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PROVIDING FOR THE CONTROL BY THE UNITED STATES AND COOPERATING FOREIGN NATIONS OF EXPORTS TO ANY NATION OR COMBINATION OF NATIONS THREATENING THE SECURITY OF THE UNITED STATES, INCLUDING THE UNION OF SOVIET SOCIALIST REPUBLICS AND ALL COUNTRIES UNDER ITS DOMINATION

AUGUST 16 (legislative day, AUGUST 1), 1951.—Ordered to be printed

Mr. SPARKMAN, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany H. R. 4550]

The Committee on Foreign Relations, having had referred to it H. R. 4550, to provide for the control by the United States and cooperating foreign nations of exports, and S. 1987, providing for the termination of assistance to foreign countries exporting war materials to Russia and her satellites, and having considered the same, reports H. R. 4550, with amendments, and recommends that the bill do pass.

MAIN PURPOSE OF H. R. 4550

The main purpose of this bill, as amended, is to prohibit "all military, economic, or financial assistance to any nation" which permits the shipment of "arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war" to "any nation or combination of nations threatening the security of the United States." Provision is made, however, for the President to continue aid to certain countries which permit "shipments of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States." The bill also fixes responsibility in a single officer in the executive branch to see that the purposes of the bill are given effect.

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BACKGROUND

Since 1948 Congress has incorporated in foreign aid bills, provisions designed to limit or prohibit the export of war materials to iron-curtain countries from nations receiving United States assistance. (See Public Law 843, 81st Cong., ch. XIII, sec. 1304; and Public Law 45, 82d Cong., sec. 1302.) The last of these actions, the Kem amendment to the Third Supplemental Appropriation Act, became law on June 2, 1951.

The Kem amendment was adopted because of the belief by some Members of Congress that the administration either had not been diligent in giving effect to earlier provisions of law or that the earlier provisions of law had not been specific enough to prevent in fact the shipment of substantial quantities of war materials to iron-curtain countries actively engaged in, or supporting, aggression in Korea.

Prior to, and during the time when the Kem amendment was being considered, a subcommittee of the House Committee on Foreign Affairs, under the chairmanship of Congressman Battle, of Alabama, held executive hearings on the subject of east-west trade, directing "its efforts toward determining the current status of controls of exports to the Soviet bloc by the United States and by other nations"; appraising "the effectiveness of these controls"; and seeking to determine "what legislative action should be taken in order to make the controls of such shipments more effective." On July 16, the full Foreign Affairs Committee approved H. R. 4550, which was passed by a voice vote in the House on August 2.

Meanwhile, the executive branch of the Government operating under the Kem amendment, and relying on a provision that exceptions to the Kem amendment might "be made upon an official determination of the National Security Council that such exception is in the security interest of the United States," had reported a number of such determinations to the Congress. The executive branch took the position that these exceptions were in the security interest of the United States. Some Members of the Congress believed, however, that the administration was using the exception provision of the Kem amendment in such a way as, in effect, to nullify the intent of Congress expressed in the policy portions of the amendment.

On August 9, 1951, Senator Kem introduced S. 1987, which was referred to the Committee on Foreign Relations.

COMMITTEE ACTION

The Committee on Foreign Relations has during the past few years received a number of confidential reports from officers of the executive branch on steps that were being taken informally to encourage nations receiving American aid to limit and prohibit the shipment of war materials to the Soviet Union and its satellites.

A subcommittee under the chairmanship of Senator Theodore Francis Green, of Rhode Island, which visited Western Europe during July 1951, took the opportunity to inquire closely into the extent of east-west trade. The report of the subcommittee noted:

> The subcommittee did learn of some situations in which limited amounts of exports from Western European countries to the east may be justified. For example, foreign officials referred to a number of specific instances in which the export of some materials to the east is in fact a quid pro quo for the acquisition

by the west of much needed critical materials. The situation in Berlin is one which requires particular attention. Since the western sectors of Berlin must live by the export of many of their products to Soviet-controlled areas surrounding them and from which essential foodstuffs are imported, the embargo of exports from western Berlin becomes a matter of considerable political and economic consequence.

It expressed the belief that it is—

* * * most important that east-west trade shall not be permitted to increase the war potential of the Soviet Union at the expense of Western Europe.

Language in legislation, the subcommittee observed—

* * * must be carefully fashioned so that it will not only make congressional intent clear beyond doubt but also so as to enable the Administrator to interdict such trade with tact but certainty.

Based upon this background, the Committee on Foreign Relations considered the issues involved in executive session on August 17, and agreed to report H. R. 4550 to the Senate, with amendments, and recommend its approval.

THE COMMITTEE AMENDMENTS

H. R. 4550, as passed by the House, authorized the appointment of a Mutual Defense Assistance Officer to be responsible for carrying out the purposes of the act and to be compensated at the rate of not to exceed $16,000 per year. His principal job was to determine initially, and on a continuing basis, the items which were—

for the purpose of this Act, arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and those items of primary strategic significance used in the production of arms, ammunition, and implements of war which should be embargoed * * *.

In making these determinations, this officer was to give "full and complete consideration" to the views of the interested departments.

The Foreign Relations Committee agreed that responsibility for protecting the national interest in east-west trade matters should be lodged in one man. It felt, however, that this individual should not be in a position where he might become the head of a separate and new Government agency. The committee, therefore, amended section 102 of H. R. 4550 to make it clear that responsibility for giving effect to the purposes of the act should be lodged in the official to be principally responsible for the administration of the Mutual Defense Assistance Act of 1949, whoever he might be and wherever that function might be carried on in the executive branch.

The committee feels there is good justification for putting responsibility on this officer. He will be intimately concerned with economic problems of the countries receiving aid and will occupy a central position in the administration of foreign aid. He will also be familiar and directly concerned with the military situations of those countries and with the operations of American military representatives in countries receiving military aid. So far as the Congress is concerned, the fixing of this responsibility in the man who administers the foreign-aid programs will enable Congress to look to one man for reports and for the effective carrying out of the provisions of this legislation.

At the time of reporting this bill, the committee does not know precisely the nature of the administrative provisions that will be included in the Mutual Security Assistance Act now being considered

by the Congress. For that reason it has not in this amendment been able to designate with absolute certainty the title of the official who may, under that act, have primary responsibility for coordinating American foreign-aid programs. It is the intention of the committee, however, that the official who may be responsible for the administration of the aid programs under the pending legislation and, in particular, the man charged with giving effect to the main provisions of the Mutual Defense Assistance Act, as amended, shall be given responsibility under this act. Until such time as the proposed Mutual Assistance Program is approved, the present senior official responsible for administering the Mutual Defense Assistance Act of 1949 will be responsible for giving effect to this legislation.

The committee does not want the administration of this act fixed in the President who is too heavily burdened to give the practically continuous attention that this problem requires. Neither does the committee want the Administrator to sit at such a low level in the governmental hierarchy that no effective authority can be exercised over other agencies operating in the field of export control.

In addition to the amendment of section 102, the committee made certain other amendments to bring the draft bill into line with the changed section 102 and to make minor drafting corrections.

NATURE AND SCOPE OF EAST-WEST TRADE

The report of the House Committee on Foreign Affairs contains interesting tables on the scope and nature of east-west trade. The tables from that report which are reproduced below show (1) United States trade with the Soviet bloc, (2) export from the United States and imports to the United States from Soviet bloc states, including those in Asia, and (3) trade between Western and Eastern Europe.

I. United States Trade With Soviet Bloc

United States exports to the Soviet bloc, by country—Quarterly average, 1947–49; quarterly, January–September 1950

[Thousands of dollars]

Quarterly average or quarter	Total Soviet bloc	Czechoslovakia	Hungary	Poland and Danzig	Albania
Total exports, including reexports:					
1947 average	173,381	12,274	3,215	26,926	1,139
1948 average	99,162	5,391	2,007	13,919	86
1949 average	36,138	5,448	1,337	5,842	32
1950:					
First quarter	27,734	3,662	2,348	2,896	153
Second quarter	12,873	3,368	807	1,218	6
Third quarter	26,524	2,610	93	4,271	9
Fourth quarter	4,991	903	230	539	1

Quarterly average or quarter	Rumania	Bulgaria	U. S. S. R.	China and Manchuria
Total exports, including reexports:				
1947 average	3,770	368	37,308	88,381
1948 average	1,886	522	7,001	68,350
1949 average	802	347	1,662	20,668
1950:				
First quarter	467	186	180	17,842
Second quarter	851	212	395	6,016
Third quarter	153	353	36	[1] 18,999
Fourth quarter	538	106	141	2,533

[1] Of this amount $17,204,000 is cotton.

II. United States Exports to and Imports From Soviet Bloc and Asia

Total United States export and import trade with the Soviet bloc of Eastern Europe and Asia, by country

[Value in thousands of dollars]

EXPORTS FROM THE UNITED STATES, INCLUDING REEXPORTS

	1947	1948	1949	1950	
				Year	Fourth quarter
Total, Soviet bloc	693, 354	396, 639	144, 550	72, 382	4, 991
To—					
Albania	4, 556	344	127	169	1
Bulgaria	1, 471	2, 086	1, 389	857	106
Czechoslovakia	49, 094	21, 563	21, 792	10, 543	903
Estonia	8	7	17		
Hungary	12, 859	8, 029	5, 348	3, 478	230
Latvia		1	X		
Lithuania	16	115	12		
Poland and Danzig	107, 705	55, 675	23, 367	8, 924	539
Rumania	15, 079	7, 542	3, 209	2, 009	538
U. S. S. R	149, 069	27, 879	6, 617	752	141
China	353, 498	273, 398	82, 673	36, 974	2, 532
Manchuria				8, 676	1

GENERAL IMPORTS TO THE UNITED STATES

Total, Soviet bloc	224, 946	233, 483	173, 768	226, 306	65, 470
From—					
Albania	8			43	8
Bulgaria	4, 651	831	1, 664	2, 348	667
Czechoslovakia	23, 210	22, 125	20, 875	26, 606	6, 543
Estonia	X	X	X	X	
Hungary	1, 501	1, 613	1, 756	1, 864	569
Latvia		6	1		
Lithuania	X	10	7	2	
Poland and Danzig	1, 335	1, 249	3, 335	11, 136	2, 451
Rumania	435	480	584	282	155
U. S. S. R	77, 102	86, 825	39, 193	38, 242	5, 469
China	116, 705	120, 345	106, 352	145, 783	[1] 49, 610

Prepared in the Department of Commerce by International Economic Analysis Division, Office of International Trade, from basic data of the Bureau of the Census, March 1951.

See footnote on following page.

III. Trade Between Western and Eastern Europe

Western Europe:[1] *Trade with Eastern Europe,*[2] *1948–49 and January–June 1950*

[Value in thousands of dollars]

	Exports			Imports		
	1948	1949	January–June 1950[3]	1948	1949	January–June 1950[3]
Total trade	582, 457	765, 012	267, 636	890, 266	888, 636	323, 903
Selected commodities or groups:						
Livestock	3, 443	1, 900	----------	675	7, 391	5, 979
Meat	2, 080	7, 907	621	13, 974	32, 319	20, 678
Foodstuffs	39, 561	32, 998	11, 179	35, 520	51, 943	15, 971
Grain	1, 112	4, 388	1, 803	181, 314	133, 475	62, 193
Sugar	121	14	3	8, 676	15, 933	6, 881
Tobacco	408	5, 871	5, 670	4, 362	5, 407	1, 359
Fats and oils of animal and vegetable origin	31, 476	30, 821	3, 211	5, 361	2, 238	3, 427
Wood and wood products	3, 892	9, 453	1, 607	55, 633	56, 619	11, 094
Pulp and paper	13, 225	8, 654	3, 601	14, 194	6, 339	2, 249
Rubber and products	2, 977	3, 713	2, 691	2, 094	1, 972	613
Hides and skins	901	1, 718	1, 063	306	954	37
Wool	35, 044	33, 413	10, 796	172	1, 466	106
Textiles	38, 204	39, 344	23, 242	39, 949	38, 031	11, 429
Asbestos	396	----------	----------	640	1, 561	448
Precious stones	27	1, 752	38	1, 339	618	213
Petroleum products	626	----------	42	4, 459	2, 043	598
Coal and coke	1, 737	564	1	208, 074	203, 451	61, 069
Iron and steel and manufactures	23, 285	33, 247	30, 020	37, 506	34, 470	9, 531
Copper	6, 504	14, 048	4, 804	617	256	42
Zinc	3, 022	3, 439	485	355	274	3
Lead	126	3, 845	1, 402	794	278	42
Tin	5, 525	6, 077	4, 570	3	----------	----------
Minerals	3, 547	12, 503	1, 389	6, 516	9, 016	1, 665
Metal ores including ferroalloys, primary materials	2, 976	16, 467	6, 209	4, 675	9, 609	1, 163
Chemicals (includes pharmaceuticals, dyes, and paints)	43, 151	53, 196	14, 819	11, 991	17, 020	10, 746
Electrodes	712	286	----------	174	579	----------
Electrical apparatus	4, 968	17, 049	1, 097	46	25	----------
Machinery and apparatus	93, 561	164, 770	78, 126	28, 665	22, 252	9, 571
Transportation equipment	26, 932	29, 757	8, 729	11, 456	27, 076	8, 940
Ships	323	1, 017	800	12	----------	----------

[1] Western Europe includes Austria, Belgium-Luxemburg, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Switzerland, Sweden, Turkey, and the United Kingdom.

[2] Eastern Europe includes Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, and U. S. S. R. Finland and Yugoslavia are not included.

[3] The January-June 1950 figures exclude the trade of Portugal, Switzerland, and Turkey. For the full year 1950 the value of Switzerland's exports to Eastern Europe (ex-Finland and Yugoslavia) amounted to $75,172,000. The value of imports for the same period amounted to $44,495,000.

Note.—The figures shown above should be interpreted as rough estimates and not as an accurate tabulation of the trade of Western Europe with Eastern Europe. The data was assembled from compilations made from the published sources of the Western European countries which were based on principal commodities only. The figures in the above tabulation, therefore, do not necessarily represent the entire trade in the individual items with Eastern Europe. Any unidentified balance would be included in the "all other" category of the commodity group. Arbitrary decisions had to be made in an attempt to match the basket group with the list of selected items; thus, the margin of error is probably substantial.

SUMMARY PROVISIONS OF THE BILL

1. The bill declares it to be the policy of the United States to embargo the shipment of "arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war to any nation or combination of nations threatening the security of the United States * * *"

2. It is also declared to be the policy of the United States not to give "military, economic, or financial assistance" to any nation unless it embargos such shipments.

3. Responsibility for carrying out the purposes of the act is fixed in a single official who is to be the same as the official responsible for the administration of the Mutual Defense Assistance Act of 1949, as amended, and as it may be amended in the future.

4. This Administrator is to have responsibility, after full consideration of the views of the interested agencies, to determine the items which for the purposes of this act are to be embargoed. His determinations are to be "continuously adjusted to current conditions * * *."

5. If the Administrator recommends the termination of military, economic, or financial assistance to any nation, after such nation has had 60 days' notice of the items covered by the Administrator's list, all military, economic, or financial assistance "shall * * * be terminated forthwith."

6. Insofar as the proposed embargo extends to items "other than arms, ammunition, implements of war, and atomic energy materials", the President may on the advice of the Administrator direct the continuance of assistance "when unusual circumstances indicate that the cessation of aid would be clearly detrimental to the security of the United States."

7. Provision is made for reports to selected congressional committees of the lists of items to be embargoed and for analysis of trade with Soviet bloc countries.

8. Provision is also made for regulation of the export of commodities, other than those covered by title I of this act, to nations threatening the security of the United States, and negotiations to control the export of such items not subject to embargo by countries receiving aid shall be carried out if the Administrator judges they should be controlled.

9. The bill makes it clear that the Administrator is to "coordinate those activities of the various departments and agencies which are concerned with security controls over exports from other countries."

PRINCIPAL DIFFERENCES BETWEEN THE KEM AMENDMENT, H. R. 4550, AND S. 1987

The Kem amendment, H. R. 4550, and S. 1987 are similar in that they accept the general proposition that the United States will not give assistance to any foreign nation which permits the export of arms, ammunition, or military material to the Soviet Union or any of its satellites when such material might contribute to the strength of the Soviet states.

H. R. 4550 and S. 1987 are broader in scope than the Kem amendment in that they provide not only that no economic and financial assistance shall be given, but also that no military assistance shall be given in the event embargoed items are shipped to the Soviet bloc. Moreover, H. R. 4550 and S. 1987 would continue in effect despite any cease-fire in Korea which would not be the case with the Kem amendment.

H. R. 4550 and the Kem amendment are similar in that they each provide a method whereby there may be exceptions to the absolute prohibition of aid to foreign countries that may be trading with the Soviet states.

The Kem amendment authorizes exceptions to the blanket prohibition of aid "upon an official determination of the National Security Council that such exception is in the security interest of the United States." H. R. 4550, on the other hand, permits no exceptions to be made to the general rule with respect to trade in arms, ammunition, implements of war, and atomic energy materials, but it does permit exceptions to be made with respect to other materials, provided the exception is in the security interests of the United States. S. 1987, however, would permit of no exceptions with respect to the materials to which it would apply and these materials include "arms, armament, or military matériel, or articles or commodities (1) which the Secretary of Defense shall have certified * * * are likely to be used in the manufacture of arms, armament, or military matériel, or (2) * * * would be refused export licenses, by the United States in the interest of national security."

The fundamental difference between H. R. 4550 and S. 1987 is that H. R. 4550 recognizes that there may be cases in which the Executive should have discretion to continue giving assistance to certain foreign nations even though they may be engaged in some trade with the Soviet and satellite states in materials other than arms, ammunition, implements of war, and atomic energy materials. In exercising this discretion under H. R. 4550, the President must take into account the contribution these nations are making to mutual security and the importance of such assistance to the United States.

S. 1987 does not permit discretion to deal with such cases, despite the fact that it may be in the national interest to continue such aid.

H. R. 4550 would make the President responsible if such aid is continued. S. 1987 would eliminate any element of discretion on the part of the Executive once the list of items to be embargoed is prepared by the Secretary of Defense.

CONCLUSION

The committee believes that the security interests of the United States with respect to trade between nations receiving American military, economic, and financial assistance can best be protected if responsibility is clearly fixed in the executive branch to take action to prevent aid going to countries which export war materials to the Soviet and satellite states. H. R. 4550 has that effect.

The committee believes that some discretion is necessary with respect to the shipment of materials other than arms, ammunition, implements of war, and atomic energy materials to Soviet states, since there are undoubtedly a number of instances in which such trade might, on balance, be essential to the security interests of the United States and to the free world generally.

The committee believes that responsibility for exercising this discretion must be clearly fixed. H. R. 4550 makes this determination a responsibility of the President.

The committee recommends the early approval of this bill.

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