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Declassified E.O. 12065 Section 3-402/NNDG NO. 775009

09/23/

09/.31/

Indirect Procurement from Communist China

Thru:

21 Dec 1950

(cont'd)

action being taken at Department of the Army level.

e. The officer in charge of CPO investigate the extent to which merchandise can be purchased in Hongkong which is not of Communist China origin. Further, if such purchases do not warrant the expense of a branch office, that the Hongkong branch CPO be eliminated upon termination of existing contracts.

CONCURRENCE

CFO

Mr Pruest/ad - 26-5927 F

In view of discussions in preceding c/n, request your comments or concur-6 rence in connection with recommendations in para. 5.

CONFIDENTIAL

COMBIDENTIAL

Col. Martin 26-6005

Indirect Procurement from Communist China

IG

Thru: G4

21 Dec 1950

- During the recent annual general inspection of the Hongkong Branch, CPO, a point of concern arose that is deserving of special report. The point in question pertains to the possible change in policy regarding purchases made in Hongkong of merchandise originating in Communist China.
- 2. While the inspector was in Hongkong, the local newspapers devoted considerable space to a change in U. S. trade policy which purportedly forbids exports to Hongkong from the U.S., U.S. territories and Japan. The purpose of the ban, according to the newspapers, was to keep war material from getting to the Chinese Communist forces. Assuming that such is the purpose of the ban, the question naturally arises as to whether the Hongkong dollars spent by CPO in Hongkong arm in effect war material which will reach Communist China. Since a large portion of each dollar spent in Hongkong is used for the purchase of merchandise from China, we are, in effect, exporting Hongkong dollars to Communist China,
- 3. The Hongkong Branch CPO, at the time of inspection, had unfilled obligations totaling \$900,000.00 (U.S.). Thus, if no new contracts are made but all existing contracts are fulfilled, Communist China will obtain approximately \$750,000.00 in exchange for merchandise.
- 4. The problem is further complicated because the agents with whom the contracts were made are, in almost every case, British subjects with permanent residence in the Hongkong colony. Existing contracts, therefore, can not be arbitrarily cancelled without the risk of court litigation with citizens of a friendly nation.
 - 5. It is recommended that:
- a. No new contracts or purchase orders be made by CPO in Hongkong until final determination is made as indicated in d and e below.
- b. The officer in charge of CPO be authorized to negotiate with contractors for cancellation of existing contracts where goods originate in Communist China.
- c. Existing contracts which cannot be cancelled by mutual agreement be fulfilled.
- d. Department of the Army be advised of action taken in a, b, and e, above, to insure that such action is not embarrassing to any parallel

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Declassified E.O. 12065 Section 3-402/NNDG NO. 775009

GENER HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

041.311

INCOMING MESSAGE

ROUTINE

TLD/cmk

761112

16 Dec 50

FROM: DEPTAR (SAOOA OAEC) WASH DC

TO: SCAP TOKYO JAPAN

NR : W 99011

URMSGS Dec C 50585 and C 50748; MYMSGS Dec W 98156 and W 98429. Subject: Interim Policy, procedure and licensing criteria for processing export license applications for certain Far Eastern areas (ACEP Document Number 64, Amendment 1). (This supersedes and revokes Sections Nr II and Nr III of ACR Program Determination Number 361, ANE Amendements 1, 2 and 3, relating to Export Policy, Procedures and Licensing Criteria for Communist China, Hong Kong and Macao. The provisions of any other program determinations which are inconsistent herewith are hereby revised or revoked accordingly.)

As an Interim, emergency measure, the following policies, procedures and licensing criteria are established for the processing of export license and applications for Communist China, Hong Kong and Macao:

Section Nr II-Communist China, (including Manchuria).

A. OIT shall deny all export license applications covering positive list items for Communist China (including Manchruia but excluding Taiwan).

Para 2. Non-positive list items.

A. OIT shall hold with without action all export license applications covering non-positive list items for Communist China. Para 3. In-transit shipments.

A. OIT shall apply the above policies and criteria to intransit shipments destined for Communist China of material of foreign origin which require export licenses from the United States.

08479

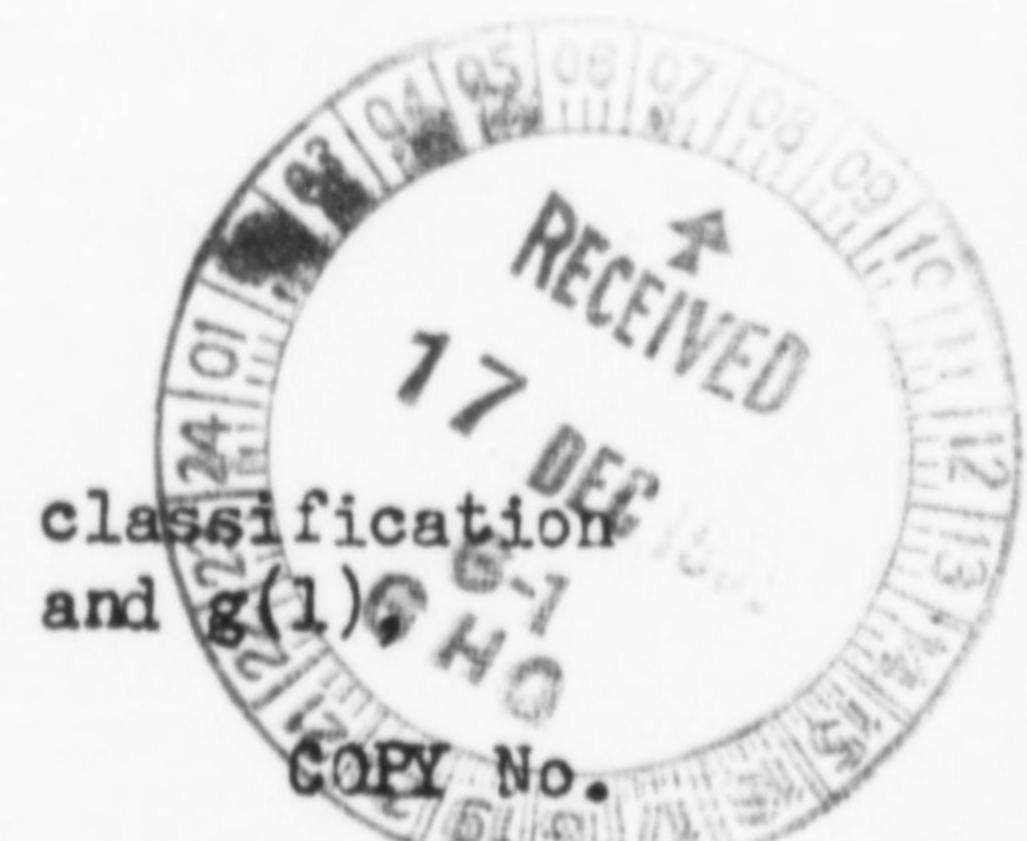
ROUTINE

Over.)

G-1 FILE COPY

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 17a(1)(2) and 41c(2)(3) and g(1).

AR 380-5, 15 November 1949.



Declassified E.O. 12065 Section 3-402/NNDG NO. 775009 FROM: DEPTAR NR: W 99011 16 DEC 50 CONT'D See ACEP P. D. No 424) any exceptional cases which merit consideration for approval shall be submitted to the R procedure subcommittee for review and recommendation of appropriate action. Section Nr III-Hong Kong and Macao. Para 1. Positive list items. A. OIT is authorized to approve export license applications covering positive list items for Hong Kong and Macao which meet the following critoria: (1) Other materials for existing essential public activities, such as utilities, transportation facilities and equipment, and local industries considered essential to United States security; Other materials and equipment considered essential to maintain the public health and safety in Hong Kong and Macao; (3) Items for essential, immediate use by the Governments of Hong Kong and Macao. B. OIT is authorized to deny export license applications covering positive list items for Hong Kong and Macao where there is reasonable indication of transshipment to sub-group A countries. c. All other cases shall be referred to the R procedure subcommittee for review and recommendation of appropriate action. Para 2. Non-positive list items. A. OIT is authorized to approve export license applications covering non-positive list items for Hong Kong and Macao where: (a) Cases involve reasonably small quantities for minimum, essential civilian, short-term requirements of Hong Kong and Macao, There is reasonable indication that transshipment to sub-group A countries is not likely. B. When approvals in a particular schedule B Number for any quarter reach 5% of total 1949 US Exports for that B Number to Hong Kong or Macao (as the case may be), OIT shall refer further cases recommended for approval, or recommendation for additional program, to the R Procedure subcommittee for review and recommendation of appropriate action. C. All other cases shall be held without action. Para 3. Special licensing criteria. In accordance with this Interim, emergency Export Policy, the following program determinations covering special licensing criteria ROUTINE 08479

G. RAL HEADQUARTERS, FAR EAST CO. AND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

09/.311

INCOMING MESSAGE

ROUTINE

FROM: DEPRAR NR: W 99011 16 Dec 50 CONT'D

are re-affirmed with respect to Hong Kong and Macao:

A. ACR Program determination No 361--filled metal drums and containers.

3. ACR Program determination No 361--specified petroleum

C. ACR Program determination No 361 -- specified class I B precision instruments.

D. ACR Program determination No 361 -- chemical and Bacteriological reagents.

E. ACR Program determination No 361 -- creium compounds, all.

F. ACR Program determination No 323--OIT required to consult with AEC on selected items in which AEC has primary interest.

Para 4. In-transit shipments.

Off will apply the policies and criteria set forth above in processing in-transit shipments destined for Hong Kong and Macao of material of Foreign origin which require export licenses from the US. (See ACEP P. D. No 424). Of will a suit with the US. Consultate General in Hong Kong on questionable cases.

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, G-4, AG, DIPLOMATIC, JSPOG, LEGAL

08479

ROUTINE

TOO: 152303 % MCN: 52167

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COPY No.

GL RAL HEADQUARTERS, FAR EAST COL AND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

091.311

746114

INCOMING MESSAGE

Consideration DEFERRED

EFF/bgn

9 Dec 50

FROM 8 DEFTAR (SACOA CAEC) WASH DC

TO GINCRE TOKYO JAPAN

NR 8 W 98429

RIVER

URMSGs Dec C 50585 and C 50748s MYMSG W 98156. Subjs Exports to mainland China, Hong Kong and Macao.

L. W 98156, 6 Dec, reports administrative action
Dept Commerce re export licenses destinations listed Part 1
URMSG C 50585, 6 Dec and states Commerce intention screen
all proposed exports in light current and continuing developments. Screening criteria being defined; in interim not
licensing to destinations listed W 98156. Only goods at present
moving are foreign goods, origin cutside of US, manifested
China, Hong Kong, and Macao and not unloaded US. Further
details will be fwdd as soon as received.

2. Agencies preparing recommendations future US Commercial Policy China for consideration National Security Council. Suggest deferring telecon until additional info becomes available

here. Will keep you advised.

NO SIG

ACTION S ECON & SCI

INFORMATION & COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-2,

TOO 8 082253 Z 9 H 0

03270

Confidential

MCN 8 50400

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 17a(1)(2) and 4lc(2)(3) and g(1), AR 380-5, 15 November 1949.

Declassified E.O. 12065 Section 3-402/NNDG NO. 775009 11/2 dentina BETTERAL HEADQUARMERS SUPREE COMMANDER FOR THE ALTED POTERS CUTGCING MESSARE ISS/FEC FM/R'E/CCC/eb
6 December 1950 FRO .: SCAP TO JAPAN C = 50585 For SACCA. State Dopt mag 031807 Z Dec 50. exports to Lainland China, Hongrong and hacao. This mag has three parts. 1. SCAP today directed Japanese Government to suspend exports of goods requiring export licenses to Mainland China (including Hainan and other islands under control of Peoples Government), Manchuria, North Korea, Hongrong and Lacao unless new approval of Japanese Government and SCAP validation is dated on or after 6 Dec 50. 2. Necessary to know policy U.S. is following regarding exports to destinations mentioned Part 1 acove. "net type goods will be licensed and now will licenses be processed for rejection or approvel? 3. Then DA has complete information regarding U.S. policy this matter, request DA arrange TELECCH to pass info to SCAP soonest as validation of export licenses being withheld pending advice of U.S. policy. Consider TELECCN necessary to discuss specific questions which will undoubtedly arise. CFFICIAL: APPROVED: T. 3. BUSH Brigadier General, USA Major General, U. S. Army Adjutant General Cuiof, ESS Copies to: Cinc/, C/S, G-1, G-2, G-3, G-4, AG, JSPOG, DS, LS, ESS (Ret) Paraphrase not required. Consult crytocenter before Declassified E.O. 12065 Section 3-402/NNDG NO. 775009 (16) fede. tral ECONOMIC AND SCIENTIFIC SECTION Foreign Trade and Commerce Division 6 December 1950 MIMO FOR RECORD: 1. Radio 031207 Z Brom State Dept (4 Dec 50) stated that all shipments from the US. to Mainland China, Hongkong and Macao are now subject to regulations requiring export licenses. 2. Some snips currently loading goods in Japan for destinations to which U.S. is restricting shipment. Ther fore consider appropriate to suspend exports from Japan until U S. policy is clarified. 3. Japanese Government and JLC (which controls ports, and entry and exit of vessels) will be advised by official communications to suspend experts. 4. Outgoing radio advises DA action being taken and requests TELECON for purpose of informing SCAP of new U.S. policy regarding exports. ESS/DES Concurrences: Approved by Deputy C/S'SCAP, 5 December 1950 R. W. H. 1/2/cel. (Tal

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GPO: 1973 O - 503-659



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