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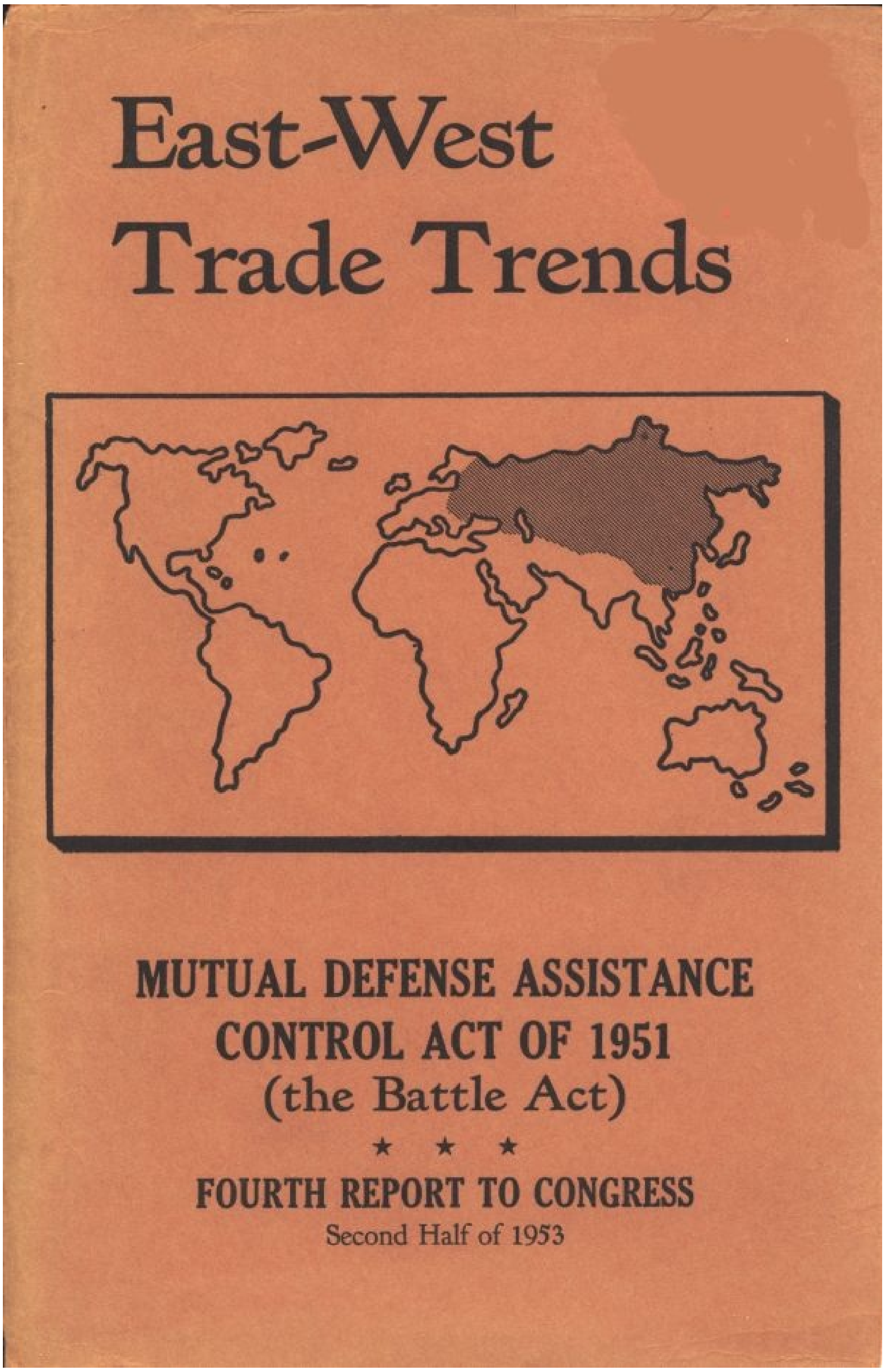

# East-West Trade Trends

## MUTUAL DEFENSE ASSISTANCE CONTROL ACT OF 1951

## (the Battle Act)

* * *

## FOURTH REPORT TO CONGRESS

Second Half of 1953

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## LETTER OF TRANSMITTAL

*To the Congress of the United States*:

I have the honor to submit herewith the fourth semiannual report on operations under the Mutual Defense Assistance Control Act of 1951 (Battle Act), the administration of which is a part of my responsibilities.

The period covered is July through December 1953.

A large part of this report is an examination of what the Soviet Union has been doing in its trade relations with the free world. In order to put the Russian activities of the last half of 1953 in a more understandable framework we have ranged back over the last 30 years to show how foreign trade fits into their economy and serves their purposes. To study Soviet trends and tactics is obviously important to the economic defense of the free world. To make a report to the Congress and the public on these matters should also be useful. There has been much public interest in the subject.

The selection of this theme, however, does not mean that Soviet trade activities are the only important consideration to be taken into account in the formulation of U. S. economic defense policy. They are not. Many other factors enter in, as told in Chapter V.

In preparing the report my staff has drawn heavily upon the expert knowledge of the Department of State and other agencies. But of course the responsibility for the report is ours.

In my last Battle Act report I said that the strategic trade control program had been hampered by lack of public knowledge. This is still true, but to a less extent, it seems to me. There is a better understanding of the Government’s policies, a greater realization that the soundness of East-West trade policy is to be judged not primarily on the amount of trade, but more on what kind of goods move back and forth, and on what terms they move.

HAROLD E. STASSEN,
*Director, Foreign Operations Administration*.

MAY 17, 1954.



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## APPENDICES



## CHARTS

## *INTRODUCTION*

# Note on “Strategic” and “Nonstrategic”

To help protect the security of the free world, the United States and certain other countries have been working together for more than four years to withhold strategic goods from the Soviet bloc.

But how can you tell strategic goods from nonstrategic goods? A good many people have asked that question. It is a reasonable question and it deserves a nontechnical answer.

The answer is that strategic goods, as understood in the day-to-day operations of the program, are those goods which would make a significant contribution to the warmaking power of the Soviet bloc.

This is a practical guide to action. There is no rigid definition that holds good for all times, places, and circumstances. All strategic goods don’t have the same degree of strategicness. The free countries have embargoed some, merely limited others in quantity, and kept still other items under surveillance so that controls could be imposed if necessary. Even the same item may vary in strategic importance, depending on the destination, the changing supply situation behind the Iron Curtain, and other circumstances which may change from time to time. Whether an item includes advanced technology is an important consideration. In specific cases, two experts of equal competence may disagree on these things. Two agencies of government, differing in function, may bring different points of view to a given problem. The same is true of governments.

Since there is no distinctly visible boundary between “strategic” and “nonstrategic,” some people insist there is no such thing as a nonstrategic item at all. It is true that even bicycles, typewriters, or ordinary hardware may help the other fellow by strengthening his general economy. And these people argue that anything that contributes to the general economy helps in a military way, too.

That is a correct concept in actual warfare but it is not an acceptable concept of “strategic” in the present situation, for trade on certain terms can help the free nations too. They carry on two-way trade with the Soviet bloc for concrete commercial benefits. The problem is to gain those benefits without permitting the Kremlin to accelerate the growth of military power or to divide the free world.

In rating items as strategic or nonstrategic, it is clear that there are innumerable commodities, used entirely or mainly for civilian purposes, which would not make a clearly significant [Pg 2]
contribution to war potential. No one would have trouble drawing a line between a jet plane and a suit of clothing, to take an extreme example. Few would have difficulty putting cobalt on one side of the line and butter on the other. As for the border area where it is less clear what contribution an item would make, the allied governments put their heads together, pool their facts, and try to arrive at mutually acceptable judgments.

As President Eisenhower has said, “Unity among free nations is our only hope for survival in the face of the worldwide Soviet conspiracy backed by the weight of Soviet military power.”

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## *CHAPTER I*

# Stalin's Lopsided Economy

> *The weakest link of the socialist chain is merchandising and distribution; if this can be strengthened, present difficulties will be overcome. Upon it the Kremlin has wisely concentrated attention. The Kremlin's immediate objective, as recently announced by the resolutions voted at the plenary session of Bolshevik leaders, is to increase the supply of foodstuffs and consumers' goods and stimulate their mutual exchange.*

That quotation is from a Moscow dispatch to the *New York Times*. The dispatch was written by Walter Duranty and printed on November 6, 1932.

As long ago as that, and even before, the Russian people were wondering when something was going to be done about the supply of food and other things they needed, and the dictatorship was making motions—but not very helpful—in that direction. Goals were set and decrees were issued. But the results were disappointing, and the standards of living of the Russian people stayed low.

Stalin's First Five-Year Plan called for a 50 percent rise in gross farm production during 1928-32 inclusive. But by 1932, farm production had declined by 20 percent. The difficulties have continued ever since. For example, the Third Five-Year Plan, beginning with 1938, was scheduled to bring a large increase in consumer goods—larger than the increase being promised nowadays—but instead the supply of consumer goods actually decreased, even in the three prewar years of the period. Per capita consumption in the Soviet Union is lower now than it was in the 1920's, before the 5-year plans commenced.

### Emphasis on Heavy Industry

The basic cause of these continual disappointments now is widely understood: The Communist elite, while preaching continually about the "uneven development of capitalism" and the "ever-increasing decomposition of the world economic system of capitalism," created a remarkably lopsided economy of their own, in comparison with which the free economies of the West look very well-balanced indeed.

Beginning in the 1920's the Bolsheviks deliberately concentrated on building a base of heavy industry. In their 5-year plans, pig iron, steel, coal, oil, electric power, factories, heavy machinery, armaments have always been given the right of way over the needs of the people for meat, fish, vegetables, vegetable oils, milk, butter, chairs, tables, beds, bicycles, watches and clocks, radio sets, decent homes, boots and shoes, fabrics of cotton, wool, and silk—and so on through the myriads of consumer items that are commonplace in most Western countries. [Pg 4]

Impressive advances have been made in heavy industry. But this was done at a staggering cost to the inhabitants. It was accomplished through a vast use of forced labor and police discipline, and through the neglect of the manufacturing of consumer articles, the growing of foodstuffs and textile fibers, and the building of homes and retail stores.

The Kremlin made strenuous efforts to maintain the flow of farm products to the cities, even while drawing labor away from the farms. But heavy metalworking industry was always considered more important than food and clothing. And more important, too, was the long, bitter and as yet unsuccessful attempt to cram collectivism down the throat of the Russian farmer. Stalin considered this struggle ideologically essential. Moreover, it was the means of forcing the peasants to supply food and raw materials to the growing industrial complex without receiving consumer goods in return. All in all, the failure of Soviet farm policy was one of the most resounding failures in the brief history of the U.S.S.R.—and it still is. Bread and potatoes are the principal diet of the masses, and even the grain and potato crops are unsatisfactory.

During the years of Hitler's devastating invasion, the Kremlin had to dedicate the energies of Soviet Russia to a fight for survival. But when the Grand Alliance crushed Hitler, and the western nations, hoping for a peaceful world under the United Nations, practically dismantled their military establishments and fell back into their normal roles as consumption economies, the Kremlin did not alter the lopsided war economy of the Soviet setup. The Stalin regime inaugurated a new phase of hostility toward the West. The grim drive to build up an industrial-military foundation continued. Consumer goods were still given a low priority in the scheme of things. And all this was discouraging not only to prospects of world peace but also to the prospects of happiness and dignity for the weary and heroic Soviet peoples.

### How Forced Industrialization Affects Trade

Moscow laid the same pattern upon the European satellite countries and cut them to fit the pattern. Heavy industrialization was imposed on them regardless of their desires and the needs of the people. This forced industrialization absorbed large amounts of commodities that were formerly available for export to the free world. At the same time the collectivization of agriculture was imposed on the satellites, and this aggravated the difficulties of keeping pace in farm output. [Pg 5]

While these policies were reducing the total amounts of goods the satellites had available for export to the West, the U.S.S.R. was siphoning off great trainloads of what remained. The ability of these countries to trade with the West was further reduced as they were pushed into granting priorities to one another on the exchange of items they could have more profitably sold to the free world.

Moscow also forced upon the satellites the characteristic Soviet trading goal of reducing and eventually eliminating all dependence on the free world. Lenin himself had emphasized that the first goal of the Soviet Union in its economic relations with the outside world was to gain “economic independence from the capitalist countries.” A prominent Soviet economist, Mishustin, in a book published in 1941, spelled out this principle in greater detail:

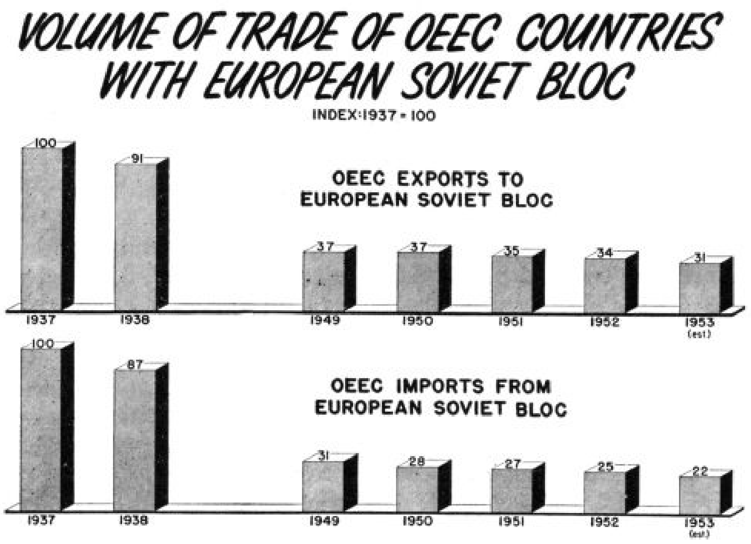
> The main goal of the Soviet import (policy) is to utilize foreign products, and above all, foreign machinery ... for the technical and economic independence of the U.S.S.R.... The import (policy) of the U.S.S.R. is so organized that it aids the speediest liberation from the need to import.

In 1946 the leading Soviet economist, Vosnosensky, restated the objective in the Government periodical, *Planned Economy*:

> The U.S.S.R. will continue in the future to maintain economic ties with foreign countries in accordance with the tested line of the Soviet government directed towards the attainment of the technical-economic independence of the Soviet Union.

The Kremlin’s new Eastern European empire included vast natural resources and sizeable labor reserves. Nevertheless it was—and still is—a long way from being self-sufficient, in the sense of being able to match the production levels of the free world, or even in the sense of fulfilling its own ambitious production plans, without trade with the West. Imposing an ultimate goal of self-sufficiency thus could not eliminate the Soviet bloc’s dependence on the free world. Communist trade planners still found it advantageous to import from the free world many things the bloc countries needed. The new goal did, however, affect the composition of the satellites’ trade. The planners placed much greater emphasis on the importation of industrial raw materials and equipment that would, in the long run, reduce the need to import.

In the U.S.S.R. itself, the Government had always been disinclined to offer exports in order to import consumer goods, like meat, butter, textiles, and appliances. Now the same policy was clamped on the satellites. So the bulk of Soviet-bloc imports from the West consisted of goods [Pg 6]
that did not enter the homes of the people.




The result of all this was a big decline in trade between Western and Eastern Europe, as compared with prewar years. Before the war, countries which now make up the Soviet bloc in Europe carried on less than 10 percent of their foreign trade with one another; now this has risen to more than 75 percent.

### How the Kremlin Controls Trade

All foreign trade of the countries of the enlarged Soviet empire was placed under absolute state control. For both the U.S.S.R. and the satellites, international trade is now not only a 100-percent monopoly of the state, but also an in*tegral part of the planned economy, officially proclaimed as such. Each country, as a part of its general economic plan, estimates its import requirements and then develops a program of exports to pay for the imports. These country plans are coordinated by Moscow. Part of the machinery of all this economic planning and trade coordination is an organization, with headquarters in Moscow, called the Council of Mutual Economic Assistance.

This totalitarian trading system insures that foreign trade serves the purposes of the state. [Pg 7]

Top priority in trade planning is given to the requirements of the U.S.S.R. Bloc countries are required to give one another preferential treatment in trade. With this system the export of any items to the West is easily restricted as it suits government purposes—whether or not the items could be considered as “strategic.”

A vast amount of commercial information is obtained by bloc governments through their dealings with free-world traders and through their intelligence services. This provides Moscow with a comprehensive picture of the bargaining strengths and weaknesses of free-world traders.

Moreover the Soviet-bloc governments, as large buyers and sellers controlling the production and trade of a whole country, indeed a group of countries, enjoy certain bargaining advantages in dealing with the many smaller competing buyers and sellers in the marketplaces of the free world. Since losses on individual transactions can be absorbed in longer-term government gains on other deals, the unit profit need not be the factor that determines the advantage of a deal, as it generally does for the free-world trader. Soviet-bloc governments can—and not infrequently do—set their prices at levels which discriminate among the various buyers and sellers with whom they deal. They exercise monopoly control not only in selling their own goods abroad but also in disposing of imported goods at home. The Soviet-bloc governments get bargaining advantages from such practices, made possible by their totalitarian trading system—practices which the West would not wish to imitate but which it might as well squarely face.

Foreign trade is a political as well as an economic weapon in the hands of the Soviet Communist state. By way of illustration, in 1948 it was possible for the Kremlin first to reduce and then to cut off all trade between Eastern Europe and Yugoslavia as a part of the attempt to bring Marshal Tito to his knees. The attempt failed, but the Yugoslavs suffered serious economic difficulties before they could readjust. Even earlier, the world had seen how the Kremlin refused to allow the Eastern European countries to benefit from the flow of Western goods that could have been theirs under the Marshall plan—another evidence of how the state's objectives took precedence over the people's needs.

The Kremlin in its propaganda made much of Western trade restrictions. But the West's limited controls over the shipment of strategic goods did not come into existence until long after the  Kremlin had begun using trade as a cold-war weapon. Even then these Western controls, far from being aggressive actions against peaceful trade or against the welfare of populations, were common-sense measures of economic *defense*, designed only to foster Western security by withholding from aggression-minded governments the important war-building materials that would make aggression easier.

On the other hand, the Kremlin's long-term objectives in its economic relations with the free world are far more than defensive. They have a dual character: strengthening the bloc and weakening the free-world powers. These objectives can be summarized as follows:

1. To feed the economy, especially the industrial-military base, with imports that help the bloc become more powerful and less dependent on the free world.
2. To drive wedges among free-world nations at every opportunity.
3. To increase the reliance of free-world nations on the bloc for markets or supplies, and thus make the free world more vulnerable to bloc pressures.

## West Has Never Barred Peaceful Exports

The Kremlin, while coldly managing the East-West trade of its domain in the manner described, always had its propagandists and fellow travelers out beating the drums and making a continual outcry against the security trade controls of the West. The main line of the propaganda was that trade was equivalent to peace and prosperity, and that the Soviet bloc always stood ready for unlimited trade, but that the Western "economic blockade" barred the way. In each country the businessmen were constantly handed the false but inflammatory story that they were being shamefully discriminated against by their government and that the businessmen of neighboring countries were less subject to restrictions. Western Europe as a whole was treated to an alluring picture of a vast prospect of East-West trade, beyond all factual probability in view of Soviet policies.

This propaganda cannot be separated from the Soviet trading objectives. It is merely one of the instruments used in trying to achieve those objectives. It was used lavishly at a Moscow Economic Conference in April 1952, but although some Western businessmen who attended that meeting were impressed, the chief result was not an expansion of trade or elimination of Soviet discriminatory practices, but only the formation of new propaganda councils. And one of the significant facts of the present situation is that, although some new economic factors have arisen, the main propaganda line stays the same. At the Berlin four-power conference in late January  1954, Molotov used it again.

The truth is that Western controls, which did not become effective until the 1950's, have never been an "economic blockade." The controls apply to a small percentage of the types of goods which made up East-West trade in the prewar years or in 1948. They leave room for the expansion of trade in many items. There are even many kinds of industrial raw materials and products which have never been embargoed by the Western Governments. Western security controls were not primarily responsible for the low levels of East-West trade.

The main causes were Soviet policies, which wrenched the customary trade of the satellites away from Western Europe, tying it to the U.S.S.R., and which forced industrialization upon the whole European bloc in a manner which reduced its ability to trade with the West. In addition to these basic causes, the bloc countries were unsatisfactory trading partners in many ways. The prices were often higher than the world market; the deliveries were uncertain and sometimes deliberately withheld; the quality of their goods was often inferior; and some of the countries had a regrettable—and perhaps intentional—tendency to go into debt to the West.

## Stalin's Last Gospel

Stalin himself, in the year before he died, made some illuminating statements about the reorientation of the trade of Eastern Europe. He wrote an article, The Economic Problems of Socialism in the U.S.S.R., which was published in October 1952, though it had been written earlier in the year. In this article Stalin said that the most important economic consequence of World War II was "the disintegration of the single, all-embracing world market." Actually there was scarcely a single world market before the war, but Stalin obviously was talking about the change in the trade of those countries that fell into the Soviet orbit during the war or shortly thereafter. He said that “now we have parallel world markets,” confronting one another. He then made the customary charge that the Western countries, through an “economic blockade,” had tried to “strangle” the Eastern European countries. He said the West had thereby unintentionally contributed to the formation of the new parallel world market. On this occasion, however, Stalin went on to say that “the fundamental thing, of course,” is not the Western economic blockade, but the fact that since the war the Eastern European countries “have joined together economically and established economic cooperation and mutual assistance.”

He made it perfectly plain that, in Kremlin thinking, the breakdown of the “one world market” and the establishment of two rival markets was a tremendous boon to the Communist cause, because it shrank the markets available to the “capitalist countries” and intensified a struggle which the Communists always see as going on among those countries. And this, Stalin said, rendered more acute what he called the “general crisis of capitalism.” [Pg 10]

To picture the free world as in or near a general economic crisis is of course familiar Communist mythology. But Stalin’s discussion did reveal clearly the Communist indifference to the mutually fruitful and expanding international trade that the West desires. It was an admission of Communist responsibility for—or at least satisfaction with—a divided trade world.

So much for Stalin’s last economic gospel. Stalin’s death was announced on March 5, 1953. Now let us examine what has been going on in his absence.

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## *CHAPTER II*

# The New Regime and the Consumer

After Stalin, the Soviet leadership was taken up by a group of top party officials. Georgi M. Malenkov was the Premier and the most influential, but apparently several other men held important shares of the responsibility and the power. This elite group included, with varying degrees of personal influence, Beria (temporarily), Molotov, Khrushchev, Voroshilov, Bulganin, Kaganovich, and Mikoyan. None of this new group was new to Soviet leadership. All had been close lieutenants of Stalin. All are known to have had important roles in previous policy formulation, and in directing key operations.

The system that this group took over in the U. S. S. R. was their own as well as Stalin's creation. Under this system, the economy is organized along authoritarian lines and characterized by state ownership of the means of production and state planning of practically all economic activity. It is the Central Committee of the Communist party which lays down the economic and social policies which the state production plans are desired to implement. The new regime modified this system in no essential respect.

In addition to inheriting the *system*, Malenkov and his associates inherited economic policies and economic conditions which they themselves had helped to create.

In the U.S.S.R., as we have seen, Soviet economic policy had long been to force industrialization by every means. And this objective required such a concentration of capital investment—both civilian and military—as to deprive the growing population of advances in living standards commensurate with the overall expansion of the Soviet economy. That is another way of saying they took it out of the people's hides.

Each of the European satellites, too, had undertaken, under Soviet direction, to develop an economic structure similar to that of the Soviet Union. By 1953 all foreign trade, nearly all industry, and a very substantial portion of domestic trade had been nationalized in those countries. Where collectivization of agriculture was not completed, the Government controlled agriculture by means of centralized planning and a system of compulsory deliveries. Each satellite government had drawn up a long-term comprehensive economic plan which, like that of [Pg 12] the U.S.S.R., emphasized rapid industrialization.

These developments brought the Communist leaders many serious problems—and the people many deprivations. Before the war, as independent states, most of these satellite countries had devoted a much higher percentage of resources to the consumer sectors of their economies than was customary for the U.S.S.R. When the Communists took control, belts were tightened. The standards of living of the satellite peoples began to decline toward the low levels long prevalent in the U.S.S.R. But denying the satellite peoples the fruits of their labors, in imitation of Moscow patterns, still did not bring the overambitious war-economy plans to success. Agriculture and industry both had difficulty in keeping pace. The world has heard how the transformation of satellite agriculture into the Soviet pattern was impeded by the opposition of the rural populations to collectivization and by the difficulties of mechanizing farm output; how shortages of raw materials slowed the textile program in Czechoslovakia and the electric power industry in Hungary; how the mining and metallurgical industries lagged in some areas; how the rights of labor were obliterated in the attempt to shift manpower into heavy industry; how purges furnished scapegoats for Communist failures.

### Letting Off Pressure

In the summer of 1953 came the electrifying news of rioting in East Germany.

Also in the summer of 1953, new economic targets were announced in the U.S.S.R. and some of the satellites. These new targets—which will be discussed further in a moment—were said to be a means of improving the lot of consumers.

Some observers in the West assumed that economic difficulties in the bloc were erupting with such force that they threatened to topple the Malenkov regime. This interpretation is understandable—any democratic nation would have long since replaced a regime that in peacetime so subjugated the needs of the people—but such an interpretation of the Soviet scene must be viewed with great skepticism. At this writing there was some evidence that the problems faced by the Kremlin may in some respects have become more difficult since Stalin's death, but one could not infer that the chronic economic difficulties of the Soviet bloc were especially different in nature from previous post-war years, nor that the Communist governments with their inhuman police control were about to collapse.

What the Communist rulers were facing was their perennial problem of developing lopsided economies without letting the lopsidedness become so repressive on the people as to upset the plans and timetables. Even in police states there are physical and psychological limits beyond [Pg 13] which human beings cannot be driven without lowering their incentives, their energy, their morale to the degree that production is severely hampered. The Soviet leaders have always recognized this. At three different periods in the thirty-odd years of their control of the U.S.S.R. they have shown themselves adept at opening the valves enough to relieve accumulating pressures and then shutting them again—always without swerving very far in the basic drive to build the industrial-military machine.

Many observers believe that even prior to Stalin's death the time was ripe for a slight relaxation in the postwar consumption squeeze. The Kremlin faced multiple problems in consolidating its new empire. External foreign developments had been adding to the difficulties of achieving the overambitious industrial and military goals. Western export controls on the shipment of strategic goods into the bloc had been impeding the planned development of the military sectors of the economies.

In any event, a close examination of the new actions proposed by the Malenkov regime to improve the consumer's lot, insofar as they have been revealed, indicate that plans for heavy industry and for military preparation will not be materially affected.

## The "New Economic Courses"

During the summer and fall of 1953, Communist governments all over Eastern Europe announced in turn so-called "new economic courses." East Germany announced its "new economic course" on June 11, just before the East Berlin riots of June 17. Then came Hungary (July 4), the U.S.S.R. (August 8), Rumania (August 22), Bulgaria (September 8) and Czechoslovakia (September 15). Smaller adjustments were announced earlier for Albania, and later for Poland.

The announced programs differed according to local problems, but almost everywhere the solution of agricultural troubles was a key objective. Better collection and distribution facilities for farm products were demanded. This theme was almost invariably played to the popular tune of helping the consumer—especially in the U.S.S.R. Deplorable housing conditions came in for a share of the attention.

In the satellites the programs reflected openly the inability to meet many of the exacting goals that had been set. In some countries, the emphasis was on bigger industrial investments in scarce basic materials. In others, concessions to the peasants were paramount. The initial implementation, as well as some of the program announcements, was confusing and sometimes contradictory.

## Malenkov's Big Announcement [Pg 14]

The new economic course for the U.S.S.R. itself was unfolded in three major speeches during the second half of 1953—by Malenkov in August, Khrushchev in September, and Mikoyan in October—and in a series of decrees and lesser pronouncements.

Premier Malenkov, addressing the Supreme Soviet on August 8, made repeated claims of Soviet strength and progress. For example, he said the United States had no monopoly on the hydrogen bomb and added that such facts "are shattering the wagging of tongues about the weakness of the Soviet Union." But in the section on consumer goods he gave a revealing picture of weakness.

He spoke at great length about lags and failures in agriculture and in the manufacture of consumer articles. He severely criticized the poor quality and appearance of goods, the "serious shortcomings" in the organization of domestic trade, the "unsatisfactory leadership of enterprises," the "high production costs" and high prices of coal and timber, the "neglected state" of agriculture in many districts, the "serious lagging" in livestock, potatoes, and vegetables. He said the Government considered it "essential to increase considerably" the investment in consumer industries.

> The urgent task [Malenkov said] lies in raising sharply in 2 or 3 years the population's supply of foodstuffs and manufactured goods, meat and meat produce, fish and fish produce, butter, sugar, confectionery, textiles, garments, footwear, crockery, furniture and other cultural and household goods; in raising considerably the supply to the population of all kinds of consumer goods.

The program was to be accomplished in "2 or 3 years," and this was later repeated in other official statements. In other words it was to be a relatively short-term program of expansion, hardly long enough to make a major shift in industrial emphasis—nor did Malenkov claim such a shift. He said, "We shall continue to develop, by all possible means, heavy industry and transport.... We must always remember that heavy industry constitutes the basic foundation of our socialist economy, because without its development, it is impossible to insure further growth of light industry, increase productivity of agriculture, and the strengthening of the defensive power of our country." Taking up this theme, the Communist propagandists in the U.S.S.R. and the satellites have constantly assured the people that they should not interpret the "present tasks of the economic policy as a retreat from the Marxist-Leninist principles of building up socialism." The continued growth of basic industries was declared to be essential.

The assertion was made, not that the consumer program would displace basic industrialization, but that both could progress simultaneously. Malenkov said that heavy industry had risen from [Pg 15] 34 percent of the total industrial output in 1924-25 to 70 percent in 1953. And while that was going on, he said, the U.S.S.R. was unable to develop light industry (textiles, garments, shoes) and the food industry at the same rate as heavy industry. But now, he said, the Nation was at last able to develop those industries rapidly.

This "now-we-are-strong-enough" theme runs all through the Communist propaganda on the subject. But it doesn't harmonize with existing facts and figures.

In the first place, though the Soviet Union has made large industrial gains, it has not built its industrial base anywhere near the long-term goals that Stalin set in 1946 for the ensuing 15 years or so—goals which, even if attained, would not bring the U.S.S.R. in most respects to the production levels which the United States has already reached.

In the second place, the "now-we-are-strong" theme seems to leave out of account the truly deplorable condition of Soviet agriculture. Malenkov himself said a drastic increase in consumer goods could not be achieved without “further development and upsurge” of agriculture, because agriculture “supplies the population with food and light industry with raw materials.”

## Khrushchev and the Livestock Lag

On the condition of agriculture, Nikita S. Khrushchev had a great deal to say at a session of the Communist Party’s Central Committee on September 7. Khrushchev is the First Secretary of the Party. His speech was an even more dismal confession of the “serious lag” than Malenkov’s. He revealed that the Soviet Union had 10 million fewer cattle at the beginning of 1953 than in 1928, and that the number fell by 2,200,000 during 1952 alone, instead of increasing by that same number as planned. In biting words he described the sharp decline in pork production and in wool, the unsatisfactory fodder situation, the deficiencies in potatoes and vegetables. His speech showed beyond doubt that even the production of grain, traditionally the Soviet Union’s No. 1 food staple and No. 1 export commodity, was in bad shape and that a far greater acreage needed to be devoted to feed grains in order to bolster the faltering livestock industry.

Khrushchev listed a number of measures to raise production. They included higher farm prices for livestock, milk, butter, and vegetables; the reduction of obligatory deliveries from the small private plots still held by collective farm members; the assignment of more tractors and more skilled workers to the collective farms; and *the tightening of Communist Party control over agriculture*. The decisions to place greater reliance on material incentives and to give slightly more recognition to what remains of private enterprise were intriguing, but the collective farm [Pg 16]
system itself remained basically unchanged.

Students of the Soviet economy, surveying previous efforts to stimulate agriculture and especially mindful of the biological limitations on the reproduction of livestock, were doubtful that the new measures could bring anything like the planned increase in 1954 or 1955.

## Mikoyan Advertises the Program

Anastas I. Mikoyan, the Soviet Minister of Domestic Trade, then made a speech October 17 before the All-Union Conference of Trade Workers.

Mikoyan, as the man in charge of large segments of the consumer goods program, enthusiastically described the program as “gigantic”. In the manner of Malenkov and Khrushchev, he also enthusiastically flayed an astonishing number of deficiencies in the production, packaging, distribution, and marketing of consumer goods. He even condemned dull advertising slogans and inconsiderate retail clerks, and said there were some things about capitalist business methods that were worthy of emulating.

He stated, too, that not only the Ministry of Consumer Goods Industry but other ministries—including aircraft and defense—were getting assignments to produce such things as refrigerators, washing machines, metal beds, bicycles, and radio and television sets. Actually, small quantities of durable consumer goods have always been produced by heavy industry ministries. Mikoyan’s statement was, no doubt, intended to sound as if these ministries were being transformed, but there is no evidence that the U.S.S.R. actually planned to reduce its production of aircraft and armaments to make way for household appliances. If such evidence shows up, the free world will welcome it.

Mikoyan gave a few figures on the production of household appliances. They revealed plans for large percentage increases, but even if achieved, these increases would still leave the consumer many years behind. For example, he said the output of refrigerators would rise from 62,000 in 1953 to 330,000 in 1955 (for a population of more than 200 million). This, even if achieved, would still be tiny by Western standards.

In August, Premier Malenkov had spoken cordially of the expansion of trade of the U.S.S.R. with Western countries but he had avoided connecting this with consumer goods. Now, however, the following brief passage appeared in the middle of Mikoyan’s long and rambling speech:

> A few words must be said about the import of consumer goods. During recent years we have been making use of this additional source of supply for the population. Having become better off we can now allow ourselves to [Pg 17]
> import such foodstuffs as rice, citrus fruits, bananas, pineapples, herrings, and such manufactured goods as high standard woolens and silk fabrics, furniture, and certain other goods supplementing our range. These goods are in demand by the population.
>
> Although we are buying 4 billion rubles’ worth of consumer goods from abroad this year, two-thirds of this sum will be spent on goods from the People’s Democracies. In turn, we are exporting certain consumer goods of which we have a sufficiency, and are helping the People’s Democracies with certain commodities.

Mikoyan, revising his figures in December, estimated the Soviet Union’s imports of consumer goods from non-Communist countries in 1953 at 1 billion rubles. Rubles are not used in foreign trade and translation into dollar values may be misleading, but at the official (although artificial) rate, 1 billion rubles would be 250 million dollars. This is a slender figure in relation to the annual consumption needs of more than 200 million persons. Even so, the amount that was actually imported during the year did not equal the $250 million estimate.

There is, however, some connection between the new regime’s promises of more consumer goods and the recent activities of the Soviet Union in the field of East-West trade. We shall be examining those activities in the next chapter.

## Has Stalin Been Overruled?

In early 1954 the situation could be summarized something like this:

The Soviet-bloc rulers have put on a more affable diplomatic face and made a number of conciliatory gestures to the Western world without altering their fundamental hostile objectives, and they have made a great fanfare about supplying more consumer goods to their people without basically changing their war-oriented economy.

The conciliatory diplomatic tactics of Stalin's successors have sometimes been called a "peace offensive," but the term is hardly justified. Since last June the peaceful sounds have alternated curiously with renewals of the old name-calling and intransigeance. And behind their Curtain the Communists never stopped teaching their students that capitalistic society must be overthrown. The North Atlantic Council could not avoid the conclusion at Paris on December 16 "that there had been no evidence of any change in ultimate Soviet objectives and that it remained a principal Soviet aim to bring about the disintegration of the Atlantic alliance."

The evidence indicated that the Communist rulers, while making gestures to their multitudes, were trying not to interfere with industrial-military development.

The evidence included the Soviet Union's own budget figures, which indicated that the state investment (there is no private investment) in consumer goods ministries is still extremely small; that the extremely large specific allocations to the military in the 1953 budget were no lower than actual expenditures in 1952; and that the budget's "unexplained" category, which almost certainly includes "sensitive" military projects, greatly increased. [Pg 18]

It seemed most unlikely that increases in domestic output of consumer goods, even supplemented by increased imports, could be large enough to make a substantial improvement in the traditionally low living standards in the Soviet Union.

We must suppose that the intent of any steps to improve the lot of the Soviet-bloc consumer is to improve it just enough to rescue his productivity in the interest of the state, but not enough to give him such a taste of better living as would lead to a wider and wider opening of the valves and hinder the buildup of the totalitarian war economy.

If that is a correct assumption, the world, yearning for assurance of peace, is entitled to wish that the Kremlin's calculations might be upset and the consumer might get enough to whet his appetite in a big way.

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# CHAPTER III

# The Kremlin's Recent Trading Activities

In midsummer of 1953, at about the time of the Korean armistice of July 27 and just before Malenkov's major speech of August 8, the Soviet Union attracted world attention by a flurry of new trade agreements with non-Communist countries. There was another flurry around the end of the year.

During the last 9 months of 1953 and the early part of 1954, the representatives of U.S.S.R. adopted a somewhat more polite and businesslike manner in their commercial dealings with the free world. They not only *said* they wanted more trade (they had never stopped saying it) but they took more steps to bring it about. Besides trade agreements, they signed more contracts with private firms. In Moscow they warmly entertained traveling salesmen from the West. In Western capitals they staged a few cocktail parties and press conferences. They poured more funds into eye-catching exhibits at "trade fairs" from Copenhagen to Bangkok. They made grandiose offers to buy, and gave them great publicity. Some offers to buy, sell, or barter they made quietly through commercial channels. They showed signs of wanting the nonindustrial portions of the world to regard them as a helpful "big brother" bringing both trade and aid.

These activities, which many writers have called a "trade offensive," carried with them important meanings for the free world. In this chapter we shall examine the activities and probe for the meanings.

## The New Trade Agreements

In a period of about 3 weeks, in late July and early August, the U.S.S.R. concluded trade agreements with France, Greece, Argentina, Denmark, and Iceland. These were not mere renewals of expiring agreements. The U.S.S.R. had never before had trade agreements with France, Greece, or Argentina (or any other Latin American country). Its last trade agreement with Denmark had expired in 1950, and with Iceland in 1947. Its trade with three of the countries, Greece, Iceland, and Argentina, had been almost nonexistent in recent years. Considerable trade, however, had been carried on with France and Denmark without benefit of trade agreements.

The U.S.S.R. also renewed existing trade agreements with Iran and Afghanistan and signed a "payments agreement" with Egypt. Most of these trade agreements signed during the summer of 1953 became effective as of July 1. [Pg 20]

The second group of trade agreements, clustered shortly before or after January 1, 1954, and mainly effective as of that date, was with India, Belgium, Norway, Sweden, and Finland. It was the first time the U.S.S.R. had ever had a trade agreement with India. There had not been one with Belgium since 1951. The others were renewals. Barter deals were also made with some of the countries already mentioned, and with Israel and Japan.

Not since 1948, when the U.S.S.R. had entered into annual or long-term trade agreements with eight countries of Western Europe, had there been a period of Soviet trade-agreement activity that could compare with the paper blitzkriegs just described. And the result was that in the early part of 1954 the U.S.S.R. had trade agreements with more free-world countries than at any other time in the postwar period.

This fact and the hefty amounts of trade which were called for in some of the agreements have given many people the impression that a historic increase in the size of East-West trade was taking place. The impression seems hardly justified.

In the first place, trade agreements are usually only hunting licenses. They merely authorize—but do not guarantee—the exchange of goods. The governments agree to permit the export and import of the types listed—if contracts can be arrived at between Soviet monopolies and Western business. If the goods turn out to be unavailable, or if the demand is not forthcoming, or if the price is too high or the quality too low, the publicized amounts of the trade agreements do not materialize in the export-import statistics. And this fact rarely receives as much public attention as the original announcement. To illustrate, a spokesman for the Greek Foreign Ministry told the press on January 19 that the U.S.S.R. had lagged far behind in shipments under the 1-year trade agreement of July 1953. That agreement had been publicized as calling for trade of $10 million each way, but the Greek official said few Russian deliveries had been made and "it will be a miracle" if these deliveries reached $3 million.

In the second place, even a big percentage of fulfillment would not necessarily increase trade between the U.S.S.R. and the free world to the high points of 1948 and 1952. The 1948 turnover—that is, the sum of exports and imports—had been about $1 billion. It declined to $545 million in 1950. By 1952 it was back up to $943 million. The preliminary estimate for 1953 is $790 million. Thus the year which saw the Kremlin's new trading tactics was also the year that saw a slump of about 16 percent in the dollar value of its trade with the free world. The trade was rising moderately in the last part of 1953 and a further moderate rise in 1954 would not be surprising.

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But there is still another reason why the new Soviet trade arrangements will not necessarily mean a historic upsweep in East-West trade: The satellite countries have not been behaving in quite the same way. [Pg 22]

The U.S.S.R. is only one part of the Soviet bloc, albeit the center of power. The U.S.S.R. accounts for about 30 percent of the trade which the European Soviet bloc carries on with the free world. (The percentage would be still less if Communist China were included, but Communist China will be discussed in another chapter.) In other words, Czechoslovakia, Poland, Hungary, the Soviet zone of Germany, Rumania, Bulgaria, and Albania, despite the long, steady decline of their trade with the free world ever since “sovietization” took hold in about 1948, still exchange about twice as much merchandise with free-world countries as does the U.S.S.R. These satellites, or some of them, have long had trade agreements with countries in Western Europe. During the last year or so they have renewed about 45 of those. In addition they renewed about a dozen agreements with non-European countries.

The brand-new agreements which the satellites concluded in Europe were mainly with France and Greece, thus conforming to the Soviet pattern of increased attention to those two countries. But in other respects the satellite trade pattern was different from that of the U.S.S.R., for while recent U.S.S.R. commitments, if fulfilled, seem to indicate increased trade, there was no evidence of a reversal in the long slide of the East-West trade of the satellites. Therefore one could not ignore the possibility that the U.S.S.R., with a flourishing of fountain pens and a blare of trumpets, was merely shifting to itself a bigger percentage of all bloc trade with the rest of the world.

Now let’s see what kinds of goods are involved in the new trade agreements and other commitments that the U.S.S.R. has been making.

### More Consumer Goods Ordered

Consumer goods, the items about which Malenkov, Khrushchev, and Mikoyan made such a fanfare in announcing the new course for the Soviet domestic economy, make up one class of commodities, though not the most important, that the U.S.S.R. has been ordering from the Western world. It appears that the U.S.S.R. has committed itself to buy consumer goods at a somewhat brisker rate than in recent years.

Most of these consumer goods were food items. During the last 6 months of 1953 and the first month of 1954, the known Soviet arrangements to buy food from the free world amounted to about $90 million. Some of the deliveries were scheduled in 1953, some in 1954. [Pg 23]

Butter was the biggest item. In trade agreements and contracts, butter quotas amounted to 37,500 tons, with an estimated value of $40 million. Denmark was to provide about $18.6 million of this. The second most important source of butter was to be the Netherlands, with $13.7 million. Lesser amounts were to come from New Zealand, Australia, Sweden, and Uruguay.

Meat quotas came to about $22 million, with Denmark and Argentina the leading suppliers. Smaller amounts were to come from the Netherlands, Uruguay, and other countries.

Fish quotas amounted to $15 million. Nearly all of this was herring. The leading suppliers were to be Iceland and Norway, and others were the United Kingdom, the Netherlands, and Denmark.

The U.S.S.R. during the 7-month period also arranged to buy $7 million worth of citrus fruits from Italy, Japan, and Israel (and apparently made a whopping profit selling oranges to the Russian people); $4 million worth of cheese from Argentina and the Netherlands; $2.4 million worth of lard from Denmark and Argentina; and $1.4 million worth of sugar from the United Kingdom and Cuba.

Besides food, the most important consumer item ordered from the West was textiles. The amount is harder to estimate, but it was somewhat larger than the Soviet textile imports of any recent year. The principal suppliers were to be Belgium, France, the Netherlands, Italy, and the United Kingdom.

In addition to contracts already made, the Soviet officials were still putting out feelers for consumer goods. Some of them reached across the Atlantic. In January much publicity was given to the efforts of an American firm to buy a large quantity of Government-owned surplus butter and sell it abroad—ultimate destination Russia.

Secretary of Commerce Sinclair Weeks announced on January 15 that he would not approve any application "which would permit an exporter to buy butter at considerably lower prices than those paid by the American housewife and then send that butter into Russia." On February 10 he announced that it had been "decided as a matter of policy to deny commercial export license applications for the export for cash of United States Government-owned surplus agricultural or vegetable fiber products to Russia or her satellites." He pointed out, however, that this ban "does not preclude study of export license applications for these nonstrategic products to the Soviet bloc if acquired by exporters in the open market and not from the Commodity Credit Corporation surplus stocks."

It is difficult at this writing to compare the Soviet Union's new commitments to buy consumer goods with the actual imports of previous years. *Total* free-world exports to the U.S.S.R. in 1953 are estimated at $410 million (compared with $481 million in 1952) but how much of this $410 million was consumer goods is not yet determined. The 1954 figure can only be speculated upon. But certain generalizations about consumer goods are possible. [Pg 24]

As evident in chapter 1, the U.S.S.R. was never very much interested in importing consumer goods from the West. The items it did import for the consumer were not the household appliances and luxury items we sometimes think of as consumer goods—but were usually food. These imports have been higher at times than others: for example they were relatively high in the late 1930's and again in 1948. Since 1950 they have been rising again, but by 1953 they were still breaking no records. They have always represented a relatively small percentage of total Soviet imports. At the same time, during the postwar years Soviet policies were forcing the consumer-goods imports of the European satellites steadily downward.

These contrasting trends of rising Soviet imports and sinking satellite imports seemed likely to continue in 1954. This probability, plus Mikoyan's statement in his October speech that "we are helping the People's Democracies with certain commodities," made one wonder how much of the new Soviet imports of butter and other food were being reshipped to Eastern Germany and other satellites to alleviate the unrest there.

## A Shopping Spree for Ships

The U.S.S.R., while ordering more consumer goods, seemed even more anxious to buy ships.

Every trade agreement which the U.S.S.R. has signed with a shipbuilding nation of Western Europe since mid-1953—that is, with Finland, Italy, Belgium, the Netherlands, Denmark, France and Sweden—has included a sizeable quota for ship purchases, particularly fishing vessels and refrigerator ships. Contracts for fishing vessels were also made with firms in the United Kingdom and Western Germany.

It was safe to say that Soviet activity with respect to Western European shipyards since mid-1953 surpassed the biggest previous shopping expedition for ships, which came around 1949. And it was clear that by early 1954 the U.S.S.R. had greater commitments on the books to buy ships from the West than at any other time in its history. This was true in tonnage, value, and number of vessels.

Probably not all the trade agreement commitments will result in actual deliveries; on the other hand, the shopping spree is still going on and further commitments are likely. [Pg 25]

Because of Western restrictions on the export of certain types of ships, the new vessels destined for the Soviet Union were mainly of smaller types. A large number were fishing vessels, such as trawlers, fish processing craft, and refrigerator ships. Others were cargo ships, tugs and barges.

The buying of fishing vessels accords with the shortage of food in the Soviet bloc. Mikoyan in his October speech admitted there had been many complaints about the fish supply and that the Soviet fishing goals had not been met. But the Soviet search for ships could not be viewed entirely in the light of a desire to produce more consumer goods. The U.S.S.R. was seeking cargo ships in addition to fishing boats, ordering other marine equipment such as component parts and floating cranes and trying to arrange for more ship repairs in free-world ports. Western shipbuilders were inclined to be receptive to orders for vessels at a time when ship orders from Western countries were declining. At the same time it was impossible to ignore the fact that Soviet-bloc orders in the West can have the effect of freeing Soviet-bloc shipyards for the building of naval vessels. The campaign to buy ships thus presented the free world not only with more orders but also with a security problem.

The development of a Soviet merchant fleet is relatively recent. In 1939 the U.S.S.R. had seagoing merchant vessels totaling only 1,135,000 gross tons. It emerged from World War II with more than twice this tonnage. The main sources of the increase were lend-lease ships from the United States and war reparations. The United States in its lend-lease program leased to the U.S.S.R. 121 merchant vessels with gross tonnage of some 750,000 tons. Of these, 30 were returned to the United States and 4 were lost. The U.S.S.R. kept the others, and long exhaustive negotiations since 1946 have failed to settle this and other lend-lease claims. Through war reparations the U.S.S.R. acquired 170 more ships with gross tonnage just over one-half million tons. By 1953 the Soviet bloc—the U.S.S.R. and Poland for the most part—had a seagoing merchant fleet with a gross tonnage of 2-1/2 million tons, compared with free-world fleets totaling about 21 million tons.

## Most of All, They Want Hard Goods

The new Soviet purchases of butter, meat, and other consumer items have sometimes obscured the continuing heavy demand for equipment and raw materials needed for industrialization. There has been no appreciable decline in the Soviet interest in buying industrial commodities. [Pg 26] Such goods still dominate Soviet imports and new agreements to import—and that goes for the European satellites, too.

The Soviet bloc has shifted some of its priorities. The Soviet eagerness to buy ships is an example of a raised priority. The sharp drop in Soviet buying of Malayan rubber from the United Kingdom in 1953 was an example of a lowered priority. There are some other changes, but no change in the emphasis on industrial goods in general.

All the trade agreements concluded between countries of Eastern and Western Europe since mid-1953 have included quantities of such items—limited, of course, by the West's security controls which provide for the embargo of some items and quantitative restrictions on others. In the trade agreements of Czechoslovakia and Poland, we find quotas for deliveries from the free world of electrical equipment, ball bearings, steel products, pyrites, lead, zinc, aluminum, and many others. Bulgaria also has shopped for capital equipment. In exchange for their grain, vegetables, fruits, tobacco, and a small amount of manganese and chrome, the Bulgarians made trade-agreement commitments to get important amounts of cables, rods, bars, plate steel, railroad equipment, floating cranes, electrical machines and installations, mining equipment, and miscellaneous machinery. The U.S.S.R., besides its procurement program for ships, has written into its trade agreements certain kinds of machine tools, various kinds of steel, equipment for electric power plants, construction equipment, chemical products, textile machinery and machinery for the timber and food-processing industries. An analysis of one recent trade agreement showed that three-quarters of the value of the Soviet imports consisted of products of the metal working industries. Businessmen in the United Kingdom, which has concluded no recent trade agreement with the U.S.S.R., have reported that the Soviet bloc's real interest in buying British goods was confined mainly to items for production.

The attempts to purchase items like those named in the foregoing paragraph are nothing new. The point is, these efforts are continuing.

Many of these items have been under quantitative controls by the major free-world countries—that is, exported to the bloc in limited quantities only. Some of the most highly strategic items, such as the types of machine tools and bearings that are essential to war production, have been under embargo, and when that was true, the free countries that participate in the international control program have generally shipped them only to fulfill commitments made before controls went into effect, or in special cases where the countries felt strongly that the shipment was justified in view of the benefits to the free world that resulted from the two-way trade made possible by the shipment. In 1952 and 1953, for example, all nations receiving aid from the United States permitted the shipment to the Soviet bloc of roughly $15 million in items that were [Pg 27] listed for embargo under the Battle Act (Mutual Defense Assistance Control Act of 1951), as compared with total free-world shipments to the bloc of about $2.7 *billion* in the same 2 years.

These highly strategic items, of course, are the ones which the countries of the Soviet empire have wanted most of all. And when not able to get them legally, they have continued their efforts to get them illegally. The third semiannual Battle Act report, *World-Wide Enforcement of Strategic Trade Controls*, contained a detailed account of the underground trade that violates Western regulations. Since all foreign trade of a Soviet-bloc country is a state monopoly, it follows that the state is an active participant in this underground traffic. With the bloc, circumvention is an official policy.

The Soviet Union, despite its publicized buying of consumer goods—which have never been restricted by the free world—has definitely not slackened its efforts to obtain industrial goods whether strategic or nonstrategic in nature.

## Something Different in Soviet Exports

As told in chapter I of this report, the economic planners of the Soviet empire first figure out their import requirements and then decide what they want to export in order to pay for the imports. They look upon exports primarily as a means of obtaining goods which are more advantageous to import than to produce, or which they cannot produce.

In the present chapter, we have seen what sort of items they are currently interested in importing. Now we turn the coin over and look at the export side.

The most noticeable feature is that the U.S.S.R. in the last half of 1953 and the early part of 1954 introduced into free-world markets a number of mineral products which they had not sold in such quantities for some years.

These commodities included manganese, petroleum, and gold. All of them at one time or another have been among the major Soviet exports. Together with grain, timber, and furs, they make up the principal means that the U.S.S.R. possesses to procure the imports they want.

Why have the mineral exports been revived at this time? This leads us to the grain situation.

Grain has long been the Soviet Union's No. 1 export commodity, and still is. But Soviet grain shipments declined precipitately in 1953. The United Kingdom, usually the main Western customer for this commodity, stopped buying grain on a government-to-government basis and turned the purchasing over to private firms. At the same time the U.S.S.R. apparently decided to keep more of its grain stores at home. The efforts to furnish more fodder to livestock, together with below-average crops and collective-farm headaches in the U.S.S.R. and satellites, suggest the motivation for this. At any rate the private British firms were unenthusiastic about signing large contracts at the high prices set by the U.S.S.R., and grain shipments to the United Kingdom skidded from $101 million in 1952 to only $10.1 million in 1953. [Pg 28]

Although grain was far from disappearing as a Soviet export to the West, it became less potent—for the time being, at least—as a means of acquiring foreign exchange to pay for imports. This loss was only partially offset by a moderate increase in sales of Soviet timber to Britain and a big drop in the amount of Malayan rubber that the U.S.S.R. bought from the British. Meanwhile war reparations from Finland had ended in 1952, and deliveries of Swedish goods under a long-term credit agreement ended the same year. The Finnish and Swedish developments meant that about $80 million worth of goods which the U.S.S.R. had received from those countries in 1952 could not be duplicated in 1953 unless some other means of payment were created. All these events contributed to the reviving of some other export commodities.

How far the shift is going and how long it will continue cannot be predicted. Abrupt alteration in Soviet exports is hardly a novel development. For a time, around 1930, when forced collectivization of agriculture and forced exports of grain had induced famine in some areas of the U.S.S.R., the Kremlin opened the pressure valves a mite, heavily slashed the exportation of grain, and even *bought* some grain on the Baltimore exchange. That was a breathing spell in the midst of the first big Soviet push toward rapid industrialization. During the same general period, the U.S.S.R. found it expedient to force more production and more exports of furs, coal, and some of the same commodities now receiving special attention—petroleum and metallic ores—in order to get imports of capital goods needed in the ambitious industrial program.

## They Have Dug Up Manganese

Manganese is a silvery-white metal used in the making of hard steels. The U.S.S.R. is one of the world’s major sources of manganese. It can produce a large amount each year, depending on how much manpower it decides to throw into the effort. It consumes a lot in its own steel industry, even using manganese as a substitute for scarcer alloys like nickel and molybdenum. In addition, its plans usually provide for certain quantities of manganese ore to sell abroad.

These exports have continually fluctuated. Before the war they ranged from about 400,000 metric tons a year to about 1 million. The United States, which produces very little manganese, was a major customer. In the 1930’s we got about 40 percent of our manganese imports from the U.S.S.R. Other important customers were France, Germany, Belgium, and Japan. [Pg 29]

During the war, Soviet manganese vanished from world markets. The United States and other customers turned to sources in Africa, Latin America, and India.

In March 1945, Soviet manganese ore reemerged. The United States was the principal buyer, receiving 1,168,000 tons in about 4 years. In February 1947 the Soviet Foreign Trade Journal pointed out the importance of the United States to future Soviet plans for the export of manganese. But late in 1948 the Kremlin suddenly reduced its shipments to the United States almost to the point of embargo. A few shipments trickled in during the next 2 years and stopped entirely in 1951. Meanwhile deliveries to Western Europe did not undergo a compensating rise; they were little more than 100,000 tons a year.

Came the season of the last half of 1953 and the early part of 1954. The Kremlin’s zeal for exporting manganese bloomed again. Commitments to ship over 300,000 tons of the ore were written into trade agreements with Western European countries. Offers of manganese reached the United States through various channels.

Chrome is usually part of the package when manganese is sold. As could be expected, Soviet chrome commitments also climbed in late 1953.

There was also a revival of activity in the export of silver, platinum, and palladium.

## The Emergence of Russian Oil

But a more interesting commodity which the U.S.S.R. has begun to put on the market in bigger quantities was oil.

In approximately the last half of 1953 the U.S.S.R. made agreements to ship to free-world countries about 3.5 million metric tons of crude petroleum, kerosene, diesel fuel, and other petroleum products. The countries due to receive the largest amounts—if delivered—were Finland, France, and Argentina. Other customers were Greece, Italy, Iceland, Denmark, Sweden, Israel, and the Netherlands. Some deliveries were made in 1953; more would be made in 1954; there was no certainty that all the commitments would be fulfilled. But even a two-thirds fulfillment apparently would be enough to hoist petroleum ahead of lumber and furs and place it second only to grain among Soviet exports to the free world.

What would this mean to the free world? What problems would it raise? Again we can find clues in the past. The present situation is not the first time that the U.S.S.R. has created a stir by abruptly entering oil markets. This also happened in the late 1920’s, when the U.S.S.R. began exporting large amounts of oil as a means of obtaining industrial imports. These exports grew each year and were 6.1 million metric tons in 1932. This was around 10 percent of the world’s oil exports, and was almost 30 percent of Soviet oil production at the time. The United Kingdom and Italy were the major customers for this oil, but there were many others. The marketing was done [Pg 30] through various channels. The Soviet monopoly that controlled all oil exports set up a network of sales offices abroad. Long-term contracts were made in Spain, Italy, France, Belgium, and the Netherlands.

The expansion of Soviet oil sales gave rise to bitter price wars with established oil groups. The bitterness was made more intense by the fact that the Bolsheviks had neglected to settle for the foreign oil properties that they had seized after the revolution. As in all exports, the U.S.S.R. was more interested in total receipts of foreign exchange than in making high per-unit profits; so it could and did use price cutting as a means of achieving a foothold. Subsidiaries of some of the world oil trusts then tried to drive the Soviet oil back home by underselling the Soviet monopoly. But the attempts failed, and Soviet oil won an important place in world markets.

In the late 1930's, the oil was withdrawn. Soviet exports dropped back to 1.4 million tons in 1938, and kept fading. After the war, they came back only in a trickle—for example, 100,000 metric tons in 1951 and 250,000 in 1952, then rising to 450,000 in 1953 as some of the new commitments of 3.5 million tons began to be fulfilled.

Meanwhile the war had swept additional oil into the Kremlin's hands, including the oil wells of Rumania and those which were taken over as "German assets" in the Soviet zone of Austria. And the oil exported to the West from these new Eastern European acquisitions greatly exceeded the exports of the U.S.S.R. itself, amounting to 1.2 million metric tons in 1951, 1.7 million in 1952, and 2.3 million in 1953. In recent months, while the U.S.S.R. was making agreements to ship 3.5 million tons, the new export commitments of these other properties in Eastern Europe became known only in part, at least at this writing.

The Soviet bloc, though still short of certain specialized refined products, probably has the oil capacity to make considerable exports for at least some years, if the Kremlin so decides. Whether the bloc will indeed step into the world markets in an important way, as the U.S.S.R. did in the twenties, is of course not known. The West is watching closely to see whether the Kremlin will again use its monopoly control to undertake a major campaign of underselling other suppliers in [Pg 31] world markets.

It was natural for oil-importing countries in the free world to be interested in new supplies from the Soviet bloc, especially if the price was attractive or if the transaction also enabled a free country to market its own products in the East. But the West could not forget past patterns, nor ignore the problems brought by new Soviet sales.

When the Russians abruptly disappear from markets, free-world importers turn to free-world sources to make up the difference. And if the importers later jump whenever the Soviet Government decides to stage another of their dramatic entrances, the free-world sources whose production has been stimulated will be the losers. And who can predict when the dictates of the Kremlin—economic or political—will override the dictates of the market place, and the oil, manganese, chrome, or whatever it may be, will suddenly be whisked out of reach?

## Gold Sales Expanded

Down through the centuries, the word *gold* has exerted a powerful effect upon the imaginations of mankind. And last December, when the news came out that airplanes laden with gold bullion were flying from Moscow to London, there was a great buzz of interest. What were the Russians up to now?

The export of Russian gold was not new. The Soviet Union had been selling a sizeable amount each year in the free world. But in the last few months of 1953 a larger amount of Russian gold came out into the free world than had emerged in any recent year. Most of it, instead of entering the free market, went to the Bank of England. The total amount exported to England, Switzerland, and other countries during 1953 was not announced, but it was somewhere between $100 and $200 million.

There has been much speculation on the reasons for an increase in gold sales. The best explanation seemed to be that the Kremlin, hard pressed for adequate exports, decided—as in the case of manganese and oil—to use a fraction of its gold hoard so that it could continue to import the things it wanted from the free world. It has done the same thing on past occasions. For example, in 1928 the U.S.S.R. exported $167 million worth of gold and in 1937, $212 million worth.

Whether still larger amounts of Russian gold would be exported in the future was of course unknown. Concerning the size of the Soviet gold stock many guesses have been made, most of them ranging from $3 billion to $6 billion. The Soviet Union attaches great importance to its gold reserve. It has been willing to part with gold only in limited amounts or for special purposes. In any event, the gold hoard would not be big enough to use as a base for a large-scale, long-term [Pg 32] trade relationship. Nevertheless, over the short run, and for limited purposes, the U.S.S.R. could, if it desired, export a lot more gold than it has to date. Gold therefore is an intriguing question mark of East-West trade.

## Reaching Outside Europe

Moscow, while shopping for more ships, peddling more gold, and making other moves in the industrial countries of Western Europe, also reached outside Europe and tried to fasten closer economic ties with Asia and Latin America. The trade of the Soviet Union with the non-Communist areas of Asia, and with Latin America, has never amounted to more than driblets. That of Czechoslovakia and Poland has been a little bigger. The U.S.S.R. entered this field in 1953 with a good deal of propaganda effect. The effect in delivery of goods was still to be seen.

The Soviet trade bosses used a number of devices.

One device was to offer loans and technical assistance. Some of the loans were connected with trade. Others, related to construction activities within free-world countries, were more suggestive of investments and provided opportunity for increased Soviet or Communist Party economic penetration. There was a marked interest in assisting in the establishment of storage and supply facilities. So far, few Soviet offers have been accepted. Possibly this is because they are disturbingly reminiscent of the penetration techniques that were used to gain economic leverage inside the Eastern European countries and China prior to Soviet political domination of these regions. Or it may be that skepticism has been aroused by the experience with Communist Party use of commercial enterprises in some Western European countries to finance the local party and the Kremlin's activities.

Another device has been to build lavish exhibits at "trade fairs." This activity, though carried on in Western Europe too, was especially marked in South Asia. On an increasing scale, since 1951, the Soviet Union and its satellites have been using trade fairs for a double purpose—to promote the kind of trade the bloc desires and to propagate Communist ideas.

By elaborate and costly displays the Soviet-bloc governments seek to dominate the fairs; to overshadow the exhibits of the United States and other free-world countries; and to create the illusion of an industrial and commercial superiority over the Western nations, especially the United States. The U.S.S.R. makes a concerted and determined effort to discredit and minimize the industrial and technological achievements of the United States by contrasting the great size of the Communist nations' participation with the usually modest representation by United States [Pg 33] firms. An important distinction between Soviet and U.S. exhibits is that the former are developed as a state trade promotion and propaganda undertaking, and involve the building of special pavilions, whereas U.S. participation amounts to the sum total of exhibits of individual U.S. industrial and commercial companies assembled for the single purpose of promoting the sale of individual products.

The importance which the bloc attaches to these undertakings is found not only in the mountains of propaganda it issues on the subject, but in the sizeable expenditures it makes. For example, in 1952 the U.S.S.R. and its satellites dominated the Bombay International Industries Fair with four big exhibits. The Soviet exhibit was the largest; it cost more than $200,000 and was manned by a staff of 40. Communist China's exhibit was the second most pretentious, with Czechoslovakia and Hungary also participating in an impressive way. At the Thailand Constitution Fair at Bangkok in December 1953, the Soviet exhibit was again the most elaborate. The Soviet Government established a special pavilion that cost an estimated $500,000 and housed 5,000 items, including trucks, automobiles, precision equipment, glassware, rugs, and preserved foods.

Yet another device was to join hands with a key nation of each continent in a brand-new impressive trade agreement which seemed to offer attractive benefits to that nation and which might stimulate neighboring countries to hanker after similar opportunities. The Kremlin chose India and Argentina. The U.S.S.R. concluded trade agreements with those two countries for the first time. So did some of the European satellites, and other satellites renewed existing agreements. The U.S.S.R. and the satellites also renewed existing agreements with certain other countries in Asia and Latin America.

The two-year Russian trade agreement with Argentina, signed in August 1953, was one of the most interesting of the year. For one thing it came at a time when trading missions of the U.S.S.R. and its satellites were becoming more active throughout Latin America—and the Soviet-Argentina agreement helped those missions to gain a somewhat more receptive audience for their overtures. Latin American governments have cooperated with other Western nations in withholding highly strategic commodities from the Soviet bloc; for example, bloc proposals to buy Chilean copper and Bolivian antimony and lead were not accepted. Obviously the Kremlin hoped to bring about more resistance to the control of strategic materials and to create Western disunity over that issue.

This trade agreement between the U.S.S.R. and Argentina was also interesting for its size and composition, at least on paper. It called for deliveries of $60 million in each direction, presumably during the first year, with an additional Soviet credit of $30 million. Argentine [Pg 34] shipments were to include wool, hides, linseed oil, meat, and other goods that the Soviet Union could undoubtedly use. But the list of Soviet exports included some items for which the Soviet bloc seemed to have equal or greater need. The U.S.S.R. promised to deliver a large quantity of machinery and transportation equipment on credit, as well as petroleum, coal, and other items. Proposals to deliver certain kinds of machinery also cropped up in Soviet agreements with India and Iran.

Machinery, as we know, is what the Soviet rulers go to extreme pains to *import*. If they were serious now about exporting it, and if they really intended to deliver large quantities and not mere tokens, it would be something new, although even then they would probably not be exporting the advanced types which they usually seek to obtain in the West. It remained to be seen whether the U.S.S.R. would come anywhere near to complete fulfillment of the trade agreement with Argentina, for example. But one could only suspect that the promises of big and attractive deliveries—whether fulfilled or not—were made in large part for the purpose of weakening the ties of those countries with the rest of the free world.

In this chapter we have traced various threads of the Soviet trading activities, and have suggested reasons why they engaged in each kind of activity.

Now it is necessary to look more deeply into the whole complex of Soviet foreign trade policy and sum up what’s behind it all.

## *CHAPTER IV*

# What’s Behind It All

From the Kremlin comes a continual flow of propaganda, spread to the ends of the earth by the international Communist movement, to the effect that the Union of Soviet Socialist Republics is the Champion of Peace.

Stalin’s death afforded the Communists a convenient opportunity to portray a new regime zealous for a peaceful, normal world. They did not say out loud that Stalin had been *less* zealous, but they were not reluctant to play upon the world’s fervent wish that the new management would turn over a bright new leaf. And they were willing, even eager, for the world to believe that one part of the pursuit of peace was the promotion of East-West trade.

### The Kremlin and Peace

Can the so-called Soviet “trade offensive” of 1953-54 really be explained as an effort to establish a just and lasting peace, as the West understands the word? If we could believe that, the world might suddenly seem a more comfortable place to live in. We must always keep the door ajar for any genuine steps to abandon the Soviet brand of imperialism, to abandon the basic unfriendliness of purpose toward everything not under Moscow’s control. The free world was looking for such a movement at the Berlin Conference in the early part of 1954, but it did not show up.

The only way peace could be accepted as a Soviet trading motive would be to define peace as the Soviet leaders themselves have defined it in the past, not in their propaganda but in their party teachings.

“The peace policy of the proletarian state,” according to a Comintern Congress resolution of 1928, “certainly does not imply that the Soviet state has become reconciled with capitalism ... It is merely ... a more advantageous form of fighting capitalism, a form which the U.S.S.R. has consistently employed since the October Revolution.”

Lenin, in a statement which was reprinted in 1943, said that “every ’peace program’ is a deception of the people and piece of hypocrisy unless its principal object is to explain to the masses the need for a revolution, and to support, aid, and develop the revolutionary struggle of the masses that is starting everywhere. ...” 

There is no evidence that the new Soviet regime has overnight embraced free-world ideas about peace and warfare. To the disciples of Marx, Lenin, and Stalin, the world is always in a state of warfare. The warfare waged by them is three-fold: psychological, economic, and military. Military action is a last resort, but psychological and economic action never ceases. Stalin did not invent this concept, though he put it into action on a large scale. Nor was it exclusively Russian. The German military philosopher, Clausewitz, whose mid-19th century writings were carefully noted by Lenin and Stalin, wrote: “Disarm your enemy in peace by diplomacy and trade, if you would conquer him more readily on the field of battle.”

### A Mixture of Motives

Hence the question arises: Can the Soviet trade offensive be explained as a campaign of “economic warfare”?

That depends on what is meant by economic warfare.

Paradoxically, many people think of economic warfare as meaning economic action in which economic considerations are relatively unimportant, and the gaining of political or psychological advantage is dominant.

If economic warfare is taken in this sense, the answer to our question is “no”. The explanation of the Soviet trade offensive is not that simple. The Soviet Union and its satellites have economic needs. They use foreign trade to serve those needs. We have noted in this report how they determine what imports they want from the free world, and then develop a program of exports to pay for the imports. They are not in the Olympian position of being able to pick and choose these imports and exports solely on the basis of whether the choice will help them deceive, confuse, embarrass, or divide the capitalistic West. Therefore it is a grave oversimplification to assume, as some people do, that the Soviet Communist’s every action in the market places of the world inevitably brings him advantages in international politics.

On the other hand it would be an even greater mistake to assume that economic considerations always govern; that because the Soviet-bloc governments often use normal trading channels and devices they must be looking upon trade through the same eyes as the businessman of Indianapolis, Manchester, or Stockholm; and that politeness at the bargaining table is the undoubted mark of innocently “economic” commerce, free of ulterior motives.

The truth is: Soviet-bloc trading actions are neither purely economic nor purely noneconomic.

The Soviet trade offensive can be explained in terms of economic warfare, if we define economic warfare as economic action by the state that is designed to serve basic hostile objectives directed at another nation or group of nations—whether or not the immediate gains are economic. 

### Their Objectives Haven’t Changed

In Chapter I, the Soviet bloc’s long-term objectives in its economic relations with the free world were outlined. It was pointed out that these objectives have a dual character: strengthening the bloc and weakening the free-world powers. The objectives were summarized this way:

1. To feed the economy, especially the industrial-military base, with imports that help the bloc become more powerful and less dependent on the free world.
2. To drive wedges among free-world nations at every opportunity.
3. To increase the reliance of free-world nations on the bloc for markets or supplies, and thus make the free world more vulnerable to bloc pressures.

Within this broad framework the Kremlin pursues more immediate and specific goals, such as:

- Obtaining through normal commercial channels the ships, machinery, and other industrial goods which they can produce only at relatively high expenditure of labor and resources—or which they cannot produce at all.
- Obtaining through illicit channels those strategic materials whose shipment is restricted by free-world governments in the interest of their national security.
- Forcing the relaxation of free-world security controls in order to get strategic goods more cheaply and easily and to create dissension among free nations.
- Fostering rivalry among free-world merchants in trading with the bloc, thus reducing the net cost to the bloc of obtaining goods it desires from the West.
- Buying increased quantities of certain consumer goods, though apparently just enough to help with problems within the bloc and to rouse the interest of the West. (Of course it would not take a "trade offensive" to obtain these consumer goods, for they have never been restricted by the West.)
- Selling the West an exaggerated idea of the size and reliability of markets, supplies, and general benefits that can be obtained through East-West trade. [Pg 38]
- Making their limited export commodities go as far as possible in solving their import problems without draining vital resources away from their program of forced industrialization.
- Making financial and other economic arrangements in neighboring countries and nonindustrial areas in order (1) to gain more influence and more access to resources there, and (2) to diminish the influence and access to resources of free-world industrial nations.

The foregoing can be recognized, as among the things being attempted in the Soviet "trade offensive" of 1953-54. They did not fall in separate compartments, but were woven together in a central plan and they contributed to one another. They were not so new as some of them might look at first glance. The long-term objectives which they served were not new at all.

## Their Practices Haven't Changed

Some new tactics have been adopted, as we have seen. But even many tactics have more of an old look than a new. Soviet-bloc business practices still clash with Western concepts of normal, peaceful trade relations.

Soviet-bloc representatives have access to many free-world factories, visit docks and inspect merchandise destined for the bloc, maintain offices in commercial centers, receive technical materials from libraries and business firms, and pick up voluminous statistics on free-world resources, production, exports, and imports.

The governments of Soviet-bloc countries do not reciprocate. Although they entertain delegations of diplomats and businessmen and occasionally allow individuals to visit certain places when it serves their purposes, the Western business community in general is barricaded out of their cities, factories, and countrysides, and the peoples of the bloc firmly locked in. Disclosures of even the simplest facts and figures about their economies is a serious crime. They do not enter into the customary international agreements for the protection of patents. Though they claim to have invented almost everything, much of their industrial progress is based on piracy of Western inventions and technology, from the tiny Moskvich automobile to the jet engine. They have failed to settle promptly and adequately claims for confiscation of Western properties and for lend-lease assistance. Furthermore the terms on which they often seek to trade omit customary guarantees of fair dealing. For example, the U.S.S.R is still trying to insert clauses in its East-West contracts requiring that any dispute between the Soviet Government and the free-world businessman be arbitrated by the Chamber of Commerce of the Ministry of Foreign Trade—an organ of the Soviet Government. And as we have already seen, they make every effort to circumvent the export [Pg 39] controls of other nations; they pay citizens of those nations to violate the laws of their governments.

The best way to characterize the Soviet "trade offensive" is that the Soviet rulers have improvised for their trade structure a new facade of papier mache but have not reconstructed the interior. In changing circumstances the Kremlin was seeking effective ways of accomplishing the same traditional objectives of feeding its industrial-military machine and weakening the free world.

In the absence of Soviet-bloc policies conducive to furnishing a long-term steady supply of exports desired by free-world countries, the West could hardly expect East-West trade to return to the prewar volume, though a short-term boost would not be surprising. The combined value of the trade in both directions between the free world and the Soviet bloc in Europe was $2.6 billion in 1951 ... $2.4 billion in 1952 ... and about $2.2 billion in 1953. By contrast, total foreign trade within the free world in 1953 was about $148 billion.

It is not only the amount of trade that must be considered, however, and that is why we have devoted attention in this report to what goods were involved and what the new Soviet regime was trying to accomplish.

## The Free World Is Strong

What are the implications of all this for the free world?

In the face of the Soviet objectives, methods, and recent trade activities, one can recognize the inadequacy of two extreme policies that are often urged upon Western governments. Those extremes are:

1. Complete embargo on trade with the bloc.

2. Completely unrestricted commercial relations with the bloc.

Complete embargo would be the conventional answer in military conflict. But to urge complete embargo in the present situation is to ignore the fact that the present trade situation offers opportunities to the free world. The free world, with its enormous production, can benefit from trade; the test is what goods are traded and on what terms. The free nations are stronger economically than they have ever been. Collectively they are far stronger than the Soviet bloc. They possess tremendous resources. On the whole they have solid and healthy competitive systems. Their businessmen have behind them centuries of experience in bargaining, merchandising, and servicing. With these factors creating for the free world a currently strong trading position, the free-world nations should be able to take advantage of the needs of the Soviet bloc and by hard bargaining gain benefits from East-West trade.

Completely normal and unrestricted commercial relations with the bloc seem to be equally unsuitable as a course of action.

If the free world should abandon the controls it has imposed in the interest of national security, [Pg 40] drop its guard and permit unrestricted trade in *all* its raw materials, industrial goods, and advanced technology—the free world would be the loser. In view of the Communist objectives and methods, unrestricted trade would permit the bloc to increase its war potential—and specifically the all-important economic base of its war potential—faster than it otherwise could. The goods received by the free world would bring no commensurate return.

If such trade encouraged a general relaxation of the free world military defense, it would be that much more damaging to the free world. In any event, unrestricted trade would permit the Soviet traders to compete freely in Western markets for important strategic goods needed for Western military defense, thus making that defense more costly and difficult for many free-world nations.

Employing the monopoly power of the Soviet states, individually or collectively, the bloc would be able to extract economic advantages and unwarranted concessions from the weaker individual traders and nations to the net detriment of the free world.

Finally, unrestricted commercial relations, in which commercial gain is the overriding criterion, would weaken the free world insofar as they increased the economic reliance of certain free areas upon the bloc. This could be harmful by increasing the vulnerability of these areas to Soviet pressure. It could also have the effect of diverting the attention of the free world from its compelling general economic tasks such as developing bigger, better, and more accessible markets and making international financial and trade arrangements that will diminish the difficulties of sharing the free world’s vast resources and production among the nations.

## The Challenge

Thus, the problem and the challenge is to find and to steer a course midstream—to trade with the Soviet bloc on terms which bring to the free world a net advantage. This is no simple matter.

There are two sharp dangers for the free-world nations.

One is the danger of being divided in purpose, split apart on policies requiring concerted action, and forced into competing among themselves in circumstances which call for unified action.

The other is the danger of being deceived about what is going on in East-West trade and what’s behind it. This danger grows partly out of the complexity of economic relations and the fact that the Soviet system and approaches to economic relations and peace in general are so different from ours. It grows partly out of the fact that deception is intentionally practiced by the Soviet Communists.

On the other hand, the Soviet-bloc governments have limitations in trying to accomplish their [Pg 41] purposes. The free world, aware of its own strengths, can meet a great part of the challenge by working together not only to understand the Soviet bloc’s general objectives and goals, but also to identify the specific actions which the bloc chooses at any given time to accomplish them. In this way the free world has the opportunity of segregating the harmful from the helpful.

We of the free world will neither be deceived nor divided if we keep ourselves armed with facts and work as a team.

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# *CHAPTER V*

# U. S. Policy on Strategic Trade Controls

The economic and trading activities of the Soviet empire require close and continual study by free governments, but Soviet actions alone do not determine free-world policies.

Let us be perfectly clear on this point. The theme of the early chapters of this report has been the Soviet "trade offensive" and its background, just as the theme of the third semiannual Battle Act report was the enforcement of free-world strategic trade controls. The selection of the theme, however, should not be taken to mean that Soviet trading activities are the only factor that free-world nations must take into account when they consider what economic defense policies to maintain in the interest of their security.

In 1953 certain other considerations were demanding the careful attention of the agencies of the United States Government that are responsible for economic defense.

## The Background

One of these considerations was the probability that the world faced a long period of tension short of general war, though with the ever-present risk of war. In such a period, no matter how long it might last, it would be essential for the free nations to remain strong and alert, to move together in whatever steps were necessary for military or economic defense, and at the same time to keep open the paths that might lead to a sounder basis for peace.

Another factor of historic significance was the massive upswing in the strength of the free world. Western Europe, especially, had moved into a far stronger position, both militarily and economically, than it had occupied a few years earlier. This gave the West greater bargaining power and it reduced the dangers of undue economic dependence on Soviet-bloc trading partners.

As Western Europe grew stronger the need for economic assistance from the United States declined. Although military aid continued in a big way, economic aid began to taper off.

Accompanying the increase in Western economic strength was a general shift in the free world from a "seller's market," in which goods were scarce and sellers had a relatively easy time [Pg 44] finding buyers, to a "buyer's market," in which buyers generally could pick and choose. Some of the free countries had produced themselves into surpluses of some commodities—or had built up surplus capacity and needed additional markets in order to keep their industries prosperous.

This change brought more and more pressure from people in free countries to carry on increased trade with the Soviet bloc. Some groups had been clamoring for this all along, and had helped spread the time-worn Communist propaganda that a friendly and peace-loving "big brother" in Moscow was ready and waiting with an unlimited paradise of peaceful trade and that the only obstacle to its attainment was the strategic trade controls of the West. But now large numbers of *anti*-Communist businessmen, even though many of them were aware that the Communist propaganda was false and that Soviet policies had always been the prime deterrent to a large and peaceful commerce, felt that some increase in East-West trade would be beneficial as a supplement to their much greater trade in the free world. They recognized the limitations of the Soviet bloc as a stable, long-term trading partner, yet saw no reason why an expansion should not be sought.

This attitude was stimulated by the Korean truce of July 27, 1953. It was also stimulated by the gestures that the Soviet Union began making in the direction of livelier East-West trade.

Governments in the free world tended increasingly to the view that some revisions in Western controls might be made without sacrifice of security interests.

## Basic Policy Reaffirmed

The new administration in Washington, taking account of such considerations as those, and wishing to be sure that United States policy was the most effective that could be devised, began a thorough review of the economic defense policy of the United States in the spring of 1953.

This policy review was completed around the beginning of August. The third semiannual Battle Act report, which was published last September 28 and which covered the first half of 1953, stated that the conclusions of the review "will be reflected in the economic defense actions of this Government during the months to come." In the present report, which covers the second half of 1953, it is possible to give more information about those conclusions.

As a result of the policy review *the basic economic defense policy of the United States was reaffirmed*. There were, however, some shifts of emphasis—with respect to trade with the Soviet bloc in Europe—designed to make the basic policy more effective. We shall discuss those shifts [Pg 45] presently, but first let's summarize the basic policy as it has existed throughout the 6 months covered by this report.

This basic policy of the United States on East-West trade rested on the following principles:

1. Mutual security can best be advanced by continued increase in the political, economic and military strength and cohesion of the free nations relative to that of the Soviet bloc.
2. The free nations should not furnish a potential aggressor with goods which directly and materially aid its war industry and military buildup.

3. The free world may derive a net security advantage out of some East-West trade.
4. Security export controls should be applied on a selective basis, except in the case of military aggression, when a policy of complete embargo may be in order.

In accordance with those principles the United States has long been exercising certain controls over its own trade. Here is a short description of those controls:

**United States exports to Soviet bloc in Europe**: Not prohibited entirely, but limited to clearly nonstrategic goods.

**United States imports from Soviet bloc in Europe**: Not prohibited, except for certain types of furs.

**United States shipping to Soviet bloc in Europe**: Not prohibited, if carrying properly licensed goods.

**United States exports to Communist China and North Korea**: Prohibited.

**United States imports from Communist China and North Korea**: Prohibited. (Some licenses were issued, though not recently, for goods needed in United States military stockpiles and in special hardship cases.)

**United States shipping to Communist China and North Korea**: Prohibited.

As for the trade of the rest of the free world with the Soviet bloc, the policy of the United States was set forth in the Battle Act (the text of which is at the end of this report) and in certain executive directives. The policy was not to prevent all East-West trade but to cooperate with other free-world countries in a system of *selective* and flexible controls. The aim was to prevent Soviet-bloc countries from obtaining items that would contribute significantly to their warmaking power, and to insure that the trade which did go on served the real economic and security interests of the West.

Ever since the Communist aggression in Korea in 1950, the Far East has presented a policy problem different from the problem of controlling shipments to the bloc in Europe. The official position of the United States Government—both before and after the 1953 policy review—was [Pg 46] that the current levels of controls by the United States and free world over shipments to Communist China and North Korea should be maintained. Later on in this chapter we shall report on what happened in the China trade during the last half of 1953.

## The New Direction of Policy

So much for the basic policy. Now for the shifts in emphasis that took place in United States economic defense policy toward the Soviet bloc in Europe during the 6 months covered by this report.

It was determined that the system of the free-world controls that had been developed during the last 4 years substantially satisfied the objectives of retarding the buildup of Soviet warmaking power and strengthening the free world relative to the Soviet bloc. The effort to extend the control lists appeared to be reaching the point of diminishing returns. It was decided not to pursue an extension of the lists to many other items—though items would always be added occasionally because of changed conditions or new information.

On the other hand the Government recognized a need for simplifying the lists and removing or downgrading items, which, in the light of current information, were no longer deemed to be so important. The Government believed that much could be done in the months to come, if done carefully and with due regard for security, to adjust the controls to a “long-haul” basis. (Developments in the first half of 1954 will be reported in the next Battle Act report.)

In general, it was decided to concentrate on seeking more effective control of those items which, if shipped, would make a significant contribution to Soviet warmaking power.

The main thrust from the United States toward improvement of the control system, it was decided, would be in the field of implementation and enforcement of controls. Notable deficiencies existed in that field. To overcome them the free nations would need to keep improving their techniques, and would need closer international collaboration and pooling of information.

The new direction also took into account, even more than ever, the economic and political problems of free-world countries. Free-world unity was so vital, and the economic health of free nations so important to the defense of free institutions, that problems of our allies deserved to be given great weight in determining the actions of this Government in the East-West trade field. This was not a new concept, but this Government felt that such problems needed to be discussed among the free countries more than in the past.

In setting the new direction the Government recognized: [Pg 47]

(1) that maintaining commercial ties between the free world and the Soviet bloc—compatible with the security requirements of the free world—may have positive advantages during the present period of tension;
(2) that there are, however, risks that trade may in some cases lead to undue reliance on the Soviet bloc as a trading partner;
(3) that it is important to encourage trade within the free world, including the entry of commodities into the United States, by reducing trade barriers, especially when the effect of such action would be to decrease the reliance of the free world on the Soviet bloc.

Those were among the highlights of the new direction. As explained before, the basic economic defense policy was not altered.

## Reviewing the Control Lists

In the light of this basic policy, and its new direction, the Government agencies responsible for economic defense were engaged in certain projects during the period covered by this report.

One of the most important of these projects was the review of the control lists. This review was a complex and time-consuming operation, which continued into 1954.

It is easy for the public to become confused about control lists, not only because of their necessarily secret nature, but also because there are so many lists, serving different purposes.

The United States has had three main lists for its own exports:

The munitions list, compiled and administered by the Department of State; the atomic energy list, compiled and administered by the Atomic Energy Commission; and a much longer list, covering all other controlled items, which is compiled and administered by the Department of Commerce.

In addition there are the Battle Act lists. They relate to potential exports from other countries to the Soviet bloc. They include those primary strategic items which we believe the other free-world countries should embargo in the interest of mutual security.

Then there are lists consisting of those items—at varying levels of control—which the cooperating free-world nations have accepted as a part of their informal coordination of controls.

All of these lists are subject to a continual process of review. But as a part of the new direction in United States policy, this continuing review process was broadened into an intensive reappraisal. Specialists from several Government agencies were reevaluating all our listings in terms of sharper and more meaningful criteria, and in the light of all the new relevant technical and [Pg 48]
intelligence information that could be assembled.

This review would furnish the basis for appropriate adjustments and for United States discussions with other governments in 1954 concerning the coverage of export controls.

## East-West Trade: Road to Peace

It is a part of the economic defense policy of the United States never to lose sight of the vital need to keep open all paths that might lead to a sounder basis for peace in the world.

We not only recognize the economic benefits that free-world nations can get from an expanding East-West trade in peaceful goods; we also bear in mind the possibility that trade contacts can help to improve relations among peoples.

But in hoping for and working toward that end, we are not thereby accepting the belief that international trade inevitably and automatically leads toward peace. Hitler's Germany expanded its foreign trade right up to the outbreak of World War II. We must view with skepticism the Communist propaganda line on trade and peace, for we know what their trading objectives and methods are. East-West trade as now constituted is carried on not with private individuals in the Soviet bloc but with agencies of Soviet-bloc governments.

International trade in general can be a broad highway toward better living standards and more peaceful relations. It has served humanity well. There should be more of it. But it takes two to trade, and trade is not necessarily a road to peace unless both parties wish to make it so.

## Trade Within the Free World

Toward the close of the 6-month period under review, the President's Commission on Foreign Economic Policy (Randall Commission) was hard at work. There was a great amount of public discussion, continuing into 1954, concerning ways in which the United States and other free-world countries could eliminate or reduce the obstacles that hinder the international exchange of goods.

The Commission, issuing its report in January, had much to say on the reduction of trade obstacles.

The Commission also included a section on East-West trade, recommending that the United States not object to more trade in peaceful goods between Western Europe and the European bloc.

These two subjects, trade liberalization and East-West trade, are connected with each other. When businessmen in free-world countries are hindered—either by trade barriers or other artificial causes—from selling products in other free-world countries, they are more prone to seek [Pg 49]
markets in the Soviet bloc.

To a certain extent this aggravates the problem of maintaining adequate strategic trade controls and the problem that some free-world countries have of avoiding undue dependence on the Soviet bloc.

It would be impractical to seek the elimination of all trade restrictions within the free world but it is important to reduce unjustifiable barriers and it is also important to take whatever other steps are possible to develop new markets and new sources of supply.

To bring alternative markets and supplies into being is not an overnight task but it must be done. It means the reduction of many restrictions in the United States, thus allowing more goods to come in from our friends and allies. It means a similar loosening of restrictions by other free nations. It means more and better economic integration among the European countries. It means steady advancement in the economic development of the underdeveloped areas of the world.

All those things are important for many reasons. East-West trade is one aspect of the matter. The United States Government recognizes that hindrances to the exchange of goods within the free world do have a definite relationship to the international system of strategic trade controls.

### The China Trade Falls Off

This report so far has concerned itself almost entirely with trade between the free world and the Soviet bloc in Europe. Now it is time to shift our attention to the China trade.

During the 6 months under review, free-world trade with Communist China fell far below the first half of the year. Free-world exports to Communist China from July through December are estimated to have been $111.1 million, as compared with $158.9 million in the first half of 1953. This meant that shipments in the report-period fell below even the extremely low level of the first half of 1952.

The result of this decline in shipments to Communist China was that the estimated total for all of 1953 was $270 million, only a slight rise in value from the 1952 exports of $256.5 million [1]. A larger rise had been foreseen. The last Battle Act report to Congress, *World-Wide Enforcement of Strategic Trade Controls*, pointed out: “If free-world exports continued at the same rate as that of the first 3 or 4 months of the year—and that is not at all certain—the 1953 total would be around $375 million.” It actually seems to have been about $100 million short of that. [Pg 50]

Free-world imports from Communist China also dropped in the second half of 1953, though not so sharply as exports. They amounted to $198.4 million in the second half, according to a preliminary estimate, compared with $226.6 million in the first half of the year. This brought the estimated annual total of imports to $425 million in 1953, as compared with $365.8 million in 1952.

It was true that in spite of the decline in the latter part of the year, some countries were able to sell more goods to the Chinese Communists in 1953 than they had in 1952. For example, exports of Western Germany rose from $2.8 million in 1952 to $25 million in 1953, in line with the general rebirth of German foreign trade. Exports of France rose from $3.3 million to $12.4 million, and Japan from half a million dollars to $4.5 million. Exports from the United Kingdom rose from $12.8 million to $17.5 million. On the other hand exports from the British Colony of Hong Kong, the traditional gateway of commerce to and from the mainland of China, fell so drastically in the second half of 1953 that the Hong Kong total for *all* of 1953 was only $94.6 million, or little more than the $91 million of the previous year. And the Communists slashed their buying of Pakistan cotton, which had come to about $84 million in 1952, down to about $7 million in 1953.

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[1] These 1952 and 1953 figures are adjusted to exclude Swiss watches, which appear in Swiss official statistics as exports to China, but which actually went to the British Crown Colony of Hong Kong and were reexported to other free-world countries. Switzerland, in reporting its “China” trade, lumps together its trade with Communist China, Nationalist China, and Hong Kong. The watches in question are believed to amount to approximately $1 million a month, on the average.

### They Play by Their Own Rules

Clearly the glittering prospect of a vast and lucrative trade with the Chinese Communists which had captured the imagination of many Western traders was not materializing.

The China Association, a British trade organization, said in December: “There is no doubt but that the potentialities have been greatly exaggerated in the public mind, partly as a result of the superficial successes of the various unofficial trade missions which have paid visits to Peking this year. This overeagerness has unfortunately been reflected in an increasing severity of the terms which China now demands.”

Information about the increasing severity of the trade requirements which Communist China was trying to impose upon the free world came from all sides in the last half of 1953. Those terms would hardly suggest a genuine interest in normal and expanding trade relations.

When the Chinese Communists sell, they demand a confirmed letter of credit in the hands of their own bank before they will ship the goods. They collect payment as soon as they have loaded the goods on a ship. They present a Communist Chinese Government certificate of inspection against which the buyer has no recourse if he finds—weeks or months later—that the quality of the goods is below specification. [Pg 51]

One who sells to Communist China is asked to follow a very different set of rules. He ships his goods and waits until they have arrived in Communist China, have been inspected by Communist Chinese Government inspectors, and are in the hands of the buyers, before he can collect his money. In the meantime he extends credit without interest, immobilizing the capital he had invested in the cargo, freight, and insurance, and is forced to accept claims resulting from inspection of his goods in Communist China.

No doubt exceptions to these rules are still being granted to some Western traders, for the rules are so remote from long-recognized international trading practices that many firms would naturally balk at them. But there is no doubt that the unconventional and frustrating practices of the Chinese Communists have interfered seriously with the amount of commerce and have disillusioned many who saw an almost unlimited market in China's multitudes.

### United States Policy on the China Trade

As mentioned before, the policy of the United States throughout the 6 months under review was to continue its total embargo on all exports—strategic or nonstrategic—to Communist China and North Korea, which were aggressors, and labeled as such by the United Nations. Rumors heard from time to time in various countries, to the effect that the United States had decided to relax its embargo or was under irresistible pressure to do so, and that American cars were reaching the Chinese mainland by way of Japan, were completely untrue.

The position of the United States throughout the review period was also that the free-world embargo on strategic goods to Communist China—an embargo much more sweeping than that applying to the European bloc—should be maintained. Other free governments took the same position, and the embargo continued in force. Such relaxations as took place in controls were changes that did not affect the multilateral embargo. One example was the change in the control of antibiotics and sulfonamides. The nations which carry on trade with Communist China had been controlling those drugs, while hostilities continued in Korea, by limiting the quantities shipped; the quotas assumed by the various nations were scheduled to expire on December 31, 1953, and were permitted to expire on schedule. Another example was the relaxation by Japan on certain items that had been under embargo by that country—but these were items that the other countries were not embargoing. The same was true of the United Kingdom's decision to permit the shipment of light passenger automobiles. [Pg 52]

Though the policies of other major free governments regarding trade with Communist China have not been identical with our own, the United States has not attempted—and will not attempt—to bring about conformity through coercion.

This is true of all of our relations with other countries, not merely our relations with them on the issue of Communist China.

Leaders of this Government forcefully reaffirmed that principle during the period we are reviewing.

Secretary of State John Foster Dulles said in a statement on December 1:

> "The tide of events has made our Nation more powerful but I believe that it should not make us less loyal to our great American traditions; and that it should not blur our dedication to the truths, expressed in our Declaration of Independence, that we owe a respect to the opinions of others.
>
> "Today it is to our interest to assist certain countries. But that does not give us the right to try to take them over, to dictate their trade policies and to make them our satellites.
>
> "Indeed, we do not want weak or subservient allies. Our friends and allies are dependable just because they are unwilling to be anyone's satellites. They will freely sacrifice much in a common effort. But they will no more be subservient to the United States than they will be subservient to Soviet Russia.
>
> "Let us be thankful that they are that way, and that there still survives so much rugged determination to be free."

On December 2, President Eisenhower endorsed the declaration of the Secretary of State and said this:

> "The easiest thing to do with great power is to abuse it—to use it to excess. This most powerful of the free nations must not permit itself to grow weary of the processes of negotiation and adjustment that are fundamental to freedom. If it should turn impatiently to coercion of other free nations, our brand of coercion, so far as our friends are concerned, would be a mark of the imperialist rather than of the leader.
>
> "What America is doing abroad in the way of military and economic assistance is as much a part of our own security program as our military efforts at home. We hope to be able to maintain these overseas elements of our security program as long as our enlightened self-interest requires, even though we may, and probably we always will, have various differences of opinion with the nations receiving our aid." [Pg 53]

On that same day, Admiral Arthur Radford, Chairman of the Joint Chiefs of Staff, speaking in general of America's leadership role in the world, said in a speech at West Point:

> "Relationships between members of coalitions are never simple, particularly in coalitions as large as ours of the free world. The smaller nations expect, and are entitled, to exercise their sovereignty and independence. Our leadership therefore involves self-restraint if our objectives are to be achieved by consent, rather than through the pressure techniques imposed by the Soviet on her satellites."

There is one commodity that is not on any list but is more important than all others, and that is the cement that binds the free world together.



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# *CHAPTER VI*

# The Battle Act and Economic Defense

The Mutual Defense Assistance Control Act of 1951, usually known as the Battle Act after Representative Battle of Alabama, established a general framework of policy within which the executive branch takes actions that meet current conditions.

This law reinforced the system of international strategic trade controls that was in existence prior to its enactment. It maintains a close link between United States foreign aid and strategic trade controls. It also recognizes the necessity of international cooperation in the control effort, and it aims toward strengthening the free world as well as impeding the military ability of nations threatening our security.

## Battle Act Functions

Administering the Battle Act is one of the responsibilities of the Director of the Foreign Operations Administration, with the help of a Deputy Director for Mutual Defense Assistance Control (MDAC). The Director’s responsibilities under the Act include the following:

1. Determining which commodities should be embargoed in order to effectuate the purposes of the Act.
2. Continually adjusting the embargo lists to current conditions.
3. Advising the President on whether or not United States aid should be continued to a country that has knowingly permitted the shipment of embargo-list items to the Soviet bloc.
4. Making a continuing study of the administration of export control measures undertaken by foreign governments and reporting to Congress at least every 6 months.
5. Making available technical advice and assistance on export control procedures to any nation desiring such cooperation.
6. Coordinating United States Government activities which are concerned with security controls over exports from other countries.

## The Money and the Manpower

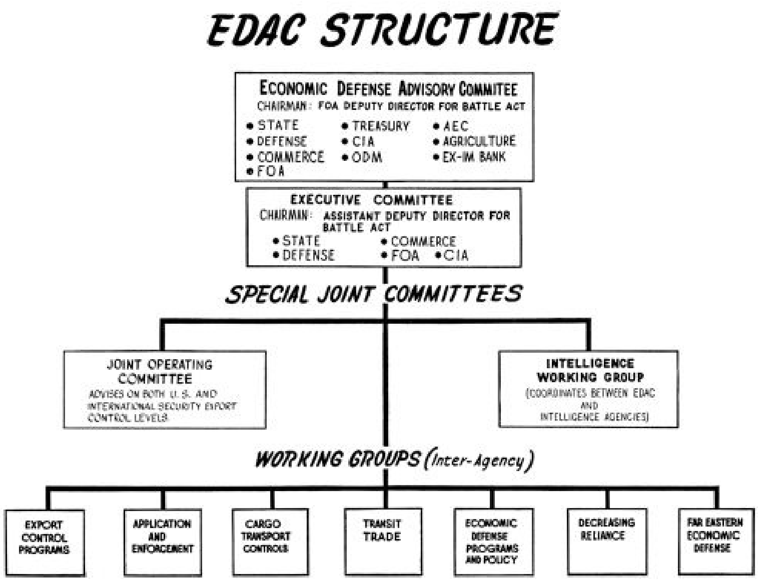
The budget of Mutual Defense Assistance Control (MDAC) for the present fiscal year is $1,078,000. As of December 31, 1953, the MDAC staff consisted of 29 persons, including clerical [Pg 56]
employees. In addition, there were 111 persons on other United States Government agency staffs, both in Washington and overseas, who were performing Battle Act functions and were paid out of MDAC funds. These 111 were in the following agencies:

| | |
|---|---|
| Commerce Department | 32 |
| State Department | 43 |
| Defense Department | 13 |
| FOA (other than MDAC) | 23 |
| | —— |
| Total | 111 |

This brought the total personnel on the MDAC payroll to 140, as compared with 115 on June 30, 1953.

Besides these 140 people, the four agencies listed above had still others, paid from the agencies’ own funds, who were working at least part of their time on similar functions (and generally were engaged in such activities even before the Battle Act became law).

[Pg 57]




## Meshing the Gears

The Battle Act is a part of the economic defense program of the Government. The economic defense program involves at least 10 agencies whose activities and interests have to be coordinated. The coordination is accomplished through the Economic Defense Advisory

Committee (EDAC). The chairman of EDAC is the FOA Deputy Director for MDAC. The chart opposite this page shows what agencies are members and how the EDAC structure is set up. In addition the United States Information Agency has an observer on EDAC, and economic defense matters are closely coordinated with USIA for overseas information purposes.

The chart also shows that EDAC has an Executive Committee; it handles the day-to-day operating and policy problems of the economic defense program. EDAC advises the Director of the Foreign Operations Administration and the Secretary of State who are charged with coordinating the implementation of the program of economic defense matters including the control of strategic shipments from the free world to the Soviet bloc.

Each agency that has a part in the economic defense program brings its own particular point of view to the discussions which constantly go on in the EDAC structure. For example, the Department of State is the agency that coordinates the overall foreign policy of the Government and deals directly with other countries; hence, that Department is able to speak authoritatively about the vital problems involved in maintaining good relations and close cooperation among the free nations, and concerning the most feasible and effective means of exerting United States [Pg 58] influence in the implementation of United States policies. The Department of Defense, being the agency primarily concerned with military defense, brings to the discussions its own expert knowledge of military matters and contributes valuable advice on the military aspects of the problems that come up. The Department of Commerce brings its specialized knowledge of commodities and its experience in the administration of controls over the exportation of goods from the United States. The Foreign Operations Administration, besides administering the Battle Act, brings the point of view of the program of foreign assistance and the economic factors which must be taken into account. The Treasury Department is the authority on foreign-assets control, the Atomic Energy Commission on the significance and control of all atomic-energy materials, and so on through the list.

All these viewpoints and all these special areas of expert knowledge and experience are necessary to a well-rounded economic defense program. Each agency, while discharging its obligation to make its own special contribution to policy, is perfectly well aware that it is only one of the participants, and that the other agencies have legitimate points of view and valuable contributions to make. It is natural and inevitable that these agencies should not approach every problem of economic defense with identical views. But when the problem has been thoroughly considered, and all viewpoints taken into account, a decision is made on the basis of the overriding security interest of the country, and that decision then becomes the policy of the Government as a whole, respected by each agency regardless of the specialized views which it might have expressed in the discussions.

## Improving the Machinery

Organizational changes made in the United States economic defense program during the 6 months under review included the following:

1. *Establishment of a Security Trade Controls unit within the United States Regional Organization at Paris.* This unit represents the United States in the informal international committee known as the Consultative Group (CG) and its subordinate working bodies, the Coordinating Committee (COCOM) and the China Committee (CHINCOM).[1] It also performs certain Battle Act duties in Europe. These two functions had previously been handled by separate staffs. The head of the new amalgamated office is responsible jointly to the Department of State and the Director of the Foreign Operations Administration.

2. *Establishment of a Joint Operating Committee (JOC) in Washington.* This development grew [Pg 59] out of the fact that while EDAC is advisory on Battle Act matters and on economic defense in general, another interagency structure known as the Advisory Committee on Export Policy (ACEP) advises the Secretary of Commerce on controls on exports from the United States. EDAC and ACEP rely on basically similar information and upon the same general body of experts throughout the Government. Accordingly, JOC was created to analyze and recommend the strategic rating of commodities and the levels of control which might be exercised by the United States and advocated by the United States in international discussions. JOC is thus the central point of United States commodity review activities in this field, and there are no overlapping or competing activities of this nature. The chairman of JOC is a Commerce Department representative who is also a regular member of the EDAC Executive Committee. The membership of JOC is made up of the principal agencies which sit on both ACEP and EDAC. The new arrangement has proved itself in practice.

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[1] See Third Semiannual Battle Act Report, ch. II.

## The Termination-of-Aid Provision

The Battle Act forbids United States military, economic, and financial assistance to any country that knowingly permits the shipment to the Soviet bloc of items listed for embargo under the Act, except that if the items are not munitions nor atomic energy materials the President may direct the continuance of aid "when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States."

On August 1, 1953, the President notified the Congress that he had directed the continuance of aid to France, the Federal Republic of Germany, Norway, and the United Kingdom, because the cessation of aid would have clearly been detrimental to United States security. Even though this presidential action took place in the second half of 1953 it was covered in the last Battle Act report, entitled *World-Wide Enforcement of Strategic Trade Controls*, and the texts of the letters that went to the Congress were reprinted as appendix B of that document, pages 73-77.

There were no further Battle Act determinations to continue aid during the 6 months covered by the present report. (Another group of determinations went to the Congress on March 5, 1954, and the texts of those letters will be reprinted in the next Battle Act report.)

During 1952 and 1953, the first 2 years in which the Battle Act was in force, the total amount of shipments of Battle Act embargo items knowingly permitted by countries receiving United States aid was in the neighborhood of $15 million. Of this amount, 74 percent consisted of “prior commitments”—that is, commitments made before the Battle Act embargo lists went into effect [Pg 60] on January 24, 1952. None of the shipments were arms, ammunition, implements of war, or atomic energy materials. Only $98 of the total went to Communist China, all the rest to the European bloc. The $15 million may be compared with a total of $2.7 *billion* of exports of all descriptions from the entire free world to the Soviet bloc during the same 2 years.

## Miscellaneous Activities

As usual, a wide range of activities relating to the Battle Act and economic defense was carried on during the last half of 1953.

The intensive United States review of the control lists has been mentioned in chapter V.

The United States Government continued to increase its emphasis on seeking improvements in the free-world systems for preventing illegal diversions of strategic goods. This problem involves goods of free-world origin which start out to friendly destinations but are illegally diverted en route to destinations behind the Iron Curtain. Our Government: (1) set up improved machinery in Washington for collection and coordination of information, in order to increase the effectiveness of our participation with other countries in the enforcement program, and (2) sought to work out better intergovernmental machinery to deal with diversions.

Our Government also intensified its efforts to analyze current trade patterns between East and West, including the large number of trade agreements concluded between free-world nations and Soviet bloc nations.

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## Summary of the Report

This leads us back to the earlier chapters of this report, which may be summarized as follows:

In chapter I, Stalin’s Lopsided Economy, we looked at the basic economic structure of the Soviet Union. Beginning in the 1920’s, the Bolsheviks deliberately concentrated on an industrial-military buildup, at great cost to their peoples. After the war, the same pattern was forced upon the European satellite countries. Trade was reoriented away from the West. That did not mean that the bloc could do without Western goods, but the goal was to obtain those imports that would help the bloc become more powerful and less dependent on the free world. The Kremlin also sought to use trade to divide the Western powers and to increase the reliance of free-world nations on the bloc. These Soviet policies—not Western strategic controls—were the main causes [Pg 61] of the low level of East-West trade as compared with prewar. Stalin, shortly before his death, made it clear that he welcomed the establishment of a divided trade world—he saw it as a boon to communism and a blow to the non-Communist nations.

In chapter II, The New Regime and the Consumer, we described the new economic courses announced by the Soviet bloc governments after Stalin’s death. They made a great fanfare about providing more consumer goods to the people and improving the neglected agricultural sectors. But their steps did not go very far, and the purpose was to benefit the state and not the people. They apparently were trying to ease internal pressures—especially in the satellites—by opening the valves a little, as they had done before. But they did not alter the basic war orientation of their economies and they pressed on with the industrial-military buildup.

In chapter III, The Kremlin’s Recent Trading Activities, we reviewed the so-called trade offensive—the various Soviet activities of 1953 and the early part of 1954 which seemed to show a livelier interest in East-West trade. The U.S.S.R. concluded more trade agreements, ordered consumer goods at a somewhat brisker rate, but also expanded its efforts to buy ships and showed plainly that its principal interest was still centered on the kind of materials that would foster industrial expansion. To help pay for imports, the Communist planners put manganese, oil and gold on the market in larger quantities than in recent years, though history showed that they had done the same thing in the past when it served their purposes. They also tried to increase their influence in Latin America and Asia.

In chapter IV, What’s Behind It All, we examined the motives and the goals of the Soviet planners in all these recent trading activities. Oversimplified explanations should be avoided. Their actions are not motivated by a pursuit of peace—at least not peace as the West knows the term. Their motives are mixed. In changing circumstances they are seeking effective ways of accomplishing the same traditional objectives of feeding the economy—especially the heavy industrial base—and of weakening the free world. The free world is strong, and if free nations refuse to be divided or deceived—if they work shoulder to shoulder to prevent the Soviet bloc from getting the advantage—they can trade with the Soviet bloc on terms that bring benefits to the free world.

In chapter V, U.S. Policy on Strategic Trade Controls, we outlined the factors involved in setting policy. Not merely because of Soviet activities but also because of the vast upsurge of free-world production and other considerations, 1953 brought a thorough review of United States policy. The basic policy was reaffirmed, but shifts in emphasis were made to meet current conditions and establish controls on a long-haul basis. Policy on the China trade did not change at all during [Pg 62] the 6 months under review. Free-world trade with Communist China dropped sharply in that period, partly because of unequal trading terms that the Chinese Communists were trying to impose upon free-world traders. Finally, the United States reaffirmed its traditional policy of treating its friends and allies with respect. In the words of President Eisenhower, “this most powerful of the free nations must not permit itself to grow weary of the processes of negotiation and adjustment that are fundamental to freedom.”

[Pg 63]
[Pg 64]

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[Pg 65]

## *APPENDIX A*

# Trade Controls of Free World Countries

This appendix summarizes, in accordance with section 302 (b) of the Battle Act, the trade control measures of most of the important mercantile countries of the free world, as well as of several others for which there is new information to report. These descriptions supplement the main text of this report and similar appendices contained in previous Battle Act reports.

The main features of the trade-control systems of most free-world countries were originally established to deal with such problems as foreign-exchange control, conservation of goods in short supply, and directing foreign trade to particular currency areas. For most countries security trade controls have been inlaid in these general economic controls and are exercised through them, using the same basic techniques of export licensing and customs inspection as in export control for other purposes. Thus they are closely connected administratively with them.

The details of security trade controls of almost all countries have a security classification. Thus these descriptions must, in a public report, be presented in somewhat general terms.

To avoid duplication, this appendix does not include countries which were included in the appendix of previous Battle Act reports and for which there is no substantial new information on security trade controls which can be reported publicly. Summaries of export controls employed by Thailand and Yugoslavia are given on pages 64 and 69, respectively, of the third Battle Act report. The second Battle Act report contains summaries pertaining to Bolivia, Colombia, Ecuador, Panama and Peru on pages 64-66, and to Indo-China, The Philippines and Lebanon on pages 66, 68 and 71, respectively. Summaries concerning Argentina, Brazil, Chile, Mexico and Venezuela are contained in pages 62-66 of the first Battle Act report, as well as Austria (p. 66), Iceland (p. 70), Afghanistan (p. 75), Burma (p. 76), China (Formosa) (p. 76), Federation of Malaya (p. 81), Iraq (p. 87), colonial Africa (pp. 91-97). All of the summaries mentioned above are still substantially up to date.

Covered in this appendix, in alphabetical order, are the following:



## BELGIUM-LUXEMBOURG



### License Requirements

The basic legislation from which the present import-export control system in Belgium has developed was a law of June 30, 1931, modified by the law of July 30, 1934, which authorized in broad general terms the regulation of Belgium's foreign commerce to promote the general economic well-being of the country. The convention with the Grand Duchy of Luxembourg on the 23d of May 1935, amending the economic union convention of 1922, established also a combined Belgo-Luxembourg Administrative Commission (the Commission Administrative Mixte Belgo-Luxembourgeoise) and in this way provided a central agency for coordinating the import and export licensing procedures of Belgium and Luxembourg. Pursuant to the 1935 convention, when the appropriate agency of either Government desires to modify or expand regulations pertaining to import and export controls, the recommendation is discussed with the appropriate agencies of the other Government; their agreement having been reached the new policies are communicated to the Mixed Commission which then transmits identical instructions to the Belgian Central Office of Licenses and Quotas and the Luxembourg Office of Licenses. This procedure insures close coordination of the import and export licensing operations of the two Governments in order that the general economic welfare of both may best be served.

The control over exports effected by the requirement of export licenses is reinforced by special controls applied at the time of the actual export of the licensed merchandise. Submission to these special controls is required as a previous condition to the obtaining of certain licenses, these special additional controls being applied by reason of the special nature of the merchandise to be exported or to assure the direct delivery of the merchandise to its foreign destination.

Applicants for export licenses must make a declaration that they are familiar with the conditions upon which licenses are issued and the regulations relative to exchange controls, and that they accept these conditions and regulations without reserve. The applicant also acknowledges that the licenses are not transferable and that any irregularity in his application or utilization of the license subjects him to possible refusals of any new export license applications and may expose him to prosecution for a criminal offense. Exporters of products whose final destination is controlled must sign an undertaking that their exports are not to be reexported. In such cases, the exporter renounces his right to obtain any subsequent export licenses in all cases for which nonreexport declarations are required, if the present undertaking is evaded.

At the present time, licenses are not required for goods passing in transit through Belgium, with the exception of arms and implements of war and atomic energy items, as well as petroleum and its subproducts.

### Financial Controls

[Pg 67]

Prior authorization is required for all buying and selling transactions abroad by Belgian and Luxembourg residents. The exchange control is carried out by the Belgo-Luxembourg Exchange Institute.

### Shipping Controls

Belgium has taken action to prevent the carrying of strategic goods in Belgian ships to Communist Chinese and North Korean destinations.

## CANADA

### Permit Requirements

The Canadian approach to export control is in two parts: by strategic and short supply commodities, and by areas. Under the commodity control two schedules of goods have been established: (1) goods in short supply for which permits are required for shipment to all destinations; and (2) goods of strategic importance for which permits are required for shipments to all countries other than the United States. The area control sets up a list of countries (roughly all of Europe and the Far East) to which all shipments normally require a permit. A general export permit is in effect which enables the shipment of specified nonstrategic items to all destinations except to Communist countries without individual permit.

Export controls are administered by the Export Permit Section of the Canadian Department of Trade and Commerce under authority of The Export and Import Permits Act.

### Transit Controls

An export permit is required for all goods originating outside Canada when tendered for export in the same condition as when imported, without further processing or manufacture in Canada. Goods in transit in bond on a through journey on a billing originating outside of Canada, clearly indicating the ultimate destination of the goods to be a third country, do not require a Canadian export permit. Foreign goods passing through Canada to a third country without a through bill of lading require a Canadian export permit. (If such goods represent United States shipments of controlled goods passing through Canada to third countries they must be covered by a United States export permit.) All Canadian goods having an undeclared ultimate destination require export permits. Effective from July 4, 1952, shipments of United States goods through Canada must be accompanied by a copy of the United States export declaration form.

### Financial Controls

Canada does not exercise financial controls over the movement of any commodity.

## DENMARK

### License Requirements

Export licenses are required for all commodities, except certain agricultural products, if the goods are exported to or intended for end use in countries which are not members of the European Payments Union or are within the dollar area.

For the goods enumerated in the below-mentioned Commodity Lists A and B, export licenses are required, irrespective of the country of destination.

List A of the Danish export regulations consists of items of strategic significance. For most of these items the licensing authority is the Board of Supply, but the Ministry of Justice controls [Pg 68] exports of arms, munitions, and military equipment, and machinery for the production thereof. For the exportation of ships, the Board of Supply must obtain prior approval from the Ministry of Commerce, Industry, and Navigation.

List B consists of nonstrategic goods. Export licenses for these are issued by the Board of Supply, the Board of Health, the Ministry of Public Works or the National Bank of Denmark according to the nature of the commodity concerned.

Denmark has instituted import certificate-delivery verification procedures.

### Exchange Controls

The National Bank of Denmark exercises strict controls over all transactions in foreign exchange. Earnings in foreign currencies must be repatriated and sold to the bank unless special exceptions are made.

### Transit Controls

The export controls apply to merchandise exported from the Copenhagen free port, including exports from transit or bonded warehouses and goods from free port or private warehouses. They also apply to goods in transit through Denmark, unless these are transiting on a through bill of lading and there is no change in the ultimate destination. They thus effectively prevent unauthorized diversion of goods in transit through Denmark.

All transit transactions financed by Denmark are subject to control by the national bank, regardless of whether the goods in question actually pass through Denmark or are forwarded directly between the countries of origin and destination. In its administration of these provisions the bank observes the same rules as the export control authorities with which the bank cooperates closely in this field.

### Shipping Controls

An arrangement has been made by the Danish Government with Danish shipping companies to prevent the carrying in Danish vessels of strategic goods to Communist China and North Korea. This arrangement is implemented through a licensing system operated under a voluntary agreement with Danish shipowners.

## EGYPT

### License Requirements

Foreign trade and foreign exchange in Egypt are under official control. These controls were primarily designed to conserve foreign exchange but since the spring of 1951 they have been expanded to prevent the export of short supply items.

Except for books, magazines and newspapers, import licenses are required for all imports. Prior to October 6, 1952, licenses were required for goods originating in hard-currency countries, while imports from other sources were in the most part exempt from restrictions.

Application for imports are submitted to the Controller General of Imports, Ministry of Finance. Exports are subject to export regulations which are divided into three main categories: (a) goods that may not be exported; (b) goods that can be exported freely, through the Customs, without the need of an export license, and (c) goods that should be covered by a license. The Import and Export Committee is the main authority entrusted with the formulation of decisions governing exports and imports. This Committee is under the Secretaries for Finance, Commerce and Industry, Supplies, Agriculture, War, the Director General of Exchange Control, the Director General of Cotton Affairs of the Ministry of Finance, the Controllers General of Exports and Imports, and the Director General of Customs.

### Transit Controls



There are no special licensing requirements or controls on goods in transit other than the ordinary customs supervision.

### Financial Controls

Foreign exchange is under official control. The basic regulation requires all foreign exchange earnings to be repatriated to Egypt within 6 months after the shipping date of the goods. The law requires that all dollar holdings or payments received by Egyptian nationals or foreigners residing in Egypt be reported to the Egyptian Government and converted into Egyptian currency at the official rate unless they are the proceeds of cotton yarn and cloth or raw cotton exports in which cases 100 percent or 75 percent, respectively, of the dollars may be retained for up to 210 days in an “import entitlement” account usable to buy certain listed essential and semiessential commodities.

## FRANCE

### License Requirements

Export licenses are required for over one-half the commodities identified in the French tariff nomenclature. Governmental authority of this control is contained in various decrees, the latest dated November 30, 1944. These decrees also permit addition to or removal from the list of controlled commodities merely by publication of a notice in the *Journal Officiel*. The most recent list of these commodities, published as a codification of all previous lists, appeared in *Journal Officiel* No. 156 of July 5, 1953.

Applications for license to export, as submitted by French exporters, are examined by the Ministry of Industry and Energy, by the Office des Changes (where monetary and financial factors are given consideration), and on occasion by appropriate technical committees and personnel in other agencies. At the time the application for export license is submitted, the exporter may be instructed by the Ministry of Industry and Energy to submit a sample, photograph, blueprint, drawing, or other detailed description of the commodity in question. These data are used in determining the advisability of issuing the export license requested. At the port of exit, random samples of actual exports are extracted by customs officials and these are compared by competent technicians with the original data submitted with the license application. This procedure is designed to assure in as many instances as practical that the commodity exported is identical with the commodity for which the export license is issued.

In the event fraudulent action on the part of the exporter is found and can be legally established, the exporter is subject to confiscation of the goods in question and fines ranging upward to four times the value of the shipment plus penal servitude. The control system in operation in France makes it possible to block or encourage exports to any destination of commodities requiring export licenses.

### Financial Controls

All transactions in foreign exchange engaged in by French residents, particularly those in which a French resident takes title to foreign merchandise, require the prior authorization of the French Government.

An "exchange commitment" (guaranteeing the return to the Government of the exchange proceeds of a transaction) is required for all exports and reexports of merchandise to which a French resident holds title. Where the products concerned are subject to export license, the [Pg 70] export license suffices for the exchange commitment.

### Shipping Controls

In order to avoid the transport on French vessels of strategic commodities to Communist China, the French Government has reached agreement with the only French shipping firm operating on the China run that the latter will not transport commodities of any description to Communist China unless these are covered by export license or permit indicating Communist China as the destination and issued by the French Government or a friendly foreign government maintaining the same level of controls as concerns strategic items to China as is maintained in France.

The French Government has also instituted controls to deny bunkering facilities to vessels transporting strategic commodities to Communist China.

## GERMANY (FEDERAL REPUBLIC) AND WESTERN BERLIN

### License Requirements

No commodity can be exported from the Federal Republic of Germany or Western Berlin unless it is covered by an export-control document, which is issued by the interior customs authorities. However, certain types of exports require a special export-control document which is granted by the interior customs authorities only after a certificate of approval has been obtained, as appropriate from the Central Export Control Office of the Federal Government or the Central Licensing Agency of the Berlin Senate. A certificate of approval is required for all exports (regardless of commodity) to the Soviet bloc, Hong Kong or Macao, and for the export of all commodities in excess of DM 500 on the "restricted list," published by the Federal Government, to all other countries. This list, which corresponds to the United States "positive list," comprises commodities under control for security and short-supply reasons and includes all items covered by title I and title II of the Battle Act.

Exports to numerous western countries, including peripheral countries, are subject to one form or another of end-use checks. The import certificate-delivery verification procedures have been in operation since July 1951.

In conjunction with the issuance of either the export-control document or the special export-control document, the interior customs authorities observe a definite procedure for physical inspection of commodities being exported. Additional control over commodities being exported from the Federal Republic is exercised by the border customs authorities.

### Transit Controls

Certain items are prohibited for intransit shipments on grounds of health and sanitation, but the number of items so prohibited is very small and the prohibited list has not been changed since 1939. German customs officials may inspect transit shipments at the border and remove any items prohibited under German law. They then seal the containers of all other goods and such goods are permitted to proceed, in accordance with international agreement on transit traffic, without further inspection or restriction, except to insure at the exit border that the original customs seals remained unbroken.

Intransit shipments arriving in the Freeport of Hamburg are subject to a customs documentary and physical check before being allowed to enter the Freeport. When in the Freeport, such shipments are under the control of the Freeport authorities, and may be loaded, unloaded, or reloaded only with their approval. The destination of intransit shipments arriving in the Freeport [Pg 71] of Hamburg traveling under a "through bill of lading" can only be changed upon instructions of the original shipper, while the destination of intransit goods traveling under an "ordinary bill of lading" can be determined by the responsible local forwarding agent.

Intransit shipments consigned to West German firms and remaining in the Freeport of Hamburg for shipment to a consignee outside Western Germany, require an intransit trade permit (Transit Handelsgenehmigung), except when the goods are returned to country of origin. Such intransit trade permits are issued by the State Central Banks after careful scrutiny of the West German firm and in accordance with the same regulations applying to shipments of West German origin, and approval by the West German Central Export Control Office. West German firms must be listed in the official trade register in order to qualify for an intransit trade permit.

The identical procedure is enforced in the Freeports of Bremen and Bremerhaven, with the exception that the functions within the Freeport are carried out by Federal Customs Authorities rather than Freeport Authorities. This procedure also applies to Cuxhaven, Emden, and Kiel, which are Freeports of very minor importance.

### Financial Control

All financial transactions between residents of Western Germany and Western Berlin and residents of other areas are subject to either general or specific exchange-control authorizations issued by the foreign-trade banks. Before those permits are granted, the transactions in question are not only screened with respect to currency problems but also in regard to the strategic nature of the goods. The latter screening is done by export control officials, who have the power to prevent the transaction.

## GREECE

### License Requirements

Export licenses are required for all strategic commodities, all minerals, and for certain nonstrategic commodities for which export quotas have been established. For nonstrategic shipments, licenses are issued by the Bank of Greece in accordance with directives from the Greek Foreign Trade Administration, Ministry of Commerce. For strategic shipments, including those to the Soviet bloc countries, licenses must be obtained from the FTA. Such FTA licenses are limited to items and quantities contemplated by trade agreements or approved private barter arrangements.

### Transit Shipments

A transit shipment whose final destination is not indicated on the manifest or shipping documents must be licensed by the FTA prior to being reexported. If the destination be indicated, no export license is required.

### Financial Controls

Foreign exchange proceeds must be surrendered to the Bank of Greece.

### Shipping Controls

Effective March 17, 1953, the Greek Government prohibited Greek flag vessels from calling at Communist ports in China and North Korea. This was accomplished by the Greek Council of Ministers Act No. 204 of March 17, which was enacted into law by the Greek Parliament on May 7. Violators are punishable under the provisions of law No. 2317 of 1953, published in Greek Government Gazette No. 61, dated March 17.

The Greek foreign investment law provides that foreign vessels transferred to the Greek flag may [Pg 72]
only be resold to countries named in the “letter of approval”. This listing has not included Soviet bloc countries. With only minor exceptions, ships already under the Greek flag may not be resold to other countries.

Current bunkering controls require licensing both by the Bank of Greece and the customs authorities. Ship repair controls require licensing by the customs authorities. In neither case is the licensing control based on the nationality of the vessel to be serviced nor, in the latter case, the type of materials used for repair or installed.

## HONG KONG

While there has been no appreciable change in the already extensive security controls maintained by the Hong Kong Government on exports to Communist China and the Soviet bloc, there were changes in the laws and legal processes under which these controls are enforced. The Emergency (Importation and Exportation Ordinance) (amendment) Regulations, 1953, were promulgated July 10, 1953, in order to prevent evasions of export and import controls. Eighteen modifications were made by these Emergency Regulations. Among them were:

1. It was made an offence to transfer an export permit with intent to deceive or to allow any other person to use a permit with intent to deceive.

2. As court decisions in smuggling cases had thrown doubt on the legality of searches and seizures carried out by the Royal Navy in enforcing export regulations, an amendment in these Regulations specifically authorizes “any commissioned officer of H. M. Armed Forces” to carry out such duties.

3. “Any vessel not exceeding 250 gross tons and any vehicle which is made use of in the importation and exportation or attempted importation or exportation of any article contrary to the provisions of this Ordinance or any regulation made thereunder shall be liable to forfeiture whether or not any person is convicted of any offence.” This article was added to discourage truck owners and particularly, junk masters, from agreeing to the use of their property for carriage of smuggled goods, even though the main purpose of their trip is quite legal. Thus, whether a conviction is obtained or not, the truck or junk is liable to forfeiture.

Several other changes have also been made which were designed to protect the rights of persons tried under the basic Ordinance by bringing the Ordinance into line with usual British judicial practice.

During the past 6 months Hong Kong has added a number of items to its prohibited export list and struck off a number. All of these actions were taken in conformity with the decisions of the United Kingdom Board of Trade.

There were no changes in the transit controls or shipping controls in Hong Kong in the last 6 months of 1953.

In the field of financial controls, since October 1953, approved gold and bullion dealers have been permitted to import nonresident-owned gold solely for reexport. While in Hong Kong such gold must be in the custody of an authorized bank. Such reexport is allowed only to nonsterling area countries and on production of a valid import license from the country of destination.

## IRAN

The right to conduct foreign trade is vested in the Iranian Government by the foreign trade monopoly law of 1931. From time to time the Government grants by decree the right to conduct trade with respect to certain commodities to private individuals and firms.

### License Requirements



Exports are controlled primarily through the exercise of financial controls. In general, laws and regulations governing export trade are designed so that commodities that are in short supply, or which would otherwise have to be replaced by imports, may not be exported. Thus there is a standing prohibition against the export of gold and silver in bars, sheets, or coins; cattle, sheep, raw hides, charcoal, matches, butter, sugar, and tea. Also prohibited are exports of arms and ammunition, precious stones other than turquoise and pearls, and archeological articles. Only on rare occasions has the Government authorized the export of any or these commodities.

Decrees currently in effect permit the export of all other commodities without licensing procedure except those under Government monopoly, such as opium, oil and tobacco, and except wheat, flour, barley, legumes, rice, lumber and cotton. Depending on the availability of these last-named commodities, export quotas are established for them each year, and export licenses are issued by the Ministry of National Economy to private individuals or firms to the extent of the quotas established for each commodity.

The issuance of export licenses for lumber and cotton is subject to the approval of the Ministry of Agriculture and the Iran Cotton Co. (an agency of the Plan Organization), respectively. The export of opium and tobacco, which are under Government monopoly, is subject to license of the Ministry of Finance.

Some Iranian exports are effected under barter or clearing agreements which Iran has concluded with a number of countries since 1940, including the U.S.S.R., the Federal German Republic, France, Italy, Czechoslovakia and Poland. Since quota lists under these agreements specify the commodities involved, exports made thereunder are in effect licensed by the agreements themselves.

Regulations promulgated on March 18, 1953, under the Law on the Encouragement of Exports and the Issuance of Licenses to Engage in Foreign Trade of December 22, 1952, require Iranian exporters to submit a preexport declaration, in which they inform the Ministry of National Economy of their intention to export stated commodities to stated destinations. One copy of this declaration is certified by the Ministry and must be returned to the exporter within 48 hours. A second copy goes to the Customs Administration for use in inspecting the goods when they actually leave the country.

### Transit Controls

Goods having in transit through Iran may enter and leave the country only at places where customs houses have been established for that purpose. Detailed documentation is required by Iranian customs authorities for goods in transit. In practice, there are very few intransit shipments through Iran.

The reexport of specified goods of foreign origin is permitted under a decree of November 11, 1953, which lists five categories of goods eligible for reexport. Reexport of such goods, however, requires the prior approval of a commission established in the Ministry of National Economy, with representatives from a number of other Government departments. Prior to this decree, reexport, of imported goods was permissible only by decree of the Council of Ministers, which rarely considered reexport cases. The new procedure represents a more workable machinery for the licensing of reexports. It should at the same time provide adequate safeguards against the reexport of strategic items.

### Financial Controls

Exporters of Iranian goods must sign an undertaking that the exchange derived from the export will be sold to a bank authorized by the Government to deal in foreign exchange.



## ISRAEL

### License Requirements

All goods to be exported from Israel (including reexports), with certain minor exceptions such as gift parcels and commercial samples under I£10,000 in value and personal effects of tourists and immigrants, require an export license. The Ministry of Commerce and Industry is responsible for the control of most products. Outstanding exceptions, with the Government department or agency responsible, are as follows:

Military items—Ministry of Defense.
Fuel—Ministry of Finance.
Citrus—Citrus Marketing Board.

The Ministry of Commerce and Industry may ask for recommendations from other ministries before licensing certain products, for example foods and pharmaceuticals.

Israel voted to support the United Nations Resolution of May 18, 1951, placing an embargo on shipments of arms and related material to China and North Korea.

### Transit Controls

The value of intransit trade is small, inasmuch as Israel is bounded on three sides by Arab states with which no legal trade is conducted, but commodities may be entered in bond without becoming subject to export licensing controls. Before reshipment may take place, however, a permit must be obtained from the Office of the Collector of Customs.

### Financial Controls

The Israel Government exercises far-reaching control over the use of foreign exchange, and it regularly uses this control to restrict the movement of commodities in international trade. Israeli importers are required to submit comprehensive justifications as to Israel's need for a commodity before they are granted an allocation of foreign exchange. Once the licenses have been granted, it has been to the interest of the Government of Israel to make certain that the commodities are in fact imported and used in the Israeli economy. This identity of interest is a strong safeguard that materials consigned to Israel are not reexported.

## ITALY

### License Requirements

All commodities listed in the new export tables dated March 16, 1953, as amended, require an export license to all destinations except Somaliland, which is issued by the Ministry of Foreign Trade. Goods not listed in the export tables are exempt from license, but must be exported in conformity with exchange regulations, which vary according to the country of destination and clearing or other financial agreements.

All items require an export license for shipment to the Soviet bloc, including China.

Exports to the Soviet bloc also require bank validations, as virtually all trade with the bloc is conducted under bilateral agreements which specify the commodities that may be traded and the methods by which payment is to be made. Normally, shipments to the East comprise only those commodities specified in a trade agreement with an eastern country. In order to facilitate checking of east-bound shipments, trade with the Soviet bloc is funneled through selected frontier customs points.

The formulation of export-control policy and the administration of the export licensing system are the primary responsibility of the Ministry of Foreign Trade. This Ministry is advised by a special interministerial committee. [Pg 75]

Italy is employing import-certificate delivery-verification procedures and carries out end-use checks for shipments to destinations outside the Soviet bloc, particularly for questionable transactions involving goods of a strategic nature. The country of origin is notified if an attempt is made to divert a shipment.

### Financial Controls

Financial control over all export transactions is maintained through the licensing system and through implementation of existing exchange-control regulations.

Strict bilateral trade agreements with almost all members of the Soviet bloc have constituted, in effect, a financial ceiling on exports to Eastern Europe. Italian exports to Communist China, with whom there is no trade agreement, must be paid for in hard currency or must be exchanged for goods acceptable to the Italian Government, an arrangement that has severely restricted Italo-Chinese trade. Italian exchange control regulations would not normally permit payment for imports from the Soviet bloc in hard currencies, although sterling is occasionally used in payment for the few items not included in the trade agreements. In certain instances ship charters are completed for sterling when circumstances warrant or it is considered convenient.

### Transit Controls

Direct and indirect transit shipments are subject to customs check, which includes a screening of documents, physical inspection of goods in case of doubt and control of the routing of shipments to prevent the use of unnatural and unusual methods of transportation. In the case of indirect transit shipments, a check is also made on the regularity of the transaction from the foreign-currency standpoint. In doubtful or suspect cases, customs, while not empowered to stop transit shipments, is able to delay the transaction until the Ministry of Finance, in conjunction with the Ministry of Foreign Affairs and other agencies, obtains detailed information concerning the final destination. When an investigation discloses that a transaction is not in order, the central administration orders confiscation of the goods and prefers charges against those responsible, if they are Italian nationals.

New regulations published in April 1953, imposed a more strict financial control over indirect transit operations. Prior to this time, certain firms and individuals who were officially authorized to hold foreign currency accounts, were permitted to carry on transit operations without making an application for foreign exchange in each case. The new regulations withdrew this privilege, making it necessary for all transit operators to submit an application to the General Directorate for Currencies of the Ministry of Foreign Trade before purchasing abroad any item listed in part A of the export tables (which include strategic items). A later amendment to this regulation permits a certain flexibility by allowing the transit operator to purchase goods abroad and have them shipped to Italy before making application to the Ministry of Foreign Trade. An operator making use of this provision must submit to the bank which holds his currency account a written commitment that the goods will be sent directly to Italy and not diverted and must obtain the clearance of the General Directorate for Currencies before the goods can be onforwarded through Italy to another country.

### Shipping Controls

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The Ministry of Merchant Marine has drafted a bill which, when enacted into law, will give the Italian Government the power to exercise control over shipping traffic with countries of the Soviet bloc. The bill contemplates quite severe penalties to be imposed upon owners and masters of ships failing to comply with regulations established by the Ministry of Merchant Marine. Consideration of this bill by Parliament has been delayed for nearly 1 year, however, and there seems to be no immediate prospect that it will be enacted into law.

### Penalties

Penalties that may be imposed under Italian law for violations of export-control regulations include (1) imprisonment up to 2 months, (2) fines up to 40,000 lire, and (3) confiscation of the merchandise involved. Persons and firms under investigation for illegal export transactions are denied foreign trading privileges. However, an amnesty law recently passed by the Italian Parliament has resulted in the dropping of all charges outstanding against violators of the export control regulations.

Irregularities under the customs law may be punished by fines from 2,000 to 20,000 lire, while other infractions may incur the penalties contemplated by the penal code.

## JAPAN

### License Requirements

Licenses from the Japanese Ministry of International Trade and Industry are required for exports of any commodity on the Japanese export control list. No exports to North Korea have been permitted since the outbreak of the Korean War. Exports to Communist China are limited to nonstrategic items. Exports of strategic items to any other communist bloc country are strictly controlled.

Strategic items embargoed by Hong Kong to Communist China are licensed for export to Hong Kong by Japan only if an essential supply certificate has been issued by the Hong Kong Government, and on exports of lesser strategic items the Japanese licensing authorities require end-use checks or reliable evidence that reexport to Communist China is unlikely.

End-use checks are made also on suspicious exports of strategic items to other destinations and the import certificate-delivery verification procedure has been utilized since April 1, 1953.

### Transit Controls

Intransit cargo is offloaded under customs supervision and is normally kept in a bonded warehouse or other area under the complete control of customs officials.

All offloaded intransit cargo is subject to the same export regulations as indigenous exports.

### Financial Controls

For balance-of-payments reasons, Japan closely controls its receipts and expenditures of foreign exchange. These controls are not related to security measures except indirectly in connection with trade with Communist China and the Soviet Union.

Trade with these areas is largely confined to barter transactions which must be settled on the basis of back-to-back or escrow letters of credit approved by foreign exchange banks.

### Shipping and Bunkering Controls

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Since June 1951 it has been required that bills of lading issued by carriers for strategic items licensed for export must contain a “Notice to carrier” stating that delivery of the goods to countries other than the destination designated in the export license is prohibited without the express permission of the licensing authority.

Japanese shipowners have been notified that Japanese vessels are not authorized to carry strategic goods to Communist China from Japan or from any other country unless shipment has been licensed by a COCOM country.

Administrative measures also have been adopted to prevent foreigners from chartering or using Japanese vessels to carry contraband goods to Communist China or North Korea. The Ministry of Transportation has announced that applications for approval of a bare boat or time charter of a Japanese vessel to a foreigner must show that the charterer has guaranteed that during the period of the charter the vessel will not enter any port in Communist China or North Korea with strategic goods on board the vessel unless the shipment has been licensed by a COCOM country.

The Ministry of International Trade and Industry furthermore has instructed Japanese oil companies not to furnish fuel bunkers to any vessels carrying strategic goods to Communist China or North Korea unless the shipment has been licensed by a COCOM country.

## REPUBLIC OF KOREA

### License Requirements

Foreign trade in the Republic of Korea is governed by regulations issued by the Ministry of Commerce and Industry. Licenses are required for all exports to all destinations and are issued by the Ministry of Commerce and Industry only to registered foreign traders, or to manufacturers for their own products. A certificate of final destination (or pledge to submit such a certificate) must accompany all exports license applications.

Registration as a foreign trader is canceled when a trader does business with individuals or juridical persons under a Communist government. Delivery of arms, ammunition and other goods for military use to enemy countries is a criminal offense.

### Financial Controls

Foreign exchange proceeds from exports are subject to the control of the Bank of Korea.

### Shipping Controls

Vessels engaged in foreign trade are required to submit their manifests upon entry into an open port and are prohibited from proceeding to a foreign country except by way of an open port. Transshipment from one vessel engaged in foreign trade to another is prohibited unless authorized by the Collector of Customs. Vessels engaged in domestic trade cannot load export goods unless the goods are shipped in bond.

## THE NETHERLANDS

### License Requirements

All exports from the Netherlands are subject to export licenses. Export licenses for industrial commodities are issued by the Central Bureau of Imports and Exports (CDIU) at The Hague, which has delegated this authority to a number of so-called trade-control boards. For agricultural [Pg 78] products, licenses are granted by the Ministry for Agriculture, which for a large number of commodities has delegated this function to the “agricultural-monopoly holders.” The latter are state-supervised and semiofficial organizations, similar to the trade-control boards.

In certain instances, the exporter may make out his own export license which must be dated and initialed by an officer of the CDIU.

### Transit Controls

Goods passing in transit through the Netherlands, including strategic commodities, are not subject to any controls except for a customs check to insure that goods in transit leave in the same form in which they have entered.

The Netherlands has adopted import certificate-delivery verification procedures.

### Financial Controls

All transactions of a Netherlands resident involving payment of moneys to or from a party abroad are subject to a foreign-exchange license, issued by the Netherlands Bank. The export license generally includes the authorization of the banks for the proposed transaction.

### Shipping Controls

The Netherlands instituted voyage controls in May 1953, aimed at preventing the carriage of strategic commodities by Netherlands ships to Communist China and North Korea except pursuant to special permission.

## NORWAY

### License Requirements

All commodities to be exported to any destination require export licenses. The licensing authorities using existing powers can prevent the export of any item for security reasons.

### Transit Controls

Goods which are to pass through the territory of Norway may be reexported without license only if it is clearly stated by their conveying documents that the goods are going straight to foreign destination. If the reexport does not take place within 90 days, a Norwegian export license must be secured. The destination listed on the original documents must remain the same, and the goods may not be transformed in any way during their stay in the country. The customs authority applies a control to that effect. There are no free-port areas in Norway.

Norway has adopted import certificate-delivery verification procedures.

### Financial Controls

Strict exchange controls are maintained by the Government through the Bank of Norway. The granting of an export license carries with it the obligation on the part of the exporter to relinquish the foreign exchange to the Bank of Norway as soon as received from the foreign buyer; a maximum of 60 days is allowed between export and remittance, although under certain circumstances the Government may grant the exporter an extension of time. Transfers of capital from Norway require the prior approval of the Bank of Norway.

### Shipping Controls

The Norwegian Foreign Office announced publicly in April 1953 that the Norwegian war risk insurance group had refused to insure Norwegian vessels delivering strategic articles to [Pg 79] Communist Chinese and North Korean ports. The foreign office also announced that Norwegian ships had not violated the United Nations resolution prohibiting the shipment of strategic material to Communist China and North Korea. Several allegations that they had done so had been investigated and found to be unjustified.

## PAKISTAN

### License Requirements

Pakistan's export controls are exercised under the authority of the Imports and Exports (Control) Act, 1950 (Act No. XXXIX) as amended by the Imports and Exports (Control) Amendment Act, 1953 (Act No. IX of 1953), which extends the life of the 1950 act for 3 years, until April 18, 1956. The act empowers the Central Government to prohibit, restrict, or otherwise control the import or export of goods of any specified description, or regulate generally all practices and procedures connected with the import or export of such goods. Under an export trade control notification of 1948, which is still in effect, numerous categories embracing strategic or short-supply materials have been established for which no licenses are granted. Pakistan prohibits the reexport in their original form of all imported materials regardless of origin except in specific cases, each of which is examined on its own merits. With respect to goods of domestic origin, Pakistan encourages exports to all countries of such goods as are surplus to her own requirements and encourages shipments to the dollar area by placing selected items on an open general license specifically applicable to the dollar area.

### Transit Controls

Pakistan has issued special transit regulations to govern trade passing through that country to Afghanistan. Strict control is maintained, moreover, at the ports to insure against unauthorized transit shipments.

### Financial Controls

Pakistan has promulgated exchange control regulations which insure the surrender to the State Bank of Pakistan or its authorized agents of all foreign exchange derived from export transactions.

### Shipping Controls

The Control of Shipping Act, 1947 (Act XXIV), approved by the Central Government as amended by Ordinance V of June 22, 1951, provides for the control of shipping. Under this act a shipping authority appointed by the Central Government licenses vessels of both Pakistan and foreign registry which participate in coastal traffic. This act was recently extended through March 31, 1959.

## PORTUGAL

### License Requirements

All exports are subject to licensing under regulations issued in 1948 except that export licenses are not generally required for shipments to Portuguese overseas provinces. Portugal's export trade with the Soviet bloc is not important and consists almost entirely of cork, which is not on any strategic or restricted list. The Portuguese colonies exert varying degrees of export control. On January 23, 1952, the Government of Macao adopted a trade-control system which requires a license for the import and the export of strategic materials. Strategic materials are shipped from Portugal to Macao only against import certificates issued by that province.

### Transit Controls



Portuguese controls over goods in transit are not wholly effective in that no export license is required if goods in transshipment are reexported within 60 days after being placed in bond.

Financial control is exercised over all exports as a part of the license control system.

## SINGAPORE

### Licensing Requirements

Colonial legislative authority for control of imports and exports is exercised under the Control of Imports and Exports Ordinance of 1950, which places the issuance of all licensing, both general and special, under the absolute discretion of the Controller of Imports and Exports. Under this general authority, all exports are carefully controlled. Strategic commodities, in particular, are controlled in accordance with UK-adopted strategic trade controls with respect to exports to all Soviet bloc destinations. In addition, a special list of goods is embargoed to Communist China and North Korea, and subject to Essential Supply Certification if such goods are to be exported from Singapore to Hong Kong. Amendments to the latter embargo list adopted by the United Kingdom are promptly reflected in Singapore.

Many commodities are subject to special licensing controls under exchange restrictions or emergency regulations. The only exemptions to licensing are goods transitting the colony on a through bill of lading, and those shipments customarily exempted in international trade, such as parcel post shipments under $50, etc.

### Transit Controls

Goods which transit the port of Singapore without offloading are subject to no control. Goods which are landed in the colony for the purpose of transshipment on a through bill of lading to another destination are also subject to no local license or declaration, as long as such goods remain in the custody of the harbor board or of the agent of the ship from which landed. Transshipment goods not on through bills are treated as reexports, and are subject to full export control.

### Shipping Controls

The United Kingdom Control of Trade by Sea Order (China and North Korea) 1953, went into effect in Singapore on March 31, 1953. Since that time, measures taken to implement the order effectively have included placing all bunkering of ships, either coal or oil, of over 500 gross registered tons, on a local licensing basis. This places bunkering under the control of the Controller of Exports and Imports. Voyage licensing of vessel is under the control of the Master Attendant.

## TURKEY

### Export Controls

Under the new foreign trade regime, Turkish exports are grouped in two lists. List I contains all Turkish export commodities, the export of which is unrestricted unless they also appear on list II. A simple customs exit declaration based on the exporter's application is all which is necessary to realize list I exports. List II designates commodities requiring export licenses. The export license can be obtained from the Ministry of Economy and Commerce or agencies so designated by the said Ministry. List II items may also be exported by certain Government or semigovernmental [Pg 81] agencies only. The list II commodities subject to such licensing procedure are as follows: cereals (barley, wheat, rye, corn, oats, and rice) and cereal products (semolina, macaroni, starch, noodles, flour); animal products (butter); dried fruits and nuts (pistachios shelled or unshelled, seedless dried raisins); minerals and mineral products (asbestos, copper, copper waste and scrap, copper plates, bars and wires); copper alloys and copper alloy products; barite; steel and iron waste and scrap; zinc ore; zinc mixed with lead; iron ore and pyrites; pig iron; iron products and waste and scrap; ferro-manganese; graphite; calco-pyrite; chrome ore; lead ore; sulphur ore; stone coal; mineral waste; coke and coke dust; manganese ore; molybdenum; tin waste; raw materials for textiles (cotton linters, greasy wool); vegetable oils (olive oil, margarines); tobacco and opium (tobacco processed and leaf, opium); creosote and xylol; sodium fluoro-silicate; toluol; mineral oils mixed with phenol and naphtha; straw; pistols and ammunition.

### Transit Controls

There is no large amount of intransit trade in Turkey. All intransit goods arriving in Turkey, however, must carry on all shipping documents (including bill of lading and ship manifest) and outer containers the name of the Turkish port, the phrase "in transit to" and the name of the city and country of destination.

Generally, goods moving intransit through Turkey may be imported only through customs warehouses.

Extensive documentation, including a reexport license, is required for clearance by the Turkish Customs Administration.

### Financial Controls

Export-control measures are designed for two purposes: (1) to keep a check on outgoing strategic or short-supply materials, and (2) they are instituted also for foreign-exchange reasons. For price-checking purposes in order that foreign-exchange losses can be prevented, exporters must register with agencies designated by the Ministry of Finance. Customs authorities do not permit exportation without a certificate of registration and destination. All foreign currency receipts are turned over to the Central Bank of Turkey.

## UNITED KINGDOM

### License Requirements

The export control system in the United Kingdom is similar to but not identical with that of the United States. It is administered by the Board of Trade. Although the present system grew out of measures originally promulgated at the start of World War II, its primary purpose now is the safeguarding of the country's requirements of strategic and short-supply goods, and the restriction of the flow of such items to undesirable destinations. The United Kingdom security trade control program was instituted in 1947.

The United Kingdom export control mechanism operates in the following manner:

The consolidated order, which encompasses all the items subject to control, is a published document and revisions are issued in the form of statutory orders which are also published in the Board of Trade Journal (an official weekly). The list is arranged into three schedules. The first schedule lists goods which, in general, cannot be exported to any destination without a license. The second schedule lists additional goods (mostly foodstuffs) which, in general, can be exported to any destination without a license. The two schedules are, however, subject to two [Pg 82] qualifications. Firstly, a limited number of goods included in the first schedule can be exported without license to destinations within the British Commonwealth (except Hong Kong), Ireland, and the United States. Such goods are listed in the third schedule. Secondly, no goods, even those included on the second schedule, can be exported without license to China, Hong Kong, Macao, or Tibet.

The extent of the restriction on individual items is reflected in the administration of the control. Strict control is maintained over items which are prohibited exportation to certain areas, as, for instance, aircraft, firearms, ammunition, atomic materials. The exportation of a wide range of goods of strategic importance, including rubber, to Communist China is prohibited, as is the exportation to the Soviet bloc in Europe of a somewhat narrower range of commodities. The export to the Soviet bloc of many other items is subject to limitations as to quantities permitted to be shipped. In addition, there is the great bulk of items on which control is achieved through case-by-case scrutiny of individual license applications.

### Transit Controls

The United Kingdom has had in effect since November 1951 a system whereby about 250 items of strategic importance arriving from other countries are subject to transshipment control. Individual licenses are required for all of the items on the licensing list before any of the goods, after being landed in the United Kingdom, can be transshipped to any destination other than the British Commonwealth (except Hong Kong), Ireland, and the United States. In administering the control, the British authorities normally grant licenses when they are satisfied that the goods will not be diverted to the Soviet bloc, China, etc., contrary to the wishes of the exporting country.

The United Kingdom has effectively implemented import certificate-delivery verification procedures.

### Shipping Controls

In order to restrict further the flow of strategic goods to China and as an additional measure of control, a statutory order (titled the Control of Trade by Sea (China and North Korea) Order, 1953) was made on March 13, 1953, pursuant to which the Ministry of Transport and Civil Aviation is empowered to control all shipping to China and North Korea. In essence, the order applies to all British ships having a gross tonnage of 500 tons, limits the type of trade in which the ships may engage and the voyages which may be undertaken, affects the class of cargo or passengers which may be carried, and imposes certain conditions on the hiring of ships. Approximately a hundred items are listed in a schedule which is an integral part of the license issued under the order in question. These items are banned from carriage to China in British flag vessels.

While formal shipping controls were not adopted until March 17, 1953, British shipping circles were kept under fairly close scrutiny by the Government ever since the adoption on May 18, 1951, by the Additional Measures Committee of the United Nations of the resolution to apply economic sanctions against China as a result of her aggressive intervention in Korea.

Complementary controls over the bunkering of vessels carrying strategic cargo (as defined in the Shipping Control Order) to China were adopted at the same time that the order affecting shipping became operative. These controls are administered by the Ministry of Fuel and Power on an informal basis, in cooperation with British oil companies which deny bunkers to ships carrying strategic cargo to China.

## UNITED STATES



### Export Controls in General

The Department of Commerce is responsible for controls over nearly all commercial exportations from the United States under the Export Control Act of 1949, as extended.

The Department of State is responsible for control over the exportation of arms, ammunition, and implements of war; the Atomic Energy Commission administers controls over the export of major atomic energy items; and the Department of Treasury administers controls over the exportation of gold and narcotics. All such items required export licenses, and shipments to the Soviet bloc are not permitted.

### Administration of Export Controls by Commerce Department

All commodities exported to any destination, except Canada, from the United States, its territories and possessions are subject to export control. There are three main techniques utilized in the administration of such controls:

1. Shipments of commodities contained in the Positive List [1] are under control to virtually all destinations;

2. For some commodities, a general license is authorized permitting exportation to virtually all friendly destinations without requiring that an export license be issued;

3. All commodities, whether or not on the Positive List and irrespective of any general license provisions, are under licensing control to subgroup A destinations (i.e., Soviet Bloc, including Communist China and North Korea), Hong Kong and Macao.

The Comprehensive Export Schedule published by the Bureau of Foreign Commerce (BFC) of the Department of Commerce must be consulted in order to determine whether a validated license is required for the exportation of a given commodity to a specific destination as well as to determine other export control regulations of the Commerce Department. The Comprehensive Export Schedule is supplemented 2 or 3 times a month by BFC’s Current Export Bulletin. The Secretary of Commerce’s Quarterly Report to the President and the Congress reports major policy changes and activities of the Department of Commerce in carrying out its export control activities.

The two main policies as indicated in the Export Control Act which is administered by the Department of Commerce are export controls for security and for short supply reasons. The objective of security controls as embodied in the Export Control Act of 1949, as extended, is to exercise the necessary vigilance over exports from the standpoint of their significance to the national security. The controls were designed to deny or restrict the exportation of strategic commodities to the Soviet bloc in order to impede the buildup and maintenance of the Soviet war potential. Shipments of all commodities to Communist China and North Korea are embargoed while shipments to the European Soviet bloc, Hong Kong, and Macao are either denied or restricted. In addition, all proposed shipments of strategic commodities to all destinations, except Canada, are carefully scrutinized to assure that the goods will not be transshipped or diverted to unfriendly hands. The Commerce Department has developed procedures to prevent the frustration of our own export controls which would result from shipping a strategic item to a country which (1) ships identical or closely similar items to the Soviet bloc, or (2) would use the American item directly in the manufacture of strategic items for the Soviet bloc. [Pg 84]

In order to prevent the transshipment abroad of United States commodities, the Department of Commerce also has regulations covering the unauthorized movement of United States commodities after they leave United States shores. These regulations generally referred to as the "destination control" provisions are designed to prohibit the reexportation from the country of ultimate destination except upon written authorization from BFC. These regulations also restrict ships, planes or other carriers from delivering United States origin goods to other than the destination specified on the export control documents. In addition, the United States participates in the international IC/DV (import certificate—delivery verification) system described elsewhere in this report.

In addition to United States export controls for security reasons, it is necessary to administer export controls for short supply reasons in order to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal demand. Such controls are usually exercised by means of export programs or quotas fixed by the Secretary of Commerce. The easing of supply programs in recent months has led to the prompt lifting of nearly all domestic controls over materials: such actions have generally been followed by the relaxation of related export controls for short supply reasons. Thus, export controls for short supply reasons do not play as important a part as before in comparison with security controls.

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[1] The Positive List of Commodities is a current list contained in the Comprehensive Export Schedule showing the commodities which require a validated license from the Bureau of Foreign Commerce of the Department of Commerce.

### Transit Controls

A validated export license is required for the exportation from any seaport, land frontier, airport, or foreign trade zone in the United States of certain strategic goods in transit through the United States which originate in or are destined for a foreign country. The commodities so controlled are the ones which are identified on the United States Department of Commerce Positive List by an asterisk.

### Shipping Controls

Department of Commerce Transportation Order T-1 denies any United States-registered vessel or aircraft authority to carry items listed on the Positive List, or arms, ammunition and implements of war or fissionable material, to any Soviet bloc destination, Hong Kong or Macao without a validated license issued by BFC or other appropriate licensing agencies or the express permission of the Under Secretary of Commerce for Transportation. This order includes shipments from foreign ports as well as from the United States.

Department of Commerce Transportation Order T-2 has the effect of preventing the transportation of any commodities directly or indirectly to Communist China, North Korea, or areas under their control, by United States-registered vessels or aircraft. It also prohibits American ships and aircraft from calling at any port or place in Communist China.

A validated license is required for delivery in United States ports of specified types of petroleum and petroleum products to foreign vessels, if the foreign carrier has called at any point under Far Eastern Communist control, or at Macao, since January 1, 1953, or will carry commodities of any origin from the United States destined directly or indirectly for any such point within a period of 120 days in the case of a vessel, or 30 days in the case of any aircraft. This regulation also requires that if a carrier is registered in or under charter to a Soviet-bloc country or is under charter to a national of a Soviet-bloc country it will be necessary to apply to BFC for a validated license.

American petroleum companies at certain foreign ports are prohibited without a Treasury Department authorization from bunkering any vessel bound for a Communist Far East port or Macao or which is carrying goods destined for Communist China or North Korea. Similar restrictions apply to the bunkering by these companies of vessels returning from Communist Far East ports or Macao. [Pg 85]

### Financial and Transaction Controls

The Foreign Assets Control Regulations, administered by the Treasury Department, block the assets here of Communist China, North Korea and their nationals and prohibit unlicensed dealings involving property in which Communist China, or North Korea, or their nationals, have any interest. The regulations prevent the use of United States financial facilities by those countries and their nationals. These regulations also prohibit the unlicensed importation of goods of Chinese Communist or North Korean origin.

Treasury regulations also prohibit Americans, including foreign subsidiaries of United States firms, from participating in the purchase or sale of certain important commodities for ultimate shipment from any country outside the United States to the countries of the Soviet bloc. These transactions controls, which are complementary to the United States export control laws, are administered by the Treasury Department under Foreign Assets Control Regulations.

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*APPENDIX B*

# Statistical Tables

Table 1.— *Free-world trade with Soviet bloc, 1948 through 1953*

[In millions of United States dollars]

| | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 (est.) |
|---|---|---|---|---|---|---|
| Free-World exports to: | | | | | | |
| Entire bloc | 1,969 | 1,680 | 1,545 | 1,685 | 1,422 | 1,350 |
| U.S.S.R. | 533 | 437 | 301 | 386 | 481 | 410 |
| European satellites | 902 | 919 | 792 | 853 | 672 | 660 |
| China | 534 | 324 | 452 | 446 | 268 | 280 |
| Free-World imports from: | | | | | | |
| Entire bloc | 2,005 | 1,788 | 1,727 | 1,879 | 1,608 | [1]1,580 |
| U.S.S.R. | 492 | 272 | 252 | 397 | 462 | 380 |
| European satellites | 1,026 | 1,090 | 940 | 960 | 780 | 766 |
| China | 487 | 426 | 535 | 522 | 366 | 425 |

[1] Includes $9 million imported by United States from Outer Mongolia.

Note.—Figures unadjusted for price changes. China data since 1949 refer, so far as possible, to Mainland (Communist) China including Manchuria and Inner Mongolia.

Source: Official statistics of Free-World Countries, compiled by U. S. Department of Commerce.

Table 2.— *Exports of principal free-world countries to Soviet bloc, 1951, 1952, and 1953*

[In millions of U. S. dollars]

| Country | Exports to world | | | | Exports to Soviet bloc | | | |
|---|---|---|---|---|---|---|---|---|
| | 1951 | 1952 | 1953 as indicated | | 1951 | 1952 | 1953 as indicated | |
| Anglo-Egyp. Sudan | 183.5 | 122.6 | Jan.-Dec. | 127.5 | 0.8 | 0.7 | Jan.-Dec. | 0.1 |
| Argentina | 1,152.3 | 702.3 | Jan.-Aug. | 790.4 | 34.5 | 12.2 | Jan.-Aug. | 11.3 |
| Australia | 2,047.0 | 1,716.2 | Jan.-Dec. | 1,977.2 | 55.5 | 8.9 | Jan.-Dec. | 61.5 |
| Austria | 453.8 | 505.5 | Jan.-Dec. | 532.9 | 60.5 | 64.4 | Jan.-Dec. | 58.4 |
| Belgium-Luxembourg | 2,651.4 | 2,451.0 | Jan.-Dec. | 2,259.3 | 64.4 | 60.1 | Jan.-Dec. | 66.1 |
| Brazil | 1,757.4 | 1,408.8 | Jan.-Nov. | 1,363.7 | 7.9 | 6.5 | Jan.-Nov. | 10.7 |
| Canada | 3,608.0 | 4,396.4 | Jan.-Dec. | 4,184.8 | .9 | .6 | Jan.-Dec. | .5 |
| Ceylon | 399.9 | 315.5 | Jan.-Dee. | 329.3 | 8.5 | 28.9 | Jan.-Dec. | 51.5 |
| Chile | 376.8 | 461.8 | Jan.-Aug. | 229.2 | ([1]) | ([1]) | Jan.-Aug. | (—) |
| Denmark | 838.8 | 849.1 | Jan.-Dec. | 893.9 | 40.0 | 33.9 | Jan.-Dec. | 44.3 |
| Finland [2] | 866.5 | 717.3 | Jan.-Dec. | 572.0 | 148.4 | 183.5 | Jan.-Dec. | 179.3 |
| France | 4,240.6 | 4,046.9 | Jan.-Dec. | 4,019.4 | 40.5 | 42.1 | Jan.-Dec. | 63.3 |
| French Morocco | 251.9 | 273.8 | Jan.-Dec. | 268.1 | 3.1 | 1.5 | Jan.-Dec. | 1.9 |
| Germany, Fed. Repub. | 3,508.3 | 4,072.4 | Jan.-Dec. | 4,477.9 | 103.1 | 88.2 | Jan.-Dec. | 139.4 |
| Gold Coast | 255.5 | 241.6 | Jan.-Sept. | 192.4 | 9.6 | 12.0 | Jan.-Sept. | 8.1 |
| Greece | 101.8 | 119.9 | Jan.-Dec. | 132.0 | .4 | .4 | Jan.-Dec. | 8.3 |
| Hong Kong | 775.8 | 509.8 | Jan.-Dec. | 478.4 | 280.7 | 91.0 | Jan.-Dec. | 94.6 |
| Iceland | 44.6 | 39.3 | Jan.-Dec. | 43.4 | 3.5 | 2.8 | Jan.-Dec. | 8.6 |
| India | 1,645.8 | 1,299.3 | Jan.-Nov. | 1,001.5 | 30.9 | 12.7 | Jan.-Nov. | 9.2 |
| Indonesia | 1,230.7 | 911.1 | Jan.-Dec. | 819.5 | 2.3 | 9.8 | Jan.-Dec. | 4.5 |
| Iran | 590.6 | 152.4 | Jan.-Dec. | 125.7 | 22.6 | 25.6 | Jan.-Dec. | 16.6 |
| Ireland | 228.0 | 284.1 | Jan.-Dec. | 319.2 | .1 | ([1]) | Jan.-Dec | .4 |
| Israel | 44.8 | 34.2 | Jan.-Oct. | 47.7 | 2.1 | [3]2.1 | Jan.-Oct. | 1.2 |
| Italy | 1,629.3 | 1,382.8 | Jan.-Dec. | 1,488.1 | 65.7 | 58.7 | Jan.-Dec. | 62.7 |
| Japan | 1,354.5 | 1,272.9 | Jan.-Dec. | 1,273.6 | 5.8 | .8 | Jan.-Dec. | 4.6 |
| Malaya | 1,957.1 | 1,239.7 | Jan.-Dec. | 951.1 | 92.9 | 30.3 | Jan.-Dec. | 35.5 |
| Mexico | 629.7 | 592.5 | Jan.-Sept. | 386.0 | .6 | .5 | Jan.-Sept. | .2 |
| Netherlands | 1,956.1 | 2,113.4 | Jan.-Dec. | 2,021.4 | 40.0 | 36.4 | Jan.-Dec. | 60.8 |
| New Zealand | 694.8 | 674.3 | Jan.-Dec. | 659.7 | 26.1 | 10.0 | Jan.-Dec. | 14.9 |
| Norway | 620.0 | 565.4 | Jan.-Dec. | 508.6 | 29.2 | 30.0 | Jan.-Dec. | 32.9 |
| Pakistan | 749.8 | 532.5 | Jan.-Dec. | 438.8 | 72.6 | 119.6 | Jan.-Dec. | 19.8 |
| Portugal | 262.9 | 237.2 | Jan.-Dec. | 218.8 | 4.8 | 7.1 | Jan.-Dec. | 5.7 |
| Spain | 477.7 | 403.5 | Jan.-Oct. | 383.9 | .4 | .3 | Jan.-Oct. | ([1]) |
| Sweden | 1,178.5 | 1,561.1 | Jan.-Dec. | 1,477.0 | 126.7 | 119.0 | Jan.-Dec. | 69.7 |
| Switzerland | 1,082.0 | 1,100.1 | Jan.-Dec. | 1,204.3 | 86.0 | 60.4 | Jan.-Dec. | 60.8 |
| Turkey | 314.0 | 362.9 | Jan.-Oct. | 306.5 | 24.7 | 20.3 | Jan.-Oct. | 22.8 |
| United Kingdom | 7,578.3 | 7,541.5 | Jan.-Dec. | 7,524.7 | 119.6 | 155.7 | Jan.-Dec. | 92.7 |
| United States | 16,602.3 | 15,176.3 | Jan.-Dec. | 15,747.4 | 2.8 | 1.1 | Jan.-Dec. | 4.8 |

[1] Less than $50,000.

[2] Includes reparations deliveries to U.S.S.R. valued at $53,899,000 in 1951 and $35,719,000 in January-September 1952 when reparation deliveries were terminated. Also includes transfers of “former German assets” to the ceded territory of Janiskoski, valued at $15,000 in 1951.

[3] January-September only.

(—) None.

Note.—Soviet bloc countries are Albania, Bulgaria, Czechoslovakia, Soviet Zone of Germany, Hungary, Poland, Rumania, U.S.S.R., Outer Mongolia, and China (data as far as possible refer to Mainland China, including Manchuria and Inner Mongolia). Exports include reexports for the following countries: Anglo-Egyptian Sudan, Australia, Ceylon, Gold Coast, Hong Kong, India, Ireland, Japan, Malaya, Mexico, New Zealand, Pakistan, United Kingdom, and United States. All other countries exclude reexports.

Source: Official trade statistics of listed countries, compiled by U. S. Department of Commerce.

Table 3.— *Imports of principal free-world countries from the Soviet bloc, 1951, 1952, and 1953*

[In millions of U. S. dollars]

| Country | Imports from world | | | | Imports from Soviet bloc | | | |
|---|---|---|---|---|---|---|---|---|
| | 1951 | 1952 | 1953 as indicated | | 1951 | 1952 | 1953 as indicated | |
| Anglo-Egyp. Sudan | 120.6 | 175.3 | Jan.-Dec. | 145.5 | 3.5 | 5.2 | Jan.-Dec. | 3.6 |
| Argentina | 1,360.8 | 1,178.3 | Jan.-Aug. | 483.2 | 38.6 | 17.1 | Jan.-Aug. | 9.3 |
| Australia | 2,112.5 | 1,733.8 | Jan.-Dec. | 1,298.5 | 37.8 | 14.7 | Jan.-Dec. | 10.8 |
| Austria | 652.7 | 653.6 | Jan.-Dec. | 541.2 | 72.0 | 73.6 | Jan.-Dec. | 60.4 |
| Belgium-Luxembourg | 2,544.0 | 2,460.5 | Jan.-Dec. | 2,422.6 | 57.8 | 37.4 | Jan.-Dec. | 47.4 |
| Brazil | 2,010.6 | 2,009.5 | Jan.-Nov. | 1,215.8 | 10.3 | 5.9 | Jan.-Nov. | 8.0 |
| Canada | 3,877.1 | 4,120.3 | Jan.-Dec. | 4,449.4 | 8.1 | 8.7 | Jan.-Dec. | 6.0 |
| Ceylon | 327.3 | 357.5 | Jan.-Dec. | 337.6 | 2.4 | 8.0 | Jan.-Dec. | 45.5 |
| Chile | 329.1 | 371.0 | Jan.-Aug. | 213.7 | 1.8 | .8 | Jan.-Aug. | 1.2 |
| Denmark | 1,012.5 | 962.1 | Jan.-Dec. | 1,000.3 | 70.7 | 39.2 | Jan.-Dec. | 40.6 |
| Finland | 676.0 | 791.7 | Jan.-Dec. | 529.8 | 108.2 | 153.5 | Jan.-Dec. | 182.3 |
| France | 4,614.8 | 4,547.3 | Jan.-Dec. | 4,166.1 | 71.1 | 64.2 | Jan.-Dec. | 56.9 |
| French Morocco | 456.2 | 515.8 | Jan.-Dec. | 490.1 | 15.8 | 8.6 | Jan.-Dec. | 13.2 |
| Germany, Federal Republic | 3,532.2 | 3,873.3 | Jan.-Dec. | 3,877.4 | 131.8 | 94.0 | Jan.-Dec. | 168.0 |
| Gold Coast | 177.3 | 186.4 | Jan.-Sept. | 143.3 | 2.2 | 1.6 | Jan.-Sept. | 1.5 |
| Greece | 398.4 | 346.3 | Jan.-Dec. | 294.3 | .6 | .6 | Jan.-Dec. | 3.8 |
| Hong Kong | 852.3 | 661.4 | Jan.-Dec. | 677.7 | 155.1 | 146.6 | Jan.-Dec. | 150.0 |
| Iceland | 56.7 | 55.8 | Jan.-Dec. | 68.2 | 3.9 | 3.7 | Jan.-Dec. | 6.3 |
| India | 1,767.8 | 1,657.0 | Jan.-Nov. | 1,100.6 | 38.4 | 38.8 | Jan.-Nov. | 6.0 |
| Indonesia | 805.3 | 924.0 | Jan.-Dec. | 753.0 | 6.7 | 5.3 | Jan.-Dec. | 6.9 |
| Iran | 249.1 | 165.2 | Jan.-Dec. | 152.5 | 23.6 | 27.4 | Jan.-Dec. | 18.3 |
| Ireland | 572.6 | 482.2 | Jan.-Dec. | 513.6 | 7.8 | 2.3 | Jan.-Dec. | 2.7 |
| Israel | 343.3 | [1]280.3 | Jan.-Oct. | 233.7 | 10.5 | [1]4.8 | Jan.-Oct. | 2.1 |
| Italy | 2,118.7 | 2,313.3 | Jan.-Dec. | 2,395.1 | 80.0 | 86.4 | Jan.-Dec. | 53.8 |
| Japan | 1,940.9 | 2,028.2 | Jan.-Dec. | 2,409.5 | 23.1 | 17.9 | Jan.-Dec. | 37.8 |
| Malaya | 1,542.1 | 1,256.9 | Jan.-Dec. | 1,054.4 | 46.7 | 42.5 | Jan.-Dec. | 40.3 |
| Mexico | 783.0 | 739.2 | Jan.-Sept. | 539.1 | 2.1 | 1.5 | Jan.-Sept. | .8 |
| Netherlands | 2,561.3 | 2,257.2 | Jan.-Dec. | 2,354.3 | 66.9 | 59.3 | Jan.-Dec. | 68.6 |
| New Zealand | 578.3 | 644.2 | Jan.-Dec. | 457.8 | 2.9 | 2.3 | Jan.-Dec. | 1.9 |
| Norway | 877.3 | 872.7 | Jan.-Dec. | 912.0 | 29.4 | 35.3 | Jan.-Dec. | 43.9 |
| Pakistan | 519.9 | 609.7 | Jan.-Dec. | 350.2 | 24.6 | 8.6 | Jan.-Dec. | 4.2 |
| Portugal | 329.4 | 346.6 | Jan.-Dec. | 330.6 | 1.8 | .8 | Jan.-Dec. | .9 |
| Spain | 387.0 | 518.5 | Jan.-Oct. | 481.2 | .4 | .2 | Jan.-Oct. | ([2]) |
| Sweden | 1,775.2 | 1,727.2 | Jan.-Dec. | 1,577.0 | 137.0 | 108.4 | Jan.-Dec. | 61.4 |
| Switzerland | 1,364.4 | 1,205.9 | Jan.-Dec. | 1,182.8 | 57.4 | 45.4 | Jan.-Dec. | 50.7 |
| Taiwan | 85.8 | 113.0 | Jan.-Dec. | 105.8 | 6.8 | 9.7 | Jan.-Dec. | 5.8 |
| Turkey | 402.0 | 555.9 | Jan.-Oct. | 428.8 | 20.0 | 20.6 | Jan.-Oct. | 22.8 |
| United Kingdom | 10,959.8 | 9,748.2 | Jan.-Dec. | 9,365.7 | 287.8 | 243.3 | Jan.-Dec. | 235.6 |
| United States | 10,967.4 | 10,716.8 | Jan.-Dec. | 10,873.7 | 110.3 | 67.3 | Jan.-Dec. | 45.6 |

[1] January-September only.

[2] Less than $50,000.

Note.—Soviet Bloc countries are Albania, Bulgaria, Czechoslovakia, Soviet Zone of Germany, Hungary, Poland, Rumania, U.S.S.R., Outer Mongolia, and China (data as far as possible refer to Mainland China including Manchuria and Inner Mongolia).

Source: Official trade statistics of listed countries, compiled by U. S. Department of Commerce.

TABLE 4.— *Free-world exports to the Soviet bloc, monthly, 1952 and 1953*

[In millions of U. S. dollars]

| Month | Total Soviet bloc | European Satellites | U.S.S.R. | China |
|---|---|---|---|---|
| 1952: | | | | |
| January | 107.8 | 58.7 | 39.1 | 10.0 |
| February | 121.4 | 51.3 | 48.9 | 21.2 |
| March | 129.2 | 67.8 | 53.4 | 8.0 |
| April | 114.8 | 53.1 | 40.7 | 21.0 |
| May | 139.4 | 52.4 | 52.5 | 34.5 |
| June | 109.4 | 56.1 | 30.7 | 22.6 |
| July | 118.0 | 53.5 | 39.2 | 25.3 |
| August | 125.4 | 53.2 | 39.3 | 32.9 |
| September | 89.5 | 45.6 | 23.9 | 20.0 |
| October | 104.6 | 50.4 | 34.6 | 19.6 |
| November | 120.4 | 55.7 | 40.1 | 24.6 |
| December | 139.3 | 72.5 | 38.0 | 28.8 |
| 1953: | | | | |
| January | 119.3 | 54.9 | 25.9 | 38.5 |
| February | 97.1 | 48.6 | 23.5 | 25.0 |
| March | 123.9 | 61.2 | 33.3 | 29.4 |
| April | 110.9 | 53.2 | 26.8 | 30.9 |
| May | 88.4 | 43.4 | 25.8 | 19.2 |
| June | 100.9 | 51.9 | 27.2 | 21.8 |
| July | 104.4 | 55.2 | 30.7 | 18.5 |
| August | 113.2 | 56.1 | 37.8 | 19.3 |
| September | 90.3 | 47.7 | 30.0 | 12.6 |
| October | 118.4 | 50.7 | 46.8 | 20.9 |
| November | 140.3 | 67.0 | 50.6 | 22.5 |
| December | 144.4 | 68.7 | 53.2 | 22.2 |

NOTE. — Monthly data are preliminary and unrevised. Therefore, they will not add exactly to annual world totals. China data refer, wherever possible, to Mainland (Communist) China, including Manchuria and Inner Mongolia.

Source: Official trade statistics of the free world, compiled by U. S. Department of Commerce.

TABLE 5.— *Free world imports from the Soviet bloc, monthly, 1952 and 1953*

[In millions of U. S. dollars]

| Month | Total Soviet bloc | European Satellites | U.S.S.R. | China |
|---|---|---|---|---|
| 1952: | | | | |
| January | 153.8 | 76.0 | 43.7 | 34.1 |
| February | 145.2 | 66.0 | 45.6 | 33.6 |
| March | 138.5 | 68.0 | 44.5 | 26.0 |
| April | 148.3 | 63.0 | 53.5 | 31.8 |
| May | 133.4 | 60.6 | 47.3 | 25.5 |
| June | 114.0 | 58.7 | 35.0 | 20.3 |
| July | 125.0 | 66.9 | 28.7 | 29.4 |
| August | 122.1 | 62.7 | 30.0 | 29.4 |
| September | 120.6 | 56.7 | 31.9 | 32.0 |
| October | 124.0 | 59.7 | 35.6 | 28.7 |
| November | 135.3 | 65.2 | 35.7 | 34.4 |
| December | 145.7 | 74.8 | 30.5 | 40.4 |
| 1953: | | | | |
| January | 135.4 | 67.8 | 30.9 | 36.1 |
| February | 103.2 | 51.3 | 16.8 | 34.3 |
| March | 115.8 | 59.6 | 19.5 | 36.2 |
| April | 139.9 | 74.3 | 24.2 | 40.2 |
| May | 127.6 | 61.6 | 25.0 | 40.5 |
| June | 132.0 | 63.3 | 29.3 | 39.2 |
| July | 124.6 | 62.2 | 29.5 | 32.6 |
| August | 135.3 | 58.4 | 44.9 | 30.5 |
| September | 141.3 | 65.2 | 37.5 | 38.1 |
| October | 147.2 | 71.5 | 40.8 | 33.7 |
| November | 129.7 | 67.6 | 34.9 | 26.8 |
| December | 146.2 | 63.7 | 44.3 | 37.3 |

NOTE. — Monthly data are preliminary and unrevised. Therefore, they will not add exactly to annual world totals. China data refer, wherever possible, to Mainland (Communist) China, including Manchuria and Inner Mongolia. In 1952 United States statistics included Outer Mongolia with China, where it is shown above. In 1953 United States trade with Outer Mongolia was separately available; it is therefore included in the total bloc column above, but not with China. United States monthly 1953 imports from Outer Mongolia were as follows in thousands of dollars: January, 647; February, 800; March, 517; April 1,185; May, 474; June, 228; July, 287; August, 1,492; September, 526; October, 1,243; November, 357; December, 902.

Source: Official trade statistics of the free world, compiled by U. S. Department of Commerce.

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Table 6.— *Free-world exports to Communist China, semiannual, 1952 and 1953*

[In millions of U. S. dollars]

| Country | First half 1952 | Second half 1952 | First half 1953 | Second half 1953 | Major items in 1953 |
|---|---|---|---|---|---|
| Free world exports, total | 112.8 | 143.7 | 158.9 | [1]111.1 | |
| Hong Kong | 29.1 | 61.9 | 63.7 | 30.9 | Medicine, dyestuffs, fertilizers, machinery. |
| Ceylon | 12.5 | 13.5 | 25.0 | 25.9 | Rubber, coconut oil. |
| West Germany | .2 | 2.6 | 13.7 | 11.3 | Iron and steel, scientific instruments, electrical machinery. |
| United Kingdom | 1.9 | 10.9 | 8.7 | 8.8 | Wool tops, mechanical handling equipment, sodium compounds, piece goods, ammonium sulphate, textile machinery. |
| Egypt | 2.5 | 6.4 | 4.9 | 5.5 | Cotton. |
| Switzerland | 2.5 | 3.5 | 10.0 | 5.5 | Watches, coal tar dyes, indigo. |
| Finland | .1 | 6.5 | 1.0 | 4.4 | Paper, cellulose, copper semi-manufactures. |
| Australia | .2 | .4 | 1.4 | 3.9 | Greasy wool, wool tops. |
| Pakistan | 54.5 | 29.4 | 3.6 | 3.7 | Cotton. |
| France | .9 | 2.4 | 9.7 | 2.7 | Iron and steel, machine tools, chemicals and pharmaceuticals. |
| Japan | .3 | .2 | 2.3 | 2.2 | Textile machinery, seaweed, superphosphates, medicines. |
| Netherlands | ([4]) | ([4]) | 2.6 | 1.3 | Ammonium sulphate. |
| Italy | 2.1 | 1.5 | 3.9 | .8 | Chemical fertilizer, artificial yarn, woolen blankets. |
| Sweden | .2 | .4 | 2.3 | .4 | Paper and paper manufactures. |
| India | 5.2 | 1.3 | 2.2 | [2].2 | Jute bags. |
| Belgium-Luxembourg | .3 | .3 | 1.3 | .1 | Ammonium sulphate and sulfonitrate. |
| Norway | ([4]) | 1.7 | .9 | ([4]) | Paper. |
| Other | .3 | .8 | 1.7 | ([3]) | |

[1] Estimate.

[2] July-November only.

[3] Not available.

[4] Less than $50,000.

Note. — Totals and Swiss data are adjusted to exclude those watches known to be destined for Hong Kong and Malaya. So far as possible, data refer to Mainland (Communist) China, including Manchuria and Inner Mongolia.

Source: Official trade statistics of free-world countries, compiled by U. S. Department of Commerce.

Table 7.— *Free-world imports from Communist China, semiannual, 1952 and 1953*

[In millions of U. S. dollars]

| Country | First half 1952 | Second half 1952 | First half 1953 | Second half 1953 | Major items in 1953 |
|---|---|---|---|---|---|
| Free world imports, total | 171.2 | 194.6 | 226.6 | [1]198.4 | |
| Hong Kong | 60.7 | 84.6 | 84.9 | 65.1 | Fruits and vegetables, textiles, vegetable oils, pigs and poultry, eggs, plants and seeds. |
| Ceylon | .3 | 6.6 | 22.1 | 21.8 | Rice. |
| West Germany | 8.2 | 9.4 | 14.8 | 18.5 | Oilseeds, vegetable oils, eggs. |
| Japan | 5.6 | 9.3 | 12.6 | 17.1 | Oilseeds, cashmere, wool, raw silk, pulses. |
| United Kingdom | 5.0 | 3.4 | 12.0 | 16.8 | Eggs, hair, oilseeds. |
| Malaya | 21.0 | 18.5 | 20.3 | 14.1 | Fruits and vegetable, eggs, plants and seeds, paper and manufactures, animal feeding stuffs. |
| Switzerland | 3.5 | 6.4 | 8.1 | 8.0 | Oilseeds, raw silk, silk fabrics. |
| France | 3.1 | 2.5 | 5.2 | 5.8 | Textile yarn and fibers, grains, bristles, casings, essential oils. |
| Netherlands | 2.8 | 2.1 | 11.8 | 3.4 | Oilseeds. |
| Belgium-Luxembourg | 2.5 | 2.2 | 4.2 | 3.1 | Oilseeds, vegetable oils. |
| Italy | .9 | 1.2 | 4.3 | 3.1 | Fats and oils, oilseeds. |
| Taiwan | 4.5 | 5.2 | 2.9 | 2.8 | Pulses, medicinal substances, vegetables. |
| Norway | 1.0 | 2.2 | .8 | 2.8 | Oilseeds, copra, tung oil. |
| French Morocco | 4.0 | 1.5 | 4.7 | 2.5 | Green tea. |
| Australia | 2.3 | 1.2 | 1.9 | 2.4 | Inedible animal products, oils, peanuts. |
| Pakistan | 1.4 | 1.2 | .8 | 2.2 | Cotton twist and yarn. |
| Indonesia | .9 | 1.0 | .7 | 1.5 | Vegetables, plants and seeds, resin. |
| United States | 22.6 | 5.1 | .2 | .4 | Feathers, bristles, furskins, art works and antiques. |
| Canada | 1.1 | .2 | .7 | .4 | Walnuts and peanuts. |
| Philippines | 1.4 | 1.8 | 1.3 | [2].4 | Food, cotton and manufactures, coffee. |
| India | 10.2 | 22.2 | 1.4 | [2].4 | Rice. |
| Denmark | ([3]) | ([3]) | 2.1 | (none) | Oilseeds, feedstuffs. |
| Indochina | 3.3 | 4.0 | [4]3.4 | ([5]) | Not available. |
| Burma | 2.2 | .2 | .2 | ([5]) | Garlic, raw silk and yarn, cotton yarn. |
| Other | 2.7 | 2.6 | 5.2 | ([5]) | |

1 Estimate.

2 Figures for the second half of 1953 are incomplete as follows: Philippines, July-November: India, July-November.

3 Less than $50,000.

4 January-May only.

5 Not available.

Note.—So far as possible, data refer to Mainland Communist China, including Manchuria and Inner Mongolia.

Source: Official trade statistics of free world countries, compiled by U. S. Department of commerce.

TABLE 8.—*United States trade with the Soviet-bloc countries, 1937, 1948, 1952, and 1953*

[In thousands of dollars]

| Country | Exports, including reexports | | | | General imports | | | |
|---|---|---|---|---|---|---|---|---|
| | [1]1937 | 1948 | 1952 | 1953 | 1937 | 1948 | 1952 | 1953 |
| Total Soviet bloc | 143,892 | 396,641 | 1,097 | 1,776 | 206,506 | 233,482 | 67,311 | 45,597 |
| Bloc in Europe | 94,189 | 123,241 | 1,097 | 1,776 | 102,884 | 113,138 | 39,586 | 36,325 |
| Albania | 147 | 344 | 1 | 2 | 137 | ---- | 52 | 65 |
| Bulgaria | 490 | 2,086 | 24 | 5 | 1,862 | 831 | 275 | 358 |
| Czechoslovakia | 13,233 | 21,563 | 75 | 40 | 37,183 | 22,125 | 1,477 | 2,262 |
| East Germany | n.s.s. | n.s.s. | 622 | 1,079 | n.s.s. | n.s.s. | 7,118 | 6,465 |
| Estonia | 1,244 | 7 | ------ | ------ | 937 | (X) | ------ | ------ |
| Hungary | 693 | 8,029 | 69 | 2 | 5,512 | 1,613 | 2,913 | 1,717 |
| Latvia | 1,744 | 1 | ------ | ------ | 767 | 6 | ------ | ------ |
| Lithuania | 511 | 115 | ------ | ------ | 1,172 | 10 | 1 | ------ |
| Poland and Danzig | 26,297 | 55,675 | 286 | 622 | 19,568 | 1,249 | 10,247 | 14,295 |
| Rumania | 6,938 | 7,542 | ------ | 7 | 4,978 | 480 | 683 | 372 |
| U.S.S.R. | 42,892 | 27,879 | 20 | 19 | 30,768 | 86,825 | 16,818 | 10,791 |
| BLOC IN ASIA | | | | | | | | |
| China (including Manchuria) } Outer Mongolia [4] | 49,703 | 273,400 | ------ | ------ | 103,622 | 120,343 | | |
| China (including Manchuria) | | | | | | | [2]24,605 | [3]614 |
| Outer Mongolia [4] | | | | | | | 3,120 | 8,658 |
| North Korea | n. s. s. | n. s. s. | ------ | ------ | n. s. s. | n. s. s. | ------ | ------ |

[1] Data represent direct shipments only, which in prewar years greatly understated the trade with central European countries; for a total of direct and indirect imports of United States merchandise see foreign country statistics.

[2] Consisted chiefly of strategic materials specifically licensed for import.

[3] Consisted chiefly of strategic materials specifically licensed for import in 1952 but not actually imported until 1953, and Chinese material located in free countries before 1950 and purchased in those countries by Americans.

[4] United States does not consider Outer Mongolia as a part of Communist China; traditionally for statistical purposes Outer Mongolia has been included with China; separate figures for this area have been compiled by Census only since January 1953. The 1952 breakdown is estimated.

(X) Less than $500.

n.s.s. Not shown separately.

Source: U. S. Department of Commerce.

Rows of dashes: )----) mean nothing shipped.



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# *APPENDIX C*

# Text of the Battle Act

**Mutual Defense Assistance Control Act of 1951 [H. R. 4550], Public Law 213, 82d Congress, 65 Stat. 644, Approved October 26, 1951**

> An ACT To provide for the control by the United States and cooperating foreign nations of exports to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Mutual Defense Assistance Control Act of 1951."

TITLE I—WAR MATERIALS

Sec. 101. The Congress of the United States, recognizing that in a world threatened by aggression the United States can best preserve and maintain peace by developing maximum national strength and by utilizing all of its resources in cooperation with other free nations, hereby declares it to be the policy of the United States to apply an embargo on the shipment of arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, in order to (1) increase the national strength of the United States and of the cooperating nations; (2) impede the ability of nations threatening the security of the United States to conduct military operations; and (3) to assist the people of the nations under the domination of foreign aggressors to reestablish their freedom.

It is further declared to be the policy of the United States that no military, economic, or financial assistance shall be supplied to any nation unless it applies an embargo on such shipments to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination.

This Act shall be administered in such a way as to bring about the fullest support for any [Pg 100]
resolution of the General Assembly of the United Nations, supported by the United States, to prevent the shipment of certain commodities to areas under the control of governments engaged in hostilities in defiance of the United Nations.

Sec. 102. Responsibility for giving effect to the purposes of this Act shall be vested in the person occupying the senior position authorized by subsection (e) of section 406 of the Mutual Defense Assistance Act of 1949, as amended, or in any person who may hereafter be charged with principal responsibility for the administration of the provisions of the Mutual Defense Assistance Act of 1949. Such person is hereinafter referred to as the "Administrator".

Sec. 103. (a) The Administrator is hereby authorized and directed to determine within thirty days after enactment of this Act after full and complete consideration of the views of the Departments of State, Defense, and Commerce; the Economic Cooperation Administration; and any other appropriate agencies, and notwithstanding the provisions of any other law, which items are, for the purpose of this Act, arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and those items of primary strategic significance used in the production of arms, ammunition, and implements of war which should be embargoed to effectuate the purposes of this Act: *Provided*, That such determinations shall be continuously adjusted to current conditions on the basis of investigation and consultation, and that all nations receiving United States military, economic, or financial assistance shall be kept informed of such determinations.

(b) All military, economic, or financial assistance to any nation shall, upon the recommendation of the Administrator, be terminated forthwith if such nation after sixty days from the date of a determination under section 103 (a) knowingly permits the shipment to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, of any item which he has determined under section 103 (a) after a full and complete investigation to be included in any of the following categories: Arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war: *Provided*, That the President after receiving the advice of the Administrator and after taking into account the contribution of such country to the mutual security of the free world, the importance of such assistance to the security of the United States, the strategic importance of imports received from countries of the Soviet bloc, and the adequacy of such country's controls over the export to the Soviet bloc of
items of strategic importance, may direct the continuance of such assistance to a country which [Pg 101]
permits shipments of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States: *Provided further*, That the President shall immediately report any determination made pursuant to the first proviso of this section with reasons therefor to the Appropriations and Armed Services Committees of the Senate and of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives, and the President shall at least once each

quarter review all determinations made previously and shall report his conclusions to the foregoing committees of the House and Senate, which reports shall contain an analysis of the trade with the Soviet bloc of countries for which determinations have been made.

Sec. 104. Whenever military, economic, or financial assistance has been terminated as provided in this Act, such assistance can be resumed only upon determination by the President that adequate measures have been taken by the nation concerned to assure full compliance with the provisions of this Act.

Sec. 105. For the purposes of this Act the term "assistance" does not include activities carried on for the purpose of facilitating the procurement of materials in which the United States is deficient.

## TITLE II—OTHER MATERIALS

Sec. 201. The Congress of the United States further declares it to be the policy of the United States to regulate the export of commodities other than those specified in title I of this Act to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, in order to strengthen the United States and other cooperating nations of the free world and to oppose and offset by nonmilitary action acts which threaten the security of the United States and the peace of the world.

Sec. 202. The United States shall negotiate with any country receiving military, economic, or financial assistance arrangements for the recipient country to undertake a program for controlling exports of items not subject to embargo under title I of this Act, but which in the judgment of the Administrator should be controlled to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination.

Sec. 203. All military, economic, and financial assistance shall be terminated when the President determines that the recipient country (1) is not effectively cooperating with the United States [Pg 102] pursuant to this title, or (2) is failing to furnish to the United States information sufficient for the President to determine that the recipient country is effectively cooperating with the United States.

## TITLE III—GENERAL PROVISIONS

Sec. 301. All other nations (those not receiving United States military, economic, or financial assistance) shall be invited by the President to cooperate jointly in a group or groups or on an individual basis in controlling the export of the commodities referred to in title I and title II of this Act to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination.

Sec. 302. The Administrator with regard to all titles of this Act shall—

(a) coordinate those activities of the various United States departments and agencies which are concerned with security controls over exports from other countries;
(b) make a continuing study of the administration of export control measures undertaken by foreign governments in accordance with the provisions of this Act, and shall report to the Congress from time to time but not less than once every six months recommending action where appropriate; and
(c) make available technical advice and assistance on export control procedures to any nation desiring such cooperation.

Sec. 303. The provisions of subsection (a) of section 403, of section 404, and of subsections (c) and (d) of section 406 of the Mutual Defense Assistance Act of 1949 (Public Law 329, Eighty-first Congress) as amended, insofar as they are consistent with this Act, shall be applicable to this Act. Funds made available for the Mutual Defense Assistance Act of 1949, as amended, shall be available for carrying out this Act in such amounts as the President shall direct.

Sec. 304. In every recipient country where local currency is made available for local currency expenses of the United States in connection with assistance furnished by the United States, the local currency administrative and operating expenses incurred in the administration of this Act shall be charged to such local currency funds to the extent available.

Sec. 305. Subsection (d) of section 117 of the Foreign Assistance Act of 1948 (Public Law 472, Eightieth Congress), as amended, and subsection (a) of section 1302 of the Third Supplemental Appropriation Act, 1951 (Public Law 45, Eighty-second Congress), are repealed.

U. S. GOVERNMENT PRINTING OFFICE: 1954

TRANSCRIBER'S NOTE:
Several words were changed as they were deemed to be typographic errors:

p.32 esspecially changed to especially
p.70 comodities changed to commodities
p.71 Handelsgenchmigung changed to Handelsgenehmigung
p.81 naptha changed to naphtha

Otherwise, every effort has been made to remain true to the authors' words and intent. Words such as sizeable and intransigeance are unchanged on the assumption that they were the author's intent.

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