

## **Central Committee of the CCP Transmits Report of the Central Financial and Economic Commission on U.S. Economic Blockade and Countermeasures**

**Date:** December 15, 1950

To all Central Bureaus, Sub-bureaus, and Financial and Economic Commissions:

The following telegram from the Central Financial and Economic Commission is hereby forwarded:

### **To Chairman Mao, Premier Zhou, and the Central Committee:**

A report on new U.S. imperialist policies of economic blockade against us and our preliminary countermeasures is as follows:

#### **I. Methods of the U.S. Economic Blockade**

Although no formal announcement has yet been issued, the following measures are reported:

1. Strict controls have been imposed on all goods shipped to China, Hong Kong, and Macao. All previously issued export licenses are void; new applications are required.
2. All purchase authorizations previously issued by China to the United States are denied extension or modification.
3. U.S. banks will no longer process payments for Chinese orders placed in Europe using U.S. dollars. (Details unclear.)
4. Goods already shipped from the U.S. to these regions must dock at U.S.-controlled islands for inspection or face confiscation.
5. Japan has also announced a ban on exports to mainland China, Hong Kong, and Macao.

Recent developments show that even goods already at ports or loaded onto ships have been embargoed or unloaded. For example, a U.S. vessel scheduled to depart Japan carrying 3,500 tons of Chinese-ordered goods (including trolleybuses, fire engines, and hardware) was forced to unload its cargo.

#### **II. Potential Losses**

According to banking data, China has issued foreign exchange purchase orders totaling approximately \$120–130 million (half in U.S. dollars, half in pounds sterling). Of this:

- About \$61 million is in U.S. dollar transactions, representing the highest risk.
- Direct orders from the U.S. and Japan total about \$18 million, with \$7 million already shipped and \$11 million not yet shipped.

Three possible loss scenarios:

1. If shipped goods are confiscated and unshipped goods frozen: losses exceed \$18 million.
2. If only shipped goods are seized and unshipped orders canceled: losses are about \$7 million.
3. If unshipped orders are canceled and shipped goods rerouted or resold: losses can be minimized.

We are preparing for the worst while striving for the third outcome. Currently, only exports are controlled; foreign exchange has not yet been formally frozen, though this remains a likely escalation.

### **III. Countermeasures**

1. Immediately halt issuance of purchase orders and licenses for the U.S. and Japan.
2. Cancel all existing orders with these countries and redeploy foreign exchange to purchase other goods.
3. Reroute or resell goods already in transit to recover funds.
4. Expedite shipment of goods ordered from Western Europe and the sterling area; otherwise cancel or redirect orders.
5. Use funds held in neutral countries to purchase and import goods as a precaution.
6. Temporarily suspend export licenses (except barter trade) to prevent foreign exchange freezes; this measure is internal and not publicly announced.
7. Shift international trade practices toward barter arrangements; reduce reliance on currency transactions and limit trade with capitalist countries.

### **IV. Procurement Efforts Since July**

Anticipating a possible U.S. freeze, large-scale procurement has been undertaken since July:

- Approximately \$200 million in goods have been ordered.
- About half have already arrived; most of the remainder is expected by January.
- Aside from \$18 million in U.S.-based orders, an estimated \$60–80 million in European goods can still be secured if shipments are accelerated.

### **V. U.S. Assets in China**

Investigations into U.S. assets in China are ongoing. Preliminary findings indicate that most U.S. bank funds were withdrawn before liberation. The Shanghai Power Company lacks liquid assets and is already under military control. Further measures will be coordinated with the Ministry of Foreign Affairs.

### **Central Financial and Economic Commission**