

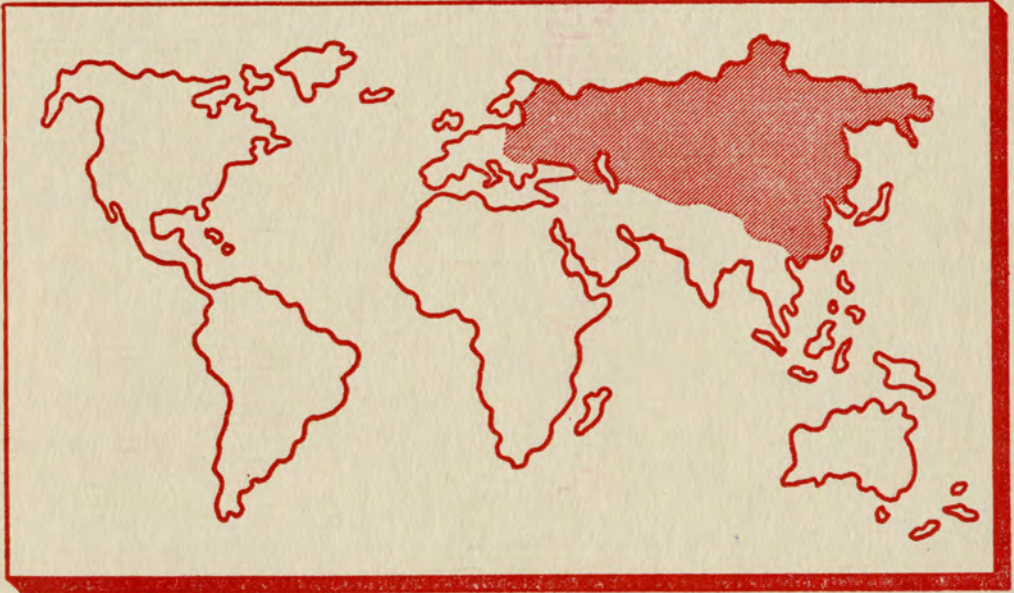
10/15/52

MUTUAL DEFENSE ASSISTANCE CONTROL ACT OF 1951

PUBLIC LAW 213 - 82d CONGRESS



FIRST REPORT TO CONGRESS



*. . . a program for the denial of
strategic goods to the
Soviet Bloc*

ADMINISTRATOR'S LETTER OF TRANSMITTAL

To the Congress of the United States:

I have the honor to transmit herewith the First Semi-Annual Report covering operations under the Mutual Defense Assistance Control Act of 1951 (Public Law 213, 82nd Congress). The Act became fully operative on January 24, 1952, and this report covers the six months period ending July 24, 1952.

This report describes in some detail the vigorous efforts which have been and are being made in this country and other free nations to control the export of strategic goods to the Soviet Union and its satellites. These efforts are part of the larger framework of the total free world program of creating military defenses against aggression, building economic strength and furthering the unity of the free nations. The operation of strategic trade controls, therefore, is not only technically complex, but involves a broad range of military, economic, diplomatic and psychological considerations.

East-West trade was a part of economic life long before the advent of the cold war. In fact, before World War II the life of Western Europe was, to a large extent, based on the exchange of its manufactured products for food and raw materials from Eastern Europe. Traditionally it has been of mutual benefit. If we lived in a peaceful, well-ordered world, there is no question but that we should encourage all such trade. But we do not live in a peaceful and well-ordered world. Today we are confronted by the aggressive designs of a nation bent on world conquest. That nation, since the war, has altered and distorted its foreign trade to further those designs.

It might be supposed that the best solution in such a situation would be to terminate all trade with the Soviet Union and its satellites. The answer is not that simple. The free nations, particularly in Western Europe and Asia, obtain commodities from the Soviet bloc that are extremely valuable to their own defense efforts and the economic stability on which their defense is based. In some cases there are no adequate alternative sources of supply; in other cases needed imports can only be obtained for dollars which they do not have. Until alternative non-dollar sources can be developed, or they are able to earn more dollars, the security interests of many free nations require them to obtain certain needed commodities from the Soviet bloc.

The problem of East-West trade is thus a delicate problem of balance. Cutting off trade entirely would harm our defense more than

it harms the potential aggressor. This is recognized by the Act, which calls for selective controls to prevent the movement of highly strategic materials to the Soviet bloc, while permitting the flow of other goods in return for commodities which the free world needs.

Successful operation of such a system of trade controls depends upon agreed actions among cooperating nations. The destruction of free world unity, through the exploitation and distortion of legitimate differences of opinion among the free nations, is a primary goal of the Kremlin's political and propaganda warfare. It is therefore particularly important, here and abroad, to foster the fullest public understanding of the need for effective controls over strategic exports. At the same time the public must be alert to the dangers of arbitrary or intemperate action.

I believe we and our allies have made substantial progress over the past few years, in controlling strategic trade in such a way as to reinforce our total security. I am confident that, aided by greater public understanding, we shall be able to perfect our mutual trade control system in support of our collective efforts to resist aggression.

Date: October 15, 1952.

W. A. Harriman



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INTRODUCTION

PUBLIC LAW 213—The Battle Act—has been operative since January 24, 1952. The Act is designed to support, extend, and strengthen international efforts to control strategic exports to the Soviet bloc—a field in which this Government has, for the past three years, worked closely with other free governments. The following basic considerations have guided the Administrator in carrying out the directives of the Battle Act:

Our security trade controls are designed to help prevent aggression and war. This calls for a system of controls which differs from the total embargo, supported by naval blockade and strategic bombing, which we and our allies carried out at tremendous cost during World War II.

Our trade control policy seeks to increase the strength of the United States and its allies and at the same time to impede the Soviet military build-up.

Effective export controls must reinforce other collective defense efforts in which we have been associated as a partner in the North Atlantic Treaty Organization, in Pacific security arrangements, and in the United Nations system for collective security.

A primary objective of the Kremlin's cold war strategy is to destroy the collective defense system of the West by isolating the United States from its allies. Communist propagandists are trying desperately to distort legitimate differences of opinion on trade controls in order to create an issue which will alienate our friends.

Traditional trade between East and West has been of mutual benefit for several centuries. Complete cessation of this trade would not serve our present economic defense objectives. The free nations are able to acquire materials essential to their economies and defense efforts and to find markets for some of their own consumer goods by their present trade with the Soviet bloc. Without that trade their economic stability might be seriously threatened.

Under existing circumstances our economic defense objectives are best carried out by *selective* controls, which deny abso-

lutely the export of war matériel to the Soviet bloc and allow lesser strategic materials to pass only if a net security advantage is gained by the returns from such trade.

Experience has shown that effective controls must be applied simultaneously by all major producers of the item involved. This requires mutually agreed ground rules to which all participants can give their support.

The Battle Act calls for the termination of aid to countries which intentionally ship items defined by the Administrator as of "primary strategic significance," unless the President determines that "cessation of aid would clearly be detrimental to the security of the United States."

The nations of the free world have long since agreed in principle that no items of primary strategic significance should go to the Soviet block. Honest differences of view can easily exist, however, as to the strategic classification of certain items. This is particularly true in the present situation, where the Soviet economy operates behind an iron curtain of censorship and secrecy.

Certain long-standing contracts which some European countries had concluded with the Soviet bloc before the Battle Act was enacted raise particularly difficult questions. These prior commitments include some strategic items which, if shipped, raise the question of an exception under the terms of the Act.

In the event of a shipment of a primary strategic item—even though the commitment was made prior to the Battle Act—the President is directed, with the advice of the Administrator, to determine whether aid should be terminated or continued. In so doing, he is required by the Act to take into account:

- "the contribution of such a country to the mutual security of the free world,"
- "the importance of such assistance to the 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,"
- "the adequacy of such country's controls over the export to the Soviet bloc of items of strategic importance."

Determinations which the President has made are described in detail in Part II of this report.

Effective operation of the security trade control program depends upon public understanding of its aims and methods and its relationship to our whole security system. Without that understanding, pre-

occupation with a single shipment of strategic goods could obscure the fact that thousands of shipments do *not* occur. More than that, widespread misunderstanding could lead to actions which would endanger the whole security trade control program and our mutual defense effort as well. The Administrator's intent, therefore, is to make public all information consistent with the effective operation of these controls.

The current status of the economic defense program can be highlighted as follows:

1. The important industrial countries of the free world have refused, without any exception, the shipment to the Soviet bloc of arms, ammunition, implements of war, or atomic energy materials for several years.
 2. The important industrial countries of the free world refuse to ship to the Soviet bloc a large range of products and materials, in addition to the arms category, which might make a significant contribution to the military potential of the Soviet bloc countries.
 3. The important industrial countries of the free world are controlling the shipment of a wide range of lesser strategic items which, in quantity, might make a significant contribution to the military potential of the Soviet bloc.
 4. Export licensing systems and customs procedures employed by these countries have been strengthened very substantially within the past year.
 5. Special systems designed to plug loopholes in the control network of these countries have cut down smuggling, false labeling, diversion of goods, abuse of free ports, and other forms of illegal trade.
 6. Following Chinese Communist aggression in Korea, the United Nations recommended an embargo on strategic exports to the China mainland. Forty-five nations have notified the UN that they are applying that embargo or that they do not normally produce or export strategic items.
- It is not possible to measure statistically the precise effect of the export control program on the Soviet bloc, since the most significant criterion of success is what the Communists *do not get*. There is, however, substantial evidence that the Soviet military build-up has been slowed by the operation of these controls.

PART I

EXPORT CONTROLS PRIOR TO THE BATTLE ACT

HISTORICAL BACKGROUND

IMEDIATELY after World War II, the United States was hopeful that there would be a revival of the traditional pattern of pre-war East-West trade to aid in the recovery of Europe. Eastern Europe could provide urgently needed fuel, foodstuffs, and timber in exchange for the machinery, equipment, and consumer goods which were in short supply in the East.

It was soon evident that postwar Soviet actions were not directed toward normal trade resumption. The U. S. S. R. employed economic as well as political pressure to secure control of Eastern Europe. Among the devices used were excessive reparations demands on former enemy nations and the creation of joint-trading companies in the basic industries of all the satellites. As the predominant partner in these enterprises, the U. S. S. R. was able to force its associates to deliver commodities to Russia on its own terms, acquiring cheaply such products as oil, uranium, bauxite, metals, machinery, and other goods. In addition, "agricultural reform" programs sharply reduced the amount of grain available for export in these countries.

The pattern of trade changed. The countries of Eastern Europe were no longer able to offer raw materials in the same quantity as they had before the war. The Soviet bloc would no longer accept the volume of consumer goods it had once bought from the West. It was clear that the Kremlin was determined to reduce to a minimum economic as well as political contacts between the satellites and Western Europe.

At the same time, the Communists were endeavoring to sabotage Western Europe's recovery, a sabotage which became open and public shortly after Molotov withdrew from the Marshall Plan conference in Paris in July 1947. The Soviet Union set out to strengthen its war potential at the same time as it sought to weaken the nations of Western Europe.

SETTING UP CONTROLS

The United States initiated its own security export control program in March 1948. Initially, major attention was devoted to drawing up and redefining the lists of items of primary and secondary strategic significance to be controlled. This required a pooling of the best available intelligence and technical competence of many agencies. As new information has come to light, some of it as a result of technical discussions with friendly governments, these lists have been refined continually during the past four years.

It is obvious that our action to prevent shipment of United States strategic goods would be of little avail unless other industrialized countries of the free world which produced the same or similar items also controlled exports of these goods. Some of these countries already had controls over certain war materials, but it was clear that a coordinated approach was necessary. Congress had recognized this need in section 117 (d) of the Economic Cooperation Act of 1948, as amended, which directed the ECA Administrator to prevent, in so far as practicable, the shipment to the Soviet bloc of ECA-financed products which were banned for export to the Soviet bloc by the United States itself.

In the middle of 1948, the United States instituted a series of discussions with its major allies directed toward defining those areas of trade control which called for cooperation and mutually agreed action. A number of countries had initiated security export controls on their own during this period.

Early in 1950, the Western European powers, the United States, and Canada established an informal committee to discuss cooperative action in the field of security trade controls. These discussions have continued on a regular basis to this day.

The setting up of controls acceptable to all allied nations has been a difficult process. Roughly it has involved the specific definitions of commodities which they wished to embargo, which commodity shipments they wished to restrict in quantity, and which should be kept under surveillance. In addition, the experts have had to agree on effective means of enforcing these controls.

From the very beginning of international efforts in the field of security trade controls, there have been a number of fundamental principles underlying the arrangements agreed upon among the cooperating countries which have formed the basis for all subsequent actions. The first such principle is this:

The free nations will not furnish a potential aggressor with goods which materially aid his military build-up.

In other words, as a logical counterpart of their preparations for defending themselves in the military field, the free nations have also undertaken defense measures in the economic field aimed at retarding the ability of the Soviet Union to wage aggressive war.

The principal method of carrying out this policy is the establishment of licensing controls over strategic exports to the Soviet bloc. These licensing controls have been steadily expanded and strengthened.

The second fundamental proposition which underlies the development of the export control system recognizes that "security" is composed of many elements. It is that:

Mutual security can best be advanced by increasing the total strength (military, economic, and political) of the free nations relative to that of the Soviet bloc.

In other words, trade with the Soviet bloc becomes a security problem when such trade contributes more to the strength of the Soviet bloc than it does to the free nations.

Concretely, this principle means that export controls should be framed in such a way as not to injure the free nations more than the Soviet bloc.

There is a third and closely related concept which has also been of fundamental importance:

Security export controls should be applied on a selective basis, except in the case of military aggression, when a policy of complete embargo may be in order.

From the beginning the objective has been to maintain effective export controls over carefully selected items; in other words, to deal with the composition rather than the volume of trade.

The Soviet bloc as a whole has attained a relatively high degree of self-sufficiency in many basic raw materials and a number of basic industries. It is known, however, to have important industrial deficiencies and to lack certain advanced skills and technology which would be useful in overcoming production bottlenecks.

The Soviet Union will undoubtedly be able to continue its military build-up with or without trade with the free nations. Nevertheless, selective controls have reduced the rate at which the Soviet bloc is able to build up its ability to wage war.

DEFINITIONS

What, then, is a "strategic" item? For purposes of security export controls the United States has broadly defined a strategic item as one which would contribute significantly to Soviet war potential. We have classified an item as of "primary strategic significance" if

exports *in any quantity* would contribute significantly to Soviet war potential. This category includes such products as petroleum, many nonferrous metals, specialized machine tools, and certain transportation equipment. The objective for these goods is complete *embargo*.

An item is classified as being of "secondary strategic significance" if its export *in large quantities* would contribute significantly to the war potential of the bloc. This category includes lesser specialized machinery and transportation equipment, a number of raw materials and certain chemicals. The objective in this case is to *control the quantity* to be exported.

In making a judgment as to the contribution to war potential of a particular commodity, the United States has to take account of the best available technical and intelligence information in order to answer questions such as these:

1. In what way does the item contribute to the production of war material?
2. If the item is designed for civilian production, how easily can it be converted to the manufacture of war material?
3. In what ways can the item afford close support to a military operation, logistic or otherwise?
4. Would control of the item create or maintain a critical deficiency in the Soviet war economy?
5. Would the technology incorporated into the item provide the Soviet bloc with technical information not now in its possession—knowledge which it could use to expand its war production?

The answers to questions like these help determine the level of control over different commodities. No meaningful answers are possible, however, without highly technical study of the uses to which particular products are put, and without the best available information about Soviet requirements for war purposes. Differences of opinion as to the relative value of particular items often arise among qualified technicians. No difficulties have arisen in such items as munitions, arms, and atomic materials, but the most painstaking study by experts has been required to determine the importance of less obviously strategic commodities.

These, then, are the basic concepts within which the development of security export controls have proceeded. The items we have decided to control have been discussed with other governments and a very wide measure of agreement has been reached with them, both as to the items themselves and the control to be applied.

INFORMAL COMMITTEE

The bilateral approaches which the United States made to the governments of the major Marshall Plan countries in Western Europe

in the fall of 1948 were directed toward coordinated controls. These discussions were transferred to an informal international committee in early 1950 when experience showed that effective action required simultaneous agreement by all producer countries to control the export of a particular commodity. An individual country would have extreme difficulties in adopting controls over exports which a competitor continued to ship. Cooperation between countries pursuing these policies has obvious practical advantages, particularly in the pooling of technical and other knowledge and of experience in trading with the Soviet bloc.

Continuing discussions between the free nations have resulted in the steady expansion of the lists of commodities agreed for control. In particular, substantial additions were made after the Korean aggression. In addition to the lists, progress was made in coordinating export licensing and customs procedures for the regulation of exports. The groundwork was established for controlling the movement of strategic trade through free ports.

The progress made in this informal committee is all the more striking in view of the fact that many countries had to reorient their export control systems in the light of security objectives. In addition, they had to deal with domestic, economic, and political problems raised by their control policy.

Nevertheless, by the end of 1951 and before the Battle Act became law, the cooperating governments had adopted controls which included the overwhelming majority of items on the United States security control lists¹ covering exports from this country.

Major attention has been given not only to problems arising from trade with the U. S. S. R. and the countries under its domination in Eastern Europe, but also to security controls over trade with Communist China. Even before the Chinese Communist intervention in Korea, the free nations began applying the same security controls over exports to the Chinese mainland as were in effect for the rest of the Soviet bloc. The substantial expansion in agreed control lists resulting from the Korean aggression were thus applied automatically to trade with Communist China. After Communist China was declared an aggressor by the United Nations, the participating governments instituted very much stricter security controls over exports to that country.

These controls have also been applied by such overseas territories as Hong Kong. The extent of controls over exports to the Chinese

¹ As established under the Export Control Act of 1949, as extended, the Secretary of Commerce administers controls over exports from the United States. Under separate legislation, the Secretary of State administers export controls over arms, munitions, and implements of war. The Atomic Energy Commission administers controls over the export of atomic energy materials from the United States.

mainland is reflected in the notification which 45 countries have given the United Nations that they have accepted and are applying the strategic embargo against Communist China and North Korea recommended by the General Assembly in May 1951, or that they do not produce or export the items involved.

Controls very similar to those worked out by the United States, Canada, and cooperating Western European countries have been adopted by Japan and other industrialized nations outside the Soviet orbit.

In less highly industrialized countries, the problem is very largely confined (1) to raw materials of strategic value which are locally produced, and (2) to possible reexport or transshipment of strategic goods produced elsewhere. Prior to the Korean War, the United States had approached these countries whenever it appeared that exports of a particular strategic commodity might endanger the security of the West. After the open Communist aggression in Korea, additional steps were taken to tighten controls over reexports and transshipment of strategic items.

While trade relations of the other American Republics with the Soviet bloc have never been significant, the problem of more effective security controls was discussed at the April 1951 Conference of Foreign Ministers. This resulted in the following resolution:

The American Republics agree to cooperate fully with one another in the adoption of effective measures of economic defense and security controls in the field of their international economic relations, including measures to increase the availability of products in short supply to the countries of the free world. . . .

On the basis of this resolution and the May 1951 resolution of the UN General Assembly, individual Latin American countries have taken steps to tighten controls over shipments of strategic items.

By the end of 1951 the free nations had made substantial gains in setting up effective security export controls.

CURRENT SOVIET ECONOMIC AIMS

The Soviet Union has long used its foreign trade as one instrument in its effort to achieve self-sufficiency. Part of this effort has been directed toward complete economic domination of the satellites. Trade, like all other aspects of Communist policy, is essentially a political weapon.² As the satellite peoples have learned, their leaders will willingly lower their standard of living to abet the foreign policy of the U. S. S. R.

² In both Berlin and Yugoslavia the U. S. S. R. has resorted to economic blockade for political ends. In both cases she has failed ignominiously.

As is often the case, Communist propaganda has taken a line directly contrary to the actual policies of the Soviet Union. While the Kremlin pushed ahead with programs that made impossible a resumption of the normal pattern of trade, its propaganda apparatus turned to the job of convincing the world that:

1. The Soviet Union is the true champion of "free trade" in general and East-West trade in particular.

2. The United States is responsible for all the interruptions and dislocations of the present pattern of trade.

3. Economic difficulties, inflation, unemployment, and slumps in such industries as textiles could all be solved by increased trade with the East.

4. European and Asiatic businessmen could realize large profits by trading with the Soviet bloc.

5. By cutting off trade with the East at the same time as it raises its own tariff barriers the United States is trying to make its "satellites" more dependent.

Like the "germ-warfare" campaign, this propaganda barrage is being repeated night and day all over the world. Its purpose is clear—to stir up resentment and disagreements which will split the United States from its allies and destroy our mutual defense system.

PART II

THE BATTLE ACT

TITLE I ACTIVITIES

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.—Section 103 (a), Title I.

LISTING PRIMARY STRATEGIC ITEMS

On November 25, 1951, the Administrator established the list of items to be embargoed under the provisions of Title I. This action was taken after full and complete consideration of the views of the appropriate government agencies.

For clarity and convenience of use, the Title I list was drawn up in two parts: Category A, covering arms, ammunition, implements of war, and atomic energy materials; and Category B, covering petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of war matériel. Shipment to the Soviet bloc of Category A materials requires mandatory cessation of all United States assistance to the exporting country. Shipment of Category B items also requires cessation of aid unless the President, under the terms of the Act, directs the continuance of United States aid "when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States."

Category A contains 21 listings covering many hundreds of items representing those "arms, ammunition, and implements of war and atomic energy materials" judged to require embargo under the Battle

Act. The selection of these item listings was made from control lists currently in use by the Atomic Energy Commission and the Department of State. The Category A list has been made public and is reprinted in Appendix B.

Category B contains 264 listings, covering many times that number of items, including 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, in our judgment, require embargo. The item listings were selected from items on the AEC and the State Department munitions lists which were not placed in Category A and from the long established lists of strategic commodities used by the Department of Commerce to guide its control over United States exports.

The Category B list embodies technical details of a confidential nature. The character of the detailed listings is set forth in general terms in Appendix C.

The Act further provides that the embargo lists (Title I, Categories A and B) should become effective 60 days after the determination of the lists. Since the determinations of the lists were made on November 25, 1951, the effective date of the lists, therefore, was January 24, 1952, after which date the provisions of section 103 (b) of the Act came into force.

The Title I lists are subject to modification on the basis of further technical and intelligence information.

NOTIFICATION OF COUNTRIES RECEIVING UNITED STATES AID

In December 1951 and January 1952, the countries then receiving military, economic, or financial assistance from the United States were informed of the provisions of the Battle Act and were given the lists of strategic items determined under the Act. The major provisions of the new legislation were explained to representatives of each of these governments, who also were informed that the provisions of the Act would be carried out strictly.

No case has occurred in which an aid-recipient country has knowingly permitted the shipment to the Soviet bloc of an item contained in the Title I, Category A list.

Following the transmittal of the Title I lists to the aid-recipient countries, the United States Government was informed that most of the countries receiving aid either already embargoed most of the items appearing on the Title I, Category B list, or did not normally ship these items to Soviet bloc destinations. Many of the less in-

dustrialized countries do not produce or trade these products. However, it was evident that problems would arise in cases where certain countries, particularly in Western Europe, had to ship occasional quantities of these items to the Soviet bloc in order to obtain essential commodities needed by them to maintain their basic economies and thereby support their defense efforts.

Countries which cooperate in the multilateral export control effort consult with each other before any of them enters into new commitments to ship items of primary strategic importance. This procedure ensures, except in case of an emergency situation, that before the exporting government makes its final decision, it will have heard the views of other governments on the security questions involved in the proposed shipment.

PRIOR COMMITMENTS

Before the enactment of the Battle Act, several countries had entered into trade agreements with the Soviet bloc, under which certain items on the Title I, Category B list were contracted. The strategic significance of fulfilling these contracts is fully recognized by this Government. Other governments are giving careful study to the matter from a strategic viewpoint and in the light of broader considerations of foreign policy and international relations.

The Battle Act addresses itself solely to actual shipments, irrespective of when the contracts were made. This means that the question of an exception arises under the terms of the Act in the case of shipments which were made under contracts concluded in 1948 and 1949, and, in a few cases in 1950 and 1951. Most of these agreements were made before an understanding had been reached among the free nations as to the primary strategic nature of the items involved. These are often formal agreements between governments rather than private companies. Many of the manufactured items have required long lead-times for completion and are scheduled for delivery in 1952, 1953, and 1954. Many of the shipments have been paid for and in some cases built with materials furnished by the Soviets. They are firm contracts, made in good faith, and to break them would create domestic difficulties and raise questions of policy in addition to the legal problems involved.

In actual practice, however, the primary strategic items involved have not been shipped in some cases and in other cases the quantities shipped have been considerably less than originally intended. There have been commercial and financial as well as security factors which have contributed to this result.

PRESIDENTIAL DETERMINATIONS

In the event of any shipment of Title I, Category B items, the Battle Act requires that aid be cut off from the exporting country unless:

... 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. . . . —Section 103 (b), Title I.

In the first 6 months of operations under the Battle Act, there have been three instances of shipments of embargoed items, all involving prior commitments, in which the President has determined upon the recommendation of the Administrator that "cessation of aid would clearly be detrimental to the security of the United States."

The facts and considerations pertaining to the first case, which concerned the shipment of \$240,000 worth of petroleum exploration equipment from the Netherlands to Poland, are set forth in a letter, dated April 23, 1952, to the chairmen of six Congressional committees. The second case, concerning an \$11,000 grinding machine shipped from Italy to Rumania, is described in a similar letter dated June 24, 1952. The third case, involving the shipment of a tanker from Denmark to the U. S. S. R., is described in a letter dated July 25, 1952. These letters are reprinted in Appendix D of this report.

Some of the considerations which entered into these decisions go to the very heart of our mutual security program. In the three above cases, the following factors were considered in the President's decision to continue aid, as pointed out in his letters to the Congress:

1. Because of their geographical position, the countries occupy important positions in the strategic plans formulated by SHAPE for the defense of Western Europe and therefore of the United States.
2. In some cases, the countries have granted the Atlantic Powers the use of air and naval bases important to the defense of North America.
3. The countries involved are contributing directly to the defense build-up of the NATO powers. They have, in all cases, increased their own defense forces with the help of United States aid. Withdrawal of that aid would considerably diminish their contributions to the common defense.

4. The countries involved obtain certain vital imports, such as coal, wheat, potash, and iron and steel from the Soviet bloc. Their dependence on the Soviet bloc as a source of supply is considerably lessened by United States aid. The termination of that aid would oblige these countries to seek imports from the Soviet bloc which were previously obtained in the dollar area. They would be forced to deliver more strategic items in return for these products. The net result of aid termination would, therefore, be a greater rather than a diminished flow of strategic goods and services to the Soviet bloc.

5. The countries concerned have cooperated consistently with the United States and other free nations in developing collective programs to eliminate or curtail the shipment of strategic commodities to the Soviet Union and its satellites. Termination of aid might severely handicap the continuance of their cooperation in the security field, in view of the increased dependence on Soviet bloc imports which would follow.

6. The security of the United States is squarely based on the unity of the Western world and the continued strengthening of its free institutions, particularly the North Atlantic Treaty Organization. The Soviet bloc is exerting enormous political and propaganda pressure to weaken those institutions and to drive a wedge between the free nations which have joined together for their common defense. Termination of aid, in each case, would cause resentment among non-Communist elements previously friendly to the United States. It would strengthen the position of Communist elements who might profit from that resentment. It would weaken the structure of Atlantic unity and thus serve the ends of Soviet policy.

BATTLE ACT (Continued)

PART III

TITLE II AND III ACTIVITIES

TITLE II

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.—*Section 202, Title II.*

Secondary Strategic Goods

This Government has undertaken to extend and strengthen the control of commodities which call for lesser degrees of control than outright embargo. These efforts have been undertaken in cooperation with both aid-recipient and other free world nations. A substantial part of the progress which has been achieved to date under Title II has been the broadening of activities initiated before the enactment of the Battle Act.

Over the period of the last 3 years the United States and cooperating countries had jointly developed strict levels of control over exports for lengthy lists of goods deemed to be of "secondary strategic importance" (i. e., goods whose strategic value is primarily related to quantities shipped). These lists include certain machine tools, raw materials, and transportation, mining, construction and electrical equipment.

The controls were developed on the premise that a certain level of exports of this type would not constitute a security risk if permitted to go to the Soviet bloc or that any risk involved would be offset or more than offset by the importance of the goods received in return. For instance, a Scandinavian country delivered machinery, pharmaceuticals, and fish and dairy products to Czechoslovakia in 1950. In return for this, it received quantities of steel, nonferrous metal goods, chemical products, and machinery.

The aim has been to ensure that the net advantage of such trade falls to the free nations. In order to accomplish this, hard bargaining has been necessary.

The bargaining position of these nations is obviously strengthened by increased availability of supplies and access to new markets outside the Soviet bloc. In this sense, the economic aid which we grant for this purpose is directly related to effective security controls.

Activities under Title II have involved the most intensive work of the whole security trade control program. The first job was to review existing international controls and decide which should be strengthened. As a result of this initial study, it was found that the majority of existing commodity controls were satisfactory, but that some specific products required stricter controls. Accordingly, when the Battle Act became law, this Government drew up what might be called a "problems list" of items which we believed should be subjected to more effective controls, and communicated that list to friendly governments as a basis for further discussion and mutually agreed action.

The Title II program has required a continuous review of all available information on the current strategic importance of commodities to the Soviet bloc, on the economies and needs of the free nations, and on the political difficulties which such trade or the lack of it might cause.

This is a task of considerable magnitude. It involves minute analysis of technical data by experts from this and other government agencies. These experts must determine for a wide range of items what level of controls best serve the mutual security interest. They are aided in this task by regular reports from our oversea representatives.

The following are some of the factors which enter into this analysis:

1. The "strategic rating" of each commodity, i. e., how important it is to Soviet war potential.
2. Known deficiencies in the war economy of the Soviet bloc.
3. Which countries produce and trade particular commodities and to what extent.
4. The effectiveness of existing controls over commodities in particular countries.
5. The effect of export restrictions in particular countries in terms of:
 - a. Ability to obtain essential imports.
 - b. Ability to find market for exports.
 - c. Other economic and political factors involved.

Since these elements are constantly changing, they require a continuous revision of mutual export controls. The situation is roughly comparable to our own defense production program, which requires changes in priority lists and a continual shifting of emphasis from one crucial point to another. Many things can change the balance. The Soviet Union may set up a factory and thereby overcome a deficiency. Other commodity needs may become more acute. A free

country may find a new source of supply for an item previously imported from the bloc. A new item may be of such strategic or technological significance as to warrant its inclusion in the control system.

The control methods which are utilized in our joint actions with other countries include the establishment of agreed restrictions on the quantities of certain commodity shipments as well as the control of shipments in relation to the importance of the products which are received in return. Some other items are kept under surveillance as cases which may require control if new technical or other information so indicates.

International understandings relating to lesser strategic items are reinforced by frequent discussions among the cooperating nations. A number of additional items will probably, by virtue of the relatively few countries which produce or export them, be negotiated separately with the countries not represented on the informal committee.

On the whole, the free governments have made substantial progress in the effective control of secondary strategic goods.

Plugging the Loopholes

In the highly complicated network of international trade, black marketeers, attracted by the profits promised by illegal trade deals, and Soviet agents use every device to circumvent the control system or discover loopholes in the regulations. This Government has, since the summer of 1948, taken action against more than 200 companies and individuals who have tried to circumvent controls over exports from the United States. Several times that number of improper shipments have been seized by United States authorities. In Europe and Asia, certain traders have attempted to employ devices developed over several centuries for evading government regulations. There, too, enforcing authorities have stopped many illegal shipments.

One method by which the Soviets have received a substantial volume of strategic commodities in the past has been the transshipment of goods, and in particular the use of free ports and transit areas normally designed to encourage trade by a minimum of regulation. Free ports, free zones, and bonded warehouses have been extremely useful in facilitating international trade since their establishment centuries ago. Special control methods, however, have been necessary to prevent the abuse of these facilities.

Another favorite device has been the diversion of goods in transit to an approved destination to an ultimate consignee behind the Iron Curtain.

Goods have been shipped through as many as five countries in order to circumvent controls and reach the Soviet bloc. In one recent case, a European government tracked down and finally blocked a shipment

of aluminum which originated in a Mediterranean port, was financed by a bank of a third country, and scheduled to be shipped in a Scandinavian vessel to an Egyptian port for transshipment to Rumania.

Normal administrative measures to control exports include the consideration of individual export license applications and the actual checking of shipments by customs or frontier authorities. But in some cases additional measures have been required to strengthen export control. The basic purpose of all these techniques is to enable the country of origin to carry out its primary responsibility for control of strategic exports.

New administrative measures have made illegal trade increasingly difficult. These measures have been taken on a collective basis on the justified premise that plugging up a loophole in one country is ineffective if the illegal trade merely changes direction and passes through another country whose controls are weaker.

Prior to the Battle Act, a special control system to deal with the problems of transit and illegal trade was worked out by a group of free nations. This system, known as Import Certificate-Delivery Verification (ICDV) has recently been put into practice by the United States, Canada, and cooperating Western European countries. It represents a significant advance in effective administrative control. Under the ICDV system, the authorities of an exporting country may require an import certificate issued to the importer and recorded by his government before issuing an export license for a product subject to control. The import certificate assures that the shipment in question is actually destined for that country and will not be diverted or reexported, under penalty of existing laws or regulations. In addition, the exporting country may request a certificate of delivery verification which informs it that the shipment did, in fact, arrive at its intended destination.

In addition to ICDV procedure, many nations have long employed other end-use checking methods to ensure that exports will reach their intended destinations and stay there.

Certain countries have also instituted additional controls over free ports and transit areas within their jurisdiction. These measures include such steps as the requirement of export licenses for particular strategic items leaving the free port or bonded area.

A number of United States agencies are now coordinating their activities in the collection of information bearing on illegal trade and the effectiveness of the controls which have been set up to deal with such trade. The effort has also required a thorough pooling of information among cooperating countries, including the exchange of technical experts as described below. Through this joint coopera-

tion, illegal trade has been considerably reduced, particularly in acute areas.

TITLE III

Technical Assistance

... the Administrator with regard to all titles of this Act shall—
(c) make available technical advice and assistance on export control procedures to any nation desiring such cooperation.—*Section 302 (c), Title III.*

Technical missions concerned with export controls have been exchanged with other countries. These missions study at first hand the character and effectiveness of control systems, and exchange technical information bearing on export control procedures. In the last 6 months, United States missions have been sent to Western Germany and Japan. A delegation from the Federal Republic of Germany recently visited this country to study American techniques.

There have been preliminary discussions with other governments concerning possible future exchanges of survey teams.

Experience to date has shown that such exchanges are of substantial help in the development of improved control techniques.

Reporting

Section 302 (b) of the Act requires a continuing study of the export control measures enforced by other governments in the interest of mutual security. Much of this is of necessity confidential. However, there is attached as Appendix E to this report a brief summary of the export control machinery in each of the countries receiving assistance from the United States.

Administrative Organization

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. . . .—*Section 302 (a), Title III.*

A Deputy Administrator and a separate staff have been assigned to carry out the program outlined by the Battle Act. This staff also coordinates the work which is done throughout the Government in the field of security export controls.

Overseas, a representative of the Administrator serves as special assistant to Ambassador William Draper, United States Special Representative in Europe, to coordinate overseas work in this field. In addition, the United States maintains representation in an informal international committee which deals with security trade control problems.

Decisions under the Battle Act are made by the Administrator or, in appropriate cases, the President. The views of the interested government agencies are sought, however, and give full considera-

tion. To carry out his responsibility for coordinating interagency activities, the Administrator has established an Economic Defense Advisory Committee (EDAC) under the chairmanship of the Deputy Administrator. A steering group, consisting normally of members from the agencies most directly concerned, handles the programing of the day-to-day work. A number of interagency working groups have been established as needed to prepare studies and recommendations on specific aspects of the economic defense program. These committees are also employed by the Secretary of State for advice and assistance in carrying out his responsibilities within the field of economic defense. In this way unified policy guidance is given to all agencies involved.

PART IV

WHERE WE STAND TODAY

REGIONAL TRADE PROBLEMS

Western Europe

The virtual cessation of American exports to the Soviet bloc has worked no appreciable hardship on the United States. While dependent on a high level of essential imports from friendly powers, we do not require essential materials from the Soviet bloc. However, as the Congressional report which proposed the Battle Act³ pointed out, many free nations require a certain level of trade with the Soviet bloc in order to obtain essential commodities. Obtaining these commodities obviously requires the Western nations to furnish goods in exchange. In varying degrees, many countries of Western Europe and Asia require Soviet bloc imports of timber, coal, grain, manganese, and other commodities. Under present circumstances a total embargo by the NATO countries would damage materially their ability to contribute to the NATO defense effort.

Norway and the United Kingdom obtain a substantial proportion of their grain requirements from the Soviet bloc. The Netherlands and the UK import large supplies of timber from behind the Iron Curtain. Some Western nations rely on imports of Polish coal. In all these cases the dollar shortage and insufficient supply in other areas have made it difficult or impossible to fulfill total commodity needs from alternative markets.

In addition to their need for raw materials, some of these nations also rely upon the Soviet bloc area for marketing certain of their consumer goods. This is true for such major industries as fisheries, textiles, dairy and farm products. In the case of Norway and Iceland, the Soviet bloc represents an important market for the bulk of their exports of fishery products. The United States does not provide an alternative market for many of these products because of self-sufficiency in some items and import restrictions on others.

Present trade between Western and Eastern Europe is, to a very considerable extent, a matter for annual negotiation between individual Western European governments on the one hand and a Soviet

³ Report No. 703, House of Representatives, submitted by Mr. Battle from the Committee on Foreign Affairs. See Section V, "Objectives of Controlling Exports to Russia."

bloc government on the other. From a Soviet viewpoint, trade is worth while only if it enables them to secure imports from the West which they want and need in terms of their Three and Five Year Plans. Traditionally, such imports have consisted very largely of machinery and other industrial goods. Negotiators for Soviet bloc countries have on more than one occasion refused to conclude a trade agreement with a Western country when unable to obtain the strategic items demanded. They will not, however, hesitate to ship a strategic item in return for something they need.

More recently, Soviet tactics have shifted slightly in order to take full advantage of propaganda possibilities. Thus, Soviet bloc countries have suddenly claimed to have an interest in buying consumer goods and foodstuffs, most particularly in those instances where the Western country is currently experiencing marketing difficulties. Local Communists see to it that propaganda offers of this kind are brought to the attention of the workers in those industries in the hope of bringing pressure to bear on the Western governments to conclude trade agreements which include exports of strategic items.

In many instances, in order to obtain essential imports from the East, the West has had to agree to the export of small quantities of strategic items, sometimes including embargo items. The development of alternative sources of supply is strengthening the bargaining positions of the Western European countries vis-à-vis the Soviet bloc. These efforts are described in more detail below. All indications are that on balance the West is obtaining more benefit than is the Soviet bloc from the East-West trade.

The Far East

Japan.—Japan's postwar security export control policy has paralleled that of the United States during the period of occupation. Following the Korean aggression, the only authorized exports from Japan to Communist China have been textiles, sundry goods, agricultural products (except staple foodstuffs), fishery products and bicycles.

In 1951 Japan sent less than one-half of 1 percent of its total exports to the China mainland, and received less than 1½ percent of its imports from that source. This was a striking reduction for a country which had conducted about 15 percent of its foreign trade with China in the early 1930's⁴ and which, as late as 1950 (before the Chinese entered the Korean War), received about 65 percent of its coal and coke imports and 15 percent of its imports of iron ore from the Chinese mainland.

⁴Just prior to the outbreak of World War II, exports to China constituted 30 percent of Japan's total exports.

Japan now is receiving from Communist China only very limited quantities of iron ore, soybeans, and other basic raw materials. This severe curtailment of its previous trade has created serious problems for the heavily industrialized Japanese economy, which has had to seek other sources for these products.

Southeast Asia and Rubber.—Crude rubber producing areas in Southeast Asia, particularly British Malaya, have faced a steadily declining market in the West. They have had to count on the Soviet market for the export of a small percentage of their roughly 1,700,000-ton annual production. The export of Malayan-produced crude rubber has enabled the United Kingdom to receive essential grain and timber from the U. S. S. R. In the past two years, the aggregate of Malayan exports and British reexports to the U. S. R. have not increased, despite recent difficulties in finding other markets for natural rubber.

There have been no direct rubber shipments to the China mainland from the rubber-producing countries (except Ceylon⁵) since the United Nations recommended a strategic embargo against Communist China.

In the meantime, the economic pressures on rubber-producing areas have become more severe. There has been a steady decline in prices of crude rubber in recent months. The market is not expected to improve, since depleted world stocks have been replenished, and the United States and other important consuming countries are maintaining synthetic rubber production at a high level. These price declines have led to reduced wages in rubber producing areas in Malaya and Indonesia and have added to the already acute political problems of these countries. In Malaya, where the Communists are engaged in guerrilla warfare against the British and Malayan authorities and the personnel of rubber plantations, a drop in the standard of living could encourage the rebels and endanger the security of the country.

Hong Kong.—Hong Kong has tightened its export controls considerably. Its trade with Communist China, which supplies the colony with food and water supplies, has declined drastically. (See Table 6, Appendix F.)

NEW MARKETS AND SOURCES OF SUPPLY

To achieve the dual Battle Act purpose of impeding Soviet war potential and strengthening the free nations, security controls must be accompanied by the development of alternative markets and sources of supply. It cannot be done all at once without serious dislocations

⁵A small amount of rubber has been shipped to Communist China from Ceylon, which receives no United States aid.

and vastly increased American aid. The following measures, which this government is encouraging, are directed toward free world strength in general, but their success is vital to the effectiveness of the control program:

1. The expansion of existing sources of supply by such means as capital investment and productivity programs designed to increase domestic output.

2. The development of new sources of supply in overseas territories and underdeveloped areas. Through Point Four, MSA, and financing by European governments, these territories have begun to make available varying quantities of timber, manganese, tungsten, cobalt, coal, lead, copper, iron ore, and a variety of other materials. The full effects of this long-term program, however, are not yet evident. Similar programs have been financed by the World Bank, the Export-Import Bank, the Defense Materials Procurement Agency, and by private investment.

3. The lowering of barriers to trade between free nations.

4. Steps to overcome the "dollar gap" in Europe. The ability of European nations to acquire key commodities from the dollar area is essential to the success of the economic defense program. The United States security program has been based on the assumption that countries receiving United States assistance would eventually be able to earn their own way. We have encouraged them to break down the barriers which crippled the interchange of goods in Europe. But, in some cases, we have prevented their goods from passing our own borders.

It would be a serious blow at the ability of free nations to cooperate with full effect in the security export control program if, as a result of our own trade barriers, they were not able to earn enough dollars to pay for imports of essential commodities from the United States.

EFFECTIVENESS OF SECURITY EXPORT CONTROLS

After three years of intensive effort, the free nations have made substantial progress in the lengthy technical process of identifying and controlling the particular items which are of strategic importance to Soviet war potential. Modifications and further refinements will, of course, continue to be made as new information is received.

We have reached the point in the development of the export control system where further progress can no longer be measured by the numbers of items subject to security control, or by statistics of strategic exports to the Soviet bloc. The only meaningful criterion is whether the exports result—everything considered—in a net gain for the free nations.

How effective then has the present control system been in retarding the build-up in Soviet war potential? The Soviet bloc is relatively self-sufficient in most basic raw materials and already possesses basic armament industries. Certain key industries do, however, suffer some deficiencies and lack advanced technology which would enable the Soviets to overcome rapidly various industrial bottlenecks. Security controls cannot, therefore, stop Soviet arms production, but they can slow down the rate of that production.

There is substantial evidence that the security export control measures taken by the free nations have, in fact, accomplished such a slow-down. Persons who have escaped from behind the Iron Curtain have testified to certain bottlenecks in the war industries of the Communist countries caused, in part at least, by an inability to obtain strategic items from outside the bloc.

Another compelling indication that the Soviet bloc is feeling the pinch of Western controls is the lengths to which Soviet agents have gone in trying to smuggle embargoed goods out of the free countries. These agents have been willing to pay three, four, and sometimes ten times the market value of certain products in an effort to get them to the East. They have even used the mails to smuggle small quantities of industrial diamonds to the home countries.

Another indication of the effectiveness of free world controls is the continuing effort by the Soviet bloc to exploit the issue of East-West trade so as to bring about a weakening of the security system. A favorite tactic is to inspire rumors or plant news accounts about strategic items allegedly obtained by Soviet buyers in a Western European country, knowing that such reports may create suspicion on the part of governments and exporters in other Western European countries and might stimulate criticism in this country.

The recent Moscow Economic Conference affords an excellent example of current Soviet tactics in this field. The proclaimed purpose of this gathering was to promote trade between East and West, and Soviet spokesmen offered to buy a variety of consumer and semi-luxury goods which they had hitherto been reluctant to purchase.⁶ The real purpose of the demonstration, however, was twofold. First, most Soviet offers to purchase nonstrategic goods were tied to demands for strategic products. The Soviet leaders hoped that, by calling a selected group of private citizens to Moscow, they could bypass governments and could generate pressure for relaxation of security

⁶In this connection it should be pointed out that the so-called "trade agreements" reported in the press as having been negotiated at the Moscow Conference were arranged in a highly tentative fashion by private citizens, not by their governments. Before any of the shipments of items appearing on strategic control lists can be made from Western Europe, they must first be approved by the Western European government concerned. And in practice the "big deals" have been more wind than substance.

Moscow Conference propaganda illustrates how the Soviet Union employs its foreign trade policy as a weapon in the cold war. Our security control objectives of building free world strength and impeding Soviet war potential will continue to succeed if the free nations preserve their unity of purpose in the face of these Soviet attempts to divide us.

Text of Public Law 213

APPENDIX A

Text of Public Law 213

APPENDIX A

PUBLIC LAW 213—EIGHTY-SECOND CONGRESS

CHAPTER 575—FIRST SESSION

H. R. 4550

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".

65 Stat. 644.
65 Stat. 645.
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 re-establish their freedom.

U. S. policy of
embargo.

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.

Administration
of Act.

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

Administrator.

63 Stat. 719.
22 U. S. C.
§ 1577.

Determination
of items to be
embargoed.

Adjustments.

Information to
nations receiv-
ing U. S.
assistance.
Termination of
assistance.

65 Stat. 645.
65 Stat. 646.

Continuance of
assistance by
direction of
President.

Reports to
Congress.

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 have been taken by the nation concerned to assure full compliance with the provisions of this Act.

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

TITLE II—OTHER MATERIALS

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

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

SEC. 203. All military, economic, and financial assistance shall be terminated when the President determines that the recipient country (1) is not effectively cooperating with the United States 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;

Resumption of
assistance.

"Assistance"
activities not
included.

Regulation of
exports.

Negotiations
with recipient
countries for
controlling cer-
tain exports.

Termination of
assistance.
65 Stat. 646.
65 Stat. 647.

Cooperation of
non-recipient
countries.

Duties of Ad-
ministrator.

(b) make a continuing study of the administration of export control measures undertaken by foreign governments in accordance with the provisions of this Act, and shall report to the Congress from time to time but not less than once every six months recommending action where appropriate; and

(c) make available technical advice and assistance on export control procedures to any nation desiring such cooperation.

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

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

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

Approved October 26, 1951.

Applicability of designated provisions.
63 Stat. 717.
22 U. S. C., §§ 1574, 1575, 1576.
Availability of funds.
Expenses chargeable to local currency funds.

All 65 Stat. 647.
Repeals.
62 Stat. 154.
22 U. S. C., § 1515.
65 Stat. 63.

Report to Congress.

By the President.

APPENDIX B

TITLE I LIST

CATEGORY A

Arms, Ammunition, Implements of War, and Atomic Energy Materials

Determined by the Administrator of the Mutual Defense Assistance Control Act of 1951 on November 25th, in accordance with Title I, Section 103, of that Act.

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 devices therefor.

Propellants and explosives, the following:

(a) Propellants specifically designed and manufactured for the articles enumerated in items 303, 404, and 406;

(b) Military high explosives.

APPENDIX B

TITLE I LIST, CATEGORY A

ARMS, AMMUNITION AND IMPLEMENTS OF WAR

- | <i>Item No.</i> | <i>Description</i> |
|-----------------|---|
| 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 projectors, recoilless rifles, designed for military use; and all specifically designed components and parts 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, infrared and other night-sighting equipment, military range, position and height finders; spotting instruments, aiming devices, bomb sites, gun sites 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: <ul style="list-style-type: none">(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: <ul style="list-style-type: none">(a) Propellants specifically designed and manufactured for the articles enumerated in items 103, 104, and 107;(b) Military high explosives. |

- | <i>Item No.</i> | <i>Description</i> |
|-----------------|--|
| 109 | Vessels of war, the following: <ul style="list-style-type: none"> (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. |

ATOMIC ENERGY MATERIALS

- 201 Fissionable materials.
- 202 Uranium metal; thorium metal.
- 203 Metals, alloys, compounds and products containing uranium or thorium, including but not limited to:
 - (a) Uranium acetate;
 - (b) Uranium nitrate;
 - (c) Uranium oxide or dioxide;
 - (d) Sodium uranate;
 - (e) Thorium nitrate;
 - (f) Thorium dioxide (thoria).

NOTE.—Excluded from this item are uranium and thorium materials incorporated in incandescent mantles, ceramic products, glass products, photographic films, plates and papers, electronic valves (tubes), electronic valve (tube) electrodes coated with thorium, alloys containing 1 percent or less of thorium by weight, mirrors with thin thorium metal plating, and medicinals.

- 204 Raw and treated source materials (including residues and tailings) which contain by weight at least one-twentieth of 1 percent (0.05%) 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 Heavy water, heavy paraffin and other compounds of or derived from deuterium.

- | <i>Item No.</i> | <i>Description</i> |
|-----------------|---|
| 206 | Facilities capable of the separation of isotopes of uranium. |
| 207 | Cyclotrons, belt type electrostatic generators (Van de Graaff machines), synchro-cyclotrons, linear accelerators and other electronuclear machines capable of imparting energies in excess of 1,000,000 electron volts to a positively charged nuclear particle or to an ion; betatrons and synchrotrons. |
| 208 | Radiation detection instruments and components, designed or capable of being adapted for detection or measurement of nuclear radiations (such as alpha and beta particles, gamma radiations, neutrons, and portons), the following: <ul style="list-style-type: none"> (a) Parallel plate counter scalers; (b) Proportional counter scalers; (c) Proportional counter rate meters; (d) Proportional detectors, audio or mechanical; (e) Proportional or parallel plate counter detector components; (f) Vibrating reed electrometers; (g) Scintillation counters incorporating a photomultiplier tube. |
| 209 | Mass spectrometers and mass spectrographs and the following components of such instruments: <ul style="list-style-type: none"> (a) Mass spectrometer or mass spectrograph type ion source; (b) Acceleration or focusing tubes. |

APPENDIX C

DESCRIPTION OF TITLE I LIST—CATEGORY B

Title I List: Category B was determined initially on November 25, 1951, by the Administrator of the Mutual Defense Assistance Control Act of 1951 under Title I, Section 103 of that Act. This list covers 264 item listings of petroleum, transportation materials of strategic value and items of primary strategic significance to the Soviet bloc used in the production of arms, ammunition, and implements of war. In general, the items covered are (1) designed for the production or development of arms, ammunition, and implements of war, (2) used for that purpose even if not specifically designed therefor, (3) representative of significant technological advances of strategic value, particularly in the field of industrial high-precision work and mass production in support of military potential, or (4) so deficient in the Soviet bloc as to represent an important obstacle in the maintenance or increase of the military potential of that area.

The materials and equipment covered by Category B are summarized in the following 10 broad commodity areas:

1. *Metalworking machinery.*—In this category are all those machines specifically designed for the manufacture of armaments and the most important and advanced types and sizes of the following categories of metalworking machinery: boring, drilling, grinding, turning, milling, planing, forging, pressing, and other specialized metalworking and forming machinery. These machines have primary strategic applicability in the manufacture of important machine tools used in the production of arms, ammunition, and implements of war and in the production of many other types of equipment and matériel which contribute importantly to the military potential of the Soviet bloc.

2. *Chemical and petroleum equipment.*—In this category is found selected equipment highly specialized for the production of the most important industrial chemicals such as hydrogen, chlorine, sulphur, and mineral acids. Included are complete installations, unit components, individual pieces of specialized equipment and such key items as the critical types and sizes of compressors, pumps, valves, and containers which not only represent advanced technological know-how but also require in their manufacture facilities and metals known to be in short supply in the Soviet bloc. All basic specialized equipment for the exploration, production, and refining of petroleum and natural gas is also covered.

3. *Electrical and power-generating equipment.*—Included are the most strategic types of electric furnaces, diesel engines, and large electric motors.

4. *General industrial equipment.*—This group contains certain advanced metallurgical, mill, and foundry equipment such as metal-rolling mills, sintering equipment, and specialized casting equipment; selected tire production equipment; certain abrasives, cutting tools, and graphite products; and certain specialized production equipment, such as that used in the manufacture of radio tubes.

5. *Transportation equipment.*—This group covers specialized vessels such as large ice-breakers, tankers, and auxiliary naval craft; railway equipment, such as specialized and heavy-duty rolling stock, large locomotives, and general service railway rails; and certain aircraft.

6. *Electronic and precision instruments.*—In this group are found specialized communications transmitting and receiving equipment; specialized radio and radar equipment and a wide variety of closely associated materials and components; advanced types of electronic tubes; the most important classes of electronic and precision instruments such as electronic computers and radiation detection instruments and specialized testing and measuring devices such as spectrum analyzers, advanced types of balances and ionosphere recording apparatus.

7. *Metals, minerals and their manufactures.*—In general, this group covers practically all non-ferrous metals such as aluminum, copper, cobalt, and molybdenum which are of basic importance to military potential. These metals are usually covered in their metal and alloy forms, including the basic mill shapes and highly strategic semi-finished and finished forms. Included also are specialized steel alloys and their products such as those required for jet engine production and armor plate.

8. *Chemicals.*—Included are all important chemicals used for the manufacture of explosives, propellants, and specialized plastic production.

9. *Petroleum products.*—This group covers all basic petroleum products from the crude to the refined stage, including lubricants and specialized additives and blending agents used in the manufacture of aviation gasoline and high quality motor gasoline.

10. *Rubber and rubber products.*—This group consists of the most important synthetic types of rubber and the strategic types and sizes of tires.

APPENDIX D

Letters of April 23, June 24, and July 25, 1952, from
the President to the Six Committees of Congress

APRIL 23, 1952.

The President has sent the following identical letters to Hon. Kenneth McKellar, Chairman, Committee on Appropriations, United States Senate; Hon. Richard B. Russell, Chairman, Committee on Armed Services, United States Senate; Hon. Tom Connally, Chairman, Committee on Foreign Relations, United States Senate; Hon. Clarence Cannon, Chairman, Committee on Appropriations, House of Representatives; Hon. Carl Vinson, Chairman, Committee on Armed Services, House of Representatives; and Hon. James P. Richards, Chairman, Committee on Foreign Affairs, House of Representatives:

DEAR MR. CHAIRMAN: I have been advised that a small quantity of petroleum exploration equipment was shipped from the Netherlands to Poland after the effective date of the Mutual Defense Assistance Control Act of 1951 (the Battle Act). This oil drilling equipment is an item listed by the Administrator, pursuant to Title I of the Battle Act, as one embargoed in order to effectuate the purposes of the Act. Any shipment of any such items listed automatically results in all military, economic, and financial assistance to the Netherlands being cut off, unless I determine, in accordance with the powers granted to me by section 103 (b) of the Act, that "cessation of aid would clearly be detrimental to the security of the United States." The Administrator of the act has advised me that aid to the Netherlands should be continued. He made this recommendation after consultation with representatives of the Departments of State, Treasury, Defense, Interior, Agriculture, Commerce; the Office of Defense Mobilization, the Mutual Security Agency, the Atomic Energy Commission and the Central Intelligence Agency.

I am informed that the facts are as follows:

The shipment, which took place recently, involved small quantities of oil drilling equipment. Technical experts in this country believe that this amount of this particular type of equipment would not add significantly to the capacity of the Soviet bloc to explore for, or to produce petroleum.

The shipment is the final one against binding obligations incurred in August 1949. The original contract was entered into in good faith by the Netherlands shipper and the Polish government enterprise two years before the passage of the Mutual Defense Assistance Control Act and prior to any international understanding that the equipment in question is of primary strategic importance. At the time the original transaction was negotiated, the Dutch shipper had obtained the

consent of his government to complete the contract and subsequently had obtained a Dutch export license. By the time the embargo list was established, pursuant to Title I of the Battle Act, and became operative on January 24, 1952, the Dutch equipment had been practically paid for by the Polish enterprise. Before the final shipment took place, officers of the United States Government held discussions with the Government of the Netherlands in an effort to find a means of avoiding this shipment. The Netherlands Government considered that this equipment would not significantly contribute to the military potential of the Soviet bloc (a conclusion in which our United States technical experts agree). It also took into account the fact that the shipment had been virtually paid for and represented the final transaction under a binding contract made in good faith more than two years previously. The Netherlands Government, therefore, concluded that it would not block the shipment.

Cessation of aid to the Netherlands would materially weaken the whole system of defenses now being built up under the North Atlantic Treaty. Consequently, cessation of aid to the Netherlands would be "detrimental to the security of the United States."

The Netherlands is making a substantial contribution to the mutual security of the free world. The Netherlands has been a participant in the North Atlantic Treaty defense program since its inception and, notwithstanding a most difficult domestic economic situation, has made courageous political and military decisions and has taken positive steps in order to make its participation in the program effective. The Netherlands Government has demonstrated a cooperative spirit, and has displayed a genuine sense of concern and responsibility toward the mutual defense effort.

The Netherlands Government has committed itself to make substantial contributions—industrial, financial, and military—to the North Atlantic Treaty defense program. In this connection, it should be noted that the Netherlands Government is carrying out on its own initiative a strict program of internal financial controls and is reducing the level of civilian consumption in order to provide added resources for defense.

From the standpoint of military strategy, the Netherlands occupies an important position. The Dutch have shown a willingness to cooperate in coordinated planning so as to make possible the maximum use to NATO forces of Holland's strategic location. In addition, the Netherlands Government has specifically committed itself to provide a substantial number of troops, naval vessels, and air units and to be responsible for their maintenance and training. However, the Netherlands' contribution to the security of the free world—and, hence, to the security of the United States—cannot, in the absence of assistance, be carried out as planned.

The Netherlands Government cooperates with the United States and other countries of the free world to prevent or limit drastically export to the Soviet bloc of items that are considered to be strategic. The Netherlands controls are well designed to effectuate understandings arrived at and are efficiently operated.

Therefore, in accordance with the provisions of section 103 (b) of the Mutual Defense Assistance Control Act, I have directed that assistance by the United States to the Netherlands be continued. In reaching this determination, I have acted upon the advice of the Administrator of the Mutual Defense Assistance Control Act, Mr. W. Averell Harriman, and have taken 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."

Very sincerely yours,

HARRY S. TRUMAN.

JUNE 24, 1952.

The President has sent the following identical letters to Hon. Kenneth McKellar, Chairman, Committee on Appropriations, United States Senate; Hon. Richard B. Russell, Chairman, Committee on Armed Services, United States Senate; Hon. Tom Connally, Chairman, Committee on Foreign Relations, United States Senate; Hon. Clarence Cannon, Chairman, Committee on Appropriations, House of Representatives; Hon. Carl Vinson, Chairman, Committee on Armed Services, House of Representatives; and Hon. James P. Richards, Chairman, Committee on Foreign Affairs, House of Representatives:

DEAR MR. CHAIRMAN: I have been advised that a centerless grinding machine was shipped from Italy to Rumania after the effective date of the Mutual Defense Assistance Control Act of 1951 (the Battle Act). This grinding machine is an item listed by the Administrator, pursuant to Title I of the Battle Act, as one embargoed in order to effectuate the purposes of the Act. Any shipment of any such items listed automatically results in all military, economic, and financial assistance to Italy being cut off, unless I determine, in accordance with the powers granted to me by section 103 (b) of the Act, that "cessation of aid would clearly be detrimental to the security of the United States." The Administrator of the Act has advised me that aid to Italy should be continued. He made this recommendation after consultation with representatives of the Departments of State, Treasury, Defense, Interior, Agriculture, and Commerce; the Office of Defense Mobiliza-

tion, the Mutual Security Agency, the Atomic Energy Commission, the Central Intelligence Agency, Export-Import Bank, and the National Security Resources Board.

For your information, I am attaching a report of the Administrator of the Battle Act to me. This report sets forth the facts in this case, together with his recommendation thereon.

After studying the report of the Administrator, and in accordance with the provisions of section 103 (b) of the Battle Act, I have directed that assistance by the United States to Italy be continued. In reaching this determination, I have taken 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."

Very sincerely yours,

HARRY S. TRUMAN.

The following is the report mentioned in the second paragraph of the above letter:

MY DEAR MR. PRESIDENT: Italy, a country receiving military, economic, and financial assistance within the meaning of the Battle Act (Mutual Defense Assistance Control Act of 1951, Public Law 213, 82d Cong.), knowingly permitted, after the embargo provisions of Title I of the Act became effective (January 24, 1952), the shipment to Rumania of an item which I included on the list of "those items of primary strategic significance used in the production of arms, ammunition, and implements of war" under Title I of that Act. I am accordingly required by section 103 (b) either to recommend to you that all military, economic, and financial assistance to Italy be terminated, or to render you advice on the basis of which you may exercise your authority to determine that "unusual circumstances indicate that the cessation of aid (to Italy) would clearly be detrimental to the security of the United States."

The shipment involved one grinding machine valued at \$11,000. This particular machine is a centerless type that may be used in the production of innumerable nonstrategic as well as strategic items. It might conceivably be used in Rumania or elsewhere within the Soviet bloc in manufacturing operations for the ultimate production of agricultural and textile machinery, oil field equipment, locomotive parts, automotive vehicles, and ball and roller bearings.

Although this type of machine could unquestionably be used in connection with the manufacture of war materials, in the opinion of United States technical experts one machine of this kind will not add significantly to the over-all Soviet war potential.

The original contract between the Italian exporter and the Rumanian purchaser was entered into nearly 1 year ago. This was before passage of the Battle Act and several months before the effective date of the embargo provision of the Act. An export license for the grinder was issued by the Italian Government in November 1951 as a result of an administrative error. Although the embargo provisions of the Battle Act were not in effect at that time, this machine was a mutually agreed embargo item on the list of the multilateral body concerned with export controls in Europe. Delivery was scheduled for February, some weeks after the cut-off date (January 24, 1952) under the Battle Act, beyond which any country knowingly permitting shipments of strategic items to the Soviet bloc risks termination of United States aid.

Immediately upon learning of the proposed shipment, the United States took steps to persuade the Italian Government to cancel the order and to find an alternative market for the machine. Although the Italians claimed that such action would be extremely difficult since payment for the grinder had been 75 percent completed, and because of serious legal obstacles involved in cancellation, they nevertheless agreed to a temporary delay in shipment, pending further discussions. When the temporary delay of shipment expired in mid-March 1952 the United States requested a further delay to which the Italians agreed and issued a staying order. Unfortunately, however, the staying order reached the customs control at the frontier too late to prevent export. In effect the grinder was licensed and shipped as the result of two administrative shortcomings for which the Italian Government has expressed its official regrets and agreed to guard against in the future.

Although there appeared to be some question as to whether or not, as a result of these administrative errors, the Italians "knowingly permitted" the shipment within the meaning of the Battle Act, I do not feel that the errors involved in this case, of themselves, constitute a basis for concluding that the provisions of the Act are inapplicable.

Section 103 (b) of the Act provides that after receiving my advice and taking into account certain stated considerations, you may direct the continuance of assistance when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States. I am listing these considerations below, together with a statement of facts believed pertinent to each.

A. *Contribution of Italy to the mutual security of the free world.*—Italy, as a partner in the North Atlantic Treaty Organization, is of great importance to the defense of Western Europe by reason of its geographical position and its rearmament program which, in combination with end-items to be supplied by the United States, is designed

to supply Italy's armed forces with the weapons and equipment required to carry out their NATO defense tasks. The present Italian Government is strongly anti-Communist. In its foreign policy it enthusiastically supports, as a basic principle, action directed toward the military and economic integration of Western Europe.

Italy, more than any other Western European NATO country, possesses industrial capacity which is underutilized. This presently limits in some degree its contribution of defense matériel to the mutual defense effort. However, with continued United States aid Italy should be able to increase its production and to fulfill the substantial pledges it has made for building up its defense forces within the structure of NATO.

B. *The importance to the security of the United States of assistance to Italy.*—Since the war, Italy has effectively promoted industrial and agricultural recovery, has given jobs to many and has relieved some of the strain from the acute problem of surplus population. This strengthening of the Italian economy has contributed substantially to the stability of the present strongly anti-Communist government. This progress has been materially helped by virtue of United States assistance.

Any set-back, through the withdrawal of defense support, in the progress which has been made would undoubtedly be reflected in a weakening of the democratic forces in Italy, with consequent prejudice to the interests and security of the United States. With a reduction in the already very low standard of living, and an increase in unemployment, the appeal of Communist propaganda would be heightened. In addition, of course, withdrawal of defense support would have a serious effect on Italian arms production. These factors, together with discontinuance at this time of the supplying of military end-items by the United States would make it impossible for Italy to fulfill its pledges under the mutual defense program.

C. *Strategic importance of imports from the Soviet bloc.*—Italian imports from the Soviet bloc during 1951 amounted to \$80 million; exports to the bloc amounted to nearly \$66 million, or approximately 4 percent of Italy's total export trade. The principal imports from the bloc were coal, wheat and other agricultural products, and iron and steel. Attempts to procure these commodities from other sources would involve serious problems of supply and financing. The principal difficulty would arise from the need to pay dollars.

D. *Adequacy of Italian export controls.*—The Italian Government cooperates with the United States and other countries of the free world to prevent or limit drastically export to the Soviet bloc of items that are considered by these countries to be strategic. The Italian controls are based on a system of export licensing similar to

that used by the other cooperating countries and are supplemented by financial control exercised through the Italian Foreign Exchange Office. These controls have resulted in an important reduction of shipments of strategic items to the Soviet bloc. The Italian Government has accepted and recently put into effect the principle of the import certificate-delivery verification system, the purpose of which is to prevent the diversion or transshipment to the Soviet bloc of imports from the West. As for the manner in which this particular export was handled, the United States has expressed its concern and urged Italy to tighten the administration of its controls in order to preclude further shipments of this nature.

Italy is an integral, willing and important component of the security system designed to assure effective protection against aggression through the mutual efforts of the countries of the free world. To terminate assistance to Italy would in my considered judgment seriously jeopardize Italian participation in our united effort. The impact of such a development within the NATO structure at this time represents a risk to the overall security that far outweighs the relative importance of the shipment involved.

I accordingly advise that you direct the continuance of assistance to Italy since "unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States." I have reached this conclusion after consultation with the Departments of State, Treasury, Defense, Interior, Agriculture, Commerce, Office of Defense Mobilization, Mutual Security Agency, the Export-Import Bank, the Atomic Energy Commission, and the Central Intelligence Agency.

Respectfully yours,

W. A. HARRIMAN,
Director for Mutual Security.

JULY 25, 1952.

The President has sent the following identical letters to Hon. Kenneth McKellar, Chairman, Committee on Appropriations, United States Senate; Hon. Richard B. Russell, Chairman, Committee on Armed Services, United States Senate; Hon. Tom Connally, Chairman, Committee on Foreign Relations, United States Senate; Hon. Clarence Cannon, Chairman, Committee on Appropriations, House of Representatives; Hon. Carl Vinson, Chairman, Committee on Armed Services, House of Representatives; and Hon. James P. Richards, Chairman, Committee on Foreign Affairs, House of Representatives:

DEAR MR. CHAIRMAN: On July 7, a Danish shipbuilding firm delivered to the Soviet Union a 13,000-ton petroleum tanker. Tankers

of this category have been listed by the Administrator of the Mutual Defense Assistance Control Act as items of "primary strategic significance." Under Public Law 213, Eighty-second Congress, I am therefore required to terminate all military, economic and financial aid to Denmark or to direct the continuation of such aid if termination would "clearly be detrimental to the security of the United States."

I have considered this problem with great care and Mr. W. Averell Harriman, the Administrator of the Mutual Defense Assistance Control Act, has gone into it exhaustively with all Government agencies concerned, including the Departments of State and Defense and the United States civil and military chiefs in Europe.

The issues presented by this case go far beyond the carrying capacity of an oil tanker and the physical volume of United States aid to Denmark. They go to the very heart of our mutual security program.

The United States Government is fully aware that the community of free nations can realize its potential strength only through common actions that have been agreed upon freely by equal partners after democratic exchange of views. Over the past several years, we and the other NATO countries have made important reductions in strategic trade with the Soviet bloc. The United States has taken and will continue to take the lead in seeking to prevent the shipment of any commodities that would add significantly to the military strength of the Soviet Union and its satellites.

Denmark is a small nation that lives in the shadow of a powerful and unfriendly power. It has a long tradition of neutralism and has not, in recent history, maintained substantial armed forces. In 1949, the Danish people supported the courageous decision of their government to enter the North Atlantic Treaty Organization and join together with the other western democracies in common defense against the threat of Soviet aggression. The Danish Government has collaborated consistently with the United States and other free nations in the common effort to eliminate from their trade with the Soviet bloc those items that would contribute significantly to the armed potential of the Soviet Union and its satellites.

The Danish Government does not dispute the strategic value of the tanker in question. However, the Danish Government has considered that it was legally obligated to permit delivery of the vessel. Delivery of the tanker was called for by a trade agreement signed in 1948; and a firm contract with a Danish shipbuilding firm was signed in 1949, before the communist aggression in Korea and long before the Battle Act was in existence. The Danish Government has emphasized to the United States Government that it traditionally has main-

tained the sanctity of international commitments and has pointed out the possible impact on its relations with the Soviet bloc of a violation of the trade treaty. The United States Government recognized the strength of the Danish position in this regard. In our own dealings with other nations, we have consistently recognized the importance of honoring international commitments in the belief that such a policy provides one of the best means of securing a world peace.

The United States Government felt very strongly, however, that the aggressive intentions of the Soviet Union, as revealed in the communist attack on the Republic of Korea and the continuation of the Kremlin's campaign of threat and hatred against the free world, overrode the legal considerations involved in the proposed transaction. This view was forcefully presented to the Danish Government, because we felt that the security interests of the United States and those of Denmark were identical in these matters and would be best served by nondelivery of the tanker. The United States Government still holds this view and deeply regrets the delivery.

The Battle Act directs me to consider whether the termination of aid would "clearly be detrimental to the security of the United States." In arriving at my decision, I have considered the following factors:

1. By virtue of its geography, Denmark occupies an important position in the strategic plans formulated by SHAPE for the defense of Western Europe and therefore of the United States. It commands the exit from the Baltic Sea to the Atlantic Ocean and its participation is thus essential to the success of any plan to keep the Soviet submarine fleet from operating from the Baltic in the event of war. In addition, Denmark exercises political jurisdiction over Greenland, an important bridge between North America and the European continent on which the United States Air Force now maintains strategic bases, important to the air and naval defense of North America.

2. Denmark is contributing directly to the defense build-up of the NATO powers. A substantial part of the ground forces assigned by SHAPE to the northern flank of the European defense system is being provided by Denmark, in addition to air and naval units being contributed to the NATO forces. Members of the Danish Government have indicated recently that they are considering revision of a long-standing policy against the presence of non-Danish forces on Danish territory in order to make available to NATO forces certain facilities which would contribute greatly to the defensive strength of the Atlantic area. Danish contributions to the common defense could not be met without American assistance.

3. The Danes require certain vital imports, notably coal and potash, from the Soviet bloc. The dependence of the Danes on imports from

the Soviet bloc is reduced substantially by American aid. Without the aid, Denmark would be forced to seek more of its imports from the Soviet bloc and, in return, would have to make greater exports. The most effective export which Denmark could offer would be ships and ship-repair services, and Soviet bloc negotiators would be in a strong position to bargain for increased deliveries of tankers and other vessels. Termination of United States aid would therefore result in a greater rather than diminished flow of strategic goods and services to the Soviet bloc.

4. For some years, the Danish Government has cooperated consistently with the United States and other free governments in the development of collective programs to eliminate or curtail the shipment of strategic commodities to the Soviet Union and its satellites. The Danish Government now operates a comprehensive system of export controls and has again reassured the United States Government of its intention to continue to collaborate fully in international efforts to eliminate strategic trade with the Soviet bloc. The delivery of the tanker in question was not the result of any laxity in the Danish system of controls but rather, as pointed out above, was due to the fact that the Danish Government regarded its delivery as required by legally binding commitments made prior to the time these international efforts were instituted.

5. The security of the United States is squarely based on the unity of the western world and the continued strengthening of its joint institutions, particularly the North Atlantic Treaty Organization. It is a primary political and propaganda objective of the communist bloc to weaken those institutions and to drive a wedge between the democratic allies which have joined together for their common defense. There can be no question that the termination of United States aid would weaken the structure of Atlantic unity, and thus serve the ends of Soviet policy.

6. The Administrator of the Battle Act has recommended to me that aid to Denmark be continued. His recommendation has been supported by the Secretary of State; the Secretary of Defense; General Ridgway; the United States Special Representative in Europe, Ambassador Draper; the United States Ambassador to Denmark, Mrs. Anderson; and other interested Government officials.

On the basis of these considerations, I have concluded that to terminate aid to Denmark would clearly be detrimental to the security of the United States by weakening the defenses of NATO, contributing to the strength of the Soviet Union, fostering the political and propaganda objectives of the communist bloc, and defeating the purposes of the Battle Act. In conformity with section 103 (b) of Pub-

lic Law 213, Eighty-second Congress, I therefore have directed that military, economic, and financial aid to Denmark be continued.

As you will realize, many of the details of the considerations involved in this matter are highly classified. Representatives of the executive branch will be pleased to discuss this matter further with you and your committee, if you so desire.

Sincerely yours,

HARRY S. TRUMAN.

and later the same day, the Danish Government has directed the Danish Ministry of Defense to continue to provide the United States with the details of the Danish system of export controls. The Danish Government has also directed the Danish Ministry of Defense to continue to provide the United States with the details of the Danish system of export controls. The Danish Government has also directed the Danish Ministry of Defense to continue to provide the United States with the details of the Danish system of export controls.

4. For some years the Danish Government has cooperated consistently with the United States and other free governments in the development of collective programs to eliminate or curtail the shipment of strategic commodities to the Soviet Union and its satellites. The Danish Government now operates a comprehensive system of export controls and has again reassured the United States Government of its intention to continue to collaborate fully in international efforts to eliminate strategic trade with the Soviet bloc. The delivery of the tanker in question was not the result of any laxity in the Danish system of controls but rather, as pointed out above, was due to the fact that the Danish Government regarded its delivery as required by legally binding commitments made prior to the time those international efforts were instituted.

5. The security of the United States is squarely based on the unity of the western world and the continued strengthening of its joint institutions, particularly the North Atlantic Treaty Organization. It is a primary political and propaganda objective of the communist bloc to weaken those institutions and to drive a wedge between the democratic allies which have joined together for their common defense. There can be no question that the termination of United States aid would weaken the structure of Atlantic unity, and thus serve the ends of Soviet policy.

6. The Administrator of the Battle Act has recommended to me that aid to Denmark be continued. His recommendation has been supported by the Secretary of State, the Secretary of Defense, General Ridgway, the United States Special Representative in Europe, Ambassador Driess, the United States Ambassador to Denmark, Mrs. Anderson, and other interested Government officials.

On the basis of these considerations, I have concluded that to terminate aid to Denmark would clearly be detrimental to the security of the United States by weakening the defenses of NATO, contributing to the strength of the Soviet Union, fostering the political and propaganda objectives of the communist bloc, and defeating the purpose of the Battle Act. In conformity with section 104 (b) of Pub-

APPENDIX E

DESCRIPTION OF TRADE CONTROL SYSTEMS

The information contained in this section summarizes, in accordance with section 104 (b) of Public Law 412, the export control measures taken by countries receiving United States aid. These descriptions are contained in the main text of this report.

The following carry out security export control programs, most nations of which have adopted measures and regulations originally developed for such purposes as controlling products in short supply, foreign exchange control, and collection of revenue. The penalty for denying an export is roughly the same whatever the reason.

APPENDIX E

Description of Trade Control Systems of Individual Countries

LATIN AMERICA

SUMMARY

The principal foreign economic ties of the Latin American countries are with the United States and Western Europe. The trade of these countries with the Soviet bloc consists largely of raw materials; raw cotton, sugar, coffee, wool, cattle, hides, and furs. This trade has been very small.

At the meeting of the Foreign Ministers of the American Republics in 1951, a resolution was adopted—

"The American Republics agree to cooperate fully with one another in the defense measures of economic defense and security controls in the field of international economic relations, including measures to increase the security of exports in short supply to the countries of the free world."

The following countries have taken actions to carry out this resolution:

Bolivia, Colombia, Uruguay, Peru, and Argentina require licenses for substantially all exports. Mexico applies ex-

APPENDIX E

DESCRIPTION OF TRADE CONTROL SYSTEMS

The information contained in this section summarizes, in accordance with section 302 (b) of Public Law 213, the export control measures enforced in countries receiving United States aid. These descriptions are intended to supplement the main text of this report.

In order to carry out security export control programs, most nations are using techniques and regulations originally developed for such aims as conserving products in short supply, foreign exchange control, channeling trade to specific currency areas, and collection of revenue. The procedure for denying an export is roughly the same whatever the purpose.

Certain countries are not willing to publicize the special measures they apply to deny strategic exports to the Soviet bloc. Information relating to these measures has a security classification. In addition, an effective control system requires that many operational details be kept from the Soviets and their agents in the West.

LATIN AMERICA

SUMMARY

The principal foreign economic ties of the Latin American countries have been with the United States and Western Europe. The export trade of these countries with the Soviet bloc consists largely of basic raw materials: raw cotton, sugar, coffee, wool, cattle, hides, henequen cordage, and fiber. This trade has been very small.

At the meeting of the Foreign Ministers of the American Republics ending April 7, 1951, a resolution was adopted—

That the American Republics agree to cooperate fully with one another in the adoption of effective measures of economic defense and security controls in the field of their international economic relations, including measures to increase the availability of products in short supply to the countries of the free world. . . .

Nearly all these republics have taken actions to carry out this resolution.

Brazil, Chile, Venezuela, Uruguay, Peru, and Argentina require permits or licenses for substantially all exports. Mexico applies ex-

port licensing controls to all strategic commodities except petroleum, which, however, is a government monopoly. In general, the licensing requirements of the Latin-American countries are concerned variously with implementing exchange controls, assuring supplies for domestic requirements, and, in certain cases, controlling prices, in addition to security export control.

Transit Controls

Some Latin-American countries apply special controls and procedures to in-transit shipments. For others, in-transit shipments are subject to an export permit the same as regular export shipments. Certain other Latin-American governments apply no special control to in-transit shipments.

ARGENTINA

Licensing Requirements and Financial Controls

Argentina's control over trade operates in the form of an exchange control system rather than by quotas or other direct restrictions. This system, originally instituted early in the 1930's, is designed to channel all foreign exchange income to a central control authority (the Argentine Central Bank) which in turn allocates exchange among the various imports according to a priority based on essentiality and origin of imports. The present structure includes multiple exchange rates, licensing of both import and export exchange (which is closely integrated with a network of bilateral agreements), licensing of financial transactions and control by the Argentine Trade Promotion Institute (IAPI) of the bulk of staple export commodities.

Argentine export policy toward the Soviet bloc has not, to date, permitted the licensing of wool or other vital materials in large quantities. Licenses on wool and other materials have been granted only if quantities are small and fall within the commitments of prior trade agreements.

Each reexport shipment requires an individual license which is issued by the office of the Director of Imports and Exports of the Ministry of Foreign Trade and is reviewed both by the Ministry of Defense and by the Ministry of Industry and Commerce. Thus, each reexport must be individually certified as being surplus to national defense and domestic supply needs. It is Argentine policy not to authorize reexport of goods which are subject to export controls in the country of origin and authorized for export with requirements that such goods be used wholly to satisfy the needs of Argentina.

Transit Controls

The Government does not concern itself with intransit shipments documented as such beyond insisting upon compliance with routine formalities intended to prevent illegal entries into Argentina. Pertinent regulations do not prevent transshipments at Argentine ports of material of any description regardless of final destination. Moreover, it is possible under Argentine regulations for merchandise documented for import into Argentina to be declared "for deposit" in the Argentine customhouse and subsequently transshipped to any destination whatever upon application of the consignee or his local agent. Accordingly, except for those goods subject to export controls in the country of origin, there is at present no guarantee that a shipment of goods duly licensed for export to Argentina will necessarily be imported into that country.

BRAZIL

License Requirements

All exports are subject to an export license, except specified items for which payment is made in convertible currency.

No export licenses are granted for shipment to Soviet bloc countries (including China and North Korea) of arms, ammunition, implements of war, atomic energy materials, and related items of strategic importance.

The general purpose of the export controls on nonstrategic merchandise is to implement exchange controls, to assure supplies for domestic requirements, and, in certain cases, to control prices.

Neither the foreign trade nor the exchange control authorities approve reshipment of goods which have been licensed for importation and which had entered the country.

Transit Controls

There are no special controls applying to intransit shipments of strategic materials. However, intransit shipments are subject to an export permit the same as regular export shipments, and, therefore, the Government's commitment not to grant export licenses for primary strategic items covers intransit shipments as well.

In general, intransit shipments can be stored in customs warehouses for 1 year. During this time the merchandise can be reexported if the required export permit and exchange permit are granted.

Financial Controls

Financial control is exercised over exports, in the form of an exchange permit required in all cases. All exchange produced by exports must be sold to an authorized bank.

The exchange control authorities ordinarily do not authorize a transaction wherein goods bought with dollars are to be resold for soft currency.

CHILE

License Requirements

Export permits issued by the National Foreign Trade Council (CONDECOR) are required for all exports.

Chile has established, in response to Resolution 500 (V) of May 18, 1951, of the UN Assembly and Resolution XV of April 7, 1951, adopted at the fourth meeting of the Ministers for Foreign Affairs of the American Republics, an embargo on the shipment of strategic goods to Communist China and North Korea, the U. S. S. R., and other Soviet bloc countries in Eastern Europe.

The list of strategic commodities which cannot be exported to Soviet bloc destinations includes certain strategic metals as well as munitions and related items.

Transit Controls

Goods imported into Chile by sea, in transit to another country, may be entered only through certain ports. Goods entered in transit may be warehoused for 1 year, during which time the goods may be examined, invoiced, repacked, sampled, etc., under customs supervision.

Financial Controls

Exchange obtained from exports must be sold to the Central Bank, except in the case of a certain category of exports, proceeds of which may be liquidated in the free market and in the case of the large mining companies with whom the Government makes special arrangements.

MEXICO

Basic legislation exists whereby the Government of Mexico has authority to control exports in the national interest. Pursuant to such legislation, the exportation of arms, ammunition, and implements of war and atomic energy materials is prohibited, except with the special permission of the Ministry of National Defense, and the exportation of many products is subject to controls exercised by the Ministry of Economy. It is the policy of the Government of Mexico to deny licenses for shipments which would be inimical to its national interests.

Export controls apply to a long and selective list of commodities. Included in the list of products for the exportation of which prior approval is required by the Ministry of Economy are: various agricultural products, hides, skins, and leather; lumber; minerals, metals and manufactures thereof; tractors and several types of machinery

and vehicles; radio receivers; numerous textile products; many chemical products; tires and tubes; and paper products.

Very few primary strategic items are produced in Mexico and, with one exception, petroleum, these may not be exported without an export license issued by the Ministry of Economy. The exportation of petroleum and its derivatives is controlled by *Petróleos Mexicanos*, a governmental agency, and, in matters relating to foreign commerce, that agency may be expected to act in accordance with the policy of the Government of Mexico.

Official statistics of the Government of Mexico indicate that Mexican exports to Iron Curtain countries are normally very small and that no primary strategic items, whether of domestic or foreign origin, are being exported to those countries.

VENEZUELA

License Requirements

Current Venezuelan export controls are implementations of the comprehensive export control decree of September 12, 1941, which required a prior export license for reexportation of all imported merchandise which was known to be subject to prohibitions, restrictions and limitations in the respective countries of origin. It also required a prior export license for exportation or reexportation of all merchandise, whether of domestic or foreign origin, considered important to the economy or national defense. Further delineation of products to be included under export licensing and also the procedure for licensing were delegated to the Ministry of Finance.

Products currently subject to export license were enumerated in a joint resolution of the Ministries of Finance and Development, dated May 12, 1951, effective May 18, 1951. Licensing is effected by the Ministry of Development.

The only Venezuelan controls now in effect which specify prohibited destinations are contained in decree No. 198 of June 22, 1951. This decree prohibits exportation, reexportation and reshipment through Venezuelan ports of arms, munitions, military stores and materials for their manufacture, petroleum, transport materials of strategic value, and material for producing atomic energy to regions under the control of the authorities of North Korea and of the Peoples Republic of China. Specific identification of the prohibited products was subsequently made in a joint resolution of the Ministries of Foreign Affairs, Finance, Defense, Development, Mines, and Hydrocarbons, dated October 15, 1952. In cases where merchandise in the prohibited categories is not for shipment to the above areas, the Ministries of Finance and Development are to determine the require-

ments and procedures to be complied with and to assure that the merchandise shall not be used in the mentioned areas. Fines of up to Bs 100,000 (\$30,000) are authorized to be imposed by the Ministry of Finance for infractions of the decree.

Transit Controls

Aside from the above decree which appears to include transit shipments, no destination controls are known to be in effect for transshipments. However, according to the customs code, imported goods transshipped at a Venezuelan port in transit to a foreign port must be covered by a special manifest in triplicate, certified by a Venezuelan consul, which shows the circumstances of transshipment, the names of shipper and consignee, the ports of transshipment and destination, the number of the bill of lading, and the marks, numbers, kind, contents, and weight of the packages. A copy of the document required for the customs entry of the goods in the country of destination, visaed by a Venezuelan consul, also must be presented with the special manifest, together with the bill of lading.

Financial Controls

There are no foreign exchange controls in Venezuela.

EUROPE

AUSTRIA

License Requirements

The Austrian Government requires export licenses for all commodities listed in the Foreign Trade Law of April 4, 1951. It is, however, unable to exercise control over shipments of goods out of Austria by the Soviet occupation forces.

Export licenses are issued through the Ministry of Commerce and Reconstruction upon approval by the Central Office for Exports and Imports.

Transit Controls

No special licensing controls on in-transit shipments are in existence. Goods transit Austria under customs controls without interference provided transit documents are in order.

Financial Controls

All financial transactions between Austrian residents and foreigners are subject to license by the Austrian National Bank.

BELGIUM-LUXEMBOURG

The present import-export control system in Belgium-Luxembourg has as its legal basis an agreement entered into on May 23, 1935, be-

tween Belgium and Luxembourg. This agreement conferred upon the respective Ministries of Economic Affairs the responsibility and power to supervise jointly the import, export, and transit operations in the Economic Union. The purpose of the supervision of foreign trade was to ensure the general economic well-being of the countries concerned insofar as the economies would be affected by foreign trade.

Specific controls over exports have consisted of requirements that export licenses be obtained for the exportation of certain items from Belgium-Luxembourg. The number of items which require an export license has varied subject to administrative decisions as to the need for controls. The granting or withholding of an individual export license is controlled administratively by the designated licensing authorities. The licensing authorities have the power to prevent specific items being shipped to particular destinations by the withholding of licenses.

The enforcement of these export controls is accomplished by inspection of goods at frontiers to determine if shipments of products which require export licenses have the proper documentation. This activity, of course, also involves inspection of nonlicensed shipments which might contain products which require licenses. In submitting his export license application, the Belgian exporter indicates willingness to be subject to the penalties provided, either fines or imprisonment, in the event that he does not respect his commitments. In addition he renounces his right to obtain future import or export licenses if he is detected in a violation of control laws.

As of July, 1951, there were 130 Belgian officials engaged in export licensing and this group issued an average of 35,000 export licenses per month. There were, at this same date, 7,170 customs inspectors assigned to the 103 border points in Belgium.

With respect to control over imports, Belgium issues import certificates and delivery verification certificates upon request. At the present time, licenses are not required for goods passing in transit through Belgium with the exception of definite articles of war such as gunpowder, rifles, etc.

DENMARK

License Requirements

Licenses are required for most exports but the details of criteria and administrative practices followed in the issuance or denial of licenses are not made public on a commodity-by-commodity and country-by-country basis.

Exports of agricultural products are regulated by the Ministry of Agriculture or by organizations to which regulatory powers have been delegated, and a similar system of supervision is applied, under the Ministry of Fisheries, to exports of fish and fish products.

Exports of most other commodities, to any destination, are subject to license. "List A"¹ of the current Danish export restriction regulations consists of items of primary strategic significance. For most of these items the licensing authority is the Board of Goods Supply, but the Ministry of Justice controls exports of arms and munitions. For the exportation of ships the Board of Supply must obtain prior approval of the Ministry of Commerce, Industry, and Navigation.

For items of lesser strategic importance (enumerated in List B¹ of the Danish control regulations) licenses are required also. These are issued by the Board of Goods Supply, or, in some instances, by the Board of Health, the Ministry of Public Works, or the National Bank of Denmark, according to the nature of the commodity concerned.

Reexports are subject to the same controls as exports but transit shipments abroad are controlled by the National Bank, where the use of Danish exchange is involved.

Denmark has instituted import certificate-delivery verification procedures.

Exchange Controls

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

FRANCE

License Requirements

Exports of a large number of products to foreign countries are subject to export license. The legislation permits the addition or removal of products from the list merely by publication of a notice to exporters in the *Journal Officiel*. The list, which in 1951 included approximately one-half of the categories of goods contained in the French tariff nomenclature, has been considerably lengthened.

As each application for an export license is examined on its merits by the Office des Changes in consultation with the appropriate technical committee responsible for the product concerned, exports to any destination can be effectively blocked or encouraged.

Financial Controls

An "exchange commitment" (guaranteeing the return of the exchange proceeds of the transaction to the Government) is required for all exports. Where the products concerned are subject to export license, the export license suffices for the exchange commitment.

¹ The contents of Lists A and B have not been made public.

Exports to Argentina are subject, independently of the exchange commitment or export license, to a special payments authorization issued by the local Office des Changes.

Transshipment and Transit

Controls on reexports and transshipments of certain listed strategic commodities were tightened in February, 1952. Importation of these products under any customs procedure of suspended duty (for warehousing, reexport, transshipment, etc.) is no longer possible under the ordinary import license. A special authorization is required in addition to the import license and must be obtained at the same time as the license. This authorization indicates the customs procedure under which the goods will be declared and the final destination, if for reexport or transshipment. The importer must also furnish a guarantee to obtain a special authorization under prescribed conditions when the goods are reexported. International import certificates are available for the foreign supplier in the case of these goods for reexport guaranteeing conformity with the above requirements.

FEDERAL REPUBLIC OF GERMANY AND WESTERN BERLIN

License Requirements

All exports from the Federal Republic of Germany and Western Berlin to foreign countries and all shipments to the Soviet Zone of Germany require prior authorization by designated control agencies. Normal commercial exports require the issuance of an "Export Control Document" by inland customs authorities. Foreign trade banks control the foreign exchange aspects of such transactions. An additional authorization, known as a "certificate of approval," is required for the export of commodities included in a published list, corresponding to the United States "positive list," to all destinations, including the Soviet Zone of Germany. This list comprises commodities under control for both security and short supply reasons and includes all items covered by Titles I and II of the Battle Act. "Certificates of approval" are issued by a central licensing agency, which receives applications from all parts of the Federal Republic and from Western Berlin.

All exports of whatever nature to Albania, Bulgaria, Czechoslovakia, Communist China, Hungary, North Korea, Poland, Rumania, the U. S. S. R., and with a few minor exceptions, the Soviet Zone of Germany, require "certificates of approval" whether or not the commodity is on the "positive list."

Exports to numerous Western countries, including peripheral countries, are subject to one form or another of end-use checks. Import certificate-delivery verification procedures have been instituted.

Transit Controls

Certain items are prohibited for intransit shipments on the ground 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 the terms of the Barcelona Agreement of 1926, without further inspection or restriction, except to insure at the exit border that the original customs seals remained unbroken.

Financial Controls

All financial transactions between residents of Western Germany and Western Berlin and residents of other areas are subject to either general or specific authorizations of exchange control authorities. Such authorizations are regulated in the case of certain countries by the terms of bilateral payments agreements between Western Germany and Western Berlin and those nations. As indicated in the first paragraph, foreign exchange aspects of normal commercial exports are under the control of foreign trade banks.

ICELAND

License Requirements

All exports must be declared to the customs authorities for approval before shipment to any destination.

Financial Controls

Exchange control is exercised by the Bank of Iceland on all export transactions.

ITALY

License Requirements

All commodities listed in the "Export Table" of February 10, 1951 (revised January 17, 1952) to all destinations, except Somaliland, require an export license, which is issued by the Ministry of Foreign Trade.

All shipments to the Soviet bloc are subject to ministerial licenses unless they are (1) not included in the Export List, (2) "duty free" and (3) valued at less than 50,000 lire (\$80).

Goods not listed in the "Export Table" are exempt from license when shipped to Western countries. Such exports must be made in

conformity with exchange regulations, which vary according to the country of destination and clearing or other financial agreements.

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.

End-use checks are carried out for shipments to destinations outside the Soviet bloc. These checks are limited in the main to goods on the war matériel and embargo lists.

Transit Controls

Italy employs no formal system for the control of transshipments.

Italy utilizes end-use checks for questionable shipments and notifies the country of origin of any attempted diversion. Italy has also adopted import certificate-delivery verification procedures.

Financial Controls

Financial control over all export transactions is maintained through the licensing system.

THE NETHERLANDS

License Requirements

All exports from the Netherlands are either subject to export license or to a "declaration in lieu of license." Export licenses for industrial commodities are issued by the Central Bureau of Imports and Exports (CDIU) at the Hague which has delegated this authority to a number of so-called "Trade Control Boards." For agricultural products licenses are granted by the Ministry for Agriculture which for a large number of commodities has delegated this function to the "Agricultural Monopoly Holders." The latter are state-supervised and semi-official organizations, similar to the "Trade Control Boards."

Exports of a large number of "liberalized" items may be made to other OEEC countries under the declaration system, according to which the exporter merely declares the transaction to his local Chamber of Commerce.

All exports to non-OEEC countries are therefore subject to export licenses issued by the competent authorities. In certain instances, the exporter may make out his own export license which must be dated and initialled by an officer of the CDIU.

Transit Controls

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

The Netherlands has adopted import certificate-delivery verification procedures.

Financial Controls

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

NORWAY

License Requirements

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

Transit Controls

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

Norway has adopted import certificate-delivery verification procedures.

Financial Controls

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

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 trade with the Soviet bloc is not important and consists almost entirely of cork, which is not on any strategic or restricted list. The varying degrees of export control exerted by the colonies are considered by the Por-

tuguese authorities as adequate assurance that the goods will not be re-exported to undersirable destinations. The amount of strategic goods sent to the overseas possessions, except Macao, are usually small and not in excess of their local requirements. 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 material.

Transit Controls

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

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

Portugal has adopted import certificate-delivery verification procedures.

SPAIN

License Requirements

The Spanish Government, since the end of the Spanish Civil War in 1939, has required licenses for the export of all commodities to any destination, including Spanish possessions in Africa. Licenses are issued by the Ministry of Commerce.

Financial Controls

Financial control, as a part of the license control, is exercised over all export transactions.

TRIESTE

License Requirements

All exports of manufactured, processed or reexported goods are licensed by the Department of Commerce of the Allied Military Government (AMG). Production of strategic commodities is limited to a few firms and is under very close Allied supervision, which minimizes the problem of licensing indigenous products.

End-use checks are occasionally requested by the AMG Department of Commerce through British and American authorities or through the Italian Mission. Care is exercised to avoid inconsistencies in licensing between the Allied Military Government and the Italian Government.

Transit Controls

In-transit shipments to Albania, Bulgaria, China, and North Korea require a license. The Allied Military Government has the authority to clear for delivery shipments intended for any other destination.

Financial Controls

Trieste has no exchange system of its own; all exchange operations are integrated with the Italian system and, as in Italy, all exports are subject to financial control.

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, and at present the list of goods subject to control comprises about 2,000 items. 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. In order to carry out this intent, the 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 to show the items which are subject to control on exportation to any destination, or are subject to control only on exportation to certain destinations, or those which may be freely exported under open general license to any area. The first schedule lists those goods which are required to be covered by licenses no matter what their destination, and it includes all the items which are controlled for short supply, strategic or any other reason. The second schedule is comprised of a limited list of items (mostly foodstuffs) which may be freely exported to any country without regard to licensing procedures. The third schedule consists of an extraction of items from the various groups under the first schedule, the effect of which is to list separately those items which it is felt should be controlled on exportation to certain destinations, i. e., all countries except the British Commonwealth, Ireland, or the United States (Hong Kong is excluded specifically from the exception for the Commonwealth).

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 components, firearms, ammunition, atomic materials. The exportation of all goods of strategic importance, including rubber, to Communist China is prohibited, as is the exportation of some 270 categories of such commodities to the Soviet bloc in Europe. 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 200 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 adopted import certificate-delivery verification procedures.

YUGOSLAVIA

License Requirements

Individual export and import licenses have been abolished, but control over the export of strategic materials is maintained by (1) permitting only licensed firms to engage in export-import trade, (2) credit controls and accounts auditing by the National Bank, (3) directing orders to enterprises to export in fulfillment of commitments. In addition, any person making a sale destined for shipment behind the Iron Curtain is subject to fines and punishments.

Transit Controls

There is believed to be virtually no transshipment of strategic commodities through Yugoslavia destined to Soviet or satellite countries, and there is little transit traffic of any sort. The Yugoslav Government is instituting controls to prevent the diversion of strategic goods to Soviet bloc countries via free ports in other countries.

ASIA AND THE FAR EAST

AFGHANISTAN

There has been no official promulgation of regulations detailing Afghanistan's export policy. Export control decisions appear to be taken largely on an *ad hoc* basis. Recently Afghanistan has exchanged wool, opium, hides, skins, cotton, and dried fruit for gasoline and other goods from Russia. There are no known exports of strategic commodities to the Soviet bloc including China.

BURMA

License Requirements

Control over exports and reexports was established in 1947 by the enactment of the Control of Imports and Exports Act and its subsequent amendments. Under the provisions of this act an export license is required for most exports and reexports, and the export of commodities in short supply is prohibited.

Transit Controls

Since World War II, Burma has had strict regulations governing overland transit trade to Communist China. Although the customs service exercises vigilance over this traffic, some contraband goods have escaped detection due to the difficult terrain. The Government of Burma is taking practical steps to enforce its regulations. Approved shipments by this route are negligible.

Financial Controls

All foreign exchange proceeds received from exports must be surrendered to the Burma Government. This requirement provides a further means of control over the exports of the country.

CHINA (FORMOSA)

The Government of the Republic of China has, since June 21, 1949, imposed a ban on the movement of ships and shipments of commodities of any kind to the areas under the control of the North Korean and Chinese Communist regimes.

On June 11, 1951, the National Government placed an embargo on the export of any commodity or cargo of any kind from Formosa to the areas under the control of Communist regimes, including China, North Korea, U. S. S. R., Albania, Bulgaria, Poland, and Rumania. At the same time an export license system was put into operation with a view to preventing the circumvention by means of reexport or transshipment of controls applied by other countries.

HONG KONG

License Requirements

Hong Kong has been controlling the export of a wide variety of materials since the outbreak of hostilities in Korea by means of a licensing system imposed by orders issued under the Import-Export Ordinance of 1915. A general licensing control system relative to exports to Communist China was effected on August 11, 1950. This order, together with subsequent amendments, was revoked by an order of June 25, 1951. This latter order, more comprehensive in scope, was adopted by the Hong Kong Government in conformity

with the British Government's control system over exports of strategic commodities to Communist China instituted in compliance with the United Nations resolution of May 18, 1951. Subsequently, on February 26, 1952, and June 25, 1952, orders were issued which constituted amendments to the list of controlled items set forth in the June 25, 1951 order.

Currently export licenses are required for exportation of strategic items of all kinds including arms, ammunition, atomic energy materials, petroleum products, transportation materials, metals, minerals and their manufactures, rubber and rubber products, chemicals, chemical and petroleum plant equipment, electronic equipment, precision and scientific instruments, and various other machinery and accessories, such as machine tools, ball bearings, and abrasives.

In order to afford adequate control over exports, a system of control by licenses was also adopted for imports into Hong Kong of the materials and commodities which are subject to export controls. The importation of all such goods is forbidden unless required for local consumption or for reexport for approved destinations. Imports for local consumption are licensed only against essential supply certificates issued by the Government. Licenses for imports, which are entered into Hong Kong for reexport, are required to be endorsed by importers to show their destination and are subject to the approval of an export license.

As a result of the import-export control order of June 25, 1951, trade between Hong Kong and Communist China has greatly declined; compared with June, 1951, when Hong Kong exports to Communist China totaled HK\$141.3 million, the average during the first 4 months of this year was only HK\$23.5 million.

Transit Controls

Goods which are manifested to another destination and are transiting Hong Kong but which are not off-loaded may proceed without local licensing or interference. Where such goods are off-loaded for transshipment, intransit export licenses are issued when covered by through bills of lading to specific final destinations, including Soviet bloc countries.

Financial Controls

In the case of exports to the United States and the Philippines of goods originating in China, Macao, South Korea, Taiwan, and Hong Kong, shippers are permitted to retain all of their foreign exchange earnings for disposal in the open market, unless the products concerned are on a restricted export schedule presently including wood, oil, tin, silver, lead, preserved ginger, copper, and cotton yarn, in which cases stipulated percentages of the foreign exchange earnings

must be surrendered at the official rate. This principle also applies to goods from any source shipped to China, Macao, South Korea, and Taiwan.

In the case of goods shipped to any part of the Sterling Area, including all Commonwealth countries (but Canada and Newfoundland) and Burma, Iraq, Iceland, and Ireland, there are no limitations on the retention of foreign exchange receipts.

Full proceeds must be surrendered at the official rate in all other cases in accordance with special country agreements, and subject to the proviso that goods not on the restricted schedule which had originally been imported from the United States with self-provided foreign exchange may be reexported without surrender of United States dollar proceeds where it has been ascertained that the exporter is not taking undue advantage of the open market.

INDIA

License Requirements

Export controls are imposed under the Import and Export Act of March, 1947, which was extended in 1950 for a period of 5 years. India's export controls are designed to increase foreign exchange earnings, particularly in dollars, in a way to ensure payment for essential imports and, further, to protect inventories of essential raw materials and manufactures in domestic short supply. India's trade with Communist China and the Soviet bloc amounts to only 5 percent of its total foreign trade, and comprises no goods of primary strategic importance.

Transit Controls

With the exception of goods originating in or destined for Nepal, East Bengal, and Afghanistan, there is no significant transit trade and reexport of goods entered through the Indian customs are, in general, prohibited.

Financial Controls

The Government of India exercises strict control over foreign exchange derived from exports and requires its surrender to the Reserve Bank.

INDONESIA

License Requirements

Export licenses are required for all exportable commodities. These licenses are issued by export bureaus at the various ports. The present licensing policy categorically disallows exports of goods essential to the economy, including imported goods. Indonesia's need for large quantities of imported goods of all kinds, and exchange and

short supply controls, precludes the likelihood of any licenses being granted for the reexport of these items.

The Indonesian Government notified the United Nations in July, 1951 that "it will be able to honor" the General Assembly Resolution of May 18, 1951, recommending a strategic embargo on exports to Communist China. In this connection, the Government has drawn up a list of two categories. Category "A" comprised commodities actually being exported to countries other than Communist China and North Korea, which includes petroleum and petroleum derivatives, rubber, tin, bauxite, manganese ore, coal, industrial diamonds, scrap iron, hides, kapok, and fibres. Category "B" comprises commodities which may become exportable in the future, in which case they will automatically fall under Category "A."

Transit Controls

While there are no controls as such on movement of goods in transit, it is not believed that there is any movement of goods in transit through Indonesia to another country.

Financial Controls

All foreign exchange proceeds obtained for exports must be surrendered to the Indonesian Government. In order to import commodities from abroad a license to import must first be obtained, and after approval of the foreign exchange application by the Foreign Exchange Institute, the approved exchange can be purchased.

JAPAN

License Requirements

All commodities included in the Japanese Government Export List require export licenses issued by the Japanese Ministry of International Trade and Industry (MITI), regardless of destination. This covers all items on United States export control lists with the addition of certain commodities which are of particular importance to Japan, including some placed under control to prevent export at low prices and short-supply items.

Beginning December 6, 1950, under the occupation, all applications to export controlled items to Communist China, North Korea, Hong Kong, and Macao were submitted to the Supreme Commander for the Allied Powers (SCAP) for validation. In addition, SCAP validation was required for the export of strategic items to all destinations in order to prevent their diversion to unauthorized destinations. All applications to export to Hong Kong had to be accompanied by essential supply certificates issued by the Hong Kong Government. This same general procedure was followed for exports

to certain other countries. As a result of these restrictions, Japan's exports to Communist destinations during the past 2 years have been limited to a relatively small number of nonstrategic items, e. g., textiles, processed foodstuffs, paper products, sewing machines, and bicycles.

As of February 4, 1952, SCAP validation was discontinued for less important items and as of March 17 it was discontinued for all commodities, although SCAP retained a post-review over strategic items. With the coming into force of the peace treaty on April 28, 1952, the Japanese Government assumed full control of its export control program and, in general, has continued the same control procedures as were in effect during the latter months of the occupation.

Transit Controls

Intransit cargo is off-loaded under customs supervision and is normally kept in a bonded warehouse or other area under the complete control of customs officials. Delivery is made by the shipper to the appropriate customs officer under a forwarding bill containing an exact description of the cargo and full information as to consignee and ultimate destination, neither of which can be changed while the cargo is in bonded storage except by control authorities.

All off-loaded 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 between Japan and these two areas must be settled on the basis of "back-to-back" or escrow letters of credit. Since export licenses are necessary in all cases involving such special terms of settlement, this in essence means that all direct shipments to these areas require licenses.

Shipping

Under the occupation, Japanese ships were prohibited from calling at Communist Chinese ports. The Japanese Diet is considering a law which would give the Government control over carriers by means of notations on bills of lading.

MALAYA

(Malaya includes the Federation of Malaya and the Colony of Singapore)

License Requirements

Export licenses are required for all exports from Malaya. Since April, 1951 all exports of rubber have been subject to prior licensing under continuous supervision, except those destined for the United Kingdom, Commonwealth Countries, Eire, and the United States. In the case of certain strategic materials, export is only permitted upon the presentation of an approved import license from the country of final destination. Rigid controls are also maintained with regard to reexports, especially of goods of hard currency origin. Depending on availability and supply of the commodity in question, reexport of goods of hard currency origin is either entirely prohibited, allowed only to British Borneo, or allowed in reasonable quantities to the nearby territories with whom Singapore has maintained a traditional entrepot trade (Indonesia, Burma, Indochina, Thailand, British Borneo, and certain adjacent islands). Most goods actually of soft-currency origin but which are also on the list of permissible imports from hard currency sources are treated in the same manner as if they had originated in hard currency areas.

Prospective exporters in Singapore were served notice by the Singapore Government on July 10, 1951, that no licenses would be issued for export to China of any goods recommended for embargo under the UN resolution of May 18, 1951. They have also been advised that applications for permits to export any of these goods listed to Hong Kong must be accompanied by evidence of a valid license by the Hong Kong authorities.

Transit Controls

No control is exercised over goods shipped through Malaya on a through bill of lading, and no determination of the ultimate destination of such goods can be made. However, in the case of entrepot or in-transit goods export licenses are required and the customs authorities are empowered to investigate ships' manifests and papers and to carry out physical investigations where suspicious circumstances are found. Consignees and/or destination of entrepot goods may not be changed without authority from the country of origin.

Financial Controls

Application for import licenses covering imports from hard currency countries must be initiated with the Import Control Offices. If the application is approved by this authority, permission to purchase the necessary foreign exchange through an authorized banking institution is automatically given by the Controller of Foreign Exchange. Exporters receive Malayan currency or sterling credits, all hard currencies being forwarded to the London Dollar Pool.

PAKISTAN

License Requirements

Pakistan's export controls are exercised under authority of the Imports and Exports (Control) Act, 1947. This Act requires an export license for most exports and reexports. Numerous categories embracing strategic or short-supply materials have been established for which no licenses are granted. Pakistan prohibits the reexport of materials imported from hard currency countries. With respect to exports of domestic origin, Pakistan encourages shipments to hard currency areas in order to maximize earnings in that currency group. There is no significant trade in strategic materials with Soviet bloc countries.

Transit Controls

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

Financial Controls

Pakistan exercises further control over exports through detailed regulations, which, with some exceptions, provide for surrender to the State Bank of Pakistan or its designated agents of all foreign exchange derived from export transactions.

THE PHILIPPINES

License Requirements

Export controls of the Philippine Government prohibit the exportation and reexportation of arms (except certain specified small arms), ammunition, aircraft (except commercial aircraft), vessels, and other war equipment, as well as scrap metals, most imported machinery, and certain imported and locally produced items essential to the nation's welfare. The prohibitions may be lifted in "exceptionally meritorious cases" and such shipments must be licensed. Certain other specified commodities (including small arms, commercial aircraft, alcohol, domestic glycerine, cement, hides, and electrical products) may be exported or reexported under license if shipments are not deemed prejudicial to national security or economic welfare. Other commodities may be exported without license or restriction, except that prior notice of intended shipment is required in some instances, mainly in the shipment of domestic produce.

Applications for licenses are screened by an Export Control Committee, which makes recommendations to the President who himself issues the licenses. Unanimous agreement is necessary for a favorable



recommendation, notice of which must appear in the press before final action is taken. Considered in the screening, among other factors, are proximity of the country of destination to Communist or Communist-held areas and/or the possibility of goods being diverted to such areas. All exports to Hong Kong require prior clearance from the Export Control Committee.

Transit Controls

The transshipment of cargoes passing through the Philippines is allowed by the Bureau of Customs only upon issuance of a clearance by the Export Control Committee. The purpose of this procedure is to "prevent reexportation in the guise of transshipments and in the interests of cooperation with other members of the United Nations to prevent diversion of strategic materials to Communist, Communist-held, and/or troubled areas. . . ."

Financial Controls

Under foreign exchange control regulations of the Central Bank of the Philippines, all exports and reexports (except personal and household effects) must be covered by export declarations endorsed by the Bank or its agents. This is to ensure that all foreign exchange proceeds due on exports are received in the Philippines and surrendered to the banks.

All exports to Hong Kong require the specific approval of the Exchange Control Department of the Central Bank, and exports to Communist areas and their satellites are not allowed.

THAILAND

License Requirements

Export licenses are required for arms, ammunition, opium, precious stones and metals, foodstuffs, live animals, food grains, certain types of woods, cowhides, textiles, gunny bags, cotton, machinery, industrial equipment, agricultural implements, cement, petroleum, tin, tin ore, medicinal and chemical products, medical instruments, coconuts and coconut products, iron ore, wolfram, tungsten, antimony, lead, zinc, castor seeds and oil, and kapok.

Early in 1951 the Thai Minister of Commerce announced that a complete boycott would be enforced against all Communist or Communist-dominated countries of the world. This statement appears to represent the policy of the Government, but a complete boycott has not actually been embodied in an official decree. Authorities have been instructed to deny export licenses to Communist China and North Korea. The Thai Government passed and made effective in January of 1952 an embargo act specifically against Communist China and North Korea, which provides for control of the export and re-

export of strategic materials "in the interest of world peace and to ensure national security." The Thai Government is implementing the United Nations embargo resolution and has been successful in controlling the destination of important exports.

Transit and Reexport Controls

It is not believed that there is any legal movement of in-transit goods through Thailand. A royal decree of 1949 prohibits the reexport of all goods made in foreign countries.

Financial Controls

The Thai Government exercises a degree of financial control over all exports from Thailand. The foreign exchange proceeds of exports of rice (except exchange in excess of official export prices), 40 percent of the proceeds from tin, and 20 percent of the proceeds from rubber must be sold to the Bank of Thailand. The foreign exchange proceeds of exports of all other items may be sold to an authorized bank in Thailand, but if not sold must be deposited in an authorized bank in Thailand in the name of the exporter. This requirement provides a further means of governmental control over the exports of the country since no export permit is granted without a bank document certifying that the foreign exchange proceeds will be acquired by the exporter and brought into Thailand.

THE NEAR EAST

EGYPT

License Requirements

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

The Import and Export Committee, under the chairmanship of the Minister of Finance, analyzes all new suggestions for exports, and determines the final decision regarding them. It defines the categories of goods that may be exported without licenses, and those that will be subject to licensing. It sets up quotas for goods exported under barter arrangements. It also makes decisions on acceptable currencies for the sale of exportable products, and in certain cases, fixes minimum prices for specific exportable commodities.

In addition to the above committee, other ministries control certain categories of exportable goods, and authorization by these ministries for individual transactions must be obtained in addition to the regular export license. The Ministry of Supplies controls the export of cer-

tain consumer goods such as rice, fodder, onions, cottonseed cake, edible oil, sugar, etc. The Ministry of Agriculture determines the quantities of agricultural products which may be made available for export, and the time for their release.

The Mines and Quarries Department authorizes the export of salt, ores, and fuels. The Ministry of Commerce and Industry decides whether a product of the Egyptian industry can be exported without harm to local market supplies. The Ministry of Public Health must approve the export of medicinal herbs.

Another committee whose opinion is sought before any product considered essential for local consumption is allowed to be exported is the Higher Supply Committee, under the chairmanship of the Minister of Supply, which considers the possibilities of export policy solely from the standpoint of the country's supply and demand position.

Egypt's export control policy calls for certain limitations on the export of particular goods. Principal articles which were either banned for export or for which specific export controls have been established are cotton and woolen textiles, automotive vehicles and spare parts, certain canned foodstuffs, paper and paper products, shoes and leather goods, rice, onions, scrap metal, gold, and handicraft items of metal.

The export of rice, second largest exportable product after cotton (which accounts for approximately 80 percent of all Egyptian exports), while temporarily suspended during the first part of 1951, is allowed to be exported in substantial quantities for payment in hard currency or against barter payments in wheat.

Finally, the Export Control Office of the Ministry of Finance is the authority which actually issues the export license. That office has divided exports into six groups of commodities as follows:

Group 1 lists products not subject to restrictions and which may be exported direct through the Egyptian customs.

Group 2 includes products authorized for export within limited quotas, without the requirements of a license.

Group 3 embodies products whose export must be licensed by the Mines and Quarries Department.

Group 4 lists products authorized for export within limited quotas, subject to issue of public tenders and payment for which must be made in hard currency, i. e., American dollars or Swiss francs.

Group 5 lists products subject to licensing within limited quotas and payable in hard currency.

Group 6 groups products subject to licensing within limited quotas and payable in the currency of the country of destination. In addition to the above regulations which govern the control of

exports, the Government authorized the export of certain commodities through the issuance of tenders from time to time. Practically all these tenders require payments in hard currency, i. e., American dollars, Swiss or Belgian francs.

The Export Control Office prohibits the transfer by an exporter of an export license issued in his name to another exporter without prior authorization from the Export Control Office. In cases of infraction of this ruling, the names of both exporters will be placed on the "black list" of that office and no further licenses will be issued to either of them.

When a decision is issued prohibiting the export of any article previously authorized, the prohibition will not apply when a contract exists by which an exporter is bound and on which a letter of credit has actually been opened with an Egyptian bank prior to the issuance of the decision. In cases where the country's supply situation is extremely acute this exception will not be granted.

Transit Controls

In general, reexport of goods is subject to the same restrictions as export of Egyptian products. One significant qualification is that the same currency as that with which original payment is made must be repatriated, or a hard currency approved by the Exchange Control may be substituted.

Goods shipped in transit through Egyptian ports are subject to the restriction that all expenses incurred in Egypt, plus payment for services rendered to Egypt, must be paid in the currency of the country of destination.

Financial Controls

Every operation in foreign currency is controlled by the Egyptian government. The exchange control law states that in no case shall money released be used for any purpose except that for which it was destined.

GREECE

License Requirements

Licenses are required for all exports to all destinations. The Greek Foreign Trade Administration (FTA) of the Ministry of National Economy and the Bank of Greece are the licensing authorities.

With regard to shipments to Soviet bloc countries, these licensing controls restrict shipments to nonstrategic materials.

With regard to all other countries, controls are instituted for balance of payments purposes.

Transit Controls

All reexported goods require a license from the FTA.

Financial Controls

Foreign exchange proceeds must be turned over to the Bank of Greece.

IRAQ

License Requirements

International trade is strictly controlled and licenses are required for exports. The main consideration governing the Government's export policy is the availability of commodities. The export of arms and military vehicles is prohibited. Although there is no specific prohibition of trade with the Soviet bloc, such trade is not officially encouraged, and exports to this area are negligible. Iraq voted in favor of the United Nations resolution of May 18, 1951, relating to an embargo of arms and related shipments to China and North Korea.

Transit Controls

For goods passing in transit beyond Syria and Lebanon, it is necessary to obtain the endorsement of the customs documents from customs authorities at Beirut or Tripoli as the case may be. Iran is the chief source and destination of goods in transit through Iraq.

Financial Controls

Exchange controls are strictly applied to imports but have little effect on exports.

IRAN

License Requirements

Exports of arms and ammunition must have prior Government authorization.

A large percentage of Iranian exports are channeled through "Barter or Clearing Agreements" which Iran has concluded with a number of countries. Exports under these agreements have the effect of being licensed.

Transit Controls

Goods moving in transit through Iran may be imported only through places where customhouses have been established for that purpose. Detailed documentation is required by Iranian customs authorities in order that goods be cleared.

Financial Controls

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

Iran has instituted a system designed to improve trade and maintain the country's balance of trade and payments. Iranian products intended for export are divided into two distinct categories according to their degree of importance and the extent to which their export is to be encouraged. Imports are also divided into two categories. The first category of imports consists of "essential" commodities. The second category includes imports considered less essential to the Iranian economy. The foreign exchange from the sale of the faster moving category of exports may be used only to import essential goods. Exchange from the sale of slower moving exports may be used to import less essential goods.

ISRAEL

License Requirements

All goods exported from Israel, with the exception of shipments valued at less than IL 40 (\$112 at the maximum rate of exchange), must be accompanied by an export license. This rule applies to re-exports as well as to goods produced domestically. The export regulations were devised originally to conserve scarce commodities needed for Israel's own economy, but operate in a manner which enables control over trade with the Soviet bloc.

Each ministry within the Israel Government is basically responsible for the control of products which logically fall within its orbit. Licenses for the export of most industrial items are issued by the Export Division of the Ministry of Trade and Industry. The Ministry of Agriculture issues licenses for the export of agricultural products, including manufactures (primarily citrus concentrates) derived from domestic agricultural products, and the Ministry of Health has the responsibility of controlling Israel's exports of pharmaceutical products.

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

Transit Controls

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

Financial Controls

The Israel Government exercises far-reaching control over the use of foreign exchange, and it regularly uses this control to restrict the

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

JORDAN

License Requirements

The Import-Export Department in the Ministry of Finance issues export licenses for all items. However, materials which the Prime Minister deems to be of sufficient importance to the defense or the economic welfare of Jordan can be placed on the prohibited-for-export list. This list changes and at present it is not available. Jordan has signed the Economic Assistance Agreement with the United States which seems to indicate their desire to cooperate.

Transit Controls

Jordan's import trade with the Soviet bloc countries consists largely of textiles, foodstuffs, raw materials, clothing, and some manufactured articles. The country's exports consist mainly of agricultural products, and while no figures are available as to the country of destination, it is noted that out of JD484,695 total export value in 1950 to countries other than Syria and Lebanon, JD409,650 was in silver or base metal coin exported to the United Kingdom, leaving only a total of JD75,045 for the rest of the world (JD1 equals \$2.80). Information on regulations concerning in-transit trade is not available. The exports of Jordan are so insignificant that there is not need for transit controls.

Financial Control

Jordan does not exercise financial controls over the movement of any commodity for export.

A list of goods considered nonessential for which import licenses and, therefore, foreign exchange will no longer be issued was released July 14 by the Ministry of Economy through the Director of Imports and Exports. This list includes passenger cars, all leather shoes, cameras, cigarettes, cigars and tobacco, radios, refrigerators, watches, soaps, electric fans, and many others.

LEBANON

License Requirements

Export licenses are issued by the Ministry of National Economy and are required for the export of certain items, including petroleum prod-

ucts, sulphur, aluminum, copper, lead, nickel, tin and zinc and their manufactures. The licensing policy is based on the availability of commodities. Licenses are issued by the Ministry of National Economy.

Financial Controls

Lebanon has a free foreign exchange market.

Transit Controls

There is a free port at Beirut. In addition, a relatively large amount of transit goods pass through Lebanon and little or no control is exercised over it by the Government. Control over the Iraqi and Saudi Arabian oil shipped from the pipeline terminal at the Lebanese ports of Sidon and Tripoli is governed by an agreement between the oil companies and the Government. None of it goes to Soviet countries.

SAUDI ARABIA

License Requirements

There is no definite information indicating the existence of export licensing regulations for items other than currency, but it is known that some reexports are subject to permit. Saudi Arabia voted in support of the United Nations resolution of May 18, 1951, relating to an embargo on arms and related shipments to China and North Korea.

Transit Controls

No information is available. Transit trade is negligible.

Financial Controls

The export of gold and silver coins is prohibited; no additional exchange controls exist.

TURKEY

License Requirements

Turkish exports are grouped under three lists: List I contains commodities for which no export license is required. A customs exit declaration, based on the exporter's application, is, however, necessary. Commodities included may be exported to (1) countries with which Turkey has a trade agreement, (2) against payment in free currency or in sterling transferable to Turkish accounts, or (3) against payment in currencies of countries selected and designated by the Turkish Central Bank.

List II designates commodities for which export licenses are required. Under existing regulations and arrangements, these licenses may be obtained from the Ministry of Economy and Commerce or

agencies designated by them. The major products involved are opium, chrome, copper, manganese, lead, fats, olive oil, pistachios, wool, tobacco leaf, pig iron and scrap, straw, pistols and ammunition, and raw sulfur ore.

List III items are free of export license requirements and are hard-to-move Turkish commodities.

Transit Controls

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

Generally, goods moving in-transit through Turkey may be imported only through customs warehouses.

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

Financial Controls

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

AFRICA

SUMMARY

In general, the export of most commodities from African colonial areas and from independent Africa requires export licenses issued by the export controlling agencies. This trade is very limited. In addition to security considerations, these controls have the objective of safeguarding a sufficient supply of goods used in local industries and channeling exports to particular currency areas.

These areas generally have no special restrictions on shipments of goods originating in a foreign country and moving in-transit to other foreign countries. Most of these areas have strict financial controls.

BELGIAN CONGO

Licensing Requirements

All exports from the Belgian Congo and Ruanda-Urundi are subject to a combination exchange and export license granted by the Central Bank of the Belgian Congo and Ruanda-Urundi.

Export licenses are granted only for commodities not required for local consumption. Among other things, applications for export licenses must show the names and addresses of the exporter and the producer, the type of product, the name and address of the foreign importer, the country of ultimate destination, the sale price of the merchandise in foreign currency and in Belgian Congo francs. Exports of manufactured goods containing materials of foreign origin must so be stated in the export application.

Certain products are subject to special controls.

The following goods are subject to the prior authorization of the Provincial Governor or his delegate: cotton, fibers, wood, copal, fruit, rubber, essential oils, minerals, pepper, ivory, etc.

Coffee is under the jurisdiction of Coffee Boards, while medicinal products are subject to the prior authorization of the Chief of the Medical Department.

Other goods subject to special controls for export are under the jurisdiction of the "Economic Board." These items include: machinery, electronic equipment, chemical products, automotive vehicles, tires, munitions, textiles, railway equipment, tin, etc.

Certain agricultural products are prohibited from exportation. There include: corn flour, manioc, and rice paddy.

Transit Controls

Available information indicates that goods in transit through the Belgian Congo are not subject to governmental licensing restrictions.

Financial Controls

Although financial controls are not presently employed to direct the movement of goods to any particular area, authority granted the Central Bank of the Belgian Congo and Ruanda-Urundi to approve the transfer of funds derived from export sales, has a controlling effect.

BRITISH COLONIES IN AFRICA

Licensing Requirements

Most commodities exported from the British African colonies are subject to license issued by the local trade controlling agencies in the respective colonies. These licensing requirements apply to goods

shipped to any destination. Several of the colonial areas have enacted specific regulations banning exports to North Korea or territory occupied by North Korean troops.

Transit Controls

There are no special regulations or restrictions on shipments of goods originating in a foreign country and moving in transit through the colonial areas to other foreign countries.

Financial Controls

Strict foreign exchange regulations are in effect in all the British African colonies, under which exporters must turn over to the local exchange controlling authorities all hard currency earnings in exchange for sterling.

ERITREA

Licensing Requirements

External trade is under the supervision of the Trade and Supplies Department of the British Administration of Eritrea. All commodities, except in the case as stated below, require export permits, which are granted by the Trade Commissioner upon authorization of the Banking and Exchange Controller.

Export permits are not required for certain designated goods going to the following areas: Aden Colony, Aden Protectorate, British Somaliland, Cyprus, Egypt, Ethiopia, French Somaliland, Lebanon, Libya, Malta, Saudi Arabia, Sudan, Syria, or Jordan.

Transit Controls

Goods in transit through Eritrea are not subject to governmental licensing restrictions.

Financial Controls

Financial controls are not employed to direct the movement of goods to particular destinations. Under existing foreign exchange regulations, all foreign currency earned by local exporters must be placed at the disposal of the Banking and Exchange Controller within a certain period of time, generally not more than 6 months, at the officially fixed rates of exchange.

(By resolutions adopted by the United Nations General Assembly on December 2, 1950, Eritrea will be federated with Ethiopia, not later than September 15, 1952. It is probable that at that time, the same licensing requirements and export controls in effect in Ethiopia will also apply to Eritrea.)

ETHIOPIA

Licensing Requirements

All commodities require export permits, which are granted by the Exchange Controller, State Bank of Ethiopia.

Transit Controls

There is little transit of goods through Ethiopia. No governmental licensing restrictions exist.

Financial Controls

Financial controls are not employed to direct the movement of goods (other than coffee, which is directed to dollar areas) to particular destinations. Under existing foreign exchange regulations, all foreign currency earned by local exporters must be surrendered to the State Bank for Ethiopian dollars.

FRENCH AFRICAN TERRITORIES**License Requirements**

The export licensing requirements in the French African territories depend largely upon whether the goods are destined to any part of the French Union or to a foreign country.

(a) *Exports to other parts of the French Union.*—Though licenses are required for most exports, goods destined to another part of the French Union pass freely. To safeguard a sufficient supply of goods used in local industries, the export of such goods is rigidly controlled or totally prohibited (e. g., wool, fuels, certain foods, etc.).

(b) *Exports to any destination (other than the French Union).*—Goods exported from the French overseas territories to foreign countries are subject to an export license. Export licenses are usually obtainable from the Board of Commerce (Service de Commerce) and, in some territories, from the Chief of the Territory (or Colony). The export of certain goods in short supply or of strategic importance is either totally prohibited or greatly restricted. Export licenses for most commodities destined to the hard currency countries can be obtained without difficulty, provided the exporter undertakes to repatriate the foreign exchange proceeds of the merchandise sold abroad within a restricted time limit. In such cases, approval for the export of goods rests with the Foreign Exchange Office (Office des Changes).

Transit Controls

No special regulations or restrictions apply to goods entered in transit or for transshipment in the French African overseas territories. Transit shipments are subject only to the ordinary customs controls and no special license is required for the transshipment of goods to their ultimate destination.

Financial Controls

Though there are no specific directives controlling the flow of goods to certain currency areas, exports to the hard currency area, particularly the dollar one, are encouraged insofar as the exporter may retain

a certain percentage (from 10 to 25, depending upon the country of destination) of the foreign exchange realized from the sale of goods abroad. He may use the retained amount from the export proceeds to import goods from the hard currency area.

ITALIAN SOMALILAND**Licensing Requirements**

All exports are licensed by the Italian Ministry of Foreign Trade. Licenses are issued by the Currency and Foreign Trade Office of the Italian Trusteeship Administration of Somalia (AFIS).

Transit Controls

Goods in transit through Somaliland are not subject to governmental licensing restrictions.

Financial Controls

Financial controls are not employed to direct the movement of goods to particular destinations. Under existing foreign exchange regulations, all foreign exchange earned by local exporters is channeled through the Central Administration of the Bank of Italy, which arranges for payment to the exporter of the counter value of the amount paid.

LIBERIA**Licensing Requirements**

There are no controls over the exportation of goods from Liberia to any countries of the world. Although no licensing regulations exist on exports from Liberia, possibilities of trade with the Soviet bloc, China and North Korea are virtually nil since the great bulk of trade is with the United States.

Transit Controls

Goods in transit through Liberia are not subject to any licensing restrictions.

LIBYA**Licensing Requirements**

On December 24, 1951, the areas of Tripolitania, Cyrenaica, and Fezzan were united to form the Kingdom of Libya. The recently adopted Libyan constitution provided that the Federal Government shall exercise legislative and executive powers in connection with matters concerning customs and the regulation of trade with foreign states. It was assumed that at the time of the unification the export and import controls would be unified for all of Libya. However, this has not as yet taken place.

Until new trade control regulations are adopted by the new Government of Libya, regulations in effect under the former administering powers, the United Kingdom and France, will continue to be effective. Export licenses are issued by the Commissioner of Trade and Supplies, and licenses are granted only if that office determines that the goods are not essential to the welfare of the country at the time.

Transit Controls

Goods in transit through Libya are not subject to governmental licensing restrictions.

Financial Controls

Any foreign exchange earned through the sale of any goods must be sold to the Controller of Finance. Libya is a member of the sterling area, and regulations similar to those in effect in other sterling area countries apply to Libya.

PORTUGUESE AFRICAN COLONIES

Licensing Requirements

Prior registration is normally required for all exports. The relevant licenses are issued by the Governors of the various colonies. All commodities of domestic produce exported from the Portuguese African colonies are subject to various controls and allocations. Under these controls and/or allocations, a portion of the exportable surplus of raw materials and food products raised in the Portuguese African areas is usually set aside in the first instance for export to metropolitan Portugal or other Portuguese colonial areas (the amount of each commodity allocated depends upon the needs of Portugal or its colonies). The remaining exportable surplus of such commodities, including sisal, manioc, palm oil products, other oil seeds, cotton, beans, and fish and meat products, are allocated to various Western European countries (France, Belgium and Luxemburg, England, Netherlands, Norway, Sweden, Denmark, and Western Germany) under special commercial agreements, which have been concluded between Portugal and these countries. The balance of exportable surplus, if any, or any other commodities available for export are licensed for export to any country, although preference is given to licenses for export to the United States.

Transit Controls

There are no governmental licensing restrictions on goods in transit through the Portuguese African areas.

Financial Controls

Financial controls are not employed to direct the movement of commodities to particular areas. However, foreign exchange controls

are in effect in Portuguese African areas. Foreign exchange accruing from the exports of these areas is pooled in a central fund in Lisbon, from which it is made available to importers.

SPANISH ZONE OF MOROCCO AND SPANISH AFRICAN COLONIES

Licensing Requirements

All goods exported from the Spanish Zone of Morocco and the Spanish African Colonies require an export license. Export licenses for most goods, other than those in short supply or of strategic importance, are obtainable from the Delegacion de Comercio, either in Tetuan, Spanish Morocco, or in the other principal cities of the Spanish African possessions. Export licenses are granted with the provision that all foreign exchange proceeds realized from the sale of the goods abroad, particularly those going to hard currency countries, must be turned over to the Foreign Exchange Office of the area in which the license was granted.

Transit Controls

No special regulations or restrictions exist for goods which are in transit or being transshipped to other countries. Transit shipments are subject to the ordinary customs control and certain warehousing regulations, but no special license is required for the transshipment to their ultimate destination.

Financial Control

No specific regulations exist for encouraging the flow of goods to certain currency areas. Though exports to the dollar area are desirable as an additional source of foreign exchange, no special inducements are given exporters to increase their exports to the dollar area.

STATISTICAL APPENDIX

TABLE 1.—Exports of the Free World to the Soviet Bloc*

(Millions of dollars, not adjusted for price changes)

Country	Contents	1949	1950	1951	1952
Table 1.	Exports of the Free World to the Soviet Bloc.				
Table 2.	Imports of the Free World from the Soviet Bloc.				
Table 3.	Exports of OEEC Countries to the Soviet Bloc.				
Table 4.	Imports of OEEC Countries from the Soviet Bloc.				
Table 5.	Trade of the Principal OEEC Countries with the Soviet Bloc in Europe, by Principal Commodity Groups.				
Table 6.	Exports of Selected Far Eastern Countries to the Soviet Bloc.				
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Table 10.	Principal Exports of Far Eastern Countries to Communist China.				

United States	Percent of United States total	(101)			
Canada	Percent of Canadian total				
OEEC countries	Percent of OEEC total				
Western Europe, other	Percent of other Western European total				
Far East	Percent of Far Eastern total				
Near East and Africa	Percent of Near East and African total				
Latin America	Percent of Latin American total				

* Excludes re-exports from 1949 to 1952.
 * Excludes the United States for which data are not yet available.
 * Excludes the Soviet Union for which data are not yet available.
 * Includes only data for which data are not yet available.
 * Excludes data for which data are not yet available.
 * N. A. = Not available.

Sources: U. S. Department of Commerce.

TABLE 1.—Exports of the Free World to the Soviet Bloc¹

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Total exports to Soviet bloc.....	1,834	1,591	1,532	N. A.	N. A.
United States.....	397	145	64	3	(²)
Percent of United States total.....	3.1	1.2	0.6	(²)	(²)
Canada.....	47	18	5	1	0.6
Percent of Canadian total.....	1.5	0.6	0.2	(²)	1
OEEC countries.....	699	829	750	804	N. A.
Percent of OEEC total.....	4.2	4.4	3.8	3.0	N. A.
Western Europe, other.....	228	109	77	95	N. A.
Percent of other Western Europe total.....	21.1	11.2	8.4	7.3	N. A.
Far East.....	278	329	504	N. A.	N. A.
Percent of Far Eastern total.....	4.5	4.8	6.2	N. A.	N. A.
Near East and Africa.....	7.87	84	61	N. A.	N. A.
Percent of Near East and African total.....	2.6	2.4	1.7	N. A.	N. A.
Latin America.....	98	77	71	N. A.	N. A.
Percent of Latin American total.....	1.5	1.4	1.1	N. A.	N. A.

¹ Includes U. S. S. R., Communist China, North Korea, Eastern Germany, Poland, Czechoslovakia, Albania, Hungary, Rumania, and Bulgaria.

² Less than \$500,000.

³ Less than 0.05 percent.

⁴ Figure represents first 3 months of 1952.

⁵ Excludes Greece for which data not yet available.

⁶ Excludes Yugoslavia for which data not yet available.

⁷ Excludes Israel and Mozambique for which data not yet available.

⁸ Excludes Iran, Iraq, and Zanzibar for which data not available.

N. A. = Not available.

SOURCE: U. S. Department of Commerce.

TABLE 2.—Imports of the Free World From the Soviet Bloc

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Total imports from Soviet bloc.....	1,976	1,770	1,666	N. A.	N. A.
United States.....	233	174	226	108	32
Percent of United States total.....	3.3	2.6	2.6	1.0	0.9
Canada.....	9	10	11	8	1.1
Percent of Canadian total.....	0.3	0.4	0.4	0.2	0.2
OEEC countries.....	1,032	986	933	1,076	N. A.
Percent of OEEC total.....	4.2	3.9	3.9	3.2	N. A.
Western Europe, other.....	236	124	70	108	N. A.
Percent of other Western European total.....	18.5	10.7	6.9	10.2	N. A.
Far East.....	303	350	310	N. A.	N. A.
Percent of Far Eastern total.....	4.2	4.6	4.2	N. A.	N. A.
Near East and Africa.....	125	88	75	N. A.	N. A.
Percent of Near East and African total.....	2.3	1.5	1.6	N. A.	N. A.
Latin America.....	38	38	41	N. A.	N. A.
Percent of Latin American total.....	0.6	0.7	0.8	N. A.	N. A.

¹ Figure represents first 3 months of 1952.

² Excludes Greece for which data are not yet available.

³ Excludes Yugoslavia for which data are not yet available.

⁴ Includes only July-December data for Israel.

⁵ Excludes Iran and Iraq for which data not available.

N. A. = Not available.

SOURCE: U. S. Department of Commerce.

TABLE 3.—Exports of OEEC Countries to the Soviet Bloc

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Austria	30	57	58	60	115
Belgium-Luxembourg	71	97	68	65	13
Denmark	47	40	21	39	16
Federal Republic of Germany	8	42	164	103	17
France	35	67	37	41	13
Greece	8	1	(²)	(⁴)	N. A.
Iceland	7	3	4	3	1
Ireland	(²)	(²)	(²)	(²)	(²)
Italy	49	60	61	67	113
Netherlands	47	63	37	40	119
Norway	46	56	26	29	6
Portugal	2	3	2	5	2
Sweden	102	102	84	126	119
Switzerland	71	70	75	81	621
Trieste	1	(²)	(²)	(²)	(²)
Turkey	19	28	17	24	N. A.
United Kingdom	156	140	96	121	165
Total to Soviet bloc	699	829	750	804	N. A.
Total exports to entire world	16,820	18,979	19,783	27,219	N. A.
Percent of total	4.2	4.4	3.8	3.0	N. A.

¹ Figure represents first 3 months of 1952.² Figure represents first month of 1952.³ Less than \$500,000.⁴ Greece not available.⁵ Figure represents first 2 months of 1952.⁶ Figure represents first 5 months of 1952.

N. A. = Not available.

SOURCE: U. S. Department of Commerce.

TABLE 4.—Imports of OEEC Countries From the Soviet Bloc

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Austria	56	83	68	72	119
Belgium-Luxembourg	86	42	44	56	13
Denmark	84	74	51	71	16
Federal Republic of Germany	26	94	185	131	22
France	76	77	39	68	26
Greece	7	1	(²)	(²)	N. A.
Iceland	6	5	3	4	1
Ireland	3	2	6	4	11
Italy	47	83	60	79	120
Netherlands	78	102	63	65	122
Norway	68	63	40	29	9
Portugal	1	3	2	2	N. A.
Sweden	153	107	83	136	122
Switzerland	72	50	67	51	118
Trieste	2	2	2	1	11
Turkey	24	34	22	20	N. A.
United Kingdom	243	163	207	287	189
Total from Soviet bloc	1,032	986	933	1,076	N. A.
Total imports from entire world	24,460	24,996	24,222	33,304	N. A.
Percent of total	4.2	3.9	3.9	3.2	N. A.

¹ Figure represents first 3 months of 1952.² Figure represents first month of 1952.³ Greece not available.⁴ Figure represents first 2 months of 1952.⁵ Figure represents first 5 months of 1952.

N. A. = Not available.

SOURCE: U. S. Department of Commerce.

TABLE 5.—Trade of the Principal OEEC Countries With the Soviet Bloc in Europe, by Principal Commodity Groups, 1950 and January-June 1951

[Value in thousands of United States dollars]

Commodity	Exports		Imports	
	1950	January-June 1951 ¹	1950	January-June 1951 ¹
Total	606,000	347,600	713,300	453,600
Animals	600	900	21,300	13,200
Meat and meat preparations	1,300	1,400	40,900	29,300
Cereals and cereal preparations	1,900	200	107,200	79,500
Sugar and sugar preparations	(²)	(²)	17,000	5,400
Other foodstuffs	23,000	23,900	46,100	38,000
Tobacco and tobacco manufactures	7,800	1,300	1,800	1,100
Fats and oils, oilseeds, and nuts	14,800	7,800	10,100	6,300
Rubber and rubber manufactures	11,000	9,500	1,500	600
Textile fibers and manufactures	70,700	50,700	43,400	28,300
Hides, skins, leather, and manufactures (except clothing)	1,800	500	16,000	13,400
Pulp and paper	8,300	7,500	8,000	7,900
Wood and other wood products	3,300	1,300	54,500	16,000
Coal, petroleum, and related products	300	4,300	141,300	94,400
Nonferrous metals and manufactures	32,800	9,100	3,600	4,700
Iron and steel and manufactures	68,200	32,200	20,200	5,600
Chemicals	43,000	26,400	25,200	19,300
Electrical machinery	60,800	20,600	4,200	2,500
Other machinery	134,200	68,200	11,800	10,200
Transportation equipment	23,800	21,300	14,200	4,700
Other and not specified	98,400	60,500	125,000	73,200

¹ Includes trade between Soviet Zone of Germany and Federal Republic of Germany, Italy, and United Kingdom amounting to approximately \$26,000,000 exports and \$25,000,000 imports.² \$4,000 only.

NOTE.—The OEEC countries included above are Austria, Belgium-Luxembourg, Denmark, France, Federal Republic of Germany, Greece, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom. Commodity data for other member countries are not readily available. The Soviet bloc in Europe includes Albania, Bulgaria, Czechoslovakia, Soviet Zone of Germany, Hungary, Poland, Rumania, and the U. S. S. R.

The following countries do not show Soviet Zone of Germany separately: in 1950 and 1951, Greece, Portugal, Switzerland; in 1950, United Kingdom and Italy. The Federal Republic of Germany reported \$102,000,000 imports from and \$79,000,000 exports to Soviet Zone of Germany in 1950 which is not included in the above table.

The commodity groups are not necessarily complete since detailed commodity breakdown is not available and since the data as published by the individual countries cannot be combined into strictly comparable categories. The groups shown above are those categories into which a substantial amount of the trade can be combined, and generally understate the total value of the commodity groups represented.

TABLE 6.—Exports of Selected Far Eastern Countries to the Soviet Bloc

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Australia ¹	25	72	67	37	N. A.
Burma ²	13	10	2	N. A.	N. A.
Ceylon	(³)	(³)	(³)	N. R.	N. R.
Hong Kong	75	127	256	281	16
India ⁴	42	20	11	N. A.	N. A.
Indochina	1	(²)	(³)	1	N. A.
Indonesia	4	1	(¹)	N. A.	N. A.
Japan	8	10	21	6	(²)
Malaya	61	42	94	94	11
Pakistan ⁵	29	29	49	N. A.	N. A.
Total exports to Soviet bloc	258	311	500	N. A.	N. A.
Total exports to entire world	5,303	6,032	7,340	N. A.	N. A.
Percent of total	4.9	5.2	6.8	N. A.	N. A.

¹ Fiscal years ending June 30.² Fiscal years ending Sept. 30.³ Less than \$500,000.⁴ Fiscal years ending Mar. 31.⁵ Figure represents first 3 months of 1952.

N. A. = Data not yet available.

N. R. = Soviet countries not reported in source.

SOURCE: U. S. Department of Commerce.

TABLE 7.—Imports of Selected Far Eastern Countries From the Soviet Bloc

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Australia ¹	11	25	18	23	N. A.
Burma ²	5	10	2	N. A.	N. A.
Ceylon	1	1	1	1	(³)
Hong Kong	108	141	153	154	3
India ⁴	20	40	10	N. A.	N. A.
Indochina	9	8	5	8	N. A.
Indonesia	14	16	4	N. A.	N. A.
Japan	28	38	45	24	3
Malaya	56	36	35	47	13
Pakistan ⁵	25	24	32	N. A.	N. A.
Total imports from Soviet bloc	277	339	305	N. A.	N. A.
Total imports from entire world	6,205	6,630	6,512	N. A.	N. A.
Percent of total	4.5	5.1	4.7	N. A.	N. A.

¹ Fiscal years ending June 30.² Fiscal years ending Sept. 30.³ Less than \$500,000.⁴ Fiscal years ending Mar. 31.⁵ Figure represents first 2 months of 1952.⁶ Figure represents first 3 months of 1952.

N. A.—Data not yet available.

SOURCE: U. S. Department of Commerce.

TABLE 8.—Direct Exports of the Free World to Communist China

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Total exports to China	525	325	460	N. A.	N. A.
United States	273	83	37	(¹)	(¹)
Percent of United States total	2.2	0.7	0.4		
Canada	29	13	2	(²)	(²)
Percent of Canadian total	0.9	0.4	0.07	(²)	(²)
OEEC countries	80	48	55	54	N. A.
Percent of OEEC total	0.5	0.3	0.3	0.2	N. A.
Western Europe, other	1	1		1	N. A.
Percent of other Western European total	0.09	0.1		0.09	N. A.
Near East and Africa	1	8	4	N. A.	N. A.
Percent of Near East and African total	(³)	0.2	0.1	N. A.	N. A.
Far East	136	158	354	N. A.	N. A.
Percent of Far Eastern total	2.2	2.3	4.3	N. A.	N. A.
Latin America	5	14	8	N. A.	N. A.
Percent of Latin American total	0.08	0.2	0.1	N. A.	N. A.

¹ U. S.—\$181 in 1951; no trade January-April 1952.² \$367,062 in 1951; \$471,000 January-March 1952. Less than 0.05 percent.³ Excludes Greece for which data not yet available.⁴ Excludes Yugoslavia for which data not yet available.⁵ Excludes Israel and Mozambique for which data not yet available.⁶ Excludes Iran, Iraq, and Zanzibar for which data not available.

N. A.—Data not yet available.

SOURCE: U. S. Department of Commerce.

TABLE 9.—Imports of the Free World From Communist China

[Millions of dollars; not adjusted for price changes]

Country	1948	1949	1950	1951	1952 (January-April)
Total imports from Communist China	477	418	524	N. A.	N. A.
United States	120	106	146	45	19
Percent of United States total	1.7	1.6	1.7	0.4	N. A.
Canada	4	3	5	2	(¹)
Percent of Canadian total	0.2	0.1	0.2	0.05	N. A.
OEEC countries	69	41	97	162	N. A.
Percent of OEEC total	0.3	0.2	0.4	0.5	N. A.
Western Europe, other				1	N. A.
Percent of other Western European total				0.09	N. A.
Near East and Africa	21	10	13	N. A.	N. A.
Percent of Near East and African total	0.4	0.2	0.3	N. A.	N. A.
Far East	262	258	263	N. A.	N. A.
Percent of Far Eastern total	3.6	3.4	3.6	N. A.	N. A.
Latin America	1	(¹)	(¹)	N. A.	N. A.
Percent of Latin American total	(¹)			N. A.	N. A.

¹ Includes only July-December data for Israel.² Excludes Iran and Iraq for which data not available.³ Less than \$500,000.⁴ Less than 0.05 percent.

N. A.—Data not yet available.

SOURCE: U. S. Department of Commerce.

TABLE 10.—Principal Exports of Far Eastern Countries to Communist China, 1950; January-June, 1951; and July-December, 1951

Commodity and country	Value (thousands of dollars)		
	1950	January-June 1951	July-December 1951
Rubber and manufactures:			
Hong Kong	40,039	59,353	12
Malaya	40,345	32,463	0
Food products, beverages and tobacco: Hong Kong	28,546	3,092	1,502
Pulp, paper, and cardboard and manufactures: Hong Kong	5,598	5,340	9,828
Dyeing, tanning, and coloring substances: Hong Kong	15,656	17,339	7,560
Cotton, raw: Pakistan	15,943	22,360	14,069
Cotton fabric: Japan	N. R.	569	169
Jute, raw: Pakistan	1,471	384	0
Jute, sacking gunny bags: India	4,232	5,587	6,189
Yarn and thread of synthetic fibers and spun glass: Japan	N. R.	796	2
Textile materials, raw or simply prepared: Hong Kong	25,128	1,542	1,962
Textile fabrics and small wares: Hong Kong	10,003	4,028	11,775
Made-up articles of textile materials, other than clothing: Hong Kong	10,415	2,585	1,979
Non-ferrous base metals: Hong Kong	6,517	2,242	1
Iron and steel:			
Hong Kong	19,679	30,927	1,004
Japan	14,271	0	0
Manufactures of base metals: Hong Kong	5,108	4,857	2,441
Electrical machinery, apparatus and appliances:			
Hong Kong	4,050	5,299	1,232
Japan	1,408	17	0
Machinery, apparatus and appliances, other than electrical: Hong Kong	6,768	6,792	5,845
Vehicles and transportation equipment: Hong Kong	5,044	7,099	312
Bicycles and tricycles: Japan	N. R.	2,573	100
Products for heating, lighting and power, lubricants and related products: Hong Kong	9,869	1,131	128
Fertilizers: Hong Kong	8,195	4,387	4,488
Chemical elements and compounds; pharmaceutical products: Hong Kong	30,876	29,693	19,343

¹ April-December, inclusive; January-March is not available.² Estimated on the basis of July-November exports.

N. R.—Not reported in source.

SOURCE: U. S. Department of Commerce.

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