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## INVASION TO HAVE NO LONG-TERM IMPACT ON EAST-WEST TRADE

Western governments have made little economic response to the invasion of Czechoslovakia and are not likely to come up with long-term changes in policy. East-West trade, set back temporarily, shows no sign of a long-run decline. West Germany and France have emphasized that their trade policies toward the Warsaw Five will not be affected.

West European official actions against Warsaw Pact countries have been limited to short-run moves. They have curtailed trade promotional visits of cabinet-level officials, and have slowed down or delayed scheduling trade negotiations and agreements for scientific and technical cooperation. Some decline in business contacts may have temporarily slowed the extension of new trade credits. In some cases, Western countries have canceled official representation at trade fairs, and Western businessmen have postponed or canceled Communist trade exhibits in the West.

These actions are expected to slow down East-West trade over the next few months, but they will probably have little or no long-term impact.

the growth in trade with the USSR and Eastern Europe will not be significantly or permanently affected.

In addition to the direct costs caused by the disruptions of the invasion itself, Czechoslovakia will lose out on the Western trade it hoped would result from its planned economic reform program. The economies of the other East European countries suffered only minor economic dislocations as a result of the invasion, and little effect on their trade with the West is expected. Eastern Europe is losing some of its profitable Western tourism this year, but West Europeans seeking inexpensive vacations probably will be back in force in 1969. Soviet authorities are said to be making special efforts to encourage a "business as normal" attitude.

Most West European governments are sympathetic to increasing their trade with Rumania and Yugoslavia, which disapproved of the Warsaw Pact action. Rumania, although heavily indebted to the West, is still planning to step up its credit purchases and has asked several West European countries to buy more Rumanian goods. Yugoslavia, also heavily in debt to the West, is more inhibited by this than Rumania and is less prone to increase its Western imports. Moreover, Western quota restrictions on Yugoslav agricultural and textile goods, although partially liberalized by several West European countries, are likely to keep down growth of trade in these products in the near future. The Yugoslavs hope that discussions next week with the EEC on a non-preferential trade agreement will provide additional export opportunities.

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