

THE 1950-57 PERIOD: THE GROWING DIFFERENTIAL IN CONTROLS

This period—ushered in by the Korean conflict—initially saw a high level of control, and a reasonably high degree of agreement between the allies regarding the necessity and value of trade controls.

It was during these years, too, that controls over free world shipping—especially that engaged in the China trade—became a major element in U.S. international trade relations. “Flag of convenience,” neutral country and long-term allied ship charter to Sovbloc nations and Communist China became the target of U.S. diplomatic pressure. During the Korean conflict these problems became especially acute and, in general, U.S. efforts were successful in stemming the involvement of free country shipping in intrabloc trade. Little impact, however, was made on western shipping engaged in carriage of so-called “peaceful” goods to Communist China and this led to unilateral U.S. measures such as bunkering controls, denial of use of U.S. ports and blacklisting of vessel fleets of a common owner from participation in U.S. Government financed cargoes—especially foreign aid.

These latter types of restrictive measures were short lived and largely related to the Korean struggle. In most respects they were psychological in their intent and impact; they had relatively little effect on intrabloc goods movements. Nevertheless, they were considered an appropriate adjunct to the military measures being undertaken in Korea in response to Communist aggression (a similar situation to that of North Vietnam today). It is noteworthy, however, that even in the wartime circumstances of those days there was western unanimity only as it related to denying Communist China strategic materials and war materials on a longer list than that multilaterally agreed for denial to the Sovbloc in Europe. No other major trading nations have followed the U.S. policy of virtually complete trade and financial embargo of Communist China which still exists in full force today because of the persistence of Chinese hostility, vituperation and aggression.

As noted earlier, this period was further marked by the traumatic effect of McCarthyism on U.S. foreign affairs—initially related to China trade and later more broadly addressed to terrorizing the U.S. political countryside. This was widely held by the Europeans to have contributed to a “freezing” of the U.S. position on East-West trade controls, and immediately following the Korean war there was soon evidence of a deep and growing official difference of outlook between the United States and the Western European countries and Japan regarding the necessity, utility or relative effectiveness of controls on trade with the Eastern European countries and the U.S.S.R. The fact that this was coupled at the time with Soviet blandishments of large purchase orders and seemingly tempting markets made for even greater strain. And in 1953-54 the Europeans—led by the United Kingdom and France—literally forced a severe retrenchment in the scope and severity of agreed multilateral controls on trade with the European Soviet bloc. In effect, they challenged the purpose and scope of the embargoes and asserted the potential positive value of expanded trade in nonstrategic goods. And this “trade policy gap” which developed between the United States and Western Europe was soon broadened into a “strategic controls gap” since formal U.S. unilateral controls still extended far beyond the diminishing multilateral level—