The Revision Of Strategic Trade Controls

MUTUAL DEFENSE ASSISTANCE CONTROL ACT OF 1951

(the Battle Act)

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FIFTH REPORT TO CONGRESS

First Half of 1954

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LETTER OF TRANSMITTAL

To the Congress of the United States:

I am submitting herewith, for the period January through June 1954, the fifth semiannual report on operations under the Mutual Defense Assistance Control Act of 1951 (Battle Act), the administration of which is one of my responsibilities.

The third Battle Act report, *World-wide Enforcement of Strategic Trade Controls*, which I submitted a year ago, featured enforcement cases. The fourth report, *East-West Trade Trends*, had as its main theme the aims and activities of the Soviet Union in the field of East-West trade.

The present report, in line with our long-standing policy of keeping the Congress and the public as fully informed as possible, tells the story of how—and why—fifteen countries revised their system of controls on strategic exports to the U. S. S. R. and its European satellites. It tells how the free nations streamlined their lists and strengthened enforcement in a manner which will bring a much more effective control of the most important war-potential items.

Harold E. Stassen

HAROLD E. STASSEN,
Director, Foreign Operations Administration.

NOVEMBER 23, 1954.

TABLE OF CONTENTS

INTRODUCTION

A Thumbnail Glossary of Terms

Battle Act: The popular name for the Mutual Defense Assistance Control Act of 1951, which was sponsored by Representative Laurie C. Battle of Alabama. It was enacted October 26, 1951, and became fully operative on January 24, 1952. It has no termination date. The Act reinforces the international system of selective trade controls which was in existence before its enactment. It provides, among other things, that United States aid shall go only to countries that cooperate in such controls. It has been administered, as intended by Congress, with awareness of other countries' problems and of the need for building up free-world strength as well as impeding the military power of the Soviet bloc. (Text of the Battle Act is printed as Appendix E at the end of this book.)

East-West Trade: Trade between any part of the Soviet bloc, stretching from East Germany to the China Sea, and any part of the rest of the world. East-West trade is only around 2 percent of total world trade. Nearly all countries engage in some East-West trade, including the United States—though the United States is exporting nothing to Communist China and a relatively small amount to the European Soviet bloc.

EDAC: Economic Defense Advisory Committee, composed of 10 United States agencies. This is the machinery for coordinating United States actions in the economic defense field. Basic United States policies are not set by any one agency but by the President and the National Security Council within the legislative framework set by Congress.

International Committees: The Consultative Group (CG) is the high-level informal group, meeting in Paris, through which 15 countries, including the United States, coordinate their strategic trade controls. It has two subordinate working committees. One is the Coordinating Committee (COCOM) in which the same countries meet almost daily at a working level. The other is the China Committee (CHINCOM), which concentrates on controls over strategic shipments to Communist China and North Korea—controls which are far more sweeping than those applying to the European Soviet bloc. Membership on these committees includes nearly all the NATO countries plus Japan and the Federal Republic of Germany.

"Strategic Goods": A relative term which simply means goods which make a significant contribution to warmaking power. It is not always easy to arrive at a judgment—based on various sources of information—as to whether a given commodity is "strategic," and if so, how strategic, taking into account the important uses of the goods and the Soviet need for them. There are different "levels of control"—that is, some strategic goods are embargoed; others, of lesser importance, are restricted as to quantity or kept under surveillance. In addition to these differences, there are three main kinds of strategic lists, having different purposes:

(1) The "international" lists are those which all the cooperating countries have accepted as their minimum levels of control on the items listed.

(2) Each cooperating country has its own national control list. (The U. S. Department of Commerce administers most of this country's export controls.)

(3) The U. S. Foreign Operations Administration administers the Battle Act lists, consisting of items which the United States believes should be controlled by other free-world countries.

CHAPTER I

A Time for Reappraisal

In the first half of 1954, 15 governments, marching always together though not always in perfect step, undertook the difficult mission of overhauling the existing international controls on strategic exports to the Soviet Union and its European satellites. These controls had existed in some countries since 1948, and had been coordinated through an international group since the beginning of 1950.

Size of the Task

In their task of revision the nations were generally in agreement that:

- Munitions and other clearly important war-helpful materials must not be shipped.
- East-West trade in other goods should be permitted, and an expansion of this trade need not be viewed with undue alarm if it took place.
- The control lists were out of tune with current conditions. Some items hitherto labeled "strategic" could be removed, or downgraded in importance, without a net security loss to the free world. Some new items needed to be added to the lists because they had acquired strategic significance. Some items could be upgraded in importance.
- Enforcement of controls on the remaining controlled items—the truly important materials—should be tightened.
- It was of paramount importance from a security standpoint for the free-world countries to continue their close cooperation—to avoid going their separate ways—in the field of economic defense.

These basic agreements did not mean quick and easy accord on narrower questions, including questions of the strategic importance of specific commodities. This is a group of sovereign nations. Their delegates came to the conference table in Paris clothed in national economic and political circumstances that were cut from different patterns. Public opinion in starkly contrasting forms looked over their shoulders. Good will and a common devotion to freedom did not endow them with identical judgments on all aspects of dealing with the world crisis. They sometimes brought varying information about the role of this or that commodity in the Soviet scheme of things.

They were not confronting simple issues; on the list were between 400 and 500 complex "items," defined in technical terms and usually containing specifications of size, weight, shape, capacity, or quality. Each item embraced within its definition many individual types of products. Some of the items were under embargo, others were being controlled according to quantity, and still others were being watched closely and reported upon by each government to all the others. It had taken more than 4 years to build up the lists, item by item.

The control system itself is a prodigy in international relations. Rarely has such a large group of self-governing countries developed common arrangements that involved so much technical detail. And if the system is unusual, the phenomenon of a thoroughgoing reappraisal of everything in the system, with 15 nations wading together through fantastic technicalities, was no less unusual in world history.

Before the summer was out, the job had been substantially completed, as will be described later in this report. The present chapter will trace the story from the beginning of the year until the crucial month of March.

The Position of the United States

In the last half of 1953 the United States Government had come to the conclusion that except for special cases that might arise from time to time, the long process of expanding the international control lists had gone just about as far as it could or should go under current world conditions. The conclusion was also reached that a thorough review of the whole program was desirable, that some items could be taken off or "downgraded," and that extraordinary efforts should be made to plug "leaks" through which strategic goods often move to the Soviet bloc in circumvention of free-world controls.

The reasons for these conclusions were set forth in Chapter V of *East-West Trade Trends*, the fourth semiannual Battle Act report, which covered the last half of 1953. Briefly, some of those reasons were:

The probability of a **long period of tension** short of general war, though with the ever-present risk of war;

The consequent need of a **practicable system** that would endure and have the solid support of the nations over a long period of years;

This government's unwillingness to accept the inevitability of a third world war and its determination to keep open every path that might conceivably help the world to move gradually toward a **sounder basis for peace**;

The massive upswing in **free-world strength** and production, enhancing the free world's bargaining power and making it less dependent upon Soviet-bloc materials but at the same time greatly increasing the free world's **need for markets;**

The steadily increasing **free-world pressures for more trade,** including trade with the Soviet bloc—pressures that were stimulated by **Soviet gestures** in the direction of a livelier East-West trade;

The **economic benefits** that our allies get from trade (trade is a two-way street, not a "gift");

The **decline of United States aid** to friendly countries;

The fact that because of changing technology, changing military science, changing supply conditions, and new information, many items on the lists would on careful study be assigned **less strategic importance** than formerly;

The fact that **some items needed upgrading**—another important reason why a thorough list review was needed;

The serious amounts of highly strategic goods that were seeping under the Iron Curtain in one way or another in **circumvention of free-world controls;**

The consequent need for supplementary regulations and **more efficient enforcement** of *all* the regulations.

The effort to expand the control lists—an effort that had marked the first few years of the program—had plainly reached the point of diminishing returns.

In international affairs it is not the role of a wise participant to disregard changing world conditions, to ignore the problems and convictions of allies, or to allow the precious stores of friendly influence and good will to become depleted in pursuit of relatively less important objectives.

To retain all the borderline items on the commodity lists in all the fullness of their technical flowering was not a wise or useful objective. The United States therefore determined to concentrate its own efforts upon preserving controls on the truly important materials, *and not only preserving but tightening those controls.* If this policy were to be accepted by other nations, more net security for the free world, not less, would result in the long run.

That was the position of the United States Government as the year 1954 opened, and throughout the time of revision. The position applied only to controls on shipments to the U. S. S. R. and its European satellites. As for Communist China and North Korea, the United States position remained as before—that is, firmly against any easing of existing controls.

By January an item-by-item review of all strategic lists was well underway within the United States Government. This review, in which specialists of various government agencies and American industry collaborated, would provide a basis for the formulation of positions for the United States to take on specific commodities when the time came to talk about them with other governments.

Keeping the Public Informed

Meanwhile, public interest in East-West trade issues was rising in the United States.

Some people, unaware of complex considerations such as those mentioned above, continued to look upon all East-West trade as evil and they wanted the United States to take drastic steps to stop every bit of it.

There were many others, better informed and more thoughtful, who understood many of the problems involved but who still did not agree with all the conclusions reached by the Government.

Many people did agree with those conclusions, and the public understanding of United States policies steadily increased.

FOA Director Stassen, at a lengthy news conference on January 4, told about the shifts in United States policy which had been decided upon. These shifts were being implemented by degrees. The new emphasis was described thus: stricter controls on the highly strategic goods and the relaxation of controls on goods of lesser importance. Put another way, it was "greater concentration on a smaller number of items that are appraised to be more significant." This news conference stirred up great interest. Further explanations of the new direction of policy, and the reasons for it, were given at news conferences and on television and radio.

For example, on January 20 over NBC radio, Stassen replied as follows to a question on relaxing trade controls:

> The objective is to work out a peaceful condition in the world and not build up to a third world war. That means that you concentrate on not shipping those goods to the Soviet area that build up their war potential and add to their strength; build up our own strength and that of the other free nations; but on the things that do not add to war potential, you go ahead with trade through the Iron Curtain in order to multiply the contact with the people on the other side and to improve the prospect of a future peaceful relationship. In other words, I say we should not lower a trade barrier from our side to fit with the Iron Curtain from the other side or we simply make more difficult a future evolution toward peace. It's a policy that needs to be carefully analyzed from a standpoint of net advantage to the free world and it is a subject of controversy, as you say. We are continuing to study it as we move along.

On January 23 the Randall Commission (Commission on Foreign Economic Policy) made its report to the President and Congress. In one section the Commission discussed East-West trade and its relationship to United States foreign aid, and then said:

> The Commission therefore recommends that, so far as it can be done without jeopardizing military security, and subject to the embargo on

Communist China and North Korea, the United States acquiesce in more trade in peaceful goods between Western Europe and the Soviet bloc.

On February 16 representatives of the Foreign Operations Administration and the State Department testified on East-West trade before the House Subcommittee on Foreign Economic Policy. They explained the policy shifts in detail. The committee issued the testimony as a 40-page booklet on March 14.[1]

Events Across the Atlantic

While the United States Government was explaining the new direction of policy to this country, other governments also were busy studying their own problems of East-West trade.

Washington was not the only capital where lists were being reviewed and positions were being prepared.

A big difference between Western Europe and the United States was that European public opinion, by and large, was more receptive to the idea of East-West trade.

Foreign trade in general is seen in a more important light by peoples who are more heavily dependent upon it. They are more prone to look upon their exports, not in terms of advantages to the other party, but as a means of keeping one's own industries strong and of paying for imports. The difference in outlook can be illustrated by the fact that in 1953, United States commodity exports to all destinations were only 4.3 percent of our gross national product, but the exports of West Germany, for example, were 13.8 percent of its gross national product; the exports of Belgium and Luxembourg were 31 percent of theirs; France, 9.9 percent; Norway, 17.5; Italy, 8.2; and the Netherlands, 33.7 percent.

Of course the countries of Western Europe carry on the bulk of their trade within the free world. Their exports to Soviet-bloc countries (including Communist China) make up only a small percentage of their total exports. For example, in 1953, Britain's exports to those countries were 1.2 percent of its total exports; France, 1.6 percent; Italy, 4.2; West Germany, 3.1; the Netherlands, 3.0; Belgium-Luxembourg, 2.9. There are not many people in Western Europe who believe that their ultimate salvation rests upon East-West trade, nor that the Soviet bloc is an altogether dependable trading partner.

Nevertheless, in the last year or so, many European businessmen have been searching in all directions for new trade outlets. Most of these traders were conscious of the security problem. They were not especially anxious to trade with Communists, but they were anxious to *trade*. Many of them had become pessimistic over the prospect of revisions in United States commercial policy—such as reductions in

[1] "East-West Trade," Hearing before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs of the House of Representatives.

United States tariffs and a liberalization of the "Buy American" Act—and did not have much hope of gaining access to bigger markets in the United States. They showed increasing interest, therefore, in new markets elsewhere, including the Soviet-bloc countries.

In their quest for markets these businessmen sought the help of their governments. They wanted, first, to promote more East-West trade in items that were already permitted to be shipped; this involved no relaxation of the strategic control system. They also wanted, however, to get the control system relaxed insofar as it prevented them from taking advantage of Soviet offers for items in which they saw no direct military significance.

Danish shipbuilders and farm groups, West German manufacturers, Norwegian fish exporters, British machine tool companies, and many other private business groups showed their interest in East-West trade. This interest was not confined to opposition political parties. Pressure on the British Government, for example, began to be exerted not only by the opposition party but by many Conservatives as well. There were lively discussions in the House of Commons.

Toward the end of 1953, the sentiments of many anti-Communist British businessmen found voice in a report made by a panel of the Federation of British Industries. The report ended as follows:

> Summarising our conclusions, we are of the opinion:
>
> (i) that trade with countries of the Eastern bloc is likely permanently to offer fewer opportunities than before the war, and that trade with China has only modest scope for expansion on account of her limited capacity as an exporter and earner of sterling coupled with the reduced market for Chinese exports:
>
> (ii) that such opportunities of East-West trade as exist in nonstrategic goods should, nevertheless, be pursued without any inhibitions arising from political considerations:
>
> (iii) that members of the Federation in their dealings with Russia, countries of the Eastern bloc, and China should avoid channels which are likely to turn matters of commerce pure and simple to account for the purposes of Communist political propaganda.

Trade Missions to Moscow

As illustrated in the last paragraph just quoted, businessmen during this period were shunting aside the propaganda groups that had long been trying to drum up East-West trade. This trend showed itself in France, Italy, West Germany, and elsewhere. It is illustrated most clearly by the episode of the British mission to Moscow.

A group of businessmen had been scheduled to leave for Moscow in November 1953, under the auspices of the British Council for the Promotion of International Trade (BCPIT). This group, like similar ones in other countries, had been founded shortly after the wordy but unproductive Moscow Economic Conference of the year before. On November 6, Anthony Eden, Secretary of State for Foreign Affairs, made a statement in Commons. He said he was informed that the BCPIT "is a Communist front organization and is mainly concerned with the dissemination of Communist propaganda." He said the government was advising firms against contributing to such activities by visiting Moscow under the aegis of the BCPIT.

This broke up the plans for the trip, and came near breaking up the BCPIT. But some of the same businessmen, mostly sales executives of responsible firms, then applied for permission to go to Moscow on their own for the purpose of promoting trade. The British Government gave permission. So did the Soviet Government. On January 26, 1954, thirty-three British businessmen flew to Moscow.

Even while Moscow was giving them a hospitable welcome, V. M. Molotov, at the Big Four conference in Berlin, was busy picturing the 800 million people of the Soviet bloc as potential trading partners for Western nations. Then, on February 4, the Soviet rulers in Moscow captured headlines throughout the world by making a big offer to the visiting British delegation. They offered to buy industrial equipment, railroad equipment, tankers, and other such items. The amount was given in rubles; at the official rate of exchange it would be equivalent to $1.12 billion. The goods were to be delivered during a 3-year period beginning in 1955.

In London, the British Board of Trade commented: "We welcome any increase in trade with Russia, provided it is within the nonstrategic field." This was a significant statement, for about half of the goods the Russians offered to buy were on the British strategic lists and thus were either embargoed or controlled quantitatively. In addition, persons in Britain and elsewhere who were familiar with Soviet methods and Soviet conditions recognized the difference between *offering* to buy, and being *able to pay for*, such a large amount of goods. Indeed, the orders solidly placed by the U. S. S. R. were small compared with the sum announced. Nevertheless, some important orders were forthcoming. The prospect of others was left open. And there was no doubt that the British journey had piqued the interest of many businessmen of the Western world who were anxious to find new or expanded markets for their wares.

In many countries, business organizations canvassed their members and consulted with their governments concerning the usefulness and advisability of similar missions to Moscow. More often than not, however, the desire to explore avenues of increased trade was tempered by a wary attitude against the exploiting of such trips by Soviet propagandists who are forever trying to dazzle and confuse the West by arousing fears in all countries that foreign competitors are grabbing a bonanza of trade profits.

Winston Churchill

Meanwhile, the Government of the United Kingdom, like that of the United States, had been making its own review of the international control system and had already reached the conclusion that an overhauling was needed. Other governments in the free world were arriving at similar conclusions. As in the case of the United States, such conclusions rested on no one premise. They sprang from a combination of deep forces, among which were the growing need for new trade outlets and an earnest desire to do everything that might help to nourish peaceful coexistence in the world and stave off an atomic Armageddon.

Until February, officials of Western Europe said very little publicly about wanting to relax the control system, though they often actively supported their businessmen in the promotion of trade in uncontrolled goods.

February 25 brought a dramatic change. On that day Sir Winston Churchill became the spokesman for all those in Western Europe who wanted to see an increase in the peaceful trade between the Free World and the Soviet bloc.

Concerning East-West relationships in general, Churchill appealed for patience and perseverance in striving for a workaday understanding with Russia. He said there is no contradiction between this effort and building up the defensive strength of the free world. He said, "We must not shrink from continuing to use every channel that is open or that we can open." He said that even "a decade of cold-war bickerings punctuated by vain parleys * * * would be preferable to the catalog of unspeakable and also unimaginable horrors which is the alternative."

Then Churchill spoke as follows concerning East-West trade in Europe (making it clear that he was not talking about trade with Communist China):

> There is one agency at any rate which every one can see through which helpful contacts and associations can be developed. The more trade there is through the Iron Curtain and between Great Britain and Soviet Russia and the Satellites the better still will be the chances of our living together in increasing comfort.
>
> When there is so much prosperity for everybody round the corner and within our reach, it cannot do anything but good to interchange merchandise and services on an increasing scale. The more the two great divisions of the world mingle in the healthy and fertile activities of commerce the greater is the counterpoise to purely military calculations. Other thoughts take up their place in the minds of men.
>
> Friendly infiltration can do nothing but good. We have no reason to fear it, and if Communist Russia does not fear it that in itself is a good sign. I was, therefore, very glad to read of the measure of success which attended the recent visits by British businessmen to Moscow. I do not suggest that at the present time there should be any traffic in military equipment, including

certain machine tools such as those capable only or mainly of making weapons and heavy weapons. But a substantial relaxation of the regulations affecting manufactured goods, raw materials, and shipping—which, it must be remembered, were made 3 or 4 years ago in circumstances which we can all feel were different from those which prevail—a substantial relaxation would undoubtedly be beneficial in its proper setting, bearing in mind the military and other arguments adduced. We are examining these lists and will discuss them with our American friends.

The Churchill speech further fanned the world-wide interest in the issues of East-West trade. The public reaction in the United States was varied. There were responsible men of both political parties in Congress who expressed sympathy with Churchill's stand and conceded that some revisions in trade controls would have to be made. Others, of course, took an opposite point of view. In European countries, both government officials and private businessmen became more hopeful of expanded trade opportunities and more outspoken in that direction. Hardly a day passed in March that the American press did not have some new statement or new development to report.

The Eastbound Tanker

On March 5, President Eisenhower, acting under Section 103 (b) of the Battle Act, directed that United States aid be continued to Denmark, France, Italy, Norway, and the United Kingdom, although they had permitted relatively small shipments of certain embargo-type goods to the U. S. S. R., Poland, Hungary, and Czechoslovakia. Section 103 (b) provides that if munitions or atomic-energy materials are shipped, all United States military, economic, and financial aid must be cut off; but if other goods on the Battle Act embargo list are shipped, the President may continue aid if he determines that the cessation of aid would clearly be detrimental to the security of the United States. He so determined in this case.

The action of the President attracted attention because of the lively public interest in East-West trade, but it did not grow out of the movement to revise the control system. The circumstances were very like those which had led to earlier Battle Act determinations in 1952 and 1953. Most of the shipments were "prior commitments"—that is, shipments resulting from commitments made before the Battle Act embargo provisions went into effect. The most noteworthy item was a tanker which Denmark delivered to Russia. It was the second of two tankers which the Danes had promised in a 1948 trade agreement, three and one-half years before the Battle Act. (Details of the Presidential determination of March 5, 1954, will be found in Appendix C, p. 65.)

European expectations of a bigger exchange of goods with the Soviet bloc were based to some extent on hopes of a more liberal Soviet policy in foreign trade. The U. S. S. R. in the first half of 1954 was still pursuing what has often been called a trade offensive,[2] marked by more businesslike tactics, the signing of more trade agreements, and a moderate increase in trade as compared with the low level of early 1953. At Geneva, in March and April, the trade talk of Soviet-bloc officials was noted with interest but also with skepticism by Western delegates at meetings of the Economic Commission for Europe (ECE), a United Nations agency. Paradoxically, as the sentiment for the expansion for East-West trade arose among many responsible West Europeans, there was also evident in West Europe an increasing recognition of the limitations of that trade. On many occasions, publications and government officials exhibited their awareness of the formidable Soviet obstacles to a healthy revival of East-West commerce—obstacles such as the Soviet inability to pay for large amounts of goods, the uncertainty about the nature and volume of Soviet-bloc deliveries, the high prices of Soviet-bloc products and the problem of settling Western financial claims against Eastern Europe. In fact some groups and publications were consistently outspoken in warning against the pitfalls of East-West trade. But this did not prevent many West Europeans from believing that some relaxation of Western trade controls would be helpful.

Crisis in the Control System

Meanwhile the month of March had brought new developments in the relations between the governments of the United Kingdom and the United States.

After the Churchill speech, the British informed the United States more in detail concerning the scope of the "substantial relaxation" which they had in mind.

The proposed relaxation went further than the United States considered wise. It was the American view that the 15 governments ought to join in a careful review of all the lists, item by item. The United States was also anxious that any list reductions be accompanied by positive actions toward tighter enforcement of controls. The need for stronger enforcement was recognized by all the governments, but it would take time to work out arrangements so that the entire revision could be agreed upon as a package.

On many questions the United Kingdom and the United States were in accord. Both believed firmly that changing circumstances had made it necessary to revise the control system if the controls were to be effective over a number of years. They agreed that the effectiveness of the system depended not only upon technical devices of control but also on the willing cooperation of the trading community in the Western countries. There was no dispute about the need for continuing a tight embargo on military and atomic energy items, on goods

[2] See *East-West Trade Trends,* the 4th Battle Act Report, dated May 17, 1954.

used primarily in war production, and on items embodying new technological developments in the defense field.

Yet the differences in the British and American approaches to the revision project were serious enough to cause much worry on both sides of the ocean.

Perhaps the crux of the difficulty, so far as commodities were concerned, lay in the area of equipment and raw materials which were not used primarily in the manufacture of munitions but which yet had an indirect or *potential* importance to military production, and in which the Soviet bloc had a serious deficiency. The British, while wishing to continue the embargo of goods which would make a direct and important contribution to Soviet military production, felt that there was justification for embargoing only a comparatively small number of items having an *indirect* military importance. The Americans felt that it would be safer to continue the embargo on many—not merely a few—of those items which, although having a vast civilian application in time of peace, would in wartime be largely or exclusively devoted to war production.

Months later the *Financial Times* (London), looking backward over the long negotiations to revise the control system, commented that the difference of opinion between the United States and other countries had been "an inevitable one." The United States, according to this British newspaper's view, "is very little concerned with the benefits of trade with the Communist countries, except insofar as it strengthens the economies of the West European countries. On the other hand, the United States is very concerned with the need for security; American policy is based on assumptions about the risk of war which seem more pessimistic than those held at the moment by her allies. As a result these negotiations * * * have preceded on the footing of the American anxiety to minimise risk being opposed by the European anxiety to maximise trade, consistent with the maintenance of security."

The Economist (London) described the situation as follows: "The Americans, understandably, begin by asking 'what controls do we need to ensure security?' while the British, though not unmindful of the security aspect, tend to ask 'what trade are we losing by these controls?' "

Secretary of State Dulles, in a news conference on March 23, said he could not then foresee what the outcome would be. The policy had to be worked out with our allies. He said the United States had no way of arbitrarily imposing its views. He frankly acknowledged that the view of the United States was for having a greater measure of restriction than seemed to be desired by most of our allies.

The problem was dramatically illustrated on March 22 when the House of Commons staged a major debate on East-West trade. The

British Government was vigorously criticized by both Laborites and Conservatives for not moving faster to relax trade restrictions. Very little was heard in defense of the existing system.

In March, it remained to be seen where the other governments of the free world would officially stand on the issues that had arisen between the two great English-speaking powers, but it was clear that the international control program had at last entered the crisis toward which it had long been moving.

CHAPTER II

Streamlining the System

The situation now demanded some intergovernmental talks at high levels. The officials and technicians of fifteen countries who meet regularly at Paris in the Coordinating Committee (COCOM) could not grapple successfully with the questions of revision until the policy-makers had established some guiding principles. Therefore a meeting of the higher-level Consultative Group (CG) was set for April 13 and 14, the first CG meeting in eleven months. And in preparation for this important and crucial conference of the fifteen participating nations in Paris, the governments of the United States, the United Kingdom, and France decided to swap high-level views among themselves in London on March 29 and 30.

Three Countries Talk It Over

FOA Director Stassen represented the United States at this trilateral conference. The British spokesman was Peter Thorneycroft, President of the Board of Trade. France was represented by Maurice Schumann, then Secretary of State for Foreign Affairs. All three governments took important parts in the deliberations. They of course could not speak for the other twelve partners, but it would be in the interest of the whole group for differences among leading participants to be ironed out as early and as completely as possible. Had the British, French, and Americans walked into a CG meeting with strongly contrasting and hardened positions on how to approach the task of revision, the future effectiveness of the control system might have come into serious jeopardy.

Out of the London talks emerged common French-British-American views, not, indeed, on specific commodities, but on the general outlines of a program of revision. In a joint communique on March 30, the three governments announced a "wide area of agreement." They agreed that the scope of controls should be narrowed "substantially." They agreed that the participating countries ought to go through the entire lists, subjecting each item to scrutiny. And they came to a general understanding on the strategic criteria which they believed should be used in the process. They agreed that the controls should be made more effective. And finally they were in accord that existing controls on trade with Communist China and North Korea should be continued.

A long road still lay ahead and it was not all downhill, but at least those who realized the necessity of friendly international cooperation in a program of security trade controls were entitled to a moderate sigh of relief. As Stassen said on his arrival at the Washington airport, "We reached an agreement. That in itself is important, for in standing together there is great strength and essential security." As Churchill had said in his speech of February 25, "When three or four great powers are working together, no one of them can expect always to have his way, or often to have all of it. Each has to do what he can and not what he wishes."

But Stassen made it clear on his return from London that the agreement was in harmony with the Battle Act and with the security policies of President Eisenhower's administration. He added:

> "We do anticipate, compatible with security requirements, an expanded trade with the Soviet Union and with the Eastern European states in the export to them of peaceful goods in exchange for items and materials which the free world can use.

Thorneycroft went before the House of Commons on March 30 and made a statement, the key passage of which follows:

> We found ourselves in full agreement that, while controls must be maintained on exports of goods which would add directly and significantly to the Soviet bloc's military capabilities, especially, of course, in unconventional weapons, we should seek a substantial relaxation of the controls on other goods and an expansion of civilian trade. I would emphasize that such a relaxation is fully compatible with security requirements.

On that same day in Washington, President Eisenhower sent to Congress his long-expected message on foreign economic policy. The message contained the following conclusion on East-West trade:

> Curtailment of our aid programs will increase the pressures for resumption of such trade. A greater exchange of peaceful goods between East and West—that is, goods not covered by the Battle Act nor otherwise considered strategic—so far as it can be achieved without jeopardizing national security, and subject to our embargo on Communist China and North Korea, should not cause us undue concern.
>
> I shall, of course, take appropriate action to ensure that our security is fully safeguarded.

United States Trade With the Bloc

During early April the United States exchanged views with governments which had not taken part in the London talks. In previous months, both in Washington and elsewhere, the United States had discussed with its partners the new approach of United States economic defense policy which had been formulated in 1953. Now, a team of officials from the Battle Act Office of FOA and from the

Departments of State, Commerce, and Defense, who had accompanied Stassen to London, split up and visited certain European capitals in preparation for the approaching Consultative Group meeting.

Stassen, back in Washington, continued to inform Congress and the public concerning the East-West trade policies of the United States and the reasons therefor, as he had been doing since January. At a news conference on April 1, in a television appearance on April 4, and before the Senate Foreign Relations Committee on April 9, he answered questions about East-West trade, especially about the beneficial effects of the free world's moving toward an expanded trade in civilian goods with Eastern European countries, if those countries "wish to do so and if they have the capacity to do so. . . ."

Each step or statement having to do with the revision of international export controls brought new curiosity about possible changes in *United States* export controls.

The United States itself had exported only $1.8 million worth of goods to the Soviet bloc in 1953 (none of them to Communist China) and had imported from the Soviet bloc only $46 million. Only 6 years before, in 1947, United States exports to the Soviet bloc (including China) had been $583 million[1] and our imports $225 million. The toboggan slide of United State shipments to the bloc was not entirely due to the selective export controls which were applied in 1948 (the year when Czechoslovakia fell captive) and the total embargo which was slapped on exports to Communist China and North Korea in 1950. The decline, so far as trade with the U. S. S. R. and its East European satellites was concerned, was also due to their lack of interest in the nonstrategic goods which were not under United States embargo, and to the American businessman's reluctance to do business with Communists.

In the first half of 1954 there were stirrings of more interest in United States trade with the bloc, though certainly no rush in that direction. The Russians, through their Amtorg Trading Corp. and other channels, were making inquiries about many kinds of American goods, both controlled and uncontrolled. Through West European intermediaries they tried to trade their manganese for our government-owned butter. For various reasons no transactions were completed—not, however, because the United States Government had any security objection to shipping butter, which of course has never been on any strategic list. Although United States businessmen did not show great enthusiasm for an expansion of East-West trade, commercial applications for licenses to export nonstrategic goods to the Soviet bloc moved gradually but unmistakably upward.

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[1] Excluding $94 million of exports in connection with the United Nations Relief and Rehabilitation Administration and $16 million still in the Lend-Lease pipeline.

United States export controls over most commodities are administered by the Department of Commerce. Since the latter part of 1953 an interagency group had been systematically reappraising the security importance of goods under United States controls. On April 8, Secretary of Commerce Weeks in a quarterly report gave a hint of impending revisions in United States export controls. He said the current re-evaluation was expected to result in a somewhat reduced commodity coverage. He said it would involve dropping off those commodities determined to be of relatively minor strategic significance, but he also made it plain that the re-evaluation "may also involve the addition to the lists of new commodities which can now be identified as strategic as the result of new technical developments or latest information concerning Soviet-bloc needs and capabilities."

The same could be said of the internationally-accepted lists of commodities as the fifteen partners prepared to begin their own commodity review.

April Meeting of Consultative Group

When the delegates to the Consultative Group sat down together in Paris on April 13, all present were aware that the international control system had reached a turning point. It was generally recognized that the time had arrived to simplify the structure, to make it more capable of long-term, widespread support, and to improve the administration of controls so as to narrow the gap between intent and performance.

In contrast to the London three-power talks, which made a big splash in the newspapers of the world, the CG meeting hardly created a public ripple. This was because the CG and its working committee, COCOM, never issue communiques and have always believed that they could work most effectively without publicity. The details of their discussions are not revealed. Indeed, until one year ago the very names of the groups were considered classified information, but the secrecy has been somewhat relaxed in order to bring a better public understanding of the purposes and accomplishments of the control system.

The nations were not all of one mind on every specific issue but it quickly became apparent that the same sort of general procedure that the United States, United Kingdom, and France had agreed upon was in tune with the thinking of all the participants.

The CG instructed COCOM to make a comprehensive review of the lists of goods for embargo, quantitative control, and surveillance, with the aim of substantially shortening them. COCOM was to complete the review by July 1 and make recommendations to the CG. At the same time the CG declared that the control system must be reinforced as necessary to make it fully effective, and it issued orders for improved enforcement measures to be speedily developed.

Even as the CG acted, the worsening news from the war in Indochina caused some of the delegates to feel increasingly uneasy over the "shorter-list" aspect of the revision project. It was agreed that there would be no relaxing of existing controls over strategic shipments to Communist China—controls that were already far more extensive than those applying to East Europe. In other words, the revision project would be confined to trade with the U. S. S. R. and its European satellites. But it had to be recognized that as the differential in Western controls between destination East Europe and destination Communist China became even wider, the possibility of evading the China embargo through the reshipment of goods from East Europe to Communist China would grow. Besides, if more countries should be drawn into the fighting in Indochina, the resulting flare-up of global tension and the increasing danger of World War III would make it quite impossible to proceed further on the premise that the world probably faced a long period of tension short of general conflict.

So it was with a watchful eye on Indochina that the CG set in motion the preliminary steps toward the revisions in controls applying to Eastern Europe that finally began to take effect four months later.

From April to June

From April 27 to June 17, COCOM plowed the long furrow which began in the field of metalworking machinery and ended in the field called chemical and petroleum equipment.

The task of evaluating hundreds of items, most of which contained specifications as to size, weight, capacity, or other characteristics, was immensely complex. Technical experts in the various commodity areas succeeded one another at the conference table, supporting the regular COCOM delegates from the fifteen countries. All available information on the supply situation behind the Iron Curtain—and on the use to which each item was being put by the bloc—was carefully compared and evaluated.

The translation of general principles into judgments on specific questions brought many friendly differences—not only on the specific questions but on the original meaning of the general principles.

While all this technical work was going on there was a two-month lull in publicity about East-West trade controls, punctuated by occasional statements in Congress, the House of Commons, and other forums. From certain quarters, untrue accusations against our allies were heard. In May, an attempt was made to twist Thorneycroft's statement of March 30 (see p. 14) into an admission that the

British were shipping conventional weapons of war to Communist China. Stassen promptly pointed out the falsity of the charge, stating:

> The shipment of weapons of any type, conventional or unconventional, to Red China, the Soviet Union, North Korea, or any Communist countries, has been banned, is banned, and will continue to be banned by the United States, by Great Britain, and by all the cooperating countries of the free world.

On June 8 Stassen went before the House Foreign Affairs Committee and again explained what was going on in the control program and the thinking behind the actions.

When COCOM reached the end of its item-by-item review on June 17, agreement had been reached on most items but not all. A list of difficult borderline items, mostly commodities that could be used for both civilian and military purposes, had been set aside and still remained to be settled. Nor had the improvements in enforcement been definitely worked out. The Consultative Group laid plans for another meeting in July, but no one knew just what sort of recommendations COCOM would be prepared to make to its parent body.

The uncertainty was aggravated by the tragic events in Indochina. Under these conditions it was difficult to predetermine what, if any, action should be taken by the CG. The French and the Chinese Communists were negotiating at Geneva for an end to the fighting.

From June 24 to June 29, Prime Minister Churchill and Foreign Secretary Eden were in Washington, discussing with the President and the Secretary of State a whole range of world problems. During their stay, the United States Government suggested that more high-level talks on East-West trade controls appeared to be in order and that Thorneycroft pay a short visit to Washington to confer with Stassen on control problems of mutual interest. Thorneycroft's acceptance of the invitation was announced on July 2 and he flew into Washington on July 3.

The Home Stretch

We have now come to the end of the 6 months which normally would be covered by this report. The revision of free-world trade controls, however, took all summer long, and so our narrative must go as far as August.

The Anglo-American discussions during the hot Fourth of July weekend marked an important forward step in the whole process of revision. On July 7, a joint statement issued on behalf of Stassen and Thorneycroft contained the following news:

> Agreement was reached on certain problems outstanding between the two governments relating to the method and extent of these controls, as a preliminary to further discussions with other governments which have a common policy on these matters. The question of the timing of changes to

be made in the control system was deferred for later consideration. This and improved methods of enforcement will be among the subjects to be further pursued in the discussions with the other friendly governments.

On July 13, Thorneycroft made a brief report to the House of Commons about his conversations with Stassen. He recalled that the discussions among the fifteen countries had been proceeding for some time in Paris. "Progress," he said, has been slower than we would have wished, and this has been due in part to certain differences of view between us and the United States Government." He then said he was happy to report that Stassen and he were "able to agree on the list which both of us would be ready for our part to support in discussions with the other countries concerned." There remained the questions of enforcement and timing. As for enforcement, the two governments were prepared to recommend certain additional measures for general adoption. As for timing, "we in the United Kingdom consider that the sooner the agreed changes are implemented the better."

That same day, Stassen was in Paris, at the invitation of the French Government, conferring with Guerin de Beaumont, who had succeeded Schumann as Secretary of State for Foreign Affairs. As announced in a joint communique, "these conversations revealed their common viewpoint on various problems involved in trade between the East and the West." Stassen and other American officials then talked with representatives of the other participating countries. And the Consultative Group itself met again on July 19, 20, and 21.

July Meeting of the Consultative Group

As the CG delegates assembled, the prospect for solid agreement on a revised control system seemed good if the Indochina affair were settled. Not until the final day of the conference, July 21, when the cease-fire in Indochina was signed at Geneva, was it possible for all the nations to accept a date for putting the revised lists into effect. The date chosen was August 16.

Although the CG as usual issued no communique after the July meeting, the delegates were well aware that what they had done was so important and interesting to so many people in so many countries that it would be necessary and desirable for some governments to make statements concerning it. Not since the creation of the control system had there been such an overhauling. The main facts concerning it could well be considered a subject of legitimate public interest. Furthermore, the adjustments made in the *international* commodity lists by the CG structure are implemented in the *national* control systems of the participating countries.

It works like this: the CG and its committees are informal instruments for the coordination of national controls. The CG, of course, cannot order any member country to do anything. Each country is sovereign over its own regulations. When the countries, through their CG and COCOM delegates, agree to remove a given commodity from the international embargo list, what they are doing is to relieve one another of any further international obligation to embargo the item. This does not automatically remove the item from national embargo lists. Each country may proceed to do that if it wishes. There have been many cases where countries exercised stricter controls on given commodities than they were multilaterally obligated to do.

It was reasonable to expect that the August 16 revisions in the international lists would be reflected, at least to a substantial degree, in the controls of all the participating countries. No government could speak for other governments concerning this. But some governments might wish to speak for themselves, and to mention in broad terms the multilateral arrangements, so that their publics—including their trading communities—would be kept informed. Generalized information of this sort was given by Stassen in a news conference on July 22 and by Thorneycroft in the House of Commons on July 26.

What the nations did in the CG meeting can be summarized as follows:

1. They agreed to strengthen controls by means of new enforcement measures. (Enforcement is such an important part of the control system that it deserves a chapter in itself. Chapter III will be devoted to the strengthening and the reasons why it was needed.)

2. They revised the control lists applying to the U. S. S. R. and its European satellites, effective August 16. Many items were decontrolled or downgraded; some items were upgraded; some new items were added.

3. They agreed not to alter the existing control lists applying to Communist China and North Korea.

Changes in the International Lists

The streamlining of the lists did not affect the control of munitions. A list of items—or classes of items—embracing the whole range of arms, ammunition, and implements of war, was untouched. There was no debate about it.

Atomic energy items, too, were kept under firm embargo control. Heretofore, COCOM had not maintained a special list of these items, though in actual practice they were under embargo, either as items on the general embargo list or through separate understandings among the nations. Now, with a bit of reshuffling, a special atomic energy embargo list, or "annex," was created, having about thirty-five items and including not only those things which are exclusively or predominantly atomic energy materials but also others which have some significant atomic energy application.

Besides munitions and atomic energy items, the COCOM countries embargo a number of industrial and transportation goods. Those are the items that make up what is ordinarily known as the international embargo list. This list underwent a transformation. The item known as "all machinery and equipment specially designed for manufacturing armaments" was left intact, along with other goods of high importance. Many items were removed; these were either transferred to the atomic energy annex, demoted to a lower level of control, or decontrolled entirely. On the other hand, about 20 new items, embodying technological advances, were added to the list. Moreover, a few items, or parts of items, were promoted to a higher level of control. The result was a net reduction in the international embargo list from about 260 items to about 170.

The arithmetic of removals and additions does not tell the whole story of the list revision, for there were also changes *within* items. Many of the 170 items remaining on the embargo list were redefined in such a way as to split off certain less important sizes and types of the goods covered by the item, while keeping the embargo rating on the more important sizes and types. This was true of grinding machines and lathes, for example. A smaller number of items were redefined so as to *increase* the coverage.

Quantitative controls, which are exercised by limiting the amount shipped in a given period, were kept in existence. There was, however, a net reduction in the quantitative control list from about 90 items to about 20.

The "surveillance" list, consisting of those goods which the countries watch closely and on which they regularly exchange export statistics, underwent a net reduction from about 100 items to about 60.

The countries had managed to agree on almost all the commodities which had passed in parade across their conference table. One problem that had to be deferred until fall was the problem of ships. It was not a question of embargoing warships, tankers, and certain other vessels; these were retained on the embargo list. It was a question, instead, of speed and how much tonnage of less important types, like freighters and fishing boats, ought to be built for the Soviet bloc in free-world shipyards during the next few years.

As Thorneycroft told Commons, some machine tools were removed from the embargo list. Others were kept on. As Stassen disclosed, copper and nickel remained under embargo. So did other metals of basic importance to Soviet military power. Some metals were taken off embargo—for example, platinum, of which the U. S. S. R. is the world's largest producer. A specialized type of heavy tractor remained under embargo, and other tractors were removed. Important petroleum products and important petroleum equipment continued under embargo. Heavy power-generating equipment which is significant to Soviet-bloc war potential was retained under embargo and smaller sizes of motors and generators were not.

The status of natural rubber as an export to the European Soviet bloc was not changed. It stayed on the surveillance list where it had always been. At the end of April the United Kingdom had announced that exports of rubber to Eastern Europe would no longer need licenses. British sales of rubber to the Soviet Union had fallen from $91 million in 1952 to about $17 million in 1953, and amounted to only a few thousand dollars in the first quarter of 1954. In those circumstances the British considered that their policy of trying to restrict supplies had lost its point. The removal of the license requirement applied only to the bloc in Europe.

As stated before, all the COCOM list changes had to do with exports to the European Soviet bloc only—not to Communist China. The free-world embargo on strategic shipments to Communist China is carried out under a strategic-embargo resolution adopted by the United Nations General Assembly on May 18, 1951. All the international lists, whether for embargo, quantitative control, or surveillance, are treated as embargo lists for the China trade. In addition, a substantial number of items not under any form of control to the European Soviet bloc are embargoed to Communist China. This has long been true, and none of the deletions and downgradings of August 16 shook the embargo status of those goods where Communist China was concerned.

Changes in the Battle Act Lists

Title I of the Battle Act provides for the determination of an embargo list—a list of goods which the United States Government believes the free world should withhold from the Soviet bloc. If a country that is receiving military, economic, or financial aid from the United States knowingly permits an item on the Battle Act embargo list to be shipped to the Soviet bloc, the President must decide whether to cut off such aid or to order its continuance.

Title I also directs that the embargo list "shall be continuously adjusted to current conditions on the basis of investigation and consultation."

Effective August 25, FOA Director Stassen adjusted the Battle Act embargo list to current conditions. The FOA announcement of this revision is reprinted in full as Appendix A, starting on page 39.

Many items were deleted; many were given new definitions; some were added. The net reduction in embargoed items was from 297 to 217. The 217 remaining items are grouped in two categories. "Category A," which has 23 very broad items, covers arms, ammunition, implements of war, and materials used exclusively or predominantly for atomic energy purposes. "Category B," which has 194 items, covers all the rest.

The new Battle Act embargo list closely approximates the combined lists of items accepted for embargo by the Consultative Group (that is, the international embargo list, the munitions list, and the atomic energy annex), though the Battle Act list is arranged differently and therefore is not identical in all respects.

The Battle Act embargo list is also called the Title I list. One other list is maintained under the Act. It is called the Title II list. Title II provides that the United States shall negotiate with other countries for the control of goods which are not on the Title I embargo list but which, nevertheless, in the view of the United States, ought to be under some type of control. Title II does not require that these goods be formally listed, and in the past it was considered unnecessary to list formally all the goods which our allies were controlling at levels less than embargo. After the August 25 revisions, however, the Title II list comprised 86 items, and henceforth will include generally the kinds of goods which the fifteen countries have agreed upon for quantitative control and surveillance.

When the fifteen governments had completed their long review and had finally agreed on the international lists, the United States Government, as an active member of the group, considered that the security interests of the United States and the free world were adequately safeguarded—especially in view of the fact that the cooperative nature of the control program had been preserved and the net reduction of commodities was accompanied by firm arrangements for stronger enforcement. Thus the corresponding revision of the Battle Act lists was made with confidence that it was a move in the best interests of the United States.

The revision had the concurrence of the Departments of State, Treasury, Defense, and Commerce, and was approved by the President.

At the same time that the Battle Act lists were revised, Secretary of Commerce Weeks announced substantial revisions in the export controls of the United States. As Secretary Weeks said in his 28th Quarterly Report on Export Control, the new United States security export control list is "substantially comparable to the revised international security export control list—having been predicated upon similar objectives and having flowed from the pooling of all available intelligence and technical knowledge. United States security export controls remain, however, somewhat more comprehensive than the international controls—principally in those commodities in which the United States possess unique technological or production knowledge and in which United States unilateral export controls would be effective."

The Results of the Revisions

At summer's end United States officials could look upon the results of the international revision effort, not with complete satisfaction, for the United States did not achieve all it desired, but with the consciousness that this country's security objectives had been substantially met.

- First: A more effective control had been developed for the most important war-potential goods.
- Second: Greater opportunities had been provided for an expansion of general trade with Russia and its East European orbit, an expansion that could have a bearing on the development of peaceful East-West relations. It remained to be seen whether the *opportunities* would result in a sudden or massive upswing of East-West trade, because such a rise depended, as always, on the ability and willingness of the Soviet bloc to engage in peaceful trade on a large scale. But at least the cooperating nations had made it unmistakably clear to the world that they were willing.
- Third: The control system—at least with respect to the European Societ bloc—had been adjusted to a basis that the nations could probably maintain without drastic overhauling in the foreseeable future.
- Fourth: The unity and voluntary cooperation of the fifteen countries had emerged intact. That perhaps was the most far-reaching result of all.

CHAPTER III

Toward Stronger Enforcement

Tantalus was a character in Greek mythology who slew his son and served him to the gods, who were so offended that they sentenced Tantalus to stand forever in a pool of water up to his chin in the basement of Hades with clusters of fruit hanging over his head—and whenever he tried to drink the water or eat the fruit, they receded. Tantalum is a rare, silvery, acid-resistant metal which has important uses, including its use in vacuum tubes. It was named after Tantalus by a Swedish chemist in 1802 because of the difficulty of isolating it from other elements. Sometimes it has been elusive in yet another way: like cobalt, copper, and other strategic materials, tantalum has been known to recede behind the Iron Curtain for lack of free-world safeguards to prevent it.

The Case of the Tantalizing Tantalum

In June 1949 a London broker named Joachim Wilhelm Krugel placed an order in the United States for about $18,000 worth of tantalum wire and sheets. He produced evidence that he was buying them for a firm in Switzerland.

At that time the United States Government was already controlling the export of strategic goods. So were the British, and certainly neither country would have licensed the export of tantalum to the Soviet bloc. But the United States Government, in the belief that the metal was going to Switzerland, issued an export license.

The metal then was put on a ship for Antwerp, supposedly to be loaded on a southbound train. When it arrived in the port of Antwerp in March 1950, it was transferred, not to a train, but to a Soviet ship named the *Hasan*. And that ship took the tantalum to the Soviet Union.

The United States, after a careful investigation, charged Krugel with violating United States export controls by misrepresenting the destination of the shipment, and he was deprived of the privilege of handling any more United States exports. But that did not bring back the tantalum.

This classic episode of 4 years ago illustrates the fact that national export controls, alone and unaided, cannot always prevent the movement of strategic goods from the free world to the Soviet bloc. The export licensing systems of the various countries are necessary—indeed they are the solid core of a security trade control program—but they cannot be enforced properly without supplementary measures. Cases such as the tantalum case could have been stopped by the following safeguards:

Destination controls.
Transaction controls.
Transhipment and transit controls.

Now let us take up those three safeguards in turn.

Destination Controls

1. Countries needed a systematic method of checking on the destination of strategic exports. They needed some sort of official evidence in advance—beyond the promises of private traders—that strategic exports to friendly destinations were really expected to be used there, and they needed a verification, after the shipment, that the goods really arrived.

To meet these needs, the cooperating countries worked out a system called ICDV, and set it going in 1951. The "IC" stands for "import certificate"; the "DV" stands for "delivery verification." Under ICDV a government, before licensing the export of a strategic item to a friendly country, may require an import certificate, issued by the government of the importing country. Later the exporting country may ask to see a delivery verification, by which the importing country verifies that the goods got there safely.

The countries have strengthened the ICDV system year by year. During the period covered by this report they made a major improvement: there had been too many occasions when unscrupulous traders had obtained export licenses by exhibiting forged import certificates; so the countries decided that henceforth copies of all import certificates would be transmitted government-to-government instead of being sent only through commercial channels to be exhibited by private traders. This was a heavy blow at the forgers.

ICDV is immensely helpful in preventing diversions of embargo-type goods into the Soviet orbit, but even as strengthened, it is not entirely criminal-proof. For example, unscrupulous traders sometimes obtain import certificates from governments by fraud. Other safeguards besides ICDV were required.

Transaction Controls

2. Each country, in adopting export controls, had made it illegal to export embargoed items from its *own* territory. As an additional deterrent to the movement of embargo-type goods to the Soviet bloc, each country needed to make it illegal or in other

ways to prevent its residents from engaging in transactions to move such goods from *anywhere* to the bloc.

It will be recalled that Krugel's firm was in London but his tantalum never entered Britain and therefore was never subject to British export controls. If transaction controls had existed in Britain in 1949, however, what Krugel did would have been a violation not only of American controls but also of British law. Because of the possibility of a fine or imprisonment in Britain, in addition to loss of United States export privileges, there would have been much less chance of his risking it.

One by one the cooperating countries have been adopting transaction or financial controls in varying forms. Belgium, the Netherlands, and certain other continental European governments have had them for years. The United States adopted transaction controls in June 1953. That meant, for example, that if a United States resident were to buy some copper in Chile and ship it directly to Europe and thence to the Soviet bloc, he could be fined or imprisoned for his deed, even though he had not exported copper from the United States itself.

Transaction controls were wrapped up in the package agreement that the 15 cooperating countries made in July of this year to revise their system of security trade controls. Countries which had not yet adopted transaction or financial controls agreed to do so. For example, it was announced in the House of Commons on July 26 that the British Government would impose "control over merchanting transactions with the Soviet bloc" and that an order to establish this control would be laid before the House in due course. But still other safeguards were needed, and that leads us to the problem of goods "in transit."

Transhipment and Transit Controls

3. The countries needed to assume closer supervision over strategic goods that were "just passing through"—en route from another free-world country to yet another—in order to prevent the owner of the goods from changing the destination, diverting the shipment to the Soviet bloc, and thus frustrating the intention of the exporting country.

To block such frustrations was an important objective indeed, for most of the highly strategic goods that have found their way through the Iron Curtain have started out ostensibly for an innocent destination and have been diverted en route. If transhipment controls had existed in Belgium in 1950, Krugel's tantalum that arrived at Antwerp, ostensibly bound for a harmless destination, would not have been allowed to be diverted to Russia against the exporting country's wishes.

Some countries, including the United States and Britain, adopted transhipment controls years ago. But a number of European countries where free transit traffic is large in volume and ancient in tradition had strong reservations about the wisdom or feasibility of interfering with it. Goods "in transit" are not considered to enter the economy of the transit country. They are not subject to import duties nor counted officially as imports and exports. Freedom of transit, of course, is a civilized and useful practice—except when people use it in such a way as to damage the security interests of the free world. If all trade from nation to nation were subject to control, inspection, taxation, delay, or stoppage in all intervening nations, world commerce would be slower and smaller than it is.

Transhipment controls are not designed to encroach on freedom of transit—only to guard against circumventions of the security controls of the free world. Trade in general, including legitimate East-West trade, is not affected. The one and only purpose is to insure that strategic goods shall go to the destination which the country of origin had in mind when it permitted the export. Transhipment controls are law-enforcement measures, and as such they increase the effectiveness of security trade controls without broadening the commodity coverage.

It was in this spirit that the cooperating countries were able in 1954 to work out a transhipment-control arrangement to which they could all subscribe. The development of a uniform workable scheme was facilitated by the fact that the list of embargoed goods was being substantially shortened.

General agreement to establish transhipment controls, as well as transaction controls, thus became a part of the revision package of July 1954. Besides, the fifteen nations improved their arrangements for pooling information and acting together to block specific diversions that threaten to take place. They based this improvement on the clear recognition that the responsibility for preventing diversions is a cooperative one shared by all participating countries.

No one expects perfect enforcement, even with all these measures or any others that ingenuity can produce. But as the summer drew to its end the group of nations, with their streamlined embargo list, with their strengthened ICDV system, with their improved coordination on specific cases, and with the assurance of transaction and transhipment controls by all member countries as soon as the necessary regulations could be put into force, could at least be sure that illegal shipments of highly strategic goods would be a lot harder to accomplish than in the past.

The Case of the Aircraft Parts

In the tantalum episode, the investigation showed that the American company which sold the metal to Krugel had no knowledge of his intention to ship it to Russia. The American company was not prosecuted.

But the first half of 1954 saw the culmination of another and more important case, in which an American businessman (born in Eureka Springs, Arkansas) was sentenced to prison. His name was Henry L. Knight.

Knight was graduated from the United States Military Academy at West Point in 1924, later obtained a law degree, served for a time as an employee of the Civil Aeronautics Board in Washington, and finally established a company called Air Union, Inc., for the sole purpose of exporting aircraft spare parts. His office was in Bethesda, Maryland, a suburb of Washington.

Among the applications which Knight filed with the Government in 1948 was a request for permission to export $35,000 worth of aircraft parts to Polish Airlines. The State Department, which is responsible for controlling the export of aircraft parts and other items classed under the general heading of munitions, rejected the application.

During 1949, Knight obtained licenses to export a total of $800,000 worth of aircraft parts to countries in Western Europe. One of these licenses authorized him to export $80,000 worth of C–47 parts to a company in Paris named SOFADEX. Between June and November, in 1949, more than 100 boxes of these C–47 parts, worth $48,526, were shipped on eight different vessels to Le Havre. It was what happened to them after reaching Le Havre that eventually put Knight behind the bars.

In the fall of that year the United States received information from a friendly government that these same C–47 parts were reaching Poland and falling into the hands of—Polish Airlines. The State Department suspended the export license. And the facts began to piece themselves together.

It seems that the 100 boxes had all been reloaded on other vessels and taken to Poland. The first shipment, perhaps by mistake, had been directed to Poland by train, but it was stopped as war material in the American zone of Germany and sent back to France, where it was then loaded on a Polish ship and went on its way unhampered—as did all the other shipments.

SOFADEX turned out to be a dormant firm which had only lent its name for the transaction. The actual deal was negotiated with Polish Airlines. On one side, the spokesmen were Apolinary Makowsky, Paris agent of Polish Airlines, and Jean Landy, a Paris businessman. On the other side were Knight and *his* Paris agent, Philippe Louis Marie Charles de Bourbon.

When United States investigators visited Knight, he evaded questions by saying, "My Paris representative handled the deal." But after a long investigation Knight was arrested on a charge of conspiracy to violate the Neutrality Act.

The trial opened March 8, 1954, in the Federal Court at Baltimore. Knight's lawyer claimed that the whole deal was engineered by de Bourbon. De Bourbon testified to the contrary, and the government presented other evidence that Knight knew the parts were going to Poland. On March 23 the jury brought in a verdict of guilty. And Henry L. Knight was sentenced to 18 months in prison and a fine of $10,000.

This is the only known case in which United States aircraft parts have been diverted to an Iron Curtain country.

Meanwhile, all during the period under review, the Export Control Investigation Staff of the Bureau of Foreign Commerce, United States Department of Commerce, was busy as usual, hunting for violations of the Export Control Act. Most of the violations which have been discovered throughout the years do not involve East-West trade. Some do. For example, on the same day that the Knight trial began, the Bureau of Foreign Commerce announced that all United States export privileges for the next 5 years had been denied to a New Yorker named Ching Sen Lee, also known as Lee Ching Sen, and to the firms—all bearing the name American Industrial Products Co.—which he maintained in four different countries. He is accused of giving Hong Kong as the ultimate destination of some tinplate and other goods which he exported, when all the time the true destination was China. He is under indictment in the Federal court at New York for these violations, but he has not yet been tried, because the authorities cannot find him.

The Great Copper and Brass Conspiracy

It will have been noticed that all these cases were marked by deception as to the destination. Someone goes to a government and says, "I want to ship these goods *there*" (indicating an innocent spot on the map), and if he can get permission he then does his utmost to see that the goods go elsewhere.

He may succeed in getting permission—to the detriment of the free world—if he and his associates can manufacture sufficient evidence to back up his fictitious story. But his chances of getting away with it are shrinking all the time. There was a recent English case, in which a cunning plot succeeded, up to a point, but then blew up with a great crash after several months of investigation in the United Kingdom and on the Continent, in which every cooperation was received from the Dutch and Pakistani authorities. Thereupon eight men and four corporations went on trial in the Old Bailey in May 1954. The trial lasted 7 weeks. Seldom in any country had there been such a large-scale prosecution for shipping strategic goods to the Soviet bloc, nor such penalties imposed.

The British Government charged the defendants with conspiracy to export $1,276,800 worth of copper and brass to Poland, in violation of British export controls. The Government said that $540,000 of this actually reached Poland and that the rest was stopped by customs officials before it left the docks.

This time the pretended destination was Karachi, capital of Pakistan. The Government alleged that the conspirators found a 25-year-old Pakistani to pose as the purchaser and sign numerous papers to make the deal seem authentic.

The goods that reached Poland were carried in two Dutch motorships, the *Brandaris* and the *Reliable*, in October and December of 1953. The former skipper of the *Brandaris* testified that he was given two sets of documents for his October voyage with 250 tons of copper rods aboard. Under the first set of documents the cargo was going to Antwerp for transhipment to Karachi. Under the second set it was going nonstop to Gdynia, Poland. The first set was for production, if necessary, to the British customs. The second set was actually followed. The ship went to Gdynia by the roundabout way of the Skagerrak instead of the Kiel Canal where its movement would have been subject to report. Similar testimony was given by the skipper of the *Reliable*.

Three of the individuals and two of the firms were acquitted. The others were sentenced on July 2 as follows:

Maj. Richard Kevin Devereaux and Maj. Royston George Fenn, 5 years.

Their firm, Wellington Trust Ltd., a fine of $22,400 plus $4,200 costs.

Niklaj Pierzchalski, a ship broker, 3 years.

Syed Zulfequar Quli, the Pakistani "purchaser," 2 years.

Runar Alfred Edward Weiss, a shipping clerk, 2 years.

C. O. B. Ltd., a fine of $2,800 plus $1,400 costs.

In addition, the copper stopped by British customs was forfeited and sold in the United Kingdom home market for approximately $750,000 and, as the copper had been paid for, the loss falls on the foreign purchaser.

A Loss of Bearings

The foregoing case shows the ingenuity of which the human mind is capable when a sufficiently juicy plum is dangled as a prize. Some of those who violate the export controls of the free nations are Communists; others seek merely the premium prices and extra profits which the Communists are willing to provide in order to get strategic materials. The lawbreakers, whether inspired by Marx or money, or both, are always trying to think up new ways to worm through the steadily tightening enforcement net of free governments.

For example, 200 pounds of double-thrust ball bearings were spirited from Western Germany to Czechoslovakia in the following manner. They were packed in 31 small cases and sent in 12 separate shipments by rail parcel post to a forwarding agent in Belgium. They were not stopped because the German Government at that time did not require clearance for exports of 500 Deutsche Marks or less—that is, $119. When the entire lot had accumulated in a bonded warehouse, transit papers were presented to the Belgian Government declaring that the goods were destined for Prague. And to Prague they went, by plane, on January 7 of this year.

Cargoes have sometimes touched base in four or five countries before sliding into Eastern Europe. Another method of throwing the police off the trail is to set up strange and confusing financial arrangements. In one recent case, parallel credits for the transaction were obtained from banking houses in four different countries. And, of course, some lawbreakers have succeeded in tricking the authorities by the more simple method of falsely labeling the goods.

Willy Wadtland was one of those. But he, like so many others who have tried this risky method, did not escape unpunished. Willy Wadtland was tried by a Danish court in April of this year, on a charge of re-exporting some Swedish ball bearings to Czechoslovakia in 1950. The bearings were permitted to leave Denmark because they were falsely described as Danish-made "spare parts for woodworking machinery." Wadtland got 30 days in jail and his profits were confiscated.

If the lawbreakers are often smart and alert, the authorities are often more so. A certain exporter thought he could get away with exporting nickel-bearing stainless steel sheets on a license that allowed him to export only the non-nickel-bearing kind, but he came to grief when a customs inspector ran a magnet across the crate. A magnet will not stick if the sheets have a high content of nickel. This magnet did not stick.

Once on a quay in Antwerp, a keen observer noticed a shipment which had originated in France and was consigned to Spain. That was all very well, except that the shipment was about to be loaded on a vessel for Rotterdam. Rotterdam is farther from Spain than Antwerp is. Governments were notified. The cargo, however, moving with unusual speed, was out of reach in a Polish vessel before steps could be taken to halt it. The cargo was 6 tons of powdered cobalt. And this became another case in which important goods were delivered to the Soviet bloc against the wishes of the exporting government.

But the alertness of the quayside observer was not entirely wasted, for the French authorities, after the failure to stop the fleeing cobalt, quickly checked other planned exports of this strategic metal. They discovered that six and a half tons of it were at that moment clearing customs, supposedly destined for the same Spanish consignee as the first shipment. The second shipment was stopped, with the cooperation of the French exporter, and the export license was withdrawn.

Evidence of irregularities can be found not only on docks but also, sometimes, in such an unlikely place as the published trade statistics! Not too long ago, it was noticed in published statistics that 20 tons of tetraethyl lead (a chemical used in high-octane gasoline) had been exported from one Western European country, which shall be called country A, to another Western European country, country B. There was nothing strange about such an export. But the price was more than twice the normal price at that time. So an investigation was begun. And one of the first facts that came to light was that the tetraethyl lead never arrived in country B. The investigation, which was still going on as this was written, also revealed that the 20 tons had gone by rail from country A to country C, and then to country D, and finally to country E. Country E was Czechoslovakia.

As in the case of the French cobalt, the discovery of this diversion, though too late to stop the 20 tons, came in time to stop an additional 100 tons of tetraethyl lead which the same firms in country A were about to export, ostensibly to the same firm in country B that did not receive the first shipment. Thus does it pay to study the trade statistics.

An Ounce of Prevention Is Worth a Ton of Copper

When a government gets an application for a license to export a strategic cargo to a friendly country, it needs facts on which to base a decision. It wants to be sure, if possible, that the goods will arrive at the intended destination. The ICDV system is extremely helpful, if the importing country is a participant in ICDV. But many countries do not participate, and besides, even an import certificate is no ironclad guaranty against a diversion, as we have seen. Therefore the country of origin usually goes further. It looks into the reputation of the exporter, and often, with the help of other governments, it tries to discover whether the importing firm is reliable, and whether the freight forwarders, brokers, agents, bankers, and others involved in the transaction are to be trusted.

Every major government collects many scraps of information about illegal East-West trade operations from many sources. Some of the scraps turn out to be worthless. For example, a recent report reached the United States Government from an informant in Europe that, within a given period of time, 35 American tankers had called at the

Communist Chinese city of Port Arthur. This was interesting in view of the fact that the United States forbids its ships to call at Chinese Communist ports. The source of the report turned out to be Lloyd's Daily Index, a shipping publication, except that it did not say Port Arthur, China. It said Port Arthur, *Texas*.

But a government, armed with accurate information about strategic trade deals, is often in a position to stop strategic shipments before they get started, and this "preventive" enforcement is the most effective kind of all. Though slip-ups have been all too frequent—in the absence of the enforcement measures which now have been agreed to—it is also true that important quantities of war-potential goods have been kept away from the Soviet bloc by careful checking and wise decisions on questions of licensing.

Many illustrations of this may be found in all the countries that cooperate in the control program. Here are a few illustrations from the Netherlands and Belgium:

A Netherlands firm applied for a license to ship 1,000 tons of copper wire to a sheik in the Middle East. Now this sheik enjoyed close relations with the government of one of the Middle Eastern states, and furthermore, his government had issued an import license for the goods and all the other documents were in order. So the Netherlands Government granted an export license, and the Netherlands company started production. After that, however, more scraps of information came in. It appeared that the credit opened for the transaction was of doubtful origin and that some persons outside the Netherlands who were suspected of previous illegal actions were involved as go-betweens in the deal. Strong doubts arose that the sheik would ever receive the copper wire. The Netherlands Government withdrew the export license and the Netherlands firm canceled the sale.

The Netherlands Government has recently turned down several other applications to export copper, nickel, or aluminum to the Middle East, usually because the trustworthiness of go-betweens could not be established.

On one occasion a Netherlands firm sought a currency license for the sale of 3,000 tons of aluminum to a firm in a country close to the Iron Curtain. The Netherlands Government, in cooperation with the Netherlands firm, started an investigation to learn the final destination of the metal. It was learned that one of the intermediaries had a bad reputation. It was not possible to report definitely that the aluminum would be used in the country of destination. The application was turned down.

In a different kind of case, two Netherlands merchants were recently sentenced because in 1951 they applied for and obtained a license to import 155 tons of copper but never had any intention of importing it. Instead they sent the license to some people in a neighboring country, who used it to get an export license, with the result that the copper vanished behind the Iron Curtain.

The Government of Belgium, in the last year or so, has made a few unpleasant discoveries when looking into applications for export licenses. One Belgian firm asked permission to make two shipments of copper wire, totaling 500 tons, to a country that takes part in the ICDV system, and presented import certificates in support of the application. The Belgian Government got in touch with the government of the country of destination and learned that the import certificates were forgeries. The same thing occurred in a case involving 150 tons of copper bars. Another forged import certificate turned up in a case involving 5 tons of nickel. In all those cases legal action was taken, or was being prepared, against those who presented the forged papers. As related earlier, the cooperating countries now have struck a heavy blow at forgers by arranging for regular government-to-government exchange of import certificates.

There was a 1953 case in which two import certificates appeared genuine and the advance investigation showed no irregularities; so the Belgian Licensing Office granted two licenses to export a total of 1,000 tons of copper to a friendly country. After the copper was shipped, delivery verifications were duly received. Too late, it was discovered that one of the import certificates and both of the delivery verifications were counterfeits. The whereabouts of the copper was not known for sure. Such episodes as this, where strategic goods under Belgian license have been diverted to unintended parts of the globe, have been declining, and none was discovered in the first half of 1954.

The Case of the Truckload of Bricks

To this point we have been traversing a paper trail of forgery and falsification. We have seen how a cunning manipulator tries to send goods from place to place on common carriers by wrapping them in fake documents to fool the authorities. Now it is necessary to examine the activities of the person who simply picks up as much as he can carry and lugs it out of the country on a dark night. The border runners, the gangs that engage in physical smuggling, will always be with us—whether trafficking in strategic materials, blackmarket cigarettes, or any other merchandise that can be sold at a higher price on one side of a boundary than on the other.

The Italian Finance Police tell the following story:

On March 8, 1954, a 34-year-old woman went to a warehouse in Milan. She said she wanted to store some metals there. The woman was Rosa Guerrini, who lived in a hotel in a town called Ponte Tresa on the Italian-Swiss border, the same Rosa Guerrini who had been arrested only six months earlier on a charge of attempted smuggling.

The warehouse owner, Attilio Ferrari, accepted the metals. There were about 8 tons in all, consisting of nickel, cobalt, and cadmium.

On the afternoon of April 16, which was Good Friday, a Fiat truck bearing the license number NO-20766 rolled up to the warehouse. With the truck came Innocente Zaniroli, a businessman, and Adolfo Antonini, a driver. The boxes and barrels containing the metals were loaded on the truck and taken northwestward to the town of Arona on Lake Maggiore. At Arona the two men bought 2,000 bricks and piled them on top of the boxes and barrels.

Then they headed for an Alpine border town named Viggiu, with Antonini driving the truck and Innocente Zaniroli driving a tiny car of the type which the Italians call "topolino" (little mouse). They evidently hoped to spirit the metals into Switzerland and thence by some means to the Soviet bloc.

All through the evening the expedition chugged up the mountain road—the little mouse and the truckload of bricks. It was 11 p. m. when they met their downfall. Near Viggiu they were stopped by the Finance Police. The police peeked under the bricks. The men were arrested and charged with attempted smuggling. So were the Milanese warehouse keeper and another man, Luigi Carmine, who was said to have introduced Zaniroli to Antonini. The woman, Rosa Guerrini, was also accused, but she was not to be found. Also not found was a mysterious Mr. Rossi, who Zaniroli said put him in charge of the expedition. Police doubted the existence of Mr. Rossi.

Rosa Guerrini has been charged with attempted violation of export prohibitions, for which a sentence of up to 5 years' imprisonment may be imposed. Twelve persons associated with her face similar charges. In the course of the investigation, the Finance Police also discovered other groups engaged in this type of smuggling and has initiated action against them.

It seems that such episodes were also frequent on the border between Western Germany and Austria. Early in 1954, German customs authorities discovered that organized gangs in southern Bavaria were smuggling nickel through Austria to the Soviet bloc in small batches, hidden in automobiles, trucks, railroad cars, knapsacks, and satchels. The same gangs had formerly used those methods to smuggle coffee and cigarettes across national boundaries. The German police made several arrests and reported that they had put a stop to the operations.

Making the Security System Work

The cases described in this chapter show why the enforcement of strategic trade controls needed to be strengthened. They show why the United States Government would rather see strictly enforced controls on a shorter list of truly important materials, including Rosa Guerrini's cobalt, Wellington Trust's copper, Knight's aircraft parts, and Krugel's tantalum, than inadequately enforced controls on a longer list. Merely having things on a list is of no value in itself; it is useful only when accompanied by safeguards to keep the Communist conspiracy from undermining and defeating the laws of free nations.

For it must be obvious to anyone who has read the examples given in the foregoing pages that the lawbreaking which goes on is a part of the worldwide Communist conspiracy. Whatever the motives or ideology of the individuals who engage in the kind of violations we have been discussing, those violations would seldom take place without the instigation of the Communists and the incentives they offer. Thus we have the spectacle of one government being a party to violations of other countries' laws.

So it might be said that the situation shapes up about as follows:

The free nations want the benefits of trade in peaceful goods.

Their strategic trade control system is a security system, designed only to withhold materials that make a significant contribution to war-making power.

This system has never been an obstacle to trade in the great bulk of the world's goods.

It now covers fewer commodities than before.

The new enforcement measures do not interfere with legitimate trade.

But the countries, in adopting those measures, have shown their determination to make the security system work. They do not intend that their laws be circumvented.

APPENDIX A

Text of News Release on Revision of Battle Act Embargo List

(Issued by the Foreign Operations Administration for release in morning papers of August 26, 1954)

WASHINGTON, August 25.—FOA Director Harold E. Stassen today announced revisions in the Battle Act embargo list, the list of goods which the United States Government believes the free world should withhold from the Soviet bloc.

In announcing the revision Stassen stated: "I am convinced that this revision, which has been made with the concurrence of the Departments of State, Treasury, Defense, and Commerce, and approved by the President, will result in a net advantage to the free world of expanded peaceful trade and more effective control of the war potential items. It is a move in the best interests of the United States."

The Battle Act, or Mutual Defense Assistance Control Act of 1951, directs that the embargo list "shall be continuously adjusted to current conditions on the basis of investigation and consultation."

The new embargo list goes into effect August 25.

The list reduction will bring no change in controls over shipments to Communist China.

No munitions or atomic energy items are being removed from the list. The same is true of machinery and equipment especially designed for the manufacture of armaments. Some new items which embody recent technological advances are being added to the list.

The net result of the revisions is a reduction from 297 embargo items to 217.

Many of the 217 items remaining on the Battle Act embargo list have been redefined in such a way as to split off certain less important sizes and types of goods covered by the item, while keeping the embargo rating on the more important sizes and types. In a number of cases the coverage of an item has been expanded.

Stassen said: "The new list grows out of (1) the conclusion of the United States Government a year ago that the free-world system of security trade controls needed a thorough reappraisal in the light of changing world conditions; and (2) long and painstaking reviews of commodities on an inter-agency basis in our government and by a group of 15 cooperating countries."

The Battle Act embargo list is sometimes called the "Title I" list. Many of the materials no longer under embargo are being placed on another Battle Act list called the "Title II" list, which includes goods of lesser importance which are usually under quantitative control or careful surveillance rather than embargo.

On August 16 a new international embargo list, worked out by fifteen governments in four months of discussions, went into effect. The United States Government, as an active member of the group, considers that the security interests of the United States and the free world are adequately safeguarded by the agreements reached, which have preserved the cooperative nature of the control program and which include not only list changes but also measures for stronger enforcement. Therefore the new Battle Act embargo list will closely approximate the new international embargo list, though it will not be identical with that list in all respects.

In this connection, Stassen makes the following statement:

"Our revision of the Battle Act embargo list is a necessary part of the job of putting the free world's security trade controls on a more durable and more effective basis for the long haul.

"As I have previously announced, the cooperating countries have unanimously agreed, after months of negotiations at Paris, to reduce their commonly accepted commodity control lists and to strengthen enforcement with respect to the important items remaining under control.

"Battle Act list changes are unilateral decisions of the United States Government. They are made after the fullest consultation among interested agencies, including the Departments of State, Defense, and Commerce. Because of the multilateral character of the control program, we also exchange information and consult with our allies and take into account all pertinent considerations in the international situation."

Those considerations are discussed in Chapter 5 of the fourth semiannual Battle Act report, published in May, and entitled *East-West Trade Trends*.

The considerations include: The vital necessity of preserving the unity and cooperation of the free world in the face of Soviet efforts to create division; the probability of a long period of tension short of general war; the need of putting the control system on a long-term basis with the continuing support of the Western trading community; the need to keep open every path that might conceivably help the world to move gradually toward a sounder basis for peace; the massive upswing in free-world strength and production, causing a growing need for new markets; the decline of United States aid to free countries; the economic benefits that our allies get from trading in non-military items with the Soviet bloc; the fact that some items have assumed greater or lesser strategic importance and should be reclassified; the fact that a shorter and simpler control list would be easier to enforce.

Battle Act lists have a purpose different from the lists drawn up by the Commerce Department, which are used in the control of exports from the United States itself. The Commerce Department plans an announcement on United States export controls shortly.

As for recent agreements on revising the international control system, information on the changes was disclosed by Stassen in a news conference on July 22 and by Peter Thorneycroft, President of the British Board of Trade, in the House of Commons on July 26.

They emphasized that new and stronger enforcement measures have been agreed to, along with the list revisions. Countries which have freely permitted the transit of goods will take additional steps to prevent embargo-type goods from being transhipped to the Soviet bloc, and other countries will take steps to prevent their residents from engaging in transactions which result in embargoed goods going to the bloc, regardless of where the goods originate.

What is generally known as the international embargo list, which is composed largely of industrial production materials, is being reduced from about 260 to 170 items. However, those figures do not include armaments, atomic energy materials, and certain other items which are not exclusively or predominantly armaments or atomic energy materials but which could be used in warfare or which have some significant atomic energy application. All those are listed separately by the group of nations and are tightly embargoed by all our allies. However, the Battle Act embargo list now being reduced from 297 to 217 items does include such items, with those that are exclusively or predominantly armaments or atomic energy materials segregated in a special category called "Category A." All other Battle Act embargo items are in "Category B."

(If a country receiving United States military, economic, or financial aid should permit the shipment of a "Category A" item, the termination of this aid would be mandatory. If "Category B" items are shipped, the President may continue aid to the country if he finds that the termination of aid would be detrimental to United States security.)

The international quantitative control list is being cut from about 90 to about 20 items, and about 60 additional items will be kept on a watch list so that the countries can keep close check on the export trends. Such items are covered in the Battle Act Title II list.

Although the Battle Act embargo list applies to shipments to every part of the Soviet bloc, the present changes reduce the scope of controls only on trade with the U. S. S. R. and its European satellites. This is because the international embargo on strategic trade with

Communist China under the United Nations resolution of May 18, 1951, is much more extensive than the Battle Act lists and has not been relaxed by the cooperating nations.

Full details of the Battle Act list changes are being transmitted to six committees of Congress.

* * *

ATTACHMENT NO. 1

AUGUST 25, 1954

Supplementary Explanation of Battle Act List Revisions

There are two parts to the Battle Act embargo—or Title I—list.

Category A, having 23 items, is composed of 12 items—really classes of items—of arms, ammunition, implements of war, and 11 items exclusively or predominantly of atomic energy significance. Only relatively minor changes are being made in Category A. (The new version of Category A is given in full in Attachment No. 2.)

The Category B part of the embargo list contains items considered to be of primary strategic importance, even though not exclusively or in some cases even predominantly of military or atomic energy application. As mentioned earlier, the Category B list has been significantly pruned.

The Title II list includes goods of lesser importance which the United States believes should be subject to quantitative control or careful surveillance, not necessarily embargoed.

Because of the exhaustive review of international lists which the 15 governments have been conducting in Paris, the United States Government, in revising the Battle Act lists, has had the benefit of all the relevant intelligence, technical, trade, and other information that the United States and the other participating countries have been able to muster. These Battle Act list revisions take into account not only the information provided by our allies but also their evaluation of the importance of controlling specific commodities.

Items included on either the Title I, Category B list or the Title II list are generally those which are designed or used principally for the production of armaments or atomic energy materials; or incorporate advanced technology which ought to be denied to the Soviet bloc; or are essential to the war production base of the Soviet bloc and critically short there.

The general rule is that items considered highly important for direct military use or which incorporate advanced technology related to war production are put on the embargo list. Other items considered important because of their potential contribution to the military production base are either put on the embargo list or on the Title II list, depending on whether a lesser degree of control than embargo will be adequate.

The process of determining Battle Act listings is a complex one involving the collection, assimilation, and evaluation of all relevant technical, intelligence, trade, and other information. This process must also be a continuing one, always taking into account new information and new evaluations, both in the United States and abroad. The Battle Act lists will, of course, be kept under continuing re-examination, as the law requires.

The Battle Act embargo listings themselves are in many cases quite complicated. The definitions involve specifications of size, type, and performance which would be confusing to the layman but which represent a strategic judgment as to which varieties require embargo and which warrant a lesser degree of control, or decontrol.

In determining Battle Act listings, the least difficulty is encountered in identifying items of special design for military production.

With respect to items incorporating advanced technology, this involves a judgment as to whether the bloc has this technology and what contribution it would make to their military capabilities.

The greatest difficulties arise in the evaluation of items of dual use, i. e., civilian use as well as military. These have to be evaluated in terms of questions such as whether the military applications are highly important within the Soviet bloc, and whether the Soviet bloc deficiency is of such a nature that denial will primarily affect the military sector of the Soviet bloc economy rather than the civilian.

What has been done is illustrated by brief comments on the various categories of items.

In the Metalworking Machinery Group, while certain types of boring and turning mills are embargoed, smaller sizes of the item are subject to a lesser degree of control on the basis of analysis of Soviet-bloc technology and military production. With respect to lathes, certain types are retained on the embargo list while others, which incorporate no advanced technology and are in fact produced in ample quantities in the Soviet bloc, were deleted from the list. The machine tools covered by the embargo are basic to the mass production of aircraft, ordnance, and other implements of war as well as the production of highly specialized equipment having important military uses.

In the Chemical and Petroleum Equipment Group, the embargo rating has been retained on the key materials and components of war-chemicals production and those of significance to atomic energy production. At the same time common types of parts and equipment widely produced throughout the world, including the Soviet bloc, have been removed from a controlled status. Because of advances in technology, certain new items have been added to this group, such as titanium-producing equipment and certain important materials made from new types of plastics.

The revised Electric Power Equipment Group in the embargo list includes heavy power-generating equipment which is significant to the Soviet-bloc war potential, but excludes such items as outboard motors, condenser tubes, and smaller sizes of motors, generators, and diesel engines.

A number of items in the General Industrial Equipment Group have been deleted. For example, only one specialized type of heavy tractor was retained on the embargo list because the Soviet bloc is a very large producer and even an exporter of many types of tractors. On the other hand, certain kinds of equipment such as rolling mills, which are basic to any advanced industrial economy and therefore to military capabilities as well, are retained on the embargo list.

In the field of Transportation, items such as flat cars, tank cars, well cars, and rails no longer have an embargo rating but are subject to quantitative control or surveillance and are listed under Title II. While these items are important to the economic and military life of any country, an analysis of Soviet-bloc supply led to the conclusion that embargo was not necessary at this time. The new embargo list retains the turbine type of locomotive; other types are covered under Title II. Naval vessels and tankers previously embargoed remain on the list; certain types of fishing and merchant vessels have been added. Exports of ships of other types, specifications, and speeds are subject to restriction but not embargoed.

Most types of Precision Instruments and Electronics Equipment on the embargo list have been retained because of their importance from the standpoint of strategic considerations and advanced technology. The coverage of some items in this group has been broadened. A few items such as absorption meters, microhardness testers, and oscillographs were deleted.

In the Metals and Minerals Group, a number of items were found to be in adequate supply within the bloc and were therefore deleted. Platinum, for example, was removed from the embargo list inasmuch as the U. S. S. R. is the world's largest producer. Other items deleted were cadmium, calcium, sodium, strontium, vanadium, asbestos, and mica. Minerals and metals of basic importance to Soviet military power, such as aluminum, copper, nickel, molybdenum, cobalt, magnesium, tungsten, and titanium (a material now of special interest in jet engine development), remain on the Category B embargo list. Other strategic minerals of major significance to atomic energy remain on the Category A embargo list.

In the field of Chemical Products some items such as permanganates, phosphoric acid, liquid gum inhibitors, and petroleum coke were removed from the embargo list upon close examination of the Soviet bloc production and use patterns. Those retained under embargo are of major importance in modern manufacture of explosives and propellants.

The highly refined Petroleum Products are retained on the embargo list, while others, such as crude petroleum and diesel oil, are under lesser but nevertheless careful control. The Soviet bloc is of course a large producer of petroleum and has made repeated offers and sales to the Western world.

In the case of Rubber and Miscellaneous Products, the embargo on tires was revised on the basis of the military application of different types and sizes. The non-military types were removed from the embargo list inasmuch as the Soviet bloc production of most types of tires is adequate to meet its needs. Natural rubber remains on the Title II list in order to maintain careful surveillance over the quantities of this item which are made available to the bloc.

The following is a generalized description of the Category B portion of the new embargo list (the entire list is not given in detail, but this will give an idea of its scope):

METALWORKING MACHINERY

Machines and equipment specially designed for manufacturing arms, ammunition, and implements of war; jig boring machines; contour profile grinders; jig grinders; lap radial grinders; thread grinding machines; spar millers; armour plate planers, military-type jigs.

Larger sizes or more advanced or specialized types of the following: vertical boring and turning mills; deep hole drilling machines and drills; internal cylindrical, surface, and roll grinding machines; grinders for broaching machines; turret lathes; automatic, spinning, combination tube boring and turning, and engine lathes; thread milling machines; combination millers and planers, forging hammers; presses; wire, tubing, and strip machinery; and machines for plate working, metal cutting, broaching, gear making, honing and lapping, profiling and duplicating.

CHEMICAL AND PETROLEUM EQUIPMENT

Equipment for the production of military explosives; centrifugal counter-current solvent extractors; plant and equipment for the production of titanium metal.

Important sizes and types of the following: equipment and components for the production of nitrogen tetroxide, antibiotics, hydrogen and deuterium oxide, liquid oxygen and hydrogen; compressors, pumps, valves, pipe and tubing; equipment for oil well drilling, oil refining, production of lubricants, and treatment of natural gas.

ELECTRICAL AND POWER-GENERATING EQUIPMENT

Large sizes of electric turbines and generators; special types of diesel engines and electric motors.

GENERAL INDUSTRIAL EQUIPMENT

Metal rolling mills; industrial diamonds; and certain types of heavy tractors and excavating equipment, soil compactors, diamond tools, and coaxial cable machinery.

TRANSPORTATION EQUIPMENT

Centralized traffic control systems; turbine locomotives and important types of four-wheel-drive automotive vehicles; various types of ships, including floating docks, tankers, whaling factories, warships, and certain sizes of icebreakers, fishing vessels, passenger and cargo ships; compasses and marine steam boilers having strategic characteristics; mine-sweeping equipment, and important types of cable.

ELECTRONICS AND PRECISION EQUIPMENT

Aircraft communications equipment; radar equipment; ultrasonic wave communication apparatus; jamming apparatus; equipment for controlling aircraft and guided missiles; panoramic radio receivers.

Important types of telegraph equipment, amplifiers, cable, measuring instruments, electronic tubes, radio and TV transmitters, magnetic recorders, computors, and photographic equipment.

METALS, MINERALS, AND THEIR MANUFACTURES

Brass and bronze fabrications for munitions; scrap iron and steel; germanium; titanium; molybdenum; columbium; cobalt.

Various non-ferrous and steel alloys; important types and products of aluminum, copper, nickel, magnesium, tantalum, tungsten, magnetic materials, and anti-friction bearings.

CHEMICAL AND PETROLEUM PRODUCTS

Hydraulic fluids; barium nitrate; dinitrotoluene; hydrazine; picric acid; silicon oils.

Specified types of detonating or priming mixtures, stabilizers for explosives, and glycols.

Gasoline, kerosene; lubricating oils; blending agents for aircraft fuels; tetraethyl lead.

RUBBER PRODUCTS

Butyl synthetic rubber; military types of tires; water-lubricated bearings made with Buna N compounds.

MISCELLANEOUS

Nylon parachute cloth; certain types of raw optical glass, paper for dielectric use.

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ATTACHMENT NO. 2

AUGUST 25, 1954

BATTLE ACT TITLE I LIST—CATEGORY A

100–199 Series: Arms, Ammunition, and Implements of War

Item No. *Description*

101 Rifles, carbines, revolvers, pistols, machine pistols, and machine guns designed specifically for military use; and all specifically designed components and parts therefor.

102 Guns, howitzers, cannon, mortars, rocket launchers, military flame throwers, smoke, gas and pyrotechnic projects, recoilless rifles, designed for military use; and all specifically designed components and part therefor.

103 Ammunition and all specifically designed components and parts thereof for the arms enumerated under 101 and 102 above.

104 Bombs, torpedoes, grenades, rockets, mines, guided missiles, and depth charges, designed for military use, apparatus and devices specifically designed for the handling, control, activation, discharge, detonation, or detection thereof; and all specifically designed components and parts therefor.

105 Fire control, infra-red and other night-sighting equipment, military range, position and height finders; spotting instruments, aiming devices, bomb sights, gun sights, and periscopes designed for the arms, ammunition, and implements of war enumerated in this list; and all specifically designed components and parts therefor.

106 Tanks, military type armed or armored vehicles, armored trains, military half tracks, military type tank recovery vehicles, tank destroyers, gun carriers, all mobile repair shops designed to service military equipment; and all specifically designed components and parts for such vehicles.

107 Toxicological agents, the following:
- (*a*) Biological or chemical toxicological agents intended only for military use;
- (*b*) Equipment designed for the dissemination and detection of substances included in (*a*) and defense therefrom.

108 Propellants and explosives, the following:
- (*a*) Propellants specifically designed and manufactured for the articles enumerated in Items 103, 104, and 107;
- (*b*) Military high explosives.

109 Vessels of war, the following:
- (*a*) Combatant vessels or vessels designed for offensive action;
- (*b*) Equipment specifically designed for the laying, detection, detonation, and sweeping of mines;
- (*c*) Submarine nets.

(NOTE.—Components and parts for the foregoing, included in this list, shall mean: turrets, naval gun mounts; accessories and attachments shall mean: submarine storage batteries and catapults.)

110 Combatant aircraft of all types or aircraft designed for offensive action, or parts or components thereof which are peculiar to the offensive mission.

111 High-power radar; electronic countermeasure equipment designed exclusively for military use; underwater sound equipment except that used for depth determination and avoidance of navigational hazards; and all specifically designed components and parts.

112 Military electronic computing devices.

200–299 Series: Atomic Energy Materials

201 Fissionable materials, *including* but not limited to:

(*a*) Plutonium;

(*b*) Uranium enriched in the isotope 233 or in the isotope 235;

(*c*) Any material artificially enriched by any of the foregoing.

202 Uranium metal; thorium metal.

203 Metals, alloys, and compounds containing uranium or thorium (*excluding* (i) alloys, not containing uranium, but containing less than 1.5 percent of thorium by weight; and (ii) medicinals).

204 Minerals, raw and treated (including residues and tailings) which contain by weight at least 0.05 percent of uranium or thorium or any combination thereof, *including* but not limited to:

(*a*) Monazite sand and other ores containing thorium;

(*b*) Carnotite, pitchblende, and other ores containing uranium.

205 Deuterium and compounds, mixtures and solutions containing deuterium, *including* heavy water and heavy paraffin, in which the ratio of deuterium atoms to hydrogen atoms exceeds 1:5000 by number.

218 Equipment specifically designed for the separation of isotopes of uranium.

219 Cyclotrons, belt-type electrostatic generators (Van de Graaff machines), synchro-cyclotrons, betatrons, synchrotons linear accelerators and other electronuclear machines capable of imparting energies in excess of 1,000,000 electron volts to a nuclear particle or an ion; and magnets specifically designed therefor.

220 Radiation detection instruments and components of the following types, designed or capable of being adapted for detection or measurement of nuclear radiations, such as alpha and beta particles, gamma radiations, neutrons, and protons:

(*a*) Proportional counters;

(*b*) Neutron counters containing boron, boron trifluoride, or hydrogen;

(*c*) Scaling units and rate meters, suitable for use in radiation detection;

(*d*) Scintillation counters incorporating a photomultiplier tube.

222 Ion separators, electromagnetic, *including* mass spectrographs and mass spectrometers for any purpose.

223 Acceleration tubes and focusing tubes of the kinds used in mass spectrometers and mass spectrographs.

224 Positive ion sources suitable for use in cyclotrons, mass spectrometers, and the like.

APPENDIX B

Trade Controls of Free-World Countries

This appendix summarizes the national trade-control measures of the countries cooperating with one another in the multilateral control system. The descriptions of their controls are supplementary to information contained in the main text of the report. Descriptions of the trade controls of other friendly countries have been contained in similar appendices to previous Battle Act reports, and, since their control procedures have in most cases not undergone substantial revision, they are not repeated in this appendix. It is noted that the summaries contained in this and previous appendices include certain countries not receiving United States aid (such as Canada) as well as those receiving such aid.

As indicated in previous reports, much of the detailed information on security trade controls has a security classification. Thus these descriptions must, in a public report, be presented in somewhat general terms. In most cases, they concern primarily the basic export license and customs control procedures originally established for directing foreign trade to particular currency areas, conserving goods in short supply, and for other economic or financial reasons. Security trade control has been generally exercised through these basic procedures; the same general techniques of export licensing and customs inspection are used for both security export control and export control for other purposes. The descriptions which follow describe the main features of these national control systems. The countries are arranged in alphabetical order.

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

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

The Parliament of Canada has enacted a new Export and Import Permits Act which came into effect on June 1, 1954. Whereas the act previously in force was designed for the control of supply, the new act was drawn up with strategic control as its main purpose.

Permit Requirements

The Canadian approach to export control is based on two lists: (i) The Export Control List of strategic commodities for which export permits are required for practically all commercial exports to any destination, except the United States, and (ii) the Area Control List of countries, the shipment to which of any goods requires an export permit. The Area Control List comprises all Communist countries plus Hong Kong, Macao, and Indochina. General export permits are in effect which enables shipments of a list of nonstrategic items to Hong Kong; shipments of casual gift parcels of trivial value to Communist countries; shipments to Canadian diplomatic missions; etc.

Transaction Controls

Under the new act, Canada has also enacted a form of transaction control whereby it becomes an offense for a resident of Canada to knowingly cause or assist any shipment of strategic goods to be made from Canada, or any other place, to Communist countries.

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 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.

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

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 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.

FRANCE

License Requirements

Export licenses are required for over one-half the commodities identified in the French tariff nomenclature. Governmental authority for 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.*

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 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 the following:

(*a*) Exports to Communist China, North Korea, Hong Kong, and Macao of all commodities.

(*b*) Exports to the Soviet bloc of all commodities on the German "Restricted List."

(*c*) Exports to the Soviet bloc (excluding those countries mentioned under (*a*) of all commodities not on the German "Restricted List" in excess of DM1000.

(*d*) Exports to all other countries of all commodities on the German "Restricted List" in excess of DM1000.

(*e*) Ball and roller bearings are excluded from the procedure described in (*b*), (*c*), and (*d*), above, and require a certificate of approval regardless of the value of the shipment.

The German restricted list, which is similar 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 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 Handelsgenchmigung), 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 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.

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.

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

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 more than 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 3 months, (2) fines up to 40,000 lire, and (3) confiscation of the merchandise involved. These penalties have on occasion been supplemented by fines as high as 50 million lire ($80,000) for crimes committed in connection with false customs declarations or currency violations in export transactions. Persons and firms under investigation for illegal export transactions are denied foreign trading privileges.

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.

End-use checks are made also on suspicious exports of strategic items, 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

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.

THE NETHERLANDS

License Requirement

Pursuant to the Prohibition of Import and Export Act of 1945 and the Foreign Currency Act of 1945, a license for each export from the Netherlands is compulsory.

This system is applied in such a manner that an individual export license must be obtained for each export transaction irrespective of the country of destination or the strategic nature of the merchandise. General export licenses exist only for transactions amounting to $250 or less. Export licenses are generally issued by the "*Centrale Dienst voer Im- en Uitvoer*" (Central Office of Import and Export). The IC/DV system is applied extensively. Lists of strategic goods have not been published. However, if an application for the export of strategic goods is made, the "C. D. I. U." informs the exporter of only being able to grant an export license after an import certificate has been produced. In such cases the applicant is also required to submit a delivery verification form in due course.

If strategic goods are to be exported to countries not participating in the IC/DV system, the final destination is checked in most cases before the export license is granted. When it concerns transactions of less strategic importance, the exporter is obliged to prove that, on the basis of customs documents, a bill of lading or other documents, the goods arrived in the country of destination. Finally, the customs authorities have the right to convince themselves that the goods to be exported are in accordance with the description of the export license, when such goods leave the country. They can also stop the export of goods to be sent to a direction which does not conform with the final destination specified in the export license.

Financial Controls

All transactions of a Netherlands resident involving payments to or received 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.

The IC/DV system is also applied to these transactions to the extent applicable. In other cases end-use checks are conducted on a large scale.

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.

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.

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 the 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 freeport 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 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.

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 transhipment 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.

TURKEY

License Requirements

Export licenses are required for most of the important export commodities, including all goods considered to be of a strategic nature. The goods which are subject to export licenses appear on List II attached to the Turkish foreign trade regulations issued in September 1953. For the goods appearing on that list, export licenses are required for shipments to all destinations; the licenses are issued by the Ministry of Economy and Commerce, with the exception of some agricultural commodities for which authority to grant export licenses has been delegated to other organizations. Goods not appearing on List II may be exported upon the presentation of a customs exit declaration which is based on the exporter's application. All exports are subject to strict foreign exchange regulations.

Turkey applies import certificate-delivery verification procedures with respect to the shipment of strategic commodities.

Transit Controls

Goods which are to pass through the territory of Turkey may be reexported without license only if all shipping documents (including bill of lading and ship's manifest) and outer containers carry the name of the Turkish port of transit, the phrase "in transit to" and the name of the city and country of destination. Goods entered in transit may be reexported without further control; however, the Government reserves the right to inspect transit shipments in cases of suspicion of irregularity. The reexport of goods covered by "in transit" bills of lading, without an export license, is contingent on proof that the goods were not purchased with foreign exchange made available by Turkish authorities.

The reexportation of all foreign goods cleared through Turkish customs is subject to the authorization of the Ministry of Economy and Commerce.

The Turkish Government is authorized by law to establish free zones in Turkish ports, but thus far no such free zone has been established.

Financial Controls

Strict exchange controls are maintained by the Government through the Ministry of Finance and the Central Bank. Turkish exporters are required to sell to a bank in Turkey the foreign exchange proceeds of exports within 3 months from the date of exportation and within 15 days of the date of receipt of the foreign exchange by the exporters. Foreign exchange may be sold to persons and firms in Turkey only by banks, against permits issued by the Ministry of Finance. All payments in foreign exchange, from funds available abroad to persons and firms in Turkey, are subject to the authorization of the Ministry of Finance. Other capital transactions involving foreign exchange, by persons and firms in Turkey, are also subject to the authorization of the Ministry of Finance.

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 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, ot 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 Korean), 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 other Soviet-bloc destinations, 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.

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 destina-

[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.

tion 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.

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.

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.

APPENDIX C

Presidential Determination of March 5, 1954

On March 5, 1954, the President sent the following letter to the six Congressional Committees named in the Battle Act:

DEAR MR. CHAIRMAN: This is to inform you that, pursuant to Section 103(b) of the Mutual Defense Assistance Control Act of 1951, and in accordance with the recommendation of the Director of the Foreign Operations Administration, concurred in by the Department of State, the Department of the Treasury, the Department of Defense and the Department of Commerce, I have directed the continuance of United States assistance to Denmark, France, Italy, Norway, and the United Kingdom, because the cessation of aid would clearly be detrimental to the security of the United States.

The details of these cases will be found in the attached copy of letter from the Director of the Foreign Operations Administration.

Sincerely yours,

DWIGHT D. EISENHOWER.

* * *

To the above letter the President attached the following letter, dated March 3, 1954, from Harold E. Stassen, Director of the Foreign Operations Administration, recommending the continuance of aid to the five countries:

DEAR MR. PRESIDENT: Under the Mutual Defense Assistance Control Act of 1951 (Battle Act), it is necessary to report to you concerning shipments of commodities of primary strategic importance which countries of the free world have permitted in the course of their trade with the Soviet bloc.

Most of these shipments continue to be "prior commitments"—that is, shipments resulting from commitments that were made prior to the effective date of the Battle Act embargo provisions. Others are the results of more recent commitments which, in unusual circumstances, Western countries have considered necessary or in the long run beneficial to themselves and to the free world, because of the two-way trade that was made possible by the strategic shipments.

This letter has to do with shipments permitted by Denmark, France, Italy, Norway, and the United Kingdom.

I have carefully examined these cases. And I concur in the judgment of my Deputy for Mutual Defense Assistance Control, Vice Admiral Walter S. DeLany, United States Navy (Ret.), that this country in its own interest cannot afford to use these shipments as a basis for terminating United States assistance to any of the five countries involved, because such termination would clearly be detrimental to United States security. This is also the judgment of the Department of State, the Department of Defense, the Department of Commerce, and the Department of the Treasury.

Therefore, as Director of Foreign Operations, responsible for the administration of the Mutual Defense Assistance Control Act of 1951, I hereby recommend that you exercise your authority under Section 103(b) of this act and direct the continuance of aid to Denmark, France, Italy, Norway, and the United Kingdom.

Section 103(b) forbids all military, economic, and financial assistance to a country that knowingly permits the shipment of items listed for embargo under the Act, except that the President "may direct the continuance of such assistance to a country which 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."

These five countries have not permitted the shipment of any arms, ammunition, implements of war, or atomic energy materials to the Soviet bloc. Following is a summary of the less strategic but nevertheless important shipments which they have permitted and which have not been covered by any previous Presidential determination with respect to these countries. (All of these shipments went to Eastern Europe, none to Communist China.)

DENMARK

On October 21, 1953, a Danish shipbuilding company delivered to the U. S. S. R. the second of two tankers which were included in a Danish-Russian trade agreement signed in July 1948. The second tanker is valued at $2,181,647. The commitment to ship the two tankers was made three and a half years before January 24, 1952, the date when the Battle Act embargo lists (including tankers) first went into effect. Thus the two vessels have been a part of the "prior commitment" problem, one of the most difficult problems that has arisen in the administration of the Battle Act.

The first tanker was delivered to Russia on July 7, 1952, and a Presidential determination to continue aid to Denmark was reported to the Congress on July 25, 1952.

A contract with a Danish firm to build the second tanker was signed in November 1950, for delivery in the fourth quarter of 1953. At the same time the Danish Government issued an unconditional export license to the shipbuilding firm. The Danish Government takes the position that there was no legal or contractual authority for revoking the license and that a default would have been a breach of both international and private obligations. The U. S. S. R. has met all its obligations under the trade agreement, and the tanker itself was almost completely paid for in advance of delivery.

As in the case of the first tanker, the United States Government sought through high-level representations to persuade the Danish Government not to permit delivery of the second vessel. The United States took the position that considerations of national security must override other considerations when there is a clear and present danger to the very survival of free nations. The Government of Denmark, while recognizing the strategic importance of the tanker and the changed world conditions since the signing of the agreement, continued to hold the position that it was bound to meet its commitments.

Now that the tanker has been delivered despite the efforts of the United States Government, we are faced squarely with the question whether the termination of aid to Denmark would be detrimental to the security of the United States and the free world. This problem has been thoroughly considered by all interested agencies of the Government. The conclusion is that the cessation of aid at this time would weaken the defensive position of the free world and that it would indeed be detrimental to United States security.

Following are some of the considerations taken into account in arriving at this conclusion:

Denmark, despite a strong element of neutralism in the population, is a member of the North Atlantic Treaty Organization. An effective combat force in Denmark is necessary not only to Danish security but also to the effective defense of the West in the event of aggression. Greenland, the world's largest island and an integral part of the Danish nation, is strategically located for the defense of North America, and continued Danish-United States cooperation for the defense of Greenland is essential to the security of the United States. Economic aid from the United States to Denmark has dwindled to negligible amounts, but military aid to Denmark is making an important contribution to the common defense. The Danish forces have been almost entirely dependent upon United States military aid for initial equipment and maintenance and without this aid Denmark could not meet its obligations in NATO. The cancellation of the undelivered portion of this progrm would jeopardize any further military buildup in Denmark and weaken the effectiveness of the forces now in being, and would seriously impair Denmark's cooperation in NATO. It would also have an impact on Danish foreign policy. At the present time Denmark operates a highly effective system of controls over the shipment of strategic materials, including controls over the transshipment of goods passing through Danish territory.

In addition to the tanker, Denmark has permitted the shipment of $696 worth of subminiature tubes for hearing aids. These tubes were supplied to Poland as replacement parts for hearing-aid devices which a Danish firm had previously sold in that country.

FRANCE

Ball bearings valued at $76,972, of types and sizes listed as embargo items under the Battle Act, have been recently shipped from France to Poland. These bearings were part of a trade agreement signed in October 1952, providing for the movement of about $18.8 million worth of various commodities from France and about $20 million worth of various commodities from Poland. The French also have shipped some more of their backlog of prior-commitment items, $57,095 worth of miscellaneous machinery, valves, and cocks. These also went to Poland. Besides these prior-commitment items, $1,494 worth of spare parts (for materials previously supplied) were shipped to Poland and Hungary.

ITALY

Additional Italian prior-commitment items valued at $1,098,701 have been shipped to three countries of Eastern Europe, as follows:

Ball and roller bearings to Czechoslovakia ($703,230), Hungary ($172,000), and Poland ($143,000).

Rolling mill parts to Poland ($80,471).

NORWAY

Norway has shipped 3,000 metric tons of aluminum ingots, valued at $1,770,000, to the U. S. S. R. under a barter agreement signed early in 1953. Besides aluminum, the major commodities in the agreement are Norwegian salted herring and hardened whale fats, and Russian wheat, rye, manganese ore, and phosphate rock. On July 31, 1953, I wrote to you concerning Norway's shipments of aluminum to the Soviet bloc under its 1952 trade agreements and recommended that aid be continued to Norway. On August 1 you so ordered. The basic considerations involved in that case are little changed, and need not be repeated in this letter.

UNITED KINGDOM

The British have shipped an additional quantity of their prior-commitment items. These new shipments totaled $893,643. The bulk of them went to Poland, with about $50,000 going to Hungary and about $4,000 to Czechoslovakia. The principal items were locomotive equipment, strip mill parts, copper wire, compressors, and miscellaneous equipment. Besides these prior commitments, $10,199 worth of embargo-type items were shipped from the United Kingdom in small lots to Eastern Europe. These small shipments consisted of mineral oil to Poland and bearings (mainly spare parts) to Poland, Czechoslovakia, and the U. S. S. R.

* * *

In this letter I have devoted more space to the Danish tanker than to the shipments from the other countries because of the strategic importance and monetary value of the tanker and because it was the second such vessel to be delivered; also because Denmark—unlike France, Norway, and the United Kingdom—was not discussed in my letter of July 31, 1953, which you sent to the Congress on August 1. But the main conclusion is equally valid in each of these cases: that it would be detrimental to the security of the United States to terminate aid.

It is appropriate to include in this letter a brief report on a strategic cargo that moved from Turkey to Czechoslovakia, even though I do not consider it a case where a government knowingly permits a shipment within the meaning of the Battle Act. The cargo was 500 tons of copper, valued at $450,000. In my judgment the facts of this case do not make it necessary for you to determine whether to continue aid to Turkey. Nevertheless, the strategic value of copper is so great that its movement to the Soviet bloc must be a matter of concern to the Congress as well as to the Executive Branch. Therefore I suggest that you inform the Congress that the shipment took place, that high Turkish authorities investigated it and gave us the facts concerning it, and that Turkey has taken steps to prevent a repetition of the incident. It will be of interest, too, that Turkey has recently become a member of the informal Consultative Group by means of which fifteen nations coordinate their strategic trade controls, and the Turks have given impressive evidence of their cooperation in this program.

Respectfully yours,

HAROLD E. STASSEN,
Director of Foreign Operations.

APPENDIX D

Statistical Tables

General Note.—Unless otherwise noted, the Soviet bloc comprises the following: U. S. S. R.; Soviet European satellites, which include Albania, Bulgaria, Czechoslovakia, Soviet Zone of Germany, Hungary, Poland, and Rumania; China—China data since 1949 refer as far as possible to mainland China, Manchuria, Inner Mongolia, and Tibet.

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TABLE 1a.—TRADE OF PRINCIPAL FREE-WORLD COUNTRIES WITH THE SOVIET BLOC, 1951

[In millions of United States dollars]

Exports to / Exporting country	World	Soviet bloc		European satellites		U.S.S.R.	China
	Total value	Total value	As percentage of exports to world	Total value	As percentage of exports to world	Total value	Total value
Argentina	1,152.3	34.5	3.0%	34.5	3.0%	(1)	(1)
Australia	2,047.0	55.5	2.7	41.3	2.0	13.2	1.0
Austria	453.8	60.5	13.3	59.6	13.1	.1	.8
Belgium-Lux	2,651.4	64.4	2.4	41.7	1.6	13.3	9.4
Brazil	1,757.4	7.9	.5	6.6	.4	---	1.3
Canada	3,608.0	.9	(2)	.6	(2)	(1)	.3
Ceylon	399.9	8.5	2.1	.9	.2	---	7.6
Denmark	838.8	40.0	4.8	39.7	4.7	.2	.1
Finland	866.5	[3] 148.4	17.1	26.1	3.0	[3] 121.5	.8
France	4,240.6	40.5	1.0	33.7	.8	4.9	1.9
W. Germany	3,508.3	103.1	2.9	99.1	2.8	(1)	4.0
Greece	101.8	.4	.4	.4	.4		(4)
Hong Kong	775.8	280.7	36.2	(1)	(2)	---	280.7
Iceland	44.6	3.5	7.9	3.5	7.8	---	(1)
India	1,645.8	30.9	1.9	4.1	.2	13.6	13.2
Indonesia	1,230.7	2.3	.2	2.2	.2	(4)	.1
Iran	590.6	22.6	3.8	.4	.1	22.2	---
Israel	44.8	2.1	4.7	2.1	4.7	(1)	(1)
Italy	1,629.3	65.7	4.0	41.1	2.5	23.7	.9
Japan	1,354.5	5.8	.4	(1)	(2)	---	5.8
Malaya	1,957.1	92.9	4.7	36.3	1.9	24.1	32.5
Netherlands	1,956.1	40.0	2.0	38.1	1.9	1.6	.3
New Zealand	694.8	26.1	3.8	22.6	3.3	3.5	(1)
Norway	620.0	29.2	4.7	16.4	2.6	12.1	.7
Pakistan	749.8	72.6	9.7	23.0	3.1	4.2	45.4
Portugal	262.9	4.8	1.8	1.5	.6	3.3	(1)
Sweden	1,178.5	126.7	10.8	91.8	7.8	33.4	1.5
Switzerland	1,082.0	86.0	7.9	55.3	5.1	5.0	25.7
Turkey	314.0	24.7	7.9	22.6	7.2	2.1	---
United Kingdom	7,578.3	119.6	1.6	45.3	.6	66.7	7.6
United States	16,602.3	2.8	(2)	2.7	(2)	.1	(1)

Imports from / Importing country	World	Soviet bloc		European satellites		U.S.S.R.	China
	Total value	Total value	As percentage of imports from world	Total value	As percentage of imports from world	Total value	Total value
Argentina	1,360.8	38.6	2.8%	38.5	2.8%	(1)	0.1
Australia	2,112.5	31.6	1.5	21.6	1.0	2.2	7.8
Austria	652.7	72.0	11.0	71.7	11.0	(1)	.3
Belgium-Lux	2,554.0	57.8	2.3	22.6	.9	16.8	18.4
Brazil	2,010.6	10.3	.5	10.3	.5	---	(1)
Canada	3,877.1	8.1	.2	6.0	.2	.3	1.8
Ceylon	327.3	2.4	.7	1.2	.4	.3	.9
Denmark	1,012.5	70.7	7.0	52.4	5.2	9.7	8.6
Finland	676.0	108.2	16.0	66.1	9.8	41.4	.7
France	4,614.8	71.1	1.5	40.0	.9	13.7	17.4
W. Germany	3,532.2	131.3	3.7	82.1	2.3	.4	48.8
Greece	398.4	.6	.2	.6	.2	(1)	(4)
Hong Kong	852.3	155.1	18.2	3.7	.4	.4	151.0
Iceland	56.7	3.9	6.9	3.9	6.9	(1)	---
India	1,767.8	38.4	2.2	8.1	.5	1.6	28.7
Indonesia	805.3	6.7	.8	4.3	.5	(4)	2.4
Iran	249.1	23.6	9.5	4.7	1.9	18.8	.1
Israel	343.3	10.5	3.1	9.6	2.8	.2	.7
Italy	2,118.7	80.0	3.8	50.0	2.4	22.1	7.9
Japan	1,940.9	23.1	1.2	2.9	.1	(1)	20.2
Malaya	1,542.1	46.7	3.0	5.2	.3	(1)	41.5
Netherlands	2,561.3	66.9	2.6	35.6	1.4	14.0	17.3
New Zealand	578.3	2.9	.5	1.0	.2	.4	1.5
Norway	877.3	29.4	3.4	16.8	1.9	10.2	2.4
Pakistan	519.9	24.6	4.7	6.3	1.2	1.3	17.0
Portugal	329.4	1.8	.5	1.4	.4	(1)	.4
Sweden	1,775.2	137.0	7.7	116.4	6.6	13.1	7.5
Switzerland	1,364.4	57.4	4.2	39.1	2.9	5.4	12.9
Turkey	402.0	20.0	5.0	19.9	5.0	(1)	.1
United Kingdom	10,959.8	287.8	2.6	97.8	.9	168.5	21.5
United States	10,967.4	110.3	1.0	36.3	.3	27.5	[5] 46.5

See General Note on p. 71, listing countries included in the Soviet bloc.

Note: Exports include reexports for the following countries: Australia, Ceylon, Hong Kong, India, Japan, Malaya, New Zealand, Pakistan, United Kingdom, and United States. All other countries exclude reexports.

[1] Less than $50,000.
[2] Less than 0.05 percent.
[3] Includes reparations delivered to U. S. S. R. valued at $53,899,000 in 1951.
[4] Not available.
[5] Includes imports from Outer Mongolia. In 1951 United States imports from Outer Mongolia were included with China since data were not separately available.

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

TABLE 1b.—TRADE OF PRINCIPAL FREE-WORLD COUNTRIES WITH SOVIET BLOC, 1952

[In millions of United States dollars]

Exports to → / Exporting country	World: Total value	Soviet bloc: Total value	Soviet bloc: As percentage of exports to world	European satellites: Total value	European satellites: As percentage of exports to world	U.S.S.R.: Total value	China: Total value
Argentina	702.3	12.2	1.7%	12.2	1.7%	(1)	(1)
Australia	1,716.2	8.9	.5	8.3	.5	(1)	0.6
Austria	505.5	64.4	12.7	63.8	12.6	0.3	.3
Belgium-Lux	2,451.0	60.1	2.5	44.7	1.8	14.8	.6
Brazil	1,408.8	6.5	.5	6.5	.5	--------	(1)
Canada	4,396.4	.6	(2)	.6	(2)	(1)	--------
Ceylon	315.5	28.9	9.2	2.4	.8	.5	26.0
Denmark	849.1	33.9	4.0	21.2	2.5	12.5	.2
Finland	717.3	[3] 183.5	25.6	21.9	3.1	[3] 155.0	6.6
France	4,046.9	42.1	1.0	32.3	.8	6.5	3.3
W. Germany	4,072.4	88.2	2.2	85.2	2.1	.2	2.8
Greece	119.9	.4	.3	.4	.3	(1)	--------
Hong Kong	509.8	91.0	17.9	(4)	--------	--------	91.0
Iceland	39.3	2.8	7.1	2.8	7.1	--------	--------
India	1,299.3	12.7	1.0	2.0	.2	4.2	6.5
Indonesia	911.1	9.8	1.1	9.8	1.1	--------	(1)
Iran	152.4	24.3	15.9	1.0	.7	23.3	--------
Israel	44.0	2.6	5.9	1.4	3.2	1.2	(1)
Italy	1,382.8	58.7	4.2	34.7	2.5	20.4	3.6
Japan	1,272.9	.8	.1	(1)	(2)	.2	.6
Malaya	1,239.7	30.3	2.4	20.9	1.7	9.4	(1)
Netherlands	2,113.4	36.4	1.7	31.5	1.5	4.9	(1)
New Zealand	674.3	10.0	1.5	10.0	1.5	--------	--------
Norway	565.4	30.0	5.3	18.0	3.2	10.3	1.7
Pakistan	532.5	119.6	22.5	20.3	3.8	15.4	83.9
Portugal	237.2	7.1	3.0	1.2	.5	5.9	(1)
Sweden	1,561.1	119.0	7.6	73.9	4.7	44.5	.6
Switzerland	1,100.1	60.4	5.5	40.0	3.6	2.4	18.0
Turkey	362.9	20.3	5.6	17.9	4.9	2.3	.1
United Kingdom	7,541.5	155.7	2.1	37.9	.5	104.9	12.9
United States	15,176.3	1.1	(2)	1.1	(2)	(1)	--------

Imports from → / Importing country	World: Total value	Soviet bloc: Total value	Soviet bloc: As percentage of imports from world	European satellites: Total value	European satellites: As percentage of imports from world	U.S.S.R.: Total value	China: Total value
Argentina	1,178.3	17.1	1.5%	16.8	1.4%	--------	0.3
Australia	1,733.8	14.0	.8	9.4	.5	1.1	3.5
Austria	653.6	73.6	11.3	73.5	11.2	.1	(1)
Belgium-Lux	2,460.5	37.4	1.5	21.1	.9	11.6	4.7
Brazil	2,009.5	5.9	.3	5.9	.3	--------	(1)
Canada	4,120.3	8.7	.2	5.0	.1	2.4	1.3
Ceylon	357.5	8.0	2.2	.8	.2	.3	6.9
Denmark	962.1	39.2	4.1	28.1	2.9	11.1	(1)
Finland	791.7	153.5	19.4	71.6	9.0	81.6	.3
France	4,547.3	64.2	1.4	40.5	.9	18.1	5.6
W. Germany	3,873.3	94.0	2.4	72.5	1.9	3.9	17.6
Greece	346.3	.6	.2	.6	.2	(1)	(1)
Hong Kong	661.4	146.6	22.2	1.0	.2	.3	145.3
Iceland	55.8	3.7	6.6	3.7	6.6	(1)	--------
India	1,657.0	38.8	2.3	4.6	.3	1.8	32.4
Indonesia	924.0	5.3	.6	3.4	.4	--------	1.9
Iran	165.2	27.4	16.6	3.3	2.0	24.0	.1
Israel	310.0	5.0	1.6	4.8	1.5	.1	.1
Italy	2,313.3	86.4	3.7	50.2	2.2	34.1	2.1
Japan	2,028.2	17.9	.9	2.5	.1	.5	14.9
Malaya	1,256.9	42.5	3.4	3.0	.2	(1)	39.5
Netherlands	2,257.2	59.3	2.6	28.8	1.3	25.6	4.9
New Zealand	644.2	2.3	.4	1.4	.2	.2	.7
Norway	872.7	35.3	4.0	20.7	2.4	11.4	3.2
Pakistan	609.7	8.6	1.4	5.6	.9	.4	2.6
Portugal	346.6	.8	.2	.7	.2	(1)	.1
Sweden	1,727.2	108.4	6.3	87.6	5.1	20.0	.8
Switzerland	1,205.9	45.4	3.8	32.7	2.7	2.8	9.9
Turkey	555.9	20.6	3.7	20.6	3.7	--------	(1)
United Kingdom	9,748.2	243.3	2.5	72.1	.7	162.8	8.4
United States	10,716.8	[5] 67.3	.6	22.8	.2	16.8	24.6

See General Note on p. 71, listing countries included in the Soviet bloc.

Note: Exports include reexports for the following countries: Australia, Ceylon, Hong Kong, India, Japan, Malaya, New Zealand, Pakistan, United Kingdom, and United States. All other countries exclude reexports.

[1] Less than $50,000.
[2] Less than 0.05 percent.
[3] Includes reparations delivered to U. S. S. R. valued at $35,719,000 from January to September 1952 when reparation deliveries were terminated.
[4] Not available.
[5] Includes imports from Outer Mongolia.
Source: Official trade statistics of listed countries, compiled by U. S. Department of Commerce.

TABLE 1c.—TRADE OF PRINCIPAL FREE-WORLD COUNTRIES WITH SOVIET BLOC, 1953

[In millions of United States dollars]

Exports to / Exporting country	World	Soviet bloc		European satellites		U.S.S.R.	China
	Total value	Total value	As percentage of exports to world	Total value	As percentage of exports to world	Total value	Total value
Argentina	1,147.8	24.4	2.1%	13.0	1.1%	11.3	0.1
Australia	2,021.5	62.2	3.1	23.8	1.2	33.1	5.3
Austria	537.6	58.5	10.9	57.0	10.6	1.5	(1)
Belgium-Lux	2,259.3	66.1	2.9	48.2	2.1	16.5	1.4
Brazil	1,539.3	11.3	.7	10.4	.7	(2)	.9
Canada	4,184.8	.5	(3)	.5	(3)	(1)	----------
Ceylon	329.3	51.5	15.6	.6	.2	----------	50.9
Denmark	893.9	44.3	5.0	23.1	2.6	20.9	.3
Finland	572.0	179.3	31.4	28.4	5.0	145.5	5.4
France	4,019.4	63.3	1.6	34.9	.9	16.0	12.4
W. Germany	4,477.9	139.4	3.1	112.7	2.5	1.7	25.0
Greece	132.0	8.3	6.3	6.5	4.9	1.8	(2)
Hong Kong	478.4	94.6	19.8	----------	----------	----------	94.6
Iceland	43.3	8.6	19.9	3.1	7.2	5.5	(1)
India	1,114.3	14.6	1.3	6.5	.6	.8	7.3
Indonesia	819.6	4.5	.5	4.5	.5	(2)	(1)
Iran	89.5	11.1	12.4	2.3	2.6	8.8	(2)
Israel	57.5	2.0	3.4	.9	1.6	1.1	----------
Italy	1,488.1	62.7	4.2	34.9	2.3	23.1	4.7
Japan	1,274.8	4.6	.4	.1	(3)	(1)	4.5
Malaya	951.2	15.5	1.6	13.6	1.4	----------	1.9
Netherlands	2,129.0	60.9	2.9	34.2	1.6	22.7	4.0
New Zealand	659.7	11.1	1.7	11.1	1.7	----------	----------
Norway	508.7	32.9	6.5	16.9	3.3	15.1	.9
Pakistan	438.9	19.8	4.5	5.1	1.2	7.4	7.3
Portugal	218.8	5.6	2.6	1.0	.5	4.6	(1)
Sweden	1,477.0	69.7	4.7	45.2	3.1	21.8	2.7
Switzerland	1,204.4	60.8	5.0	31.4	2.6	2.9	26.5
Turkey	396.0	29.3	7.4	26.9	6.8	2.4	----------
United Kingdom	7,524.7	92.7	1.2	40.9	.5	34.3	17.5
United States	15,747.4	1.8	(3)	1.8	(3)	(1)	----------

Imports from / Importing country	World	Soviet bloc		European satellites		U.S.S.R.	China
	Total value	Total value	As percentage of imports from world	Total value	As percentage of imports from world	Total value	Total value
Argentina	861.6	15.3	1.8%	15.3	1.8%	(2)	(1)
Australia	1,269.3	10.7	.8	4.8	.4	1.7	4.2
Austria	545.7	60.1	11.0	59.0	10.8	.1	1.0
Belgium-Lux	2,422.6	47.4	2.0	23.4	1.0	16.7	7.3
Brazil	1,319.9	9.9	.8	9.9	.8	(2)	(2)
Canada	4,449.4	6.0	.1	4.0	.1	.9	1.1
Ceylon	337.6	45.5	13.5	1.6	.5	(1)	43.9
Denmark	1,000.3	40.6	4.1	30.1	3.0	8.4	2.1
Finland	529.8	182.3	34.4	91.1	17.2	89.6	1.6
France	4,006.7	51.4	1.3	23.5	.6	16.9	11.0
W. Germany	3,877.4	168.0	4.3	119.1	3.1	15.6	33.3
Greece	294.3	3.8	1.3	3.6	1.2	.2	(1)
Hong Kong	677.7	150.0	22.1	----------	----------	(1)	150.0
Iceland	67.8	5.8	8.6	4.2	6.2	1.6	(1)
India	1,186.0	7.9	.7	3.5	.3	.9	3.5
Indonesia	753.0	7.0	.9	4.8	.6	.1	2.1
Iran	(2)	16.9	(2)	5.3	(2)	9.2	1.9
Israel	286.9	2.4	.8	2.4	.8	(1)	(1)
Italy	2,395.1	53.8	2.2	37.1	1.5	9.3	7.4
Japan	2,409.6	37.8	1.6	6.0	.2	2.1	29.7
Malaya	1,057.9	40.3	3.8	5.9	.6	(1)	34.4
Netherlands	2,375.7	68.8	2.9	22.4	.9	31.3	15.1
New Zealand	457.6	1.9	.4	1.2	.3	.1	.6
Norway	912.0	43.9	4.8	23.3	2.6	17.0	3.6
Pakistan	350.2	4.2	1.2	1.2	.3	(1)	3.0
Portugal	330.6	.9	.3	.7	.2	(1)	.2
Sweden	1,577.0	61.4	3.9	49.8	3.2	10.0	1.6
Switzerland	1,182.8	50.7	4.3	30.5	2.6	4.1	16.1
Turkey	532.6	29.5	5.5	29.5	5.5	----------	(1)
United Kingdom	9,365.7	235.6	2.5	95.1	1.0	111.7	28.8
United States	10,873.7	[4] 45.7	.3	25.6	.2	10.8	.6

See General Note on page 71, listing countries included in the Soviet bloc.

Note: Exports include reexports for the following countries: Australia, Ceylon, Hong Kong, India, Japan, Malaya, New Zealand, Pakistan, United Kingdom, and United States. All other countries exclude reexports.

1 Less than $50,000.
2 Not available.
3 Less than 0.05 percent.
4 Includes imports from Outer Mongolia.

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

TABLE 1d.—TRADE OF PRINCIPAL FREE-WORLD COUNTRIES WITH SOVIET BLOC, FIRST HALF OF 1954

[In millions of United States dollars]

Exports to— Exporting country	January through—	World: Total value	Soviet bloc: Total value	Soviet bloc: Percentage of exports to world	European satellites: Total value	European satellites: Percentage of exports to world	U.S.S.R.: Total value	China: Total value
Argentina	March	(1)	23.1	(1)	9.1	(1)	13.6	0.4
Australia	June	866.1	43.4	5.0%	12.1	1.4%	30.2	1.1
Austria	June	290.0	28.4	9.8	27.4	9.4	.8	.2
Belgium-Lux	June	1,112.6	33.5	3.0	20.6	1.9	12.7	.2
Brazil	April	546.7	5.7	1.0	3.9	.7	(1)	1.8
Canada	June	1,888.2	3.2	.2	.3	(2)	2.9	----------
Ceylon	June	177.2	18.2	10.3	.3	.2	(1)	17.9
Denmark	June	459.9	37.9	8.2	21.4	4.7	16.4	.1
Finland	June	278.0	93.2	33.5	17.7	6.4	74.3	1.2
France	July	2,476.2	48.6	2.0	21.6	.9	21.0	6.0
W. Germany	June	2,463.0	84.9	3.4	72.1	2.9	4.8	8.0
Greece	May	48.8	5.0	10.2	3.1	6.4	1.9	(1)
Hong Kong	June	203.7	31.8	15.6	----------	----------	----------	31.8
Iceland	June	24.4	6.5	26.6	3.2	13.1	3.3	(1)
India	May	412.6	7.7	1.9	2.9	.7	4.1	.7
Indonesia	June	380.8	1.4	.4	1.2	.3	(1)	.2
Iran	March	34.1	7.8	23.0	1.2	3.5	6.6	----------
Israel	May	49.9	2.8	5.6	.6	1.2	2.2	----------
Italy	June	780.9	34.9	4.5	17.2	2.2	14.1	3.6
Japan	June	720.1	4.7	.6	----------	----------	(3)	4.7
Malaya	June	453.1	6.9	1.5	4.4	1.0	(3)	2.5
Netherlands	June	1,129.3	38.3	3.4	20.1	1.8	17.8	.4
New Zealand	April	(1)	12.2	(1)	2.6	(1)	9.6	(3)
Norway	May	229.4	19.1	8.3	8.7	3.8	10.4	(3)
Pakistan	June	194.5	29.5	15.2	3.4	1.7	3.6	22.5
Portugal	June	117.0	4.5	3.8	.4	.3	4.1	(3)
Sweden	June	734.9	33.4	4.5	22.4	3.0	10.8	.2
Switzerland	June	573.6	25.2	4.4	14.4	2.5	1.2	9.6
Turkey	June	(1)	32.1	(1)	31.6	(1)	.5	(1)
United Kingdom	June	3,915.5	57.0	1.5	29.2	.7	19.6	8.2
United States	June	7,695.1	.9	(2)	.9	(2)	(3)	(4)

Imports from— Importing country	January through—	World: Total value	Soviet bloc: Total value	Soviet bloc: As percentage of imports from world	European satellites: Total value	European satellites: As percentage of imports from world	U.S.S.R.: Total value	China: Total value
Argentina	March	(1)	11.1	(1)	8.8	(1)	2.3	----------
Australia	June	813.3	6.1	0.8%	3.2	0.4%	.9	2.0
Austria	June	287.6	26.8	9.3	26.4	9.2	.2	.2
Belgium-Lux	June	1,257.2	21.4	1.7	9.5	.8	10.5	1.4
Brazil	April	480.1	4.0	.8	4.0	.8	(1)	(1)
Canada	June	2,098.6	3.0	.1	1.4	.1	.2	1.4
Ceylon	June	147.1	18.1	12.3	.3	.2	.2	17.6
Denmark	June	556.5	22.7	4.1	13.9	2.5	8.5	.3
Finland	June	287.7	82.7	28.7	36.4	12.7	44.4	1.9
France	June	2,181.8	35.2	1.6	12.7	.6	18.1	4.4
W. Germany	June	2,119.7	96.3	4.5	72.6	3.4	7.7	16.0
Greece	May	124.7	3.5	2.8	3.1	2.5	.4	(1)
Hong Kong	June	286.4	53.1	18.5	.1	(2)	(3)	53.0
Iceland	June	31.7	4.2	13.4	2.2	6.9	2.0	(1)
India	May	479.8	3.1	.6	1.7	.4	.8	.6
Indonesia	June	344.1	4.9	1.4	3.2	.9	(3)	1.7
Iran	March	55.1	[5] 5.8	10.5	1.2	2.2	3.3	[5] 1.3
Israel	May	123.0	4.5	3.6	3.0	2.4	1.5	(3)
Italy	June	1,237.3	30.2	2.4	20.1	1.6	9.3	.8
Japan	June	1,411.6	[6] 22.0	1.6	2.6	.2	1.2	18.1
Malaya	June	488.6	17.2	3.5	2.3	.5	(3)	14.9
Netherlands	June	1,305.2	24.9	1.9	14.1	1.1	7.4	3.4
New Zealand	April	(1)	.9	(1)	.4	(1)	.3	.2
Norway	May	398.1	18.1	4.5	12.9	3.2	4.4	.8
Pakistan	June	147.9	1.6	1.0	.8	.5	(3)	.8
Portugal	June	156.5	.3	.2	.2	.1	(3)	.1
Sweden	June	847.7	31.4	3.7	19.7	2.3	10.6	1.1
Switzerland	June	625.8	24.8	4.0	15.7	2.5	3.6	5.5
Turkey	June	(1)	18.0	(1)	17.1	(1)	.9	(1)
United Kingdom	June	4,684.9	92.1	2.0	40.9	.9	40.4	10.8
United States	June	5,232.7	[7] 23.6	.5	13.8	.3	5.8	(8)

See General Note on p. 71, listing countries included in the Soviet bloc.

Note: Exports include reexports for the following countries: Australia, Ceylon, Hong Kong, India, Japan, Malaya, New Zealand, Pakistan, United Kingdom, and the United States. All other countries exclude reexports.

[1] Not available. [2] Less than 0.05 percent. [3] Less than $50,000.
[4] Shipment valued at $4,000, for a diplomatic mission of a friendly country.
[5] Includes China in January and February only. [6] Includes imports from North Korea of $75,000.
[7] Includes imports from Outer Mongolia. [8] Imports from China were $82,000 in January–June 1954.

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

TABLE 2.—FREE-WORLD TRADE WITH THE SOVIET BLOC, ANNUAL TOTALS, 1947–53

[In millions of United States dollars]

	1947	1948	1949	1950	1951	1952	1953
Free-world exports to—							
Entire Soviet bloc	2,006	1,969	1,680	1,545	1,685	1,422	1,394
European satellites	857	902	919	792	853	672	682
U. S. S. R.	477	533	437	301	386	480	428
China	672	534	324	452	446	269	284
Free-world imports from—							
Entire Soviet bloc	1,422	2,005	1,788	1,727	1,873	[1] 1,608	[1] 1,638
European satellites	733	1,026	1,090	940	960	780	810
U. S. S. R.	271	492	272	252	391	462	385
China	418	487	426	535	522	363	434

See General Note on p. 71, listing countries included in the Soviet bloc.

Note: Figures are unadjusted for price changes.

[1] Includes imports by the United States from Outer Mongolia of $3 million in 1952 and $19 million in 1953.

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

TABLE 3.—FREE-WORLD EXPORTS TO THE SOVIET BLOC BY MONTHS, JANUARY 1953–APRIL 1945

[In millions of United States dollars]

Month	Total Soviet bloc	European satellites	U. S. S. R.	China
1953: January	118.0	54.4	24.8	38.8
February	96.3	48.8	22.2	25.3
March	121.5	60.4	31.3	29.8
April	111.0	53.3	26.8	30.9
May	88.5	43.5	25.8	19.2
June	101.0	52.0	27.2	21.8
July	104.6	55.3	30.7	18.6
August	113.4	56.2	37.8	19.4
September	91.1	48.4	30.0	12.7
October	122.9	51.5	50.5	20.9
November	150.9	70.0	58.2	22.7
December	166.2	85.8	57.7	22.7
1954: January	127.5	55.3	56.4	15.8
February	132.6	55.6	50.6	26.4
March	169.5	74.8	64.8	29.9
April [1]	145.6	66.6	51.4	27.6

See General Note on p. 71, listing the countries included in the Soviet bloc.

Note: Monthly data are preliminary and unrevised. Therefore. they will not add exactly to annual world totals in table 2.

[1] Incomplete.

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

TABLE 4.—FREE-WORLD IMPORTS FROM THE SOVIET BLOC, BY MONTHS JANUARY 1953–APRIL 1954

[In millions of United States dollars]

Month	Total Soviet bloc	European satellites	U. S. S. R.	China
1953: January	134.5	68.3	29.5	36.1
February	102.8	51.8	15.9	34.3
March	110.3	56.6	18.2	35.0
April	138.7	73.0	24.2	40.3
May	128.5	62.4	25.0	40.6
June	133.4	64.1	29.3	39.8
July	126.4	63.0	29.5	33.6
August	137.1	59.2	44.9	31.5
September	144.8	67.0	37.5	39.8
October	150.6	73.6	40.8	35.0
November	141.1	76.9	34.9	28.9
December	168.2	83.4	44.3	39.6
1954: January	139.8	74.0	37.2	27.9
February	114.1	54.9	25.3	33.5
March	133.5	67.4	39.6	26.2
April [1]	111.4	62.9	21.6	25.0

See General Note on p. 71, listing countries included in the Soviet bloc.

Note: Monthly data are preliminary and unrevised. Therefore, they will not add exactly to annual world totals in table 2. Total Soviet bloc column includes the value of United States imports from Outer Mongolia which was as follows for January–December 1953, by months, in millions of dollars: 0.6, 0.8, 0.5, 1.2, 0.5, 0.2, 0.3, 1.5, 0.5, 1.2, 0.4, 0.9; and for January–June 1954, by months, in millions of dollars: 0.7, 0.4, 0.3, 1.9, 0.3, 0.2.

[1] Incomplete.

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

APPENDIX E

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 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 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 has 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 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 subsection (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.

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