"Denationalizing" World Shipping: The Impact of Cold War Containment on Western Maritime Enterprise and Administration, 1949-1990

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Following World War II, world maritime enterprise entered a unique phase of regulation that triggered unparalleled changes in Western business relations and activities. Starting in 1949, the US-Western European Cold War trade security body, COCOM, instituted a range of drastic measures intended to monitor and block the shipment of targeted raw materials, finished goods, and military equipment to Communist Bloc countries. The rapid imposition of COCOM regulations spurred almost immediate, dramatic re-alignments in western maritime enterprise, largely negating a return to pre-1939 trade and shipping patterns. Also, COCOM controls quickly super-ceded and challenged the autonomy of individual Western countries to administer home sea ports and maritime-related business activities. Western nations that relied heavily on robust levels of maritime commerce suffered serious losses in terms of global market share and access.

Not surprisingly, many European nations soon bridled against the stringency of Cold War trade controls and measures that limited indigenous administration of maritime economic interests. Despite growing diplomatic and business tensions, COCOM, largely dominated by US interests, maintained its strong grip on maritime enterprise and its regulation well into the 1980s. The long persistence of COCOM interventionism also severely curtailed the advance of globalization in maritime business and world shipping for decades. While highly significant in historic scope and consequence, COCOM regulation of maritime enterprise has not been a topic of extensive scholarly attention. To fill the gap, this study probes the sizable constraints posed by COCOM and the reciprocal impact upon Western maritime business and multilateral relations.

"Security Before Commerce": "Total" Economic Warfare under the Cold War

While modern Western governments have levied extensive trade embargoes and restrictions as strategic deterrents, such actions were taken largely as a simultaneous consequence of war. The re-ascension of commercial activities over military concerns, even if in a highly regulated state, usually followed the cessation of waged wars. Unlike a short, artificial wartime construct, the economic embargo of the Cold War endured, however, for over forty years and operated technically an era of peace. The multinational arrangement of Cold War trade controls also posed a unique, new situation. Despite global at times in scope, stringent economic warfare prior to the Cold War had been distinctly national in the application of authority and administration.[1] While British colonial management and Napoleon's Continental System provided national models for global maritime interdiction and regulation, the arrangement of economic warfare

[1] For overviews of the rise of maritime nationalism, see William A. Lovett, "Maritime Rivalries and the World Market", pp. 1-40 in William A. Lovett, ed., *United States Shipping Policies and the World* Market (Westport, CT: Quorum Books, 1996) and Bruce Farthing, *International Shipping: An Introduction to the Policies, Politics and Institutions of the Maritime World* (London: Lloyd's of London Press, 1987), pp. 7-11; 20-26.

devised by the United States and its Western allies after 1945 instituted new, multilateral forms of world trade monitoring and control. Also, as one British official noted in 1954, “security before commerce” instead of “security and commerce” served as the early guiding principle for a Western trade controls system, which led to the implementation of draconian measures with unintended economic consequences.

Idealism over experience marked then the efforts of Western governments to initially fashion a multilateral system of world strategic trade controls. Indeed, prior to the Cold War, the imposition by the West of coordinated embargos proved indiscriminate and rare with questionable economic impact. Even when united to levy controls in peacetime, Western governments tended to shy away from including essential materials and resources that would severely limit the economic and military capabilities of an offending nation. Such was the case in 1935-36 when the League of Nations decided to impose sanctions against Italy in order to deter Mussolini's war on Ethiopia but, nevertheless, shied away from cutting off Italian access to Arab oil supplies.[2] As a follow-up measure to its 1937 oil and scrap metal embargo against Japan, the United States persuaded South American countries to cease trading in supplies and materials, especially chemicals, tin, and rubber, with all Axis powers. By 1940, the United States and Canada also entered into a mutual security pact that prohibited any trading of military equipment and materials with countries outside of the Atlantic Alliance. While engaged in multilateral embargo, the United States and its continental allies managed to keep a fair level of overseas commercial activity and access open under a thin shield of political neutrality.[3]

The realization of total multilateral economic warfare, or the blocking of vital materials and supplies intended to retard the growth of an enemy's domestic as well as military capabilities, only came fully into fruition then with the establishment of COCOM and its enforcement of anti-communist trade measures. As noted by Alan Milward and Robert Pollard among others, the feasibility of a shared Western framework for postwar strategic trade control stemmed primarily from the success of the comprehensive network of allied trade embargoes achieved during World War II.[4] Managed by the United States under the Foreign Economic Bureau (FEB), later renamed as the Foreign Economic Administration (FEA), the Allied wartime system of import-export controls located and re-directed key strategic resources, materials, and supplies in virtually every part of the world.[5] As military historian **Alan Millet and Murray Williamson** have noted, the massive production and close coordination of Allied military equipment and supplies enabled the occurrence of effective deployments to battlefield units resulting in subsequent victories.[6] By the end of 1945 then, Western nations, especially the United States, certainly possessed the administrative knowledge and

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[2] George W. Baer, "sanctions and Security: The League of Nations and the Italian-Ethopian War, 1935-1936," *International Organization* 27 (Spring 1973), 165-79.

[3] S. McKee Rosen, *The combined boards of the Second World War; an experiment in international administration* (New York, Columbia University Press), 1951.

[4] Alan Milward, *war, Economy, and Society, 1939-1945*, (Berkeley, CA: University of California Press, 1977) and Robert Pollard, *Economic Security and the Origins of the Cold War, 1945*-1950 (New York: Columbia University Press), 1985.

[5] The FEB and then FEA were administered by Henry Wallace who, after leaving as US Vice President, was replaced by Washington-based lawyer Dean Acheson. Under Acheson, the FEA investigated and managed thousands of import-export licenses and restrictions levied by the Allied joint strategic boards.

[6] Millett and Williamson, *Military Organization and World War II*

capabilities necessary to impose and manage a worldwide system of strategic trade controls and embargos.

At the end of World War II, however, the political momentum in terms of world trade pointed in the direction of a swift relaxation, not build-up, of strategic barriers and economic controls. A return to laissez-faire over interventionism marked the mood and policies of the US 80th Congress in the area of foreign economic involvement as legislators ignored requests by State Department officials for funding to assist in the "reconstruction of European economies", continue Lend-Lease aid under the Foreign Economic Administration (FEA), and re-subsidize the depleted United Nations relief agency UNRRA fund in September 1945.[7] Eager to reverse price and raw materials controls, American policymakers looked to satisfy domestic demands for the restoration of pre-war business conditions and a commercial climate unhindered by war.

At first, the United States and its allies remained confident that Europe would recover swiftly as overall industrial production in many countries had been restored to 60% of prewar levels by 1946. Such hopes became excessively buoyant as France, Belgium and the Netherlands went on to achieve nearly 90% of prewar production rates with Great Britain and Norway exceeding pre-1939 levels by 10% to 15% in the spring of 1946. However, on-going interruptions in the British and German coal markets began to severely hamper European steel production, which fell by over 40% in 1947. Disrupted consumer and financial markets, depleted tax bases, currency shortages and illegal profiteering ensued and continued to constrict business capital as well as limit the accumulation of state revenues for recovery. Harsh weather conditions in 1946-47 only further added to the woes of European nations as agricultural production experienced a 20% to 30% drop by the spring of 1947.[8]

The expansion of the Soviet Union into Eastern Europe, along with its acquisition of atomic secrets by 1947 also caused American and Western European policymakers to further fear the "systematic disintegration" of transatlantic economic recovery.[9] After a fragile set of political compromises quickly negotiated in 1948 among liberal and conservative factions, the United States extended to allies arrayed in the Organization of European Economic Cooperation (OEEC) a $13 billion aid package as a stout correction for worsening recovery conditions. The lack of anti-communist objectives in the European Recovery Program (ERP), largely an economic rehabilitation package, led many conservatives in the US and abroad to push for stronger trade containment and military security measures. Following in the diplomatic triumph of the ERP, American and European lawmakers looked to multilateral cooperation again as a means of thwarting communist expansion.

To address the problem of Soviet military aggression, the US and its European allies built on discussions initiated at conferences at Lisbon and Bologna in 1946-1947 and

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[7]J. Blum, *V Was for Victory: Politics and Culture During World War II* (New York: Harcourt Brace, 1976), pp. 310-312 and U.S. Department of Commerce, *Foreign Aid by the United States Government*, (Washington, DC), pp. 16-17.

[8]Summaries of European postwar economic problems in United Nations, *Survey of the Economic Situation and Prospects of Europe*, Economic Cooperation Administration, *Third Report to Congress*, and M. Hogan, *The Marshall Plan* (Cambridge: Cambridge University Press, 1987). For an alternative view of European economic conditions from 1945-1947, see A. Milward, *The Reconstruction of Western Europe* (Berkeley, CA: University of California Press, 1984.

[9] See M. Leffler, *A Preponderance of Power*, (Stanford, CA: University of California Press, 1993), pp. 102-104.

subsequently created the North Atlantic Treaty Organization (NATO) in the spring of 1949. Capitalizing on the momentum raised by the NATO agreement, US officials began holding a series of "informal multi-lateral consultations" with various nations in the Western alliance "on the complex problem of strategic [trade] controls" and proposed using World War II "export control lists ... as the basis for discussion."[10]

By November 1949, the coming of a coordinated system of Western trade controls advanced significantly with the formation of "an informal Consultative Group" to meet regularly in Paris to "exchange ... views ... on a more systematic basis." Known only as the Consultative Group (CG), the ex-officio body boasted that it had "no direct connection to any US or European government agency, NATO or the OEEC." Yet, this amorphous body managed to guide for over forty years the formal organization and stringent enforcement of an extensive array of unprecedented world trade controls.

Shrouded in Cold War secrecy, the CG "working group," comprised of un-identified representatives from the United States, the United Kingdom, France, Germany, the Netherlands, Belgium, Norway, and Denmark, began its work in the spring of 1950 levying heavy import-export restrictions on raw materials, finished and semi-finished products, and other kinds of equipment deemed as "of high strategic importance."[11] As the CG increasingly required technical data and scientific clarifications to determine the military value of items under consideration, it formed a sub council, the "Coordinating Committee" to acquire and report out detailed research and information gathering tasks. Retaining the same anonymous status as the CG, the Coordinating Committee or "COCOM" also set up its own elaborate system of working groups staffed with scientists and technical experts to evaluate and compare the military capabilities and applications of items under review. Complex comparisons of the various production methods, technical and scientific processes, business conditions, and shipping traditions of the member nations related to targeted items soon became a critical, all-consuming task.[12]

Despite COCOM's formation, the US Congress increased pressure for the adoption of a "hard and swift" trade split worldwide by passing the 1949 Export Control Act which prohibited American firms from trading in a wide range of raw materials and goods overseas. Frustrated with the slowness of CG and COCOM deliberations, American policymakers took unilateral steps to through the passage of the Mutual Defense Assistance Control Act (Battle Act) in 1951 and the Thye Amendment in 1952, which prohibited aid to any European government actively trading with Communist Bloc countries.[13]

Faced with losing critical US recovery aid, the CG and COCOM managed to draw up a set of embargo lists over the course of 1950 and 1951. The unwieldy size and overly restrictive composition of the lists, however, sparked endless, contentious debates between the United States and its European partners, particularly as the Cold War wore

[10] Ibid, pp. 20-21.

[11] As of 1951, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, Luxembourg, The Netherlands, Norway, Portugal and the United Kingdom had agreed to participate in the Consultative Group, COCOM and the ensuing "ICDV" system. By 1953, Greece and Turkey also joined the group. Austria, as a result of its reliance on trade with Eastern Europe, and Spain remained notably absent from the list. *Worldwide Enforcement of Strategic Trade Controls*, pp. 22-23.

[12] The full records of the CG and COCOM deliberations, including the reports of the technical subcommittees are available at the Archives Diplomatiques, Ministere des Affaires Etrangeres (ADMAE), Paris, France.

[13] Mutual Defense Assistance Control Act of 1951, *Reports to Congress*, no. 1, October 15, 1952.

on into the 1960s. At first, the COCOM members seemed to agree that the lists contain items immediately discernable as "strategic" or "militarily sensitive" in importance. As a result, the original list or "Class 1A" drafted in January 1950 included 167 items such as "specialized machine tools (40 items), petroleum equipment (15 items), chemicals and chemical equipment (31 items), precision scientific and electronic equipment (42 items), and certain non-ferrous metals (12 items)."[14] Each country then faced informing already struggling business communities at home of the restrictive status of targeted items. In the case of the United States, it fell to the Department of Commerce to issue an extensive guide listing all embargoed items and divulging new import-export restrictions.

Negative business reactions, especially among European nations, spurred the CG and COCOM reorganize the controls into three lists; List IA with 144 items that remained strictly embargoed, List II comprised of limited exportable items, and List III for items under consideration for restriction and control. The refined lists lent little comfort to American and European firms, however, as overzealous U.S. officials in the Mutual Security Administration (MSA) forced an expansion of the COCOM list to over 450 items including such seemingly innocuous substances as Chinese hog bristles and the consumer plastic, Bakelite by 1954.[15] While initially intended to block the importation by Communist Bloc countries of specific military materiel and equipment, the network of COCOM embargoes quickly became enlarged to encompass virtually every aspect of Western trade by 1959.

Scholars who have reviewed the effectiveness of the COCOM and other Cold War strategic trade controls tend to disagree on the outcome of such measures. Anthony Sutton and Gunnar Adler-Karlesson maintain that Soviet and communist bloc economic growth "was retarded only marginally" through the controls while Western nations loss vital access to emerging markets in Eastern Europe and Asia.[16] Conversely, other scholars including Roger Carrick and Peter Wiles have argued that COCOM stands as an outstanding symbol of success for the West and embodied its original intention to serve as "a minimally hostile act in order to preserve the peace."[17] Yet despite its pronounced position, COCOM, according to Michael Mastanduno, has been "relatively understudied" in terms of its "long-term consequences of the committee's regulatory policies" in the re-configuration of world trade after 1945.[18] As a welcomed complement to diplomatic studies, new works are emerging that trace the impact of COCOM controls on US and

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[14] Michael Mastanduno, *Economic Containment and East-West Trade* (Ithaca, NY: Cornell University Press, 1993), pp. 69-70.

[15] See Jacqueline McGlade, "The Illusion of Consensus: American Business, Cold War Aid, and the Reconstruction of Western Europe, 1948-1958", Ph.D. dissertation, (University of Michigan Microfilm Publications), 1995, Ch. 8 and also Office of Technology Assessment, *technology and East-West Trade* (GPO, 1979), p. 156.

[16] Gunnar Adler-Karlssen, *Western Economic Warfare 1947-1967. A case study in foreign economic policy* (Stockholm: Almqvist & Wiksell), 1968, Chs. 8 and 9 and Anthony Sutton, *Western Technology and Soviet Economic Development, Vol. III: 1945-1965* (Stanford: Hoover Institution Press, 1973), p. 54.

[17] See Roger J. Carrick, East-West Technology Transfer in perspective (Berkeley, CA: Institute of International Studies, 1978) and Peter Wiles, *Economic institutions compared* (New York: Wiley), 1977. Also see, U.S. Congress, Joint Economic Committee, Subcommittee on Foreign Economic Policy, *A foreign Economic Policy for the 1970s: Part 6*, hearings, 91st Congress, 2nd session, December 7-9, 1970, p. 1242.

[18] Michael Mastanduno, *Economic Containment: CoCom and the Politics of East-West Trade* (Ithaca, NY: Cornell University Press), 1992, pp. 4-5.

European business sectors. However, the larger context of COCOM changes in world maritime activities and regulation remains central to fully understanding the dramatic affect that Cold War controls had on Western commerce.

The Importance of Maritime Regulation in the East-West Trade Split

Almost immediately, COCOM controls led to deleterious consequences as its measures forced painful market re-alignments along East-West lines without a significant transition period. As a result, a number of Western firms experienced disrupted or abruptly severed relations with government officials, business partners and critical suppliers in Communist Bloc countries. The fashioning of real geographic barriers through COCOM also placed dramatic constraints on the transfer of technology and technical knowledge, conditions for business innovation, and access to and development of new markets. Most disturbing for most European governments and companies was the loss of national trading advantage usually gained through bi-lateral treaties, autonomous negotiations, and indigenous administration of commercial legislation.

These damaging conditions arose then largely as a result of the ascendancy of COCOM controls over national prerogatives in worldwide import and export markets and the shipping of embargoed raw and finished goods. The re-structuring of global maritime trade under COCOM occurred under three main areas: 1) the imposition of multilateral import-export administration through the ICDV reporting and tracking system, 2) embargoed maritime business activities, e.g., ship and equipment sales, ship repairs, sales of naval stores, port services, etc., and 3) levying of ad hoc restraints through frequent multilateral reviews resulting in restrictive quotas, re-shipments, sea navigation, and ports access. Close examination of the coming of COCOM maritime regulation reveals not only the extreme strains placed on Western business but also the fractious state of multinational relations and solidarity.

The IC/DV import-export verification system stands as the most predominant yet reviled by-product of COCOM multilateralism. Since its beginning in 1949, the CG had targeted and considered items for embargo in a relatively haphazard fashion.[19] By the early 1950s, the CG largely deferred to COCOM the placement and monitoring of a ballooning set of embargoed products and items. Under pressure to enforcement the new embargo lists, COCOM devised by 1951 an elaborate system under which participating nations had to secure an "Import Certificate" (IC) and a "Delivery Verification" (DV) for all cargo shipments.[20] While the integration of land shipments into the IC/DV regulation system drew little debate, COCOM European delegates vigorously and consistently protested against similar arrangements for the monitoring of maritime import-export transport, containers inspection, and ports traffic.[21]

An examination of the debates surrounding the IC/DV exposes the virtually uncompromising nature of national interests related to post-1945 maritime enterprise. Presently, historians have focused on the strict embargo of exports in sensitive

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[19] Mutual Security Administration, *World-wide Enforcement of Strategic Trade Controls* (Washington, DC: GPO, 1953 pp. 20-21.

[20] Ibid, pp. 20-21.

[21] See ADMAE, Folders 53 and 640 for comprehensive transcripts of CG and COCOM debates from 1949-1964.

technologies and goods, e.g., computers, integrative electronic components, scientific and communications equipment, ball bearings, automated machinery and machine tools, etc. along with restricted access to raw materials such as coal, oil, and manganese as the central "flashpoints" of multilateral friction in COCOM. Surprisingly though, the most contentious COCOM discussions did not rest with innovation enterprises, but with the continuation of older industries and markets involving maritime trade and transport. Arguably then, maritime enterprise heavily rooted in national perspectives, practices and prerogatives more than innovation industries unearthed and drove a serious, if not fatal schism in COCOM embargo coordination and effectiveness.

From the start of CG deliberations in the spring of 1950, maritime issues quickly separated the aims of the United States from that of other member countries. While the CG agreed quickly in first meetings on embargo procedures for manufactured items, it could not reach consensus on related shipping matters. Instead, the CG voted to defer any specific measures stating on May 31, 1950 that a "special formula to cover the special status of tankers, transit trade, exchange information, and [import-export] trade agreements" would require further study and discussion.[22]

For the United States, the delay proved frustrating as policymakers sought immediate agreement on Communist Bloc shipping activities, import quotas and a system for export cargo monitoring and interdiction. However, many European member nations had negotiated as early as 1946, lucrative, and in some cases, necessary trade agreements with Communist Bloc countries. The trade treaties largely re-invigorated existing import-export business conducted prior to 1939 between Western and Eastern European countries and the Soviet Union. In general, the agreements afforded Western nations the essential opportunity to export surpluses and special orders of low tech finished goods while receiving critical raw materials such as coal, manganese and foodstuffs from communist partners.[23]

With less than 10% of its GNP rooted in foreign trade (figure that would not move substantially upward until the 1970s), the United States often underestimated, and worse summarily dismissed the importance of Western European-Communist Bloc exchanges in its push for "hard and swift" trade containment. American expectations were partially justified in 1950 as Western. European exports to the Soviet Bloc sat at $700 million in goods and in turn absorbed $800 million in imports – figures that constituted less than ½ of pre-war import-export volume and only 3 % of W. Europe's total foreign trade. While seemingly small, the "relative importance of [communist] trade" increased as countries ere examined apart from the Western European Bloc. In the case of Austria, Eastern European trade constituted 16% of its exports while only 1% for France. The Soviet Union received 80% of Norway's primary exports in aluminum, fish and fish oils and received in return essential supplies of coal, grain, and manganese. The 11 million tons of Polish coal exported in 1950, only represented 2% of total European coal imports but constituted 40% of Denmark's supplies. Overall, half the value of Western European imports were concentrated by 1951 in three commodities: coal, grain and timber, which remained critical resources for many countries still struggling with industrial recovery.

[22] ADMAE, Folder 4 CC Doc Annex A, CG Discussions 1950-56, Proceedings, May 31, 1950.
[23] For a comprehensive list of the Western Europe and Communist Bloc import-export and barter agreements, see ADMAE, Folder 7 CC Doc 1225 Coordinating Committee Report to the Consultative Group, June 18, 1952-May 5, 1953.

Similarly, Western Europe imported 7 million tons of coarse grain for livestock from 1951-1952 with 1 ½ million coming from the Soviet Union which could not be replaced from other sources including the United States. The same case applied to rough sawn wood which 20% needed to be imported with ¼ of that amount supplied by the Soviet Union. More importantly, ¼ of European bread grain supplies or 13 million metric tons required again a Soviet import of 1 million tons. These Soviet imports comprised 36% of Norway's total grain supplies, an ongoing condition that would persist in many smaller Western countries with traditionally low agricultural yields even after recovery.[24]

For the most part, the shipping of Western European and Communist Bloc imports and exports involved marine transport and movement through sea ports, in some cases with over 95% of trade carried out through water channels. Conversely, the United States merchant fleet had experienced a steady decline in the numbers of ships and tonnage transports prior and after World War II. From a high of 50.8% of world tons, the US share of world commercial shipping dropped to 34.7% in 1955 and 19.4% by 1960 moving into the single digits by 1970 (in 1985 US share sat an 3.6% where it remains today.)[25] In comparison, the World fleet, comprised mainly of the UK, France, Italy, Japan, and Norway, expected, and indeed, relied on the restoration and expansion of commercial shipping and shipbuilding to offset reductions in military fleets and investment.

Understandably then, Western European countries became increasingly alarmed as the US pressed even harder after the start of the Korean War in June 1950 for greater reductions in Communist Bloc trade and an all-out secession in shipping activities. Again, the United States failed to recognize the core importance of maritime enterprise in Western European economies. Just two years previous in 1948, American policymakers had overridden considerable protest from domestic business communities over the decision to support the recovery of European shipping through the "50-50" rule for the transatlantic transport of Marshall Plan exports and supplies.[26] Also, corollary agreements under the Marshall Plan in 1948 and 1949 extended to most European nations the ability to modify on their own communist-based trade agreements in support of greater Western security.[27] Now, the United States was demanding, and then forcing through its passage of the Kem and Thye Amendments to the Export Control Act of 1949 in the fall of 1950, that European countries significantly reduce their commercial commitments and shipments to all communist nations.

For European nations dependent on shipbuilding, ship sales and repairs, and sales of naval services and supplies, US expectations posed the strong possibility of severe income losses. Also, much of Western Europe's export and import trade required entry through water ports, the only reliable, cheap transportation channel available even before the war. Overland transport, primarily through rail lines, was extremely expensive and

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[24] Ibid.

[25] Lawrence J. White, *International Trade in Ocean Shipping Services: The United States and the World*(Cambridge, MA: Ballinger Publishing Company, 1988), p. 17.

[26] See Jacqueline McGlade, "The Illusion of Consensus: American Business, Cold War Aid, and the Reconstruction of Western Europe, 1948-1958", Ph.D. dissertation, (University of Michigan Microfilm Publications), 1995 and William Sanford, American Business and the Marshall Plan (Westport, CT: Praeger), 1984.

[27] ADMAE, Folder 4 CC Doc Annex A, CG Discussions, 1950-56, "The CG, COCOM and the International Lists."

limited in scale and scope in terms of tonnage shipping and also remained unreliable due to wartime disruption and destruction. Labor concerns also entered the picture as shipbuilding, repairs and port services comprised a sizable amount of employment for European workers. When combined with a general malaise in economic recovery, the reliance of many Western European countries on an expanding, not contracting base of maritime enterprise and open ports negated US demands to blunt communist trade through stringent shipping quotas and immediate import-export bans.[28]

The case of Denmark highlighted the postwar economic dilemma of several of the COCOM members which still relied heavily on Eastern European imports with alternative sources either non-existent or too costly to consider. In a series of lengthy discussions in January 1950, the Danish delegate outlined his country's import and export situation with the Eastern Bloc. Citing that Danish agriculture was "dependent on imports of grain, oil seeds and oil cakes", the delegate stressed that only "sufficient quantities" of the commodities were possible from Eastern European countries, which also took payments in the form of exports v. hard currency as required by North American suppliers. As a result that Denmark's "dollar situation is expected to remain very difficult", the delegate pleaded for the continuation of Eastern European import-export exchanges as such interactions were "of decisive importance to Denmark's economy" and that "import possibilities from Eastern Europe [be] utilized to the fullest possible extent." Even more important than the agricultural imports, Denmark desperately needed to engage with the Eastern Bloc in the trade of sensitive maritime and industrial manufactures and services. While Denmark had initially paid for many Eastern European imports through the export of Danish agricultural products, the delegate informed the CG "but these exports have now practically ceased since Eastern Europe has become self-sufficient…and it is necessary for Denmark to pay for Eastern European imports with Danish industrial goods." In particular, the Eastern Bloc as seeking to buy ships of 100 tons or more, diesel marine engines, tankers, light fishing vessels, and other marine equipment currently under or proposed for COCOM embargo. Stating that Denmark, "must stand by commitments under the trade agreements concluded with Eastern Europe", the Danish delegate finished his request for greater flexibility in East-West trade engagement by stating that "Danish authorities wish to stress the importance of avoiding that security considerations be given such prominence as to prevent modest exports within reasonable limits thereby seriously jeopardizing Denmark's trade [position]."[29]

Denmark's difficulty over its growing trade imbalance with Eastern Europe was not unique among other European COCOM member states. From 1949-1951, industrial output had shot up 16% in Czechoslovakia, 20% in Bulgaria, 25 % in Poland, 34% in Albania, 38% in Rumania, and overall 13% increases in agricultural yields and outputs. As a result, many items listed for import by Eastern European countries in the 1946 bi-lateral treaties with Western exporters were no longer needed as the volume of volume of commerce between USSR and E. Europe rose to replace 65% of all foreign trade totals, especially in industrial machinery and equipment. Intra Eastern European export-import trade increased substantially as well ranging, in some cases, as high as 145% to over

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[28] Ibid.

[29] ADMAE, Folder 3, CG Papers, 1949-1951, Doc. H2, "Memo on Denmark's Export of Industrial goods to Eastern Europe," January 6, 1950

600% further displacing Western trade. The USSR further countered Western imports by doubling crude oil production to 155,000 tons with 67,000 tons coming from Austrian fields. By 1951, the USSR and Poland started respectively withholding oil and coal exports to the United Kingdom and smaller Western European countries such as Denmark, Norway and the Netherlands, as leverage to receive needed exports of fishing vessels, tankers, and marine, electronic communications, and general scientific equipment.[30]

The Soviet strategies of "markets replacement, mutual economic assistance, and practical exchanges" as embodied through COMECON immediately targeted key sectors embargoed by West, e.g. steel products, industrial machinery, scientific equipment, oil and coal by-products, and marine transport and ship building. Faced with stiff imports barriers in the midst of postwar recovery, Soviet planners had little choice than to re-orient and re-direct its "old markets" and that of Eastern Europe inward to insulate from sharp gaps in critical Western supplies and services. As a result, new patterns began to emerge in East-West trade as early as 1953 in which the exchange of raw materials, low tech goods, and agricultural commodities, which had been the prior principle base for Western European-Soviet bloc trade, was now replaced by high tech industrial goods and supplies. As high tech industrial equipment, and later computers, grew by the end of the 1950s and into the 1960s as the greatest sector for communist exports and potential business markets, Western trade positions also shifted as the United Kingdom emerged as the largest new exporter to the Soviet Bloc, replacing the prewar dominance of both Germany and the United States.

Initially though, Denmark often acted as the lone voice of active concern over potential deleterious East-West trade imbalances. In the summer of 1951, Denmark again challenged the GC, this time over the expansion of COCOM restrictions beyond ship and equipment sales into marine transporting and services. Citing the Danish government's position that "chartering and cargo carrying ought not by studied by COCOM," the Danish delegate questioned "the competence of the Group to decide on shipping [matters]." He went on to state that "transporting services had never been considered as having strategic importance as such" and that "Denmark as a seafaring nation, did find it difficult to accept control on chartering and cargo carrying", not only to the Soviet Bloc but to China as well.[31]

With the US insistence to place maritime shipping and services, other CG members soon joined Denmark, most notably the United Kingdom, France and the Netherlands, in countering COCOM proposals that advanced exclusively "security over commerce" in the fashioning of East-West trade embargoes and monitoring practices. By November 1951, tensions turned to active resistance as European CG delegates moved to reduce US control of maritime-related policymaking. In meetings held in September and October, European members had successfully delayed any approvals of US proposals intended to impose definite East-West controls on the sale of ships, ship repairs and port services, naval supplies and stores, ship chartering, and import-export shipments to communist countries. In these meetings, the United States also proposed the multilateral IC/DV system which would require "1) publication of lists of the destination countries for which certificates will be required for embargoed items, 2) identification of the items which

[30] ADMAE, COCOM newspaper archives, Reel #1
[31] ADMAE, Folder 5, Summary Meeting of CG, August 1, 1951

certificates will be required (this done by starring Positive Items list entries which over List I and II this marking would carry no indication that the items were under export control by other countries) and 3) requiring import certificates be submitted w/license applications for shipments of such items to such countries."[32] On November 10, the European representatives voted over US objections to table any further technical discussions on matters "purely political and at this point on issue of sales of ships" but agree to convene working groups with technical experts to draft a general proposal on maritime enterprise controls.[33]

Forcing an East-West Split: The Battle Act, the IC/DV System, and Black Lists

While the European delegations eventually succumbed in late 1951 and agreed to adopt the IC/DV system, the slowness of COCOM to establish multilateral shipping controls led US policymakers to counter with the Battle Act, intended to accelerate European compliance through the threat of aid termination. Incensed by the heavy-handed nature of the Battle Act, CG European delegates meeting in January of 1952 "pointed out to the US Delegate that the Group had adopted exception procedures after lengthy considerations" and that "enormous difficulties would now arise if recourse to these [Battle Act] procedures involved the risk of withdrawal of all US military and economic aid." The European representatives went on to caution that:

> The fulfillment of prior commitments could not be avoided, especially when vital raw materials from Eastern countries constituted the counterpart. If additional restrictions were to be imposed on trade with the East, it was strongly held that they should stem from decisions to be jointly taken by the Group as a whole and not from unilateral action taken by one member acting alone.[34]

The UK delegate went even further with Danish support to issue the stern statement that "his government regarded it a matter of fundamental importance if the Group were not to be disrupted and if harmonious relationships were to be preserved between members" that "the US would, when applying Battle Act provisions be prepared to abide by the principles and procedures of the Paris Group."[35] While the US delegate tried to re-assure the CG as a whole that "it was not the intent of the [Battle Act] legislation to impair multilateral efforts to obtain adequate security controls" and that exception procedures, temporary suspensions of shipments, outstanding prior commitments and other necessary modifications would be honored over Battle Act provisions for all items "which are not on [COCOM] List I. [36]

This qualification, however, of the inflexibility of items contained on List I and reinforced in the Battle Act for continued, strict embargo heightened not diminished

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[32] ADMAE, Folder 640 CC Doc 479 Sept 4 and 13 1951: Record of Informal CG Discussion on Export Controls.

[33] ADMAE, Folder 640 CC Doc 522 October-November, 1951: Record of CG Discussion on Ships and Shipping.

[34] ADMAE, Folder 4 CC Doc Annex A, CG Discussions, 1950-56: The CG, COCOM and the International Lists.

[35] Ibid.

[36] Ibid.

European concerns over US intentions. Also, the laborious task of issuing the IC/DV licenses, examining, verifying, and some times interdicting, all cargoes leaving and entering the West soon proved an almost impossible feat for many countries. Faced with insufficiently staffed or inadequately trained port authorities, several nations, most notably France, Italy and Germany, posed a series of frustrating challenges for the United States, which remained intent on preserving the integrity of the IC/DV system. While willing to concede to the United States frequently during the Korean War, European CG and COCOM members, nevertheless, took deliberate steps starting in 1953 to scale back, not only the items on Lists I, II and III, but also the extent of import-export quotas and shipping controls as enforced by the IC/DV system.

In initial discussions on the lists in May 1953, France led the way for the European CG bloc in countering a US proposal to "eliminate the difference between the military value of certain items and their civilian value" as a means of tightening embargo controls. Quite the opposite, the French delegate informed the US representative that "having been in favor of secrecy for more than three years, [his government] now considered that the usefulness of the secrecy rule had greatly diminished….and [was] prepared to abandon secrecy on all points on which members reached unanimous decisions."[37] Throughout the spring of 1953, European efforts at relaxation over tighter security as characterized by the French intensified resulting in the first substantial reduction of the COCOM embargo lists and serious challenges to the IC/DV system.

In February, the United States had started a push to regularize trans-shipment, licensing, and financial transactions between COCOM member nations and "countries where there were no regulations [and] appropriate steps could be taken to create them." To stem the illegal activities involved in "entrepot" trade, the US delegate stressed the need for COCOM members to rigorously enforce "the IC/DV scheme with its trans-shipment licensing, transactions and financial controls as part of a single comprehensive control system and making a major step forward towards the prevention of the diversion of strategic goods."[38] In the March-May discussions, however, the European delegates voiced extreme displeasure with the IC/DC system frequently citing its implementation as an encroachment on national maritime policies and enterprise prerogatives.

Again, France led the European bloc's position that the IC/DV system needed serious alteration as it did not correspond with the actual conditions of export-import trade as carried out in most world ports. Some of the problems cited by the French included the use of non-COCOM member countries, most notably Austria, Sweden and Switzerland, of rival and forged import certificates which complicated "end use" tracking of embargoed items, often leading to re-exports to communist countries through non participating foreign ports. Along with France, several COCOM members cited the counterproductive trend that had arisen since the implementation of the IC/DC system of companies and shippers choosing to bypass Western ports whenever possible in favor of unregulated shipping routes through developing countries. The French delegate proposed that other traditional tracking instruments such as cargo manifests, way bills and bills of lading supplement or replace the COCOM Import Certificates (IC) to ease shipping slowdowns, diversions and fraud. The French delegate went on to argue that by accepting additional shipping instruments the Paris Group could "exchange [more] information

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[37] ADMAE, Folder 7 CG Paper XIB June 4, 1953, Summary Record of CG Meeting of May 15, 1953.
[38] Ibid.

about methods employed to divert exports of strategic goods [and] show up existing loopholes and devise additional safeguards."[39]

The German delegate also cited difficulties related to customs processing as officials "frequently found hen attempting to check the end use of a product which had been custom processed in Germany that the principals of that country … questioned the right of the German Guard to make such enquiries since the goods were not German-owned." Attempts by the US delegate to suggest that such goods "should not be released until a Government knows that end use has been approved" or the final destination beyond a non-participating country drew more arguments by France against goods delays and stoppages. Citing French customs laws, the delegate made the point that home port officials could only interdict goods or delay shipments processing "owned by French nationals but not if not French nationals."[40] As a means of tracking end-use and re-exports of shipped goods through multiple ports, the Committee eventually agreed to modify the IC/DV system to include a Transit Authority Certificate or TAC to be issued exclusively and at the discretion of COCOM customs offices.

Overall, however, member discussions increasingly challenged, not only the feasibility of the IC/DV system, but other multilateral controls that had started to impact Western international trade and had drawn negative government and business reactions in many COCOM countries. In particular, the "international watch list", which had been put in place in June 1952 and monitored firms suspected of holding communist ties or engaging in black market trading or questionable financing and re-export activities,[41] spurred several heated discussions. The United Kingdom particularly opposed the centralized administration of the watch list, which the United States compiled and controlled through its Embassy offices in Vienna. The UK delegate argued, with the support of the French, Italian and Dutch representatives, that each COCOM countries should investigate and place its home firms on any "black lists" and carry out surveillance activities, interdictions, and prosecutions through national customs offices and court systems.[42] In arguing for national over COCOM control of illegal traders, the UK delegate characterized an expanded International Black List as "a very delicate matter" with the potential of becoming "extremely long and unmanageable." The UK delegate noted that:

> As the Committee was aware, regions such as the Middle East contained very large numbers of traders known to be affecting transactions which frustrated the Committee's controls. The inclusion of the names of all those traffickers would make the list a most unwieldy instrument. [Also], nationals not subject to laws of the [COCOM] countries [aware] that they were discriminated against … and commercial and economic difficulties with the countries whose nationals they were, might well ensue….It would [also] difficult to apply denials against a trader re-exporting [items] since, according to the laws of dependent overseas territories

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[39] Ibid.

[40] Ibid.

[41] ADMAE, Folder 7, CG Paper IX, June 1952, Secrecy, Criteria, Channels, Inscriptions, Removals, Alternative Names, Summary Dossiers.

[42] ADMAE, Folder 624, CC Doc. 768, June 3 and 5, 1952, Record of Discussions on Black List Codification.

> and colonies the export lists of these territories were not identical to the International Lists and thus, according to the laws of the colony, [such] exports were not subject to control.[43]

In their testimonies, the Italian and French delegates further outlined in detail the "legal and constitutional difficulties" encountered by government and custom officials attempting to enforce the International Black List. In his statement, the French delegate noted that:

> It might prove to be extremely difficult to refuse export licenses to a trader simply on account of his name appearing on an International Black List. The Government could be called to account or their actions before the Conseil d'Etat and they would have very little chance of defending themselves. Furthermore, the publicity which such an appeal would create would cause trouble internally as well as to France's international commercial relations.[44]

In the end, the United States faced with growing opposition and dissension agreed to continue compiling the watch lists, but allowing each COCOM country to decide how best to enforce it when encountering named traders and firms.

Expansion of the IC/DV system to cover trade in the dependent overseas territories and colonies of COCOM countries also sparked controversy and US compromises in 1952. As in the case with the Black List, the US only gained full support for the IC/DV expansion by agreeing to implementation on a "discretionary basis" by COCOM countries. The French delegate went so far as to state that "his Government had no objection to extending the [IC/DV] scheme …they were, however, doubtful as to the practical results that would be obtained."[45]

By 1952 then, European members brought frequently into COCOM discussions the growing difficulties and impractical nature of highly regulated cargo shipping controls amassed since 1949. Led by the UK, France, and Italy, the European Bloc increasingly argued for a return to "home rule" over COCOM coordination in the enforcement of controls and interdiction procedures to counter mounting business concerns and protests. As a leading source of frustration, firms cited foreign competitors who were escaping ICDV procedures by shipping goods to Eastern Europe and Asia through "porous", lightly staffed Western ports and black market distribution networks. Business executives also questioned with greater frequency the secret nature of the COCOM lists, which were only known fully by top government and customs officials. As a result, many Western firms, especially those involved in import-export trade and international cargo shipping, found it increasingly difficult to maintain operations, let alone plan for expansion under the constant threat of unanticipated, untimely and unevenly administered embargoes.[46]

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[43] Ibid.
[44] Ibid.
[45] ADMAE, Folder 642, CC Doc. 775, May 23, 1952, Record of Discussions on Extension of IC/DV System.
[46] See Jacqueline McGlade, "COCOM and the Containment of Western Trade and Relations," in Jari Ojala and Jari Eloranta, eds., COCOM and the Evolution of East-West Trade (University of Jyväskylä Press, 2005).

European Countermeasures to COCOM Maritime Controls

In addition to pushing for the modification of COCOM maritime-related controls and lists in favor of greater self-determination, European members, increasingly acting in bloc, employed several other countermeasures to further blunt US trade centralization aims. The most daring collective challenge to US dominance came as early as 1951, as Denmark, Belgium and France proposed that Japan be invited to sit as a full partner in COCOM. The proposal was most striking as the GC had early on debated and rejected US pressure to include Austria on COCOM as a "swing door" and "watchdog" against illegal traffic into East Germany and Eastern Europe. Already frustrated with its European partners over a lack of resolve to counter the growing level of black market trade and transport occurring in Austria, and also Sweden and Switzerland, the United States initially rejected the startling suggestion of Japan's membership.

The establishment of the People's Republic of China (PRC) and outbreak of the Korean War in 1949-50, however, had already precipitated a shift in American thinking about the importance of Japan due to its increasingly vulnerable position as an industrial capitalist nation in the midst of spreading communism in Southeast Asia. At the time of the COCOM discussions, US strategies for Japanese economic recovery had already moved away from protectionism toward liberalization, encouraging the resurgence of independent business activity and the restoration of competitive export production and market development.[47] American policymakers had already supported efforts to bind Japan closer to the West through the extension of technical and business assistance through the Marshall Plan's USTA&P program. However, the European notion of extending full partnership in COCOM prompted swift US resistance and revealed a lingering atmosphere of American paternalism and hostility toward Japan. Despite such resistance, European COCOM representatives persevered and, after a series of special meetings in Washington, D.C. in 1952, the United States finally acquiesced and extended an invitation to Japan to join the CG steering committee and its auxiliary policy and technical sub-committees.[48]

As a voting member, Japan proved an important ally for the Scandinavian countries, the United Kingdom and France, to fight heavy COCOM restrictions on maritime shipping activities, shipbuilding and repair and commercial fishing first levied during US dominated discussions in 1949-1950. In particular, the European delegates now supported by Japan tried to reduce COCOM commercial maritime regulations that blocked the manufacture of heavy cargo ships, tankers, and large fishing craft, along with ship engines, instruments, and repairs contracts with communist bloc countries. For countries such as Denmark, Norway, and Great Britain, the COCOM embargoes had precipitated a dramatic decline in business orders and employment in key domestic shipyards. While Japan lost lucrative repair contracts it had traditionally held with the Soviet Union, it benefited significantly by the sharp swing in Cold War shipping sales of non-embargoed

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[47] See Aaron Forsberg, *America and the Japanese Miracle*, (Chapel Hill, NC: University of North Carolina Press, 1996), pp. 1-4.

[48] ADMAE, Folder 642, Export Controls, Document 842, August 6, 1952, Message from the Chairman of CoCom on Japan.

light fishing vessels and watercraft to Soviet Bloc countries. Through the technical subcommittees and CG steering committee, Japan also gained strategic information firsthand that led to business advantages over potential Western competitors involved in shipping and fishing enterprises in Asia, the Baltic Sea, and the Middle East.[49]

The case of Japan illustrated the many, unintended economic consequences and trade re-configurations that had occurred in the West after just a few short years under COCOM. Maritime enterprise continued to be particularly plagued by excessive restrictions and quotas even after the termination of the Korean War. The growing dependency of Western European nations on US military protection and technical aid made it extremely difficult to oppose outright severe maritime embargos. As a result, the US managed to secure an extension of the 1950 COCOM global maritime quotas for another three years starting January 1st 1954. Overall, member countries were held to annual commercial shipping totals to communist bloc nations of 100,000 GRT covering vessels under 20 years old with any vessel over 20 years old counted at ½ of its tonnage. Charges made by Western countries against the quota occurred in the year of cargo delivery with any unused portion carried over into the next year but “no borrowing against future quotas.” Other than small reserve quota (10,000-20,000 GRT) “the quota would be allocated among Member Governments, after negotiations to take place in the CG or COCOM” requiring delegates to notify the bodies, not only of the GRT but the contents of each intended transaction if over allots. Unlike the pre-1954 regulation, governments did gain some latitude to freely use their quotas without advance notice to the Committee but with “prompt ex post facto notification.” Governments could also charge further exports up to 5,000 GRT against their unallocated reserves provided that other participating countries “did not object to exports in excess” and provided prior notification to the Committee together with a “quid pro quo” justification.[50]

For the most part, however, the quotas constituted a “hard ceiling” on the maximum tonnage each country could export to the Soviet Bloc that few members were able to exceed. The Committee also had to approve of all repair work done on a Soviet Bloc ship in a member country if the value of such work exceeded $100,000. In addition, major rebuilding, overhaul or completion work on a Soviet vessel should be charged against GRT quotas for the year of completion on the basis of 50% of the GRT of the vessel (work valued at $100 per GRT or more). Concerning vessels to be delivered during the years of 1954-56, each country “would be entitled to the share of the complimentary global quota corresponding to the tonnage corresponding to Russian orders prior to Feb. 26, 1954” up to amounts of 32,000 tons.[51] Clearly frustrated by the loss of potential business imposed by the quotas extension, Denmark succeeded in August 1954 in getting the CG to raise the annual GRT reserve limit from 5,000 to 25,000 and allow realistic speed limits in line with the cargo involved. France pushed even further in the fall of 1954 and gained agreement over US protest to bring the global quota up from 100,000 to

[49] There are numerous documents in the CoCom Papers on committee struggles to block Western ship technology to the communist bloc. For detailed technical discussions, please see ADMAE, CoCom 1954-1958 Sub-Committees Exports Controls and Lists, Folder 625, Document (54) 5 “Coordinating Committee Statement of the Chairman of the Sub-Committee on Fishing Vessels,” March 4, 1954.
[50] Folder 53 CC Doc. 1694, February-August 1954, Summary on Proposed Plan for Controls on Non-embargoed Merchant Ships.
[51] Ibid.

450,000 GRT to take into account "account orders received before the opening of [quotas] discussions."[52]

Despite such concessions, however, contentious debates over quota allocations and ship sales soon dominated CG and COCOM discussions from 1954-1960. As an example, the French delegate voiced his frustrations at the pronounced number of exceptions and over-allocations advanced by the United Kingdom since the imposition of the new quotas:

> The French government is concerned at the number of cases with which the Committee has been recently confronted involving the sale of ships to the Soviet Bloc. The US delegate had proposed pending a final solution of the problems of ship controls that Governments implement their controls in a very strict manner, the French government had agreed. The French authorities too had been approached with a view to authorizing the sale of ships to the Soviet Union but they had given very strict instructions to the shipyards, and as a result, the orders had been turned down. It appeared, however, that some of these orders had been accepted in countries in which the Committee's rules were interpreted in somewhat elastic fashion and this was a further point of some concern to his Government.[53]

The French delegate went on to argue that a "common position" be taken by and "either all should adopt the punctilious attitude of his Government or else if the Committee thought that some relaxation was admissible, the French Government should be free to enter the market." Conversely, the US delegate backed the UK exception over French concerns citing that the "merchant ships were quite slow (10 knots) and did not incorporate all of the modern devices which a Western owner might consider necessary" and "the Soviet Union was willing to pay an attractive price for the merchant ships." Such inconsistencies on the part of the United States, which arose with greater frequency as American shippers too sought relief through COCOM on cargo quotas, drove further apart efforts to hold to the specified 1954 limits.[54]

Japan also challenged the 1954 maritime controls citing that "no thorough discussions had taken place on the criteria regarding quotas as they applied to repairs" and certain types of ships. In asking for an exception, Japan informed the Committee that it wished to sell to the USSR, 8 merchant vessels, 8 bonito and tuna vessels and 8 tug boats – all under 15 knots and under embargo and quota limits. As in the case of Denmark, the Japanese delegate outlined the central importance of Soviet trade in relation to Japan's maritime industries:

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[52] ADMAE Folder 53 CC Doc 1692B Sept. 3, 1954, Corrigendum to the Memo of the French Delegation Concerning the Control of Exports of Merchant Vessels.
[53] Ibid.
[54] ADMAE, Folder 53 CC Doc 1663 July 12 1954, Record of Discussion on UK Proposal to Transfer Two Merchant Vessels to USSR. For more on the changing US position, please see Alan P. Dobson, *US economic statecraft for survival, 1933-1991: of sanctions, embargoes and economic warfare* (London; New York: Routledge, 2002) and Ian Jackson, *The economic Cold War: America, Britain and East-West trade, 1948-63* (New York: Palgrave, 2001).

> The present transaction came at a time when the economic situation in Japan, particularly as it affected the shipping industry, was in a most serious condition. There were about 100,000 employees engaged in the construction of large type vessels alone involving some 22 shipyards scattered over the country. The figures for smaller vessels were 30,000 employees and 42 shipyards this giving a total of 64 yards and 130,000 employees. In view of the increasing difficulties encountered in the export of these items, the present transactions would obviously have a serious bearing upon the question of unemployment in this industry…moreover the counterpart exports consisted of vital raw materials needed for key Japanese industries…these items had otherwise…to be purchased in hard currency markets at a time when the Japanese balance of payments, particularly in the hard currency category, was expected to face one of the worst deficits in the post-war period.[55]

As part of the ship contract, Japan would also get critical supplies from the USSR including crude oil, coking coal, timber, manganese ore, chrome ore, and cotton in the barter transaction. In terms of balance of payments, the Japanese maritime exports to the Soviet Union totaled $26,550,000 with $16,000,000-$19,000,000 in cargo vessels, fishing boats and tugs sales, and $6,000,000 in ship repairs, diesel engines and tackle. In turn, the USSR offered Japan primarily cash for the ship sales and $12,000,000 of the $26,550,000 in raw cotton, crude oil, timber and coking coal imports.[56]

In order to finalize its contracts with the Soviet Union, however, Japan needed to increase it annual allocation of 30,000 GRT, which was insufficient to carry out its contracts related to "strategic goods-ships and repairs." In making its request for an increase, Japan asked for a more flexible GRT range of 48,000 to 64,000 tons as it could not fully predict the number and size of the ships that the Soviet Union would deliver to Japanese dockyards for repair. While the UK, Norway, Netherlands, Canada, and France endorsed Japan's GRT increase, the United States tried to delay a decision stating that "in view of the existing confused situation of the status of shipping controls it was difficult to comment on the technical significance of the particular vessels…it would have been preferable that the percentage of strategic goods in the total exports should have been preponderant." Over US objections, the European Bloc voted in favor of the Japanese allocation increase, which set a new precedent for greater flexibility and reserve limits that could be extended to other member countries. Growing competition from Eastern European shipyards in terms of cargo transport, ship sales and vessel repairs also prompted European COCOM members, many voicing extreme concern over the shrinking state of Western maritime business, to regularly override quota limits through frequent exceptions.[57]

By the end of the 1950s, the COCOM European Bloc went on to modify a number of restrictions that had affected Western maritime enterprise and trade since 1949 including a reduction of List I items in 1957, raising cargo shipping and ship repair tonnage quotas and re-categorizing certain ships such as dredgers, light fishing craft, and merchant ships

[55] ADMAE, Folder 53 CC Doc 1658 July 7, 1954, Record of Japanese Statement on Proposed Barter Transactions with Soviet Union.
[56] Ibid.
[57] Folder 53 CC Doc July 16, 1954, Record of Discussion on Barter Transaction Between USSR and Japan.

and related commercial equipment including multi-core and copper cabling, and gyroscopic and other electronic navigation systems for Soviet Bloc sales. European COCOM members, especially France, also tried to significantly alter the IC/DV system and its new TAC requirements in an attempt to return to home countries greater authority in the verification, tracking, and interdiction of cargo shipments.[58]

The continued inflexibility of the United States, however, to allow partial liberalization of Western maritime activities caused several COCOM member countries to openly refuse to comply with, in their view, unrealistic and unwarranted embargos and quotas. By the end of the 1960s, both France and Italy would negotiate bi-lateral import-export treaties with the Soviet Union primarily to receive crude oil and other petroleum products that were not fully approved by the COCOM body for maritime quotas exceptions.[59] The most blatant separation of US and European solidarity on maritime containment came in the early 1960s when the UK formed outside of COCOM a "Consultative Shipping Group" or CSG. Convened as an "informal group of governments from the European traditional maritime nations together with Japan," the CSG several times a year to "discuss and co-ordinate their policy on shipping issues vis á vis the United States." Often the CSG meetings preceded upcoming COCOM gatherings as a means of gaining agreement in advance on maritime related issues and proposals, usually in London where the UK Department of Transport "traditionally provided the secretariat and more often than not the chairman" to the group.[60] The convening of the CSG, along with the growing unity of the European – Japan Bloc in COCOM, and creation of the European Community through the 1957 Treaty of Rome, provided further evidence by the end of the 1960s of the serious fissures in Western multilateral maritime controls, foreign trade coordination, and communist economic containment aims.

Consequences of Cold War Maritime Containment

The coming of COCOM imposed a system of international regulation upon world business and maritime engagement unlike any previous in peacetime. US insistence on a "hard and swift" levy of strict embargos and quotas often forced market dislocations and re-alignments in East-West trade and transport after 1949, many of which disrupted or severed long-held business relationships and interactions. Arguably, world maritime enterprise as a business sector experienced the greatest shifts under the Cold War as COCOM that precipitated a series of unanticipated and unintended consequences that acted to erode the base of Western European and US dominance and interests in commercial shipping and ship-related industries.

In the case of smaller European nations such as Denmark, Norway and the Netherlands, which remained highly dependent of maritime-based import-export trade, the loss of national prerogative in engaging in bi-lateral trade with Soviet Bloc countries severely impaired postwar economic recovery efforts. For larger European countries such

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[58] ADMAE, Folder 10, CC Doc 2500, March 5-6, 1957, Report to CG by Chairman of COCOM.

[59] Overall, Soviet imports rose from $3 billion in 1955 to $7 billion in 1965 with construction, technology and equipment contracts to France ($100 million), Italy ($160 million), and $100 million contracts to Sweden, Denmark, Holland, Austria and West Germany. ADMAE, Folder 581, CC Subcommittee on Lists, 1956-1963 and *New York Times*, May 10, 1965.

[60] Bruce Farthing, *International Shipping: An Introduction to the Policies, Politics and Institutions of the Maritime World* (London: Lloyd's of London Press, 1987), p. 92.

as the UK, France and Italy, COCOM restrictions placed real constraints on the expansion of national maritime interests, commercial business, and new markets creation. For all of the European COCOM nations, the hard East-West geographic divide fashioned by COCOM drew barriers that prohibited taking full advantage of emerging business opportunities, not only in the Communist Bloc, but also in developing countries and overseas territories. Also, business reaction to the complex and secretive web of multilateral controls took a highly negative turn as an increasing number of firms began to obstruct regulations through such "devious channels" as illegal trans-shipments, re-exports, and smuggling. The imposition of the IC/DV and TAC shipments tracking systems by COCOM by the mid-1950s further complicated Western maritime activities as member governments complained of customs and port authority offices over-burdened and over-whelmed by the new shipping regulations and transit procedures. The loss of sovereignty felt by most European nations through COCOM controls also extended into areas of developing trade with former colonial territories and Third World countries. Beyond business losses, COCOM also prohibited European nations from countering the rise of Asian and Third World shipping companies, which could freely obtain ships from communist as well as Western sources, and did not fall readily under COCOM regulation.

The rapid expansion of Soviet Bloc maritime activities as a direct consequence of COCOM remains the most ironic, if not serious, development of Cold War trade containment. Instead of blocking communist growth, COCOM maritime containment had the opposite effect, driving the Soviet Union, and by extension such Eastern European countries as Poland, East Germany, and Yugoslavia, to build sizable commercial transport, tanker and fishing fleets and competitive shipbuilding and repairs dockyards. As Western European countries, either voluntarily or under US pressure, began to limit or prohibit ship sales, ports access, and dockyard services, Soviet planners countered by diversifying the USSR's maritime base to include the build-up and maintenance of competitive commercial as well as military fleets.

By the end of the 1960s, the Soviet fishing and fish processing fleet had expanded to 3,500 vessels capable of carrying 7.5 GRT which constituted half of the world tonnage. New to the USSR fleet, 183 scientific research ships comprised 47% of the world's oceanic exploration vessels and placed the Soviet Union ahead of all Western countries. Soviet cargo transport also realized a phenomenal rise amounting to two-thirds of all COMECON cargo transport at an annual tonnage of 30 million GRT. Many Eastern European countries, as a result of COMECON centralization policies, experienced reciprocal growth in marine transport moving from virtually zero to collectively 5.5 of the world's shipping market share by 1980 and a high of 6.9 by the end of the decade.[61] In the 1960s, Soviet planners also instituted the Independent Freight Coordination Office as a way to bolster the fledgling Polish Ocean Lines (POR) and the East German DSR line. As a further consequence of centralization, the Soviet Union insured world coverage in oceanic transport and ship services as its Balt-Orient Line concentrated on Asian

[61] N. Shashikumar, "World Shipping Competition", pp. 75-77 in William A. Lovett, ed., *United States Shipping Policies and the World* Market (Westport, CT: Quorum Books, 1996)

territories with the POR covering the Pacific and Australian routes and the DSR servicing South American nations.[62]

In all, the USSR managed 17 merchant marine companies which operated 830 vessels with a carrying capacity of 10.6 million DWT globally in 3 fleets through its Ministry of Merchant Marine (Morflot) by 1990. As the OPEC crisis of the 1970s caused Western shippers to raise prices, and consequently shrink operations, the Soviet Bloc companies began to gain significant ground over the next twenty years as developing nations, not bound by COCOM embargoes, turned to communist-based sources to transport cargo, buy ships and equipment, and obtain repairs and other marine services. As an example, the Soviet share of Europe-East Africa maritime activity rose from 8.9% in 1981 to 13% in just two years in 1983. Western European countries, most notably France and Italy, also began to break ranks with COCOM restrictions, negotiating controversial bi-lateral agreements with the Soviet Union in the 1980s to insure oil import shipments and other cargo transport involved in the treaties.[63]

The People's Republic of China (PRC) also swiftly overcame its previous reliance on Western shipping by increasing its small fleet, which sat at a meager 34,000 tons in 1949, to over 13 million DWT. As managed by the China State Shipbuilding Corporation (CSSC), Chinese vessels comprised 3% of the world's fleet by 1993. The CSSC also aggressively pursued foreign ship contracts and by the mid-1990s held the third largest order book for shipbuilding in the world. Through its China Ocean Shipping Company or COSCO, the PRC also managed to re-capture 40% of its own maritime shipping. After the implementation of the COCOM China Differential in 1955, Western shippers at first realized a sharp increase in Chinese sea trade with gross tonnage at 7,136,202 and 1,187 trips up from 935 trips and 5,650,091 tons with 53% of ships under British registry. However, through its provincial shipping companies Ocean Tramping, Yick Fung, and Ming Wah, China began reversing in the 1990s decades of transport reliance on UK and then French shippers by establishing strong cargo and ship registry footholds in Hong Kong, Liberia and Panama. Other Southeast Asian countries including Japan, India, and Taiwan experienced significant growth directly impacting Western world shipping market share and activities, with South Korea experiencing a particular high fleet growth rate of 22.8% each year from 1962-1981.[64]

Along with the rise of communist and non-Western competition, other factors such as the rapid expansion of Japanese exports and commercial cargo air transportation led to a general overcapacity in world shipping by the 1980s with excess of global tonnage between 100 and 150 million in deadweight.[65] Around the world, shipping prices plummeted in response to increased competition leaving many Western companies to just cover operating costs or experience real losses. Exacerbated by the OPEC oil crisis of the 1970s, Western maritime companies also struggled with the rise of "containerization" in

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[62] Patrick Gautrat, "Eastern-Bloc Shipping Policies and the European Shipping Industries," in GN Yannopoulos, ed., *Shipping Policies for an Open World Economy* (London: Routledge, 1989), pp. 145-175.
[63] N. Shashikumar, "World Shipping Competition", pp. 74-82 in William A. Lovett, ed., *United States Shipping Policies and the World* Market (Westport, CT: Quorum Books, 1996)
[64] Ibid., 76-85.
[65] Patrick Gautrat, "Eastern-Bloc Shipping Policies and the European Shipping Industries," in GN Yannopoulos, ed., *Shipping Policies for an Open World Economy* (London: Routledge, 1989) p. 177 and William A. Lovett, "Maritime Rivalries and the World Market", pp. 1-40 in William A. Lovett, ed., *United States Shipping Policies and the World* Market (Westport, CT: Quorum Books, 1996), p. 29.

shipbuilding, technology and transport strategies. The coming of containerized over bulk hulls in which one container ship did the work of six break bulkers, revolutionized cargo shipping in the 1990s both in terms of scale and scope. Low margins already eaten away by unpredictable rises in fuel costs and non-Western competition slammed the breaks on new ship development for many Western firms, resulting in a surplus of older liners or first generation container ships by the end of the 1990s.[66]

For many Western nations, including the United States, the unintended yet undeniable consequence of continuing contraction and increased dependency on foreign sources for commercial maritime transport and services under and since the Cold War, has given risen to new, more potent economic consequences and security concerns. Today, ocean shipping remains the dominant form of the movement of international trade with an estimated 95% of all goods shipped by sea or inter-related water ways. In the case of the United States, water transport accounted by 1983 for over 50% of American exports and over 60% of its imports by value and when measured by weight the percentages sit even higher.[67] By 1994, 44% of the value of all American exports and imports combined were transported over water with US ships carrying only 13.6% of the value and only 3.9% of the tonnage of ocean borne cargos under 344 vessels with a capacity of 15.2 million tons. In a dramatic decline, the US fleet had contained in 1946 4,861 ships which constituted 40% of world's ships and over half of the world's tonnage as opposed to 1994 figures with US commercial ships sitting at only 2.3% and tonnage at 2.0% of global totals.[68]

The attacks of September 11, 2001 further exposes the extreme vulnerability of the United States, and to a lesser extent its EU partners, on foreign shippers, many emanating from developing countries, giving rise to dramatic concerns over the transport, storage and security of commercial cargos. Containerization has also complicated Western security as 75% of all non-North American cargo shipped to and from the United States comes in container vessels. In general, container vessels, which carry 90% of the world's cargo, transport annually over 18 million containers loaded by the thousands onto single ships which often enter multiple ports serving numerous clients in a single voyage. In a rush toward globalization in the post-Cold War world, Western and non-Western firms readily embraced greater efficiency over security as containerization made possible denser integration in the supply chain management of land and sea transports and distribution networks.

The rapid de-centralization and lack of security measures surrounding containerized marine transports, however, has led since the 1990s to greater "anonymity of contents, opaque ownership of vessels, and corruption in foreign ports."[69] Added to the general state of illegal commercial activity, manipulations, and piracy, new terrorist threats pose even more serious challenges both in security and economic terms. In 2002, a ten-day lockdown of ports on the US West Coast resulted in $4.7 billion and 19.4 billion in

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[66] Bruce Farthing, *International Shipping: An Introduction to the Policies, Politics and Institutions of the Maritime World* (London: Lloyd's of London Press, 1987), pp. 177-183.
[67] US Department of Commerce, *Statistical Abstract of the United States, 1985* (Washington, DC: US Government Printing Office, 1986), p. 621.
[68] Nancy Ruth Fox and Lawrence J. White, "US Ocean Shipping Policy: Going Against the Tide" in *The Annals of the American Academy of Political and Social Science,* Special Issue: *Transport at the Millennium* Volume 553, September 1997, pp. 75-86.
[69] Henry H. Willis and David S. Ortiz, *Evaluating the Security of the Global Containerized Supply Chain* (Santa Monica, CA: The Rand Corporation, 2004), pp. 1-3.

business losses but more importantly threatened to severely limit adequate and timely distributions of necessary food, energy, and other population-reliant supplies.[70] Economies gained then through shortened stocks (both in volume and content) realized through the application of "just in time" practices in product ordering, warehousing and distribution networks facilitated by integrated sea and land container transports have, nonetheless, raised substantial barriers and threats to the world economy and security. For the United States, this business model poses even greater concerns as "super suppliers-distributers" Walmart, Dell Computer, Home Deport, Target, etc., along with the US Department of Defense, lead all other entities in the world in terms of relying on an integrated sea and land container transport and distribution networks to reach consuming populations in the millions globally.[71]

While a novel experiment through COCOM in 1949, multinational coordination will continue to usurp national prerogative and authority in world maritime enterprise based on current cargo transport, distribution and security needs. Along with COCOM, the Cold War spurred the rise of a number of regional and international organizations whose vibrancy and leadership remains significant in world maritime matters. While European members did succeed in blunting US domination in COCOM, the nations ultimately failed to return to indigenous arrangements in the administration of Western maritime enterprise. The European Community in 1957, however, did allow for the emergence of independent policies and protections away from the United States and COCOM but only in a shared capacity. Revision of EC policies in 1984 with the EC Shipping Act and the 1986 Common Maritime Transport Policy continued to strengthen regionalism over nationalism, particularly in the areas of co-ordination of cargo inspections and prosecutions of commercial violations through the 1987 Hague Memorandum of Agreement. Indeed regionalism also facilitated the rise and potency of non-Western maritime regulation blocs including COMECON and the Ministerial Conference of Central and West African States on Maritime Matters (MINCONMAR) by the 1970s.[72]

International and non-aligned maritime regulation also emerged under the United Nations with the formation of UNCTD or the United Nations Conference on Trade and Development in Geneva in 1964. By establishing a shipping committee, UNCTD pioneered the "first real attempt at inter-governmental level to consider and intervene in the economic and commercial aspects of international shipping." UNCTD also identified and began mediating between the three dominant groups in world shipping Group B – Western nations, Group D Eastern Bloc, Group of 77 or Group A Afro-Asian and Group C Latin American developing nations. In addition to UNCTD, the UN brokered new international agreements in 1958 and 1982 under its Law of the Seas Conventions in 1960 under the International Convention for Safety of Life at Sea (SOLAS). By the 1960s, UN had also established the Intergovernmental Maritime Commission (IMCO) in London, now known as the International Maritime Organization (IMO) which established Conventions on Ship Registration Conditions and, with the International Labour Organization in Geneva, monitors conditions for employment on the seas. In 1974, the

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[70] Ibid., pp.1-3.
[71] Thomas Friedman, *The World is Flat* and Henry H. Willis and David S. Ortiz, *Evaluating the Security of the Global Containerized Supply Chain* (Santa Monica, CA: The Rand Corporation, 2004), pp. 1-3.
[72] Bruce Farthing, *International Shipping: An Introduction to the Policies, Politics and Institutions of the Maritime World* (London: Lloyd's of London Press, 1987), pp. 177-183.

IMO also oversaw the implementation of Code of Conduct for Liners and held conferences in October 1983 and February 1986 which led to International Conventions for the Prevention of Collisions at Sea, Ship Registrations, the Prevention of Pollution by Ships (MARPOL), and the Multimodal Transport Conventions.[73]

While the United States complies with UN-dominated regulations, it has also backed greater liberalization of maritime enterprise through its efforts to lead the GATT. In 1986, the US proposed in the Uruguay Round that the GATT include discussions on service sector industries including shipping in parallel negotiations along on export-import goods and tariffs levels.[74] Along with the GATT, the World Customs Organization and the World Shipping Council also assist in the creation and administration of world maritime policies. Unlike under the Cold War, however, these multinational organizations under the UN and through the GATT must reconcile and coincide with liberalization v. containment, as a driving challenge behind world maritime trade balances, movement, regulation, and security.

In conclusion, the Cold War era, largely through COCOM, sparked the movement of world maritime enterprise away from national prerogatives and management toward regional concentration and multinational coordination. In this respect, along with others, COCOM has been understudied and underestimated in its importance related to Western postwar recovery and overall post-1945 world economic re-development. The Western embrace of communist containment over trade expansion through COCOM irrevocably reversed the former primacy of national determination in commercial maritime enterprise and transport and also gave rise to further multilateral controls and regional bloc agreements well into the 1990s. Despite a brief return to liberalization in the 1990s, the highly interdependent state of global commercial maritime enterprise that emerged through containerized ship and transport technologies and integrated land and sea distribution networks still continues to drive even greater levels of multinational administration, especially in light of new world terrorism concerns following the US attacks on September 11, 2001.

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[73] Bruce Farthing, *International Shipping* (London, 1987), pp. 27-28;35-40;86-87.

[74] GN Yannopoulos, ed., *Shipping Policies for an Open World Economy* (London: Routledge, 1989), pp. 1-11.