, and few care that the United States has acquired a reputation as an increasingly unreliable supplier.

These differences are reflected in contrasting policies on export controls. Europeans agree with Americans on the need to restrict exports that have a direct application to Soviet military power — items that could be diverted to waging war. But the Reagan Administration has broadened the definition of security controls to include goods and technologies that contribute indirectly to the conduct of war — namely, exports that generally strengthen the Soviet industrial base or earn significant hard currency.

Similarly, the Europeans have been less inclined to restrict exports for short-term political purposes. As a general rule, they prefer to separate trade and politics. (The West Germans are a striking exception: they use trade "carrots" to elicit concessions on the emigration of ethnic Germans from Communist countries.) By contrast, Americans have traditionally viewed East-West trade as inherently political and morally questionable. Washington has repeatedly used sanctions to punish the Soviet Union

A case where less is more

for aggressive acts, such as the intervention in Afghanistan, and has been willing to use these "sticks" unilaterally — whether or not they actually modify Soviet conduct.

Are we doomed to disagree with our allies forever? Not necessarily. The first step out of the present impasse would be a common allied definition of security. Both sides would have to compromise. The Europeans must be willing to consider the increased Soviet threat that may result from their exports. North Atlantic Treaty Organization members would consult regularly on all major coming East-West projects — industrial and agricultural — before contracts are signed. There would be basic discussions on the implications of any proposed export for Western security in both the European and the American sense of the word. Once the allies have decided that a project does not threaten Western security, it should go forward — without the threat of future interference from Washington.

Second, we should recognize that a few selected instruments of East-West trade can be used to influence some minor aspects of Soviet conduct. Credits are the prime example. The allies should work out a series of graduated steps to respond to Soviet conduct with either approval or disapproval. This strategy will work only in the case of concessions that are marginal to Soviet national interests — but not to us — such as emigration of Jews and other ethnic groups.

Congress now has an opportunity to address these issues realistically and to set the stage for coming allied debates. Its most important contribution would be to recognize the need for consistency in American and allied export policy. A revised Export Administration Act should severely limit export controls based on foreign policy — and agree not to try to extend them unilaterally to our allies. This would give added strength and credibility to whatever controls based on national security were retained in the act, permitting the alliance to concentrate on what is indeed essential for security.

Backed by such sound legislation, American negotiators could begin the long and painful search for a consensus with our allies. Without such a consensus, East-West trade will continue to threaten the West by undermining the alliance itself.

Ellen L. Frost was Deputy Assistant Secretary of Defense for International Economic Affairs from 1977-81. Angela E. Stent is associate professor of government at Georgetown University. This article is adapted from one in the current issue of International Security, a journal.

The issue of the President's commission on Central America is not Henry A. Kissinger. The real issue is the commission itself.

There are sound reasons for Presidential commissions. The recent Social Security Commission and the commission on education addressed difficult national problems that were not specifically partisan in origin. But in our democracy such commissions are not appropriate when they are aimed at saving an Administration from the folly of its own actions.

The truth is that despite its claim that its El Salvador policy is merely an extension of President Carter's approach, the Reagan Administration brought about the present crisis on its own. The Carter strategy was to strengthen the political center in El Salvador by gaining control of the extreme right and their death squads and by encouraging land redistribution and other measures. By the end of 1980, this strategy was working: the people turned their backs on the guerrillas when they called for an uprising in early January 1981.

Driven by ideology, the Reagan Administration completely reversed

David Aaron, deputy director of the National Security Council from 1977-81, is an investment banker in New York City.

Latin Panel's Job

By David Aaron

course. El Salvador was labled a simple case of subversion by Moscow, Havana and Managua. The nonpartisan professional foreign service officers in charge of United States policy were dismissed. A secret war was launched against Nicaraguan territory. The extreme right in El Salvador was overjoyed. Stabilizing social change stopped in its tracks. The murders of the death squads accelerated.

The Reagan Administration failed to appreciate that the strategy of the extreme right and the Marxists is the same — to liquidate the political center in El Salvador and with it, United States options. In the last two years, the center has been decimated by assassination from both extremes. Increasingly, those seeking change in El Salvador have turned to the guerrillas. In the January 1981 uprising that failed, the strength of the guerrillas was estimated at 1,800 to 2,000. Today it approaches 10,000.

And the Reagan Administration's reliance on military actions is proving a failure. With the extreme right in

control and no hope for effective social change, the soldiers have little to fight for. As a result, the commission will find that it has few options and that the Administration is sliding toward direct military intervention.

In resorting to government by commission, President Reagan is both abdicating his constitutional responsibilities for foreign policy and evading a basic principle of our democratic system of government — that elected officials be accountable for their acts.

The members of the commission must therefore prove that they are not being co-opted by the partisan use of bipartisanship. To this end the commission must do three things:

● Face the hard issues. For example, does a moderate center still exist in El Salvador or are we trapped between the extreme right and left? If we're trapped, can we negotiate a way to live with governments which include Marxists in El Salvador and Nicaragua, or must we seek their destruction by military means? Would that require military intervention,

and if so, what would be the consequences elsewhere in the region and at home? If the Administration believes the Soviet Union is giving material support to the guerrillas, should President Reagan refuse to hold a summit meeting unless it stops?

● Make the findings candid and consistent. The Administration's mistakes must be spelled out if the commission's conclusions are to be credible. Do not repeat the Scowcroft commission's formula of consensus through contradiction (missile silos are vulnerable, but deploy the MX in silos anyway). And do not try the Scowcroft gambit of offering the hawks their meat today and the doves their jam tomorrow. Many in Congress will justifiably be leery of accepting an immediate increase in military and covert aid in exchange for a "Marshall Plan for Central America" sometime in the future.

● Do not wait until December to report. There is more than a strong suspicion that the Administration is merely using the commission to buy time, playing its cards as slowly as possible in the hope that its hand will not be called by Congress or the guerrillas before the 1984 election. But Congress has to vote this year on whether to become more deeply involved in the wars in El Salvador and Nicaragua. If it is not a smokescreen or a charade to shift responsibility away from the President, the commission should be prepared to report to the public within a few weeks.

Bipartisanship must be a fundamental commitment, not the last resort of failure. The greatest challenge to the President's commission on Central America is not whether it can find a consensus way out of President Reagan's dead-end policies. It may be too late for that. The ultimate test of the commission and its members will be to prove that it has not abused the democratic process itself.

Giving Consumer Of Credit Needed Tools

By Noel Capon

Unless a consumer can pay cash for every major purchase, the ability to obtain credit is essential. Houses and cars, loans and credit cards all depend on a person's credit worthiness. One would think that worthiness could be judged in an open and fair manner. But the methods for determining who is worthy and who is not are often discriminatory and irrational.

In 1976, Congress passed legislation whose major goal was to eliminate discrimination in the granting of credit. Congress also tried to insure that people who were denied credit would be told why so they could improve their chances of obtaining it in the future. Responsibility for carrying out the legislation was given to the Federal Reserve Board.

The legislation forbade discrimination on the basis of sex, marital status, ethnic origin, color and religion. But it fell short in two important areas. It did not treat all forms of income equally. And it did not require that

consumers be told precisely why they were turned down for credit. Accordingly, on April 1, two new rules took effect. They are steps in the right direction but still fall short of Congress's original goals.

The first rule, clearly a step forward, says that all income, earned or unearned, should be evaluated in the same way. Unearned income — alimony, retirement benefits, public assistance and so on — now counts as much as earned income unless it can be shown in each case that a particular income source is unreliable. This is a victory for divorced women, the retired, those receiving public assistance and others.

The second rule was designed to provide consumers with better information on why they were denied credit. But this rule is badly flawed.

Customarily, when a person fills out

an application for credit, he or she answers personal questions involving income, age of automobile, length of residence at current address, etc., then is given "points" for each answer. The higher the score the better.

In the old days, many creditors using credit scoring systems told consumers who had been denied credit virtually nothing. Consumers interested in knowing, for example, whether the age of their automobiles or the levels of their incomes cost them the points they needed to qualify for credit had no way of finding out. In most cases they were given only the most rudimentary information, including the wholly unenlightening phrase, "does not meet credit standards." The consumer thus had little power to reverse the decision.

Accordingly, on April 1, the Federal Reserve Board ruled that consumers must be told the specific areas in which they scored badly. But the new rule is deficient because it does not require creditors to tell consumers how their scores might be improved. For instance, a consumer who is told "age of automobile" might reasonably assume that the newer her automobile, the more points she would score. But she might be quite wrong. In some cases an older automobile will count for more. Similarly, a person who has lived in the same place for 10 years might, perverse as it sounds, score lower than someone who had recently moved.

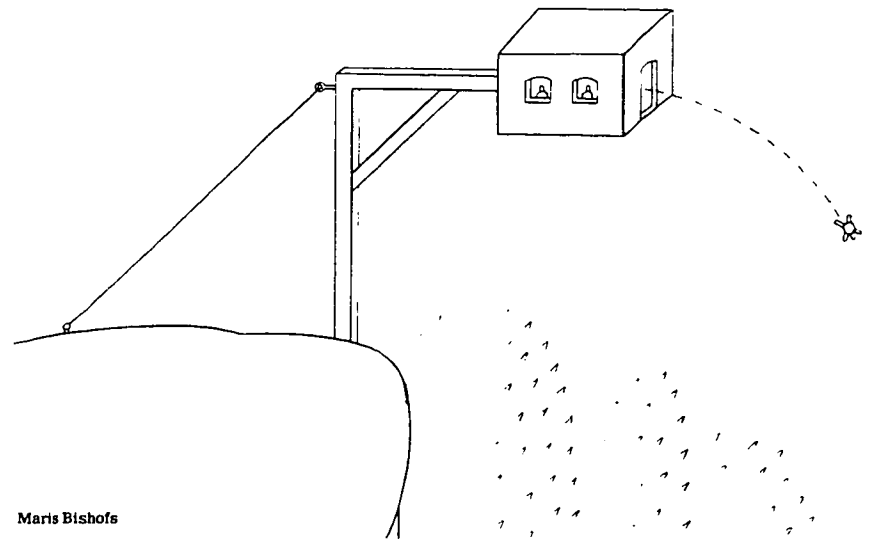
These oddities arise from the fact that over the years creditors have been collecting information about which people are and are not a good credit

risks — who have paid their bills and who have not. If the accumulated data show that, over the years, those with older cars and newer homes tend to be better risks, then the fellow with the new car and the old home may be out of luck.

These are not necessarily logical relationships. Nor do they bear an automatic relationship to the ability of the new credit applicant to pay his bills on time. But the point is that the consumer is never told that these bizarre relationships may be the cause of his credit denial. Indeed, if enough historical variables are working against him, a consumer with an income of \$25,000 might score lower than someone with \$20,000 income. Similarly, a resident of four years could be awarded fewer points than a resident of two years or six years. It all depends on how you match up with all that old information in the computer.

In short, despite the new rules, consumers will still not have enough information to help influence their credit future. If scoring systems are to be illogical, then it behooves the Fed to let consumers know these systems are illogical — and to help them understand the systems so they can improve themselves and eventually obtain credit. The Fed should reevaluate its rule on providing information to credit applicants so that the social goals of the equal credit opportunity legislation can be more fully met.

Noel Capon, associate professor of business at Columbia Business School, is a specialist on consumer credit.



Maris Bischoff

The Reagan Administration's recent decision to withdraw financial support from a publication that was said to express ideas contrary to Administration policy is rightfully being challenged. When a government body, be it a school board or a national administration, tries to censor ideas with which it does not agree, constitutional principles — and democratic government — are jeopardized.

For several years, the Agency for International Development subsidized International Family Planning Perspectives, a magazine published by the Alan Guttmacher Institute. That subsidy was stopped because the magazine was said to advocate abortion in two articles, one about illegal abortion in Bangladesh, the other about Tunisia that mentioned abortion only in passing.

The agency acted under instructions from the Administration to curtail Government spending on publications and from David A. Stockman, director of the Office of Management and Budget, to consider whether the publication "reflects Administration goals and priorities."

The head of the agency, M. Peter McPherson, received letters from Senator Jesse Helms of North Caro-

Fighting Censorship

By Alan H. Levine

lina and Representative Henry J. Hyde of Illinois, both outspoken Republican opponents of abortion, urging him to drop Perspectives' subsidy. Senator Helms told Mr. McPherson not to be intimidated by the population control lobby. Representative Hyde said the Perspectives articles were "out of harmony with the Administration's stated goals" and reminded Mr. McPherson that the Reagan victory owed much to "the dramatic help of the antiabortion forces."

The American Civil Liberties Union has filed suit, saying the agency violated the First Amendment. But supporters of the Government's position contend that, unlike a traditional free-speech dispute in which public officials prohibit the expression of unpopular ideas, Perspectives remains free to publish whatever it likes. In the words of Representative Hyde, "it is disingenuous to assert that A.I.D. is performing censorship by merely refusing to foot the bill."

It is true that no publication has a constitutional right to Government money. The Government has considerable discretion in deciding which publications to

support. But is the discretion unlimited? May a Republican Administration decide not to help a magazine because it contains articles written by registered Democrats? Or, as in this case, because it publishes articles deemed contrary to Administration policy?

The answer is suggested by the Island Trees book-banning case that came before the Supreme Court last year, and on which the A.C.L.U. is basing its Perspectives case. The Island Trees school board removed 10 books it considered offensive from its libraries, calling the action part of the board's ordinary selection process.

The Supreme Court disagreed, holding that boards could not remove books from library shelves simply because they disliked the ideas in those books. In the words of three Justices, "Our Constitution does not permit the official suppression of ideas." Even the dissenting Justices conceded that Democratic school board members could not remove books merely because they were written by or in favor of Republicans.

The same principle applies to Perspectives. If, as the Court said in the

Island Trees case, library books may not be removed for "narrowly partisan or political" reasons, then the Government cannot withdraw money from a publication merely because it disagrees with the ideas expressed there. The question that was answered in Island Trees and which applies equally to Perspectives is: What limit should be placed on the Government's discretion in deciding what should be read or published?

If the action against Perspectives were an isolated case, one might be inclined to say little more about it. But with the continuing efforts of the Reagan Administration to constrict the range of public information — amendments to the Freedom of Information Act, denial of entry visas to alleged Communists, increasing classification of Government documents — it suggests a dangerous misconception of the responsibility of government in a democratic society.

Democratic governments may promote their policies, but they have no less an obligation to convey information that exposes those policies to scrutiny and debate. "Diversity of ideas," one Justice said in the Island Trees case, "is fundamental to the American system." An informed citizenry is essential to democratic government.

We are in danger under this Administration of becoming an uninformed citizenry.

FOREIGN AFFAIRS

A Summit Deadline

By Flora Lewis

BONN, July 24 — The question of a Soviet-American summit is pressing. West German Chancellor Helmut Kohl, who talked recently with the Soviet leader, Yuri Andropov, and President Reagan, is convinced both now seek a meeting.

The problem is timing and subject. Mr. Kohl came back from his trip to Moscow with the clear impression that the Russians will not accept a meeting that appears to be involved with the U.S. election campaign. That sets the first primary next year as the final deadline for 1984.

Mr. Reagan is aware of this, but it doesn't seem to be his ideal date. From the Republican point of view, the closer to the conventions, the better.

From the West German point of view, obviously the sooner a summit could be held, the better. The mere fact of a meeting, providing it doesn't go sour, would take some steam out of what everybody here is predicting will be a "hot autumn."

The leftist "Greens" are planning massive demonstrations against deployment of U.S. Pershing 2 missiles, scheduled for December. The opposition Social-Democrats have a party congress set for November where they are expected to turn back the commitment of their ex-Chancellor Helmut Schmidt and reject the missiles.

Bonn is preparing a stern new law that would make all demonstrators liable to prosecution if they are on the scene when violence develops, even if they don't take part.

That reversal of the basic legal presumption of "innocent until proven guilty" is itself stirring opposition on the whole issue among people who are in no way anti-American, antidefense, or even antimissile if the Russians don't take away their missiles threatening Western Europe.

The Germans feel their position on the Western front line facing the East more than ever. Mr. Kohl and his coalition partner, Foreign Minister Hans-Dietrich Genscher, are doing all they can to send the message East and West that their government won't be intimidated and will stick by NATO's decision.

But, naturally, they are hoping desperately for some kind of Soviet-American accord that will let them at least partially off the hook. They don't seem to be pressing for any particular terms. They would probably be pleased with anything Moscow and Washington find mutually acceptable.

The '84 election sets a limit

But they are pressing for a demonstration that Mr. Reagan and Mr. Andropov can talk to each other.

That brings the focus back to personalities. Mr. Kohl thinks the two men would get along well in human terms. He was impressed with Mr. Andropov's grasp not only of immediate issues but also of history and European culture. He found the Soviet leader intelligent and, while physically handicapped, mentally all there.

Recent, well-informed American visitors to Moscow came away with an ironic impression about the hurdles to overcome in arranging a Reagan-Andropov encounter.

The Russians seem to worry about comparisons that might be made between the vigorous, telegenic American leader and the fragile, dour Russian for fear the world public would take them as a symbolic reflection of the two societies. The White House is concerned about intellectual comparisons if there have to be actual negotiations or unprogrammed conversations on questions of substance between the two.

In any case, both Moscow and Washington are now taking the public position that a meeting would have to be "well prepared." Neither is suggesting what that means beyond the need to have something more solid than snapshots and souvenirs to take home.

If it could be an agreement on fewer missiles in Europe, that would please practically all the nervous spectators around the world. (China and Japan are more concerned about making sure the U.S. holds to its demand that any Soviet missiles removed from the European front aren't just moved east.)

But there isn't any sign of an accord so far, despite Mr. Andropov's assurance to Mr. Kohl that Moscow has "reserves of flexibility."

The dominant view in the U.S. Administration is that the Russians won't budge on key issues until at least the first set of American missiles is in place. If they are right, that would cut the possible summit timing so short that the chance could be lost, with bad results for the West as a whole as well as for Mr. Reagan personally.

But there are other important subjects that could lead the agenda and produce progress, if not a sealed agreement. One is to negotiate a ban on antisatellite weapons and space war in general.

The Russians are evidently anxious about this. The U.S. would lose nothing important by offering a moratorium on space tests while talks get going. And the world, including the uneasy West Germans, would gain.