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PROPOSED REVISED STATEMENT OF POLICY ON ECONOMIC DEFENSEGeneral Policy

1. It is considered that under present conditions of international tension, the multilateral program to limit trade between the free world and the Soviet Bloc logically should be directed to increasing the scope and severity of multilateral controls to the maximum permitted by the negotiating situation and political considerations.

a. Political and psychological conditions generally, and economic conditions in some individual countries, make substantial intensification of multilateral controls with respect to the European Soviet bloc impractical for the foreseeable future, in the absence of a marked worsening of international tensions. Accordingly, any attempt to expand the multilateral control system should be limited in scope. Extensions of these controls should be proposed, however, when clearly justified by new technology, new intelligence or altered evaluation of the significance of particular imports to the Soviet bloc.

b. Since the revision of the international control lists agreed to by the U.S. in mid-1954 was designed to place the controls on a long-haul basis which other governments could defend when necessary, only relatively minor downward modifications in the multilaterally agreed lists should be required in the near future, *unless there should be a marked lessening of international tensions*

2. Our economic defense program should be framed and administered with full recognition of the fact that the economic defense system of the

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free world is part of the larger system of military and political alliances and, like them, depends upon the cooperative efforts of the free nations. Accordingly, in determining the measures which the United States should adopt and those to be urged on other nations, the impact upon the existing international system of economic defense as a whole, and upon the free world military and political alliances, must be taken into account. Similarly, in multilateral military and political discussions consideration should be given to the impact of courses of action on the economic defense program.

3. A major objective of U.S. foreign policy is to increase the political and economic unity of the free world. Accordingly, the problems posed for our allies by trade controls should be given appropriate weight and taken into account in determining the nature of the controls which the U.S. should advocate that the free world exercise in its economic relations with the Soviet bloc.

4. The United States should support preservation of the existing free world collective agreements in the field of trade controls. It should, as necessary and appropriate, supplement the multilateral program with unilateral controls, consistent with U.S. political objectives, which are effective in imposing on the Soviet bloc any significant economic cost additional to that imposed by the multilateral controls.

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5. The criteria for selective export controls and the specific content of the existing selective control lists should remain under a continuing review.

6. Emphasis should continue to be placed on improving the enforcement of the program, particularly the multilateral aspects thereof.

7. While there is a continuing necessity for U.S. controls over exports to the Soviet bloc, the U.S. as a general rule should approve for shipment to the European Soviet bloc commodities and technology, the control of which to a higher degree than the multilateral controls would not be effective if applied unilaterally by the U.S. At the same time the U.S. Government should not at this time actively promote this trade since such official action might tend to increase the over-all level of East-West trade in conflict with the general objectives of the economic defense program. These principles should govern U.S. exports of agricultural products in the same manner as other commodities.

8. The United States should exercise controls over exports to free world countries to the extent necessary to avoid the circumvention and frustration of U.S. security controls by those countries. Such controls should not be applied, however, as a substitute device for initial bilateral or multilateral negotiation in persuading friendly foreign

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countries to adopt adequate controls. It is important to avoid measures which significantly reduce the willingness on the part of free world countries to cooperate in the international system of controls, or measures which do not significantly affect the availability /from a particular country/ of controlled commodities to the Soviet bloc. (Commerce and Defense recommend inclusion of the bracketed language; State and MDAC recommend its deletion.)

9. Primary controls over commodities should continue to be supplemented by ancillary controls when the latter will contribute substantially to the effectiveness of the control system.

10. Maintenance of personal and commercial contacts between the free world and the Soviet bloc may have advantages, but no significant security sacrifices in the economic defense program should be undertaken to promote such contacts, except when justified by overriding U. S. national security interests.

11. An essential element in avoiding or reducing excessive dependence on Soviet markets or sources of supply is the development within the free world of alternative markets for commodities sold to the Soviet bloc and of alternative sources of supply for commodities acquired from the Soviet bloc.

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12. It would be unnecessary and undesirable, under current conditions, for the U.S. to institute general import or financial controls against members of the Soviet bloc other than Communist China.

13. As long as Communist China continues in the role of an actual rather than a potential aggressor, there should continue to be applied against Communist China a higher level and wider scope of controls than are applied against the remainder of the Soviet bloc. (In similar vein, should any other member of the Soviet bloc become an actual aggressor against a free world nation, prompt consideration should be given to institution of a higher level and wider scope of controls against such aggressor as well.) On the other hand, at such time as Communist China may be found to have ceased to be an actual, rather than a potential, aggressor, the levels and scope of controls should be re-examined and revised in accordance with paragraph 32 below.

14. Because the relationship of the economies of Hong Kong and Macao with that of Communist China is so close that the risk of the circumvention and frustration of economic defense controls toward Communist China is greater through transactions with these Western colonies than through similar transactions with other free world countries, it is necessary to take special care in the control of transactions with Hong Kong and Macao.

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Toward the Soviet Bloc Excluding Communist China

15. In controlling selectively the export of commodities, technology and services from the United States to the Soviet Bloc:

a. Continue the prohibition of all exports of the following destined for the Soviet Bloc, either directly or indirectly: Arms, ammunition, implements of war and atomic energy materials.

b. Deny or limit, as appropriate, export from the United States to the European Soviet Bloc of the following categories of commodities, technology and services:

(1) All commodities and technology included on the COCOM international embargo and quantitative control security lists and all services similarly denied or restricted.

(2) Such additional commodities, technology and services as would contribute significantly to the economic capabilities for war of the European Soviet bloc, the U. S. unilateral control of which can reasonably be expected, because of U. S. production, supply or technology, to be effective in depriving the European Soviet bloc of a significant contribution to the latter's economic capabilities for war.

(3) Other commodities, technology and services which raise such special political problems as to warrant U. S. export control to the European Soviet bloc despite the absence of international controls.

c. As a general rule, approve for shipment from the U. S. to the European Soviet bloc commodities, technology and services not included

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in subparagraph b, and where appropriate, remove the requirement of specific licenses for such shipments.

16. a. Maintain U. S. controls on the export of commodities, technology and services to Free World countries to the extent necessary:

(1) To minimize the risks of unauthorized transshipments.

(2) To avoid the frustration or circumvention of U. S. controls towards the European Soviet bloc and Far Eastern Communist destinations.

b. In implementing subparagraph a. (2) above:

(1) Limit or deny export of controlled commodities, technology and services to any Free World country when such limitation or denial will have the result of significantly affecting the availability from such country of such commodities, technology and services to the Soviet bloc and Far Eastern Communist destinations. (Commerce and Defense recommend inclusion of bracketed language; State and MDAC recommend its deletion.)

(2) Such controls should not be applied as a substitute device for initial bilateral or multilateral negotiations in persuading friendly foreign countries to adopt adequate controls and should not be employed in a way which would significantly reduce the willingness on the part of the Free World countries to cooperate in the international system of controls.

17. The U. S. Government should not, in general, actively encourage trade with the Soviet bloc, either by the U. S. or by other countries.

18. Improve the availability and enhance the utilization of current intelligence in matters relating both to negotiations for and to enforcement of controls.

19. Continue to study, and whenever appropriate explore with our allies, the development of improved criteria and listing techniques for export controls.

20. Foster greater recognition and assumption of responsibilities by other Free World countries for the efficient enforcement of agreed control measures.

21. Improve implementation and enforcement of controls by greater utilization of both bilateral and multilateral techniques and procedures, including closer coordination among national control authorities, as well as by the development and maintenance of significantly useful ancillary measures.

22. In making proposals for extension of multilateral controls, negotiate these proposals so as to minimize expenditure of good will and bargaining power.

23. Consult with other principal free world nations before entering into new major economic defense programs, except when such consultation would be impractical because of urgency or the character of the control under consideration.

24. Remind Free World nations, on appropriate occasions, of the risks of excessive dependence on the Soviet bloc as a trade partner, and stand



ready, within the limits of feasibility, to assist, and encourage others to assist, Free World countries threatened with such dependence. Foster the provision of safeguards designed to minimize the immediate effects of a sudden reduction or cessation of trade initiated by the Bloc.

25.a. Encourage and facilitate the flow of trade within the Free World, including the entry of commodities into the United States, by reduction of trade barriers, and urge other countries similarly to liberalize their trade policies, recognizing particularly the salutary effects of such actions, including those measures recently taken by the U. S., toward increasing the willingness of other countries to adopt or maintain desirable East-West trade controls.

b. Emphasize actions taken by the U. S. and other countries to liberalize foreign trade as a counter to the arguments made by some countries that a greater reliance on trade with the Soviet bloc is their only available practical alternative.

26. Foster the development by Free World countries of alternative markets and sources of supply, so as to reduce dependence on Soviet bloc markets and sources of supply.

27.a. Give careful attention to attempted Soviet bloc penetration of less developed countries through trade and development and technical assistance offers, assuming initially that the then existing U. S. foreign economic policies and assistance programs will serve adequately as the general answers or counterweight to Soviet bloc economic penetration

moves, but being prepared to take such additional action as the particular situation, examined in the complete context of total U. S. foreign relations and programs, is then deemed to require.

b. Insure that U. S. foreign economic policies and programs take appropriate account of the desirability of reducing so far as practicable the scope for successful Soviet bloc economic penetration.

c. Attempt to make the peoples and governments of less developed countries aware of the existence, nature and purpose of U. S. assistance, and discreetly employ suitable opportunities to advise such governments to keep alert to inappropriate activities or undisclosed designs for which Soviet bloc development assistance projects might be a mask.

28. Administer current U. S. programs, such as economic development, military and other governmental procurement, defense support, stockpiling, disposal of surplus goods and properties, and similar activities, in such a way as to take into appropriate account the objectives of, and the impact on, the economic defense program.

#### Toward Special Areas

29. In applying U. S. controls, accord to Hong Kong treatment consistent with that generally accorded cooperating countries while employing such special care as may be necessary to prevent frustration of economic defense controls on transactions with Communist China. To the same end apply more stringent controls on trade with Macao as may be appropriate.

30. Apply trade controls with flexibility, to the extent feasible and desirable, in the interests of preventing the permanent incorporation of North Vietnam in the Soviet bloc.

Toward Communist China

31. So long as Communist China is regarded by the U. S. as an actual aggressor:

a. Maintain the current level of United States export, import and financial controls on trade with Communist China. Without derogating from the basic principles of these controls, administer these controls in such manner as to endeavor not to lessen the active cooperation in the multilateral control program of other Free World countries.

b. Urge other Free World countries to maintain the current level of export controls on trade with Communist China. In aid of this effort, the United States should, without frustrating the multilateral embargo program, endeavor to handle questions of routine exceptions in such manner as to preserve and foster the willingness of other countries to retain the present level of controls.

c. Whenever it may be determined by the Secretary of State that further effort to maintain the current multilaterally agreed level of export controls would be seriously divisive among our

allies or lead nations needing trade with Communist China toward an accommodation with the Soviet Bloc, the Secretary should report such determination promptly to the Council for consideration of appropriate action.

d. In anticipation of the possible occurrence of the situation described in subparagraph c. above, undertake now to develop the most effective rationale supporting retention, to the maximum extent then negotiable, of the specific differential China controls now agreed multilaterally.

Toward the Soviet Bloc Including Communist China

32. Whenever the President, on the advice of the National Security Council, may find that Communist China should no longer be regarded as an actual, rather than potential, aggressor, and that East-West tensions in general have been correspondingly reduced:

a. Undertake, in consultation with our allies, the establishment of multilateral trade controls on a long-haul basis of general uniformity, and of maximum economic impact consistent with U. S. political objectives, towards the entire Communist bloc. If feasible, take the opportunity presented by this revision of the international control lists to obtain multilateral consideration of more effective criteria for selective export controls.

b. Consider whether or not to undertake a progressive accommodation

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of U.S. security trade controls, with a minimum of necessary exceptions, to those applied multilaterally against the Communist bloc. (Commerce and MDAC recommend deletion of the bracketed language; Defense, State and Treasury recommend its retention.)

c. Except as may be modified pursuant to a. and b. above, continue, in extension toward the entire Communist bloc, the courses of action set forth in paragraphs 15 through 28 above.

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