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## U. S. Transaction Controls

For some years COMSEC has been discussing ways and means of closing the gaps in the controls on shipments of strategic commodities to the Soviet bloc. In connection with proposals for physical controls over shipments moving in transit trade through such ports as Antwerp and Rotterdam, attempts were made also to inaugurate stricter financial or transaction controls in order to prevent the financing by third countries of strategic trade with the Soviet bloc. To date no agreement has been reached by COMSEC on these proposals and further discussion has been deferred until August.

Meantime, presumably in an effort to precipitate action by COMSEC countries, the United States unilaterally inaugurated, on June 29, 1953, a system of transaction controls designed to be additional curbs on trade with countries in the Bloc. These regulations, imposed by Treasury Department as a part of its Foreign Assets Control program, supplement United States export control laws. The export control laws cover exportations from the United States to the Soviet bloc, but prior to the issuance of the new regulations, it was not illegal in this country for persons to participate in the supplying of strategic goods to a Soviet bloc country from a third country.

The new order by Treasury prohibits a person residing in this country or its territories, either for his own account or that of another, from purchasing or selling, or arranging the purchase or sale of certain important commodities from anywhere in the world for ultimate shipment to the Soviet bloc when the transaction would be inconsistent with the controls of this country and of friendly foreign nations; any exception to this ruling must be specifically authorized by the Secretary of the Treasury.

Violations of the regulations are subject to court action with a maximum penalty of \$10,000 fine and/or ten years imprisonment.

The Journal of Commerce, New York, on July 9, reported that United States firms are already charging that the Treasury Department regulations re trade with the Soviet bloc are too vague and threaten legitimate commercial relations with overseas firms and affiliates; furthermore, that one big corporation has sent a representative to Washington to obtain clarification, and that others may follow.

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The onus of any violation of these new orders falls squarely on the individuals or firms involved and not on any banking institution in the United States that might be used as an intermediary. Effective implementation by Treasury obviously will require increased intelligence support. While it is the admitted responsibility of the FBI to investigate criminal activities of US citizens, the transactions envisaged will of necessity involve foreign individuals, firms, and/or banks. Such east-west traders and banks have been the continuing interest and concern of I/T and particularly D/E. In no case has D/E passed its hands of investigation of an east-west transaction just because a US citizen has been involved in the deal. As a result, the branch has in its files information on suspects of citizens and will undoubtedly continue to receive additional reports which would be of assistance to the FBI and/or Treasury Department. Consequently, it might be well, at the present time, to review and clarify the role of CIA and particularly D/E in furnishing intelligence support for the implementation of United States transaction controls.



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*US Import  
Restrictions from  
Communist Countries*

*Recd. Jan 15/54 by [Signature]  
Leon M. Herman, [Signature] Commerce  
Rm. 3421*

Under Sections 5 and 11 of the Trade Agreements Extension Act of 1951, President is required to take action to deny the benefits of trade agreement concessions to imports from the U.S.S.R. and its satellites and to prevent the importation of certain furs from the U.S.S.R. and Communist China. Accordingly, the United States has taken action to give formal notice of termination of commercial treaties and agreements and otherwise to relieve of its commercial obligations to the U.S.S.R., Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania.

U.S.S.R.

As required by Section 4507 of the Tariff Act of 1930, the Treasury Department investigated the use of forced labor in the production of crabmeat in the Soviet Union. On the basis of its finding, the entry of this commodity into the United States was declared illegal. (Treasury Decision 52655, January 25, 1951).

On August 1, 1951, the President signed a proclamation giving effect to Sections 5 and 11 of the Trade Agreements Extension Act of 1951. As provided by Section 5 of the Act, notice was served on the U.S.S.R. on June 23, 1951, of our wish to terminate the commercial agreement of August 14, 1937, which granted that country most-favored-nation status in its trade with the United States. After the lapse of six months, as provided by the above agreement, all concessions extended to Soviet merchandise under existing trade agreements were withdrawn effective January 5, 1952, by means of a notification by the President to the Department of the Treasury. Consequently, all goods imported into the U. S. from the U.S.S.R. are now dutiable at the rates of duty specified in the Tariff Act of 1930, and do not benefit from any tariff concessions granted by the United States Government to friendly countries under our reciprocal trade agreements program.

The provisions of Section 11 of the Trade Agreements Extension Act of 1951 also came into effect on January 5, 1952, after the expiration of the commercial agreement of August 14, 1937. As provided by the Act, the Treasury Department was notified by the President that imports of seven types of furs specified in the legislation (ermine, fox, kolinsky, marten, siskit, muskrat, and weasel) will be prohibited, and this prohibition is now in effect.

Poland

Effective January 5, 1952, the United States Government withdrew all trade agreement concessions from Poland by terminating the Treaty of Friendship, Commerce, and Consular Rights of 1931. This Treaty contained the most-favored-nation clause, the termination of which subjects all commodities imported from Poland to the rates of duty specified in the Tariff Act of 1930.

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Czechoslovakia

At the Sixth Session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) on September 27, 1951, it was agreed that the Government of the United States and of Czechoslovakia were free to suspend their obligations to each other. Effective November 2, 1951 the United States Government suspended all concessions made in trade agreements with regard to imports from Czechoslovakia. The effect of this action subjects all imports from Czechoslovakia to the rates of duty specified in the Tariff Act of 1930.

Hungary

Effective July 5, 1952, the United States Government withdrew all trade agreement concessions from Hungary by terminating the Treaty of Friendship, Commerce, and Consular Rights of 1929. This treaty contained a most-favored-nation clause, the termination of which subjects all commodities imported from Hungary to the rates of duty specified in the Tariff Act of 1930.

Rumania

Effective August 1, 1951, the United States Government withdrew all trade agreement concessions from Rumania by terminating the provisional commercial agreement of 1930. This agreement provided for most-favored-nation treatment for contracting parties. Accordingly, all imports from Rumania are now subject to the rates of duty specified in the Tariff Act of 1930.

Bulgaria

Effective October 18, 1951, the United States Government withdrew all trade agreement concessions from Bulgaria by terminating the provisional commercial agreement of 1932. This agreement contained a most-favored-nation clause, the termination of which subjects all commodities imported from Bulgaria to the rates of duty specified in the Tariff Act of 1930. Diplomatic relations between the United States and Bulgaria have been suspended since February 1950.

Albania

No diplomatic relations are maintained with Albania and no commercial agreements have been in effect since the close of hostilities in 1945. All commodities imported from Albania are subject to the rates of duty in the Tariff Act of 1930.

China and North Korea

On October 12, 1950, the President signed a proclamation terminating certain U. S. tariff concessions initially negotiated with China in the General Agreement on Tariffs and Trade concluded at Geneva in 1947. This action was taken because of the withdrawal of Nationalist China from the Agreement on May 6, 1950. Not all the concessions initially negotiated with China were terminated at that time, inasmuch as in certain cases other contracting parties to the General Agreement had a substantial interest in the concessions. Action on these concessions was delayed pending consultation between the U. S. and those other contracting parties. On November 26, 1951, after such consultations were completed, the President announced the withdrawal of additional concessions to be effective January 29, 1952.

On August 1, 1951, the President signed a proclamation giving effect to Sections 5 and 11 of the Trade Agreement Extension Act of 1951, and he notified the Treasury Department in accordance with Section 5 of the Act that, after August 31, 1951, all concessions extended to merchandise from communist dominated parts of China were to be withdrawn. Consequently all goods imported into the U. S. from communist China are now dutiable at the rates of duty specified in the Tariff Act of 1930. He further advised the Treasury Department that under Section 11 of the Act, the entry, or withdrawal from warehouse, for consumption, of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed and undressed, originating in any part of communist-dominated China were to be prohibited after August 31, 1951.

Import controls with regard to Chinese and North Korean goods are exercised under the Foreign Assets Control regulations which were issued by the Treasury Department on December 17, 1950. The issuance of the regulations followed a decision of the National Security Council that, in view of the situation in Korea, such action should be taken under the Trading with the Enemy Act against Communist China and North Korea. Under these regulations the importation of Chinese and North Korean goods is prohibited without the license of the Treasury Department, and it is the policy of the Treasury Department not to license the purchase and importation of such goods.

Other Communist-Dominated Areas

The President's action under Section 5 of the Trade Agreement Extension Act of 1951, suspending the benefits of Trade Agreements after August 31, 1951, also was made applicable to Estonia, the Soviet Zone of Germany and the Soviet Sector of Berlin, any part of Cambodia, Laos and Vietnam (Associated States of Indo-China) under communist domination or control, any part of Korea under communist domination or control, the Kurile Islands, Latvia, Lithuania, Outer Mongolia, Southern Sakhalin and Tanna Tuvu. While the United States has neither a trade agreement nor direct trade with Tibet, a routine administrative action suspended concessions made in trade agreements with regard to imports from Tibet after July 13, 1952. As indicated under China, imports from North Korea are also subject to the Treasury Department's Foreign Assets Control Regulations.

Soviet Law of Germany and the Soviet Sector of Berlin

No diplomatic relations are maintained with the Soviet Law of Germany and no agreements of any kind are in existence with that area.

Pursuant to a U. S. Treasury Decision, goods originating in the Soviet sector of occupation in Germany must be marked "Made in Soviet-occupied Germany". This insures that the U. S. Customs Bureau will be able to identify such goods and distinguish them from goods originating in Western Germany without difficulty. All commodities imported from Soviet occupied Germany are subject to the rates of duty specified in the Tariff Act of 1930.