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PROPOSED REVISION OF FOREIGN SERVICE REPORTING INSTRUCTION  
ON ECONOMIC RELATIONS WITH THE SINO-SOVIET BLOC

EDIC Working Group on Collection Requirements  
(December 5, 1955)

220 ECONOMIC RELATIONS WITH THE SINO-SOVIET BLOC

221 Scope of Subchapter

Subchapter 220 is concerned with the definition, purposes, and coordination of Foreign Service reporting on trade and other economic relations with Sino-Soviet Bloc countries. A description of the major reports required in these categories and suggested guides to be used in their preparation are also included.

222 Definition

For the purposes of this subchapter, the Sino-Soviet Bloc is defined as including Albania, Bulgaria, Czechoslovakia, Soviet Zone of Germany, Hungary, Poland, Rumania, U.S.S.R., Communist China, North Vietnam, and North Korea. Coverage on Formosa, Macao, and Hong Kong is also of interest because of the close trading relationships of the latter two localities with mainland China, and because of the practice of some countries of including all three of these areas with mainland China in foreign trade statistics.

223 End-Users and Purposes

223.1 Principal Participating Agencies, Groups and Countries

Foreign Service reports on the economic relations of free-world countries with the Sino-Soviet Bloc are principally used by those departments which have operating and policy responsibilities in

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the field of economic defense, especially Commerce, Defense, ICA/MDAC, State and Treasury. Under the direction of the Secretary of State, the Director of ICA (through his Deputy Director for MDAC) has special legislative responsibility for administering the Battle Act, including its termination-of-aid provisions and the coordination of all activities of the United States Government which concern security controls over exports from foreign countries. The Departments of Commerce and Treasury have primary responsibility for administering, respectively, United States export and financial control legislation. The Departments of Defense and State are concerned with economic defense because of their general responsibilities, respectively, for the national defense and the conduct of foreign affairs. In addition to these operating and policy agencies, the Washington intelligence community is an important end-user of much of this material received from Foreign Service posts.

United States economic defense activities are coordinated through the Economic Defense Advisory Committee (EDAC). Under EDAC, which includes all agencies having significant responsibilities in the field of economic defense, a number of working groups and sub-committees coordinate the essential functions of the program under the general supervision of the EDAC Executive Committee.

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International coordination in controlling trade with the Sino-Soviet Bloc is effected in Paris through the Consultative Group (CG) and its two subcommittees, the Coordinating Committee (COCOM) and the China Committee (CHINCOM). This organization consists of fifteen member countries: Belgium, Canada, Denmark, France, Greece, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Turkey, the United Kingdom, the United States, and West Germany. Other free-world countries cooperate in varying degrees, often by bilateral arrangement.

223.2 Purposes

223.21 General

Reporting on economic relations with the Bloc provides the sine qua non for meeting the responsibilities described above. Through informative Foreign Service reporting, the EDAC agencies are enabled to judge the suitability and weigh the cost of actual and proposed economic defense programs and measures. For this purpose, they require information and analysis as a basis for evaluating the total impact of such programs and measures on both the Bloc and the free world.

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223.22 Economic Defense Objectives and Programs

The basic objectives of United States foreign economic policy relating to economic defense are:

- a. To limit or retard the growth of economic war potential in the Sino-Soviet Bloc, and
- b. To increase or maintain the relative economic strength of the free world.

It is evident that the accomplishment of these objectives depends in large measure on various policies and programs within the free world, including United States foreign trade policy and the mutual security program.

Within the scope of economic defense legislation and administrative orders, these objectives are carried out through a number of interrelated programs, which are changed from time to time to meet new conditions. Existing economic defense programs may be described conceptually as follows:

- a. Commodity trade controls over exports and imports.
- b. Ancillary controls over transit trade (e.g., IC/DV and TAC systems), transportation services (e.g., voyage licensing controls), ownership and use of financial assets, transactions and/or financial operations, and release of technology.

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c. Consultations and mutual assistance among free-world countries aimed at preventing or reducing economic domination or penetration by the Sino-Soviet Bloc.

Commodities subject to strategic export controls are enumerated in various lists, multilateral and unilateral.

The International Lists, agreed to by COCOM and CHINCOM, include International List I (with its Munitions and Atomic Energy Annexes), Lists II and III, and the China Special List. All items on the lists just named are embargoed to Communist China and the Asiatic satellites by the fifteen participating countries. With respect to the USSR and its European satellites, International List I is embargoed, List II is under quantitative control and List III is merely under surveillance. The International Lists have been transmitted informally to certain "third countries" cooperating in CG control arrangements.

The Battle Act lists, also relating to the control of strategic exports from other countries to the Bloc, are transmitted to all aid-recipient governments and generally to other friendly countries when these lists are issued or revised. The Battle Act Title I list (Categories A and B) is identical in coverage to International List I (with its Annexes) while the Title II list is identical in coverage to IL II and III.

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Although not establishing an additional international list, the UN General Assembly Resolution of May 18, 1951, called for a strategic embargo applying to Communist China and North Korea of arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition and implements of war. UN members in responding to this Resolution in many instances listed the items to which they would apply the embargo.

The national export control lists issued or published by individual countries in implementing international agreements or in carrying out their own unilateral controls vary in character and format, covering strategic items in general categories (e.g., tariff or statistical classifications) in some instances, and providing specific listings or definitions in others.

The US Master Export Security List (MESL) enumerates strategic items under US export control. It includes the International Atomic Energy and Munitions Lists, International Lists I, II and III and the list of items controlled unilaterally by the United States.

223.23 Specific Uses

The individual economic defense programs described above require special types of reporting. For example, reporting which relates to the supply position, including trade, of

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the Bloc in various commodities is used in the determination of commodity controls and for negotiating changes in the multilateral lists with other governments. It is also essential in determining the net advantage of individual trade transactions and agreements proposed or effected between Bloc and free world countries. General and specific information on East-West trade transactions is used, in part, for the enforcement of existing trade controls, and for the modification of such controls whenever necessary to fill loopholes or meet changed conditions. Together with reporting on the trading tactics and other external economic operations of the Bloc, it is used for a variety of additional purposes. These include the determination and international negotiation of measures as necessary and appropriate to prevent or combat Bloc economic penetration and domination of free world countries. In a similar way, reporting on Bloc use of free world shipping, credits, and so on is needed for the determination and negotiation of ancillary controls, and for their enforcement and modification ~~as appropriate~~ and ~~is also useful in the conduct of other economic defense programs.~~

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224. Coordination of Reporting Activities

Certain ~~A substantial body of~~ information on economic relations between the Bloc and the CG countries, in particular, is contained in CG/COCOM/CHINCOM documents and in communications from the United States delegation to CG/COCOM/CHINCOM. In the interests of adequately informing the EDAC agencies and their overseas representatives, and to minimize unnecessary duplication, posts ~~should scrutinize~~ <sup>receiving</sup> CG/COCOM/CHINCOM documents and communications from the United States delegation, <sup>should scrutinize them</sup> in order to determine what areas and items of information should be reported or amplified, not only to Washington but to the United States delegation or to other posts. Reporting on East-West trade should also be closely coordinated with the other interested elements at the post, including the Department of Defense attaches.

225. Nature of Reporting on Economic Relations with the Bloc

Reporting on this subject presents unusual problems, for two principal reasons. First, economic relations with the Bloc are sui generis. Secondly, the facts are often hard to get, identify or interpret.

Foreign trade is a government monopoly in Bloc countries, and is motivated by political, military and psychological considerations in addition to the purely commercial factors which are normally controlling in the Western World.

Furthermore, the Bloc maintains a long-standing policy of secrecy. Information on a great variety of Bloc economic activities is systematically withheld or misleadingly presented. Besides obstructing normal foreign trade, this economic secrecy makes reporting both tricky and difficult.



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The reporting officer, therefore, should be especially alert and assiduous in digging out and verifying the facts, cautious about accepting statements at their face value, and critical in interpretation. Specific descriptions of information sources, and estimates of their reliability, should be given as a matter of course.

226 Reporting Guides

Foreign Service reports on economic relations with the Soviet Bloc will, in general, fall into the categories of repetitive statistical reporting, periodic appraisals of significant developments in the economic defense and related fields, and the submission of information on outstanding current developments as they take place or are anticipated. These reports will generally be requested under Sections B, C and <sup>respectively</sup> D/ of the ~~economic~~ post's CERP. In addition, "spot" requests may emanate from Washington on certain subjects not included in CERP, and reporters in the field should, at their own discretion, submit voluntary reports on subjects in this field. General definitions of these types of reports are included in 3 FSM II 020, and more specific guidance in the preparation of these reports is given below:

226.1 Repetitive Statistical Data on Trade with Countries of the Soviet Bloc

The Department of Commerce compiles matrix tables in value terms and detailed commodity tabulations in quantity and value, of all trade with the Soviet Bloc countries, using as a basis the published and unpublished data submitted by posts in compliance with

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Section B CERP requirements. In general, these requirements may call for submission of one or both of the following reports:

A. Monthly Value Totals

1. Total value of monthly trade with all Soviet Bloc countries.
2. Total value of monthly trade with individual Soviet Bloc countries.
3. Data in 1 and 2 should show value of domestic exports, re-exports, and imports.

B. Monthly, Quarterly or Semi-Annual Commodity Detail

1. Volume and value of exports to separate Soviet Bloc countries by major commodity listings.
2. Volume and value of imports from separate Soviet Bloc countries by major commodity listings.
3. Trade data on those commodities which appear in Title I and Title II Battle Act lists are especially desired.  
(note - Posts in countries whose Governments participate in CG/COCOM/CHINCOM should correlate these data with the statistics covering shipments of International Lists I and II items which are submitted to COCOM.)
4. Coverage should also include available data on transshipments to or from the Soviet Bloc.

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5. Wherever possible posts should transmit commodity details following the Standard International Trade Classification system as employed by the United Nations to enable Washington to compare international trade reporting (see 3 FSM II 517), although portions of this list will not be applicable to certain countries.

226.2 Semi-Annual Reviews

Certain posts are required to submit, on a semi-annual or annual basis, analytical reports on economic relations with the Soviet Bloc as required under Section C of CERP. The essential aim of these reports is to obtain the post's considered analysis and appraisal of developments in this field during the period under review. Detailed information already reported to Washington should not be repeated but should be included by reference to previous communications. Of the more significant developments to be reviewed, some are common to all countries, while others will be a product of a country's peculiar politico-economic factors and circumstances. The following general outline is offered as a guide, although posts need not comply with the order in which the various topics appear, nor need they address themselves to each subtopic listed. Those listed indicate, but do not exhaust, the subtopics which could be of significance. With respect to items A through C, which refer to developments common to all countries, posts are requested to point out when there has been no development

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or change therein, if this has been the case, rather than to ignore the topic completely.

In addition to these periodic reports, all posts are encouraged to submit analyses, on their own initiative, of major developments as they occur in economic relations with the Sino-Soviet Bloc.

A. U.S. Negotiations and Problems Confronting the Post

B. Attitudes of Host Country

1. Governmental attitude toward trade with the Bloc.
2. The Government's view regarding the level of export controls, and the aims and extent of its participation in COCOM, CHINCOM, or its cooperation under the Battle Act. ~~or other such groups or arrangements.~~
3. The direction of business and press attitudes, and other pressures.

C. Strategic Export Controls and their Application

1. Developments in control regulations.
2. Analysis of exception cases.
3. Battle Act problems.
4. Diversions.

D. East-West Trade

1. The Bloc's (or a particular Bloc country's) apparent intentions or tactics regarding trade with the local country.

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2. Analysis of significant changes in the volume and content of trade with particular Bloc countries.
3. Significance of East-West trade, or aspects thereof, in relation to total trade.
4. Impact upon the economy of the local country of restrictions on exports to the Bloc.
5. Price changes.
6. Status of payments or clearing balances, and the use of short or long-term credit.
7. Trade agreements negotiated with Bloc countries, and significant items.
8. Trade fairs and delegations (see 3 FSM II 670).

E. Other Outstanding Developments or Likely Changes

226.3 Alert List Reporting

Post should keep Washington fully informed of significant developments in the field of economic relations with the Sino-Soviet Bloc. The following are characteristic of the subject material that should be included under Section ~~D~~<sup>D</sup> (Alert List) reporting:

a. Commodity Controls

- (1) New commodity controls or control regulations adopted, or the modification or dropping of existing controls.

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b. Enforcement

- (1) New control regulations, laws or decrees adopted, or the modification or dropping of existing regulations, laws or decrees relating to the application or enforcement of security trade controls.
- (2) Shipment of Battle Act Title I and II items from the country or in transit through the country to Bloc destinations or likely transshipment points.
- (3) Significant cases of diversions or clandestine shipments, direct or indirect, of strategic commodities, particularly those of United States origin or subject to TAC controls.
- (4) Any apparently new trade routes established for shipments to Bloc countries originating in or passing through the country; names of shipping lines or airlines using transit points within the country; new transit facilities or forwarding firms.
- (5) Security trade control cases which involve or call for administrative action.
- (6) Information regarding United States nationals, firms, or affiliates whether located in the United States or abroad (including visits of United States registered vessels and United States aircraft) participating in or

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facilitating the shipment or transshipment of strategic commodities to Bloc countries or likely transshipment points. Other information regarding United States nationals, firms or affiliates with respect to their possible addition to or deletion from the BFC Special Check List.

- (7) Bloc efforts to develop sources of supply for strategic list commodities.

c. Trade Pattern and Composition

- (1) Significant changes in composition or pattern of trade with any Bloc country or with Bloc as a whole.
- (2) Significant increases of essential or critical commodities imported from or exported to Bloc countries; unusual Bloc purchases or sales.
- (3) Trade agreements with Bloc countries (see 226.41 - Guide for Special Reporting).
- (4) Follow-up information on fulfillment of trade agreements, placing of contracts, delivery, delays, and status of fulfillment of long-term commitments, under trade agreements.

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1. Other External Economic Activities of the Bloc

- (1) Bloc economic penetration, particularly in less developed areas -- through offers of equipment (especially on a gift or loan basis) or technical or financial assistance; follow-up on implementation of offers.
- (2) Bloc economic penetration, particularly in less developed areas, through sale of Bloc exports at lower-than-world market prices, or purchase of imports at higher-than-world market prices.
- (3) Bloc efforts to develop new sources of supply.
- (4) Purchasing by one or more Bloc countries of large proportion of specific commodity exports from individual free-world countries (especially of country's surplus commodities).
- (5) Actual or attempted penetration or control of business firms, particularly those acting as agents for strategic products of United States manufacture and known to be sympathetic to the sale of strategic materials to the bloc, known to have engaged in such trade, or believed to have connections with Communist Party or Bloc agents.

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- (6) Trade practices of Bloc countries (negotiating techniques, terms of trade, etc.), especially those of which the host country is critical.
  - (7) Examples of difficulties of trading with Bloc countries, their unreliability, delay, or non-fulfillment of contracts, poor quality, complaints, etc., especially complaints voiced by free-world businessmen or government officials.
  - (8) Middleman activities of the Bloc in international trade transactions.
- e. Balance of Payments Items
- (1) Credits and loans and offers of credits and loans granted to and/or extended by the Bloc, including details of <sup>f</sup>Free <sup>w</sup>World government credits and guarantees of private loans.
  - (2) Bloc deficits and credits outstanding, including status of clearing accounts under trade and payments agreements.
  - (3) Sino-Soviet Bloc freight and other service payments to and receipts from the <sup>f</sup>Free <sup>w</sup>World.
  - (4) Gold movements and sales involving Bloc countries.
  - (5) Bloc use of dollars and sterling in trade with the West (e.g., the use of these currencies in settlement of imbalances under trade and payment agreements, in evasion of controls, etc.).
  - (6) Changes in Bloc assets in the <sup>f</sup>Free <sup>w</sup>World, particularly changes in bank balances.

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f. Trade Fairs and Delegations

- (1) Participation by Bloc countries in trade fairs or expositions (see 3 FSM II 670).
- (2) Bloc trade and other economic and technical delegations and their activities and contacts within the free world.

g. Transport and Communications

- (1) Construction and sale of vessels to Bloc countries, including the reason for the sale (e.g., trade agreement commitments, special barter deal) and as much detail as possible concerning specifications (i.e., type of vessel, tonnage, speed, etc.). (see 3 FSM II 572).
- (2) Repair of vessels for Bloc countries.
- (3) Chartering of vessels to Bloc countries, including available information on middlemen and Bloc agents.
- (4) Construction, sales, repair, and chartering of aircraft to Bloc countries.

226.4 Guides for Special Reporting

226.41 Trade and Payments Agreements With the Soviet Bloc

Detailed information is required on bilateral trade and payments agreements that may be entered into by non-bloc and Soviet Bloc countries. In general, the following information is desired in order to (a) administer the commodity embargo and control provisions of the Battle

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Act; (b) to appraise the relative bargaining positions of the <sup>free world</sup> ~~Western~~ countries; (c) to anticipate any Bloc demands for strategic materials and the ability of the <sup>free world</sup> ~~Western~~ countries to withstand these demands; (d) to help anticipate the general trends and patterns of the trading partners; and (e) to appriase Bloc trade offensives, especially in non-European areas.

- a. Information should be submitted, as available on forthcoming negotiations, the date and place of negotiation, and the anticipated major problems. Important information on the progress of the negotiations should be submitted by cable.
- b. Summaries of the agreement should be forwarded in reproducible despatch form as soon as possible, with text and schedule attached if available. The form to be used in preparation of this summary is shown below. The texts and schedules of the agreement should be obtained and forwarded as soon as possible under the same code. If not available, upon submission of summary, the post should note the efforts being made to obtain and likelihood of procuring copy.

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Form for Trade Agreement, Protocol, or Supplement Summary

1. Parties to Agreement.
2. Source of information; also notation of most detailed published references if available.
3. Duration of agreement.
4. Date of previous agreement and whether current agreement replaces it completely (thus new agreement), constitutes new schedules for exchange with same terms (thus protocol) or merely supplements list of commodities to be exchanged (thus supplement); also relationship to any long-term agreement in effect between countries concerned.
5. Denouncement and renewal provisions.
6. Principal commodities for exchange (in metric tons or units and value) with delivery dates if extended longer than one year.
  - (a) Exports from/<sup>free world</sup>~~Western~~ Country.
  - (b) Imports to/<sup>free world</sup>~~Western~~ Country.
7. Foreign trade value summary.
8. Special provisions.
9. Analysis (may be submitted separately);
  - (a) <sup>Free world</sup>/~~Western~~ or Bloc satisfaction or dissatisfaction with the agreement as signed.

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- (b) Post's assessment of relative advantage to the free world /~~West~~, including the degree of economic dependence on commodities to be received and the impact of a possible dislocation in the traditional exchange of goods.
- (c) Any indication of coordination among Bloc countries prior to or during negotiations.
- (d) Specific examples of way in which/~~West~~ <sup>the free world</sup> is (if true) at disadvantage in bargaining with the Bloc country.
- (e) Any pertinent comments on prices, Bloc offers of premiums, etc.
- (f) Indications of particularly strong Bloc interest in specific commodities (whether or not commodity exchange as shown by Bloc offers to pay higher prices or give better terms) with any explanations <sup>free world</sup> offered by/~~Western~~ negotiators or surmised by post.

Form for Payments Agreement or Provisions

1. Date of signature (if modification, indicate date of original agreement and previous modifications).
2. Denouncement and renewal provisions.
3. Exchange rate provisions.
4. Payments covered.

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5. Method of clearing:
    - (a) Currency in which accounts are kept.
    - (b) Banks.
    - (c) Interest.
  6. Frequency of clearing.
  7. Overdraft provisions (swing or other, long or short-term credits).
  8. Final settlement (currency, merchandise, period of time).
  9. Use of dollars or gold (as compared with previous agreement).
  10. Other provisions.
  11. Post comments (may be submitted separately), including information on the transfer of clearing balances from previous agreements.
- c. Follow-up information should be submitted on contracts actually placed under the trade agreements, difficulties in fulfilling commitments, Soviet Bloc delays in delivery, complaints about quality of goods delivered by the Soviet Bloc, overfulfillment of quotas by other side. Information revealing status of fulfillment of long-term commitments is especially needed.

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226.42 Status of Security Controls Exercised by Foreign Governments

The United States Government agencies which share the responsibility for administering economic defense activities under the Battle Act and the Security trade controls of the United States over its own economic relations with the Sino-Soviet Bloc require as complete and up to date a picture as possible of the security trade controls maintained by other free world governments. Essentially, this picture consists of what each government can do, at any time, within the limits of its legislative framework. Whenever a case arises which calls for a United States approach to the appropriate authorities of another government - it may be with respect to an impending export from or transshipment through that country, or to a shipment of U.S. origin, or to the transfer of a U.S. ship or commercial airplane - it is necessary to be able to know what it is possible to expect or ask the foreign government to do. It will be noted that this Section is concerned with the reporting, not of "diversion cases", or with other attempts of national to avoid any of the various kinds of controls in question, but with the reporting of the nature and scope of the security controls/~~currently~~ currently in force. In general these controls may be placed ~~into~~ <sup>in three four</sup> ~~into~~ categories: (a) the

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export (including re-export and ~~financing transshipment~~ transshipment) of strategic commodities; (b) the export of technical data; (c) controls over shipping and air transport, and ~~(d) the financing of strategic trade with Sino-Soviet Bloc countries.~~

Such reporting provides basic information required in diversion control and enforcement activities. Information on controls of aid-recipient countries must also be reported to Congress under Section 302(b) of the Battle Act.

A. Security Controls Over the Export of Strategic Commodities

In general, the controls imposed by foreign governments over the exports of strategic commodities fall into commodity-destination controls (export licensing controls, destination controls as exemplified by the IC/DV system, and transshipment and transit controls as exemplified by the TAC system) and financial controls.

1. Commodity and Destination Controls

It is essential to have information on:

- (a) The legal basis for existing control measures, or for possible future extension of security trade controls, including important administrative regulations.

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- (b) Significant changes in export policies over trade with the Sino-Soviet Bloc, including changes in the lists of items subject to control, and whether subject to embargo, quantitative limitation, or surveillance only.
- (c) Significant alteration in such control procedures as preshipment screening (including end-use checks in the field), import certificates or import permits, exporters' declarations and delivery verifications.
- (d) Changes in and effectiveness of enforcement measures.
- (e) Changes in control over re-exports. This information is required in connection with the licensing of exports from the United States to areas where re-export controls may be inadequate to prevent diversions to unauthorized destinations.
- (f) Controls over in-transit shipments. Evaluations would be helpful in regard to (1) the need for additional controls, (2) the possibility of securing the local government's cooperation, and (3) the probable effectiveness of such controls if instituted. Reports on the implementation

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and effectiveness of the Transit Authorization Certificate Scheme are requested.

- (g) Developments in connection with the requirement of some countries of the issuance of import licenses to insure that goods in question are consumed domestically and are not re-exported to undesirable destinations; information regarding import controls imposed for balance of payments reasons which might be utilized to serve a security purpose.

2. Financial Controls

(a) Background Information

The United States Government through the Foreign Assets Control Regulations administered by the Treasury Department has blocked the assets in the United States of Communist China, Tibet, and North Korea and their nationals and prohibited unlicensed dealings involving property in which Communist China, Tibet, or North Korea or their nationals have any direct or indirect interest. Thus the regulations prohibit the use of United States financial facilities by these countries and their nationals, e.g., the issuance of a United

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States dollar letter of credit by a United States or foreign bank in connection with the financing of a shipment of merchandise, whether or not strategic, from anywhere in the world to Communist China, Tibet, or North Korea. These regulations also prohibit the unlicensed importation into the United States of goods of Chinese Communist, Tibetan, and North Korean origin and Chinese type merchandise. Agreements have been entered into by the United States Treasury Department with several foreign countries under which they may issue certificates to the effect that certain Chinese type commodities allegedly produced in those countries are not, in fact, of Communist China, Tibetan or North Korean origin. Chinese type merchandise covered by such certificates of origin is authorized to enter the United States under a general license contained on the Foreign Assets Control Regulations.

The Treasury's transaction control regulations prohibit Americans, including foreign subsidiaries of United States firms, from participating in the purchase or sale of certain important commodities for ultimate shipment from any country outside the

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the United States to the countries of the <sup>Sino-Soviet</sup>/~~Soviet~~ Bloc. These transaction controls are complementary to the United States export control laws.

Pertinent regulations of the Treasury Department were transmitted to Foreign Service posts by the Department's circular instruction of January 26, 1951 and February 9, 1951, entitled "Foreign Assets Control" and (insert dates of later transmission of amended FAC Regulations and Transaction Control Regulations).

(b) Information Requested

Information on the following subjects should be submitted to Washington as soon as it comes to the attention of reporting officer:

- (1) Possible violations of the Treasury Department Foreign Assets Control and Transaction Control Regulations. For example, information is requested regarding any shipment to the United States of goods of Communist origin (or of goods mixed with goods of Communist Chinese origin) the origin of which may be improperly certified in violation of agreements undertaken with the United States.

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- (2) Any formal or informal measures adopted by other governments for reasons of security to keep under surveillance or to control financial transactions involving trade with Sino-Soviet Bloc countries.
- (3) Any other information that may pertain to the balance of payments position of Bloc countries, such as data on the shipping account of the Bloc's balance of payments (in cooperation with 3 FSM II 160).

B. Security Controls Over the Export of Technical Data

For some time the United States has subjected to control the export of industrial and technical data (e.g., blueprints of technical processes) to Sino-Soviet Bloc destinations, and licenses for export of any data of a strategic character have been denied. Foreign Service posts should be alert for possible evasion of these controls over technical data of United States origin, and should report promptly any cases which come to their attention involving the export from their area to the Sino-Soviet Bloc of strategic technical data of non-United States origin. In this instance the following information is desired on a continuing basis:

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1. Formal or informal action by other governments designed to protect industrial or technical data of a strategic nature, such as censorship, export controls over technical information, voluntary programs involving cooperation of industry, restriction of publication of government information, patent security, etc.
2. The attitude of government officials and individual industrial firms toward international cooperation in the field of security controls over technical data.

Reports should stress any disadvantages associated with measures proposed or undertaken from the standpoint of the need for dissemination of technical data within free countries as compared with the security advantages of insuring denial to the Soviet Bloc.

C. Security Controls Over Shipping and Air Transport

In most countries, controls over the sale and transfer or registry of ships and aircraft are separate from the controls over other strategic items. The legislative authority basic to such controls is usually different, having been adopted mainly for the purpose of developing and maintaining a national merchant marine and air service. Thus the controls are normally adminis-

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tered by the agency having responsibility for shipping or air transportation. In the case of the United States, for example, the Shipping Act of 1916 provides the basic legislative authority for controlling the sale or transfer of United States ships, and the United States Maritime Administration administers the controls. Since these controls are also applied for security purposes, it is desirable for posts to be aware of these separate arrangements in reporting on the status of security controls.

In addition to controls over sales (i.e., change of ownership) and transfer of <sup>registry</sup>~~registry~~ (i.e., change of flag or export), many countries maintain some kind of control over chartering of national flag vessels, especially tankers, to Bloc entities. In the United States, the basic control regulation is General Order 59 revised, of January 22, 1951, issued by the Maritime Administration under authority of the Shipping Act of 1916. In most countries, however, such controls over chartering as exist stem from controls over the currency aspect of the contract.

A third type of security controls affecting shipping is that governing the cargoes that may be carried to the Sino-Soviet Bloc. United States ships

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(and aircraft) are prohibited under the terms of Transportation Order T-1 of December 8, 1950 from carrying any United States Positive List item to a Soviet Bloc port (if the item is of United States origin) unless it is properly licensed or unless permission has been received from the Under Secretary for Transportation of the Department of Commerce. Transportation Order T-2 of December 16, 1950 prohibits United States ships (and aircraft) from calling at Chinese Communist ports or from carrying anywhere in the world cargoes destined for Communist China. Other governments which participate in COCOM have comparable controls (voyage licensing, etc.) which prohibit their flag vessels from carrying embargoed items to Communist China and North Korea, unless permission is first obtained from the respective Government.

In addition, information in this field contributes to the effective implementation of the Department of Commerce's bunkering controls and the licensing of other ships' stores to vessels of foreign registry, as well as the bunkering controls administered by the Department of the Treasury under its Foreign Assets Control.

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In order to administer United States controls in these fields and to seek the cooperation of other governments along these lines, including the participants in COCOM, information on the following subjects is required on a continuing basis:

1. The legal basis and existing regulations providing for controls over shipping and air transport operations, including controls over sales, transfer of registry, chartering, and carriage and bunkering controls.
2. The administration of such controls by foreign governments.
3. Any developments indicating a change in government policy regarding security controls over shipping or air transport operations.

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