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# EAST-WEST TRADE

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HEARINGS  
BEFORE THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
EIGHTY-EIGHTH CONGRESS  
SECOND SESSION

Part I

MARCH 13, 16, 23, APRIL 8, 9, 1964

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EAST-WEST TRADE

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HEARINGS

COMMITTEE ON FOREIGN RELATIONS

HEARINGS

COMMITTEE ON FOREIGN RELATIONS

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## EAST-WEST TRADE

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FRIDAY, MARCH 13, 1964

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington D.C.*

The committee met, pursuant to notice, at 10:10 a.m., in room 4221, New Senate Office Building, Senator John Sparkman presiding.

Present: Senators Sparkman, Gore, Lausche, Dodd, Hickenlooper, Aiken, and Mundt.

Also present: Senator Thomas J. McIntyre.

Senator SPARKMAN. Let the committee come to order, please.

We anticipate other Senators being in attendance shortly, but I think we had better begin because the Secretary has an engagement, and he can't stay much beyond 11:30.

The Senate meets at 12, so I should like for us to move on.

### OPENING STATEMENT BY SENATOR SPARKMAN

The Committee on Foreign Relations is today initiating a series of hearings on the general subject of East-West trade.

Trade between the free world and Communist countries has been growing rapidly in recent years. Representatives of the Soviet Union are reported to be negotiating with Western European firms for a substantial volume of goods embodying the latest industrial technology, such as complete chemical plants and oil refineries. Governments of some of these countries are said to be on the verge of making available to the Russians long-term credits to finance these sales. We find our policies increasingly in conflict with those of our allies on many of the problems that arise concerning trade with the Sino-Soviet bloc.

These developments raise important policy questions, both for the United States and our allies. The issues involved must be considered carefully, divorced from the emotions so often generated by the subject. At a minimum, we must not permit the Russians to use trade as a divisive wedge to create dissension and mistrust among the allies.

### VALIDITY OF U.S. TRADE POLICIES TOWARD THE BLOC

One vital question is whether the basic U.S. trade policies toward the Communist bloc formulated around 1950 are still fully valid a decade and a half later. If they are, they should be restated and clarified, and greater efforts should be made to persuade Western Europe of their merits. On the other hand, if those policies are geared to conditions which no longer exist, serve only to penalize American businessmen, disrupt our relationships with our allies, and fail to promote our basic foreign policy objectives, they must be brought up to date.

The Western nations should be alert to opportunities to normalize East-West relations through trade in peaceful goods when such trade is to our relative advantage. The questions of what goods, on what terms and in what amounts deserve careful study from a policy standpoint.

The committee believes that a review of both United States and free world attitudes toward East-West trade is essential under the circumstances.

#### WITNESSES AT INITIAL HEARINGS

Our principal witness today is Secretary of State Rusk. He is accompanied by Under Secretary Ball.

Next Monday, the 16th, we will hear Secretary of Commerce Hodges; on Friday, March 20, Secretary of Agriculture Freeman will testify on this subject.

The committee will then decide how to go on from that point. But this initiates a series of hearings on this very vital question.

Mr. Secretary, we are glad to have both you and Secretary Ball with us this morning. We have your statement. We will be very glad for you to proceed in any way you wish.

#### STATEMENT OF HON. DEAN RUSK, SECRETARY OF STATE; ACCOMPANIED BY GEORGE W. BALL, UNDER SECRETARY OF STATE

Secretary Rusk. Thank you very much.

Mr. Chairman, members of the committee, I am very glad to have a chance to be here as the committee opens its study of this very important subject of East-West trade.

Throughout our history, we Americans have held to the view that trade in peaceful goods is a normal and desirable element in the relations between countries. Our vast economy has been built on the achievements of private enterprise; and American traders have covered the world. From the early days of the Republic our consular and diplomatic missions have had the task of promoting foreign trade. For the most part we have not distinguished, so far as trade is concerned, between countries whose conduct and philosophy of government we have approved and those we have disapproved.

Our allegiance to the principle of expanding trade has served us well. We should depart from it only for compelling military, economic, or political reasons.

Almost from the beginning of time men have interrupted trade by blockades or sieges, but the concept of nations denying themselves trading opportunities as an act of free will is a relatively recent one. So long as wars were largely affairs of professional armies not involving the total population, comprehensive economic warfare was not relevant. Only since the late 18th century have nations accepted the principle that trading with the enemy in time of war should be discouraged, if not prohibited.

## BACKGROUND OF VOLUNTARY ECONOMIC SANCTIONS

Our own first experience with efforts to deny economic goods to other countries was a failure. Our embargo of 1807 directed against Britain and France wrecked the commerce of New England, but had only a limited effect upon Britain and France.

Not until the First World War did the application of a general trading-with-the-enemy principle produce a substantial economic impact. During that period, the Central Powers were almost sealed off. This effort was carried to an even higher degree of effectiveness in the Second World War. However, these policies depended for their efficacy largely on the insulation achieved through military and naval power. They were merely complementary to a massive military struggle.

## NEED TO REVIEW TRADE POLICIES IN LIGHT OF COLD WAR

Today we are engaged in a contest with Communist power and ambitions that range around the globe. Like war itself this contest has its military, political, and economic aspects. Inevitably, it involves our trade relations, and for the first time we have faced the need for applying instruments of economic denial in the absence of a general shooting war.

The extraordinary nature of the cold war—neither war nor peace—creates special complexities for the development of trade policies to serve our vital interests. Such policies cannot be applied in any uniform or simple fashion in terms either of time or geography. For that reason, it is essential that they be periodically subjected to critical examination. I take this to be the intention of the committee in holding these hearings, and I welcome it.

## OUR POLICIES TOWARD EAST-WEST TRADE

From the beginning we have adjusted our policies toward trade with Communist countries to the prevailing realities of our political and military relations with those countries.

In the quarter century after the Bolshevik revolution, we placed no obstacles in the way of private Americans wishing to do business with the Soviets. Even before we recognized the U.S.S.R. diplomatically, the Soviet trading company, Amtorg, operated widely in the United States, and American engineers and private corporations helped to build industrial plants and installations in the Soviet Union.

In 1935, after recognition, we concluded a bilateral commercial agreement with the U.S.S.R.

## POSTWAR CONTROLS ON STRATEGIC TRADE TO U.S.S.R.

In the postwar period, as it became clear that the Soviet Union under Stalin had embarked on a campaign of aggressive expansion, we adapted our policy to the facts as we saw them.

In 1948 the United States imposed controls on strategic trade to the Soviet Union and the Soviet-dominated countries of Eastern Europe in the interests of our own security and that of other Western countries.

Later that year, we began consultation with friendly industrial countries for the adoption of parallel controls. In the atmosphere of the Berlin blockade we were able to reach agreement with the principal trading nations of Western Europe for the establishment of the Consultative Group-Coordinating Committee (COCOM) system which prevails today.

After the outbreak of the Korean war in 1950, the focus shifted to the Far East. We Americans imposed a complete embargo on trade and financial transactions with Communist China and North Korea, and prohibited American vessels from calling at Far Eastern Communist ports. In the circumstances of the Korean struggle our allies joined with us in extending and tightening the COCOM strategic list, until it came close to being a general embargo on industrial equipment and raw materials to the Communist bloc.

#### 1954 MODIFICATION OF COCOM STRATEGIC LIST

After 1953 this tight policy was relaxed. With the truce in Korea, the death of Stalin, and the changes in climate following these events, our allies were no longer willing to carry on a generalized embargo of trade with Communist countries, while the then U.S. Administration recognized that the COCOM system warranted review in the light of changed conditions. After extended negotiations in 1954, the COCOM strategic list was substantially modified and reduced. Criteria and governing principles were amended to achieve a more selective system appropriate to the ending of overt hostilities. Such periodic review and revision have continued to the present time.

You are familiar with the statutes under which we have sought the cooperation of other countries and carried out our own policies in this field. Therefore, I see no need to discuss them in this statement.

#### THE OBJECTIVES OF OUR POLICY

Our trade policy toward Communist countries is an integral part of our overall policy toward international communism, and we must view it in this broad framework.

Our overall policy toward international communism has three objectives:

(a) To prevent the Communists from extending their domain; and to make it costly, dangerous, and futile for them to try to do so;

(b) To achieve agreements or understandings which could reduce the dangers of a devastating war; and

(c) To encourage trends within the Communist world making for an evolution toward greater national independence, peaceful cooperation, and open societies.

To promote these objectives we need to adjust our policies to the differing behavior of different Communist states as well as to the changing behavior of the same states. This applies to trade, as well as to other aspects of our policy. Under some circumstances, we may deny trade in order to influence Communist economic, military, and political decision and capabilities in our interest. Under other circumstances, we may encourage trade for the same purposes.

Policies of denying or encouraging trade should not be applied in a doctrinaire manner. They can be total. Or they can be selective—aimed at those particular articles or commodities or services that have a particular relevance to the military power or economic life of a particular country.

Since the Communist countries no longer form a completely monolithic bloc in political terms, it follows that we should not treat them as a monolith in trade terms. Our trade policies should be custom-tailored to fit the need—designed to differentiate among Communist countries in accordance with the conditions and behavior of individual countries and our specific objectives toward each.

At the present time the United States applies restrictions on trade with Communist countries that take account of the differing problems in four geographic areas.

- (a) The Soviet Union.
- (b) The Communist countries of Eastern Europe.
- (c) The Communist countries of the Far East—Communist China, North Korea, and North Vietnam.
- (d) Cuba.

In this statement, I propose to discuss the special problems and policies relating to each of these areas.

#### OUR TRADE POLICIES TOWARD THE U.S.S.R.

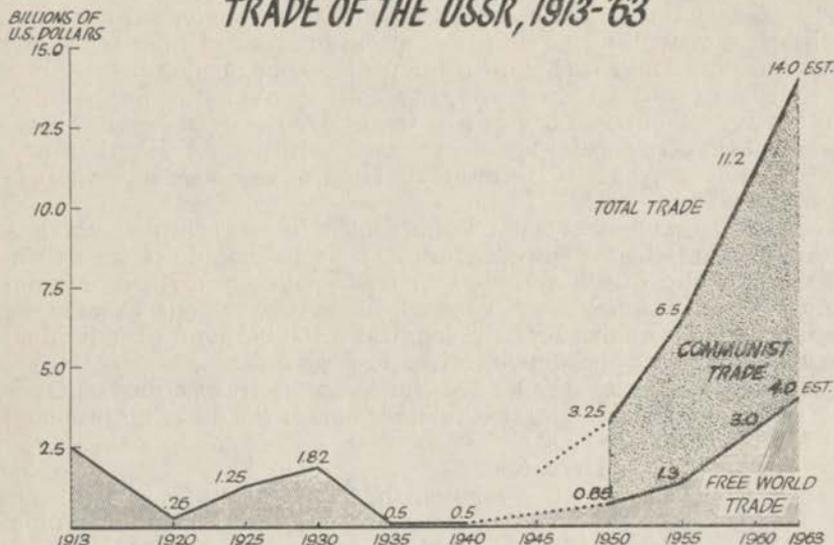
A fundamental fact conditions our approach to the restriction of trade with the U.S.S.R. It is that the Soviet Union has a largely self-sufficient economy with a broad industrial base and a well-developed technology. Its major lags and deficiencies are largely in agriculture and the consumer goods field. They are a direct reflection of the historic Soviet preoccupation with the development of heavy industry to provide a powerful military-industrial base. This self-sufficiency is particularly apparent with respect to Soviet advanced weapons technology and military production capability.

In overall size Soviet industry is second only to our own and the Soviet economy is closer to self-sufficiency than even the vast economy of the United States. Certainly it is only marginally dependent upon the products of the free world. Soviet imports from all free world industrial countries are running at a rate of only one-half of 1 percent of the Soviet gross national product. As chart 1 shows, Soviet trade with the free world has risen sharply since 1955. Nevertheless, the bulk of Soviet foreign trade takes place with other Communist countries, not with the free world.

(The chart referred to, chart 1, follows:)

CHART 1

### TRADE OF THE USSR, 1913-'63



In time of crisis, we should be ready to reduce or even to embargo trade, as one form of response to Soviet pressure. As a matter of long-term policy, however, it would be futile for the nations of the free world to attempt to impose total economic denial on the Soviet Union—even if they would all agree to do so. In view of Soviet self-sufficiency, such a policy would make little strategic sense. It would have only a marginal effect on the Soviet Union and would deny the benefits of trade to many non-Communist countries.

#### POLICY OF SELECTIVE CONTROLS ON TRADE WITH U.S.S.R.

As a result, we have developed a policy of selective controls on trade with the Soviet Union.

The hard core of that policy is a program of denying to the U.S.S.R. commodities, weapons, and technology of direct military significance. This program has been conducted through the COCOM strategic list, as I mentioned a moment ago. In the operation of that list our allies have cooperated effectively.

We and our NATO allies are also agreed that no free country should become overdependent on the Soviet bloc for critical commodities, such as oil.

In addition to our NATO and COCOM arrangements for restricting trade in strategic military items, the United States also prohibits exports to the U.S.S.R. of equipment and data embodying certain items of advanced technology that might adversely affect our national security or welfare. This aspect of our policy causes us the most difficult day-to-day problems of administration.

Our ability to limit the flow of technology to the Soviet Union is, of course, severely circumscribed by the fact that we do not have a

monopoly on such technology. Other free world countries have not approached the problem in the same way. Thus our efforts at denial can be fully effective only for those products or processes where we have a clear technological lead.

These restrictions apply to strategic goods and technology. We permit the flow of trade in consumer goods as well as in most types of equipment for the production of those goods.

#### SOVIET PURCHASE OF UNITED STATES WHEAT

We have, for example, carried on a small trade in agricultural products. Our recent decision to sell wheat to the Soviet Union was an extension of this practice. The reason that it attracted so much attention was its magnitude and unusual character. Traditionally, the Soviet Union had been a net exporter of wheat. The cumulative effect of poor harvests over 5 years required the Soviets to import wheat on a large scale.

From the point of view of the Soviet Union, the purchase of U.S. wheat was convenient but not vital. Canada and Australia had already filled the greatest part of Soviet import requirements. Even the full 2½ million tons the Soviet Union at first considered buying from us for its own use would have amounted to no more than 3½ percent of normal Soviet bread grain production.

#### TRADING POLICIES WITH EASTERN EUROPEAN COUNTRIES

Our trading policies with Eastern European countries must take into account facts, relations, priorities, and possibilities, different from those that determine trade relations with the Soviet Union. These are small and diverse countries. Unlike the U.S.S.R., they are far from self-sufficient. In the postwar years they have been compelled to depend on the Soviets for their import requirements. Even so, their imports from the industrial West have risen to approximately 2 percent of GNP and are of considerable qualitative importance to their industrialization programs.

#### TRADING POSITION OF EASTERN EUROPEAN COUNTRIES

We might turn for a moment to the charts for some useful insights into the trading position of the Eastern European countries. Chart 2 shows that the bulk of Eastern Europe's trade is with other Communist countries.

(The chart referred to, chart 2, appears on p. 8.)

#### EASTERN EUROPE'S CURRENT TRADE WITH WESTERN EUROPE

The trade of these countries with the free world has increased substantially in recent years. As chart 3 shows, however, Eastern Europe's current trade with Western Europe is still not up to prewar levels, allowing for changes in prices.

(The chart referred, chart 3, appears on p. 9.)

CHART 2  
**DISTRIBUTION OF THE TRADE OF EASTERN EUROPE**  
 MILLIONS U.S. DOLLARS

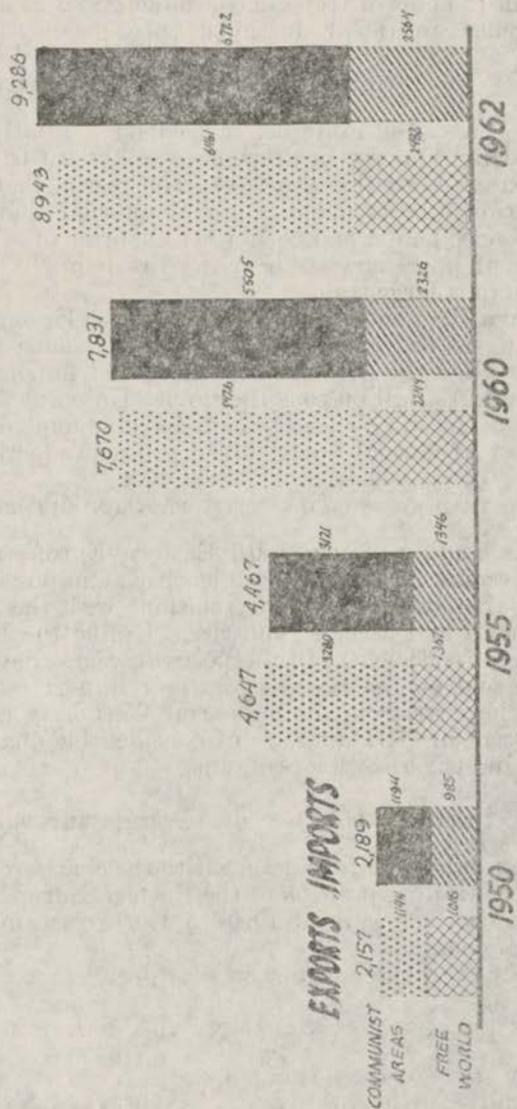
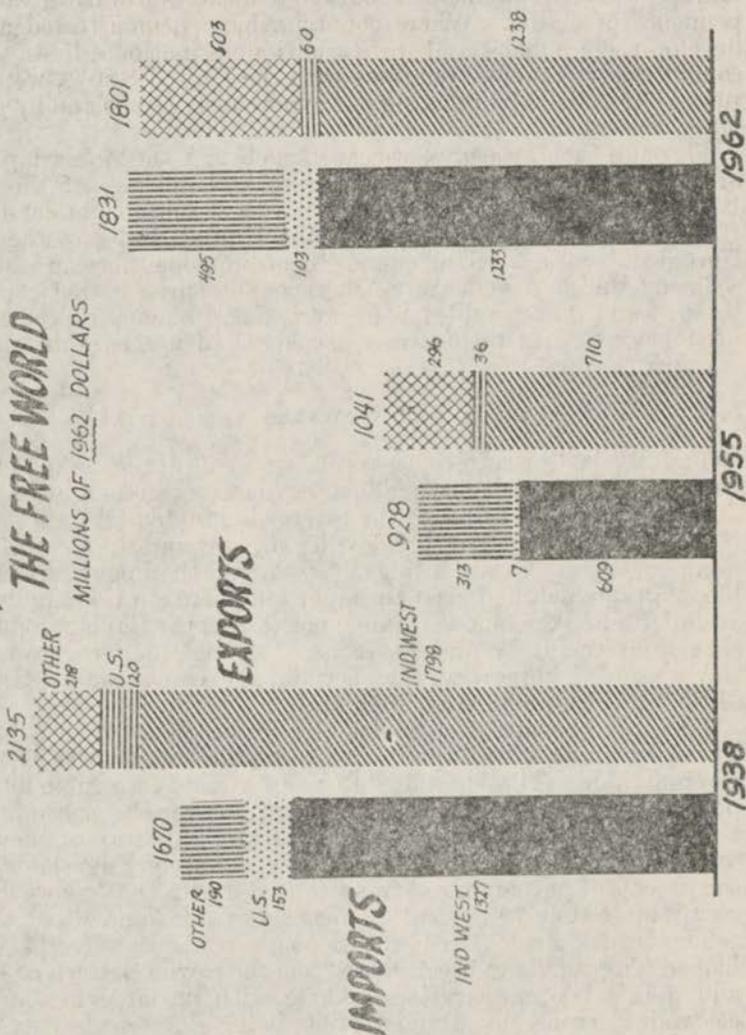


CHART 3  
**TRADE OF EASTERN EUROPE, EXCLUDING SOVIET ZONE OF GERMANY, WITH  
 THE FREE WORLD**

MILLIONS OF 1962 DOLLARS



## TRADE AS INSTRUMENT TO INFLUENCE CHANGE IN EASTERN EUROPE

Nearly all of the Communist countries of Eastern Europe are trying to reduce their economic dependence upon the U.S.S.R. They are showing a nostalgia for their historic relations with the West. They are trying to increase their trade and other contacts not only with Western Europe but with the United States.

In our trade policies toward the individual countries of Eastern Europe we have sought to encourage tendencies toward greater independence of action. Where countries have demonstrated a will to develop their policies and institutions along national lines, and have sought closer economic relations with the United States, we have adjusted our policies by relaxing our export restrictions and by granting other concessions.

Through such measures, we can hope over time to develop avenues of practical contact with the peoples and officials of the Eastern European countries. Trade carries with it more than commodities. It helps to bring the presence of the United States to the Eastern European peoples, to associate them in some measure with our economy, and to demonstrate American enterprise and efficiency. By these means, trade enables us to exert some influence on the evolution of policy and institutions in this period of accelerating change in Eastern Europe.

## TRADE POLICY TOWARD YUGOSLAVIA

Yugoslavia illustrates the application of this general policy. In 1948 Yugoslavia rebelled against Soviet interference in its internal affairs and the discipline of the Soviet-dominated international Communist movement. This break with Moscow and the Cominform was a landmark in postwar history. It marred the image of Communist bloc unity, which had been an important factor in Communist power. It undermined the bloc's strategic position in the Balkans, on the frontiers of Greece, Italy, and Austria, and in the Mediterranean. Yugoslavia stopped supporting the guerrilla aggression against Greece and settled the Trieste question with Italy.

To apply pressure, the Soviet bloc broke off its trade with Yugoslavia, which had, until then, constituted the largest part of Yugoslav foreign trade. The United States and other Western countries supported Yugoslavia's assertion of independence with substantial military and economic aid. Of more lasting importance, they opened Western markets and sources of supply, enabling Yugoslavia to begin the process of developing normal trade ties with the free world. As a result, more than 70 percent of Yugoslav trade is now with the West.

The development of fruitful economic relations with the West has helped Yugoslavia to break loose from the Soviet pattern of economic and political administration. Along with its large measure of decentralized economic administration, it has developed many elements of a market economy. Political controls have also been significantly moderated. These developments have paid off in rates of economic growth higher than those of most Soviet bloc countries. Yugoslav consumers suffer few of the periodic shortages that plague the highly centralized economies of the Soviet bloc.

Over the years, the Yugoslav example has strengthened the forces of nationalism and independence within the Eastern European countries. Our policy of treating Yugoslavia in a special manner has paid good dividends.

#### TRADE POLICY TOWARD POLAND

Poland is another special case. The events of 1956, which brought the Gomulka government into power, were an attempt to reduce Soviet domination. Since then, Poland has generally sought improved relations with the West, including the United States.

The United States has responded by providing assistance through Public Law 480 programs and the Export-Import Bank. Later, in connection with the conclusion of a claims settlement, we restored most-favored-nation tariff treatment to imports from Poland. We also adopted a more liberal policy on licensing exports from the United States to Poland.

Today we operate an extensive information program in Poland, and can maintain broad contact with the Polish people. The Polish agricultural system, with its small percentage of collectivization, is a conspicuous departure from the Soviet model. As with Yugoslavia, the Polish example has had its effect on the other countries of Eastern Europe.

#### EMBARGO ON TRADE WITH COMMUNIST CHINA, NORTH KOREA, AND NORTH VIETNAM

Since 1950 the United States has maintained a total embargo on all our trade and financial transactions with Communist China and North Korea. We do not permit American ships or aircraft to touch at the mainland. This embargo has also been extended to North Vietnam.

None of these areas—and particularly Communist China—is highly vulnerable to a policy of total denial of U.S. trade. All can trade in nonstrategic goods with other free world industrial countries.

#### TRADE OF COMMUNIST CHINA

As chart 4 shows, Communist China's trade with the free world continues to be significant, while there has been a sharp fall in its trade with the U.S.S.R.

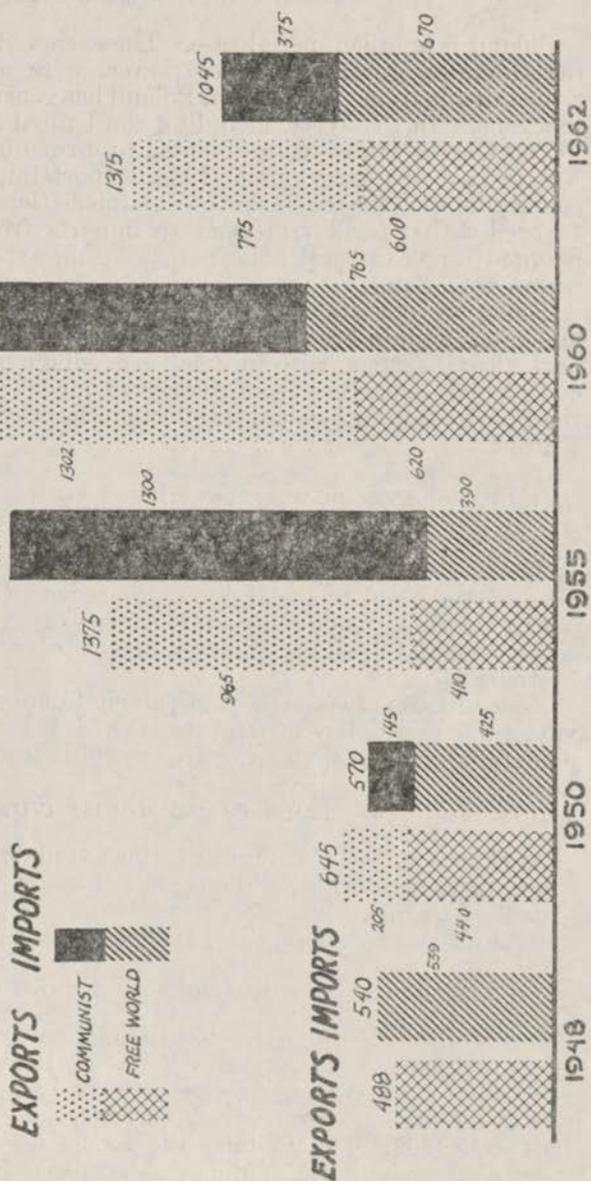
(The chart referred to, chart 4, appears on p. 12.)

#### POLITICAL CONSIDERATIONS IN TOTAL TRADE EMBARGO

Our decision to impose a total trade embargo is based primarily upon political considerations. Each of these Communist countries is actively engaged in aggressive activity. Hanoi is guilty of aggression in Laos, and South Vietnam in violation of the Geneva accords of 1954 and 1962. The Peiping regime incites and actively supports these aggressions. Red China has attacked India and continues to threaten the south Asian subcontinent. It persists in its threats to attack Formosa. In North Korea our soldiers still patrol the truce line where acts of violence continue to occur.

When regimes are engaging in aggressive activities of such character

CHART 4  
**TRADE OF COMMUNIST CHINA, 1948-62**  
 MILLIONS U. S. DOLLARS



and intensity, we must design our trade policies accordingly. Our complete trade embargo is a reflection of these relationships.

#### RESTRICTIONS ON TRADE WITH CUBA

The situation with respect to Cuba is still different from those described above.

Our restrictions on trade with Cuba are part of our total effort—under the policies of the Inter-American system as expressed at Punta del Este—to isolate Castro's regime and to counter the threat that it poses for the hemisphere.

Cuba has always been heavily dependent on imports. Before Castro, imports from the free world—principally the United States—represented 30 percent of Cuba's GNP. Cuba imported almost all of her industrial machinery, spare parts, and transportation equipment. The Cuban economy was geared to a continuing flow of trade with the free world.

#### U.S. OBJECTIVES IN RESTRICTING TRADE WITH CUBA

Cuba is, therefore, a country more than usually vulnerable to a policy of economic denial. However, let me make it clear that such a policy by itself is not likely to bring down the Castro regime. What it can do is to help us achieve four limited, but nonetheless substantial, objectives:

First, to reduce Castro's will and ability to export subversion and violence to the other American States;

Second, to make plain to the people of Cuba that Castro's regime cannot serve their interests;

Third, to demonstrate to the peoples of the American Republics that communism has no future in the Western Hemisphere; and

Fourth, to increase the cost to the Soviet Union of maintaining a Communist outpost in the Western Hemisphere.

In pursuit of these ends, the United States prohibits all exports to Cuba, except nonsubsidized food and medicines, and embargoes all imports from Cuba. We have cut off financial transactions with Cuban citizens and limited Cuba's access to Western shipping services.

#### TRADE OF CUBA

As chart 5 shows, Cuban imports from the free world have been drastically reduced, from a total of almost \$800 million in 1958 to \$100 million.

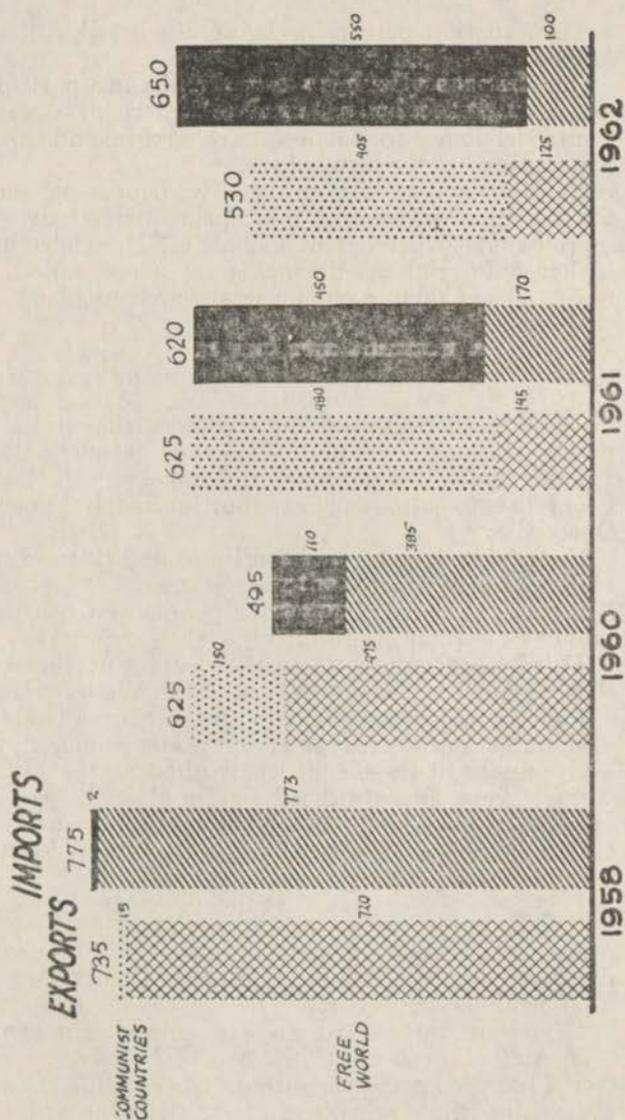
(The chart referred to, chart 5, appears on p. 14.)

Participation in the Cuban trade by the merchant fleets of the free world has been greatly reduced. As existing charters expire, more of these ships will be withdrawn from the trade.

Cuba has become an expensive ward of the U.S.S.R. The privilege of supporting Castro has so far cost the Soviet Union more than a billion dollars.

Last year, Cuba benefited from the abnormally high level of world sugar prices. As a consequence, there has been a recent flurry of Cuban purchases in free world markets. We hear much about the

CHART 5  
**TRADE OF COMMUNIST CUBA, 1958-62**  
 MILLIONS U.S. DOLLARS



prospect for greatly expanded Cuban trade. Actually, with the return of a normal sugar market, Cuba's capacity to earn foreign exchange will be severely limited. Castro's Cuba is not likely to be a good customer and it is certainly not a good credit risk.

#### CUBAN POLICY RELATED TO SECURITY NEEDS OF THE WESTERN HEMISPHERE

Obviously, we are disturbed when other free world countries supply products that cannot help but increase Castro's capacity for mischief. Some of our European friends, for example, have contended that the sale of 400 buses is not likely to add much to Castro's capabilities. Yet 400 additional buses would almost double the public transport of Havana. Without this replacement of existing transport in Cuba's capital city, the efficiency of the Cuban economy would be further impaired. A similar comment can be made with regard to the sale of railroad locomotives now under discussion with European producers. The movement of sugar to Cuban ports is entirely by rail, and the motive power on the Cuban railroad system is in a state of obsolescence and disrepair. The replacement of even a part of that motive power could make a substantial difference in shoring up the Cuban economy.

In short, our attitude toward trade with Cuba arises from the security needs of the Western Hemisphere. Because of those needs, Castro's Cuba—which the OAS has declared to be incompatible with the inter-American system—should be treated as a special case and should not be allowed access to supplies of critical goods from the free world.

#### FINANCING SALES THROUGH SHORT-TERM CREDITS

Once the United States decides that it is in the national interest to permit the sale of certain categories of goods to a given Communist country, there is no reason why that sale should not go forward on a normal commercial basis. International transactions are normally not handled on the basis of cash on delivery, particularly when they involve durable goods or the production of articles or equipment to order. They usually involve deferred payment terms. In some instances—particularly in the case of large transactions—Government guarantees to the exporter or his bankers may be necessary in order to put him on a competitive basis with producers in other countries.

This was the case, for example, with the recent wheat sales. The Export-Import Bank was authorized to guarantee financing arrangements through U.S. banks to the wheat exporters on the same terms that would have applied if the wheat had been sold to a non-Communist country.

#### PROBLEMS RAISED BY EXTENSION OF LONG-TERM CREDITS

While short-term credits are a normal facility in connection with international trade transactions, long-term credits raise different problems. They amount to an extended advance of resources to the purchasing country and, in that sense, they have some of the characteristics of foreign aid.

At the present time the Soviet Union is suffering a shortage of foreign exchange. If the U.S.S.R. is indeed interested in maintaining or expanding its imports from the West, it should be forced to face up to the internal adjustments that its foreign exchange stringency requires. These adjustments would include a greater emphasis on the civilian sector of the economy and a shift of resources to consumer and export industries. Long-term credits from the West would make it easier for the U.S.S.R. to avoid or postpone these decisions and to shift the burden of adjustment to Western capital markets.

The allied powers have reviewed the credit issue in NATO. While this review did not produce complete unanimity, it is gratifying that most of our major allies intend to hold the 5-year credit line and that no substantial credits beyond these limits have so far been granted in connection with sales to the Soviet Union.

#### DIFFERENCES IN TRADE APPROACH OF UNITED STATES AND ALLIES

As my comments have made clear, our allies do not always share our views with regard to trade with Communist countries. While there are differences among us, we should recognize that they stem largely from basic differences in economic interests.

Most of our allies are far more dependent on world trade than we. Imports account for only 3 percent of our gross national product. Imports into the United Kingdom, however, represent 17 percent of total British production; the United Kingdom must export in order to pay for the imports. For Germany the import ratio is 14 percent; for Japan 12 percent. These countries are naturally reluctant to forego trading opportunities.

In addition, nations that are heavily dependent both on imports and exports are acutely aware of their own potential vulnerability to policies of economic denial. They hesitate, therefore, to set precedents by sanctioning use of such policies as economic weapons against others.

The Western European nations have had a great historic trade with Eastern Europe. For them to give up that trade would mean losing something substantial. On the other hand, U.S. trade with Communist countries has traditionally been of limited importance.

#### MARGINAL EFFECTS OF TRADE ON SOVIET LIVING CONDITIONS

The implications of East-West trade are highly controversial. Some of our allies argue that economic denial does not weaken Soviet power, but rather slows down trends toward moderation in Communist policy. The contention is that a well-fed Communist will have a greater stake in the status quo and therefore become less adventurous, less aggressive, more friendly to the West.

We wish the Soviet people well—as do we also the people of other Communist countries. We would like to see them achieve more of the good things of life they have been promised for so long. We would be pleased to see the Soviet Union devote more of its resources to improving the living standards of the Soviet people.

But the argument that a well-fed Communist is better than a hungry Communist is not really pertinent to a discussion of international trade with the Soviet Union—the context in which it has been most

frequently urged. As we have pointed out, the trade of the Soviet Union with the entire Western World could have only a marginal effect on this issue. Whether the Soviet standard of living improves depends primarily on the policies, both internal and external, of the Soviet Government.

#### CONCLUSION

As you have seen, I have not attempted today to break new policy ground. Rather, I have tried to describe in some detail the policies and practices we have developed over the years in conducting our trade relations with the Communist countries—and especially to explain the premises which underlie these policies and practices.

This approach has seemed most appropriate at this stage. In the course of your inquiry you will no doubt wish to examine additional issues.

#### ASSESSMENT OF POSSIBILITIES FOR TRADE EXPANSION

For example, we are engaged in a realistic assessment of the possibilities for the expansion of trade with certain of the Communist countries. This means taking into account the kinds of goods the Communist countries are likely to have available for export over the next few years in relation to the needs of our market. It also requires a careful examination of the institutional and other obstacles to the expansion of trade between dissimilar economic and political systems.

This leads further into the question of how we can most effectively and advantageously carry on trading relations with state-trading countries. Questions have been raised as to the protection of industrial property and Communist trading and price policies. It may be that the committee will find it useful to look into the ways in which the Western European countries have conducted their substantial trading relationships with Eastern Europe.

#### SUITABILITY OF LEGISLATION GOVERNING TRADE

Finally, you may find it useful to consider the suitability of our present body of legislation. Do our present laws provide us with the most effective means of adapting trade with the Communist countries to our political and economic interests? Would they permit us to develop more nearly normal commercial relationships, if this should appear to be in the national interest? The legislation in this field was developed largely in response to specific situations and relations over a long period of years. The committee may wish to form a judgment as to whether it best serves our national needs in today's world. You may wish at a point to consider some of these questions with us in closed sessions.

#### NEED FOR TRADE AS A POLICY INSTRUMENT TO FIT CIRCUMSTANCES

In my observations today I have tried to emphasize three points: First, trade can be a useful instrument of policy in the contest with communism and in affecting Communist policies, provided it is adapted to the particular situations presented by different Communist countries.

Second, trading policies suited to one period in our relations with a particular Communist country may not be equally appropriate at another period.

Third, our national purpose can be served either by the denial of trade or the encouragement of trade, depending on circumstances. Furthermore, the denial of trade may be either total or selective, again depending on circumstances.

Let me add one further point. The use of trade with Communist countries for national purposes is a matter for national decisions. The volunteer efforts of individuals or organizations to impose their private notions on our overall trade policy can only frustrate the effective use of this essential national instrument.

#### AVOIDANCE OF DOCTRINAIRE APPROACH

Above all, let us avoid the doctrinaire extremes that seem to flourish in this field.

On the one hand, yet us be quite clear that, in spite of some opinions to the contrary, trade with Communist countries should not be conducted purely on the basis of commercial considerations and as though there were no political and military issues dividing East and West.

On the other hand, let us be equally clear that trade with the Communist world cannot be effectively used as a blunt instrument. It must be flexibly adapted and flexibly applied on the basis of political, military, and economic realities. And this requires that we make distinctions among Communist countries.

We must not permit ourselves to be frozen in an arbitrary stance that ignores these realities and lumps all Communist countries together without such distinctions. To do so would make us the prisoners of a dogma, rather than the commanders of a policy.

You will observe, Mr. Chairman, that I have not stated conclusions for the future in this changing situation. We in the executive branch are studying these matters in great detail. We welcome the fact that this committee is undertaking a similar study on the legislative side, and we also know that private organizations are undertaking similar studies; for example, you will have observed in the press that the U.S. Chamber of Commerce is engaged in such a study. But what I have tried to do today is to indicate some of the bases of our thinking on these matters, how some of these trade relationships or the absence of trade relationships develop, what some of the underlying issues are, and what some of the questions are to which the committee might wish to address itself. I would look forward to a chance to return to the committee at a later stage in your hearings, perhaps some sessions in closed session, in order that we might dig deeply into these important questions which the committee is undertaking to study.

Thank you very much, sir.

#### EFFECT RESTRICTING EXPORTS HAS ON SOVIET ECONOMIC AND MILITARY POTENTIAL

Senator SPARKMAN. Thank you, Mr. Secretary.

You have given us a very good rundown on the situation, and a very thought provoking presentation.

Let me ask a few questions and then I will call on my colleagues to pose questions to you.

What effect, if any, has our restrictive export policy had in the last few years on the buildup of Russia's economic and military potential?

Secretary RUSK. I believe, sir, that it has had some effect on the pace of developments in the Soviet Union. I think that a free access to our capital markets would have made it possible for them to develop their capital plant more rapidly than has been the case.

I would think that the character of our limitations in the free world on trade with the Soviet Union has made it necessary for them to dig more deeply into their own resources for those things that are considered of strategic or military importance to them. I think that it is also clear that the contrast in standards of living on the two sides of the Curtain has developed pressures in the Soviet Union for greater attention to consumer needs, has reminded them of what I have sometimes called the unfinished business of the Russian people, and has helped to open the possibility that if the most dangerous and difficult political issues can be somehow brought under control and perhaps resolved, all of us on their side as well as on ours have unfinished business to which we would prefer to commit our resources.

Now, it is true that the Soviet Union is a large country with very large resources. The Soviet regime has been able to develop a highly industrialized capital plant capable of meeting most of their needs at the present time.

I would not myself suggest that the effect of our trade restrictions has been massive as far as the Soviet Union is concerned because their dependence upon foreign trade has been relatively rather slight. But on the other hand, given the circumstances of the postwar period and the types of conflicts in which we were involved during that period, I think that the general attitude of the West toward trade has had its reason.

#### RESTRICTION ON SALE OF DIAMETER PIPE TO U.S.S.R.

Senator SPARKMAN. Speaking of this question of what effect our policy has had—that is, how restrictive it may have been on their development—there comes to my mind a case a year or two ago involving large diameter pipe that Russia wanted. We objected very strongly to the sale of that by our allies. I believe that later the pipe was produced in Russia, was it not?

Secretary RUSK. When it became impossible for the Soviet Union to meet its orders or its requirements for large diameter pipe in the free world, they moved to adjust their own production in order to equip themselves with large diameter pipe.

Now, I think this is an issue which illustrates both sides of the problem that we are engaged in discussing today. That large diameter pipe was to be used for a pipeline which seemed to us to have important strategic value. When we refused to cooperate, when the Western European countries refused to cooperate in building that pipeline, the Soviets turned to do it themselves, and they are doing it themselves.

So what occurred was a certain delay in the completion of a pipeline that has strategic interest. But about all that was accomplished was delay. They will undoubtedly complete the pipeline on the basis of their own resources.

Senator SPARKMAN. Didn't it represent a development of a production potential that they did not have up to that time? In other words, didn't we actually push them into an economic development so as to make them less dependent upon others?

Secretary RUSK. Well, I think it did press them toward greater self-sufficiency. It required them to use their own resources for this purpose. Now what they might have used those resources for alternatively would be a matter for speculation. But it undoubtedly moved them toward greater self-sufficiency.

#### RELATIONSHIP BETWEEN COMMON POLICIES AND EXTENT OF TRADE

Senator SPARKMAN. What efforts are being made to work out a common policy for the developed countries in trading with the Soviet Union? Is there much hope that a common policy could be agreed upon at any time in the foreseeable future?

Secretary RUSK. I think, Mr. Chairman, one could distinguish between common policies on the one side and the extent of trade on the other, because the contrast in the statistics, for example, in trade between Western Europe and the Soviet bloc on the one side, and the United States and the Soviet bloc on the other is not just a reflection of different policy attitudes. As I indicated in my statement, Western and Eastern Europe have historically been relatively important trading partners compared with the United States. This was true before the Communist revolution and has been true since that time.

The dependence of Western Europe upon foreign trade has been different than ours.

Now we have a broad range of agreement with our allies on certain aspects of trade, such as on COCOM arrangements and on a policy of not becoming too dependent upon sources of supply from the Soviet bloc, as in the case of oil. But there has been a much larger trade by Western Europe with the Soviet bloc than by the United States because in this country we have some legal as well as economic problems on our side.

We and the Soviet Union are not natural trading partners to any substantial extent. As the committee knows, Soviet trade has been worked out largely on a bilateral basis, and its bilateral accounts tend to be more or less in balance with particular countries of the free world.

Therefore, if there were a substantial increase in trade between us and the Soviet Union, it would mean that we would presumably have to find or be able to find substantially larger quantities of Soviet products that we would want and need for our market, or to extend credit over time.

Well now, we don't see Soviet products in large quantities that are needed in our market, so there are some economic problems.

I mentioned trade practices in my statement. We need to be clearer than we are today about what the Soviets are willing to do about protecting such things as patent and copyright rights of Americans who trade with the Soviet Union. We need to be clearer about trade practices that might develop into dumping procedures.

On the credit side we have in the background the lend-lease settlement which has not been concluded. So the policy gap is not as wide between ourselves and our allies as the actual trade gap, the volume of trade between ourselves and our allies.

## LACK OF U.S. AND U.S.S.R.'S DEPENDENCY ON IMPORTS

Senator SPARKMAN. I noticed one interesting point you brought out, that Russia's free world imports from all free world industrial countries amount to only one-half of 1 percent of her gross national product. I notice that imports account for only 3 percent of our gross national product. So neither country is greatly dependent upon imports, is it?

Secretary RUSK. That is correct, sir. I think as far as we are concerned, there are some important materials that would make life here rather different if we did not have that 3 percent.

Senator SPARKMAN. Yes.

Secretary RUSK. Nevertheless in the main our two economies are not so heavily dependent upon external trade as is the case with many of the countries of Europe, both in Western Europe and in Eastern Europe.

## LEND-LEASE SITUATION

Senator SPARKMAN. By the way, you mentioned the lend-lease situation. Is that in any state of negotiation?

Secretary RUSK. It is not at the present time, Mr. Chairman, in active negotiation. There was a very wide margin of difference at the occasion of the last discussion of this subject. I perhaps could get into that in some detail in closed session, but it is not being actively negotiated at the present time.

## EFFECT OF EAST-WEST TRADE ON SINO-SOVIET RIFT

Senator SPARKMAN. Now let me ask you this last question for just a brief answer.

What effect is an expansion of East-West trade likely to have on the rift between Russia and Communist China?

Secretary RUSK. I think, sir, that in straight financial or trade terms, this would not itself be a far-reaching and decisive element. However, I think it is related to another issue that seems to be involved in the present discussion between Moscow and Peiping. They are engaged in a far-reaching doctrinal debate over the difference between peaceful coexistence and militancy. Now, this is not a debate about doing without the world revolution, but a debate about how to get on with it.

Nevertheless, from the free world point of view, we have some interest in there being substance in the idea of peaceful coexistence.

Now Soviet leaders have from time to time talked about trade as contributing to peace. It is also possible and I would prefer myself, to put the emphasis the other way around: that peace can contribute to trade, that there is a stake, from their point of view, in trying to work out dangerous and difficult or explosive questions; that there are some incentives to live in peace and that some of those incentives could be in the trade field. But I do not myself believe that the purely economic factors will play a major role in deciding this dispute between Moscow and Peiping.

It is true that in the case of China, mainland China, they are very pressed for resources. Their trade relations with the Soviet Union have shown a very considerable change over the last 2 or 3

years. There has been a sharp drop in that trade. Mainland China has tried to find sources of supply and markets in the free world, thus far with some, but nevertheless limited, success. The economic pressures on mainland China, I think, are likely to increase steadily as they try to deal with the most impossible problems of sheer arithmetic in meeting the needs of their growing population.

Senator SPARKMAN. Senator Aiken.

#### EFFECT OF EMBARGO ON CUBA'S INTERNAL POLITICAL SITUATION

Senator AIKEN. Mr. Secretary, just two or three questions. Has Castro's hold on the people been weakened since we embargoed the shipment of so many supplies and commodities?

Secretary RUSK. We first began to impose limitations on trade with Cuba in, I think, 1960. I would think, Senator, that it is fair to say that the actual control of Cuba by the apparatus, the police apparatus of the state, remains strong. But I would also think, and we have reason to believe this, that there is considerable disillusionment among the Cuban people about the promises and the prospects of the Castro revolution when the actual performance is compared with the promises that were held out at an earlier stage.

There has been a reduction in Cuban productivity. There are rationing regulations which remind each citizen that they are not in a strong economic position, and I would think that there has been a considerable contribution made by trade restrictions to the idea that this is not the path for the future, this is not where the future of the Cuban people lies, and this is not a pattern which, if exported to other countries, would solve their problems in the economic and social fields.

But I will be glad to submit to the committee, Mr. Chairman, some statistical material to bring out more concretely what I have just said.

Senator AIKEN. In other words, the people are no nearer to being free people than they were 3 or 4 years ago?

Secretary RUSK. I think one would have to say that the apparatus of control is still in full authority there.

#### U.S.S.R. AS PRINCIPAL COMPETITOR IN WORLD MARKET

Senator AIKEN. Is Russia a principal competitor of ours in the world markets, and in what commodities?

Secretary RUSK. No, sir.

Senator AIKEN. In no commodities?

Secretary RUSK. Mr. Chairman, I wonder if it would be convenient to our friends if this light can be turned off temporarily. I can't see the Senator very well. Thank you.

The Soviet Union is not a significant competitor in the international field, perhaps with the possible exception of oil. But there again their exports of oil are a very small fraction of the total world market. No, I would think that this is not our trading problem.

The competition among free world countries themselves is far more vigorous and far more significant than competition with the Soviet Union in economic terms.

## SOVIET DUMPING ON WORLD MARKETS

Senator AIKEN. Does the Soviet Union engage in dumping on the world markets to any extent?

Secretary RUSK. May I ask my colleague, Mr. Ball, to comment on that because he has been studying that problem?

Mr. BALL. Senator, I would say that there have been situations where, particularly with regard to raw materials, the Soviets have appeared to try to use practices we might call dumping practices in order to establish themselves in a new market. The trend would indicate that the pattern is that, once established in that market, they tend to conform their pricing policies to the prevailing prices in the market. It is a device of penetrating markets rather than one that is habitually practiced.

Now dumping is a concept which is very difficult to apply to an economy that doesn't have a market mechanism, because their pricing practices are obviously of a very special kind. So that we can only look at the consequences and make our own guesses as to whether this is above or below the cost of production.

But I would say that there is always the menace of dumping, particularly for an economy where trade may be used not purely for commercial purposes but for political purposes as well, and where there is the kind of state control which exists over production as exists in the case of the Soviet Union.

But, by and large, when the Soviet Union establishes itself in a market, it seems to adapt its pricing policies, and I think for quite good reason, because it is very eager for as much foreign exchange as possible and therefore it doesn't want to sell any more cheaply than is needed in order to sell its products.

Senator AIKEN. Would you say that subsidizing exports is a form of dumping?

Mr. BALL. It has in many cases the equivalent effect—if the subsidized exports, if the result of that is a price that is well below the prevailing price of the market.

## EXTENSION OF LONG-TERM CREDIT AS A FORM OF DUMPING

Senator AIKEN. Is the extension of unusually long credit terms a form of dumping?

Mr. BALL. It is a form, again of expediting sales which gives an artificial advantage to the country that practices it, at least on a temporary basis.

Senator AIKEN. Then, would you say that when other wheat producing countries extend 5-year terms, whereas our limit would be 18-month terms, on the payment for wheat, that would be a form of dumping on their part?

Mr. BALL. It would be a form of—

Senator AIKEN. Undercutting?

Mr. BALL. Well, or we could say a form of competition which we think wouldn't be very healthy.

Now, actually, I don't know of any cases of 5-year credits for wheat. The practice has been I think to hold pretty much to 18 months. I am reminded by my colleague that there has been one in-

stance of 3 years. The 18 months was the original deal between Canada and the Soviet Union.

Senator AIKEN. That was normal, I believe.

Mr. BALL. You know with wheat sales of this magnitude, it is very hard to say they are normal.

Senator AIKEN. Yes.

Mr. BALL. Because they are really abnormal in terms of experience.

#### GENERAL 5-YEAR CREDIT LIMIT

Senator AIKEN. If a trade called for the delivery of so much a year for 5 years, that would be one thing, but 5 years in which to pay would be another thing. Now suppose that we made an offer to sell wheat on 5-year credit. Do you expect that our friends and neighbors would then say: "We will give you 7 years"? The purpose of this offer of longer-term credit is to get the business, isn't it?

Mr. BALL. There is always the danger of a credit race. That, of course, is the reason why the nations have tacitly agreed under the system to try to limit credit to 5 years as a general principle.

Senator AIKEN. Mr. Chairman, this is a very interesting subject. I would like to ask three or four more questions. But I have a date with my dentist and he won't wait.

Secretary RUSK. Good luck, Senator.

Senator SPARKMAN. Senator Lausche.

#### NEED TO EXERCISE FLEXIBILITY IN TRADE PRACTICES

Senator LAUSCHE. Mr. Rusk, I deeply appreciate the valiant job that you are doing as Secretary of State, and I know that you are trying to explore ways and means of securing the future life of our country without the surrender of honor and dignity.

On this subject that we are discussing today, different minds will differ. Now, my question. From what you have said, am I justified in concluding that the State Department has decided that the treatment accorded to the Communists up until, let's say, 6 months ago has to be changed as far as international trade is concerned?

Secretary RUSK. Senator, I am not prepared to say that in general terms. I have tried to point out in my statement this morning that we need the chance to exercise flexibility among Communist countries, so that different patterns of conduct and different relationships can be reflected in trade as well as in other fields.

I do think that the present situation is one in which very important things are happening, that the world situation is in motion. I am not prepared to say today that it is quite clear that any large segment of the Communist world is going to move clearly toward a decent and reasonable peace with the free world. But nevertheless there are some signs indicating that consumer needs and that economic well-being and that other elements are making their imprint in certain areas of the Communist world, and we should be in a position where we can respond to the opportunities as well as to meet threats in the trade field as well as in other fields.

## BASIS FOR THE COMMITTEE'S EXPLORING TRADE RELATIONS

Senator LAUSCHE. I understand from what has been presented to us that the State Department is recommending a new approach which will allow it to deal with the separate Communist countries in a manner which it deems best relating to the particular circumstances applied to a country.

Secretary RUSK. Senator, again I am not yet in the position of recommending that particular result, because we do trade in this country under legislative enactment, and the body of legislation affecting our trade is something which this committee presumably will be studying along with us as we go through these hearings. I have not myself, today, for example, recommended changes in any particular piece of legislation. But I think that this is a question which is worth studying as the committee and the executive branch look into these questions in the next several months.

Senator LAUSCHE. Did the Department of State request this committee to hold these hearings to explore whether we should change our policy with respect to trade with the communist countries?

Secretary RUSK. As I recall, it first came up when I was before the committee and members of the committee indicated that they thought this subject was worth studying and I expressed the view at that time that I thought it would be a good thing to study too. So I think I would have to consult the record as to how it came up first, but I recall that it came up in a discussion between myself and the committee.

## REACTION OF PEOPLE IN EASTERN EUROPE TO TRADE CHANGES

Senator LAUSCHE. I see. If we change our policy with regard to trade between the East and the West, what in your opinion will be the reaction of the people in the Eastern European countries, as distinguished from the Communist governments, about what our decision is concerning their future status? I wish you would be brief in answering that because my time is limited.

Secretary RUSK. Right, sir. I would think that in general the people of the countries of Eastern Europe would welcome additional contacts with the people of the Western countries.

I have had a number of chances to get some sense of that. Now there may be differences in particular countries on this matter, but in general I have felt that there is a desire on the part of the peoples of those countries to establish more contacts with the peoples of the West.

Senator LAUSCHE. You can answer this question "Yes" or "No": Will it not indicate to the people, about 200 million of whom live within the captive and the satellite nations, that we have decided that the Communist form of government shall prevail and continue to live, and that our commitment made in the Atlantic Charter—that there shall be open, free elections—is abandoned?

Secretary RUSK. I would not think that that would be the case in every country, no sir.

## COMPARISON BETWEEN CUBAN AND EAST EUROPEAN TRADING POSITIONS

Senator LAUSCHE. I would like to ask some other questions.

It is suggested that a separate type of treatment be accorded to China and North Korea and North Vietnam and Cuba, and that the theory is with respect to Cuba, to quote the Secretary:

Cuba is, therefore, a country more than usually vulnerable to a policy of economic denial.

Quoting further:

However, let me make it clear that such a policy in itself is not likely to bring down the Castro regime. What it can do is to help us achieve four limited, but nonetheless substantial, objectives.

Our embargo on Cuba, if applied, will achieve four objectives:

First, to reduce Castro's will and ability to export subversion and violence to the other American States.

If that principle is applicable to Cuba, isn't it likewise applicable to Red Russia and Czechoslovakia if the embargo deters the exporting of subversion?

Secretary RUSK. Senator, I think there is both a practical and a political difference in these two cases. On the practical side, Cuba has been far more dependent upon trade with the outside world than has the Communist bloc of Eastern Europe.

The Communist bloc of Eastern Europe is not so vulnerable as Cuba to trade pressures and trade embargoes, so that there are practical reasons for a difference.

Secondly, as far as Eastern Europe is concerned, this is only one of a very large combination of issues which are at issue between East and West.

This is where the greatest confrontation lies. This is where the exploration for possibilities of points of agreement is going on, whether in small matters or in larger matters such as disarmament so I think there are substantial differences between the situations.

## COMPARISON BETWEEN CUBAN AND EAST EUROPEAN INTERNAL SITUATIONS

Senator LAUSCHE. Turning to the second objective, you stated:

\*\*\* to make plain to the people of Cuba that Castro's regime cannot serve their interests.

If that principle is applicable to Cuba, isn't it also applicable to Hungary, Czechoslovakia, Bulgaria, Yugoslavia, and the other Communist nations?

Secretary RUSK. Senator, I think that we have not seen in Cuba any signs of any significant changes in the character of that regime, and the nature of the police state that Castro has fastened upon those people. But there are important possibilities of change in Eastern Europe. There have been changes in the internal structure and administration of a number of these countries.

Now in the absence of a cataclysmic war, these processes of change are the principal way by which these countries can move toward greater freedom, better relations with the West, more opportunities for their citizens, less police control, better chance for intellectuals and scientists to get on with their jobs and things of that sort.

Senator LAUSCHE. There are many who will not agree with the statement that there is a change, and I am one of them.

Now No. 3:

\* \* \* to demonstrate to the peoples of the American Republics that communism has no future in the Western Hemisphere.

Don't we by this same principle impliedly state to all of the captive people that communism is going to be their lot from now on as far as we are concerned?

Senator RUSK. I think, sir, the fourth objective in that series—

Senator LAUSCHE. I will get to the fourth.

Secretary RUSK. Yes. The fourth objective I think carries a comment on that. This again turns upon whether one believes that there is any change in process or any prospect of change for the future.

We refer to the other American Republics because, as you will recall, at the beginning of the Castro revolution, there was a considerable feeling throughout the hemisphere that this revolution against the Batista regime somehow carried with it great promise for the future. But then when it became clear that this was solidly Communist in character, then other people in the hemisphere began to pull away from it. If we pin that point down, that this system in Cuba is not the wave of the future in this hemisphere, I think that will be a very important objective.

Senator LAUSCHE. Now I get to the fourth one.

To increase the cost to the Soviet Union of maintaining a Communist outpost in the Western Hemisphere.

If we increase the cost of maintaining a Communist outpost in the Western Hemisphere as illustrated by Cuba, wouldn't that same principle be applicable to all of the captive nations of Europe?

Secretary RUSK. Again I think there are some changes in process in relations between the countries of Eastern Europe and Moscow, and among themselves, and that there are broad historical changes that one can begin to see at work there which I think will produce over time a clearer answer to the question you raise.

I can't give you a categorical answer today on it, sir.

#### PROHIBITION OF CREDITS PURSUANT TO JOHNSON ACT

Senator LAUSCHE. Now I would like to get to the subject of indebtedness of these Communist countries to our country. The Johnson Act, as I understand it, prohibits the extension of credit by an American exporter to a foreign purchaser if that purchasing nation is in default on an indebtedness to the United States. Am I correct in that understanding?

Mr. BALL. That is correct, Senator Lausche; yes, sir.

Senator LAUSCHE. Now the Johnson Act is still in effect, isn't it?

Mr. BALL. That is true, sir.

Senator LAUSCHE. And under the present law whoever extends credit to a defaulting nation would be in violation of a criminal law; is that correct?

Mr. BALL. We don't contemplate extending credit. What we have indicated, as a matter of fact, in the case of long-term credits is that we have tried to get a policy among all the NATO nations in opposi-

tion to it. So far as the United States is concerned, we don't extend credit.

Senator LAUSCHE. What about the private citizen who will extend credit? Will he be in violation of that law?

Mr. BALL. He is the one who is in violation because the Johnson Act as it is drafted makes an exception for the Export-Import Bank.

Senator LAUSCHE. Yes.

Mr. BALL. The Johnson Act as it was originally enacted was designed to protect the private investor from the bad risk that had been demonstrated in the postwar period from the bond issues of certain of the European governments.

It relates only to credits extended by private citizens, not credits extended by Government.

Senator LAUSCHE. Do you contemplate asking for a change in that law?

Mr. BALL. We haven't made any recommendations, Senator.

#### LEND-LEASE INDEBTEDNESS AND THE JOHNSON ACT

Senator LAUSCHE. That answers the question. I have had prepared for me a paper which shows that the Soviet Union owes our Government \$11 billion for lend-lease goods. It has repaid \$110,520,000, leaving an indebtedness of more than \$10½ billion that has not been settled. Do we consider that as an inhibition against private vendors from selling goods, in the face of the provisions of the Johnson Act?

Mr. BALL. We consider the fact that the Soviet Union has not settled the lend-lease accounts as making the Johnson Act applicable and the prohibitions of the Johnson Act applicable to the extension of private credit to the Soviet Union by any American.

#### YUGOSLAVIA EXEMPTION FROM PROVISIONS OF JOHNSON ACT

Senator LAUSCHE. Yugoslavia owes \$32 million in shipments under lend-lease. We agreed to settle the \$32 million debt for \$900,000 and Yugoslavia has paid \$600,000, leaving an indebtedness of \$300,000.

Is that a basis on which the Johnson Act is applicable in prohibiting the extension of credit by a private citizen?

Mr. BALL. There is a further exception to the Johnson Act, Senator Lausche, and that is with respect to any country which is a member of the Bretton Woods institutions, the International Bank, and the International Monetary Fund, particularly the Monetary Fund I believe, that they are not subject to the provisions of the Johnson Act.

Senator LAUSCHE. I see.

Mr. BALL. That is the case with Yugoslavia.

#### OUTSTANDING LOANS AND OTHER OBLIGATIONS OF COMMUNIST COUNTRIES

Senator LAUSCHE. I would like to put in the record here a list of outstanding loans and other obligations owed the United States by the Soviet bloc, Yugoslavia, Cuba, and other countries. The list includes Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, U.S.S.R., Yugoslavia, and Cuba.

It runs into a very, very substantial amount.

(The document referred to is as follows:)

*Outstanding loans and other obligations owed United States by Soviet bloc,  
Yugoslavia, and Cuba as of June 30, 1963 (other than lend-lease)*

1. Bulgaria: (a) War and other claims of U.S. nationals-----	\$3, 143, 398
<hr/>	
2. Czechoslovakia:	
(a) World War I indebtedness-----	257, 647, 080
(b) Surplus property credits-----	7, 536, 459
Total-----	265, 183, 539
<hr/>	
3. Hungary:	
(a) World War I indebtedness-----	3, 935, 600
(b) Surplus property credits-----	8, 993, 069
(c) Export-Import credit guarantees (wheat and other commodity sales—through Mar. 2, 1964)-----	20, 700, 000
Total-----	33, 628, 669
<hr/>	
4. Poland:	
(a) World War I indebtedness-----	435, 478, 984
(b) Surplus property credits-----	17, 338, 000
(c) Public Law 480 sales (dollar repayments not due until 1967)-----	477, 300, 000
(d) Claims of U.S. nationals-----	34, 000, 000
(e) AID development loans-----	59, 554, 000
(f) Export-Import Bank credits-----	18, 888, 000
Total-----	1, 042, 558, 984
<hr/>	
5. Rumania:	
(a) World War I indebtedness-----	107, 569, 371
(b) Claims of U.S. nationals-----	500, 000
Total-----	108, 069, 371
<hr/>	
6. U.S.S.R.:	
World War I indebtedness-----	621, 420, 405
<hr/>	
7. Yugoslavia:	
(a) World War I indebtedness-----	78, 168, 718
(b) AID development loans-----	184, 900, 000
(c) Public Law 480 sales-----	433, 856, 000
(d) Export-Import Bank loans-----	63, 000, 000
Total-----	759, 942, 718
<hr/>	
8. Cuba:	
(a) Export-Import Bank loans-----	36, 300, 000
(b) Expropriation of Nicaro nickel property, valued at---	133, 000, 000

*Loans considered in default (other than World War I loans)*

	Principal	Interest
Czechoslovakia-----	\$1, 948, 000	\$1, 160, 000
Hungary-----	3, 782, 000	
U.S.S.R.-----	42, 272, 000	

*Lend-lease to Soviet-bloc countries, and Yugoslavia*

Country	Value of shipments	Agreed settlement value	Amount repaid	Balance
Czechoslovakia.....	\$435,446	\$172,961	\$172,961	0
Poland.....	12,232,889	110,000	110,000	0
U.S.S.R.....	11,047,488,792	( <sup>1</sup> )	110,520,386	?
Yugoslavia.....	32,188,847	900,000	600,000	\$300,000
Total.....	11,092,345,964	-----	110,803,347	-----

<sup>1</sup> No full agreement.

## DISTINGUISHING PEOPLES OF COMMUNIST COUNTRIES FROM THEIR RULERS

Senator LAUSCHE. Now, to close, in my opinion, we must distinguish the people of those nations from their rulers. Their rulers are Communists. They have continued to be Communists, and we are not going to strengthen the will of those people in trying to liberate themselves by following the course of conduct which is tantamount to telling the world we have gone to bed with the Communists, and I don't contemplate doing so. That is all.

Senator SPARKMAN. Senator Hickenlooper.

Senator HICKENLOOPER. I will pass.

Senator SPARKMAN. Senator Mundt.

## COMMITTEE PROCEDURE

By the way, let me say that before you arrived, Senator Mundt, and you, Senator Hickenlooper, I mentioned that Secretary Rusk has an appointment at 12 that he must meet. I believe he should leave here at about 11:35. That is not very long from now.

Senator HICKENLOOPER. I will put your mind at rest and abandon my plans for questioning.

Senator MUNDT. Then may I say I certainly hope we have Secretary Rusk back in open hearings so we can properly interrogate him on a subject which I think is vital to the security of this country and the preservation of peace.

I am delighted that we are opening up hearings on a sharp departure in American foreign policy, the impact of which is going to be tremendous on every American man, woman, and child, to say nothing of the free world. I don't think we should skip over it lightly or operate under the limitations of time. I will go as long as you think I should, but I think we should have him back.

## TWO PRONGS OF FOREIGN POLICY

As you know, Mr. Secretary, I have followed your counseling and voted with your presentations much more frequently than I have not. But I must say I am terribly distressed about what I conceive to be a sharp departure from the past insofar as our relationship to the Communist-bloc countries is concerned.

What, it seems to me, you are presenting here is the recommendation for the adoption, or perhaps a continuation, of a program adopted last December after seven successive rollcalls in the Senate and the House. This program seems to me at best to set up a double standard of moral-

ity in economic activity, one for us and one for our allies. And we seem to apply one standard for one Communist country, and another standard for another Communist country, which shoots right out of the saddle the basic good judgment and logic of what I have conceived to be American foreign policy since 1948. Let me see whether we see eye to eye, first of all, on what I consider to be our foreign policy.

The critics frequently say we don't have any foreign policy; we can't define it. I want to define it and see whether I understand it.

As a former member of the House Foreign Affairs Committee for many years and as a member of this committee, I think our foreign policy has been, in the main, one, in the aid area where we have expended over \$100 billion in this period of time, with the concept that by strengthening the free world and increasing their standards of living, and strengthening their capacity to govern themselves, we make them less susceptible either to Communist aggression or Communist infiltration.

Am I correct that that justified the aid part of our program?

Secretary RUSK. That is correct, sir. This nation has had, from the very beginning, a powerful commitment to the idea of freedom and to the institution of freedom and that is central to our foreign policy and our relations to the rest of the world.

Senator MUNDT. That is correct. There is, as I see it, another problem moving as a companion to that one, and as I have conceived it, a very consistent second prong. That prong is that we try to restrict in every way we can, short of war or short of acts of aggression, the capacity of the Communist world to develop the muscle and the strength and the might to go into each of the areas of the world and to snatch out of the lap of freedom the countries which we have been aiding with our program. I think those two prongs have worked together, and fairly successfully, although expensively since 1948, and have kept about equal the balance between the free world and the Communist world. Is that correct?

#### THIRD FACTOR OPERATIVE IN POLICY FORMATION

Secretary RUSK. Yes. I think there is a third very important element, however, that should be added to those two.

Senator MUNDT. Yes.

Secretary RUSK. And that is that because of our commitment to freedom, we ought to be alert to the possibilities of encouraging, helping to bring about changes within the Communist world itself that will work to the advantage of the nations of freedom.

Senator MUNDT. I certainly would buy that as the author of the Smith-Mundt Act, known as the Voice of America.

#### DANGER OF WAR ARISING FROM EAST-WEST CONFRONTATION

May I suggest there is a fourth general factor to get before us. Am I correct that, as I see the world, our only chance of war in the predictable future is a war between the Communist bloc countries and the United States; that is, for a war involving the United States, the only possibility of an attack from an enemy strong enough to make it a tough war would be from the Communist bloc?

Secretary RUSK. I think, sir, that that is the only basis on which a deeply damaging war would occur. Now this could happen in different ways. There could be a dispute that arises somewhere else in the world, in which the Communist world would get itself involved.

Senator MUNDT. True; but unless it involved the Communist world and the United States, we are not going to get involved in a war, in my opinion, in the predictable future with any other concept of government or any other area of the world except the Communist-dominated area; is that right?

Secretary RUSK. No, sir. I had the occasion the other day, Senator, to look over the 61 items that remain on the agenda of the Security Council. You know the Security Council never drops an item from its agenda. This is a rollecall of the great issues that have arisen there since 1945.

I would say, as a rather general matter, that in those issues where the Communist world was not involved, the United Nations machinery has on the whole worked very effectively, and the notions of law and the peacekeeping commitments of the rest of the world have been able pretty well to take care of these disputes.

I think you are quite right, sir, that the danger of great war arises out of the confrontation between the Communist world and the free world, and the greatest issue there is the nature of the world society itself.

#### POSSIBLE CONDITIONS FOR COMMUNIST AGGRESSION

Senator MUNDT. Very good. Now let me make one other general point.

Would you also agree that the danger of the war that we have just been discussing is going to continue to be less likely so long as two conditions prevail: one, the Communists do not become stronger than the United States militarily, or two, that they do not think that they have become stronger than the United States, and consequently might recklessly launch an attack.

You and I agree, and the world would agree, that we are not going to initiate a war against communism.

Secretary RUSK. Or that, third, that they themselves lose interest in launching such attack or aggression, that is, the Communist world itself.

Senator MUNDT. That would increase the likelihood of peace. It wouldn't increase the danger of war.

Secretary RUSK. Perhaps I was not following with the same syntax.

Senator MUNDT. The danger to peace, therefore, stems from one of two sources, either a development of a superior strength and striking power and military posture by the Communists, or their mistaken conviction that they have such superior forces.

Secretary RUSK. Right, sir.

#### SALE OF BRITISH BUSES TO CUBA

Senator MUNDT. So I want to talk about this new program which was launched last December. I think it has set in motion a chain of very distressing events in terms of whether it increases the comparable strength of the Communists vis-a-vis the free world. That is what I am afraid it does, because the first international repercussion of the

decision which was made on Christmas Eve was that just a couple of weeks after that the British approved the sale of the buses to Cuba which you discussed. They announced they were going to approve the sale of buses on credit to Cuba; isn't that correct?

Secretary RUSK. I think so.

Senator MUNDT. I think my chronology is about right.

Secretary RUSK. Right.

Senator MUNDT. Now I agree with you that it is unfortunate they sold the buses to Cuba, but I cannot quite see how we are going to be very persuasive—and I notice from the results of our visits to Britain we have not been very persuasive—in trying to sell the British the idea that they should not do as we do, but they should do as we tell them they should do. They have done exactly what we have done. They have sold to an enemy of ours, a dangerous Communist outpost in our hemisphere, to Cuba, supplies and credit that the Cubans want. And they did it after we had sold on credit to an enemy of theirs and of ours, but an enemy of theirs much closer to them than to us, the Russians, supplies that they need.

Now by what rhyme or reason did we ever expect to induce the British that they shouldn't do what we have done, but that they should do what we tell them to do?

#### WHEAT SALE TO U.S.S.R. COMPARED WITH SALE OF BUSES TO CUBA

Secretary RUSK. Senator, the wheat sale to the Soviet Union, I think, is more accurately considered in relation to the trade between the Soviet bloc and the Western industrialized countries, say the OECD countries. That wheat sale was a small fraction of some \$6 billion of two-way trade between the OECD countries and the Soviet bloc.

So that in that sense, since our trade with the Soviet Union is only a tiny fraction of that total East-West trade, this sale of wheat to the Soviet Union was wholly within the general practice of the Western countries at that time. Now in the case of Cuba, there is a special security problem in the Western Hemisphere arising out of Cuba, and we have felt that this is not an issue of general trade between the free world and the Communist world. It has to be taken up in connection with a policy or an attitude toward the security problem as posed in the Western Hemisphere.

I would think that is a distinction which most of our friends, by the way, have accepted.

Senator MUNDT. A distinction which quite apparently neither you nor your distinguished associate at your left have been able to sell to the British.

Secretary RUSK. We have not been persuasive to the point of unanimity, Senator.

Senator MUNDT. You have not been persuasive to the point of changing their trade policy with Cuba one iota, or one busload; isn't that right?

Secretary RUSK. No, no, no. I would like to submit—

Senator MUNDT. The sale of the buses is going on?

Secretary RUSK. Oh, we haven't stopped the bus sale.

Senator MUNDT. That is what I mean.

Secretary RUSK. We haven't stopped the bus sale.

Senator MUNDT. We knocked on their door and made our appeal and they slammed the door in our face and said "you sold things to Russia, which is closer to us than Cuba and which is a greater menace to us than Cuba. You have adopted this policy and we have the right to follow the same standard of economic alternative."

Maybe they are wrong, maybe they are right, but I am talking about the results. No. 1, we sold on credit to Russia. No. 2, the British announced the sale of buses to Cuba. No. 3, we protested. No. 4, they rejected our protest and threw in our face our action in selling to Russia. Those facts are indisputable, are they not?

Secretary RUSK. Senator, I don't believe that anyone in Western Europe, certainly no government, has said to us "Look, your wheat sale is selling to the Soviet Union which is the greatest enemy of Western Europe," because they themselves are trading massively with the Soviet Union. They have not made any such argument.

Senator SPARKMAN. Mr. Secretary, I want to remind you that your time is quite short. I assured you that you could get away. By the way, Secretary Ball will be able to continue.

#### RELATIONSHIP OF DE GAULLE TRADE POLICIES TO U.S. SALE OF WHEAT TO RUSSIA

Senator MUNDT. I will have to continue this at a later date in public session with Secretary Rusk.

I will be glad to talk with Secretary Ball. But I want to point out the third sad repercussion from our action in December was the loss of a great ally, De Gaulle in France, from the standpoint of cooperating in foreign trade policies.

After the sale of buses to Cuba, he recognized Red China for the purpose of establishing trade missions in Red China, and now the whole program is going down the drain.

Now rightfully or wrongfully, their reason, it seems to me, is based on an action we took, and the conviction that they have as much right to sell to people we consider our enemy as we have a right to sell to the people they consider their enemy.

Secretary RUSK. Senator, I am sorry that I must be leaving under fire here, but I would like to say that these are not matters that arise just from American foreign policy. We are talking about 120 foreign policies, and these countries have had their trading policies long before December of last year, and again we have not had any other government in the West say to us, "Look, your wheat sale to the Soviet Union opens the door."

Senator MUNDT. But there is no denial of the fact, is there, that these are all part of shots that followed the pulling of the trigger that set this machinery in action. They followed the action we took vis-a-vis a sharp departure in our trade policy with Russia.

Secretary RUSK. Senator, I would suggest there is a difference between cause and pretext. I think some might have used this as a pretext, but it was not a cause.

Senator MUNDT. The results are identically the same whether it is cause or pretext.

Secretary RUSK. Thank you.

Senator SPARKMAN. Thank you, Mr. Secretary.

Do you want to continue questioning Secretary Ball?

Senator MUNDT. I will yield to Senator Dodd.

Senator SPARKMAN. Senator Dodd.

Senator DODD. Senator Gore, I believe, is next.

Senator GORE. I yield to Senator Dodd.

#### INTERNATIONAL POSITION OF POLAND AND YUGOSLAVIA

Senator DODD. I don't know if I have any questions except one that bothers me. Senator Mundt has described the purposes of our foreign aid program. I guess we have spent about \$100 billion on foreign aid. I don't recall how much has gone to Communist bloc countries. Do you know, Secretary Ball?

Mr. BALL. To the bloc countries? Well, so far as assistance is concerned, we extended no aid to Yugoslavia while it was a part of the bloc. To the extent that there has been aid given to Yugoslavia, it has been after 1948 when there was a rift, and it has not been a part of the bloc since then.

The aid to Poland has been very limited. It has been chiefly in the form of Public Law 480 goods.

Senator DODD. I don't care about being too technical about it, whether we say Yugoslavia is a part of the bloc or not; in my judgment, and for our purposes, it is part of the Communist bloc vis-a-vis us.

It may not technically be and this may be true of Poland. I know you can technically say they are not, but they are in that sphere and they are on that side.

Mr. BALL. The position of Yugoslavia has been that it has a nationalist approach toward the international problems. It has not associated itself closely with the policies of the Soviet Union. Now it is a Communist country. Distinct, I suppose—

Senator DODD. Let me put it this way. Do you think, in a showdown, Yugoslavia would be on our side or on the side of the U.S.S.R.?

Mr. BALL. I think that one has to be extremely clear about what kind of a showdown and under what circumstances.

Senator DODD. Take any kind of a showdown you want. You name one and I will settle for it.

Mr. BALL. I think there is a very real possibility that Yugoslavia would attempt to maintain some posture of neutrality.

Senator DODD. Do you really believe that?

Mr. BALL. Again I think it depends upon the kind of—

Senator DODD. I am trying to get at something here. I don't think it helps us much if we pinpoint technicalities. I think it is generally acknowledged Yugoslavia and Poland support almost without exception the Soviet Union's policy toward the free world. That is what I am getting at.

Mr. BALL. I have made a distinction, Senator, between Yugoslavia and Poland.

Senator DODD. I know what the distinctions are. I have been hearing them. I think the fact of the matter is that about all of us recognize that they are on the Communist side and not on our side.

Mr. BALL. They are certainly Communist countries.

Senator DODD. That is all I am trying to establish. Would you agree to that?

Mr. BALL. I would certainly agree that they are both Communist countries, and that, so far as Poland is concerned, it is a part of the Communist bloc.

#### AID TO YUGOSLAVIA AND POLAND

Senator DODD. How much aid have we given them, roughly?

Mr. BALL. I can send the committee the figures.

Senator DODD. I don't want exact figures.

Mr. BALL. We will be glad to put them in the record, Senator. I don't have them offhand.

Senator LAUSCHE. What was that question, Senator Dodd?

Senator DODD. How much aid, money, have we given to Poland, Yugoslavia, or any other Communist country?

Senator LAUSCHE. I have the figures on Poland right here. Poland owes us \$1,042,558,984, about \$600 million of which represents obligations since World War II. Reflected by the sale of surplus goods, Public Law 480, is \$477 million.

Senator DODD. All right. Anyway, this is what is troubling me. I understand that Yugoslavia has a foreign aid program of its own through which it helps Communist countries to remain Communist, and that is true of other Communist countries to which we have given aid. Let me complete what bothers me. How do you make sense out of this? If our foreign aid program is intended primarily to reduce the effectiveness of the Communist bloc against the neutrals of the free world, to make it less likely that countries not now in the bloc will go over to them, what sense does it make to be giving aid to Communist countries which in turn give aid to other countries to induce them to become Communist?

Mr. BALL. The orientation of Yugoslavia so far as the less developed countries are concerned has been to attempt to take some leadership role with the nonaligned countries. Now one can argue as to the extent to which this is an effort to turn them into Communist countries or, on the other hand, is an effort to build the power position of Yugoslavia as a state which is nonaligned and which regards itself as not attached closely to either bloc. But what we are talking about, Senator Dodd, is playing for a fairly long-term future, in recognition of that fact that the world is an evolving world. It is not one that is going to be static and frozen forever, because there are generations coming along which have new ideas and which will be the leaders of the future, and it is very important for us to begin to try to penetrate the Iron Curtain to the extent possible and begin to suggest to some of these peoples that there are some alternatives to simply being tied in closely to a Communist structure.

Senator DODD. I understand that. I have no fault to find with it. There may be something to it. But I was getting at a rather narrow point.

I am trying to find someone who can in logic explain this policy. It doesn't make sense to me to be giving money to Communist bloc countries who in turn give money to other countries that we are trying to keep away from the Communist bloc. To explain it more fully,

wouldn't you agree that it would be more difficult, much more difficult, for Yugoslavia to help other countries with funds and materials if we had not helped Yugoslavia?

Mr. BALL. The principal help to Yugoslavia has been in agricultural products.

Senator DODD. Whatever it is. We have helped them militarily, too, haven't we?

Mr. BALL. We have helped them with military equipment in order to encourage this tendency toward independence.

Senator DODD. Hasn't Yugoslavia helped some countries with military equipment?

Mr. BALL. I don't know of any examples of that.

Senator DODD. You don't know.

Mr. BALL. Not to my knowledge, Senator Dodd.

Senator DODD. Well, I don't care to prolong it. I only want to raise a question. I don't think that is an answer. I say in response that I think there may be some chance that we can do something this way. I haven't closed my mind on it, but I find this difficult to understand.

#### POLISH AID TO CUBA

Poland, I understand, has been helping Cuba. Is that so?

Mr. BALL. I think there have been some sales to Cuba. I don't think there has been any help in terms of aid. My colleague tells me that there has been a \$12 million loan.

Senator DODD. Well, whatever it is, it may be small to us but it probably would be substantial to them. That is exactly the point.

Mr. BALL. Senator, the problems that we have are essentially untidy problems and the world in which we live is essentially an untidy world, and what we deal with is the longer trends and the larger elements.

Senator DODD. We will have these hearings, I take it, for some time, Mr. Chairman?

Senator SPARKMAN. Were you through, Senator Dodd?

Senator DODD. Yes.

#### QUESTION OF MAXIMUM TERMS OF CREDIT

Senator MUNDT. Mr. Chairman, I do have a question for Secretary Ball but I don't want to ask it before my other colleagues have a chance. I think since we do have the Secretary before us, we should be told exactly the dimensions of what we are doing in terms of trade with the Soviet bloc. We should know the facts against the speculations, because there are a lot of statements in the papers which may or may not be true. I would like to ask you a couple of questions.

What is the maximum term of credit that we have extended in any sale or any transaction to any Communist country, either by credit of the U.S. guarantee or any other kind of credit involving U.S. nationals or the nation?

Mr. BALL. I think that in those terms we would have to have to—

Senator MUNDT. You were talking about 3 years and 18 months. It is my impression and my information that we have extended credits far beyond the maximum of 3 years. I want an answer from you.

## GOVERNMENT GUARANTEES OF PRIVATE CREDITS

Mr. BALL. Let me try, if I may, Senator Mundt, to distinguish several things. First of all, when I was talking about credit, I was talking about the credit which is guaranteed by the Government for private parties.

Senator MUNDT. Yes, sir. This is the Export-Import Bank.

Mr. BALL. What the discussion was on in terms of going beyond 5 years, for example, in Europe concerned the question of Government guarantees of private credits. In this case the line has been held on the 5-year basis to the best of my knowledge, and certainly as far as the United States is concerned, and then only to the Communist countries where the provisions of the Johnson Act are fully complied with, which means that they do not have outstanding unsettled debts to the United States. Or in the case of Yugoslavia, because Yugoslavia is a member of the International Monetary Fund.

## INTERMEDIATE TERM CREDITS TO YUGOSLAVIA

Now so far as the Export-Import Bank is concerned, it has made some loans to Yugoslavia which may have been up to 8 to 10 years.

Senator MUNDT. What was that?

Mr. BALL. We have made some Export-Import Bank loans to Yugoslavia which I think have terms as long as 8 to 10 years.

Senator MUNDT. Eight to ten years?

Mr. BALL. Yes. Now these are loans for the purpose of providing equipment from U.S. producers to Yugoslavia.

Senator MUNDT. May I interrupt to ask whether you call an 8- to 10-year credit a long-term credit or a short-term credit?

Mr. BALL. I think technically it is probably an intermediate term, but it is approaching what we might call a long-term credit.

Senator MUNDT. I have never had much success getting credit beyond 10 years from the banking people and the heading of intermediate credit might be true.

What do you consider long-term credit?

Mr. BALL. Credits from around 15 years and above would be long term.

Senator MUNDT. Anything above 15 would be long term.

Mr. BALL. Perhaps 12 years would be long term.

Senator MUNDT. Twelve. There must be in the trade something more definitive, I would think, than just speculating as to estimates on what kind of trade is long term, short term, or intermediate. Maybe it isn't an exact science, and you can't define it, but get as close as you can.

Mr. BALL. I would suppose that we could take these standards. That credits up to 5 years could be considered short term. From 5 to 12 years would be intermediate term. Above 12 years would be long term.

Senator MUNDT. This gives us a bench mark to think about.

Now will you proceed?

Mr. BALL. Now the credits that we have extended to Yugoslavia were extended by the Export-Import Bank, and this has been a practice which has gone on over a considerable number of years.

These credits were extended for the purpose of assisting some industrial development in Yugoslavia as a part of encouraging Yugoslavia toward a greater independence from the Communist system, the Communist bloc.

Except for Yugoslavia, I think I am right in saying that I know of no credits, I know of no intermediate or long-term credits that have been extended to any Communist country, except again under Public Law 480.

Senator MUNDT. That was the 15-year credit to Yugoslavia?

Mr. BALL. Yugoslavia is 8 to 10 years.

Senator MUNDT. Not over 10?

Mr. BALL. As far as I know, not over 10.

Senator MUNDT. Very good.

Mr. BALL. Except for Public Law 480 sales of grain, with which you are familiar, where the payment may be either in local currency or it may be in long-term dollar loans, I know of no credits that have been extended by the Export-Import Bank or by any Government instrumentality.

#### PUBLIC LAW 480 SALES TO POLAND

Senator MUNDT. One reason I want to get this in the record is, as I say, we read things in the paper, the taxpayers read things in the paper, and we hear them from different places. Here is a statement by two reputable American reporters, Robert S. Allen and Paul Scott, in the Los Angeles Times. It says this:

Under a new policy approved by the White House, Under Secretary of State George Ball negotiated two little-noticed agreements this month—

And this was in January of 1964—

for the sale of \$90.9 million in U.S. agricultural commodities to Communist Poland on credit terms ranging from 18 months to 30 years.

True or false?

Mr. BALL. It is false that I negotiated them. I did not negotiate them.

Senator MUNDT. True or false, have they a 30-year credit on grains when previously we have been led to believe we haven't given credit over 10 years?

Mr. BALL. No, I beg your pardon, Senator Mundt. I just said a moment ago that with the exception of Public Law 480 credit—

Senator MUNDT. That is not a new policy?

Mr. BALL. This is not a new policy.

Senator MUNDT. I am making a statement now.

Mr. BALL. It is not a new policy. This is a policy—

Senator MUNDT. Will you please tell me is it true or false?

I will read it again:

Under a new policy approved by the White House, Under Secretary of State George Ball negotiated two little-noticed agreements this month for the sale of \$90.9 million in U.S. agricultural commodities to Communist Poland on credit terms ranging from 18 months to 30 years.

True or false?

Mr. BALL. That it was a new policy is false. That I negotiated it is false. That there were—

Senator MUNDT. That the American taxpayer got stuck for 30 years is true?

PUBLIC LAW 480 LOANS REPRESENT A CONTINUING POLICY

Mr. BALL. No. That these loans were made to my recollection is true, but it is in accordance with the policy which has continued over a period of years. There was nothing new about it.

Senator MUNDT. Will you give us some of the details of this so we can check it out?

Mr. BALL. Well, the details are simply that we have had over a period of time, and I would be glad to put in the record the detail on this, a policy of making Public Law 480 loans to Poland, and that this was simply a continuance of that policy.

Senator MUNDT. And approved by the White House, true or false?

Mr. BALL. Well, I think actually all Public Law 480 loans to Poland necessarily depend upon a waiver, but this again is a standard practice which has gone on through the last administration as well as this one.

Senator MUNDT. Reading down in the column—

Mr. BALL. If I may make one point.

Senator MUNDT. Sure.

POLISH PUBLIC LAW 480 SALE ON A LONG-TERM BASIS

Mr. BALL. This sale had a new aspect in one respect, that earlier sales to Poland of Public Law 480 grain, foodstuffs, had been for local currencies, for zlotys. This was a sale on a long-term dollar basis.

In other words, it was a harder sale than ones that had been made before.

Senator MUNDT. If you get the money, it will be. Otherwise it is an easier sale. Zlotys are better than nothing, not very much, but somewhat better than nothing; right?

Mr. BALL. This is a sale in the expectation that we will get the money.

Senator MUNDT. Expectations down the corridor of time, three decades in length with Communist countries, are not very realistic.

Mr. BALL. Any long-term sale is a sale based on expectations and appraisal of the future situation.

Senator MUNDT. And has to reflect a considerable amount of good faith in the integrity of the purchaser, right?

Mr. BALL. Yes, but again good faith is a motive that in commercial transactions and in financial transactions can spring from self-interest, and this is a recognition that from the point of view of the Communist countries, they have recognized so far that it is to their self-interest to try to pay their commercial indebtedness.

Senator MUNDT. Reading on from this column:

The U.S.-Polish grain accords which the State Department plans to use as a model for similar deals with Rumania, Hungary, Bulgaria, Czechoslovakia, and Russia involve sales of wheat, cotton, edible oils, rice, and tobacco.

Now you were discussing with Senator Lausche whether there was anything new about this. We are getting down now to the meat in the coconut. There is something new because there is a 30-year credit.

Mr. BALL. This was not intended as a pattern for any such sales, Senator Mundt. Let me say that with respect to this sale, that this was the most advantageous Public Law 480 sale that we had ever made to Poland, because among other things one of the conditions was that Poland would buy on a commercial basis a third of the total amount of grain that was sold.

And that is a cash basis. So that this was a harder sale than the ones which had been made previously.

#### TERMS OF PUBLIC LAW 480 LOANS

Senator MUNDT. The next paragraph:

The first agreement provides for interest-free grain sales of \$30.7 million with a 10-year deferment of repayment, and a 30-year period of reimbursement.

Is that correct? Is this a new element in these commercial loans?

Mr. BALL. Yes, that is correct.

Senator MUNDT. No interest, and 10-year deferment?

Mr. BALL. I think these are terms of the Public Law 480 sale, yes.

Senator MUNDT. If this is the kind of new policy of East-West trade we are talking about, I think we ought to call it a new program of giving economic aid to Communist countries, because the terms are really less strict than we are going to apply and have been applying to friendly countries in the extension of economic aid.

Mr. BALL. Not Public Law 480.

Senator MUNDT. We aren't giving interest-free loans any more with 10-year deferments. We are insisting on making token payments and return in less than 10 years.

Mr. BALL. I think this is not a new policy. This is a policy which has been followed except for hardening of a preexisting policy.

Senator MUNDT. Except that it is a use of the Public Law 480 concept to provide a whole program of economic aid to the Communist countries, which was never the concept of the law, and I know something about it. I sat on the committee that drew it up. I happen to be coauthor of the first bill. I know something about what we had in mind. We had a provision in it that the commodities were to be sold to friendly peoples, and not to Communist countries. I am trying to say we are doing something illegal. We are moving in the direction of having these Presidential waivers in big bunches.

But as we make these Presidential waivers in big bunches like bananas and give them 10-year deferments and interest-free loans, I say let's start talking about Public Law 480 as a program of economic aid for Communist countries.

Mr. BALL. Senator Mundt, the beginning of this program was in 1956 under President Eisenhower and Secretary Dulles when they made their first Public Law 480 sales to Poland, and it has continued. All we did is harden it.

Senator MUNDT. I don't think you hardened it by granting them interest-free loans for 30 years.

Mr. BALL. We hardened it by turning it from a local currency to a dollar sale.

Senator MUNDT. I don't think you have hardened it at all. When you have local currencies you have them. You can always spend them for something and triangulate them. They have some value. This is an illusory promise that, 30 years from now, some Communist dictator—we don't know who in the world he will be 30 years from now—will likely say, "I am not going to be held responsible for the bad judgment of my predecessor." He will be like Khrushchev saying Stalin is a bum.

Mr. BALL. We have been consistently encouraged by the Congress in the last 3 years to try to move away from long-term sales to dollar trade.

#### CONGRESSIONAL RESTRICTIONS ON TRADE WITH COMMUNIST COUNTRIES

Senator MUNDT. We have written in restrictions every year to Communist countries and you have found a way to get around them. The attitude of Congress is certainly not one to encourage trade with Communist countries. We can agree on that, can we not?

Mr. BALL. I would say that the waiver that was made by President Kennedy was exactly the same as the waiver that was signed by President Eisenhower.

Senator MUNDT. I am not arguing about this. But it was not encouraged by Congress. Congress has stood, since the Battle Act, quite on the other side of that argument.

Mr. BALL. This matter has been before Congress and Congress has not changed the law to alter the terms of the waiver.

Senator MUNDT. We will give that a little more thought at the time of the next foreign aid bill.

Senator SPARKMAN. Thank you very much. Thank you, Mr. Secretary. The committee will stand in recess now until 10 o'clock Monday morning when Secretary Hodges will be here.

(Whereupon, at 12:10 p.m., the committee adjourned, to reconvene at 10 a.m., Monday, March 16, 1964.)

(Subsequent to the hearing, the following letter and enclosures were received:)

MARCH 20, 1964.

J. W. FULBRIGHT,  
Chairman, Committee on Foreign Relations,  
U.S. Senate.

DEAR MR. CHAIRMAN: A number of questions arose during the hearings on East-West trade of the Committee on Foreign Relations last Friday which Secretary Rusk and Under Secretary Ball feel require further comment. Accordingly, I am enclosing material relating to the impact of economic shortages on the Cuban people, as well as data regarding our economic relations with Yugoslavia and Poland. I want also to clarify the record of our discussion of Public Law 480 programs and of the most recent agreement on sales of surplus agricultural commodities to Poland.

The latter agreement was negotiated by the staffs of the Department of State, the Department of Agriculture, and the Agency for International Development and was formally signed by Under Secretary Ball and the Polish Deputy Minister of Foreign Trade. The agreement provides for (1) a \$30 million cash sale of surplus agricultural commodities for dollars; (2) a \$30 million sale for Polish currency to be repurchased by Poland for dollars within 3 years; and (3) a \$30 million sale for Polish currency to be repurchased for dollars over 30 years after a grace period of 10 years. I am enclosing a copy of the agreement.

Our Public Law 480 agreements with Poland in recent years have been moving toward commercial terms. Our 1960 agreement with Poland was for a \$105

million sale in Polish currency, with the entire amount to be repurchased for dollars over a 30-year period after 10 years grace. Since then our arrangements with Poland have provided for increasing amounts of agricultural surpluses to be sold on straight commercial terms. The arrangement of February 1964 calls for two-thirds of the total agricultural surpluses involved to be sold on dollar payment terms of 3 years or less.

The Department would appreciate this being made part of the official record. The transcript has been reviewed for grammatical and factual accuracy.

Please do not hesitate to call on us if we can be of further assistance on these matters.

Sincerely,

ROBERT E. LEE,  
*Acting Assistant Secretary.*

#### I. IMPACT ON CUBA OF U.S. ISOLATION POLICIES

The U.S. isolation policy has contributed to economic pressures on Castro and has impaired his ability to satisfy popular demands of the Cuban people. The regime is forced to husband scarce convertible foreign exchange income for absolute essentials such as medicines, chemicals and spare parts, curtailing access to the quality and quantity of Western goods the Cubans used to enjoy. Imports of automobiles, radios, television sets, fresh fruits, canned goods and similar items are now considered luxuries. From a volume of over 67,000 metric tons in 1958, imports of these goods dropped to 12,000 tons in 1962, with complete elimination of many types of commodities formerly considered customary. Imports of consumption items have continued to decline, judging from reports of increasing shortages of consumer durables and foods. At the same time, the U.S. isolation policy has also helped to prevent the development of import-substitution industries to replace Western-type imports.

There has been at least a 10-percent drop in Cuban per capita income compared to 5 years ago. The trade restrictions have raised the cost to the Castro regime of maintaining the Cuban economy even at this depressed level. Lack of needed Western supplies, technology, and capital has raised the cost of production and lowered labor productivity. Frequent breakdowns in the Western-made equipment base which Castro took over have hampered output in factories, water supply systems, and powerplants. Replacement with handmade parts, installation of substitute processes, or goods purchased through expensive clandestine means have lowered the efficiency of labor and capital and increased the cost to the Soviets of keeping the economy afloat. In 1963, for example, the Soviet Union had to finance a bilateral Cuban trade deficit of close to \$230 million. In the past year Cuba has become the No. 1 recipient of current Soviet aid deliveries.

These stringencies in the Cuban economy have made it clear to the Cuban people that the Castro regime's transfer of economic relationships from the free world to the Communist world has meant sacrifice of Cuban living standards. Although the Soviets have assisted Cuba in providing some of the necessities of existence, they have been unable to maintain consumption levels in terms of quantity or quality.

The Castro regime has found it necessary to ration the Cuban people very severely indeed. The following are some examples of the strict rationing limitations:

- One-quarter pound of meat per person per week.
- One and one-half ounces of coffee per person per week.
- One 2-pound chicken per child under 5 years per month: no chickens for anyone else.
- One liter of milk per day per family of five persons or more.
- Butter limited to one-eighth pound per month and only for children under 7.
- Eggs limited to five per month and only for children under 7 or persons over 65.
- Oranges limited to children under 7, and one banana per person per week.

And there is no guarantee of these rations. They apply only to the extent that the people can find the items and pay for them.

Under these circumstances Cuba is far from serving as a showcase of economic and social progress or as an example for other Latin American countries to emulate.

The isolation of Cuba from free world transportation services, together with U.S. financial controls, have prevented Cuba from maintaining regular economic contacts with the free world and have slowed up subversive operations by Cuba in other countries.

Internally, shortages of U.S.-origin materials and spare parts have led to an estimated 20-percent decrease in the operating efficiency of the Cuban railroads since 1959 and have had a correspondingly severe effect on the transportation system in general.

Externally, the measures adopted by the United States, members of the OAS and the free world countries, to control travel to and from Cuba have substantially reduced known travel of Latin Americans to Cuba. The 1963 figures show a drop of approximately 50 percent as compared with 1962. Havana's only scheduled air links with the free world are twice-weekly Cubana flights to Mexico City, once-weekly flights by Iberia to Madrid, and twice-monthly Cubana flights to Madrid. Arrival of free world cargo vessels dropped to 370 in 1963 from a total of 932 in 1962. No free world passenger ships serve Havana on a regular, scheduled basis. Because of the sharp decrease in Cuban air and sea access to the free world, the Cubans have been increasingly forced to resort to the roundabout and costly route via Czechoslovakia in order to move Latin Americans to or from Cuba.

Thus, the significant reduction in available transportation facilities has directly affected the Cuban regime's ability to promote subversion in Latin America.

## II. U.S. ASSISTANCE TO POLAND

U.S. bilateral grant and loan assistance during the postwar period to Poland began in fiscal year 1957 and will total \$112.8 million through fiscal year 1964.

[In millions of dollars; may not add due to rounding]

Fiscal year	Grant		Loans	Total
	Public Law 480, <sup>1</sup> title III, surplus agricultural commodities (CCC prices)	Children's hospital <sup>2</sup>		
1957			30.0	30.0
1958	0.5		25.0	25.5
1959	2.6		6.0	8.6
1960	3.5			3.5
1961	5.0	0.1		5.1
1962	6.7	1.4		8.1
1963	8.0	2.8		10.8
1964	15.0	6.1		21.1
Total	41.4	10.4	61.0	112.8

<sup>1</sup> In addition, Public Law 480, title I, commodity sales during the period totals \$533,700,000 at world market prices, the proceeds under which, with one exception, are all reserved for U.S. expenses in Poland with any unused balances after 10 years to be converted by Poland to U.S. dollars and paid in equal annual installments over a 30-year period. The exception is in connection with the fiscal year 1964 sale (February 1964) of \$60,000,000, of which \$30,000,000 is repayable in U.S. dollars over a 3-year period, the remaining \$30,000,000 being under terms as already described.

<sup>2</sup> Of the total of \$10,400,000, \$2,200,000 is for actual dollar costs of U.S. equipment and \$8,200,000 represents the value of Polish zlotys derived from sales of Public Law 480, title I, sales of U.S. agricultural commodities and set aside for this purpose by special congressional authorization.

NOTE.—Terms of the loans shown above were as follows: All 3 loans were under the Mutual Security Act and are repayable in U.S. dollars in 25 years including a 5-year grace period, with an interest rate of 4½ percent per annum.

## U.S. ASSISTANCE TO YUGOSLAVIA

U.S. bilateral grant and loan assistance during the postwar period to Yugoslavia began in fiscal year 1950 and totaled \$2.2 billion through fiscal year 1963.

Grants of economic and military aid during the period under the authority of the Foreign Assistance Act (FAA) and its predecessor Mutual Security Act (MSA) totaled \$1,118.1 million (\$693.9 million of which was military assistance).

There were 15 loans totaling \$188.5 million under the Development Loan Fund (9) and the Mutual Security Act (6). Three Export-Import Bank loans totaled \$105 million.

Total sales of surplus agricultural commodities amounted to \$622.2 million. Of this amount \$379.2 million local currency equivalent derived from the title I portion of the sales was loaned to Yugoslavia for development purposes under section 104(g) of Public Law 480 and \$34 million was sold for dollars on a long-term repayment basis under title IV of Public Law 480. The balance of the Public Law 480 sales is represented by \$142.9 million in grants to Yugoslavia under section 104(e) of Public Law 480 and \$100.1 million reserved for U.S. uses.

In addition, grants of Public Law 480 surplus commodities for emergency purposes and for distribution by voluntary relief agencies amounted to \$244 million, under titles II and III, respectively, of Public Law 480.

A table is attached showing the breakdown and types of assistance by fiscal year. The terms governing the loans set forth in the table were as follows:

#### DEVELOPMENT LOAN FUND (DLF)

Between January 8, 1959, and March 27, 1961, nine DLF dollar loans were extended totaling \$117 million. For four of the six loans made during fiscal years 1959 and 1960, the \$75 million in credits was repayable one-fourth in dollars and three-fourths in local currency (dinars). All the remainder were repayable in dinars. All local currency repayments contain maintenance-of-value provisions protecting the United States against devaluation of the dinar. The interest rate was 3½ percent for all loans except one at 5½ percent and two at 5¼ percent. The periods of repayment varied from 12 to 25 years with a grace period included from 2 months to 1 year. In 1959, for example, one loan was repayable in 12 years and two were repayable in 20 and 25 years, respectively. For the loans made in 1961, two were repayable in 15 years and one in 20 years.

#### EXPORT-IMPORT BANK (EX-IM)

Ex-Im dollar loans were extended totaling \$105 million. For the two credits totaling \$55 million in fiscal years 1950 and 1951, the interest rate was 3½ percent and repayment over 18 years including a 4-year grace period. The \$50 million loan in fiscal year 1961 carried an interest rate of 5¼ percent with repayment over 15 years including a 3-year grace period.

#### MUTUAL SECURITY ACT (MSA)

Between December 3, 1956, and March 21, 1961, six of this type of loan, carrying the MOV provisions, were extended for a total of \$72 million. For the first two loans, Yugoslavia had the choice of repayment in dollars with interest at 3 and 4 percent or in dinars at 4 and 5 percent respectively. The remaining loans were repayable in dinars at 3½ percent. Repayment in all cases was 40 years, except for the last loan in March 1961 which was repayable in 15 years. All loans included a grace period of 4 years.

#### PUBLIC LAW 480 LOANS

During the period loans under Public Law 480 totaled \$413 million, \$379 million under title I repayable in dinars and \$34 million under title IV repayable in dollars.

(a) *Title I.*—Pursuant to the 8 title I sales agreements since 1956, there have been 10 "local currency" loan agreements totaling \$379 million equivalent. The first five of these carried MOV provisions. For the first two loans Yugoslavia had the option of repaying in dinars at 3-percent interest or in dollars at 4 percent. The next two loans continued the option but raised the interest rate to 4 or 5 percent, respectively. Three of these four loans were repayable in 40 years and one in 30 years with 4-year grace periods in all cases. During 1959 and 1960 repayment was in local currency over 30 years, including 4 years grace, with interest at 3½ percent. For 1961 and 1962 the interest rate was raised to 4 percent for the same repayment period. In 1963 it was reduced to three-fourths of 1 percent with repayment remaining at 30 years, including a grace period of 3 years. Reasons for the reduced interest were related to worldwide policy that terms for local currency loans should be consistent with those for dollar development loans and the fact that the United States already owned dinars

derived from previous sales and loans in excess of foreseeable need. In addition, significant portions of Public Law 480 sales were being shifted to a dollar repayable basis.

(b) *Title IV*.—The two sales in fiscal years 1962 and 1963 totaling \$34 million are repayable in dollars over 15 years with a grace period of 1 year at interest of 4 percent.

## Yugoslavia

[In millions of dollars; may not add due to roundings]

Fiscal year	Grants <sup>1</sup>	Loans				Public Law 480 grants, titles I, II, and III	Totals
		Ex-Im	DLF/MSA	Public Law 480 <sup>2</sup>			
				Title I	Title IV		
1950		40.0					40.0
1951	80.5	15.0					95.5
1952	142.0					24.8	166.8
1953	283.0					0.2	283.2
1954	297.2					1.1	298.3
1955	179.4					99.7	279.1
1956	69.9		15.0 (1 MSA)	9.0		59.4	153.3
1957	18.4		13.5 (1 MSA)	74.5		32.8	139.2
1958	37.5		8.0 (1 MSA)	52.6		31.8	129.9
1959	3.0		7.7 (1 MSA)	69.2		42.1	173.5
			51.5 (4 DLF)				
1960	3.8		37.8 (2 DLF)	8.6		22.6	75.8
			3.0 (1 MSA)				
1961	3.3	50.0	27.7 (3 DLF)	13.7		27.8	147.5
			25.0 (1 MSA)				
1962	.5			68.7	17.3	30.2	116.7
1963	2.2			82.9	16.2	14.3	112.5
Total	1,118.1	105.0	188.5	379.2	33.5	386.8	2,211.1

<sup>1</sup> Includes assistance by AID and predecessor agencies and MAP grants. The latter was terminated in fiscal year 1958, except for \$2,000,000 (total) in short-term credit sales in fiscal years 1963 and 1964.

<sup>2</sup> The fiscal year 1964 Public Law 480 sales are not yet negotiated. The title I portion of this sale and the corresponding loan is expected to be sharply reduced from previous years because of the large grain harvest in 1963, while the terms are expected to remain the same as last year. The title IV dollar-sale portion for fiscal year 1964 (for cotton, edible oils, and rice) is expected to be increased over fiscal years 1962 and 1963, with approximately the same terms as in those years. (See Public Law 480 on cover sheet.)

<sup>3</sup> Adjusts.

[Department of State press release No. 40, Feb. 3, 1964]

### III. AGRICULTURAL COMMODITIES AGREEMENTS BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE POLISH PEOPLE'S REPUBLIC UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED

Agreements providing for the sale to Poland of agricultural commodities were signed today in Washington by George W. Ball, Under Secretary of State, and Franciszek Modrzewski, Deputy Minister of Foreign Trade of the Polish People's Republic. Within the framework of the agreed arrangement, Poland will purchase surplus agricultural commodities, including wheat, cotton, edible oils, rice, and tobacco, having a total export market value of \$90.9 million, including certain ocean transportation costs.

As provided in the Agricultural Trade Development and Assistance Act (Public Law 480), purchases under the act will be paid for in local currency (Polish zlotys). This currency will be deposited to the credit of the United States and will be available for use by the U.S. Government. Under one agreement the Polish Government is scheduled to commence by Dec. 31, 1964, and to complete by Dec. 31, 1967, the repurchase for dollars of the unused zloty proceeds from \$30.2 million worth of commodities. A second agreement concluded on the same terms as in previous Public Law 480 agreements with Poland provides that beginning January 1974, the Polish Government will repurchase for dollars, at the annual rate of \$750,000, the remaining balance of zloty proceeds derived from the sale of \$30.7 million worth of commodities.

Poland has also undertaken, in connection with these arrangements, to purchase with its own resources from the United States during 1964 an additional 200,000 metric tons of feedgrains, 66,000 bales of cotton, 5,500 metric tons of

edible oil or tallow, 10,000 metric tons of rice, and other U.S. agricultural commodities to bring the total purchases to \$30 million. These purchases are over and above the amounts to be purchased for the zloty equivalent of \$60.9 million mentioned above.

These agreements represent another step of the U.S. Government to meet Polish needs by sales of agricultural commodities, while at the same time encouraging further the trend in recent years to expand the commercial basis of the economic relations between the United States and Poland. Since 1957 agreements under Public Law 480 have provided for a total of \$538.2 million in such sales to Poland, including the sales agreements signed today.

The texts of the present agreements follow:

#### AGREEMENT "A" (LONG-TERM AGREEMENT)

The Government of the United States of America and the Government of the Polish People's Republic:

Recognizing the desirability of expanding trade in agricultural commodities between their two countries in a manner which would not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities;

Considering that the purchase for Polish zlotys of agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Desiring to set forth the understandings which will govern the sales, as specified below, of agricultural commodities to Poland pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act) and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows:

#### ARTICLE I. SALES FOR POLISH ZLOTYS

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of the Polish People's Republic of purchase authorizations and to the availability of commodities under the Act at the time of exportation, the Government of the United States of America undertakes to finance the sales for Polish zlotys, to purchasers authorized by the Government of the Polish People's Republic, of the following agricultural commodities in the amounts indicated:

Commodity:	<i>Export market value (millions)</i>
Wheat.....	\$9.7
Cotton.....	5.7
Edible oil.....	10.8
Tobacco (leaf).....	2.6
Ocean transportation (estimated).....	1.9
Total.....	30.7

2. Applications for purchase authorizations will be made within 90 calendar days after the effective date of this Agreement, except that applications for purchase authorizations for any additional commodities or amounts of commodities provided for in any amendment to this Agreement will be made within 90 days after the effective date of such amendment. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of Polish zlotys accruing from such sale, and other relevant matters.

3. The financing, sale and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale or delivery is unnecessary or undesirable.

#### ARTICLE II. USES OF ZLOTYS

1. The two Governments agree that the zlotys accruing the Government of the United States of America as a consequence of the sales made pursuant to this Agreement may be used by the Government of the United States of America,

in accordance with Section 104 of the Act, to help develop new markets for United States agricultural commodities under subsection (a) thereof; to finance the purchase of goods or services for other countries under subsection (d) thereof; to pay United States obligations under subsection (f) thereof; to finance educational exchange activities under subsection (h) thereof; to finance the translations, publication and distribution of books and periodicals under subsection (i) thereof; and for other expenditures by the Government of the United States of America under subsections (j), (k), (l), (m), (n), (q), and (r) thereof.

2. The zlotys accruing under the Agreement may be expended by the Government of the United States of America, for the purposes stated in paragraph 1 of this Article, in such manner and order of priority as the Government of the United States of America shall determine. It is understood that, with respect to the purchase of goods or services for other countries, the types, quantities and prices will be subject to negotiation between the two Governments.

#### ARTICLE III. DEPOSIT OF ZLOTYS

1. The amount of Polish zlotys to be deposited to the account of the Government of the United States of America shall be the equivalent of the dollar sales value of the commodities and ocean transportation costs reimbursed or financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used) converted into zlotys, as follows:

(a) at the rate for dollar exchange applicable to commercial import transactions on the dates of dollar disbursements by the United States, provided that a unitary exchange rate applying to all foreign exchange transactions is maintained by the Government of the Polish People's Republic, or

(b) if more than one legal rate for foreign exchange transactions exists, at the highest of any rate of exchange (i.e., the largest number of zlotys per U.S. dollar) established by the Government of the Polish People's Republic, or any agency thereof, prevailing on the dates of dollar disbursement by the Government of the United States of America.

2. Any refunds of Polish zlotys which may become due under this Agreement may be made by the Government of the United States of America from funds available under this Agreement. Any refunds of Polish zlotys which may be due or become due under any prior agreement under the Act for which undisbursed funds are no longer available in the accounts of the Governments of the United States of America in Poland may be made by the Government of the United States of America from funds available under this Agreement. In the event that a subsequent agricultural commodities agreement or agreements should be signed by the two Governments under the Act, any refunds of zlotys which may be due or become due under this Agreement more than two years from the effective date of this Agreement would be made by the Government of the United States of America from funds available from the most recent agricultural agreement in effect at the time of the refund.

3. The two Governments agree that the following procedures shall apply with respect to the zlotys deposited to the account of the Government of the United States of America under this Agreement:

(a) On the date of the deposit of such zlotys to the account of the United States they shall, at the same rate of exchange at which they were deposited, be converted and transferred to a special dollar denominated account to the credit of the United States Government in the National Bank of Poland.

(b) Withdrawals in zlotys from such special dollar denominated account by the United States for uses referred to in Article II of this Agreement other than the purchase of goods or services for other countries shall be paid by the National Bank of Poland at the highest of any rate of exchange (i.e., the largest number of zlotys per U.S. dollar) established by the Government of the Polish People's Republic, or any agency thereof, prevailing on the date of the withdrawal, provided that if such rate is more appreciated than the rate at which zlotys were deposited under paragraph 1 of this Article, the rate in paragraph I shall apply.

(c) Payment for purchases of goods or services for other countries referred to in Article II of this Agreement shall be made by reducing the balance in the dollar denominated account by an amount equal to the dollar prices of such purchases agreed upon by the two Governments.

(d) If any unused balance remains in such special dollar denominated account on and after January 2, 1974, the Government of the Polish People's Republic agrees that, if the Government of the United States of America shall so elect, the National Bank of Poland will sell to the Government of the United States the sum of \$750,000 in dollar exchange annually, beginning January 2, 1974, and on each succeeding January 2, such dollar exchanges to be paid for by reducing the balance in the dollar denominated account by the same amount.

#### ARTICLE IV. GENERAL UNDERTAKINGS

1. The Government of the Polish People's Republic will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, transshipment or use is specifically approved by the Government of the United States of America); to prevent the export of any commodity of either domestic or foreign origin which is the same as the commodities purchased pursuant to this Agreement during the period beginning on the date of this Agreement and ending with the final date; on which such commodities are received and utilized (except where such export is specifically approved by the Government of the United States of America), and to assure that the purchase of such commodities does not result in increased availability of these or like commodities for export to other countries.

2. The two Governments will take reasonable precautions to assure that all sales and purchases of agricultural commodities pursuant to this Agreement will not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities.

3. The Government of the Polish People's Republic will furnish quarterly information on the progress of the program, particularly with respect to the arrival and condition of commodities; provisions for the maintenance of usual marketings as described in paragraph 1 of the letter accompanying the Agreement; and information relating to imports and exports of the same or like commodities.

#### ARTICLE V. CONSULTATION

The two Governments will, upon request of either of them, consult regarding any matter relating to the application of this Agreement, or to the operation of arrangements carried out pursuant to this Agreement.

#### ARTICLE VI. ENTRY INTO FORCE

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

Done in duplicate at Washington, D.C., in the English and Polish languages this third day of February 1964.

For the Government of the United States of America:

(s) GEORGE W. BALL

For the Government of the Polish People's Republic:

(s) FRANCISZEK MODRZEWSKI

#### AGREEMENT "B" (THREE-YEAR AGREEMENT)

The Government of the United States of America and the Government of the Polish People's Republic:

Recognizing the desirability of expanding trade in agricultural commodities between their two countries in a manner which would not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities;

Considering that the purchase for Polish zlotys of agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Desiring to set forth the understandings which will govern the sales, as specified below, of agricultural commodities to Poland pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (herein-

after referred to as the Act), and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows:

#### ARTICLE I. SALES FOR POLISH ZLOTYS

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of the Polish People's Republic of purchase authorizations and to the availability of commodities under the Act at the time of exportation, the Government of the United States of America undertakes to finance the sales for Polish zlotys, to purchasers authorized by the Government of the Polish People's Republic, of the following agricultural commodities in the amounts indicated:

Commodity:	<i>Export market value (millions)</i>
Wheat.....	\$21.0
Rice.....	1.4
Cotton.....	4.8
Ocean transportation (estimated).....	3.0
 Total.....	 30.2

2. Applications for purchase authorizations will be made within 90 calendar days after the effective date of this Agreement, except that applications for purchase authorizations for any additional commodities or amounts of commodities provided for in any amendment to this Agreement will be made within 90 days after the effective date of such amendment. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of Polish zlotys accruing from such sale, and other relevant matters.

3. The financing, sale and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale or delivery is unnecessary or undesirable.

#### ARTICLE II. USES OF ZLOTYS

1. The two Governments agree that the zlotys accruing to the Government of the United States of America as a consequence of the sales made pursuant to this Agreement may be used by the Government of the United States of America, in accordance with Section 104 of the Act, to help develop new markets for United States agricultural commodities under subsection (a) thereof; to finance the purchase of goods or services for other countries under subsection (d) thereof; to pay United States obligations under subsection (f) thereof; to finance educational exchange activities under subsection (h) thereof; to finance the translation, publication and distribution of books and periodicals under subsection (i) thereof; and for other expenditures by the Government of the United States of America under subsections (j), (k), (l), (m), (n), (q), and (r) thereof.

2. The zlotys accruing under the Agreement may be expended by the Government of the United States of America, for the purposes stated in paragraph 1 of this Article, in such manner and order of priority as the Government of the United States of America shall determine. It is understood that, with respect to the purchase of goods or services for other countries, the types, quantities and prices will be subject to negotiation between the two Governments.

#### ARTICLE III. DEPOSIT OF ZLOTYS

1. The amount of Polish zlotys to be deposited to the account of the Government of the United States of America shall be the equivalent of the dollar sales value of the commodities and ocean transportation costs reimbursed or financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used) converted into Polish zlotys, as follows:

(a) at the rate for dollar exchange applicable to commercial import transactions on the dates of dollar disbursements by the United States, provided that a unitary exchange rate applying to all foreign exchange transactions is maintained by the Government of the Polish People's Republic, or

(b) if more than one legal rate for foreign exchange transactions exists, at the highest of any rate of exchange (i.e., the largest number of zlotys per U.S. dollar) established by the Government of the Polish People's Republic, or any agency thereof, prevailing on the dates of dollar disbursement by the Government of the United States of America.

2. Any refunds of Polish zlotys which may be due or become due under this Agreement more than two years from the effective date of this Agreement may be made by the Government of the United States of America from funds available in the accounts of the Government of the United States of America in Poland other than those accruing under this Agreement.

3. The two Governments agree that the following procedure shall apply with respect to the zlotys deposited to the account of the Government of the United States of America under this Agreement:

(a) On the date of the deposit of such zlotys to the account of the United States they shall, at the same rate of exchange at which they were deposited, be converted and transferred to a special dollar denominated account to the credit of the United States Government in the National Bank of Poland.

(b) Withdrawals in zlotys from such special dollar denominated account by the United States for uses referred to in Article II of this Agreement other than the purchase of goods or services for other countries shall be paid by the National Bank of Poland at the highest of any rate of exchange (i.e., the largest number of zlotys per U.S. dollar), established by the Government of the Polish People's Republic, or any agency thereof, prevailing on the date of the withdrawal, provided that if such rate is more appreciated than the rate at which zlotys were deposited under paragraph 1 of this Article, the rate in paragraph 1 shall apply.

(c) Payment for purchases of goods or services for other countries referred to in Article II of this Agreement shall be made by reducing the balance in the dollar denominated account by an amount equal to the dollar prices of such purchases agreed upon by the two Governments.

(d) If any unused balance remains in such special dollar denominated account on and after December 31, 1964, the Government of the Polish People's Republic agrees that, if the Government of the United States of America should so elect, the National Bank of Poland will sell to the Government of the United States in dollar exchange on January 2, 1965, the sum of \$3 million; on January 2, 1967, the sum of \$9 million; on July 1, 1967, the sum of \$9 million and on January 2, 1968 the remaining balance in such special dollar denominated account, such dollar exchange to be paid for by reducing the balance in the dollar denominated account by the same amount.

#### ARTICLE IV. GENERAL UNDERTAKINGS

1. The Government of the Polish People's Republic will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, transshipment or use is specifically approved by the Government of the United States of America); to prevent the export of any commodity of either domestic or foreign origin which is the same as the commodities purchased pursuant to this Agreement during the period beginning on the date of this Agreement and ending with the final date on which such commodities are received and utilized, (except where such export is specifically approved by the Government of the United States of America), and to assure that the purchase of such commodities does not result in increased availability of these or like commodities for export to other countries.

2. The two Governments will take reasonable precautions to assure that all sales and purchases of agricultural commodities pursuant to this Agreement will not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities.

3. The Government of the Polish People's Republic will furnish quarterly information on the progress of the program, particularly with respect to the arrival and condition of commodities; the provisions for the maintenance of usual marketings; and information relating to imports and exports of the same or like commodities.

## ARTICLE V. CONSULTATION

The two Governments will, upon request of either of them, consult regarding any matter relating to the application of this Agreement, or to the operation of arrangements carried out pursuant to this Agreement.

## ARTICLE VI. ENTRY INTO FORCE

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

Done in duplicate at Washington, D.C., in the English and Polish languages this third day of February, 1964.

For the Government of the United States of America :

(S) GEORGE W. BALL.

For the Government of the Polish People's Republic:

(S) FRANCISZEK MODRZEWSKI.

## EAST-WEST TRADE

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MONDAY, MARCH 16, 1964

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10 a.m., in room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright, Sparkman, Lausche, Symington, Carlson, and Mundt.

### ROLE OF DEPARTMENT OF COMMERCE IN EAST-WEST TRADE

The CHAIRMAN. The committee will come to order. The committee's hearings on East-West trade will continue this morning with the testimony of Secretary Hodges.

The Department of Commerce is responsible for the general administration of our export program and, as such, has played a key role in the formulation and application of policies relating to trade with Communist countries.

The Department also has jurisdiction over ocean-shipping matters which have been considerably significant in the recent grain sale to the Soviet Union.

Secretary Hodges' testimony will undoubtedly be a real contribution to the committee's study of East-West trade.

Mr. Secretary, we are very pleased to have you this morning. I anticipate some other members will be along shortly, but I think in view of your time and the committee's, that you should proceed now if you will.

**STATEMENT OF HON. LUTHER HODGES, SECRETARY OF COMMERCE; ACCOMPANIED BY JACK H. BEHRMAN, ASSISTANT SECRETARY OF COMMERCE; ROBERT E. GILES, GENERAL COUNSEL; DEAN B. LEWIS, ASSISTANT GENERAL COUNSEL; AND FORREST D. HOCKERSMITH, DIRECTOR, EXPORT CONTROL**

Secretary HODGES. Thank you, Mr. Chairman. I am glad to join this distinguished committee in studying and discussing the important and complex subject of East-West trade. Secretary Rusk has already told you, from the foreign relations standpoint, about some of the thorny problems that are involved in this subject. We in the Commerce Department have several responsibilities in this area, and from this perspective we have some views on these problems confronting our nation.

The total question of East-West trade may be considered in three parts:

First, there is the matter of our direct trade with the U.S.S.R.; with the various Communist countries of Eastern Europe; with Communist China, North Korea, and North Vietnam; and with Cuba.

Second, there is the trade of other free world countries with the same Communist countries.

Third, there is our trade with other free world countries as it is affected by their and our trade with Communist countries.

#### NATURE OF GOVERNMENTAL CONTROLS ON TRADE WITH COMMUNIST COUNTRIES

As to our direct trade, let me review briefly the nature of governmental controls on our exports to and our imports from the Communist countries, and the makeup and volume of this trade.

I will not discuss fully the present controls on imports from Communist countries, for they are not the direct responsibility of Commerce. Under the Trading With the Enemy Act, the Treasury Department bars imports of all goods of Communist Chinese or North Korean origin. Even Chinese-type and Korean-type goods, originating in third countries, are not admitted into the United States unless proved not to come from the prohibited countries by certificates of the actual countries of origin. Cuban goods are also denied entry. Under trade agreements legislation, certain furs of U.S.S.R. or Communist China origin are not allowed to come into the United States; and several Federal appropriation acts bar the use of public funds to purchase goods such as science-teaching equipment from the Soviet-bloc countries. There is even a statute which prohibits bamboo pipestems produced in the U.S.S.R. or any country dominated by the world Communist movement from being admitted into the United States duty free.

#### MOST-FAVORED-NATION RESTRICTIONS

What is sometimes called the most significant restriction on imports from Communist countries is the legislation which has generally denied such countries tariff benefits which we give other countries under the most-favored-nation provisions of our commercial agreements. This restriction applied to all of those countries, except Yugoslavia, after the Korean conflict. In 1960, President Eisenhower accorded Poland the privilege of the more favorable tariff rates, pursuant to discretionary authority provided in the Trade Agreements Act of 1951. In 1962, the Trade Expansion Act provided for termination of most-favored-nation treatment for both Poland and Yugoslavia. However, in the Foreign Assistance Act of 1963, authority has again been given to the President to give Poland and Yugoslavia the most-favored-nation tariff rates.

Imports from the U.S.S.R. and the remaining Soviet-bloc countries remain subject however, to the full rates provided by the Tariff Act of 1930.

These nations frequently point to this restriction on our part as an impediment to increasing their purchases of our goods. Whether this is the fact, is not clear. There is certainly a contrary view that the volume of our imports from Communist countries is not limited so

much by the higher tariffs resulting from the denial of most-favored-nation treatment as it is by the lack of interest on the part of the American people in buying the kinds of goods offered.

#### EXPORT CONTROLS

As to exports, our Department has since 1948, by delegation from the President under the present—1949—law and the predecessor World War II statute, restricted the flow of goods, including technology, to Sino-Soviet countries for the purpose of protecting our national security and welfare. We have varying degrees of severity in these restrictions, depending on the items and countries of destination. Thus, we maintain an embargo on exports to Communist China, North Korea, and North Vietnam; an embargo is applied to Cuba, except for certain foods and medicine. We apply to the Soviet-bloc countries in Europe a more narrow and selective-type control, to exclude export to them of commodities and technology that would contribute significantly to their military or economic potential in a way that would be detrimental to our security and welfare. For Poland we have a more liberal export policy than we have toward the other European Soviet-bloc countries in recognition of various changes in the relationship between it and the U.S.S.R., that have been maintained since 1956. Yugoslavia we treat like a Western European country because, although a Communist country, it is independent of the U.S.S.R.

#### FLEXIBILITY IN EXPORT REGULATIONS

The degree of our export controls also varies according to the items concerned. Thus, we do not export to Soviet countries strategic items, but we do export "peaceful" goods. If an item falls into a clear-cut category, our decision is easy. If not, we have to spend considerable time examining the case and coming to a decision.

Our export controls also provide a degree of flexibility which enables us to tighten or relax them as appropriate in response to international conditions. This is, of course, most useful in easing or cutting off the flow of consumable commodities. However, we recognize that capital items like plants and technology are generally one-shot exports and therefore are not as susceptible to this process of tightening and relaxation.

#### ADDITIONAL LEGISLATIVE CONTROLS

In addition to our controls on exports, there are other governmental measures affecting our ability to trade with the Soviet bloc. Among these are the Johnson Act's 1934 prohibition on private loans to countries in default of their obligations to the U.S. Government, such as the U.S.S.R., Czechoslovakia, Hungary, Poland, and Rumania; the various restrictions on certain kinds of exports of agricultural items to Soviet-bloc countries, as provided by Public Law 480 and its amendments since 1954; and the requirements under the Foreign Aid Act of 1964, of a Presidential finding to authorize Export-Import Bank guarantees of Soviet-bloc payments for private commercial sales of wheat and other farm products. Since the Korean war we have maintained controls over shipping to the Sino-Soviet bloc, and later ex-

tended them in modified form to Cuba. Also, since the Korean war, there have been the Treasury Department's restrictions under the Trading With the Enemy Act. These include various financial controls affecting Far East Communist countries and Cuba, as well as transaction controls which, among other things, bar U.S. firms and their foreign subsidiaries from selling to the U.S.S.R. and European Soviet-bloc countries highly strategic goods even though not of U.S. origin and not being shipped from the United States.

#### EXPORTS TO BLOC COUNTRIES

Our exports to the Eastern European countries, including the U.S.S.R., have risen since 1956 from \$11 million in that year to \$194 million in 1960, with a drop to \$167 million in 1963, which is less than 1 percent of our total exports. Imports rose from \$72,754,000 in 1956 to a high point of \$88 million in 1959, and dropped to \$81 million in 1963—again less than 1 percent of total imports.

Exports to Poland have comprised a very large portion of our Soviet-bloc trade, consisting largely of agricultural products shipped under a series of Public Law 480 credit sales agreements concluded between our two countries. In fact, during the 3-year period 1960-62, agricultural commodities constituted between 65 and 75 percent of our exports to the whole European Soviet bloc. Various types of machinery, iron and steel products, medicines and chemicals, and private relief shipments accounted for almost the entire remainder. Of the bloc countries, the U.S.S.R. itself ranked next to Poland in the amount of goods bought from us. Together they have taken about 90 percent of our exports to the bloc in recent years.

On the import side, we have mainly taken Polish ham, Soviet caviar, and nonembargoed types of furs, with some benzene, glass, and platinum group metals included in some years.

#### TRADE OF FREE WORLD ALLIES AND COCOM ARRANGEMENTS

Trade of our free world allies with the Communist countries is a second major ingredient in the East-West trade mix. While we do not always agree with our allies on how to handle such trade, we have some very important areas of cooperation. The most significant is the COCOM arrangement described by Secretary Rusk which has operated since 1950 to restrict strategic exports from member countries to the Sino-Soviet bloc.

The goods deemed "strategic" by COCOM standards include highly sophisticated electrical and electronic items, special metals, some aviation equipment, certain machine tools and machines, a number of advanced chemicals, plastics, and atomic materials, and a few specialized scientific instruments. They are limited to those things which are likely to be used even in peacetime for military-industrial production and kindred purposes. The list is reviewed and revised annually.

A considerable part of current trade with the Soviet bloc is carried on by Europeans and other countries under bilateral trade agreements, a technique which the bloc countries seem to favor. These agreements, subject to modification every year or two, set targets for purchases and sales by kinds and values of goods. According to some, they help to encourage the bloc countries to buy some consumer

items from the free world along with the capital goods the bloc countries prefer. Conversely, of course, they are a form of pressure on free world countries to buy from the Soviet bloc goods which might normally be bought from other free world countries, including less developed countries.

#### TREND OF TRADE INCREASE WITH BLOC COUNTRIES

Since 1956, free world—excluding United States—exports to the European Soviet bloc have risen gradually, from \$2 billion in 1956 to nearly \$4.5 billion in 1962. In this period free world imports from the bloc have also increased steadily, from \$2.2 billion in 1956 to nearly \$4 billion in 1962. Of this trade, three-fifths has been between the European Soviet bloc and the industrialized countries of the West—the COCOM countries, Austria and Sweden, but excluding the United States—with both imports and exports nearly doubling between 1956 and 1962. Still this was only 4 to 5 percent of the total world trade of these Western countries. The countries leading in this trade with the European Soviet bloc, according to the 1962 statistics, were the Federal Republic of Germany, first in both exports and imports, with the United Kingdom second in both exports and imports.

#### DESIRE TO EXPAND MARKETS

Our allies quite clearly favor expansion of trade with the European and Asiatic Communist countries. They consider it important to extend the markets for their products, and they extol the usefulness of such trade to normalize relations between the West and the East. The bloc, in turn, appears highly interested in increasing trade with the free world, especially in order to obtain needed foodstuffs and advanced materials and equipment for the short run and, for the long run, to expand and modernize its own production of chemical fertilizers, manufacture of agricultural and roadmaking machinery, its petroleum refining and petrochemical and chemical production, and other areas of advanced technology.

#### DESIRE OF SOVIET BLOC FOR LONG-TERM CREDITS

Since the Soviet bloc is being forced or will be forced to spend so much of its foreign exchange and gold in its recent crash programs to obtain grains, and desired chemical fertilizer plants and advanced farm machinery, it has been urging the West to permit long-term credits, saying that this is essential if their purchases from the West are to expand or even continue at the present rate. We have been taking the position, however, that such credits should not be for periods longer than those normal to trade among industrialized countries, and generally, in any event, not for longer than 5 years.

#### FREE WORLD TRADE WITH COMMUNIST CHINA

To complete the picture, I should mention that the free world industrial countries also conduct a small but growing trade with Communist China. In 1962 their exports to that country were \$314 million—with a large portion being Canadian grain—while their imports were \$224 million.

## FREE WORLD TRADE WITH SINO-SOVIET BLOC MEASURED IN PERCENTAGE TERMS

The foregoing portrayal of the free world industrial countries growing trade with the Sino-Soviet bloc countries would be completely out of focus, if compared solely with our own trade with the bloc. Accordingly, we must also consider the total trade of the free world industrial countries. In 1962, the total exports of these free world countries were nearly \$64 billion of goods, while their imports were over \$70.3 billion. From this it can be seen that their export-import trade with the European Soviet bloc, while growing, still is less than 5 percent of their total trade.

## SOVIET TRADE POLICIES

Analysis of the problems of East-West trade of the United States and other free world industrial countries would not be complete without an examination of the trading policies of the Soviet bloc itself and their effects on the bloc's trade with other countries.

First, foreign trade is a state monopoly in the Soviet bloc. It is conducted by Government agencies and Government officials. Purchases and sales can be increased, decreased, or switched from one country to another, as the Government policy dictates. Private sellers in one free world country can be played off against each other and against private sellers in other free world countries. This makes it more difficult for the Governments of the 15 free world countries in the COCOM to stand firm and united against temptations of Soviet bloc business.

Second, all economic activities in the Soviet bloc are centrally controlled in accord with national plans of a long-term and annual nature. These central controls are applied to all aspects of foreign trade. To make sure that the national plans are fulfilled, the foreign trade enterprises are required to arrange their export business so as to secure the kinds of imports that are needed under the plans.

Third, there is the longtime tendency of the Soviet bloc to be economically self-sufficient. This policy of self-sufficiency seems to have been blunted recently to the extent that Poland, Rumania, and some other Soviet-bloc countries may be making efforts to engage in a sort of foreign trade that is not limited to filling gaps in their own production capacities.

Fourth, there is the bloc's preference for bilateral trade agreements. This must be recognized as a device to make the price for goods the bloc buys dependent on the price, quality, and availability of what the bloc sells. A bilateral arrangement presumes purchases equivalent to sales. The bloc's demand for bilateral trade agreements is the antithesis of the general free world trade practice of selling in the most advantageous market and buying from the cheapest source of supply.

## EXPORT CONTROL ACT AND THE COCOM CONCEPT

Having sketched the background within which our East-West trade policy is formulated, I now turn to the specific problems which the

Commerce Department faces in carrying out its responsibilities under the Export Control Act of 1949, as amended.

It should be understood that our controls are more extensive than those of our allies, and cover more than the COCOM list. This comes about, in part, because the Export Control Act does not authorize us to limit our concern to technology and equipment of a clear military and military-industrial nature—the COCOM concept—even though those are the only kinds our free world friends are willing to control. One of the 1962 amendments to the act was a congressional finding in section 1(b) that—

The unrestricted export of materials without regard to their potential military and economic significance may adversely affect the national security of the United States.

Section 3(a) of the act was amended at the same time to require the denial of any article or technology to an unfriendly nation or nations—

if the President shall determine that such export makes a significant contribution to the military or economic potential of such nation or nations which would prove detrimental to the national security and welfare of the United States.

This introduces the element of control over goods contributing to the “economic potential” of the Soviet bloc.

Furthermore, even in the military-industrial area we feel obliged to control some items that our allies have not agreed to control. These include items that may have considerable commercial usage, but which we consider “strategic” because they are substantially used by our military, and may even have been designed with funds supplied by our Defense Department.

Whether we are considering an item that makes a significant contribution to the Soviet bloc’s “military potential” or its “economic potential,” the important point to bear in mind is that the 1962 amendments to the act call for its denial on the ground that if the item is embargoed to the bloc by the COCOM countries, the export of the item “would prove detrimental to the security and welfare of the United States.”

#### 1962 AMENDMENTS TO EXPORT CONTROL ACT

Looking at the legislative history of these 1962 amendments to the Export Control Act, it is certainly possible to disagree about their intended meaning. One view is that they reflect a congressional feeling that there had been in the past too much preoccupation with items of a clear military and military-industrial nature—the COCOM concept—and not enough attention to goods and technology that would contribute to the Soviet bloc’s use of its economic strength to the detriment of the United States. We, however, have considered these amendments as stressing that which the administration has already been stressing in passing on particular license applications.

As we have heretofore informed the Congress, we have undertaken to interpret these amendments as meaning that:

(1) We should deny any item that contributes significantly to the military potential of the Soviet bloc, even if equivalent items are obtainable by the bloc from the COCOM or other free world countries—

on the ground that export of such an item is well-nigh bound to be detrimental to our security and welfare.

(2) If an item contributes significantly to the economic potential of the bloc, it should be denied if its export would be detrimental to our security and welfare. When, however, the same item, or a close equivalent, is readily available to the bloc from other free world sources, it is our view that it is the overall availability of the item per se, and not our export, that will be detrimental to our security and welfare. In such case we consider that our denial of the export from the United States could only compound the detriment by depriving our exporters of a sale that would occur in any event.

#### EFFECT OF UNILATERAL CONTROL POLICIES

The consequence is that we are unilaterally controlling some items because we consider them militarily important, even though we do not have effective control, and we are also controlling some items that we consider economically important when we also consider that our denial will have a worthwhile adverse effect on the bloc's ability to act in a way detrimental to our security or welfare. And, even in the latter situation the conclusion that our denial will have a meaningful effect does not mean that no comparable item will be available to the bloc from a COCOM or other free world country.

Indeed, it is a well-known effect of our policy of unilateral denial that it often prevents our exporters from competing for Soviet bloc business which other free world sellers are free to take. This occurs whenever our technology or equipment faces competition from other countries which sell more or less closely comparable items and sometimes even when they have only items of a substantially inferior nature to sell. Obviously, there are few, if any, industrial fields today in which we can have or long retain an advantage so great and unique that we can say we have no foreign competition. Accordingly, if we maintain a denial policy while and because we do have a technological lead, the bloc will buy the most comparable technology available to it and may even buy the technically inferior or economically more costly machines available elsewhere. It is often a difficult question to determine whether there is a sufficient benefit in our depriving the bloc of our "best," to outweigh the loss we sustain when they buy what might be the second or third best from our allies.

#### PROBLEMS ARISING FROM MAINTAINING UNILATERAL CONTROLS

Some people feel that we should stop trying to maintain unilateral controls whenever there is technology or equipment available to the bloc from abroad that can "do the same job," and can be easily purchased by the Soviet bloc. We should probably not try to control East-West trade (except for strategic items) unless we can be effective; and we can usually be effective only if and to the extent we can persuade the other free world producing countries to follow the same denial policy.

I recognize, however, that the problem is not easily solved. There is at times good reason to conclude that much more than mere ability to "do the same job" ought to enter into the judgment that a top quality

machine we produce should be approved or denied. Other important considerations are the qualitative comparisons of the U.S. and foreign machines, their relative costs, durability, production rates, ease of repair, the different lengths of time it will take foreign and U.S. firms to produce their respective machines, and the comparative backlogs on their "order books." (I may add that getting evidence on these points is often quite difficult and time consuming.) Again, it can be difficult to treat a militarily important item as if it were "nonstrategic" and not worthy of our denial, merely because the 14 COCOM countries will not agree with us to control it.

#### PROBLEMS CONCERNING TREATMENT OF TECHNICAL DATA

Some of or most difficult export control problems are concerned with the treatment of technical data.

Technical data includes, among other things, the scientific, engineering, and industrial knowledge that may be utilized in the making or using of a plant, process, machine, or product. It may be in writings and drawings; it may be only in someone's mind. It may be embodied in and extractable from a physical object or prototype.

Vast sums are spent annually in our country by private business and the Government for research and development in order to create the technical data required to make and use new products and to improve the known ones. Other industrialized countries do the same, including other free world and, to some extent, Communist countries.

We know that the U.S.S.R. and the European Soviet bloc countries are particularly interested in buying the most advanced technology that we and other free world countries are willing and able to provide, generally in the form of complete plants, major components, and complex machines. The technology which the bloc countries appear to be most interested in acquiring concerns petrochemicals, petroleum refining, chemicals, steelmaking, textiles, and, most recently, fertilizers. From some of our license applications, it seems at times that apart from foodstuffs and some raw materials, technology is about all that bloc countries are interested in acquiring from us. Even when we are prepared to license such technology we find, not infrequently, that the bloc prefers to acquire the related equipment elsewhere. This is disturbing to some of us.

#### TEST OF AVAILABILITY OF COMPARABLE TECHNOLOGY ABROAD

One of the very difficult questions about control over our advanced technology is whether and to what extent we ought to apply the test of availability of comparable technology abroad. Our technology, by hypothesis, relates to a plant, process, machine, or product. Should we license it to the bloc whenever there is available from some other source non-U.S. origin technology to make the same kind of item, even though not qualitatively equal to ours? Or, should we treat our advanced technology like a piece of machinery? Should we evaluate technology solely in terms of the U.S. seller's judgment of its pecuniary worth? Or is there a comparable quid pro quo that we should exact for giving the bloc the long-term benefit of our research and development, over and above the price demanded by the exporter? Is insistence on such a quid pro quo a practical and proper means of

counterbalancing any detriment to our welfare that might result? Certainly, some of us feel we should exact a quid pro quo over and above the monetary value.

#### RESTRICTIONS ON DISSEMINATION OF U.S. ADVANCED TECHNOLOGY LICENSED TO ALLIES

The subject of advanced technology also provides an excellent illustration of what I said at the outset is the third major problem area in East-West trade. I refer to the matter of our trade with other free world countries as it is affected by their and our trade with the Communist countries.

One of the most advantageous and generally beneficial kinds of trade between businessmen of our own and other friendly countries relates to agreements for the licensing of patents and technological know-how. Their object is to enable the licensee to manufacture a product, with a royalty or other fee payable to the licensor. We have tried not to interfere with the flow of technology back and forth within the free world, recognizing the great benefits that come to our country from the cross-semination of scientific and technical knowledge.

However, East-West trade control requirements have compelled us to bar free world recipients of our technology from turning it over to the Soviet bloc countries without our consent. In addition, the United States has in some respects felt obliged to put restrictions on what a foreign licensee may do with the foreign-made product of our technology. Under a system of controls maintained in part by the Treasury Department under the Trading With the Enemy Act, and in part by the Commerce Department under the Export Control Act, our Government has required foreign recipients of various kinds of U.S. technology to agree not to send certain kinds of products thereof to Communist China or Cuba. By arrangement between Treasury and Commerce, we will shortly be taking over a substantial portion of their control, with some modifications.

#### ADVERSE EFFECTS FROM TECHNOLOGY CONTROLS

Although this control has not been applied to bar all kinds of foreign-made products of U.S. technology from going to Communist China or Cuba, yet it has had and is likely to continue to have noticeably adverse effects on our relations with other friendly countries arising out of the differences between them and us in regard to East-West trade. Members of the committee will recall the incident of the planes that the United Kingdom wished to export to Communist China, and the problems that arose from the fact that such planes customarily contained British-made components constructed from U.S. licensed technology. That case was certainly an irritant in our relations with the British Government, as well as for the United States and foreign firms involved. Recently, representatives of some U.S. firms that regularly license their technology to firms in friendly foreign countries have told us that some foreign concerns that they have dealt with in the past now refuse to enter into any license agreements with these U.S. firms if they must contain special U.S. restraints

on exports to the Soviet bloc of the foreign-made products of our technology. If this sort of attitude spreads, substantial detriment to the development of free world industrial technology and the U.S. role therein can result.

In describing this problem, I wish to point out that our economic defense policies and the 1962 Amendments to the Export Control Act could not easily be reconciled with a view that we should yield to the foreign firms in the situation I described by permitting all foreign-made products of U.S. origin technology to move freely to Communist China or Cuba. Such a course might even encourage a movement of some U.S. production to foreign countries for the specific purpose of avoiding our controls.

#### ADVERSE EFFECTS FROM RESTRICTIONS OVER EXPORTS INVOLVING U.S. ORIGIN COMPONENTS

Comparably adverse effects can flow from our efforts to maintain U.S. export control restrictions over goods made in foreign countries with some portion of U.S. origin components. We have had very difficult cases in this field. Some have even included representations by friendly foreign governments against what they have called our assertions of "extra-territorial jurisdiction", and our "invasions of their sovereignties".

#### PROBLEMS IN POSSIBLE UNITED STATES-SOVIET BLOC LICENSE AGREEMENTS

There is one more point about our control over technology that should be considered by your committee. It is possible that in the future some Soviet bloc countries might wish to enter into license agreements with U.S. firms to use U.S. technology to make products in the Soviet bloc, and to permit U.S. firms to use Soviet technology to make products in the United States. In considering anything of that sort, it would be important to give thought to the difference between entering into such an agreement with a private firm in a market-economy country, and the making of an agreement with a Soviet bloc state agency. We know about legal protections that exist in free world countries; but whether Soviet bloc countries accord similar protections and would refrain from carrying out existing intra-bloc agreements to pool industrial know-how are questions that need answering. It is not at all clear that a Soviet bloc country could be in a position to exchange information on new developments or improvements stemming from their use of the U.S. technology. Under our Export Control Act we would be obliged to pass on any proposed export to a bloc country of new development technology created by a U.S. firm as licensee of a Soviet bloc agency.

#### SPECIAL SITUATION OF CUBAN TRADE

Before closing this review of East-West trade problems, I should summarize the special situation regarding Cuba. As you know, we no longer buy anything from Cuba, including the sugar and tobacco that formerly figured so largely in our trade. And that was in the hundreds of millions, by the way. As I have indicated, we also have a virtual embargo on our exports to Cuba, and of the foods, medi-

cines, and medical supplies that we are willing to ship to her only small amounts are being bought by the Castro government.

#### EFFORTS TO DISCOURAGE WESTERN EUROPEAN TRADE WITH CUBA

In the early part of the period after we cut off our trade with Cuba, beginning in the fall of 1960, the bulk of that trade shifted to the U.S.S.R., the European Soviet bloc countries, and Communist China. More recently, Western European countries have been selling Cuba various kinds of capital goods like industrial machinery and fleets of buses and trucks, which help to strengthen and rebuild Cuba's economy. Payments are apparently in part by cash generated from sales of sugar, tobacco, et cetera, and in part by credits.

We have tried to discourage this trade through shipping sanctions, withdrawal of aid, and diplomatic exhortations. And, of course, we stand ready to penalize any who divert our embargoed goods to Cuba, or who use them to make goods for that country. To that extent the divergency between our trade policy toward Cuba and the trade policies followed by our allies has its repercussion in this restraint on our trade with them.

Our efforts have had up to now only partial success in persuading our Allies from helping to rebuild the economy of this country that stands convicted in the Organization of American States of using its power to foment and support communistic subversion, terror and guerrilla warfare in the Western Hemisphere.

Further, when other free world nations are reported as assuring that what they ship to Cuba are not "strategic" goods, it must be remembered that the term "strategic" has various connotations. If they mean by this, the kinds of highly sophisticated electronic gear machine tools, and the like, that are restricted by the COCOM countries for export to the U.S.S.R., then it is well for them and us to consider that Cuba's economic power to engage in activities that threaten the security and stability of other nations in this hemisphere, probably depends, not on the COCOM-embargoed military-industrial equipment, but on machines and parts that keep Cuba's sugar mills and petroleum refineries operating.

What should we do about this facet of our East-West trade problem? One extreme might be to cut off all trade with nations that trade with Cuba. The other extreme would be to abandon our policies, and simply compete with our friends as vigorously as possible for Cuba's trade. As Secretary Rusk has told you, the administration's view is not to take any extreme position. We will not retreat from our present policy as long as the Castro regime continues to threaten the security and stability of other nations in this hemisphere. At the same time, we will continue to point out to free nations who sell Cuba goods important to its economy that they are interfering with the efforts in the Western Hemisphere to curb the Cuban danger.

#### COMPLEXITY OF PROBLEMS OF EAST-WEST TRADE

In conclusion, I believe you will find from your study that the problems of East-West trade are very real and very difficult to solve on any wholly satisfactory basis. I have heretofore made it abundantly clear

that I favor personally the maximum of peaceful trade with the European Soviet bloc countries. This is still my position. However, I recognize quite well that it is not enough just to say that we should immediately relax our controls to the level of those maintained by our COCOM friends, even if we can do so under the present law. The problems are too complex. We hope that, as you study the problems, solutions will be found. We stand ready to cooperate with you in that effort.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary. I think that is a very enlightening statement. It presents many complicated problems and some aspects of which I certainly was not aware.

#### EFFECT OF U.S. EXPORT CONTROLS ON SOVIET POTENTIAL

Your summation as to your own view is very clear, I think. I wonder if you could enlarge a bit on your views as to the effect over these past 10 years of our export control policies on Russia's economic and military potential.

Do you think this has been a substantial effect?

Secretary HODGES. No, Mr. Chairman, I don't think it has had too much effect.

The CHAIRMAN. You do not think so.

Secretary HODGES. On the strategic items, I would not get into that, because as to the military strategic items I think we and our friends have stuck to our agreed position and it may have had an effect. But other than that it is so-called nonstrategic or consumer items. I think we have affected them very little.

#### QUESTION OF REEXAMINATION OF EAST-WEST TRADE

The CHAIRMAN. Then it is fair to say, leaving aside the strategic objections, that unless we have the cooperation of our allies in the free world, these restrictions don't serve any useful purpose.

Secretary HODGES. It is very difficult to answer, Mr. Chairman, as to whether they serve any useful purpose. I think we ought to consider that we have been trying it for years and we are now up to the present time. We seem to be getting further and further away from our allies in our position, and I think it is pretty high time that we look at the whole thing again. This you might be interested to know, you gentlemen of the committee, that in an Export Promotion Conference called by the President under White House sponsorship last fall, attended by representative industrial concerns of the leading ones that America has, that 11 committees meeting independently and without any suggestion from anyone came out with several suggestions of the same nature, that the United States ought now to take a new look at this whole question of controls and its East-West trade. This came completely from industry and professional people out in the country.

Mr. Chairman, before I go too far could I introduce Dr. Behrman who is pretty much an authority on this world trade, our Assistant Secretary, and Mr. Hockersmith who has specific charge of the export controls and who does a great job on that, our General Counsel, Mr. Giles, and Mr. Lewis, our Assistant General Counsel.

## EFFECT OF U.S. TECHNOLOGY CONTROLS ON U.S. TRADE

The CHAIRMAN. We are very pleased to have them all.

Your statement makes it quite clear that in most cases, or in many cases at least, those materials and objects, whether they be machines or technology that we deny the Soviet bloc, are obtainable in other industrialized countries, particularly West Germany and England.

Secretary HODGES. I would think in a substantial number of the cases that is correct, wouldn't you say so, Dr. Behrman? Except for extremely highly advanced technology, Mr. Chairman. We have a few applications in front of us right now that we are looking at that are rather highly advanced. If I might just add a word here, because this oversimplifies and sums up my feelings on this line, I think when we get a very highly sophisticated piece of technology or engineering that no other nation has quite comparable, that we would be just very foolish to turn that loose and let France, Germany, or any other of our allies get, say, \$50 to \$100 million worth of supplies and equipment and we furnish the technology for it. I would say if we are going to do anything we ought to get all the business, because we are furnishing the most important part of it.

That is one of the great problems facing us today.

The CHAIRMAN. I don't quite see what the answer to it is; that is, within the restrictions imposed under the law.

Secretary HODGES. That is part of our problem, sir.

## DIFFICULTIES IN CONTROLLING EXPORT OF TECHNOLOGY TO ALLIES

The CHAIRMAN. Are you suggesting that maybe we ought to reexamine the laws themselves? For example, it is very difficult for you to deny a legitimate sale by an American firm to a German or a British or an Italian firm, isn't it?

Secretary HODGES. Would you repeat the question, Mr. Chairman.

The CHAIRMAN. It is very difficult for you, if not impossible, to deny the sale by an American firm to a comparable firm in any one of the Western European free countries, particularly Germany, Italy, and England?

Secretary HODGES. Yes.

The CHAIRMAN. And once that sale is made, then it is almost impossible for you to control what they do with the product, isn't it?

Secretary HODGES. Well, we have certain regulations which we spell out.

The CHAIRMAN. Do you think they are effective at all?

Secretary HODGES. Would you answer that, Mr. Hockersmith?

Mr. HOCKERSMITH. Yes, sir; I think they are effective to a major degree. We require assurances from them before the technology is transmitted that they will not use that technology to produce certain goods which we specify for shipment to the bloc countries.

The CHAIRMAN. I would think that is very difficult to follow through and control. If technology is introduced into a country like Germany, it isn't very long before other people are aware of whatever it is; isn't that true?

Mr. HOCKERSMITH. That is correct. The technology soon becomes known.

The CHAIRMAN. It soon becomes known.

Mr. HOCKERSMITH. And comparable processes are developed which do not involve U.S. technology and then it is loose.

The CHAIRMAN. And the Germans themselves are quite ingenious in this field. It is very rare that we have something so unique that they know nothing about so that we can completely control it, isn't it?

Secretary HODGES. That is right, Mr. Chairman.

The CHAIRMAN. That is a very rare occurrence.

Secretary HODGES. We have a few cases, but it is rare.

The CHAIRMAN. So few that it doesn't very greatly influence this case.

#### BURDEN IMPOSED ON AMERICAN BUSINESSMAN BY EXPORT CONTROLS

The end result then is denial to American firms of many opportunities to sell items which bloc countries can get in Germany, England and other countries. What you are doing is making the American businessman bear the full burden of this control program and at the same time not denying in a significant way articles to Communist countries; isn't that what is happening?

Secretary HODGES. That is right.

The CHAIRMAN. Is that a correct statement?

Secretary HODGES. I think so.

Mr. HOCKERSMITH. Yes.

The CHAIRMAN. Then what good purpose does it serve?

Secretary HODGES. Mr. Chairman, I don't think that I could answer that very simply. We are bound by law and by pressure from various places, and there has not unfortunately been a clearcut administration policy that would allow us to change it or to recommend changing.

The CHAIRMAN. I didn't mean that as a criticism of your following the law. It really went to the wisdom of the law itself. I didn't mean to say that you are misinterpreting the law. I think you, in the best of your judgment, are following the law.

But is the policy required under the law wise?

Secretary HODGES. It doesn't seem so on the face of it.

The CHAIRMAN. It doesn't seem so in your view?

Secretary HODGES. I should make a point that I look at this thing a little more practically. I do not look at it as politically as some of my associates and as some of you might. I am a seller basically.

The CHAIRMAN. Yes.

Secretary HODGES. I believe in selling goods and I believe in giving U.S. firms a chance to sell goods, always excepting the strategic items.

The CHAIRMAN. What we are saying always excepts strategic goods.

Secretary HODGES. Always excepts that. But I think we are very foolish, have been very foolish, and I don't know what the answer is, to turn down item after item when they can get it elsewhere, the same kind.

#### OBTAINING A QUID PRO QUO FOR U.S. TRADE WITH SOVIET BLOC

And second, to furnishing philosophy on this, I think that we ought to, in looking at the law, in looking at the whole thing, we ought to take a good long look at cleaning up the situation that keeps us from doing a quid pro quo job.

In other words, I don't like to give something to the Soviets or Soviet bloc countries unless we can get something in return.

The CHAIRMAN. Since you brought that up, I noticed that in your statement you made that point about a quid pro quo. What did you have in mind as an appropriate quid pro quo that you could require from the Communist countries?

Secretary HODGES. Well, there are many.

The CHAIRMAN. What type of things do you think could be practical?

Secretary HODGES. Of course you would have to clean up—put it this way—you would have to clean up certain things that are now either stopped by law or that the Soviets themselves have not been willing to clean up, such as the whole lend-lease situation.

But we have certain situations such as respect for patent rights, copyrights, making prototypes, and many agreements that we want to make with the Soviets that they would be bound by if we gave them these things.

#### QUESTION OF SOVIET ATTITUDE REGARDING PATENT AGREEMENTS

The CHAIRMAN. Have they been approached for that kind of quid pro quo?

Secretary HODGES. I would doubt it, Mr. Chairman, although I can't answer it absolutely.

The CHAIRMAN. You don't know what their attitude might be?

Secretary HODGES. I don't. Do you have anything on this, Dr. Behrman?

Mr. BEHRMAN. Their attitude is changing a bit on the use of a patent system inside the Soviet Union, the extension of those rights to foreign companies that wish to file. There is some evidence that there is reception to an initiative in this area.

The CHAIRMAN. Other countries, you think, have obtained such agreements?

Mr. BEHRMAN. No, sir; there are some agreements on protection in some of the bilateral arrangements with European countries but certainly there is not an extensive patent system in the Soviet bloc countries as there is in the Western European countries.

Secretary HODGES. Would you add anything for the chairman and gentlemen about other things that we might seek as in quid pro quo? Dr. Behrman?

Mr. BEHRMAN. We still have problems on copyrights. There are problems on commercial arbitration, on protection of industrial properties other than patents, on methods of trading with the State trading operation.

These are things certainly, Mr. Chairman, which would come into a discussion of ways of expanding trade with the bloc.

#### EFFECT OF UNITED STATES-SOVIET BLOC TRADE POLICY ON BALANCE OF PAYMENTS

The CHAIRMAN. Reverting to that previous question, does our policy have any substantial effect upon our balance-of-payments problems?

Secretary HODGES. Not as we can now see it, Mr. Chairman, nothing substantial. I think that this present wheat deal situation would probably amount in dollars to as much as we had talked about in connection with the balance of payments. I don't think any final agreement with the Soviet would bring in tremendous trade.

I don't want to leave that impression. I don't know of tremendous trade that we would want from them. But that again has not been searched out, Mr. Chairman. The Soviet trading people when they come over, and you can't be quite sure what they mean or whether or not they are giving you the whole story, they say there is a whole lot of things we have that we can sell you, and there is a whole lot of things we want to buy from you.

But, of course, with all the restrictions we have and not having settled some of the problems that face us jointly, there isn't much to talk about.

You have a one-shot deal like the wheat situation, and that is about all you can talk about of any size.

#### EFFECT OF SHIPPING REQUIREMENTS ON U.S. SALES TO SOVIET BLOC

The CHAIRMAN. In view of your statement that you favor an expanding trade outside of the strategic field, how do you reconcile that with the recent action requiring 50 percent of all grains sold, not just wheat or wheat flour, to be shipped in U.S. ships? Doesn't that, in effect, make it more difficult for us to sell to the bloc because of the difference in the price of shipments?

Secretary HODGES. Mr. Chairman, this could be a long story, but I will try to make it as short as I can. Yes; it makes it more difficult to trade, to require 50 percent. But I think that if we can get the 50 percent as we are currently getting on the present orders, then I think it is good for our total business including our merchant marine and shippers to require it.

The CHAIRMAN. If that grain is available in Canada, are you going to get it? Why would they pay more for our wheat than they pay the Canadians?

Secretary HODGES. Mr. Chairman, I don't think they would pay us any more for our wheat. They have said so. As I said, foolishly or otherwise, in a press conference last week I don't see why in the world they trade with us at all with the problems they have trying to get trade with us, with all the agencies involved, all the requirements, and all the restrictions.

#### ESTIMATE OF GOODS SOLD TO U.S.S.R. BY OTHER COUNTRIES DUE TO U.S. RESTRICTIVE POLICIES

The CHAIRMAN. Have you estimated what portion of the goods sold by other free world countries to the Soviet Union cannot be bought here because of our restrictive policies? Have you made any calculations?

Secretary HODGES. Mr. Chairman, I don't know how we would have anything that I can give you on that.

The CHAIRMAN. It is very difficult, I know. I wondered if anyone on your staff had made any such estimate.

Secretary HODGES. No, sir.

## QUESTION OF FREER TRADE POLICIES IN SATELLITE COUNTRIES

The CHAIRMAN. Did you happen to notice an article in yesterday's newspaper, I think it was the Post, about Rumania and the changing attitude of the Rumanians toward free world trade?

Secretary HODGES. I did not see that particular article, sir, but I do know there seems to be a trend on the part of Rumania to a little more freedom in trading with the West as compared to what they had before.

The CHAIRMAN. This article went quite far in saying that the Rumanians were showing a disposition to go on their own, to be quite independent or much more independent than they formerly had been of Russian domination in their foreign trade.

Is that in accord with what you know about it?

Secretary HODGES. Yes, it is. We have a very distinct impression that that ties in with Mr. Khrushchev's rather happy remark they were getting too old to spank.

The CHAIRMAN. Getting too old to spank?

Secretary HODGES. Yes, the satellites.

The CHAIRMAN. He has some difficult political problems that inhibit him from spanking them, too, doesn't he?

Secretary HODGES. Yes, he does.

The CHAIRMAN. Senator Sparkman, do you have questions?

Senator SPARKMAN. I will pass, Mr. Chairman, for the time being.

The CHAIRMAN. Senator Carlson.

## EFFECT OF SHIPPING ORDER ON AGRICULTURAL TRADE WITH SOVIET BLOC

Senator CARLSON. Mr. Secretary, I appreciate very much your appearance here this morning. I am a little concerned about the following statement you made:

I have heretofore made it abundantly clear that I favor the maximum of peaceful trade with the European Soviet bloc countries.

It was just last week, I think, that your Department issued an order on shipping which will, in my opinion, practically close off trade with these satellite countries in agricultural products.

Secretary HODGES. Senator Carlson, if you don't mind my saying this, you are speaking with logic and you don't necessarily have logic in the Federal Government.

Senator CARLSON. Someone suggested that was an understatement. But frankly, I have your own figures here which show—a table here—in 1960 we sold to the satellites, including Poland, \$129,959,000 of agricultural products, in 1961 it was \$69,672,000, out of a total of \$90 million of our trade with these countries, in 1962 it was \$86,968,000 and a total trade with these countries of \$94,042,000.

Coming from an agricultural State, and looking forward to the tariff rounds which will be taking place in May in Geneva, I would like to ask if that isn't another indication that agriculture is going to be traded down the river?

Secretary HODGES. I wouldn't go all the way with you down the river, but it certainly is a bar to freer sale of agricultural products of the United States. I think, answering in two parts, and I will be as direct as I can, certainly there is a restriction of 50 percent.

Keep in mind, Senator and gentlemen, that 50 percent is applicable to grains including wheat to the Soviet and the Soviet bloc, the Soviet satellites; not to other agricultural products. There is no restriction now on the shipment or sale of agricultural products other than grains including wheat.

Now on the Kennedy round, that is an entirely separate subject but I would say I have been deeply concerned from the beginning, even the time of the Trade Act, about agriculture using the chicken war as a symbol only. I think that we need to be pretty tough, which we haven't been too much in the past in dealing with the people on our trade in the tariff negotiations.

Senator CARLSON. I appreciate very much your statement on that. I helped write the Trade Act.

Secretary HODGES. Let me correct what I said. The restrictions we put on recently—on the administration policy—we restrict shipment to Russia itself of all grain including wheat, but to the satellites, wheat only.

It doesn't include other grains.

Senator CARLSON. As I understand the order you issued last week, the shipping preferences previously to that time had been on wheat and wheat flour?

Secretary HODGES. That is right.

Senator CARLSON. Is that correct?

Secretary HODGES. That is right.

Senator CARLSON. Now does it not include such items as barley, corn, grain sorghums, oats, rice, rye, and other grains that are destined for the Soviet Union?

Secretary HODGES. That is right, to the Soviet Union itself, not the satellites.

Senator CARLSON. In other words, as you stated yourself, why can we or why should we expect even the satellite countries to be concerned about buying our wheat and wheat flour if they can get the shipments on other bottoms at a reduced rate? Why should they?

Secretary HODGES. I don't think they should.

#### DIFFERENCE BETWEEN SHIPPING RATES TO SOVIET BLOC

Senator CARLSON. I am greatly concerned about it. What would be a low rate on a foreign bottom for hauling wheat and wheat flour to any of these countries? First Russia has been concerned, but now we are taking in the entire bloc. What would be a low rate?

Secretary HODGES. It depends on the size of the ship you know, and this is again a technical success. We have put out guideline rates from the Maritime Administration which is a part of Commerce saying that on ships of such and such a tonnage, that the rates shall be no more than so and so, let's say 18—Mr. Giles, you could tell it. Say it right out.

Mr. GILES. Senator, the rate for foreign ships to the Black Sea ports from the United States might average \$11 right now, or \$11 or \$12 as compared with \$18 on the American ship.

Senator CARLSON. Would I be correct in saying that some shipment of wheat on foreign bottoms is as low as \$8?

Mr. GILES. I think that is correct. The market is quite volatile.

Senator CARLSON. And the U.S. ships you say would be \$18?

Mr. GILES. From the gulf port area, the per-ton rate to Black Sea ports is now, the ceiling rate is \$18. From the North Atlantic ports it is about \$16.

Secretary HODGES. It could go under that but this is the maximum they could charge.

Senator CARLSON. In other words, it could cost 100 percent more to carry it on a U.S. ship compared with a foreign bottom?

Secretary HODGES. I don't believe it would do that on the average. It is high enough, but I don't believe it is 100 percent more on the average.

Mr. GILES. No.

Senator CARLSON. But it is a substantial amount at least.

Secretary HODGES. That is right. I agree with that statement.

#### HARMFUL EFFECTS OF MARITIME RESTRICTIONS

Senator CARLSON. When a country, either a satellite country or the U.S.S.R., buys this grain and pays for it, it just seems to me that it should be privileged to suggest or at least hire whatever transportation it needs to get it over there. If I were there I would try to do the same things and I think they are entitled to this. It concerns me greatly because it just seems to me that here we have a maritime union that is practically closing down the shipment of enormous quantities of grains, of which we have surpluses. Not only that, but I think that some of these food products that we have been sending over there have been helpful in some of our international problems.

Is there any hope of getting any correction in this situation?

Secretary HODGES. Answering with complete candor, Senator, I don't see any immediate correction of this.

Senator CARLSON. Is it not true that while Russia started out to buy probably four million tons of grain, they have bought less than 2 million?

Secretary HODGES. No; 1,700,000 tons they have bought.

Senator CARLSON. 1,700,000 tons?

Secretary HODGES. Roughly that.

Senator CARLSON. And is it not a fact that they have paid gold or dollars for every shipment?

Secretary HODGES. Yes, sir.

Senator CARLSON. Is that not in our interest, in your opinion, in solving our balance-of-payments problem.

Secretary HODGES. Very greatly so.

#### QUESTION OF APPLYING CARGO RESTRICTIONS TO INDUSTRIAL GOODS

Senator CARLSON. As one who has consistently supported the sale of wheat and wheat products to the Soviet Union and the satellite countries, I regret this situation very much. I am hopeful that as our committee gets into this, we can at least see if we can't do something about the situation. Has there been any thought of applying these ocean shipping rates to industrial goods?

Secretary HODGES. What do you mean by that, Senator?

Senator CARLSON. I mean why just limit that 50 percent in U.S. ships to agricultural goods? Why not also to industrial goods?

Secretary HODGES. You might want to answer that, Mr. Giles.

Mr. GILES. Senator, there hasn't been to my knowledge any suggestion that this type of cargo preference be extended to industrial goods.

Senator CARLSON. In other words, this is a case of fish for one, fowl for the other, when it comes to dealing with two great phases of our economy.

Frankly, I don't appreciate the situation from an agricultural standpoint since I am looking down the road in years to come when it comes to trading in agricultural products. I think we are going to be in serious difficulty. And I know the Secretary is doing all he can. I am not critical of the Secretary, I can assure you, but I hope that as we get into this Kennedy round, we will certainly have some assistance. I thank you very much.

Mr. GILES. Yes, sir.

#### GRAIN POLICY AN ADMINISTRATION ORDER

The CHAIRMAN. With regard to that last question, this policy on grain is merely an administrative decision, is it not?

Mr. GILES. That is right, that is an administrative order.

The CHAIRMAN. Can you tell us why you picked out grain?

Secretary HODGES. Because grain was what was considered at that time. That is what Russia wanted to buy in quantity.

#### DISTINCTIONS IN SHIPPING REGULATIONS

The CHAIRMAN. You testified they wanted to buy plants, fertilizer plants, or fertilizer. Why don't you apply it to that?

Secretary HODGES. You have got a full cargo situation, Mr. Chairman, in connection with this agricultural thing. The other you may ship a single machine or just a piece. I don't think as a practical matter it is the same. Actually, from the competitive angle it is not the same industrially. We are working in an entirely different field of trying to get rates of shipments of steel or machines to the other countries as low as the other countries to us.

That is still another story. Our industrial people are at a disadvantage. This has been going on for a long time, Mr. Chairman.

The CHAIRMAN. You mean generally, even to free world countries?

Secretary HODGES. Yes, yes. It is a strange thing that we don't hear from our business and industrial friends about these things, but you hear from our agricultural friends constantly, and I don't blame them.

Senator SYMINGTON. If the Chair will yield, what do you mean by that?

Secretary HODGES. I mean by that that at the time the distinguished committee of the Senate decided under Senator Douglas to investigate ocean freight rates, I don't believe we had five letters in our files from all the people in America put together complaining about the fact that there was a difference. That is what I mean. But there is a lot of difference and a lot of things ought to be cleaned up. In other words, we ship something to Germany, it costs more to ship U.S. goods than it costs to bring the comparable thing the same distance between the same two ports, in many cases.

The CHAIRMAN. On the same line? This sounds like the old freight rate differential that existed here in the United States for many years.

Secretary HODGES. I don't think there is much difference, Mr. Chairman.

The CHAIRMAN. How did it come about?

Secretary HODGES. I don't want to come to any final conclusion because again this is subject to many, many phases, many facets, and that is being investigated—not by us, because 2 years ago, 2½ years ago, you amended the law, and the regulatory phase, including rate-making, is now in the Maritime Commission headed by Admiral Harlee which we have nothing directly to do with.

But we have been furnishing information and trying to get them to get it out so they will look at it and he is making some progress. But I might say in all candor that the instigation and the push came from the Senate and not from the administration and not from the public, not from industry itself.

The CHAIRMAN. That is a mystery to me. I don't quite understand how that got started.

#### EXAMPLE OF VARIATION IN SHIPPING COSTS

Secretary HODGES. I think I am oversimplifying it which I have to do to understand it myself.

A ship goes to Antwerp with a load of goods from the United States and say they charge \$28 a ton. It doesn't have quite as much to come back as we ship more than any other nation. It doesn't have quite as much to come back and they make a little different rate to encourage the filling up of the cargo coming back this way.

That is what they say.

The CHAIRMAN. What the shipping firms say?

Secretary HODGES. Yes; that is what they say.

The CHAIRMAN. What do you say?

Secretary HODGES. Well, I think that—

The CHAIRMAN. Do you think it is true?

Secretary HODGES. A ton of steel or a pound of milk or anything else, that as you go from one port to another you ought to have the same beneficial rate, the low rate for the U.S. goods, as you have for other goods. I think that is the only fair way to put it. I can't get into technicalities as to why conference rates do this or that. I am just saying simply that we ought not pay any more than the other fellow. We have been too long at a disadvantage. Up to now we have been able to afford a lot of disadvantage, I think.

Senator SYMINGTON. Mr. Chairman, may I ask a question in context?

The CHAIRMAN. Yes.

Senator SYMINGTON. Are you talking about the American ship that goes from New York to Antwerp and the same American ship that comes from Antwerp to New York?

Secretary HODGES. It could either be that, Senator, or it could be a foreign ship plying back and forth between the two ports. I would not want to say specifically, I would have to check whether or not it is the *Excalibur* or some particular ship. I presume that would be possible.

I know it happens in the other.

Senator SYMINGTON. Are you stating that at times the American ship owner, after the goods are shipped from here, in his ship, makes a more favorable rate on what is imported into this country than he gives the American producer on what is exported from this country?

Secretary HODGES. That is right.

Senator LAUSCHE. Do the unions have anything to do with this?

Secretary HODGES. No, sir. They don't have anything to do with it.

#### DIFFERENTIAL IN CONFERENCE RATES BETWEEN EXPORTS AND IMPORTS

Senator LAUSCHE. Why does the shipper then charge less bringing in goods than he charges taking them out? Does he try to recoup a bit in order to avoid coming back with an empty ship?

Secretary HODGES. I said, Senator Lausche, that this  $\sigma$  ship going over at a fixed conference rate, so much a ton, that he or his competitor, whichever it may be, will charge less for the same item coming to this country. Now there is no recouping from that, and I don't know that he charges any higher to get it over there.

Senator LAUSCHE. If he didn't charge less, some foreign carrier would.

Secretary HODGES. Exactly. I agree with that.

Senator LAUSCHE. So he is trying to recoup. He has to pay the workers. He has to pay the crew. And it is better for him to come back with the reduced rates than to come back without any cargo at all and still pay the worker. Isn't that about it?

Secretary HODGES. Go ahead, Mr. Giles.

Mr. GILES. Senator, I think what is involved here, that the Secretary referred to, is not the competitive rate as between American ship-owners and the foreign, but the rates set by the shipping conferences.

Senator SYMINGTON. Will you use the microphone please, so we can hear?

Mr. GILES. That is the rates set by the shipping conferences, which means that the same low rate on your imports would be charged both by the foreign and by the American shipowner. And in some cases, in some instances as it was brought out, there was a differential between the conference rates applicable to exports from the United States and the same goods being imported into the United States. That was the point that was raised.

Secretary HODGES. You may note, gentlemen, that recently some of the shippers, the individual shipping companies, have withdrawn from the conference which sets these rates.

Now your other distinguished committee of the Senate is going into this very thoroughly so you can get from them the total information on this subject.

The CHAIRMAN. Senator Sparkman.

#### RATES SET BY SHIPPING CONFERENCES

Senator SPARKMAN. I just want to pursue that a little further. That study that you referred to was one made by the Joint Economic Committee, wasn't it?

I may say that a report has been put out, and if any individual Senator would like to read it, I think he would find it most helpful. But Mr. Secretary, going back just a little bit on something that was suggested by the chairman, isn't this situation comparable to one that we fought against for a great many years in the South, against the favored territory of the United States on railroad rates?

Secretary HODGES. Senator, I made a pledge to myself I was going to be a member of the national cabinet, I wasn't going to discuss the South. I do not take exception to what you say.

Senator SPARKMAN. It is all right to discuss it now because it has been straightened out after a long, long time, but it did take a lot of hard work to get it straightened out.

Now as I understand these rates, going into this just a little bit further, these rates are set by the conference.

Wha do you call that—the shippers conference?

Mr. GILES. Shipping conference; yes, sir.

Senator SPARKMAN. Shipping conference. And any ship company or shipowner who is a member of that conference is bound by the rates that are set; is that correct?

Mr. GILES. That is right, yes sir.

Senator SPARKMAN. And it doesn't matter whether it is an American ship or a foreign ship. And the only way that they can avoid this is to withdraw from the conference; isn't that right?

Mr. GILES. Yes, sir. These are voluntary conferences in the sense that each ship line can belong or not, and I don't want to give the impression that there is nothing good about the shipping conferences.

Senator SPARKMAN. No. I was going to ask if there are certain advantages that the shipowner gets out of them?

Mr. GILES. Yes; keep in mind that there is no international body which can sit at the top of all your shipping situations and maintain some degree of order such as we have within the United States; an ICC sitting over all on railroad rates and that sort of thing. No one nation is yet to the point where it will give up its sovereignty, you might say, with respect to its own shipping rates to an international body or to some other country. So we have had for many years a long history of these shipping conferences, and they perform a very useful service in many respects.

In other respects there have been questions raised as to whether the shipping conferences have operated completely fairly and in the best interests of our country.

In many of these conferences our American shipowners or shipping companies are pretty much in the minority numerically, that is, with the foreign shipping lines substantially outvoting them so far as the numbers go. But this is just one of the problems that has been brought to light so far in studying our export-import rates and the difference between them.

#### COMPARISON OF U.S. EXPORTS AND IMPORTS

Senator SPARKMAN. Mr. Secretary, how do our exports compare with our imports at the present time? How are they running?

Secretary HODGES. We have a balance, sir. We have a favorable trade balance. We exported last year something over \$22 billion

worth, including certain Public Law 480 items. We had a net trade balance of probably \$2.5 billion, something like that, not counting U.S.-financed exports, we imported about \$17 billion.

I am using very round figures. But still our balance of payments is on the red side.

Senator SPARKMAN. Yes.

#### LOW EXPORT PERCENTAGE OF U.S. GROSS NATIONAL PRODUCT

Secretary HODGES. But I want to, instead of leaving the impression we are doing very well, we are still exporting less percentage-wise of the gross national product than any industrialized nation of the world, by all odds, a very great discrepancy.

Senator SPARKMAN. That would not include the Red bloc countries. That would not include Russia, for instance?

Secretary HODGES. You mean our percentages against theirs?

Senator SPARKMAN. Yes.

Secretary HODGES. We don't know what their percentage is really.

Senator SPARKMAN. I was under the impression that Secretary Rusk gave us comparable figures on those two, that it showed Russia to be a good bit less.

Secretary HODGES. Well, it could be.

Senator SPARKMAN. Less than the United States.

Secretary HODGES. It could be. I should have used the expression "industrialized free world countries."

#### PRESENT LAW INHIBITS COMPETITION AND CONTROL

Senator SPARKMAN. Yes. Do I understand from your presentation that under the law as it stands at the present time, and under the various restrictions that you have, it is very difficult either to compete with other free countries in East-West trade, or to control those countries with reference to certain goods that we should not like to see traded with the Iron Curtain countries?

Secretary HODGES. That is right, Senator, that is very much so. We are now, not counting the general license which runs into the thousands constantly, we are handling about 700 cases a day in the export control function of the Department of Commerce, about a \$4 million job, employing about 300 people keeping up, and more than half the time we are arguing among ourselves what we ought to do with the other parts of the Government.

#### EXPORT CONTROL ACT; BATTLE ACT

Senator SPARKMAN. We amended the Export Control Act the year before last, didn't we?

Secretary HODGES. Yes, sir; in 1962. That is on the economic side of it, so to speak.

Senator SPARKMAN. The Senate a few years ago passed some amendments to the Battle Act. Do you recall those? The House never did pass them.

Secretary HODGES. I do not.

Mr. HOCKERSMITH. Yes, sir. This was an amendment, I think, the one you are talking about, an amendment which would have per-

mitted the President to make exceptions with respect to particular countries within the Communist bloc, where there was an indication that those countries were pulling away and gaining a degree of independence.

Senator SPARKMAN. If that amendment had become law, would that have helped the present condition?

Mr. HOCKERSMITH. No, sir; it would not.

Senator SPARKMAN. It wouldn't have had any real effect on it?

Mr. HOCKERSMITH. It would not, because this law applies to the giving of aid to other countries, and what they may ship, and not to the export situation.

Senator SPARKMAN. Yes, that is right. That is all, Mr. Chairman.

The CHAIRMAN. Senator Mundt.

#### RELATIONSHIP OF EAST-WEST TRADE AND U.S. AID PROGRAM

Senator MUNDT. In your first analysis, Mr. Secretary, you list the desiderata which you say should be kept in mind in conjunction with East-West trade—three problems. I wonder if there is not a fourth one which this committee and the administration should keep in mind in these studies, and that is the relationship of East-West trade to the whole concept of the program of aid to countries in the free world. At least it is my position that we cannot consider East-West trade in a vacuum, apart from the fact that part of our policy in this world also involves a program which has resulted in a total expenditure now of over \$100 billion of aid to the free world.

I was wondering why you didn't include that among the considerations we must keep in mind.

Secretary HODGES. Senator, that would be too complicated for me. I think we are talking basically here about the question of trade and the control of trade.

As to what relations it ought to have to aid in the future, I can't discuss the past, I do not know except that aid is not in our Department.

It would be handled in the State Department. I am sure that constantly, day by day, that when the aid people are talking, that they ought to be looking after the interests of the United States in getting goods from the United States sold abroad. I am sure that comes up from time to time.

#### PROBLEMS OF TRADING WITH COMMUNIST COUNTRIES

Senator MUNDT. I am not trying to say whether the aid program is good, bad, justifiable or nonjustifiable, or productive or counterproductive. But I am trying to point out that you can't have one segment of the Government dealing exclusively with trade and aid programs with the Communist part of the world, and another part of the Government existing and working totally and exclusively with the problems of free countries which are trying to resist the encroachments of communism, and the left hand not knowing what the right hand is doing. This is a governmental problem, a global problem as I see it, and not one that you can isolate into watertight segments and say that, on the one hand, we have a Department of Commerce problem involv-

ing East-West trade, and, on the other, we have a foreign department problem involving aid to countries which are outside of the Communist umbrella.

Let me put it more simply, because, like you, I am a simple fellow, and I have to oversimplify matters in order to place them in perspective.

I don't think you have made any recommendations for change. You have simply presented a problem; am I correct about that, Mr. Secretary?

Secretary HODGES. Basically, we are differing the status.

Senator MUNDT. You say we have a problem and I agree. For 16 years we have tried to prevent a part of the world from growing stronger by restricting our trade and encouraging others to restrict their trade with them. What bothers me is that now we are talking about a program which is designed to help the Communists, who would hurt those free countries which we are endeavoring to prevent from being hurt with our aid program.

It is just as simple as that. I think it is a totally incredible assumption to believe that the American public is going to stand still for more than a year, maybe not that long, for a program that says we are changing our foreign policies, our Government relationship to the Communist world, by going along now with Gresham's law of money and adopting the poorer programs, the weakest programs, and the least defensible program that our allies have adopted, and expanding our trade with the Communist bloc. By pursuing this policy—even to the extent of perhaps giving the Communist bloc lower shipping rates, longer-term credits, and low interest rates—we are going to expand the power of the Communist countries, while at the same time we are going to continue to ask the American taxpayer to continue to supply money for an aid program to strengthen the free world against the attack of the Communists we are now endeavoring to strengthen with a trade program.

I don't think you can divorce the two. I think we are like a blind man walking out in the middle of high noon, just failing to open our eyes. And you don't relate the whole problem to all its parts. It is inconceivable to me that you can present to the American public that kind of a two-headed monstrosity. We can't have it both ways. Either we want to strengthen the Communist world—and you can build a hypothesis that maybe this is the way to get credit. If that is the program, let's kiss goodby the aid program which has worked for 16 years starting with the Marshall plan in Greece and Turkey for which I voted. I have supported most of the aid program. But you are looking at one Senator who is not going to support a self-defeating program where we, on the one hand, strengthen one side of the world's capacity to destroy the free world, and then say, on the other hand—so that the blow will not come as fast and it won't be so sudden—"we are going to continue to strengthen your capacity to resist this Communist power that we are doing our best to strengthen with trade, with credit, with subsidized shipping rates, and with other things."

Does that make sense to you, or does that sound entirely like just a South Dakota treaty?

Secretary HODGES. It is a good statement.

## COMMITTEE'S REVIEW OF EAST-WEST TRADE POLICIES

Let me say for the record, because you put into the record it looks like the administration is going to do thus-and-so for the Soviets, including long-term credits and low-interest rates, that those things are not true at the moment. Whether they will ever come true—

Senator MUNDT. I know they are not true at the moment, but we are moving up to a new moment of truth, it seems to me, by these hearings.

Secretary HODGES. I would say that if you want to raise the basic question that we ought to take a new look at our East-West trade, and at the same time, because of the arguments you use, that we ought to take a new look at our aid, I would disagree with that. Where there are complications and cross purposes, I think we ought to take a look at it.

I would like Dr. Behrman to make any comment he wishes about this aid program and why we can't comment on it in detail.

Senator MUNDT. I am not alleging that these changes were happening now, but we are having hearings to take a new look and I want us to look at the whole problem and not just divorce the aid program from the trade program. If you feel they should be divorced, I certainly would like to know why.

Mr. BEHRMAN. First, Senator, we do not divorce these ourselves. We have spoken, as the Secretary has related, mostly to responsibilities of the Department of Commerce under the Export Control Act. The relationship of aid and trade of the other free world countries to the Soviet bloc does come under the Battle Act and we do work with the other departments on the implementation of that responsibility through, again, an interagency committee. So we are not without comprehension and understanding of the difficulties which you yourself have raised.

## MUTUAL BENEFIT OF PEACEFUL TRADE WITH THE BLOC

As to the objective of strengthening the Soviet bloc through trade, obviously trade is a means of increasing production, productivity by whoever engages in it.

It is the best way of gaining certain goods.

Senator MUNDT. It is good for both sides.

Mr. BEHRMAN. It is of mutual benefit, and it is the mutuality of it that we are concerned with. We think that we gain through an expansion of peaceful trade with the bloc. They are not gaining always a net advantage over us in trade, which we carefully watch as we go. So that we don't consider this a net addition to the strength of the Soviet bloc every time there is trade between the East and West.

It is a mutual benefit.

Also we do consider that there is a long-run benefit in opening up economic contacts with the bloc in the area of peaceful trade.

Also there is another point on this same argument. As the Secretary has clearly indicated, we are not in a position to prevent certain types of trade which will be carried on by Western European countries regardless of our attitude, so long as there is the relaxation of direct conflict.

## AID AS MEANS OF STRENGTHENING LESS DEVELOPED COUNTRIES

As to the aid program itself and its objectives, these are aimed at strengthening the internal economies of these countries, and generally their export capacities, so that they can stand on their own and make their own decisions. These are interrelated as you point out, but they are also separate. If we can strengthen the less developed countries by our assistance, they then are able to sustain themselves against the threats or the efforts of the Communist world, and whether or not our aid is directed wholly to preventing them from trading with the bloc is something that I think again we cannot control.

We are not that much in power over the decisions of the Western European countries.

## QUESTION OF STRENGTHENING THE COMMUNIST ECONOMY BY TRADE

Senator MUNDT. I assume then we start out with this agreement, that trading, expanding trade with the Communist bloc, does strengthen the Communist bloc. Otherwise they wouldn't trade. You say properly that it also strengthens the United States because we are expanding our trade.

Is that the position?

Secretary HODGES. That is true in theory of course as the reason that they do it. Our own trade with them is so small that it doesn't help or hurt one way or the other.

Senator MUNDT. By that I presume you mean that we are strong now and that consequently we don't get strengthened as much. But this, you see, simply emphasizes the point that I am making.

## QUESTION OF TRADE WITH BLOC WEAKENING AID RECIPIENTS

Maybe as we strengthen ourselves a little bit we strengthen the Communist bloc substantially more because it has great inefficiencies, because we all believe that the Communist economy is not as productive as ours. But in strengthening the Communist bloc, and in strengthening the United States, we still make comparably weaker the free countries of the world who are not beneficiaries of that. That is the point I am making.

We are strengthening the power of the Communist bloc to attack those who then get increasingly weak by comparison, and they call out for an expansion of aid. It just can't work that way. We have to have consistencies in this program some place, haven't we?

Secretary HODGES. Senator, if you don't mind, I don't want to argue, but I would like to point out I think you are really oversimplifying it now. We are not affecting the Communist bloc to their strengthening very much because, as we point out, what we are doing is about 1 percent only of our total exports, and that includes some of these recent sales.

Senator MUNDT. May I suggest, if I may interrupt, that you can't play this game by percentages like you do horses. If you help them just 1 percent—but that 1 percent happens to give them chemical plants that they lack totally, that is tremendously significant assistance to the Communist bloc?

Secretary HODGES. What we are trying to bring to you to be of any help we can, and then you in turn to be of help to the administration, is what are the alternatives? What do we now do? If you didn't have these allies that were shipping them anything practically they wanted, getting strategic out of the way, we wouldn't have the problem because we are the most idealistic nation in all the world. We try to lead the way and so forth.

If you didn't have these doing it we wouldn't be here talking about the thing today. We would just stay away from it and let them starve or whatever happens to them. They do usually do it incidentally. They are pretty well self-sufficient. I do not think what we are doing with the Communist nations is necessarily weakening these other nations we are trying to help.

I couldn't buy that.

Senator MUNDT. It is a matter of comparison. You can't help but weaken the other nations when you strengthen, as we all agree you do, the Communist bloc by trading with them. I agree we have been idealistic regardless of whether we have Democratic or Republican sections of States or Presidents. For 17 years we have done a pretty good job of helping to restrict and discourage trade with the Communist bloc. This has been an American concept for 17 years.

Secretary HODGES. That is right.

#### NEED FOR CONSISTENT POLICY

Senator MUNDT. Now increasingly at the tail end of these 17 years other countries have been sneaking around the corner and have been reducing the strategic list and cheating a little bit. We recognize that.

But I submit the answer to that is not to accept this totally bad new Gresham law of money, wherein bad money drives out good money and bad practices drive out good practices. It is not for us to capitulate but to continue to try to lead, not to become a follower. The fellow who has spent \$100 billion trying to help the free world suddenly shouldn't become the steam calliope at the end of the parade.

We ought to continue to be out in front with the brass band trying to lead. Now let's not surrender; that is all I am asking. Let's try something. I am asking that you or the President or somebody call a trade-aid conference of the free major exporting countries of the world of which there are less than 10 and get them together in your office or in their offices and say: "Look, this is a world problem, this is a free world problem. Obviously if you are going to continue to expand your trade in everything that the Soviets want at the lowest and cheapest prices and the longest and easiest terms of credit, eventually Uncle Sam has to get into competition with you. And friends, we are still the biggest and the toughest and the strongest economic power in the world and if you are sure that that what you want is this kind of competition, to see who can help the Communists the most, and you force us, we can sell them so many more supplies than you are selling them you are not going to benefit very much over the long pull."

Now there must be other alternatives. I have suggested an alternative. I don't think it is the optimum answer or the ultimate answer, but it is an alternative, and that is to return to some kind of cooperative

understanding among the free exporting countries of the world, as to what we will sell and what we won't sell. And on what terms we will sell it and to whom it will be sold. Then you would have something consistent, something concrete. I just don't think it is consistent at all to ask the American public to stand still for a program that has to defeat itself in the end, where we aid the Communist countries by trade, and aid the rest of the world by economic aid.

It is as inconsistent as our attitude to say, as we do to the British, "We don't like your trading with Cuba, it is a Communist country; but we are going to trade with Russia. It is a different kind of communism."

I don't like our attitude of being inconsistent in the face of the world, and inconsistency is as obvious as the wart on the nose of the queen.

When we say to De Gaulle, "we don't like you trading with Red China because it is a dangerous Communist power; we are going to trade with Russia," it doesn't make sense to me. All I plead for is some consistency that we can also follow.

#### NEED FOR REALISTIC APPROACH

Secretary HODGES. I certainly couldn't raise any exception that the Senators should take a look, a long hard look at both of these problems, both the East-West trade and the aid problem. I think that they have some relationship and I think it would be your responsibility to do that, to take a good hard look at it.

I would like to point this out again because I try to think simply. We have been idealistic, and you will notice that when you help take care of your relatives after you help them get on their feet they go on about their duties and they don't ever give any credit and they go about their business and still give you trouble.

I think it is true with anybody internationally. After you help people and have gotten things straightened out and they can run it on their own pretty well, as they can, talking about our allies, and it is no reflection against them, I think that you have got to be realistic and now look at what they are doing.

I think it would be very foolish and very idealistic to take your suggestion to call them together and say we want an agreement with you to do this and that. They are going to laugh at you.

They wouldn't have laughed at you 10 or 15 years ago. But they can afford to laugh at you now, that is understandable.

Senator MUNDT. Except that their future self-interests are involved very definitely because they still recognize that this big relative called Uncle Sam who has helped them on their feet is so strong in competing with them in foreign trade markets that we could bring them to their knees.

Secretary HODGES. That is history. What have you done recently for me is the slogan, both Democratic and Republican.

Senator MUNDT. Well, yes, but also what can you do for me tomorrow.

We can talk to them in terms of what we can do to them tomorrow.

## TRADE PERCENTAGES OVER PAST YEARS

Secretary HODGES. This great country has not proved that it can do much against the rest of the industrialized nations of the free world on selling goods abroad. We do 4 percent against 12 percent.

Senator MUNDT. A pretty good record.

Secretary HODGES. They are 200 percent higher on their average than we are on what they can sell. They know 10 times as much about it and they are 10 times as enthusiastic about it as our people are in this country.

Senator MUNDT. It is a pretty good record for 17 years and I have watched it every year. And I have been involved in every piece of pertinent legislation and I am proud of the U.S. record for 17 years, and proud of what the rest of the free world did for about 13 or 14 of the 17 years. I am ashamed that they have let greed blind their intelligence in the last few years.

I just don't want us to drop down to become a follower. Let's get our leadership operating.

The CHAIRMAN. The Senator from Ohio.

## REASON FOR DISCUSSION OF TRADE POLICY

Senator LAUSCHE. Am I to understand, Mr. Secretary, that the State Department and the administration intend to change the policy that has been in existence for the last 15 years with respect to trading with the Communist countries?

Secretary HODGES. Senator, we aren't recommending any basic change. We have been trading with Russia for all of these 15 years. The only reason it comes up now—

Senator LAUSCHE. I think you have answered the question. Why has it come up now?

Secretary HODGES. It has come up now primarily as I explained to one of your Senate committees, the Agricultural Committee some months ago, because you got a big order for wheat for a certain country called the Soviet Union. That is basically the reason the thing is up for discussion, and this recent activity referred to by Senator Mundt of our allies seeming to sell more freely to the Soviet bloc than we have been doing.

## QUESTION OF POLICY CHANGE

Senator LAUSCHE. Then am I to construe the view expressed by yourself and by Secretary Rusk to be that there is no contemplation of changing the policy with respect to trade with the Communist countries?

Secretary HODGES. That is right. We can't change it under your laws. We are obeying the law. We are pointing out to you that it looks a little foolish and we ought to take a new look at it. That is what we are trying to do.

Senator LAUSCHE. Do you have in mind taking a new look for the purpose of changing the Johnson Act, the Battle Act, and other acts?

Secretary HODGES. We have no specifics in mind, Senator Lausche, as to the wisdom of—

Senator LAUSCHE. Then I will assume that there is no intention to change the policy with respect to trading with the Communist countries. I will assume that. I would like to ask you some questions, however, in respect to a change in policy. When did we decide on what I call austerity treatment of the Communist countries after World War II? Was it in about 1948 that we decided that we would curtail our trade with them?

Secretary HODGES. Yes. I think we passed the Export Control Act in 1948 and then amended it in 1949.

#### DIFFERENT TREATMENT OF COUNTRIES IN RELATION TO TRADE

Senator LAUSCHE. I direct your attention to the beginning of your statement. You put down three categories of countries with which we have to deal. Do you envision, if we do change our policy, that we will put Cuba, North Vietnam, North Korea, and Communist China into a separate category?

That is, they are the hard core.

Secretary HODGES. We probably should have had an A and a B under that first. They are in a different category now, Senator Lausche.

Senator LAUSCHE. They are in what you would call the hard-core Communists?

Secretary HODGES. Yes.

Senator LAUSCHE. And we will treat them differently from how we will treat the East European countries and Red Russia?

Secretary HODGES. That is what we are doing, and what we would continue to do.

Senator LAUSCHE. That is, from the standpoint of the security of our country, you give Red Russia a higher level of consideration than you give to Cuba?

Secretary HODGES. As far as this act is concerned, the answer is "Yes."

Senator LAUSCHE. And also a higher level of consideration than we give to Red China, North Korea, and North Vietnam?

Secretary HODGES. That is right.

Senator LAUSCHE. And on that basis in our trade with them, we will act differently as between them?

Secretary HODGES. Secretary Rusk, I think, went into that very fully both publicly and before your committee, that you would have these series of blocs of countries that we are, for our own good reasons, the best we know it, are treating them somewhat differently now.

Senator LAUSCHE. Why do you want to treat Red Russia with a milder approach than we treat North Vietnam, which Russia precipitated into its domination, and North Korea and Cuba? Why do you give Russia a preferential treatment when it is the parent of all of these nations that are causing us trouble?

Secretary HODGES. Senator, I am not sure that anybody can answer that as simply as we would like to have it. I take it Secretary Rusk gave you the reasons. They are mainly political reasons, international political reasons.

## SOVIET ECONOMIC PROBLEMS

Senator LAUSCHE. Someone has made this statement: "It would be folly for the United States to help Khrushchev solve his critical problems without getting something in exchange."

Is Khrushchev having economic problems as far as supplying his people with food and consumer goods that they want?

Secretary HODGES. I think he is having a temporary economic problem with his wheat because of a couple of poor harvests, Senator Lausche.

I do not know what else he may be short of.

Senator LAUSCHE. Do you think that the Communist system, with its collectivization of farms, will work?

Secretary HODGES. No, Senator, I do not. I have been there, I have been to those farms, and I don't agree with anything they are doing in that system.

Senator LAUSCHE. Then the scarcity of food is not merely because of drought. It is because of the collectivization which doesn't work.

Secretary HODGES. This is a little technical, but they are shorter of wheat crops than they were before, even under the collectivization system. They are having a worse time with wheat without regard to the system.

Senator LAUSCHE. But they needed wheat badly, didn't they?

Secretary HODGES. Yes, and they still do I think.

Senator LAUSCHE. And they still do.

Secretary HODGES. I think so.

Senator LAUSCHE. And we found ourselves in trouble with our gold reserves, so we thought that we could help in that problem, and then probably help the farmers, so we decided to sell the wheat, although we knew that it was crucially needed and they had a serious problem confronting them?

Secretary HODGES. That is right.

## QUESTION OF CONDITIONS CONTINGENT TO WHEAT DEAL

Senator LAUSCHE. Did we ever ask Khrushchev for some quid pro quo when he asked us to sell wheat to him? Did we ask him to quit his provoking conditions in Cuba or dismantle the Berlin wall or to bring about a neutralization of Laos?

Secretary HODGES. Senator, I would doubt if we did.

The CHAIRMAN. We didn't give it to him. We asked him to pay for it, didn't we?

Secretary HODGES. Oh, yes.

Senator LAUSCHE. Surely, he had to pay for it, but that is not the issue. He needed it badly. He needed it to keep his people alive and he needed it to keep them in peace. He never would have come to us and helped us solve our gold problem unless it was direly needed by him. Certainly he paid for it.

Secretary HODGES. Senator, I think you are painting it a little blacker than it is. It is black enough, but I think you are painting it a little blacker than it is. I don't believe it would have made too much of a difference in how well he got along whether or not we sold him these 1,700,000 tons, part of which has been delivered. He bought

several times that much from Canada and will be ready for the next season with Canada which sells quickly without fussiness about it.

Now you again put your finger on the thing that if I had been handling the whole thing myself, I would have wanted to say let's get a quid pro quo. But this wasn't the time to get it because it takes a long time to get these things worked out, as you well know, because they become international negotiations over a long period of time.

#### BACKGROUND OF TRADE CONTROLS

Senator LAUSCHE. In studying this problem, did your experts take a look back to the time before 1941 to ascertain what goods we were selling to nations who subsequently used those goods for the destruction of our boys? I am now talking about Japan.

My recollection was that we were selling goods to them, and that when the crash came, the people of the Nation realized what a mistake it was.

Now my question: Was that background studied in trying to determine what we ought to do for the future? Was any study made of it?

Secretary HODGES. Senator, I think I would say that the 1948 law came out of that kind of thinking. We now have stopped the shipping of strategic items that they could turn against us.

#### DIFFERENT TREATMENT OF COUNTRIES IN RELATION TO TRADE

Senator LAUSCHE. With a nation that is in distress, how do you distinguish between what is strategic and not strategic?

Secretary HODGES. You say a certain specific number of items, items that are on the strategic list, you just don't ship them.

Senator LAUSCHE. Well, you claim Cuba is our enemy, and you have embargoed trade to them.

Secretary HODGES. Senator, I don't think you can say "You did so and so." We are all American citizens together.

Senator LAUSCHE. We did.

Secretary HODGES. Yes, we did because you are in the same boat that I am in.

Senator LAUSCHE. That is right. I can't see how you can apply a different rule to Cuba, North Vietnam, and Red China from that which you apply to Red Russia. I simply cannot see it, and I would like to have you explain it again.

Secretary HODGES. I will explain it the way I understand it. There won't be any logic at all in the campaign this summer and fall with the Republicans against the Democrats or vice versa and I put them both in the same category, and it would make no sense in trying to discuss internationally why you treat some nations different from others. It depends on what is best at that time and you use whatever is best at that time. That is what they will be using in the campaign. It is almost like a political campaign.

Senator LAUSCHE. If the Cuban people are in need of food, why do we deny it to them and sell it to Russia?

Secretary HODGES. We don't really deny them food. They haven't asked to buy any food. We shipped last year, other than trade for the prisoners, we shipped them \$75,000 total, and we did not turn down particular licenses for food.

## QUESTION AS TO INTENTION OF LEGISLATIVE REVISION

Senator LAUSCHE. I would just like to ask a question about the laws. Are you contemplating asking for a change in the Battle Act or the Johnson Act or the other acts which impose restrictions upon the right to trade?

Secretary HODGES. No, we have no suggestions along that line at the present time.

## NATURE OF U.S. EXPORTS TO POLAND

Senator LAUSCHE. Do the figures which you gave for trade with Poland and Yugoslavia show how much of our exports were under Public Law 480 for which we were paid soft currencies?

Secretary HODGES. Yes, our figures will show that. We will get them for you. We have them here, a whole lot of them.

Senator LAUSCHE. A substantial part of our exports were under Public Law 480?

Secretary HODGES. Yes, as far as the total is concerned. It is turning now. We are now saying to them, "We will let you have so many bushels under Public Law 480, we want you to buy so many more for hard dollars." That is beginning to turn, I think, Senator.

Mr. BEHRMAN. Last year, in 1963, Senator, about half of our total exports to Poland were Public Law 480, and other noncommercial exports.

Senator LAUSCHE. What was the total of exports to Poland?

Mr. BEHRMAN. \$109 million in 1963, 54 of which were commercial and 55 of which were Public Law 480 and noncommercial.

Senator LAUSCHE. How much more were our imports?

Mr. BEHRMAN. From Poland?

Senator LAUSCHE. Yes.

Secretary HODGES. Substantially less. We will get you the figures.

Senator LAUSCHE. If you have them conveniently.

Mr. BEHRMAN. The total imports in 1963 on a half-year basis—no, on a 9-month basis, \$32 million, so it would be about \$40-some million.

Senator LAUSCHE. Get those figures and put them in the record, will you please?

Mr. BEHRMAN. Yes, sir; we have them.

(See pp. 105-106.)

## QUESTION OF LIBERALIZING TRADE WITH U.S.S.R.

Senator LAUSCHE. Now I close with this. Red Russia has been wanting to trade with us for, I would say, a decade.

Secretary HODGES. They have been trading with us.

Senator LAUSCHE. But they want to expand it far more than what we have done.

Secretary HODGES. That is right.

Senator LAUSCHE. I recall that Cyrus Eaton of my home city has been one who has been advocating this liberalization of trade with Red Russia. Aren't we, in fact, intending to liberalize our trade standing with Red Russia?

Secretary HODGES. Senator, you can't really liberalize it to any marked extent unless you change the laws and unless you clean up some of these things that I have pointed to earlier in my testimony.

Senator LAUSCHE. That is all I have.

The CHAIRMAN. The Senator from Missouri?

#### DEFINITION OF STRATEGIC MATERIAL

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Secretary, I am impressed with your statement. You talk at length about strategic materials. You say the other free world countries have a broader approach to what is, or is not, a strategic material. That, of course, makes it possible for them to do more trading.

Mr. Baruch, who knows quite a lot about international trade, once said that just about nothing in his opinion was nonstrategic. If there is a limited amount of food, for example, and you give them food, then they could use their limited treasury to buy more arms, and so forth. Do you have any definition of what is or is not a strategic material in the Department of Commerce; does that definition fluctuate?

Secretary HODGES. It fluctuates according to the annual revision of the COCOM list, Senator Symington.

Senator SYMINGTON. But the COCOM list is less stringent.

Secretary HODGES. Less stringent.

Senator SYMINGTON. What is the difference between what you consider to be a strategic material and what they consider a strategic material?

Secretary HODGES. Would you comment on that, Dr. Behrman? Maybe you can give it a little more clearly.

Senator SYMINGTON. Before you do, I remember some testimony before our committee not many years ago when all agreed not to sell copper to the Communist countries. When it turned out, however, that in the previous year one free world country had sold 180 million pounds of copper, the explanation given by our people was that it wasn't copper, it was copper wire.

Secretary HODGES. Tubing, wasn't it?

Mr. BEHRMAN. It was wire.

Senator SYMINGTON. Wire, and drawn down fairly fine, too.

Mr. BEHRMAN. Right.

#### METHOD OF DETERMINATION OF STRATEGIC MATERIALS

Senator SYMINGTON. That, of course, was just double talk, from the standpoint of reality. What is the difference in definition between what we consider strategic and what other free countries, trading so heavily with the Communist bloc, consider strategic?

Mr. BEHRMAN. Our list is largely the COCOM list, which is essentially related to things which we have an effective control over as far as the bloc goes. But even if we don't have an effective control, Senator, we will want to look at what is going, to see what type of item it is, what is developing in the technology of it, whether we want to control it. It is a matter of surveillance as much as anything. But we still have a more extensive control.

Senator SYMINGTON. When you survey, do you make your own decision, or do others have the decision as to whether it is or is not strategic?

Mr. BEHRMAN. We have an interagency committee, Senator, with State, Defense, and other agencies as they are concerned. We get the best technical advice we can, and they have a recommending position to the Secretary of Commerce.

Senator SYMINGTON. Now, Mr. Secretary, wouldn't you say that in our system the only source for taxes is income, including profits?

Secretary HODGES. That is basic.

Senator SYMINGTON. Wouldn't you also say, as a former businessman, that the greatest single incentive to normal profit is volume?

Secretary HODGES. Yes, very much so. I think that is where the real profit comes.

#### BRITISH TRADE WITH RED CHINA

Senator SYMINGTON. How many years ago did Britain recognize Red China?

Secretary HODGES. Oh, I guess 15 years ago, wasn't it?

Senator SYMINGTON. Did the other Commonwealth countries recognize Red China at that time also?

Secretary HODGES. I wouldn't remember, Senator.

Senator SYMINGTON. Has Britain been trading with Red China for those years?

Secretary HODGES. I am sure they have. I wouldn't want to say—you are still exempting these strategic items, aren't you?

Senator SYMINGTON. What they say is a strategic item, which is far more embracing than what we say.

Secretary HODGES. Whatever it is. Yes, they have been trading. I don't know how heavily.

#### FRENCH RECOGNITION OF COMMUNIST CHINA

Senator SYMINGTON. As I understand it, capitalism depends on trade, does it not?

Secretary HODGES. Yes, domestic or foreign or both.

Senator SYMINGTON. Volume is the greatest determinant of price, quality being equal, is it not?

Secretary HODGES. I agree with that.

Senator SYMINGTON. Isn't the best profit one can make an over-absorption of fixed overhead because of volume?

Secretary HODGES. May I use the term cream on the bottle of milk?

Senator SYMINGTON. That's it. Do you believe that President de Gaulle's decision to recognize Red China was in part because he was getting tired of watching other countries in Europe get trade his industries could supply on a value basis if they were allowed to trade also?

Secretary HODGES. I would say that is a good part of it.

Senator SYMINGTON. You think part of his decision was along those lines?

Secretary HODGES. Yes, sir.

## COMPARISON BETWEEN U.S. AND ALLIES' TRADE WITH COMMUNIST BLOC

Senator SYMINGTON. Isn't it true that we tax our people heavily in order to provide, in effect, a defense umbrella for all the other free countries of the world?

Secretary HODGES. Yes, sir.

Senator SYMINGTON. Do you believe any other country could resist physically the Soviet Union, if the Soviet Union decided to conquer that country?

Secretary HODGES. I do not.

Senator SYMINGTON. The physical strength of the United States protects all other free countries?

Secretary HODGES. Right.

Senator SYMINGTON. Do you believe that?

Secretary HODGES. I agree.

Senator SYMINGTON. I am only asking. You are the head of the Department that involves business and trade more than any other. You have also had a great deal of experience in private business, far more than the average public servant.

How long can we continue, as a nation, to finance, through the taxation of our people, a majority of the defense of all these other free countries against communistic Russia—the premise being you are right when you say they couldn't defend themselves if attacked by Russia—and at the same time prevent our industry, our banks, and our businesses from trading with these Communist countries, while the other free countries steadily lower the trade barriers so as to steadily increase their trade. How long can that go on?

Secretary HODGES. I couldn't, of course, give you any time, because I don't know. I don't think anybody knows. I think time is running out on us; I will put it that way.

Senator SYMINGTON. You do think it is running out?

Secretary HODGES. Yes.

Senator SYMINGTON. Could we infer from that, you do not think the current situation can continue indefinitely?

Secretary HODGES. That is right, but I would like to put in this caveat: that the United States with its longtime world leadership, moral leadership, and all the other would make a mistake to just immediately say, as it would have a right to say, "We are getting sick and tired of the way you are doing; we are going to step out of the picture." I would hate to see us do that.

I would like to see us persuade other people that what is good for one is good for the other.

## ALLIES' TRADE WITH COMMUNIST COUNTRIES

Senator SYMINGTON. I certainly wouldn't want to see us do anything like that either, and am just trying to get some information. People talk about the fact the British sold buses to Cuba, then defend it by saying we sold wheat to Russia. But weren't the British trading heavily with Russia for many, many years before?

Secretary HODGES. Oh, yes.

Senator SYMINGTON. Before we ever sold any wheat to Russia?

Secretary HODGES. Yes, and still are.

Senator SYMINGTON. Weren't they also trading with Red China for years?

Secretary HODGES. And West Germany. West Germany is number one of all our allies, and the United Kingdom is second.

Senator SYMINGTON. I know that, but am just talking about the people who say they now have the right to sell the buses because we sold wheat. That is a non sequitur; is it not?

Secretary HODGES. I think so.

Senator SYMINGTON. If we wanted to, we could say we have the right to sell the wheat because you have sold so much of many things over the years.

Secretary HODGES. That is correct.

Senator SYMINGTON. And our position would be more logical; would it not?

Secretary HODGES. It is not a very good argument on their part.

#### EFFECT OF CONTROLS OVER SALES OF COMPONENT PARTS

Senator SYMINGTON. Now running through your thoughtful presentation, you say on page 3 there are varying degrees of severity in these restrictions, depending on the items and the countries of destination.

Then you go on to state we attempt to control any sale of component parts to other countries which might later be included in assemblies in resale to Communist countries.

Doesn't that, in effect, stimulate trade between the other free countries among themselves to our exclusion and therefore disadvantage?

Secretary HODGES. Yes, sir.

#### FINANCIAL CONTROLS BASED ON LAW

Senator SYMINGTON. You say on page 4 that there are various financial controls of the Treasury Department affecting Far East Communist countries and Cuba. Is that due to law, or due to Executive decision?

Secretary HODGES. It is based on the law, foreign assets control law.

Senator SYMINGTON. I wanted to be sure about that.

Secretary HODGES. Trading With the Enemy. I think the popular name is Trading With the Enemy Act.

#### FRENCH TRADE PROGRAM

Senator SYMINGTON. You point out that the Federal Republic of Germany is first in both exports and imports, and the United Kingdom second in both exports and imports, in trade relationship with the Soviets, which has considerably more than doubled in recent years, and now runs to many billions of dollars annually. That is the business France wanted to cut into, is it not?

Secretary HODGES. Yes. I do not know how much they are in it now, but I am sure that that is a part of all of their program, is to get more and more trade with these countries—South America or wherever they are going.

## EFFECT OF TARIFF NEGOTIATIONS ON AGRICULTURAL TRADE

Senator SYMINGTON. The President pointed out that, counting Public Law 480, we sold last year, or moved to the satisfaction of our agricultural economy, over \$5 billion of our agricultural products to foreign countries.

Based on your replies to the Senator from Kansas, is it your impression that the Common Market countries are determined to see that this amount is heavily reduced in this new round of negotiations?

Secretary HODGES. I would say yes, sir, with this qualification: that if they can take care of themselves with higher prices to themselves, they will do it. If they couldn't do that, and needed all of ours, they would buy it. But I think they are trying to shut us out to a certain extent.

## TRADE AGREEMENT WITH AUSTRALIA

Senator SYMINGTON. Are you satisfied with the beef agreement we made with Australia, where we can't ship any pork in there, which they do not have apparently but allow them to continue to ship beef in here in heavy quantities?

Secretary HODGES. I am not acquainted, Senator, with that basic decision which was made, but it doesn't sound right.

## CANADIAN TARIFF ON AUTOMOBILE ASSEMBLIES

Senator SYMINGTON. We lost many thousands of jobs as a result of a recent manipulation of tariffs on automobile assemblies by Canada. Do you plan to do anything about that?

Secretary HODGES. I have never accepted it, Senator. I have argued it very vociferously to the point where they don't like me any more saying that it was the wrong thing to do.

Senator SYMINGTON. You think their action was both unilateral and unfair in this regard?

Secretary HODGES. I do indeed, and I think it is now with the Treasury Department as to what they do with it.

## TRADE AS ESSENCE OF THE ECONOMY

Senator SYMINGTON. Trade is the essence of the future of the economy of the United States, as well as all other free world countries, is it not?

Secretary HODGES. Sure it is. I don't think it is a question of too much aid. I think it is a question of not enough trade and of not enough tough trading.

Senator SYMINGTON. Doesn't it appear to you sometimes that we are becoming more internationally minded, diplomatically, but are being pushed into a form of economic isolation?

Secretary HODGES. Senator, we simply—

Senator SYMINGTON. Relatively speaking.

Secretary HODGES. Senator, we are simply not knowledgeable on this side of it, and we have never oriented ourselves in our international relations to this problem.

## ADMINISTRATIVE AND LEGISLATIVE CHANGES REQUIRED FOR SWITCH IN TRADE PATTERN

Senator SYMINGTON. So you feel these hearings are constructive, that it is a matter which should be looked into?

Secretary HODGES. Very definitely.

Senator SYMINGTON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, in that connection, in reply to a previous question, you said you weren't suggesting changes in the law. Does that mean that this situation can be remedied by administrative changes?

Secretary HODGES. Certain parts of it can be remedied by administrative changes, depending on how you look at these items that are on our so-called positive list and how much they can get elsewhere.

More and more, if you will excuse the oversimplification, the other nations, Germany, the United Kingdom, et cetera, are learning how to do these things. So this thing is getting tougher for us by the day.

Senator SYMINGTON. That is right.

Secretary HODGES. So we will have less reason for turning it down than we did 3 years ago or 16 years ago. But this thing will not be solved as a total trade such as our neighbors are doing, except by legislation.

The CHAIRMAN. Except by legislation.

Secretary HODGES. Yes, sir.

The CHAIRMAN. And there is a legislative problem that is important, in addition to many administrative changes, in changing the pattern.

Secretary HODGES. That is right.

The CHAIRMAN. I agree with the Senator from Missouri about the importance of the trade, and I think these laws have been on the books for quite a long time, and it is time we reevaluate them and see whether or not they are serving the national interest. Do you agree with that?

Secretary HODGES. Yes, sir.

## TRADE ROLE OF WAGE RATE DIFFERENTIALS

Senator SYMINGTON. If the Chair will yield for one observation, I remember testimony given on the average hourly rate in the shoe business, important in my State and many other States, because there are 13,000 shoe companies in this country with relatively small units of personnel, 180 I think is the average. The average wage rate in shoes in this country is \$1.95 per hour. The average in the second biggest competitive country we have in shoes is 47 cents, including fringe benefits.

The average of the country that is the chief competitor today of the American shoe industry is 28 cents, including fringe benefits. Cost is labor, material, overhead, and profit if any. The only possible way to equalize any differential such as 28 cents against \$1.95 would be with heavy volume on the most modern machinery.

Now it would seem that these other countries, in addition to having such favorable rates, are moving in to get the additional volume. Does that make sense to you?

Secretary HODGES. I think you have stated the problem.  
 Senator SYMINGTON. Thank you, Mr. Chairman.

## OTHER FREE WORLD CREDIT TERMS

The CHAIRMAN. Mr. Secretary, could you give us for the record what kind of credit terms are available to the Soviet bloc from other free world countries? Have you any statistics or tables on that?

Secretary HODGES. I don't think we really have on the overall policy. When this situation came up, where the new act last Christmas gave the President the authority in the Eximbank that we had in mind, what is basically termed commercial terms, as to wheat for the Soviet, Senator, was about 18 months to 2 years. Basically I think that if we had to speculate about it, we would have no more than 5 years in the way of credit terms.

The CHAIRMAN. We read in the paper that the British are considering, and perhaps have by this time extended, longer credit terms to the Soviet bloc. Is that correct?

Secretary HODGES. Yes. From what we hear, it is. I couldn't state it for a fact, but I think that is true, and I think that the French are doing the same thing.

The CHAIRMAN. I wonder if it would be possible for someone in your office to get as much information as you can about what other countries are doing in the way of credit terms?

Secretary HODGES. We will be glad to do it, Senator. We ought to do it. It is a difficult thing, but we will do the best we can.

(See pp. 106-111.)

## INTEREST RATES

The CHAIRMAN. Aside from the length of the term, do you know if the interest rates are about the same or not?

Secretary HODGES. Their interest rates are usually higher than ours.

The CHAIRMAN. They are usually higher?

Secretary HODGES. Yes; but you know when you are buying things if you have got long enough time in which to pay it, you don't really care how much interest it is sometimes.

## GUARANTEES SIMILAR TO THOSE OF EXPORT-IMPORT BANK

The CHAIRMAN. We had testimony in connection with the wheat bill concerning the matter of the Export-Import Bank guaranteeing credits. Is this customary with other countries? Do other countries give similar guarantees to their private—

Secretary HODGES. I think that is pretty general.

The CHAIRMAN. Is it?

Secretary HODGES. I think they are way ahead of us.

The CHAIRMAN. Your information is that most of them do?

Secretary HODGES. Oh, yes.

The CHAIRMAN. We had specific testimony that Canada did exactly this; is that correct?

Secretary HODGES. Oh, yes. It has been done in other countries on the Continent and the United Kingdom.

The CHAIRMAN. By Germany and the United Kingdom?

Secretary HODGES. They do many more things to help their exporters than we do, guarantees, terms, credit, export incentives, tax rebates, every kind of thing you can mention. Not all of them everything, but some of them.

#### TURNOVER TAXES

The CHAIRMAN. I understand in France one of the great incentives there is their value-added tax from which all exports are exempt; is that correct?

Secretary HODGES. That is right. I don't know that it is called that, but they have both in Germany and in France, I think, a turnover tax or something.

The CHAIRMAN. That is what it is.

Secretary HODGES. Yes. It is applied through domestic production, and if a manufacturer ships to another country, he doesn't have to pay that, and that gives him an inside of several percent.

The CHAIRMAN. It is very large, I am told.

Secretary HODGES. I have heard up to 7.

The CHAIRMAN. It is very large. It depends on the type of product. France exports a great many luxury articles I have been told. In luxury articles in France it runs as high as 25 percent I have heard. Take perfume, perhaps, or wine, and so on.

Secretary HODGES. Yes.

The CHAIRMAN. Internally they pay this tax but they are exempt from it if the item is exported. This amounts to a very substantial subsidy for exports, doesn't it?

Secretary HODGES. It is almost impossible to meet it.

The CHAIRMAN. It would be somewhat similar to an American firm being exempt from all income taxes on anything it exported; wouldn't it? Maybe that is a little higher.

Secretary HODGES. Yes; they do not apply it to the income tax, but they have other methods of applying it.

The CHAIRMAN. So that aside from this particular problem of exporting to the Soviet bloc, or East-West trade, we have a lot to learn on trade in general to everybody, don't we?

Secretary HODGES. We are babes in the woods.

#### MOST-FAVORED-NATION TREATMENT

The CHAIRMAN. Do the Western European countries give most-favored-nation treatment to the Soviet bloc countries?

Secretary HODGES. Yes, sir; Dr. Behrman says they do.

The CHAIRMAN. Do they do that generally or by bilateral agreement?

Mr. BEHRMAN. Generally by bilateral arrangements, Senator.

The CHAIRMAN. But the fact is they give this to all or practically all as far as you know of the Eastern European countries, as well as the Soviet Union?

Mr. BEHRMAN. That is correct, sir.

The CHAIRMAN. Are these Soviet bloc countries treated by Western European countries like free world countries with the sole exception of strategic goods?

Mr. BEHRMAN. Yes, sir.

## EXTENT OF U.S.S.R. DUMPING PRACTICES

The CHAIRMAN. Can you tell us anything about the extent to which the Soviet Union engages in dumping or unfair price competition generally?

Mr. BEHRMAN. There are only a few cases in which we have found information on it, Senator. They are some years back.

There was an instance in tin, as I recall some years back, where through our representations and other free world countries they were induced to come along with the regulations of the international tin group. Benzene previously, which they stopped on. Aluminum for a short time, which they agreed to stop on. There are not a great many cases which we can determine involved dumping as a conscious policy.

The CHAIRMAN. You are speaking now of the Soviet Union?

Mr. BEHRMAN. Yes, sir.

The CHAIRMAN. When you say they agreed to stop, how did that come about? Did we approach them or did the coordinating committee approach them?

Mr. BEHRMAN. This was prior to this administration, Mr. Chairman, and I am not sure exactly what the procedure was.

The CHAIRMAN. You seem to leave the impression that after they started this, upon our request they stopped it. Is that the impression you sought to leave with the committee?

Mr. BEHRMAN. As I understand, Mr. Chairman, these conversations were taken up by other countries as well.

The CHAIRMAN. By other countries?

Mr. BEHRMAN. So that there was a strong position.

The CHAIRMAN. Since you have been in the Department in the last 2 or 3 years, there has been no substantial amount of dumping?

Mr. BEHRMAN. No, sir; there has been no substantial amount. None has been brought to my attention at all for that matter.

## DOES COCOM HAVE A POLICY AGAINST DUMPING?

The CHAIRMAN. Does the Coordinating Committee have a policy to stop dumping by the Communist bloc?

Mr. BEHRMAN. COCOM is an arrangement which is subject to veto by any one of the members, and therefore it has no authority to impose its decisions, and dumping is not within its general terms of reference.

The CHAIRMAN. Since you have stated it is not presently a problem, I suppose there is no reason for a common policy in case of dumping. I had thought that it was a problem—but my memory goes back, I guess, to those cases you mentioned of aluminum, tin, and benzene.

## QUESTION OF VOLUME OF U.S. GOODS PROCESSED ABROAD AND RESOLD

Do you have any estimate of the value of U.S. goods shipped to free world countries that are later processed in some manner and sold to the Soviet bloc, as we had the case of wheat sold to Germany, processed into flour and sold? Do you have any other cases of that? Do you have any figures showing the value?

Secretary HODGES. I would doubt it, Senator.

Mr. HOCKERSMITH. No; we don't have any figures as to that.

The CHAIRMAN. Can you state your opinion as to whether or not this does take place in substantial volume?

Secretary HODGES. Maybe Mr. Hockersmith, who followed the details of it, can answer. I wouldn't think so, except in this agricultural thing, this wheat flour business.

Mr. HOCKERSMITH. That is correct.

The CHAIRMAN. Is that your opinion, Mr. Hockersmith?

Mr. HOCKERSMITH. Yes, sir.

The CHAIRMAN. And you would say it is not very substantial?

Mr. HOCKERSMITH. Outside of the processing of the wheat into flour.

The CHAIRMAN. Was that substantial? Do you know about what that was?

Mr. HOCKERSMITH. No, sir; I don't know the volume of it. I would think that it was of some magnitude, but not a very large magnitude.

#### INTERDEPENDENCE BETWEEN WEST EUROPEAN AND EAST EUROPEAN TRADE

The CHAIRMAN. To what extent are the nations of Eastern Europe dependent on the West for industrial-type goods, and to what extent are Western European countries dependent on the East for their source of raw material?

Secretary HODGES. I cannot answer that, Senator, except in a very general way.

The CHAIRMAN. That is all right; answer it in a general way. Is it substantial?

Secretary HODGES. I think there is an interdependence, and in the case of the West Europeans and the East Europeans as a matter of convenience they would do trading. They might find it in some other parts of the world, but things being normal, they would buy it from their nearby neighbors. Similarly, we have \$15 or \$16 billion worth of imports to the United States, and about two-thirds of those imports are things we have to have. We are dependent upon them. The other third compete with products we are making. I would say in general they have an interdependence. I cannot give you the figures.

The CHAIRMAN. That was their traditional trade pattern, was it not?

Secretary HODGES. Yes, sir.

The CHAIRMAN. Before the war?

Secretary HODGES. Yes, Senator; and I would just like to philosophize a moment. I have talked to many people abroad after the First World War and the Second World War. They don't have much sentiment about this business of war and what happens after. They start trading the next morning after the shots have stopped. That is the way they operate.

The CHAIRMAN. They regard war as an aberration and not a religious crusade.

Secretary HODGES. Just something that intervened in their normal operations.

#### PREWAR AND POSTWAR TRADE BETWEEN EAST AND WEST EUROPE

Mr. BEHRMAN. Senator, could I add to that a bit?

The CHAIRMAN. Yes.

Mr. BEHRMAN. I think the potential is much greater than the actual occurrence of trade even between Western and Eastern Europe. Statistics on German exports to European Soviet bloc, for example, indicate about \$700 million of exports in 1962 on a total German export of over \$10 billion. So this is 7 percent, and there is a comparable percentage on imports from the European Soviet bloc to total German imports; comparable figures exist for most of the rest of Western Europe. They have much less than 10 percent, whereas prior to World War II these percentages were higher.

The CHAIRMAN. Do you have any idea how much higher?

Mr. BEHRMAN. I am trying to think back in my own memory. I don't have the statistics in front of me, but there were substantial purchases of agricultural and industrial materials from Eastern by Western European countries.

The CHAIRMAN. It would have been my impression that before the Second World War there was a very substantial amount of trade between Eastern and Western Europe. One was highly industrialized, and the other was primarily agricultural, and I believe that they did trade in substantial amounts.

Secretary HODGES. Much of the worth of these Western German sales, Senator, is to East Germany.

The CHAIRMAN. And, of course, Eastern Europe. I think I saw in the press the other day, maybe it was yesterday, that West Germany has a bilateral trade agreement with every one of the Eastern European countries; is that correct?

Secretary HODGES. I would think so.

The CHAIRMAN. I think it is so stated.

Secretary HODGES. Yes; I would think so.

#### DISADVANTAGE TO EAST EUROPE IF TRADE STOPPED

The CHAIRMAN. Would you venture any opinion, if all this trade was stopped, whether Western or Eastern Europe would suffer more? Which is more self-sufficient, in other words?

Secretary HODGES. You mean the trade between the Western European nations and the Eastern Europeans?

The CHAIRMAN. Yes; which would suffer the most?

Secretary HODGES. I guess the Eastern European nations would suffer the most.

The CHAIRMAN. Why?

Secretary HODGES. Because your Western people have more friends from which to buy and sell.

The CHAIRMAN. They have a greater opportunity?

Secretary HODGES. Yes.

#### YUGOSLAV TRADE WITH WESTERN EUROPE

The CHAIRMAN. I believe in the previous hearings it was stated that some 75 percent of Yugoslavia's exports or foreign trade were with Western Europe. Do you remember that?

Secretary HODGES. I think that is about the figure.

The CHAIRMAN. It is a very substantial amount, much more than with Russia.

Secretary HODGES. Yes.

## POSSIBILITIES OF SOVIET PETROLEUM SALES

The CHAIRMAN. You mentioned tin, benzene, and aluminum. What about oil? I have been disturbed about the trade possibility of oil and petroleum products, the production of which has increased very markedly in the Soviet Union. What do you think are the prospects of the Soviet bloc selling increasing amounts of oil to Western Europe and Japan?

Secretary HODGES. I would rather some of these gentlemen answer that with the details, but I think they are going to do it. But I don't know what the figures will be.

Mr. BEHRMAN. We don't have any figures on it either, Mr. Chairman. We know that this is a desire on their part.

They have tried to develop these operations. They are selling oil to Italy, under a barter type arrangement, and to other Western European countries. We have heard isolated instances, reports of dumping prices at which the petroleum is offered. We have been unable to check them out to find out if it was in fact the case.

This drive on the part of the Soviet Union is related to the pipeline that they are developing. But as to the extent they will be able to succeed in selling oil, this we have no estimate of.

The CHAIRMAN. Of course they have run into some very strong competition from North Africa recently, haven't they, which is also available to Western Europe?

Mr. BEHRMAN. Yes, sir.

## EXPORT CONTROL COORDINATION

The CHAIRMAN. Is the Commerce Department position on export control matters often vetoed by the State or Defense Departments when it attempts to make the control list less restrictive?

Secretary HODGES. No, Mr. Chairman, there is no actual veto. This Committee, interagency committee, comes in with recommendations to the Secretary of Commerce, and he would have the authority under the President to go ahead.

Actually, as I said awhile ago, much of our time is spent in the discussion and arguments down the line. Mr. Hockersmith can comment in more detail than I could on this. Differences of opinion exist, of course, but we can't say that either agency has the right or the wish to veto.

## SOVIET PRODUCTION THROUGH COPYING

The CHAIRMAN. One question you raised that interests me very much is this question of the Russians buying a prototype or a single machine of advanced design, and then just copying it and producing it in volume. Do you have a view as to this?

Is this a prevalent practice of the Russians or not?

Secretary HODGES. That is the thing that has bothered me personally as Secretary of Commerce more than anything else that we have done under our export control administration.

We are reasonably sure that there has been a great deal of it and I think, as I have said, you may have a machine that you are not even quite sure you want to sell, but if you are going to sell them one, you might as well sell them 100. Then you get the business in this country.

## SOVIET ATTITUDE TOWARD PATENT PROTECTION

The CHAIRMAN. Do you have any reason to believe that the Russians might be willing to abide by agreements with regard to protection of patents and so on? Have they expressed any opinion or any policy with regard to that?

Secretary HODGES. No. The Russians, as far as I know, and, of course, we don't deal in international negotiations with them, that is basically the State Department, but as far as I know they have said, they have said to me two or three times, "We want to buy some goods," and they always think in terms of credits and say so.

But I have not known whether there has been any discussion with them as to whether they would sign an agreement that they would do certain specific things. My hunch is if you went to them on the basis of cleaning up the most-favored-nation matter and all the rest of the things, that you could probably get some kind of an agreement that they would abide by.

The CHAIRMAN. How about the experience of the West Germans who are the largest trading nation in the free world? What has been the Germans' experience on this kind of an arrangement?

Secretary HODGES. Again we couldn't document it at the moment, but it is my basic impression, Senator, that they have had a good experience. I would say that the Soviets, whom we don't trust on many things—that on these trading matters, credits and so forth, they have done all right.

The CHAIRMAN. And also with regard to respecting the patent rights or the designs, and they would buy the machines rather than taking one and just copying it?

Secretary HODGES. That I cannot answer for other countries.

The CHAIRMAN. Have any of our allies or any of the Western European countries made any comments on this aspect?

Mr. BEHRMAN. Let me comment on several aspects of that, Mr. Chairman. First the Soviets did have a delegation over here about a year and a half ago studying our patent system, talking with U.S. patent attorneys and companies as to their problems in this area, and they got some very frank answers, the Americans did.

The Russians showed an understanding of the problems and some willingness to move in the area of extending protection to American property rights. So there is some possibility here, some reception.

There is one case which I know of where a foreign patent holder in Russia objected to the use of a patent, the technology, without the approval of the Western European owner, for the manufacture and export of an item to an area which was protected by patents, and the Russians stopped it, and as I recall, made some payments. So that they are not unaware of the problem, and they are at times responsive to it.

## PROTECTION OF RIGHTS THROUGH BILATERAL AGREEMENTS

These rights that you are speaking of, however, are sometimes protected by the Western European countries through their bilateral trade agreements. So that there is an arrangement for ways of solving the problems.

The CHAIRMAN. That is provided for in the specific agreement?

Mr. BEHRMAN. Sometimes in their bilateral agreements, which we do not have.

The CHAIRMAN. Which we do not have. What small trade we do have is just trade without pursuance of an agreement; is that correct?

Secretary HODGES. That is correct.

The CHAIRMAN. We do not have bilateral agreements with any of them.

Secretary HODGES. That is right.

#### DIFFICULTY OF PRIVATE CONCERNS DEALING WITH GOVERNMENT AGENCIES

The CHAIRMAN. In your initial statement, which I thought was excellent, you touched on the difficulty of private concerns doing business with a Government agency, and the possibility of the Government agency shopping around and taking advantage of the multiplicity of private traders. What is the answer to this problem?

Secretary HODGES. I don't know, Mr. Chairman. I would think that this would be a part of a total discussion with the Soviets, if you were going to open this thing up.

The CHAIRMAN. Is this covered and dealt with by the other countries under these bilateral agreements? Do you know? Is that a method of approaching this difficulty?

Mr. BEHRMAN. It is a method; yes, sir.

#### TERMS OF WESTERN EUROPEAN TRADE AGREEMENTS WITH SOVIET BLOC

The CHAIRMAN. Have you or anyone in the Department studied the terms of those agreements, and the way they work out?

Mr. BEHRMAN. Yes, sir; we have had them under study continuously for a good number of years. They have a long history.

The Western European arrangements are by no means as specific as the bilateral agreements which some of the less developed countries have with the Russians. They are generally umbrella agreements. They cover a list of goods which each says he is willing to sell to the other.

They are not barter-type agreements, and they are not what we call financial agreements or swing credit agreements. They are not credit agreements, to my knowledge, which build up a long credit between the Western Europeans and the Russians, or the Soviet bloc. Therefore, they are really terms of reference, terms of trading, stating types of commodities, agreements. They are not barter agreements.

The CHAIRMAN. After that agreement is executed, then does a private industry, say in West Germany, go to the agency, say in Bucharest, and make its own deal?

Mr. BEHRMAN. Yes, sir.

The CHAIRMAN. Not the Government of West Germany. It has no further function at all?

Mr. BEHRMAN. Save for possible financing.

The CHAIRMAN. And all the government does is make the trade agreement; is that correct?

Mr. BEHRMAN. That is correct.

The CHAIRMAN. And provide credit where necessary in accordance with the terms.

## INABILITY OF UNITED STATES TO CHANGE OTHERS' TRADE POLICIES

Secretary HODGES. Mr. Chairman, I am going to have as my guests for lunch the equivalent of the NAM President of Germany, and I will try to go into this in more detail.

The CHAIRMAN. I think it would be very interesting. We might learn something, if we are not too proud to do so, from the way these other countries carry on business, don't you think?

Secretary HODGES. I agree thoroughly.

The CHAIRMAN. I know very little about how they do it, but they are obviously going to trade, whether we like it or not. You don't think that a conference with them to try to persuade them to reverse their policies has any prospects of success, do you?

Secretary HODGES. We are constantly sitting down with them in COCOM and other meetings. We get nowhere.

The CHAIRMAN. You can try out this German at lunch to test his attitude, and determine if he is willing to give up their trade?

Secretary HODGES. I know exactly what he is going to say.

The CHAIRMAN. I suspect I do, too.

## OBSTACLES TO U.S. TRADE WITH COMMUNIST BLOC

It seems to me that not only the lack of any specific bilateral agreement here, but also the multiplicity of laws which we have—their very existence—creates such uncertainty that no private industry, or very few private industries, will venture into even trying to do business with these countries. Is that correct?

Secretary HODGES. I couldn't agree more, Senator. I think all we do is piddling.

The CHAIRMAN. Take an American manufacturer or businessman. Except for something very specific like the wheat deal, the uncertainties of being able to get an export license and to manage all the other matters involved discourages him from even trying to do business with the bloc.

Secretary HODGES. We don't know how much we are missing.

The CHAIRMAN. So you don't really know whether there is a market to be developed or not?

Secretary HODGES. No.

## QUESTION OF MARKET DEVELOPMENT

The CHAIRMAN. That is on the one hand. On the other hand, is the question you also raised. What do they have that we can use other than gold? Of course we can use that. But do you think there is much prospect of their having materials and goods which we need?

Secretary HODGES. No. I don't think we could fool ourselves by saying that they can ship us a whole lot of goods. The Russians themselves claim, the Soviets claim, they can, including machinery and so forth. We have not gone to the point where we say put down the list and we will put down the list like a bilateral, such as some of the Soviet satellite nations have asked us to do. But we can do a whole lot more, and we don't have to buy exactly how much we sell them.

The CHAIRMAN. Yes. There could be three-cornered trade.

Secretary HODGES. Yes, and we could sell them a whole lot more than we buy from them.

#### EXCLUSION OF RUSSIAN FURS

The CHAIRMAN. Yes. I note that you referred in your statement to our excluding certain Russian furs. Why do we exclude these furs?

Secretary HODGES. Because there is some kind of a little law that we have down here.

The CHAIRMAN. What kind of a law? I never heard of it. We don't produce an excess of furs in this country, do we?

Mr. LEWIS. Section 11 of the 1951 Trade Agreement Act.

The CHAIRMAN. What is it?

Mr. LEWIS. It lists certain specific furs from Russia, sable and ermine, I think, and just flatly excludes them.

The CHAIRMAN. We don't produce them. Why was that put in? Where do we get our sables?

Secretary HODGES. I don't think any of us would dare to try to answer that one. That was in the wisdom of the Congress.

The CHAIRMAN. I was struck by this exclusion, because except for a few rabbits and ranch mink and a few things, we don't produce a great many furs. I thought we traditionally imported furs from either Canada or Russia and other places; is that not so?

Secretary HODGES. That is basically true. I would have to look up the legislative history. We just know it is there.

#### NEED FOR REEXAMINATION OF TRADE POLICIES

The CHAIRMAN. The time is getting late. I don't want you to miss your lunch with the German industrialist because you might learn something from him on this matter. I think your statement is excellent.

I am pleased that you have obviously given a lot of thought to preparing it. I share your feeling that we have continued this program too long without reexamining it. I don't know what trade changes should be made.

I agree to this extent at least with the Senator from South Dakota, that policies are interrelated; that is, that you can't isolate trade and ignore political considerations. But that in itself is no reason for not reexamining both and especially trade policies. Do you have any other suggestions to make before we close?

Secretary HODGES. I would just make this final statement, Mr. Chairman, after thanking you and your associates for your courtesy.

I am so glad you are going into this. In the running of the Department of Commerce, which is a large and varied Department, I constantly ask the question, "What are you doing and why and how long ago did you get the instructions in writing to do it?"

Then I find, the other day, for example, somebody said we got that from a Secretary of Commerce in 1943. They are still carrying it out. I said, "Any reason you are carrying it out?" They said, no, they hadn't thought about it.

I think that is the way we sometimes do with our laws, such as on furs. We pass them and leave them on the books and get accustomed to misery or whatever it is. I think you ought to take a look at these things.

The CHAIRMAN. I appreciate that. We are going to try to be a party in that connection. The meeting with the Secretary of Agriculture, Secretary Freeman, has been changed from this Friday, March 20, to Monday, March 23, at 10 a.m., and we will meet here. Of course, we will welcome from you or any of your staff any suggestions as to future hearings.

We hope that we can make this study a meaningful one, and perhaps give some guidance to the Congress and to the country.

Secretary HODGES. Thank you, Mr. Chairman. If you want anything from us also, let us know.

The CHAIRMAN. Thank you very much, Mr. Secretary.

The meeting is adjourned.

(Whereupon, at 12:30 o'clock the committee was adjourned, to reconvene at 10 a.m. Monday, March 23, 1964.)

(Subsequent to the hearing, the following letter and enclosures were received:)

THE SECRETARY OF COMMERCE,  
Washington, D.C., March 25, 1964.

HON. J. WILLIAM FULBRIGHT,  
Chairman, Committee on Foreign Relations,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am enclosing information which the Senate Committee on Foreign Relations requested when I testified before it on March 16, as follows:

Statistics for U.S. exports to and imports from Poland during the years 1961-63, as requested by Senator Lausche at transcript pages 149 and 150.

Information regarding credit and interest terms made available to Sino-Soviet bloc nations by other free world countries through bilateral trade agreements and otherwise, as requested by Senator Symington and yourself at transcript pages 163 and 164; see also page 167.

Sincerely yours,

LUTHER H. HODGES, *Secretary of Commerce.*

*Principal U.S. exports to Poland*

[In thousands of dollars]

	1961	1962	1 1963
Agricultural products.....	57,357	71,932	74,693
Of which—			
Wheat.....	(27,769)	(26,271)	(39,793)
Rice.....	(161)	(3,003)	.....
Barley.....	(3,138)	(9,873)	(3,516)
Grain sorghums.....	(444)	(2,958)	(14,774)
Wheat flour.....	(2,621)	(3,101)	(1,824)
Tobacco, unmanufactured.....	(285)	.....	(1,915)
Soybeans.....	(1,025)	(479)	.....
Flaxseed.....	(1,079)	.....	.....
Cotton.....	(16,840)	(20,701)	(10,190)
Tallow, inedible.....	3,360	4,022	3,123
Cottonseed oil, refined.....	2,657	1,547	.....
Metal finishing, cleaning, and coating machinery.....	1,208	1,520	.....
Private relief shipments.....	1,882	3,438	3,187
Total of above.....	66,464	82,459	81,003
Total exports.....	74,791	94,454	85,152

<sup>1</sup> January to September.

Source: 66th quarterly report to Congress.

*Principal U.S. imports from Poland*

[In thousands of dollars]

	1961	1962	<sup>1</sup> 1963
Canned cooked hams and shoulders.....	23,626	21,510	13,485
Other pork, prepared or preserved.....	2,474	4,030	4,177
Hides, skins, and furs.....	2,643	4,352	3,543
Of which—			
Fox fur, undressed.....	(1,108)	(1,203)	(1,325)
Mink fur, undressed.....	(762)	(1,763)	(1,472)
Feathers and down, crude.....	975	1,091	640
Caseln.....	2,058	1,383	120
Pig and hog leather.....	261	642	1,075
Linen, ramie, and hemp fabrics.....	563	1,408	1,116
Total above.....	32,600	34,416	24,156
Total imports.....	41,248	45,586	32,149

<sup>1</sup> January to September.

Source: 66th quarterly report to Congress.

## CHARACTERISTICS OF BILATERAL TRADE AGREEMENTS BETWEEN WESTERN MAJOR INDUSTRIAL COUNTRIES AND SOVIET-BLOC COUNTRIES OF EUROPE

Bilaterals between Western major industrial countries and Soviet bloc countries generally cover a 3- to 5-year period and stipulate the overall volume of trade. Annual protocols generally specify or amend the lists of commodities to be exchanged and, if necessary, modify other provisions of the agreement.

The overall agreements may include either a general description of the types and value of commodities to be traded under the agreements, or a specific list of commodities and quantities to be exchanged. Such lists usually provide for bloc exports of fuels and raw materials, such as crude petroleum, fuel oil, coal, forest products, ores and metals, and foodstuffs, including seafood and fish products, grains, wines, and liquors. The lists usually call for exports of only limited amounts of machinery and manufactured consumers' items from Soviet bloc countries to the industrialized West. Among the commodities destined for import by the Soviet bloc, machinery and transport equipment are by far the most significant category. Manufactured products such as chemicals, iron and steel products, and ball bearings rank next in importance among Soviet-bloc imports. Consumer goods and foodstuffs usually play a minor role in their imports.

The trade lists are not necessarily exclusive. Trade can take place outside the agreement, provided that the commodities listed in the agreement are shipped in the quantities stipulated.

These agreements are based on world market prices. Some of the agreements include most-favored-nation treatment clauses. They regulate the method of payments—with provision for swing credit arrangements, arbitration of disputes, and mutual protection of traders in each other's territory. They also specify agreed delivery dates.

The annual protocols are concluded under the overall agreements. These protocols specify commodities to be exchanged in cases where no specific lists were included in the overall agreement. They also adjust types and quantities of commodities stipulated in the overall agreement and make other changes to reflect altered requirements of the contracting parties. These protocols thus tend to soften some of the rigidities inherent in the long-term bilateral agreements.

No published trade agreements between Western countries and the bloc countries appear to contain provisions relating to patent infringement. Many trade agreements have classified annexes or amendments, including letters of understanding. It is possible, therefore, that these special addenda to trade agreements do make provision for protection of designs, technology, and the like against unauthorized use, and other matters that the bloc partners do not wish publicized.

LONG-TERM TRADE AND PAYMENTS AGREEMENT BETWEEN THE FEDERAL REPUBLIC OF GERMANY AND THE UNION OF SOCIALIST SOVIET REPUBLICS FOR THE YEARS 1961-63

The Government of the Federal Republic of Germany and the Government of the Union of Socialist Soviet Republics,

Considering a further development of trade relations between the Federal Republic of Germany and the Union of Socialist Soviet Republics to be in accordance with the interests of the two countries,

And desiring to establish a sound basis for the exchange of goods and payments between the Federal Republic of Germany and the Union of Socialist Soviet Republics,

have agreed as follows :

ARTICLE 1

The Government of the Federal Republic of Germany and the Government of the Union of Socialist Soviet Republics, within the framework of each country's existing legal provisions, shall take the necessary measures to promote the mutual exchange of goods and mutual services in the field of trade and other economic relations between the two countries.

ARTICLE 2

During the period January 1, 1961, through December 31, 1963, trade between the two countries shall be carried out in conformity with lists A and B attached to the present agreement.

The competent authorities of the two countries shall immediately grant import and export licenses for such goods as are specified in the lists referred to above, in compliance with their countries' existing laws, regulations and provisions.

The two governments shall take every measure in their power to make possible the entire fulfillment of the quotas provided for in lists A and B. For this purpose and to insure the carrying out of mutual trade in a regular manner, the two governments shall endeavor to insure the fulfillment, in each year of the present agreement's validity, of the quotas provided for in the above lists, if possible equally within 6-month periods. Goods the delivery of which is bound to specific seasons may be imported or exported in the course of the season concerned.

ARTICLE 3

Appropriate adjustments in and supplements to the lists referred to in article 2 shall be made by mutual agreement when annual trade protocols between the Federal Republic of Germany and the Union of Socialist Soviet Republics are concluded.

ARTICLE 4

Both governments shall favorably consider the issuance of import and export licenses for goods not specified in the lists referred to in article 2, or for quantities exceeding those set forth in the lists.

## ARTICLE 5

Payments resulting from trade between the Federal Republic of Germany and the Union of Socialist Soviet Republics and from transactions related thereto, as well as all current payments between the two countries, shall be effected via deutsche mark accounts of the State Bank of the Union of Socialist Soviet Republics with the German Federal Bank (Deutsche Bundesbank) and banking establishments in the Federal Republic of Germany.

With respect to the accounts of the State Bank of the Union of Socialist Soviet Republics referred to in paragraph 1, the general provisions prevailing for this kind of accounts shall apply.

As far as the foreign exchange regulations of the two countries will permit, payments may also be made and/or accepted in currencies other than deutsche mark.

## ARTICLE 6

The payments referred to in article 5 shall be settled in accordance with the technical procedure established by agreement of the German Federal Bank and the State Bank of the Union of Socialist Soviet Republics.

## ARTICLE 7

The Government of the Federal Republic of Germany and the Government of the Union of Socialist Soviet Republics shall appoint their plenipotentiaries who, upon the proposal of one of the two governments, shall meet in one of the two countries, in general alternately, to examine the execution of the present agreement and, if necessary, to work out recommendations guaranteeing the orderly execution of the agreement, as well as any proposals for the improvement of trade relations between the two countries.

## ARTICLE 8

The present agreement shall enter into force on January 1, 1961; it shall be valid until December 31, 1963.

Done in Bonn on December 31, 1960, in two originals in the German and Russian languages, both texts being equally authentic.

(Signed) A. H. VAN SCHERPENBERG,

(For the Government of the Federal Republic of Germany).

(Signed) A. SMIRNOV,

(For the Government of the Union of Socialist Soviet Republics).

## LIST A

Commodity quotas for imports from the territory of the Union of Socialist Soviet Republics into the territory of the Federal Republic of Germany for the years 1961 through 1963

	1961	1962	1963
1. Grains.....thousand tons.....	300	( <sup>1</sup> )	( <sup>1</sup> )
2. Crabs, canned.....million DM.....	2.6	3.4	3.6
3. Caviar and canned fish.....do.....	.7	1.1	1.6
4. Guts.....do.....	4	4	4
5. Intestines for medical and pharmaceutical purposes.....do.....	10	10	10
6. Oil cakes and meals (extracted).....thousand tons.....	35	35	35
7. Vegetable oils, crude.....do.....	5	8	8
8. Whale oil, crude.....do.....	7.5	12	15
9. Timber, sawn.....thousand cubic meters.....	425	475	500
10. Timber, round.....thousand solid cubic meters.....	650	650	650
11. Plywood.....thousand cubic meters.....	2.5	2.5	2.8
12. Cellulose.....thousand tons.....	20	20	25
13. Bituminous coal.....p.m.....	p.m.	p.m.	p.m.
14. Iron ore (from Kriwoj Rog).....thousand tons.....	200	300	500
15. Manganese ore.....do.....	75	65	65
16. Chrome ore.....do.....	85	80	80
17. Apatite ore.....do.....	80	85	85
18. Asbestos.....do.....	35	40	45
19. Pig iron.....do.....	30	30	30
20. Ferrochrome.....do.....	2	2.5	2.5
21. Ferrosilicon.....do.....	6.5	8.5	8.5
22. Tungsten concentrate.....do.....	2.3	2.3	2.3
23. Zinc.....do.....	6	8	10
24. Tin.....do.....	1	1	1
25. Antimony.....do.....	2	2	2
26. Platinum.....kilograms.....	1,300	1,450	1,550
27. Palladium.....do.....	1,500	1,600	1,750
28. Machinery and equipment.....million DM.....	10	14	20
29. Petroleum, crude.....thousand tons.....	1,700	1,800	1,900
30. Diesel oil.....do.....	275	275	275
31. Heating oil.....do.....	425	425	425
32. Gasoline.....do.....	110	110	110
33. Base oil.....do.....	10	10	10
34. Hard paraffin.....p.m.....	p.m.	p.m.	p.m.
35. Chemicals.....million DM.....	5	5	5
36. Benzene.....thousand tons.....	30	25	25
37. Pitch from bituminous coal tar.....do.....	11	11	11
38. Apatite concentrate.....do.....	220	220	220
39. Turpentine oil.....do.....	2.5	2.5	2.5
40. Sulfur.....p.m.....	p.m.	p.m.	p.m.
41. Pharmaceutical preparations and crude drugs.....million DM.....	1	1	1
42. Cotton.....thousand tons.....	24	28	30
43. Linters.....do.....	.5	1	2
44. Flax (flax, tow, combings).....do.....	9	10	10
45. Hemp.....do.....	1	2	2
46. Coarse wool and fine goat's hair.....do.....	.35	.35	.35
47. Bedfeathers and down.....million DM.....	3	3	3
48. Animal hair and bristles.....do.....	2	2	2
49. Fur skins.....do.....	16	16	16
50. Raw tobacco.....thousand tons.....	2.5	2.5	2.5
51. Precious and semiprecious stones.....p.m.....	p.m.	p.m.	p.m.
52. Printed matter.....million DM.....	2	2	2
53. Products of the motion picture industry.....p.m.....	p.m.	p.m.	p.m.
54. Miscellaneous goods (passenger cars and spare parts therefor, amber, labradorite in blocks, aluminum alloys, cadmium, glycerine, fishmeal, alcoholic beverages, natural honey, goods for consumption and other goods).....million DM.....	26	26	26

## NOTES

1. This list comprises only goods originating or having been produced in the territory of the Union of Socialist Soviet Republics. Goods acquired through transit trade and reexport transactions shall be charged against the commodity quotas established in this list only by agreement of the competent authorities of the two countries.

2. Commodity quotas of above list expressed in values are based on f.o.b. or free-at-border prices of the exporting country.

<sup>1</sup> The question of grain imports shall be the subject of negotiations to be conducted yearly at the right time between the two governments concerned.

<sup>2</sup> May be raised.

## LIST B

Commodity quotas for imports from the territory of the Federal Republic of Germany into the territory of the Union of Socialist Soviet Republics for the years 1961 through 1963

	Total, 1961 through 1963		
MACHINERY, EQUIPMENT OF VARIOUS KINDS, AND SHIPS			
1. Machine tools for metal cutting (turning lathes, grinding machines, gear-cutting machines, jig-boring machines, vertical lapping machines, machines for the processing of piston rings, component parts for passenger cars and tractors, as well as machines for the storage industry, etc.).	DM31,000,000.		
2. Machines for noncutting shaping (mechanical and automatic presses for the metal powder industry, embossing machines, hydraulic stamping presses, vacuum presses, forging manipulators, casting machines, etc.).	DM10,000,000		
3. Power equipment and apparatus and equipment and apparatus of the electrical engineering industry (water eddy brakes, furnaces, diesel power stations, silicon rectifiers for electric locomotives, electric dynamometers, etc.).	DM10,000,000.		
4. Coal mining equipment, equipment for metallurgical and petroleum industries (coal preparation plants, equipment for open-pit mining, agglomeration plants, rolling mills for cold rolling of tubes, rapid-working cable percussion drilling plants, loading machines, etc.).	DM110,000,000.		
5. Equipment for the food industry thereof: Complete equipment for sugar factories.	DM126,000,000.		
6. Refrigeration plants.....	3 complete sets.		
7. Equipment for the light industry.....	DM52,000,000.		
8. Equipment for the chemical industry, thereof:			
Complete plant equipment for the production of polypropylene.....	1 complete set.		
Aggregate for the crystallization of sodium sulfate.....	4 complete aggregates.		
Aggregate for the hydraulic refining of benzene.....	1 complete aggregate.		
Complete equipment for the production of di-isocyanatene.....	1 complete set.		
Equipment for the production of phosphorus.....	Do.		
Complete equipment for the production of simazine and atrazine.....	Do.		
Plants for the manufacture of foils from viniplast.....	2 complete plants.		
9. Equipment for the cellulose and paper industry (vacuum evaporating plants, supercalenders, etc.)	DM26,000,000.		
10. Equipment for the building materials industry (vener plants (Ueberfurnieranlagen) for pressed boards made of wood fiber, assembling machines, equipment for the production of mineral wool, etc.).	DM21,000,000.		
11. Pumping and compressor plants (pumps and compressors of various kinds, glassblowing machines, ventilators, etc.).	DM63,000,000.		
12. Equipment for the polygraphic industry.....	DM10,000,000.		
13. Equipment for the cable industry.....	DM15,000,000.		
14. Fittings and component parts for high-pressure pipelines.....	DM44,000,000.		
15. Main track electric locomotives.....	20 each.		
16. Ships (fruit-transport ships, whaling mother ships of medium load capacity, suction dredges, grain elevators, tankers, etc.) spare parts for ships, ships' repairs.	DM157,000,000.		
17. Miscellaneous apparatus, including precision instruments and optical apparatus.	DM16,000,000.		
18. Miscellaneous equipment (including special-type automobiles).....	DM21,000,000.		
	1961	1962	1963
RAW MATERIALS, SEMIFINISHED PRODUCTS, AND OTHER PRODUCTS			
19. Iron and steel rolled stock, tubes including large-size welded tubes as well as rolled stock and tubes made of alloyed steel..... million DM..	195	195	210
20. Cold-rolled strip steel..... thousand tons..	1	1	1
21. Silver steel..... tons.....	100	100	100
22. Chemicals..... million DM..	21	26	26
23. Special papers..... do.....	1.5	1.5	1.5
24. Pharmaceutical preparations, medical equipment, and instruments million DM..	5	6	6
25. Leather..... do.....	9	9	9.5
26. Wool and cotton fabrics..... do.....	8.5	9	9
27. Leather shoes..... do.....	9	9	9
28. Seeds..... do.....	0.5	0.5	0.5
29. Breeding cattle..... p.m.		p.m.	p.m.
30. Printed matter..... million DM..	2	2	2
31. Products of the motion picture industry..... p.m.		p.m.	p.m.
32. Miscellaneous goods..... million DM..	4	4	4

## NOTES

1. This list comprises only goods originating or having been produced in the territory of the Federal Republic of Germany. Goods acquired through transit trade and reexport transactions shall be charged against the commodity quotas established in this list only by agreement of the competent authorities of the two countries.

2. Commodity quotas of above list expressed in values are based on free-on-board or free-at-border prices of the exporting country.

## WESTERN CREDITS TO THE SINO-SOVIET BLOC

During recent years countries of the industrialized West (including Japan) have made considerable use of government-guarantee credits in sales of capital equipment and commodities to the Soviet bloc.

The terms of credits extended to the Soviet bloc that could be verified have so far been limited to a maximum period of 5 years, with interest at the prevailing rate for the supply of credits to foreign countries—usually 4 or 5 percent. Frequently a down-payment of about 20 percent of the value of the plant being purchased is made when the contract is signed, with future payments extending over a fixed period of time beginning with the date of the first shipment of machinery or equipment. Approximately 80 percent of the credits extended, which are arranged by the signing firms, banks, or institutions, are insured by government guarantees. These are arranged by a quasi-governmental credit insurance corporation in the Western country. In the United Kingdom, for example, government guarantees of credits to Soviet bloc purchasers are made through the export credit guarantee department of the board of trade; in Western Germany they are handled by the HERMES Corp.; in Sweden by the Swedish Export Corp.; in France by COFACE (Compagnie Francaise d'Assurance pour le Commerce Exterieur); in Denmark by the Export Credit Council; in Italy by an organization called UNIORAS and the Instituto Centrale per il Credito Medio Termine; in Japan through the Export-Import Bank of Japan; in Canada through the Export Credit Insurance Corp. of Canada.

It is estimated that outstanding Western credits to the Soviet Union are now around \$500 million, including government-guarantee credits. A somewhat smaller amount is estimated to be outstanding to other Communist countries, including China.

It is important to note that none of these credits are long-term credits and that our estimates are only rough approximations because commercial secrecy has made it extremely difficult to acquire precise, detailed data on amounts and terms.

The Journal of the Royal Society of Medicine

During the last few years of the nineteenth century, the medical profession in this country has been engaged in a struggle for the recognition of its position as a profession, and this struggle has been conducted in the form of a series of public meetings, and has resulted in the passing of the Medical Act of 1859, which has placed the medical profession on a legal basis, and has given it a position of respectability and authority which it has never before enjoyed. The Medical Act of 1859 has been the result of a long and arduous struggle, and it is to be regretted that the medical profession has not been able to secure the recognition of its position as a profession in the eyes of the public, and that it has not been able to secure the recognition of its position as a profession in the eyes of the Government. The Medical Act of 1859 has been the result of a long and arduous struggle, and it is to be regretted that the medical profession has not been able to secure the recognition of its position as a profession in the eyes of the public, and that it has not been able to secure the recognition of its position as a profession in the eyes of the Government.

## EAST-WEST TRADE

MONDAY, MARCH 23, 1964

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10 a.m. in room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright, Sparkman, Lausche, Symington, Carlson, and Williams.

### OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The committee will come to order.

The committee in its hearings on East-West trade will continue this morning with the testimony from the Secretary of Agriculture, Mr. Freeman.

Failures in agriculture within the Soviet Union serve to focus the United States attention on the policy questions involved in trade between the free world and the Sino-Soviet bloc.

The Department of Agriculture, through its responsibility for administration of the programs designed to maintain an expandable export market for American farm goods, exercises considerable responsibility in carrying out policies relating to foreign sales of U.S. foodstuffs, including sales to Soviet bloc countries.

In addition to providing us the facts about our foreign export program, Secretary Freeman will undoubtedly have much pertinent information to give the committee as a result of his personal inspection last summer of farming in the Soviet Union and some of its satellites.

Mr. Secretary, we are pleased to have you. I believe you have a prepared statement you wish to present to the committee.

Secretary FREEMAN. Yes, Mr. Chairman.

The CHAIRMAN. Will you proceed, sir.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY DOROTHY JACOBSON, ASSISTANT TO THE SECRETARY; EUGENE T. OLSON, SPECIAL ASSISTANT ON SINO-SOVIET AFFAIRS, FOREIGN AGRICULTURAL SERVICE (FAS); THOMAS E. STREET, DIRECTOR, PROGRAM DEVELOPMENT DIVISION, FAS; AND RAYMOND VICKERY, DIRECTOR, GRAIN AND FEED DIVISION, FAS

Secretary FREEMAN. Thank you, Mr. Chairman.

I welcome this opportunity to discuss with you the very important question of East-West trade. You already have heard from Secretary Rusk and Secretary Ball on this subject as it affects the foreign policy of the United States. Secretary Hodges discussed the subject as it relates to the responsibilities of the Department of Commerce to control exports to Communist countries.

The Department of Agriculture has several responsibilities with regard to trade, and some that particularly relate to trade with Communist nations.

#### RESPONSIBILITY TO PROMOTE COMMERCIAL TRADE IN AGRICULTURAL PRODUCTS

Our first responsibility is to promote commercial trade in agricultural products. This includes an emphasis on the development of markets and the promotion of exports for dollars throughout the free world. We carry on market development projects in 67 countries, but we obviously do not exert effort to promote sales of products in those countries to which exports are restricted or forbidden. We are, however, happy to report on the success of our trade promotion efforts, and on the contributions being made to a healthier economy and better balance-of-payments position, by commercial exports of agricultural commodities in an amount now reaching well over \$4 billion.

#### ADMINISTRATION OF PUBLIC LAW 480 AND OTHER RESPONSIBILITIES

A second major area of responsibility of the Department of Agriculture in matters of trade relates to our obligations in the administration of Public Law 480. With regard to trade with the area under consideration today, Public Law 480 affects only two countries—Poland and Yugoslavia. I shall return to this subject later.

Thirdly, and I add this to the prepared statement, it is the responsibility of the Department of Agriculture that we seek to keep informed about agriculture everywhere around the world, both behind the Iron Curtain, in the Far East, and in other countries as well.

In recent months, the area of East-West trade that has received the greatest publicity and discussion is the sale of wheat to the Soviet Union in which the Department of Agriculture, along with other agencies of Government, was involved.

Finally, the Department of Agriculture is asked to participate with the Department of Commerce and other departments in deliberations on the administration of the Export Control Act of 1949 when export licenses are being sought for agricultural machinery or technology.

## CONSIDERATIONS INVOLVED IN AGRICULTURE DEPARTMENT'S CARRYING OUT OF EAST-WEST TRADE RESPONSIBILITIES

The responsibilities of the Department of Agriculture in the whole area of East-West trade are, therefore, limited. It is clear, however, that we should carry out those responsibilities in terms of the overall trade policy and foreign policy of the United States. In arriving at the positions that we should take in these matters that are our responsibility we must therefore consider the overall policy of the nation on the whole subject of East-West trade.

In carrying out these responsibilities, we cooperate with other executive agencies in following policy as set forth in legislation enacted by the Congress and as expressed by the President of the United States and the Secretary of State.

## PRINCIPAL LEGISLATIVE ENACTMENTS

The principal legislative enactments involved are Public Law 480 and the Export Control Act of 1949. The latter act was passed initially to prevent the sending to the Soviet bloc of any strategically significant exports that would contribute to military potential. It was amended in 1962 to include in this prohibition exports that would "make a significant contribution to the military or economic potential of such nations which would prove detrimental to the national security and welfare of the United States." This amendment was added in recognition of the avowed intention of Soviet leaders to seek their goal of extending communism throughout the world, not only by military action, but by political and ideological warfare waged by economic means. Since that time those leaders have been even more explicit in terms of saying that they would "bury" us—not physically—but by victory through political and economic means.

## BASIC POLICY OBJECTIVE—PREVENTION OF EXTENSION OF COMMUNIST DOMAIN

Our first policy objective, as stated to you so well by Secretary Rusk when he appeared before this committee on March 13, is "to prevent the Communists from extending their domain, and to make it costly, dangerous, and futile for them to do so." If the Communists seek to use their economic strength to extend their domain, whether it be by economic assistance to Cuba and North Vietnam or by aid to developing and uncommitted countries, it is of concern to the United States.

## PROBLEMS RE STRENGTHENING OF SOVIET ECONOMIC POTENTIAL

We have faced no difficult problems in our determination to prevent exports to the Soviet bloc that contribute to its military potential and its military strength. Our problems have been in the area of strengthening economic potential. If, however, the Communists are now emphasizing the use of political and economic weapons to extend their influence and their domain, we should examine very carefully anything that would enhance their economic potential. Anything that

contributes to the economic potential of the Soviet Union—thus increasing its potential for conducting a cold war by economic means—may prove detrimental to the national security and welfare of the United States. This would include economic strength in the agricultural sector of its economy.

There are countless examples of how the Soviet Union uses its economic potential to win friends and to bend the developing countries toward communism. It has, for example, conducted a propaganda campaign to convince Ghana that adoption of Communist institutions and methods in agriculture would enable this emerging nation to produce an abundance of food. We have seen reports of recent debates in the Ghanaian Parliament with advocates of the Soviet example being opposed by those who argue that the U.S. example would be better because it obviously is more successful in the production of food. But the fact remains that any move to increase the economic potential of the Soviet Union also will increase its potential for aid to developing nations. It would be naive to assume that such aid would not involve Communist influence and infiltration.

#### TECHNICAL DATA RELATING TO AGRICULTURAL PLANTS AND MACHINERY

Another factor to consider in licensing exports to the U.S.S.R. involves technical data relating to agricultural plants and machinery as well as the machinery equipment and plants themselves. Making our peaceful technology available would have the effect of releasing their scientists, engineers, and technicians for work on other and perhaps less peaceful projects. It would materially shorten the time needed for research and development, and could substantially increase their economic potential. It could hasten the time when the Communists could more effectively infiltrate and influence the developing and uncommitted countries through aid programs. It could enhance their ability to provide economic aid to such countries as Cuba without also imposing unacceptable deprivations on their own people in the Soviet Union.

Might I add to this testimony, Mr. Chairman, in addition, that on the other hand, if the U.S.S.R. spends more of its foreign exchange on the purchase of agricultural equipment, this could represent a concentration of effort on agriculture, and the production of consumer goods that would signify a diversion of effort from farming to undesirable ends such as military or space activity or Soviet foreign aid.

#### SIGNIFICANCE OF SOVIET AND U.S. AID PROGRAMS

The CHAIRMAN. Mr. Secretary, do you mind if I interrupt you there?

Secretary FREEMAN. No, sir.

The CHAIRMAN. You say it could hasten the time when the Communists could more effectively infiltrate and influence the developing and uncommitted countries through aid programs.

You seem to assume that an aid program promotes the extension of the influence of Russia; is that what you mean?

Secretary FREEMAN. Yes, I think—

The CHAIRMAN. Why is it that some of our own people, especially Members of Congress, take exactly the opposite view that our aid

program is nothing but a giveaway program and is destroying and weakening the fabric of the United States?

And they cut it very, very severely, except for military aid. How do you reconcile this? If it is effective and useful to the Communists, why isn't it to us?

Secretary FREEMAN. It would appear to me that the Communist aid program is obviously useful to the Communists or they wouldn't continue to do it, and it is my judgment that foreign aid is useful to us as well where we effectively do it.

The CHAIRMAN. You mean you are questioning the wisdom of the Congress in this respect?

Secretary FREEMAN. Well, on occasion I do not necessarily question their wisdom, but I sometimes question their conclusions, Mr. Chairman, or at least that of some Members.

The CHAIRMAN. It does seem strange to me that we are very suspicious of the Russians when they engage in this but when we present a bill for aid to the Senate and the Congress we are accused of being soft and stupid and wasteful, and so on. It is very rarely that they accept the idea that this is some subversion of the uncommitted countries.

Isn't that so?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Well, I just wondered what you meant by this. Go ahead, sir.

#### COMPARATIVE ADVANTAGE PRINCIPLE APPLICABLE TO EAST-WEST TRADE

Secretary FREEMAN. Most of the agricultural machines, plants, and technology which the bloc countries seek from the United States are highly sophisticated and technologically advanced. They seek to buy only one or two of these items for use as prototypes for models they would then produce themselves. There is no way, of which I am aware, to determine if the Soviets might export some of the machines, technology, or plants to countries that are more immediately and directly affecting our security, such as, for example, Soviet agricultural assistance in the form of chemicals and a fertilizer plant to North Vietnam.

In a contest between ideologies, which is being carried out in the arena of economic development, any measure that strengthens the economic potential of the opponent would seem unjustified unless we can, at the same time, correspondingly strengthen our own potential. If this principle is sound, and I believe it is, then we could apply that principle in the following manner to those areas of East-West trade which are, in part, a responsibility of the Department of Agriculture.

#### VALUE OF U.S. SALE OF WHEAT TO SOVIET UNION

For consumer goods—particularly agricultural commodities that will become consumer items, such as the sale of wheat—exports are clearly justified and of real value to the United States. Secretary Rusk made the point that sales of U.S. wheat to the Soviet Union were of relatively marginal importance to them. If their economy is strengthened, then the position of the United States is strengthened even more. The U.S.S.R. has apparently been forced to sell substan-

tial portions of their extremely limited stocks of gold to pay for these imports. We have gained both by increased foreign exchange and diminished surpluses.

We have scored another gain which, in the long run, may be of even more value in the world propaganda field. Most of the developing and emerging nations of the world are hungry. They search eagerly for the best methods of achieving economic development and higher living standards. An abundance of food is very important to them. When the strongest Communist nation must purchase wheat from a nation that has enough both to spare and to share, a significant propaganda victory has been scored for our way of life. We should make as great a use of it as possible.

For all of these reasons, the bargain we are making in selling wheat and similar agricultural commodities to the Soviet bloc strengthens our position far more than it does the position of the Communists.

#### PRINCIPLE OF COMPARATIVE ADVANTAGE APPLIED TO EXPORT OF ADVANCED TECHNOLOGY

In applying this basic principle of comparative advantage to the export of agricultural and related machinery, equipment, plants, and technological data, the situation may be different.

If the particular machine, equipment, or technological data sought by Communist bloc nations can readily be purchased elsewhere, we could gain nothing by prohibiting its export. Under such circumstances, a denial would merely take business away from U.S. exporters, but would not prevent a contribution being made to economic potential.

But licenses are also sought for exports of complicated, sophisticated, and advanced machinery, plants, and technology which would contribute substantially to economic potential and which are not readily obtainable from sources outside the United States. This presents a problem in which our decision must be based on the recognition that, in a cold war contest with an opposing ideology that admittedly and inextricably combines economic and political methods and goals, anything that strengthens the opposition weakens our comparative position, and is therefore detrimental to the security and welfare of the United States, unless it can be accompanied by something which correspondingly strengthens our own position.

Using the principle of comparative advantage, the United States should always be ready to undertake effective bargaining that could on balance proportionately strengthen the U.S. position. Thus, any liberalization of our export licensing policy should be accompanied by the negotiation of an appropriate quid pro quo in our national interest.

#### FLEXIBLE POLICY ADVOCATED FOR SATELLITE COUNTRIES

This same principle has significance with regard to exports to the satellite countries. Secretary Rusk pointed out that the United States is strengthened when it is able to influence the satellite countries toward lessening their ties with the Soviet Union and toward strengthening their ties with the West. If, in return for exports that may help the economy of a satellite nation, the United States can weaken the ties of that nation with the Soviet Union, it would be a very

good bargain in our national interest. A policy flexible enough to permit us to operate somewhat differently with regard to satellite states—even if they have Communist governments—makes good sense.

#### PURPOSE AND NATURE OF PUBLIC LAW 480 PROGRAM WITH POLAND

Certainly this idea has been the basis of our operation of a Public Law 480 program with Poland.

Poland has been one of the larger recipients of food aid under Public Law 480. The export market value (world prices) of title I agreements totals about \$530 million, the first being in June 1957 and the most recent in February 1964.

Since the upheavals in Eastern Europe in 1956, Polish leadership has been attempting to follow a course of independence in internal policy and has also sought to develop closer relations with the West. To encourage these efforts the United States in 1957 started to give limited support through Export-Import Bank credits and sales of agricultural commodities for Polish currency under Public Law 480.

The short-term results of this encouragement include the operation of an information program in Poland, the circulation of American books, films, and magazines, and the fact that the Voice of America broadcasts are not jammed; and we maintain some contact with the people of Poland.

In addition to encouraging independence on the part of Poland, Public Law 480 has given us an opportunity to develop markets on a commercial basis. In the early 1950's sales of U.S. farm products to Poland averaged about \$1 million per year. Since Public Law 480 programing with Poland in 1957, sales of our commodities to Poland for cash and short-term credit have increased, reaching a high of more than \$60 million in 1963. Title I agreements with Poland over the past 5 years have averaged about \$65 million per year. These agreements were in the form of special arrangements applying only to Poland in which repayment for zlotys held in U.S. accounts are returned to the United States in dollars, in annual installments over a period of 40 years, with no interest, after a grace period of 10 years. The special arrangement for repayment in dollars under title I is peculiar to Poland because the Battle Act prohibits the zlotys proceeds to be loaned or granted to Poland. With only a limited use for zlotys, the repayment provisions in dollars were developed.

The Public Law 480 agreements signed in February 1964 provide for \$30 million under the conventional long-term arrangement; \$30 million under title I repayable in dollars in 3 years; and \$30 million in cash or 18 months credit. Obviously, this means much more favorable terms from the U.S. standpoint and a large step in the direction of greater commercial trade.

#### PURPOSE AND NATURE OF PUBLIC LAW 480 PROGRAM WITH YUGOSLAVIA

Yugoslavia has also been one of the larger recipients of food aid under Public Law 480. The export market value (world prices) of title I agreements totals more than \$600 million. There have been 16 title I agreements (including amendments) signed with the Government of Yugoslavia, the first being in January 1955 and the most

recent in November 1962, with wheat, cotton, and fats and oils being the principal commodities.

Large title I, Public Law 480 agreements have been entered into with the Yugoslav Government as a part of overall efforts to minimize dependence by that country on the Soviet bloc and to maximize Western orientation of the Yugoslav Government. In 1948 Yugoslavia broke away from the Comintern.

U.S. economic policies toward that country since that time have been directed to foster Yugoslav independence and to counter the influence of the Soviet bloc in Eastern Europe. Public Law 480, therefore, has been important in the extent to which Yugoslavia faces to the West.

Yugoslavia is a developing country and U.S. economic assistance and food aid have contributed to its economic growth. Because of the improvement in Yugoslavia's financial position we have hardened our trade terms with them by reducing the level of title I assistance and shifting in part to title IV—long-term dollar credit arrangements—in Public Law 480 programing. Title IV agreements initiated in April 1962 total about \$35 million. A complete shift to title IV or regular commercial arrangements has been delayed temporarily by the effects of the earthquake in Skopje last year, but is expected next year.

#### RESULTS OF U.S. TRADE WITH POLAND AND YUGOSLAVIA

Our trade with Poland and Yugoslavia has strengthened their economies, but at the same time it has strengthened the overall position of the United States. In the case of Poland it served to weaken ties with the Soviet bloc, and to strengthen contacts between the Polish people, most of whom are not Communist, and the people of the free world. In the case of Yugoslavia, it helped to support that nation's break with the Soviet bloc and continued resistance to domination by the Soviet Union. It very definitely contributes to the achievement of our objective of—to use the words of Secretary Rusk—"encouraging trends within the Communist world making for an evolution toward greater national independence, peaceful cooperation, and open societies."

#### PRINCIPLE OF COMPARATIVE ADVANTAGE AS GUIDELINE

I have presented here the basic principle of comparative advantage as a guideline for trade with the Communist nations, and I have tried to describe that principle both in the abstract and in the specific.

Obviously, it is a principle which requires judgments to be made on each individual case, geared to current conditions as they exist at any particular time. As Secretary Rusk expressed so well, our policies must be flexible enough to be effective in the promotion of our national interest under a variety of different conditions, in a world marked by rapid change.

I believe that the policies we have followed with regard to Poland and Yugoslavia have substantially furthered both the economic and the security interests of the United States. I believe that, in the recent sale of wheat to the bloc countries, the comparative advantage gained is overwhelmingly in favor of the United States.

I agree with this committee that it is important to evaluate and review the problems involved in East-West trade, and I am ready to try to answer as well as I can any questions you might see fit to ask.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary.

#### COMMUNISTS' PROGRAM FOR EXTENDING THEIR DOMAIN

I notice in the first part of your statement you referred to the Communists', particularly the U.S.S.R., program for extending their domain.

Just what do you mean by the word "domain"?

Secretary FREEMAN. By the word "domain," I think their objective of accomplishing Communist governments and Communist economies over which they can have control in as many countries as possible.

The CHAIRMAN. I had heard it rumored they have been considering dropping that objective because of the difficulty they might encounter, if all the countries became Communist, of finding a supplier for wheat. Have you heard anything like that?

Secretary FREEMAN. I have heard such rumors and I believe their failures in agriculture do tend to deter them in attaining the goal they have stated.

The CHAIRMAN. If they were successful they might have a very difficult time feeding the people?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. I agree with you, of course, in your wheat sales, and this committee did, although there was very strong opposition to that policy.

#### SECRETARY FREEMAN'S OBSERVATIONS ON SOVIET AGRICULTURAL DEVELOPMENT

You journeyed through Russia, last year, I believe.

Secretary FREEMAN. Yes. I was—

The CHAIRMAN. I wonder if you would care to give the committee a little résumé of your observations on their agricultural development.

Secretary FREEMAN. Well, Russian agriculture, like our agriculture, is a complicated, sometimes contradictory, pattern which doesn't lend itself to easy generalization.

I would say this, by way of my own conclusions from our observations, and I was accompanied on this tour by some of the professional people within the Department of Agriculture, Mrs. Jacobson was with me, and I think we would agree, first, that the system that is followed, mainly collectivism, whether it be the collective farm or the state farm in the Soviet Union, with the heavy involvement in bureaucratic dominance from Moscow, is the greatest deterrent toward efficient and effective agricultural production in the Soviet Union.

The system is simply not elastic enough to adjust to the host of local differences that are just a part of successful agricultural production.

Even the training of a significant number of experts which they have done, and the placing of those experts in the collective farms, breaks down when they seek to apply on a collective basis through enormous holdings the knowledge that they have, and to get it as a practical matter into effect.

And so in my judgment, certainly in terms of a per capita basis, by way of efficiency of output, the collective system is simply never going to be able to compete with our family farm free enterprise agriculture.

#### SOVIET PROGRESS AND DEFICIENCIES IN AGRICULTURE

On the other hand, like in some other things, when the Soviet Union wants to concentrate on a limited objective, why they can make some progress, and progress was observable to us on some of the crops that lend themselves the best to mass production which would be in the field of such things as sugarbeets, some of the grains, sunflower, where the application of heavy machinery and a common technique would tend to give the best results.

But even here, why they were lagging substantially behind, and in the more diversified and sophisticated production, like fruits and vegetables and dairy and animal husbandry, far, far behind. Their marketing, of course, was very inefficient and their ability to move perishables to market with any efficiency at all is sharply limited.

Also, of course, if we are to be realistic, we must face the fact they have not invested in agriculture basically and there is now talk at least that such investment is going to be made.

Fundamentally, they have financed their industrial, their military and scientific and technological programs out of their agriculture, and there are some indications that they may now be planning more investment in agriculture.

So I would summarize by saying that there is a potential, if they are willing to make the investment of people and resources to increase their overall total production. But this is also going to be a weak part of their economy, I think, regardless, because agriculture does not lend itself to the mass production techniques of collectivism, and I think this has been amply demonstrated.

#### EFFICIENCY OF MASS PRODUCTION TECHNIQUES

The CHAIRMAN. That last statement confuses me a bit. I thought in this country under our system mass production techniques had succeeded extremely well.

Secretary FREEMAN. I think they have succeeded extremely well in industry.

The CHAIRMAN. In cotton, wheat, and soybeans we are highly mechanized, and I would call it mass production.

Secretary FREEMAN. Well, I think the economic competition within agriculture itself where we today have a higher percentage of family farms than we had 10 years ago, would indicate that a family farm operation is actually the most efficient.

There is a break point in terms of the size of an operation when it becomes less efficient, and I think in the competitive marketplace that the adequate-sized family farm, which I will define as one that uses not more than one and a half man-years of outside labor and grosses at least \$10,000 a year, is doing very well.

It is true that there are certain of the commodities that can be mass produced of which cotton and grain, as the chairman says, are examples. They can be produced with considerable efficiency in larger units

within our free enterprise system; but even so, those larger units in many instances are family farm operations today, particularly in the grains.

The CHAIRMAN. I know very little about it. I was trying to elicit what you think is the key difficulty.

#### SOVIET AGRICULTURAL FAILURES LARGELY DUE TO THE SYSTEM

Is their land, for example, reasonably comparable to ours? Is it productive land, or are their failings due primarily to the system under which they operate?

Secretary FREEMAN. I think it is the failure primarily of the system, but it is also true that they have not invested enough in agriculture, although limited investment of capital has been made. It is also true their land is less fertile and that their climate is much more regressive than ours and so we do have certain natural advantages along that line.

#### AGRICULTURAL FAILURE MOST OUTSTANDING

The CHAIRMAN. You would agree that their failure in agriculture is perhaps the most outstanding failure they have suffered in their system?

Secretary FREEMAN. Yes, sir; it certainly is.

And our great success in agriculture, therefore, stands as, I think, the sharpest contrast between the free world and the Communist world of any that we have.

There may be some question about missiles and military and steel production and a number of other things, but there is no question about who excels and who wins the race in agriculture.

#### QUESTION OF PATENT AND DESIGN PROTECTION

The CHAIRMAN. You mentioned in your statement the matter of selling the Soviets machines. Has any effort been made on our part to arrive at any bilateral agreements with regard to this question of protection of patents or designs?

Secretary FREEMAN. There have been a good deal of discussions about this, and there was a Soviet trade mission that toured here about a year ago, when it was discussed.

I am informed that certain Europeans were compensated in part for what we would call invasion of a patent. I mentioned this to Khrushchev when I visited with him last summer, and he indicated he was aware of the problem but rather brushed it off and we didn't dig into it very deeply.

#### SOVIET ATTITUDE TOWARD PATENT AGREEMENT PROPOSAL

The CHAIRMAN. You are not certain whether or not they would respond to a proposal that if we sell them certain machines they would agree either not to remanufacture them or, if they did, to abide by the usual practices regarding the protection of patent rights?

Secretary FREEMAN. It would be my judgment, and this is just a hunch, that they would at least consider this seriously if there were indications that would in turn intend to expand the area of trade with them in such technology.

The CHAIRMAN. So far as you know, no serious effort has been made to reach any such agreement?

Secretary FREEMAN. So far as I know there have been no formal discussions along this line.

The CHAIRMAN. But some of the European countries have dealt with this?

Secretary FREEMAN. Some of the European countries have. It has been discussed a number of times with some of our officials and some people in private industry as well.

#### POLAND AND YUGOSLAV FARMS LARGELY PRIVATELY OPERATED

The CHAIRMAN. Did you go to Yugoslavia on that trip?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Is it true about 80 percent of their land is not collectivized but is operated privately, as it is in this country?

Secretary FREEMAN. Actually, I think the figure is 87 percent of their land. This is true also of Poland, where most of the land is operated by private operators, private landowners.

#### PRIVATE AGRICULTURAL OPERATION COMPARED TO SOVIET COLLECTIVIZATION

The CHAIRMAN. Is it your observation this is more effective than the system as followed in the Soviet Union?

Secretary FREEMAN. I would only say that the agriculture and the productivity in both Poland and Yugoslavia were significantly higher and their output greater on any measurable basis than that in the collectivized systems in the U.S.S.R. or Bulgaria or Rumania, too.

The CHAIRMAN. And was this due to the way it is organized or the better supply of fertilizers or better land, and so on? How do you pinpoint the difference? I just want to make it clear.

Secretary FREEMAN. It would be my judgment that it is due to its organization fundamentally. Again, the individual operator caring for his own land and getting the result of his own investment of time and effort in the marketplace simply does a better job, and this observation repeated itself, I think, in terms of the costs involved, even in some of the more efficient collectives that we visited.

#### IMPORTANCE OF INCENTIVES

The CHAIRMAN. Then the matter of incentives is very important, is it?

Secretary FREEMAN. The matter of incentives is very important, and recognized, as you know, by the Soviet Union itself. One of the observations that I made is I did not find anyone working on a Soviet collective or state farm who did not have a piecework rate of pay.

In every instance there was an effort, at least, to gear the pay to the output; to provide for distribution of so-called profits in the cooperatives, and, of course, the so-called psychological incentives of labor heroes and this kind of thing.

So they are acutely aware of the incentive part in all this.

## SECRETARY FREEMAN'S RECEPTION IN THE U.S.S.R.

The CHAIRMAN. Did they receive you cordially and allow you to see what you liked in this field of agriculture?

Secretary FREEMAN. Yes. I must say that they did, Mr. Chairman. In traveling throughout the Soviet Union, this was, of course, at the time of the negotiations of the nuclear test ban, and we did not have a single unpleasant incident.

I made it a point, everywhere I had an opportunity, to mingle with the people and bring them greetings from the President, from the farmers of the United States, and without exception, why we had a very cordial and extremely friendly and outgoing reception with just farmers and workers wherever we went, and a very, very strong feeling in relation to peace. The word "peace" was almost like pulling a trigger. It would inevitably bring forth a vigorous, positive, and friendly response and applause and that kind of thing.

## VISIT TO FARMLANDS IN THE URALS

So in terms of access to fact, we were—our schedule was somewhat changed. We were not granted our request to go into Kazakhstan, although we did not make a sharp issue about this change in the schedule we had requested. Instead, we went into the Urals, in the vicinity of Orenburg, which we were pleased to do since no American had been there since shortly after World War I. This was one of the original new land areas which was opened.

Subsequently, when the crop in Kazakhstan proved as bad as the facts disclosed, we thought perhaps we were purposely not routed there. Many, many Americans had been there in previous years.

What we did, we went to the individual farms. They selected them, of course, and we had to adjust accordingly but we would sit down around a table like this one for as long as 3 hours at a stretch with the manager of that farm, with his staff and his technicians, and we would actually insist that they should bring out their books.

We would review their operations, their investment, what they produced, what they sold it for, what they got, what their costs were, what they paid different people, what kind of work they did, how it was organized, what their relations were with their Government, who told them what to plant and how; what the whole business was; we went over this again and again and again, and I think I would say that they were in these instances very responsive and answered all questions we asked, and sometimes we pushed rather hard.

## QUESTION OF SOVIET GRAIN RESERVES

The only thing I could never get an answer to, including from the Chairman himself, was, "What kind of grain reserves do you have?" I asked that question again and again and again. I asked it twice of Khrushchev in our personal visit, and there was never any response in connection with it.

The CHAIRMAN. Maybe they didn't know.

Secretary FREEMAN. This would be my guess. I actually would have the feeling, Mr. Chairman, that at the end of July when we spent these 2 hours with Chairman Khrushchev it would be my judgment he probably did not know that they were in as bad shape as they subsequently proved to be.

After all, they have under the plow something in the neighborhood of 500 million acres of land, and they added a hundred million acres more or less into the so-called new lands.

You take a hundred million acres and add two bushels to an acre, which a good rain can do in short order if it comes in the right time, and obviously this means an enormous quantity of production. And so right up until the last moment, and this is, of course, true even in our country, where we have reasonable, expertise in crop prediction, it is difficult to know. So I doubt very much he knew.

But he must have had some ideas and that was obviously strategic information.

#### DESCRIPTION OF THE SOVIET "NEW LANDS"

The CHAIRMAN. You saw these so-called new lands?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Describe them. Were they like our West, in the dust bowl period, or what were they like?

Secretary FREEMAN. I would say they are very, very similar to the dust bowl area, to western Nebraska, North and South Dakota, eastern Montana and Colorado, much the same.

The CHAIRMAN. And your opinion is they should never have been plowed up?

Secretary FREEMAN. I think if you had had adequate cereals and grain they should never have been plowed up, and we are in the process of putting significant parts of it into grazing and conservation uses.

On the other hand there are parts of it which today because of technology we are able to apply in dry-land farming are producing quite efficiently.

When they are handled in the proper manner and when they are properly fallowed, they can be productive. It was our judgment that the Soviets were not doing this by and large, in the new lands.

#### SOVIET EXPERIENCE WITH HYBRID CORN

The CHAIRMAN. Are they using hybrid corn, for example? Do they have developments similar to those we have made?

Secretary FREEMAN. Yes, they are using hybrid corn very extensively and have advanced in it to the extent that they are now breeding hybrid corn according to the given area by way of the climate, soil texture, and other things.

This is a very slow process under their system; the adaptability to local conditions moves extremely slowly, but the hybrid corn area is an example of one where, first of all, it seemed to me they would—a directive would come out, there would be a policy, and then everyone would start doing it.

In other words, it was fashionable to plant corn so everybody plants corn, including in places where it never should be planted.

Then it takes a number of failures and 2 or 3 years for the idea to soak down that maybe everyone doesn't have to plant corn. Then they back up to find out where they should plant corn and where they shouldn't plant corn. There were a good many areas where they should have been planting sorghum, because it was very dry. Well, sorghum wasn't on the accepted list so they were very hesitant about talking very enthusiastically about sorghum, although their scientists and agronomists were aware of it.

I would guess—and this is purely a guess—it would take them another 5 years, maybe 10, before they really got down in their operation that you have got to adjust, in case of corn and hybrid seed, to local conditions; and, after a long, long time and a very costly and inefficient process, they will probably get the word out and their corn production will grow accordingly.

#### SOVIET RESEARCH STATIONS

The CHAIRMAN. Did you see any of their research stations?

Secretary FREEMAN. Yes.

The CHAIRMAN. Did you see anything that was interesting that they are doing that we are not doing?

Secretary FREEMAN. Yes; not that we are not doing it, but a number of things that are, or were, of interest to us, and that we could, I think, usefully exchange information on. For example, we visited their plant institute—I have forgotten its name—in Leningrad, which has some 3½ million—as I recall the figure—different plant specimens. Since 1959, we have exchanged about 1,700 lots of seed, bud wood, and similar propagating stocks, which are used for crossbreeding and to build, develop resistance strains and more productive strains.

The same thing is true in the field of insects. One of the little accomplishments of our trip was to get their acceptance of a proposal where we could send out some plant and insect explorers, who went into the Urals and went into parts of the wild areas in the Soviet Union from which many of our grasses and plants came, to seek wild insect and plant strains, and which we use in crossbreeding purposes and anti-insect problems here.

We observed some strains of wheat, particularly one which was in the new-lands area, that allegedly had a protein count of over 22, which is enormously high. We tried to confirm this everywhere, Scientists insisted it was the case. That is an extraordinarily high protein count.

The CHAIRMAN. What is the normal in this country?

Secretary FREEMAN. In this country the normal would run about 12 to 15; 15 would be very strong here.

The CHAIRMAN. Did they give you a sample of this wheat?

Secretary FREEMAN. No, and we didn't ask for one.

The CHAIRMAN. You didn't ask for one?

Secretary FREEMAN. We have since inquired further into this, and are getting more information about it.

The CHAIRMAN. I will reserve the rest of my questions. The other members would like to ask you some, I am sure. Senator Sparkman.

## SOVIET USE OF CHEMICAL FERTILIZERS

Senator SPARKMAN. I think that the chairman was propounding a very interesting series of questions.

By the way, how about the use of chemical fertilizers; aren't they lacking in that respect?

Secretary FREEMAN. Yes, sir; they are lacking, both in respect to having the fertilizers and knowing how to use them, and this again is a highly sophisticated business, as you well know. I suggested to Mr. Khrushchev that he is going to have a lot more trouble using the fertilizer than he is in producing it, and he has recently, you may have noted, made some strong speeches throughout the Soviet Union, getting after people who have failed to use fertilizer adequately, criticizing the fact that it stood by a siding and the children were sliding down it when the snow lay on it. It wasn't properly applied and the rest, and this is what would be expected under their system.

Senator SPARKMAN. Of course, it has required a great deal of research, and many years of research and study, for us to learn the proper use of it—and we are still learning.

Secretary FREEMAN. We surely have, and, as the Senator well knows, right down in Muscle Shoals the TVA operation is one of the greatest operations, in terms of both research and its application throughout agriculture in cooperation with private enterprise, that can be found anywhere.

Senator SPARKMAN. Isn't it true that up until relatively recent years there was very little commercial fertilizer used out in the Midwest of our country?

Secretary FREEMAN. Yes. This has been, in terms of heavy commercial utilization, a fairly recent development.

Senator SPARKMAN. In fact, the Southeast was the heavy user of commercial fertilizer.

Secretary FREEMAN. Yes; that is correct.

Senator SPARKMAN. Hasn't our own stepped-up production largely resulted from that?

Secretary FREEMAN. This is one of the important factors, certainly. I would say this: There are really three things—fertilizer, seed, better control of insects and predators of all kinds—plus machinery, which means that we can plant and handle at the best time, and we can also harvest at the best time and do it fairly quickly.

So, all of these new inputs have triggered this tremendous productive explosion in the last 10 years.

## PAYMENTS IN AGREEMENTS WITH POLAND

Senator SPARKMAN. In discussing that trade arrangement—with Poland, I believe it was—you mentioned three different ways in which payments were made. Just in order to clear my own thinking of it, would you restate that?

Secretary FREEMAN. Yes, sir. The total—

Senator SPARKMAN. I think each one of them was \$30 million.

Secretary FREEMAN. The total amount was \$90 million, which broke into three parts. One was a normal traditional title I for \$30 million—title I, Public Law 480 contract—which is a particular kind of system

in Poland, and I will come back to it in a moment. That was \$30.7 million.

The next under title I was a 3-year \$30.2 million sale, payable within 3 years, and—

Senator SPARKMAN. Payable in dollars?

Secretary FREEMAN. Repayable in dollars.

Senator SPARKMAN. Was the first—

Secretary FREEMAN. The first one is also repayable in dollars, with the payments beginning after 10 years—a postponed period of 10 years—and then payments in dollars over a period of 40 years.

The third one was a sale of \$30 million for dollars, with the usual and normal commercial credit.

Senator SPARKMAN. I believe that credit was on shorter terms than the second; 18 months?

Secretary FREEMAN. Yes; 18 months credit, which is the normal and usual commercial credit under the third part of this contract.

On the first one, Senator, it is a little different. Usually, as you well know, under Public Law 480, the payments are received in the currency of the purchasing country, and then loaned to that country.

In the case of Poland, because of the Battle Act, we are not able to make such loans; therefore, the zlotys accumulate and have no use.

Accordingly, we developed this other approach which means that after a postponed period payments will be made in dollars, and this, I think, is actually a step toward getting paid in hard currency rather than in soft currency.

Senator SPARKMAN. Well, I thought that is what you meant but I didn't think it was quite clear that all three were payable in dollars; they just have different terms, isn't that right?

Secretary FREEMAN. Yes, sir, that is correct.

#### PUBLIC LAW 480 AGREEMENTS WITH YUGOSLAVIA

Senator SPARKMAN. And in the case of Yugoslavia, was there a similar arrangement?

Secretary FREEMAN. In the case of Yugoslavia, no. In the case of Yugoslavia, we are moving toward dollars, moving from title I to title IV. We have had \$33.5 million of sales under title IV for dollars. Each one involved long-term credit of 15 years and interest rates of 4 percent. It was envisaged we would move from title I to title IV in the case of Yugoslavia because they had made significant economic progress. Then the frightful earthquake at Skopje set back their economy substantially, and this year making allowance for that, we are negotiating a title I agreement along with a title IV agreement.

#### WESTERN ORIENTATION OF YUGOSLAVIA'S TRADE

Senator SPARKMAN. The great percentage of trade that Yugoslavia has is with the West, isn't it?

Secretary FREEMAN. Yes.

Senator SPARKMAN. In other words, it has a well-established trade relationship with the West, and I presume trading terms?

Secretary FREEMAN. Yugoslavia is Western-oriented predominantly in its trade. I have forgotten the exact figures.

Senator SPARKMAN. I think it is 70 to 75 percent.

Secretary FREEMAN. Something like that.

Senator SPARKMAN. Yes.

I believe that is all.

The CHAIRMAN. The Senator from Kansas.

#### IMPORTANCE OF AGRICULTURE IN INTERNATIONAL TRADE

Senator CARLSON. Mr. Secretary, I certainly appreciate your appearance here this morning.

I wonder if you would agree with me that international trade in agriculture is about the most important thing confronting this Nation today.

Secretary FREEMAN. Yes, sir, it certainly is.

#### DEPARTMENT OF AGRICULTURE'S INFLUENCE ON WORLD TRADE

Senator CARLSON. I notice in your statement that you were consulted, or the Department was consulted, I believe you said, in regard to administration of the Export Control Act of 1949?

Secretary FREEMAN. Yes, sir.

Senator CARLSON. How much influence does the Department have on trade?

Secretary FREEMAN. In relation to the—

Senator CARLSON. Speaking of the export trade.

Secretary FREEMAN. In relation to the Export Control Act?

Senator CARLSON. You are here this morning dealing primarily with the Soviet Union and the satellite countries, but I am referring to trade as a whole.

Secretary FREEMAN. Well, in trade as a whole, I think the Department's views in connection with it are considered and evaluated, and I think we are reasonably aggressive in presenting them; and I believe that the relationship between the Department of Agriculture and the Department of State, which seems to be implicit in the Senator's question, is better in terms of our trade posture around the world and the vigorosity with which we are proposing it, than it has been for a long time.

#### STATE DEPARTMENT'S NEGOTIATION OF TRADE ARRANGEMENTS

Senator CARLSON. I have no doubt that your Department is aggressive and that you have good relations with the other departments, but when one gets right down to it, aren't the trade arrangements all made by the State Department without regard to anything but international politics?

Secretary FREEMAN. Obviously our arrangements are made by the State Department. They deal with foreign governments, representing our Government.

I believe, Senator Carlson, that the economic factors are considered by the State Department and in the decisions. There are also, of course, political factors that have to be weighed, but I think that during the last 3 years, judging from my relations with them, the economic factors and the importance of agriculture have taken on a

new significance for the State Department not only at the top levels but increasingly in some of the working echelons as well.

I don't say they always agree with us by any means but I believe that there has been progress made.

AGRICULTURAL TRADE PROBLEMS AND KENNEDY ROUND OF TRADE  
NEGOTIATIONS

Senator CARLSON. Mr. Secretary, all I can say is I wish the State Department would have greater regard for some of your views in regard to some of our agricultural trade problems.

I am greatly concerned as a representative of an agricultural State, and as one who helped write the Trade Act of 1962. We are going to meet in Geneva on May 3 in what is known as the Kennedy round, and I can see where agriculture, if we are not careful, is going to be traded down the river. It just looks that way from a practical standpoint. Maybe I am pessimistic and shouldn't be.

Secretary FREEMAN. Well, your concern is well taken, Senator, and we are deeply concerned in connection with it, and these are not going to be easy negotiations by any means.

I would say this, however, that we have taken a very firm position as a government that industrial and agriculture trade are going to be negotiated together, and that agriculture is not, in effect, going to be relegated to an inferior status to be considered rather perfunctorily after the industrial decisions have been made. They are going to be negotiated together, and the GATT Committee which reviewed and set down some of the procedures for the negotiations concurred in this, in some of our conferences, for example, with the community, so we start in a much stronger position in this regard than we ever have had before, and I believe a greater understanding of agriculture on the part of our negotiators than we have ever had before.

That is not to say for the moment that the Common Market is not going to be difficult. I think they are going to be extremely difficult, and I think the application of the variable fee system can very well result in strong protectionism in this area. I can only hope that our principle in terms of access to those markets, based upon a representative historical period for third country suppliers with a fair share in the growth in those markets, is a principle that will be accepted.

I don't know that it will be accepted. It is being resisted now, but it is going to be strongly pushed at the bargaining table and it was pushed last week by Ambassador Blumenthal in some of the preliminary meetings when he pointed out this was one of the goals and one of the clear objectives of the United States in these negotiations.

Senator CARLSON. I certainly appreciate that statement and I am sure that is the Secretary's feeling and the Secretary's views.

I share that concern that we are in a difficult situation because of what seems to be arising. As you mentioned, variable levies and protectionist markets in many of these countries are going to make it difficult.

## AMOUNT OF WHEAT SOLD TO RUSSIA

We have just gone through an experience of selling wheat to Russia. I want to ask you how many millions of bushels of wheat we sold to Russia under this last program?

Secretary FREEMAN. We sold to Russia about 1,700,000 tons, about 37 bushels to a ton, about 63 million bushels.

The CHAIRMAN. I was interrupted; I didn't hear what you said.

Secretary FREEMAN. 1,700,000 tons, Senator Fulbright, which in bushels was 63 million bushels.

The CHAIRMAN. That is the total now?

Secretary FREEMAN. That is the total to the Soviet Union.

The CHAIRMAN. Up to now?

Secretary FREEMAN. Yes.

The CHAIRMAN. And you think that is all?

Secretary FREEMAN. Yes.

Senator CARLSON. I wanted to develop this a little bit because, as I remember, it was anticipated earlier we might sell 4 million tons to Russia.

Secretary FREEMAN. Yes. It was thought we might sell 4 million tons.

We will get the exact figure of the sales in tons, in bushels and in kind of wheat and put it in the record.

(The material referred to is as follows:)

*Sales of United States wheat to the Soviet Union*

Date of sale	Class and grade	Quantity	
		Metric tons in thousands	Bushels in millions
Jan. 6, 1964	No. 2 Hard Amber Durum.....	350	12.8
Do.....	No. 2 Hard Winter.....	500	18.4
Do.....	No. 2 Soft White/Hard Winter.....	150	5.5
Feb. 3, 1964	No. 2 Hard Winter.....	508	18.7
Do.....	No. 2 Hard Amber Durum.....	205	7.5
	Total.....	1,713	62.9

NOTE.—Conversion factor: 36.74 bushels per ton.

## RUSSIAN PAYMENT IN DOLLARS

Senator CARLSON. Has the payment for this wheat been in gold or hard dollars?

Secretary FREEMAN. It has been paid for in dollars.

Senator CARLSON. Dollars?

Secretary FREEMAN. Yes, no Government credit, no Government guarantees involved. The Soviet Union has indicated they did not wish credit.

## CANADIAN AND UNITED STATES SHIPPING PROBLEMS

The CHAIRMAN. Will the Senator yield on that question? I saw the Prime Minister of Canada yesterday and he told me they were sold out of wheat, and he thought they could sell 200 million bushels more if they had it to sell. Do you agree with that?

Secretary FREEMAN. Yes.

The CHAIRMAN. I asked him why he didn't take 200 from us, eat it, and then sell his reserves which would help us get rid of ours. What is wrong with that?

Secretary FREEMAN. I think their problem is shipping. Their facilities are clogged. They can't move any more wheat out of Canada and, therefore, it wouldn't do much good if they can't do it.

Senator CARLSON. Their problem is shipping? What about our problem?

Secretary FREEMAN. Our problem is shipping too, Senator. [Laughter.]

A slightly different kind of problem, however.

Senator CARLSON. It is, and it is one that I regret very much, because it is so important, in my opinion, that we reduce our surplus wheat stocks when we can. It would seem to me we had an opportunity here. My information, of course, is through the press largely, but I gather that we could have sold additional quantities of grain to the Soviet Union had it not been for the shipping difficulties we ran into; is that correct?

Secretary FREEMAN. Yes, sir, that would be my judgment.

## ESTIMATED U.S. SURPLUS WHEAT CARRYOVER BY JUNE 1964

Senator CARLSON. What about our surplus of carryover wheat on June 30 based on all the sales, Public Law 480 and dollar sales. What do you expect to have on June 30?

Secretary FREEMAN. Our best estimate now would be about 900 million bushels of wheat on hand on June 30 of this year.

Senator CARLSON. And a reasonable carryover of wheat in this country is 500, 600 million?

Secretary FREEMAN. Yes, that is our estimate in the Department of what we would consider adequate reserve supplies of about 600 million bushels.

Senator CARLSON. That will no doubt have a rather serious effect on the market price of wheat next harvest time?

Secretary FREEMAN. No question about that. In fact—

## DECLINE OF AGRICULTURAL INCOME

Senator CARLSON. I believe the Department of Agriculture made a statement in the latter part of last year that the agricultural income was down in the United States \$400 million as a result of reduced livestock prices; is that right?

Secretary FREEMAN. Something like that, yes, sir.

Senator CARLSON. And at the same time you made a statement that unless there was some farm program approved by the Congress and the support price was higher than the present support price, the income of agriculture this year as a result of lower wheat prices will be \$600 million less?

Secretary FREEMAN. That is right.

Senator CARLSON. In other words, agriculture stands to lose a billion dollars of income for last year and this year; is that right?

Secretary FREEMAN. That is correct.

Senator CARLSON. What will the agricultural income be, roughly?

Secretary FREEMAN. The agricultural income?

Senator CARLSON. Net income?

Secretary FREEMAN. Net income will be roughly \$11.8 billion.

Senator CARLSON. That is the lowest for some years, is it not?

Secretary FREEMAN. It is the lowest in the last 2, 3 years.

Secretary CARLSON. On a parity basis it is down to what, 78?

Secretary FREEMAN. On a price parity basis it is down to 78. On an income parity basis, if you take into consideration some of the payments, particularly in the feed grain program and some others, it will be about 83.

Senator CARLSON. Mr. Secretary, I have been around here a good many years, and I remember the time when if you weren't talking 90 percent of parity for agriculture you weren't a friend of the farmer, and now we are down to 78.

Secretary FREEMAN. That is correct.

Senator CARLSON. I think agriculture is facing a very serious situation. If we don't as a nation, now sell to Russia and the satellite countries, are not the neighboring countries going to supply that market?

Secretary FREEMAN. Yes, sir.

#### WEST GERMAN TRADE WITH COMMUNIST BLOC

Senator CARLSON. What is the trade of Germany with Russia in dollars?

Secretary FREEMAN. In agricultural commodities?

Senator CARLSON. No, trade generally.

Secretary FREEMAN. It is very significant. I don't have the German figures. I think there is close to \$2 billion in trade between the Western European countries and the Soviet Union and I think Germany is the largest single trader, so it is a significant amount.

Germany has in the last year purchased wheat from the United States which they have milled into flour in Germany and in turn sold to the Soviet Union.

Senator CARLSON. I believe I read where Chancellor Erhard was critical of the fact that we sold grain to Russia.

The CHAIRMAN. Adenauer, I think.

Senator CARLSON. Oh, yes, it was Adenauer. At the same time, as you mentioned, they were buying our grain, milling it and selling it to the Russians, so I can see they might well be critical of us.

Secretary FREEMAN. That is correct.

Senator CARLSON. I think we have to be realistic in this trade business. If my figures are correct, and they are from memory, Germany has a \$700 million a year trade with Russia.

The CHAIRMAN. I believe that is the whole bloc, Russia and East Europe.

Senator CARLSON. It might include the satellites.

The CHAIRMAN. That is what I meant, the Communist bloc.

Senator CARLSON. France has a large trade.

Secretary FREEMAN. That is correct.

Senator CARLSON. Italy, Japan, India.

The CHAIRMAN. The United Kingdom is the second largest.

Senator CARLSON. The United Kingdom also, which shows the problem we are confronted with and, of course, when we trade, trade has to be mutual. We have to have imports when we have exports, unless we can sell for cash if we happen to run into a wheat situation.

#### U.S. TRADE WITH POLAND

We do have imports, do we not, from Poland? How do our imports balance off in Poland?

Secretary FREEMAN. Well, in all these countries we have had a favorable balance of trade, as it were.

For example, taking the years 1960-61, 1961-62, and 1962-63, we had exported to Poland 143.4 million; 69.7 million; 85.6 million, and we had imported 29.6 million; 33.6 million; and 28.8 million.

Senator CARLSON. How much of that 143 or 69 million is in Public Law 480 transactions?

Secretary FREEMAN. A very significant proportion, but the figure of, the dollar figure for 1962-63 was around \$60 million, as I recall, of our exports, and our imports were about \$27 million, so it was roughly 2 to 1. We were actually selling in Poland significantly more for dollars than Poland was selling in the United States, the balance being made up in whatever manner they could get American foreign exchange.

Senator WILLIAMS. Would you yield there?

Were those dollar sales in those years on this long-term 30-year credit?

Secretary FREEMAN. No, those were sales that took effect and payments that took effect, I think, Senator, in the given year.

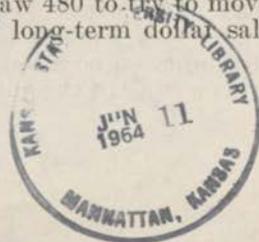
Sales of our commodities to Poland for cash and short-term credits reached a high of \$60 million in 1963, so it was either cash or short-term credit, which would be no longer than 3 years.

#### U.S. TRADE WITH YUGOSLAVIA

Senator CARLSON. Does that same situation apply to Yugoslavia?

Secretary FREEMAN. Trade has not been, the dollar sales have not been, as high in Yugoslavia today as they have been in Poland but we are moving sharply now in that direction.

It is our policy in connection with Public Law 480 to try to move from a title I soft currency sale to a title IV long-term dollar sale



and then straight into the commercial market trading with the country depending on the situation.

#### U.S. FAVORABLE TRADE BALANCE WITH SOVIET UNION

Senator CARLSON. Outside of the recent wheat sale, what do the figures show of Soviet imports and exports in dollar value?

Secretary FREEMAN. To the Soviet Union, we had in 1960, \$11 million exports; 1961, \$9 million; 1962, \$3 million. We had imports, 1960, \$1 million; in 1961, a million and a half; and 1962, a million and a half. I am rounding out these figures roughly so here again we had, well we had, 10 to 1 in terms of very, very insignificant volume but for what it is worth a 10-to-1 favorable balance.

Senator CARLSON. I believe that is all.

The CHAIRMAN. The Senator from Missouri?

#### COMMERCIAL EXPORT OF U.S. AGRICULTURAL COMMODITIES

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Secretary, it is a pleasure seeing you. The farmers in my State appreciate the job you are doing. They do not agree with you about everything but they certainly respect your efforts and they are grateful.

I was not here when you made your statement, but read it. You used a figure of 4 billion. The President used, in his message, 5 billion. Did his figures included Public Law 480?

Secretary FREEMAN. I don't know what he put in his figure. This figure is dollars. If you included Public Law 480 it would be 6 billion.

Actually, the dollars will probably be higher than this, and so the ball hasn't quite stopped bouncing for the year. The dollar sales would be somewhere between 4 and 5 billion.

Senator SYMINGTON. So we can say without fear of contradiction that agricultural products exported out of the United States under the various programs totaled over \$6 billion last year?

Secretary FREEMAN. Yes.

#### LIMITED EAST-WEST TRADE RESPONSIBILITIES OF AGRICULTURE DEPARTMENT

Senator SYMINGTON. Now on page 2 you make a statement that worries me a bit. You say that the responsibilities of the Department of Agriculture in the whole area of East-West trade are therefore limited.

Why are they limited with respect to agricultural products?

Secretary FREEMAN. Well, all of our agreements and formal relationships with other countries are through the State Department where the primary responsibility for international relations rests.

Senator SYMINGTON. Does this imply that other departments in the Government have adopted policies with respect to agriculture you don't agree with?

Secretary FREEMAN. Well, I would say that there is not complete unanimity on occasion, but as I said before, on most things there is a firm meeting of the minds, and I think a very significant improvement

in the relations between the Department of Agriculture and the Department of State. It was almost jungle warfare some years back.

Senator SYMINGTON. The Department of Commerce is not, clearly, in agreement with the State Department in some of these trade setups. That also is at least the implication of your statement, about agriculture, is it not?

Secretary FREEMAN. There would be certain areas in which there would be a difference of emphasis or at least we would start out with a difference of emphasis. I think Agriculture and perhaps Commerce might tend to be a little more strongly oriented toward some of the economic factors. State would have the primary political responsibilities, and there therefore might be somewhat different approaches.

Senator SYMINGTON. I am not talking about philosophy, but about specific differences on specific occasions.

Secretary FREEMAN. Well, we would have to go down to cases, Senator. I mean, there might be a difference, let us say, in negotiating a Public Law 480 arrangement with a particular country.

#### COMPARISON BETWEEN MILITARY AND ECONOMIC SALES

Senator SYMINGTON. Now, you make quite a point of the difference between military exports, sales, and nonmilitary, economic exports. "Economic weapons" is the term you use. I have never seen too much difference between military sales and economic or political.

For example, if a country needs food, and you give or sell them the food, that makes it possible for them to utilize their limited resources to obtain further military equipment.

I have told the story many times, but to make the point, Mr. Baruch once challenged anybody to tell him what was a truly nonstrategic material. Finally someone said "bubble gum," and he said, "I will buy that."

The idea that we can load a country up with food, but not help them militarily seems a little theoretical.

What should we do, stop selling them food because they were getting more prosperous? Would that be the theory of it?

Secretary FREEMAN. We do not give them any food.

Senator SYMINGTON. I understand; but I was thinking of other countries when I asked the question.

Secretary FREEMAN. Obviously, if you carry it to the ultimate, anything that is usable would contribute to the economic well-being of the receiving country.

The criteria we seek to apply here is does it benefit us as much or more than it does them, and in the case of food we think it does as outlined.

#### CONTROLS OVER TECHNOLOGY AND SOPHISTICATED MACHINERY AND EQUIPMENT

The question to which you now direct your attention, Senator Symington, is that directed to technology and sophisticated machinery and equipment? In this instance, we have got to apply, I think, the same standard, but that we need to recognize that we not only have to deal with the potential military confrontation, but

that this cold war is an economic war as well. They have clearly so stated, and that we ought to review very calculatingly the items that we would make available to them in terms of our own national well-being.

Senator SYMINGTON. If we do not sell them that sophisticated machinery you referred to—and I am only asking for information, not being contentious about it—

Secretary FREEMAN. Yes, sir.

Senator SYMINGTON. It would then be logical for, say, the British to sell it to them, would it not? They could do this in two ways: Either build it themselves or buy and resell, could they not?

Secretary FREEMAN. They could; and this—

Senator SYMINGTON. What we are really doing, in denying this business to our own industry, is cutting ourselves off from this volume production, are we not, industrial volume?

Secretary FREEMAN. I believe we are in a great many instances. I believe there might be somewhere where this is not the case, where the technology would not be available to others or it would take some time for it to become available to others.

#### TERMS OF SOVIET WHEAT SALES

Senator SYMINGTON. There was quite a storm raised about the wheat sale. The terms, as I understand it, were 25 percent down in gold, 6 months, another 25 percent; 12 months, 25; final payment in 18 months; is that correct?

Secretary FREEMAN. Well, no. I think the terms were cash—all cash.

Senator SYMINGTON. All cash at one time?

Secretary FREEMAN. Yes, sir.

Senator SYMINGTON. Are you sure?

Secretary FREEMAN. Well, this is what has been reported to us by the grain companies that handled the transaction. They are being paid delivery on the grain.

#### WEST GERMAN TRADE WITH COMMUNIST BLOC

Senator SYMINGTON. I am naturally glad to hear it. But I read in the paper that Mr. Berg, head of West German industry, was over here protesting long-term loans to Russia. He defined long-term loans as 15 years; but he was all for short-term loans, which he defined as terms of to 7 years.

West Germany, as pointed out by my colleague from Kansas this morning, is exporting and importing more business behind the Iron Curtain than any other country. Their way of operating, apparently, is to send people behind the Iron Curtain. They make straight bilateral arrangements with various countries behind the Curtain and Berg says the credit of these countries is very good. They did not consider Yugoslavia as truly a Communist country any more. They classified it, from an economic standpoint, as a capitalist country.

As I understand it, in our way of life the source for taxes can only be from income, including profits; isn't that correct?

Secretary FREEMAN. That is correct.

Senator SYMINGTON. And certainly any businessman knows that the greatest single incentive to normal profit is volume, is it not?  
Secretary FREEMAN. Yes, sir.

RELATIONSHIP OF RESTRICTIVE TRADE POLICY AND DEFENSE  
EXPENDITURES

Senator SYMINGTON. We, on the committee have asked several people, including the Secretary of Commerce, whether they felt that one of the reasons—I emphasize the word “one”—General de Gaulle recognized the Red Chinese was that he was getting tired of watching countries of the sterling bloc trade and increase their trade heavily with even the Chinese Communists, while his French industry stood on the sidelines, not developing trade with 700 to 800 million people.

If you had all of them chewing French gum, you would have all those jaws working for you all day long—good business.

Wouldn't you say it is hardly fair to continue to tax the American people to provide this defense umbrella for freedom all over the world? We do it in Europe without too much help; in the Middle East and south Asia with considerably less help, and provide that umbrella in the Far East with no help at all, literally, against the greatest single danger to our way of life in the world today.

How long can we continue to deny normal trade, under normal business terms, to our own industry and our own businesses and our own banking, but at the same time tax our people to protect all these countries of the free world while at the same time they are picking up this trade, getting the volume which makes it possible for them to give better value by being able to quote lower prices?

Secretary FREEMAN. Well, I think we need to promote our trade vigorously for the reasons you have set down, in those instances where we are going to benefit more from it than the receiving country, if the receiving country is one of the Communist group.

Senator SYMINGTON. But we cannot go on this way indefinitely. We already have the problem incident to higher wage rates in this country, higher than any other country in the world to the best of my knowledge.

In some of these countries their production equipment is at least as good as ours, in many lines of work. As every businessman knows, the most satisfactory profit is the profit resulting from overabsorbed fixed overhead, which, in turn, resulted from unexpected volume. These free people are walking away with the markets. We write a lot of notes and do our best to persuade them to cut it out; but, based on the figures I have seen, we are not only not stopping them, their trade is increasing a great deal, is it not?

Secretary FREEMAN. That is correct.

QUESTION OF PRACTICAL SOLUTION TO U.S. LOSS OF TRADE

Senator SYMINGTON. What would you do in this case? I am only asking. Certainly these countries must realize that the economic strength of the United States, which is the only source for our physical strength, is primarily what protects them from communism.

Secretary FREEMAN. Well, I certainly think we ought to sell more wheat and agricultural commodities than we have in the past, and I

think there are a number of other things of the same kind where they are made available, where, as a practical, pragmatic matter, some of our allies are selling those things, why, we ought to get in the business of selling them, too.

On the other hand, the highly strategic items, I think, we ought to maintain the best working relationship and deter their availability as much as we can, as a practical matter. Where we cannot, I think we ought to beat that kind of competition and sell as much as we can sell.

Senator SYMINGTON. Let us be frank, Mr. Secretary. You say some of our allies. Do you know any important ally the United States has that is not selling, to the best of its ability, behind the Iron Curtain?

Secretary FREEMAN. No. I think that they are, so far as I know, living up to the commitments and terms of the items that are on the COCOM list. But that is primarily items with a direct military relationship, and beyond that, why, I think they are selling as much as they can sell.

#### PUBLIC LAW 480, TITLE I, SALES TO YUGOSLAVIA

Senator SYMINGTON. Thank you.

You mentioned Yugoslavia, page 8, at the bottom. You say it has been one of the larger recipients of food aid under Public Law 480.

How much, if anything, did Yugoslavia pay for the \$600 million plus they got under title I?

Secretary FREEMAN. They haven't repaid. This was all paid in their own currency. None of this constituted dollar repayment.

Senator SYMINGTON. Is it still held in Yugoslavia?

Secretary FREEMAN. It is still held in dinars in Yugoslavia. There have been some grants. But to that extent we have granted it to them, there have been a good many loans. We initially made a grant of \$50 million from their currency that was in our control to help alleviate the disaster at Skopje.

#### ADVANTAGES IN MORE TRADE AND LESS AID

Senator SYMINGTON. Without getting into sloganeering, it seems to me we ought to try for more trade and less aid. Wouldn't it be better, as you see it, from the standpoint of the American economy—now I am thinking about our Achilles heel, continuing unfavorable balance of payments—to trade and/or sell our products of agriculture and industry rather than continue to give them away?

Secretary FREEMAN. This is our policy, Senator, and we move in this direction.

As I said earlier, from title I to title IV in the case of Yugoslavia, a title IV agreement was signed in April of 1962, and since has been amended twice.

This provides for a dollar payment of \$33.5 million for the sale made then on a 15-year repayment period at 4 percent interest.

#### INDIAN BARTER AGREEMENT

Senator SYMINGTON. Let us turn to India for a moment. You bartered 300,000 bales of cotton, estimated at \$40 million in value, for \$40 million of manganese ore with India, did you not?

Secretary FREEMAN. Yes, sir.

Senator SYMINGTON. But actually you gave \$56 million of agricultural products for \$40 million of manganese ore, as I remember it.

Secretary FREEMAN. I do not remember the exact figures, but we had a barter arrangement involving manganese ore with India.

Senator SYMINGTON. I think that last \$16 million was for beneficiation of the ore.

Secretary FREEMAN. Yes.

Senator SYMINGTON. Who decided who the brokers were? If said brokers could beneficiate that ore for \$11 million, that would be a rather tidy profit, would it not?

Secretary FREEMAN. I frankly do not know.

Senator SYMINGTON. Would you be good enough to look into this transaction?

Secretary FREEMAN. Yes.

Senator SYMINGTON. And give the committee a report?

Secretary FREEMAN. Yes, I surely would.

(The information referred to is as follows:)

#### INDIAN BARTER PROJECT

1. The Supplemental Stockpile Advisory Committee for Barter (composed of representatives from: Agriculture, Budget, Commerce, General Services Administration, Interior, Office of Emergency Planning, State, Treasury, and Agency for International Development, at a meeting on January 16, 1963, concurred in the proposed barter project involving the exchange of U.S. upland cotton for Indian materials, on the grounds that it would be more advantageous for the United States to acquire strategic materials than to acquire additional Indian currency. This concurrence was in line with the Executive Stockpile Committee's recommendation 6a to the President, which was approved by the President September 20, 1962.

2. An intergovernmental agreement was signed on June 27, 1963, by Braj Kumar Nehru, Ambassador, on behalf of India, and Orville L. Freeman, Secretary of Agriculture, on behalf of the United States. The agreement calls for the exchange of 143,360 short tons of high carbon ferromanganese, 365,000 short tons of manganese ore (to be processed in the United States into 154,000 short tons of high carbon ferromanganese and 10,000 short tons of manganese metal), 6,000 short tons of beryl ore, and \$2 million worth of block and film mica, all produced in India, for American upland cotton for export to India. The total estimated exchange value of the above materials is \$53.5 million, of which about \$33.9 million represents the exchange value of materials produced in India, and approximately \$19.6 million represents the exchange value of the processing to be performed in the United States.

3. A letter of understanding dated June 27, 1963, expanding on salient points of the agreement, was addressed to Dr. Indu P. Singh, First Secretary (Commercial) of India by Mr. C. R. Eskildsen, Acting Vice President, Commodity Credit Corporation. Dr. Singh confirmed, by letter also dated June 27, 1963, that CCC's letter correctly set out the understanding reached between the two Governments.

4. On July 1, 1963, CCC publicly announced the terms and conditions under which U.S. firms could submit offers for the materials covered by the Government-to-Government agreement between the United States and India. Offers were submitted by nine U.S. firms, who had received allocations from the Indian Government, and covered all of the materials under the agreement except the mica. The offers were evaluated and CCC counteroffers were made. The counteroffers, which were contingent upon the execution of mutually acceptable contracts, were accepted by the offerors. There are a total of 23 contracts, of which 11 involve beneficiation in the United States.

5. All of the materials are required to be delivered to CCC within 18 months after signing of each contract by both parties, but no later than September 16, 1965.

6. The Office of the Textile Commissioner in India will issue import allocations to textile mills for barter cotton on the basis of individual mill needs, and inform a coordinating agent in the United States, designated by the barter contractors, of such allocations. The Indian cotton importer will contact one or more of the U.S. cotton exporters who have agreed to participate in the Indian project, and supply the coordinating agent with the name of the cotton exporter(s) selected. The coordinator then notifies the appropriate barter contractor, who in turn advises the Office of Barter and Stockpiling, Foreign Agricultural Service, that he designates the cotton exporter as his commodity agent. OBS advises the New Orleans Commodity Office of acceptable agent designations. The U.S. cotton exporter is then in a position to submit a bid for cotton to the Commodity Office on the next bid date. The cotton acquired from CCC under a barter contract will have an exchange value determined from the bid price, and an equal sales value (f.o.b. ocean vessel) of cotton must be exported to India.

7. The total amount of the Indian project is \$53,556,250, exclusive of mica. Of this amount, approximately \$30,589,650 will be in cotton for export to India; \$3,398,850 in wheat or other agricultural commodities available under the barter program, also for export to India; and the balance of \$19,567,750 in commodities available under barter for export to India or to other approved barter destinations.

8. The total value of the bilateral portion of the Indian project is \$33,988,500.

9. The estimated U.S. processing costs are:

Ferromanganese.....	\$14,492,500
Metal.....	5,075,250
<b>Total.....</b>	<b>19,567,750</b>

*Balance sheet of exchange values in Indian barter contracts*

[In millions of dollars]

STRATEGIC MATERIAL RECEIPTS<sup>1</sup>

From India:	
Ferromanganese.....	21.4
Beryl ore.....	1.8
Manganese ore.....	10.7
<b>Total.....</b>	<b>33.9</b>
U.S. processing costs on above Indian manganese ore (ferromanganese \$14.5; manganese metal \$5.1).....	19.6
<b>Total.....</b>	<b>53.5</b>

AGRICULTURAL COMMODITY DELIVERIES

To India:	
Cotton.....	30.5
Cotton or other agricultural commodity.....	3.4
<b>Total.....</b>	<b>33.9</b>
To India or other countries.....	19.6
<b>Total, agricultural commodity deliveries.....</b>	<b>53.5</b>

<sup>1</sup> Finished material for transfer to supplemental stockpile:

Indian ferromanganese.....	21.4
Indian beryl ore.....	1.8
U.S.-processed ferromanganese.....	24.4
U.S.-processed manganese metal.....	5.9
<b>Total.....</b>	<b>53.5</b>

SUPPLEMENTAL BARTER STOCKPILE

Senator SYMINGTON. This supplemental barter stockpile gives me some apprehension.

Secretary FREEMAN. I reviewed it at the time the terms were carefully negotiated and, to my best knowledge, it represented a fair ar-

rangement without undue profit for anyone, but I certainly will take another look at it.

Senator SYMINGTON. I am not being critical, but I would like to know what you think of it.

Secretary FREEMAN. Yes, I would be happy to do so.

#### AMOUNT OF INDIAN CURRENCY IN U.S. POSSESSION

Senator SYMINGTON. In addition to the 300,000 bales of cotton you bartered, you also sold 300,000 more bales, did you not, at that time, a total of 600,000 bales?

Secretary FREEMAN. I think that is correct.

Senator SYMINGTON. And for those 300,000 bales you took rupees?

Secretary FREEMAN. Yes.

Senator SYMINGTON. And, at the time you took those rupees, the United States already had some 4,800,000,000 rupees?

Secretary FREEMAN. That is substantially correct.

Senator SYMINGTON. So, we already had some \$1 billion, based on the current rate of exchange, of rupees.

Secretary FREEMAN. Yes, sir.

Senator SYMINGTON. And yet we took a good many hundred thousand more rupees. Doesn't this give you some concern? We are, in effect, getting control of the Indian currency, though we do not necessarily want that.

Secretary FREEMAN. It is a matter of concern. I think that "apprehension" would be a stronger word, that I would feel.

The CHAIRMAN. Would the Senator yield?

Senator SYMINGTON. Yes.

The CHAIRMAN. One reason it piles up is the Appropriations Committee will not give the State Department permission to use them for any useful purposes.

Senator SYMINGTON. Under the terms, you will find only a relatively small part can be used for what we may want to do. A major part of it has to be used for what the Indians want done.

The CHAIRMAN. There are a good many things we wanted to use it for, but they refused to appropriate. You have to follow that formula of appropriating in dollars, and buying it from the Treasury. The House Appropriations Committee turns down the State Department, year after year.

#### EXTENT OF U.S. USE OF RUPEES WITHOUT INDIAN CONSENT

Senator WILLIAMS. Would the Secretary at this point tell us to what extent we can use that money, at our own discretion, without agreement of India?

Secretary FREEMAN. I would have to look at the various agreements, Senator Williams. This is Tom Street, who is Program Director of the Foreign Agricultural Service.

Mr. STREET. Yes, sir; 15 percent of the Indian rupees are for uses of U.S. Government agencies, including loans to private enterprise, the so-called Cooley loans, and 85 percent are for loans for economic development in India.

Senator WILLIAMS. That 15 percent must be loaned within the country of India itself, must it not?

Mr. STREET. No, sir; of the 15 percent, 10 percent is, as the chairman said, purchased by U.S. Government agencies for their rupee needs in India, and the dollars then come back to the U.S. Commodity Credit Corporation. However, it is correct that the 5 percent for loans to private enterprise must be loaned within India.

#### PURCHASE OF STRATEGIC MATERIALS WITH RUPEES

Senator WILLIAMS. To what extent can we take any of that 15 percent and buy raw materials and export them to this country?

Mr. STREET. No, sir; we could not do that.

Senator WILLIAMS. Not at all. So, in effect—

Mr. STREET. Well, I beg your pardon, I am sorry, I correct myself. The law under section 104(b) authorizes use of foreign currencies to purchase strategic materials in amounts specified in appropriations acts for a supplement stockpile.

Senator SYMINGTON. What you are saying is that instead of giving away 300,000 bales of our cotton, we could have used this tremendous amount of rupees we already have to get the manganese ore in here. Then we could have merchandised that cotton somewhere else; correct?

Mr. STREET. Well, such an arrangement we would need to work out with the Indian Government, and then, of course, we are very anxious to minimize the use of the barter authority. Furthermore, the amount of funds would need to be specified in appropriation acts.

Senator SYMINGTON. I thought you were giving it to them without working it out.

Mr. STREET. Well, the uses provide for that, but I am sure any such arrangement which would have such an impact on the Indian economy would be something that we would—

Senator SYMINGTON. It would be a healthy impact.

Secretary FREEMAN. I had better get into the act here on this one, Tom. I think this is available and available for use, and what you say could be done if we felt it was in our national interest.

#### EXPORTS OF U.S. AGRICULTURAL COMMODITIES TO INDIA

Senator SYMINGTON. I made a mistake. I said a third of the money was available to the United States. Apparently I was wrong. Apparently it was only 15 percent. A number of times after we decide what will be the amount of foreign aid, one turns to some other agencies or bureaus or commissions, or committees, and finds additional appropriations, which are little more or less than foreign aid.

When IDA came up before the Senate, the idea was it was a good thing for Central and South America. Yet 60 percent of all money for IDA went to India, and 80 percent of all money, relendable, went to India, and relendable on far more favorable terms.

Would you furnish for the record the amount of agricultural products that have gone to India in the last 10 years and under what terms. Mr. Secretary?

Secretary FREEMAN. Yes, sir.

(The information referred to is as follows:)

*Exports of United States agricultural commodities to India, commercial and export programs for fiscal years 1954-55 through 1962-63*

[In millions of dollars]

Year	Public Law 480, title I	Public Law 480, title II	Public Law 480, title III		AID, sec. 402	Total Government programs	Com-mercial exports	Total
			Dona-tions	Barter				
1954-55		0.2	18.6	0.5	9.6	28.9	16.2	45.1
1955-56		3.5	19.5		12.3	35.3	4.8	40.1
1956-57	152.3	1.2	10.0	1.9	13.4	178.8	26.1	204.9
1957-58	126.3	1.8	13.9	1.7	31.0	174.8	4.4	179.2
1958-59	233.3	1.3	12.6		1.3	248.5	2.4	250.9
1959-60	253.3		5.3	.1		258.7	19.8	278.5
1960-61	288.3	.3	13.6	10.7		312.9	33.0	345.8
1961-62	159.8	1.7	17.2	22.1		200.8	34.0	234.8
1962-63	314.3	1.1	9.1	1.1		325.6	22.8	348.4

Exports under title I, Public Law 480, are made under agreements between the U.S. Government and India which provide for the sale of surplus agricultural commodities for rupees. Exports under title II, Public Law 480, are given to India to meet relief requirements and to promote economic development. Donations under title III, Public Law 480, are made through American voluntary agencies for assistance to needy persons and for school lunch programs. Exports under the barter authority of title III are made in exchange for strategic materials. Exports under AID funds were made under the authority of section 402 of Public Law 865 and Public Law 871-195.

The uses of rupees accruing from sales of surplus commodities under title I, Public Law 480, are governed by the agreements themselves and by U.S. legislation and policy directives. A proportion of the rupees is set aside for use by U.S. Government agencies for the various purposes set out in section 104 of Public Law 480. This proportion has varied from 20 percent set aside under the first agreement to 10 percent under current agreements. Another portion of the rupees is set aside for loans to private enterprise under the provisions of section 104(e) of Public Law 480. The portion set aside for this purpose has varied from 25 percent in early agreements to 5 percent in agreements during the past 4 years. Another portion of the rupees is set aside for loans to private enterprise under the provisions of section 104(e) of Public Law 480. The portion set aside for this purpose has varied from 25 percent in early agreements to 5 percent in agreements during the past 4 years. Another portion of the rupees is established for use as grants for economic development under section 104(e) of the law. The proportion for this purpose has been as high as 42 percent in the multiyear agreement signed in 1960 but subsequent agreements have eliminated the use of rupees for this purpose. The largest portion of rupees is established for loans to the Indian Government for economic development under section 104(g) of the law. This portion of rupees uses has varied from as low as 40 percent to the current 85 percent in agreements signed since 1960.

The rupees used by U.S. Government agencies are available to these agencies when purchased with regular agency appropriations and funds, and are subject to the normal budgetary and appropriation criteria. This requirement, that rupees and other foreign currencies accruing from title I, Public Law 480, sales will be available by purchase with regular agency appropriations, is a specific requirement of the law for many of the uses provided under section 104. In addition the executive branch has made this a general requirement for all uses of foreign currencies by U.S. Government agencies. Lower priority programs may be financed through separate special foreign currency program appropriations which are limited to the purchase of excess foreign currency. Grants under section 104(e) are subject to the provisions of section 1415 of the Supplemental Appropriations Act of 1953 unless action is taken to waive this requirement.

Rupees and other foreign currencies are sold by the Treasury Department to the appropriations of U.S. agencies.

Rupees and other foreign currencies used for loans and grants for economic development or the common defense in foreign countries are made available for expenditure without charge to appropriations. The use of these currencies within foreign countries are for projects which are mutually agreeable to the U.S. Government and to the foreign government.

#### U.S. WHEAT—GERMAN FLOUR SALES

Senator SYMINGTON. Finally, you mentioned the German transaction. When we decided to sell wheat to Russia, there was a protest from Chancellor Adenauer. I think you mentioned at that time we happened to know the Germans were getting our wheat. Were they buying it?

Secretary FREEMAN. They were buying it. These were dollar sales.

Senator SYMINGTON. Then milling it in Germany and reselling it to Russia for flour; is that correct?

Secretary FREEMAN. That is correct.

Senator SYMINGTON. Would you give us the details on those transactions?

Secretary FREEMAN. Yes, sir.

Senator SYMINGTON. Thank you, Mr. Chairman.

(The information referred to is as follows:)

#### WEST GERMAN WHEAT IMPORTS AND FLOUR EXPORTS

West Germany imports wheat from many sources and exports flour to many destinations. West Germany is not self-sufficient in wheat, therefore total imports of wheat are well above total exports of flour.

In the current year West Germany has sold 350,000 tons of flour (482,000 tons wheat equivalent) to the Soviet Union. Wheat imports for the entire year are estimated to reach 1.6 million tons. It is estimated that imports from the United States will be about 450,000 tons during this year.

The flour exported to the Soviet Union will be milled from a blend of domestic wheat and wheat imported from the United States or from other countries. While we do not have any way of determining the amount of wheat imported from the United States that is milled for export as flour to the Soviet Union, we assume that some of our wheat was used for this purpose.

#### WHY RUPEES ARE NOT AVAILABLE FOR LOCAL USE

The CHAIRMAN. Mr. Secretary, before we leave this question of the use of the rupees, I think there is great misunderstanding. I grant it is extremely complex. But as long as you are going to try to clarify this record, I hope you will be very careful and put into this statement that you supply for the record exactly the terms of the agreements controlling the use of the rupees. (See p. 145 for information furnished.)

I do not wish to take the time of the committee at this time, but even as to that amount, the 85 percent, this is not just arbitrarily restricted. It is still subject, as I understand it, to agreement as between their Government and our Government. To use one, I think, rather silly example of what we do, we have a very fine Embassy there. It costs some \$3,000 a year to pump the water for the fountains, which are a great attraction and a beautiful thing.

They cut off the water because they wanted to save \$3,000 equivalent in rupees. This could be paid for by rupees, not dollars, but in our

great drive for economy of rupees, they cut off the water, and the fountains stand there as a kind of eyesore.

This is an example of what I mean by the Appropriations Committee refusing to allow our own government to make agreements to use rupees for local expenses. It wouldn't have cost the Treasury a nickel.

Senator SYMINGTON. The chairman is logical in what he has just said.

The CHAIRMAN. There are vast amounts of rupees that could be used for local expenses, and which do not require dollars. But under laws and regulations they cannot use the rupees without the authorization of the Appropriations Committee. That is one example.

The same thing applies with regard to travel in India. Chester Bowles, our Ambassador, has told me there is a very limited amount of rupees made available for them to use in what he considers to be essential travel. This would not be to use any dollars or result in any added expenses. These rupees are sitting there not being used, and he believes, and I believe, that the Indian Government would be quite willing to allow us to use additional amounts of the rupees. But our own Appropriations Committee will not authorize it. They have to authorize a dollar appropriation to be turned over to the Treasury.

It is purely bookkeeping to make available the rupees; is that not correct, in general?

Secretary FREEMAN. That is correct.

#### USE OF FOREIGN CURRENCIES LIMITED BY APPROPRIATION PROCESS

The CHAIRMAN. This is very muddled. Everybody has different views as to why we do not use this and that, and we are always blaming the State Department or somebody else.

The truth is, the real obstacle to the use of rupees and other foreign currencies lies in the appropriation process, and I wish you would make this very clear in your statement.

Secretary FREEMAN. I would be happy to do so. I certainly share the chairman's views that particularly in countries where we have a great surplus of their currency, which is piled up, that it could be put at no cost to effective use.

The CHAIRMAN. We are paying rent over there on some quarters I happen to know about. I tried to get them to make available rupees that we already own to purchase a headquarters. No; this is extravagance according to the Congressional Appropriations Committee, and they did not make rupees available. It would have saved us rent over the years.

This is another example.

I ran into several of these cases. It is not the State Department's fault because they have no authority to do it; they are not allowed use of the rupees.

I want this as accurate as you can make it and as thorough, because I do not want the record to perpetuate these false impressions as to what the trouble is.

Secretary FREEMAN. We will prepare it very carefully along those lines, Mr. Chairman.

Senator SYMINGTON. Mr. Chairman, I would associate myself on that. It sounds silly.

If I may add just one more point, I trust you realize, as we go into the Kennedy round of GATT negotiations, how important it is, at least to the agriculture in my State, that we maintain our position to the best of our ability.

Secretary FREEMAN. I am—I can assure you, Senator Symington, that I am most aware of that, and I appreciated very much the support in the rather outspoken and sharp position I have taken in this matter not only here but in Western Europe over the past two years.

Senator SYMINGTON. Thank you and congratulations.

The CHAIRMAN. Yes. I thank you for what you said about chickens, too. You made a very good statement.

The Senator from Delaware?

Senator WILLIAMS. Mr. Secretary, I want to thank you for your statement and to say that I think it an excellent suggestion that the Appropriations Committee should consider making part of the State Department's appropriations in the form of these local currencies of which we have a surplus. And I hope they will take that into consideration and, instead of appropriating dollars, appropriate some of these currencies, which would save us money all around.

#### DISTINCTION IN SALES TO VARIOUS COMMUNIST COUNTRIES

As I understand it, one of the arguments you have used for our selling behind the Iron Curtain is on the basis that if we do not enter into sales with Russia and their satellites our allies will, and therefore, to that extent it is unfair to American agriculture and American industry; is that correct?

Secretary FREEMAN. That is correct.

Senator WILLIAMS. You likewise carry that reasoning over to recommending sales with China and Cuba?

Secretary FREEMAN. No, sir.

Senator WILLIAMS. How do you distinguish between the two? Our allies are selling to Red China, are they not? The same allies that are selling to Russia and her satellites in Europe are also recognizing and entering into trade negotiations with Red China, are they not?

Secretary FREEMAN. I think there is a difference. Our policy has been not to have any kind of commercial or other relationship with Red China. I think, technically speaking, we are still at war with Red China. I think Red China has violated a number of solemn international commitments, and in this instance that they, therefore, are in a category somewhat different from the Communist countries in Europe.

Senator WILLIAMS. Do you think the fact that several Americans were shot down over East Germany means we are in a state of peace with Red Russia?

Secretary FREEMAN. Yes.

Senator LAUSCHE. How many do they have to shoot down before it puts us in a state of unfriendliness?

Secretary FREEMAN. We are certainly not in a state of declared war with the Soviet Union, and in this instance apparently our planes inadvertently did get over Russian territory and, happily, the airmen who were detained have been returned, and I think the Secretary of State said that incident is closed.

Senator WILLIAMS. I noticed that some of our allies in Europe are also entering into negotiations to sell to Cuba. Do you think our State Department and Commerce Department are depriving American industry of their rights? Do you think they should sell some of these tractors and buses to Castro?

Secretary FREEMAN. No; I do not think they should, nor do I think we should.

Senator WILLIAMS. I can recognize the difference in some areas, but I just wonder how you distinguish where we pick up. How about East Germany?

Secretary FREEMAN. Each of these is a difference of degree, and it is extremely difficult to generalize about.

As I tried to make clear in my statement, I think we ought to have no illusions, and recognize that communism, whether it is in China or Russia, or in Cuba, has the objective of world domination.

The degree of difference between being in a hot war or a cold war is a relative one, and each transaction and incident needs to be weighed on its merits.

And those where it is to our own benefit, in the judgment of the decisionmakers, why, we will have trade, and those where it will not, we will not. Depending upon the political factors of the country in question, it will depend upon the nature of our potential trade. It might depend upon the current political climate. I do not think there is any hard and fast, black and white rule in this connection in terms of our own national interest.

#### DOLLAR VOLUME OF AGRICULTURAL EXPORTS

Senator WILLIAMS. What was the figure that you gave as the dollar volume of the sale of agricultural products, our export value?

Secretary FREEMAN. For dollar value this year it will be \$4 billion plus.

Senator WILLIAMS. Now, of that amount how much is for dollar sales?

Secretary FREEMAN. All of that.

Senator WILLIAMS. That is the dollar sales?

Secretary FREEMAN. That is the dollar sale.

#### OVERALL U.S. EXPORTS, INCLUDING PUBLIC LAW 480

Senator WILLIAMS. I see. How much is the amount of the overall sales, including Public Law 480?

Secretary FREEMAN. About \$6 billion.

The CHAIRMAN. Is that 1963?

Secretary FREEMAN. Yes. This will be for the 1963 trade year. This is our estimate for this year, which trade year ends in July of 1964.

Senator SYMINGTON. For the fiscal year 1964.

Secretary FREEMAN. Yes, sir.

Senator WILLIAMS. That is all.

The CHAIRMAN. The Senator from Ohio.

Senator LAUSCHE. I would like to ask a few questions about the Yugoslavia and Polish situations.

Secretary FREEMAN. Very good, sir.

## TITLE I AND TITLE IV PUBLIC LAW 480 SALES TO YUGOSLAVIA

Senator LAUSCHE. How much of Yugoslavia's dinar currency do we now have? Do you have that?

Secretary FREEMAN. I'm sorry, Senator, we do not have those. I would be happy to get them for the record.

We have \$36.2 million worth of dinars for U.S. use.

Senator LAUSCHE. We were selling to Yugoslavia under title I, but now have shifted to sales under title IV; is that right?

Secretary FREEMAN. That is the direction in which we are moving. We are in the process of negotiating another arrangement, which may include a title I, because of the temporary economic setback of the earthquake in Skopje last year.

Senator LAUSCHE. How much surplus food have you sold Yugoslavia under title IV?

Secretary FREEMAN. Under title IV our sales total \$33.5 million worth of cotton, soybean meal, tallow, and dry edible beans, including ocean transportation.

Senator LAUSCHE. What are the terms of that sale?

Secretary FREEMAN. They are sold at world prices and paid for in dollars.

(Subsequently, the Department of Agriculture submitted the following information concerning the title IV agreement with Yugoslavia:)

A title IV agreement with Yugoslavia was signed April 21, 1962, for cotton and soybean meal with an export market value of \$10.1 million. This was amended on May 18, 1962, to provide more cotton for an additional value of \$7.2 million. It was further amended on November 28, 1962, to supply cotton, tallow, and beans, for an additional value of \$16.2 million.

Senator LAUSCHE. What length of time does Yugoslavia have to make the payment?

Secretary FREEMAN. We are trying to check it.

Senator LAUSCHE. And the rate of interest, if any.

Secretary FREEMAN. Fifteen years and four percent.

## EFFECT OF SKOPJE EARTHQUAKE ON NATURE OF PUBLIC LAW 480 AID TO YUGOSLAVIA

Senator LAUSCHE. All right.

Has there been a change in the intention of selling under title IV instead of under title I because of the Skopje earthquake?

Secretary FREEMAN. Yes. I think it would be fair to say we are reviewing—

Senator LAUSCHE. I understood you have given them \$50 million of dinars to help them in solving the Skopje disaster.

Secretary FREEMAN. That is correct. Half of the \$50 million of dinars was in the form of a loan, and half in the form of a grant.

Senator LAUSCHE. And you intend to give more.

Secretary FREEMAN. In this instance we would intend to make further sales under title I which would not require payments in hard currency at this time to help their economy adjust to this loss.

Senator LAUSCHE. Have you decided how much more aid you are going to give under title I when you sell for soft currencies?

Secretary FREEMAN. No. This is now, as a matter of fact, being negotiated. I don't think there is—it is still in negotiation, yes, it is still in negotiation.

Senator LAUSCHE. Then title IV policy is abandoned for the time being, and you have returned to title I?

Secretary FREEMAN. No. We may end up, we are not sure where these negotiations may ultimately jell, but they may be a combination of title IV and title I, which has been the case in quite a number of instances. In fact, they are likely to end up with a higher proportion of title IV this year than last.

#### BASIS FOR PUBLIC LAW 480 SALES TO YUGOSLAVIA

Senator LAUSCHE. And these sales have been made to the Communist government of Tito on the ground it is a government friendly to the United States?

Secretary FREEMAN. On the ground that it does not come under the definition under Public Law 480 which precludes any sales to a country dominated by the Soviet Union.

#### PUBLIC LAW 480 SALES TO POLAND

Senator LAUSCHE. All right.

Now, let us get to Poland. Are we still selling all of our surplus food to Poland under Public Law 480?

Secretary FREEMAN. No. We have—we are selling under title I only in this case we are selling for dollar repayment and not for soft currency repayment.

Senator LAUSCHE. And that is because of the law?

Secretary FREEMAN. That is because of the Battle Act which precludes our loaning any of that currency back to the government in question.

#### LOCAL CURRENCY USED TO BUILD HOSPITAL IN POLAND

Senator LAUSCHE. What were the sales under which we acquired the soft currency to build the hospital?

Secretary FREEMAN. Those were sales under previous Public Law 480, title I agreements. We have substantial amounts of zlotys yet, and it seemed not to our national interest to continue piling up soft currencies that could not even be utilized within the country itself. Our local currency assistance in support of the Polish hospital is based upon a provision of the Foreign Assistance Act (sec. 214(b)) which specifically waives the Battle Act provision.

#### TERMS OF PUBLIC LAW 480 AGREEMENTS WITH POLAND

Senator LAUSCHE. Are the most recent sales made under Public Law 480 under title IV?

Secretary FREEMAN. Title I, these are made under title I.

Senator LAUSCHE. And sold for dollars?

Secretary FREEMAN. Repaid in dollars.

Senator LAUSCHE. Cash or on terms?

Secretary FREEMAN. On terms.

Senator LAUSCHE. What are the terms generally?

Secretary FREEMAN. Well, the terms of the one, \$30.7 million of this last sale were to postpone payment for 10 years, and then to make payments in equal yearly amounts for 40 years interest free. This was in place of a title IV sale.

The second \$30.2 million was to be payable in dollars over a period of 3 years; and the third \$30 million was sold for dollars, for cash.

Senator LAUSCHE. The first one will be paid in 50 years then; is that correct?

Secretary FREEMAN. Yes.

Senator LAUSCHE. Ten years of grace, and 40 years within which to pay?

Secretary FREEMAN. Yes, sir.

Senator LAUSCHE. No interest?

Secretary FREEMAN. No interest. The second one will be paid within 3 years, and the third one is under normal commercial terms.

#### DELIVERY TO CUBA OF CANADIAN WHEAT PURCHASED BY RUSSIA

Senator LAUSCHE. All right. Can you tell me whether Russia has sold or shipped wheat to Cuba since we made our sale to Russia?

Secretary FREEMAN. The answer is Russia has not, to our best knowledge. It is my understanding—

Senator LAUSCHE. By that, do you mean you have no knowledge that it has sold?

Secretary FREEMAN. That is correct. And I have—

Senator LAUSCHE. And, since you have no knowledge that it was sold, you conclude that there were no sales made?

Secretary FREEMAN. That, plus the fact that the Canadian sale of wheat to the Soviet Union provided for delivery of some of their wheat to Cuba in the amount Cuba needed, and so there would not, in any event, have been any reason for any wheat we sold to Russia to be diverted to Cuba on the face of it.

Senator LAUSCHE. Do you know whether it is or is not a fact that, after we sold wheat to Red Russia, it ordered ships that were leaving the ports of Canada, destined for Odessa, not to go to Odessa but to deliver the wheat to Cuba?

Secretary FREEMAN. I do not know whether that is or is not a fact. I have had no information in connection with that at all.

Senator LAUSCHE. No knowledge, no hint of it?

Secretary FREEMAN. No knowledge, no hint of it.

Senator LAUSCHE. Now, then, to get back to your first statement—when Russia bought from Canada, did it intend to send part of that Canadian purchase to Cuba?

Secretary FREEMAN. That is correct.

Senator LAUSCHE. How much of it?

Secretary FREEMAN. I have forgotten the total volume.

Mr. OLSON. They are talking in terms of 250,000 tons.

Senator LAUSCHE. How much did Russia buy from us?

Mr. OLSON. They bought 1,700,000 tons.

Secretary FREEMAN. 1,700,000 tons.

Senator LAUSCHE. Do I understand 250,000 tons of Russia's purchase from Canada were to be sent to Cuba?

Mr. OLSON. That is right, sir.

Senator LAUSCHE. Did the Department of Agriculture know at the time we sold our wheat to Russia that Russia had made a deal to buy Canadian wheat and ship 250,000 tons to Cuba?

Secretary FREEMAN. Yes.

(Subsequent to the hearing, the Department of Agriculture submitted the following additional data:)

In their contract with Canada, the Soviet Union included 245,000 tons of wheat and 150,000 tons of flour (equivalent to 205,000 tons of wheat) specifically for shipment to Cuba. The Soviet Union is financing these shipments. Exports under this contract through January 1964 have totaled 74,000 tons of wheat and 53,000 tons of flour.

In view of this contractual arrangement with Canada, it is not felt that the subsequent sales of U.S. wheat to the Soviet Union resulted in additional wheat or flour being shipped to Cuba.

#### POSITION OF RUSSIAN FARMER

Senator LAUSCHE. What is your understanding about the condition of the farmer in Red Russia; what is his state of mind with respect to the collectivized farms and his desire to again become the owner of the land so that he can say, "This is my property"?

Secretary FREEMAN. Well, I was not in a position to give any judgment as to the state of mind of the average Russian farmer. I think the fact that up to 50 percent of a number of agricultural commodities—and vegetables, eggs, milk, beef, pork—are the products of the small plots which individual farmers are allowed to have, and produce on, indicates that this kind of operation has a very great appeal.

#### INEFFICIENCY OF COLLECTIVIZED FARMS

Senator LAUSCHE. That is, they are producing 50 percent on the small plots that have been sort of charitably granted to them, to satisfy them in their desire to own their own land and their own products, and only 50 percent has been produced out of the major lands. Wouldn't it be fair to assume that the farmer is not producing for the Government as intensely as he is producing for himself?

Secretary FREEMAN. I don't think there is any question about that.

Senator LAUSCHE. Can we infer they are not giving their best to the Government on the collectivized farm?

Secretary FREEMAN. I would certainly say that the system of collective agriculture is not an efficient one, and the people who participate in it are, by and large, not as productive as they are in their own operations, without any question.

Senator LAUSCHE. Would you go so far as to infer that the Russian farmer is deliberately sabotaging the collectivized system?

Secretary FREEMAN. There are many, many reports to that effect, and I would think this is very, very likely in some cases.

Senator LAUSCHE. Now, then, if he is deliberately sabotaging the collectivized farm, didn't we, by our sale of food, help destroy the objective of the oppressed farmer of Russia?

Secretary FREEMAN. No, I do not think so.

Senator LAUSCHE. I will not press it. I think we did. I think the Russian farmer has sabotaged the machinery, has sabotaged the

fertilization, the harvesting, and was making progress, and we helped emancipate Khrushchev from the problem that confronted him. That is my feeling. I am not going to argue it. We cannot get anywhere by arguing it.

DELIVERY TO CUBA OF CANADIAN WHEAT PURCHASED BY RUSSIA

Do you know whether the whole 250,000 tons that Russia bought from Canada have been delivered to Cuba?

Secretary FREEMAN. I assume it has.

Senator LAUSCHE. You assume it has?

Secretary FREEMAN. I have not checked that particular point, but I think it likely.

Senator LAUSCHE. Now, then, if Khrushchev is telling Castro to remain firm, and if Castro is saying, "Well, you have to help me to do so; you have to supply me with food and other commodities," didn't we directly help Castro by selling the wheat to Russia, and making it easier for Russia to divert 250,000 tons of wheat?

Secretary FREEMAN. No, I do not think it had any relationship whatsoever. I think that is a spurious observation. Having been in there and having reviewed a little bit at first hand, I think the Russian political objectives in Cuba were such that whether we did or did not sell them any wheat they would have delivered the wheat to Cuba regardless of what it meant to their own people and to their own domestic economy, and I see absolutely no relationship between the two.

Senator LAUSCHE. Don't you tacitly admit, when you say that they would have delivered the 250,000 tons regardless of what impact it had on its own people, that we relieved them from the burden of the bad impact?

Secretary FREEMAN. Well, in terms, perhaps, of helping to feed some Russian people that otherwise might have gone hungry, that may well be the case.

Senator LAUSCHE. That is right.

Secretary FREEMAN. In terms of deterring the shipment of wheat to Cuba, I think that was not the case.

Senator LAUSCHE. That is what I had in mind. It enabled Khrushchev not only to serve Castro, but also to serve his own people.

Secretary FREEMAN. I guess we disagree with that just as we did on the former question, Senator.

QUESTION OF EAST-WEST TRADE LIBERALIZATION

Senator LAUSCHE. Do you have in mind any particular objective in appearing here today? Are you wanting us to approve a liberalization of the trade between the East and the West?

Secretary FREEMAN. I am appearing here, I think, at the invitation of this committee, and asked to discuss that trade in terms of agriculture, and I have testified that I think in terms of agricultural commodities that we ought to expand that trade, and it is our national interest, and well-being, to do so, based upon the standard of helping our Nation, as distinguished from helping the Soviet Government.

I think we profit more from it than they do.

Senator LAUSCHE. Do you also include in that a liberalization of trade in fields other than agriculture?

Secretary FREEMAN. Well, in that area I think we have got to apply a very matter of fact and very methodical principle of our own national self-interest in terms of whether—of comparing how it will strengthen us as compared to strengthening them.

#### U.N. CONFERENCE ON TRADE AND DEVELOPMENT

Senator LAUSCHE. I was going to talk about the United Nations Conference, but it is 12 o'clock, and I will not do so. That is, the United Nations Conference in Geneva now.

Secretary FREEMAN. The UNCTAD Conference.

Senator LAUSCHE. Yes. That is all I have, Mr. Chairman. Thank you.

#### KENNEDY ROUND OF TRADE NEGOTIATIONS

The CHAIRMAN. Well, Mr. Secretary, in connection with that last item, I would like to ask you what you think the prospects are in the Kennedy Round of being able to consider the question as a package, that is, of avoiding considering industrial goods separately from agriculture. Do you think we will be able to do that? Are you at all optimistic that we can?

Secretary FREEMAN. I have—I am apprehensive. I would say I am mildly optimistic. I think that the EEC is going to seek to avoid making any kind of access assurances whatsoever, and these are going to be very, very difficult negotiations. But we are going to press this case very, very strongly; and, as I say, I am very, very hopeful that they will recognize that the whole concept of the EEC is one looking toward freeing trade and not restricting it, and with the sharing of the negotiating responsibility between both industry and agriculture we go with a stronger hand than has been the case with previous negotiations.

The CHAIRMAN. This has been discussed and it is settled policy of this Government to present this package?

Secretary FREEMAN. That is correct.

#### RELATIONSHIP OF U.S. WHEAT SALE TO RUSSIAN WHEAT RESERVES AND COMMITMENTS TO SATELLITES

The CHAIRMAN. Following up just a bit—I do not want to delay too long—about the wheat to Russian deal, you were there recently—we discussed that earlier—and I wonder if you believe that if we had not sold them wheat the people of Russia would have gone hungry?

Secretary FREEMAN. No, I do not think they would have gone hungry?

The CHAIRMAN. Part of the wheat, I presume, was to make possible their fulfillment of their commitments that they normally make with regard to satellite countries; isn't that correct?

Secretary FREEMAN. I think that is true. I think also it may very well have been that reserves had gotten to a level that was threatening their national security. This is something we are not sure about.

## FIRST INSTANCE OF MAJOR SOVIET IMPORTATION OF WHEAT

The CHAIRMAN. Have they been over the years traditionally an exporter of cereals or an importer?

Secretary FREEMAN. They have been traditionally an exporter of from 150 to 200 million bushels of wheat a year, and this is the first time that they have imported any significant amount of wheat at all, and the first time that any has been imported, to my knowledge, from Canada or the United States.

## ARGENTINE WHEAT NEGOTIATIONS WITH COMMUNIST BLOC

The CHAIRMAN. Is there anything to the rumor, I think it is, that I heard that they are now negotiating with or have negotiated with Argentina for substantial supplies of wheat?

Secretary FREEMAN. Yes, I think they have. I think Red China is negotiating with Argentina, also.

The CHAIRMAN. So, in any case, if we had not sold them this 62 or 67 million bushels of wheat, it is likely that they would have been able to obtain it elsewhere.

Secretary FREEMAN. They could have gotten some of it elsewhere, yes. How much it is a little difficult to say because last year's harvest was more limited than will likely be the case in the coming year.

## QUESTION AS TO CONTINUED SOVIET NEED TO IMPORT WHEAT

The CHAIRMAN. Yes.

From your observations, do you believe this shortage requiring their purchases resulted in a one-shot purchase or unique situation? Of course, this is speculative, but is it likely to continue for 1, 2, 3, 4 years? What is just your own estimate?

Secretary FREEMAN. Well, my own estimate would be that they will be seeking to import maybe 5 to 8 million tons of wheat again for the next crop year, and whether this will continue will depend upon some developments that can only be guessed at now.

For example, if they move more aggressively toward the livestock part of their economy and consume some of the cereals through the medium of animal rather than human consumption they could conceivably need grain for some time to come.

On the other hand, the weather will be a factor in any event.

The CHAIRMAN. Yes.

Secretary FREEMAN. But my best estimate will be that they will need 5 to 8 million tons of wheat, part of which they would export to their normal bloc country customers, and that the United States might be in a position to supply up to half of that if the circumstances are favorable.

## QUESTION OF POTENTIAL FOR SALES OF NONBASIC AGRICULTURAL ITEMS

The CHAIRMAN. In your opinion, is there a significant potential for sales of nonbasic agricultural items such as citrus fruit or frozen poultry?

Secretary FREEMAN. Well, as a matter of fact, I asked Mr. Khrushchev—I thought of you at the time, Mr. Chairman—

The CHAIRMAN. I appreciate that.

Secretary FREEMAN. Why he didn't buy some poultry from us. I was kind of teasing him a little bit in a way, and we got onto this, and I said this is a very nutritious and very economical food, and he was quite familiar with it. But he said, he used this sign, with putting his hand and fingers together, and he said he wouldn't buy any because he didn't have any money. He said, "If I have to choose between fertilizer and chickens," he says, "I will take fertilizer," and then he went on to say maybe they would produce them themselves.

But, by and large, he made it quite clear that they, I think, would use their resources to buy productive equipment and to import that agriculture that could be imported the most cheaply, would be the cereal. Their people are heavy cereal eaters anyway by custom and habit.

## U.S. SALE OF RICE TO RUSSIA

The CHAIRMAN. Yes. Are all surplus agriculture commodities under which export subsidies are paid now being cleared for sale for the Soviet bloc?

Secretary FREEMAN. The only other commodity upon which there are price supports is rice, and a sale was made of 50,000 hundred-weights of rice some months ago—tons, 50,000 tons of rice.

The CHAIRMAN. To whom?

Secretary FREEMAN. To the Soviet Union.

The CHAIRMAN. When was that done?

Secretary FREEMAN. Two, three months ago.

The CHAIRMAN. For cash?

Secretary FREEMAN. For cash.

The CHAIRMAN. Has it been delivered; do you know?

Secretary FREEMAN. I believe it has, yes.

Senator LAUSCHE. Was it after you had visited with Khrushchev?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Some of it was Arkansas rice.

Secretary FREEMAN. It must be—I am advised it was probably all Arkansas rice.

The CHAIRMAN. It is the best rice, no question about that. [Laughter.]

## U.S. POSITION ON BILATERAL AGREEMENTS

Has the department's experience in connection with the sales to the Soviet bloc indicated any need for any type of trade agreement with those countries?

Secretary FREEMAN. No. I think if we can work out some arrangements in connection with the shipping that American private grain traders will be perfectly able to negotiate and to sell significant amounts of wheat in competition with other countries.

The CHAIRMAN. What I had in mind is I understand the Germans, being the leading trader with the Soviet bloc, have a bilateral agreement which deals not only with materials and sets certain limits as to amounts, but also deals with such things as arbitration of disputes and any incidental activities that usually accompany trade.

I wondered, if there is any future to trading with them, why some similar agreements wouldn't be appropriate?

Secretary FREEMAN. Well, I think it has been our position, and I am sure this is one of the things this committee will want to review,

that it is to our national interests and that of the free world to operate under the most-favored-nation principle and to deal in world trade based upon this standard of selling in the international market rather than engaging in bilateral agreements which tend to stratify trade and to limit rather than to expand it. We have not supported, as a matter of fact we have been critical of, as a matter of policy, of bilateral arrangements.

#### MOST-FAVORED-NATION PRINCIPLE AND DEVELOPING COUNTRIES

The CHAIRMAN. There is a great deal of discussion going on with regard to the underdeveloped countries, in this case not the Communist bloc particularly, to the effect that the most-favored-nation principle which we have favored for a long time may have to be breached if we are to do anything significant for these underdeveloped countries.

Secretary FREEMAN. Well, we are exploring and, as a matter of fact, the GATT negotiations themselves will explore the workability of international commodity agreements with which you are very familiar, Mr. Chairman, and to an extent an international commodity agreement is obviously a bilateral or multilateral arrangement, and in this instance, when we are discussing the raw material sales from developing countries which are subject to the swings of the commodity markets internationally, it may very well be that some such arrangements could be to mutual advantage.

#### COFFEE LEGISLATION

The CHAIRMAN. Since you have mentioned the matter of commodity agreements—I did not intend to bring it up; it is not particularly appropriate here—the coffee legislation I do not believe has yet been passed. Are you aware of that?

Secretary FREEMAN. I knew that it had run into some difficulties.

The CHAIRMAN. Some difficulties.

Secretary FREEMAN. Yes, sir.

#### PROVISION OF EXPORT SUBSIDIES TO MEET WORLD PRICES

The CHAIRMAN. Are export subsidies and other aids in meeting world prices normally provided by the other free world countries, particularly our allies, to the Soviet bloc in the same manner as they would to free world nations?

Secretary FREEMAN. Yes. So far as I know, they are used, although they would be pretty well masked in such instances through the bilateral arrangements that would provide for all kinds of circumstances. But basically I am sure that the Soviets would insist on meeting world prices, and otherwise they would go shopping somewhere else.

#### EFFECT OF U.S. BOYCOTT ON FOREIGN GOODS

The CHAIRMAN. Did you run into any comments on the public demonstrations in this country against foreign goods, such as the boycott on Polish ham?

Secretary FREEMAN. Yes; I did. I ran into this everywhere in Poland, and the same thing was true in Yugoslavia, and I think it

cost us a sale of wheat of about 100,000 tons in Yugoslavia, and when I took their purchasing man to task on this, and said quite sharply to him that we were not very favorably impressed in a purchase of wheat made for them in Canada in dollars when they had been made in the United States significantly for dinars, he was most apologetic and concerned about it, but said at that time that because of the most-favored-nations status having been removed, that they simply didn't know how they could possibly buy anything for dollars because they couldn't sell anything, and this, combined with the efforts to boycott the limited commodities that they could sell here to build up some kind of dollar balances, meant they had felt they had to go shopping elsewhere where they could sell.

## POLISH REACTION TO BOYCOTT

The CHAIRMAN. The Poles' reaction wasn't very favorable to the boycott?

Secretary FREEMAN. No; it was an equally concerned one.

The CHAIRMAN. The boycott was contrary to the announced policy of our Government, was it not?

Secretary FREEMAN. It was; and I think this was understood by the Polish Government officials, but it was not understood by others.

## AWARENESS OF SOVIET PEOPLE REGARDING AGRICULTURAL DIFFICULTIES

The CHAIRMAN. In your travels in Russia and in what contacts you had with the people, were they aware of the difficulties the Soviets suffered in agriculture?

Secretary FREEMAN. Yes. I think I would say they were aware of it.

The opportunity that was mine to communicate with the average Russian citizen was limited. It had to be done through interpreters and, of course, with Russian officials in the vicinity.

However, the struggles have been such, and the changes have been such that even in the discussions with the officials themselves, as you got to exploring the grounds with them, it was quite clear that they realized that they had not reached a standard comparable to ours. As a matter of fact, Khrushchev himself made no bones about that, and he said they sought to copy and to do equally well.

They did feel, I think, that they were making progress on the places we visited. Those places were, by and large, superior to the average and, perhaps, significantly so.

## EFFECT OF SHIPPING REQUIREMENT ON TRADE

The CHAIRMAN. Could you tell us to what extent the requirement of shipping 50 percent of our grain to the Soviet Union in U.S. bottoms has affected this trade?

Secretary FREEMAN. I think that it has prevented trade that otherwise would have taken place.

The CHAIRMAN. Does it tend to make us noncompetitive?

Secretary FREEMAN. Yes; it does.

The CHAIRMAN. Do you have available approximately what this differential is? I have heard many varying figures. Could you say very briefly what it costs to ship?

Secretary FREEMAN. I would just use these figures as round numbers, that it would cost us \$15 to \$18 a ton, let us say \$12 to \$18 a ton, to ship on an American bottom, and it would cost probably \$6 to \$12 a ton to ship on another ship.

The CHAIRMAN. Does that mean that it is roughly twice as much?

Secretary FREEMAN. Well, it would run from one-third to twice as much.

Senator LAUSCHE. Repeat that figure on what it costs again, Mr. Secretary.

Secretary FREEMAN. I made them purposely very broad. I am not an expert in this field, but I said it would run from \$6 to \$12 a ton under other ships, and it would cost \$12 to \$18 a ton to ship in American bottoms. With respect to the other ships, I am speaking of world shipping rates on tramps.

The CHAIRMAN. These rates vary in accordance with the demand?

Secretary FREEMAN. Yes.

The CHAIRMAN. It is not fixed?

Secretary FREEMAN. Yes. It is fixed on the big liners. They are the so-called conference rates.

The CHAIRMAN. But these tramp steamers will get what the market will bear?

Secretary FREEMAN. Yes. But within that concept it can run twice as much per ton.

The CHAIRMAN. Yes.

Secretary FREEMAN. They are talking about ships from New York, say, to Odessa.

The CHAIRMAN. Yes.

Secretary FREEMAN. Yes.

The CHAIRMAN. Do you have any authority presently to increase the export subsidy to compensate for increased shipping costs?

Secretary FREEMAN. No.

The CHAIRMAN. Does the Commodity Credit Corporation—

Senator LAUSCHE. May I ask a question on that point?

The CHAIRMAN. Yes.

#### COST OF HARD WHEAT TO RUSSIANS

Senator LAUSCHE. Did you sell Hard Durum wheat at a price below what you were selling it in order to enable the shippers to pick up the difference in cost?

Secretary FREEMAN. No. This was just a happy coincidence, Senator, that we had an excessive amount of Durum on hand, over 2 years' supply, and in this instance when the bid was made for the quantity involved, why, we jumped at the opportunity, and whether it had been to a sale for the Soviet Union or anybody else, we would have made the sale, because the amount of Durum on hand is so far in excess of our foreseeable needs, and the cost of carrying it was so heavy in this instance—

Senator LAUSCHE. Was that price for which you sold lower than what you had been selling Durum wheat theretofore?

Secretary FREEMAN. That is correct, yes.

Senator LAUSCHE. How much lower?

Secretary FREEMAN. It was about 14 cents.

Senator LAUSCHE. A bushel?

Secretary FREEMAN. 14 cents a bushel. It would have been between 60 cents to 74.

Senator LAUSCHE. May I ask another question on that? Have the sales that have subsequently been made of the Hard Durum wheat been higher than the rate we just described?

Secretary FREEMAN. No, they were the same rate roughly, making allowances for the position of the Durum, at the time of the year for shipment, and its transportation. So the subsidy amounts, with these adjustments, were the same.

#### BID-SUBSIDY SYSTEM ON DURUM WHEAT

Senator LAUSCHE. I sent a letter to your Department asking for an identification of the price for the sale of Hard Durum wheat in the five sales made immediately preceding the transaction which I just identified and the five sales made immediately thereafter. I think that—

Secretary FREEMAN. So I may not mislead you, and we will respond to your letter, we did make sales both before and after at a much lower subsidy, but because these were very small sales they did not—they were not at all comparable to the magnitude of this sale, which was the reason why we were willing to increase the subsidy.

You see, we established almost a year ago last July where Durum was concerned a bid-subsidy system. We did that just because we had such heavy surplus hoping to invite bids for significant quantities, and so we responded to that bid accordingly, as you know. Where smaller amounts are concerned, we have not because we did not wish to lose income to ourselves thereby without selling any significant amount or disrupt international markets in Durum.

Senator LAUSCHE. Is this transaction which we are talking about the first one that was made of a large sale quantity at a reduced price?

Secretary FREEMAN. Yes.

Senator LAUSCHE. And by coincidence it fitted in to help the seller of the large quantity of wheat to Russia in carrying his excessive transportation cost?

Secretary FREEMAN. That is right.

#### CCC AUTHORITY TO SELL SURPLUS COMMODITIES ON CREDIT TERMS

The CHAIRMAN. Does the Commodity Credit Corporation have authority to sell surplus commodities to exporters on credit terms?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Have there been any Commodity Credit sales on credit to exporters who have sold these goods in turn to bloc countries?

Secretary FREEMAN. Let me get on the first question, to sell the exporters on credit terms?

The CHAIRMAN. Yes.

Secretary FREEMAN. I am not quite sure what this means. We have, and we do have, authority to make sales of our Commodity Credit Corporation stocks to exporters for export to other countries for—on credit terms, but before we would grant such credit, we get a binding commitment by the exporter as to the destination. It would not involve an extension of credit to exporters, who would just

purchase for resale as they may see fit. I hope I could clear the record on this, Senator Fulbright.

#### SATELLITES' WHEAT REQUIREMENTS AND PURCHASES

The CHAIRMAN. I just wanted the record clear on how this works. To what extent, if any, were the purchases of wheat by Russia necessary to fill commitments made to bloc countries.

Secretary FREEMAN. Well, I don't know offhand, but this was a part of it. The exact magnitude of commitments to bloc countries I do not know. But we have some pretty good idea, and we would be happy to submit it for the record.

The CHAIRMAN. Could you submit for the record whatever you know about that.

Secretary FREEMAN. Yes.

(The information referred to is as follows:)

Russia, up until the current year, has been a major wheat exporter. In the past 5 years, these exports have averaged about 5 million tons annually. Most of these, about 3.5 million tons, have been shipped to the East European satellites of East Germany, Czechoslovakia, and Poland. Smaller quantities have gone to Bulgaria and Hungary. Rumania is self-sufficient in wheat and, in fact, is shipping 400,000 tons to the Soviet Union this year. Total imports of the satellites from all sources have averaged about 4.4 million tons in recent years.

Therefore, based on average imports and allowing for production levels in 1963, estimated total wheat import requirements of the satellites are as follows:

	<i>Tons</i>		<i>Tons</i>
East Germany-----	1,400,000	Rumania-----	0
Czechoslovakia-----	800,000		
Poland-----	1,800,000	Total estimated im-	
Bulgaria-----	375,000	ports-----	4,825,000
Hungary-----	450,000		

This total is about 10 percent above the recent average.

In the absence of supplies from the Soviet Union these countries, with the exception of East Germany, have made substantial purchases from Western countries. Known purchases to date are as follows:

	<i>Tons</i>		<i>Tons</i>
East Germany-----	275,000	Bulgaria-----	350,000
Czechoslovakia-----	410,000	Hungary-----	465,000
Poland-----	1,735,000		

These purchases indicate that Poland, Bulgaria, and Hungary need little, if any, wheat from the Soviet Union. Barring further purchases from Western countries, East Germany would need about 1,100,000 tons and Czechoslovakia about 400,000 tons. Thus, the total demand on the Soviet Union this year would be about 1,500,000 tons, in contrast with the recent average exports of 3,500,000 tons.

The extent to which wheat purchased by the Soviet Union from the West or from Rumania has been transshipped to East Germany and Czechoslovakia is not known. It has been reported that some Canadian wheat sold to the Soviet Union has been transshipped through Hamburg by rail and barge to East Germany. However, the bulk of both the United States and Canadian shipments are to Black Sea ports.

In the final analysis, whether imported wheat is shipped direct to satellites or replaces domestic wheat shipped to them, the purchases by the Soviet Union are of sufficient size to take care of the remaining satellite requirements as well as those of Russia itself.

## RUSSIAN SHIPMENT OF WHEAT TO BLOC COUNTRIES

Senator LAUSCHE. Mr. Chairman, I just had written down what I was going to ask you to ask: Has Russia sent wheat to any of the other nations of the Communist bloc as it did to Cuba following the purchase of U.S. wheat? Your answer is yes to that, isn't it?

Secretary FREEMAN. No. My answer is that Russia had agreements with the so-called satellite countries. Those agreements in whole or in part could have been met out of the American shipments either directly or indirectly. However, the satellite countries have purchased a substantial portion of their wheat requirements directly from Western countries rather than dealing through the Soviet Union. Early indications were that the Soviet Union might buy as much as 4 million tons including requirements of the satellites, but it subsequently developed that they were thinking of about 2.5 million tons, and that the additional 1.5 million tons would be negotiated directly by the satellite countries. We have had some sales as a part of this to some of the satellite countries.

Senator LAUSCHE. Do I understand that you have a pretty good knowledge of some shipments of wheat that were made to the bloc countries?

Secretary FREEMAN. We have a pretty good knowledge from the Soviet Union, you mean?

Senator LAUSCHE. Yes.

Secretary FREEMAN. Yes. I think so; do we have those figures, Gene?

## SOVIET WHEAT PURCHASES FROM SATELLITE COUNTRIES

Mr. OLSON. Yes, sir. In response to the initial question, we have no information whether or not the Soviets have shipped grain to the bloc countries, Eastern European countries, since they bought from us, and quite to the contrary, they bought 400,000 tons from Rumania—reversed the process.

The CHAIRMAN. The Soviets bought from Rumania?

Mr. OLSON. That's right, sir.

The CHAIRMAN. I see.

Senator LAUSCHE. That was before its purchase from us?

Mr. OLSON. The timing on that I would say would be during the period when they were in the negotiations with us which led to purchases in January.

Senator LAUSCHE. You could place in the record the situation as it prevails with respect to this question, if you will?

## REQUEST FOR AMOUNTS OF SOVIET SALES AND U.S. SALES TO BLOC COUNTRIES

Secretary FREEMAN. You would really like to know, Senator, as I understand it, since our sale or at least coterminus with it, whether the Soviet Union has sold any wheat to the satellite countries?

Senator LAUSCHE. The members of the Communist bloc.

Secretary FREEMAN. Members of the Communist bloc, and if so, how much?

Senator LAUSCHE. And if so, to what countries, and in what quantities.

Secretary FREEMAN. What amounts; and, secondly, I gather the sales that we have made to the so-called bloc countries other than the Soviet Union?

Senator LAUSCHE. That would be fine.

Thank you.

(The information subsequently furnished appears on p. 162.)

#### SOVIET PURCHASES OF CUBAN SUGAR

The CHAIRMAN. Do you know whether Russia's purchases of sugar from Cuba have been in excess of her normal purchases and needs and the needs of her satellites?

Secretary FREEMAN. I frankly do not know.

The CHAIRMAN. You have no information on that?

Mr. OLSON. The purchases are in excess.

Secretary FREEMAN. Whether Russia has purchased from Cuba in excess of her own domestic needs of sugar?

Mr. OLSON. I do not know.

The CHAIRMAN. You do not know?

Secretary FREEMAN. We will try to find out. I really do not know the answer.

The CHAIRMAN. I do not know that it is vital, but if you have some information about the purchase of sugar from Cuba please give it to us.

(The information referred to follows:)

Based on the record of sugar exports from the U.S.S.R. in recent years, it is clear that that country's purchases of sugar from Cuba have been in excess of its needs and the needs of the satellites.

Prior to 1960, U.S.S.R. purchased from Cuba at the rate of about 500,000 metric tons annually. Since then they have imported from 1 to 3.3 million tons annually.

Prior to 1961, exports by the U.S.S.R. averaged about 200,000 tons annually to about a dozen countries, most of which had common borders with the U.S.S.R. but only two or three of which were satellites. Beginning that year and since then the rate of exports has been almost 1 million tons to about 40 countries yearly.

Approximately 40 percent of the increased sugar importations from Cuba which began in 1960 have been used to make additional sugar available for export.

#### TRADE BETWEEN RUSSIA AND COMMUNIST CHINA

The CHAIRMAN. Is Russia purchasing from other sources agricultural commodities such as soybeans, meat, and so on, she formerly purchased from Communist China? Do you know anything about that?

Secretary FREEMAN. No, I do not know anything about that.

The CHAIRMAN. Do you have any knowledge about trade between Communist China and Russia within the last year?

Secretary FREEMAN. Mr. Olson, you have been following this. Do you have any information about the adjustments in Russian-Chinese trade?

Mr. OLSON. The information we have, sir, is it has gone down, there is no question about that. But we do not have exact information as to the extent that it has dropped.

(The following information was subsequently supplied for the record:

## COMMUNIST CHINA-U.S.S.R. TRADE TRENDS

According to official Soviet statistics, total trade between Communist China and the Soviet Union reached a peak of over US\$2 billion in 1959, with the larger part of the trade being credited to China.

Since 1959 there has been a precipitous drop in trade between the two countries. Total trade between the two countries in 1962 was, roughly, one-third of the 1959 high. Although no trade data are available for 1963, the same general trend is expected (see table 1).

The decline of Soviet exports to Communist China was much greater than the decline of exports from China to U.S.S.R. Whereas Soviet exports to China in 1962 were less than one-fourth those in 1959, exports from China to the U.S.S.R. were down about one-half.

The larger balance which appears between the trade figures for the two countries since 1960 accrues to the benefit of the Chinese only to the extent that such "favorable balances" are being used to liquidate the large deficit which the Chinese incurred over a period of time as a result of loans from the Soviet Union. In 1961, the agreed debt was \$320 million. The Chinese claim they will liquidate the debt by the end of 1965.

A commodity breakdown of trade between the U.S.S.R. and Communist China for 1960-62 is shown in table 2. Pending a change in the current strained relations, the Soviets are not likely to construct more industrial plants, the largest single export item in 1960. Food grains and food preparations from the U.S.S.R. likely will be stopped and a gradual decline in the export of other commodities is expected in the years immediately ahead, although it is a matter of speculation as to when or if trade in these commodities will be curtailed completely.

It is likely that exports from Communist China to the U.S.S.R. will remain at about the level of 1962 until the debt is liquidated. While agricultural commodities (mainly edible oilseeds, meats, grains) in 1959 accounted for over 25 percent of the Chinese export to Russia, by 1961 it had dropped to about 3 percent and is expected to continue at about this level for the next few years. Textiles and clothing, previously a major export, are expected to remain one of the important commodities in the total exports to the Soviet Union.

TABLE 1.—Trade between Communist China and Soviet Union, 1955-62<sup>1</sup>

[In millions of U.S. dollars]

	Chinese exports to U.S.S.R.	U.S.S.R. exports to Communist China	Total trade	Surplus (+) or deficit (-)
1955.....	643.5	748.4	1,392	-104.9
1956.....	764.2	733.0	1,497	+31.2
1957.....	738.1	544.1	1,282	+194.0
1958.....	881.3	634.0	1,515	+247.3
1959.....	1,100.0	654.6	2,054	+145.4
1960.....	839.7	809.0	1,649	+30.7
1961.....	545.9	363.7	910	+182.2
1962.....	511.2	231.2	742	+280.0

<sup>1</sup> Source: Official U.S.S.R. trade statistics.

TABLE 2.—Sino-Russian trade, 1960-62

[In millions of U.S. dollars]

## CHINESE IMPORTS FROM U.S.S.R.

	1962	1961	1960
Complete plant.....	8.8	78.1	370.2
Other machinery and equipment.....	18.3	28.9	128.7
Petroleum products.....	79.8	119.5	100.0
Steel products.....	16.5	18.3	36.7
Cereals <sup>1</sup> .....	20.6	17.4	-----
Others.....	87.1	101.5	173.4
Total.....	231.2	363.7	809.0

## CHINESE EXPORTS TO U.S.S.R.

	1962	1961	1960
Metal ores, concentrates.....	35.0	47.8	60.6
Metals and alloys.....	32.2	42.5	61.0
Oilseeds.....	-----	1.2	42.7
Rice.....	20.2	0.3	54.7
Textiles <sup>2</sup> .....	117.2	123.1	138.2
Clothing.....	179.3	173.5	190.1
Others.....	127.3	153.5	292.4
Total.....	511.2	545.9	839.7

<sup>1</sup> Rye, wheat, and flour.<sup>2</sup> Consisting of cotton, wool, silk, but excluding clothing.

Source: Official U.S.S.R. trade statistics.

The CHAIRMAN. What were the principal products that Russia purchased from China?

Mr. OLSON. The major product was the pork, and soybeans, and those are the two that I can recall offhand, sir.

## SOURCE OF WHEAT INVOLVED IN WEST GERMAN FLOUR SALES TO U.S.S.R. AND COMMUNIST CHINA

The CHAIRMAN. I noticed in one table that I saw the other day that, I think, the No. 1 item which West Germany was selling to mainland China was flour. Do you have any knowledge whether that was flour which was made from American wheat which they purchased from us? Do you know anything about that?

Secretary FREEMAN. Well, you can look—we can find out very quickly, and I do not have them here, the figures on the German wheat purchases from us. I would just suspect that that would be a blend that would include some of our hard wheat and probably some of the soft wheat.

I am handed here figures which say that, prior to this year, West Germany did not export agricultural commodities to the U.S.S.R. It did export small quantities of flour to the Soviet bloc countries, principally Hungary.

During 1963-64, West Germany will export about 400,000 tons of whole wheat equivalent to U.S.S.R., and 166,000 tons to Hungary. West Germany will import about 200,000 tons of wheat from the United States. In 1963-64, there does not appear to be any direct connection between West German imports of wheat from the United States and her exports of flour to the Soviet Union.

## GERMAN EXPORT OF FLOUR TO CHINA

The CHAIRMAN. Well, this particular item related to Communist China. Do you have any information about that? I think I recall reading some of these tables. I confess it is very difficult to keep them all in mind. I think they were either 1962 or 1963 figures, by countries, and I think the No. 1 item on exports from Germany to China, not Soviet Russia, was flour. I may have been mistaken. Do you know?

Mr. VICKERY. In 1961-62, Germany exported about 1 million tons of flour, and about 750,000 tons of this went to Communist China.

The CHAIRMAN. To Communist China?

Mr. VICKERY. Yes, sir. She did not export to the Soviet Union. She exported in 1962-63 small quantities of flour to Hungary.

The CHAIRMAN. Was that export of flour by Germany to China in accordance with her normal trade patterns with Red China?

Mr. VICKERY. It was unusual. It is the first time.

The CHAIRMAN. Is it likely that that export of flour was made from American wheat?

Mr. VICKERY. Well, sir, during that year Germany imported about 400,000 tons of wheat from us, which is larger than she has imported this year.

The CHAIRMAN. Yes.

Mr. VICKERY. I do not know that there is any direct connection.

## GERMAN PURCHASES OF U.S. WHEAT AT WORLD PRICE

The CHAIRMAN. Is the price at which Germany purchases wheat from us substantially below, or about the same as, the domestic price which, I understand, is fairly heavily subsidized in Germany?

Secretary FREEMAN. She purchases from us at the world price, and her own domestic price is almost twice that high, or it is twice that high.

The CHAIRMAN. So, in effect, she is doing business, with our wheat, with other countries, and I assume making a profit on it; is that correct?

Secretary FREEMAN. That is correct.

The CHAIRMAN. Is there any effective way you can think of that this can be stopped, other than just refusing to sell Germany wheat?

Secretary FREEMAN. Well, we have to—the only way, really, would be if there were some kind of an international commodity arrangement that sets a price which will be one significantly higher than the world price which, today, many, many economists feel is less than it should be in terms of the value of the product.

## PROFIT LOSS ONE RESULT OF U.S. RESTRICTIONS

The CHAIRMAN. The point I am trying to get at is that this policy of restricting selling advocated by some, leads, it seems to me, down a blind alley. If we do not sell to Communist China or Red Russia, or satellite countries, why, they get it from our allies. It is not very easy for us to take the position that we won't sell to Germany, or to the United Kingdom, or to France, is it?

Secretary FREEMAN. I quite agree with you, Mr. Chairman. This is certainly true in food where they have to; they have, and they

are going to continue to, and I think we are just defeating our own self-interest in sitting back stubbornly and saying, "You go ahead and fill the market and profit from it."

In the instance you speak of now Germany can take wheat, get it from us at the world price and then proceed to mill it and sell it at a very handsome profit.

The CHAIRMAN. We have flour mills that can turn this wheat into flour, don't we?

Secretary FREEMAN. We surely do.

The CHAIRMAN. That gives employment?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Wouldn't it be more sensible for us, wherever there is a market for flour, to supply the flour rather than the wheat to some friendly country?

Secretary FREEMAN. Yes, sir.

#### CONCLUDING REMARKS

The CHAIRMAN. I think the time is late. Unless you can think of something we have overlooked, we will close. You have been extremely helpful. It has been an excellent discussion. Do you have anything you can think of that would enhance the value of this record?

Secretary FREEMAN. No. I would second—I think the closing statement that was made by Governor Hodges when he appeared before the committee—that I think an overall look at the laws that have come into being over a period of some time, in response to various circumstances such as the Johnson Act, and the Battle Act and others, seeking to establish a consistent overall policy in light of modern circumstances, would be very, very useful.

I would further say that I think that there is no black and white, there is no easy answer either as to a relationship with a given country at the time a decision had to be made or a commodity or technology or machines or what it may be, but that the political and the economic, and the whole question of international events at that time and place have to be taken into consideration. But we need to apply to them, I think, quite rationally and quite methodically, and I believe that we should do a better job of this.

The principles of our own national self-interest are recognizing that they seek to further communism around the world, and we must not contribute to that end. But, by the same token, we ought not to subject ourselves to weaken our own position, our own economic well-being, by merely being stubborn or responding emotionally and illogically to circumstances in which we can further our own national interests by being more realistic and more flexible.

#### INQUIRY AS TO PREPARATION OF LEGAL MEMORANDUMS

The CHAIRMAN. With regard to that point about the various laws which affect this matter, has anyone in your legal division prepared a memorandum or study about these and made any recommendations to you?

Secretary FREEMAN. No, sir.

The CHAIRMAN. Is there anyone engaged in that now?

Secretary FREEMAN. Not in the Department of Agriculture as such. I am not sure whether Commerce or State are undertaking it.

The CHAIRMAN. I just thought that if such a study had been made or was in the process of being made, it might be very useful to us. You are not prepared, I take it, to make a recommendation as to any changes in the law?

Secretary FREEMAN. No, sir.

The CHAIRMAN. I think before we ever get to that stage we had better understand just how it will affect this business, and I will have such a study made, and I thought maybe if you had something it could be useful to the committee.

#### LEGAL ANALYSES PREPARED AT TIME OF SOVIET SALES

Secretary FREEMAN. I think it might be useful to the committee to get for the record some of the legal analyses that were prepared at the time of the whole question of the wheat sale to the Soviet Union and whether it involved any violation of the Johnson Act and the Battle Act and all the rest.

The CHAIRMAN. Who has those? I am told we do have those.  
(The material follows:)

#### OPINION OF THE ATTORNEY GENERAL

DEPARTMENT OF JUSTICE,  
October 9, 1963.

The Honorable the SECRETARY OF STATE.

MY DEAR MR. SECRETARY: This is in response to Under Secretary Ball's letter of September 23, 1963, requesting my opinion concerning the application of certain Federal statutes to sales of U.S. wheat and other agricultural products to the Soviet Union and Eastern European bloc countries. I understand that the precise form which these sales might take has not been determined, but that in any case they would be made for U.S. dollars, gold, or convertible currencies at not less than world market prices, and would not involve extensions of credit except within the range of those commonly encountered in connection with other commercial sales for export of the commodities involved. I have reviewed the relevant statutes and have concluded that they present no legal obstacle to such sales.

#### I. THE JOHNSON ACT

The Johnson Act, 18 U.S.C. 955, prohibits certain financial transactions by private persons in the United States involving foreign governments which are in default in the payment of their obligations to the United States. The prohibited transactions include the making of "loans" to, and the purchase or sale of "bonds, securities, or other obligations" of, a foreign government which is within the statutory category.<sup>1</sup> The Under Secretary's letter states that the Soviet Union is a government in default for the purposes of the act.

<sup>1</sup> 18 U.S.C. 955, provides:

"Whoever, within the United States, purchases or sells the bonds, securities, or other obligations of any foreign government or political subdivision thereof or any organization or association acting for or on behalf of a foreign government or political subdivision thereof, issued after April 13, 1934, or makes any loan to such foreign government, political subdivision, organization or association, except a renewal or adjustment of existing indebtedness, while such government, political subdivision, organization or association, is in default in the payment of its obligations, or any part thereof to the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

"This section is applicable to individuals, partnerships, corporations, or associations other than public corporations created by or pursuant to special authorizations of Congress, or corporations in which the United States has or exercises a controlling interest through stock ownership or otherwise. While any foreign government is a member both of the International Monetary Fund and of the International Bank for Reconstruction and Development, this section shall not apply to the sale or purchase of bonds, securities, or other obligations of such government or any political subdivision thereof or of any organization or association acting for or on behalf of such government or political subdivision, or to making of any loan to such government, political subdivision, organization, or association."

It is, of course, apparent that if the proposed sales of agricultural products to the Soviet Union should be made entirely for cash, no question under the Johnson Act would be presented. Moreover, since the act is expressly made inapplicable to Federal corporations, it would not apply to sales that might be made by the Commodity Credit Corporation. The latter is a corporation created by act of Congress (62 Stat. 1070, as amended, 15 U.S.C. 714), empowered to procure agricultural commodities for sale to foreign governments and to export or cause such commodities to be exported (62 Stat. 1072, 15 U.S.C. 714c). It should also be noted that, as provided by section 11 of the Export-Import Bank Act of 1945 (59 Stat. 529, as amended, 12 U.S.C. 635h), the Johnson Act does not apply to persons acting for or participating with the Export-Import Bank in any transaction engaged in by the Bank. The Bank itself, as a corporation created by act of Congress (12 U.S.C. 635), is exempted from the operation of the Johnson Act. Accordingly, the act would not interfere with export sales in which the Bank participated by issuing a guarantee of payment of the purchase price or otherwise. Nor would it apply to private insurance companies, acting through the Foreign Credit Insurance Association, which might participate with the Bank in the issuance of such guarantees. The Under Secretary informs me that such guarantees are a common feature of similar export transactions with other foreign governments and their agencies.

There remains for consideration the propriety under the Johnson Act of possible sales by private American firms on a deferred-payment basis. It is my opinion that such sales would not involve the making of "loans" within the meaning of the act. This view is consistent with the position taken by this Department under Attorney General Cummings (37 Op. Atty. Gen. 505 (1934)), and more recently in Assistant Attorney General Katzenbach's letter of January 19, 1962, to the General Counsel of the Department of Agriculture. The term "loan" in ordinary commercial usage denotes a contract by which one delivers a sum of money to another, and the latter agrees to return at a future time a sum equal to that borrowed, with or without interest. See e.g., *In re Grand Union Co.*, 219 Fed. 353 (C.A. 2, 1915); *National Bank of Paulding v. Fidelity & Casualty Co.*, 131 F. Supp. 121 (S.D. Ohio 1954). The right to defer payment for goods sold is not a loan but credit. See, e.g., *Dunn v. Midland Loan Finance Corp.*, 206 Minn. 550, 289 N.W. 411 (1939); *Bernhardt v. Atlantic Finance Co.*, 311 Mass. 183, 40 N.E. 2d 713 (1942); Whitney, *Modern Commercial Practices*, section 12 (1958). And the payment of consideration by a third party for an assignment of the buyer's obligation does not constitute a loan to either the buyer or the seller. See *Oil City Motor Co. v. C.I.T. Corp.*, 76 F. 2d 589 (C.A. 10, 1935); *G.M.A.C. v. Mid-West Chevrolet Co.*, 66 F. 2d 1 (C.A. 10, 1933); *Dunn v. Midland Loan Finance Corp.*, *supra*; 6A Corbin, *Contracts* section 1500 (Rev. ed. 1962). Accordingly, neither sales transactions by American exporters on a deferred-payment basis, nor payments made to such exporters by third parties in return for an assignment of the right to payment in connection with such sales, are "loans" to the purchaser of the exported goods in the ordinary sense of that term in legal and commercial usage.

Nor would the forms of credit transactions in which private exporters commonly engage in connection with export sales on credit, involving the assignment or negotiation of contract rights or commercial paper, violate the Johnson Act's prohibition against the purchase or sale of the "bonds, securities, or other obligations" of the governments to which the act refers. Since the right to receive payment in connection with export sales is not normally received by the seller in the form of bonds or securities, the issue presented by such transactions is whether they would involve the purchase or sale of "other obligations" within the meaning of the statute.

Although the assignment or negotiation of a contract right or commercial document resulting from the sale of goods on credit can be broadly termed a "sale" of the buyer's "obligation," it is not, in my opinion, proscribed by the Johnson Act. The act is a criminal statute, and therefore must be construed strictly, "lest those be brought within its reach who are not clearly included," *United States ex rel. Marcus v. Hess*, 317 U.S. 537, 542 (1943); *United States v. Resnick*, 299 U.S. 207 (1936); *Kraus & Bros. v. United States*, 327 U.S. 614, 621-622 (1946). For that reason and the reasons indicated hereafter, it is my view that the act must be interpreted, in accordance with the rule of ejusdem generis, to relate only to sales of bonds and securities and "other obligations" of like nature. The distinction here made is essentially that made in connection with both Federal and State enactments in the field of securities regulation: between obligations which are covered because they are, or are likely to be, widely distributed among members

of the public, and obligations which are not covered because they are issued in the ordinary course of trade and normally move exclusively within the relatively restricted channels of banking and commercial credit. See, e.g., Securities Act of 1933, sections 3(a)(3), 4(1), discussed in House Report No. 85, 73d Congress, 1st session (1933) 14 (exemption for "short-term paper \* \* \* of a type which rarely is bought by private investors"), and 1 Loss, "Securities Regulation" (2d ed.) 566 et seq., 653 et seq. (exemption for short-term paper and for nonpublic offerings); California Corporation Code section 25102(b)(c) (exemptions for "Bills of exchange, trade acceptances, promissory notes and any guarantee thereof, and other commercial paper issued, given, or acquired in a bona fide way in the ordinary course of legitimate business, trade, or commerce," and for promissory notes "not offered to the public or \* \* \* sold to an underwriter for the purpose of resale").

The foregoing interpretation of the Johnson Act is the necessary result of application of the reasoning employed by Attorney General Cummings in construing the act shortly after it became law in 1934 (37 Ops. Atty. Gen. 505, supra). That opinion, rendered at the request of the Secretary of State, reads in part as follows (id. at 512):

"The committee reports (S. Rept. 20 and H. Rept. 974, 73d Cong.) recite that the bill was introduced following an investigation by the Senate Committee on Finance and the revelation therein that 'billions of dollars of securities \* \* \* offered for sale to the American people' were overdue and unpaid; that some of these 'foreign bonds and obligations \* \* \* were sold by the American financiers to make outrageously high profits'; and stated a purpose 'to prevent a recurrence of the practices which were shown by the investigation to be little less than a fraud upon the American people \* \* \* to curb the rapacity of those engaged in the sale of foreign obligations. \* \* \*'

"This, I think, is indicative of a purpose to deal with such 'bonds' and 'securities' and with 'other obligations' of like nature, observing the rule of ejusdem generis—that is, obligations such as those which had been sold to the American public to raise money for the use of the foreign governments issuing them—not contemplating foreign currency, postal money orders, drafts, checks, and other ordinary aids to banking and commercial transactions, which are 'obligations' in a broad sense but not in the sense intended. It was obviously not the purpose of the Congress to discontinue all commercial relations with the defaulting countries."

Direct recourse to the legislative history of the act confirms that both distinctions here made—that between loans and commercial credit and between securities and commercial paper—reflect accurately the intention of Congress and the policy it sought to implement. As noted by Attorney General Cummings, it was obviously not the purpose of the Congress to interfere with the ordinary incidents of trade relations with the defaulting nations as distinguished from participation by them in the capital markets of the United States. Moreover, the debates provide numerous indications of Congress familiarity with the distinction between traffic in "bonds [and] securities" and commercial dealings. A parallel was drawn with the recently enacted securities acts in terms of the need to protect unsophisticated investors (78 Congressional Record 6048, 6052). Reference was also made to section 5 of the Reconstruction Finance Corporation Act (47 Stat. 7 (1932)), which expressly prohibited the making by the RFC of "advances \* \* \* upon foreign securities or foreign acceptances," or drafts and bills of exchange secured by goods in transit to Europe. See 78 Congressional Record 6051. The contrast in the language of the two acts, together with the context in which the Johnson Act was passed, makes it clear that the Johnson Act does not apply to the assignment or negotiation by an American seller, in the ordinary course of business, of contract rights or commercial paper resulting from sales of goods on normal commercial terms.

It should be understood that the types of transactions discussed above would violate the act, regardless of their purely formal characteristics, if used as a subterfuge to evade it. Thus, for example, extensions of credit for an inordinately long period might be used as a device to circumvent the prohibition against loans. This question need not be considered in detail here since you inform me that any extensions of credit that may be involved will be within the range of those commonly encountered in commercial sales of a comparable character. Subject to that qualification, I conclude that none of the transactions outlined in your letter would be prohibited by the Johnson Act.

## II. SECTION 2(c) OF THE AGRICULTURAL ACT OF 1961

Section 2 of the Agricultural Act of 1961 (75 Stat. 294; 7 U.S.C. (supp. IV) 1282 note), declares it to be " \* \* \* the policy of Congress to be—

\* \* \* \* \*

"(c) expand foreign trade in agricultural commodities with friendly nations, as defined in section 107 of Public Law 480, 83d Congress, as amended (7 U.S.C. 1707), and in no manner either subsidize the export, sell, or make available any subsidized agricultural commodity to any nations other than such friendly nations and thus make full use of our agricultural abundance \* \* \*."

The adoption of this declaration of policy followed the announcement by the Department of Commerce in June 1961 of a change in existing export licensing policy to permit the sale of subsidized surplus agricultural commodities to the Eastern European Soviet bloc. The announcement indicated that consideration would be given to approval of export licenses for shipments of such commodities, including commodities acquired directly or indirectly from Commodity Credit Corporation stocks, to the Soviet Union and other Eastern European countries, provided the commodities were sold for convertible currencies (hearings before the House Select Committee To Investigate and Study the Administration, Operation, and Enforcement of the Export Control Act of 1949, and Related Acts (87th Cong., 1st sess.), p. 109).

Section 107 of Public Law 480 (Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 457; 7 U.S.C. 1707), referred to in the declaration of policy, defines the term "friendly nation" to mean "any country other than (1) the U.S.S.R., or (2) any nation or area dominated or controlled by the foreign government or foreign nation controlling the world Communist movement." Public Law 480 authorized, inter alia, export sales for soft currencies and for long-term credits. See United States Code 1701, 1731. Sales of this character are authorized only with respect to "friendly nations," as defined in the act, but no restriction is imposed on commercial sales for cash or short-term credits.

During consideration by the House of the bill which became the Agricultural Act of 1961, Representative Latta, referring to the change of policy announced by the Department of Commerce, proposed adding to the declaration of policy already contained in section 2(c) the language: "and in no manner either subsidize the export, sell, or make available any subsidized agricultural commodity to any nations other than such friendly nations." He objected to selling subsidized agricultural commodities to the Soviet bloc—even sales not involving any element of assistance under Public Law 480—because sales at the world market price would, in his view, give bloc countries the benefit of subsidies paid by the Commodity Credit Corporation to American producers and exporters.<sup>2</sup> He urged that this was objectionable "in view of the world situation." After some debate as to the meaning and desirability of the amendment, it was adopted (107 Congressional Record 13746-13748). The conference committee accepted the amendment (H. Rept. 839, 87th Cong., 1st sess., p. 28).

It is clear that the policy declaration contained in section 2(c) does not have the legal effect of prohibiting commercial sales of subsidized agricultural commodities to bloc countries at world market prices for U.S. dollars, gold, or convertible currencies. Declarations of policy in legislation, like preambles and other introductory material, do not alter specific operative provisions of law. *Sinclair Refining Co. v. Atkinson*, 370 U.S. 195, 202 (1962); *Lauf v. E. G. Shinner & Co.*, 303 U.S. 323, 330 (1938); *Price v. Forrest*, 173 U.S. 410, 427 (1899); *Yazoo R. Co. v. Thomas*, 132 U.S. 174, 178 (1889); Sutherland, *Statutory Construction* (3d ed.), section 4820. This rule is particularly relevant where, as here, the

<sup>2</sup> Under sec. 407 of the Agricultural Act of 1949 (63 Stat. 1055, as amended; 7 U.S.C. 1427), the Commodity Credit Corporation is authorized to sell subsidized agricultural commodities owned or controlled by it for export at less than the domestic price. Representative Latta stated that under the Department of Commerce proposal "the American taxpayer will now [be] picking up the difference between the world price and the domestic price. \* \* \* The exporter would charge this difference to the taxpayer." 107 Congressional Record 13746-13748. In fact, as noted by Chairman Cooley of the House Agriculture Committee in debate on the floor of the House, since the commodities in question are surplus, the American taxpayer in each case has already "picked up" not merely the difference between the world price and the domestic price, but the entire amount of the domestic price. Export transactions can be said to involve a "subsidy" only because the losses incurred in maintaining the domestic price support program are not deemed realized until a sale occurs. The net result of export transactions, therefore, is to reduce the loss to the taxpayer by the amount of the world market price (id. at 13747).

declaration of policy was not contemporaneous with the enactment or amendment of any of the basic pertinent statutes: the Export Control Act, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act.<sup>3</sup>

I have examined the history of the declaration with care and find no indication that Congress itself viewed the amendment as more than an expression of its policy, to be given consideration by the Executive in making decisions within the framework of authorizations and prohibitions established by prior law. Representative Latta, who sponsored the declaration, himself stated that its purpose was to have the Department of Commerce know "what the sense of this Congress is" with respect to the transactions in question (107 Congressional Record 13746). And Representative Hoeven, one of its supporters, pointed out that the amendment "pertains only to the policy section of this bill" (id. at 13747). At no point in the legislative consideration of the declaration was any effort made to revise or to repeal the statutes that would have to be deemed amended if the policy were to be given binding legal effect.

The Congress could, of course, have embodied its policy in a provision of positive law to which the executive branch would have been bound to adhere. That it did not choose to do so is significant, not only in establishing that section 2(c) is without legal effect but in determining its proper interpretation and application as policy. Congress evidently contemplated that situations might thereafter arise in which the considerations of policy to which it was directing attention should not be decisive; that it would be necessary for the Executive to consider and appraise the policy thus declared and to determine whether its application would serve the national interest in particular situations. Both Congress and the courts have traditionally sought to avoid restricting the executive unduly in matters affecting foreign relations because of the need for flexibility in this area and the fact that the Constitution entrusts the external affairs of the Nation primarily to the Executive. *United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304, 319-321 (1936); *Chicago & S. Air Lines v. Waterman S.S. Corp.*, 333 U.S. 103, 111-114 (1948). If, therefore, the executive branch should determine that permitting the sales in question would serve the national interest at this time, its action would not only be lawful but consistent with the intention of Congress as to the manner in which section 2(c) was to be interpreted and applied.

### III. THE BATTLE ACT

I agree with the Under Secretary that the Mutual Defense Assistance Control Act of 1951 (65 Stat. 644, as amended; 22 U.S.C. 1611 et seq.) (the Battle Act), presents no legal obstacle to sales of agricultural commodities to Eastern European bloc countries. The Battle Act was designed to supplement the Export Control Act of 1949 (63 Stat. 7, as amended; 50 U.S.C. App. 2022-2032), which authorizes the President to "prohibit or curtail the exportation from the United States \* \* \* of any articles, materials, or supplies \* \* \* except under such rules and regulations as he shall prescribe." Pursuant to the Export Control Act, a comprehensive system of export licensing was set up to control the shipment of commodities from the United States to foreign countries. See House Report 318, 82d Congress, 1st session (1951). The Battle Act added to this system of regulation a mechanism for inducing other countries to embargo the shipment to the Soviet bloc of "arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in [their] production." See Senate Report 698, 82d Congress, 1st session (1951). The act provides (sec. 103, 22 U.S.C. 1611(b)) for the termination of all military, economic, or financial assistance to any nation upon the recommendation of the Administrator of the program, subject to review by the President in certain instances, if it "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 of the embargoed materials. The act contains a further declaration of policy regarding the export, by countries receiving assistance, of other commodities "which in the judgment of the Admin-

<sup>3</sup> Export Control Act of 1949 (63 Stat. 7, as amended, 50 U.S.C. App. 2021 et seq.) (authorizing the President to regulate exports, including their financing, transportation, and other servicing); Agricultural Act of 1949, sec. 407, supra (CCC authorized to sell agricultural commodities for export at less than support prices); Commodity Credit Corporation Charter Act, sec. 5, supra (CCC empowered to procure agricultural commodities for sale to foreign governments, and to export such commodities, or cause them to be exported, and to aid in the development of foreign markets for these commodities).

istrator should be controlled." Section 201, 22 U.S.C. 1612. If a country receiving assistance from the United States does not effectively cooperate in controlling exports of such commodities, all military, economic, or financial assistance is to be terminated upon a determination by the President of noncooperation. Section 203, 22 U.S.C. 1612b.

As indicated by the above summary of its provisions, the Battle Act did not purport to regulate private U.S. shipments to Soviet bloc countries, which were already subject to regulations under the Export Control Act. The Battle Act relates, rather, to trade with the Soviet bloc by countries receiving aid or assistance from the United States. Moreover, the transactions to which this opinion relates would be purely commercial in nature from the standpoint of the purchasing countries and would therefore not involve "economic or financial assistance" within the meaning of the Battle Act. The Commodity Credit Corporation assists exports of agricultural products through the payment to U.S. exporters of subsidies designed to eliminate the impact on such exporters of the domestic price-support program and thereby enable them to compete on an equal basis with foreign exporters. However, as the Under Secretary's letter states, the only "assistance" involved in the payment of such subsidies redounds to the benefit exclusively of U.S. producers and exporters.<sup>4</sup>

As to both points, the following colloquy between Senator Sparkman, the floor manager of the Battle Act in the Senate, and Senator Kem, who advocated a more stringent bill, is instructive (97 Congressional Record 10675):

"Mr. SPARKMAN. I should like to say that it does not make any difference what the United States is receiving [from the U.S.S.R.]. That is not a question. The question relates to trade between Soviet countries and countries to which the United States intends to extend help.

"Mr. KEM. Exactly.

"Mr. SPARKMAN. Either economic or military. It has nothing to do with trade between the United States and Russia or any other country.

"Mr. KEM. I did not intend to imply anything else."

Accordingly, it is clear that the act has no application to the contemplated transactions.

#### IV. THE EXPORT CONTROL ACT

The Under Secretary's letter properly states that in any event the export of agricultural products to the Soviet Union and to bloc countries would require the issuance of licenses in accordance with the export control regulations promulgated pursuant to the Export Control Act of 1949, *supra*.

I am not aware of any other Federal statutes relevant to the problems involved. Accordingly, it is my opinion that the transactions described in your letter could be accomplished in conformity with the laws of the United States.

Sincerely,

ROBERT F. KENNEDY,  
*Attorney General.*

Secretary FREEMAN. Well, the Attorney General went into this very carefully, so there is considerable legal analysis of that kind.

The CHAIRMAN. Thank you very much, Mr. Secretary. You have been very helpful, and I appreciate your taking this time to come up and consult with us.

Secretary FREEMAN. Thank you.

(Whereupon, at 12:35 p.m., the committee was adjourned.)

<sup>4</sup>This view is supported by my recent opinion to the Secretary of Agriculture of Aug. 29, 1963, regarding the applicability of the Cargo Preference Act to export sales on long-term credit negotiated by the Secretary of Agriculture with domestic exporters under title IV of Public Law 480. While the opinion concludes that the Cargo Preference Act applied because the purpose of the title IV long-term credit program was in substantial part "to assist" the foreign economy, it was stated that if the Department of Agriculture should sell surplus agricultural commodities to a domestic exporter for export purposes under a program designed to dispose of the goods on the best possible terms and conditions, "the resulting export is a purely commercial transaction \* \* \* and, hence, not subject to the Cargo Preference Act even if the United States advances credit to the exporter and the ultimate purchaser is a foreign government."

## EAST-WEST TRADE

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WEDNESDAY, APRIL 8, 1964

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 9:10 a.m., in room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senator Fulbright.

The CHAIRMAN. I always hesitate to start without some of my colleagues, but we are operating under rather unusual circumstances in the Senate these days.

The Senate comes in at 10, so we must cover a good bit of ground in a short period.

The committee will come to order.

### FUNCTIONS OF EXPORT-IMPORT BANK

The committee's hearings on East-West trade continue this morning with testimony from Mr. Harold Linder, the Chairman of the Board of the Export-Import Bank. The Bank has the sole function of aiding and facilitating the expansion of U.S. foreign trade. There has been considerable controversy within the Congress recently on what role, if any, the Bank should play in financing exports to the Soviet bloc. Provision in the foreign aid appropriation bill of last year prohibits the Bank from guaranteeing credits for the purpose of financing exports to Communist countries, unless the President determines that such assistance would be in the national interest. It will be helpful to this committee to have Mr. Linder appraise the implications of this action for future United States-Soviet bloc trade relations.

The Export-Import Bank also represents our Government in the Berne Union, a forum in which the industrialized nations discuss and exchange information on trade credit problems. Mr. Linder is undoubtedly in a position to contribute a great deal to our knowledge of the credit policies of our allies.

We are very glad to have you, Mr. Linder. I note you have a prepared statement which I am sure is well prepared, but I wonder if for our purposes you wouldn't insert the statement in the record and summarize it for our guidance. Then we could develop some of the points by questions. I think that a more complete record would be had that way inasmuch as many of our members are not here this morning.

**STATEMENT OF HAROLD F. LINDER, PRESIDENT, EXPORT-IMPORT BANK; ACCOMPANIED BY GLENN E. McLAUGHLIN, VICE PRESIDENT; AND WARREN GLICK, ASSISTANT GENERAL COUNSEL**

Mr. LINDER. In my statement, I indicate that the Export-Import Bank has authorized throughout its history about \$14 billion of loans, of which \$9.5 billion has been disbursed and \$5.7 billion, or roughly 60 percent has been repaid. We have earned gross about \$1.7 billion.

We will, by June 30, have paid approximately \$500 million in interest and \$400 million in dividends to the Treasury of the United States.

Our current operations for the calendar year just ended resulted in a profit of about \$180 million, of which \$50 million was paid in dividends, \$60-odd million in interest, and the balance was added to our reserves which now stand at about \$870 million. A very small percentage of our total authorization, roughly 1 percent, has been represented by business with countries that are frequently described as being members of the Soviet bloc. This includes Yugoslavia, which we do not consider is a member of the bloc. The criteria we use in lending I am sure you are familiar with, Mr. Chairman. But I make the point again that we do not compete with private capital, and that our Board is required by legislation to find reasonable promise of repayment of the loans we make.

**AGRICULTURAL FINANCING FOR EASTERN EUROPE**

In my statement, I describe this recent agricultural financing for Eastern Europe, why we are doing it, and the conviction of the administration that it is desirable from the point of view of the United States. We stand to gain at least as much as the Eastern bloc. We are doing this on the basis of what we regard as normal commercial terms. There is no absolute definition of what normal commercial terms are, but I think it is fair to say that if we wish to do business we must meet the competition. We make our terms no more advantageous to the buyers than the terms which are offered by other countries.

**TERMS FOR COMMODITY LOANS**

We did not deviate from our normal practice. For example, I describe a number of commodity loans that we have made in the past. There were repeated loans to the Japanese for cotton. I point out that it is impossible to obtain any substantial amount of participation by commercial banks in such loans even for a 1-year period, without a guarantee from the Export-Import Bank.

The CHAIRMAN. Even to Japan?

Mr. LINDER. That is correct, sir. Therefore, as I say, I make the point that these were normal commercial terms including a guarantee from us, which is needed.

I state that we do not regard Yugoslavia as a part of the bloc, even though it is admittedly a Communist country. I point out that the President has made a determination that agricultural products are appropriate for sale to the bloc, and all products in general for sale to Yugoslavia.

## BERNE UNION RULES ON CREDIT TERMS

I discuss to a limited extent the competitive trade which is being conducted by Western Europe with the bloc, most of which, in accordance with the Berne Union rules, has been limited to 5-year extensions of credit. There are one or two exceptions.

The U.S.S.R. is negotiating with the United Kingdom for longer term credits, but the United Kingdom is said to be asking an interest rate which thus far has not been acceptable to the buyer. To our knowledge no long-term loans have been consummated.

## PROSPECTS OF EAST-WEST TRADE

We believe that the prospects for East-West trade are exaggerated. Naturally, American manufacturers who see the possibility of selling substantial amounts of capital goods are anxious that we finance it, but, as I say, I think the general impression is that the prospects are exaggerated.

The primary reason is that the Russians think in bilateral terms. They want to balance their trade with each of their trading partners rather than to engage in multilateral trade because of a desire on their part to be as nearly self-sufficient as possible. Also, they have only limited gold reserves, so that if they do not balance their trade, they will deplete their reserves.

I conclude by saying that the Bank is willing to guarantee trade in appropriate amounts with Eastern Europe on terms up to 5 years where we find reasonable assurance of repayment when a policy decision is made by the administration. That summarizes my statement.

(The prepared statement of Mr. Linder follows:)

## STATEMENT OF HAROLD F. LINDER, PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK

Mr. Chairman and members of the committee, I appreciate the opportunity of appearing before you to discuss the operations of the Export-Import Bank as they relate to East-West trade. You have heard from the Secretary of State and other Cabinet members and I understand the Secretary of the Treasury will appear before you tomorrow. Basic policy decisions in this area are of course governed by the Congress through legislation and by the President in consultation with his Cabinet and other advisers. The Bank's role consists of advice on the financial aspects of transactions approved by the U.S. Government and financial assistance where appropriate.

While the chairman and a number of members of this committee are thoroughly familiar with our operations, I hope you will bear with me while I describe in capsule form the extent of the Bank's activities, so that you may appreciate fully how small a proportion of its resources have been used to facilitate trade between the United States and the Communist bloc since World War II. As a matter of history, it may interest you that the original Export-Import Bank came into existence in 1934 shortly after the United States recognized Soviet Russia and its purpose at that time was to facilitate trade between the United States and the Soviet Union. To date the Bank has not engaged in a single transaction with that country.

Since the Bank was organized, through December 31 of this past year, it has authorized loans, guarantees, and insurance of almost \$14 billion involving public and private buyers in about 100 countries. Disbursements have aggregated \$9.6 billion. The difference between these two figures represents participations by others, lapses, cancellations, and undisbursed commitments. Repayments of principal on these \$9.6 billion of disbursed loans through the same date have

aggregated some \$5.7 billion. Collection of interest and fees has amounted to somewhat more than \$1.7 billion. Out of this income the Bank has paid the U.S. Treasury \$475 million in interest on borrowed funds. It has also paid the Treasury \$356 million in dividends on the Bank's capital stock and has accumulated reserves against contingencies of \$870 million.

In calendar 1963, the Bank had gross earnings of \$180 million from interest and fees. It paid interest of some \$61 million on borrowed funds, most of which went to the Treasury, paid a dividend of \$50 million on its capital stock and added to its reserves some \$65.9 million. At the end of the year, the Bank had outstanding gross commitments of \$6 billion for loans, guarantees, and insurance.

The Export-Import Bank Act authorizes the Bank to finance U.S. exports without distinction as to the country of import. However, the Bank does not finance export transactions whenever such assistance would be inconsistent with our foreign policy. Thus the Bank is not prepared to finance exports intended for Communist China or Cuba and until recently was not prepared to finance transactions to the U.S.S.R. and other European Communist countries except Yugoslavia. We obtain the guidance of the State Department on questions of foreign policy and the guidance of the Treasury Department on matters of basic financial policy. Moreover, all our sizable loans and guarantees require the approval of the National Advisory Council on International Monetary and Financial Problems.

In addition to obtaining the guidance to which I have just referred, the Bank before making a commitment must satisfy itself that the obligor, whether private or government, offers reasonable assurance of repayment. We must determine that the proposed terms and other conditions of the credit are in accord with sound financial practice. In the case of guarantees to commercial banks we must receive reasonable compensation for our guarantee and be assured that the commercial bank is not receiving too large a return in the light of our guarantee. Finally, in accordance with the wise mandate of the Congress, the Bank must assure itself that the credit could not be placed privately on satisfactory terms or if so placed that the commercial bank would not grant the credit without our guarantee.

In October 1963 President Kennedy announced that the United States was prepared to sell agricultural commodities to the Soviet Union and other Eastern European countries. The announcement indicated that such sales would be concluded by private American dealers either for cash or on normal commercial credit terms. Prior thereto, and shortly thereafter, the Bank was approached by grain dealers as well as large commercial banks and asked whether it was prepared to guarantee credits that might be needed to facilitate the consummation of such sales. Our good friends, the Canadians, had offered terms on the basis of 25 percent down and the balance in three equal installments at intervals of 6 months and in some subsequent cases have extended longer credits. We knew that Western European countries with whom we compete were selling to the bloc on credit terms and our Board therefore decided after careful consideration that we would be prepared to extend similar facilities. I was convinced that the Bank's assistance would be needed as a result of our experience with commodity financing for other countries. But I talked with the presidents or chairmen of 12 of the largest banks located in various parts of the country, and we confirmed that these transactions could not be arranged without a guarantee from our Bank. After further consultation we settled on an appropriate rate of interest, namely 5 percent, and an equitable sharing thereof which allowed the commercial banks to retain 4 $\frac{3}{8}$  percent for use of their funds, with five-eighths of 1 percent to the Eximbank for its guarantee. We then made commitments in connection with the sale of \$25 million of wheat and corn to Hungary which involved our issuing guarantees up to a total of \$18.7 million.

In January of this year the Congress adopted an amendment to the Foreign Aid and Related Agencies Appropriation Act of 1964 which prohibited the Bank from issuing its guarantee on sales to Communist countries unless the President determines such guarantees to be in the national interest. On February 4 the President determined that it is in the national interest for the Bank to guarantee sales of U.S. agricultural products to the U.S.S.R., Poland, Czechoslovakia, Rumania, Bulgaria, and Hungary; and to guarantee sales of all U.S. products and services to Yugoslavia. Since then the Bank has issued additional guarantees to Hungary on sales of cotton, soybean meal, and dried milk, to the extent of about \$2.1 million, making a total of \$20.8 million of guarantees on \$28 million of sales to that country. Details on these transactions are included in an accompanying table.

There are those who argue that it is all right for the United States to make cash sales to the European Communist bloc, but take exception to participation by a Government institution in facilitating such a transaction. In considering this point I should like to refer to our experience in working out arrangements for the export of U.S. cotton. For example, in each of the past 12 years Japan has made large purchases of U.S. cotton, averaging \$60 million per year, through the facilities of the Export-Import Bank. For many years credits were extended directly but in recent years the Bank has guaranteed credits provided for such transactions by U.S. commercial banks. When in July of last year arrangements were made for the sale of cotton, it was agreed that the customary term of 1-year repayment would obtain. Interest was fixed by Eximbank at 4½ percent per annum. We then approached 22 U.S. commercial banks designated by the borrower and offered them the alternative of issuing the credit without our guarantee or making the credit with our all-risk guarantee. We would have been delighted if the banks had been prepared to extend the entire credit without our guarantee and retain the full interest of 4½ percent. In fact, however, only 5 major commercial banks were willing to advance \$7.1 million without our guarantee and thus earn the full rate of interest, while 17 commercial banks which extended the credit for the balance of \$52.9 million insisted upon the guarantee of Eximbank. This latter group of course received a lower rate of interest, the difference being the compensation for our guarantee.

In another credit involving \$125 million for the purchase of coal, timber, cotton, and other basic commodities, the entire loan could be placed only with our guarantee. It will interest you that two of the largest banks in the country, even with our guarantee, were willing to take only \$5 million each of that credit because their portfolios already contained very large amounts of the same borrower's obligations. Please note that in both the cotton credit and the credit to which I have just referred there was no downpayment, whereas in the agricultural transactions with European bloc countries in which we have participated, 25 percent has been required in cash.

I have gone into some detail in describing these transactions for the purpose of correcting the misapprehension, often repeated in the press, that the Bank has undertaken to make an exception to its normal procedures in order to facilitate the sale of agricultural products to the Eastern European countries. Let me point out that we have in nowise weakened our established procedures in offering the Bank's guarantees on these sales. On the contrary, may I emphasize again that on previous commodity transactions, no downpayments have been required, whereas on sales to Eastern Europe our terms require a downpayment of 25 percent in cash.

Apart from the recent short-term guarantees on sales of U.S. agricultural products to Hungary, the Bank has engaged in three transactions with European Communist countries since World War II. One was a loan of \$40 million to Poland. The two others were, first, a loan to Yugoslavia totaling \$55 million, made in 1950, after the President had determined to assist that country in strengthening its independence from Russian domination, and, second, a loan of \$50 million authorized in February 1961 as a result of a negotiation undertaken in the fall of 1960 by the United States and other countries as well as the International Monetary Fund. There is attached a table on current Eximbank financing and guarantees to Yugoslavia and Poland. I might mention that our 1946 loan to Poland has been reduced through repayments to some \$17.8 million.

Since the committee is concerned with trade with the entire Communist bloc, I should note that prior to Communist domination of mainland China the Bank had loaned \$200 million to that country. All but \$28.6 million of this has been repaid. The Republic of China (Taiwan) has resumed payments on a portion of these loans from which it has benefited, amounting to \$2.3 million. The balance of \$26.3 million on which no repayments of principal or interest are being received is in a standby status. Prior to the Castro takeover the Bank had three outstanding loans to American-owned companies in Cuba. These loans aggregate \$36.2 million and are in default in respect of both principal and interest.

As Secretary Rusk pointed out, the trade of Eastern Europe both within the bloc and with the West has increased dramatically in recent years. It is noteworthy, however, that while there has been a quadrupling of total foreign trade of Eastern European countries during the past 12 years, their trade with the free world has increased at a slower rate; i.e., two and a half times and their trade within the bloc has increased at the higher rate of five and a half times. Moreover, the trading concepts of the bloc countries differ substantially from those of the industrial West, not only in that all bloc trade is state controlled but also in

that there is a strong tendency toward bilateralism. Under such arrangements which in practice almost amount to barter transactions, each bloc country attempts to balance its exports to and its imports from each trading partner in the West. So long as this policy continues the opportunity for trade between the United States and the bloc is likely to be limited for the obvious reason that we want little of that which the bloc has to export. Accordingly, it is my opinion that the possibilities of expanding trade with the Soviet bloc are substantially exaggerated by some members of the business community who believe the Soviet market offers a large outlet for capital goods.

As to Western European experience in lending to Soviet bloc countries, the information is fragmentary both as to the amount of the credits and as to terms. During the past few years there appears to have been a rising flow of both short- and medium-term credits (up to 5 years) to the Soviet and to the other European bloc countries.

Of the credits outstanding to the Soviet Union, the total at the present is estimated at several hundred million dollars. This includes credits from Western European countries and Japan, and these all appear to be medium- and short-term export credits. No long-term projects credits have been reported. In the past few years there has undoubtedly been an increase in the average term of these credits. A few years ago, the bulk was short but most is now of medium term, extending 4 to 5 years. With respect to other Eastern European bloc countries, the total is perhaps about half of that to the Soviet Union.

In accordance with the practices of the members of the Berne Union (a coordinating group of Western countries involved in medium-term export credit insurance) supplier credits are extended to all countries for no more than 5 years and a downpayment usually is required. In dealing with members of the Berne Union, the Communist bloc countries are rarely able to obtain exceptions from the 5-year limitation on exporter credits, although in line with general practice, there have been guarantees of sales where the construction or erection period was not included in the 5-year repayment term.

So far as the Bank is aware, most Western European countries agree with the U.S. advocacy of limiting credits to Communist bloc countries to a 5-year period. The United Kingdom is evidently willing to finance longer term credits to the Communist bloc, although to date none has been announced. British long-term export credit facilities are set up in such a way that, with a guarantee of the export credit guarantee department of the board of trade, British banks and a pool formed by British insurance companies offer financing on terms up to 12 or 15 years provided that the project costs at least 2 million pounds excluding local costs, and the foreign importer makes a downpayment of 20 percent. Funds provided on terms up to 5 years cost 5½ percent and those over 5 years, 6½ percent. Presumably any future long-term export financing for purchases by the U.S.S.R. would fall into this pattern. The press has indicated that the United Kingdom is presently considering financing industrial plant equipment of as much as \$500 million for the U.S.S.R. on terms of up to 15 years. These negotiations have been underway for several months and it is said that the interest rate is a serious impediment.

In conclusion, the present position of the Bank in respect to trade with the Communist world is (1) the Bank clearly would not finance trade between the United States and Red China or Cuba; (2) the Bank is prepared to guarantee the sale of agricultural products to the Eastern European bloc, except East Germany, on terms competitive with those of other agricultural exporting countries; (3) the Bank, consistent with U.S. foreign policy, does not regard Yugoslavia as part of the Soviet bloc and therefore is prepared to guarantee the sale of limited amounts of capital goods as well as agricultural products to Yugoslavia; and (4) as to exports of U.S. nonagricultural products to Eastern bloc countries (other than, as I have said, Yugoslavia) the Bank would be prepared to assist in their financing on terms up to 5 years (the usual limit on medium-term credits) if this were in accord with U.S. Government policy.

## EXPORT-IMPORT BANK OF WASHINGTON

Financing of U.S. exports to the Soviet bloc and Yugoslavia—credits, guarantees, and insurance currently active as of Mar. 31, 1964,<sup>1</sup> excluding guarantees of agricultural commodity sales to Hungary

## PROJECT LOANS

[Amounts in thousands of dollars]

Country and borrower	Purpose	Date authorized	Amount authorized	Amount disbursed	Amount repaid	Amount outstanding	Rate (percent)	Terms (years)
Poland: Republic of Poland	Railway equipment	Apr. 24, 1946	40,000	40,000	22,188	17,882	3	20
Yugoslavia: Federal Peoples Republic	Materials and equipment	Aug. 10, 1950	55,000	55,000	35,750	19,250	3½	16
Government of Yugoslavia	Raw materials, machinery, and equipment	Feb. 16, 1961	50,000	39,100	-----	39,100	6½	16

## GUARANTEES

Country and obligor	Purpose	Date authorized	Amount authorized	Balance to be shipped	Rate (percent)	Term (years)
Yugoslavia: Tehnogredniye Ivo Lola Ribar	Power shovels Boring machines	Oct. 4, 1963 Oct. 10, 1963	130 330	130 330	6 6	4 5

## FCIA INSURANCE

Yugoslavia.—As of Feb. 29, 1964, the latest date available, there were \$14,000 of shipments outstanding under short-term political risk policies, and \$6,000 of shipments under short-term comprehensive policies.

<sup>1</sup> FCIA Insurance, as of Feb. 29, 1964.

*Guarantees of agricultural commodity sales to Hungary as of Mar. 31, 1964*

[Amounts in thousands of dollars]

Commodity	Date approved	Maximum Eximbank liability	Maximum contract price	Amount outstanding	Balance to be shipped
Corn.....	Nov. 30, 1963	1,669	2,130	1,347	-----
Do.....	do.....	839	1,070	700	-----
Do.....	do.....	839	1,070	636	-----
Do.....	do.....	1,223	1,560	1,533	-----
Do.....	do.....	1,113	1,420	743	-----
Do.....	Nov. 27, 1963	815	1,040	-----	-----
Wheat.....	Dec. 19, 1963	2,900	4,190	2,900	-----
Do.....	do.....	3,009	4,240	2,935	14
Do.....	do.....	6,090	8,260	6,055	34
Raw cotton.....	Feb. 7, 1964	243	310	214	28
Do.....	do.....	478	610	-----	478
Soybean meal.....	Feb. 19, 1964	521	670	480	41
Do.....	Feb. 24, 1964	972	1,240	879	93
Dry milk.....	Mar. 19, 1964	141	180	-----	141
Total.....		120,850	27,900	18,482	829

<sup>1</sup> Does not add due to rounding.

## GUARANTEES OF CREDIT EXTENDED BY EXIMBANK

The CHAIRMAN. Thank you very much.

May I clarify one point?

The nature of your financing is to guarantee the credit extended by private banks; is that correct?

Mr. LINDER. In some instances. It has been true in respect of the sales of agricultural products. Normally we endeavor to grant credits up to 5 years entirely through the commercial banks or through insuring the credit. Credits beyond 5 years are more frequently project credits. For these, we make careful investigations ourselves and think of these credits in terms of the borrower rather than in terms of merely facilitating the export of the goods.

The CHAIRMAN. Are you speaking of the Communist bloc when you speak of these terms beyond 5 years on projects? You meant other than the Communist bloc, didn't you?

Mr. LINDER. Outside the bloc, since we have not made project loans to the bloc.

The CHAIRMAN. In your general activities, aside from the Communist bloc, you do both. You guarantee the credit extended through a bank for a fee, or you guarantee the payment to the exporter directly; is that correct? Suppose General Electric exports a turbine. Do you guarantee payment to them?

Mr. LINDER. If the terms on which the turbine is sold extend beyond 5 years, we have privity with the borrower, who is a foreign entity, government or private, and General Electric or whoever the U.S. supplier may be gets paid, and we have the note of the buyer. On sales of shelf items, the terms are less than 5 years. Financing of such sales usually go through a commercial bank procedure under our guarantee against political risks. The commercial bank takes for its own account the early maturities of the buyer's notes. On the later maturities we guarantee the commercial bank against both political and commercial risks and they finance the transaction under our guarantee.

There is a third method under which we insure through the FCIA, the Foreign Credit Insurance Association, both medium- and short-term sales.

## TERMS TO COMMUNIST BLOC COUNTRIES

The CHAIRMAN. Now, I just wanted to contrast that with your actual experience in the guarantees on sales to the Communist bloc. They have all been limited to less than 5 years; is that correct?

Mr. LINDER. It has if you agree that Yugoslavia is not a Communist bloc country.

The CHAIRMAN. Yes.

Mr. LINDER. And we made a loan to Poland in 1946 before it became a part of the Communist bloc.

The CHAIRMAN. And it was handled through banks and you guaranteed the payment.

Mr. LINDER. No. That loan was made by us.

The CHAIRMAN. Made by you direct?

Mr. LINDER. Yes; for a long term.

## ATTITUDE OF BUSINESS COMMUNITY TOWARD FINANCING BLOC EXPORTS

The CHAIRMAN. I have a few questions here for the record.

Could you state for the record what, in your opinion, is the attitude of the business community generally, particularly bankers, as to whether or not the Export-Import Bank should help finance these exports to the Soviet bloc.

Do you have any feeling of a consensus among bankers about this?

Mr. LINDER. Well, I am certain that the bankers feel that if the administration and the Government of the United States would like to have more trade with the Soviet bloc, the only way in which it can be done is with our Bank's assistance. I have no consensus as to whether they think the U.S. Government should or should not engage in more trade with the bloc.

The CHAIRMAN. But if they do, should the Export-Import Bank perform this?

Mr. LINDER. I think they regard it as a sine qua non.

## PROHIBITION ON PROMOTION OF EXPORTS TO BLOC

The CHAIRMAN. Do you know of any other country in the free world where the government has a policy prohibiting its export promotion organizations from facilitating sales to the Soviet bloc?

Mr. LINDER. No; I do not. On the contrary, I think they all facilitate such sales.

The CHAIRMAN. This is the only case you know of?

Mr. LINDER. Where there has been any reservation about it?

The CHAIRMAN. Yes.

Mr. LINDER. That is correct, sir.

## WEST EUROPEAN GUARANTEES ON EXPORTS TO THE BLOC

The CHAIRMAN. Do you have any information on the extent to which Government guarantees and credits are used in Western Europe in financing exports to the Soviet bloc?

Mr. LINDER. I have, Mr. Chairman, but I would have to go off the record on that.

The CHAIRMAN. It is not in your statement.

Mr. LINDER. No; it is not.

The CHAIRMAN. You would have to go off the record. Is it classified?

Mr. LINDER. Yes.

The CHAIRMAN. Perhaps you could furnish the committee on a nonclassified basis what information you have as to that. I don't quite see why that should be classified. What is the reason for that being classified?

Mr. LINDER. I do not know, sir. I accept the classification which the State Department or any other agency puts on it.

The CHAIRMAN. State classified it?

Mr. LINDER. That is correct.

The CHAIRMAN. I will have the staff confer with you about that then.

Mr. LINDER. We will be glad to do that, sir.

(The following was subsequently received for the record:)

Western European and Japanese credits to Communist bloc countries presently outstanding are estimated at several hundred million. Most of these credits have been extended since 1959, in connection with a growing volume of Western exports, particularly of capital equipment, to Communist bloc countries. In the case of capital equipment, more than 75 percent of all credits extended have been guaranteed by a government or quasi-government agency.

Credits extended by Western countries to the Communist bloc have generally been extended on terms of not more than 5 years in accordance with Berne Union understandings. Apparently there have been a few cases of guarantees of sales on terms of more than 5 years where the construction or erection period was not included in the 5-year repayment term.

As regards other Western European policies to the Communist bloc, the only country which is reported to differentiate between Communist bloc and other countries is Germany, which does not extend export credit for periods exceeding 18 months on exports to Communist bloc countries.

In the case of wheat sales to Communist countries by Australia, Canada, and France, government guarantee of credit has been standard procedure, although the length of the credit has been much shorter than the repayment periods for capital equipment, usually 6 to 18 months rather than 3 to 5 years. In connection with U.S.S.R. current purchases of Canadian wheat, it is reported that the Soviets on shipments made so far have not used the credit facilities made available to them.

#### QUESTION OF TRADE EXPANSION WITH COMMUNIST BLOC

The CHAIRMAN. You have already stated, I believe, your views about whether or not a trade agreement with the Soviet bloc would be useful from a commercial viewpoint. You think it has limited usefulness. Did I understand you to say that?

Mr. LINDER. I think it would be useful to do more business with the Soviet bloc, but I think there is a tendency to exaggerate the total amount that might be "doable."

The CHAIRMAN. Up to a point, whatever the point is, you think it is advisable and is beneficial to our economy to engage in trade with the bloc?

Mr. LINDER. I would say so, sir, but the function of the bank is to act on the basis of financial and economic judgments. However, when international political questions are involved we accept State Department guidance.

The CHAIRMAN. I understand.

Mr. LINDER. We can advise on the financial aspects of the transactions and decide what a prudent extension of credit or a guarantee

is, but the decision as to what we should finally do lies with the President and his advisers.

The CHAIRMAN. You said you believe the trade potential has been exaggerated. If the West and this country were willing to extend longer term credits, say for 15 years like the British are considering, there would be a considerable increase in trade, would there not?

Mr. LINDER. I think it would be increased substantially.

The CHAIRMAN. Whether or not it is in the Nation's and the West's interest to extend long-term credit is a question of the highest political policy, isn't it?

Mr. LINDER. I think it is, sir.

The CHAIRMAN. And that enters into a field quite beyond the commercial considerations. It involves grave political judgments as to the future relations of the Communist and the Western worlds, does it not?

Mr. LINDER. Yes, it does.

The CHAIRMAN. It isn't the Bank's function to determine that question, is it?

Mr. LINDER. That is right, sir.

#### BERNE UNION'S METHOD OF DETERMINING CREDIT TERMS

The CHAIRMAN. You mentioned that your Bank represents the United States in the Berne Union.

Mr. LINDER. Yes, sir.

The CHAIRMAN. Do I understand correctly that one of the purposes of this organization is to prevent cutthroat competition in credit terms?

Mr. LINDER. I wouldn't put it precisely that way.

The CHAIRMAN. How would you put it?

Mr. LINDER. There is constant consultation between members of the Berne Union. They do have certain standards as to the term which is reasonable for certain types of products. For example, a standard practice might dictate that credit for more than 3 years should not be extended on trucks or buses unless a huge order comes in which involves a change-about in the transportation system of a country. In such a case Berne Union members might agree that 5 years would be appropriate. But there is no binding agreement the members of the Berne Union consult with one another and they are obligated to exchange information as to what they are prepared to do in particular transactions. It is the same kind of thing that commercial banks do when they exchange credit information on common customers.

The CHAIRMAN. There is no enforcement power in the Union?

Mr. LINDER. There is none.

The CHAIRMAN. You mentioned England as rumored to be considering extending long-term credits. If she did, would this be in violation of any rules of the Berne Union?

Mr. LINDER. No, because the Berne Union is an association of insurers, the members of which except in rare instances do not go beyond 5 years on medium-term credit. When a long-term project is involved, the loan falls outside the scope of the Berne Union. If the British should make a 15-year credit to the Soviets it probably would be made through the Insurance Export Finance Company, a pool of

capital of insurance companies and other financial institutions created at the request of the British Government. This finance company can make the kind of project loans the United States has been able to make for years through the Export-Import Bank. There were no such facilities in England prior to the early 1960's.

Although this pool may obtain Government guarantees through the Export Credit Guarantee Department of the Board of Trade, such transactions are really beyond the normal purview of the Berne Union.

#### UNION'S VIEW TOWARD CREDITS TO U.S.S.R.

The CHAIRMAN. Does the Union concern itself with the question of long-term credit to the Soviet bloc?

Mr. LINDER. It has not to my knowledge, sir.

The CHAIRMAN. It has not?

Mr. LINDER. No, sir. I have attended two annual meetings and we always have representatives there. I think the Soviet bloc is treated the same as any other country.

The CHAIRMAN. It is?

Mr. LINDER. As far as all other members of the Berne Union are concerned.

#### SUPPLEMENTAL STATEMENT ON THE BERNE UNION

Perhaps I could furnish a supplemental statement on the Berne Union.

(The following material was subsequently furnished for the record:)

The Union d'Assureurs des Credits Internationaux (the Berne Union), organized in 1934, includes as members 23 public and private export credit insurance institutions operating in 18 countries.

The Union is concerned with the rational use of credit insurance in the international field. To this end, members agree to provide the Union with details of their transactions and methods of operation. By means of regular consultation and exchange of information the Union is working toward a common understanding of credit insurance, its concepts and techniques, and is playing its part in devising solutions to some of the more complex problems facing insurers today.

Perhaps the most urgent question which engages the Union is that of the terms of payment upon which goods are sold. No credit insurer wishes to encourage abnormally long credit terms or competition in credit-giving among exporting countries. The Union "5-year understanding," means that members do not insure supplier credits involving repayment terms of over 5 years' postshipment save in very special circumstances and as isolated exceptions, and then to report such cases to other members. This understanding has been of considerable value in keeping the extension of credit within reasonable bounds. It has provided a restraint on credit competition although obviously it is ineffective in cases where governments direct their members to insure credits on longer terms.

#### BRITAIN'S PARALLEL TO EXIM-BANK

The CHAIRMAN. You just mentioned that England did not have an institution exactly comparable to the Export-Import Bank?

Mr. LINDER. Bank?

The CHAIRMAN. What do they have, a bureau of the Board of Trade or something of that nature?

Mr. LINDER. It is a department of the Board of Trade which offers facilities roughly comparable to those of the joint service provided

by the Export-Import Bank and the Foreign Credit Insurance Association. The difference is that in the FCIA we have private insurance companies as partners. The British Board of Trade department, which guarantees exporters against credit and political risks, is entirely Government owned.

#### PURPOSE OF GOVERNMENT INVOLVEMENT IN EXPORT TRANSACTIONS

The CHAIRMAN. Aside from the question of creditworthiness, isn't one of the principal objectives of involving the Government in these transactions to deter arbitrary action by the foreign governments such as expropriation, currency devaluation, or discriminatory treatment?

Mr. LINDER. I think there is a feeling on the part of an individual exporter that if his government is involved in the transaction, the government of the foreign purchaser will be less capricious about handling his obligation. But in fact I don't know how much difference it has made.

The CHAIRMAN. The fact is that the private firms believe it to be true, don't they?

Mr. LINDER. They do and they also believe that only the government is in a position to take certain political risks—those of war, expropriation, civil disturbance, and inconvertibility.

They also feel that there is special knowledge in their government as to the fiscal positions of various countries with which they want to do business, which is not available to private businessmen. Therefore if it is in the national interest for businessmen to export, they want their government to insure them against risks which are not inherent in domestic trade.

#### BANK GUARANTEES WITH REGARD TO BLOC AND JAPANESE TRADE

The CHAIRMAN. That is true especially in dealing with the Communist bloc, is it not?

Mr. LINDER. Yes, it is. Our banks make it perfectly clear that they will not underwrite the risks with the Communist bloc. As I say, they won't underwrite risks even on credit extended to friendly countries when the amounts are large. Let me refer by way of illustration to the most recent cotton loan we made to Japan. We were very anxious to help sell the cotton, and loaned them \$60 million for 12 months at a rate which we thought appropriate. Subsequently we contacted the major banks of this country and said to them, "You can have this deal at the same rate we are charging the Japanese," which was a good rate at that time. It was 4½ percent for 1-year money.

They said, "Sorry, but we have enough Japanese paper."

The net result was that \$7.1 million, out of the total of \$60 million, was taken without our guarantee and we placed the rest of it with our guarantee. Of course we took an appropriate share of that interest as compensation for our guarantee.

I cited another instance in my statement of a \$125 million credit we made 2 years ago for several agricultural commodities, coal, and timber. In this case it was perfectly apparent, after consultation with the commercial banks, that we wouldn't get any participation at all from them without our guarantee.

The CHAIRMAN. Was that Japan, too?

Mr. LINDER. Yes, it was. But on the basis of a guarantee from Export-Import Bank, we arranged the financing very quickly. The banks received a share of the interest and we received what we thought was an adequate fee for our guarantee.

It was also a 12-month credit. One might argue that there is no reason why the banks shouldn't have done this business themselves. But they were not prepared to do it for a variety of reasons. One is that there are no compensating balances.

The CHAIRMAN. No what?

Mr. LINDER. Compensating balances.

The CHAIRMAN. What do you mean by that?

Mr. LINDER. Well, banks, when they lend you money, usually lend you \$100 and say "now you keep \$10 or \$15 or \$20 on deposit."

The CHAIRMAN. I am familiar with the practice, but I wasn't familiar with the term. You mean they draw out all the money when it is loaned to them?

Mr. LINDER. Presumably all the money we lend goes out. And there are other prerequisites in banking which the private bankers naturally want. Sometimes prerequisites are sufficient so that banks are prepared to take the loan. They didn't want to make this loan at the prime rate. If 5 percent had been offered, the banks might have accepted it, but we probably wouldn't have sold the commodities. The Japanese might have said, "The interest rate is too high. We will buy commodities elsewhere."

#### BANK'S RELATION TO STATE DEPARTMENT IN REGARD TO POLICY

The CHAIRMAN. I think you have performed a tremendous service for the exporters of this country. There is no doubt about that.

Let me pursue a few of these questions. They are largely for the record. If a businessman with an export license for shipment, say, of a machine tool to the Soviet Union, applied to the Export-Import Bank for a loan or a credit guarantee, who would the Bank officials look to for guidance on administration policy toward this kind of transaction?

Mr. LINDER. We would look to the State Department primarily, since presumably the Commerce Department would have already issued the export license. That is the first step. A State Department representative sits in on our Board meetings so we are not unfamiliar with their point of view.

#### PROHIBITION AGAINST SALES TO COMMUNIST COUNTRIES

Recently the President made a determination in respect of agricultural products to the bloc outside of Yugoslavia. Since he limited the determination to such commodities, we cannot legally finance machine tools to the bloc.

The CHAIRMAN. You are not presently in a position because of the recent congressional action?

Mr. LINDER. No, not at the present time, sir. There was an amendment, as you will recall, to the Foreign Aid and Related Agencies Appropriations Act of 1964 which specifically prohibited the Bank from guaranteeing or lending in connection with sales to Communist countries unless the President determined that such assistance is in the

national interest. The President has made such a determination in respect of agricultural products for the bloc, and any kind of product for Yugoslavia.

The CHAIRMAN. Any kind of industrial products for export to the bloc cannot be financed by the Bank now?

Mr. LINDER. This is controlled, sir, by this legislation which was enacted in January.

The CHAIRMAN. You are referring to the rider on the foreign aid appropriations bill?

Mr. LINDER. Yes, sir. The rider provides the authority to the Bank to issue guarantees or to finance only with a Presidential determination.

The CHAIRMAN. I see. If the President determines that it is in the national interest, he can waive the prohibition?

Mr. LINDER. Yes.

The CHAIRMAN. If he makes such finding under that provision, you would then be free to extend the credit guarantee. But you would look for policy guidance to the State Department, you say?

Mr. LINDER. Well, sir—

The CHAIRMAN. After the finding has been made by the President?

Mr. LINDER. Yes; in an informal manner. Let me say this, that we have a representative of State at our Board meetings, who does not vote. He has seen our agenda beforehand, and has checked it within the Department. We also have representatives of the Treasury and of Commerce. All loans, as well as guarantees in excess of \$5 million, automatically go before the National Advisory Council, which as you know is under the chairmanship of the Secretary of the Treasury and also includes the Secretaries of State and Commerce, the Chairman of the Federal Reserve Board, and myself.

#### EXPORT-IMPORT BANK POLICY RELATED TO INCREASE IN TRADE WITH SOVIET BLOC

The CHAIRMAN. I think that is very good to have that in the record. I believe you have already covered this point. If the Export-Import Bank treated the Soviet bloc as it does others, would there be an increase in trade? I think you said there would be some but that the estimates are exaggerated. Is that about right?

Mr. LINDER. I think generally speaking it is exaggerated.

#### BACKGROUND OF LONG-TERM LOANS TO YUGOSLAVIA

The CHAIRMAN. Did you explain the reason for the long terms to Yugoslavia? I believe you said it is \$50 million in credits for 16 years? What were the particulars?

Mr. LINDER. The reasons for it were these: In the fall of 1960, it was agreed by the then administration, by certain friendly countries, and by the International Monetary Fund that Yugoslavia needed substantial financial assistance. While no formalized commitment was made, there was an understanding reached, and just before I was sworn in as President of the Bank, that in February of 1961, the directors authorized a \$50 million credit of which \$39 million has been disbursed. This is repayable in 16 years, including a period of grace, so that none of the principal has been repaid yet.

Now in addition to that, we made some very small guarantees to Yugoslavia last year, for boring machines and power shovels aggregating about a half million dollars on terms within 4 or 5 years. There is also a loan made back in 1950 to Yugoslavia of \$55 million of which \$36 million has been repaid leaving \$19 million outstanding. Thus the net amount presently outstanding to Yugoslavia is about \$59 million.

The CHAIRMAN. \$59 million?

Mr. LINDER. That is correct, sir.

The CHAIRMAN. They are current with repayments on those loans?

Mr. LINDER. Yes, sir, they are all current.

The CHAIRMAN. They have never defaulted?

Mr. LINDER. As far as I know there has been no default.

#### DEFAULTS ON TRANSACTIONS WITH BLOC COUNTRIES

The CHAIRMAN. Have you had any defaults on any of your transactions or guarantees with members of the Soviet bloc?

Mr. LINDER. No, we have not, sir. The Poles, for example, received a \$40 million loan in 1946 before they were members of the bloc. It has been paid by the present government down to an outstanding amount of only \$17,800,000.

The CHAIRMAN. \$17.8 million.

Mr. LINDER. That is right. It has been reduced from \$40 million to \$17.8 million.

The CHAIRMAN. And that in other words is current, too?

Mr. LINDER. It is.

#### PURPOSE OF \$50 MILLION AUTHORIZATION TO YUGOSLAVIA

The CHAIRMAN. What was this \$50 million to Yugoslavia for? Was it a special project?

Mr. LINDER. We limited the portion for raw materials to \$25 million, with the balance to cover machinery and equipment for a number of projects. As you know, some of the credit has not been used; there is a balance of about \$11 million which has not been disbursed.

#### SHORT-, MEDIUM-, AND LONG-TERM CREDIT

The CHAIRMAN. I think you have already covered this one, this discussion that we had in the previous meetings about short-, medium-, and long-term credits.

Is it correct that these categories are somewhat flexible, or is there an acknowledged—

Mr. LINDER. There is a generally accepted standard.

The CHAIRMAN. What is it for the record?

Mr. LINDER. For the record, short term is generally defined as up to 180 days, although occasionally up to a year. Medium-term credits are from 180 days up to 5 years, with an exception being made for jet aircraft for which the term is 7 years. Longer-term credits extend from 5 to 20 years. There have been occasions when the Bank has extended even longer terms than that, where a large infrastructure project was involved which couldn't be amortized in a shorter period of time. For example, we financed a bridge across the Tagus River in Portugal within the past year and a half. If I recall correctly, the

term was 20 plus 5, that is the 5 years being the period of grace during which they are to construct the bridge. Obviously 20 years is a comparatively short period of time in which to amortize debt on a bridge—unless tolls are very high.

The CHAIRMAN. Is it a toll bridge?

Mr. LINDER. Yes, sir; but our loan has a guarantee of the Government of Portugal as well.

The CHAIRMAN. Why did you come into the project? Was this built by an American firm?

Mr. LINDER. It was. It was built by Morrison-Knudson and United States Steel. The total bridge if I recall correctly will cost something like \$75 or \$80 million and our commitment was \$55 million. All that \$55 million represented U.S. goods and services. The Portuguese Government undertook to finance the local cost portion of the project.

The CHAIRMAN. This may not be a pertinent question but I am curious as to why the International Bank didn't finance it so long as it had the Government guarantee which is customary for their operations?

Mr. LINDER. We started negotiations before Portugal was a member, and I am pleased we did. It seems to me, sir, that if the International Bank had financed it, it is highly unlikely that this would have been U.S. business.

#### GOVERNMENT GUARANTEES ON LOANS

The CHAIRMAN. I think it is good business. I was just curious about how it happened that way. Was this before Portugal became a member of the Bank? Is that what you mean?

Mr. LINDER. Yes, sir. But we get government guarantees quite frequently.

The CHAIRMAN. Do you?

Mr. LINDER. Oh, yes. We do. And we obviously get them in what little trade we have had with the bloc.

The CHAIRMAN. Of course this is a public facility. It is somewhat different. You don't normally get government guarantees on loans for private industry in a country, do you?

Mr. LINDER. Well, it depends on the creditworthiness of the particular company, on the equity junior to us, and on the anticipated earning power. It depends also on how anxious the government is to support the establishment of a new enterprise, even if it is private. Then there are many joint private and public operations. We don't always insist on government guarantees, but we do insist where we think it is necessary for our protection.

The CHAIRMAN. In the case of the Communist bloc, you are dealing with a governmental body so that you automatically have a government guarantee for whatever it is worth, don't you?

Mr. LINDER. We make our position a little safer than that.

The CHAIRMAN. How do you?

Mr. LINDER. Well, in the first place we investigate carefully as to whether the ministry that does the purchasing has the authority to commit the government. For example, a ministry of interior may make purchases which the finance ministry refuses to recognize or for which there is no legislative authority. In that case we could be left with a questionable obligation.

In the case of Hungary we have the guarantees of the Trade Bank and the Central Bank, and we have also obtained official assurances from the Government that these banks have the right to undertake these commitments. We have protected ourselves as fully as we can.

#### STATUS OF TRANSACTION WITH MAINLAND CHINA

The CHAIRMAN. Have you ever had any experience with any of the Communist countries over a difference of opinion regarding a loan and had to resort to either court, arbitration, or some other procedure?

Mr. LINDER. No, sir; we have not. I should say for the record though that in the case of a loan made to the Republic of China before the Communists took over, the Communist government has failed to recognize the unpaid balance. It is a large amount, sir, but it is small in proportion to the size of the original loan. We loaned Nationalist China some \$200 million, and \$28 million of that remained unpaid when they left the mainland.

We have negotiated with—

The CHAIRMAN. I didn't understand it. For the record you say you made a loan to Communist China?

Mr. LINDER. We loaned to China before it was Communist \$200 million.

The CHAIRMAN. Before it became Communist?

Mr. LINDER. All but \$28 million of that was repaid. The \$28 million balance has not been recognized by the present Government, the Communist Government of China.

The Government in Taiwan, however, after some lengthy negotiations, agreed that they benefited from that loan to the extent of about \$2.5 million and resumed service on that amount.

#### FAILURE OF CUBA TO RECOGNIZE PRE-CASTRO OBLIGATION

In the case of Cuba, the Castro government does not recognize the obligation on the part of their telephone company or their public utility company to us. Both these companies, by the way, were American owned. We have endeavored to collect from the Government of Cuba. We have been unsuccessful in collecting. Under those circumstances, whether the Government had been Communist or not I think we would have refused to extend any further credit.

#### QUESTION OF DEFAULTS ON LOANS

With the Eastern bloc we have had no problem whatever, and I have not heard of a single default since 1917 on—

The CHAIRMAN. Or to any other country?

Mr. LINDER. That is correct, sir, on commercial engagements. I am not talking about government debts or lend-lease or any of those things, but I am talking about the kind of thing that Amtorg used to do in this country and the trade they conducted over this whole period 1917 to date with the West.

## PROCEDURE FOR SOLVING DIFFERENCES OF OPINION RESPECTING LOANS

The CHAIRMAN. This may not be a question you can answer. It is hypothetical. Suppose you did have some difference of opinion about a loan, say, to Yugoslavia or to Hungary. What would be your procedure? How would you proceed to try to resolve this difference?

Mr. LINDER. Well, we have diplomatic representatives there, sir.

The CHAIRMAN. Would it be only through diplomatic representatives? There is no agreement about arbitration or submission to a court?

Mr. LINDER. I do not believe we have any such agreement.

Mr. GLICK. We do not have.

Mr. LINDER. Mr. Glick is counsel for the Bank. I suspect that we feel it is wiser from our point of view not to have arbitration agreements. Under normal circumstances one may have recourse to the courts in either one country or another.

The CHAIRMAN. You mean to their national courts?

Mr. LINDER. That is correct.

The CHAIRMAN. The International Court has never been brought into any of these activities.

Mr. LINDER. We never have had the problem.

The CHAIRMAN. And you never heard of any other country having the problem?

Mr. LINDER. Not to my knowledge, but I would submit, Mr. Chairman, that even if an Eastern European country felt that it was justified in breaking a contract or refusing to pay the full amount, that it would think very hard before it actually refused to pay the full amount. The credit standing of a government would be involved—something that Eastern European countries have regarded very seriously. I think the risk is a good one, not for an unlimited amount, but within appropriate limits I am not concerned about the credit risks in dealing with the Eastern European countries.

The CHAIRMAN. If a controversy arose that was something less than simply refusing to pay, but a controversy as to the quality of the goods as an example, how would that be resolved?

Mr. LINDER. Well sir, this is really something between the buyer and the seller. We never insure acceptability of goods.

The CHAIRMAN. Acceptability.

Mr. LINDER. We issue a guarantee against a note or an obligation of the buyer. Legally I believe if the buyer has a dispute he ought to arbitrate or settle that dispute with the seller.

The CHAIRMAN. I see. You wouldn't be involved in that?

Mr. LINDER. We don't enter a transaction where we extend the credit or where we guarantee a credit, unless it is against a simple obligation on the part of the buyer.

## APPLICATIONS FOR BLOC LOANS REGARDING NONAGRICULTURAL ITEMS

The CHAIRMAN. Have you received any applications within recent months for loans or credit guarantees on sale of nonagricultural goods to any Soviet bloc countries?

Mr. LINDER. We have had people approach us in respect to some substantial industrial undertakings in some of those countries which involve long-term project loans. We have not received any specific applications to sell say 5 trucks or 10 machine tools or 6 tractors to countries in the bloc other than Yugoslavia, which we do not regard in that category.

The CHAIRMAN. Have you had any applications for Poland?

Mr. LINDER. No. We have had strong indications from the Polish commercial and diplomatic people here that they would be much interested to buy on credit. Also we have had indications from the Hungarians that they would be much interested to buy things other than agricultural products. But they are thoroughly posted on our legal situation and realize that unless and until there is an affirmative decision taken by the administration, there is nothing we can do about it.

The CHAIRMAN. Well, that would indicate that if there were no legal or diplomatic inhibitions to this trade, there would be some substantial trade in nonagricultural goods?

Mr. LINDER. I think there would be some, sir, but let me point out that the Poles and the Yugoslavs have both used a substantial amount of credit, and that we as a bank may put ceilings on the amount of our exposure in a particular country.

## LIMIT ON AMOUNT OF CREDIT EXTENDED ONE COUNTRY

Therefore, although we haven't been faced with the problem of precisely how far we would go, certainly there is a limit to the amount of additional credit that we would extend.

The CHAIRMAN. That limit is determined by other than diplomatic criteria, isn't it? It would be by such factors as the amount of your exposure in the country and the situation as to their balance of payments, for example.

Mr. LINDER. That is correct.

The CHAIRMAN. Their capacity to service the loan.

Mr. LINDER. That is correct.

The CHAIRMAN. All of that you take into consideration?

Mr. LINDER. Correct, sir, and sometimes American manufacturers might undertake to do the business without recourse on us, if the business was sufficiently attractive. Most of our export business is done privately. We assist in many important projects, but our assistance doesn't represent the bulk by any means of the export business done by the United States.

The CHAIRMAN. You are speaking now of non-Communist countries?

Mr. LINDER. That is correct, sir.

## PRIVATE EXPORT PRACTICES WITH COMMUNIST COUNTRIES

The CHAIRMAN. But what about the Communist countries?

Mr. LINDER. Thus far at least as far as commercial banks are concerned, there has been no willingness to extend any credit without our guarantee. But sir, I may say there is nothing to prevent a particular company, if it can get an export license, and I think it can, from selling 10 tractors to the Soviet Union.

The CHAIRMAN. And assuming the risk themselves?

Mr. LINDER. That is correct.

The CHAIRMAN. But you wouldn't?

Mr. LINDER. We are prohibited by law.

The CHAIRMAN. That is what I mean. There is nothing to prohibit them from selling?

Mr. LINDER. That is correct, sir.

The CHAIRMAN. There is a considerable discussion in the press about the Russians and others wishing to buy whole industrial plants. There is nothing under the existing law to prohibit American manufacturers from selling a complete plant if they wish to assume the risk, and they get an export license; is that right?

Mr. LINDER. Well, this is literally true, Mr. Chairman, but as a matter of practice, no American manufacturer will sell anything other than shelf items for his own account and risk. An electrical company will not sell a large generator, for example, to a buyer with excellent credit and assume the risk itself for repayment over a period of 15 years, which is not unusual terms for the sale of power generating equipment.

The CHAIRMAN. Yes. They would sell it for cash I presume?

Mr. LINDER. They would, with pleasure.

## DIFFERENCES BETWEEN U.S. AND WESTERN EUROPEAN CREDIT TERMS AND GUARANTEE FEES

The CHAIRMAN. Is there any substantial difference between the credit terms and guarantee fees that you extend and those that Western European countries extend in trade with the Eastern bloc?

Mr. LINDER. I think we would be about the same, sir. Our money market was somewhat lower than Canada's market at the time this wheat transaction was discussed last fall, and the rate that the bloc would have had to pay had they used credit in the United States would have been about one-half of 1 percent lower than it was in Canada. But that was purely a function of the two money markets. The prime rate in the United States was fully 1 percent lower at that time. Actually the Russians as yet have not used any credit.

The CHAIRMAN. It has all been for cash?

Mr. LINDER. All of the Russian transactions have been for cash up to now.

The CHAIRMAN. Up to now.

Mr. LINDER. As you will recall, I am sure, Mr. Chairman, from my statement before the Banking and Currency Committee—we felt

that they would not do business with us if there was any appearance of discrimination. The only country that has used any credit from the Bank thus far is Hungary. We have guaranteed commercial bank credits extended to them to the extent of about \$20 million under terms with which you are familiar.

#### SALE OF WHEAT TO SOVIET UNION

The CHAIRMAN. Can you refresh my memory? Up to the most recent date for which you have figures how much was sold to the Soviet Union? Do you know?

Mr. LINDER. I have the impression, but I can't say absolutely, that it is about 65 million bushels of wheat valued at roughly \$140 million.

The CHAIRMAN. About 65 million bushels.

Mr. LINDER. That is correct, to the Soviet Union.

The CHAIRMAN. Do you think this is much less than it might be had there not been so much controversy over whether or not we should sell?

Mr. LINDER. I think, sir, that probably the principal deterrent was the problems concerned with American shipping rather than the discussion which took place.

The CHAIRMAN. The shipping rates?

Mr. LINDER. That is correct, sir. I think that was the principal impediment.

#### QUESTION OF COMPETITION OVER CREDIT TERMS TO SOVIET BLOC

The CHAIRMAN. Do you think there is going to be much competition among the industrialized countries over credit terms offered to the Soviet bloc?

Mr. LINDER. This is hard to say. Secretary Ball testified before the Senate Banking and Currency Committee that efforts have been made by the U.S. Government to keep these credits within medium terms. The terms over the past few years have tended to get longer.

Three or four years ago credits were extended by Western European countries to the bloc frequently of 2 to 3 years and now most are 4 to 5 years.

The CHAIRMAN. Would you care to express an opinion as to the comparative risk between loans to the newly developing African countries and the Soviet bloc?

Mr. LINDER. I would be glad to, off the record.

#### LOANS IN LATIN AMERICA

The CHAIRMAN. Do you have any extensive loans in Latin America at present?

Mr. LINDER. We certainly do, sir.

The CHAIRMAN. Are they all current?

Mr. LINDER. No; they are not. Bolivia has been in default to the Bank for a good many years; and we've made no recent loans to them. Haiti is now in default. Other than that, except for difficulties which we believe with some doubt in our minds are transitory, they are current.

Now my principal concern relates to Brazil. While we have collected some money within the past few days, we have large amounts

in Brazil. I think maybe someone whose political forecasting is better than mine ought to make the judgment whether or not this situation is going to result in the kind of government which will put Brazil's financial house in order. If this were done, Mr. Chairman, they could, I believe, meet their obligations.

It is not generally recognized that Brazil has a total external debt of only about \$3 billion.

The CHAIRMAN. \$3 billion?

Mr. LINDER. And that is not an overwhelming debt for a country of that size, with its degree of industrialization and its manpower, to be able to handle if they are determined to handle it.

The CHAIRMAN. And they are presently current with their obligations?

Mr. LINDER. Well, they are not precisely current at this moment, but there are no delinquencies which extend back more than a month or so.

#### ROLE OF NATIONAL ADVISORY COUNCIL

The CHAIRMAN. Is the National Advisory Council the agency which would initiate a recommendation for a presidential finding that assisting in financing a sale to the bloc is in the national interest? Is it the body which makes such recommendations to the President?

Mr. LINDER. I would think, sir, it is more likely that the President has this under review with the Secretary of State and other members of his Cabinet. The National Advisory Council as such would be unlikely to act on it. I think the President would talk with the Secretary of State who would hear our point of view, with the Secretary of the Treasury, and with his own personal staff. Thereafter the President would, I presume, make his decision.

The CHAIRMAN. Then I understand as of the moment the National Advisory Council has not made any recommendation to the President with regard to facilitating exports to the Soviet bloc?

Mr. LINDER. No; it has not and it did not take the initiative in respect to the grain transaction.

The CHAIRMAN. It did not?

Mr. LINDER. No. This was done quite informally. Of course the members of the National Advisory Council were consulted in one way or another.

#### EFFECT OF BLOC TRADE ON BALANCE OF PAYMENTS

The CHAIRMAN. Would you comment upon the effect upon our balance of payments of our trade with the Communist bloc?

Mr. LINDER. Well, I think, Mr. Chairman, anything that we can do would be highly favorable. You realize, sir, that when we export even on 15-year terms, and lend the money, whether the U.S. Government or its nationals lend the money, there is a balanced transaction which is neither a gain nor a loss to our balance of payments. But as the interest and principal is received in payment, there is a plus effect on our balance of payments. And so any export when paid for helps our balance-of-payments position. With the shortest terms it helps immediately with the longer ones somewhat later.

We will be thinking about our balance of payments for long periods in the future so that even when we make a 15-year loan, this helps our future balance of payments.

As a matter of fact, I might mention in passing that the Eximbank contribution to the balance of payments to the United States last year, through interest received and principal repaid, was about \$801 million on loans, some of which were made years ago and some of which were quite recently. All of these were—

The CHAIRMAN. Is that a favorable balance?

Mr. LINDER. Yes.

The CHAIRMAN. That is more than you loaned out?

Mr. LINDER. We don't lend out in that sense, Mr. Chairman. We pay an American manufacturer, reimburse him in dollars for the goods and services that he is about to export.

The CHAIRMAN. I see. So you accounted for an \$801 million addition.

Mr. LINDER. That is correct.

The CHAIRMAN. To our figures.

Mr. LINDER. As a result of exports which we had financed earlier. We did have some repayments and we were able to sell during the past year some of our loans, our dollar loans in Europe, without recourse so as to anticipate payment.

#### AMOUNT OUTSTANDING IN LOANS

The CHAIRMAN. How much do you have outstanding now in loans?

Mr. LINDER. Outstanding? Well, let me put it this way if I may, sir. We have total commitments of about \$6 billion. These include guarantees and insurance of \$1 billion—I am using rounded figures—and \$5 billion of loans and undisbursed commitments.

The undisbursed portion of loans amounts to about \$1.5 billion. If you looked at our balance sheet you would find that our loans receivable are about \$3.5 billion.

We are committed to extend additional credit on those loans to the extent of \$1.5 billion, and we have guarantees and insurance outstanding over and above this to the extent of about \$1 billion.

#### LOANS IN DEFAULT

The CHAIRMAN. How does your rate of loss compare to the large commercial banks? Do you have any comparative figures?

Mr. LINDER. There is no way of making such a comparison really.

The CHAIRMAN. There isn't?

Mr. LINDER. I could give you the figures, sir, but they wouldn't be very meaningful, because at any one time what we are doing is underwriting large political and credit risks. If you assume our portfolio to be, as I regard it, worth 100 cents on the dollar except for loans that are in default, you would find that our ratio of loss is far lower than that of commercial banks.

On the other hand, when Cuba defaults because of a revolution there is little we can do. If Brazil should default and not only default but insist that it had no intention of meeting the obligation this would change our loss ratio very rapidly. To date we have written off very few loans. I would like to go off the record here if I may.

The CHAIRMAN. You can't go off the record. The press is sitting behind you.

Mr. LINDER. We have written off very few loans, only those where there are commercial defaults.

#### UNPAID LOAN MADE TO MAINLAND CHINA

The CHAIRMAN. Take the case of China, just for the record. I don't know that this is significant. You have outstanding \$28 million unpaid.

Mr. LINDER. Yes.

The CHAIRMAN. If by some miraculous change in our relations we resumed diplomatic relations with them, you would regard that loan as still current and would attempt to collect it, would you not?

Mr. LINDER. We certainly would.

The CHAIRMAN. Yes.

#### LOANS IN DEFAULT

Mr. LINDER. Our balance sheet does indicate the precise position, sir. You will find that there is a note to our balance sheet which indicates that the total face amount of loans in default is approximately \$100 million. This represents—if none of it is ever recovered—about 1 percent of our total disbursements and should be compared with our last year's earnings of over \$100 million after payment of interest and expenses.

Now if we were to write that \$100 million off, you would still find that our retained reserves after payment of interest on the money we have borrowed and dividends to the Treasury would at the end of this fiscal year probably be in the neighborhood of \$800 million.

#### SUMMARY OF BANK'S EXPERIENCE AND RESPONSIBILITIES

The CHAIRMAN. Of course, you realize and so do I that these particular questions are not directly the concern of this committee, but I was asking you those largely as background for our information about the Export-Import Bank.

To sum this up, as we will have to adjourn in a moment, insofar as trade between the United States and the Communist bloc is concerned, the Export-Import Bank's experience has been good, and your knowledge of other similar institutions has been good. There have been no defaults that you know of, and if certain governmental decisions are made, which are not your responsibility, the Export-Import Bank will be in a position to play a very important part in such trade.

If the decision is made to enlarge trade, you are in a position to participate in it, are you not?

Mr. LINDER. I agree, sir.

The CHAIRMAN. There are no impositions as far as the Export-Import Bank is concerned except those that arise from the law and diplomatic or political decisions?

Mr. LINDER. And except for limitations imposed by our judgment on the amount of credit which it would be appropriate for us to extend.

The CHAIRMAN. Yes. It depends on each country's situation.

Mr. LINDER. Yes.

The CHAIRMAN. Just like in any other case.

Mr. LINDER. That is correct.

#### BANK'S POSITION WITH REGARD TO TRADE POLICIES

The CHAIRMAN. Do you have anything else you would like to volunteer to this committee on the subject of East-West trade? Undoubtedly I have overlooked many important points. Would you like to emphasize any point you made in your statement which is in the record? Would you like to make any recommendations?

Mr. LINDER. Mr. Chairman, it would not be appropriate for me as Chairman of the Bank, which functions within the limits of our own act and consonant with administration policy, to make recommendations on trade policy. My personal feeling is that the United States would be benefited by trade with the Soviet bloc within specified limits and to the extent that it is prudent financially for us to underwrite such trade.

The CHAIRMAN. Thank you very much, Mr. Linder. I appreciate your coming and giving us this time.

I apologize for the early hour and the inconvenience it caused you, but it wasn't my choosing to do this. I had to do it.

Mr. LINDER. I apologize, Mr. Chairman, for having been late.

The CHAIRMAN. You needn't apologize. I was fully aware of the conditions that caused it.

Mr. LINDER. I appreciate it greatly.

The CHAIRMAN. Thank you very much. The committee is adjourned.

(Whereupon, at 10:05 a.m., the committee adjourned, to reconvene at 9 a.m. Thursday, April 9, 1964.)

## EAST-WEST TRADE

THURSDAY, APRIL 9, 1964

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 9:05 a.m., in room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright and Symington.

### OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The committee will come to order.

We are very pleased this morning to have the Secretary of the Treasury, Mr. Dillon, as our witness.

Mr. Secretary, you know that we are operating under rather unusual circumstances in the Senate and that is why we have to call these early meetings, and also why there are not many of my colleagues here. Nevertheless we think it worthwhile to make the record for reference by the committee and for the information of the public.

We are very pleased that you were willing to come here and discuss the responsibilities of the Treasury Department in administering several statutes which have considerable bearing on East-West trade, and also to have the benefit of any other observations that you care to make.

### STATEMENT OF HON. DOUGLAS DILLON, SECRETARY OF THE TREASURY

Secretary DILLON. I am glad to, Mr. Chairman.

My statement describes the role of the Treasury Department and there is attached to it a technical analysis. Since the details of what we do are quite complicated, I would like to submit the technical analysis for the record.

### REGULATIONS ADMINISTERED BY TREASURY

The CHAIRMAN. Yes, indeed; it will be received.

Secretary DILLON. The Treasury Department administers three sets of regulations which have a bearing on East-West trade.

These are the Foreign Assets Control Regulations, the Cuban Assets Control Regulations, and the Transaction Control Regulations, all of which were issued under the authority of section 5(b) of the Trading With the Enemy Act.

The first two sets of regulations affect East-West trade by prohibiting, except pursuant to license, all commercial and financial transactions with Communist China, North Korea, and Cuba or the nationals thereof and also with respect to their products no matter where located.

The Transaction Control Regulations deal with the purchase and sale by Americans and American-controlled firms of strategic commodities located outside the United States if the intention is ultimate delivery to the European Soviet bloc or North Vietnam.

#### FOREIGN ASSETS CONTROL REGULATIONS

The Foreign Assets Control Regulations were issued on December 17, 1950, to implement the U.S. policy of a total embargo on all financial and commercial dealings with Communist China and North Korea, including both exports and imports, except pursuant to license. The control of exports from the United States to these areas is actually exercised by the Department of Commerce under its export control regulations, since the Treasury Department's Foreign Assets Control Regulations contain a general license permitting any export directly to those areas which are licensed by the Department of Commerce.

As a practical matter, under both Treasury and Commerce Department regulations only publications move between this country and Communist China and North Korea.

All imports from Communist China and North Korea are prohibited by the Foreign Assets Control Regulations, the provisions of which also extend to goods regarded as presumptively Chinese or North Korea. Because of transshipment possibilities these restrictions affect imports of certain commodities from the Soviet bloc such as certain ores; tin and antimony are examples, textiles and animal hair.

The Foreign Assets Control Regulations also extend to American-controlled firms abroad. It is not the Treasury Department's policy to license exports by such firms to Communist China or North Korea except for overriding foreign policy considerations.

Only two exceptions have been made, one for woodpulp and one for secondhand diesel locomotives, and in neither case was the transaction actually consummated. American-controlled firms abroad equally may not import prohibited merchandise.

#### CUBAN ASSETS CONTROL REGULATIONS

The Cuban Assets Control Regulations, issued on July 8, 1963, are essentially parallel to the Foreign Assets Control Regulations. Thus, trade between the United States and Cuba is limited to exports of publications and certain foods and medicines that have been authorized by the Commerce Department and to licensed imports of publications.

However, in the case of Cuba most American-controlled subsidiaries abroad have been authorized for foreign policy reasons to engage in trade with Cuba in non-U.S. origin goods. As a matter of fact, such firms, except for exports of foods and medicines, are not known to be trading with Cuba.

## TRANSACTION CONTROL REGULATIONS

The Transaction Control Regulations were issued on June 29, 1953, at the request of the interdepartmental Economic Defense Advisory Committee (commonly referred to as EDAC) as a part of the U.S. efforts in the internationally agreed control of strategic commodities. These controls are in addition to the controls exercised by the Commerce Department over direct exports from the United States to the Soviet bloc and North Vietnam.

They prohibit, unless licensed, any person within the United States, and foreign firms controlled by such persons, from purchasing or selling or arranging the purchase or sale of strategic commodities located outside the United States for ultimate delivery to the European Soviet bloc. The coverage of these regulations is restricted to those commodities which are listed as strategic by international agreement through the Consultative Group Coordinating Committee (generally known as COCOM). Treasury decisions on requests for licenses are referred to EDAC for advice, which is invariably followed by the Treasury.

## REGULATIONS APPLIED TO PATENT AND TECHNICAL DATA

In 1954, at EDAC's request, the Treasury interpreted its Foreign Assets Control Regulations and Transaction Control Regulations to apply to patent and technical data licensing agreements whereby the foreign licensees agreed not to ship anything produced abroad with the American know-how to Communist China or North Korea in the absence of a Treasury license.

Similarly, the foreign licensees agreed not to ship anything on the internationally agreed strategic lists to the European Soviet bloc or North Vietnam in the absence of a Treasury license. This control was transferred to the Department of Commerce very recently, on April 1, 1964.

## ADMINISTRATION OF CONTROLS OVER FOREIGN ASSETS AND FINANCIAL TRANSACTIONS

To sum up, Mr. Chairman, the Treasury has been given the authority and delegated the function of administering controls over foreign assets and financial transactions where necessary to protect U.S. national security interests, since such controls can have an important effect on the international financial position and policies of the United States.

However, in the administration of these regulations the Treasury acts essentially in an operating role rather than in a policymaking role. Determinations with respect to types and amounts of goods which are strategic and the U.S. position in international consultations on the administration of international controls of such commodities are made by those members of EDAC who have qualified experts on these subjects.

Where questions of foreign policy arise in connection with the administering of these regulations, we are largely governed by the views of the Department of State.

Of course, if any contemplated measures or actions would be calculated to have a serious adverse effect upon the international finan-

cial position of the United States, the Treasury Department would play a major role in the consideration of such a question.

#### VIEWS ON BROAD ECONOMIC IMPLICATIONS OF EAST-WEST TRADE

Aside from the Treasury's responsibility in administering foreign assets regulations, as Secretary of the Treasury and from my previous Government service, I am interested in the broad economic implications of trade with the Soviet bloc.

In this area I will only say that nonstrategic trade with the Soviet bloc on normal commercial terms can be fully as beneficial to the United States as to the bloc. I favored such trade during my 4 years in the State Department, and I continue to favor it today.

It is my opinion that the balance-of-payments benefits to the United States of the recent wheat sales to the Soviet Union were fully as important, probably more so, to the United States as any benefit that the acquisition of American wheat may have brought to the Soviet Union.

Contrariwise, I do not now and never have favored the grant of long-term credit to the Soviet Union. Any credit of over 5 years, the standard agreed upon by the Berne Union as covering normal commercial practice, would in my view be detrimental to our interest.

I will be glad to expand upon these personal views in answer to your questions.

#### TREASURY DEPARTMENT STATEMENT ON EAST-WEST TRADE

(The Treasury Department analysis follows:)

##### THE ROLE OF THE TREASURY DEPARTMENT IN EAST-WEST TRADE

The Treasury Department presently administers three sets of regulations which have a bearing on East-West trade. These are (1) The Foreign Assets Control Regulations, 31 CFR, part 500, (2) The Cuban Assets Control Regulations, 31 CFR, part 515, (3) The Transaction Control Regulations, 31 CFR, part 505, all of which were issued under the authority of section 5(b) of the Trading With the Enemy Act, as amended (50 U.S.C. App. 5(b)), and Executive Order 9193. Section 5(b) of the Trading With the Enemy Act in effect authorizes the President or his delegate, during time of war or national emergency, to investigate, regulate, or prohibit all commercial and financial transactions by persons subject to the jurisdiction of the United States with foreign countries or the nationals of such countries or with respect to any property subject to the jurisdiction of the United States in which such countries or their nationals have any interest. Executive Order 9193 is the delegation of this authority to the Secretary of the Treasury.

It should be noted that Yugoslavia is not treated under any of the above regulations as part of the Sino-Soviet bloc. North Vietnam is included within this term but is not subject to the total embargo on Communist China, North Korea, and Cuba.

##### (1) FOREIGN ASSETS CONTROL REGULATIONS

###### A. General

The Foreign Assets Control Regulations, issued on December 17, 1950, implement the U.S. policy of total embargo on all financial and commercial dealings by persons subject to the jurisdiction of the United States with Communist China or North Korea.

###### B. Exports from the United States

There is dual jurisdiction in the Treasury and Commerce Departments over exports from the United States to Communist China or North Korea. To avoid overlapping, the Treasury Department has issued a general license (sec. 500.533

of the regulations) which authorizes all transactions incident to any export directly from the United States to Communist China or North Korea provided that the export has been licensed by the Commerce Department. It is our understanding that the Commerce Department licenses only publications, the personal effects of departing travelers, and dead bodies to be exported to those destinations.

#### *C. Imports into the United States*

Section 500.204 of the regulations prohibits all unlicensed imports into the United States of all Communist Chinese and North Korean merchandise. Processed forms of such merchandise, as distinct from manufactured forms, are also subject to this prohibition, no matter in what country the processing takes place. The import prohibition of the regulations extends to goods regarded as presumptively Chinese, i.e., goods of traditional Chinese type and goods which had principally been imported into the United States from mainland China before the effective date of the regulations, no matter in what country they may be located. It also extends to certain other commodities which have been located in Soviet-bloc countries (and Hong Kong and Macao) since such countries are regarded as likely channels through which the Communist Chinese would try to sell such items to the United States. Goods affected by the above prohibitions are licensed for importation only on presentation of satisfactory evidence that there has been no Communist Chinese or North Korean interest in the goods since December 17, 1950.

Insofar as trade with the European Soviet bloc is concerned, this prohibition of the regulations has principally affected textiles, certain metals and minerals, and animal hair. Some of these commodities have been susceptible to licensing, e.g., cashmere and camel hair, on the basis of physical identification; others, such as antimony, tin, and tungsten, have not.

It should be noted that not only are unlicensed imports into the United States of the above-mentioned types of commodities prohibited, but also all other dealings in any such commodities which are located abroad.

#### *D. Exports and imports by American-controlled firms abroad*

Under the Foreign Assets Control Regulations, foreign firms which are controlled by Americans, e.g., branches, subsidiaries, agents, certain licensees (see (4) below), etc., are prohibited, as are the parent firms, from exporting to Communist China and North Korea, regardless of the origin of the goods involved and whether or not the goods are strategic. It is not the Treasury Department's general policy to license such exports. In two instances licenses have been issued for foreign policy reasons, but in neither instance was the license utilized. These cases involved woodpulp and secondhand diesel locomotives, neither of which is regarded by COCOM as strategic.

The prohibitions on importations of (and other dealings in) Communist Chinese and North Korean merchandise and the other types of merchandise described in C above are applicable to foreign firms which are controlled by Americans.

#### (2) CUBAN ASSETS CONTROL REGULATIONS

The Cuban Assets Control Regulations, issued on July 8, 1963, replace the previously existing Cuban Import Regulations. (In addition to the authority of sec. 5(b) of the Trading With the Enemy Act, these regulations are also issued under Proclamation 3447, which was issued under sec. 620(a), Public Law 87-195.) The Import Regulations, issued February 7, 1962, prohibited imports into the United States of all goods of Cuban origin and, as amended on March 23, 1962, also prohibited imports of goods (e.g., cigars) made in third countries with Cuban components.

Essentially, the Cuban Assets Control Regulations are parallel to the Foreign Assets Control Regulations in that they prohibit all unlicensed financial and commercial transactions by Americans with Cuba or nationals thereof. Exports to Cuba thus are limited to those authorized by the Commerce Department. It is our understanding that, in addition to publications, the Commerce Department licenses medicines and certain nonsubsidized foods to be exported to that destination. With respect to imports, the Cuban Assets Control Regulations differ from the Foreign Assets Control Regulations in that there is no list of presumptively Cuban goods as there is in the case of China. This is because the nature of our past trade with Cuba was such that imports of goods of Cuban origin could be controlled without a list of this type. Further, there is no manufacturing-processing distinction in the Cuban Assets Control Regulations. The

import prohibitions here extend to all commodities containing Cuban components.

The Cuban regulations contain a general license (sec. 515.541) under which American subsidiaries abroad (other than banks) are authorized to sell non-U.S. origin goods to Cuba and to buy (or otherwise deal in) goods from Cuba. This general license was issued at the State Department's request for foreign policy reasons and on the understanding that American subsidiaries abroad were on a voluntary basis abstaining from trade with Cuba. (To the best of our knowledge only nonobjectionable shipments of foods and medicines have taken place.) The export of strategic goods to Cuba is not excepted from the privileges of the general license because the State Department felt to do so might jeopardize the informal cooperation we were receiving from our allies in controlling shipments of strategic goods to Cuba. (For the same reason, sales to Cuba are not affected by the below-described Transaction Control Regulations.)

### (3) TRANSACTION CONTROL REGULATIONS

#### A. General

The Transaction Control Regulations were issued on June 29, 1953, at the request of the Economic Defense Advisory Committee (EDAC) as a part of the U.S. efforts in the internationally agreed control of strategic commodities. These regulations are in addition to the controls exercised by the Commerce Department over direct exports from the United States to the Soviet bloc. They prohibit, unless licensed, any person within the United States from purchasing or selling or arranging the purchase or sale of strategic commodities located outside the United States for ultimate delivery to the European Soviet bloc or North Vietnam. The prohibitions apply not only to domestic American corporations but also to their foreign subsidiaries and to other foreign firms owned or controlled by persons normally resident in the United States. The regulations were intended to fill a gap in U.S. controls under which traders in the United States, without violating any U.S. regulation, could arrange transactions whereby strategic goods would reach the European Soviet bloc and North Vietnam either in contravention of other countries' security controls, through loopholes in the existing control system, or via countries without adequate controls.

#### B. Coverage

The coverage of the Transaction Control Regulations is restricted to those commodities which are internationally agreed to be strategic (the COCOM list) and as far as U.S. strategic lists are concerned, these commodities may be identified as:

(a) those which appear on Commerce Department's Positive List of Controlled Commodities and which are identified on that list by the symbol A in the column headed "Commodity lists" (15 CFR 399); (b) those commodities which appear on the Munitions list issued by the State Department's Munition's List Board (22 CFR, pt. 121-128); and (c) those commodities which appear on the Atomic Energy Commission's list (10 CFR, pt. 30, 40, 50, and 70).

On the recommendation of the House Select Committee on Export Control (the Kitchin committee) in 1962, we conducted a survey to ascertain whether shipments by American subsidiaries abroad to the Soviet bloc of strategic commodities under U.S. unilateral control, but not under COCOM embargo and thus not subject to the transaction control regulations, were significant enough to make extension of the Treasury Department regulations appear desirable. Of the over 1,000 replies we received it was determined that only 9 of these firms engaged in such trade. The total of this trade in 1961 and 1962 was about \$13 million, of which \$12 million was in the form of grain-oriented silicon steel sheets used in electric transformers. In view of this substantial evidence that trade by American subsidiaries abroad with the Soviet bloc in noncontrolled, strategic commodities was insignificant, the transaction control regulations were not extended to include such commodities.

#### C. Statistics

For the period from January 1, 1963, through March 31, 1964, 45 applications for licenses under the transaction control regulations were filed, of which 41 were approved in whole or in part. The principal types of commodities involved were communication and navigation equipment, electronic equipment, and computers.

*D. Licensing procedure*

The substance of the application is forwarded to EDAC working group I for advice. That committee arranges for a technical evaluation, and then gives the case policy review. The Treasury Department does not attend the technical group's meeting. At the policy review meeting, this Department's role is confined to—

- (a) Clarifying any questions the committee may have as to the precise impact of Treasury Department controls on the proposed transaction;
- (b) Providing available information as to the applicant, other parties to the transaction, etc.;
- (c) Obtaining from the applicant any further data the committee may desire;
- (d) Otherwise attempting to expedite for the applicant's benefit the committee's consideration of the case; and
- (e) Asking questions to obtain clarification of statements by committee members concerning the case.

The Treasury Department consistently does not vote on cases before the committee, and, in fact, is not a member of working group I. When the committee's advice is received, this Department then either approves or denies the application in accordance with the committee's recommendation.

## (4) PATENT AND TECHNICAL DATA CONTROLS

In 1955, the Commerce Department relinquished much of its control in the area of technical data and the products thereof, for various reasons. EDAC then asked the Treasury Department to interpret its transaction control regulations as applying to shipments made to the Soviet bloc of strategic goods produced by foreign firms under license from American firms. We also felt it necessary to interpret similarly the foreign assets control regulations as applying to shipments of all goods to Communist China and North Korea produced by foreign licensees of American firms. It was understood that the assumption of control in this area by the Treasury Department was to be undertaken on an interim basis, until the Commerce Department was able to reassert its primary jurisdiction in this field.

The Commerce Department has now amended its export control regulations governing the export of patent information and technical data from the United States. Accordingly, licensing agreements executed after April 1, 1964, will be subject to Commerce Department regulations but not to Treasury Department regulations. Also, where there is a continuing flow of technical data after April 1, 1964, under preexisting licensing agreements, the Commerce Department will, in most instances, acquire jurisdiction. As a result, with some minor transitional problems, the Treasury Department's role in this area after April 1, 1964, will be minimal.

One of the major differences that result from this transfer is that under Treasury Department administration of these controls, no products whatsoever produced with the licensed technology could be sent to Communist China or North Korea while under Commerce Department controls only those items on the positive list and the Polish GRO exception list are covered. While this is technically a relaxation (and has been so described in some news reports), it should be noted that in fact the only products that will be allowed to be sent to these destinations under Commerce Department regulations are those which are not considered to contribute to their military or economic potential. Another difference is that the Commerce Department regulations are applicable to Cuba (to the same extent as to Communist China and North Korea) whereas the Treasury Department's never were (in order to be consistent with the general license issued to American-controlled subsidiaries as described in (2) above). In other respects, the Commerce Department restrictions are basically the same as those the Treasury Department had been applying.

## WHEAT SALE BENEFIT TO THE UNITED STATES

The CHAIRMAN. Thank you, Mr. Secretary.

I must say that these regulations are rather complex.

I would think a businessman would have some difficulty in being sure that he could follow all of these regulations to the letter.

Your last statement about the wheat sales is very clear and, I think, a very beneficial one.

If I understand you correctly, you said the sale was certainly as beneficial, if not more so, to us than it was to the Russians?

Secretary DILLON. I actually think it was more so to us. Our balance of payments will benefit from the Soviet deal by about \$125 million when it is completed. That is a very real benefit. About two-thirds of it has already been paid—all been paid in cash—and so that has been of help to us.

#### SOVIET GOLD SALES

The CHAIRMAN. I noticed this morning's paper carried a small item that the Soviets had sold, I think it was, 14 or 15 tons of gold in Paris yesterday.

Secretary DILLON. They have been selling recently through the London market—where all the gold that they sell eventually goes—quite actively in recent times. By that I mean, since March. They have probably sold \$250 million, at least, in that period.

The CHAIRMAN. Since March?

Secretary DILLON. Since early March; yes.

The CHAIRMAN. Well, that is overall, but whether it comes directly to us or not, these sales are beneficial to the West.

Secretary DILLON. It is very beneficial and, of course, last year the general gold situation was helped by the fact that the Soviets, instead of selling a usual \$225 or \$250 million, have sold about \$500 million in the world markets, mostly in London, and—

The CHAIRMAN. How much?

#### SALES INCREASED WESTERN GOLD RESERVES

Secretary DILLON. About \$500 million, and largely—about twice their normal sales—and largely, as a result of that, according to a report by the International Monetary Fund which was just issued, the gold reserves of the free world increased last year by \$860 million. This is the largest increase since the war in any one year. It was not only due to the Soviet sales but also to the fact that there was greater confidence in currency so there was less private buying and also somewhat greater gold production from South Africa which was released in the market. But the combination of these things increased the free world gold reserves more than two and a half times or, as much as the year earlier.

So, that was very good for the international payments situation, and it is one reason why the U.S. gold losses were only \$460 million last year, the smallest that we have had ever since 1957.

The CHAIRMAN. The smallest?

Secretary DILLON. Yes.

And so far this year, we have gone through a whole quarter and lost only \$55 million, which is very good.

The CHAIRMAN. That is a great improvement over any year in the last 5 years, isn't it?

Secretary DILLON. Yes.

The CHAIRMAN. So this addition to the reserves of the West contributes a great deal to the liquidity of our whole international payments situation, both for us and our allies, doesn't it?

Secretary DILLON. That is correct. It does help.

#### EXPORT-IMPORT BANK'S GUARANTEE OF CREDITS

The CHAIRMAN. Yesterday, we had the Chairman of the Board of the Export-Import Bank. Do you feel that it is in our interest for the Export-Import Bank to guarantee credits for, as you call it, the normal trading terms of up to 5 years?

Do you think it is to our interest to have the Export-Import Bank perform this function?

Secretary DILLON. I think to the extent that other countries are going to trade in this way in nonstrategic items, I see no reason why our business people should be denied that market and that opportunity. It would be helpful to our balance of payments and, therefore, I personally think that this is in our interest. Under the law, as presently written, the President has to make a specific finding before the Export-Import Bank can do this and he has so found for the export of agricultural products. But he has not been asked to so find for other exports because there don't seem to be any such transactions that have come up.

I would think that if there were any substantial transactions involving normal nonstrategic items that required 3- or 4-year credit, that it would be to our advantage to give that credit.

#### DETERMINATION OF STRATEGIC ITEMS LIST

The CHAIRMAN. If I understand it correctly, the Treasury plays no part in determining what is a strategic item; is that correct?

Secretary DILLON. No, we leave that to the experts.

The CHAIRMAN. Who are the experts?

Secretary DILLON. The State Department enters into this, but the primary experts are in the Defense Department, the Commerce Department, and also to some extent the Central Intelligence Agency.

The CHAIRMAN. This is a very difficult question, this question of whether we will permit sale of, say, a plant that makes nylon. Such a plant is important for ordinary commercial usage but is possibly of some strategic significance because it can be used to make parachutes and other items of military equipment.

This troubles the Commerce Department a great deal, doesn't it?

Secretary DILLON. Well, the problem from the Commerce Department's point of view is that things of this nature are not included in the list of strategic items which has been agreed by negotiation, but the list is more strictly limited to possible direct military applications.

In addition to that the United States, on its own, does deny items of advanced technical know-how that they think might help the economic potential of the Soviet Union. Now, the other countries don't agree with that philosophy, and only try to withhold from the Soviet Union things that would help their military potential. So there is a difference there.

We had felt that as far as the major economic items, that this was useful. But the problem comes in deciding whether we really have

control over a particular invention or a particular process or whether the identical process or one nearly identical is readily available in other European, Western European, countries and is available for sale to the Soviet Union. If that is the case, our refusing to sell merely means that the Soviets would buy from the other European countries, and so I think that is what gives the real trouble to the Department of Commerce. It is the difficulty of making a decision whether our process which may be slightly different from the European process is enough better to warrant denying it to the Soviet Union and denying the sale to our American manufacturer. That is a close decision which the Department of Commerce has to make in conjunction with advice from the Defense Department and Central Intelligence Agency and the State Department, and I think that does give them trouble. But it is a complex area.

#### ENFORCEMENT OF CONTROLS OVER AMERICAN SUBSIDIARIES

The CHAIRMAN. You stated, I believe, that a foreign subsidiary of an American company is prohibited from selling even though the laws or policies of the country in which it operates allow it to trade.

How do you enforce any such regulation?

Secretary DILLON. We enforce it against the parent company. The foreign assets control regulations apply to trade in this area with North Korea and Communist China. In the case of Cuba the Cuban assets control regulations apply only to subsidiaries abroad which are shipping companies, and to banks. All other American-controlled, foreign subsidiaries are allowed; for foreign policy reasons, by general license to trade with Cuba but none of them have chosen to do so so far as we know.

#### EFFECTIVENESS OF CONTROLS OVER AMERICAN SUBSIDIARIES

The CHAIRMAN. Do you think these controls have been effective in preventing any business being done with North Vietnam, for example?

Secretary DILLON. Well, actually, as far as we know, there is no business being done with North Vietnam. Our foreign assets control regulations do not apply to North Vietnam although the transactions control regulations do. Logically, I don't know why they don't. When that situation first arose, there was no trade between North Vietnam and the United States, and the State Department felt that it would probably be better not to lump North Vietnam into the same barrel with Communist China, so they never did apply our foreign assets control regulations to that area.

The Commerce export controls apply there so that they can't buy any strategic goods from the United States, and Treasury transaction controls regulations prevent them from buying strategic goods from U.S. subsidiaries abroad but the overall Treasury financial controls do not apply. However, we know of no business that is being done.

The CHAIRMAN. In spite of that you know of no business?

Secretary DILLON. None.

The CHAIRMAN. On the whole, do you think these controls with regard to our companies abroad are effective?

Secretary DILLON. They certainly have been effective because there have been no transactions with Communist China and North Korea.

I don't know quite how much there would have been anyway, because, as I mentioned, there were two instances, when for overriding foreign policy reasons we did grant licenses. Those were both cases of subsidiaries in Canada, and in both cases, after the license had been granted, the Chinese chose not to go forward with the transaction so it is some indication that preliminary inquiries by the Chinese were designed primarily to cause trouble between the United States and Canada rather than actually to buy the items in question which were not purchased. So, I don't know whether—if we had no regulations—the Chinese would have bought much anyway. Certainly it has prevented it, and it has prevented imports. That is the key thing that it does. That is the place, I think that the Communist Chinese have tried to increase their export earnings, and we have denied them markets in the United States.

#### EXPORTS OF COMMUNIST CHINA

The CHAIRMAN. What do they have to export?

Secretary DILLON. They have tin, they have antimony, they have certain textiles, they have cashmere, animal fibers, things of that nature. They have certain pig bristles that go into brushes—paint brushes—things of that nature. I don't think it is any great quantity. But their big exports to the Soviet Union have been—one of their big exports has been food—it has been rice and obviously they wouldn't sell rice to the United States because we produce plenty.

#### QUESTION OF WHETHER CERTAIN PROHIBITIONS ARE IN U.S. INTEREST

The CHAIRMAN. Yes.

I wish to advert a moment to the question you have just discussed about prohibiting American firms, whether they are located here or abroad, from selling, for example, entire plants in which I understand the Russians are interested. Their competitors in Western Europe are allowed to sell such plants, so how is this in the national interests of the United States?

Secretary DILLON. Well, the only time that prohibition would take effect would be if the Department of Commerce decided, with the particular thing in mind, that U.S. technology was so far advanced over the European technology that it had special value and the European plant wouldn't be as useful. If they are generally identical, the Department of Commerce, I understand it, does not prohibit that sort of export.

#### PROBLEM OF TRADE WITH U.S.S.R. IN CREDIT TERMS

The real problem of trade with the Soviet Union is that for trade in any very substantial quantities they want long-term and relatively low interest rate credits. They have difficulty getting them, and certainly I don't think that it is to our interest to give them to them. It approaches a question whether it is aid or whether it is actual commercial transactions, and we certainly don't want to be in the business of aiding the Soviet bloc.

Four years ago, when I had conversations in the State Department with Mr. Mikoyan during the visit here of Mr. Khrushchev in 1960, they made it perfectly clear that while they thought trade could be substantially expanded it would have to be on a long-term, low-interest credit basis. We made it perfectly clear that that was not possible,

at least until they had settled the lend-lease debt which they owed the United States, and they said they were not interested in settling that.

#### STATUS OF LEND-LEASE SETTLEMENT

The CHAIRMAN. What is the status of the lend-lease settlement?

Didn't they at one time offer to pay some \$400 million?

Secretary DILLON. 300, I think, they offered to pay. That was their final offer. We had asked 800, so we were that much apart. As I recall, the total amount which we had was around \$2 billion—maybe a little more—in civilian-type commodities that would have peacetime utility to the Soviet Union. This did not include any military equipment which we did not attempt to charge for at all. They did offer at one time—in the very early fifties—about \$300 million which we did not think was adequate because it was far less than settlements we had made with all the other countries that we had lend-lease with. We wanted \$800 million and this just foundered on that difference.

The CHAIRMAN. There are no negotiations going on about it?

Secretary DILLON. No. We were—we often said we would be glad to undertake such negotiations and it became very much of a question in 1960, and we were ready to undertake them without prejudice but the Soviets were not interested in talking about it even.

#### QUESTION OF ADVANTAGE OF BILATERAL TRADE AGREEMENT WITH U.S.S.R.

The CHAIRMAN. Do you see any advantage if we had a bilateral trade agreement with the Soviet Union?

Secretary DILLON. Not particularly. I think that all that means is that they would agree to buy certain things from us and supply us with certain things. They have been able to make those bilateral agreements largely in Europe. They supply largely oil, which we certainly don't want to buy. They supply coal which we don't want to buy. They supply timber which I doubt if we want to buy from the Soviet Union with our quantities, and the quantities we get from Canada. That has been one of the problems of finding two-way trade in any very substantial amount with the Soviet Union except for cash on a multilateral basis because the exports that the Soviet has available in large quantities, except possibly for manganese, are types of things that the United States has plenty of itself. We do buy some crabmeat, and things of that nature, but they are very minor in total overall trade.

#### NO CONTROL OVER RESALE OF NONSTRATEGIC GOODS TO U.S.S.R.

The CHAIRMAN. As a practical matter, is there anything we can do about a situation where a purchaser of nonstrategic goods from us resells them to the Communist bloc, assuming—

Secretary DILLON. If it is a foreign purchaser, we can't do anything about it. But if it is part of an agreement with an American to do this, we could look at the facts of the situation, and if this was just a corridor we could prosecute the American for helping to work a scheme like this. This would only apply to the sale to Communist China. It doesn't apply to the Soviet bloc.

The CHAIRMAN. Any foreigner can buy nonstrategic goods from us and resell them to the Soviet bloc?

Secretary DILLON. That is right.

The CHAIRMAN. And there is no inhibition upon that.

Secretary DILLON. No.

Of course, that was the question when this wheat deal came up because the Soviets had been buying substantial quantities of flour from both Germany and Italy which had been made into flour out of American wheat, which we had sold to the German and Italian flour mills so it seemed rather foolish not to make the sales directly ourselves and get the full benefit.

#### LICENSE FOR SALE TO CHINA OF WOOD PULP AND LOCOMOTIVES

The CHAIRMAN. You mentioned in your statement the sale to China of wood pulp and secondhand steam locomotives. This didn't go through, but nevertheless you gave a license for the sale.

Secretary DILLON. We gave the license for it and, as I said in my oral testimony, the Chinese just never consummated the transaction so there was some doubt whether they were real bona fide desires to buy these things or whether they just stirred up the inquiry to make trouble between ourselves and Canada.

It is something you can never prove. They start negotiating with the company, once the license is issued, and then say they don't like the price or don't like the credit terms and the transaction falls through and you can't tell whether that is the real reason or whether they had no intention in the first place of consummating the transaction.

The CHAIRMAN. What was the justification for giving them a license at all?

Secretary DILLON. Foreign policy reasons. The State Department felt there were overriding policy considerations. In the case with Canada, the Canadians felt that they could make sales of this nature and this was a matter that was an infringement on their sovereignty to some extent and hurt their economy. This became quite an issue in the late fifties. An agreement was reached with the Canadian Government that in any case where there was a bona fide possibility of sale from Canada to Communist China of nonstrategic commodities which could not be supplied except from an American subsidiary because there weren't any other Canadian companies competitive in the business, that we would grant such licenses if requested by the Canadian Government, and that was the case with the wood pulp and the diesel locomotive. There was such a request.

But since that policy became effective, and became known, there haven't been any other requests from Canada, so I imagine this trade with Communist China has turned out not to be as profitable in this general area as they had expected although they have sold a lot of wheat to China and have been paid for it.

The CHAIRMAN. Do you know whether or not they have been totally paid for it?

Secretary DILLON. They are being paid for it on time. They have sold it on about 18-month credit. They started more than 3 years ago, and they sold every year. They are being paid for it.

The CHAIRMAN. Does the Senator from Missouri have a question?

## IMPORTANCE IN U.S. ECONOMY OF PROFITS AND VOLUME SALES

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Secretary, it is a privilege, as always, to see you. I am not necessarily taking any position, but want to understand this matter better.

Isn't it a fair statement that in our way of life the source for taxes is income including profits?

Secretary DILLON. The sources of what?

Senator SYMINGTON. Taxes.

Secretary DILLON. Yes, that is largely so. We do have excise taxes that run to about \$14 billion, and we do have inheritance and gift taxes, but they are relatively minor.

Senator SYMINGTON. I will rephrase it by saying primary source.

Secretary DILLON. The primary source, I would certainly agree.

Senator SYMINGTON. Then would you say the greatest incentive for obtaining normal profit is volume?

Secretary DILLON. I think volume of trade at a fair profit is right. The larger the volume generally the lower the cost, so large volume is helpful. That has been the essence of our mass production in this country.

Senator SYMINGTON. In other words, the most pleasant type of profit to make is overabsorbed overhead due to unexpected volume?

Secretary DILLON. I think that is correct.

Senator SYMINGTON. And generally that comes in the last 10 or 15 percent of volume of sales?

Secretary DILLON. You have been an industrialist, I have not.

Senator SYMINGTON. You know a great deal about industry though, as well as many other things.

With those premises, I am sorry I wasn't here at the beginning of your presentation, but have read it, if I may ask a few questions against your statement.

## PUBLICATIONS MOVING BETWEEN UNITED STATES AND COMMUNIST CHINA AND NORTH KOREA

You say at page 3, as a practical matter under both Treasury and Commerce Department regulations only publications move between this country and Communist China and North Korea.

By publications, you mean newspapers and magazines?

Secretary DILLON. Yes; we do allow those exports because it has been felt that that is in our national interest to get news. It is similar to the Voice of America project. To get the facts available into China and North Korea so we are willing to sell our publications, and we are willing to buy their publications on a license basis for—so that we know what they are thinking and this goes to students for technical reasons.

Senator SYMINGTON. We could get those anyway through Hong Kong and other countries?

Secretary DILLON. No, not without a Treasury license.

PROHIBITION AGAINST IMPORTS PRESUMPTIVELY OF CHINESE OR NORTH  
KOREAN ORIGIN

Senator SYMINGTON. On page 3 you say that imports which are presumptively Chinese or North Korean are restricted to ores and metals.

Wouldn't it be difficult to tell whether ores or metals did or did not come from China?

Secretary DILLON. That is why we restrict them. We will not buy any tin from the Soviet Union because we assume it comes from China. And this is a rather complex area. It is where a good deal of actual work of the Treasury takes place. We do have a list of a number of items that are presumptively Chinese, but we do issue licenses if the importer can give good evidence that they probably will not be Chinese in this particular case. We have agreements with a number of countries bordering on China, and they give us information which allow us to make those sort of findings, and that is a good deal of the routine work that takes place in the Treasury.

Senator SYMINGTON. Tin is primarily what you are thinking of?

Secretary DILLON. Tin is one of the largest ones that we have a pretty flat rule against acquiring. Anyway, we have enough tin.

Senator SYMINGTON. I don't think we have to worry much about tin. We have much tin. I have a bill to introduce today, if possible, authorizing us to sell, over a period, 98,000 tons of tin we don't need.

The price of tin is set by a cartel.

On page 4—

The CHAIRMAN. Could I ask the Senator, didn't I see in the paper that the price of tin had been very high lately?

Senator SYMINGTON. It is cartel controlled. When you can control the price it generally moves up, not down.

REASON FOR DIFFERENT POLICIES APPLYING TO CUBA AND CHINA

On page 4, I notice we are more lenient with the Cubans than the Chinese. We also sell them certain foods and medicines. Why do we treat them differently?

Secretary DILLON. That has just been decided for foreign policy reasons. They were closer to us for humanitarian purposes. But I don't think actually much in the way of these foods and medicines actually moves. There was quite a bit of it in a move to Cuba within the last 2 years but all of that was the food and medicine under the ransom program for the Bay of Pigs prisoners. Aside from that, the Cubans haven't bought any, although the Department of Commerce would license it, under general license except for lard which is under special license.

Senator SYMINGTON. You use the word "humanitarian," not geographical consideration.

Secretary DILLON. I think we are more interested; "humanitarian" is the real answer, yes.

Senator SYMINGTON. Thank you.

## MEMBERS OF COCOM

On page 5 you talk about licenses which prohibit the sale of strategic commodities. You talk about a strategic material being defined by the Consultative Group Coordinating Committee, generally known as COCOM.

Could you tell us who is on that committee?

Secretary DILLON. I can give you the list for the record, but it is in general the countries that are members of the NATO alliance.

(The list follows below:)

## COCOM MEMBERSHIP

Belgium, Canada, Denmark, Federal Republic of Germany, France, Greece, Italy, Japan, Luxembourg, Norway, Portugal, the Netherlands, Turkey, United Kingdom, and the United States.

These are all the NATO countries except Iceland, plus Japan.

## QUESTION OF DEFINING STRATEGIC MATERIAL

Senator SYMINGTON. Could you define what is strategic material?

Secretary DILLON. Well, they have been defined by the COCOM, by allies. The State Department, I think, could furnish a list of strategic items. Arms and ammunition are listed very clearly as one; atomic devices that could be used that way are another, and then beyond that the list goes into certain special types of machine tools that could be used for making cannons and rockets, special types of electronic things.

Senator SYMINGTON. Any machine tools?

Secretary DILLON. Not any.

Senator SYMINGTON. Almost any machine tools could be used in making a rifle or a cannon?

Secretary DILLON. Yes. What I meant were special types of machine tools.

Senator SYMINGTON. Unipurpose machine tools?

Secretary DILLON. Yes, used only for strategic purposes and, therefore, put on the list. But general purpose nuclear tools are not included.

## GERMAN TRADE WITH THE BLOC

Senator SYMINGTON. Well, thanks to the chairman some of us had a most interesting meeting with the Germans the other day and I was astounded at the effort and degree of their trade with the Communist bloc, which has been going on for years; and obviously there is a moot question as to whether the materials would or would not be strategic.

Secretary DILLON. They have never traded anything that would be strategic by the definition that has been multilaterally agreed to in COCOM. They have never violated that. But I said earlier, I think, that there is a difference in concept. We have had a concept—and I think this has even been shown in the legislation by Congress—that anything that would help to strengthen the economy of the Soviet bloc was helping them strategically, but the Europeans never agreed with that. Their concept of strategic is only something that is directly relevant to military strength.

## DIFFERENCE BETWEEN CONCEPTS OF STRATEGIC

Senator SYMINGTON. Before you came with the Treasury I had an experience. This Government classified what was sold behind the Curtain, but the facts were not classified in France and England. When we asked our Government witness why copper was sold heavily to the Soviet bloc, when the agreement was not to sell copper, the explanation given us was it wasn't copper; it was copper wire.

Secretary DILLON. You were right at that time and we then modified the restrictions and took copper completely off the list so it was—

Senator SYMINGTON. We had testimony from the Secretary of Agriculture that at the very same time the Germans were protesting bitterly against our sale of wheat to Russia, they were milling our wheat and selling it to the Russians for flour at heavy profit.

Secretary DILLON. I don't understand why they would protest our sale of wheat because they have always been selling, doing just what you say.

Senator SYMINGTON. If a country is limited in its treasure, which countries are, if you supplied them with multipurpose tools, doesn't that release their treasure to buy unipurpose tools for, say, cannon and make it possible for them to maintain their standard of living and at the same time buy more ammunition?

Secretary DILLON. No.

My own feeling is it does just the opposite. The wheat deal is a perfect example. They paid \$85 million for it already, they will pay us \$125 million roughly, and this will be completed by the end of next month. That money, if they had not used it to buy wheat, would have been available to them for something else. They couldn't have bought the wheat, so they would just have had to do without, and they could have done without. Through stricter rationing they would have used that money for military purposes or strengthening them that way. I think it is better for them to use it for wheat and buy it from us. However, that is why the important thing in my mind is and has been to limit this trade to cash or normal commercial transactions. Long-term credits, I think would accomplish just what you fear.

Senator SYMINGTON. That is an impressive answer. I always remember what Mr. Baruch said, when he challenged anybody to tell him what was a nonstrategic material. Somebody finally came up with the item bubble gum. Mr. Baruch said he would buy that.

It is a pretty fine line we have on all this; and it permits our allies to sell to their heart's content.

Secretary DILLON. I think the only really fundamental line is the line of what can be internationally agreed because it certainly is ineffective if we tried to force one line, as you pointed out in copper, and everybody else is selling it freely.

So, it is only where it is multilaterally agreed or where we have unique knowledge that nobody else has, and in that case, of course, we have control of it.

Senator SYMINGTON. The truth of the matter is the copper wire was a good deal more valuable unless it was drawn down finer than needed.

Secretary DILLON. That is right.

TRANSFER TO COMMERCE DEPARTMENT OF CONTROL OVER PATENT AND  
TECHNICAL DATA

Senator SYMINGTON. Going to the next to the last page of your statement, you transferred control of the regulation, you say, to the Commerce Department on April 1. Then later you say you nevertheless operate it. I am not clear on that.

Why did you transfer it to Commerce?

Secretary DILLON. Well, this was control over licensing of patents and technical information. For a number of years the Treasury has been trying to transfer this to the Department of Commerce—since before my time in the Treasury, I know—because the Treasury felt they had no competence in this particular area; the technical competence in this area all lay in the Department of Commerce. The Department of Commerce had some administrative problems and it took a while to work them out, but eventually this was completed, and the Department of Commerce felt that they were then able to handle this administrative load, and they took it on. It just happened that the agreement was reached and formalized in March of this year and was effective on the first of April. Everybody agreed basically it was a wise thing, because it is similar to their handling of exports where they have the technical knowledge, and certainly patents and technical know-how were more in their field than in our field.

## EFFECT OF CANADIAN TARIFF SITUATION ON U.S. EMPLOYMENT

Senator SYMINGTON. As you know, because you have been good enough to discuss it, we are running into some problems in my State incident to this Canadian trick whereby we have already lost hundreds of jobs in my State. I understand 700 jobs were just lost in Muncie, Ind., for the same reason.

Mr. Jack Whitaker is chairman of a committee of the Automotive Parts Association. He was the one whose company suffered the most in my State. The Studebaker president, when he moved that business to Canada, gave as one of the reasons, the manipulation of tariffs by the Canadian Government. The estimate is we will lose 60,000 jobs in this industry in the United States if this continues.

It worries me when we discuss the plus side of the balance-of-payments problem, about the income of large corporations that have made investments abroad. That may improve the fiscal and/or monetary position of the Government, but it doesn't help us with a growing problem, especially if you correlate same with automation; namely, unemployment.

Mr. Whitaker prophesied in September, in a letter to Secretary Hodges, exactly what would happen. Apparently he got advance notice of what was planned by Canada.

In this connection you have not transferred to the Commerce Department the right to take action on this, is that correct?

Secretary DILLON. No. This is a matter which, by law, is lodged in the Bureau of Customs, and which is in the Treasury Department.

## EFFORTS TO STUDY EFFECTS OF CANADIAN TARIFF SITUATION

Senator SYMINGTON. Is there any plan to do anything about it?

Secretary DILLON. This is under intense study at the moment. We have had a number of communications, some direct, some indirect, from different companies. We are trying to get the full facts on them. We have made very clear to Canada they didn't like the general idea. There are detailed regulations on what Canada is doing which were only published about 60 days ago, and we have been studying those to see how they affect our law and I think we will have to come to a conclusion very shortly because it is a serious matter. It does seem to us to involve this countervailing duty law which we had on our books for a long time for the purpose of countervailing subsidies which are given by foreign countries to exports into the United States.

Senator SYMINGTON. I express my appreciation to you and the Treasury Department for your kindness in listening to this problem.

If this trick is allowed to go on, it could cost us hundreds of thousands of jobs if carried forward into other industries.

Secretary DILLON. The Canadians have said that they have no intention of doing it in any other cases except this automobile parts situation, but that doesn't reduce the seriousness of that situation.

Senator SYMINGTON. But they also assured the automobile parts people last September they had no intention of doing it. That has been told to me.

Secretary DILLON. Yes.

## DEFINITION OF CREDIT TERMS

Senator SYMINGTON. You mentioned the problem of long-term credit and say short term works to our advantage.

Is 5 years the limit of short-term credit, as you see it?

Secretary DILLON. Well, 5 years is more than short term. Five years is generally thought of as medium term. With three different areas, short which you might say is up to a year or 18 months, and medium between that and 5, long term anything over 5 years.

It had been more or less generally agreed by the Berne Union—that is a group of credit agencies of various exporting countries which tried to set certain standards so there wouldn't be cutthroat competition in unsound credit—that, except in very exceptional cases, credit should not be given beyond 5 years, and needed special justification. That is the reason I picked 5 years.

## ALLIES' EXTENSION OF LONG-TERM CREDIT

Senator SYMINGTON. We understand that, whereas some of the NATO allies are sticking to 5-year loans to the Russians, other NATO allies are giving long-term credit to the Russians, up to 15 years.

Is there any way we could make it unprofitable for them to extend long-range credit to these countries?

Secretary DILLON. This is a difficult situation. I think there is unanimous agreement in the NATO countries that 5 years should be the maximum, except for one country, and that is the United Kingdom, a minority of one, and the United Kingdom wishes to—thinks it is good business to—give longer term credit and says they are prepared to do it and will not join with the other countries in agreeing to limit this to 5 years.

The other countries say that if the United Kingdom actually does give this longer credit, and they lose orders, and business starts to flow that way then even though they would rather not do it, they would for competitive reasons have to go along. So, I think that then a number of countries would do it. But it is essentially a problem with the British. They have consistently said they were going to. I am not aware of any major deal or any major agreement that has yet been consummated with this kind of credit because I think they are having some very hard bargaining with the Soviet Union.

I know they have been talking about it. They want relatively low rates of interest over that longer period of time and haven't yet come to any agreement.

#### OTHER COUNTRIES' TRADE WITH CHINA AND THE BLOC

Senator SYMINGTON. Do you know of any country in the free world except the United States that is not trading with all Communist European countries; and also the Communist Chinese?

Secretary DILLON. No; I don't know of any European country. Japan trades with them to some extent. We try to see, to encourage them not to trade too much because we think they will get into a difficult situation if they did but that is a decision they have to make. I think we are the only one.

Senator SYMINGTON. Do you know of any highly industrialized country that is not trading with the Eastern bloc and East Germany and with the Russians and with the Communist Chinese?

Secretary DILLON. No; I don't know of any highly industrialized country except the United States as far as China and Korea are concerned.

#### LIST OF STRATEGIC MATERIALS

Senator SYMINGTON. In the last analysis, is a strategic material something they can reserve the right to decide themselves?

Secretary DILLON. No; there is this agreement—COCOM—to which all these industrialized countries belong, and they have a list of strategic items, and which comprises, I would say, about somewhere around 10 percent of the total items that move in international trade, and these they don't trade with the Soviet. But 90 percent of the items they do.

Senator SYMINGTON. Would you supply for the record a list of strategic materials?

Secretary DILLON. The State Department is the keeper of that, and I will request them to supply it.

Senator SYMINGTON. Would you do that, sir?

Secretary DILLON. Yes.

Senator SYMINGTON. Thank you very much.

Thank you, Mr. Chairman.

(Subsequent to the hearing, the Department of the Treasury's Administrator for Mutual Defense Assistance Control submitted the Mutual Defense Assistance Control Lists, revised October 1, 1962, under title I and title II of the Mutual Defense Assistance Control Act of 1951 (Public Law 213, 82d Congress), which is classified confidential. The list is in the committee files. An unclassified summary of the Battle Act List, which is included in the Battle Act Report of 1963, 16th report to Congress, follows:)

BATTLE ACT TITLE I LIST—CATEGORY A<sup>1</sup>

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

Item No.	Description
101	Small arms and machine guns, as follows: (a) Rifles, carbines, revolvers, pistols, machine pistols and machine guns designed specifically for military use; (b) All specifically designed components and parts therefor.
102	Artillery, as follows: (a) Guns, howitzers, cannon, mortars, tank destroyers, rocket launchers, military flame throwers, recoilless rifles; (b) All specifically designed components and parts for the foregoing.
103	Ammunition, and all specifically designed components and parts thereof, for the weapons enumerated under Items 101 and 102.
104	Bombs, torpedoes, rockets, and missiles guided or unguided, as follows: (a) Bombs, torpedoes, grenades (including smoke grenades), smoke canisters, rockets, mines, missiles guided or unguided, depth charges, fire bombs, incendiary bombs; and all specifically designed components and parts therefor; (b) Apparatus and devices specifically designed for the handling, control, activation, launching, laying, sweeping, discharging, detonation or detection of items enumerated in sub-item (a); and all specifically designed components and parts therefor; (c) Military fuel thickeners, including but not limited to: compounds (e.g., octal) or mixtures of such compounds (e.g., napalm) specifically formulated for the purpose of producing materials which, when added to petroleum products, provide a gel-type incendiary material for use in bombs, projectiles, flame throwers or other implements of war.
105	Fire control equipment and range finders, as follows: (a) Fire control, gun laying, night sighting, missile tracking and guidance equipment; (b) Range, position and height finders, and spotting instruments specifically designed for military purposes; (c) Aiming devices, electronic, gyroscopic, acoustic and optical, specially designed for military purposes; (d) Bomb sights, bombing computers, gun sights and periscopes specially designed for military purposes; (e) Television sighting units specially designed for military purposes, and inertial platforms; (f) Components, parts, accessories, and attachments specifically designed for the articles enumerated in sub-items (a), (b), (c), (d) and (e) above.
106	Tanks and vehicles specially designed for military purposes, as follows: (a) Tanks and self-propelled guns; (b) Military type armed or armored vehicles, and vehicles fitted with mountings for arms; (c) Armored railway trains; (d) Military half tracks; (e) Military type recovery vehicles; (f) Gun carriers and tractors specially designed for towing artillery; (g) Trailers specifically designed to carry ammunition; (h) Amphibious and deep water fording military vehicles;

<sup>1</sup> This list was in effect on Oct. 1, 1962.

BATTLE ACT TITLE I LIST—CATEGORY A<sup>1</sup>—Continued

## 100-199 Series: Arms, Ammunition, and Implements of War—Continued

Item No.	Description
106	Tanks and vehicles specially designed for military purposes, etc.—Con. (i) Military mobile repair shops specifically designed to service military equipment; (j) All other specially designed military vehicles; (k) All specifically designed components and parts for the foregoing.
107	Toxicological agents, as follows: (a) Biological, chemical and radio-active materials adapted for use in war to produce casualties in men or animals, or to damage crops; (b) Equipment specifically designed and intended for the dissemination of the materials described in sub-item (a); (c) Equipment specifically designed and intended for defense against the materials described in sub-item (a), and for their detection and identification; (d) Components and parts specially designed for the items listed in (b) and (c) above. (NOTE: Sub-item (c) above does not include masks used for protection against specific industrial hazards, such as fumes or powders in mining, quarrying and chemical plants, and gas masks designed for civilian use. Sub-item (c) above also does not include personal radiation monitoring dosimeters.)
108	Powders, explosives and propellants, as follows: (a) Powders and liquid or solid propellants for the articles enumerated in Items Nos. 103, 104 and 107; (b) Military high explosives; (c) Chemical base high energy solid or liquid fuels specially formulated for military purposes. (NOTE: Sub-items (a) and (b) above will not be considered to cover exports in reasonable quantities of propellants and explosives normally used for civilian or industrial purposes or made up into cartridges or charges of an exclusively civilian or industrial nature.)
109	Vessels of war, and special naval equipment, as follows: (a) Combatant vessels or vessels designed for offensive or defensive action (surface or underwater); (b) (1) Diesel engines of 1,500 h.p. and over with rotary speed of 700 r.p.m. or over specially designed for submarines; (2) Electric motors specially designed for submarines, i.e. over 1,000 h.p. quick reversing type, liquid cooled and totally enclosed; (c) Magnetic, pressure, and acoustic underwater detection devices specifically designed for military purposes; controls and components thereof; (d) Submarine and torpedo nets; (e) Components, parts, accessories and attachments for the foregoing, such as turrets, naval gun mounts, submarine batteries and catapults.
110	Aircraft and helicopters, of the piloted or pilotless types and aero-engines and aircraft or helicopter equipment, associated equipment and components, specially designed for military purposes as set out below: (a) Combat aircraft and helicopters and other aircraft and helicopters especially designed for military purposes, including military reconnaissance, assault, military training and logistic support, and all aircraft and helicopters having special structural features such as multiple hatches, special doors, ramps, reinforced floors and the like, for transporting and airdropping troops, military equipment and supplies, aero-engines specially designed or adapted for use with such aircraft and helicopters, with the exception of aero-engines excepted under Title I—Category B Item 1460(b); and component parts thereof;

<sup>1</sup> This list was in effect on Oct. 1, 1962.

BATTLE ACT TITLE I LIST—CATEGORY A<sup>1</sup>—Continued

## 100-199 Series: Arms, Ammunition, and Implements of War—Continued

Item No.	Description
110	Aircraft and helicopters, etc.—Continued (b) Airborne equipment, including airborne refueling equipment, specially designed for use with the aircraft and helicopters, and the engines of the types of aircraft and helicopters covered by sub-item (a), and component parts thereof; (c) Non-expensive balloons in excess of 3,000 cubic feet capacity.
111	Electronic equipment specially designed for military use, and components and parts therefor.
115	Military infra-red equipment and specialized components therefor, n.e.s.
116	Munitions components and materials, as follows: (a) Brass and bronze fabrications for primer anvils, fabrications for bullet cups (gilding metal clad steel), cartridge link, primer cap, shell rotating band; (b) Copper rotating bands for shells, and other copper munitions components; (c) Gilding metal clad steel; (d) Rough steel forgings, steel and alloy castings for guns and for arms.

## 200-299 Series: Atomic Energy Materials

Item No.	Description
201	Source (fertile) and fissionable materials, as follows: (a) Natural uranium, unwrought or wrought, including alloys and compounds of natural uranium, having an uranium content exceeding 0.05 percent, not elsewhere specified, excepting medicinals; (b) Uranium 233, alloys containing uranium 233 and compounds of uranium 233; (c) Uranium enriched in the isotope 235, alloys containing uranium enriched in the isotope 235, and compounds of uranium enriched in the isotope 235; (d) Irradiated uranium containing plutonium; (e) Plutonium, alloys containing plutonium and compounds containing plutonium; (f) Irradiated thorium containing uranium 233.
218	Equipment specifically designed for the separation of isotopes of uranium and/or lithium.
236	Nuclear reactors, i.e. reactors capable of operation so as to maintain a controlled, self-sustaining fission chain reaction, and major components designed or intended for use in a nuclear reactor such as reactor vessels, core support structures, coolant pumps, fuel element handling equipment, heat exchangers and control rod drive mechanism.

## BATTLE ACT TITLE I LIST—CATEGORY B

The Category B portion of the Title I embargo list, as of October 1, 1962, covers *particular specified forms*, including specialized parts and assemblies, of the following items:

## METALWORKING MACHINERY

Grinding heads and spindle assemblies; presses; spin-forming machines; equipment for producing gas turbine blades; aircraft manufacturing machinery; machinery for manufacture of jet engines; gear making and finishing machinery; electronic closed loop feed-back controls for machinery.

## CHEMICAL AND PETROLEUM EQUIPMENT

Counter current solvent extractors; gas liquefying equipment; equipment for production of deuterium oxide; equipment for production of military explosives and solid propellants; plant for production of titanium and zirconium metals;

<sup>1</sup> This list was in effect on Oct. 1, 1962.

gas centrifuges; electrolytic cells for production of fluorine; pumps; ion vacuum pumps; valves, cocks, and pressure regulators; heat exchangers; pipe and tubing; containers for liquefied gases.

#### ELECTRICAL AND POWER-GENERATING EQUIPMENT

Electric vacuum furnaces; diesel engines; electric power generators; electron beam welding or machining equipment; devices for direct conversion to electrical energy; electric arc devices.

#### INDUSTRIAL EQUIPMENT

Metal rolling mills; construction equipment; artificial graphite; cable-making machinery; electronic valve-making machinery; equipment for manufacturing semi-conductor materials; compressors and blowers.

#### TRANSPORTATION EQUIPMENT

Ice breakers; tankers; warships (whether or not obsolete or converted); other vessels (including fishing and hydrofoil); cable suitable for sweeping mines; automotive vehicles, tractors, and lift trucks; aircraft and helicopters; compasses and geodesic equipment.

#### ELECTRONIC AND PRECISION INSTRUMENTS

Airborne communication equipment; airborne navigation equipment and ground and marine equipment for use with airborne navigation equipment; airborne, ground, and marine direction-finding equipment; airborne, ground and marine radar equipment; communication, detection and tracking equipment using infra-red radiation, ultra-violet radiation, ultrasonic waves, or tropospheric, ionospheric, or meteoric scatter phenomena; jamming apparatus; underwater location apparatus; pulse modulators; panoramic radio receivers; radio transmitters; telemetering and telecontrol equipment; telegraph equipment; radio relay communications equipment; amplifiers and oscillators; dosimeters; other communication transmission equipment; mass spectrographs and spectrometers; communication cable; equipment for providing communication secrecy; measuring, testing, counting and calibrating instruments; apparatus for automatically sorting electronic components; radio spectrum analyzers; electromagnetic wave guides; cathode-ray tubes; semi-conductor diodes; transistors; semi-conductor material; photo cells; photomultiplier tubes; thermal detecting cells; X-ray tubes; image intensifiers, image converters, electronic storage-tubes and vidicon-type tubes; other electronic valves (tubes); thyratron and modulator gas-discharge tubes; electronic components; materials for use as absorbers of electromagnetic waves; tantalum electrolytic capacitors; specialized forms of electronic equipment and components; computers; special equipment for producing electronic assemblies; control equipment; thermoelectric materials and devices; magnetometers; recording and reproducing equipment; centrifugal testing apparatus; ion microscopes; oscilloscopes; photographic equipment; quartz crystals; materials composed of crystals having spinel hexagonal or garnet crystal structures, and thin film devices; gravity meters.

#### METALS, MINERALS, ALLOYS THEREOF, SOURCE MATERIALS THEREOF, AND MANUFACTURES THEREOF

Anti-friction bearings; source (fertile) and fissionable materials; zirconium; beryllium; magnetic metals; lithium; steel alloys; hafnium; calcium; tritium; cobalt; niobium; magnesium; molybdenum; nickel; tungsten; tantalum; titanium.

#### CHEMICALS, METALLOIDS, PETROLEUM PRODUCTS, AND RUBBER PRODUCTS

Detonating and priming compositions; synthetic hydraulic fluids, stabilizers for explosives; deuterium, fluorine; boron; chlorine trifluoride; fluorinated hydrocarbons; fluorocarbon compounds and manufactures; diethylene triamine; hydrazine; hydrogen peroxide, nitroguanidine; guanidine nitrate; pentaerythritol tetranitrate; silicone fluids and greases; silicon gallium and indium compounds; tantalum niobium and tantalum-niobium compounds; jet fuel; synthetic lubricating oils and greases; synthetic rubber.

## MISCELLANEOUS

Synthetic dielectric film; small arms not designed specifically for military use and ammunition therefor; military smoke, gas, and pyrotechnic projectors; pneumatic tire casings specially constructed to be bullet proof or to run when deflated; special aircraft equipment useful in military operations; special armored equipment; specialized military training equipment; tear gas equipment; self-contained diving and underwater swimming apparatus, bayonets, fire arms silencers, power controlled searchlights and related equipment of military utility; specialized machinery and equipment for examination, testing and manufacture of military equipment; climatic conditioning chambers; cryogenic devices and equipment.

## BATTLE ACT TITLE II LIST

The Title II List covers the same general categories of items as the Title I. Category B List, but the specific items listed are ones of lesser strategic importance.

## VOLUME OF NATO TRADE WITH BLOC COUNTRIES

The CHAIRMAN. With regard to that last question, the volume of the trade of our NATO allies is far greater than ours with the Communist countries?

Secretary DILLON. Oh, yes. I think one reason for that is that they are able to take the products of the Soviet Union more readily than we are—such products as oil and timber and coal and things of that nature, that are not suitable for bilateral trade between the Soviet Union and the United States.

Senator SYMINGTON. If the Chair will yield, that is only part of the story, because the sales promotion effort outlined to us in detail by the country doing the most exporting and the most importing to Communist countries is one of the most intelligent efforts along the lines of sales promotion I have listened to.

Secretary DILLON. I think that is probably true also.

## GERMAN AGREEMENTS WITH EAST EUROPEAN COUNTRIES

The CHAIRMAN. You are speaking now of the German effort in Eastern Europe in particular; is that correct?

Senator SYMINGTON. Correct, Mr. Chairman.

The CHAIRMAN. They seem to have executed bilateral agreements with all of the Eastern European countries.

Secretary DILLON. That is correct.

The CHAIRMAN. And are pushing trade very aggressively.

Secretary DILLON. Yes. But the bilateral agreements, they agree to take imports from the East also, and there are things that Eastern Europe produces that they are glad to take. It is much more difficult for us.

## QUESTION OF FRANCE PROMOTING TRADE WITH CHINA

The CHAIRMAN. Is France, in view of her recent recognition of Communist China, promoting trade there?

Secretary DILLON. I think they would like very much to have some trade, but I don't think they have very much because the Chinese have not been in a position to buy much except food, wheat. They buy some small amounts of oil, products of that nature, but I don't

think the French have any great trade there. I think they are hoping to develop some, but I doubt it will be very large.

#### DIFFERING ATTITUDES TOWARD TRADE

The CHAIRMAN. The countries in this category do not have the same attitude toward trade that we have; isn't that true?

Secretary DILLON. There is a difference that I tried to emphasize a couple of times. Our definition of strategic is quite different and is broader and does cover basic economic strength of the country, whereas theirs is limited strictly to direct military devices.

And, secondly, we do have a different concept regarding Communist China. There has never been anything but an armistice in Korea, and we are still technically in a police action. There certainly has been no peace; the Communist Chinese attacked the offshore islands a number of times. So we have taken an entirely different attitude there and just don't deal with them at all. Nobody else follows that.

#### FLUCTUATIONS IN TRADE BETWEEN UNITED STATES AND U.S.S.R.

The CHAIRMAN. That is quite true with China. With Russia and the Eastern European Communist bloc, however, is there any difference between our policies and our ideas about trading with those countries, aside from just the commercial factors of having a use for their goods?

Secretary DILLON. This has fluctuated. In 1960 or 1959, after the Soviets said that they wanted to increase trade, we told them the only way to do that—to trade—was to come over here and buy something, and they did, and the Department of Commerce licensed a number of things and our trade with the Soviet Union, our exports, went up to something approaching a hundred million dollars.

Thereafter, in the summer of 1961, there was the Berlin wall, and renewed indications of Soviet aggression, and at that time the Commerce Department did tighten up very considerably their licensing procedures, and the Soviets also became less interested in pushing purchases here. As a result our trade fell off very, very drastically. I think, from the impression I have, the Department of Commerce is now again reviewing that policy, and maybe would be a little more generous in their licensing position now than they were in, say, 1961 and 1962, but I think you probably have had information from Secretary Hodges or can get it from him. He is the responsible party.

#### POLITICAL IMPLICATIONS OF TRADE

The CHAIRMAN. Is it fair to draw the conclusion that trade does have considerable political implications?

Secretary DILLON. I think it is impossible to separate totally trade from political implications, and is helpful in that respect.

The CHAIRMAN. For better political relations?

Secretary DILLON. Yes, sir.

## SOVIET MOTIVES FOR BUYING U.S. WHEAT

The CHAIRMAN. You said a moment ago that the Russians could have done without the wheat. All they needed to have done was to ration and so on.

Can you give us your views as to their motives in buying the wheat if they could have done without it?

Secretary DILLON. Well, I think this is a complex problem having to do with the internal political and social situation in the Soviet Union.

They decided that they wanted to keep foodstuff, bread—which is a major item—available for their people at a certain level, and were willing to sacrifice considerable of their gold reserves to do that.

However, they have shown in the past if they are forced into a situation they are perfectly capable of introducing tighter controls and there is no doubt they could have done it this time.

Now, the amount that they bought from the United States was really relatively small compared to their own overall bread grain production, 3 percent, something like that. So it would not have made a major change. It would not have meant the starvation of a lot of Russians, but it would have meant some inconvenience for them in a rationing effort. I think it is probably a hopeful sign and a good sign that they preferred to use their gold and their exchange reserves to buy wheat rather than devote them to armaments.

## INTERPRETATION OF WHEAT TRANSACTION IN TERMS OF COLD WAR

The CHAIRMAN. Expand on that a little. Why do you think it is a hopeful sign? Do you draw any conclusion from this kind of decision as to any change in attitude on their part or generally toward the cold war?

Secretary DILLON. No, not necessarily from the leadership. But I think that their leadership feels that they have to give certain amenities to the populace which are a great deal more than they did 20 or 30 years ago certainly, and that we will get a gradual development of reaction there where the demands of their population become ever greater for consumer products and a better standard of life and I think as that happens the possibility of military attempts will decrease, because they will have more interest in maintaining their status quo. So, I think generally that is a long-term good sign.

I don't think that would be the case if one let down one's guard and allowed them to get a great military superiority then they would be tempted again. But as long as they see there is nothing much to gain from that, I think it is good to see their need for consumer items and their apparent political need to grant this demand of their own people for consumer items, I think that is a good thing, a good sign.

## KHRUSHCHEV'S STATEMENTS IN HUNGARY

The CHAIRMAN. Have you noticed the recent statements by Chairman Khrushchev in Hungary about such things as goulash and dresses and ballets?

Secretary DILLON. I didn't read about the goulash.

The CHAIRMAN. Didn't you see his statement about what is the revolution for if it is not to have more goulash?

Secretary DILLON. I think that is very good then.

The CHAIRMAN. What?

Secretary DILLON. I think that is very good. But certainly from the first 20 or 30 years of the Soviet regime, and certainly under Stalin in the thirties, that was not the Soviet objective. They just starved their people, and instead devoted all their resources to building steel plants, things of that nature.

Senator SYMINGTON. This morning he criticized the head of the Ukraine for eating too much goulash but not furnishing enough steel plate.

## EVOLUTION OF SOVIET ATTITUDE TOWARD THE WEST

The CHAIRMAN. I just wondered, since you have had long experience in the political field, that is, in foreign relations as well as with monetary affairs, if you draw any conclusions as to the evolution of the Soviet attitude toward the West?

Secretary DILLON. Well, I think there has been an evolution—certainly in the last 2 or 3 years—and I think they have come to realize that they can't make gains against the West by direct military threats or adventures, and they are settling down to a longer term, longer range type of competition, under which I think the chances of our system are far better than theirs.

So, therefore, I think that is generally favorable.

The CHAIRMAN. If it is favorable, would it be to our advantage to encourage it?

Secretary DILLON. I think as long as we keep up our military strength and do not let that go down—except as we can reach an agreed and mutually policed disarmament agreement, which does not seem possible at the moment, because of the Soviet refusal to accept any inspection—I think that as long as we do that, then I do think it is good to encourage any development in the Soviet Union which leads to a wider spread demand for consumer products and a greater level of education among the masses, better standards of living, and particularly better knowledge of the West and Western products, Western ways of life.

The CHAIRMAN. Judging from the size of our military budget you are not apprehensive about our letting down our military strength, are you?

Secretary DILLON. Not at the moment.

Senator SYMINGTON. Mr. Chairman, may I ask a question there?

The CHAIRMAN. Yes.

Secretary DILLON. Of course, this is relative to the Soviet Union.

## BALANCE-OF-PAYMENTS PROBLEMS

Senator SYMINGTON. In context with that question, this is what is hard for me to understand. We are constantly losing our gold. As you know, Mr. Secretary, I have been worried for some time about our balance-of-payments problem. In 1949 we had some \$24½ billion of gold; and owed foreign countries about \$5 billion of current liabilities, primarily to foreign central banks.

Now, we have about \$15½ billion of gold, actually some \$2.6 billion Senator Robertson tells me, of free, nonmonetized gold; but we now owe about \$28 billion to the foreign central banks.

In addition, despite the fact we have had greater exports than imports over the last 15 years, except for 1 year we have shown an unfavorable balance; and although we are running a very high gross national product, a tremendous amount is being done on credit. With these steadily and heavily growing current liabilities, it seems our position is getting somewhat comparable to the problems the British had in the early thirties.

It seems our offshore military expenditures, foreign aid program, and expenses incident to tourism, are the three major items which more than counterbalance our excess of exports over imports.

With these premises, how can we continue to tax the American taxpayers 50 to 60 percent of our total tax budget, \$50 to \$60 billion a year, to provide a defense umbrella for free countries, at the same time they trade with all nations to get the volume for lower prices? They have already the advantage over us of lower labor rates.

Not only do we tax that heavy gross amount, our per capita taxation for national defense is higher than any other country in the world.

I notice some of the countries that have been giving us the "business" lately through tariff manipulation, have about as low a per capita defense expenditure as any industrialized country.

RELATIONSHIP OF BALANCE-OF-PAYMENTS PROBLEM TO DEFENSE  
EXPENDITURES

How can we continue to tax our people to this amount, thereby guaranteeing freedom all over the world, unless we either have a more cooperative economic approach from other free countries, or join them in more trade behind the Iron Curtain?

The theory of capitalism is risk capital and trade. It seems to me our getting into more difficult fiscal and monetary problems is only a question of time.

This is really not a question, rather an observation.

I would appreciate your comments.

Secretary DILLON. I would be glad to comment on it.

I think there are two different subjects, but they are somewhat interwoven. One is heavy taxes we bear to have an over \$50 billion defense budget. I see no way to substantially reduce that in the absence of some disarmament agreements. They may be possible some

time in the future. They haven't been so far. They would be very welcome if they were.

In the absence of that, I think we have to continue a substantial Military Establishment. Now, whether it has to be exactly the size that it is now or not is something I don't feel that I am an expert on.

But it has to be very, very substantial to maintain for the safety and security of the United States and our own people. Certainly just as recently as less than a year and a half ago when we had our missile crisis with Cuba, I think every American felt that this was money well spent because it enabled us to stand off a major threat to our own national security and continued existence as a free people. Therefore, I think we have to do that and the people are glad to do it.

#### RELATIONSHIP OF BALANCE-OF-PAYMENTS PROBLEM TO MILITARY AND AID EXPENDITURES ABROAD

The question then comes to our expenditures abroad for military purposes which have been running a little over \$2 $\frac{3}{4}$  billion a year, why we should have such big ones, because they do have a substantial impact on our balance of payments.

We have been trying very hard, and we are engaged in a major effort, to reduce that dollar impact of our defense expenditures and of our aid expenditures, and I think that is something we should do. It is beginning to be effective. Taking the two together—the dollar impact of aid and defense outlays abroad—over the last 6 years they have ranged between \$4 and \$4 $\frac{1}{4}$  billion. Last year, for the first time there was some progress in reducing this, it was reduced to \$3 $\frac{3}{4}$  billion.

#### IMPACT OF INCREASED MILITARY SALES ABROAD ON BALANCE-OF-PAYMENTS PROBLEM

We hope to get that overall total down to about \$3 billion. I think we will by 1965. In addition to that we have greatly increased our military sales abroad. In the case of Germany the sales are large enough to offset all our dollar expenditures abroad, and the same is true in the case of Italy, we are trying to promote further sales elsewhere. This would further reduce the balance-of-payments impact. We have sales of a billion dollars a year, which is our goal, and we have been making it, and our goal of \$3 billion outlay abroad. We will still have a \$2 billion drain from defense and aid. About \$500 million of that is aid and about \$1 $\frac{1}{2}$  billion defense, that we will have to absorb in our balance of payments.

I think that we can so manage our balance of payments, if we can maintain price stability here, that probably we can absorb something on that order and still have balance in our international accounts—covering it out of our trade surplus. But it is only if we keep price stability and if we work very hard.

#### INCREASED FOREIGN BORROWING AND FINANCING IN THE UNITED STATES

You mentioned the major items, including tourism as a third one. Of course, there was another item last year, which entered into the situation, rather newly and unexpectedly, and that was the sale of portfolio securities here, particularly bonds by foreigners where they increased their borrowings and their financing here in the United

States from an average of around \$600 million a year during the late fifties through 1961; they roughly doubled that in 1962 to about \$1.1 billion, and then they had a figure of over a billion dollars in the first 6 months of last year.

So that looked like it was on its way to doubling again which would be nearly quadrupling anything we had known before—something over \$2 billion in this area.

#### INTEREST EQUALIZATION TAX

That was something we could not afford. We could not finance the economic expansion of the whole industrial free world, which we were being more or less asked to do, so we had to take defensive measures and suggest the interest equalization tax which was designed to increase the cost of this money to foreigners, and reduce the volume of the flow.

It succeeded in doing so even though it has not been finally enacted as yet. And as a result, our balance of payments seems to be considerably improving and it is also improving because we have held our prices level for 5 or 6 years while costs have gone up much more rapidly in Europe.

That is a slow-acting thing but I think that that is the reason that recently our balance of trade seems to be doing somewhat better. As the President stated the other day, while we don't have anything but very preliminary indications, we don't have any figures for March as yet, the indications are that we may do very well in the first quarter and it is possible, as the President said, that there may be no deficit at all in the first quarter which would be quite an unusual occurrence. Certainly, it would be the first time since 1957 that that has happened.

Senator SYMINGTON. Thank you, Mr. Secretary.

#### SOVIET PAYMENTS FOR WHEAT PURCHASES

The CHAIRMAN. Mr. Secretary, yesterday we had testimony that there had been \$65 million worth of wheat sold to and paid for by the Russians, but I believe you said \$85 million.

Secretary DILLON. That was the figure that we got as of April 6 which was obtained, some of it, by telephoning the grain companies the total changes every day, but the figure was about \$85 million as of April 6.

The CHAIRMAN. That was probably merely a difference of date.

Secretary DILLON. It may well be. The Russians so far are paying cash on the basis of bills of lading and proper papers indicating that grain has been loaded and indicating the quantities and indicating the ship it is on. When they have been delivered to a bank in New York, the Russians pay within 5 days, which is before the wheat reaches the Soviet Union. That is the way all these transactions have been handled, and the figure we got was that \$85 million had been so received.

The CHAIRMAN. And commitments have been made for \$125 million?

Secretary DILLON. It is \$134 roughly from the point of view of the Soviets, but roughly \$125 from the point of view of our balance of payments. The difference of approximately \$10 million would go

to the foreign shipping for the share of the wheat that is moved in foreign shipping.

#### CANADIAN WHEAT SALES TO U.S.S.R. AND COMMUNIST CHINA

The CHAIRMAN. Just for the record, do you know what the Canadians have sold during this past year?

Secretary DILLON. Well, they announced that their overall sales to the Soviets which haven't been delivered as yet would amount to about \$500 million.

The CHAIRMAN. Is that just to the Soviets or does it include China? Secretary DILLON. Just the Soviet Union.

The CHAIRMAN. I have a few other questions I would like to ask. Do you know what they sold to the Chinese in addition to what they sold to Russia?

Secretary DILLON. I can give you those figures. It was less, it was substantial but less than what they sold to the Soviet Union. Canada has sold to Communist China 1 million tons of wheat, but exact grades and prices are not known.

#### TARIFF TREATMENT OF SOVIET AND MOST-FAVORED-NATION IMPORTS

The CHAIRMAN. I have a few other questions of a more technical nature, perhaps.

What is the approximate difference in the U.S. tariff treatment of a typical item of Soviet origin and the same item from a country which receives most-favored-nation treatment?

Secretary DILLON. I think that is probably impossible to answer because it depends on our tariff for particular items. In the case of some Soviet exports we don't have very much, if any, tariff. In the case where our tariffs are highest, which are usually on such things as chemicals or lace or things of that nature, the Soviets don't export them. There would be a big difference but there would be nothing that would move in that area. I think it is really more or less an impossible question to answer.

The CHAIRMAN. It depends entirely on the items?

Secretary DILLON. On the items, yes.

#### PROSECUTIONS UNDER TRADING WITH THE ENEMY ACT

The CHAIRMAN. Have there been any criminal prosecutions in the last few years for violation of the Trading With the Enemy Act?

Secretary DILLON. Yes, they go on all the time.

For violation of our foreign asset control regulations—they are not numerous—but we have collected, I think, in fines, criminal fines and civil penalties, something over a million dollars. They are not very big. I think last year we collected something over a hundred thousand dollars, in that area.

#### VOLUME OF BUSINESS BETWEEN FOREIGN SUBSIDIARIES AND THE BLOC

The CHAIRMAN. Did I understand that the Transaction Control Regulations apply only to items on the COCOM list?

Secretary DILLON. That is correct.

The CHAIRMAN. Does this allow foreign subsidiaries or licensees of American firms to sell goods to the Soviet bloc for which the Department of Commerce would not issue a license?

Secretary DILLON. A foreign subsidiary is free to operate under the rules of the foreign country; yes, except for COCOM-agreed strategic goods.

The CHAIRMAN. Do you have any estimate of how much business is being done with the Soviet bloc by foreign subsidiaries of American firms?

Secretary DILLON. Yes. This question was brought up by a congressional committee, so we did send out a questionnaire to all the major companies. We found out that business being done with the Soviet Union by American subsidiaries abroad in items that they would presumably not be allowed to trade in here in the United States if they sent the exports directly from the United States amounted to something like \$13 million in the 2 years that we asked for, and were done by only about 10 or a dozen out of over a thousand companies that were asked. The great number of our foreign subsidiaries do not do this, and it did not seem necessary to take any action in this field. The study was undertaken to see if there was any widespread trade of this nature that should be controlled, and the answer was rather conclusive that there was no significant volume of it.

#### BUDGET REQUIRED FOR HANDLING CONTROL MEASURES

The CHAIRMAN. Approximately how large a budget is required for the Bureau of Customs and other Treasury aspects of enforcing the export control measures applicable to Communist countries?

Secretary DILLON. Well, I don't think I have that figure, I could probably get it in just a second. There are about 27 people, I think, working in our foreign assets control of which about 13 are professionals, and the rest are clerical.

Generally, the biggest volume of the work is, as I said earlier, handling these applications for imports that are presumptively Chinese. Certainly it is just personnel so that actual budget would be very small for these 27 people but I will furnish for the record the exact figures.

(The following statement was supplied for the record subsequent to the hearing:)

The Foreign Assets Control budget for fiscal year 1964 is \$317,500; \$57,500 of this amount covers reimbursement to the Federal Reserve Bank of New York for support of the foreign assets control staff there and for other foreign assets control services rendered by the bank.

#### QUESTION OF DUMPING CHARGES AGAINST BLOC COUNTRIES

The CHAIRMAN. Are there any pending charges of dumping against any Soviet bloc country?

Secretary DILLON. We have three pending cases—window glass from the U.S.S.R. and from Czechoslovakia and copper sheets from Yugoslavia. Four years ago we had a dumping finding out against Czechoslovakia in the case of bicycles, where they were dumping, and we have been charging a dumping duty, and they have been continuing to sell us the bicycles and pay the dumping duty. I think

they are now considering revising their price and increasing their price so that case will probably be closed shortly because they will have ceased to dump.

The CHAIRMAN. It hasn't been in general a major problem?

Secretary DILLON. No; not for us.

#### PROHIBITIONS AGAINST CHINESE TRADE

The CHAIRMAN. I believe you have answered this, I am not sure: Do any other free world countries other than Nationalist China prohibit all trading with Communist China?

Secretary DILLON. Nationalist China, as far as I know, is the only one that prohibits all trading with Communist China. I don't know offhand how much trade there is between the Philippines and Communist China. I would not imagine very much.

#### ARTICLES PROHIBITED UNDER FINDING OF SLAVE LABOR

The CHAIRMAN. Are there any articles produced in the Soviet Union prohibited from entry into the United States under a finding that they were produced by slave labor?

Secretary DILLON. We did have that finding for crabmeat. However, we rescinded that some years ago, and crabmeat does come into the United States. That was the only one that I am aware of.

The CHAIRMAN. None now.

Secretary DILLON. None now. I think that prohibition was because we had some evidence, which we thought was valid, that in the period right after the war, some of the crabmeat was being processed by Japanese prisoners of war and they were not being paid for doing it. That was the origin of this slave-labor finding.

#### TRADE THROUGH HONG KONG

The CHAIRMAN. With regard to trade between free world countries and Communist China, how does one know whether or not there is any trade between these countries that goes through Hong Kong?

Secretary DILLON. Well, we have, of course, a very large consulate in Hong Kong which watches that trade. We do have a small Foreign Assets Control Office there of our Treasury, which is designed to service imports into the United States so they can be certain that things they buy there would not arrive over here and then be told they could not come in because they were presumed to be of Communist Chinese origin. We keep pretty good track of the trade that does go through Kong Kong.

The figures are published and are available so I think we know what it is.

The CHAIRMAN. Do other countries police their trade through Hong Kong in a similar manner?

Secretary DILLON. I don't think so, because as we have said before, other countries do not have the same attitude toward trade with Communist China.

The CHAIRMAN. I was thinking of Nationalist China. Even with Nationalist China it is difficult to know; isn't it?

Secretary DILLON. I don't know. I couldn't answer that question. I would have to find out from the State Department. I just don't know what they do in that way. I do know they have close connections with Hong Kong. Also the Communist Chinese are also in Hong Kong so I don't quite know what the answer to that is.

## PROHIBITION AGAINST IMPORTATION OF SOVIET FURS

The CHAIRMAN. A provision in the Trade Agreements Extension Act of 1951 prohibits importation of several types of furs from the Soviet Union.

Do you know of any other free world country that has similar restrictions against Soviet furs?

Secretary DILLON. No.

The CHAIRMAN. They are not any?

Secretary DILLON. No; I know of none.

## ATTITUDE TOWARD 5-YEAR CREDITS TO U.S.S.R.

The CHAIRMAN. Well, to summarize it, do I understand that you feel that trade within the 5-year credit limit with the Soviet Union is beneficial to our national interests and beneficial to our balance of payments?

Secretary DILLON. Yes; assuming that within the 5-year limit means that credit is appropriate to the type of transaction. Certainly, 5-year credit for wheat, for instance, would not be appropriate, so it just depends on what the transaction is.

I wouldn't go for over 5 years in any event. Under the law presently, of course, the President has only found that it is in our national interest to give credit for agricultural products.

The CHAIRMAN. That is any credit?

Secretary DILLON. Yes.

The CHAIRMAN. Even short-term credit.

Secretary DILLON. Yes. Our private banks can give credit if they want. But—

The CHAIRMAN. Yes.

## RESTRICTIONS AGAINST GUARANTEES OF CREDIT

Secretary DILLON. The law was changed, as of the first of this year, to prohibit any credit by a Government agency except where the President finds it is in the national interest. The guarantee of credit by a Government agency, which is what is involved—it isn't actual credit but it is a guarantee of credit—has been restricted now by the change in the law.

The CHAIRMAN. As a practical matter that does restrain trade very substantially, doesn't it?

Secretary DILLON. Yes; unless the President makes such a finding which he has done in the case of agricultural goods.

## PROGRESS ON BALANCE-OF-PAYMENTS PROBLEM

The CHAIRMAN. Do you have anything further you would like to add to our information on East-West trade?

Secretary DILLON. No; I don't think so. I think this has covered the Treasury's general position in it very well. If there are any further technical questions the committee may have after studying this record, we would be glad to answer them for the record.

The CHAIRMAN. Well, we will study the record. If nothing else came out of this hearing, I was very pleased to hear the progress you are making on the balance of payments. That will relieve a lot of people's worries about it anyhow.

Secretary DILLON. I would hope this would continue. The balance of payments has been characterized in the past by rather large movements from quarter to quarter. But in spite of that, it looks like the first quarter will be by far the best quarter we have had since 1957 and certainly the prospects for this year are again, also, by far the best year since 1957.

#### FRENCH INVESTMENT IN UNITED STATES

The CHAIRMAN. I notice in the paper yesterday there was an announcement that a combination of companies, one of which was the Pechiney Co. in France, is planning to build an aluminum plant in this country, I assume with French capital.

Secretary DILLON. Well, up to at least 25 percent. The interest that the Pechiney Co. had, that would be French capital, but I imagine that when they come to build a plant in this country it will borrow a goodly portion of whatever lenders will lend them of the cost of the plant, and although there may not be a great deal of actual capital transferred, I just don't know what the result will be.

The CHAIRMAN. It would be beneficial in the short run if they did, wouldn't it?

Secretary DILLON. If they moved capital into the United States it would be very beneficial.

The CHAIRMAN. There are no restrictions on a foreign company investing in such a project here?

Secretary DILLON. Oh, no. We are very much in favor of it. The Commerce Department tries to promote it, have foreign investment move into the United States.

The CHAIRMAN. Well, thank you very much, Mr. Secretary. I appreciate your giving us this information.

The committee is adjourned.

(Whereupon, at 10:45 a.m., the committee adjourned, subject to call of the Chair.)

## APPENDIX

### DEPARTMENT OF COMMERCE ANALYSIS OF SOVIET BLOC LICENSING ACTIONS DURING 1962 AND 1963

#### 1962

Processing of applications to export commodities<sup>1</sup> to the European Soviet bloc in 1962 was almost evenly divided between approvals and denials, with approvals totaling approximately \$49.6 million and denials \$48.9 million. An analysis of the commodities licensed for approval reveals that industrial chemicals comprised the largest single major category. Licenses valued at approximately \$12.5 million in this category were approved. This comprised approximately 25 percent of all bloc licensing for the year. Insofar as denials are concerned, 90 percent are accounted for by the rejection of the 112 cases covering automotive machine tools and related goods, valued at \$43.7 million, which had been pending for about a year and a half. If these are excluded from the statistics, industrial chemicals also show up as the major denial category, comprising \$2.4 million out of the remaining \$5.2 million denied, or 46 percent. Nonsubsidized agricultural products made up the second largest category of approvals in 1962, totaling \$10.7 million, or 22 percent. Even if Mexican-origin products are excluded, agricultural products still take second place, with \$7 million, or 14.4 percent licensed. This category did not figure in denials for the year. Industrial equipment almost matched the licensing total for agricultural products, with approximately \$6.9 million approved, or 14 percent. The denial of the automotive machine tools in 1962 accounted for all but approximately \$200,000 worth of industrial equipment denied during the year. If these tools are excluded from the totals, denial of other industrial equipment amounted to only 3.8 percent. Other major categories of approvals in 1962 are synthetic rubbers, \$2.4 million, or 4.8 percent; synthetic fiber and tire cord, \$2.2 million, or 4.5 percent; medicinals and vitamins, \$1.8 million, or 3.7 percent; synthetic resins, \$400,000, or 0.8 percent; and laboratory equipment, \$100,000, or 0.2 percent. Other significant denial categories for 1962 are carbon steel skelp, \$800,000, or 1.9 percent; nonferrous metals, \$600,000, or 1.2 percent; and automotive vehicles, engines and parts, \$200,000, or 0.4 percent.

#### 1963

In 1963, approval of commodities to the European Soviet bloc amounted to \$139.1 million and denials to \$4.5 million. While the total processed in 1963 as compared to 1962 does not show an extremely significant increase, i.e., \$143.6 as against \$98.5 for 1962, approvals jumped from \$49.6 to \$139.1, or nearly threefold. Denials fell from \$48.9 million to the above-mentioned \$4.5 million. Of the total approvals in 1963, agricultural products made up the largest single category, comprising approximately \$85.4 million, or 61.2 percent. Of this total, surplus agricultural commodities amounted to \$76 million, or 55 percent. Nonsubsidized agricultural products approved amounted to \$16.3 million, of which Mexican-origin products comprised \$6.9 million. The U.S.-origin nonsubsidized agricultural products amounted to \$9.4 million as compared to the \$7 million licensed in 1962. If the surplus agricultural products total is excluded from the total licensed for 1963, the U.S.-origin nonsubsidized agricultural products amounted to 14.9 percent of the remainder. Total value of industrial chemicals licensed in 1963 was almost twice as large as the amount approved in 1962: \$23.2 million as compared with \$12.5. The percentage, however, dropped from the 25.2 figure for 1962 to 16.6 for 1963 because of the increase in activity in surplus agricultural products. If the total value of the latter is excluded from the amount licensed in 1963,

<sup>1</sup> Since this analysis is based on dollar value, and technical data applications seldom show value, licensing of such cases is not included.

industrial chemicals are seen to have increased to 37 percent of the licensed total. Industrial equipment, bolstered by the approval of \$9.3 million for potash miners and related items, rose to \$10.9 million for the year, or 17.3 percent of the (non-subsidized) total. Synthetic rubber approvals fell in 1963 from \$2.4 million to \$1.4 million, or 2.2 percent of the (nonsubsidized) total. Approvals of synthetic fiber and tire cord; synthetic resins; and medicinals and vitamins each accounted for approximately \$1 million of the (nonsubsidized) approved, or 1.6 percent each, and laboratory equipment amounted to \$400,000, or 0.6 percent. As in 1962, industrial chemicals were also one of the major denial categories, although it took second place to carbon steel skelp. Approximately 1.7 million worth of skelp, or 38 percent of all denials, led the list for 1963. Industrial chemical denials amounted to \$1.3 million, or 29 percent, and industrial equipment denials came to \$900,000, or 20 percent. Also of significance is the fact that approvals of synthetic rubber dropped, as mentioned above, to \$1.4 million from \$2.4 the previous year, although only \$300,000 worth of synthetic rubber was denied in 1963.

Attachments:

1. Licenses approved by major commodity categories.
2. Licenses denied by major commodity categories.

[Attachment 1]

*Licenses approved by major commodity categories*

[Value in millions]

	1962		1963			
			Total		Export surplus	
	Value	Percent	Value	Percent	Value	Percent
Industrial chemicals.....	\$12.5	25.2	\$23.2	16.6	\$23.2	37.0
Agricultural products.....	7.0	14.1	85.4	61.2	9.4	14.9
Surplus agricultural products.....			(78.0)	(55.0)		
Industrial equipment.....	6.9	14.0	10.9	7.4	10.9	17.3
Pulp and papermill machinery.....	(5.4)		(.3)			
Potash miners.....	(0)		(9.3)			
Synthetic rubber.....	2.4	4.8	1.4	1.0	1.4	2.2
Synthetic fiber and tire cord.....	2.2	4.5	.9	.6	.9	1.4
Synthetic resins.....	.4	.8	.9	.6	.9	1.4
Laboratory equipment.....	.1	.2	.4	.3	.4	.6
Medicinals and vitamins.....	1.8	3.7	1.0	.7	1.0	1.6
Total of above.....	33.3	67.3	121.4	87.1	48.1	76.4
Mexican origin agricultural products.....	3.7	7.5	9.6	6.9	6.9	10.9
Total plus Mexican origin.....	37.0	75.0	131.0	94.0	55.0	87.3
Total licensed.....	49.6		139.1		63.1	

[Attachment 2]

*Licenses denied by major commodity categories*

[Value in millions]

	1962		1962 export machine tools		1963	
	Total value	Percent	Value	Percent	Value	Percent
Industrial chemicals.....	2.4	5.0	2.4	46	1.3	29
Industrial equipment.....	43.9	90.0	.2	3.8	.9	20
Auto machine tools.....	(43.7)					
Automotive vehicles, engines and parts.....	.2	.4	.2	3.8		
Carbon steel skelp.....	.8	1.9	.8	15.0	1.7	38
Nonferrous metals.....	.6	1.2	.6	12.0		
Synthetic rubber.....					.3	6
Total of above.....	47.9	98.5	4.2	81.0	4.2	93
Total denials.....	48.9		5.2		4.5	

## DEPARTMENT OF COMMERCE DATA ON PRINCIPAL EXPORTS TO SOVIET BLOC

The principal exports to the U.S.S.R. and to the satellites during the period 1960-62 are shown in the attached table. As will be noted, these figures show some wide fluctuations in the principal categories. For example, no inedible tallow, exportable under general license, was shipped to the U.S.S.R. in 1960. In 1961, U.S.S.R. exports totaled \$15.1 million, but they dropped in 1962 to \$4 million. Textile machinery exports to the U.S.S.R. fell from \$12.7 million in 1960, to \$9.9 million in 1961, and to \$176,000 in 1962. Exports of other industrial machinery to the U.S.S.R. totaled almost \$3 million in 1960, dropped to \$2 million in 1961, but rose to \$3.3 million in 1962.

Principal exports to the satellites during 1960-62 show a wider range of goods than do the shipments to the U.S.S.R. Agricultural products, principally to Poland, were the largest single category, followed by a wide range of industrial machinery. Iron and steel mill products were large in 1960, but fell from the \$5.1 million figure for that year to \$176,000 in 1962.

*U.S. exports*

[Value in U.S. dollars]

U.S.S.R.

	1960	1961	1962
Hides and skins.....	1,798,000		1,939,000
Inedible tallow.....		15,122,000	4,011,000
Synthetic rubber.....		1,463,000	1,459,000
Synthetic fibers and manufactures.....	2,803,000	4,660,000	1,985,000
Textile machinery.....	12,721,000	9,928,000	176,000
Other industrial machinery.....	2,975,000	1,973,000	3,319,000
Total above.....	20,297,000	33,146,000	12,890,000
Year's total.....	38,440,000	42,662,000	15,253,000

## SATELLITES, INCLUDING POLAND

Agricultural products, total.....	129,959	69,672	86,968
Barley.....	14,815	3,138	9,873
Rice.....			3,003
Wheat.....	74,009	127,768	26,237
Hides and skins.....	2,517	4,291	5,898
Tallow, inedible.....	3,168	3,940	4,197
Cotton manufactures.....	15,536	16,635	20,524
Rubber, synthetic.....	485	782	1,684
Synthetic fibers and manufactures.....	1,044	829	645
Sulfur, crude.....	768	470	1,012
Iron and steel mill products.....	5,055	1,168	176
Machinery (agricultural, construction, electrical, and industrial), total.....	4,266	3,531	3,557
Metalworking.....	1,113	1,553	2,128
Total above.....	141,577	76,452	94,042
Year's total.....	155,413	90,662	109,883

† Shipments to Poland.

Source: 63d and 66th quarterly reports (1st and 4th quarter, 1963) by the Secretary of Commerce.

DEPARTMENT OF COMMERCE DATA ON PRINCIPAL IMPORTS FROM  
SOVIET BLOC

During the period 1960-62, 80 to 85 percent of all U.S. imports from the U.S.S.R. were in furs, ores, benzene, and naphthalene. Figures are as follows:

*U.S. imports*

U.S.S.R.

	1960	1961	1962
Furs.....	\$5,967,000	\$6,762,000	\$7,462,000
Ores.....	5,685,000	6,754,000	5,007,000
Benzene.....	7,819,000	3,671,000	.....
Naphthalene.....	.....	2,018,000	409,000
Total above.....	19,471,000	19,205,000	12,878,000
Total imports.....	22,764,000	23,228,000	16,180,000

Approximately 70 percent of all imports from the satellite countries, in the period 1960-62, were in seven categories: meat and meat products, hides, skins and furs, glass products, bicycles and parts, wood manufactures, casein, and feathers. Figures are as follows:

SATELLITES, INCLUDING POLAND

	1960	1961	1962
Meat and meat products.....	\$28,573,000	\$26,850,000	\$26,238,000
Hides, skins, and furs.....	3,752,000	3,095,000	5,265,000
Glass products.....	3,024,000	3,435,000	3,587,000
Bicycles and parts.....	1,566,000	1,494,000	1,944,000
Wood manufactures.....	819,000	1,551,000	2,107,000
Casein.....	1,390,000	2,065,000	1,399,000
Feathers.....	1,259,000	1,165,000	1,254,000
Total above.....	40,383,000	39,655,000	41,794,000
Total imports.....	57,519,000	57,602,000	62,111,000

*United States trade with Cuba, 1957-63*<sup>1</sup>

[In thousands of dollars]

Period	Exports, including reexports	General imports
Annual:		
1957.....	618,582	481,866
1958.....	546,947	527,831
1959.....	438,593	474,663
1960.....	223,726	357,306
1961.....	13,716	35,125
1962.....	13,398	6,806
1963.....	36,476	53

<sup>1</sup> Prepared by Department of Commerce.

## ANALYSIS OF UNITED STATES-CUBAN TRADE, 1961-63

Our own trade with Cuba has declined sharply over the last 3 years. In 1961, as a result of our October 1960 export embargo, our exports to Cuba were only \$13.7 million, mainly in foods, medicines and medical supplies. In the same year our imports were \$35 million, mostly in tobacco, fresh fruits, and vegetables.

In 1962, our exports to Cuba were only \$409,251, if we put aside the more than \$13 million of goods we sent for prisoner relief and ransom. Of the \$409,000 over \$300,000 was exported in the first quarter, with a successively diminishing volume for the remainder of the year. In terms of commodity composition, shipments under general license (foods, medicines, and medical supplies) constituted about 90 percent of the exports. The balance of the shipments, i.e., under validated license, were those to diplomatic missions in Cuba, to international (friendly) communications media, and equipment and supplies for malaria eradication by the Pan American Health Organization. Imports in 1962 dropped to \$6.8 million (of which \$6.5 million was tobacco).

In 1963, total commercial exports amounted to \$63,849, with the prisoner release shipments (terminating in July) amounting to \$36,411,701. Of the \$63,849 commercial exports, about 85 percent were under general license with the remainder, under validated license, destined to the end users as indicated for 1962. Imports in 1963 were negligible, only \$53,000 of goods (tobacco) ordered before our import embargo came into effect.

## COCOM TRADE WITH CUBA

The Cuban trade of our COCOM friends (plus Spain and Sweden) generally dropped from 1961 to 1962 on the export side, from \$101.7 million to \$51.5 million, while increasing on the import side from \$66.5 million to \$89.7 million. Incomplete figures for 1963 (mainly first 9 months), show a substantial rise in imports, to \$109 million, and exports of \$41.4 million.

*Selected free world trade with Cuba*

[In thousands of dollars]

	1961		1962		1963	
	Imports	Exports	Imports	Exports	Imports	Exports
United States.....	35,129	13,716	6,806	13,398	53	36,985
Canada.....	4,999	30,131	2,610	10,180	4,296	6,943
Belgium-Luxembourg.....	847	4,098	1,414	1,342	2,014	2,578
Denmark.....	97	862	118	473	325	1,364
France.....	1,184	5,861	2,307	1,841	3,093	3,707
West Germany.....	2,011	11,767	5,785	5,727	1,642	4,133
Greece.....	3,434		4,960			
Italy.....	327	4,030	205	1,445	35,443	549
Netherlands.....	4,257	10,952	3,594	8,090	10,409	9,008
Norway.....	226	2,299	359	2,019		
Portugal.....	4	879		8		210
Spain.....	9,240	4,401	8,519	1,372	4,966	2,524
Sweden.....	522	1,372	4,170	1,159	3,246	2,724
Turkey.....						
United Kingdom.....	15,009	13,229	19,922	7,264	33,648	5,518
Japan.....	24,338	11,801	35,809	10,603	10,057	2,204
Total.....	66,495	101,682	89,772	51,523	109,139	41,462

*U.S. trade with Yugoslavia*<sup>1</sup>

IMPORTS		EXPORTS	
[Value of U.S. imports (for consumption) from Yugoslavia, 1957-June 1963. Value in millions]		[Value of U.S. exports to Yugoslavia, 1957-June 1963. Value in millions]	
	Value		Value
1957.....	\$33.8	1957.....	\$149.8
1958.....	28.7	1958.....	115.0
1959.....	34.7	1959.....	121.4
1960.....	40.2	1960.....	85.7
1961.....	39.3	1961.....	153.8
1962.....	48.3	1962.....	154.2
1963 (January-June).....	23.0	1963 (January-June).....	125.3

<sup>1</sup> Prepared by Department of Commerce.

TABLE C.—U.S. exports to Yugoslavia by major commodity groups<sup>1</sup>

[In millions of dollars]

	1957	1958	1959	1960	1961	1962
00. Animals and products, edible.....	10.0	3.0	0.9	0.7	0.1	0.3
0. Animals and products, inedible.....	4.1	4.6	3.2	1.8	5.6	1.5
1. Vegetable products, edible.....	61.0	42.7	58.3	2.9	47.2	53.6
2. Vegetable products, inedible.....	6.0	8.9	10.1	5.5	10.2	10.2
3. Textile fibers and manufactures.....	19.2	15.4	19.1	12.3	16.5	17.4
4. Wood and paper.....	.1	.1	.2	.7	3.1	1.5
5. Nonmetallic minerals.....	6.1	4.9	4.8	5.5	6.0	5.6
6. Metals and metal manufactures.....	4.1	1.8	4.7	12.5	17.7	17.2
7. Machinery and vehicles.....	6.4	9.6	5.6	27.2	33.4	32.4
8. Chemicals and related products.....	1.7	1.8	2.0	2.8	3.5	3.6
9. Miscellaneous.....	30.9	22.3	12.7	13.9	10.6	10.6
Total.....	149.8	115.0	121.4	85.7	153.8	154.2
Percentage of U.S. exports to all destinations.....	.7	.6	.7	.4	.7	.7
Imports from U.S. as percent of total Yugoslav imports.....	23.0	17.0	18.0	10.0	17.0	16.0

<sup>1</sup> Prepared by Department of Commerce.TABLE C.1.—Selected subgroups from groups 6 and 7 in table C<sup>1</sup>

[In millions of dollars]

	1957	1958	1959	1960	1961	1962
6. Iron and steel scrap.....	1.6					1.3
Copper, ore and semifabricated.....	2.2	1.7	1.8	0.1	6.8	4.0
Aluminum, ore and semifabricated.....	.02		2.7	4.5	3.6	3.8
Iron and steel making raw materials.....					4.9	1.3
Iron and steel mill products.....	.1	.02	.04	.05	1.3	2.7
7. Electrical machinery and apparatus.....	.7	1.3	.5	1.3	3.9	3.6
Power generating machinery, not elsewhere classified.....		.4	.4	2.4	2.4	2.3
Construction, excavating and mining machinery.....	2.3	1.9	2.4	5.0	4.1	1.9
Metal cutting machine tools.....		.3	.02	.02	1.0	1.9
Textile, sewing, and shoe machinery.....	.1	.2	.2	1.4	1.1	.6
Industrial machinery and parts, not elsewhere classified.....	.7	.9	.6	4.8	3.3	11.6
Railway transportation equipment.....			.1	9.3	14.4	.1
Agricultural machinery and implements and parts.....		.01	.3	1.4	.3	.1
Aircraft parts.....	.8	3.2	.05	.05	.05	

<sup>1</sup> Prepared by Department of Commerce.

## EAST-WEST TRADE

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TABLE 3.—Trade of selected free world countries with the European Soviet bloc, 1956-62 and January-June 1963<sup>1</sup>

[In millions of U.S. dollars]

	Free world exports to European Soviet bloc						Free world imports from European Soviet bloc									
	1956	1957	1958	1959	1960	1961	1962	1963 <sup>2</sup>	1956	1957	1958	1959	1960	1961	1962	1963 <sup>2</sup>
Total free world.....	2,103	2,584	2,647	2,952	3,711	4,180	4,003	2,085	2,279	2,562	2,736	2,952	3,488	3,760	4,072	2,002
Total (selected countries).....	1,311	1,125	1,450	1,643	2,044	2,333	2,513	1,210	1,401	1,535	1,600	1,859	2,249	2,441	2,596	1,330
Austria.....	110	135	114	129	154	176	188	93	93	115	116	129	158	154	171	95
Belgium-Luxembourg.....	78	66	62	60	99	87	87	34	66	65	57	74	78	87	102	50
Canada.....	53	31	23	37	37	44	46	17	10	11	10	12	13	16	16	7
Denmark.....	28	34	43	60	58	30	292	54	48	49	57	73	79	79	87	42
France.....	108	118	146	198	221	233	262	111	115	134	174	160	155	167	198	115
Federal Republic of Germany <sup>2</sup> .....	387	438	468	571	699	683	718	295	368	426	471	536	648	646	701	325
Greece.....	19	24	38	34	45	32	50	39	21	40	40	42	55	50	55	20
Italy.....	69	99	120	120	172	216	240	140	74	108	103	155	265	309	331	204
Japan.....	6	15	23	29	64	77	166	72	11	17	25	44	94	170	163	80
Netherlands.....	46	61	52	58	63	78	76	38	93	77	77	110	97	104	99	57
Norway.....	46	41	37	38	59	37	32	21	56	46	43	46	48	48	48	24
Portugal.....	5	4	5	6	7	5	3	2	3	2	3	5	8	8	5	2
Sweden.....	69	79	80	99	110	115	154	70	108	81	83	105	121	128	140	70
Turkey.....	60	63	56	41	39	30	27	17	59	67	57	42	43	39	38	20
United Kingdom.....	217	217	214	203	270	382	369	206	277	306	286	326	389	436	442	200

<sup>1</sup> Prepared by Department of Commerce.<sup>2</sup> January-June.<sup>3</sup> Includes interzonal trade.

Source: East-West Trade Tables, ITAD, OIRE, BIC, U.S. Department of Commerce.

## DEPARTMENT OF AGRICULTURE DATA ON EXPORTS TO THE SOVIET BLOC

*Grains: U.S. exports to Soviet bloc countries*

Destination	July 1963 to January 1964		February-June 1964 <sup>1</sup>		July-June	
	Thousands of metric tons	Thousands of dollars	Thousands of metric tons	Thousands of dollars	Thousands of metric tons	Thousands of dollars <sup>2</sup>
<b>WHEAT</b>						
Czechoslovakia.....	6.8	451.2	25.7	1,705.2	32.5	2,156.4
East Germany.....	31.5	2,018.6	71.5	4,581.8	103.0	6,600.4
Hungary.....	163.4	10,371.1	39.8	2,526.1	203.2	12,897.2
Poland.....	443.7	28,096.9	506.3	32,060.9	950.0	60,157.8
U.S.S.R.....	75.2	4,859.2	1,636.0	105,713.4	1,711.2	110,572.6
Total.....	720.6	45,797.0	2,279.3	146,587.4	2,999.9	192,384.4
<b>RICE</b>						
Poland.....	4.2	694.0			4.2	694.0
U.S.S.R.....	12.6	2,142.8	37.4	6,360.4	50.0	8,503.2
Total.....	16.8	2,836.8	37.4	6,360.4	54.2	9,197.2
<b>CORN</b>						
East Germany.....	56.5	2,910.1			56.5	2,910.1
Hungary.....	116.9	6,120.3			116.9	6,120.3
Poland.....	16.0	822.9			16.0	822.9
Total.....	189.4	9,853.3			189.4	9,853.3
<b>BARLEY</b>						
East Germany.....	9.9	450.6			9.9	450.6
Poland.....	91.9	4,427.0	59.1	2,847.0	151.0	7,274.0
Total.....	101.8	4,877.6	59.1	2,847.0	160.9	7,724.6
<b>ALL GRAINS</b>						
Czechoslovakia.....	6.8	451.2	25.7	1,705.2	32.5	2,156.4
East Germany.....	97.9	5,379.3	71.5	4,581.8	169.4	9,961.1
Hungary.....	280.3	16,491.4	39.8	2,526.1	320.1	19,017.5
Poland.....	555.8	34,040.8	565.4	34,907.9	1,121.2	68,948.7
U.S.S.R.....	87.8	7,002.0	1,673.4	112,073.8	1,761.2	119,075.8
Total.....	1,028.6	63,364.7	2,375.8	155,794.8	3,404.4	219,159.5

<sup>1</sup> Known sales and registrations expected to be exported by June 30, 1964.<sup>2</sup> Total value derived from unit value of exports July-January.*Fruits and vegetables: U.S. exports to Soviet bloc countries, July 1963 to January 1964*

Destination	Unit	Quantity	Value
Hops: Czechoslovakia.....	Pound.....	551,062	\$429,390
Prunes, dried: East Germany.....	do.....	9,625	2,365
Oils, natural essential, not elsewhere classified: Poland.....	do.....	396	1,100
Fruit juices, not elsewhere classified, canned or frozen: Czechoslovakia.....	Gallon.....	94,500	176,400

*U.S. exports of dairy products to Eastern Europe, July-December 1963*

[In thousands of pounds]

Destination	Butter	Anhydrous fat	Nonfat dry milk
Poland.....	7,270	80	129

*Meat products: U.S. exports to Soviet bloc countries,  
July 1963 to January 1964*

Destination	Pounds	Dollars
East Germany.....	1,226,380	107,710
Poland.....	13,443	10,687
Total.....	1,239,823	118,397

*Livestock and meat products: U.S. exports of lard, tallow, greases, etc., to Soviet bloc countries, July 1963 to January 1964*

Destination	Lard		Inedible tallow	
	Thousand pounds	Thousand dollars	Thousand pounds	Thousand dollars
Czechoslovakia.....	6,437	721	1,347	105
East Germany.....			554	36
Hungary.....	2,016	206		
U.S.S.R.....			26,300	1,630
Total.....	8,453	927	28,201	1,771

NOTE.—No exports of shortening animal fats, oleo oil or oleo stearin, oleo stock, edible tallow, animal greases and fats, animal oils, stearic acid, and oleic acid to the above countries.

*Hides: U.S. exports to Soviet bloc countries, July 1963 to January 1964*

Destination	Pieces	Dollars
Czechoslovakia.....	14,348	94,725
Hungary.....	47,036	161,960
Latvia.....	44,881	297,600
Poland.....	56,956	255,123
U.S.S.R.....	581,488	3,599,698
Total.....	744,709	4,409,076

*Cotton: U.S. exports to Soviet bloc, fiscal year 1964*

Country	Actual exports, July-January		Estimated exports, February-June		Estimated total exports, July-June	
	Thousand bales	Million dollars	Thousand bales	Million dollars	Thousand bales	Million dollars
Poland.....	47	5.8	78	9.7	125	15.5
Hungary.....			7	.9	7	.9
Bulgaria.....			37	4.8	37	4.8
Total.....	47	5.8	122	15.4	169	21.2

*Unmanufactured tobacco: U.S. exports to U.S.S.R. and satellites,<sup>1</sup> July 1963 to January 1964*

	Thousand pounds	Thousand dollars
East Germany.....	643	469
Poland.....	3,511	2,599
All others.....	0	0

<sup>1</sup> Albania, Bulgaria, Czechoslovakia, East Germany, Poland, and Rumania.

United States: Exports to Soviet bloc countries of oilseeds, vegetable and animal fats and oils, and oilseed cakes and meals, by country indicated, quantity and value, July 1963 through January 1964

Country and commodity	Unit	July 1963 through January 1964
<b>Czechoslovakia:</b>		
Soybeans (except canned or prepared).....	Pounds.....	37,982,880
	Short tons.....	18,991
	Dollar value.....	\$1,801,165
Lard (including rendered pork fat).....	Pounds.....	6,437,037
	Short tons.....	3,218
	Dollar value.....	\$720,807
Tallow, inedible.....	Pounds.....	1,347,460
	Short tons.....	674
	Dollar value.....	\$105,102
Total pounds.....		45,767,377
Total short tons.....		22,883
Total dollar value.....		\$2,627,074
<b>East Germany:</b>		
Tallow, inedible.....	Pounds.....	554,410
	Short tons.....	277
	Dollar value.....	\$36,036
Soybeans (except canned or prepared).....	Pounds.....	8,095,740
	Short tons.....	4,048
	Dollar value.....	\$403,920
Total pounds.....		8,650,150
Total short tons.....		4,325
Total dollar value.....		\$439,956
<b>Hungary:</b>		
Lard (including rendered pork fat).....	Pounds.....	2,015,972
	Short tons.....	1,008
	Dollar value.....	\$205,509
Soybean oil cake and oil cake meal.....	Pounds.....	11,242,000
	Short tons.....	5,621
	Dollar value.....	\$458,942
Total pounds.....		13,257,972
Total short tons.....		6,629
Total dollar value.....		\$664,451
<b>Poland:</b>		
Tallow, inedible.....	Pounds.....	54,640,906
	Short tons.....	27,320
	Dollar value.....	\$3,337,664
Soybeans (except canned or prepared).....	Pounds.....	63,487,080
	Short tons.....	31,744
	Dollar value.....	\$2,749,216
Butter.....	Pounds.....	7,269,697
	Short tons.....	3,635
	Dollar value.....	\$2,199,579
Anhydrous milk fat.....	Pounds.....	79,992
	Short tons.....	40
	Dollar value.....	\$27,997
Soybean oil cake and oil cake meal.....	Pounds.....	6,430,000
	Short tons.....	3,215
	Dollar value.....	\$257,647
Soybean oil, crude.....	Pounds.....	8,099,459
	Short tons.....	4,050
	Dollar value.....	\$789,020
Total pounds.....		140,007,134
Total short tons.....		70,004
Total dollar value.....		\$9,361,123
<b>Rumania: Animal greases, fats, inedible, not elsewhere classified.</b>		
	Pounds.....	32,385
	Short tons.....	16
	Dollar value.....	\$7,265
Total pounds.....		32,385
Total short tons.....		16
Total dollar value.....		\$7,265
<b>U.S.S.R.: Tallow, inedible.....</b>		
	Pounds.....	26,300,000
	Short tons.....	13,150
	Dollar value.....	\$1,629,750
Total pounds.....		26,300,000
Total short tons.....		13,150
Total dollar value.....		\$1,629,750

Source: Bureau of the Census.

MEMORANDUM, AND ATTACHED STATEMENT, CONCERNING DETERMINATION UNDER SECTION 231(b) OF THE TRADE EXPANSION ACT OF 1962, AS AMENDED, PERMITTING CONTINUATION OF NON-DISCRIMINATORY TRADE TREATMENT FOR POLAND AND YUGOSLAVIA

THE WHITE HOUSE,  
Washington, D.C., March 26, 1964.

Memorandum for—

The Secretary of State.

The Secretary of the Treasury.

Subject: Determination under section 231(b) of the Trade Expansion Act of 1962, as amended, permitting continuation of nondiscriminatory trade treatment for Poland and Yugoslavia.

Pursuant to section 231(b) of the Trade Expansion Act of 1962, as amended, I hereby determine that extending the benefits of trade agreement concessions made by the United States to products, whether imported directly or indirectly, of the Polish People's Republic and the Socialist Federal Republic of Yugoslavia, both of which were receiving trade concessions on December 16, 1963, will be important to the national interest and will promote the independence of these two countries from domination or control by international communism. The reason for this determination are contained in the attached statement.

The Secretary of State is directed to report this determination and the reasons therefor to the Congress, as required by section 231(b) of the Trade Expansion Act of 1962, as amended.

The Secretary of the Treasury is directed to inform the Commissioner of Customs of this determination.

LYNDON B. JOHNSON.

STATEMENT

Subject: Determination under section 231(b) of the Trade Expansion Act of 1962, as amended, permitting continuation of nondiscriminatory trade treatment for Poland and Yugoslavia.

The principal objective of U.S. policy in Eastern Europe is to encourage peaceful efforts toward loosening of control from Moscow. Both Yugoslavia and Poland have demonstrated that they are prepared to undertake considerable risks to maintain and increase their independence. Trade with the free world, and in particular with the United States, is one of the basic ways in which these countries can resist Soviet control. Depriving them of the opportunity to trade on competitive terms with the United States would be a sure way to reverse the trend in Eastern Europe and to increase the power and influence of the Soviets in Eastern Europe.

A. YUGOSLAVIA

Although Yugoslavia is a Communist country, its determination to maintain<sup>D</sup> its independence from Soviet bloc domination has been demonstrated over the past 15 years. The Yugoslav Government has encouraged a broad range of contacts between Yugoslavia and the West and has made Yugoslavia accessible to people, ideas, and information coming from the West.

Yugoslavia is not a member of the Warsaw Pact nor of the Soviet bloc's Council for Mutual Economic Assistance (CEMA). On the other hand, Yugoslavia has long been associated with all of the major free world economic organizations, including the International Bank for Reconstruction and Development, the International Monetary Fund, the OECD, and the GATT. In addition, it has been seeking the opportunity to discuss trade arrangements with the EEC. More than 70 percent of Yugoslavia's foreign trade is with the free world, and Yugoslavia has undertaken important reforms in its foreign trade system to bring it more into line with Western practices.

Since 1948, when Yugoslavia's refusal to submit to domination by the U.S.S.R. caused its expulsion from the Soviet bloc, the United States has followed a policy of supporting Yugoslavia's desire to make its way as an independent state. This policy has served the national interest of the United States in important ways. Yugoslavia's assertion of independence greatly weakened the strategic threat of Soviet-controlled military power in Eastern Europe. Indeed, the final victory over Communist guerrillas in Greece was made possible by the closing of the Yugoslav border against them. Yugoslav self-assertion began the destruc-

tion of the image of monolithic Communist solidarity, and it showed that a country can successfully refuse to submit to domination by the Soviet Union.

These considerations are still valid and remain important to U.S. national interest today. The significance of Yugoslavia's independence has not diminished. As long as its example exists, the pressures on other Communist parties and governments to seek similar advantageous solutions based on the exercise of national independence will grow.

The continuation of nondiscriminatory trade treatment of Yugoslavia by the United States is of fundamental importance in supporting the independence of Yugoslavia. Such trade relations with the United States demonstrates to the Yugoslav leadership and people, as well as to the other nations of Eastern Europe, that the United States will permit normal trading possibilities to countries which assert their independence from domination by international communism.

Nondiscriminatory trade is also essential to enable Yugoslavia to maintain its exports to the United States so that it can import from us and earn the dollars required to meet its debt repayment obligations to the United States. Yugoslavia's payments on dollar-repayable obligations will be well over \$10 million in each of the next several years.

The Soviet Union and other countries of the Soviet bloc are now, once again, making a concentrated effort to improve economic and other relations with Yugoslavia. U.S. failure to continue nondiscriminatory trade treatment would contribute to forcing Yugoslavia into greater dependence upon the Soviet-controlled Communist countries and thus undermine our efforts to assist Yugoslavia to pursue an independent, unaligned policy.

#### B. POLAND

Poland has not achieved the degree of independence from Moscow that Yugoslavia has. Nevertheless, since the events of 1956, Poland has attained a large measure of autonomy both in internal affairs and in foreign relations.

After 1956, Poland reversed its policy toward collectivization of agriculture. Today, 87 percent of the arable land of Poland is privately held.

A far greater degree of freedom of speech has been permitted in Poland since 1956, and intellectual activity remains stimulating and lively. Poland has discontinued jamming broadcasts of the Voice of America and Radio Free Europe and has participated in certain USIA programs by which American books and periodicals have been made available to the people of Poland. Poland has also permitted relatively free emigration to the West and has regularly permitted Poles to come to the United States to visit.

Finally, basic freedom of worship is possible in Poland today. Poland permits religious education for children as well as a Catholic university and seminaries. A number of religious holy days are observed as national holidays. While religion remains anathema to the Communists, and the Gomulka regime has probed for ways of bringing the church under some control, Catholicism in Poland remains a potent force and an obstacle to complete Communist domination. The regime, well aware that an all-out attack on the church would prejudice its beneficial relationship with the West, must show restraint so long as there is anything to gain in Poland's relation with the West.

The United States and Poland have made good progress in resolving outstanding financial and economic problems. Over the past 7 years the volume of trade has grown and there are good prospects for steady growth in the future.

Nondiscriminatory treatment for Poland products permits that country to earn dollars with which it can buy American goods and meet its substantial financial obligations to the U.S. Government and to private American citizens. Poland's payments on these obligations have reached almost \$11 million annually and will increase to over \$20 million in 1967. These debts include, among others, the obligations arising from the settlement of claims of U.S. nationals whose properties were nationalized in Poland, and the obligations to repay in dollars for previous purchases of surplus agricultural commodities under Public Law 480. Cutting off trade on the present nondiscriminatory basis would impair Poland's ability to meet these obligations.

As a consequence of the Polish events of 1956, Secretary of State Dulles determined, for purposes of section 107 of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), that Poland was not a nation dominated or controlled by the foreign government or foreign organization controlling the world Communist movement. Since that determination the United States has kept the Polish situation under close and continuing scrutiny. In November 1961 Secretary of State Rusk reaffirmed the determination of 1956. This is still our judgment today.

## CONCLUSION

Continuation of nondiscriminatory trade treatment for the products of Yugoslavia and Poland is important to our national interest. The maintenance of commercial trade relations between the United States and these countries will further the objective of encouraging and promoting their independence from domination or control by international communism.

### TRADE OF INDIVIDUAL SINO-SOVIET BLOC COUNTRIES WITH THE FREE WORLD IN 1962<sup>1</sup>

Attached in alphabetical order are statistical tables on the trade of the countries of the Sino-Soviet bloc with the free world in 1962. The information is given in the following form:

1. Dollar value of each country's imports and exports with the free world and what percentage of each country's imports and exports free world trade represented.

2. Value of each country's imports and exports with its five most important free world trading partners, plus the United States where the United States is not among the top five.

3. Value of the 10 major commodities of import and export that the bloc country traded with the free world.

Where available, all data have been taken from official free world sources.

#### COMMUNIST CHINA

##### *Trade with the free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports.....	573, 405
Percent of total.....	58. 6
Exports.....	657, 447
Percent of total.....	42. 1

##### *Trade with 5 most important free world countries*

[In millions of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
Canada.....	137. 0	Hong Kong.....	212. 3
Australia.....	97. 8	Malaya and Singapore.....	65. 9
France.....	43. 3	United Kingdom.....	64. 8
Japan.....	38. 5	Japan.....	46. 0
West Germany.....	31. 2	West Germany.....	39. 3

##### *Trade with the free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Wheat.....	224. 5	Textile yarns and fabrics, mainly cotton.....	120. 6
Textile fibers.....	78. 7	Silver.....	48. 1
Cereals and cereal preparations except wheat.....	76. 3	Fruits and vegetables.....	35. 2
Rubber, crude.....	44. 0	Rice.....	34. 2
Phosphate fertilizer.....	27. 1	Soybeans.....	33. 7
Chemicals, except fertilizer.....	26. 6	Live animals, meat, and meat preparations.....	31. 0
Iron and steel and semimanufactures.....	19. 2	Textile fibers, mainly silk.....	27. 7
Textile yarns and fabrics.....	15. 7	Chemicals.....	20. 5
Machinery.....	12. 8	Sugar and honey.....	18. 7
Oils and fats.....	7. 1	Tea.....	17. 7

<sup>1</sup> Prepared by Department of State.

## EAST-WEST TRADE

## CUBA

*Trade with the free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports.....	112,757
Percent of total.....	17
Exports.....	161,452
Percent of total.....	25

*Trade with 5 most important free world countries*

[In millions of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
United States.....	13.4	Japan.....	35.8
Canada.....	10.7	Morocco.....	22.4
Japan.....	10.6	United Kingdom.....	19.9
United Arab Republic (Egypt).....	8.2	United Arab Republic (Egypt).....	8.8
United Kingdom.....	7.3	Spain.....	8.5

*Trade with the free world—Major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Food and beverages.....	(1)	Food (mostly sugar).....	89.0
Machinery and transportation equipment.....	(1)	Beverages and tobacco (mostly rum).....	11.0
Chemicals.....	(1)	Miscellaneous—small quantities, no details available.....	29.1
Manufactured goods.....	(1)		
Animal and vegetable fats.....	(1)		
Inedible crude materials except fuels.....	(1)		
Fuels.....	(1)		
		Total exports to free world.....	129.1
Total imports from free world.....	100.0		

<sup>1</sup> Commodities rank in this order of importance; no meaningful figures available.

## CZECHOSLOVAKIA

*Trade with the free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports.....	481,241
Percent of total.....	27.4
Exports.....	534,047
Percent of total.....	26.5

*Trade with 5 most important free world countries and the United States*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
West Germany.....	75.0	West Germany.....	65.9
United Kingdom.....	39.7	India.....	40.6
United Arab Republic (Egypt).....	31.6	United Kingdom.....	37.1
Austria.....	30.7	Italy.....	32.9
Italy.....	27.1	United Arab Republic (Egypt).....	25.6
United States.....	7.2	United States.....	9.9

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Iron, steel, and semimanufactures	68.8	Machinery, nonelectric	82.1
Machinery, nonelectric	52.8	Wood	34.0
Chemicals	42.5	Iron, steel, and semimanufactures	32.2
Cotton	37.4	Textile yarn and fabrics	30.0
Wool and other animal hair	22.1	Transport equipment	28.0
Iron ore and	18.6	Chemicals	26.0
Hides and skins	18.2	Sugar and honey	24.5
Meat and meat products	16.9	Coal, coke, and briquettes	24.0
Rubber, crude and synthetic	11.1	Glass, glassware, and pottery	22.8
Fruit and vegetables	10.6	Cereals and preparations (including malt)	16.4

## ALBANIA

*Trade with the free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports	9,200
Percent of total	7.2
Exports	2,710
Percent of total	2.9

*Trade with 5 most important free world countries and the United States*

[In millions of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
France	4.0	Italy	1.3
Canada	2.8	United Kingdom	.4
Italy	1.0	United States	.1
West Germany	.6	Japan	.1
United Kingdom	.1	West Germany	.1
United States	0		

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Wheat	6.6	Cotton	0.7
Chemicals	.6	Petroleum	.6
Iron and steel products	.4	Chromium ore	.4
Petroleum products	.2	Food	.1
Crude materials	.1	Wool and other animal hair	.1
Vegetable oils	.1	Hides and skins	.1
Textiles	.1	Pitch	.1

## BULGARIA

*Trade with free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports	122,241
Percent of total trade	17.9
Exports	126,446
Percent of total trade	19.1

*Trade with 5 most important foreign countries and the United States*

[In million of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
West Germany.....	24.5	West Germany.....	26.8
Austria.....	13.3	Italy.....	15.9
Italy.....	13.3	United Kingdom.....	9.3
Syria.....	10.2	France.....	9.0
France.....	9.9	Austria.....	7.2
United States.....	3	United States.....	1.1

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Iron and steel semimanufactures.....	25.1	Fruits and vegetables.....	23.3
Cotton.....	15.3	Tobacco and tobacco manufactures.....	14.0
Chemicals.....	11.4	Dairy products.....	10.0
Nonelectric machinery.....	9.3	Live animals, meat, and meat products.....	9.4
Nonferrous metals.....	9.1	Chemicals.....	8.1
Cereals and prepared edibles.....	7.3	Oilseeds and oil nut kernels.....	6.4
Crude materials.....	6.5	Pulp and waste paper.....	6.1
Electric machinery.....	3.8	Textile and yarn.....	5.4
Manmade fibers.....	3.3	Nonferrous metals and manufactures.....	4.7
Fruits and vegetables.....	3.0	Iron and steels.....	3.5

## EAST GERMANY

*Trade with free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports.....	492,179
Percent of total.....	21.8
Exports.....	516,792
Percent of total.....	22.5

*Trade with 5 most important free world countries and the United States*

[In millions of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
West Germany.....	213.5	West Germany.....	228.6
Sweden.....	28.4	United Arab Republic (Egypt).....	20.1
United Kingdom.....	26.9	Austria.....	19.0
Denmark.....	26.0	United Kingdom.....	18.5
India.....	17.9	Netherlands.....	17.7
United States.....	1.7	United States.....	3.1

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Iron and steel and semimanufactures.....	110.1	Chemicals, including fertilizer.....	70.9
Meat and meat products.....	41.9	Coal, coke, and briquettes.....	70.3
Machinery, nonelectric.....	33.5	Machinery, nonelectric.....	63.9
Textile fibers.....	26.1	Petroleum products.....	52.8
Railway vehicles and ships.....	21.8	Textile yarn and fabrics.....	25.8
Fish and fish preparations.....	17.6	Sugar and honey.....	18.3
Fruits and vegetables.....	17.4	Machinery, electric.....	14.6
Beverages and tobacco.....	17.1	Iron, steel, and semimanufactures.....	14.3
Machinery, electric.....	15.7	Cereal and preparations.....	13.1
Hides and skins.....	9.6	Transport equipment.....	11.9

## HUNGARY

## Trade with free world, 1962

[Amounts in thousands of U.S. dollars]	
Imports.....	262, 872
Percent of total.....	29. 7
Exports.....	246, 490
Percent of total.....	28. 3

## Trade with 5 most important free world countries and the United States

[In millions of U.S. dollars]			
IMPORTS (F.O.B.)	EXPORTS (C.I.F.)		
West Germany.....	49. 5	West Germany.....	48. 8
Austria.....	28. 2	Austria.....	30. 2
France.....	28. 0	Italy.....	23. 0
Italy.....	23. 2	United Kingdom.....	13. 4
United Kingdom.....	19. 6	Switzerland.....	11. 4
United States.....	. 8	United States.....	1. 8

## Trade with free world—10 major commodities

[In millions of U.S. dollars]			
IMPORTS	EXPORTS		
Machinery, nonelectric.....	33. 5	Live animals, meat, and meat products.....	48. 0
Chemicals.....	28. 6	Iron, steel, and semimanufactures.....	22. 6
Textile fibers.....	25. 5	Fruits and vegetables.....	17. 7
Iron, steel, and semimanufactures.....	19. 8	Textile yarns and fibers.....	15. 6
Textile yarns.....	15. 2	Machinery, nonelectric.....	12. 7
Coal, coke, and petroleum products.....	11. 0	Chemicals.....	12. 3
Oils and fats.....	11. 0	Petroleum products.....	11. 3
Hides and skins.....	10. 2	Clothing and footwear.....	9. 5
Machinery, electric.....	10. 0	Transport equipment.....	7. 5
Cereals and preparations.....	8. 7	Sugar and honey.....	6. 8

## NORTH KOREA

## Trade with the free world, 1962

[Amounts in thousands of U.S. dollars]	
Imports.....	6, 535
Percent of total.....	( <sup>1</sup> )
Exports.....	6, 840
Percent of total.....	( <sup>2</sup> )

<sup>1</sup> Not available.

## Trade with 5 major free world trading partners

[In millions of U.S. dollars]			
IMPORTS (F.O.B.)	EXPORTS (C.I.F.)		
Japan.....	4. 8	Japan.....	4. 5
West Germany.....	. 5	India.....	. 7
Finland.....	. 4	Hong Kong.....	. 7
United Arab Republic (Egypt).....	. 3	United Kingdom.....	. 2
India.....	. 1	Italy.....	. 1

## Trade with the free world—10 major commodities

IMPORTS		EXPORTS	
[In millions of U.S. dollars]			
Iron and steel tubes and pipes	1.3	Unspecified fertilizers and minerals	1.7
Chemicals	.7	Pig iron	.9
Pig iron and ferroalloys	.5	Nitrogenous fertilizers	.7
Wheat flour	.5	Fish	.4
Manufactured textiles, yarn, fabrics	.5	Zinc	.4
Crude manmade fiber	.4	Silk	.3
Iron and steel wire, netting and structural parts	.4	Vegetable products for perfumes and pharmacy	.3
Tires and tubes	.3	Unspecified metal scrap and ore	.2
		Unspecified metal manufactures	.1
		Corn	.7

## OUTER MONGOLIA

## Trade with the free world, 1962

[Amounts in thousands of U.S. dollars]	
Imports	364
Percent of total	( <sup>1</sup> )
Exports	4,787
Percent of total	( <sup>1</sup> )

<sup>1</sup> Not available.

## Trade with 5 major free world trading partners

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
[In millions of U.S. dollars]			
Mexico	.1	United States	3.2
Japan	.1	West Germany	.5
Switzerland	.1	Belgium-Luxembourg	.5
(Total only \$364,000; remainder scattered in small amounts among a few countries.)		France	.4
		Japan	.1

## Trade with the free world—major commodities

[In millions of U.S. dollars]			
Tires and tubes	.08	Cashmere goat hair	2.7
Dyestuffs	.03	Other fine animal hair	2.0
Watches and clocks	.03	Horse hair	.2
Plastic materials	.02	Fur skins, undressed	.06
Electric machinery	.02	Hides and skins, undressed	.05
Manufactured metals	.01	Other animal products	.01
(Other commodities very small.)		(Other commodities very small.)	

## POLAND

## Trade with free world, 1962

[Amounts in thousands of U.S. dollars]	
Imports	668,229
Percent of total	36.8
Exports	649,709
Percent of total	39.1

## Trade with 5 most important free world countries

IMPORTS		EXPORTS	
[In millions of U.S. dollars]			
United States	94.5	United Kingdom	107.8
United Kingdom	92.3	West Germany	81.9
West Germany	65.7	United States	45.9
Austria	29.2	Italy	45.5
Italy	28.0	Austria	32.6

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Machinery, nonelectric	93.1	Coal, coke and briquettes	103.8
Textile fibers	92.8	Meat and meat products	93.4
Cereal and preparations	89.8	Dairy products	49.0
Chemicals	46.0	Iron, steel, and semimanufactures	43.3
Iron, steel, and semimanufactures	39.0	Chemicals	38.3
Nonferrous metals and manufactures	36.0	Sugar and honey	37.8
Machinery, electric	31.8	Wood	36.7
Transport equipment	27.4	Fruits and vegetables	27.3
Rubber, crude and synthetic	22.0	Live animals	25.8
Oils and fats	16.1	Textile yarn and fibers	17.0

## RUMANIA

*Trade with the free world, 1962*

[Amounts in thousands of U.S. dollars]

Imports	286,149
Percent of total	33.5
Exports	241,930
Percent of total	32.1

*Trade with 5 most important free world countries and the United States*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
West Germany	82.1	West Germany	61.8
Italy	37.3	Italy	35.2
United Kingdom	25.6	France	22.1
France	20.6	United Kingdom	19.8
Austria	16.7	Austria	13.4
United States	.8	United States	.6

*Trade with free world—10 most important commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Machinery, nonelectric	96.2	Petroleum products	57.7
Iron, steel, and semimanufactures	30.6	Wood	49.3
Cotton	19.9	Cereals, mainly corn	41.4
Machinery, electric	18.5	Sugar and honey	9.0
Chemicals	16.9	Live animals, meat, and meat products	8.0
Textiles	10.8	Iron, steel, and semimanufactures	7.1
Rubber, crude and synthetic	9.4	Chemicals	6.3
Manmade fibers	8.9	Fruits and vegetables	5.9
Ships and boats	7.1	Dairy products	4.7
Hides and skins	6.3	Silver	1.7

## U.S.S.R.

*Trade with free world—1962*

[In thousands of U.S. dollars]

Imports	1,770,454
Percent of total	30.0
Exports	1,753,792
Percent of total	31.2

*Trade with 5 most important free world countries and the United States*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
West Germany.....	206.8	United Kingdom.....	235.5
United Kingdom.....	161.0	West Germany.....	186.8
Japan.....	149.4	Italy.....	165.8
France.....	138.1	Japan.....	147.3
Malaya and Singapore.....	110.6	India.....	122.5
United States.....	20.1	United States.....	16.2

*Trade with free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Machinery, nonelectric.....	360.3	Petroleum, crude and products..	385.3
Iron, steel, and semimanufactures.....	257.0	Wood.....	236.7
Textile fibers.....	187.1	Iron, steel, and semimanufactures.....	176.4
Rubber, crude and synthetic.....	173.0	Cereals, main wheat.....	129.4
Ships and boats.....	147.9	Machinery, nonelectric.....	121.5
Machinery, electric.....	67.2	Coal, coke, and briquettes.....	114.3
Chemicals.....	61.5	Nonferrous metals and miscellaneous manufactures.....	54.7
Textile yarn and fabrics.....	60.1	Textile fibers.....	54.6
Coffee, cocoa, and tea.....	58.5	Chemicals.....	51.6
Nonferrous metals and manufactures.....	50.7	Fur skins.....	48.2

## NORTH VIETNAM

*Trade with the free world, 1962*

[In thousands of U.S. dollars]

Imports.....	12,052
Percent of total.....	8
Exports.....	21,844
Percent of total.....	25

*Trade with 5 major free world trading partners*

[In millions of U.S. dollars]

IMPORTS (F.O.B.)		EXPORTS (C.I.F.)	
Japan.....	3.4	Japan.....	13.0
France.....	2.9	Hong Kong.....	2.6
Italy.....	1.7	France.....	2.2
Malaya and Singapore.....	1.1	Cambodia.....	1.9
Sudan.....	.6	Belgium-Luxembourg.....	.6

*Trade with the free world—10 major commodities*

[In millions of U.S. dollars]

IMPORTS		EXPORTS	
Wool and hair yarn and manufactures.....	1.5	Coal and coke.....	15.8
Cotton yarn and manufactures.....	1.2	Cement.....	1.9
Nitrogenous fertilizers.....	.9	Inedible crude materials (except fuels).....	1.0
Natural rubber, crude.....	.9	Rice.....	.9
Leather and leather goods.....	.9	Manufactured goods (other than those specified).....	.6
Manmade fibers, finished.....	.9	Sugar.....	.4
Raw cotton.....	.6	Foods (other than those specified).....	.4
Organic chemicals.....	.5	Fruits and vegetables.....	.3
Manmade fibers, crude.....	.3	Live animals.....	.2
Animal and vegetable oil.....	.3	Essential oils, perfumes, and flavoring.....	.2

## DEPARTMENT OF STATE RESEARCH MEMORANDUM, FEBRUARY 27, 1964

## SOVIET TRADE WITH THE FREE WORLD

Foreign trade is an important instrument of Soviet foreign policy. This study reviews U.S.S.R. trade with the less developed and developed countries of the free world. It also refers to Soviet trade with the Communist nations of Eastern Europe and Asia, and with Cuba. While this study is based on official Soviet data for 1962, its major purpose is to present the data in relation to current trends in Soviet trade.

*Abstract*

Soviet trade with the free world increased by 10 percent in 1962 to about \$3.7 billion, a rate of growth not significantly different from the average rate of change of recent years.<sup>1</sup> Imports from the free world were \$1.9 billion, and exports totaled \$1.7 billion. Preliminary indicators of Soviet trade with the free world in 1963 suggest that it probably did not exceed \$4 billion—though it is likely that the trade deficit, at least on convertible currency account, increased markedly. Total Soviet trade turnover, the Soviets have revealed, rose by about 5 percent in 1963—to about \$14 billion—a less rapid rate of expansion than in recent years.

Soviet foreign trade with the free world countries has been marked by efforts to obtain capital goods and equipment from the industrialized countries and simultaneous expansion of exports of equipment and machinery to the less developed countries. While much of the Soviet exports to the less developed countries has been financed under Soviet credits, much of Soviet imports from the industrialized West has been obtained on credit terms.

Soviet trade with the East European countries has grown recently, as the U.S.S.R. has sought additional equipment for its own investment programs. The role of CEMA in the growth of Soviet-East European trade appears to have been a minor one so far. Soviet trade with Communist China has been sharply curtailed as the Sino-Soviet dispute has continued and the economy of Communist China has remained in a depressed state. The greatest attention was focused on Cuba, where the U.S.S.R. is making a strong effort to give the Castro government the trade support necessary for its survival.

The prime motivation of Soviet policy in trade with the developed countries of the free world continues to be the acquisition of technology and equipment. Imports of machinery from the West increased 25 percent in 1962 and orders from Japan were nearly tripled. Trade policy in the less developed countries continued to be synchronized with Soviet aid programs, and the two in turn with Soviet political objectives.

Significant changes in the commodity structure of Soviet trade were (1) a decline of grain imports to an almost negligible quantity during 1962, and (2) a 21-percent increase in machinery exports, which had declined 15 percent in 1961 when shipments to Communist China were cut back. Imports of machinery increased 29 percent. Soviet exports of petroleum continued to increase in 1962 but at a less rapid rate; petroleum and petroleum products together now account for about 11 percent of Soviet exports.

During 1962 the Soviet export surplus increased to \$585 million, over three times that of 1961. Soviet reporting of foreign trade does not give an adequate description of the distribution of the trade surplus. It would appear, however, from the information given, that the Soviets had (1) a large excess of commodity exports to Eastern Europe, (2) a sizable deficit with Communist China, (3) a deficit with the industrialized West, (4) a surplus with most of the developing countries offset by a deficit due to rubber imports from Malaya, and (5) a large surplus with Cuba. The deficits in the industrialized West, combined with large outlays for chartering Western shipping, have compelled the Soviets to continue large-scale sales of gold and to seek additional credits on longer terms from the West.

Soviet total trade turnover in 1963 probably exceeded that of 1962 by a smaller percentage than that of 1962 over 1961. Because of the severe decline of wheat

<sup>1</sup> Statistical data for 1962, as well as for earlier years, are from the official publication of the U.S.S.R. Ministry of Foreign Trade, *Vneshnyaya Torgovlya*. The 1962 edition was published in August 1963 and became available in the West soon thereafter. The publication for 1962, as for previous years, provides comprehensive data on the geographical pattern and commodity composition of Soviet trade. Such comprehensive data for 1963 are not yet available. Data cited for 1963 in this paper are based either on official, but undetailed, statements of the Soviet Government or on preliminary statistical materials collected by customs officials in the free world.

production in the U.S.S.R., imports of wheat probably amounted to almost 3 million tons during 1963 and exports were probably considerably less, thereby turning the U.S.S.R., normally a net exporter of grain, into a net importer. Earlier orders for Western machinery and equipment were being filled at an increasing rate, and it appeared at the end of 1963 that substantial new orders would be placed in the West during the next several months. Trade with the member countries of CEMA probably increased moderately, possibly not at all. While exports to the less developed countries probably rose substantially in 1963, it appears improbable that imports from these countries increased to a similar degree. Imports from Cuba declined in value perhaps as much as 50 percent; exports were probably about at the 1962 level.

#### I. SOVIET FOREIGN TRADE POLICY

Foreign trade is a state monopoly in the Soviet Union and is wielded as an important instrument of national policy. Prior to World War II the Kremlin was obsessed with minimizing its vulnerability to economic pressure from the West and with insulating its planned economy from the business cycles of the outside world. Exports were offered on free world markets in sufficient volume to finance imports required to meet planned goals, and imports of capital goods were planned with a view to reducing the future need to import. In some cases imports of machinery and equipment were used for prototypes. Having a rigidly planned economy with a limited range of competitive exports, the Soviet Union favored a bilateral framework for the conduct of trade.

In the postwar period, and particularly since the death of Stalin, new circumstances and new directions in Soviet foreign policy have been accompanied by some modifications in Soviet foreign trade policy. Emerging from the war with a newly acquired string of East European satellites, Stalin at first merely expanded somewhat his defensive and xenophobic theories on foreign trade and forged the East European countries into what he called "the parallel market of the Socialist world." This involved a radical shift of the economic ties of the Eastern European countries from the West to the East, which served several Soviet objectives: (1) Initially it facilitated the postwar construction of the U.S.S.R. at the expense of the East European countries; (2) it bolstered Soviet political and strategic objectives by reducing economic ties with the West and consolidating the Eastern European economies under the Soviet hegemony; and (3) it was expected to aggravate and expedite the "inevitable crisis of capitalism" by depriving the West of Eastern European markets.

Toward the end of the Stalin era, Soviet reconstruction had been accomplished and East European economic ties with the West had been largely eliminated. But the problem of dealing with the economic requirements of Communist China and the appearance of serious internal difficulties in Eastern Europe required a reappraisal of Soviet economic policy toward East Europe. Furthermore, Soviet foreign policy in the less developed countries began to shift to the offensive, and this called for a new and more aggressive foreign aid and trade policy in those areas. Finally, the resistance shown by capitalism to its "inevitable" final crisis and doom, coupled with the emergence of the "peaceful competition" strategy, called for a more sophisticated approach to trade with the developed countries of the free world. Such a policy would provide for the Soviet acquisition of Western technology on a continuing basis and also might provide the Soviet Union with footholds for political leverage.

The Soviet Union now makes more flexible use of foreign trade in implementing its policies. The pursuit of economic self-sufficiency is still a major factor in Soviet trade with the free world, particularly with the developed countries. But this is now tempered by increased Soviet self-confidence vis-a-vis the West and by the Soviet courtship of the less-developed countries. In order to make closer association with the Soviet Union look more attractive to the newly emerged nations, it is in Moscow's interest for the Eastern European countries to show a rapid rate of economic development. The metamorphosis of CEMA (Committee for Mutual Economic Assistance) into a meaningful multilateral organization integrating the economies of Eastern Europe for dynamic and efficient growth (a goal which is not likely to be attained in the near future) could also enhance the image of the Soviet bloc<sup>2</sup> as a commonwealth beneficial to all members, an image which the Soviet Union wishes to project in the less developed areas.

<sup>2</sup> In this paper the terms "Soviet bloc" or "Soviet area" refer to the U.S.S.R., Hungary, Bulgaria, Rumania, Czechoslovakia, Poland, and East Germany. The term "Eastern Europe" refers to the Soviet bloc minus the U.S.S.R.

The terms "Asian bloc," "Asian Communist countries" or "Asian Communist area" will refer to Communist China, North Korea, and North Vietnam and Mongolia.

At the same time, the less developed countries are looking for tangible assistance. To the extent that the Soviet Union provides such assistance under long-term credits, this represents a drain of capital away from the urgent requirements of the Soviet and satellite economies. Such credits may be held below the optimum level (in terms of Soviet political gain in the less developed countries) in order to conserve foreign exchange, and Soviet assistance may take the form of trade deals in which the U.S.S.R. accepts the commodities that the less developed countries can offer, often in return for Soviet manufactured goods that may be priced higher than those of other developed countries.

## II. TRENDS IN SOVIET FOREIGN TRADE

### A. Trade volume

According to official Soviet statistics,<sup>1</sup> Soviet trade turnover amounted to \$13.4 billion in current prices in 1962, a 14-percent increase over the \$11.8 billion of the previous year.<sup>2</sup> As shown in table 1, the growth of Soviet trade turnover in recent years has been irregular.

TABLE 1.—Total Soviet trade turnover, 1955-62

	1955	1956	1957	1958	1959	1960	1961	1962
Millions of U.S. dollars at current prices.....	6,530	7,215	8,319	8,647	10,514	11,191	11,831	13,484
Percent increase over previous year.....		10	15	4	22	6	6	14

<sup>1</sup> Source for this and other statistical tables in this paper: "Foreign Trade of the U.S.S.R., a Statistical Review," for the respective years, published by the Ministry of Foreign Trade, Moscow.

<sup>2</sup> The "Statistical Review of the Foreign Trade of the U.S.S.R." gives figures for the total imports and total exports of the U.S.S.R. It also gives a breakdown of these imports and exports on a country basis. Normally the figures supplied in the breakdown, when added, do not equal the total trade figure. For 1962 the total of the figures supplied in the country breakdown of exports comes to \$6,581,000,000 or only 94 percent of the figure given for total U.S.S.R. exports. On the imports side the figures given in the country breakdown and the total figure are more consistent.

In the years prior to 1962 the discrepancy between the figure given for the total of U.S.S.R. exports and the total arrived at by adding together the figures supplied in the country breakdown has been in the vicinity of \$100,000,000, about 2 percent of the total figure. But during 1962 this discrepancy moved upward to \$462,000,000, roughly 6 percent of the total export figure. The small import discrepancy remained the same as that of the previous year. This suggests that during the year 1962 something (perhaps gold or military items) was included in the total figure for U.S.S.R. exports that was not included previously. As the table shows, the increases in U.S.S.R. exports and total trade turnover for 1962 over 1961 are somewhat less when the discrepancy between the total and country-by-country total are discounted.

A significant factor in the irregular growth of Soviet trade in recent years has been the fluctuation in Sino-Soviet trade, which increased sharply in 1959 but declined in 1960 and dropped drastically in 1961, partially owing to the developing ideological split between the Soviet Union and Communist China. The decline in 1962 was 18 percent, bringing Communist China, whose share amounted to 15 percent of the total Soviet trade turnover in 1960, to only 6 percent by the close of 1962. Total Soviet trade with all countries except Communist China showed a more even development, increasing by 19 percent in 1959, 13 percent in 1960, 14 percent in 1961, and 17 percent in 1962.

In terms of constant unit prices as given in official Soviet trade statistics, Soviet foreign trade turnover increased by 15 percent in 1962, compared to an increase of about 6 percent during the previous year. Exports rose by 16 percent and imports by about 12 percent. Total trade turnover in terms of constant unit prices increased about 122 percent between 1955 and 1962. See the following table:

[In millions of current U.S. dollars]

		Country-by-country total	Discrepancy	Percentage increase over previous year
Turnover.....	1962	13,485 (13,022)	462	14 (11)
	1961	11,831 (11,700)	130	
Exports.....	1962	7,035 (6,581)	454	17 (12)
	1961	5,998 (5,876)	122	
Imports.....	1962	6,450 (6,441)	9	11 (11)
	1961	5,832 (5,823)	9	

TABLE 2.—Index of physical volume of Soviet foreign trade, 1955-62

[Preceding year equals 100]

	1956	1957	1958	1959	1960	1961	1962
Turnover.....	111	113	111	126	105	106	115
Exports.....	106	120	103	132	101	110	116
Imports.....	116	107	120	121	110	102	112

### B. Geographical distribution

*Trade with the free world.*—Soviet trade with non-Communist countries in 1962 amounted to \$3.7 billion, accounting for 28 percent of total Soviet trade turnover. Free world developed countries accounted for 18 percent of the Soviet total, and the less developed countries accounted for 10 percent.

Soviet trade with the developed countries of the free world increased slightly, to 18 percent of the total Soviet trade turnover in 1962 from 17 percent in 1961. The United Kingdom and West Germany remain the U.S.S.R.'s leading trading partners, accounting for almost 5 percent of Soviet trade. Soviet imports from the United Kingdom in 1962 included equipment and machinery totaling \$61 million, among which was \$22 million in equipment for food and light industries and \$18 million in equipment for chemical industries. U.S.S.R. imports from West Germany included \$59 million in machinery and equipment, \$77 million in steel pipe, and \$97 million in steel.

Finland and France increased their trade with the U.S.S.R. in 1962 by 40 percent and 19 percent, respectively. France exported \$87 million in machinery and equipment to the U.S.S.R. Finland exported \$141 million in machinery and equipment to the U.S.S.R. including \$45 million in equipment for the paper and pulp industry and \$74 million in marine and fishing equipment.

During 1962 Japan's share of the total Soviet trade turnover increased, though it is still less than 2 percent. There are prospects for a significant increase in trade. During 1961 a delegation of Japanese businessmen visited the Soviet Union and returned with a contract to sell ships and port equipment worth \$96 million to the Soviet Union in 1964-65. The Japan-Soviet trade agreement signed on February 5, 1963, set the target for a total value of exports and imports at about \$700 million in 5 years, exceeding the target of the previous agreement by 50 percent. Although the Soviet Union wanted to set the target at a higher figure, the Japanese wished to increase the volume of trade in accordance with the progress of the contracting countries. Japanese imports of crude oil from the U.S.S.R. decreased from 2.2 to 2.1 million tons in 1962. Japan has shown a reluctance to accept significantly larger amounts of Soviet oil. An obstacle to Japanese-Soviet trade has been a dearth of Soviet commodities appropriate to the Japanese market.

Trade with the United States, amounting to \$44 million in 1962, according to Soviet data, dropped from \$75 million in 1961 and amounted to less than one-half of 1 percent of total Soviet trade turnover. (U.S. Department of Commerce data show that United States-Soviet trade amounted to \$36 million in 1962.)<sup>3</sup>

During 1962 Soviet trade with the less developed countries of the free world (i.e., excluding Cuba) increased by 10 percent to \$1,299 million. Soviet political interest in these countries continues, and some of this trade is made possible in part by the utilization of Soviet credits. Soviet exports of machinery to the less developed countries increased by 19 percent to \$296 million in 1962. The increase of Soviet exports of machinery and equipment to the less developed countries in recent years may represent, in part, a diversion of these items from Communist China.

India overtook the United Arab Republic as the leading less developed trading partner of the U.S.S.R. during 1962. Indian trade with the U.S.S.R. amounted to a total turnover of \$197 million, which included \$78 million of machinery exports from the U.S.S.R. to India and \$18 million of tea imported from India. A considerable amount of this trade was financed by Soviet long-term credits which provided for project development in India. Soviet trade with the United Arab Republic was down from \$205 million in 1961 to \$176 million in 1962. U.S.S.R. exports of machinery and equipment to the United Arab Republic continued to increase to \$59 million, of which \$42 million consisted of equipment

<sup>3</sup> There are often discrepancies between the trade figures of different countries because of different means of recording trade statistics.

and materials for complete enterprises. The decline in Soviet-United Arab Republic trade was the result of a reduction in United Arab Republic cotton exports to the Soviet Union from \$94 million in 1961 to \$64 million in 1962.

Although trade between the former Malayan Federation and the U.S.S.R. dropped slightly to \$163 million in 1962, Malaya still counted as an important trading partner with the U.S.S.R. While the U.S.S.R. exported only \$2 million of goods to Malaya, it imported \$161 million in natural crude rubber from Malaya.

Trade with African countries other than the United Arab Republic decreased to \$119 million during 1962. These countries account for only 0.9 percent of the total U.S.S.R. trade turnover. Ghana and Guinea continued to be the most important trading partners among this group. Soviet exports to Guinea, valued at \$20 million, included \$2 million of petroleum products, \$2 million of cotton textiles, and \$10 million of machinery and equipment. Soviet exports to Ghana amounted to only \$10 million while the U.S.S.R. imported \$17 million of cocoa beans. Soviet trade with Sudan amounted to \$21 million, including \$10 million of cotton fiber exported from Sudan to the U.S.S.R.

*Trade with East European countries.*—During 1962 trade with Eastern European countries as a whole amounted to nearly \$7,559 million, accounting for 56 percent of the total Soviet trade turnover in that year as compared with 53 percent in 1960 and 55 percent in 1961. East Germany, Poland, and Czechoslovakia all increased their trade turnover with the U.S.S.R. by about 17 percent.

The share of CEMA countries (the U.S.S.R., Czechoslovakia, Poland, Hungary, Rumania, Bulgaria, and Mongolia) rose to 58 percent in 1962, the highest point in the period 1955-62 (the average share during this period being 53 percent). This rise was probably due in part to a redirecting of trade caused by the continuing decline in Sino-Soviet and Sino-CEMA trade during 1961-62.

Recent developments in Eastern European economic integration may have some effect on the direction of Soviet trade in the future. Discussions of developments in the Common Market suggest that a more realistic appraisal of the successes of the Common Market now prevails within the Soviet countries. This could stimulate determined Soviet bloc efforts to deal with the challenge of the Common Market and with the problems resulting from the Common Market action affecting the importation of Soviet bloc goods.

On the other hand, stumbling blocks built into the Communist system, as well as the political obstacle represented by the reluctance of the East European leaders to go too far along the road of interdependence, can be expected to operate against rapid progress toward Soviet bloc economic integration. In October 1963, the CEMA members signed an agreement providing for clearing in convertible rubles and the establishment of an "international bank for economic cooperation." The bank will act as a clearinghouse and bookkeeper for the members of the CEMA. It remains to be seen whether this development will affect Soviet bloc trading patterns or significantly contribute to the integration of Eastern Europe and the U.S.S.R. It is by no means certain that increased Soviet bloc integration would necessarily involve a significant redirection of Soviet trade. The natural tendency of the Soviet Union, as a powerful country with rich resources, is to develop all branches of industry, and as a result much of the integrating effort of the CEMA has its most pronounced effect on relations between the countries of Eastern Europe rather than relations between the U.S.S.R. and Eastern Europe. Finally the Soviet Union must consider the requirements of its political policies in other areas, particularly among the less developed countries of the free world.

*Trade with the Asian Communist countries.*—The Asian Communist area consists of Communist China, North Korea, North Vietnam, and Mongolia. All members except Mongolia tend to follow the lead of Communist China. The amount of trade between the Asian Communist area and the U.S.S.R. has declined at almost the same rate as Chinese Communist trade with the U.S.S.R.—from 18 percent of the U.S.S.R. total in 1960 to 9 percent in 1962—reflecting the importance of the Chinese Communist trade. Nevertheless, the three other Communist countries in Asia have increased their trade with the U.S.S.R. in the past 2 years, in total by 46 percent. Communist China's decreasing trade with the Soviet Union is due partially to the ideological dispute between the two regimes and also to the fact that since the collapse of the "great leap forward" the Chinese have not desired to purchase the large amounts of machinery from the U.S.S.R., or from other countries in Eastern Europe that formerly composed a considerable amount of their imports.

In the future Communist China will probably turn more to the West for machinery and equipment. It cannot be determined at present whether, or to

what extent, North Korea and North Vietnam will follow Communist China's course. It is likely that Mongolia will become increasingly associated with the members of the CEMA.

*Trade with Cuba.*—According to official Soviet trade statistics, U.S.S.R. trade with Cuba grew from a total of \$175 million in 1960 to \$599 million in 1961 and \$604 million in 1962. Cuba's trade surplus with the U.S.S.R.—\$25 million in 1961—was reversed during 1962, when imports from Cuba mounted to \$234 million while exports to Cuba amounted to \$370 million. The growing trade deficit of Cuba with the U.S.S.R., almost \$137 million for the year 1962, was a consequence of U.S.S.R. support for the Cuban economy.

Sugar is Cuba's major export to the U.S.S.R. During 1962 the U.S.S.R. bought \$204 million worth of sugar from Cuba at a price about 1 cent per pound above the world price prevailing during most of the year. The world price of sugar rose to 8.5 cents in 1963, and the price the U.S.S.R. was paying increased to only 6 cents per pound; for several months Cuba has been selling sugar to the U.S.S.R. at a price lower than the world price. The volume of sugar imported from Cuba dropped drastically in 1963 to about 1 million tons.

U.S.S.R. exports to Cuba for the year 1962 included \$93 million worth of machinery and equipment (of which \$11 million was equipment and materials for complete enterprises), \$40 million of crude petroleum, \$16 million of petroleum products, \$21 million of lumber and cellulose paper products, \$24 million of grain, and \$30 million in meat and dairy products and animal fats.

### C. Commodities

In the commodity structure of Soviet trade, machinery and equipment, ore, iron and steel, textile raw materials, and food play an important role in both exports and imports, as shown in table 3. In addition, rubber, textiles, and clothing are important imports, and petroleum and wood are important exports.

*Machinery and equipment.*—Soviet exports of machinery and equipment increased 21 percent in 1962, to 17 percent of the total value of Soviet exports as compared with 16 percent in 1961 and 21 percent in 1960. The drop in 1961 was caused by a sharp decline in deliveries of machinery and equipment to China, which has since been partially offset by increased machinery exports to other areas. Exports of machinery and equipment to the less developed countries, excluding Cuba, increased from \$240 million in 1961 to \$297 million in 1962, rising to over one-fourth of the Soviet exports in this category. Exports of machinery to Soviet countries jumped from \$459 million in 1961 to \$607 million in 1962, while exports of machinery and equipment to Communist China fell from \$108 million in 1961 to an alltime low of \$27 million during 1962.

In 1962, 35 percent of Soviet machinery exports consisted of complete industrial installations. Other important items in this category include tractors and agricultural machines, motor transport and garage equipment, laboratory and medical equipment, and civil aircraft and equipment.

Machinery and equipment accounted for 35 percent of Soviet imports in 1962, an increase of 29 percent over 1961. Equipment for food and light industries, the paper and pulp industry, the chemical industry, and transportation, as well as ships and marine equipment, constituted the most significant types. Imports of transportation equipment increased 40 percent, from \$534 million in 1961 to \$746 million in 1962. About 27 percent of Soviet imports of machinery and equipment came from free world countries, among which the leading exporters to the U.S.S.R. were France, Finland, Japan, the United Kingdom, and West Germany. During 1962 machinery and equipment imports from Japan increased 174 percent and those from Finland increased 108 percent while imports from the United Kingdom, West Germany, and France declined. The East European countries accounted for 72 percent of the machinery and equipment exports to the U.S.S.R., with East Germany (\$608 million) and Czechoslovakia (\$454 million) delivering the greatest quantities.

The Soviet Union is net importer of machinery and equipment. As a result of the decline in shipments to Communist China and increasing Soviet domestic needs, net imports in this category rose rapidly from \$534 million in 1960 to \$774 million in 1961 and \$1,070.4 million in 1962. Increases of over 20 percent in shipments from the Eastern European countries and the free world also contributed to the rising net imports of machinery of the U.S.S.R. As table 5 shows, during 1962 Soviet imports of machinery and equipment from the countries of the free world were over 125 percent of the exports of Soviet machinery and equipment to the less developed countries of the free world and the Asian bloc. During 1961, in contrast, such imports were balanced by Soviet exports to the

less developed countries and the Asian Communist countries. Imports from the East European countries still remain the single most important factor in net Soviet imports of machinery and equipment.

TABLE 3.—Commodity structure of Soviet trade, 1962

	Imports as percent of total	Exports as percent of total
Total.....	100.0	100.0
Of which—		
Machinery and equipment.....	35.0	17.0
Coal.....	1.2	3.8
Coke.....	.2	1.1
Petroleum, crude.....	.1	5.2
Petroleum products.....	1.4	6.2
Metalliferous ores and concentrates.....	4.6	3.8
Of which, ferrous.....	(1)	3.1
Iron and steel.....	6.6	11.3
Of which—		
Rolled steel.....	(3.0)	(7.3)
Steel pipe.....	(3.2)	(.9)
Nonferrous metals.....	2.1	3.1
Cable and wire.....	1.1	1.9
Chemicals.....	1.7	1.0
Agricultural chemicals and fertilizers.....	.2	1.2
Rubber and rubber products.....	3.9	.7
Wood and cellulose paper products.....	1.8	6.0
Textile raw materials.....	4.4	5.0
Of which, cotton.....	(1.9)	(4.0)
Grain.....	(1)	7.5
Of which, wheat.....	(1)	(5.0)
Meat and milk products, eggs.....	1.2	2.1
Vegetables and fruits.....	2.0	.1
Sugar and confectionaries.....	3.7	1.0
Textiles.....	2.9	.7
Clothing.....	6.9	.2
Footwear.....	2.4	.1
Furniture.....	1.5	.2
Cultural and household goods.....	2.1	1.4

<sup>1</sup> Breakdown not given by source.

TABLE 4.—Distribution of Soviet exports of machinery and equipment, 1960-62

	1960	1961	1962
Total.....	100.0	100.0	100.0
To European bloc countries.....	36.0	48.0	52.0
To Asian bloc countries.....	50.0	19.0	13.0
To free world developed countries.....	1.0	2.0	2.0
To less developed countries.....	12.0	25.0	25.0
Of which—			
United Arab Republic.....	2.0	5.0	5.0
India.....	2.0	6.0	7.0
Indonesia.....	—	2.0	4.0
To Cuba.....	.6	6.0	8.0

TABLE 5.—Soviet trade in machinery and equipment, 1962

[In millions of dollars]

	Imports	Percent of total	Exports	Percent of total	Net imports
Total.....	2,239	100.0	1,169.0	100.0	+1,070
European bloc.....	1,621	72.0	607.0	52.0	+1,014
Of which—					
East Germany.....	609	27.0	78.0	6.6	-----
Czechoslovakia.....	454	20.0	111.0	10.0	-----
Asian bloc.....	0	0	146.0	13.0	-146
Of which, Communist China.....	0	0	27.0	2.3	-----
Free world, developed.....	596	27.0	25.0	2.1	569
Of which—					
West Germany.....	59	2.6	.4	0	-----
United Kingdom.....	61	2.7	0	0	-----
France.....	87	3.9	.6	0	-----
Finland.....	141	6.2	17.0	1.4	-----
Italy.....	33	1.4	0	0	-----
Japan.....	79	3.5	1.6	.1	-----
Sweden.....	51	2.2	0.2	0	-----
Less developed.....	10	.5	297.0	25.0	-286
Of which—					
India.....	0	0	78.0	6.6	-----
United Arab Republic.....	0	0	59.0	5.1	-----
Indonesia.....	0	0	47.0	4.0	-----
Cuba.....	0	0	93.0	8.0	-93

TABLE 6.—Soviet trade in food, 1961 and 1962

[In millions of U.S. dollars]

	1961		1962	
	Imports	Exports	Imports	Exports
Total food <sup>1</sup> .....	757.0	792	650	920.0
Of which—				
Grain.....	46.0	474	4	529.0
Of which—				
East Germany.....		123		154.0
Czechoslovakia.....		83		106.0
Poland.....		39		59.0
North Korea.....		22		-----
United Kingdom.....		41		24.0
West Germany.....		18		8.8
Netherlands.....		15		7.5
Cuba.....		15		24.0
Brazil.....		12		27.0
Finland.....		12		24.0
Italy.....		11		3.7
Rice.....	3.0	-----	45	-----
Of which, Communist China.....	.3	-----	20	-----
Flour.....	2.0	23	2	20.0
Soybeans.....	-----	15	-----	-----
Of which, Communist China.....	-----	1	-----	-----
Livestock for slaughter.....	41.0	-----	34	-----
Meat and milk products, eggs.....	46.0	91	74	146.0
Of which—				
Communist China.....	2.0	-----	6	-----
Poland.....	17.0	4	14	-----
East Germany.....	-----	55	-----	82.0
Czechoslovakia.....	-----	16	-----	23.0
Cuba.....	-----	7	-----	30.0
Fish.....	8.0	40	16	41.0
Fruits and vegetables.....	128.0	3	131	9.0
Of which—				
Bulgaria.....	54.0	-----	52	-----
Communist China.....	10.0	-----	13	-----
Jam.....	21.0	-----	19	-----
Of which, Bulgaria.....	20.0	-----	19	-----
Coffee, cocoa, and tea.....	51.0	6	62	-----
Of which—				
India.....	19.0	-----	21	-----
Communist China.....	3.0	-----	3	-----
Brazil.....	18.0	-----	16	-----
Ghana.....	7.0	-----	17	-----
Sugar, crude and refined.....	328.0	83	232	63.0
Of which—				
Cuba.....	300.0	-----	204	-----
Communist China.....	-----	46	-----	-----
Vegetable oil, edible.....	16.0	38	5	48.0

<sup>1</sup> Including corn and "seeds and fruits for industrial purposes" (chiefly soybeans).

TABLE 7.—Soviet food imports from Communist China, 1958-62

	Unit	1958	1959	1960	1961	1962
Wheat.....	Thousand tons	0	48	48	0	10
Soybeans.....	do	478	639	351	10	0
Rice.....	do	453	658	416	2	150
Livestock for slaughter.....	Live weight	11	13	13	4	0
Meat and meat products.....	Thousand tons	125	83	39	3	0
Fish.....	do	19	13	18	5	7
Tea.....	do	13	17	10	3	3
Vegetables.....	do	28	25	7	5	7
Fresh fruit.....	do	136	124	92	35	58
Canned fruits.....	Million cans	45	40	10	13	14
Edible vegetable oil.....	Thousand tons	68	64	29	0	0

<sup>1</sup> The U.S.S.R. exported 104,100 tons of wheat and 246,900 tons of rye to Communist China in 1962.

*Food.*—Soviet imports and exports of food rose slightly during 1962, accounting for 11 percent of Soviet imports and 13 percent of Soviet exports as compared with 13 percent of each in 1961. In terms of current prices exports exceeded imports more during 1962 than during 1961. Some principal imports were fruits and vegetables from Bulgaria and Communist China; sugar from Cuba; coffee, cocoa, and tea from India, Brazil, and Ghana; and meat and milk products from Communist China and Poland. Imports in all these items except sugar increased during 1962. Imports of grain went down from \$46 million to \$4 million. Imports of rice rose from \$3 million to \$45 million. Exports of grain increased from \$474 million to \$529 million, the largest quantities going to East Germany and Czechoslovakia. Exports of meat and milk products also increased significantly. Food deliveries to the Soviet Union from Communist China declined drastically, from \$290 million in 1958 to \$16 million in 1961, but increased to \$38 million during 1962. As shown in table 7, deliveries of wheat, soybeans, livestock, and vegetable oils from China declined to negligible amounts, while deliveries of rice and fresh fruits from Communist China accounted for the increase during 1962.

*Petroleum.*—An important earner of foreign exchange in the past, petroleum has played an increasingly important role in Soviet exports since 1955. During 1962 petroleum and petroleum products together accounted for 11 percent of the total value of Soviet exports. Although this percentage is lower than that of 1961, Soviet oil exports increased during 1962 by 2.9 million metric tons. As shown in table 8, Soviet petroleum exports have climbed steadily since 1955. Offerings of Soviet crude petroleum below world prices have caused a stir in the world petroleum market in recent years.

Soviet efforts have had the most success in Italy, which has been the largest buyer of Soviet crude since 1959. A long-term Soviet-Italian trade agreement for the years 1962-65, signed in mid-1961, provided that Italy would import 4.2 million tons of Soviet crude during 1962. This amount was to increase 100,000 tons each year through the last year of the agreement. During 1962 Italy imported 6.1 million tons of Soviet crude. The extra amount will be credited to future imports. However, the 10-percent increase of 1962 over 1961 was considerably less than the 40-percent increase of 1961 over 1960. Letters between the Soviet Union and Italy were exchanged to the effect that Italy will purchase from the Soviet Union up to 14 percent of its import requirements for crude.

Czechoslovakia was the second largest purchaser of Soviet crude oil during 1961 and 1962, followed by Cuba, Japan, and East Germany. The largest purchasers of Soviet petroleum products during 1962 were Sweden and Poland. Communist China dropped to third place with 1.9 million metric tons. Cuban imports of Soviet petroleum products dropped below 1 million metric tons.



TABLE 8.—Soviet petroleum exports, 1955-62

[In millions of metric tons]

CRUDE		PETROLEUM PRODUCTS	
1955 total	2.9	1955 total	5.0
1956 total	3.9	1956 total	6.1
1957 total	5.9	1957 total	7.8
1958 total	9.1	1958 total	9.0
1959 total	12.5	1959 total	12.9
Of which—		1960 total	15.4
Italy	2.4	Of which—	
Czechoslovakia	1.8	Communist China	2.4
East Germany	1.6	Sweden	2.0
Hungary	1.2	Finland	1.4
1960 total	17.8	Poland	1.4
Of which—		1961 total	17.8
Italy	3.9	Of which—	
Czechoslovakia	2.4	Communist China	2.9
East Germany	1.8	Sweden	2.4
Cuba	1.6	Poland	1.7
Hungary	1.4	Finland	1.2
West Germany	1.2	Bulgaria	1.1
Japan	1.2	Cuba	1.0
1961 total	23.4	1962 total	19.1
Of which—		Of which—	
Italy	5.5	Communist China	1.9
Cuba	3.0	Sweden	2.6
Czechoslovakia	2.8	Poland	2.0
Japan	2.2	Finland	1.8
East Germany	2.1	Bulgaria	1.6
1962 total	26.3	Cuba	.8
Of which—		West Germany	1.1
Italy	6.1	Italy	1.0
Cuba	3.6		
Czechoslovakia	3.8		
Japan	2.1		
East Germany	2.4		
Hungary	1.5		

*Other commodities.*—Soviet trade in other significant commodities is shown in table 9. Exports of rolled steel amounted to 3.5 million metric tons in 1962, with East Germany, which received 1.4 million tons, the most important customer. While exports of rolled steel increased by almost one-half million metric tons during 1962, imports of this item increased only slightly. At the same time, a significant amount of steel was imported from Western Europe and some of the countries of Eastern Europe. The Soviet Union imported large amounts of nonferrous ores and concentrates from bloc countries, but Soviet statistics do not provide a detailed breakdown. Ores and concentrates, including 19 million tons of iron ore and smaller amounts of manganese and chrome ore, were exported mostly to countries within the Soviet bloc. Both Poland and Czechoslovakia imported nearly 6 million tons of iron ore each from the U.S.S.R. Close to 339,000 tons of natural rubber were imported from Malaya and Indonesia. Cotton was exported to East Germany and the United Kingdom. Clothing, one of the more significant Soviet imports, came chiefly from Communist China, Bulgaria, and Czechoslovakia. Timber and lumber, an important U.S.S.R. export, went to Japan, Hungary, the United Kingdom and East Germany.

TABLE 9.—Soviet trade in selected commodities

Commodity	Unit	1961		1962	
		Imports	Exports	Imports	Exports
Metalliferous ores and concentrates	Million dollars	291.0	253.0	298.0	274.0
Rolled steel	Thousand tons	927.0	3,018.0	1,061.0	3,532.0
Of which—					
West Germany	do	92.0	9.4	86.0	1.0
Czechoslovakia	do	74.0	87.0	87.0	96.0
England	do	4.0	35.0	29.0	56.0
France	do	125.0	0	51.0	-----
Italy	do	102.0	54.0	74.0	66.0
Austria	do	105.0	0	110.0	-----
East Germany	do	0	1,291.0	0	1,423.0
Rumania	do	0	585.0	0	734.0
Steel pipe	do	631.0	231.0	962.0	248.0
Of which—					
West Germany	do	200.0	0	377.0	-----
Rumania	do	183.0	31.0	200.0	31.0
Czechoslovakia	do	114.0	2.0	140.0	1.0
East Germany	do	0	100.0	0	120.0
Communist China	do	0	36.0	0	27.0
Natural rubber	do	390.0	63.0	362.0	56.0
Of which—					
Malaya	do	268.0	0	280.0	0
Indonesia	do	52.0	0	60.0	0
Cotton	do	142.0	383.0	150.0	344.0
Of which—					
United Arab Republic	do	92.0	0	68.0	0
Communist China	do	11.0	0	8.0	0
East Germany	do	0	83.0	0	93.0
Poland	do	0	74.0	0	56.0
Transportation equipment	Million dollars	534.0	227.0	746.0	320.0
Equipment for the chemical industry	do	193.0	4.0	159.0	5.0
Wool	Thousand tons	55.0	28.0	49.0	24.0
Of which—					
Australia	do	14.0	0	14.0	0
Communist China	do	6.0	0	4.0	0
Mongolia	do	11.0	0	10.0	0
East Germany	do	0	20.0	-----	15.0
Cotton textiles	Million meters	61.0	195.0	97.0	193.0
Of which—					
Communist China	do	24.0	0	46.0	0
Bulgaria	do	0	36.0	0	21.0
Indonesia	do	0	34.0	0	37.0
Mongolia	do	0	23.0	0	19.0
Clothing	Million dollars	397.0	11.0	443.0	0
Of which—					
Communist China	do	175.0	0	181.0	0
Bulgaria	do	59.0	0	60.0	0
Czechoslovakia	do	34.0	0	32.0	0
Footwear, leather	Million pairs	25.0	0	25.0	0
Of which—					
Czechoslovakia	do	13.0	0	13.0	0
Communist China	do	3.0	0	3.0	0
Timber	Million cubic meters	.2	5.7	.2	7.4
Of which—					
Japan	do	0	1.3	0	1.8
Hungary	do	0	1.0	0	1.3
Lumber	do	.5	5.2	.4	6.0
Of which—					
United Kingdom	do	0	1.6	0	1.6
East Germany	do	0	.9	0	.9

*D. Balance of trade and payments*

The Soviet Union had an export surplus of \$585 million in 1962, over three times the surplus of 1961, which in turn had reversed the trade deficit of the U.S.S.R. for the year 1960. The export surplus in trade with the European satellites increased slightly to \$383 million, while the deficit with the Asian Communist countries continued to increase from \$136 million in 1961 to \$200 million in 1962 as a result of a \$283 million deficit in trade with Communist China (representing Chinese payments against earlier Soviet credits).

The Soviet deficit in trade with the developed countries of the free world increased to \$160 million during 1962, almost five times the deficit of 1961. Exports to the less developed countries continued to increase so that the Soviet trade deficit of \$107 million to those countries in 1961 dropped to \$21 million in 1962. This was also partially due to a decrease in Soviet imports from the less developed countries. The Soviet trade deficit with the less developed countries is primarily attributable to imports of rubber from Malaya amounting to \$161 million in 1962.

Except for trade statistics, the Soviet Union does not publish the data necessary to give a precise accounting of the Soviet balance of payments. Even the most important elements in the payments balance with the free world can be described only in the most general terms.

The chronic Soviet trade deficit with the free world is normally accompanied by a net transportation outlay on ocean freight charges paid to free world shipping lines, amounting to more than \$100 million annually. These expenses apparently will increase as grain purchases require more shipping availabilities. An additional factor in recent years has been the medium-term government guaranteed credits which the Soviet Union has received from Western European nations. Drawings on these credits were estimated at \$200 million in 1961 and \$250 million in 1962. On the other hand, substantial sums, probably about \$300 million in 1962, are being drawn against long-term Soviet credits extended to the less developed countries. Repayments of earlier drawn credits have been minimal, with the possible exception of some military credits to the United Arab Republic. The net effect of these factors can be assessed only in terms of Soviet gold sales which probably offset substantial deficits in the Soviet balance of payments. Soviet gold sales have averaged somewhat over \$200 million.

TABLE 10.—U.S.S.R. balance of trade, 1961 and 1962

[In millions of dollars]

	1961			1962		
	Exports	Imports	Balance <sup>1</sup>	Exports	Imports	Balance <sup>1</sup>
Total.....	5,998	5,832	166	7,035	6,450	+585
Communist countries.....	3,990	3,780	+218	4,466	4,283	+184
Europe.....	3,420	3,066	+354	3,971	3,588	+384
Asia.....	578	714	-136	495	695	-200
Non-Communist countries.....	1,601	1,731	-140	1,744	1,924	-180
Developed countries.....	1,509	1,092	-33	1,105	1,265	-160
Less developed countries.....	532	638	-107	639	660	-21
Cuba.....	287	312	-25	371	234	+137
Unlisted residual.....	122	9	+113	454	9	+445

<sup>1</sup> (+) indicates a favorable balance, i.e., an export surplus; (-) indicates an unfavorable balance.

## III. SOVIET TRADE IN 1963

Soviet announcements regarding total trade in 1963 indicate that turnover was only 5 percent greater than in 1962. Imports from the developed countries of the free world appeared to continue to rise in line with the Soviet interest in purchasing capital goods from the West for the expansion of Soviet industry. A considerable amount of these imports include machinery and equipment for the chemical industry, which is slated for expansion to fulfill the U.S.S.R.'s much-publicized fertilizer production program.

The same failure in Soviet grain production that has spurred increased Soviet investment in agriculture made necessary tremendous increases in Soviet grain

imports from the countries of the free world. Imports for 1963 were probably somewhere in the vicinity of 3 million tons (the U.S.S.R. has contracted for the delivery of approximately 10 million tons by July 1964). The U.S.S.R. has continued to export some grain to Cuba, in addition to obtaining supplies for that nation from Canada. Shipments to East European countries, however, were probably substantially lower than those during 1962. But the dramatic decline in U.S.S.R. grain production during 1963 will make the Soviet Union, normally a net exporter of wheat (4.7 million tons in 1962), a net importer.

Soviet imports from the East European area were probably increased as a result of greater purchases of machinery and equipment. Soviet grain exports to Eastern Europe were probably lower than in 1962; the U.S.S.R. apparently intends to hold to its basic commitments to ship grain to this area to supplement Eastern European purchases from the West. Trade with the Asian Communist area probably continued to decline. Trade with Mongolia, however, appears to have increased.

Soviet trade with the less developed countries of the free world was probably only slightly greater in 1963 than in 1962. Utilization of Soviet long-term credits probably increased, and a significant amount of these credits was used for Soviet exports connected with aid projects. It appears unlikely that any significant change in Soviet imports from the less developed countries occurred in 1963.

The Soviet Union at the present time is faced with issues that raise a number of foreign economic problems of varying complexity. Among such problems are the following:

(1) That portion of Soviet credits extended to less developed countries which has not been drawn upon by those countries, approximately \$2 billion, constitutes a large potential drain on Soviet resources. These drawings have been increasing and appear to be slated for further increases during the next year or two.

(2) The credits obtained from Western Europe beginning in 1959 generally require repayment in 3 to 5 years. Unless a considerably larger amount of credit on easier terms is forthcoming from the nations of Western Europe, repayments will be likely to exceed new loans and the difference may be so large as to constitute a substantial net outflow of funds from the U.S.S.R. The effort of the U.S.S.R. to obtain long-term credits from Western nations, and current Soviet efforts to find new sources of medium-term credit, such as Japan, can be explained in part by this payments problem with the developed nations of the free world.

(3) The decline in Sino-Soviet trade has caused disruptions in Soviet foreign trade planning. For example, machinery and equipment previously allocated for export to Communist China may find outlets only in the less-developed countries of the free world, which will seek to finance their purchases with Soviet credits and grants. The U.S.S.R. apparently misses the \$200 million or more in foodstuffs once imported each year from Communist China, the virtual elimination of imports of Chinese grain from a high of more than 700,000 tons in 1959 has been a matter of considerable consequence for Soviet grain reserves.

(4) In the past the U.S.S.R. has earned foreign exchange from its exports of grain. The failure of the 1963 harvest has reversed this pattern and caused the U.S.S.R. to sell gold in order to buy grain. Unless the grain harvest for 1964 is a considerable improvement over that of 1963, the U.S.S.R. may have to continue to import grain. But gold reserves may be reduced to a troublesome level by then.

(5) The recently announced Soviet plan for expansion of the chemical industry, in part for the production of fertilizer, will make necessary imports of machinery and equipment from the nations of Eastern Europe and the developed countries of the free world. This also will cause an increasing strain on Soviet gold and foreign exchange reserves and will be one more factor behind a quest for additional and more liberal credits from the West.

(6) The growing trade deficit of Cuba with the U.S.S.R., almost \$137 million for the year 1962, amounted to an even larger figure in 1963, since imports of sugar were cut drastically. Some of the wheat purchased by the U.S.S.R., from Canada has gone and will continue to go to Cuba. The U.S.S.R. bought sugar from Cuba at a price below the prevailing world price in 1963, reversing the earlier pattern when Soviet prices for Cuban sugar were above the prevailing world price. The concomitant reduction of imports of sugar, however, nullified whatever price benefit the Soviets experienced by cutting into their export potential at the very time when domestic sugar production, along with other agricultural output, was suffering. The U.S.S.R. had already contributed large amounts of military, economic, and technical assistance to Cuba and this continued in 1963. The cost of supporting Cuba, in short, was becoming increasingly burdensome in 1963 and there is little sign of easing the load in the immediate future.

## APPENDIX A.—Soviet foreign trade, by country, 1961 and 1962

[In millions of dollars]

	1961 turnover	1962			
		Imports	Exports	Turnover	Percent of total turnover
Total.....	11,830.5	6,449.8	7,034.8	13,484.6	100.0
Communist bloc, Europe.....	6,486.0	3,587.6	3,971.2	7,558.8	66.0
Albania.....	42.0				
Bulgaria.....	682.0	339.0	448.0	837.0	6.2
Hungary.....	686.0	339.0	411.0	800.0	5.9
East Germany.....	2,085.0	1,073.0	1,373.0	2,446.0	18.1
Poland.....	1,007.0	564.0	594.0	1,158.0	8.6
Rumania.....	633.0	348.0	375.0	723.0	5.4
Czechoslovakia.....	1,350.0	825.0	771.0	1,596.0	11.8
Communist bloc, Asia.....	1,293.0	695.0	495.0	1,190.0	9.0
Communist China.....	919.0	516.0	233.0	750.0	5.6
North Vietnam.....	67.0	30.0	55.0	85.0	.6
North Korea.....	156.0	88.0	81.0	170.0	1.3
Mongolia.....	151.0	60.0	126.0	187.0	1.4
Free developed countries.....	2,153.0	1,265.0	1,105.0	2,370.0	18.0
Austria.....	122.0	67.0	45.0	112.0	.8
United Kingdom.....	355.0	116.0	213.0	330.0	2.4
Belgium.....	68.0	33.0	46.0	79.0	.6
Netherlands.....	75.0	48.0	42.0	90.0	.7
Denmark.....	29.0	24.0	20.0	45.0	.3
Italy.....	226.0	99.0	131.0	230.0	1.7
Norway.....	35.0	13.0	16.0	29.0	.2
West Germany.....	298.0	204.0	134.0	339.0	2.5
Finland.....	283.0	216.0	180.0	396.0	2.9
France.....	200.0	153.0	85.0	238.0	1.8
Switzerland.....	15.0	7.0	5.0	13.0	.1
Sweden.....	103.0	76.0	53.0	130.0	1.0
Japan.....	180.0	146.0	113.0	259.0	1.9
Australia.....	30.0	30.0		30.0	.2
New Zealand.....	9.0	3.0		3.0	.02
Canada.....	50.0	3.0	3.0	5.0	.04
United States.....	75.0	27.0	17.0	44.0	.3
Less developed countries.....	1,191.0	1,660.0	639.0	1,299.0	10.0
Greece.....	38.0	22.0	21.0	42.0	.3
Iceland.....	15.0	12.0	9.0	20.0	.2
Spain.....	4.0		1.0	1.0	0
Portugal.....	0				
Yugoslavia.....	91.0	46.0	72.0	118.0	.9
Afghanistan.....	59.0	25.0	39.0	65.0	.5
Burma.....	6.0	12.0	6.0	18.0	.1
India.....	162.0	72.0	125.0	197.0	1.5
Indonesia.....	65.0	39.0	59.0	97.0	.7
Iraq.....	42.0	4.0	32.0	56.0	.4
Iran.....	36.0	16.0	16.0	33.0	.2
Yemen.....	4.0	2.0	2.0	4.0	0
Cambodia.....	8.0	6.0	2.0	8.0	.1
Cyprus.....	3.0	2.0	2.0	4.0	0
Lebanon.....	8.0	4.0	4.0	8.0	.1
Malayan Federation <sup>1</sup> .....	172.0	161.0	2.0	163.0	1.2
Pakistan.....	7.0	4.0	5.0	9.0	.1
Syria.....	21.0	7.0	5.0	12.0	.2
Thailand.....	11.0	9.0	1.0	7.0	.1
Turkey.....	11.0	5.0	4.0	10.0	.1
Ceylon.....	11.0	6.0	10.0	16.0	.1
Algeria.....	1.0				
Ivory Coast.....					
Ghana.....	22.0	17.0	10.0	27.0	.2
Guinea.....	31.0	3.0	20.0	23.0	.2
Cameroon.....					
Libya.....	2.0		2.0	2.0	0
Mali.....	12.0	4.0	9.0	13.0	.1
Morocco.....	9.0	6.0	6.0	12.0	.1
Nigeria.....					
United Arab Republic.....	205.0	73.0	103.0	176.0	1.3
Federation of Rhodesia <sup>1</sup> .....	13.2	14.0		14.0	.1
Sudan.....	20.0	11.0	10.0	21.0	.2
Togoland.....				1.0	0

See footnotes at end of table, p. 271.

## APPENDIX A.—Soviet foreign trade, by country, 1961 and 1962—Continued

[In millions of dollars]

	1961 turnover	1962			Percent of total turnover
		Imports	Exports	Turnover	
Less developed countries—Continued					
Somalia.....			1.0	1.0	0
Tunisia.....	5.0	2.0	2.0	4.0	0
Uganda.....	4.0				
Ethiopia.....	2.0	1.0	1.0	2.0	0
Union of South Africa.....					
Argentina.....	30.0	10.0	8.0	18.0	.1
Brazil.....	42.0	36.0	30.0	66.0	.5
Mexico.....		7.0		7.0	.1
Peru.....	2.0	6.0		6.0	0
Uruguay.....	5.0	15.0		16.0	
Cuba.....	599.0	234.0	371.0	605.0	4.5

<sup>1</sup> This import surplus is primarily due to large rubber imports from Malaya.<sup>2</sup> These figures compiled prior to the formation of Malaysia.<sup>3</sup> These figures compiled prior to the breakup of the Federation of Rhodesia and Nyasaland.

## DEPARTMENT OF STATE RESEARCH MEMORANDUM, FEBRUARY 27, 1964

Trade of NATO Countries With Communist Countries, 1960-62<sup>1</sup>

This issue of our annual publication of statistics on East-West trade, has been expanded from a listing of EEC and UK trade with Communist countries to one which includes all NATO countries. The tables contain detailed data by commodity on the trade of each of the NATO countries with each of the Communist countries for 1962. The trend of trade between 1960 and 1962 is seen in summary table I, which shows, inter alia, that the trade of the European NATO countries with the East remained fairly constant—the value rose slightly while the percentage of total trade declined a small amount. (European imports from the Communist countries as a percentage of total European imports fell from 4.6 percent in 1960 to 4.3 percent in 1962. Exports likewise declined from 4.8 percent in 1960 to 4.3 percent in 1962.)

Canadian imports from Communist countries also declined during the period, but increasing exports of Canadian wheat to Communist China caused total Canadian exports to Communist countries to rise both in value and percentages from 1960 to 1962.

Primarily because of the fall-off in United States trade with Cuba, total NATO trade with Communist countries declined during the period both in value and as a percentage of total trade.

The nature of each country's trade with the East is shown by tables which list the most important commodities being imported and exported. An examination of these tables indicates the following points of interest:

1. West Germany in 1962 was the biggest trader with the East. East Germany and the U.S.S.R. took almost equal shares of West Germany's exports to Communist countries. Iron and steel products, especially tubing and machinery, made up a large part of West German exports to the East.

West Germany imports lignite and petroleum products from East Germany, and wood, crude petroleum and petroleum products, and iron and steel coils from the U.S.S.R. Of total German exports, 5.6 percent went to Communist countries in 1962; imports were 6 percent of the total.

2. In 1962 the United Kingdom was the second largest NATO trader with Communist countries. United Kingdom exports to the U.S.S.R. were a large part of this trade which consisted largely of raw rubber, machinery, steel, and chemicals.

United Kingdom imports from the U.S.S.R. were primarily wood, fur skins, and wheat. Imports from Poland were also important and consisted chiefly of meat, wood, and butter. Of total United Kingdom exports, 3.6 percent went to Communist countries in 1962; imports were 4.2 percent of the total.

<sup>1</sup> This is the latest date for which this type of information is available on a full-year basis.

3. France was the third largest Western exporter to Communist countries in 1962. Her exports, which went chiefly to the U.S.S.R., consisted largely of machinery, heating and cooling equipment, iron and steel products, and meat and meat preparations. Similar commodities were among the principal French exports to the other Communist countries of Europe.

Coal, petroleum, and wood are the chief French imports from the U.S.S.R. and other Communist countries of Europe.

Communist China was second only to the U.S.S.R. as an export customer for France in 1962. Wheat and barley were the chief French exports to China, and France imported silk, silver, and essential oils from China. Of total French exports, 4.3 percent went to Communist countries; imports were 2.9 percent of the total.

4. Italy sent a relatively high (5.6 percent) percentage of her total exports to Communist countries in 1962. The U.S.S.R. was Italy's chief customer, taking iron and steel products, especially tubes, pipes, and machinery.

Italy's imports from the East consisted principally of petroleum, wood, and coal from the U.S.S.R., eggs and coal from Poland, and wood from Rumania. Of total Italian exports, 5.6 percent went to Communist countries; imports were 5.7 percent of the total.

5. Iceland has become heavily dependent on trade with the East: 18.4 percent of her total exports and 19.4 percent of total imports were traded with Communist countries. Fish is the main export, principally to the U.S.S.R. Petroleum is imported from the U.S.S.R., as well as clothing and textiles from Czechoslovakia, motorships from East Germany, and sugar and wood from Poland.

6. Greece has also become dependent on Communist countries for trade with 20.2 percent of her exports going to Eastern Europe and the U.S.S.R. These exports consist largely of tobacco, cotton, oranges, lemons, raisins, and olives.

7. Trade with Communist China was a very small part of the total trade of the European countries of NATO in 1962; the largest exporter in Western Europe was France—0.6 percent of its total exports going to Communist China—and the largest importer was the United Kingdom—0.5 percent of its total imports coming from there.

Canada, however, sent 2.3 percent of her total exports to Communist China in 1962. This consisted entirely of wheat and barley sales to China. Canada received only 0.1 percent of her total imports in 1962 from Communist China. These were made up mostly of fruits and vegetables, fur skins, and textiles.

8. The impact of Cuba's relatively small trade upon NATO totals is modest. Canada was the largest single exporter to Cuba (oils and fats, live animals), but this was only 0.2 percent of Canada's total exports. The United Kingdom was the largest single importer from Cuba (sugar), and this was 0.2 percent of total United Kingdom imports.

NOTE.—"Other Asian Communist areas" include North Korea, North Vietnam, and Outer Mongolia.

Sources.—The tables are largely based on information contained in the latest available yearly statistics, published by the Department of Commerce in its East-West trade sheets. Whenever this source was not available or had to be supplemented, OECD statistics were used.

#### Commodity listings by countries

	Imports	Exports
Belgium-Luxembourg.....	3	7
Denmark.....	11	15
France.....	19	23
West Germany.....	28	33
Greece.....	37	41
Iceland.....	44	47
Italy.....	50	55
The Netherlands.....	59	63
Norway.....	67	70
Portugal.....	74	76
Turkey.....	79	82
United Kingdom.....	85	89
Canada.....	94	97
United States.....	100	104

SUMMARY TABLE I.—Trade of NATO with Communist countries,<sup>1</sup> 1960-62

[Dollar amounts in millions]

	1960			1961			1962		
	Total from (or to) entire world	From (or to) Communist countries	Trade with Communist countries as percent of world trade	Total from (or to) entire world	From (or to) Communist countries	Trade with Communist countries as percent of world trade	Total from (or to) entire world	From (or to) Communist countries	Trade with Communist countries as percent of world trade
Imports (c.i.f.):									
European NATO.....	\$47,703.8	\$2,191.7	4.6	\$50,196.9	\$2,212.3	4.4	\$54,392.2	\$2,326.3	4.3
Canada (f.o.b.).....	5,662.3	26.7	.5	5,696.3	23.9	.4	5,855.1	22.6	.4
United States (f.o.b.).....	14,651.9	441.3	3.0	14,357.3	118.6	.8	16,249.4	98.4	.6
Total, NATO.....	68,018.0	2,659.7	3.9	70,250.5	2,354.8	3.4	76,496.7	2,450.3	3.2
Exports (f.o.b.):									
European NATO.....	43,544.3	2,105.6	4.8	46,733.8	2,103.6	4.5	49,203.9	2,142.2	4.3
Canada.....	5,561.6	50.6	1.1	5,819.4	244.8	4.2	5,939.3	192.7	3.2
United States.....	20,357.6	417.7	2.1	20,716.7	147.0	.7	21,359.1	138.5	.6
Total, NATO.....	69,463.5	2,582.9	3.7	73,269.9	2,495.4	3.4	76,502.3	2,473.4	3.2

<sup>1</sup> Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, U.S.S.R., Communist China, other Asian Communist areas and Cuba.

SUMMARY TABLE II.—Trade of NATO countries with Communist countries,<sup>1</sup> 1962

[Dollar amounts in millions]

Country	Imports (c.i.f.)			Exports (f.o.b.)		
	Total from entire world	From Communist countries <sup>1</sup>	Imports from Communist countries as percent of world imports	Total to entire world	To Communist countries <sup>1</sup>	Exports to Communist countries as percent of world exports
Belgium-Luxembourg.....	\$4,577.3	\$109.1	2.4	\$4,344.4	\$96.5	2.2
Denmark.....	2,116.9	96.2	4.5	1,625.2	85.7	5.3
France.....	7,514.8	219.1	2.9	7,359.2	315.3	4.3
West Germany.....	12,508.0	<sup>2</sup> 746.5	6.0	13,477.1	755.6	5.6
Greece.....	701.2	59.8	8.5	248.5	50.3	20.2
Iceland.....	89.2	17.3	19.4	84.2	15.5	18.4
Italy.....	6,067.8	346.0	5.7	4,698.0	262.5	5.6
Netherlands.....	5,347.5	116.7	2.2	4,584.6	<sup>3</sup> 88.1	1.9
Norway.....	1,654.9	49.6	3.0	973.2	40.5	4.2
Portugal.....	585.3	4.6	.8	369.8	5.4	1.5
Turkey.....	622.1	37.6	6.0	381.1	26.6	7.0
United Kingdom.....	12,577.2	526.8	4.2	<sup>4</sup> 11,058.6	<sup>4</sup> 400.2	3.6
Total European NATO.....	54,392.2	2,329.3	4.3	49,203.9	2,142.2	4.3
Canada.....	<sup>5</sup> 5,855.1	<sup>5</sup> 22.6	.4	5,939.3	192.7	3.2
United States.....	<sup>5</sup> 16,249.4	<sup>5</sup> 98.4	.6	21,350.1	138.5	.6
Total NATO.....	76,496.7	2,450.3	3.2	76,502.3	2,473.4	3.2

<sup>1</sup> Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, U.S.S.R., Communist China, other Asian Communist areas and Cuba.

<sup>2</sup> Includes crude petroleum imports from the U.S.S.R. valued at \$23.2 million, not shown in earlier publications.

<sup>3</sup> Revised data.

<sup>4</sup> Includes reexports.

<sup>5</sup> F.o.b.

## Belgium-Luxembourg's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	( <sup>1</sup> )	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	2.0	2.4	3.2	0.1	0.1	0.1
Czechoslovakia.....	12.9	13.5	11.9	.3	.3	.3
East Germany.....	15.6	14.3	17.3	.4	.4	.4
Hungary.....	5.0	4.1	4.7	.1	.1	.1
Poland.....	9.6	10.2	12.6	.2	.2	.3
Rumania.....	3.7	7.2	6.1	.1	.2	.1
U.S.S.R.....	28.6	35.3	45.9	.7	.8	1.0
Communist China.....	9.9	3.4	4.8	.3	.1	.1
Other Asian Communist areas.....	.4	.3	1.2	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	5.3	.8	1.4	.1	( <sup>1</sup> )	( <sup>1</sup> )
Total Communist countries listed.....	93.0	91.6	109.1	2.3	2.2	2.4
Total imports from entire world.....	3,968.1	4,230.8	4,577.3	-----	-----	-----

<sup>1</sup> Insignificant.

*Most important items imported by Belgium-Luxembourg from each country listed above in order of magnitude based on 1962 imports*

[Amounts in millions of dollars c.i.f.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Lead ore, crude, and alloys.....	1.4
Miscellaneous nonferrous base metals.....	1.0
Fruits and vegetables.....	.3
Tobacco and manufactures.....	.2
Total.....	2.9
Total imports.....	3.2
Percent covered by listings above.....	91
Czechoslovakia:	
Fruits and vegetables.....	1.5
Machinery, nonelectric.....	1.2
Horses and asses.....	.9
Wool and other animal hair.....	.7
Glass, glassware, and pottery.....	.7
Ferrous alloys.....	.7
Iron and steel wire, rods, and coils.....	.7
Parts for assembling automobiles.....	.7
Footwear.....	.7
Barley.....	.4
Total.....	8.2
Total imports.....	11.9
Percent covered by listings above.....	69
East Germany:	
Cast iron in pigs, blocks, etc.....	3.5
Chemicals other than fertilizer.....	1.8
Potassic fertilizers, manufactured.....	1.7
Manmade fibers.....	1.0
Hot rolled plates of iron or ordinary steel.....	.9
Nonelectric machinery other than machine tools.....	.9
Metalworking machine tools.....	.8
Toys.....	.6
Furniture.....	.5
Glass, glassware, pottery.....	.5
Machinery, electric.....	.5
Total.....	12.7
Total imports.....	17.3
Percent covered by listings above.....	73
Hungary:	
Clothing and footwear.....	.5
Fruits and vegetables.....	.5
Cheese.....	.3
Antibiotics.....	.3
Bars, shapes, and sections of iron and steel, hot rolled.....	.3
Machinery, electric.....	.3
Tobacco and manufactures.....	.2
Fine hair.....	.1
Glass and glassware.....	.1
Handtools.....	.1
Furniture.....	.1
Travel goods.....	.1
Total.....	2.9
Total imports.....	4.7
Percent covered by listings above.....	62

<sup>1</sup> Imports were insignificant.

Most important items imported by Belgium-Luxembourg from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

Poland:	
Iron and steel.....	1.6
Meat and meat preparations.....	1.3
Feeding stuff for animals.....	1.3
Wood and wood products.....	1.2
Fruits and vegetables.....	1.2
Barley.....	.8
Horses and asses.....	.7
Flax.....	.5
Pulp and paper.....	.5
Total.....	9.1
Total imports.....	12.6
Percent covered by listings above.....	72
Rumania:	
Corn.....	2.6
Fuel oils.....	2.0
Tobacco and manufactures.....	.2
Total.....	4.8
Total imports.....	6.1
Percent covered by listings above.....	79
U.S.S.R.:	
Wood, rough and simply worked.....	14.1
Petroleum products.....	5.1
Aluminum crude, nonalloyed.....	4.6
Iron and steel.....	4.3
Feeding stuff for animals.....	2.7
Flax.....	1.8
Wheat and barley.....	1.7
Zinc, crude.....	1.5
Fine hair.....	1.4
Potassic salts, crude.....	1.1
Coal.....	1.1
Total.....	39.4
Total imports.....	45.9
Percent covered by listings above.....	86
Communist China:	
Animal hair.....	2.3
Rice.....	.6
Soybeans, oilseeds, oilnuts.....	.2
Total.....	3.1
Total imports.....	4.8
Percent covered by listings above.....	65
Other Asian Communist areas:	
Coal.....	.6
Fine hair.....	.5
Total.....	1.1
Total imports.....	1.2
Percent covered by listings above.....	92

*Most important items imported by Belgium-Luxembourg from each country listed above in order of magnitude based on 1962 imports—Continued*

[Amounts in millions of dollars c.i.f.]

Cuba:		
Molasses .....	1.1	
Tobacco and manufactures .....	.2	
Total .....	1.3	
Total imports .....	1.4	
Percent covered by listings above .....	93	

*Belgium-Luxembourg's exports to Communist countries 1960-62*

[In millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	(1)	(1)	(1)	(1)	(1)	(1)
Bulgaria.....	5.1	3.6	5.0	0.1	0.1	0.1
Czechoslovakia.....	23.3	25.2	20.4	.6	.6	.5
East Germany.....	13.1	12.0	13.9	.4	.3	.3
Hungary.....	12.0	9.2	8.6	.3	.2	.2
Poland.....	16.3	10.7	7.7	.4	.3	.2
Rumania.....	7.6	5.2	5.4	.2	.1	.1
U.S.S.R.....	19.0	27.3	25.6	.5	.7	.6
Communist China.....	44.6	10.2	8.0	1.2	.3	.2
Other Asian Communist areas.....	.3	.1	.6	(1)	(1)	(1)
Cuba.....	8.8	4.1	1.3	.2	.1	(1)
Total, Communist countries listed.....	150.1	107.6	96.5	3.9	2.7	2.2
Total exports to entire world.....	3,785.9	3,935.4	4,344.4			

<sup>1</sup> Insignificant.

*Most important items exported by Belgium-Luxembourg to each country listed above in order of magnitude based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

Albania .....	(1)
Bulgaria:	
Iron and steel and products (total) .....	3.9
Total exports .....	5.0
Percent covered by listings above .....	78
Czechoslovakia:	
Copper matte, unwrought .....	3.6
Iron and steel, except plates and sheets .....	3.1
Plates and sheets of iron and steel .....	2.9
Flax .....	2.2
Electric ovens .....	1.4
Animal hair .....	1.2
Machinery and apparatus electric, except ovens .....	.9
Industrial diamonds .....	.8
Machinery, nonelectric .....	.5
Chemicals .....	.6
Zinc dust .....	.4
Total .....	17.6
Total exports .....	20.4
Percent covered by listings above .....	86

<sup>1</sup> Exports were insignificant.

*Most important items exported by Belgium-Luxembourg to each country listed above in order of magnitude based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

East Germany:

Railway and tramway freight cars.....	3.7
Animal hair, mainly wool.....	1.7
Plates and sheets of iron and steel.....	1.5
Machinery, electric.....	1.4
Copper matte, unwrought.....	1.2
Strips.....	.8
Total.....	10.3
Total exports.....	13.9
Percent covered by listings above.....	74

Hungary:

Artificial staple fiber yarn.....	2.1
Wool and other animal hair.....	1.6
Plates and sheets of iron and steel.....	.6
Copper.....	.6
Industrial diamonds.....	.6
Flax.....	.5
Chemicals.....	.5
Total.....	6.5
Total exports.....	8.6
Percent covered by listings above.....	76

Poland:

Flax.....	1.4
Wool and other animal hair.....	1.3
Iron and steel and products.....	1.3
Chemicals.....	.8
Wheat.....	.7
Total.....	5.5
Total exports.....	7.7
Percent covered by listing above.....	71

Rumania:

Iron and steel and products.....	2.8
Machinery, nonelectric.....	1.0
Rice.....	.3
Copper.....	.1
Total.....	4.2
Total exports.....	5.4
Percent covered by listings above.....	78

U.S.S.R.:

Iron and steel, except tubes and pipes.....	4.8
Industrial diamonds.....	3.8
Lifting and loading machinery.....	2.6
Tubes and pipes of iron and steel.....	2.5
Food and drink processing machinery.....	2.2
Machinery, nonelectric, except food and drink processing and lifting and loading machinery.....	2.0
Copper.....	1.5
Germanium, crude.....	1.3
Artificial staple fibers.....	1.3

Most important items exported by Belgium-Luxembourg to each country listed above in order of magnitude based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

U.S.S.R.—Continued		
Machinery, electric	-----	1.0
Clothing	-----	.7
Total	-----	23.7
Total exports	-----	25.6
Percent covered by listings above	-----	93
Communist China:		
Nitrogenous fertilizers, manufactures	-----	5.9
Iron and steel products	-----	.5
Switchboards, other than for telephone	-----	.3
Total	-----	6.7
Total exports	-----	8.0
Percent covered by listings above	-----	84
Other Asian Communist areas:		
Artificial staple fiber yarn	-----	.2
Nitrogenous fertilizers	-----	.1
Copper	-----	.1
Glassworking machinery	-----	.1
Total	-----	.5
Total exports	-----	.6
Percent covered by listings above	-----	83
Cuba:		
Chemicals	-----	.2
Cereals	-----	.2
Vegetables	-----	.2
Margarine and shortening	-----	.2
Photographic equipment	-----	.1
Total	-----	.9
Total exports	-----	1.3
Percent covered by listings above	-----	69

Denmark's imports from Communist countries, 1960-62

[In millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania			(1)			(1)
Bulgaria	0.2	0.3	0.5	(1)	(1)	(1)
Czechoslovakia	9.1	9.4	10.4	0.5	0.5	0.5
East Germany	14.5	15.9	16.8	.8	.9	.8
Hungary	3.2	2.8	4.4	.2	.2	.2
Poland	22.4	21.1	29.7	1.3	1.1	1.4
Rumania	.3	.9	.5	(1)	.1	(1)
U.S.S.R.	29.3	28.7	24.3	1.6	1.5	1.2
Communist China	17.0	13.5	9.4	1.0	.7	.4
Other Asian Communist areas	(1)		.1			(1)
Cuba	.2	.1	.1	(1)	(1)	(1)
Total Communist countries listed	96.2	92.7	96.2	5.4	5.0	4.5
Total imports from entire world	1,794.5	1,864.3	2,116.9			

(1) Insignificant.

*Most important items imported by Denmark from each country listed above in order of magnitude based on 1962 imports*

[Amounts in million of dollars c.i.f.]

Albania .....	( <sup>1</sup> )
Bulgaria:	
Fruits and vegetables (total) .....	0.4
Total imports .....	.5
Percent covered by listings above .....	80
Czechoslovakia:	
Passenger cars, trucks, and parts .....	1.9
Textiles .....	1.3
Machine tools .....	1.0
Glass, glassware, and pottery .....	.8
Chemicals .....	.8
Iron and steel .....	.8
Clothing and footwear .....	.4
Raw sugar .....	.3
Total .....	7.3
Total imports .....	10.4
Percent covered by listings above .....	70
East Germany:	
Lignite briquets and lignite .....	3.1
Potassic fertilizers .....	1.8
Machinery, nonelectric .....	1.4
Textiles .....	1.3
Chemicals, other than potassic fertilizers .....	1.2
Glass, glassware, and pottery .....	1.2
Pig iron and cast iron .....	1.0
Toys .....	.8
Clay and refractory construction material .....	.6
Total .....	12.4
Total imports .....	16.8
Percent covered by listings above .....	74
Hungary:	
Textiles .....	1.0
Chemicals .....	.9
Iron and steel tubes and pipes .....	.6
Clothing and footwear .....	.4
Machinery, electric .....	.3
Fruits and vegetables .....	.2
Total .....	3.4
Total imports .....	4.4
Percent covered by listings above .....	77
Poland:	
Coal .....	19.8
Iron and steel .....	1.5
Chemicals .....	1.4
Textiles .....	1.3

<sup>1</sup> Imports were insignificant.

*Most important items imported by Denmark from each country listed above in order of magnitude based on 1962 imports—Continued*

[Amounts in millions of dollars c.i.f.]	
Poland—Continued	
Raw sugar.....	1.1
Fuel oils.....	.8
Zinc plates, sheets, etc.....	.6
Eggs.....	.5
Fruits and vegetables.....	.3
Total.....	27.3
Total imports.....	29.7
Percent covered by listings above.....	92
Rumania:	
Fruits and vegetables.....	.1
Cotton fabrics.....	.1
Floor coverings.....	.1
Clothing and footwear.....	.1
Total.....	.4
Total imports.....	.5
Percent covered by listings above.....	80
U.S.S.R.:	
Coal and coke.....	7.4
Feeding stuff for animals.....	7.0
Residual fuel oils.....	2.1
Pig iron and cast iron.....	1.4
Lumber.....	1.1
Potassic fertilizers.....	.8
Total.....	19.8
Total imports.....	24.3
Percent covered by listings above.....	81
Communist China:	
Soybeans.....	5.3
Feathers and bristles.....	1.1
Textiles.....	1.0
Clothing.....	.5
Fruits and vegetables.....	.4
Total.....	8.3
Total imports.....	9.4
Percent covered by listings above.....	88
Other Asian Communist areas:	
Aluminum, unwrought (total).....	.1
Total imports.....	.1
Percent covered by listings above.....	100
Cuba:	
Tobacco and tobacco manufactures (total).....	.1
Total imports.....	.1
Percent covered by listings above.....	100

## Denmark's export to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....		( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	0.3	0.6	0.4	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Czechoslovakia.....	6.5	11.0	7.2	0.4	0.7	0.5
East Germany.....	18.8	14.8	26.0	1.3	1.0	1.6
Hungary.....	2.1	2.3	2.8	.2	.2	.2
Poland.....	13.4	14.8	16.6	.9	1.0	1.0
Rumania.....	.7	1.3	4.7	.1	.1	.3
U.S.S.R.....	16.4	5.4	23.8	1.1	.3	1.5
Communist China.....	2.1	4.0	3.7	.2	.3	.2
Other Asian Communist areas.....		( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	.5	.9	.5	( <sup>1</sup> )	.1	( <sup>1</sup> )
Total Communist countries listed.....	60.8	55.1	85.7	4.2	3.7	5.3
Total exports to entire world.....	1,462.8	1,513.7	1,625.2			

<sup>1</sup> Insignificant.

## Most important items exported by Denmark to each country listed above in order of magnitude based on 1962 exports

[Amounts in millions of dollars f.o.b.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Machinery and transport equipment.....	0.2
Chemicals.....	.1
Total.....	.3
Total exports.....	.4
Percent covered by listings above.....	75
Czechoslovakia:	
Meat and meat preparations.....	2.3
Fish and fish preparations.....	1.1
Butter.....	1.0
Machinery.....	.9
Chemicals.....	.6
Fats and oils.....	.4
Hides and skins, undressed.....	.2
Total.....	6.5
Total exports.....	7.2
Percent covered by listings above.....	90
East Germany:	
Meat and meat preparations.....	13.5
Fish and fish preparations.....	2.7
Fruits and vegetables.....	1.2
Live animals.....	1.1
Cheese and eggs.....	1.1
Hides and skins, undressed.....	1.0
Machinery, nonelectric.....	1.0
Animal intestines.....	.7
Cargo ships, used.....	.6
Barley.....	.5
Fats and oils.....	.4
Textiles and textile yarns.....	.4
Total.....	24.2
Total exports.....	26.0
Percent covered by listings above.....	93

<sup>1</sup> Total exports amounted to \$39,000 only, consisting mainly of hides and skins, undressed.

*Most important items exported by Denmark to each country listed above in order of magnitude based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

Hungary:	
Chemicals.....	0.8
Fats and oils.....	.6
Machinery.....	.4
Fish and fish preparations.....	.3
Rags.....	.2
Total.....	2.3
Total exports.....	2.8
Percent covered by listings above.....	82
Poland:	
Machinery, nonelectric, except machines for special industries.....	8.6
Machines for special industries.....	2.0
Machinery, electric.....	1.8
Chemicals.....	1.3
Feeding stuff for animals.....	.8
Total.....	14.5
Total exports.....	16.6
Percent covered by listings above.....	87
Rumania:	
Tankers, used (total).....	4.1
Total exports.....	4.7
Percent covered by listings above.....	87
U.S.S.R.:	
Ships.....	11.3
Machines for food industry.....	4.8
Dairy products.....	2.6
Refrigerators and refrigerating equipment.....	1.3
Apparatus for treating materials with heat or cold.....	1.1
Total.....	21.1
Total exports.....	23.8
Percent covered by listings above.....	89
Communist China:	
Machinery, nonelectric.....	2.7
Machinery, electric.....	.6
Chemicals.....	.3
Total.....	3.6
Total exports.....	3.7
Percent covered by listings above.....	97
Other Asian Communist areas.....	(2)
Cuba:	
Chemicals.....	.3
Crude vegetable material.....	.1
Total.....	.4
Total exports.....	.5
Percent covered by listings above.....	80

<sup>2</sup> Total exports amounted to \$22,000 only, consisting mainly of chemicals.

## France's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	( <sup>1</sup> )	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	3.9	4.4	9.0	0.1	0.1	0.1
Czechoslovakia.....	11.3	15.4	14.8	.2	.2	.2
East Germany.....	7.1	8.4	8.5	.1	.1	.1
Hungary.....	8.2	7.1	8.1	.1	.1	.1
Poland.....	15.0	16.7	24.1	.2	.3	.3
Rumania.....	14.4	17.1	22.1	.2	.3	.3
U.S.S.R.....	94.7	97.3	110.7	1.5	1.5	1.5
Communist China.....	22.7	15.9	16.9	.4	.2	.2
Other Asian Communist areas.....	.1	1.0	2.6	( <sup>1</sup> )	( <sup>1</sup> )	.1
Cuba.....	13.0	1.2	2.3	.2	( <sup>1</sup> )	( <sup>1</sup> )
Total Communist countries listed.....	190.4	184.6	219.1	3.0	2.8	2.9
Total imports from entire world.....	6,279.2	6,675.9	7,514.8			

<sup>1</sup> Insignificant.

## Most important items imported by France from each country listed above in order of magnitude based on 1962 imports

[Amounts in millions of dollars c.i.f.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Tobacco and manufactures.....	4.7
Essential oils and resinoids.....	1.0
Oilseeds, oil nuts, and kernels.....	.9
Fruits and vegetables.....	.8
Wood.....	.6
Zinc unwrought.....	.2
Total.....	8.2
Total imports.....	9.0
Percent covered by listings above.....	91
Czechoslovakia:	
Wood, pulp, and paper.....	3.4
Meat and meat products.....	1.5
Machinery, nonelectric, other than agriculture and machine tools.....	1.1
Live animals.....	1.0
Fruits and vegetables.....	.9
Agricultural machinery.....	.9
Glassware.....	.8
Platinum and alloys.....	.7
Feathers.....	.5
Metalworking machine tools.....	.5
Total.....	11.3
Total imports.....	14.8
Percent covered by listings above.....	76
East Germany:	
Office machines.....	2.1
Machinery, nonelectric, other than office and metalworking machine tools.....	1.2
Metalworking machine tools.....	1.1
Mineral waxes.....	.7
Cameras and precision instruments.....	.6
Meat and meat preparations.....	.4

<sup>1</sup> Imports were insignificant.

Most important items imported by France from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

East Germany—Continued

Horses.....	. 3
Toys.....	. 2
Total.....	6. 6
Total imports.....	8. 5
Percent covered by listings above.....	78

Hungary:

Meat and meat preparations.....	2. 8
Live animals.....	1. 9
Feathers.....	. 5
Crude vegetable material.....	. 5
Clothing and footwear.....	. 3
Bricks.....	. 1
Total.....	6. 1
Total imports.....	8. 1
Percent covered by listings above.....	75

Poland:

Coal.....	4. 0
Wood.....	3. 4
Horses.....	2. 8
Ships and boats, seagoing.....	2. 5
Sugar.....	1. 9
Fruits and vegetables.....	1. 8
Feathers.....	1. 1
Hides, skins, and fur skins.....	. 9
Crude vegetable material.....	. 7
Meat and meat preparations.....	. 6
Live animals, other than horses.....	. 3
Total.....	20. 0
Total imports.....	24. 1
Percent covered by listings above.....	83

Rumania:

Fuel oils and gasoline.....	12. 7
Wood.....	4. 3
Corn.....	. 9
Feathers.....	. 5
Total.....	18. 4
Total imports.....	22. 1
Percent covered by listings above.....	83

U.S.S.R.:

Coal.....	25. 6
Petroleum and petroleum products.....	22. 0
Wood.....	15. 3
Manganese and chromium ores and concentrates.....	5. 4
Vegetable fibers, mainly cotton.....	5. 2
Oilcakes and other vegetable oil residues.....	5. 0
Platinum and alloys, unworked.....	4. 7
Woodpulp.....	4. 7
Iron and steel coils for rerolling.....	4. 5
Asbestos.....	3. 2
Fur skins, undressed.....	2. 5

Most important items imported by France from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

U.S.S.R.—Continued		
Zinc, unwrought.....	1.0	
Total.....	99.1	
Total imports.....	110.7	
Percent covered by listings above.....	90	
Communist China:		
Silk, raw, and silk fabrics.....	3.8	
Silver, unworked.....	2.8	
Essential oils and resinoids.....	1.3	
Animal hair, other than silk.....	1.2	
Tin, unwrought.....	1.2	
Animal intestines and bladders.....	1.1	
Bristles.....	.9	
Antimony, unwrought.....	.4	
Total.....	12.7	
Total imports.....	16.9	
Percent covered by listings above.....	75	
Other Asian Communist areas:		
Coal.....	1.9	
Fine animal hair, except wool.....	.4	
Essential oils.....	.2	
Spices.....	.1	
Total.....	2.6	
Total imports.....	2.6	
Percent covered by listings above.....	100	
Cuba:		
Tobacco and manufactures.....	.9	
Fish and preparations.....	.6	
Molasses.....	.2	
Total.....	1.7	
Total imports.....	2.3	
Percent covered by listings above.....	74	

France's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	1.7	0.5	4.0	( <sup>1</sup> )	( <sup>1</sup> )	0.1
Bulgaria.....	7.1	12.0	9.9	0.1	0.2	.1
Czechoslovakia.....	16.7	23.9	25.6	.2	.3	.3
East Germany.....	14.1	21.6	16.0	.2	.3	.2
Hungary.....	18.6	21.4	28.0	.3	.3	.4
Poland.....	21.6	22.0	25.0	.3	.3	.3
Rumania.....	25.2	23.6	20.6	.4	.3	.3
U.S.S.R.....	115.6	109.9	138.1	1.7	1.5	1.9
Communist China.....	52.8	36.4	43.3	.8	.5	.6
Other Asian Communist areas.....	1.8	1.7	3.0	( <sup>1</sup> )	( <sup>1</sup> )	.1
Cuba.....	10.7	5.9	1.8	.2	.1	( <sup>1</sup> )
Total, Communist countries listed.....	285.9	278.9	315.3	4.2	3.8	4.3
Total exports to entire world.....	6,862.4	7,208.0	7,359.2			

<sup>1</sup> Insignificant]

*Most important items exported by France to each country listed above in order of magnitude, based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

<b>Albania:</b>	
Wheat.....	3.8
Chemicals.....	.1
Total.....	3.9
Total exports.....	4.0
Percent covered by listings above.....	97
<b>Bulgaria:</b>	
Sheets and plates of iron and steel.....	3.0
Iron and steel, except sheets and plates.....	1.8
Barley.....	1.2
Chemicals.....	1.0
Machinery, electric.....	.8
Total.....	7.8
Total exports.....	9.9
Percent covered by listings above.....	79
<b>Czechoslovakia:</b>	
Sheets and plates of iron and steel.....	4.4
Machinery, nonelectric.....	4.2
Chemicals and pharmaceuticals.....	3.2
Machinery, electric.....	2.1
Meat and meat preparation.....	2.0
Glass and glassware.....	1.7
Tubes and pipes of iron and steel.....	1.3
Passenger cars.....	1.2
Textile fibers.....	1.2
Total.....	21.3
Total exports.....	25.6
Percent covered by listings above.....	83
<b>East Germany:</b>	
Machinery, nonelectric, except cranes.....	3.0
Machinery, electric.....	2.9
Meat and meat products.....	1.7
Gantry cranes and traverses.....	1.5
Ships and boats, seagoing.....	1.1
Chemicals.....	.9
Wool and other animal hair.....	.6
Locomotives.....	.5
Textiles.....	.4
Total.....	12.6
Total exports.....	16.0
Percent covered by listings above.....	79
<b>Hungary:</b>	
Meat and meat preparations.....	4.3
Dairy products.....	3.5
Chemicals.....	3.2
Iron and steel, except electric sheets and plates.....	3.1
Wheat.....	2.8
Wool and other animal hair.....	1.8
Machinery, electric and nonelectric.....	1.6
Paper and paperboard.....	1.4

*Most important items exported by France to each country listed above in order of magnitude, based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

**Hungary—Continued**

Electric sheets and plates, alloy steel.....	1.0
Glass and glassware.....	.8
Total.....	23.5
Total exports.....	28.0
Percent covered by listings above.....	84

**Poland:**

Wheat.....	8.1
Ships and boats, seagoing.....	2.9
Iron and steel, except electric sheets and plates.....	2.9
Chemicals, except aluminum oxide.....	1.9
Machinery, nonelectric.....	1.3
Machinery, electric.....	1.1
Aluminum oxide.....	1.1
Electric sheets and plates, alloy steel.....	1.0
Passenger cars.....	.5
Total.....	20.8
Total exports.....	25.0
Percent covered by listings above.....	83

**Rumania:**

Machinery, nonelectric.....	4.1
Iron and steel, except electric sheets and plates.....	2.6
Machinery, electric.....	2.5
Chemicals.....	1.9
Handtools and tools for machines.....	1.8
Manmade fibers.....	1.1
Electric sheets and plates, alloy steel.....	1.1
Rice.....	.6
Medical, optical, and photographic equipment.....	.6
Total.....	16.3
Total exports.....	20.6
Percent covered by listings above.....	79

**U.S.S.R.:**

Machinery, nonelectric, except machines for special industries and heating and cooling equipment.....	26.2
Heating and cooling equipment.....	18.7
Meat and meat preparations.....	15.6
Machinery, electric.....	13.8
Iron and steel, except electric sheets of alloy steel, tubes and pipes.....	11.3
Machinery for special industries.....	9.9
Tubes and pipes, iron and steel.....	8.0
Chemicals.....	5.5
Nickel, unworked.....	5.4
Woven textiles.....	3.9
Electric sheets and plates, alloy steel.....	3.9
Manmade fibers and yarn.....	3.4
Total.....	125.6
Total exports.....	138.1
Percent covered by listings above.....	91

Most important items exported by France to each country listed above in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

Communist China:		
Wheat.....	23.1	
Barley.....	6.3	
Nitrogenous fertilizers.....	3.5	
Wheat flour.....	2.4	
Manmade fibers.....	1.7	
DDT.....	1.1	
Total.....	38.1	
Total exports.....	43.3	
Percent covered by listings above.....	88	
Other Asian Communist areas:		
Textile yarns and thread.....	1.2	
Leather.....	.7	
Woven textiles.....	.1	
Total.....	2.0	
Total exports.....	3.0	
Percent covered by listings above.....	67	
Cuba:		
Chemicals.....	.5	
Sulfur, crude.....	.4	
Aluminum manufactures.....	.2	
Machinery, electric.....	.2	
Milk and cream.....	.1	
Total.....	1.4	
Total exports.....	1.8	
Percent covered by listings above.....	78	

West Germany's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	0.1	(1)	0.1	(1)	(1)	(1)
Bulgaria.....	19.6	23.6	26.8	.2	.2	.2
Czechoslovakia.....	61.7	62.0	65.9	.6	.5	.5
East Germany.....	267.3	234.0	228.6	2.6	2.1	1.8
Hungary.....	44.5	47.2	48.8	.4	.4	.4
Poland.....	76.3	84.4	81.9	.7	.8	.7
Rumania.....	42.0	52.3	61.8	.4	.5	.5
U.S.S.R.....	136.3	142.9	186.8	1.3	1.3	1.5
Communist China.....	69.4	39.7	39.3	.7	.4	.3
Other Asian Communist areas.....	2.2	.9	.7	(1)	(1)	(1)
Cuba.....	0.4	2.0	5.8	.1	(1)	.1
Total, Communist countries listed.....	728.8	689.0	746.5	7.0	6.2	6.0
Total imports from entire world (including imports from East Germany).....	10,369.8	11,174.9	12,508.0			

<sup>1</sup> Insignificant.

<sup>2</sup> Includes crude petroleum imports, valued at \$23.2 million, not shown in earlier publications.

*Most important items imported by West Germany from each country listed above in order of magnitude, based on 1962 imports*

[Amounts in millions of dollars c.i.f.]		(1)
Albania	-----	
Bulgaria:	-----	
Fruits and vegetables	-----	10.3
Tobacco, manufactured	-----	5.4
Eggs	-----	2.0
Crude vegetable material for industrial uses	-----	1.4
Vegetable oils	-----	1.3
Corn	-----	1.0
Meat and meat preparations	-----	1.0
Total	-----	22.4
Total imports	-----	26.8
Percent covered by listings above	-----	84
Czechoslovakia:	-----	
Lignite briquettes and lignite coke	-----	9.9
Wood in all shapes	-----	7.1
Iron and steel	-----	5.4
Metal-cutting machine tools	-----	4.2
Fruits and vegetables	-----	3.2
Mineral tar and crude tar chemicals	-----	2.9
Machinery, other than machine tools	-----	2.8
Kaolin and fireclay	-----	2.3
Rye	-----	2.1
Chemicals other than mineral tar	-----	2.0
Malt	-----	1.9
Eggs	-----	1.6
Sugar, molasses, and honey	-----	1.3
Total	-----	46.7
Total imports	-----	65.9
Percent covered by listings above	-----	71
East Germany:	-----	
Lignite, lignite briquettes and coke	-----	59.6
Petroleum products	-----	49.6
Clothing and footwear	-----	15.5
Chemicals	-----	12.3
Sugar and molasses	-----	9.9
Wood and wood manufactures	-----	7.3
Corn and rye	-----	7.2
Meat and meat preparations	-----	6.9
Miscellaneous machinery	-----	6.8
Textiles	-----	5.1
Metalworking machine tools	-----	5.0
Office machinery	-----	3.9
Pulp and paper	-----	2.9
Scientific, optical, and photographic equipment and instruments	-----	2.4
Total	-----	194.4
Total imports	-----	228.6
Percent covered by listings above	-----	85
Hungary:	-----	
Live animals	-----	8.9
Fruits and vegetables	-----	7.8
Meat and meat preparations	-----	5.8
Petroleum products	-----	2.8
Wood	-----	2.1

<sup>1</sup> Total imports amounted only to \$70,000, consisting mainly of cotton.

*Most important items imported by West Germany from each country listed above in order of magnitude, based on 1962 imports—Continued*

[Amounts in millions of dollars c.i.f.]

<b>Hungary—Continued</b>	
Crude vegetable materials for industrial uses.....	1.9
Vegetable oils.....	1.7
Feathers and down.....	1.5
Oilseed, oilnuts, and kernels.....	1.3
Nonferrous metals.....	1.3
Dairy products.....	.8
Beverages.....	.8
Platinum.....	.3
Total.....	37.0
Total imports.....	48.8
Percent covered by listings above.....	76
<b>Poland:</b>	
Meat and meat preparations.....	12.4
Fruits and vegetables.....	11.9
Wood.....	9.0
Dairy products.....	8.7
Coal.....	5.9
Chemicals other than mineral tar.....	4.9
Live animals.....	4.4
Petroleum products.....	3.1
Feathers and down.....	2.1
Mineral tar and crude tar chemicals.....	1.2
Zinc, unwrought.....	1.0
Total.....	64.6
Total imports.....	81.9
Percent covered by listings above.....	79
<b>Rumania:</b>	
Petroleum products.....	16.2
Corn.....	13.5
Wood.....	13.5
Nonferrous metals, unwrought.....	3.0
Fruits and vegetables.....	2.8
Vegetable oils.....	2.3
Feathers and down.....	1.4
Eggs.....	1.1
Total.....	53.8
Total imports.....	61.8
Percent covered by listings above.....	87
<b>U.S.S.R.:</b>	
Wood.....	23.5
Crude petroleum.....	23.2
Petroleum products.....	20.1
Iron and ordinary steel coils for rerolling.....	19.0
Wheat and rye.....	13.7
Pig iron.....	12.1
Fur skins.....	11.2
Cotton.....	9.5
Vegetable oils.....	7.1
Platinum.....	6.1
Natural phosphates.....	5.5
Barley, corn, and oats.....	5.3
Manganese, chromium, and tungsten ores and concentrates.....	4.9
Asbestos.....	2.9

Most important items imported by West Germany from each country listed above in order of magnitude, based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

U.S.S.R.—Continued

Tobacco.....	1.9
Total.....	166.0
Total imports.....	186.8
Percent covered by listings above.....	89

Communist China:

Silver and alloys, unwrought.....	10.1
Crude animal materials, except bristles, feathers, and down.....	3.7
Soybeans.....	3.4
Feathers and down.....	3.1
Silk and other animal hair.....	2.4
Tin, unwrought.....	2.3
Fur skins, undressed.....	2.0
Eggs.....	1.5
Bristles and brushmaking hair and waste.....	1.4
Total.....	29.9
Total imports.....	39.3
Percent covered by listings above.....	76

Other Asian Communist areas:

Animal hair.....	.4
Feathers and down.....	.2
Total.....	.6
Total imports.....	.7
Percent covered by listings above.....	86

Cuba:

Sugar.....	3.5
Molasses.....	1.3
Natural honey.....	.3
Tobacco.....	.3
Total.....	5.4
Total imports.....	5.8
Percent covered by listings above.....	93

West Germany's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	0.2	0.2	0.6	(1)	(1)	(1)
Bulgaria.....	29.2	18.0	24.5	0.2	0.1	0.2
Czechoslovakia.....	65.2	76.2	75.0	.6	.6	.6
East Germany.....	228.4	216.7	213.5	2.0	1.7	1.6
Hungary.....	52.7	50.8	49.5	.5	.4	.4
Poland.....	72.1	69.3	65.7	.6	.5	.5
Rumania.....	35.7	57.9	52.1	.3	.5	.6
U.S.S.R.....	185.3	204.0	206.8	1.6	1.6	1.5
Communist China.....	95.4	30.5	31.2	.8	.2	.2
Other Asian Communist areas.....	.8	6.7	1.0	(1)	.1	(1)
Cuba.....	14.5	11.8	5.7	.1	.1	(1)
Total Communist countries listed.....	779.5	742.1	755.6	6.7	5.8	5.6
Total exports to entire world (including exports to East Germany).....	11,643.2	12,903.8	13,477.1			

1 Insignificant.

*Most important items exported by West Germany to each country listed above in order of magnitude, based on 1962 exports*

[Amounts in millions of dollars, f.o.b.]

Albania:	
Sheets and plates of steel.....	0.2
Tubes and pipes of steel.....	.1
Aluminum.....	.1
Chemicals.....	.1
Total.....	.5
Total exports.....	.6
Percent covered by listings above.....	83
Bulgaria:	
Iron and steel, except tubes and pipes.....	6.1
Chemicals.....	3.6
Machinery, nonelectric.....	3.4
Wheat flour.....	2.6
Tubes and pipes of iron and steel.....	2.0
Machinery, electric.....	1.6
Manmade fibers.....	1.0
Total.....	20.3
Total exports.....	24.5
Percent covered by listings above.....	83
Czechoslovakia:	
Iron and steel, except tubes and pipes.....	20.4
Machinery, nonelectric.....	16.4
Tubes and pipes of iron and steel.....	8.4
Chemicals.....	7.5
Copper, refined, unalloyed.....	5.9
Machinery, electric.....	3.4
Leather.....	1.4
Total.....	63.4
Total exports.....	75.0
Percent covered by listings above.....	85
East Germany:	
Tubes and pipes of iron and steel.....	28.7
Sheets and plates of iron and steel.....	26.6
Iron and steel, except tubes, pipes, sheets, and plates.....	24.1
Machinery, nonelectric.....	16.8
Chemicals.....	15.9
Meat and meat preparations.....	14.2
Coal and coke.....	9.8
Fish and fish preparations.....	6.8
Machinery, electric.....	6.4
Vegetable oils.....	5.5
Glass and glassware.....	4.9
Textile fibers.....	4.1
Cargo ships.....	4.0
Tobacco.....	3.1
Total.....	170.9
Total exports.....	213.5
Percent covered by listings above.....	80

Most important items exported by West Germany to each country listed above  
in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

Hungary:

Machinery, nonelectric	10.4
Chemicals	8.0
Machinery, electric	4.6
Copper, refined, unalloyed	4.2
Tubes and pipes of iron and steel	2.8
Wheat flour	2.6
Iron and steel, except tubes and pipes	2.6
Hides, skins and leather	1.7
Manmade fibers and yarn	1.0

Total	37.9
Total exports	49.5

Percent covered by listings above 77

Poland:

Machinery, nonelectric	20.6
Chemicals	12.6
Machinery, electric	6.3
Tubes and pipes of iron and steel	5.2
Iron and steel, except tubes and pipes	4.4
Ships	2.2
Copper, refined and copper wire	2.1
Manmade yarn and fibers	1.9
Scientific and photographic equipment	1.5
Motor vehicles and parts	1.0

Total	57.8
Total exports	65.7

Percent covered by listings above 88

Rumania:

Complete plant installations	25.6
Machinery, nonelectric except complete plant installations	17.2
Machinery, electric	10.2
Chemicals	8.2
Tubes and pipes of iron and steel	6.9
Iron and steel, except tubes and pipes	4.5

Total	72.6
Total exports	82.1

Percent covered by listings above 88

U.S.S.R.:

Tubes and pipes of iron and steel	72.0
Machinery, nonelectric	41.3
Iron and steel, except tubes and pipes	27.9
Ships	16.2
Copper, refined	12.2
Chemicals, except organic	9.5
Organic chemicals	8.6
Machinery, electric	6.6

Total	194.3
Total exports	206.8

Percent covered by listings above 94

*Most important items exported by West Germany to each country listed above in order of magnitude, based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

Communist China:		
Wheat flour.....	12.2	
Nitrogenous fertilizer.....	6.8	
Chemicals, except fertilizers.....	3.6	
Tubes and pipes of iron and steel.....	2.3	
Yarn and thread of manmade fibers.....	2.2	
Total.....	27.1	
Total exports.....	31.2	
Percent covered by listings above.....	87	
Other Asian Communist areas:		
Wheat flour.....	.5	
Manmade fibers.....	.2	
Copper wire.....	.1	
Total.....	.8	
Total exports.....	1.0	
Percent covered by listings above.....	80	
Cuba:		
Chemicals.....	2.1	
Feeding stuff for animals.....	1.4	
Diesel engines.....	.5	
Parts of railway locomotives.....	.2	
Mineral crushing machines.....	.2	
Total.....	4.4	
Total exports.....	5.7	
Percent covered by listings above.....	77	

*Greece's imports from Communist countries*

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	1.8	3.4	4.1	0.3	0.5	0.6
Czechoslovakia.....	10.4	10.3	9.1	1.5	1.4	1.3
East Germany.....	1.6	2.7	4.0	.2	.4	.6
Hungary.....	5.2	5.2	5.8	.7	.7	.8
Poland.....	4.6	4.9	5.5	.6	.7	.8
Rumania.....	3.4	4.0	5.9	.5	.6	.8
U.S.S.R.....	28.3	19.9	20.3	4.0	2.8	2.9
Communist China.....	.1	.1	.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Other Asian Communist areas.....						
Cuba.....	3.2	3.4	5.0	.5	.5	.7
Total Communist countries listed....	58.6	53.9	59.8	8.3	7.6	8.5
Total imports from entire world.....	701.9	714.0	701.2			

<sup>1</sup> Insignificant.

*Most important items imported by Greece from each country listed above in order of magnitude based on 1962 imports*

	[Amounts in millions of dollars c.i.f.]	(1)
Albania.....		
Bulgaria:		
Cheese.....		0.9
Nitrogenous fertilizer.....		.7
Wood.....		.5
Meat and meat preparation.....		.4
Live animals.....		.3
Cotton fabrics.....		.2
Total.....		3.0
Total imports.....		4.1
Percent covered by listings above.....		73
Czechoslovakia:		
Machinery.....		3.5
Sugar and honey.....		1.0
Textiles.....		1.0
Wood.....		.8
Motor vehicles.....		.5
Construction material.....		.2
Glass, glassware, and pottery.....		.2
Iron and steel.....		.2
Total.....		7.4
Total imports.....		9.1
Percent covered by listings above.....		81
East Germany:		
Machinery.....		1.2
Chemicals.....		1.2
Textiles.....		.4
Artificial fibers.....		.3
Scientific and photographic equipment.....		.3
Total.....		3.4
Total imports.....		4.0
Percent covered by listings above.....		85
Hungary:		
Live animals.....		2.6
Textiles.....		.7
Machinery.....		.6
Sugar, refined.....		.6
Cheese.....		.3
Meat and meat preparations.....		.2
Total.....		5.0
Total imports.....		5.8
Percent covered by listings above.....		86
Poland:		
Meat and meat preparations.....		1.4
Coal.....		1.1
Machinery.....		.6
Textiles.....		.3
Chemicals.....		.3
Paper.....		.2

See footnotes at end of table, p. 297.

Most important items imported by Greece from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

Poland—Continued		
Fish and fish preparations.....	.....	.2
Live animals.....	.....	.2
Total.....	.....	4.3
Total imports.....	.....	5.5
Percent covered by listings above.....	.....	78
Rumania:		
Petroleum products.....	.....	3.5
Wood.....	.....	1.0
Meat and meat preparations.....	.....	.5
Cheese.....	.....	.2
Total.....	.....	5.2
Total imports.....	.....	5.9
Percent covered by listings above.....	.....	88
U.S.S.R.:		
Petroleum, crude.....	.....	6.1
Wood and wood manufacturers.....	.....	4.6
Petroleum products.....	.....	3.6
Machinery.....	.....	2.8
Iron and steel.....	.....	1.0
Coal and coke.....	.....	.6
Total.....	.....	18.7
Total imports.....	.....	20.3
Percent covered by listings above.....	.....	92
Communist China.....	.....	( <sup>2</sup> )
Other Asian Communist areas.....	.....	( <sup>1</sup> )
Cuba:		
Sugar, refined (total).....	.....	5.0
Total imports.....	.....	5.0
Percent covered by listings above.....	.....	100

<sup>1</sup> No imports.

<sup>2</sup> Total imports amounted only to \$58,000, consisting mainly of spices.

Greece's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	2.8	1.8	3.3	1.4	0.8	1.3
Czechoslovakia.....	7.1	9.1	8.3	3.5	4.1	3.3
East Germany.....	2.2	6.5	4.6	1.1	2.9	1.9
Hungary.....	5.1	6.2	6.4	2.5	2.8	2.6
Poland.....	6.3	7.4	5.6	3.1	3.3	2.2
Rumania.....	2.5	2.4	2.9	1.2	1.1	1.2
U.S.S.R.....	18.8	18.8	19.2	9.3	8.4	7.7
Communist China.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Other Asian Communist areas.....						
Cuba.....						
Total Communist countries listed.....	44.8	52.2	50.3	22.1	23.4	20.2
Total exports to entire world.....	203.1	223.3	248.5			

<sup>1</sup> Insignificant.

*Most important items exported by Greece to each country listed above in order of magnitude based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

Albania.....	(1)
Bulgaria:	
Cotton.....	1.3
Olives.....	1.0
Hides and skins.....	.2
Lemons.....	.1
Vegetable oils.....	.1
Total.....	2.7
Total exports.....	3.3
Percent covered by listings above.....	82
Czechoslovakia:	
Tobacco, unmanufactured.....	3.1
Cotton.....	2.2
Lemons.....	.7
Resin and resin acids.....	.6
Hides and skins.....	.6
Raisins.....	.3
Total.....	7.5
Total exports.....	8.3
Percent covered by listings above.....	90
East Germany:	
Raisins.....	.9
Lemons and oranges.....	.8
Tobacco, unmanufactured.....	.8
Cotton.....	.7
Fruits and vegetables, except citrus fruits.....	.4
Veneer sheets.....	.2
Animal hair.....	.2
Total.....	4.0
Total exports.....	4.6
Percent covered by listings above.....	87
Hungary:	
Cotton.....	2.8
Tobacco, unmanufactured.....	1.3
Hides and skins.....	1.0
Raisins.....	.4
Total.....	5.5
Total exports.....	6.4
Percent covered by listings above.....	86
Poland:	
Cotton.....	2.6
Tobacco, unmanufactured.....	1.9
Lemons and oranges.....	.6
Total.....	5.1
Total exports.....	5.6
Percent covered by listings above.....	91

See footnotes at end of table, p. 299.

Most important items exported by Greece to each country listed above in order of magnitude based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

Rumania:		
Olives.....	1.5	
Cotton and cotton yarn.....	1.0	
Total.....	2.5	
Total exports.....	2.9	
Percent covered by listings above.....	86	
U.S.S.R.:		
Tobacco, unmanufactured.....	5.0	
Cotton.....	4.6	
Oranges and lemons.....	3.1	
Raisins.....	2.0	
Hides and skins.....	2.0	
Bauxite.....	1.6	
Olive oil and other vegetable oils.....	.5	
Total.....	18.8	
Total exports.....	19.2	
Percent covered by listings above.....	98	
Communist China.....	(2)	
Other Asian Communist areas.....	(1)	
Cuba.....	(1)	

<sup>1</sup> No exports.

<sup>2</sup> Exports were insignificant.

Iceland's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....						
Czechoslovakia.....	3.3	2.6	2.3	3.7	3.5	2.6
East Germany.....	3.3	2.1	1.7	3.7	2.8	1.9
Hungary.....	(1)	.1	.2	(1)	.1	.2
Poland.....	1.6	1.6	2.3	1.8	2.2	2.6
Rumania.....	.1	.1	.3	.1	.1	.3
U.S.S.R.....	12.3	11.0	10.4	13.9	14.7	11.7
Communist China.....	(1)	(1)	(1)	(1)	(1)	(1)
Other Asian Communist areas.....						
Cuba.....	.5	.5	.1	.6	.7	.1
Total Communist countries listed.....	21.1	18.0	17.3	23.8	24.1	19.4
Total imports from entire world.....	88.7	74.7	89.2			

<sup>1</sup> Insignificant.

Most important items imported by Iceland from each country listed above in order  
of magnitude based on 1962 imports

[Amounts in millions of dollars c.i.f.]	
Albania.....	(1)
Bulgaria.....	(1)
Czechoslovakia:	
Clothing and footwear.....	0.4
Textiles.....	.3
Sugar, refined.....	.2
Glass, glasswear, and pottery.....	.2
Machinery.....	.2
Motor vehicles.....	.2
Wood, pulp, paper.....	.2
Iron and steel.....	.1
Total.....	1.8
Total imports.....	2.3
Percent covered by listings above.....	78
East Germany:	
Motorships.....	.5
Clothing and footwear.....	.2
Chemicals.....	.2
Pulp and paper.....	.2
Sugar, refined.....	.1
Textiles.....	.1
Iron and steel.....	.1
Machinery.....	.1
Total.....	1.5
Total imports.....	1.7
Percent covered by listings above.....	88
Hungary:	
Textiles and clothing.....	.1
Feeding stuff for animals.....	.1
Total.....	.2
Total imports.....	.2
Percent covered by listings above.....	100
Poland:	
Sugar, refined.....	.4
Wood.....	.4
Coal, lignite, and coke.....	.4
Iron and steel.....	.4
Total.....	1.6
Total imports.....	2.3
Percent covered by listings above.....	70
Rumania:	
Petroleum products.....	.2
Total.....	.2
Total imports.....	.3
Percent covered by listings above.....	67

See footnotes at end of table, p. 301.

*Most important items imported by Iceland from each country listed above in order of magnitude based on 1962 imports—Continued*

[Amounts in millions of dollars c.i.f.]

U.S.S.R.:		
Petroleum products.....	7.6	
Wood.....	.9	
Iron and steel.....	.8	
Rye flour.....	.3	
Total.....	9.6	
Total imports.....	10.4	
Percent covered by listings above.....	92	
Communist China.....	( <sup>2</sup> )	
Other Asian Communist areas.....	( <sup>1</sup> )	
Cuba:		
Sugar, refined.....	.1	
Total.....	.1	
Total imports.....	.1	
Percent covered by listings above.....	100	

<sup>1</sup> No imports.  
<sup>2</sup> Insignificant.

*Iceland's exports to Communist countries, 1960-62*

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....			( <sup>1</sup> )			( <sup>1</sup> )
Czechoslovakia.....	2.7	2.3	2.2	4.1	3.2	2.6
East Germany.....	2.6	1.0	.8	3.9	1.4	1.0
Hungary.....	.1	( <sup>1</sup> )	.2	.1	( <sup>1</sup> )	.2
Poland.....	.9	1.5	1.1	1.4	2.1	1.3
Rumania.....	.1	.1	.3	.1	.1	.4
U.S.S.R.....	9.9	5.1	10.9	14.9	7.2	12.9
Communist China.....		( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )
Other Asian Communist areas.....						
Cuba.....	.9	.5		1.4	.7	
Total Communist countries listed.....	17.2	10.5	15.5	25.9	14.7	18.4
Total exports to entire world.....	66.4	71.5	84.2			

<sup>1</sup> Insignificant.

*Most important items exported by Iceland to each country listed above in order of magnitude based on 1962 exports*

[Amounts in millions of dollars]

Albania.....	( <sup>1</sup> )
Bulgaria.....	( <sup>2</sup> )
Czechoslovakia:	
Fish, frozen, including herring.....	1.3
Fishmeal.....	.4
Cod liver oil.....	.3
Fish, canned.....	.2
Total.....	2.2
Total exports.....	2.2
Percent covered by listings above.....	100

See footnotes at end of table, p. 302.

*Most important items exported by Iceland to each country listed above in order of magnitude based on 1962 exports—Continued*

[Amounts in millions of dollars]

East Germany:	
Fish, frozen, including herring.....	. 5
Herring, salted.....	. 2
Total.....	. 7
Total exports.....	. 8
Percent covered by listings above.....	88
Hungary:	
Wool.....	. 1
Miscellaneous food (milk powder and fish).....	. 1
Total.....	. 2
Total exports.....	. 2
Percent covered by listings above.....	100
Poland:	
Herring, salted.....	. 4
Fishmeal.....	. 4
Fish, frozen, including herring.....	. 3
Total.....	1. 1
Total exports.....	1. 1
Percent covered by listings above.....	100
Rumania:	
Fish, including herring, frozen and salted.....	. 3
Total.....	. 3
Total exports.....	. 3
Percent covered by listings above.....	100
U.S.S.R.:	
Fish, frozen, including herring.....	7. 0
Herring salted.....	3. 1
Woolen blankets.....	. 4
Fish, canned.....	. 2
Woolen sweaters.....	. 2
Total.....	10. 9
Total exports.....	10. 9
Percent covered by listings above.....	100
Communist China.....	( <sup>2</sup> )
Other Asian Communist areas.....	( <sup>1</sup> )
Cuba.....	( <sup>1</sup> )

<sup>1</sup> No exports.

<sup>2</sup> Exports were insignificant.

*Italy's imports from Communist countries, 1960-62*

[Value in millions of dollars, c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	0.4	0.6	1.3	(1)	(1)	(1)
Bulgaria.....	13.7	16.8	15.9	0.3	0.3	0.3
Czechoslovakia.....	23.2	28.8	32.9	.5	.5	.5
East Germany.....	14.5	14.3	11.4	.3	.3	.2
Hungary.....	19.3	17.5	23.0	.4	.3	.4
Poland.....	36.9	39.2	43.5	.8	.8	.6
Rumania.....	31.5	41.9	35.2	.7	.8	.6
U.S.S.R.....	125.8	150.1	165.8	2.6	2.9	2.7
Communist China.....	24.1	12.3	14.1	.5	.2	.2
Other Asian Communist areas.....	.1	.5	.7	(1)	(1)	(1)
Cuba.....	.5	.3	.2	(1)	(1)	(1)
Total, Communist countries listed.....	290.0	322.3	346.0	6.1	6.1	5.7
Total imports from entire world.....	4,740.6	5,256.4	6,097.8			

† Insignificant.

*Most important items imported by Italy from each country listed above in order of magnitude based on 1962 imports*

[Amounts in millions of dollars, c.i.f.]

<b>Albania:</b>		
Petroleum, crude and partly refined.....		0.6
Cotton.....		.2
Hides and skins.....		.1
Fruits and vegetables.....		.1
Total.....		1.0
Total imports.....		1.3
Percent covered by listings above.....		77
<b>Bulgaria:</b>		
Eggs.....		4.2
Oilseeds, oilnuts, and kernels.....		4.2
Wood.....		1.2
Live animals, except horses.....		1.0
Tobacco.....		1.0
Petroleum crude and partly refined.....		.9
Meat and meat preparations.....		.5
Butter.....		.5
Corn.....		.5
Total.....		14.0
Total imports.....		15.9
Percent covered by listings above.....		88
<b>Czechoslovakia:</b>		
Wood.....		8.5
Machinery, nonelectric.....		3.9
Glass, glassware, and pottery.....		3.7
Iron and steel products.....		2.5
Chemicals, other than pharmaceutical.....		2.1
Clay and refractory material.....		1.7
Malt and barley.....		1.6
Medicinal and pharmaceutical products.....		1.5
Coal.....		1.2
Meat and meat preparations.....		.8
Total.....		27.5
Total imports.....		32.9
Percent covered by listings above.....		84

Most important items imported by Italy from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

East Germany:	
Machinery, nonelectric.....	2.2
Hematite pig iron.....	2.2
Chemicals.....	1.3
Glass, glassware and pottery.....	1.1
Cotton and cotton yarn.....	.9
Coal and lignite.....	.6
Wood.....	.4
Total.....	8.7
Total imports.....	11.4
Percent covered by listings above.....	76
Hungary:	
Live animals, except horses.....	10.1
Iron and steel products.....	2.3
Meat and meat preparations.....	2.0
Horses.....	1.6
Hemp.....	1.1
Machine tools.....	1.1
Wood.....	.7
Dairy products.....	.6
Total.....	19.5
Total imports.....	23.0
Percent covered by listings above.....	85
Poland:	
Eggs.....	12.9
Coal.....	10.0
Live animals, other than horses.....	5.9
Horses.....	2.6
Meat and meat preparations.....	2.6
Butter.....	2.3
Chemicals.....	2.2
Vegetables.....	1.3
Hides and skins.....	1.1
Total.....	40.9
Total imports.....	45.5
Percent covered by listings above.....	90
Rumania:	
Wood in all shapes.....	15.9
Corn.....	4.4
Blooms, billets, and slabs of iron and steel.....	3.8
Petroleum products.....	3.1
Meat and meat preparations.....	1.6
Butter.....	1.2
Total.....	30.0
Total imports.....	35.2
Percent covered by listings above.....	85
U.S.S.R.:	
Petroleum, crude and partly refined.....	68.1
Wood in all shapes.....	18.0
Coal.....	14.5
Petroleum products.....	9.6
Iron and steel coils for rerolling.....	8.9
Hematite pig iron.....	8.8

Most important items imported by Italy from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

U.S.S.R.—Continued	
Iron and steel other than coils and hermatite pig iron.....	6.9
Chemicals.....	5.8
Cotton.....	5.7
Corn.....	2.0
Flax.....	1.9
Platinum.....	1.8
Iron pyrites.....	1.5
Total.....	153.5
Total imports.....	165.8
Percent covered by listings above.....	93
Communist China:	
Silk, raw, yarn, and woven.....	4.6
Silver unworked and partly worked.....	2.7
Eggs.....	1.4
Animal hair, other than silk.....	.9
Soybeans.....	.9
Vegetables.....	.3
Total.....	10.8
Total imports.....	14.1
Percent covered by listings above.....	77
Other Asian Communist areas:	
Coal.....	.4
Crude rubber.....	.2
Total.....	.6
Total imports.....	.7
Percent covered by listings above.....	86
Cuba:	
Coffee.....	.2
Total.....	.2
Total imports.....	.2
Percent covered by listings above.....	100

*Italy's exports to Communist countries, 1960-62*

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	2.1	5.0	1.0	0.1	0.1	( <sup>1</sup> )
Bulgaria.....	8.0	9.5	13.3	.2	.2	0.3
Czechoslovakia.....	16.9	26.1	27.1	.5	.6	.6
East Germany.....	6.8	10.8	7.8	.2	.3	.2
Hungary.....	22.6	22.2	23.2	.6	.5	.5
Poland.....	20.7	29.6	28.0	.6	.7	.6
Rumania.....	16.3	23.2	37.3	.4	.6	.8
U.S.S.R.....	78.6	89.5	102.5	2.1	2.2	2.2
Communist China.....	39.7	29.7	19.0	1.1	.7	.4
Other Asian Communist areas.....	.5	1.6	1.9	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	5.3	4.0	1.4	.1	.1	( <sup>1</sup> )
Total, Communist countries listed.....	217.5	251.2	262.5	5.9	6.0	5.6
Total exports to entire world.....	3,668.8	4,215.0	4,098.0			

<sup>1</sup> Insignificant.

*Most important items exported by Italy to each country listed above in order of magnitude, based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

<b>Albania:</b>	
Chemicals .....	0.3
Lubricating oil and greases .....	.2
Manufactured goods (unspecified) .....	.2
Machinery .....	.1
<b>Total</b> .....	<b>.8</b>
<b>Total exports</b> .....	<b>1.0</b>
<b>Percent covered by listing above</b> .....	<b>80</b>
<b>Bulgaria:</b>	
Chemicals .....	3.2
Manmade yarn and fibers .....	2.1
Rice .....	1.9
Sheets and plates of iron and steel .....	1.7
Machinery, nonelectric .....	1.3
Hides and skins .....	1.0
<b>Total</b> .....	<b>11.2</b>
<b>Total exports</b> .....	<b>13.3</b>
<b>Percent covered by listing above</b> .....	<b>84</b>
<b>Czechoslovakia:</b>	
Chemicals .....	7.2
Machinery, nonelectric .....	3.6
Fruits and vegetables .....	3.4
Iron and steel products .....	2.4
Rice .....	1.9
Yarn of manmade fibers .....	1.9
Road motor vehicles and parts .....	1.5
Synthetic rubber and rubber substitutes .....	1.0
Hides and skins, undressed .....	.9
<b>Total</b> .....	<b>23.8</b>
<b>Total exports</b> .....	<b>27.1</b>
<b>Percent covered by listings above</b> .....	<b>88</b>
<b>East Germany:</b>	
Fruits and vegetables .....	2.8
Cotton yarn .....	1.1
Rice .....	.8
Hides and skins, undressed .....	.5
Tobacco, unmanufactured .....	.4
Synthetic organic dyestuff .....	.4
<b>Total</b> .....	<b>6.0</b>
<b>Total exports</b> .....	<b>7.8</b>
<b>Percent covered by listing above</b> .....	<b>77</b>
<b>Hungary:</b>	
Chemicals .....	5.6
Manmade fibers and yarn .....	3.8
Machinery, nonelectric .....	3.2
Fruits and vegetables .....	2.9
Iron and steel products .....	2.0
Rice .....	1.1
Bodies, chassis, and parts of motor vehicles .....	1.0
<b>Total</b> .....	<b>19.6</b>
<b>Total exports</b> .....	<b>23.2</b>
<b>Percent covered by listings above</b> .....	<b>85</b>

*Most important items exported by Italy to each country listed above in order of magnitude, based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

Poland:	
Machinery, nonelectric, except ball bearings	6.3
Chemicals	5.5
Iron and steel products	3.6
Yarn of manmade fibers	2.6
Machinery, electric	1.9
Ball bearings	1.5
Rice	1.1
Ships	.8
Total	23.3
Total exports	28.0
Percent covered by listings above	83
Rumania:	
Machinery, nonelectric, except textile, leather, and metalworking machinery	7.6
Textile and leather machinery	5.6
Manmade fibers, yarn, and fabric	5.6
Metalworking machinery	4.4
Tubes and pipes of iron and steel	2.0
Iron and steel, except tubes and pipes	1.5
Machinery, electric	1.5
Synthetic rubber and rubber substitutes	1.4
Fruits and vegetables	1.2
Total	30.8
Total exports	37.3
Percent covered by listings above	83
U.S.S.R.:	
Tubes and pipes of iron and steel	21.9
Machinery, nonelectric, except metalworking	17.2
Iron and steel, except tubes and pipes	15.6
Manmade fibers and yarn	10.7
Machinery, electric	6.1
Synthetic rubber and rubber substitutes	5.3
Ships	4.8
Metalworking machinery	4.5
Fruits and vegetables	3.3
Total	89.4
Total exports	102.5
Percent covered by listings above	87
Communist China:	
Nitrogenous fertilizers	8.5
Manmade yarn and fibers	5.4
Chemicals, except fertilizers	3.1
Total	17.0
Total exports	19.0
Percent covered by listings above	89

*Most important items exported by Italy to each country listed above in order of magnitude, based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

Other Asian Communist areas:	
Nitrogenous fertilizer.....	.6
Chemicals, except fertilizers.....	.5
Manmade fibers.....	.2
Machinery, nonelectric.....	.2
Wool and other animal hair.....	.1
Total.....	1.6
Total exports.....	1.9
Percent covered by listings above.....	84
Cuba:	
Medicinal and pharmaceuticals.....	.3
Machinery, electric.....	.3
Machinery, nonelectric except machine tools.....	.2
Metalworking machine tools.....	.1
Iron and steel products.....	.1
Total.....	1.0
Total exports.....	1.4
Percent covered by listings above.....	71

*The Netherland's imports from Communist countries, 1960-62*

[Value in millions of dollars, c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....			( <sup>1</sup> )			( <sup>1</sup> )
Bulgaria.....	1.2	2.7	2.1	( <sup>1</sup> )	0.1	( <sup>1</sup> )
Czechoslovakia.....	18.3	23.0	20.8	0.4	.4	0.4
East Germany.....	18.7	17.5	17.7	.4	.3	.3
Hungary.....	4.4	6.8	6.6	.1	.1	.1
Poland.....	8.1	9.5	12.2	.2	.2	.2
Rumania.....	2.3	5.4	3.3	( <sup>1</sup> )	.1	.1
U.S.S.R.....	44.4	39.3	36.4	1.0	.8	.7
Communist China.....	21.4	15.2	13.9	.5	.3	.3
Other Asian Communist areas.....	.6	.3	.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	11.9	4.3	3.6	.3	.1	.1
Total Communist countries listed.....	131.3	124.0	116.7	2.9	2.4	2.2
Total imports from entire world.....	4,530.5	5,112.0	5,347.5			

<sup>1</sup> Imports were insignificant.

*Most important items imported by the Netherlands from each country listed above in order of magnitude based on 1962 imports*

[Amounts in millions of dollars, c.i.f.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Fruits and vegetables.....	1.0
Cotton fabrics.....	.4
Zinc, crude.....	.3
Lead, crude.....	.1
Tobacco and tobacco manufactures.....	.1
Total.....	1.9
Total imports.....	2.1
Percent covered by listings above.....	90

<sup>1</sup> Imports were insignificant.

Most important items imported by the Netherlands from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

Czechoslovakia:	
Wood.....	5.6
Glass, glassware, and pottery.....	1.7
Iron and steel.....	1.4
Machinery, nonelectric.....	1.2
Textiles.....	1.0
Chemicals.....	1.0
Passenger cars and trucks.....	.8
Clothing and footwear.....	.7
Bicycles, motorcycles, and parts.....	.6
Pulp and paper.....	.6
Platinum and platinum group metals.....	.6
Malt.....	.6
Total.....	15.8
Total imports.....	20.8
Percent covered by listings above.....	76
East Germany:	
Chemicals.....	2.6
Machinery, nonelectric.....	2.5
Wood and wood manufactures, including furniture.....	1.2
Potash salts (40 percent potash content).....	1.1
Textiles.....	1.1
Toys and sporting goods.....	1.0
Clothing.....	.9
Glass and glassware and pottery.....	.8
Machinery, electric.....	.7
Pulp and paper.....	.7
Total.....	12.6
Total imports.....	17.7
Percent covered by listings above.....	71
Hungary:	
Clothing and footwear.....	1.1
Fruits and vegetables.....	.8
Textiles.....	.7
Live animals, including horses.....	.6
Seamless iron and steel pipes.....	.4
Vegetable oils.....	.2
Toys and sporting goods.....	.2
Total.....	4.0
Total imports.....	6.6
Percent covered by listings above.....	61
Poland:	
Coal.....	1.9
Iron and steel.....	1.4
Fruits and vegetables.....	1.3
Wood, including furniture.....	1.3
Zinc, crude and alloys.....	.6
Textiles.....	.5
Glass, glassware, and pottery.....	.4
Cement and other building materials.....	.4
Meat and meat preparations.....	.4
Fish and fish preparations.....	.3
Live animals.....	.3

Most important items imported by the Netherlands from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

Poland—Continued		
Toys and sporting goods.....	.2	
Total.....	9.0	
Total imports.....	12.2	
Percent covered by listings above.....	74	
Rumania:		
Fruits and vegetables.....	.7	
Vegetable oils.....	.4	
Cotton fabrics.....	.4	
Lead, crude, unalloyed.....	.4	
Oilseeds, oil nuts, and kernels.....	.3	
Corn.....	.2	
Total.....	2.4	
Total imports.....	3.3	
Percent covered by listings above.....	73	
U.S.S.R.:		
Wood.....	13.4	
Wheat.....	8.3	
Coal.....	2.0	
Chemicals.....	1.7	
Aluminum, crude.....	1.6	
Zinc, crude.....	1.4	
Calcium phosphates.....	.9	
Horses and asses.....	.9	
Platinum and platinum group metals.....	.7	
Horsehair.....	.7	
Feedingstuff for animals.....	.6	
Cadmium, crude.....	.4	
Petroleum products.....	.4	
Total.....	33.0	
Total imports.....	36.4	
Percent covered by listings above.....	91	
Communist China:		
Tin, crude, unalloyed.....	3.4	
Silver and silver alloys, unworked.....	2.5	
Soybeans.....	2.1	
Cotton fabrics.....	1.0	
Rice.....	.8	
Coarse animal hair, including bristles.....	.7	
Total.....	10.5	
Total imports.....	13.9	
Percent covered by listings above.....	76	
Other Asian Communist areas.....		( <sup>2</sup> )
Cuba:		
Sugar.....	3.1	
Tobacco.....	.3	
Honey.....	.1	
Total.....	3.5	
Total imports.....	3.6	
Percent covered by listings above.....	97	

<sup>2</sup> Total imports amounted only to \$64,000, consisting mainly of zinc, crude.

*The Netherlands' exports to Communist countries, 1960-62*

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	1.6	1.7	1.4	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Czechoslovakia.....	10.6	18.1	11.2	0.3	0.4	0.2
East Germany.....	15.5	16.1	9.2	.4	.4	.2
Hungary.....	5.7	9.1	10.1	.1	.2	.2
Poland.....	14.2	10.2	8.8	.3	.2	.2
Rumania.....	3.2	3.0	3.7	.1	.1	.1
U.S.S.R.....	11.8	19.8	32.0	.3	.5	.7
Communist China.....	6.9	4.1	3.6	.2	.1	.1
Other Asian Communist areas.....	.1	.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	7.4	11.0	8.1	.2	.3	.2
Total Communist countries listed.....	77.0	93.2	<sup>2</sup> 88.1	1.9	2.2	1.9
Total exports to entire world.....	4,027.5	4,306.9	4,584.6			

<sup>1</sup> Insignificant.<sup>2</sup> Revised data.*Most important items exported by the Netherlands to each country listed above in order of magnitude, based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Textile waste and rags.....	0.4
Tin, crude.....	.2
Machinery, nonelectric.....	.1
Chemicals.....	.1
Hides and skins, undressed.....	.1
Total.....	.9
Total exports.....	1.4
Percent covered by listings above.....	64
Czechoslovakia:	
Chemicals.....	3.6
Iron and steel products.....	1.7
Food and beverages.....	1.0
Rubber, crude.....	.6
Hides and skins, undressed.....	.6
Machinery, electric.....	.6
Wool and other animal hair, including coarse hair.....	.5
Total.....	8.6
Total exports.....	11.2
Percent covered by listings above.....	77
East Germany:	
Animal and vegetable fats and oils.....	2.3
Chemicals.....	1.1
Meat, fish, and preparations.....	.9
Dairy products.....	.9
Textile fibers, yarn, and waste.....	.7
Machinery, nonelectric.....	.6
Cocoa and coffee.....	.5

<sup>1</sup> Exports were insignificant.

*Most important items exported by the Netherlands to each country listed above  
in order of magnitude, based on 1962 exports—Continued*

[Amounts in millions of dollars f.o.b.]

East Germany—Continued	
Clothing.....	. 2
Glass.....	. 2
Total.....	7. 4
Total exports.....	9. 2
Percent covered by listings above.....	80
Hungary:	
Chemicals.....	2. 2
Viscose yarn.....	2. 0
Railway and tramway freight cars.....	1. 5
Animal and vegetable fats and oils.....	1. 1
Horsehair, coarse hair, and manmade fibers.....	. 6
Textile waste and rags.....	. 5
Total.....	7. 9
Total exports.....	10. 1
Percent covered by listings above.....	78
Poland:	
Machinery, nonelectric.....	3. 0
Chemicals.....	2. 5
Machinery, electric.....	1. 1
Food, including live animals.....	. 3
Rubber, crude.....	. 3
Total.....	7. 2
Total exports.....	8. 8
Percent covered by listings above.....	82
Rumania:	
Chemicals.....	. 9
Machinery, electric.....	. 4
Machinery, nonelectric.....	. 3
Structure and parts of iron and steel.....	. 3
Fish and fish preparations.....	. 3
Textile waste and rags.....	. 3
Cocoa.....	. 2
Total.....	2. 7
Total exports.....	3. 7
Percent covered by listings above.....	73
U.S.S.R.:	
Heat exchangers, except for refrigerating equipment.....	13. 2
Plates and sheets of iron and steel.....	6. 6
Chemicals, organic.....	3. 9
Viscose yarn.....	2. 3
Machinery, nonelectric, except heat exchangers.....	1. 3
Carbon black.....	. 8
Total.....	28. 1
Total exports.....	32. 0
Percent covered by listings above.....	88

Most important items exported by the Netherlands to each country listed above  
in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

Communist China:		
Ammonium sulfate fertilizer.....	1.4	
Organic chemicals.....	.7	
Textile fibers.....	.5	
Paper and paperboard.....	.3	
Total.....	2.9	
Total exports.....	3.6	
Percent covered by listings above.....	81	
Other Asian Communist areas.....	( <sup>2</sup> )	
Cuba:		
Lard.....	2.5	
Chemicals.....	1.3	
Feedingstuff for animals.....	1.0	
Dairy products.....	.8	
Fruits and vegetables.....	.6	
Total.....	6.2	
Total exports.....	8.1	
Percent covered by listings above.....	77	

<sup>2</sup> Exports were insignificant, consisting mainly of organic chemicals and viscose yarn.

Norway's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	0.2	0.3	1.1	( <sup>1</sup> )	( <sup>1</sup> )	0.1
Czechoslovakia.....	9.2	10.7	10.4	0.6	0.7	.6
East Germany.....	8.2	8.5	7.6	.6	.5	.5
Hungary.....	1.8	2.0	2.1	.1	.1	.1
Poland.....	4.6	4.9	7.5	.3	.3	.5
Rumania.....	2.7	2.4	.7	.2	.2	( <sup>1</sup> )
U.S.S.R.....	19.4	19.5	18.3	1.3	1.2	1.1
Communist China.....	3.1	1.8	1.5	.2	.1	.1
Other Asian Communist areas.....	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )
Cuba.....	1.0	.2	.4	.1	( <sup>1</sup> )	( <sup>1</sup> )
Total Communist countries listed.....	50.2	50.3	49.6	3.4	3.1	3.0
Total imports from entire world.....	1,459.8	1,614.4	1,654.9			

<sup>1</sup> Insignificant.

*Most important items imported by Norway from each country listed above in order of magnitude based on 1962 imports*

[Amounts in millions of dollars c.i.f.]	
Albania.....	(1)
Bulgaria:	
Fruits and vegetables (total).....	1.0
Total imports.....	1.1
Percent covered by listings above.....	91
Czechoslovakia:	
Sugar, refined.....	3.2
Motor vehicles and parts.....	1.4
Textiles.....	1.2
Machinery.....	1.1
Clothing and footwear.....	1.0
Musical instruments and toys.....	.4
Malt.....	.3
Total.....	8.6
Total imports.....	10.4
Percent covered by listings above.....	83
East Germany:	
Sugar, refined.....	1.8
Chemicals.....	.9
Wheat.....	.8
Clothing.....	.7
Musical instruments and toys.....	.7
Textiles.....	.7
Total.....	5.6
Total imports.....	7.6
Percent covered by listings above.....	74
Hungary:	
Clothing.....	.8
Textiles.....	.4
Glassware and pottery.....	.1
Machinery.....	.1
Total.....	1.4
Total imports.....	2.1
Percent covered by listings above.....	67
Poland:	
Sugar, refined.....	2.0
Fuel oil.....	1.0
Coal.....	.8
Textiles.....	.6
Iron and steel.....	.6
Construction material.....	.3
Total.....	5.3
Total imports.....	7.5
Percent covered by listings above.....	71

<sup>1</sup> No imports.

Most important items imported by Norway from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars c.i.f.]

Rumania:		
Fuel oil (total).....		.6
Total imports.....		.7
Percent covered by listings above.....		86
U.S.S.R.:		
Wheat.....	4.8	
Fuel oil.....	4.3	
Feeding stuff for animals.....	1.9	
Wood.....	1.9	
Natural phosphates.....	1.7	
Manganese ores and concentrates.....	1.0	
Motor vehicles.....	.8	
Zinc unalloyed.....	.4	
Total.....	16.8	
Total imports.....	18.3	
Percent covered by listings above.....		92
Communist China:		
Bristles and bird feathers.....	.8	
Crude vegetables material.....	.2	
Cotton textiles.....	.2	
Total.....	1.2	
Total imports.....	1.5	
Percent covered by listings above.....		80
Other Asian Communist areas.....		(2)
Cuba:		
Sugar, refined.....	.2	
Chemicals.....	.2	
Total.....	.4	
Total imports.....	.4	
Percent covered by listings above.....		100

<sup>2</sup> Imports were insignificant, amounting only to \$4,000, consisting mainly of bird feathers.

Norway's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	1.2	2.2	1.1	0.1	0.2	0.1
Czechoslovakia.....	7.2	8.5	9.5	.8	.9	1.0
East Germany.....	8.4	6.1	6.1	.9	.7	.6
Hungary.....	1.5	1.8	2.3	.2	.2	.2
Poland.....	5.1	4.7	6.8	.6	.5	.7
Rumania.....	2.3	1.6	1.4	.3	.2	.2
U.S.S.R.....	12.9	12.5	10.4	1.5	1.4	1.1
Communist China <sup>1</sup> .....	4.1	5.0	.9	.4	.5	.1
Other Asian Communist areas.....						
Cuba.....	2.4	2.3	2.0	.3	.2	.2
Total, Communist countries listed..	45.1	44.7	40.5	5.1	4.8	4.2
Total exports to entire world.....	879.5	929.2	973.2			

<sup>1</sup> Includes Outer Mongolia.

*Most important items exported by Norway to each country listed above in order of magnitude based on 1962 exports*

[Amounts in millions of dollars f.o.b.]	
Albania.....	(1)
Bulgaria:	
Tankers.....	0.8
Paper and paperboard.....	.2
Total.....	1.0
Total exports.....	1.1
Percent covered by listings above.....	91
Czechoslovakia:	
Fish and fish preparations.....	2.9
Animal and vegetable fats and oils.....	1.9
Chemicals.....	1.5
Aluminum, unwrought.....	1.0
Ferrosilicon manganese.....	.6
Pulp and waste paper.....	.4
Meat and meat preparations.....	.3
Total.....	8.6
Total exports.....	9.5
Percent covered by listings above.....	91
East Germany:	
Fish and preparations.....	3.1
Paper, pulp and waste.....	.7
Meat and meat preparations.....	.5
Animal and vegetable fats and oils.....	.5
Organic chemicals.....	.4
Total.....	5.2
Total exports.....	6.1
Percent covered by listings above.....	85
Hungary:	
Manmade fibers.....	.9
Paper, pulp and waste.....	.7
Animal and vegetable fats and oils.....	.1
Office machinery.....	.1
Total.....	1.8
Total exports.....	2.3
Percent covered by listings above.....	78
Poland:	
Pulp and waste paper.....	1.6
Iron ore and concentrates.....	1.3
Animal and vegetable fats and oils.....	.9
Fish meal and meat meal.....	.5
Chemicals.....	.5
Barley.....	.5
Fish and preparations.....	.3
Ships.....	.3
Total.....	5.9
Total exports.....	6.8
Percent covered by listings above.....	87

See footnotes at end of table, p. 317.

Most important items exported by Norway to each country listed above in order of magnitude based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

Rumania:	
Manmade fibers.....	.7
Paper, pulp and waste.....	.4
Hides and skins.....	.1
Fish and preparations.....	.1
Total.....	1.3
Total exports.....	1.4
Percent covered by listings above.....	93
U.S.S.R.:	
Oils and fats, processed, and waxes.....	4.7
Meat and preparations.....	1.2
Round iron and steel bars, hot rolled.....	1.0
Manmade fibers.....	.8
Fish and preparations.....	.7
Pulp and waste paper.....	.6
Total.....	9.0
Total exports.....	10.4
Percent covered by listings above.....	87
Communist China:	
Aluminum, unwrought.....	.8
Chemicals.....	.1
Total.....	.9
Total exports.....	.9
Percent covered by listings above.....	100
Other Asian Communist areas..... <sup>(1)</sup>	
Cuba:	
Pulp and wastepaper.....	.9
Fish and preparations.....	.8
Chemicals.....	.3
Total.....	2.0
Total exports.....	2.0
Percent covered by listings above.....	100

<sup>1</sup> No exports.

*Portugal's imports from Communist countries, 1960-62*

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....		0.1			(1)	
Czechoslovakia.....	1.4	1.1	1.5	0.3	0.2	0.3
East Germany.....	.5	.3	.3	.1	(1)	(1)
Hungary.....	.1	.1	.1	(1)	(1)	(1)
Poland.....	.8	2.6	1.6	.1	.4	.3
Rumania.....	2.7	2.4	1.0	.5	.4	.2
U.S.S.R.....	2.3	1.6		.4	.3	
Communist China.....	.3	.3	.1	.1	(1)	(1)
Other Asian Communist areas.....						
Cuba.....	.1	(1)		(1)	(1)	
Total Communist countries listed.....	8.2	8.5	4.6	1.5	1.3	.8
Total imports from entire world.....	545.3	655.9	585.3			

<sup>1</sup> Insignificant.

*Most important items imported by Portugal from each country listed above in order of magnitude based on 1962 imports*

[Amounts in millions of dollars f.o.b.]

Albania.....	(1)
Bulgaria.....	(1)
Czechoslovakia:	
Coal.....	.3
Metalworking machinery.....	.3
Other machinery, nonelectric.....	.2
Road motor vehicles.....	.2
Iron and steel bars, rods, angles.....	.2
Total.....	1.2
Total imports.....	1.5
Percent covered by listings above.....	80
East Germany:	
Office machines (total).....	.2
Total imports.....	.3
Percent covered by listings above.....	67
Hungary.....	(2)
Poland:	
Coal.....	1.1
Meat and meat preparations.....	.4
Total.....	1.5
Total imports.....	1.6
Percent covered by listings above.....	94
Rumania:	
Petroleum products (total).....	1.0
Total imports.....	1.0
Percent covered by listings above.....	100
U.S.S.R.....	(1)
Communist China:	
Crude vegetable material, and vegetable oil (total).....	.1
Total imports.....	.1
Percent covered by listings above.....	100
Other Asian Communist areas.....	(1)
Cuba.....	(1)

<sup>1</sup> No imports.

Total imports amounted only to \$82,000 consisting mainly of manufactured goods.

## Portugal's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	( <sup>1</sup> )	0.3	0.3	( <sup>1</sup> )	0.1	0.1
Czechoslovakia.....	1.6	1.6	1.4	0.5	.5	.4
East Germany.....	.6	.4	.4	.2	.1	.1
Hungary.....	.3	.3	.5	.1	.1	.1
Poland.....	1.3	1.7	.9	.4	.5	.3
Rumania.....	.8	1.1	1.8	.2	.4	.5
U.S.S.R.....	2.5			.8		
Communist China.....	.3	.1	.1	.1	( <sup>1</sup> )	( <sup>1</sup> )
Other Asian Communist areas.....						
Cuba.....	.1	.9	( <sup>1</sup> )	( <sup>1</sup> )	.3	( <sup>1</sup> )
Total Communist countries listed.....	7.5	6.4	5.4	2.3	2.0	1.5
Total exports to entire world.....	327.1	325.9	369.8			

<sup>1</sup> Insignificant.

Most important items exported by Portugal to each country listed above in order of magnitude based on 1962 exports

[In millions of dollars f.o.b.]

Albania.....	( <sup>1</sup> )
Bulgaria:	
Cork, raw and waste (total).....	0.3
Total exports.....	.3
Percent covered by listings above.....	100
Czechoslovakia:	
Cork, raw and waste.....	1.0
Cork manufactures.....	.2
Fish products.....	.1
Total.....	1.3
Total exports.....	1.4
Percent covered by listings above.....	93
East Germany:	
Cork, raw and waste (total).....	.4
Total exports.....	.4
Percent covered by listings above.....	100
Hungary:	
Cork, raw and waste (total).....	.5
Total exports.....	.5
Percent covered by listings above.....	100
Poland:	
Cork, raw and waste (total).....	.9
Total exports.....	.9
Percent covered by listings above.....	100
Rumania:	
Cork, raw and waste (total).....	1.7
Total exports.....	1.8
Percent covered by listings above.....	94

See footnotes at end of table, p. 320.

Most important items<sup>2</sup> exported by Portugal to each country listed above in order of magnitude based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

U.S.S.R.-----	(1)
Communist China:	
Cork, raw and waste (total)-----	0.1
Total exports-----	.1
Percent covered by listings above-----	100
Other Asian Communist areas-----	(1)
Cuba-----	(2)

<sup>1</sup> No exports.

<sup>2</sup> Exports were insignificant.

Turkey's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania-----						
Bulgaria-----	1.5	1.8	2.5	0.3	0.4	0.4
Czechoslovakia-----	11.7	11.7	11.7	2.5	2.3	1.9
East Germany-----	7.9	6.2	4.3	1.7	1.2	.7
Hungary-----	5.3	4.3	4.5	1.1	.8	.7
Poland-----	8.6	5.6	7.4	1.8	1.1	1.2
Rumania-----	1.7	1.5	.8	.4	.3	.1
U.S.S.R.-----	5.9	8.4	6.4	1.3	1.6	1.0
Communist China-----						
Other Asian Communist areas-----	(1)	(1)	(1)	(1)	(1)	(1)
Cuba-----						
Total Communist countries listed-----	42.6	39.5	37.6	9.1	7.7	6.0
Total imports from entire world-----	467.5	509.4	622.1			

<sup>1</sup> Not available.

Most important items imported by Turkey from each country listed above in order of magnitude based on 1962 imports

[In millions of dollars, c.i.f.]

Albania-----	(1)
Bulgaria:	
Plates and sheets of iron and steel-----	0.6
Chemicals-----	.6
Machinery-----	.5
Glass and pottery-----	.3
Textile yarn-----	.2
Total-----	2.2
Total imports-----	2.5
Percent covered by listings above-----	88
Czechoslovakia:	
Machinery, nonelectric-----	4.2
Road motor vehicles-----	1.8
Pulp, paper, and paperboard-----	1.1
Glass, glassware, and pottery-----	1.1
Machinery, electric-----	.4
Total-----	8.6
Total imports-----	11.7
Percent covered by listings above-----	74

See footnotes at end of table, p. 321.

*Most important items imported by Turkey from each country listed above in order of magnitude based on 1962 imports—Continued*

[Amounts in millions of dollars c.i.f.]

East Germany:	
Machinery, nonelectric.....	1.0
Machinery, electric.....	1.0
Scientific, optical, and photographic equipment.....	.7
Chemicals.....	.6
Total.....	3.3
Total imports.....	4.3
Percent covered by listings above.....	77
Hungary:	
Chemicals.....	1.0
Machinery, electric.....	.6
Railway vehicles.....	.6
Scientific and photographic supplies.....	.4
Iron and steel.....	.4
Total.....	3.4
Total imports.....	4.5
Percent covered by listings above.....	67
Poland:	
Road motor vehicles.....	1.5
Chemicals.....	1.3
Rubber, crude and manufactured.....	.7
Paper and paperboard.....	.6
Machinery.....	.5
Artificial fibers.....	.4
Scientific and photographic supplies.....	.4
Total.....	5.4
Total imports.....	7.4
Percent covered by listings above.....	73
Rumania:	
Wood.....	.2
Chemicals.....	.2
Machinery.....	.1
Petroleum products.....	.1
Total.....	.6
Total imports.....	.8
Percent covered by listings above.....	75
U.S.S.R.:	
Wood.....	1.5
Petroleum products.....	1.1
Machinery.....	1.1
Motor vehicles.....	.9
Iron and steel.....	.8
Total.....	5.4
Total imports.....	6.4
Percent covered by listings above.....	84
Communist China.....	(1)
Other Asian Communist areas.....	(2)
Cuba.....	(1)

<sup>1</sup> No imports.

<sup>2</sup> Imports, if any, were not available from source used.

## Turkey's exports to Communist countries, 1960-62

[Amounts in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	1.6	1.0	1.4	0.5	0.3	0.4
Czechoslovakia.....	14.8	10.1	9.2	4.6	2.9	2.4
East Germany.....	6.2	4.7	1.3	1.9	1.4	.3
Hungary.....	7.0	3.9	3.9	2.2	1.1	1.0
Poland.....	3.6	3.9	4.6	1.1	1.1	1.2
Rumania.....	1.1	1.9	.7	.4	.5	.2
U.S.S.R.....	4.9	4.5	5.5	1.5	1.3	1.5
Communist China.....						
Other Asian Communist areas.....	(1)	(1)	(1)	(1)	(1)	(1)
Cuba.....	(2)					
Total Communist countries listed.....	39.2	30.0	26.6	12.2	8.6	7.0
Total exports to entire world.....	320.3	346.7	381.1			

1 Not available.

2 Insignificant

Most important items exported by Turkey to each country listed above in order of magnitude based on 1962 exports

[Amounts in millions of dollars]

Albania.....	(1)
Bulgaria:	
Fruits and nuts, fresh and dried.....	0.3
Wool and other animal hair.....	.3
Tobacco, unmanufactured.....	.2
Hides, skins, and fur skins.....	.2
Cotton.....	.1
Fish.....	.1
Total.....	1.2
Total exports.....	1.4
Percent covered by listings above.....	86
Czechoslovakia:	
Tobacco, unmanufactured.....	5.3
Fruits and nuts, fresh and dried.....	1.0
Wool and other animal hair.....	.7
Cotton.....	.5
Ores and concentrates of nonferrous base metals.....	.5
Iron ore and concentrates.....	.4
Hides, skins, and fur skins.....	.3
Total.....	8.7
Total exports.....	9.2
Percent covered by listings above.....	95
East Germany: Tobacco, unmanufactured (total).....	1.3
Total exports.....	1.3
Percent covered by listings above.....	100

See footnotes at end of table, p. 323.

*Most important items exported by Turkey to each country listed above in order of magnitude based on 1962 exports—Continued*

[Amounts in millions of dollars]

Hungary:	
Tobacco, unmanufactured.....	1.6
Fruits and nuts, fresh and dried.....	.5
Hides and skins.....	.5
Wool and other animal hair.....	.5
Oilseeds, oil nuts, and oil kernels.....	.3
Cotton.....	.3
Total.....	3.7
Total exports.....	3.9
Percent covered by listings above.....	95
Poland:	
Tobacco, unmanufactured.....	2.4
Cotton.....	.9
Fruits and nuts, fresh and dried.....	.5
Hides and skins.....	.2
Wool and other animal hair.....	.2
Total.....	4.2
Total exports.....	4.6
Percent covered by listings above.....	91
Rumania:	
Wool and other animal hair.....	0.2
Oilseed, oil nuts, oil kernels.....	.2
Fish.....	.2
Total.....	.6
Total exports.....	.7
Percent covered by listings above.....	86
U.S.S.R.:	
Live animals.....	1.8
Wool and other animal hair.....	1.7
Tobacco, unmanufactured.....	.9
Dyeing and tanning extracts.....	.5
Cotton.....	.3
Total.....	5.2
Total exports.....	5.5
Percent covered by listings above.....	95
Communist China.....	(1)
Other Asian Communist areas.....	(2)
Cuba.....	(1)

<sup>1</sup> No exports.

<sup>2</sup> Exports, if any, were not available from source used.

## United Kingdom's imports from Communist countries, 1960-62

[Value in millions of dollars c.i.f.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	( <sup>1</sup> )	( <sup>1</sup> )	0.4	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	6.3	9.1	9.3	0.1	0.1	0.1
Czechoslovakia.....	31.5	38.1	37.1	.3	.3	.3
East Germany.....	17.6	18.7	18.5	.1	.2	.1
Hungary.....	12.1	11.9	13.4	.1	.1	.1
Poland.....	101.0	103.4	107.8	.8	.8	.8
Rumania.....	11.1	17.0	19.8	.1	.1	.2
U.S.S.R.....	209.8	238.3	235.5	1.6	1.9	1.9
Communist China <sup>2</sup> .....	69.7	86.4	64.8	.5	.7	.5
Other Asian Communist areas.....	( <sup>1</sup> )	( <sup>1</sup> )	.3	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	22.2	15.0	19.9	.2	.1	.2
Total from Communist countries listed.....	481.3	537.9	526.8	3.8	4.3	4.2
Total imports from entire world.....	12,757.9	12,314.2	12,577.2			

<sup>1</sup> Insignificant.<sup>2</sup> Includes Outer Mongolia.

## Most important items imported by the United Kingdom from each country listed above in order of magnitude based on 1962 imports

[In millions of dollars c.i.f.]

Albania:		
Cotton, raw and waste (total).....		0.3
Total imports.....		.4
Percent covered by listings above.....		75
Bulgaria:		
Fruits and vegetables.....		4.1
Zinc and zinc alloys, unwrought.....		1.3
Wood and wood manufactures.....		1.0
Meat and meat preparations.....		.9
Corn.....		.3
Total.....		7.6
Total imports.....		9.3
Percent covered by listings above.....		82
Czechoslovakia:		
Wood, shaped and simply worked.....		6.9
Wood manufactures including furniture.....		3.4
Sugar, refined.....		2.7
Clothing and footwear.....		2.4
Glass, glassware, and pottery.....		1.9
Textiles and floor coverings.....		1.8
Chemicals.....		1.8
Pulp, paper, paperboard.....		1.6
Machine tools.....		1.5
Printed matter.....		.9
Lubricating oils.....		.9
Meat and meat preparations.....		.9
Fruits and vegetables.....		.7
Tungsten ore and tungsten concentrate.....		.6
Total.....		28.0
Total imports.....		37.1
Percent covered by listings above.....		75

*Most important items imported by the United Kingdom from each country listed above in order of magnitude based on 1962 imports—Continued*

[In millions of dollars c.i.f.]

East Germany:	
Potassic fertilizers, manufactured.....	7.9
Wheat.....	1.8
Machinery, nonelectric.....	1.5
Optical, scientific, and photographic instruments and equipment.....	.8
Fur skins.....	.6
Potassic salts, crude.....	.4
Mineral jelly and waxes.....	.4
Sugar, refined.....	.4
Total.....	13.8
Total imports.....	18.5
Percent covered by listings above.....	75
Hungary:	
Meat and meat preparations.....	2.1
Fruits and vegetables.....	2.1
Clothing except fur.....	1.7
Textiles.....	1.3
Butter.....	1.2
Fur skins and fur clothing.....	.5
Machinery, electric.....	.4
Platinum and platinum group metals.....	.3
Footwear.....	.3
Total.....	9.9
Total imports.....	13.4
Percent covered by listings above.....	74
Poland:	
Meat and meat preparations.....	40.9
Wood, shaped and simply worked.....	18.2
Butter.....	12.9
Sugar, raw and refined.....	9.3
Eggs.....	3.1
Fur skins, undressed.....	3.1
Fruits and vegetables.....	2.6
Starches and preparations.....	1.7
Total.....	91.8
Total imports.....	107.8
Percent covered by listings above.....	85
Rumania:	
Corn.....	10.5
Wood in all shapes.....	3.1
Meat and meat preparations.....	1.2
Fruits and vegetables.....	.8
Footwear.....	.6
Sugar, raw.....	.6
Total.....	16.8
Total imports.....	19.8
Percent covered by listings above.....	85

*Most important items imported by the United Kingdom from each country listed above in order of magnitude based on 1962 imports—Continued*

[In millions of dollars c.i.f.]

U.S.S.R.:	
Wood and wood manufactures.....	95.7
Fur skins.....	27.7
Wheat.....	23.7
Iron and steel coils for rerolling.....	20.5
Iron and steel, except coils for rerolling.....	8.0
Pulp and wastepaper.....	7.8
Cotton and flax, raw and waste.....	7.5
Corn.....	5.1
Fish and fish preparations.....	4.9
Feedingstuff for animals.....	2.9
Fuel and lubricating oils.....	2.9
Potassic fertilizers.....	1.5
Maganese ore and concentrates.....	1.3
Total.....	209.5
Total imports.....	235.5
Percent covered by listings above.....	89
Communist China:	
Silver, refined.....	27.6
Bristles.....	6.4
Tin, unwrought.....	3.7
Cashmere.....	3.5
Animal hair, except cashmere.....	3.5
Cotton fabrics.....	3.1
Soybeans.....	1.5
Tea.....	1.3
Mercury.....	1.0
Total.....	51.6
Total imports.....	64.8
Percent covered by listings above.....	80
Other Asian Communist areas:	
Zinc and alloys (total).....	.2
Total imports.....	.3
Percent covered by listings above.....	67
Cuba:	
Sugar.....	18.1
Tobacco.....	1.8
Total.....	19.9
Total imports.....	19.9
Percent covered by listings above.....	100

United Kingdom's exports<sup>1</sup> to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....	0.1	0.1	0.1	(?)	(?)	(?)
Bulgaria.....	7.7	5.2	3.5	0.1	(?)	(?)
Czechoslovakia.....	24.7	31.4	39.7	.2	0.3	0.4
East Germany.....	23.2	27.5	26.9	.2	.3	.2
Hungary.....	12.6	16.5	19.6	.1	.2	.2
Poland.....	41.0	65.1	92.3	.4	.6	.8
Rumania.....	11.9	41.4	25.6	.1	.4	.2
U.S.S.R.....	148.9	194.4	161.0	1.5	1.8	1.5
Communist China <sup>2</sup> .....	89.8	36.5	24.1	.9	.3	.2
Other Asian Communist areas.....	.3	.4	.2	(?)	(?)	(?)
Cuba.....	20.8	13.2	7.2	.2	.1	.1
Total Communist countries listed.....	381.0	431.7	400.2	3.7	4.0	3.6
Total exports to entire world.....	10,297.3	10,754.4	11,058.6			

<sup>1</sup> Includes reexports.<sup>2</sup> Insignificant.<sup>3</sup> Includes Outer Mongolia.Most important items exported<sup>1</sup> by the United Kingdom to each country listed above in order of magnitude, based on 1962 exports

[Amounts in millions of dollars f.o.b.]

Albania.....	(?)
Bulgaria:	
Chemicals.....	1.4
Machinery, nonelectric.....	.7
Paper and paperboard.....	.2
Tubes and pipes of iron and steel.....	.1
Rubber products.....	.1
Total.....	2.5
Total exports.....	3.4
Percent covered by listings above.....	71
Czechoslovakia:	
Machines for special industries.....	6.2
Machinery, nonelectric, except machines for special industries.....	5.6
Chemicals, except organic.....	3.6
Copper.....	3.4
Wool and other animal hair.....	3.2
Tin.....	2.9
Universals, plates and sheets of iron and steel.....	2.1
Machinery, electric.....	2.0
Organic chemicals.....	1.6
Woven textiles.....	1.0
Total.....	31.6
Total exports.....	39.7
Percent covered by listings above.....	80

<sup>1</sup> Including reexports.<sup>2</sup> Total exports amounted to \$60,000 only, consisting mainly of chemicals.

Most important items exported by the United Kingdom to each country listed above in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

East Germany:	
Copper.....	6.8
Machinery, nonelectric.....	5.5
Iron and steel products.....	4.4
Chemicals.....	2.6
Wool and other animal hair.....	2.4
Machinery, electric.....	1.0
Total.....	22.7
Total exports.....	26.9
Percent covered by listings above.....	84
Hungary:	
Chemicals.....	3.8
Machines for special industries.....	2.0
Machinery, electric.....	1.9
Machinery, nonelectric, except machines for special industry.....	1.5
Copper.....	1.3
Railway vehicles.....	1.3
Wool and other animal hair.....	1.1
Textiles and yarns.....	1.0
Scientific and photographic instruments and equipment.....	.5
Total.....	14.4
Total exports.....	19.6
Percent covered by listings above.....	73
Poland:	
Machinery, nonelectric, except machines for special industries.....	15.1
Copper.....	12.6
Chemicals.....	9.5
Machines for special industries.....	9.0
Iron and steel products.....	7.4
Machinery, electric.....	5.5
Railway vehicles.....	4.4
Wool and other animal hair.....	3.1
Vegetable fibers, except cotton and synthetic fibers.....	3.0
Nonferrous metals, except copper.....	2.6
Scientific and photographic instruments and equipment.....	2.1
Ships.....	1.7
Road motor vehicles.....	1.6
Total.....	77.6
Total exports.....	92.3
Percent covered by listings above.....	84
Rumania:	
Machines for special industries.....	7.3
Machinery, nonelectric, except machines for special industries.....	5.5
Tin.....	2.0
Chemicals.....	1.8
Iron and steel products.....	1.3
Copper.....	1.2
Articles of rubber.....	1.1
Road motor vehicles.....	.5
Total.....	20.7
Total exports.....	25.6
Percent covered by listings above.....	81

Most important items exported by the United Kingdom to each country listed above in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

U.S.S.R.:		
Raw rubber, including crepe and latex	42.2	
Machines for special industries	30.3	
Machinery, nonelectric, except machines for special industries	21.8	
Sheets of steel, black, except alloy steel	17.7	
Chemicals	13.7	
Iron and steel, except black sheets, nonalloy	10.5	
Machinery, electric	4.4	
Total	140.6	
Total exports	161.0	
Percent covered by listings above	87	
Communist China:		
Manmade fibers and yarns	6.0	
Chemicals	3.2	
Copper, unwrought	3.2	
Wool tops	2.4	
Iron and steel plates	1.8	
Machinery, electric	1.6	
Machinery, nonelectric	1.6	
Total	19.8	
Total exports	24.1	
Percent covered by listings above	82	
Other Asian Communist areas		( <sup>3</sup> )
Cuba:		
Power generating machinery, nonelectric	1.5	
Machinery, electric	1.4	
Chemicals	.9	
Machinery, nonelectric, except power generating	.8	
Articles of rubber	.6	
Road motor vehicles	.4	
Feedingstuff for animals	.4	
Aircraft	.2	
Total	6.2	
Total exports	7.3	
Percent covered by listings above	85	

<sup>3</sup> Exports to North Vietnam and North Korea amounted to \$161,000 of unspecified merchandise.

Canada's imports from Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria	6.9	8.2	8.4	0.1	0.1	0.2
Czechoslovakia	.9	1.0	.8	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
East Germany	.3	.4	.4	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Hungary	1.9	3.1	4.4	.1	.1	.1
Poland	.1	.3	.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Rumania	3.3	2.7	1.7	.1	( <sup>1</sup> )	( <sup>1</sup> )
U.S.S.R.	5.8	3.2	4.2	.1	.1	.1
Communist China						
Other Asian Communist areas						
Cuba	7.5	5.0	2.6	.1	.1	( <sup>1</sup> )
Total, Communist countries listed	26.7	23.9	22.6	.5	.4	.4
Total imports from entire world	5,662.3	5,696.3	5,855.1			

<sup>1</sup> Insignificant.

Most important items imported by Canada from each country listed above in order of magnitude based on 1962 imports

[Amounts in millions of dollars, f.o.b.]	
Albania.....	(1)
Bulgaria.....	(2)
Czechoslovakia:	
Textiles.....	2.1
Glass, glassware, and pottery.....	1.2
Footwear.....	1.1
Textile machinery.....	.4
Clothing, except fur.....	.4
Jewelry and religious articles.....	.3
Passenger cars, motor vehicles, and parts.....	.3
Office machinery and parts.....	.3
Bicycles.....	.2
Total.....	6.3
Total imports.....	8.4
Percent covered by listings above.....	75
East Germany:	
Glass, glassware, and pottery.....	.4
Scientific and precision instruments.....	.2
Alabaster, spar, and other ornaments.....	.1
Total.....	.7
Total imports.....	.8
Percent covered by listings above.....	87
Hungary:	
Glassware.....	.2
Miscellaneous food.....	.1
Total.....	.3
Total imports.....	.4
Percent covered by listings above.....	75
Poland:	
Textiles.....	1.0
Fruits and vegetables.....	.5
Clothing and footwear.....	.5
Bicycles.....	.4
Glass, glassware, and pottery.....	.2
Meat, canned.....	.2
Eggs.....	.2
Fur skins, undressed.....	.2
Alabaster, spar, and other ornaments.....	.1
Total.....	3.3
Total imports.....	4.4
Percent covered by listings above.....	75
Rumania.....	(3)

See footnotes at end of table, p. 331.

Most important items imported by Canada from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars f.o.b.]

U.S.S.R.:		
Fur skins, undressed	.....	.6
Potassium chloride fertilizer	.....	.4
Plywood	.....	.1
Alloys for steelmaking	.....	.1
Textile waste and rags	.....	.1
Glass	.....	.1
Total	.....	1.4
Total imports	.....	1.7
Percent covered by listings above	.....	82
Communist China:		
Fruits and vegetables	.....	1.5
Fur skins, undressed	.....	.8
Textiles	.....	.8
Peanuts, green	.....	.3
Floor coverings	.....	.1
Total	.....	3.5
Total imports	.....	4.2
Percent covered by listings above	.....	83
Other Asian Communist areas		(1)
Cuba:		
Sugar	.....	.9
Tobacco and manufactures	.....	.8
Fruits and vegetables	.....	.5
Textiles	.....	.2
Total	.....	2.4
Total imports	.....	2.6
Percent covered by listings above	.....	92

<sup>1</sup> No imports.

<sup>2</sup> Imports were insignificant.

<sup>3</sup> Total imports amounted to \$57,000 only, of which the largest item (\$33,000) was clothing.

Canada's exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania		5.8	2.8		0.1	(1)
Bulgaria	0.5	.3	.4	(1)	(1)	(1)
Czechoslovakia	7.0	20.4	3.4	0.1	.4	0.1
East Germany	1.0	1.6	.1	(1)	(1)	(1)
Hungary	1.0	.6	.3	(1)	(1)	(1)
Poland	17.4	39.9	34.9	.3	.7	.6
Rumania	1.4	1.0	.5	(1)	(1)	(1)
U.S.S.R.	8.5	24.2	3.1	.2	.4	(1)
Communist China <sup>2</sup>	8.9	120.9	137.0	.2	2.1	2.3
Other Asian Communist areas						
Cuba	13.9	30.1	10.2	.3	.5	.2
Total Communist countries listed	59.6	244.8	192.7	1.1	4.2	3.2
Total exports to entire world	5,561.6	5,819.4	5,939.3			

<sup>1</sup> Insignificant.

<sup>2</sup> Includes Outer Mongolia.

*Most important items exported by Canada to each country listed above in order of magnitude, based on 1962 exports*

[Amounts in millions of dollars f.o.b.]

Albania:	
Wheat, except seed (total).....	2.8
Total exports.....	2.8
Percent covered by listing above.....	100
Bulgaria:	
Aluminum fabricated materials (total).....	.4
Total exports.....	.4
Percent covered by listings above.....	100
Czechoslovakia:	
Synthetic rubber and plastics.....	1.1
Aluminum pigs, ingots, and slabs.....	1.0
Flaxseed.....	.4
Hides and skins.....	.4
Asbestos.....	.2
Total.....	3.1
Total exports.....	3.4
Percent covered by listings above.....	91
East Germany:	
Asbestos (total).....	.1
Total exports.....	.1
Percent covered by listings above.....	100
Hungary:	
Asbestos.....	.1
Copper scrap.....	.1
Total.....	.2
Total exports.....	.3
Percent covered by listings above.....	67
Poland:	
Wheat, except seed.....	26.5
Synthetic fibers and waste.....	4.3
Copper, refinery shapes.....	2.7
Asbestos.....	.8
Total.....	34.3
Total exports.....	34.9
Percent covered by listings above.....	98
Rumania:	
Tractor tires.....	.2
Textile rags.....	.1
Aluminum pigs and ingots.....	.1
Total.....	.4
Total exports.....	.5
Percent covered by listings above.....	80

Most important items exported by Canada to each country listed above in order of magnitude, based on 1962 exports—Continued

[Amounts in millions of dollars f.o.b.]

U.S.S.R.:		
Agricultural machinery.....	1.0	
Hides and skins, undressed.....	.7	
Synthetic rubber and plastics.....	.5	
Machinery, except agricultural.....	.4	
Total.....	2.6	
Total exports.....	3.1	
Percent covered by listings above.....	84	
Communist China:		
Wheat, except seed.....	124.8	
Barley.....	12.0	
Total.....	136.8	
Total exports.....	137.0	
Percent covered by listings above.....	100	
Other Asian Communist areas.....	( <sup>1</sup> )	
Cuba:		
Animal oils and fats.....	2.3	
Live animals.....	1.6	
Feedingstuff for animals.....	.8	
Chemicals.....	.8	
Milk and cream.....	.7	
Ships and boats.....	.6	
Machinery, nonelectric.....	.6	
Vegetables.....	.4	
Pulp and waste paper.....	.4	
Machinery, electric.....	.4	
Aircraft.....	.3	
Fish.....	.3	
Total.....	9.2	
Total exports.....	10.2	
Percent covered by listings above.....	90	

<sup>1</sup> No exports.

U.S. imports from Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of origin	Value			Percent of total imports		
	1960	1961	1962	1960	1961	1962
Albania.....	0.1	0.1	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Bulgaria.....	.8	1.2	1.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Czechoslovakia.....	12.2	9.3	10.0	0.1	0.1	0.1
East Germany.....	3.2	2.5	3.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Hungary.....	1.8	2.0	1.8	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Poland.....	38.8	41.3	45.9	.3	.3	.3
Rumania.....	1.5	1.4	.6	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S.S.R.....	22.6	22.2	16.2	.2	.2	.1
Communist China.....	.3	.4	.2	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Other Asian Communist areas.....	2.7	3.1	3.7	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Cuba.....	357.3	35.1	15.7	2.4	.2	.1
Total Communist countries listed.....	441.3	118.6	98.4	3.0	.8	.6
Total imports from entire world.....	14,651.9	14,357.3	16,249.4			

<sup>1</sup> Insignificant.

*Most important items imported by the United States from each country listed above  
in order of magnitude based on 1962 imports*

[Amounts in millions of dollars f.o.b.]

Albania:	
Sage, unground (total).....	0.1
Total imports.....	.1
Percent covered by listings above.....	100
Bulgaria:	
Paprika.....	.4
Cheese.....	.2
Rose oil.....	.2
Vegetable products, inedible.....	.1
Total.....	.9
Total imports.....	1.1
Percent covered by listings above.....	75
Czechoslovakia:	
Glass and glassware.....	2.3
Beads and beaded fabrics.....	.9
Textiles.....	.8
Bicycles, motorcycles, and parts.....	.8
Imitations and synthetic precious or semiprecious stones.....	.7
Books and pictures.....	.6
Canned cooked hams.....	.6
Machinery, except typewriters.....	.3
Typewriters.....	.3
Total.....	7.3
Total imports.....	10.0
Percent covered by listings above.....	73
East Germany:	
Furs.....	.7
Typewriters.....	.3
Cameras and optical goods.....	.3
Glass, glassware, and china.....	.2
Bicycle parts.....	.2
Montan wax.....	.2
Chemicals.....	.2
Total.....	2.1
Total imports.....	3.1
Percent covered by listings above.....	68
Hungary:	
Wine and other beverages.....	.2
Brooms.....	.2
Baskets.....	.2
Books, pictures, and artwork.....	.2
Glass and glass products.....	.1
Bicycles and parts.....	.1
Feathers, crude.....	.1
Paprika.....	.1
Total.....	1.2
Total imports.....	1.8
Percent covered by listings above.....	67

Most important items imported by the United States from each country listed above in order of magnitude based on 1962 imports—Continued

[Amounts in millions of dollars f.o.b.]

Poland:	
Meat, mainly canned ham.....	25.6
Furs, undressed.....	3.0
Hides and skins.....	2.0
Textiles (cotton, hemp, flax, and ramie).....	1.9
Casein.....	1.4
Feathers and bristles.....	1.2
Glass and glassware.....	1.2
Wood manufactures.....	1.1
Bicycles.....	1.0
Coal tar medicinals.....	1.0
Total.....	39.4
Total imports.....	45.9
Percent covered by listings above.....	86
Rumania:	
Glass and glassware.....	.2
Spices.....	.1
Furs, undressed, and feathers, crude.....	.1
Total.....	.4
Total imports.....	.6
Percent covered by listings above.....	75
U.S.S.R.:	
Furs, undressed.....	7.5
Palladium.....	1.9
Rhodium.....	1.1
Platinum.....	1.0
Chrome ore.....	.9
Cotton linters and waste.....	.7
Glass.....	.6
Total.....	13.7
Total imports.....	16.2
Percent covered by listings above.....	85
Communist China:	
Antiques, made prior to 1830 (total).....	.2
Total imports.....	.2
Percent covered by listings above.....	100
Other Asian Communist areas:	
Cashmere goat hair.....	3.1
Camel hair.....	.5
Total.....	3.6
Total imports.....	3.7
Percent covered by listings above.....	97
Cuba:	
Tobacco, unmanufactured.....	15.1
Tobacco, manufactures.....	.4
Total.....	15.5
Total imports.....	15.7
Percent covered by listings above.....	99

## U.S. exports to Communist countries, 1960-62

[Value in millions of dollars f.o.b.]

Country of destination	Value			Percent of total exports		
	1960	1961	1962	1960	1961	1962
Albania.....						
Bulgaria.....	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Czechoslovakia.....	4.5	7.4	7.2	}	( <sup>1</sup> )	( <sup>1</sup> )
East Germany.....	4.0	2.8	1.7			
Hungary.....	1.7	1.3	.8			
Poland.....	143.1	74.8	94.5	.7	0.4	0.4
Rumania.....	1.3	1.4	.8	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S.S.R.....	39.3	45.6	20.1	.2	.2	.1
Communist China.....						
Other Asian Communist areas.....						
Cuba.....	223.7	13.7	13.4	1.1	.1	.1
Total, Communist countries listed.....	417.7	147.0	138.5	2.1	.7	.6
Total exports to entire world.....	20,357.6	20,716.7	21,359.1			

<sup>1</sup> Insignificant.

Most important items exported by the United States to each country listed above in order of magnitude based on 1962 exports

[In millions of dollars]

Albania.....	( <sup>1</sup> )
Bulgaria.....	( <sup>2</sup> )
Czechoslovakia:	
Soybeans.....	1.4
Hops.....	1.4
Sulfur, crude.....	1.0
Medicinal and pharmaceutical preparations.....	.7
Cattle hides and skins.....	.5
Pencil slats.....	.4
Seeds.....	.2
Synthetic rubber.....	.2
Total.....	5.8
Total exports.....	7.2
Percent covered by listings above.....	81
East Germany:	
Tobacco and manufactures.....	1.1
Oranges and tangerines, fresh.....	.3
Total.....	1.4
Total exports.....	1.7
Percent covered by listings above.....	82
Hungary:	
Medicinal and pharmaceutical preparations.....	.2
Glassmaking machinery.....	.2
Chemicals.....	.2
Hides and skins, raw.....	.1
Total.....	.7
Total exports.....	.8
Percent covered by listings above.....	88

See footnotes at end of table, p. 337.

*Most important items exported by the United States to each country listed above  
in order of magnitude based on 1962 exports—Continued*

[In millions of dollars]

Poland:	
Wheat.....	26.2
Cotton, raw.....	20.5
Barley.....	9.9
Cereals, except wheat and barley.....	7.9
Cottonseed and soybean oil, refined and crude.....	7.5
Tallow, inedible.....	4.0
Wheat flour.....	3.1
Miscellaneous machinery.....	2.6
Rubber, synthetic.....	1.4
Total.....	83.1
Total exports.....	94.5
Percent covered by listings above.....	88
Rumania:	
Machinery and vehicles.....	.3
Grass seed.....	.2
Antibiotics.....	.1
Total.....	.6
Total exports.....	.8
Percent covered by listings above.....	75
U.S.S.R.:	
Cattle hides.....	6.8
Tallow, inedible.....	4.0
Machinery, except papermills and parts.....	2.1
Papermills and parts.....	1.9
Synthetic textile fibers and yarn.....	1.9
Rubber, synthetic.....	1.5
Total.....	18.2
Total exports.....	20.1
Percent covered by listings above.....	91
Communist China.....	(1)
Other Asian Communist areas.....	(1)
Cuba:	
Biological supplies.....	11.9
Commodities for relief.....	.7
Total.....	12.6
Total exports.....	13.4
Percent covered by listings above.....	94

<sup>1</sup> No exports.

<sup>2</sup> Exports were insignificant.

TRADE CONTROLS OF FREE-WORLD COUNTRIES<sup>1</sup>

This section summarizes the trade control measures of many of the important mercantile countries of the free world, including those participating in the multi-lateral strategic trade control system.

These summaries are concerned primarily with the basic export license and customs control procedures originally established for economic or financial reasons. Security trade controls have been generally exercised through these basic procedures, supplemented, to increase their effectiveness, by Import Certificate-Delivery Verification (IC/DV) procedures, shipping controls, Transit Authorization Certificate (TAC) procedures, and transaction or financial controls. The summaries which follow describe the main features of these national control systems as they stood June 30, 1962. The countries are arranged in alphabetical order.

## AUSTRALIA

*License requirements*

Under the terms of the Customs (Prohibited Exports) Regulations the export of arms, explosives, naval and military stores, and goods capable of being used for purposes of war, is subject to the consent of the Minister for Customs and Excise. Provision is made in the Customs Act to require production of Landing Certificate if considered necessary. There is no direct provision for Import Certificates issued by the country of proposed destination. However production of such certificates is required if considered warranted.

*Exchange controls*

Under the terms of the Banking (Foreign Exchange) Regulations goods shall not be exported from Australia unless a license issued in terms of these regulations is in force and the terms and conditions to which the license is subject are complied with. The object of this control is to ensure that the full proceeds of such goods are received into the Australian banking system in the currency, in the manner, and within the period approved by the Reserve Bank of Australia.

*Transit controls*

Australia participates in the Transit Authorization Certificate system.

*Shipping controls*

Except in regard to hazardous cargo there are no specific controls over the method of exportation of goods from Australia. Control over export of hazardous cargo is exercised by the Department of Shipping and Transport under the Navigation Act 1912-1961.

## BELGIUM-LUXEMBOURG

*License requirements*

The basic legislation from which the present import-export control system in Belgium has developed was a law of June 30, 1931, modified by the law of July 30, 1934, which authorized in broad, general terms the regulation of Belgium's foreign commerce to promote the general economic well-being of the country. The convention with the Grand Duchy of Luxembourg on May 23, 1935, amending the economic union convention of 1922, established also a combined Belgo-Luxembourg Administrative Commission (the Commission Administrative Mixte Belgo-Luxembourgeoise), and in this way provided a central agency for coordinating the import and export licensing procedures of Belgium and Luxembourg. Pursuant to the 1935 convention, when the appropriate agency of either Government desires to modify or expand regulations pertaining to import and export controls, the recommendation is discussed with the appropriate agencies of the other Government; their agreement having been reached, the new policies are communicated to the Mixed Commission, which then transmits identical instructions to the Belgian Central Office of Licenses and Quotas and the Luxembourg Office of Licenses. This procedure insures close coordination of the import and export licensing operations of the two Governments in order that the general economic welfare of both may best be served.

A royal decree dated January 17, 1955, provides that the import and export of all merchandise is subject to licensing control. However, the Ministers can, within the limits of their authority, suspend this measure as to certain merchandise designated by them. They can also limit this suspension to merchandise coming from or destined to countries which they determine.

<sup>1</sup> Source: Battle Act Report for 1963, Department of State.

The control over exports effected by the requirement of export licenses is reinforced by special controls applied at the time of the actual export of the licensed merchandise. Submission to these special controls is required as a previous condition to the obtaining of certain licenses, these special additional controls being applied by reason of the special nature of the merchandise to be exported or to assure the direct delivery of the merchandise to its foreign destination.

Applicants for export licenses must make a declaration that they are familiar with the conditions upon which licenses are issued and the regulations relative to exchange controls, and that they accept these conditions and regulations without reserve. The applicant also acknowledges that the licenses are not transferable, and that any irregularity in his application or utilization of the license subjects him to possible refusals of any new export license applications and may expose him to prosecution for a criminal offense. Exporters of products whose final destination is controlled must sign a special undertaking which states that all of the goods which they intend to export will be exported in accordance with the information submitted to the licensing authorities.

#### *Transit controls*

The royal decree of January 17, 1955, referred to above, authorizes the Minister of Economic Affairs to impose a transit licensing requirement for certain items coming from or going to countries he may designate. A second decree of the same date by the Minister of Economic Affairs requires the production of a Belgian transit license, or a Transit Authorization Certificate issued by certain countries, for the shipment through Belgium in transit of items named in the decree coming from the countries participating in the TAC scheme and destined for any of the Soviet-bloc countries. Luxembourg issued similar decrees January 20 and February 1, 1955.

#### *Financial controls*

Prior authorization is required for all buying and selling transactions abroad by Belgian and Luxembourg residents. The exchange control is carried out by the Belgo-Luxembourg Exchange Institute.

#### *Shipping controls*

Belgium has taken action to prevent the carrying of strategic goods in Belgian ships to Communist Chinese and north Korean destinations.

## CANADA

Authority for the control of exports in Canada is derived from the Export and Import Permits Act, an act of Parliament, which came into effect on June 1, 1954.

#### *Permit requirements*

The Canadian approach to export control is based on two lists: (1) the Export Control List of strategic commodities for which export permits are required for practically all commercial exports to any destination, except the United States, and (2) the Area Control List of countries, the shipment to which of any goods requires an export permit. The Area Control List comprises the countries of the Sino-Soviet bloc. General export permits are in effect which enable shipments of a list of nonstrategic items, when of Canadian origin, to be made to countries of the European Soviet bloc; shipments of casual gift parcels of trivial value to Communist countries; shipments to Canadian diplomatic missions, etc. Canada participates in the international IC/DV system.

#### *Transaction controls*

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

#### *Transit controls*

Regulations respecting transit shipments stipulate that no person shall transship or cause or assist in the transshipment of or accept for transshipment to a country included in the Area Control List any goods included in the Export Control List, unless a Transit Authorization Certificate covering such goods and issued by the exporting country, or by the country of residence of the exporter, has been presented to and endorsed by a Canadian collector of customs or, in the absence of

such certificate, approval for the transshipment has been given by the Minister of Trade and Commerce, or by a person authorized by him to do so.

An export permit is required for all goods originating outside Canada when tendered for export in the same condition as when imported, without further processing or manufacture in Canada. Goods in transit in bond on a through journey on a billing originating outside of Canada, clearly indicating the ultimate destination of the goods to a third country, do not require a Canadian export permit. With certain exceptions, foreign goods passing through Canada to a third country without a through bill of lading require a Canadian export permit. (If such goods represent United States shipments of controlled goods passing through Canada to third countries, they must be covered by a United States export permit.) All Canadian goods having an undeclared ultimate destination require export permits. Shipments of United States goods through Canada must be accompanied by a copy of the United States export declaration form.

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

#### REPUBLIC OF CHINA (TAIWAN)

##### *License requirements*

All exports are subject to screening by the Foreign Exchange and Trade Control Commission and certain controlled commodities require government export licenses. No exports destined directly or indirectly for the Chinese mainland or any Communist country are approved. Strategic materials, food, animal feeds, edible oils, ores, iron and steel scrap, textile fibers, raw hides and skins, coal, petroleum products, chemical fertilizers, chemicals for agriculture, carbon black, crude rubber and wood pulp are included in the Government of the Republic of China's list of controlled exports. Exporters of controlled commodities are required to submit landing certificates issued by the customs authorities of the country of destination, but there are no IC/DV requirements.

##### *Transit controls*

Since Taiwan has no transit trade there are no transit controls governing strategic materials. Any import would require an export license prior to the reexport, which in principle is not permitted.

##### *Financial controls*

Stringent Government controls are imposed on financial settlement of all exports.

##### *Shipping controls*

Government regulations prohibit Chinese-flag ships from calling at mainland Chinese or any Communist country's ports, or to transport Communist cargo. Regulations also provide that entry into Taiwan ports is denied ships which fly flags of nations having no diplomatic relations with the Republic of China and which have at any time called at Communist Chinese ports, or any foreign flag ship which has called at Communist Chinese ports within 60 days after calling at a Taiwan port.

#### DENMARK

##### *License requirements*

Export licenses are required for all commodities, except certain agricultural products, unless the goods are exported to or intended for end-use in Finland, countries which are members of the European Monetary Agreement, or countries within the dollar area.

For the goods enumerated in the below-mentioned Commodity Lists A and B, export licenses are required, irrespective of the country of destination.

List A of the Danish export regulations consists of items of strategic significance. For most of these items the licensing authority is the Import and Export Licensing Office of the Ministry of Commerce, but the Ministry of Justice controls exports of arms, munitions, military equipment, and machinery for the production thereof.

List B consists of nonstrategic goods. Export licenses for these are issued by the Import and Export Licensing Office, the Board of Health, the Ministry of Public Works, or the National Bank of Denmark, according to the nature of the commodity concerned. Denmark applies IC/DV procedures.

#### *Transit controls*

The export controls apply to merchandise exported from the Copenhagen free port, including exports from transit or bonded warehouses and goods from free port or private warehouses. They also apply to goods in transit through Denmark, unless these are transiting on a through bill of lading and there is no change in ultimate destination. In addition, Denmark has adopted the TAC scheme. These control measures thus prevent unauthorized diversion of embargo goods in transit through Denmark.

All transit transactions financed by Denmark are subject to control by the National Bank of Denmark if the goods in question are forwarded directly between the countries of origin and destination or are transiting on a through bill of lading. In its administration of these provisions the Bank observes the same rules as the export control authorities with which the Bank cooperates closely in this field.

#### *Exchange controls*

The National Bank of Denmark exercises controls over all transactions in foreign exchange but has given the authorized exchange dealers a general authorization to perform nearly all current payments. Earnings in foreign currencies must be repatriated and sold to the authorized exchange dealers unless special exceptions are made.

#### *Shipping controls*

An arrangement has been made by the Danish Government with Danish shipping companies to prevent the carrying in Danish vessels of strategic goods to Communist China and north Korea. This arrangement is implemented under a voluntary agreement with Danish shipowners.

### FRANCE

#### *License requirements*

Export licenses are required for over 20 percent of the commodities identified in the French tariff nomenclature. Governmental authority for this control is contained in various decrees, the latest dated November 30, 1944. These decrees permit addition to or removal from the list of controlled commodities merely by publication of a notice in the *Journal Officiel*. The list of strategic commodities subject to export licensing is published periodically in the *Journal Officiel*.

Applications for license to export, as submitted by French exporters, are examined by the Ministry of Finance and Economic Affairs, and on occasion by appropriate technical committees and personnel in other agencies. At the time the application for an export license is submitted, the exporter may be instructed by the competent technical ministry to submit a sample, photograph, blueprint, drawing, or other detailed description of the commodity in question. These data are used in determining the advisability of issuing the export license requested. At the port of exit, random samples of actual exports may be extracted by customs officials and these are compared by competent technicians with the original data submitted with the license application. This procedure is designed to assure in as many instances as practical that the commodity exported is identical with the commodity for which the export license is issued.

In the event fraudulent action on the part of the exporter is found and can be legally established, the exporter is subject to confiscation of the goods in question and fines ranging upward to four times the value of the shipment plus penal servitude. The control system in operation in France makes it possible to block or encourage exports to any destination of commodities requiring export licenses.

France employs IC/DV procedures and, when appropriate, conducts end-use checks on exports of strategic goods.

#### *Transit controls*

On December 30, 1954, and January 12, 1955, the French Government published new regulations effective respectively on the 1st and 15th of January, 1955, concerning the regulation of imports, exports, and reexports of a certain number of products which enter France under transit status. In essence, these regulations state that the products affected cannot be diverted to certain specified countries (which comprise the Soviet bloc) if the country of origin participates in the TAC scheme unless the country of origin authorizes the change in destination.

#### *Financial controls*

All transactions in foreign exchange engaged in by French residents, particularly those in which a French resident takes title to foreign merchandise, require the prior authorization of the French Government.

An "exchange commitment" (guaranteeing the return to the Government of the exchange proceeds of a transaction) is required for all exports and reexports of merchandise to which a French resident holds title. Where the products concerned are subject to export license, the export license suffices for the exchange commitment.

#### *Shipping controls*

In order to avoid the transport on French vessels of strategic products to Communist China, the French Government asked owners controlling ships serving China not to transport strategic goods unless these are covered by an export license or a document issued by the French Government indicating Communist China as the final destination.

### FEDERAL REPUBLIC OF GERMANY AND WEST BERLIN

#### *License requirements*

Present regulations governing trade controls in the Federal Republic went into effect on September 1, 1961. They are contained in two documents, the Foreign Commerce Ordinance (*Aussenwirtschaftsverordnung* or *AWV*) of August 22, 1961, and the Foreign Commerce Licensing Jurisdiction Ordinance (*Verordnung zur Regelung von Zuständigkeiten in Aussenwirtschaftsverkehr*) of August 7, 1961. These new regulations contain few material changes from previous measures affecting foreign trade although they have been completely rewritten. They find their legal basis in the new Foreign Commerce Law (*Aussenwirtschaftsgesetz*) of April 28, 1961. This new law frees exports from all licensing requirements except in three special categories. The first of these three categories is that concerning internationally controlled commodities. The second category concerns items in domestic short supply. The third involves financial controls.

Export licenses (*Ausfuhr-genehmigungen*) are required for all goods listed on the COCOM Strategic Materials Embargo, Munitions, and Atomic Energy Lists as well as for documentary data required in the production of these goods. Licensing requirements do not apply to goods included in the COCOM lists if valued at DM 1000 (\$250) or less for export to certain free-world countries. A list of permissible destinations is given in Section II of the Annex to the Foreign Commerce Law.

An application for Export License can be executed only by the exporting person or firm, and when COCOM controlled commodities are involved, the license application must be accompanied by an Import Certificate (*Unbedenklichkeitsbestätigung*) from another country recognizing COCOM controls or other satisfactory documentation concerning the intended end-use of the commodities when non-COCOM countries are involved in the transaction.

German authorities do not always ask that proof of end-use be obtained following the export from the Federal Republic of a COCOM-controlled commodity. They are, however, authorized to do so by a special set of rules published in a circular of the Federal Ministry for Economics (*Runderlass Aussenwirtschaft* No. 39/61). Acceptable proof of end-use consists of either a Delivery Verification (*Wareneingangsbescheinigung*) from a country recognizing COCOM controls or other satisfactory documentation from non-COCOM countries. The circular also describes in detail the conditions under which the Federal Government will issue its own ICs and DVs for use by other COCOM countries. In general, the request for either of these documents from an American exporter is sufficient to cause their issuance.

All imports into the Federal Republic or West Berlin from bloc countries require licenses. Federal authorities may require a certificate of origin in the case of ostensibly non-bloc imports which they may suspect as being originally from the bloc.

#### *Transit controls*

Goods on COCOM lists are not permitted to transit the Federal Republic unless bound for the countries indicated in Section II of the Annex to the Foreign Commerce Law. COCOM-controlled goods originating in countries adhering to COCOM regulations will not be permitted transit unless accompanied by Transit Authorization Certificates—TAC's (*Durchfuhrberechtigungsscheine*). COCOM-controlled goods shipped from Sweden or Switzerland must be accompanied by a properly authenticated copy of an export permit from those countries. TACs and Swiss or Swedish export permits are recognized as valid for transit purposes only for a period of 4 months following the goods' departure from the shipping country.

### *Financial controls*

German residents are prohibited from acting as middlemen in certain types of triangular transactions unless they obtain a Transit License (*Transithandelsgenehmigung*). The type of triangular deal subject to licensing is that involving Sino-Soviet bloc countries and COCOM-controlled commodities which are not physically located in the Federal Republic or West Berlin. The license is necessary in transactions involving controlled goods either bound for or sold by bloc areas. The Federal Government would not, of course, license a transaction involving COCOM-controlled commodities bound for the bloc unless a COCOM exception had been obtained.

A type of financial control is also exercised through the license required by the third special export category of the Foreign Commerce Law. This applies to export shipments based on contracts concluded with parties in countries of the Sino-Soviet bloc whenever the terms of such contracts call for payment by means other than in cash prior to delivery, irrevocable letter of credit, or cash against documents guaranteed by a credit institution. This provision is the sole restriction under the law on the method of payment in export contracts. It is intended to protect German business against price and payments manipulations and to permit implementation of the official policy of denying long-term credit facilities to the bloc.

### *Shipping controls*

Under the initial ordinance implementing the Foreign Commerce Law, bareboat charters for ships require licenses when a charter is drawn up placing a German carrier at the disposal of a bloc country. On October 7, 1962, however, all German ship chartering involving contracts with bloc countries or Cuba became subject to licensing. This modification of the regulations was permissible under the terms of the basic law.

The installation of COCOM-controlled commodities on ships and aircraft owned by bloc countries also requires licensing.

### *Soviet Zone of Germany and East Berlin*

Trade with the Soviet Zone of Germany and East Berlin is controlled through separate documents, regulations and laws which are, in effect, the same as those for trade with other bloc countries.

## GREECE

### *License requirements*

Export licenses are required for all strategic commodities and for certain non-strategic commodities for which export quotas have been established. For non-strategic shipments, licenses are issued by the Bank of Greece in accordance with directives from the Greek Foreign Trade Board and the Ministry of Commerce. In the case of countries with which Greece has bilateral trade agreements (which includes the Soviet-bloc countries), such licenses are limited to the quantities specified in the respective agreements. For strategic shipments, including those to the Soviet-bloc countries, licenses must be obtained from the Ministry of Commerce.

Greece applies IC/DV procedures.

### *Transit controls*

Transit shipments of strategic commodities must be licensed by the Ministry of Commerce prior to being reexported or transhipped.

### *Financial controls*

Foreign exchange proceeds must be surrendered to the Bank of Greece.

### *Shipping controls*

In response to a recommendation made on October 1, 1962, by the Greek Government, Greek shipowners began to refuse charters for shipments to and from Cuba. On March 30, 1963, a royal decree became effective which prohibits transport of any cargo to Cuba by Greek flag vessels, except under charters signed prior to the decree. Another royal decree effective September 27, 1963, extended the prohibition to include the carriage of any cargo from Cuba.

On October 10, 1958, the Greek Government published a decree (Official Gazette No. 157) lifting its previously imposed (1953) prohibition on the calling of Greek ships at ports in Communist China and north Korea. However, the transport of strategic items to these countries is still banned.

The Greek foreign investment law (No. 2687 of 1953) provides that foreign vessels transferred to the Greek flag may only be resold to countries named in the instrument of approval executed at the time of the transfer of the vessel to Greek registry. So far, such instruments have not included Soviet-bloc countries. With only minor exceptions, the sale to other countries of Greek-flag ships not covered by an instrument under law 2687 requires the prior approval of the Greek Government.

Ship repairs are subject to export licensing under the procedures covering transit shipments.

Current bunkering controls require licensing by the Bank of Greece with respect to payment in foreign exchange for the value of fuel and by customs authorities for removal from customs precincts.

## HONG KONG

### *License requirements*

Primary responsibility for the implementation of Hong Kong's trade controls rests with the Controls Division of the Hong Kong Government Department of Commerce and Industry. Import and export licenses are required for International List commodities. In the case of imports, Delivery Verification certificates are furnished upon request of the exporting nation. In the case of exports of strategic goods, a Delivery Verification or Landing Certificate may be requested from the importing nation.

Licenses are also required for exchange control reasons for goods originating from or consigned to Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, north Korea, Poland, Rumania, the U.S.S.R., and the Tangier Zone of Morocco.

### *Transit controls*

No trade controls are exercised over cargoes transiting Hong Kong. International List I goods being transhipped through Hong Kong to permitted destinations must be licensed for import and reexport and be stored in Government-designated warehouses if landed in Hong Kong.

### *Internal controls*

Hong Kong also controls the distribution within the colony of borax and thorium nitrate. End-users are authorized to draw these raw materials from government-designated warehouses in amounts that are adjusted monthly.

### *Financial controls*

Hong Kong has Exchange Control obligations as a member of the sterling area.

### *Shipping controls*

There are no shipping or bunkering controls governing Hong Kong's trade. Voyage licenses for British vessels proceeding to Communist China and north Korea are no longer required.

## INDIA

### *License requirements*

Indian export controls are exercised mainly with respect to commodities, such as foods and other essentials, which are considered to be in short supply. The export licensing policy for all controlled commodities is contained in the *Handbook of Export Trade Control*, commonly known as the "Blue Book." A number of commodities may be exported freely under open general licenses to certain destinations. Other products require individual licenses which are issued within the export ceilings established by the licensing authorities. The Chief Controller of Imports and Exports, Ministry of Commerce and Industry, Government of India, administers the control over exports. Applications for licenses to export controlled commodities must be submitted to the appropriate regional licensing authorities.

### *Transit controls*

Goods which at the time of importation into a major Indian port are declared to be for transshipment to some other customs or foreign port may, under permit, be transhipped without payment of duty and without security or bond for the arrival and entry of the goods at the port of destination. In other than major ports, dutiable goods so transhipped must be covered by a bond with such security as may be required (equal at least to the amount of the leviable duty), guaranteeing arrival and entry at the port of destination.

*Financial controls*

Indian exporters must file a declaration with the Collector of Customs or an agent designated by the Reserve Bank of India to the effect that foreign exchange representing the full export value of the goods has been or will be deposited in the manner and within the period prescribed by the Bank.

## INDONESIA

*License requirements*

All goods destined for transport beyond the customs areas of Indonesia are designated as "goods under control" and exportable only under cover of prior licenses issued by the Minister of Trade or his deputy designated for this purpose (i.e., the Central Bureau for Exports). All applications for export licenses undergo a regular screening process. There are no general restrictions as to the destination of exports (except for the current one regarding direct shipments to the Netherlands). Export licenses may be withheld if, for some particular reason, the intended destination is not considered to be in conformity with desired compliance of obligations under existing trade agreements and similar commitments.

*Transit controls*

On goods entering Indonesian customs areas but intended for transshipment, no import duties are immediately levied. A covering bill of transshipment must be submitted to the customs officers, giving such particulars as the name of the vessel carrying the goods, country of origin, place of destination, and the vessel in which the goods are to be transhipped. If transshipment is not effected within a prescribed period (usually 30 days), the goods will be treated as goods imported for consumption and import duties levied.

*Financial controls*

Foreign exchange proceeds derived from exports must be surrendered to an authorized bank for reimbursement in domestic currency. (Since March 1962 exporters are allowed to retain direct rights to the use of 15 percent of their foreign exchange proceeds under provisions of the current "SIVA" arrangements.) This involuntary surrender of foreign exchange is monitored by the exchange control system under which negotiable bills of lading and collections abroad are handled at the local end by authorized foreign exchange banks and not by the exporters themselves.

## IRAN

*License requirements*

Iranians must comply with the yearly regulations on imports and exports issued by the Ministry of Commerce, and handle the resulting foreign exchange in accordance with Central Bank of Iran (CBI) regulations. Exports to the U.S.S.R. are subject to licensing since there is no payments agreement with the U.S.S.R. and thus the CBI has no control over the exchange. Trade with the U.S.S.R. and other bloc countries is based on barter agreements. Certain export items are specifically controlled by various ministries, such as munitions by the War Ministry, gold and silver by the Central Bank, oil by the National Iranian Oil Company. There are no IC/DV requirements.

*Transit controls*

Iran has transit agreements with Turkey, Afghanistan, and the U.S.S.R. The transport of munitions and goods whose introduction to Iran might be detrimental to health is prohibited. Customs officials at ports of entry are responsible for seeing that transit goods are only those approved by the transit agreements. There are no TAC controls.

*Financial controls*

All foreign exchange transactions must go through the CBI, with the exception of trade with the U.S.S.R. Terms for letters of credit and drafts are specified for approved goods by CBI regulations. There are payments agreements with Turkey and Afghanistan, and an attempt is being made by Iran to negotiate an agreement with the U.S.S.R. whereby exchange will fall under the CBI.

*Shipping controls*

Iran has a small merchant marine which engages in European trade (about 7 percent of the cargo between Iran and Europe) and in the Indian Ocean-Persian Gulf area. There is no Iranian merchant fleet on the Caspian Sea. Iranian shipping lines do not reach Soviet bloc ports.

## ISRAEL

*License requirements*

Most goods may be exported from Israel without an export license. Certain items continue to require the license of the Ministry of Commerce and Industry. Licensing authorities for other products are:

- Military items—Ministry of Defense
- Fuel, alcoholic beverages, tobaccos—Ministry of Finance
- Citrus—Citrus Marketing Board
- Diamonds—Controller of Diamonds

The Export Division of the Ministry of Commerce and Industry may ask for recommendations, before licensing certain products, from the respective competent authority.

Israel voted to support the United Nations Resolution of May 18, 1951, placing an embargo on shipments of arms and related material to Communist China and north Korea.

In certain cases import certificates and/or end-use-certificates are required.

*Transit controls*

The volume of transit trade is small inasmuch as Israel is bounded on three sides by Arab states with which no legal trade is conducted. Goods entered in bond, though not subject to customs duties, require export licenses before being reexported whenever normal exports so require.

*Financial controls*

The Israel Government exercises control over the use of foreign exchange thereby guiding the movement of goods in Israel's international trade. Although about 25 percent of Israel's imports now enter free of license, in general, imports are allowed within the limits of the country's import plan, which covers the essential needs of Israel's economy. The identity of economic needs and allowed imports is a safeguard against reexport of materials consigned to Israel.

## ITALY

*License requirements*

All commodities listed in the new *Tabella Esport* (Italian export list) effective October 1, 1962, require an export license, issued by the Ministry of Finance, upon the authorization of the Ministry of Foreign Trade, for all destinations. All items internationally accepted for embargo are included in the *Tabella Esport*. Commodities not listed in the *Tabella Esport* are exempt from license for export to all destinations, the Sino-Soviet bloc included, with the exception of East Germany. Exports to East Germany are regulated by the Foreign Trade Institute (ICE).

Licenses are required for exports to the Sino-Soviet bloc of all commodities contained in the *Tabella Esport*. Licenses are required for imports from the Sino-Soviet bloc of all commodities which are listed in the *Tabella C Import*, which provides for a lower level of liberalization than the list for imports from the dollar area and the OECD area.

The formulation of export control policy and the administration of the export licensing system are the primary responsibilities of the Ministry of Foreign Trade. This Ministry is advised by a special interministerial committee which screens all export license applications for goods subject to strategic control.

Italy employs IC/DV procedures and, when considered appropriate, carries out end-use checks on exports of strategic goods. Import certificates are issued by the Ministry of Foreign Trade and are granted only to firms cleared by the Ministry for foreign trade activity. Delivery verifications are issued by the Customs Service of the Ministry of Finance. Certain strategic imports and certain raw materials destined for reexport as finished products are kept under special customs supervision until their actual consumption in the manufacturing process.

*Transit controls*

A Transit Authorization Certificate is required for shipments passing in transit through Italy of goods listed in the *Tabella Esport* coming from countries participating in the TAC scheme and destined for any of the Soviet-bloc countries.

*Financial controls*

Financial control over all export transactions is maintained through the licensing system and through implementation of existing exchange control regulations which require bank validations covering all export shipments of commercial size.

*Shipping controls*

Control over Italian-flag vessels carrying goods to the Sino-Soviet bloc is exercised through voluntary informal cooperation between the Italian authorities and the shipping companies.

*Penalties*

Penalties that may be imposed under Italian law for violations of export control regulations include imprisonment up to 3 months, fines up to 40,000 lire, and confiscation of the merchandise involved. Such penalties, in case of currency violations, may be supplemented by fines as high as five times the value of the merchandise. Persons and firms under investigation for illegal export transactions are denied foreign trading privileges.

Irregularities under the customs law may be punished by fines from 2,000 to 20,000 lire, while other infractions may incur the penalties contemplated by the penal code.

## JAPAN

*License requirements*

Exports of strategic items to Communist-bloc countries are strictly controlled. Licenses from the Japanese Ministry of International Trade and Industry are required for exports of any commodity on the Japanese export control list, which includes all items internationally accepted for embargo control.

End-use checks are made also on suspicious exports of strategic items, and IC/DV procedures have been utilized since April 1, 1953.

*Transit controls*

Intransit cargo is offloaded under customs supervision and is normally kept in a bonded warehouse or other area under the complete control of customs officials.

Japan applies TAC procedures to certain offloaded intransit cargo destined for the Soviet bloc exported from any country cooperating in the TAC scheme, or which was exported from any country if the principal in the transaction is a resident of a COCOM country.

*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. An import licensing system was introduced on April 1, 1961, for trade with Communist China, north Viet-Nam, Outer Mongolia, Albania, and East Germany. Only north Korea is designated as a compulsory compensation (barter) transaction area. Trade with the Communist-bloc countries is usually conducted on a cash settlement basis.

*Shipping and bunkering controls*

Japanese shipowners have been notified that Japanese vessels are not authorized to carry strategic goods to Communist China from Japan or from any other country unless shipment has been licensed by a COCOM country.

Administrative measures also have been adopted to prevent foreigners from chartering or using Japanese vessels to carry contraband goods to Communist China or north Korea. The Ministry of Transportation has announced that applications for approval of a bareboat or time charter of a Japanese vessel to a foreigner must show that the charterer has guaranteed that during the period of the charter the vessel will not enter any port in Communist China or north Korea with strategic goods on board the vessel unless the shipment has been licensed by a COCOM country.

The Ministry of International Trade and Industry, furthermore, has instructed Japanese oil companies not to furnish fuel bunkers to any vessel carrying strategic goods to Communist China or north Korea unless the shipment has been licensed by a COCOM country.

## KOREA

*License requirements*

Authority for the control of exports and imports in Korea is derived from the Trade Law which came into effect on December 13, 1957, and was amended August 25, 1961. Article 6 stipulates that exports or imports of goods falling under one of the following categories shall be prohibited:

- (1) Exports to or imports from Communist countries or areas;
- (2) Exports of goods for consumption in Communist countries or areas;
- (3) Imports of goods manufactured or produced in Communist countries or areas.

All exporters and importers must attach to their customs clearance the Final Consumption Certificate and the Consular Invoice and Certificate of Origin, respectively, issued by the consular representatives or the relevant agents.

#### *Shipping controls*

Regulations concerning Entry and Exit Controls to Vessels sailing to and from Communist countries or areas, which came into effect on December 20, 1956, stipulate that:

(1) No vessels sailing from Communist countries or areas are permitted to enter into Korean ports unless the said vessels have entered into the ports of the free nations and stayed there over 6 months or the entry permit into the Korean ports was given by the relevant officials of the Ministry of Transportation.

(2) All vessels sailing to Communist countries or areas shall not be permitted to enter into Korean ports.

### LIBERIA

#### *License requirements*

The Liberian Bureau of Natural Resources and Surveys issues export permits for iron ore and diamonds. The applicant for a permit to export diamonds must state the quantity and value, ports of departure and destination, name and address of the final consignee, name and address of the carrier, and the approximate date the shipment will leave Liberia.

In the case of strategic goods being imported into Liberia, the final consignee is issued a landing certificate when he has complied with all customs and import regulations and has actually received the goods. Reexports of such goods are only permitted in cases of error as to quantity, quality and the like, and then the goods can only be returned to the country of origin. When applying for permission to reexport, the original consignee must present his landing certificate.

#### *Transit controls*

Ships using Liberian ports for transshipment purposes must present a transshipment manifest to the appropriate Liberian authorities. This is necessary both for goods that are warehoused at the port and for goods that are passed from ship to ship in the basin. For goods transiting Liberia overland, the Liberian authorities require a landing certificate from the country of destination after the goods have crossed the Liberian border.

#### *Shipping controls*

Ships registered under the flag of Liberia are forbidden under Section 1.40 of the Regulations of the Commissioner of Maritime Affairs from carrying any strategic goods to the Sino-Soviet bloc or Cuba. In order to ensure compliance with this prohibition, no Liberian-flag vessel may proceed to any of the above-mentioned areas without the prior approval of the Liberian shipping authorities. Any violation of this regulation shall subject the offending party to cancellation of the certificate of registry of his vessel.

### MALAYSIA

#### *License requirements*

Malaysia prohibits the export of strategic materials to the Sino-Soviet bloc. The export of strategic materials to countries outside the Sino-Soviet bloc is permitted but all applications for such exports are carefully scrutinized and individual export licenses are issued only to those applicants who can produce conclusive evidence that the goods concerned will not reach the Sino-Soviet bloc. The procedure adopted is to require exporters to produce ICs from the countries of destination prior to the shipment of the strategic materials and DVs within a reasonable period after the shipment of the strategic materials.

### THE NETHERLANDS

#### *License requirements*

All exports from the Netherlands are subject to export controls. However, individual licenses are required only for a small percentage of the exports of industrial products.

Most industrial exports are effected under general licenses. Both general licenses and individual licenses are issued by the "Centrale Dienst voor In- en Uitvoer" (Central Import and Export Office) in The Hague.

Individual export licenses are required for all strategic goods; only transactions with a value of less than \$250 (U.S.) and with an approved destination are ex-

cepted. The IC/DV system is applied extensively. In cases involving the export of strategic goods to countries not participating in the IC/DV system, the exporter can be obliged, before the license is granted, to prove that the goods will be imported into the country mentioned in the export license as the country of final destination and is often obliged to prove that the goods have been imported into that country.

Finally, when a shipment leaves the country, the customs authorities have the right to satisfy themselves that the goods to be exported are identical with the description given in the export license, and that the direction in which the shipment is being sent is not incompatible with the final destination mentioned in the license.

#### *Transit controls*

Pursuant to royal decree regarding the transit control of strategic commodities, strategic goods sent from specifically mentioned countries or shipped on the behalf of residents of some of these countries, which after unloading pass in transit through the Netherlands, are subject to control over their destination.

#### *Financial controls*

All financial transactions by Netherlands residents involving payments to or received from a party abroad are subject to foreign exchange licenses. Through the means of these licenses, it is possible to control triangular transactions in which a Netherlands resident is involved as a middleman. Within the framework of these controls, the IC/DV system is also applied.

#### *Shipping controls*

Voyage controls have been instituted which are aimed at preventing the carriage of certain strategic commodities by Netherlands ships to Communist China, north Korea, and north Viet-Nam except pursuant to special permission.

### NORWAY

#### *License requirements*

Export licenses are required for the export of all commodities to countries outside the "export free-list area." The Sino-Soviet bloc countries are not included in this area, and exports destined for any of these countries are subject to licensing. For shipments to countries in the "export free-list area" certain strategic and other goods produced in Norway require export licenses. The licensing authorities using existing powers can prevent, for security reasons, the export of any controlled item.

Norway applies IC/DV procedures.

#### *Transit controls*

Goods which are to pass through the territory of Norway may be reexported without license only if it is clearly stated by their conveying documents that the goods are going straight to the foreign destination. If the reexport does not take place within 90 days, a Norwegian export license must be secured. The destination listed on the original documents must remain the same, and the goods may not be transformed in any way during their stay in the country. The customs authority applies a control to that effect. An export license is required for all commodities in transit to a Soviet-bloc country even though the reexport takes place within 90 days. There are no free port areas in Norway.

#### *Financial controls*

Exchange controls are maintained by the Government through the Bank of Norway. Transfers of capital from Norway are subject to license by the Bank. Receipts of foreign exchange as a result of exports and/or of invisible transactions must be surrendered by residents to the Bank of Norway or to authorized foreign exchange banks. This is normally done within three months after shipment has been made.

Norway established nonresident kroner convertibility for current transactions on December 29, 1958. Bilateral clearing accounts with maximum swing credits have been retained, however, for all of the Soviet-bloc countries except Bulgaria.

#### *Shipping controls*

The Norwegian Foreign Office announced publicly in April 1953 that the Norwegian war risk insurance group had refused to insure Norwegian vessels delivering strategic articles to Communist China and north Korean ports. The Foreign Office also announced that Norwegian ships had not violated the United Nations Resolution of May 18, 1951, prohibiting the shipment of strategic material to Communist China and north Korea.

## PAKISTAN

*License requirements*

Export trade is regulated by the Chief Controller of Imports and Exports, whose office comes under the Ministry of Commerce. In general, import licenses are issued by the Chief Controller of Imports and Exports, although such articles as foodstuffs, livestock, et cetera are controlled by the Ministry of Food and Agriculture. The basic legislation from which the present import-export control system in Pakistan has developed is the Imports and Exports (Control) Act, 1950. Generally speaking, all imports into Pakistan require relevant licenses with the exception of: defense imports made by the Central Government, or goods imported directly by government departments, in transshipment to a country outside Pakistan, manifested for a country outside Pakistan which on import into Pakistan are bonded for reexport to that country, imported by an individual as passenger baggage, supplied free of charge in replacement of goods previously imported which have been found to be defective or otherwise unfit for use.

*Transit controls*

If an item is brought into a Customs bonded warehouse in Pakistan, it cannot be declared in transit to another country unless that country is noted as the final destination on the original shipping documents and the Pakistan Bill of Entry form (generally prepared by a local approved licensed forwarding agent who then files a transshipment permit with the Customs).

*Financial controls*

The State Bank of Pakistan exercises strict controls over all transactions in foreign exchange under authority of the Foreign Exchange Regulation Act, 1947.

## PANAMA

*Shipping controls*

Panamanian Decree No. 631 of August 18, 1951, as amended, prohibits the following types of activity by Panamanian-flag vessels:

- (1) Calls at north Korean or Communist Chinese ports;
- (2) Carriage of war material to Hong Kong, Macau, Far Eastern Soviet ports, or adjacent maritime areas;
- (3) Carriage of war materials to any place from which "there are grounds for suspecting" the war material will be diverted to north Korea or Communist China;
- (4) Calls at Cuban ports, or transportation of any type of goods destined to or coming from Cuba.

## PORTUGAL

*License requirements*

Exports to all foreign destinations are subject to prior registration or license control. Exports to Portugal's overseas provinces have been exempt from the license requirement since August 14, 1962. Licenses are not approved for export of strategic materials to the Soviet bloc. Licenses for export of strategic material to other areas are granted only after assurance has been obtained that the goods will be imported into the country mentioned in the export licenses as the country of final destination. Portugal implements the IC/DV procedures.

Import and export licensing activities are exercised by the Division of Foreign Trade of the Ministry of Economy and by other delegated agencies. In the Portuguese overseas provinces imports, exports, and reexports are subject to license and exchange control by designated agencies of the provincial governments.

*Transit controls*

Intransit cargo is offloaded under customs supervision and is stored under the complete control of customs officials. If the goods are not forwarded within 60 days a Portuguese reexport license must be secured. The destination listed on the original documents must remain the same, and the goods may not be transformed in any way during their stay in the country. A reexport license is required for all commodities in transit to a Soviet-bloc country even though the reexport takes place within 60 days.

*Financial controls*

The financial aspects of trade control are coordinated with the Ministry of Finance through the Bank of Portugal. Imports and exports are subject to exchange controls, implemented through the prior registration process.

### *Shipping controls*

Portugal does not exercise voyage licensing, but Portuguese vessels plying between Europe and Macau have been instructed not to accept cargo for Macau unless it is covered by a Macau Import Certificate. There are no Portuguese-flag shipping services to Soviet-bloc ports.

## FEDERATION OF RHODESIA AND NYASALAND

### *License requirements*

In case of strategic materials export licenses are issued on submission of an Import Certificate from the importing country. Delivery Verification certificates are required.

Strategic materials are defined by the Federation for export control as:

(1) Implements of war, atomic energy materials of strategic value and items of primary strategic significance used in the production of arms and ammunition and other implements of war, including the following metals: Beryllium, cobalt, tantalum, uranium, lithium, columbite, niobium (columbium), thorium, germanium, titanium, nickel, and any materials containing such metals.

(2) Lead in any form.

(3) Minerals raw and treated (including residues and tailings) which contain by weight at least 0.05 per centum of uranium or thorium or a combination thereof and, without derogation from the generality of the foregoing, including: monazite sand and other ores containing thorium, carnotite, pitchblende and other ores containing uranium.

Arms and ammunition are subject to licensing under other regulations. Exemptions are made in cases of personal property of tourists.

### *Transit controls*

No transit controls are applied to strategic materials *per se*. Strategic materials, along with all other goods in transit, are subjected to normal precautions to prevent evasion of customs duties.

### *Financial controls*

No special financial controls are exercised with respect to strategic materials; the proceeds of all exports have to be transferred to the Federation under existing exchange control regulations.

## SENEGAL

### *License requirements*

Export licenses are required for the following commodities: diamonds, all minerals, peanuts and peanut derivatives, palm kernels and palm oil, poisonous substances, sisal, cotton, rice, millet, corn, and coffee.

Import certificate requirements consist of a "Certificat d'Origine." Export licenses and import certificates are issued by the Bureau of Foreign Commerce.

### *Transit controls*

International transit must be authorized by the Ministry of Finance. Only certain proven firms are entitled to handle such goods. These are the railroad, shipping lines, airlines, and two or three very large transport firms. Transport firms must make a customs declaration and a written guarantee given in case of fraud. This guarantee must be cosigned either by a bank or by a reputable Senegalese firm. Almost all merchandise under international transit is destined for Mauritania.

### *Financial controls*

Foreign exchange is controlled by the Exchange Office, which keeps a strict accounting of all foreign exchange made available to Senegal. It does this by making certain that the license application conforms to the description of goods listed on it as to quantity, price, currency to be paid, et cetera. All foreign exchange earned by Senegalese exporters must be turned in to the Exchange Office for local currency. All foreign exchange is then repatriated to the Exchange Stabilization Fund of the Franc Zone.

### *Shipping controls*

Shipping controls are administered by the Merchant Marine section of the Ministry of Transport and Telecommunications and come under the Senegalese Maritime Code promulgated on March 14, 1962. This code conforms to two international maritime conventions—International Convention for the Protection

of Human Life on the Seas (*Sauvetage de la Vie Humaine en Mer*) and the London Convention on Shipping Lines (*Lignes de Charge*). All national or foreign ships are subject to inspection before leaving Senegalese ports.

#### REPUBLIC OF SOUTH AFRICA

##### *License requirements*

South Africa's export control regulations have remained virtually unchanged in recent years. However, in early 1959 a consolidation of these regulations was made, which includes a list of items subject to export control. This was published in the official Government Gazette No. 1050 of January 23, 1959.

Exporters are required to obtain permits from the Department of Commerce and Industries for the exportation of any item on this list, which includes items considered strategic. In addition to the ordinary export permit required for all items on the export control list, exporters of items classified as strategic must also file with their application to the Department of Commerce and Industries an Import Certificate executed by the intended consignee. This Department has authority to require Delivery Verification whenever it has reason to believe that exported strategic commodities have been diverted, transhipped or reexported in violation of the Import Certificate undertaking.

##### *Transit controls*

South Africa has no foreign trade zones but a large amount of transshipment takes place in the Republic's ports, particularly at Durban and Cape Town, and to a much less significant extent at the international airports in the Republic. In order for goods in transit to be permitted into storage warehouses at these points, the Department of Customs and Excise requires that they be covered by a transshipment bill of lading. By arrangement with the South African Railways and Harbors Administration, shipments of this type are not released for movement out of the country without a boarding and delivery order issued by Customs authorities.

##### *Financial controls*

For all exports, including those of strategic commodities, a foreign exchange declaration must be submitted by the exporter and approved by one of the South African commercial banks authorized to act in this regard in behalf of the Department of Treasury.

##### *Shipping controls*

The harbors and airports of South Africa all come under the jurisdiction of the Railways and Harbors Administration. The loading of any shipment is not permitted by this authority until it receives a collecting and shipping order from the Department of Customs. Customs, on its part, will not issue such an order before it receives from the exporter the necessary export permits and an approved copy of the foreign exchange declaration.

#### THAILAND

##### *License requirements*

All exports from Thailand require approval by the Bank of Thailand as to destination and currency payment terms. No exports are licensed to Communist China and north Korea and only negligible quantities of exports are licensed for the Soviet bloc. No exports to the Soviet bloc are of a strategic character.

All imports are subject to foreign exchange licensing controls. Twenty-three classifications are subject to specific import licensing. The import of commodities from Communist China or north Korea, with neither of whom does Thailand have diplomatic relations, is not approved.

##### *Transit controls*

There are no free port areas in Thailand. Its principal port, Bangkok, is not on the customary trade routes of Communist China or the Soviet bloc.

##### *Financial controls*

Exporters are required to repatriate foreign exchange proceeds of sale and to dispose of these to authorized commercial banks and exchange dealers at freely negotiated rates generally within 7 days after receipt. The Bank of Thailand closely controls all receipts and expenditures of foreign exchange.

## TURKEY

*License requirements*

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

Turkey applies IC/DV procedures with respect to the shipment of strategic commodities.

*Transit controls*

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

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

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

Turkey has established TAC procedures.

*Financial controls*

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

## UNITED KINGDOM

*License requirements*

The export control system in the United Kingdom is similar to but not identical with that of the United States. It is administered by the Board of Trade. Although the present system grew out of measures originally promulgated at the start of World War II, its primary purpose now is the restriction of the flow of strategic goods to undesirable destinations. The United Kingdom security trade control program was instituted in 1947.

The United Kingdom export control mechanism operates in the following manner:

Export control orders which detail the items subject to control are Statutory Instruments, and revisions to them are issued through H. M. Stationery Office. The current orders provide that certain specified goods are controlled to all destinations; certain other specified goods are controlled to all destinations other than the British Commonwealth, the Republic of Ireland, the Republic of South Africa, or the United States of America.

Strict control is maintained over items which are prohibited exportation to certain areas, as, for instance, aircraft, firearms, ammunition, and atomic materials. The exportation of a range of goods of strategic importance to the Sino-Soviet bloc is prohibited.

The United Kingdom has effectively implemented IC/DV procedures.

*Transit controls*

The United Kingdom has had in effect since November 1951 a system whereby certain items 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, Ireland, and the United States. The present control is operated over all goods embargoed to the Sino-Soviet bloc. 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, Communist China, etc., contrary to the wishes of the exporting country.

The United Kingdom also cooperates fully in the implementation of the TAC scheme.

*Transaction controls*

As one of the reinforcement measures to strengthen security controls agreed when the Soviet-bloc embargo list was reviewed in 1954, the United Kingdom introduced a control on merchanting transactions operative from January 7, 1955. This control prohibits the disposal by persons in, or ordinarily resident in, the United Kingdom of specified strategic goods which are situated outside the United Kingdom to any authority of, or person in, the Sino-Soviet bloc, or to any other person if the person disposing of the goods has reasonable cause to believe that the goods will be imported directly or indirectly into the Sino-Soviet bloc. The goods covered by the control are those which are subject to embargo for Soviet-bloc countries.

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**STATEMENT ON THE BERNE UNION<sup>1</sup>**

The Berne Union (founded January 1, 1934) is a forum for discussion of members' commercial credit policies for the purpose of avoiding cutthroat trade warfare through exploitation of unfair competition on government-guaranteed credit terms. Article 2 of the statutes (approved January 29-30, 1962) sets forth the objectives of the Union and the commitments of the members for exchange of information.

Briefly, the purpose of the Union is to work for the rational development of credit insurance in the international field by the exchange of information and views on essential questions of credit insurance.

Thus the Union represents a mechanism for attempting to reach a consensus on acceptable practices rather than a firm agreement on uniform policy. The substance of the consensus will not be found in the statutes or in other formal stipulations.

It can, however, be said that there is endorsement by most Berne Union members of the desirability of a 5-year-or-shorter limitation for designated categories of shipments (common exceptions are shipbuilding and jet aircraft where credit terms go to 7 years), of a 20-percent downpayment and of a rule that the private exporter should bear at least 15 percent of the risk. There may be deviations from the downpayment and share-of-risk rules in particular cases, but members keep each other informed on their practices.

Membership in the Union is by insuring or guaranteeing institutions rather than by governments as such. The guaranteeing institutions of 18 countries are represented. In the case of the United States it is the Export-Import Bank. The countries represented are the United States, Canada, the United Kingdom, Norway, Sweden, Denmark, France, Germany, the Netherlands, Belgium, Italy, Switzerland, Austria, Spain, Israel, the South African Republic, Australia, and India.

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<sup>1</sup> Prepared by the Department of Commerce.

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