

# TRADE CURBS BY U.S. HINGE ON ITS ALLIES

## Soviet Has Been Purchasing Most of the Necessary Technology in Japan and West Europe

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WASHINGTON, Jan. 5 — The success of efforts to deny the Soviet Union new sales of advanced technology will hinge on persuading the United States' allies to cooperate, according to Government officials and businessmen.

Even if successful, the cutoff is unlikely to have a major effect on the Soviet consumer since most of the technology is being bought by the Russians to build up the Soviet economy.

Whether the embargo will succeed is in dispute, depending on whether Japan and Western Europe will cooperate and on the extent to which the items supplied by the United States are made elsewhere.

"This will significantly affect Soviet access to Western high technology," an American official said today. "We can look for a set of decisions coming out of these countries in the days ahead."

Other trade experts were not convinced that the embargo would have any significant impact on the Russians.

"The effect on them is negligible because virtually everything we're talking about can be obtained someplace else and will be obtained someplace else, perhaps at slightly increased cost," said Frank A. Weil, former Assistant Secretary of Commerce. "Generally speaking, our allies' attitude is 'business is business and everything else is everything else.'"

### U.S.-Soviet Trade Was Declining

At the least, the decision by President Carter yesterday is likely to cut back American-Soviet trade, which had already been under pressure from previous political tensions. In 1979, American non-agricultural exports to the Soviet Union were \$700 million compared to \$819 million in 1976, the peak year.

"You're not looking at big numbers in any event," said Stanley J. Marcuss, an Acting Assistant Secretary of Commerce.

There is some concern that the American decision may affect crucial Western imports from the Soviet Union. Some of the technology to be blocked is oilfield equipment, used in developing and maintaining Soviet oil production. The Russians have been exporting around one million barrels a day to Western Europe, and the Soviet Union's ability to maintain these exports has been of great concern to Western energy planners.

In addition, the Soviet Union is a major supplier of precious metals. It provides nearly all the palladium, a key ingredient in pollution-controlling catalytic converters for automobiles. And it is the world's second largest supplier of gold, behind South Africa. In 1979, American imports from the Soviet Union totaled \$685 million, more than half of it gold.

### U.S. 'Could Get in a Pickle'

"We're not at the moment dependent on the Soviets for anything, but we could get in a pickle," said Harald Malmgren, a Washington trade consultant.

The curtailment of Soviet trade follows similar efforts at economic warfare with Iran over the holding of American hostages. In the case of Iran, the reprisal was to block Iranian financial assets and prohibit imports of Iranian oil.

The American measures against the Soviet Union will involve several steps. First, no new licenses will be issued for items now on a commodity control list, mainly computers, advanced machine tools, electronics and oilfield equipment.

Officials said the United States had the right to veto similar sales by its allies, with the exception of oilfield equipment, under an accord governing deliveries of strategic goods to Communist nations.

However, outside experts said these procedures had not prevented past sales that the United States opposed and foreign governments had made it clear that they would ignore any formal veto by the United States.

For example, in 1978, the United States stopped the sale of a Sperry Rand computer to Tass, the Soviet press agency. French companies then made the sale.

"Conventional wisdom has it there is very little we sell that we are the unique source of," said William Root, director of the Office of East-West Trade at the State Department. He said the oil equipment bought in 1978 in a controversial \$500 million deal with Dresser Industries could have been obtained elsewhere.

### 'Supplier of Last Resort'

He said the Soviet Union had recently made the United States "the supplier of last resort" by buying as much as possible elsewhere. He said a recent \$100 million sale of American gas-lift oilfield equipment, which uses gas injection to stimulate oil extraction, had been canceled at the last minute when the Russians found another supplier.

"There is evidence to the effect that the United States' share of this market is dropping," Mr. Root said.

In addition to halting new licenses, the United States will review licenses already issued with an eye to revoking some. Officials said that, while \$155 million in license applications were pending, no figures were available on how many licenses were outstanding and unfilled. Exporters will often apply for licenses in advance of firm orders because of lengthy delays in receiving the permits.

Finally, the United States will soon begin a review of licensing policy. A senior official said one consequence could be the addition of a number of commodities to the controlled list. Exports would then require a specific license.

Among the items mentioned were phosphates and farm machinery. Occidental Petroleum Corporation has been exporting large amounts of superphosphoric acid in exchange for Soviet ammonia. There have also been farm-machinery sales to the Soviet Union.

For the most part, the American control list coincides closely with the coordinated Western list of strategic goods. But in 1978, the American list began to grow, when oilfield equipment was added. That addition was in response to arguments by some officials that items that the Russians might have trouble replacing or that were of particular importance should be kept under control for possible political purposes.