

S E C R E T

C.P.(50) 155

COPY NO. 32

3RD JULY, 1950

CABINET

ECONOMIC ACTION ARISING OUT OF THE
KOREAN CONFLICT

Memorandum by the Minister of State

The following is a summary of the proposals for economic action arising, directly or indirectly, out of the Korean conflict which have so far been considered, and of the action which has so far been taken. A recommendation for further action is contained in paragraph 3 below. A separate memorandum (C. P. (50) 157) has been circulated on the control of strategic exports to China and North Korea.

Economic Sanctions against North Korea

2. The United States authorities are now applying an embargo on all trade with North Korea. They recognise that there has, in fact, been very little trade with North Korea. They have informed H. M. Embassy in Washington, however, that they understand that there has been a certain amount of trade passing between Hong Kong and North Korea and they have asked whether we would apply economic sanctions to this trade. In making this approach a State Department representative emphasised the importance attached by the United States Government to our willingness to do so. It is in fact the case that practically all the very limited amount of trade between the sterling area and North Korea has been conducted through Hong Kong. A telegram enquiring whether immediate measures could be imposed to prevent any shipment of goods from Hong Kong to North Korea has been sent to the Officer Administering the Government. No reply has yet been received although the Officer Administering the Government had already stated that no vessels had been cleared from Hong Kong for Korea since the outbreak of hostilities and that no clearances were pending. He added that all applications for exports to Korea (North and South) and Manchuria were being subjected to careful scrutiny with a view to the control of strategic materials.

3. Although there is in fact no direct trade between the United Kingdom and North Korea it would be desirable on general political grounds to make the gesture of prohibiting the export of goods from the United Kingdom to North Korea. Such a move would strengthen the hands of the Hong Kong Government in regard to any measures they themselves may introduce, and would be welcomed by the United States. The Board of Trade have stated that appropriate arrangements can be made on request.

I recommend therefore:

- (a) that the Board of Trade should be invited to make an Order prohibiting exports from the United Kingdom to North Korea;

- (b) that the Colonial Office should be invited to arrange with the Government of Hong Kong for the imposition of appropriate measures to prevent any shipment of goods from Hong Kong to North Korea.

Proposal to suspend oil deliveries to China

4. The State Department have informed us that they have instructed the United States oil companies chiefly concerned to suspend all oil deliveries to Communist China and have asked whether we would be prepared to bring pressure on Shell (the only major British supplier) to suspend their deliveries similarly. This would amount to a reversal of the policy we have hitherto pursued towards China and might well have serious repercussions on the position of Hong Kong. A reply has, therefore, been sent to Washington to the effect that Shell's current oil supplies to China are so small as to be of negligible importance (they have for some time been limited to the company's share of Chinese normal civilian requirements) and that Shell will be requested not to increase them.

Legal and United Nations Aspects

5. The legal advisers of the Foreign Office consider that the action so far taken by His Majesty's Government in support of South Korea is in accordance with Article 39 of the United Nations Charter, which lays down that when the Security Council has found that an act of aggression exists, it may either make a recommendation, or decide that measures shall be taken under Articles 41 and 42. The Security Council resolution was, in effect, in the form of a recommendation that members of the United Nations should furnish such assistance to the Republic of Korea as may be necessary to repel the armed attack and to restore internal peace and security. The Security Council has not taken any decision under Article 41. Any economic action against North Korea should not, therefore, be considered as the application of economic sanctions in accordance with Article 41 of the Charter, but as voluntary acts of policy taken in accordance with the recommendation contained in the Security Council resolution. For this reason the United Nations Act, 1946, is not applicable.

K. G. Y.

Foreign Office, S. W. 1.,

3RD JULY, 1950.

