ABSTRACT

Title of Document: SHIPS OF STATE: MARITIME POLICY AS FOREIGN POLICY UNDER THE MERCHANT SHIP SALES ACT OF 1946

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U.S. maritime policy immediately following World War II included the disposal of surplus merchant vessels to foreign countries under the terms of the Merchant Ship Sales Act of 1946. Concurrently, U.S. foreign policy was directed toward restoring balanced international trade and monetary flows. The U.S. Maritime Commission and the U.S. Department of State found a common purpose in the sales of surplus ships to foreign nations. The Maritime Commission wanted to rid itself of vessels it had no need to operate or maintain, and the State Department was anxious to facilitate vessel sales to further its foreign policy goals that included rapid global economic recovery, thriving multilateral trade, and containment of communism. This thesis examines the international objectives and outcomes of the combined efforts of the U.S. Maritime Commission and the U.S. Department of State to distribute surplus war-built merchant vessels to the maritime nations of the world.

SHIPS OF STATE: MARITIME POLICY AS FOREIGN POLICY UNDER THE MERCHANT SHIP SALES ACT OF 1946

By

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Chapter 1: Introduction

When the United Stated emerged from World War II as the preeminent world power, policymakers recognized that worldwide economic stability could only be restored through multilateral trade and balanced currency flows. Planners at the U.S. Department of State understood that a swift postwar recovery, especially in Europe, would best serve the economic, political, and foreign policy interests of the United States. At the same time, the U.S. Maritime Commission recognized that its massive wartime merchant fleet was destined to become a peacetime burden on the United States. The U.S. government owned fifty million tons of war-built shipping that amounted to 60 percent of the world's total.[1] The Maritime Commission understood that selling surplus vessels to both domestic and foreign private operators would be in America's best interest.

The State Department's goal of speeding postwar economic recovery through the transportation of relief supplies and the resumption of world trade coincided with the Maritime Commission's need to dispose of surplus cargo ships. Countries requiring these vessels as replacements for their own wartime shipping losses worked closely with the State Department to obtain these ships. In many cases, the State Department was purposefully involved in the sales with the desire to influence a positive economic or political outcome. Historians have explored the actions of the United States in its various postwar efforts to contain Communism, or achieve other

[1] Emory S. Land to the Department of State, July 7, 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

political ends through economic means, such as the Marshall Plan and free trade policies. However, none have considered the role that merchant ship sales played as a tool of U.S. foreign policy. This study of the disposal of surplus merchant vessels by the United States during this period eliminates this historiographical deficiency.

This thesis will argue that the U.S. Department of State and the U.S. Maritime Commission cooperatively developed a postwar shipping strategy involving the foreign sales of war-built merchant vessels. This strategy was developed to accomplish political and economic foreign policy goals in order to shape the postwar world in accordance with the interests of the United States**.** Domestically, these sales served as a means to help solve the postwar problem of surplus vessels. Internationally, due to necessity for swift European economic recovery and the rapid onset of the Cold War, the sale of surplus U.S. built cargo ships and tankers became one of a new brand of weapons wielded by the United States in its efforts to establish worldwide cooperative multilateral trade, promote capitalism and foster U.S. business interests, and thwart the emerging Communist influence throughout the postwar world. This thesis will explore the relationship that developed between the State Department and the Maritime Commission as it related to both domestic and foreign postwar maritime policy. It will examine the development of the Emergency Ship Building Program and it significant vessel types, the Merchant Marine Sales Act of 1946, the enabling legislation drafted by the Maritime Commission that permitted foreign sales to take place, and finally the sales to selected nations where the State Department had particular foreign policy goals.

Traditional examinations of postwar U.S. maritime history maintain a purely domestic focus on this story, offering only brief mention of the international implications of the Merchant Ship Sales Act of 1946. K. Jack Bauer praises the Act as "a piece of great altruism," concluding that "the United States played a major role in restoring the sea legs to the traditional maritime powers of Europe," but does not elaborate further.[2] Andrew Gibson and Arthur Donovan's study of U.S. maritime policy acknowledges the Act's role in replenishing the commercial fleets of European countries such as Norway, Denmark, and France, but goes on to state that the policy of foreign ship sales "accelerated the decline of America's position in world trade."[3] Viewing the Act from a business perspective, Rene De La Pedraja cites evidence that international surplus ship sales were contrived as a means to protect and preserve U.S. shipyards by encouraging foreign countries to purchase used vessels rather rebuild their domestic shipbuilding industries.[4] Finally, a recently published work, *The Way of the Ship: America's Maritime History Reenvisioned 1600 – 2000*, connects the Marshall Plan, the Merchant Ship Sales Act of 1946, and the need to revitalize maritime trade. However, the emphasis is placed on what the United States lost rather than what America and the world gained in terms of European postwar economic and political recovery.

Unfortunately, the international significance of foreign vessel sales in the years from 1946 to 1948 has been virtually ignored by both maritime and diplomatic

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[2] K. Jack Bauer, *A Maritime History of the United States: The Role of America's Seas and Waterways* (Columbia, SC: University of South Carolina Press, 1988), 311.
[3] Andrew Gibson and Arthur Donovan, *The Abandoned Ocean: A History of United States Maritime Policy* (Columbia, SC: University of South Carolina Press, 2000), 171.
[4] Rene De La Pedraja, *The Rise and Decline of U.S. Merchant Shipping in the Twentieth Century* (New York: Twayne Publishers, 1992), 150.

historians. This examination looks beyond the sales of these vessels and their effect on the United States maritime industry and, in the vein of recent work by Thomas Bender, adopts a transnational view of the Merchant Ship Sales Act of 1946 through the lens of U.S. foreign policy, postwar international recovery efforts and outcomes, and the onset of the Cold War.

A study of maritime policy alone is not sufficient to address the scope of the foreign sales of U.S. war-built vessels. The planning and execution of this program was conducted against a backdrop of international initiatives involving U.S. foreign relations. These include establishment of the United Nations, the International Monetary Fund, the World Bank, the General Agreements on Tariffs and Trade, as well as U.S. loans to Allied nations and the European Recovery Plan. Vessel sales made under the authority the Merchant Ship Sales Act of 1946 cannot be adequately examined without consideration of U.S. foreign relations, international economic history, and the emergence of geopolitical tensions between the United States and the Soviet Union. With this in mind, the exploration of this topic calls for an evaluation of the actions of the State Department and the foreign policy goals that were aided by the sale of surplus merchant vessels by the Maritime Commission. Since these sales took place at an extraordinarily critical time, this thesis argues that U.S. foreign policy and maritime policy goals converged at a critical junction of U.S. capitalistic, democratic momentum, and Communist political influence and party expansion.

The United States entered the postwar years wielding great power, part of which was possession of the largest fleet of merchant vessels in the world. The bulk of these ships, constructed during the Second World War, represented every type of cargo carrying vessel needed to prosecute war or conduct peacetime commercial commerce. As early as 1942, with an optimistic outlook toward an Allied victory, the U.S. Maritime Commission began planning for the postwar disposition of the American merchant marine which included a plan to sell surplus vessels to the maritime nations of the world. At the same time, the U.S. State Department became interested in the means to transfer title of vessels to foreign concerns where it might help U.S. interests. However, there was no law in place authorizing permanent transfers or sales of these ships. Congress would need to enact such a law and the Commission began drafting proposed legislation. The culmination of its efforts was the Merchant Ship Sales Act of 1946, a law that set forth the provisions allowing the Maritime Commission to sell surplus merchant vessels to both domestic and international buyers.

The Commission's serious concern regarding the large number of merchant ships that would be idled at the end of the Second World War had its roots in the consequences of a similar experience following World War I. That war generated the same need for increased military sealift capability and also necessitated the creation of an emergency shipbuilding program. The Maritime Commission's predecessor organizations, the United States Shipping Board and the Emergency Fleet Corporation were created to implement and manage the program. Unfortunately for the Shipping Board's planners, the Armistice was signed before the majority of the new vessels could be completed and placed in service. Rather than terminate the program, the Shipping Board elected to continue construction of the vessels it had contracted to build. As a result, by 1922 the United States government had created the world's largest merchant marine.[5]

In an effort to preserve and protect this position of maritime strength, Congress passed the Merchant Marine Act of 1920. This Act called for the establishment of a privately operated merchant marine and authorized the Shipping Board to determine what steamship lines should be established, and the essential trade routes that should be maintained to best serve the trading requirements of the United States. By 1922, shipping was experiencing a major depression, freight rates were low, and there was a glut of government-owned vessels being operated by private shipping companies at tremendous public expense. Other vessels that had been purchased from the government were also being operated by the private companies. However, as freight rates fell, the private companies, regardless of the ownership of the vessels in operation, turned to the government for a financial fix. The U.S. Shipping Board revamped its policies and through a loosely administered system of lucrative mail contracts, the private shipping companies unloaded their old tonnage and purchased new vessels at bargain prices. They were then allowed to subsidize their operation carrying the U.S. mail. The result of the Shipping Board's support of private enterprise was that individual shipping executives became personally enriched, while their poorly managed companies slipped into decline and bankruptcy. This prompted a highly publicized Congressional investigation of the U.S. shipping industry conducted by Senator Hugo Black of Alabama in 1935. The investigation

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[5] Samuel A. Lawrence, *United States Shipping Policies and Politics* (Washington, DC: Brookings Institution, 1966), 40 and John H. Kemble and Lane C. Kendall, "The Years Between the Wars: 1919-1939," in *America's Maritime Legacy: A History of the U.S. Merchant Marine Since Colonial Times*, ed. Robert A. Kilmarx (Boulder, CO: Westview Press, 1979), 149-74.

uncovered a web of waste, corruption, and manipulation of mail contacts which implicated both Shipping Board members and shipping company executives. The outgrowth of these findings was new legislation, the Merchant Marine Act of 1936, which provided for a revamped national maritime policy administered by a new body, the United States Maritime Commission.[6]

World War II thrust the U.S. Maritime Commission into the same untenable position as its predecessor organizations. It was presiding over a massive emergency shipbuilding program to support wartime sealift that would once again create a huge postwar surplus of vessels which the government would have to somehow dispose of. In this case however, the Commission actively sought a solution that would avoid the mistakes of the past and their considerable political ramifications.

Under the chairmanship of retired U.S. Navy Vice Admiral Emory S. "Jerry" Land, the Commission envisioned the problem from a global perspective.[7] Land and his fellow commissioners began assessing the state of international shipping immediately prior to the war, the ongoing losses of merchant tonnage, and the addition of tonnage through new building. In considering these factors, the Commission determined that the United States shipping industry would utilize

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[6] This era has been examined in detail by a number of maritime histories. Andrew Gibson and Arthur Donovan, *The Abandoned Ocean: A History of United States Maritime Policy* (Columbia, SC: University of South Carolina Press, 2000), *The Rise and Decline of U.S. Merchant Shipping in the Twentieth Century* (New York: Twayne Publishers, 1992), Samuel A. Lawrence, *United States Shipping Policies and Politics* (Washington, DC: Brookings Institution, 1966) also see Edmund E. Day, "The American Merchant Fleet: A War Achievement, a Peace Problem," *The Quarterly Journal of Economics* 34, no. 4. (1920): 567-606, John G. B. Hutchins, "The American Shipping Industry since 1914," *The Business History Review* 28, no. 2. (1954): 105-127.

[7] Emory S. Land retired from active military service in 1937 as a Rear Admiral USN (Retired). He was made a Vice Admiral USN (Retired) by a special act of Congress in 1944. Naval custom and tradition dictates that when an officer attains flag rank, they are addressed and referred to as Admiral. This paper will follow that convention.

roughly 10 percent of the war-built tonnage in postwar trade, and that a certain number of various vessel types should be retained in a reserve status for future national defense sealift requirements. The Commission then recommended that the remaining surplus vessels be made available for sale to foreign countries to reestablish and replenish the cargo carrying capabilities they had possessed prior to the war.[8]

International considerations not withstanding, the sale of practically new merchant ships built at taxpayer expense to foreign buyers was bound to create controversy. On the other hand, the scandal surrounding the former U.S. Shipping Board regarding the disposition of surplus vessels after the First World War was still relatively fresh in the minds of Congress and the public. The Maritime Commission actively promoted legislation that would permit the sale of war-built ships thereby discouraging government involvement in the operation of these vessels, and also eliminating the cost to store and maintain them in an inactive status.

Admiral Land and his staff drafted legislation providing for the sale of surplus ships to domestic and foreign buyers, keeping the State Department advised during the process. The draft legislation was presented to the House Merchant Marine and Fisheries Committee in early 1944. American shipping and shipbuilding interests were pleased with legislative provisions that benefited them, but deeply divided over the prospect of international vessel charter or sales. The admiral and his fellow commissioners defended foreign sales as sound national maritime policy. The State

[8] U.S. Maritime Commission, *A Postwar Plan for the American Merchant Marine*, October 1944; Material Relating to Post War Planning; Records of the Public Information Division, 1936-1944; Records of the United States Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

Department, represented by Undersecretary of State for Economic Affairs William L. "Will" Clayton, who actively promoted and defended the proposal as necessary for European recovery and establishing a postwar schema of multilateral free trade.[9] After several versions of the bill and protracted debate in both the House and the Senate, Congress passed the Merchant Ship Sales Act of 1946 which provided for both domestic and foreign sales of surplus war-built ships.

The war-torn countries of Europe were of the most concern to the United States and in fact, garnered the most benefit from the Sales Act. However, ship sales to countries in the Americas, as well as China, also served U.S. interests, facilitating the restoration of trade, spurring the global economy, and providing certain political and diplomatic leverage. Concurrent with the efforts toward economic recovery, the Cold War emerged and added geopolitical factors which gave additional impetus to the sales of surplus merchant vessels to certain maritime nations during the immediate postwar years. By the time the Act's sales provisions expired on March 1, 1948, its disposal goal had been accomplished. Under the terms of the Act, 823 vessels were sold domestically, but 1,113 went to foreign owners in nearly every maritime nation.[10]

It is important to understand that the United States did not simply unload surplus obsolete tonnage on desperate international buyers to alleviate a potential domestic problem. Rather, the Act came to represent a consciously executed

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[9] William L. Clayton served in a number of top government positions during World War II. He was, in order of service, Deputy Federal Loan Administrator, Assistant Secretary of Commerce, Surplus War Property Administrator, Assistant Secretary of State for Economic Affairs, and Undersecretary of State for Economic Affairs.

[10] Samuel A. Lawrence, *United States Shipping Policies and Politics* (Washington, DC: Brookings Institution, 1966), 84.

extension of U.S. involvement in world affairs in the twentieth century. The United States, as a creditor nation with major investments on every continent and dependent on an uninterrupted supply of raw materials, actively promoted surplus vessel sales to maritime nations in order to facilitate worldwide multilateral trade and economic recovery.

Chapter 2: The War-Built Ships

By any measure, the U.S. Maritime Commission's emergency shipbuilding program was a production miracle. Between 1939 and the end of World War II, the United States constructed 5,777 vessels with a cargo carrying capacity of approximately 56.3 million deadweight tons.[11] The majority comprised three standard designs intended for wartime service: the EC2-S-C1 Liberty ships, the VC2-S-C1 Victory ships, both dry cargo vessels, and the T2-SE-A1 liquid cargo tankers known simply as "T-2's." In addition to these ships, the Maritime Commission designed and built a grouping of standard dry cargo vessels of varying sizes referred to as C1, C2, C3, and C4.[12] Of these, the "C-3's" were the most numerous. The designs of all C type vessels were based on commercial dry cargo applications, and were faster, more efficient ships than the Liberties.

The World War forced the development of an emergency shipbuilding program, and the momentum of the U.S. wartime production juggernaut made changes in design or slowing of production difficult to implement. It was the mass production of these ships, especially the Liberty type, which posed a significant postwar problem. More Liberty ships were built than the United States wanted or

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[11] Frederic C. Lane, *Ships for Victory* (Baltimore: Johns Hopkins University Press, 2001), 4.

[12] The Maritime Commission adopted an alphanumeric system to identify the standard designs of its vessels. P indicated a passenger vessel, C for cargo, and T for tanker. The number after the letter designation indicated the length category the ship fell into. The higher this number, the longer the ship. The letter in the middle of the designation represented the propulsion system, S for steam or M for motor diesel. The last alphanumeric grouping indicated the design number. The E preceding the Liberty ship designation stood for emergency and the Victory ships were prefaced with V. These designators served to distinguish these vessels form those designed specifically for commercial purposes. The Commission also built a N3 Coastal Cargo Type, a small vessel designed for short haul coastwise service. Several of these ships were also sold to foreign operators after the war.

needed. However, they were easy and fast to build, simple to operate, and regarded as expendable.

Great Britain actually began building the Liberty type vessels in the United States prior to U.S. entry into the Second World War. From the moment England declared war on Nazi Germany, it began experiencing staggering shipping losses primarily from German U-boat attacks. In the first year of the war, Allied shipping losses totaled 315 ships with the total reaching 538 by February of 1941.[13] As a harbinger of things to come for the United States, the British realized the urgent need for a suitable transport ship that could be mass produced. It turned to the United States and the U.S. Maritime Commission for help.

In September1940, the British organized a technical shipbuilding mission to travel to the United States to explore the possibility of contracting with U.S. shipyards to build sixty dry cargo vessels of approximately ten thousand deadweight tons each, with a service speed of 10.5 knots.[14] The mission arrived in New York in early October. After preliminary meetings with British officials stationed there, the group traveled to Washington, D.C. to meet with the Maritime Commission Chairman Admiral Emory S. Land.[15] When the five member group sat down with the admiral, they faced a person who had been recently criticized regarding the effectiveness of

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[13] National Archives of the United Kingdom, "The Learning Curve, World War II, Atlantic 1939-1945: Battle of the Atlantic," http://www.learningcurve.gov.uk/worldwar2/theatres-of-war/atlantic/investigation/battle-of-the-atlantic/sources/docs/1/. This figure was derived from contemporary source documents and conflicts with more recent estimates where totals for the period range from low of 606 to a high of nearly 1,300. Also see American Merchant Marine at War, "Battle of the Atlantic Statistics," http://www.usmm.org/battleatlantic.html.
[14] The speed of ocean-going vessels is measured in nautical miles per hour or "knots." A nautical mile is approximately 6,076 feet. The maximum speed of these ships converted to statute miles was approximately 12 miles per hour.
[15] Peter Elphick, *Liberty: The Ships that Won the War* (Annapolis: Naval Institute Press, 2001), 36.

his efforts to revitalize the American merchant marine. That August, the Commission had been chastised in a widely read trade publication saying, "It has been the chief weakness of all of the activities of the Maritime Commission that it has shown insufficient appreciation of the fact that the capacity of the shipyards was the principal problem confronting it from the very beginning."[16] When the Merchant Marine Act of 1936 was signed, the average age of an American merchant ship was twenty years and a number of U.S. shipyards had gone out of business due to lack of orders and the economic pressures of the Great Depression. Suddenly there was a demand for both naval and commercial ship construction.

With German military successes in Europe, Congress, at President Roosevelt's urging, passed the Two Ocean Navy Act which authorized building 201 new warships. Commercial construction was already well underway at the behest of the Commission. In the years between its creation and the start of the war, the Commission had contracted to build C-2 cargo vessels in U.S. yards on speculation that commercial companies would purchase the ready-made ships as replacements for those of World War I vintage, which many did. The Commission was able to act in this manner because Merchant Marine Act of 1936 authorized this type of construction program subject to the express approval of the president.[17] It is clear that both the Commission and the White House were in tune with the need for ships of all types, and the shipyard capacity required for building them. This awareness was even more acute to Land, Roosevelt, and their successors throughout the war into

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[16] "Admiral Land's Task," *Shipping World,* August 21, 1940, Records of the Public Information Division, 1936-1944; Records of the United States Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.
[17] Frederic C. Lane, *Ships for Victory* (Baltimore: Johns Hopkins University Press, 2001), 12.

the postwar years. *Shipping World's* assessment of Admiral Land and the Commission was unfair in that from 1933 until his appointment to the Maritime Commission in 1937, then Rear Admiral Land, had been the chief constructor of the Navy and chief of the Bureau of Construction and Repair. Perhaps no one else was in a better position to appreciate the state of the American shipping and shipbuilding industry than Admiral Land.

By the time the British shipbuilding mission reached Land's office, nearly all of the country's available shipbuilding capacity was being utilized. With this in mind, when Land heard the magnitude of the British proposal, he informed them, "You will have to see about building your own shipyards over here."[18] As it turns out, that is exactly what they resolved to do. From Washington, the mission embarked on a nationwide quest to secure the necessary backing to construct and operate two shipyards capable of quickly delivering the desperately needed ships.

The mission moved with all deliberate speed. On December 20, 1940, the British Government entered into a contract with Todd Shipyard Corporation of New York valued at approximately ninety-six million dollars. The contract called for the construction of two shipyards, one in Richmond, California and one in South Portland, Maine. Each location had been selected and approved by the Maritime Commission. Included in this figure was the cost to build sixty of the new British designed ships which they designated as the "Ocean" class. To accomplish the job, two separate corporate entities were created. On the East Coast, the Todd-Bath Iron Shipbuilding Corporation was established, headed by William S. Newell. Newell was

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[18] Herbert G. Jones, *Portland Ships are Good Ships* (Portland, Maine: Machigonne Press, 1945), 26.

also president of the nearby Bath Iron Works Corporation, a builder of U.S. Navy destroyers. On the West Coast, the Todd-California Shipbuilding Corporation was formed, led by Henry J. Kaiser of Six Companies, Inc. fame.[19] Each yard was to build thirty vessels.

The significance of this story is that it introduces a number of important developments which shaped the postwar shipping picture. The British design for these cargo vessels, after certain modifications, became what the U.S. built and branded as the Liberty ship. The Maine and California yards served as the models for seven other specially built "Maritime Commission" yards, which turned out the thousands of war-built vessels of various Commission designs. The layout and construction of these two shipyards, and those that closely followed, were built from the ground up, incorporating innovations that fostered dramatic improvements in production capacity throughout the war years. The first sixty ships, built to British specifications, were of all welded, modular construction that, to a large degree, allowed assembly line like construction. This in turn permitted unheard of speed in production and delivery. British shipbuilding in the United States provided the basis for the U.S. Emergency Shipbuilding Program which began in early 1941 and, by the end of the Second World War, would produce more than fifty-six million deadweight tons of ships.

America's emergency shipbuilding program was announced by the president in January 1941. Since the United States was not at war, the urgency of building shipyards and ships had to be explained and sold to the public through press releases,

[19] Six Companies was the name given a consortium of engineering and construction firms that, among other large construction projects, built the Hoover Dam.

speeches, and radio broadcasts. In a fireside chat delivered May 27, 1941, President Franklin D. Roosevelt issued a warning to the American people concerning the consequences of Axis control of the seas, and endorsed “speeding up and increasing our own great shipbuilding program.”[20] The maritime commissioners followed suit in their public speeches. As 1941 progressed and the emergency shipbuilding program got underway, the Commission sought to foster public consciousness of the effort and have the public identify with the ships themselves. Because the vessels had a rather homely design, they were dubbed “ugly ducklings” in the popular press. However, by the time the first of the type was launched at the Bethlehem-Fairfield Shipyard in Baltimore on September 27, 1941, the Commission’s branding efforts had succeeded in transforming the EC2-S-C1 “ugly ducklings” into “Liberty Ships.”[21] Christened the S.S. Patrick Henry by the wife of Vice President Henry A. Wallace, the ship was purposely named by the Commission to equate the class of vessels with the closing words of Henry’s famous Revolutionary War speech.[22] In prerecorded remarks to mark the occasion, President Roosevelt reasserted the connection and stated, “There shall be no death for America, for democracy, for freedom. There must be liberty worldwide and eternal.”[23] Both the president and the Maritime Commission appealed to the public's sense of patriotism and America's responsibility to democracy in the world to garner support for ships and shipbuilding. What is key here, is that Maritime

[20] Mid-Hudson Regional Information Center, “Address of the President Delivered by Radio From the White House,” http://www.mhric.org/fdr/chat17.html.
[21] Frederic C. Lane, *Ships for Victory* (Baltimore: Johns Hopkins University Press, 2001), 66-68.
[22] George Bookman, *Washington Post*, “S.S. Patrick Henry Gets Early Start,” September 28, 1941.
[23] Frank L. Kluckholm, *Washington Post*, “U.S. Pledged to Protect Cargo Ships,” September 27, 1941.

Commission, the Chief Executive and the Department of State were forced to engage in the same techniques less than two years later in an effort to convince Americans who were proud of their Liberty ships that the United States had too many and that it would be of greater benefit to them and the world if the "ugly ducklings" were sold to foreign buyers.

The development of the emergency shipbuilding program also highlights the personal relationships in place as the war effort geared up. President Roosevelt was fond of the U.S. Navy and ships in general, having been an assistant secretary of the Navy from 1913 to 1920. While in that post, he and then Lieutenant Commander Land became close friends. Land's naval career included duty as naval attaché in London during the 1920's, and ultimately he rose to become the Navy's top admiral for construction and repair. As a consequence, he was not an Anglophobe and he was intimately familiar with the world of shipbuilding.[24] Winston Churchill's rise to prominence also introduced his naval background as a former Lord of the Admiralty which offered a common bond with FDR. Finally, given that the president had been granted the statutory oversight of Maritime Commission shipbuilding, the circle was complete. President Roosevelt wanted to aid the British fight against the Nazis in any way that he legally could. He knew and trusted Admiral Land and admired Churchill. U.S. decision makers at every level recognized how each country would derive long-range benefits from supporting a British shipbuilding venture in the United States. Construction of the shipyards began immediately. The first of the "Ocean" class vessels was launched in Richmond, California on October 14, 1941. The ship was

[24] Peter Elphick, *Liberty: The Ships that Won the War* (Annapolis: Naval Institute Press, 2001), 36.

christened by Mrs. Emory S. Land.[25] Because of the British need to build versatile transport ships faster than they could be sunk, the course was laid for America's emergency shipbuilding program.

The line drawings that follow illustrate the Maritime Commission vessel design types produced in the large numbers under the emergency shipbuilding program. After the end of the war, it was the sale of these vessel types that were deemed surplus and specifically addressed in the Merchant Ship Sale Act of 1946.

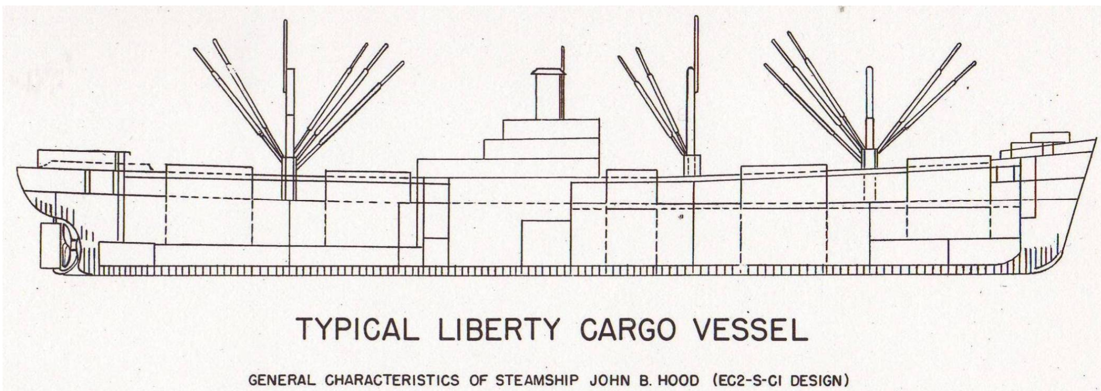
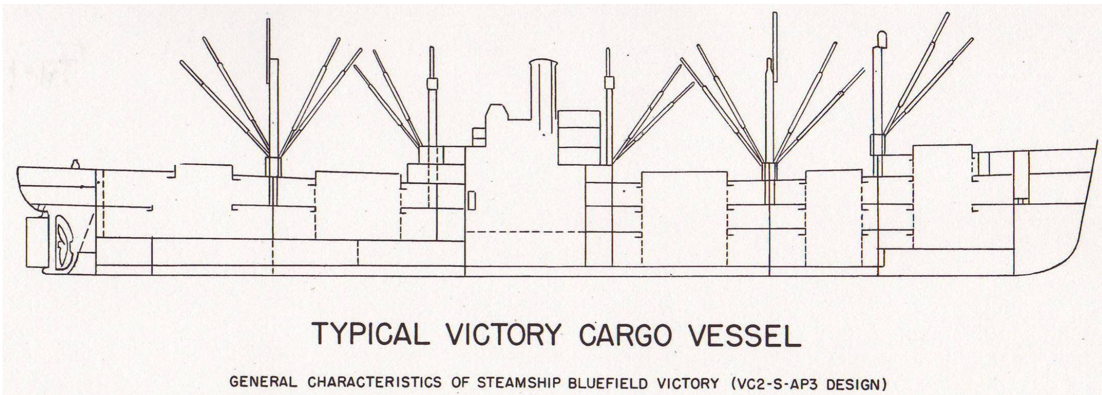


Figure 1

The EC-S-C1 "Liberty" type totaled 2,708 ships built from 1941 to 1945.[26] As these vessels we delivered by the builders, some were transferred to Allied nations under the terms of various lend-lease agreements with the United States. The new Liberty ships, as well as other selected ship types, helped support the Allied military and commercial needs. Once production of these vessels reached full capacity in late 1943, the average time of construction per vessel was approximately forty-two days.[27] Over the course of the war, the British received and operated two hundred ships. The

[25] Frederic C. Lane, *Ships for Victory* (Baltimore: Johns Hopkins University Press, 2001), 81.
[26] Ibid., Various sources show small variations of this number. This paper will conform to the numbers provided in Lane.
[27] Ibid., 210.

Russians were given forty-three. Norway, Belgium, the Netherlands, Greece, and China together received fifty.[28] The remaining vessels were operated throughout the war by the War Shipping Administration.



<u>Figure 2</u>

The VC2-S-C1 "Victory" type was the successor to the Liberty, somewhat similar in size and cargo carrying capacity, these newer vessels had an improved propulsion plant that produced a top speed of fifteen knots. The design took advantage of standardized construction method. The Victory ship was conceived in 1942 as a replacement for the Liberty but internal government conflicts delayed the start of production until late 1943. The first of the type was finally delivered in February 1944. As a result, far fewer Victories were built than originally planned. During the course of the war, 414 Victory cargo ships were built that served in the same capacities as the Liberty Ships. Another 117 of the Victory ships were modified to serve as troop carriers.[29]

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[28] Peter Elphick, *Liberty: The Ships that Won the War* (Annapolis: Naval Institute Press, 2001), 483.
[29] Frederic C. Lane, *Ships for Victory* (Baltimore: Johns Hopkins University Press, 2001), 575-607.

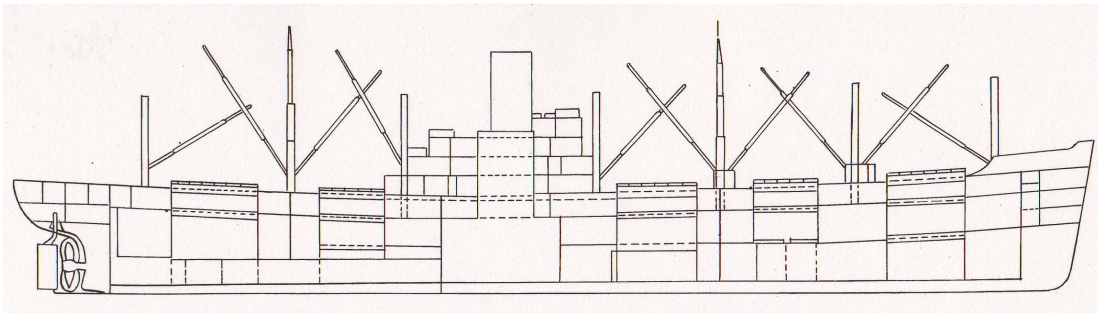

Figure 3

The various "C" type cargo vessels were also of Maritime Commission design, varying by length. These ships were conceived and designed primarily for commercial applications. The smallest of the group were the C-1's, ranging from 309 to 412 feet in length. These were designed for shorter coastal runs, were powered by diesel engines, and had a service speed of eleven to fourteen knots. The C-2's which were designed by the newly formed Maritime Commission in 1937 and 1938. A number of these vessels were constructed before the war for commercial interests in order to facilitate the replacement of an aging American fleet. Wartime construction consisted of 173 vessels. These ships were 459 feet long and could operate at 15.5 knots. The most numerous of the group were the C-3's. At 492 feet long and able to operate at 16.5 knots, these were operated commercially, as U.S. Army transports, and by the War Shipping Administration. These were the vessels of primary interest to shipowners everywhere who were vying to purchase war-built ships. The previously described vessels were purely of Maritime Commission design. The C-4 type was originally designed for America-Hawaiian Lines in 1941 and the Commission simply took over the plans. These were the largest cargo vessels the

Commission built at 523 feet, with a top speed of seventeen knots. Seventy-five of these vessels were built and most of them were utilized as troop transports.

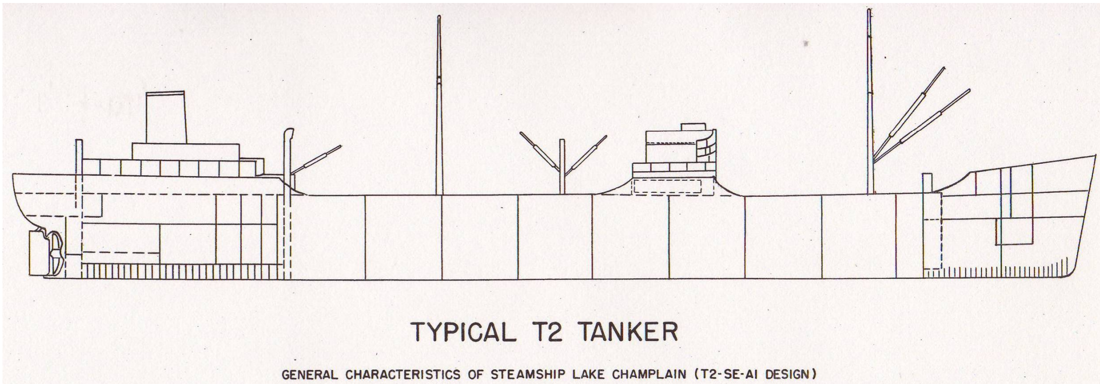

Figure 4

The T2-SE-A1 type tanker was built between 1942 and 1945 using the same construction techniques as the Liberty ships. At peak production, this allowed an average construction time of about seventy days. Much like the "C" type ships, these tankers were constructed in different lengths and deadweight tonnages specific to their intended use. The smaller versions carried specialized products such as gasoline, while the larger ships carried crude oil, fuel oil, or served as fleet oilers replenishing naval vessels at sea. This version had a cargo capacity of six million gallons. Altogether, 705 tankers were built by the Maritime Commission during the war, with 481 being T-2's.[30]

Well before the Japanese bombed Pearl Harbor, the United States was actively preparing for what became a two ocean war. Allied experience with German U-boat attacks pointed to the need for swift action to keep up with vessel losses. The British

[30] Vessel Line Drawings, Figures 1 through 4, are taken from vessel information pamphlets; Articles Used in the Preparation for Post War Planning; Records of the Public Relations Division, 1936-1944; Records of the United States Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

brought their need for ships to the United States. The Maritime Commission met that need and adopted the British design, creating the ubiquitous Liberty ship. This vessel became the backbone of the U.S. emergency shipbuilding program. Once America entered the war, what the British began, the Maritime Commission finished. Production was expanded to include all manner of cargo and tank vessels, delivered in numbers that helped win the war and ultimately rebuild and restore the postwar world.

Chapter 3: Surplus Ships and Postwar Policy

As early as 1942, it was clear to Admiral Land that the United States would emerge from the war with the largest merchant fleet in the world. Existing long-term plans and demonstrated production capabilities made forecasting future tonnage numbers a relatively straightforward matter. Seven months to the day after the Japanese bombed Pearl Harbor, the chairman of the United States Maritime Commission and now head of the War Shipping Administration (WSA) submitted a memorandum to Secretary of State Cordell Hull concerning the worldwide distribution of merchant vessels at the conclusion of the war.[31] In doing so, Land made reference to a British "white paper" in which His Majesty's government had put forth a method of procedure permitting them to allocate a proportion of old and newly constructed merchant ships to their maritime allies after the war.

Allied maritime nations were so hampered by wartime shipping losses that they were already meeting with the Maritime Commission and the WSA to discuss replacement of lost vessels which had made such an important contribution in the early days of the war. Representatives of the Netherlands, Norway, Belgium, Greece, China, Argentina, Brazil, and Chile were exerting pressure on the United States government to share the wealth in terms of replacing lost ships.[32] A full three years, and several thousand ships before Allied victory was achieved, Admiral Land as the

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[31] Emory S. Land to the Department of State, July 7, 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[32] Ibid.

czar of wartime non-naval ship construction and operation, began actively seeking a peacetime solution for distributing surplus merchant ships to countries in need.

Primarily, it was British and Norwegian prescience and pressure that encouraged Land to begin addressing the consequences of the Emergency Shipbuilding Program. As chairman of the Commission, he was well aware of the legal aspects surrounding the sale of U.S. built vessels to foreign nations for operation under their flag. The Lend-Lease Act was very specific about how such vessels could be operated, but contained only vague language regarding outright sales to Allied nations. However, the British could act in any manner that they so chose, which meant that they could avail themselves of U.S. war-built vessels while distributing their own tonnage, old or new, to Allied countries in need after the war. Of course, they were not expected to be in a position to influence postwar vessel sales on the scale of the United States, but they certainly could affect foreign new-building orders for U.S. shipyards in the postwar years. Therefore, the Maritime Commission and the State Department thoroughly studied the British plan and its post war implications.

The British began in May 1942 by developing a plan allowing British shipowners to purchase "new vessels built on government account" to replace ships lost due to the war. Under such a program, British shipowners could contract for new vessels, at government construction cost, less depreciation on the annual basis of the lost vessel. The plan specifically stipulated that in determining the amount of tonnage to be made available to British operators, "regard is made for arrangements made with Allied governments for enabling them to replace a proportion of their tonnage lost in the war effort." Key to this scheme was the proposal that vessels assigned to

Allied governments "may be transferred to their ownership and flag during the war period, but remain available for the service of the Minister of War." The plan contained specific guidelines as to eligibility, as well as the terms and conditions for the program. Once a vessel was purchased, the owner agreed not to sell the vessel for a period of three years from the date of delivery.[33] Whereas the United States was restricted by the provisions of the Lend-Lease Act, the British plan facilitated immediate direct sales. In July, His Majesty's Government also developed "a scheme for the purchase of merchant vessels by Allied governments from H. M. Government," a proposal that specifically addressed foreign sales of British government-owned vessels.[34] Britain was under more pressure to deal with its European allies because of the support it had been receiving in the form of ships since 1939. At the time these plans were promulgated, Allied shipping in general was suffering its worst losses of the war. However, in the midst of this, the purchase scheme spoke of eventual Allied victory. The British plan called for vessels purchased by foreign interests to remain chartered to the Ministry of War Transport for six months after the cessation of hostilities and "also understanding that the vessels are to be available for the purpose of revictualling Europe." However, at this point in the war, the British were concerned only with meeting obligations to its European Allies. Soon after the plan's implementation, eight ships were delivered to

[33] British Ministry of War Transport, Cmnd. 6357, May 1942; Subject Files 1940-1948; Shipping Policy Files, Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[34] British Ministry of War Transport, Cmnd. 6273, July 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

Norway and two to Belgium, with thirteen more assigned to Norway, seven to Belgium and three to the Netherlands as they became available.[35]

The U.S. Maritime Commission Division of Economics and Statistics reviewed the British sales plans immediately after they were released. In a memo to the commissioners summarizing the plans, the author outlined the political fallout in Britain over the plans that involved debate over nationalized shipping versus the allotment to private ownership provided by the plan. However, for the shipping industry there was no debate. Quoting from current issues of the British trade journal *Shipping World*, the memo presented the commissioners with the competitive reality of the British plan,

> …for British shipping to reach a state of full and competitive efficiency, a fleet of superlative vessels must be brought into being; specialized in type according to the intended trade, they must incorporate to the full the products of the undoubted skill of our designers, both naval architects and marine engineers.[36]

The article went on to caution that trying to sell "standardized, war-built, uneconomical ships" to British shipping concerns was not a useful contribution to reinvestment in full and competitive efficiency.[37] It is logical to surmise that this euphemistic language refers to the British Ocean and American Liberty ships. This sort of language recalled Great Britain's prewar ranking as possessing the world's largest merchant fleet, and undoubtedly the desire to resume that position after the war.

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[35] Ibid.

[36] Memorandum "British Plan for Replacement of War Losses," quote from *Shipping World*, June 3, 1942: 383, Records of the Public Relations Division, 1936-1944; Records of the United States Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

[37] Ibid.

The Maritime Commission read, understood, and acted based on the plans of the British government. Admiral Land, writing to Secretary of State Hull, summarized the British program of vessel sales and offered an overall positive opinion toward a similar U.S. plan. However, it was very clear that Land was desirous of a well reasoned and coordinated approach;

> The Maritime Commission-War Shipping Administration believes that the problem should be faced at the earliest practicable date and the Administration's policy stated so that the evaluation and the mechanics of the problem may be set in motion to fit with approved administration policy. We have before us the pattern and precedent established by the United Kingdom and with this as a foundation; it is believed to be practicable to work out a satisfactory solution both qualitatively and quantitatively. It is our opinion that from a United Nations war effort point of view this problem should be attacked on its merits and proper policy established, not only for psychological and diplomatic reasons but also for the overall war effort. From a legal point of view it appears that clearance is available under the first Lease-Lend Act to go as far as the United States government desires to go. Subsequent legislation prevents the title of vessels under Lease-Lend but does not prohibit the transfer of flag which, of course, permits manning and operations by the foreign-flag countries of the United Nations.[38]

The communication between the chairman of the Maritime Commission and the secretary of state in mid-1942 signaled the start of the cooperative effort between the State Department and the Maritime Commission on the formulation of policy regarding the sale of war-built vessels to foreign countries. From this level, the discussions moved further down the chain of command and became more specific. In a letter to Assistant Secretary of State Dean Acheson written during the same period, the Deputy Director of the War Shipping Administration L.W. Douglas addressed specific considerations regarding vessel sales to foreigners, in this case Norway.

[38] Emory S. Land to the Department of State, July 7, 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

What he referred to as “short-term projects” were transfers that could be affected under the terms of Lend-Lease and presented little problem. However, “long-range projects” were another matter. Douglas acknowledged that the War Shipping Administration (WSA) had “in the past, found it convenient to transfer the documentation of certain vessels to Panamanian flag in order to overcome the more severe restriction prevailing for American vessels, and otherwise simplify operation. The transfer of vessels to an Allied flag would simply be an extension of existing practice with increased benefits to all concerned.”[39] Regarding actual sales, Douglas referred to the British replacement program, and assumed that in due course the United States would have to follow suit. Considering that such a plan would have both political and economic implications, Douglas stated that “the long-range phase of the problem would appear to be a matter within the province of the State Department.” In closing, Douglas informed Acheson that the views he expressed were consistent with those of the Combined Shipping Boards as recently discussed at meetings in London.[40]

It became clear after the British announcement of a ship replacement plan that the United States would need to formulate a similar plan to satisfy the shipping requirements of their allies and prepare for the ocean transportation needs of the postwar world. If the State Department had not heretofore considered itself to be in the business of ships, the Maritime Commission was maneuvering the problem of

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[39] L.W. Douglas, Deputy Administrator, War Shipping Administration to Dean Acheson, Assistant Secretary of State, undated; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[40] Ibid.

postwar ship sales to foreign countries onto the edge of their radar. The Commission received an assist from the Norwegians as well. Soon after the memo between Douglas and Acheson, the Norwegian ambassador had appealed directly to President Roosevelt regarding a proposal "to charter to the Norwegian Shipping Mission, with an option to buy within a certain period after the end of hostilities, ten to fifteen ships, some of which some should be tankers." The president referred the matter to Admiral Land. He in turn sent the ambassador to Acheson, who then promised to bring the matter to the attention of the secretary of state.[41]

The roundabout of diplomatic activity over ship replacement prompted the State Department to earnestly begin developing a postwar shipping policy which addressed international issues and long-range implications. The Department produced E Document 37, aptly titled "Post-War Shipping Policy," in October 1942. The study outlined the current status of policy discussion in the United States and the policy that had been established by the British. The study went on to give a historical overview of the shipping policies and outcomes following World War I through to the present day. State Department understood the Maritime Commission's position as well. The Department noted the groups who would rally against any policy perceived to benefit foreign nations: shipbuilding interests, organized labor, and shipowners and operators. The study devoted a significant number of pages to cautioning the reader about the formidable opposition that would be encountered from domestic maritime interests as well as those outside of the industry who were governed and

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[41] Memorandum of Conversation, the Norwegian Ambassador and Assistant Secretary of State Dean Acheson, August 14, 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

driven by nationalism. The study declared that these forces and their numerous arguments and objections against any foreign policy initiative they feared as harmful needed to be met with “a policy of sale, adopted in the near future and carried out before the end of the war,” at which time opposition would likely be less intense than after the war. Noting “the strength and persistence of the pressure exerted by shipping interests to secure protection for themselves at the expense of sound national policy and in disregard of foreign interests,” the study reminded the reader of the Department’s power to overcome such opposition, citing “the extent to which treaty provisions and executive decisions can render [protective] legislation ineffective if it conflicts with foreign policy.”[42]

The foreign policy that the State Department desired to promulgate based on the postwar shipping policy study was one that addressed the global economic impacts of a surfeit of merchant vessels. By basing its evaluation on an economic study of the American merchant marine done by the Maritime Commission in 1937, the State Department deduced that the relative economic importance of U.S. flagged vessels to the national economy overall was far less than that of smaller countries when considering their balance of payments and total income derived from shipping.[43] The United States as a creditor nation in the postwar years would have to promote imports in order for foreign countries to earn enough dollars to purchase American goods for export. If the United States dominated oceangoing transportation under these conditions, the loss of earning power of foreign merchant fleets would

[42] E Document 37, Post-War Shipping Policy, Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[43] Ibid.

significantly impact debtor nations and slow economic recovery.[44] The State Department acknowledged the implicit commitment of the United States to replace Allied ships lost in the war. Beyond that, officials in the Department took the view that the Liberty ships would not be well suited for American liner operations, and that surplus ships would allow foreign countries to resume trade without waiting for their own shipyards to produce vessels, all to the benefit of consumers of shipping services.[45] However, the perceived benefits did not stop there. The State Department held a more grandiose view. This study, released against the backdrop of fighting on three continents, spoke of international cooperation in postwar commerce.

Recognizing that the United States could never recover the cost of war-built ships, the State Department recommended that vessel prices be kept low, and credit terms liberal, again emphasizing the overall benefit to the U.S. in restored trade relations. The Department suggested that the sale of a large number of vessels might also provide a basis to address international regulation of shipping to promote safety standards, good working conditions, and restrict unfair competitive practices.[46] With this in mind, the study recommended accomplishing this goal through "multilateral agreement or by establishment of some international authority having the necessary powers of supervision and enforcement."[47]

With this study, the U.S. State Department charted a course toward a postwar shipping policy, expecting the sale of surplus U.S. merchant ships to foreign interests. The Department was poised to exploit the benefits that vessel sales to foreign buyers

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[44] Ibid.
[45] Ibid.
[46] Ibid.
[47] Ibid.

would have on U.S. foreign policy and postwar economic recovery among friendly nations. Both the Army and the Navy valued the strategic importance of the merchant vessel in the flow of material during wartime, while for its part the State Department was very quick to grasp that every "bottom" would also be of value in moving dollars around the globe.[48] In a sense, the Department of State visualized these vessels, placed in foreign hands, as its own economic navy with which, in combination with planned navigation and trade agreements, the U.S. could wield significant economic clout.

Though the State Department and the Maritime Commission clearly were of the same mind regarding basic provisions of a postwar shipping policy, Admiral Land was not encouraging hasty action at any level. In February 1943, Land wrote to his friend President Roosevelt with his recommendations not to transfer the title of any U.S. ships to foreign governments lest the floodgates be opened before a well vetted policy was in place. At this point, Congress was not in favor of selling ships under the Lend-Lease Act, and thus far the president had made it his policy not to do so. Land asked Roosevelt to hold the line against countries "pressing you, the State Department, and the War Shipping Administration for ships and more ships. Your present policy of holding title is sound and should be maintained despite all these pressures.[49] Land informed the president that during the coming year, the United States would become the predominant owner of merchant ships and outlined a general plan of postwar vessel distribution to Allied nations based on their pre-war tonnage

[48] The term "bottom" was used in shipping circles to mean a dry cargo vessel.
[49] Emory S. Land to Franklin D. Roosevelt, Memorandum for the President. February 20, 1943; Subject Files 1940-1948; Shipping Policy Files, Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

and their tonnage lost in the war effort. Even at this early date, the admiral recommended that the "C" type cargo ships and tank vessels be retained "while utilizing Liberty ships for such foreign allocations as you determine to be advisable." In closing, Land donned his maritime commissioner's hat and told Roosevelt, "Naturally, this should not be mentioned, but it is my earnest belief that such a policy should be maintained by you to safeguard the future of the American Merchant Marine." The president responded that Land was "entirely right" in regard to U.S. shipping policy on ship transfers.[50]

The admiral and President Roosevelt were well aware that the Maritime Commission was bound by law to foster the development and encourage the maintenance of a viable American merchant marine. This legal responsibility certainly appeared to trump the notion of selling any ships to perceived competitive interests. Because of this, the opposition to foreign sales that the State Department study so thoroughly examined would not be directed so much toward the State Department, but squarely at that the U.S. Maritime Commission. In order to blunt this opposition, the Commission would have to engage in a campaign to sway public opinion in favor of balanced foreign trade and equitable postwar distribution of oceangoing transportation.

One other aspect of organizing postwar ship disposal was untangling the distribution and ownership of foreign vessels seized when hostilities began. Even before the United States entered the war, President Roosevelt asked for and was granted the power to allow the United States to acquire "the title to, or the use of,

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[50] Franklin D. Roosevelt to Emory S. Land, Letter, Feb. 22, 1943; Files of Adm. Emory S. Land, Chairman, 1937-1945; Records of the United States Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

domestic or foreign merchant vessels for urgent needs of commerce and national defense, and for other purposes."[51] His request centered on idle merchant vessels that were berthed in the United States by their operators in order to avoid the possibility of them being sunk in the North Atlantic. Speaking before Congress on April 10, 1941, the president cited the authority of the Maritime Commission under the Merchant Marine Act of 1936 to requisition, charter, or purchase any vessel or watercraft domestically owned during any declared national emergency.[52] However, there were no provisions that allowed idle foreign vessels to be seized and put into service. Congress responded in June by enacting Public Law 77-101, the Ship Requisition Act, which granted the Maritime Commission the authority to acquire vessels of foreign registry under same terms and conditions provided for domestic vessels. In addition, vessels flagged to belligerent powers that happened to be in port when a formal declaration of war was made, or ships registered to nations overrun and defeated by the Axis, had their ships seized under the provisions of the Espionage Act of 1917. The United States was not alone in this practice. Other maritime nations seized foreign flagged ships under similar pretenses as those used by the U.S. As an example, Argentina and Brazil both seized, and either operated directly, or transferred to the War Shipping Administration, approximately thirty-one vessels of varying types. Argentina's government-owned shipping operation acquired the following vessels during the course of the war:

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[51] *Ship Requisition Act*, Public Law 101, 77th Cong., 1st sess. (June 6, 1941), 1.

[52] *Merchant Marine Act of 1936*, Public Law 835, 74th Cong., 2d. sess. (June 29, 1936). Section 902 of the Act also outlines provision for just compensation by the government for property taken for its use. The President had declared a limited national emergency on September 8, 1939, five days after Great Britain and France declared war on Germany. An unlimited national emergency was proclaimed on May 27, 1941.

Date Acquired	Vessels	Gross Tonnage
1941	16 Italian Cargo	89,000
	4 Danish Reefers	11,000
1942	3 German Cargo	15,000
1943	4 French Cargo	31,000
	1 Romanian	4,000[53]

By comparison, the United States seized approximately two hundred twenty foreign vessels from eleven European countries.[54]

The outgrowth of the vessel seizures by maritime countries was that these ships were placed in wartime shipping pool arrangements or necessary commercial trades regardless of whom their original owners were, and how they were acquired. The ships were then controlled and utilized by allied countries as dictated by wartime needs. In the case of commercial trade, vessels less suited for war transport, which included some seized vessels, were assigned to that duty. The more efficient ships were placed in harm's way. If vessels were lost, how were they to be replaced, and on what terms? By the same token, the condition of the seized vessels varied from barely seaworthy to valuable specialty ships. If they survived the war, what was to be the basis of "just compensation" for their use? This was the problem that the British "white paper" had made an early attempt to address.

In the United States, it was understood by both law and written agreement that when vessels were seized for wartime use they would be returned in substantially the same condition received along with monetary compensation for their use, or they

[53] U.S. Department of State internal memo "Brief on the Argentine Merchant Fleet," May 3, 1945; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

[54] American Merchant Marine at War, "Foreign Passenger and Cargo Ships Taken Over by the U.S. Maritime Commission During World War II," http://www.usmm.org/foreign.html.

would be replaced by similar vessels.[55] How that was to be accomplished had not been fully considered when the initial seizures took place. However, the British did explore the mounting problem, undoubtedly pressed by the ongoing losses of merchant shipping in the Atlantic. If foreign vessel owners were going to risk their vessels for the war effort, they wanted some assurance that they could resume commercial trade with the same or more deadweight tonnage that they possessed at the start of hostilities.

By mid-1943, the Maritime Commission, the State Department, and the president were well aware of America's rising position of global maritime supremacy, its postwar implications, and the need for a policy. Unlike the British, the Americans were not yet ready to unveil a maritime policy on vessel sales to foreign countries. The principals involved in the policy and decision making process understood that they were bound by law, politics, and public opinion. In order to move forward with a policy that best served the national interest, the Maritime Commission and the Department of State were in communication and had agreed to work cooperatively to establish the mechanism necessary to allow war-built vessels to be sold to other nations at the appropriate time.

[55] *Ship Requisition Act*, Public Law 101, 77th Cong., 1st sess. (June 6, 1941).

Chapter 4: Selling the Sale of Ships

The United States Maritime Commission was legally charged with certain responsibilities, and nowhere was it written that the foreign sale of U.S. built ships was among them. Under the Merchant Marine Act of 1936, the policy of the United States was to have a merchant marine sufficient for the national defense and the development of is foreign and domestic commerce. Section 101 of the Act stated that the merchant marine "be sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import foreign commerce…" on essential trade routes, capable of serving military needs in war and national emergencies. It was to be owned and operated under U.S. flag by U.S. citizens "insofar as may be practicable," and composed of the best suited and equipped U.S. built vessels. The Maritime Commission was created by this Act to carry out the policy "to foster the development and encourage the maintenance of such a merchant marine."[56] The vague language of the Act and the nature of the postwar shipping dilemma, combined to produce a number of paradoxes which the Commission had to face and resolve. The most significant of these was how to justify the sale of surplus ships to foreign countries while at the same time convincing domestic maritime interests, and the public at large, that such a plan was in their best economic interest. Beyond that, the Commission had to justify the foreign ship sales as consistent with the policy mandate of the 1936 Act.

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[56] *Merchant Marine Act of 1936*, Public Law 835, 74th Cong., 2d. sess. (June 29, 1936).

The Maritime Commission embarked on a media campaign to raise public awareness about the need for the United States to drastically reduce the size of its merchant fleet when the war was won. In speeches delivered by individual commissioners, in newspaper and magazine articles, and in radio broadcasts, the message went out about the obsolescence of the Liberty ships. In April 1943, the *Washington Post* carried an article describing the government's internal conflict over the fate of Liberty ships. The squabble was mostly about shifting production from the Liberty to the Victory type ships, but the message from the Maritime Commission was clear; Liberties were destined to become a liability. Officials were lobbying against continued production of the "slow, uneconomical, and relatively poor" Liberty ship. Since the maximum speed of the ships was only around 10 knots, the Commission presented them as suitable only for tramp service.[57] On the occasion of Victory Fleet Day on September 27, 1943, the second anniversary of the launching of the first Liberty ship, Admiral Land issued "a report to the American people" stating that by the end of 1944, the United States would have fifty million deadweight tons of shipping, approximately five times the projected need for foreign and domestic trade.[58] Land suggested a solution to the problem: keep the faster Victory ships and turn over the slower Liberty ships for international disposition.[59] The following year

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[57] Edwin D. Gritz, "Postwar Ship Policy Ruled by Dispute," *Washington Post*, April 25, 1943. Tramp shipping is the practice of operating a vessel based on the availability of cargo to a specified destination, as opposed to liner services which serve a specific trade route and operate on a published schedule.

[58] Graduate School of Business Administration, An Abstract of *The Use and Disposition of Ships and Shipyards at the End of World War II*, June 1945, 8; Matters Relating to Postwar Planning, Records of the Public Information Division; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

[59] Edwin D. Gritz, "50 Million Tons of Shipping Seen as Postwar Problem," *Washington Post*, September 25, 1943.

on Maritime Day, the Associated Press wrote a feature story on America's merchant marine. "No longer is interest in America's maritime life centered in coastal areas and port cities, for American taxpayers and bond buyers from coast to coast and border to border have an eighteen billion dollar investment in the greatest merchant fleet in the world." After extolling the accomplishments of the maritime industry overall, the article concluded with "Leaders shaping plans for the Merchant Marine are determined that the experience of the last war should not be repeated. Then a large share of the Nation's emergency-built merchant fleet was tied up and to gather rust and barnacles and the United States dropped back to a fourth-class maritime power."[60] In the November and December 1944, the readers of *Forbes* magazine were treated to an in-depth examination of the entire issue. The author's message was clear. Through sheer numbers the United States could remain the world's preeminent maritime nation. However, America must also rise to the responsibility of restoring international trade relations by facilitating the return of world's merchant fleets to an approximation of their prewar levels, thereby encouraging competition and free trade.[61] Even the academic history community played a role. The Armed Forces Radio Service developed a series of informational radio programs in conjunction with the American Historical Association. These programs were designed to educate servicemen about important issues of the day. Entitled *GI Roundtable*, these radio discussions were said to "provide factual information and balanced arguments as the basis of discussion of all sides of the question." Designation EM 25 in the series was "What Shall We Do With Our Merchant Fleet?" The arguments

[60] Pope Haley, "Fleet is 'Ace' in Peace," *Washington Post*, May 22, 1944.
[61] Clair Wilcox, Merchant Marine I: The Postwar Fleet," *Fortune*, November 1944, and "Merchant Marine II: The World View," *Fortune*, December 1944.

presented were far from balanced, and reflected the stated desires of the government and the Maritime Commission to dispose of the Liberty ships.[62]

Policymakers did not rely wholly on propaganda and public opinion to make their case. In June 1944, the Maritime Commission and the U.S. Navy jointly contracted with the Graduate School of Business Administration at Harvard University to conduct an extensive study of the entire maritime industry. The scholars were asked to examine the historical and current domestic and international maritime situations and come forth with recommendations regarding the size and disposition of the American postwar merchant fleet. For this study, the question went beyond the need for some sort of sales or disposal program. The study was intended to include the broader considerations of global maritime economics.

The business school had to consider the impact of U.S. actions on four distinct shipping markets. The first was the new building market for vessels. Here, the government was in a position to influence how much new tonnage would be constructed based on how it chose to sell and distribute its surplus ships. The second was the freight market. This is the arena where freight rates are determined, again based on the numbers and availability of "bottoms." The major area that the government was going to influence was the sale and purchase market. Regardless of how merchant ship disposal was conducted, the numbers and sales price of merchant ships worldwide would be pegged to the U.S. ship disposal program. Finally, the

[62] The American Historical Association, *What Shall We Do With Our Merchant Fleet?* (Washington, DC: War Department, 1946), inside cover.

demolition market, that is the price paid for scrapped vessels, would also be influenced by the tenets of supply and demand.[63]

Admiral Land had been formulating the legislation necessary to allow sale of war-built ships since early 1943. All of the larger economic considerations had already been examined by the Commission and taken into account.[64] At the time it was ordered, the study which became known as the "Harvard Report," was intended to answer questions that the Commission already knew the answers to. It appears that by ordering the study, the Commission was offering itself, the State Department, and the Congress a means of justifying its support of a potentially unpopular piece of legislation by giving it the Harvard Graduate School of Business Administration seal of approval.

The legislative process began in early 1944. House Resolution 4486 (78th Congress, 2nd Session) "A Bill to Provide for the Sale of Certain Government Owned Merchant Vessels, and for Other Purposes" was introduced and sent to the House Merchant Marine and Fisheries Committee. In late May and mid-June a total of five days of hearings were held where the committee reviewed the bill and documents submitted the Maritime Commission, the Navy Department, and Treasury Department. Based on the recommendations received by the committee, a second bill was drafted which became H.R. 5213 (78th Congress, 2nd Session). Further comments

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63 Martin Stopford, *Maritime Economics*, 2nd ed. (London: Routledge, 1997), 78.
64 The Maritime Administration had mounted internal studies to examine the worldwide state of shipping. The most exhaustive were "Statistical Analysis of the Relationship Between the Volume of the World's International Trade and the Volume of the Worlds Merchant Shipping 1900-1939" released in May 1943 and "A Post-War Plan for the American Merchant Marine" released in October 1944. Matters Relating to Postwar Planning, Records of the Public Information Division; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

submitted to the committee resulted in a new bill submitted to the 79th Congress as H.R. 1425 which retained the title of its predecessors.

Each amended version of the bill further honed the authority of the Maritime Commission to affect vessel sales, while reinforcing the protective intent of the Merchant Marine Act of 1936. The sales bill was framed as a measure “further carrying out the policies declared in Section 101 and the objectives set forth in Section 201” of the 1936 Act, and in fact, that is what it did. The provisions regarding foreign sale of vessels were small part of the overall proposal. The terms and conditions regarding charter or sale of vessels to U.S. citizens were much more complex because of subsidized versus non-subsidized operators, terms of credit, and the numerous tax considerations. Foreign sales were to be delayed for a period to allow U.S. buyers first choice of vessels and foreign purchases were envisioned as being on a cash basis. The bill also had to settle the issue of how the value of the surplus vessels of varying types was to be calculated and a final sales price established. In addition, the Navy was vitally interested in maintaining a sufficient reserve merchant fleet for national defense purposes, which was made part of the bill. Overall, this was a very significant piece of maritime legislation, set forth to provide maximum benefit to the entire shipping and shipbuilding industry.

Regardless of the potential benefits that the ship sales bill offered to numerous interests, two significant problems had to be overcome. The first was potential opposition to the international sale of vessels. The second, and perhaps even more difficult problem, was the total lack of unanimity among the various segments of the maritime industry concerning the bill. Shippers wanted the lowest freight rates.

Operators wanted the cheapest vessels and the least amount of competition. Unions wanted the greatest number of jobs at the highest wages. Shipbuilders wanted contracts for new vessels, subsidized by the government if necessary. These disparate interests all came to light in the initial round of hearings. If any sales bill were to make it to the president's desk for signature, the many U.S. maritime stakeholders would have to understand and accept how the legislation would provide a greater benefit to them as a whole. The State Department's earlier recommendation that a postwar shipping policy be implemented before the end of the war in order to blunt potential opposition turned out to be a fanciful notion. After a concerted effort to convince the American public that the Liberty ships were once again "ugly ducklings," and the fact that selling surplus ships was a fiscal necessity, Congress treated the issue like a political hot potato.

After an initial round of hearings in 1944 on the postwar shipping plan, the Chairman of the House Merchant Marine and Fisheries Committee, Representative Otis Schuyler Bland (D) of Virginia, agreed to allow a certain time period to elapse before scheduling hearings on the revised bill. In a letter to Admiral Land, Bland stated that as Land had requested, he had postponed the hearings on a new bill until March 1, 1945, in the hopes that the squabbling maritime interests could become more unified in support of the bill's many provisions. But it was clear from the letter that nothing had transpired that brought Bland any optimism. As an apparent supporter of the legislation, the Chairman offered Admiral Land a recap of the bill's provisions which most disturbed the committee. None of them concerned foreign sales per se: rather they centered on the various advantages and disadvantages the bill offered to subsidized U.S. vessel operators versus independent U.S. operators trying to compete against their protected counterparts. Unfortunately for the Maritime Commission and the State Department, before foreign sales could be authorized, the terms and conditions of domestic sales had to be hashed out to the satisfaction of the disparate interests. Bland encouraged Land to come to the next round of hearings prepared to address the specific points presented in the letter. "I am submitting these observations on the pending bill at the insistence of possible opponents of the present bill and with the hope that the Commission's views may tend to clarification and possible removal of opposition though I am not optimistic. Your consideration of this suggested objection to the bill may prove helpful for they will be presented at the hearing"[65]

As a politician, Congressman Bland recognized that any plan for selling surplus ship sales would be fraught with problems. The Congress faced the obvious political dilemmas; the concerns of an entire maritime industry, the fiscal needs of the government, and the complexities of future requirements. From the outset, the maritime industry as a whole wanted to maintain American dominance in terms of deadweight tonnage. But at the same time, both industry and government analysts understood that it was unrealistic to think that U.S. flag vessels could carry more than 50 percent of the goods the country produced for export. Considering the nature of the goods, bulk commodities such as coal or wheat, or an entire range of manufactured goods, the number and type of vessels would have to be carefully and

[65] Otis Schuyler Bland to Emory S. Land, Feb. 15, 1945; Subject Files 1940-1948; Shipping Policy Files, Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

realistically calculated and managed by an industry that was notorious for its lack of cooperation. At the same time, vessels would have to return to the United States loaded with foreign cargo for import at a time when the rest of the world was recovering from war. In addition, American steamship companies had not operated in regular commercial commerce during most of the war years. Their vessels had been chartered and operated by the War Shipping Administration in support of the Allied war effort. By the time consideration of a plan for surplus ship sales took place, vessel operators were poised to make a big splash, but no one had an idea how big the pool was going to be.

In spite of Admiral Land's efforts to draft and present a bill which attempted to equitably address every major aspect of surplus ship sales, disharmony reigned within the House Merchant Marine and Fisheries committee and amongst those called to testify concerning the proposed legislation. Two previous attempts at achieving a consensus on the various provisions of the bill had failed, prompting Committee Chairman Bland to notify Admiral Land that he needed to appear before the committee prepared to address each representative's specific concerns.[66]

The scope of the hearings extended way beyond the bill's stated purpose. The questions and testimony ranged from complaints about the Interstate Commerce Commission regulating coastwise shipping, to what the United States would do if British shipping lines were allowed to engage in air travel, something the U.S. Civil Aeronautics Board had denied American steamship companies. Every segment of the industry was fixated on their particular concerns. Commercial shipping companies seemed intent on trying to outdo each other in order to gain either competitive

[66] Ibid.

advantage or somehow blunt their competition. Labor unions lobbied to preserve jobs. Shipbuilding interests sought to maintain a steady flow of orders. However, above the din of testimony that provided a historical and technical rehash of U.S. maritime policy since the time of the First World War, representatives of the Maritime Commission and the State Department patiently and persistently testified about the need to allow surplus ship sales to foreign interests for the overall benefit of the United States. Through a myriad of special interests, the Maritime Commission and the U.S. State Department carefully maneuvered to navigate the foreign sales provision through public opinion, around maritime industry concerns, and over any objections raised by the United States Congress.

Chapter 5: The Push for Legislation

The hearings in the House of Representatives on the proposed ship Merchant Ship Sales Act, H.R. 1425, were conducted in several segments over the course of March, April, and May 1945. Admiral Land was the first person called to testify. In his opening statement, Land was blunt and direct, "In consideration of this bill, neither the Congress nor the shipping industry can have their cake and eat it too." No truer statement was delivered to the committee members during the course of the hearings. Speaking extemporaneously, Land addressed the House Merchant Marine and Fisheries Committee concerning the most pressing issues regarding surplus vessels. First, the admiral reminded the committee that the bill under consideration was necessary to pass control of merchant shipping from the War Shipping Administration and the Maritime Commission back to the control of private ownership and operation. Second, he stated that the bill "has a very definite and concrete relation to the foreign shipping problems that will develop…" Third, he reminded the representatives that the bill would provide for a reserve fleet of vessels for any future wartime needs. Finally, the maritime commissioner laid out the responsibility that Congress had to assume. "The ship disposal bill requires Congressional determination of long-range policy; otherwise we may end this war with Government ownership and operation of our shipping, to which the Commission and its staff in general, and I in particular, are definitely opposed."[67]

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[67] House Committee on Merchant Marine and Fisheries, *Merchant Ship Sales Act: Hearings on H.R. 1425*, 79th Cong., 1st sess., 1945, 2.

Throughout Land's testimony, he consistently reminded the committee of the consequences of inaction. Aside from the foreign sale of surplus ships, the most troublesome issue regarding the huge numbers of vessels that the United States had built in the previous three years was what might happen if the government was stuck with vessels no one would buy. The mere thought that the Maritime Commission might be forced into a similar position as the United States Shipping Board following World War I was sufficient to give the committee pause. Land knew full well that by reminding committee members of the previous government foray into commercial shipping operations, he would pique many an unpleasant memory of the ensuing investigation and scandal. The congressmen also were well aware of Britain's desire to recover its role as the world's leading maritime nation, and the fact that they had already established their ship sales policy. Land warned that without a U.S. foreign sales policy, other maritime nations such as Britain would gain a competitive edge in replacing the lost tonnage of the European Allies. To further spur the committee, the admiral stated that if the Congress did not act "and give the Commission its ideas of policy for the future of the American merchant marine, it is quite evident that other agencies will endeavor to take charge of the situation. Some evidence of that is occurring at the present time."[68] The committee chairman, Representative Schuyler Otis Bland (D) of Virginia pressed the commissioner to name the "other agencies." Land replied "The Surplus Commodities Agency, the State Department, the Navy Department or any other departments that may be interested in surplus or analogous matters that pertain to shipping, with special regard to surplus on the one hand and

[68] Ibid.

foreign policy on the other."[69] With this statement the admiral was teetering on a knife edge of truth in that the Surplus Property Act of 1944 already designated the Maritime Commission as the sole disposal agency for surplus vessels. However, the Act also set forth a number of specific objectives related to foreign relations. One such statutory provision was "to establish and develop foreign markets and promote mutually advantageous economic relations between the United States and other countries by the orderly disposition of surplus materials in other countries."[70] This provision tied the Commission to the State Department by virtue of the vessels being sold having to be declared as surplus materials.

Even though the State Department had previously expressed a willingness to cooperate with the Commission concerning foreign vessel sales, the Department had recently embarked on a reorganization that affected its relationship with Maritime Commission, and was of interest to the committee. The reorganization, announced in January 1944, was concurrent with the ever expanding role of the United States in the ongoing Allied plans to shape the postwar world. The focus of top level State Department officials was reoriented away from administration and toward "matters of important foreign policy." To accomplish this goal, two major committees were formed, a Policy Committee and a Committee on Postwar Programs. Both committees were tasked with assisting the secretary of state in the consideration of major questions of foreign policy and the execution of such policies by means of appropriate international agreements.[71] As part of this reorganization, the Department

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[69] Ibid.
[70] Ibid., 512.
[71] U.S. Department of State, "Organization of the Department of State: Announcement of Reorganization," *The Department of State Bulletin*, 10, no. 238 (1944): 43.

established the Office of Transportation and Communications under the directions of an assistant secretary of state. This office was responsible for initiating and coordinating policy and action in all matters concerning the international aspects of transportation and communications. Policy issues concerning the sale of ships to foreign buyers fell to the Shipping Division of this office. The duties and responsibilities of the Division were delineated in (State) Departmental Order 1301 which was reviewed by the committee.

Of primary concern to the committee members was the extent of the jurisdiction that the State Department might attempt to claim over international ship sales. Aside from the responsibility to "analyze, study and recommend," and provide overall policy advice, paragraph 2(e) of the order specifically spoke to vessel sales and the Department's relationship with the Maritime Commission. "In cooperation with the geographic and other interested offices of the Department, conduct negotiations between foreign governments and the Maritime Commission and War Shipping Administration with regard to disposal of tonnage, transfer of nationality, redistribution of ships to essential trade routes, and other shipping matters." With this directive, the State Department had clearly positioned itself for the eventual passage of the Ship Sales Act and established a link between the vessel sales and international trade routes. In addition, the previously mentioned provision of the Surplus Property Act of 1944 was specifically cited by the State Department in defending its involvement in foreign ships sales.[72] The directive also outlined the Division's responsibility to cooperate with the Office of Foreign Service regarding matters of

[72] House Committee on Merchant Marine and Fisheries, *Merchant Ship Sales Act: Hearings on H.R. 1425*, 79th Cong., 1st sess., 1945, 514-517.

economic or political significance in the maritime and shipbuilding industries of other countries.[73] The concern about the State Department's intentions toward ship sales was compounded by more recent actions. The State Department made an ill-timed announcement, just days before the hearings began, of an agreement to sell Liberty ships to France as part of a French economic recovery plan, which raised concern with Admiral Land and the committee members. The original Lend-Lease Act allowed for the transfer of government owned merchant vessels to other countries by sale, transfer of title, exchange, lease, lend, or otherwise.[74] However, the general policy of the Executive Branch to date had been that no merchant vessels owned by the United States should be transferred to a foreign government during the continuance of hostilities except by lease. With victory in Europe only a matter of months away, perhaps the State Department felt that it could assume a more liberal interpretation of both the law and past practice.

The State Department's first and only foray into direct ship sales did not quite go as planned. In an effort to provide immediate support for France's Monnet Plan for economic recovery, the Department agreed to sell the French provisional government seventy-five Liberty ships under a new lend-lease agreement signed February 28, 1945. The proposed sale itself was less of an issue than the terms of the financing offered to the French. The agreed upon interest rate of 2 ½ percent on a U.S. government-backed loan to finance the sale was lower than the 3 ½ percent rate under consideration for domestic purchasers under the proposed sales act. Soon after the hearings commenced, the committee got wind of the State Department's actions

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[73] Ibid., 524-525.
[74] *An Act to Promote the Defense of the United States*, Public Law 11, 77th Cong., 1st sess. (March 11, 1941), 1.

and the Secretary of State had to mount a hasty retreat. Rather than trying to utilize the terms of the new French lend-lease agreement, the Secretary announced the decision to delay the sale until the ship disposal legislation under consideration became law.[75]

With the agencies jockeying for their postwar positions, what remained at stake was the definite legislative authority for the Maritime Commission to control and direct the ship sales effort in keeping with the mandate of the Merchant Marine Act of 1946. At this point, there was no real power grab in play, but as Land stated, if the Congress delayed too much longer, the State Department or the Navy might attempt to decide on the disposition of ships while the Commission acted only as the transfer agent. Even though the Maritime Commission and the State Department had pledged cooperation, the admiral wanted to ensure the Commission's authority by statute.

The U.S. Maritime Commission was the most logical agency to administer the program, but the State Department also had a vested interest, an agenda, and commitments to fulfill. The Liberty ship deal for France was merely its most recent agreement. Though it was not a secret, it came to light during the hearings that the State Department had previously made agreements with Norway, Brazil, and Chile "which provide in general terms for aid in replacement and rehabilitation" of vessels utilized or lost in the common war effort. In the case of Norway, the lend-lease agreement with that country contained language conveying "an assurance of the willingness of this Government to assist in the rehabilitation of Norway's merchant

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[75] House Committee on Merchant Marine and Fisheries, *Merchant Ship Sales Act: Hearings on H.R. 1425*, 79th Cong., 1st sess., 1945, 441.

fleet." For Brazil, the government was obligated to replace vessels lost in the course of maintaining shipping services between the United States and Brazil. Chile had sold three vessels to the United States which the State Department had agreed to replace after the war. Having the Sales Act in place would help to ease meeting these commitments.[76]

Committee Chairman Bland invited State Department comments on the proposed ship sales legislation. The newly organized Shipping Division submitted the "Report of the State Department on H.R. 1425" under the signature of the Acting Secretary of State Joseph C. Grew. This statement, for the purposes of the record of the hearings became Committee Document 12. The State Department's stated interest in the bill was "its importance to foreign relations." The Department further advised that "the general policy adopted and developed to govern the post-war sale of Government-owned merchant vessels should be in close harmony with the broad foreign economic policy which will best serve the national interests of the United States."[77] The letter went on to say:

> If the Government of the United States were to attempt to take advantage of war losses of other countries and of the wartime increase of is own merchant fleet to establish itself in a dominant shipping position, it would be acting contrary to its basic policy of promoting sound international economic relations and an increasing flow of commerce.[78]

Basically, this document advocated the elimination of all restrictions on foreign purchase and operation of U.S. war-built ships. Of course, this was not about to happen, and the Maritime Commission was not in favor of any policy that extreme. The statement did create a bit of a flap in that several congressmen were incensed that

[76] Ibid., 523.
[77] Ibid., 480-482.
[78] Ibid., 426.

the State Department would attempt to dictate shipping policy, which they considered the domain of the Maritime Commission.[79] However, the State Department and the Maritime Commission were sailing on parallel courses, just with somewhat different perspectives. The Commission had an eye on the past while the State Department was looking well into the future. In front of the two stood a number of groups with special interests as well as the ever present quagmire of public opinion.

The House Merchant Marine and Fisheries Committee was faced with trying to address the disparate interests of the various commercial carriers who were each poised and ready to seize as much post war business as possible with maximum advantage over their competition, and without they themselves incurring sacrifice. Much of the committee's time was taken up these matters. The testimony, views, and suggested amendments presented by the commercial maritime industry offered a thorough dissection of the Merchant Marine Act of 1936 and the history of the industry since the end of the First World War. The ship operators, their various trade groups, maritime unions, and other industry representatives were vocal in their views and at the same time chided for their lack of unanimity in terms of creating a workable bill. For the most part, those testifying conceded that there were too many vessels and foreign sales, especially of Liberties, were going to be likely and probably necessary.

While feigning disinterest in the Liberty ships, commercial operators uniformly rejected a proposed pricing structure that charged American citizens a higher price for the ships than would be paid by a foreigner. On the surface, it might appear puzzling that foreigners would receive a price incentive over Americans.

[79] "Ship Disposal Letter by Grew Stirs Congress," *Washington Post*, March 3, 1945.

However, keeping in mind the Maritime Commission was the primary author of the bill, the motives of the Commission are important as well. Even before the war was officially declared, the Maritime Commission had been directly and heavily involved with the shipbuilding industry. The nation's shipbuilding capacity was strategically important to national defense. Land and the Commission were as concerned about preserving a viable shipbuilding industry in a postwar environment as they were about maintaining a healthy commercial shipping fleet.

Without any public admission regarding a strategy, the Commission drafted a bill that offered surplus ships at more favorable terms to foreign rather than domestic buyers. The thinking was that if foreign operators bought numerous Liberty ships at cheap prices, they would have little incentive to order new vessels from their own shipbuilders. It was hoped that foreign operators would order new specialized vessels from American yards that could offer fast delivery. At the same time, United States operators would be encouraged to modernize their fleets and order new vessels from U.S. yards using construction differential subsidies. These factors combined would help maintain a strong shipbuilding industry in the postwar year. The only written clue of this strategy exists as a comment on a personal sixty-one page memorandum written by an advisor to the State Department Shipping Division. Entitled "Post War Tonnage Distribution and American Merchant Marine Policy," the memo was circulated to the maritime commissioners for review.[80] Commissioner S. D. Schell wrote "Don't give away our strategy in selling foreigners our ships – see 46." Page

[80] Henry L. Deimel, Jr., "Post War Tonnage Distribution and American Merchant Marine Policy," September 14, 1944; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

forty-six of the memo contained a detailed overview of the benefits of foreign ship sales to the domestic shipbuilding industry. During the round of hearings held in May, the president of the Shipbuilders Council of America, H. Gerrish Smith, testified on behalf of the shipbuilding industry by stating: "we believe that it is urgently necessary to expedite action on this legislation, in order to facilitate the transfer of the Government's surplus ships to private operation on reasonable and equitable terms."[81] The Shipbuilders Council was clearly onboard with the Maritime Commission and its "hush-hush" strategy to help promote building new ships thus preserving the shipyards.

Representatives of commercial shipping interests were not vehemently opposed to foreign ship sales as long as their positions were protected. Testimony to this effect was given by Almon R. Roth, president of the National Federation of Shipping. This group was composed of companies engaged in non-subsidized commercial shipping, which comprised the majority of U.S. vessel operators. His testimony regarding the bill centered on the specific recommendations advanced by the members of the federation to protect their postwar positions. The main concern of the group was that a price floor be established to assure that supply and demand would not dictate the sale of surplus vessels. Nearly everyone was confident of the supply, but the dynamics of the demand were impossible to forecast. Roth advocated a "fall clause" in the legislation which would set a minimum price for vessels assuring potential buyers that their competitors would not be able to purchase ships at a lower price in the future as demand dwindled. With such a clause, ship values

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[81] House Committee on Merchant Marine and Fisheries, *Merchant Ship Sales Act: Hearings on H.R. 1425*, 79th Cong., 1st sess., 1945, 829.

would be stabilized on the world market. Roth again reminded the committee of the post World War I sales debacle when the United States Shipping Board sold war-built ships to U.S. operators at $225 per ton when the British were selling theirs at between eighty and ninety dollars per ton, and how by 1922, the USSB was offering the same ships to buyers at thirty dollars per ton. As far as foreign sales were concerned, the National Federation of Shipping felt that foreign buyers should have to wait two years before being able to purchase any vessels other than Liberties or tankers, reserving the faster, more efficient "C" type ships for U.S. shippers only. In concluding his testimony, Roth addressed what he termed "the swelling tide of propaganda" regarding necessity of a strong merchant marine for Great Britain, Norway, Holland, France and other European nations to generate earnings "to help pay for imports of American goods and materials."[82] Roth's use of the term propaganda was certainly valid given the various methods and media employed to sway public opinion regarding the necessity of deposing of surplus ships.

The State Department was asked to provide testimony before the committee on its postwar maritime policy and its role in foreign ship sales. Assistant Secretary of State for Economic Affairs William L. Clayton testified concerning the State Department's written position statement that had previously been provided to the committee, as well as some of the international issues that had been raised in other testimony. Clayton's testimony covered the Department's aborted vessel sales to France, British aviation rights, the Department's advocacy of foreign chartering and shipbuilding, and the overall contents of State Department statement regarding the

[82] House Committee on Merchant Marine and Fisheries, *Merchant Ship Sales Act: Hearings on H.R. 1425*, 79th Cong., 1st sess., 1945, 25.

bill which had been designated as Committee Document 12. As the State Department spokesman, Clayton persistently advocated for allowing foreign ship charter and sales with the least possible restriction.[83] This was consistent with Department's postwar policy proposals. In a secret document discussing international shipping policy, the section concerning the distribution of vessels stated, "If vessels are to be sold or chartered abroad or built in the United States for foreign account, all nations should have and equal opportunity to acquire such vessels, except that special consideration might be given to those allied countries whose merchant marines have suffered in the common effort."[84]

The Army and the Navy were also vitally interested in any plan involving the sale of surplus merchant ships. When the House committee hearings were held, the war was not yet won. Even though it was clear that it was only a matter of time before the Allies would prevail in Europe, there was still grave concern over the war in the Pacific. Both the Army and the Navy were still conducting massive sealifts of all manner of war related material and were vitally interested in the size of the current fleet as well as the composition of a postwar reserve fleet suited their perceived needs. Not only was there a concern over the sealift required for an invasion of Japan, but troops and supplies would need to be shipped from Europe to the Pacific theater of operations and eventually back home. These needs also factored into the Commission's postwar planning which included a reserve fleet of merchant vessels

[83] Ibid., 414-441. Committee Document 12 was the Statement Furnished to the Committee by the State Department regarding the bill.
[84] State Department Document PWC-85a "Proposals for United States Post-War International Shipping Policy," April 8, 1944; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

suited for military needs. Since the U.S. Navy felt that it should have some say regarding the disposition of vessels, it asked that the legislation include their right to review proposed ship sales based on the needs of the military.

Over the course of the summer, the maritime world waited for the United States to announce its program. All questions regarding European postwar shipping policies received one answer: We are waiting to see what the United States Congress decides to do.[85] The Europeans, especially the British, were justifiably concerned that the United States intended to monopolize world shipping and trade. They were equally concerned that America was not willing to incur the financial losses of the disposal of surplus tonnage and that the U.S. would force the "undesirable" Liberty ships on the Europeans while keeping the best ships for itself.[86]

The postwar policy plans of the Maritime Commission and the State Department were vindicated with the publication in June 1945, of a study ordered by the Commission and the U.S. Navy from the Harvard Graduate School of Business Administration. Entitled *The Use and Disposition of Ships and Shipyards at the End of World War II*, the study recommend the quick disposal of Liberty ships at a fixed, inexpensive price to both domestic and foreign buyers. The report justified this recommendation using the same arguments that the Maritime Commission had previously researched and adopted as preliminary policy. The report reiterated the Commission's views. Liberty ships were not choice commercial vessels and should be priced for quick sale. Their use throughout the world would help protect the interests of domestic shipbuilders because orders for new vessels would likely come

[85] "World Faces Shipping Crisis; What U.S. Does Key to it All," *Washington Post*, July 8, 1945.
[86] Ibid.

at home and abroad as the Liberties were used and replaced. The U.S. government would realize some return on taxpayer investment and the ships would not incur further expense by being stored in a reserve status. Finally, the report provided forecasts and recommendations about the tonnage that the United States would need to handle the demand of postwar commerce, all in concurrence with the Maritime Commission's findings.[87] All that remained was for the Senate to take action on the bill.

For unexplained reasons, the Senate was in no hurry to schedule hearings on the measure. This lack of action was upsetting to the White House. The Senate version of the bill, S 292, was essentially the amended version of H.R. 1425 and offered no new provisions that would cause significant debate. The bill languished over the summer of 1945, much to the chagrin of President Truman and Admiral Land. By Labor Day, the Truman administration was eager to begin the disposal process in conjunction with the closing out of the numerous lend-lease agreements. The president addressed Congress on September 6, 1945, and he reminded them of his administration's desires:

> Prompt resumption of the normal operation of our merchant marine to expedite the reestablishment of our foreign trade is a major part of general conversion from a wartime to peacetime economy. The Maritime Commission has already received numerous inquires and applications from potential purchasers of ships at home and abroad for private ownership and operation. It is recommended that suitable legislation to permit such sale be expedited so that the uncertainty about the disposal of our large surplus tonnage may be removed. In this way, American shipping companies may undertake commercial operation as rapidly as ships can be released from government control, and the foreign market can also be used for selling those

[87] Graduate School of Business Administration, *The Use and Disposition of Ships and Shipyards at the End of World War II*, (Washington, DC: U.S. Government Printing Office, 1945).

> vessels which are in excess of the needs of our postwar American merchant marine and national defense.[88]

President Truman was vitally interested in prompt European recovery. Surplus U.S. ships, whether domestically or foreign owned, were key to that effort. The urgency of the president's appeal to Congress was not based on concern for the domestic maritime community. In late 1945, the administration was carefully watching the political developments in Europe as well as the rising influence of the Communist party in France, Italy, Greece and China. Vessel sales to foreign countries were a means for the United States to make a positive political and economic impact. Continued delays hampered such foreign relations initiatives.

The U.S. Senate hearings on the ship sales bill produced no new debate and provided no reason for the delay. The hearings were held over the last half of September and first half of October. When Admiral Land testified before the subcommittee of the Senate Committee on Commerce, chaired by Senator George L. Radcliffe (D-MD), it was made clear to the senators that he, the chief executive, the secretary of state, and other vitally interested parties felt that the time for legislative action was overdue. Expressing a concern over the potential loss of foreign sales because of the slow-moving bills and making reference to the state of the world economy, Land stated:

> …while I am not an economist or a financier, I have taken this up with prominent gentlemen over the past two or three months, the President of the United States, the Secretary of State, Mr. Crowley, Mr. Clayton, and the Export-Import Bank, in order to present the merchant marine picture with its direct and indirect implications from blocked currency. Apologizing for making a statement about something concerning which I know nothing, I

[88] Text of President Truman's Message to Congress, *Washington Post*, Sept. 7, 1945.

> think the keystone of the arch to the peace of the world is stabilized exchange.[89]

From the spring to the fall of 1945, significant events had transpired that added urgency to the debate. With the unconditional surrender of both Germany and Japan in the months since the House committee hearings, the trade balances of war ravaged nations were going to become an important measure of their recovery. In addition, the State Department and others were keeping a weary eye on the Russians and the rise of local Communist parties. Both houses of Congress seemed vitally interested in the state of the British merchant marine which prior to the war had held the number one position in terms of tonnage. The admiral explained that Great Britain, because of its own building and vessels held under lend-lease would not be as desperate to buy as countries such as Norway, Denmark, Belgium, Holland, Greece, and France.[90] When being closely questioned about the provisions of the bill, Land said "All I can say is go back to World War I, if you knows a better 'ole, go to it." He made it clear to the senators that he and the Commission had been working on this bill since 1942 and political bickering over insignificant details of the bill had equated to two years without a much needed policy.[91] In addition to testimony similar to what he had presented to the House, Land invoked the Harvard Report to further bolster his testimony and convince the Senate committee of the merits of having a law in place. Speaking the in the strongest terms, the admiral stated:

> In my judgment—and I have studied the Harvard Business Report, and the best part of it is in the appendix, showing that the history of our merchant marine legislation is nothing of which any of us can be proud—this is one way

[89]Senate Subcommittee of the Committee on Commerce, *Merchant Ship Sales Act: Hearings on S. 292*, 79th Cong., 1st sess., 1945, 92.
[90] Ibid., 93.
[91] Ibid., 101.

> to attempt to cure the handling of the American Merchant Marine. It is congressional policy—it will be respected by the country, the Comptroller General, and by the people.[92]

Other testimony before the committee was given primarily by industry representatives and followed in the same vein as the testimony given before the House committee. The State Department was not called to testify before the senators. There were no revelations or significant amendments to the bill. The Senate hearings on the measure concluded on October 19, 1945. The compromise bill was not hammered out until February 1946. The House voted 233 to 115 in favor of the final bill on February 27. The measure was sent to the White House and signed by President Truman on March 8, 1946.

The Merchant Ship Sales Act of 1946 emerged from the legislative process with most of the provisions for foreign vessel sales that the Maritime Commission and the State Department had advocated. Foreign operators were not allowed to charter vessels, but the purchase provisions were well within reach of most countries. The various types of war-built vessels were offered for sale at statutory sales prices that allowed for adjustment depending on a vessel's condition. However, a floor price was established as the minimum cost for each type of ship. This protected potential buyers from future price reductions. The vessels could be bought for cash or financed with a 25 percent down payment. There was a ninety-day waiting period to allow domestic purchasers to have first choice of the available vessels. After that foreign buyers could purchase Liberty and Victory dry cargo ships and T-2 tankers, if available.

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[92] Ibid., 105.

By the time that the Merchant Marine Sales Act of 1946 became law, Admiral Land had resigned his post as Maritime Commission chairman. However, the Commission remained committed to disposing of surplus vessels, especially Liberty ships. The State Department assumed an active role in arranging and expediting the sales in conjunction with their particular policy goals for a given country.

No sooner did the Act become law, than the world situation began to dramatically change. The countries of Europe continued to sink deeper into economic despair, prompting widespread political unrest. Relations between Russia and her former Allies also began to deteriorate. While the Maritime Commission and the State Department were working toward placing ships in foreign hands for their economic well-being, the State Department was also monitoring the fluctuating political climate in a number of countries around the world that were important to postwar stability and economic recovery.

Chapter 6: The World Receives Ships

The Sales Act and its Implications

The Merchant Ship Sales Act of 1946 designated the U.S. Maritime Commission as the government agency responsible for administering the sale of merchant vessels under the terms of the Act. Three weeks before the Act became law, key members of the State Department Shipping Division met with their counterparts at the Maritime Commission to work out the details of their cooperative efforts toward facilitating ship sales to foreign interests. In a memorandum of conversation made by the Department of State, the participants pledged "the establishment of a close liaison between the Department and the Maritime Commission for the clearance of questions as to the policy with respect to the sale of ships to foreign governments and nationals of foreign governments." The group discussed the competitive situation that was arising among nations vying for vessels. The State Department was particularly concerned about Italy, and its representatives made it clear "that it is the policy of the Department to get Italy back on its feet as soon as possible, and in order to do this Italy, among other things, needed ships…"[93] The State Department's position in this case was to argue for the sale of better surplus ships versus the return of old Italian vessels seized when hostilities were declared. There was also discussion about sales to nations such as Argentina and Spain that avoided direct involvement in the hostilities. The concern, voiced by the State

[93] Memorandum of Conversation, "Liaison Between Maritime Commission and State Department With Respect to the Sale of Ships to Foreign Governments and Nationals of Foreign Countries Under the Ship Sales Act," February 14, 1946; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

Department, was that if nations such as these were to be denied sales by the United States, the British could furnish vessels through its sales program and negate the effect of any U.S. sanction. Though not addressed at this meeting, the Department had an overarching concern about trade with "the Americas." The Good Neighbor Policy initiated by President Roosevelt, coupled with the desire of the United States to assume a broader range of involvement in the affairs of its neighbors to the south, prompted a separate examination by the State Department of ways with which to influence the region through ship sales and trade.

Finally, the meeting addressed the most important topic which was the issue of financing the sales. The Ships Sales Act stipulated that foreign interests could purchase vessels for cash or on credit by placing 25 percent down and financing the balance due. The paradox created was that war-torn European countries were short of U.S. dollars and the Export-Import Bank had indicated that it would not authorize loans to finance the purchase of surplus ships. The expectation was that the Maritime Commission would make funds available from its own accounts. This opened another avenue of collaboration for the two organizations. The State Department agreed to ascertain the creditworthiness of countries and individuals requesting loans, saying that they could provide "a wealth of information on such matters and that reasonable promptness could be expected in the obtaining such information."[94] With a relationship firmly established, both the Department and the Commission prepared to move forward with ship sales.

Because the Maritime Commission began receiving requests from potential foreign buyers well before the Sales Act was signed into law, the Commission acted

[94] Ibid.

to clarify the propriety of foreign sales to both Allied and former Axis countries. This clarification, aside from the issue of legality, would also inhibit potential challenges to foreign ship sales by U.S. shipping interests and allow the Commission to have its actions and opinions placed on record. Immediately after the Act was signed into law, the Commission directed a letter to the secretary of state requesting a review of the Act in light of Italy's request for fifty Liberty ships. The concern raised by the Commission was based on the possible violation of the Trading with the Enemy Act of 1917 due to the fact that a formal peace treaty had not yet been signed with Italy.[95] On July 25, 1946, the Commission laid out its position based on a full legal review of the Sales Act and concluded that it had no legal basis to impede sales to foreign buyers as long as they met the terms and conditions of the Act and did not harm the larger national interest.[96]

The State Department during this period was not at all concerned with legal clarifications and viewed foreign ship sales as decidedly in the national interest. The Truman administration was vitally interested in a speedy European economic recovery. One of the key aspects of the success of this recovery was the resumption of international commerce and trade. The merchant fleets of nations such as France, Italy, and Greece had been decimated by the war. Whether seized, captured, or destroyed, nearly the entire merchant ship tonnage of these nations was unavailable for their commercial use after the war. The United States now offered the means for restoring a large part of that tonnage.

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[95] Minutes of the U.S. Maritime Commission, V77: 35001; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.
[96] Minutes of the U.S. Maritime Commission, V81: 36898; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

Events in early 1946 raised concerns about the spread of Communism and the specter of Soviet influence among the nations of Europe and the rest of the world. In February, Joseph Stalin gave a public address celebrating the resiliency of the Soviet Communist system and the plans for his county's future. The ideological tone of the speech caused some in Washington to fear Soviet expansion. Stalin's address was soon followed by Winston Churchill's "Iron Curtain" speech and George F. Keenan's famous "long telegram" from Moscow, which by many accounts marked the beginning of the Cold War. The sale of surplus U.S. merchant ships was thus poised to become an important part of the U.S. policy to aid and rebuild war-ravaged nations in the early years of that ideological struggle.

Liberties bring food, fuel and stability to France

Just before V-E Day, it was clear to French leader General Charles de Gaulle that there were but two real powers in the world: the United States and the Soviet Union. Since both countries were allies of France, de Gaulle regarded each of them as potential partners in ensuring the survival of his recently liberated country. Perhaps cognizant of the forthcoming American-Soviet ideological struggle, the General indicated to the U.S. Ambassador to France that if necessary he would work with the Soviets, but would prefer to work with the United States. According to Ambassador Jefferson Caffery, de Gaulle complained of the U.S. failure to supply coal, raw materials for industrial production, and various other supplies. He then stated "you people seem to think that France is going to fail in any event and perhaps you are right: but she would not fail if you helped her."[97] This was not a threat, but rather a desire on General de Gaulle's part to exercise some control over the future of France through an indirect invitation to the United States to help and protect his country in the postwar period.[98] Perhaps this level of rhetoric was partly induced by the State Department's decision to hold back on their agreement signed in February 1945 to sell seventy-five Liberty ships to France. France was desperate for these vessels and was undoubtedly frustrated that the sale was being delayed for political reasons. According to a French maritime journal, the country had lost 60 percent of it merchant shipping measured in gross tons. The addition of the American Liberty ships would bring them to within 76 percent of their 1939 total. However, the French were not standing idly by. They were also purchasing ships from other countries, as the Maritime Commission had warned the House committee could occur while the legislation languished during 1945. Ships had been purchased or were on order from Great Britain, Canada, Sweden, Norway, Belgium, and Holland totaling nearly seven hundred thousand gross tons. In addition, the French had chartered thirteen Liberty ships representing ninety-three thousand addition gross tons. As of June 1, 1946, the French claimed a total of 289 ships of varying types. [99]

In October 1945, de Gaulle was elected president of the French provisional government. French leaders acted wherever possible to boost the country's

[97] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1945, Europe*, Vol. 4 (Washington, DC: U.S. Government Printing Office, 1968), 686.
[98] Alessandro Brogi, *A Question of Self-Esteem: The United States and the Cold War Choices in France and Italy, 1944-1958* (Westport, CT: Praeger, 2002), 16
[99] "Restoration of the French Merchant Fleet," *Journal De La Marine Marchande*, June 27, 1946: 730. Data from the Secretary of the Merchant Marine. This tabulation of tonnage uses gross tons which is a measure of volume rather than cargo carrying capacity by weight as reflected by deadweight tons.

international prestige and influence despite its limited economic ability and dependence on the United States for aid. In addition, the French people strongly desired to restore their nation's dignity and national identity. After the Yalta Conference, France accused the "Big Three" powers of dividing Europe into spheres of influence to the detriment of smaller and medium size European countries. France as an advocate for these countries was straying beyond U.S. control. France's attempt to form a coalition of these countries within the United Nations General Assembly was one of the factors that led to France being made one of the five permanent members of the U.N. Security Council.[100]

With this accomplished, France was able to restore some of its power and prestige. However, France's political stability still depended on American aid, diplomatic support and some kind of partnership.[101] When Harry S. Truman became president, France received a greater level of diplomatic recognition. In mid 1945, the president received the French ambassador and two months later, General de Gaulle. The French president appealed directly to President Truman for more American economic assistance. The result was the Blum-Byrnes accords of the following year.

The issue of French political stability remained in the minds State Department officials. President de Gaulle moved forward a program of economic reforms and modernization. However, he grew frustrated with the political factionalism of the Constituent Assembly that was finding agreement on a new constitution difficult. Amid the debate, de Gaulle resigned in early January 1946. At the end of the month, the French Foreign Ministry designated Leon Blum Ambassador Extraordinary to

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[100] Alessandro Brogi, *A Question of Self-Esteem: The United States and the Cold War Choices in France and Italy, 1944-1958* (Westport, CT: Praeger, 2002), 32.
[101] Ibid., 25-31.

negotiate economic and financial agreements with the United States and secure urgently required imports. The tentative agenda for the negotiations included U.S. companies in France, commercial policies, financial arrangements for credit, and settlement of lend-lease accounts. Secretary of State James F. Byrnes pledged "to give every appropriate assistance to the development of a sound reconstruction program."[102]

The advice offered by Ambassador Caffery in Paris to the secretary of state was based on what Caffery perceived as political and economic practicalities. A cable in early February stated that he believed it was in the U.S. national interest to grant France substantial dollar credit in order to help stem the depletion of their dollar and gold reserves. Noting that the country must import nearly everything it needs, and that so-called "extremists" were poised to exploit the failure of the current government, Caffery advocated for the aid package to restore industry and to permit the importation of wheat and coal in order to help demonstrate the French government's ability serve the people.[103]

The secretary of state and Ambassador Blum met on March 19. The subject of coal dominated the discussion. Blum emphasized that France required coal from the United States in order to fuel its industries. Limited domestic coal production and a quota on coal from Germany were cited as the cause of the shortfall. It was noted that France needed to import coal in from the U.S. -- expensive to pay for in dollars -- and ship in U.S. vessels. The ambassador stated that France's entire reconstruction

[102] U.S. Department of State, *Foreign Relations of the United States, 1946, The British Commonwealth, Western and Central Europe*, Vol. 5 (Washington, DC: U.S. Government Printing Office, 1969), 412.
[103] Ibid., 414.

depended on obtaining coal. The aid that France needed would help resolve this problem, he asserted.[104]

Through the remainder of the spring, France and the United States negotiated the terms of an agreement for approximately sis hundred fifty million dollars in loan guarantees. All the while, the U.S. kept a wary eye on political developments in France. A new constitution failed to win approval in a nationwide vote and the position of the French Communist Party was weakened as a result.[105] This eased U.S. concerns over the rising political power of the Communist Party, which had been striving to form a communist-dominated coalition government. With the political situation in France somewhat stabilized, the State Department was able to see the talks through to a generally satisfactory outcome.

The Blum-Byrnes accords between the United States and France were approved by President Truman on May 28. The agreement was composed of only six main points. Included with the loan guarantees and agreements for payments was Item 4, a provision for the French to purchase approximately seven hundred fifty thousand tons of merchant shipping owned by the United States government under the Merchant Marine Sales Act of 1946.[106] The very same day, the U.S. Maritime Commission met and authorized the sale of as many as seventy-five Liberty ships to the French Government.[107]

Although six hundred fifty million dollars in loan guarantees were important to French recovery, the sale of Liberty ships was absolutely crucial for resuming

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[104] Ibid., 419.
[105] Ibid., 446-47.
[106] Ibid., 462.
[107] Minutes of the U.S. Maritime Commission, V77: 35000; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

export and import commerce. The French reconstruction plan was centered on restoring the nation's economy in a manner in which French exporters could compete internationally.[108] With the government able to restore its merchant tonnage to within 10 percent of its prewar levels, the French vessels could earn money at either spot or charter rates, and therefore offset some of the drain on its monetary reserves. The sale of merchant vessels under the Act of 1946 by no means saved France from its postwar economic difficulties. It did however permit the timely sale of vessels, each capable of delivering approximately ten thousand tons of coal, wheat, or any other consignment of dry cargo, thereby contributing to the nation's economic recovery. In this way, the Blum-Byrnes accords demonstrated the U.S. commitment to France during a formative period for a new French government. With aid on the way, the French people rejected a Communist attempt to assume power, while the opposition Socialists, who were more centrist, continued to support of the United States. However, the U.S. left nothing to chance. Item 5 of the accord required as condition of U.S. acceptance:

> A statement of the French government expressing its full agreement with the principles of the United States' proposals on world trade and employment, and an expression of the intention to work together with the United States Government in securing general international support for these proposals in the forthcoming conference of the United Nations. The two governments have also reached understandings on other important related matters of a commercial policy nature.[109]

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108 Frances M. B. Lynch, "Resolving the Paradox of the Monnet Plan: National and International Planning in French Reconstruction," *The Economic History Review*, New Series, V37, no. 2 (1984): 232.

109 U.S. Department of State, *Foreign Relations of the United States, 1946, The British Commonwealth, Western and Central Europe*, Vol. 5 (Washington, DC: U.S. Government Printing Office, 1969), 461-463

Clearly, the United States wanted to cement a partnership with the French. By the fall of 1946, France had adopted a new constitution.

Vessel Sales Boost Italy and Suppress Communism

During the period of political turmoil in France, the Council of Foreign Ministers, created at the Potsdam Conference, engaged in negotiating the Italian Peace Treaty. Italy was treated differently from other defeated nations as a result of the armistice it signed in 1943, and its subsequent cooperation with the Allies. Even before the negotiations began, the United States adopted a policy of building Italy into a stable, democratic nation with a market-oriented socio-economic system.[110] As the Cold War unfolded, the United States became even more committed to these goals with the added concern of Soviet influence in the Mediterranean region. After the overthrow of Mussolini, Italy formed a provisional government and coalition Consultive Assembly that was composed of several factions which included Socialist and Communist political parties. Driven by severe postwar economic conditions, the Christian Democrats formed a minority government in April 1947 that excluded Socialist and Communist participation in the cabinet. This placed Italy in the hands of a centrist government whose Prime Minister Alcide De Gasperi was amenable to the support of the United States.[111]

In the year prior to the establishment of De Gasperi's government, the Italian Peace Treaty had been successfully negotiated and approved by the Western powers.

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[110] E. Timothy Smith, *The United States, Italy and NATO, 1947-1942* (New York: St. Martin's Press. 1991), 2.

[111] Chiarella Esposito, *America's Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948-1950* (Westport, CT: Greenwood Press, 1994), 12-14.

Ratification of the Italian treaty was vital in light of the developing Cold War between the United States and Russia. During this same period, the Eastern Mediterranean became an area of U.S. concern regarding Soviet direct influence. Overtures made by the U.S.S.R. toward Turkey about alterations in the rules that governed ship movements through the Dardanelles set off a flurry of activity aimed at stopping the Soviets from establishing a military presence in Turkey. This was occurring as Italy and the United States were in conflict with Yugoslavia over the port of Trieste, an issue tentatively resolved in the Italian Peace Treaty. During this transition period for Italy, the United States furthered its goals of democracy, stability, and regional security by providing aid, support for loans, and Liberty ships to this Mediterranean nation.

Though a former member of the Axis, Italy was not denied the opportunity to reestablish its commercial fleet. The Italian government asked the United States for ships as early as 1945 to help speed its postwar reconstruction.[112] Once the Merchant Ship Sales Act became law, Italy moved quickly to purchase Liberty ships. The first sale occurred on October 31, 1946, with the Italian government purchasing forty ships with an option for ten more, on behalf of private Italian shipping firms.[113] Within a year, various Italian shipowners purchased forty more, as well as a few T-2 tankers.

In early 1947, the United States was eager to help ease political and social unrest in Italy. After establishing a new government, Italian Prime Minister De Gasperi traveled to the U.S. to visit with and Secretary of State James F. Byrnes. The

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[112] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1945, Europe,* Vol. 4 (Washington, DC: U.S. Government Printing Office, 1968), 1282.
[113] U.S. Department of State, *Foreign relations of the United States, 1946. The British Commonwealth, Western and Central Europe,* Vol. 5 (Washington, DC: U.S. Government Printing Office, 1969), 941.

prime minister described his country as in the throes of an economic as well as a political crisis with the greatest pressure being exerted by the Communist Party in an effort to bring Italy into the orbit of Russian influence.[114] In order to combat this threat, the Italian leader pressed for continued financial assistance, loans, wheat, coal, and ships. The first order of fifty ships had been processed quickly as part of the initial push to distribute the vessels to European nations. Now the Italians anticipated the need for more.

Testing the waters through diplomatic channels, the Italian ambassador met with State Department officials about the purchase of another fifty Liberty ships. Undersecretary of State William L. Clayton promised that he would take up the matter personally with the Maritime Commission and lend State Department support to the forthcoming request. He stated "that he considered it desirable for the Italians to attain their prewar shipping tonnage level as quickly as possible, in order to alleviate the drain on their foreign exchange."[115] Clayton was as good as his word. A few days later he met with the Maritime Commission and recommended that they approve the sale of fifty additional ships to the Italians "promptly so that a public announcement thereof might be made about January 17, when the prime minister of Italy returned home from his trip to the United States." The Commission unanimously approved the sale in principle.[116]

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[114] U.S. Department of State, *Foreign relations of the United States, 1947, The British Commonwealth, Europe*, Vol. 3 (Washington, DC: U.S. Government Printing Office, 1974), 838-839.
[115] Ibid., 847.
[116] Minutes of the U.S. Maritime Commission, V98: 40616, 40640; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

A few months after the Italian delegation returned home, the Italian Ambassador to the United States met directly with the new Secretary of State George C. Marshall to discuss the situation in his home country. He fed the United States' fears of what Italy might become. The Communists had spent heavily and achieved some success in recent elections. Since Italy shared a border with Yugoslavia, an easy path of Communist infiltration existed. The ambassador warned that a Communist Italy would provide Moscow with a highly strategic position with which to influence the politics of Greece and Turkey, as well as those of Western Europe and North Africa. Of course these possibilities were stated in conjunction with continued pleas for aid. In presenting his case, the Italian ambassador gave the impression that the Communists could be held at bay by the psychological effects of U.S. aid and support. This discussion between Ambassador Tarchiani and the secretary further emphasized Italy's need for merchant vessels, including tankers, which the U.S. soon provided.[117]

The delivery of Liberty ships to Italy was met with a great deal of enthusiasm.[118] Contrary to the views held by shipping interests in the United States, Italian owners found the Liberty ships quite modern. One former owner recalled, "The Liberty, with its simplified technology was an enormous advance for us. Until that time, shipowners had been very traditionalist, bound to old technologies and methods…Studying the Liberties, we learned to change our ways and improve our

[117] U.S. Department of State, *Foreign Relations of the United States, 1947, The British Commonwealth, Europe*, Vol. 3 (Washington, DC: U.S. Government Printing Office, 1947), 904-907.
[118] U.S. Department of State Decimal File, Item 865.853/1-3047; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

methods." The U.S. permitted these purchases on very liberal terms, requiring only 25 percent of the five hundred sixty thousand dollar purchase price as down payment per ship, and then holding the mortgage based on the exchange rate for 1946. The new owners did well with their new vessels, first acquiring charters to carry much needed U.S. wheat and coal to their homeland in the immediate postwar years, and later in general world trade. Many of these vessels continued in service into the 1960s.[119]

Prime Minister Alcide De Gasperi managed to guide the Italian Peace Treaty through the Italian Constituent Assembly in the fall of 1947. In early 1948, the U.S. negotiated a new postwar trade agreement with the Italian government. By the Italian' own admission, their economy at the time was able to produce little, if any, products for export. At that point, Italy was entirely dependent on imports, much of which came from the United States. In order to support a continued flow of trade, the United States and Italy signed a new treaty of friendship, commerce, and navigation. Continued U.S. support bolstered the Christian Democratic government, and the United States considered the peace treaty the beginning of a new era for Italy.

Greece Becomes a Maritime Power With Surplus Ships

Because of political events and outcomes in Italy, the United Stated gained a clearer vision regarding its postwar security interests in the region. Soon, events in Greece and Turkey were brought to the forefront of American concern.[120] As the

[119] "The Double Gift: Liberty Ships Helped Italy Recover and Restore its Shipping Industry," *Surveyor* (Winter 2004/2005): 34-37.

[120] E. Timothy Smith, *The United States, Italy and NATO, 1947-1942* (New York: St. Martin's Press. 1991), 14-16.

Merchant Ship Sales Act was being reconciled in committee, the U.S. State Department was organizing a credit package for Greece through the Export-Import Bank that included money for ship sales "which presumably will be available to Greece."[121] After the Act was signed, Greece followed a route similar to that of Italy in addressing its shipping problem directly to the State Department, asking for the assistance of the United States in obtaining merchant ships for Greece either directly from the U.S. or through a third party. The secretary of state indicated that the State Department would remember the Greek government when the time came.[122]

Postwar conditions in Greece presented significant difficulties for the former Allies. From 1945 to 1947, Greece received three hundred fifty million dollars in United Nations Relief and Rehabilitation Aid (UNRRA) which helped domestic agriculture and infrastructure rebuilding. However, Greece was hampered by a weak government that was rife with corruption and bogged down in a civil war with a Communist supported left-wing opposition.[123]

In October 1946, the acting secretary of state notified the U.S. ambassador to Greece that deteriorating internal conditions and the tensions in northern Greece had inspired a reevaluation of U.S. policy toward Greece. This policy was summarized in twelve distinct points. Each was intended to further the U.S. interests in terms of supporting the territorial and political integrity of Greece, and to assure continued Greek independence. On this list was "appropriate action to relieve the Greek

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[121] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1945, The Near East and Africa*, Vol. 8 (Washington, DC: U.S. Government Printing Office, 1969), 283.
[122] U.S. Department of State, *Foreign Relations of the United States, 1946, The Near East and Africa,* Vol. 7 (Washington, DC: U.S. Government Printing Office, 1969), 157.
[123] John Killick, *The United States and European Reconstruction: 1945-1960* (Edinburgh: Keele University Press, 1997), 130-132.

shipping crisis through the sale or charter of U.S. vessels." As significant was the policy of "assisting Greece by finding export markets and in acquiring essential goods in U.S. markets."[124]

In early 1947, the British notified Washington that by the end of March they would no longer be able to sustain a presence in Greece supporting an elected government engaged in a civil war against armed forces controlled by Communists. American was fearful that if the Greek Communist Party gained power, other countries in the region such as France and Italy would become subject to the same political fate.[125] During the same period, the Soviets attempted to lure the Greeks into bilateral trade relations by offering to supply large quantities of goods in exchange for the rights to a small port on the island of Dodecanese as a repair base for Soviet merchant ships.[126] Concurrently, Russia was also trying to gain influence with Turkey by requesting a revision of the Montreux convention to allow joint Soviet-Turkish defense of the Dardanelles, the strait between the Black Sea and the Mediterranean. The U.S. State Department pressed Turkey to resist the Soviet pressure and the U.S. dispatched warships to the region.[127] The deteriorating situation in the Mediterranean was unacceptable to the Truman Administration which, by the spring of 1947 had launched both the Truman Doctrine and the Marshall Plan.

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[124] U.S. Department of State, *Foreign Relations of the United States, 1946, The Near East and Africa,* Vol. 7 (Washington, DC: U.S. Government Printing Office, 1969), 236.
[125]Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1992), 143.
[126] U.S. Department of State, *Foreign relations of the United States, 1946, The Near East and Africa,* Vol. 7 (Washington, DC: U.S. Government Printing Office, 1969), 119.
[127] Lawrence S. Wittner, *American Intervention in Greece* (New York: Columbia University Press, 1982), 54-56.

Where the Marshall Plan would serve as the master European recovery plan, the Truman Doctrine originated as a broad-based appeal to the Congress for aid to both Greece and Turkey. Other European nations appeared to be falling in line with United States plans and policies, but a weak Turkish government and a Greek civil war threatened the stability of the Eastern Mediterranean region. Western funds, advisors and equipment were sent to Greece to support the war against Communist forces. In late 1949, a cease-fire agreement ended the civil war in favor of an elected government.

During this critical period, the U.S. dispensed commercial as well as military aid to the Greek government. The U.S. Maritime Commission agreed to sell one hundred Liberty ships to Greece under much the same terms given to Italy. In this case, the State Department directly assisted the Greeks by notifying the Maritime Commission that the sale was “decidedly in the national interest.” The urgency of the sale was further indicated in the Commission’s proviso that the body would give preference to buyers who accepted vessels “as is” and agreed to carry a load coal or grain on the outward voyage from the United States; conditions Greek shipowners were willing to meet.[128] To further facilitate the sale, the Greek government guaranteed the loans made to their shipowners. The Greeks made the United States its main trading partner, taking full advantage of the worldwide tramp steamer trade as well as the movement of U.S. aid cargoes to Greece.

The U.S. pledge to assist Greece in finding export markets manifested itself in the form of Greek shipping companies registering some of their vessels under foreign

[128] Minutes of the U.S. Maritime Commission, V98: 40640; Records of the U.S. Maritime Commission, Record Group 178; National Archives at College Park, College Park, MD.

flags. That, in turn, allowed the Greeks to utilize lower-cost foreign crews and avoided higher domestic taxes. In the postwar years, the idea of "flags of convenience" became a common American shipping practice. In cooperation with the Greek ship operators, U.S. controlled vessels could enjoy the advantages of low-cost operation while competing on the open market. This limited American flagged vessels to the rate-controlled liner services to and from the United States while Greece operators engaged in the cross-trade between various foreign countries using the convenience flags of Liberia and Panama. This practice, for all practical purposes, eliminated U.S. flag shipping from tramp shipping and the bulk trades, and brought significant revenue to the owners of these vessels.

It has since been calculated that the one hundred Liberties sold to Greek ship owners generated a combined income of thirty-five million dollars with a net profit of about eleven million dollars in 1947 alone. In later years, the U.S. government sold Greek shippers seven T-2 tankers that, using the same business acumen, they parlayed into the worlds largest tanker fleet.[129] Not only did postwar foreign policy assist Greece in resisting Communist intervention and influence, it promoted trade policy that enriched both Greek shippers and their American business colleagues operating vessels under flags of convenience.

Argentina Creates a Merchant Marine

The U.S. State Department's dealings with Argentina regarding trade matters and ship sales provides an early glimpse into how foreign policy would be used in the

[129] Gelina Harlaftis, *A History of Greek-Owned Shipping: The Making of an International Tramp Fleet, 1830 to the Present Day* (London: Routledge, 1995), 226-237.

postwar years to affect the decisions of foreign leaders. Though not dictated by the imminent threat of Communist expansion, the State Department's actions in Argentina were just as politically motivated. South American countries in general were heavily dependent on imports from industrialized countries because of their lack of industrial base. However, they were exporters of food stuffs and raw materials essential to the Allied war effort. In order to maintain a reasonable trade balance during the war years, the State Department, in cooperation with the War Shipping Administration, instituted "trading programs" with the countries of South America.

The trading programs stipulated the amount of U.S. produced goods that would be allowed for export to South America as well as the amounts of goods and material that the various countries would ship to the United States and the Allies. Since the War Shipping Administration controlled the booking and scheduling of cargo shipments during the war, South American countries such as Argentina were at the mercy of the United States for a majority of their trade and cargo movements. The Argentine government, which for most of the war years was under the control of a military dictator, had little choice but submit to the controls put in place by the U.S. government, but refused to cut diplomatic ties with the Axis powers. This refusal to bend to the will of the United States prompted the State Department to consider economic means to affect a change in Argentine policy.

Once the United States entered World War II, its domestic security depended on keeping hostile forces out of the hemisphere. In the wake of the attack on Pearl Harbor, a majority of the nations in the Americas either broke diplomatic relations with the Axis or followed the United States in declaring war. A few countries waited until later in 1942. Argentina, Chile, Ecuador, and Paraguay chose to remain neutral for as long as it was feasible. The U.S. trading programs with Central and South American countries allowed the United States to buy and control the supply of all types of goods valuable to the war effort and deny them to the Axis. At the same time, the exporting countries received U.S. dollars and could buy goods from America on a regulated flow based on the overall needs of the war effort.

To further economically isolate South and Central American nations, the United Stated acted to eliminate any form of commerce between the hemisphere and the Axis powers. The Third Meeting of the Foreign Ministers of the American Republics was held in January 1942 in Rio de Janeiro. The efforts of the attendees were directed toward hemispheric solidarity and mutual defense. One of a number of resolutions adopted at the meeting called for participating nations to sever all commercial and economic intercourse with Germany, Italy and Japan. The United States delegation left the meeting pleased with the scope of the final agreement.[130] However, soon after the meeting, problems arose between the United States and Argentina when it became clear that the Argentine government was not being forthright about complying with the terms of the resolution.

Argentina had declared itself neutral in the war and maintained its diplomatic relations with the Axis. Since Argentina chose that course, the Axis powers appeared to avoid any action that would provoke them to declare war. By the same token, Argentina avoided specific action against the Axis. The fact that most of their trade was in support of the Allied war effort was not viewed as unexpected given the

[130] U.S. Department of State, "Third Meeting of the Ministers of Foreign Affairs of the American Republics," *The Department of State Bulletin* 6, no. 137 (1942): 124.

geopolitical necessities. However, as unobtrusively as possible, Argentina continued to execute financial transactions through Switzerland, Spain, and occupied France, and continued debt payments to firms and institutions with Axis connections.[131]

Argentina's continued financial dealings with the Axis rankled the State Department. In May 1942, Secretary of State Cordell Hull suggested to President Roosevelt that Argentina's funds in the United States be frozen and transactions allowed only for licensed Argentine trade transactions. The purpose for this action was clearly and directly stated: "to coerce Argentina into greater collaboration with the war effort of the United Nations," and "to demonstrate to all the other American countries that the United States Government 'means business' and will wield its huge economic power to force more effective collaboration." Roosevelt rejected the proposal as "not in accord with the good neighbor policy." [132] Argentina was made aware of this proposal and in spite of its rejection by FDR, did make some effort to placate the United States. In mid-1942, a number of decrees were issued that addressed foreign financial transactions but their implementation was never fully realized.

Strategic necessity dictated that trade between Argentina and the Allies remain uninterrupted through 1942 and 1943. The United States was importing as much Argentine oil as production would allow and Great Britain was heavily dependent on food stuffs such as meat. In 1943, the United States received $151,593,000 in goods from Argentina, and Great Britain in excess of one hundred

[131] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1942, The American Republics*, Vol. 5 (Washington, DC: U.S. Government Printing Office, 1965), 480-481.
[132] Ibid., 471-472.

million dollars.[133] In terms of exports, the United States adopted a policy in March 1943 which instituted limits on U.S. shipments to Argentina and encouraged the Allies to find alterative sources in South America for the goods Argentina produced.[134] This recommendation was made in anticipation of the elimination of the restrictive trade programs in the Americas. As the war was being won and stockpiles of materials beginning to grow, it was no longer necessary for the United States to so strictly control the flow of trade. However, when the proposal was presented to the President by the State Department for his approval, it specifically excluded Argentina.[135]

By early 1944, the State Department was growing increasingly irritated with the Argentine regime. The U.S. ambassador in Buenos Aries characterized the regime as "irresponsible and self-seeking military and nationalist elements," and a "government composed of largely of undisciplined army officers, self-seeking army politicians and fanatic nationalists."[136] Correspondence between Washington and the Embassy discussed in detail the varying effects that the curtailment of trade would have on Argentina's industry and economy. In spite of their desire to inflict some

[133] Argentine Import-Export Programs, June 29, 1944, Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[134] Economic Policy Towards Argentina, March 4, 1943, Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[135] Secretary of State to the President, February 9, 1944, Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[136] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1944, The American Republics,* Vol. 7 (Washington, DC: U.S. Government Printing Office, 1967), 413-415.

form of economic pain on the country, the State Department did not want it made public in order to limit objections by U.S. interests, and in the event sanctions did not produce any noticeable difference in Argentine conduct.[137]

On September 9, 1944, the State Department formally declared a more restrictive trade policy with Argentina and requested that the War Shipping Administration assign no more vessels to carry northbound cargo from Argentina to Allied countries. This left the Argentine merchant marine on its own to supply the countries needs. Efforts to keep the change in policy quiet were a complete failure. News wire services carried the story and the Argentine press lambasted the United States for harming the entire country and imposing what amounted to defacto trade sanctions.[138] The policy remained in effect until February 3, 1945, when it was quietly revised to relax the restrictions imposed the previous September. There had been another regime change in late 1944 that the United States chose to recognize. In addition, the U.S. had encountered a great deal of pressure from its Allies drop the policy. Argentine meat and grains were desperately needed to feed Europe and additional ships were required to transport it. Setting aside their desire to stop Argentine foreign financial dealings, the State Department agreed to the change saying, "we hope to be able to modify the present arrangements by a gradual relaxation rather than take action so suddenly as to become unnecessarily conspicuous."[139] On March 28, 1945, Argentina finally declared war on Japan and Germany, removing the only concrete reason for the United States not to fully support

[137] Ibid., 421.
[138] Ibid., 424.
[139] U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1945, The American Republics*, Vol. 9 (Washington, DC: U.S. Government Printing Office, 1969), 528.

the new military regime. In April, the secretary of state announced that Argentina had taken measures to reaffirm its solidarity with the other American republics and that America's current economic policy toward Argentina was comparable to that of its neighbors. As a result, Argentina was granted Allied status and officially recognized as part of the United Nations war effort.[140]

When the United States tightened export controls, the policy had a direct effect on Argentine shipping. Nearly all of the cargo bound for South American countries was being shipped through ports in the Gulf of Mexico to reduce the likelihood of German U-boat attack. The cargo destined for Argentina was for the most part being carried on the Argentine State Shipping Line, *Flota del Mercante Estado*. The economics of commercial vessel operation dictates that cargo ships ideally have full holds in both directions of a voyage to maximize revenue. The export restrictions against Argentina caused their vessels to make the return voyage home with minimal cargo, thus forcing a net reduction in the monies gained from its export trade to the United States. In this way, the United States still received needed Argentine goods. Argentina in turn received dollars for the shipments, and the U.S. made its point by denying the county all but essential materials required to support their contribution to the war effort, and at the same time forced inefficient operation of their vessels.

Argentina was hampered by the size and state of its fleet. Prior to 1941, Argentina had no organized merchant marine. There were small private companies engaged in coastal shipping and an independent tanker company, but no national cargo carrier. That changed with the outbreak of the Second World War. Concurrent

[140] Ibid., 530.

with what had occurred in the United States, countries wanting to avoid the risk of losing their vessels to German U-boat attack or other hostile actions left their ships idle in Argentine ports. The government of Argentina took the same action as the United States and passed the laws necessary to allow acquisition of these vessels. In March 1941, Acting President General Ramón Castillo created an advisory commission to investigate "the possible acquisition, lease, or requisition" of the vessels that were clogging the ports of the River Platte.[141] In August, Argentina entered into an agreement to purchase all of the Italian general cargo ships stranded in Argentine waters. This gave Argentina an instant merchant fleet of sixteen vessels totaling 136,554 deadweight tons. The acquisition of the Italian vessels was followed in December 1941 by an agreement with Denmark to purchase four stranded refrigerated cargo ships. These purchases were followed by the transfer of three former North German Lloyd vessels, four naval cargo vessels suitable for commercial use, and one coastal freighter from a private company. In 1943, three French ships and an additional naval transport vessel were added to fleet.[142] In total, the vessel acquisitions made by Argentina created a respectable fleet, but nearly all of the ships had to be engaged in trade with the United States. The War Shipping Administration did not allocate any U.S. vessels to the Argentine trade, so Argentina depended heavily on its secondhand fleet. As the war drew to a close, Argentina had to prepare for its postwar world trade. Nearly all of the purchase agreements negotiated with foreign countries for their vessels included a repurchase clause which could be

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[141] Javier Alejandro Vivero, "La Flota Mercante Argentina," http://www.monografias.com/trabajos10/flota/flota.shtml?relacionados.
[142] Ibid.

invoked after the cessation of hostilities. At the end of the war, eleven ships were returned to their original owners.[143]

Once Argentina declared war on Germany in March 1945, the United States softened its stance against the country and began reevaluating Argentine postwar trade policy and its requirements for ships. Argentina began inquiring about both building and buying vessels from the United States immediately after the State Department acknowledged Argentina's Allied status. In May 1945, Italy notified Argentina of its intent to exercise its option to repurchase eight of the sixteen ships that it sold to Argentina in 1941. The Argentine government in turn notified the Maritime Commission that it would like to obtain replacement vessels before releasing the eight to the Italians. In addition, they stated their desire to build ten new vessels in U.S. yards.[144]

In 1945, the total number of vessels under Argentine flag was seventy-three, totaling 346,356 gross tons. Of this number, twenty-six were tankers. The Argentine State Shipping Line owned twenty-eight of these vessels. Twenty-four were dry cargo ships and four were specialized refrigerated vessels. Argentina's plans for postwar trade included a strong, modern merchant marine, public and private, capable of carrying 50 percent of its export commerce. The United States, Great Britain, Canada, and Sweden all expressed an interest in supplying new ships to Argentina.

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[143] Ibid.

[144] McClintick to Falck, State Department Memorandum, May 24, 1945; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

The United States was also willing to supply surplus vessels under the terms of the Sales Act once passed into law.[145]

In 1946, Juan Peron came to power and his government continued to pursue strengthening the Argentine merchant marine. As soon as the Sales Act permitted foreign sales, Argentina was allowed to purchase three Victory ships, followed by fifteen additional Victories, two Liberty ships, three T1 tankers, and two N3 coastal freighters. In addition, contracts were signed with shipyards in the United States and Great Britain for new cargo vessels, and three ocean liners were ordered from Italy.[146]

In the midst of surplus vessel sales, the United States and Argentina were signatory to the Inter-American Treaty of Reciprocal Assistance adopted on September 2, 1947. The "Rio Treaty" as it came to be called, was a mutual assistance treaty that appeared to coincide with the newly unveiled Truman Doctrine and the U.S. policy of communist containment. Some policy makers felt that the social, political and economic disparities present in South American countries made them susceptible to communist influence.[147] The immediate postwar policy of conciliation with Argentina and its inclusion in the Rio Treaty were aimed at reducing that threat.

During the war years, the United States attempted to use its trade policies to influence the actions for the various military regimes in power in Argentina during

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[145] U.S. Department of State memorandum, Shift of Argentine Merchant Fleet, 1945; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

[146] Javier Alejandro Vivero, "La Flota Mercante Argentina," http://www.monografias.com/trabajos10/flota/flota.shtml?relacionados.

[147] Longley, Kyle, "Inter-American Conference for the Maintenance of Continental Peace and Security, August 15 to September 2, 1947," *Encyclopedia of U.S.-Latin American Relations,* http://www.routledgeny.com/enc/USLatinRelations/sample1.html.

the Second World War. In doing so, the State Department highlighted for Argentina its need for a stronger merchant marine. When the United States decided on a more friendly posture toward Argentina, its government acted swiftly to procure surplus vessels which the Maritime Commission promptly delivered.

Ships Without a State: Norway, Sweden and Denmark

The merchant fleets of Norway, Sweden and Denmark were unique to the Allied war effort in that they operated independently during the war years. Norway and Denmark were occupied by Nazi Germany early in the war, and Sweden assumed a historical position of neutrality. The merchant vessels of these nations that were outside of their home waters when their countries were impacted by hostilities were ultimately operated in support of the Allied war effort. The British came to depend heavily on the vessels of Norway and Sweden from the very beginning of the war. Danish vessels made a contribution as well, but primarily from being seized in Allied ports and later being placed into wartime service under the flag of the country initiating the seizure.

Norway

When Norway was invaded and occupied by the Germans in April 1940, the Norwegian royal family and many government officials fled the country and set up a government in exile in London. From there the government directed its sizable merchant marine as part of the Allied war effort. In 1939, Norway had the fourth largest merchant marine in the world with a total of 1,072 seagoing vessels over one thousand gross tons.[148] When the war broke out, Norwegian shipping lines carried cargo for the British and joined in the trade blockage against Germany. Fortunately, when the Germans moved against Norway, three-quarters of its vessels were outside home waters away from German control. Norway derived most of its national income from shipping and commerce. When the Royal Norwegian Government was established in London, it was able to function as a self-sustaining entity despite its state of exile.[149]

The business of shipping was directed by a government run management group, the Norwegian Shipping and Trade Mission, known by its shortened from Nortraship. Nortraship began its operation with 881 vessels over five hundred gross tons. A majority were either chartered to the British or operated in support of Britain. The Minister of Shipping described the arrangement as state run shipping company that utilized private vessels, "for the duration of the war, the ships are sailing on behalf of the government. The individual ship is being operated for a single purpose; namely to make it contribute to the war effort as efficiently as possible without any regard to the special interest of individual shipowners."[150] The Norwegian fleet was operated in this manner throughout the war.

There was a certain level of resentment on the part of some in the United States government that the Norwegians were operating as seagoing mercenaries,

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[148] Committee on Interstate and Foreign Commerce, United States Senate, Eighty-First Congress, Second Session, *Merchant Marine Study and Investigation* (Washington, DC: United States Government Printing Office, 1950), 126.
[149] Lawson, Siri, "Norwegian Merchant Fleet : 1939-1945, Nortraship," http://www.warsailors.com/freefleet/nortraship.html.
[150] Ibid.

engaged in the war for profit.[151] This war not a fair characterization of the country in that Norway had always derived its income from shipping. Because of its ships, Norway was able to support its government in London and its military wherever it was called to serve.[152] During the war, Nortraship had total earnings of 2,345 million kroner or about 469 million dollars. After expenses the Norwegian treasury netted five hundred fifty million kroner or about one hundred ten million dollars.[153]

As previously mentioned, the early war years took a devastating toll on the merchant fleets of all Allied nations. Norway suffered losses commensurate with the numbers of its vessels involved in the war effort. By January 1943, Norway claimed to have lost 2.5 million tons of shipping, or 40 percent of the fleet that under their control. Since this was its only source of income, Norwegian government was very aggressive during the war in seeking replacements for lost vessels and making restitution claims for damages to their ships. The Norwegian Ambassador took his country's case directly to President Roosevelt, asking him to authorize the sale American cargo vessels to the Royal Government.[154] The president declined but the Norwegians received eight ships as part of its 1942 lend-lease agreement which were placed in operation under its own flag. Great Britain was more obligated to the

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151 Frank Kauffman and Wright Thomas, Memorandum of Conversation, January 5, 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

152 Lawson, Siri, "Norwegian Merchant Fleet : 1939-1945, Nortraship," http://www.warsailors.com/freefleet/nortraship.html.

153 World War II Merchant Shipping Policies of United Nations Countries; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

154 U.S. Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1943, Europe*, Vol. 2 (Washington, DC: U.S. Government Printing Office, 1967), 481-489.

Norwegians than the United States and it was able to sell them vessels under its established sales laws.[155]

. By the end of the war, the Norwegian fleet had been reduced by more than half of its original tonnage, and that included vessels sold to them by the British in the intervening years. The special character of the Norwegian contribution to the Allied war effort was recognized in Article 7 of their Lend-Lease Agreement which the United States undertook to give consideration to reestablishing Norwegian shipping to its prewar levels. The Maritime Commission acted to meet this consideration by approving the sale of eighty-five dry cargo ships and seventeen tankers totaling 982,000 deadweight tons of shipping.[156]

Sweden

Sweden entered the war with 484 vessels of all types with a cargo carrying capacity of approximately 2.6 million deadweight tons. The nation maintained a policy of neutrality throughout the war, but made concessions to both sides in the conflict. The concessions came mostly in the form of transportation. Sweden allowed the Nazi Germany to utilize its rail system to transport soldiers and war material from Norway to Finland. In addition, Swedish vessels inside the Baltic at the time that Norway was invaded remained in the Baltic and participated in wartime trade with Germany. For the Allies, Sweden provided its oceangoing vessels outside of the Baltic to the United Nations as chartered vessels.

[155] British Ministry of War Transport, Cmnd. 6357, May 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[156] Committee on Interstate and Foreign Commerce, United States Senate, Eighty-First Congress, Second Session, *Merchant Marine Study and Investigation* (Washington, DC: United States Government Printing Office, 1950), 126-132 and 170-171.

Sweden's neutrality did not spare it from the level of losses incurred by the rest of the Allies. Over the course of the war, it lost one hundred twenty vessels totaling 725,100 deadweight tons[157] However Sweden was in a unique position in that its shipyards worked at full capacity during the war producing newer and larger merchant vessels. The country continued to build ships even if they were not intended to be used and were placed in lay-up. As a result, Sweden emerged from the war with a modern fleet of ships, its losses made up by the newly constructed vessels. Since it had no need to build ships for its own use, Sweden actively sought and received orders from other countries to build new vessels.[158] Norway was one of its first customers after the Germans surrendered.[159] The Swedes ordered only six surplus vessels from the United States, two Liberties and four C1 cargo ships, all undoubtedly to be used in the Baltic trade. In addition, two large Swedish ore carriers were under long-term charter to Bethlehem Steel Corp. transporting Chilean iron ore to Sparrows Point in Baltimore. One of these vessels was lost in the war. Bethlehem Steel built replacement vessels for the Swedish owners after the Allied victory.[160]

Since Sweden had new vessels, it promptly joined the postwar United Maritime Authority shipping pool and participated in relief operations in shipping

[157] U.S. Department of State memorandum; Sweden; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[158] "Summary Notes on Shipping Relations with Indicated Foreign Countries" August 8, 1945; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[159] U.S. Department of State memorandum; Sweden; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.
[160] Ibid.

food to Greece. At the same time, the State Department noted that Sweden was in a position to resume the trans-Pacific trade that it operated in prior to the war. This route provided service from the United States to the Philippines, Asia, and Australia. Sweden was also well positioned with tankers, having thirty-five at the beginning of 1946 that were expected to be long-term chartered to major oil companies.[161]

Sweden's position of neutrality during World War II helped it to build up a modern merchant fleet that would contribute to the recovery of the postwar world. By participating in postwar relief shipments, and building new vessels for neighboring countries, Sweden was able to support the goals of the State Department because of its relative economic health. In postwar terms, Sweden and its merchant marine were viewed by the United States as an asset to the world economy.[162]

Denmark

Denmark fell to the Germans at the same time as Norway. Most of Denmark's merchant fleet was away from the Baltic when the Danes capitulated. The Germans allowed the Danish monarchy to remain intact and the Royal Government remained in the country. The Nazi occupation force did not permit the Danish merchant navy to continue operation. As a result, vessels took refuge in foreign ports with no expectation of returning to sea.

Danish vessels in Allied ports were considered badly needed shipping resources that were going to waste. As previously discussed, Argentina negotiated the purchase of four Danish refrigerator vessels that were idle in the River Platte that became part of its fledgling merchant marine in 1941. These vessels became valuable

[161] Ibid.
[162] Ibid.

to the Argentine government and the Allies because they were used to ship processed beef to Great Britain during the war.

Idle Danish vessels were a problem in the United States as well. However the United States did not negotiate their purchase. Denmark was one of the countries that had its vessels seized by the United States. Forty Danish ships were seized under the Espionage Act of 1917, since Denmark had been overrun by the Nazi's. The vessels that escaped the German occupation of Denmark were placed into Allied wartime service and many were lost. The United States was bound by the law that permitted the seizure of the vessels to provide just compensation to their owners if the vessels were damaged or lost. When the war was over, the United States engaged in contentious negotiations with Denmark over the just compensation for the use and loss of these vessels. The vessel owners involved were ultimately satisfied with a cash settlement, and the United States provided five operators with a total of nineteen surplus ships under the Merchant Ship Sales Act of 1946.[163]

China Falls Short of its Ambitious Maritime Plans

In June1942, the United States entered into a lead-lease agreement with China that for all intents and purposes mirrored the one signed with the British at the start of the war in Europe. Because of the difficulty of reaching China by ship without risking Japanese attack, lead-lease supplies were shipped into China by air. It was not until the United States had gained the upper hand in the Pacific that the postwar

163 United States Department of Commerce, Maritime Administration, *Sale of Ships by the Maritime Commission* (Washington, DC: United States Government Printing Office, 1951), 17-18.

development of Chinese shipping could be considered. In March 1944, the State Department began investigating how to best assist the Chinese in their need for ships.

China's maritime situation was a problem in three parts. First, China had an extensive river system that necessitated the use of smaller shallow draught vessels suited primarily for inland use. Second, China had a coastline of approximately nine thousand miles which required larger, more substantial vessels. Finally, there was the need for ocean going vessels to conduct international trade. Prior to the war, China's trading needs were served by 1.5 million tons of shipping operated by the Chinese, Great Britain, the United States and Japan. By 1944, China was making due with one hundred thousand tons of its own shipping confined to inland waters.

Two weeks before the Ship Sales Act was signed, Chinese President Chiang Kai-shek wrote directly to President Truman with a personal appeal to purchase Liberty ships. Six Liberties were being assigned to service in Chinese waters under the operational control of the U.S. Army. The general asked that China be allowed to purchase the vessels for cash so they could "use these ships in consonance with our projected economy program and for related purposes." Unfortunately, no one including the president had the legal authority to consummate such a sale, and Truman informed his Chinese counterpart that as soon as the ship sales bill became law, steps would be taken to arrange the sale.[164]

The sale of ships to China and all other matters relating to the Chinese government were being handled by General George C. Marshall. The Chinese were seeking to buy ten N3 coastal cargo ships from the Commission, and had already

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[164] U.S. Department of State, *Foreign Relations of the United States, 1946, The Far East: China*, Vol. 10 (Washington, DC: U.S. Government Printing Office, 1972), 790.

purchased ten Laker-type float bottom freighters of 4,000 tons from Agwilines through a sale approved by the Commission. In addition, the Chinese were being sold five old government-owned freighters as surplus. In a State Department memo outlining the sales, the originator questioned how the U.S. government could sell these vessels to the Chinese while being restricted to the terms of the Sales Act for transactions with other countries. The answer was found in the wording of the Act. The Sales Act only covered "war-built" vessels. In this instance the vessels being sold were privately owned and built before the war. Therefore, they could be sold to any approved party at the whim of the Commission.[165]

The U.S. Army reassessed its requirements for ships to support the Chinese Army in Manchuria and the number was increased to ten vessels manned with Chinese crews. Since the Sales Act stipulated a waiting period before foreign purchase could be made, no transfer of vessels to China could take place before July 23, 1946. However, the State Department wanted defacto transfer to take place as soon as possible by simply releasing the ships to Chinese control. This could not be legally done so other measures had to be taken. The Chinese Communists were making all vessels under U.S. control the focus of propaganda attacks against the Nationalist Chinese, claiming the evils of American influence. The best that the United States was able to do was transfer the vessels to China under the terms of the Lead-Lease Act which would allow them to fly the Chinese flag. This was accomplished by presidential order. However, the retention of ownership still placed

[165] Saugstad to Deimel, Memorandum, January 16, 1946; British Ministry of War Transport, Cmnd. 6357, May 1942; Subject Files 1940-1948; Shipping Policy Files; Office of Transportation and Communications, Shipping Division; General Records of the Department of State, Record Group 59; National Archives at College Park, College Park, MD.

the United States in a position of appearing to be offering direct support to the Nationalist Chinese in a rapidly developing civil conflict with the Chinese Communists. As a precursor to the outright purchase of these vessels, the Chinese government placed five and one half million dollars in escrow with the Maritime Commission.

In mid-1946, the Nationalist China made its ambitious plans apparent. China made an application to the Maritime Commission to purchase 159 war-built vessels of the Liberty, Victory, C1, and N3 types in conjunction with an extension of seventy-six million dollars in credit payable over the next twenty years. Working through the National Advisory Council and the State Department, the scope of the Chinese plan was to restore its shipping capacity to prewar levels over the course of the ensuing two years. As a precaution against unfavorable future political developments, General Marshall put forth the following proviso to be added to the conditions of the sale:

> It is the desire of the United States Government that these commercial type vessels be destined for a united and democratic China under a coalition government. It is therefore understood by the Chinese government that if it appears to be in the best interest of the United States, this program for transfer of these ships can be terminated unilaterally by the United States subject to such financial adjustments as may be subsequently negotiated.[166]

The Maritime Commission acted with no more urgency on China's request for vessels that it had for any other foreign sales requests. However, the civil strife in China was not helping to expedite approval of its large scale ship purchase plan. China's internal problems were creating economic instability which was contributing to its escalating civil strife. The view from State Department personnel in China was that

[166] U.S. Department of State, *Foreign Relations of the United States, 1946, The Far East: China*, Vol. 10 (Washington, DC: U.S. Government Printing Office, 1972), 801.

the economic situation could be stabilized if the U.S. would take constructive and confident action. In addition to issuing commodity credits and supporting internal projects, Washington was advised to act on the Chinese request for 159 vessels pending before the Maritime Commission.[167]

When the Commission did act, it was on the basis of what China had placed on deposit with the Commission. The Maritime Commission's bureaucratic delays in processing sales requests had allowed a large scale ship sales program to China to appear less appealing. The Commission and the State Department acted in favor of selling China the vessels already in its possession, and went no further. The U.S. Government utilized its escape clause to back away from any long term agreement with China, and moved toward settling its lend-lease accounts with the Chinese on the ships that they retained.[168] In the end, the Republic of China purchased a total of thirty-three general cargo vessels, thirteen of which were the larger Liberty and Victory type.[169]

Liberty Ships and the Soviets: An Unanticipated Gift

Liberty ships played one more small part in the Cold War struggle. While the United States sold ships to European nations, it also engaged in protracted negotiations with the Soviet Union to settle claims regarding the lend-lease agreement between the two nations. Under the terms of the master lend-lease agreement, the

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[167] U.S. Department of State, *Foreign Relations of the United States, 1947, The Far East: China*, Vol. 7 (Washington, DC: U.S. Government Printing Office, 1972), 1069.
[168] U.S. Department of State, *Foreign Relations of the United States, 1948, The Far East: China*, Vol. 8 (Washington, DC: U.S. Government Printing Office, 1973), 694.
[169] U.S. Department of Commerce, Maritime Administration, *Sale of Ships by the Maritime Commission* (Washington, DC: United States Government Printing Office, 1951), 17.

U.S.S.R. was required to return military and merchant vessels in their possession, or be allowed to purchase eligible vessels under the terms of the Merchant Ship Sales Act of 1946. When it became clear that the Soviet Union was not going to honor the terms of the lead-lease agreement, the United States began protracted negotiations to achieve a diplomatic solution to the situation.[170]

The Soviets sought to negotiate the purchase of each group of vessels separately while the United States insisted on an overall settlement. It was not until 1949 that the Soviets returned twenty-seven naval frigates and three ice breakers while continuing to string negotiation along with piecemeal settlement offers for the remaining ships. During negotiations in December 1948, the U.S.S.R. offered $13 million in cash for the thirty-six Liberty ships in its possession, an offer accepted by the United States contingent on an overall settlement. By 1950, no further progress had been made, and relations between the two counties became increasingly strained. As a result, the Soviet Union enjoyed the use of thirty-six Liberty ships completely free of charge, compliments of the United States. In some cases – most notably T-2 tankers -- these vessels were operated in direct competition with U.S. companies.[171] In that case, the Soviets used U.S.-owned vessels as bargaining chips for its own economic and strategic gain. This dilemma was never resolved. The Soviet Union

[170] U.S. Department of State, *Foreign relations of the United States, 1946, Eastern Europe, the Soviet Union*, Vol. 6 (Washington, DC: U.S. Government Printing Office, 1969), 830-842.
[171] U.S. Department of State, *Foreign relations of the United States, 1950, Central and Eastern Europe, The Soviet Union*, Vol. 4 (Washington, DC: U.S. Government Printing Office, 1980), 1294-1295.

kept all the Liberty ships transferred to them under their lend-lease agreement, operating some into the 1970s.[172]

[172] Peter Elphick, *Liberty: The Ships that Won the War* (Annapolis, MD: Naval Institute Press, 2001), 393.

Chapter 7: Conclusion

During World War II, the United States produced perhaps the most valuable commodity needed to win the war. The commodity was oceangoing ships. When the war broke out, Great Britain reminded the United States that for all intents and purposes, America was also and island nation. The British came to the U.S. with a design for a homely ship asking only for a place to build sixty of them. The United States obliged and adopted the Ocean class "ugly duckling," transforming it into the Liberty Ship. These humble ships formed the backbone of an emergency shipbuilding program that would ultimately produce 5,777 vessels of all different types. This production miracle placed the United States in possession of 60 percent of the world's merchant ship tonnage at the end of the war.

The United States Maritime Commission and the United States Department of State recognized the advantages and disadvantages of the precipitous build up early in the war. In less than a year after the Japanese attack on Pearl Harbor, the Commission and the Department began working in cooperation to ensure that after the war the United States was not saddled with thousands of surplus ships, and that the world's maritime nations would have sufficient tonnage to conduct international trade. These goals were realized with passage of the Merchant Marine Sales Act of 1946 which allowed the Maritime Commission to sell its surplus fleet. The Act became law on March 8, 1946 and expired on February 28, 1948. During this brief period, the Act helped accomplish two major U.S. objectives. First, it facilitated the sale of approximately two thousand surplus merchant ships to domestic and foreign buyers. Second, it placed vessels in the hands of foreign operators who desperately required vessels to conduct trade and generate income for their countries. Restoring trade balances, providing a means of currency exchange, and establishing a system of multilateral trade, were all postwar goals of the U.S. State Department. The various types of U.S. war-built ships suited those purposes and fulfilled many of the postwar shipping needs of the nations discussed, while those countries and others rebuilt, became revitalized, and invested in their own shipbuilding industries. The following table summarizes sales of U.S. built vessels to the countries discussed and the effect the sales had on their overall merchant fleet tonnage.[173]

	Vessels 1939 Freighters	Tonnage 1939 Deadweight	Sold under the Act of 1946 Freighters	Sold under the Act of 1946 Deadweight	Vessels 1949 Freighters	Tonnage 1949 Deadweight
France	281	1,414.8	80	781.4	285	1,933.0
Italy	395	2,340.8	103	833.5	249	2,007.0
Greece	379	2,556.3	100	1041.9	193	1,704.0
Argentina	10	54.8	19	208.9	65	560.0
Norway	712	3,503.2	85	788.9	595	3,561.0
Denmark	267	1,102.9	19	181.9	230	1,165.0
Sweden	395	1,434.2	6	52.8	417	1,704.0
China	83	242.7	33	254.8	138	665.0

The table shows the numbers and cargo carrying capacity in thousands of tons for oceangoing freight ships over one thousand gross tons. The comparison of the 1939 and 1949 totals shows the dramatic war losses suffered nations engaged in the service of the Allied war effort. It is abundantly clear that the vessels sold to these countries

[173] Committee on Interstate and Foreign Commerce, United States Senate, Eighty-First Congress, Second Session, *Merchant Marine Study and Investigation* (Washington, DC: United States Government Printing Office, 1950): 126-132 and 170-171.

under the terms of the Merchant Ship Sales Act of 1946 restored their ability to conduct international trade to near their prewar capacity and thereby facilitated a more rapid economic recovery which in turn contributed to political stability. An unanticipated consequence of the Act was its value as a tool in the postwar fight against communism.

As part of the U.S. aid packages offered to struggling nations after the war, surplus U.S. ships helped those nations to regain strength and project their sovereignty in ports throughout the world. Through the sale of the notoriously "slow, uneconomical, and relatively poor" war-built vessels, the United States spurred both nationalist and capitalist sentiments by promoting free trade with relatively modern ships, purchased on easy terms. In that way, countries could remove some of the stigma associated with a continuing stream of incoming U.S. aid by having ships flying their country's flag carrying a significant portion of the freight. In turn, the export cargo carried and the revenue earned by the vessels aided in the flow of much needed dollars to these countries which they used to pay back loans and improve their nation's balance of payments. By late 1949, France had nearly restored its prewar import-export levels and Italy had exceeded it prewar exports to the United States and developed a thriving trade with Russia and the Eastern Bloc.[174] Greece remained enmeshed in civil war and heavily dependent on U.S. aid, but as previously discussed, Greek shipowners reaped the benefits of postwar trade. As these countries resumed active trade with the West and experienced the effects of economic recovery, the policies of the political far left and national Communist parties became much less

[174] "Italy Hails Gains of 40% in Exports," *New York Times*, Jan. 24, 1949: 27, "Trade With Satellites is Booming for Italy," *New York Times*, July 10, 1949, "France's Exports Hit Pre-War Gait," *New York Times*, Feb. 20, 1950.

powerful in the coalition governments of the period. In South America, Argentina built up a respectable merchant fleet of dry cargo vessels and tankers and later passenger liners, establishing a presence on its country's trade routes where none had previously existed.

In the early Cold War, the United States government utilized all the tools at its disposal to influence its allies in dealing with the Soviet Union and trying to contain the internal spread of national Communist parties. A significant part of this effort was the sale of fleets of surplus U.S. merchant ships to free-world allies enabling countries such as France, Italy and Greece immediately engage in multilateral trade as the world recovered from the World War. The United States Maritime Commission and the U.S. Department of State worked cooperatively achieve this goal. The "big stick" in the postwar period was the economic aid provided to European countries to speed recovery efforts. The Truman Doctrine and the Marshall Plan served this larger purpose, but indirect aid in the form of affordable surplus merchant vessels available because of the Ship Sales Act, served as means toward an end of gaining the hearts and minds of the thirty-four countries that purchased U.S. war-built ships. The Merchant Ship Sales Act of 1946 provided a tremendous opportunity for maritime nations to restore or increase their merchant ship tonnage economically, resume international commerce, and restore an element of national sovereignty. At the same, the Act helped strengthen the position of the United States and it policies toward economics, trade, and containing communism in the postwar world.

Appendix

Ship Sales to Foreign Countries Under the Merchant Ship Sales Act of 1946[175]

Country	Type	Total Number	Date of First Transfer	Date of Last Transfer	Terms of Sale
Argentina	Liberty	2	8/24/1946	4/8/1948	Cash
[24]	Victory	17			"
	T1 Tanker	3			"
	N3 Cargo	2			"
Belgium	Liberty	4	12/5/1946	5/6/1947	Cash
[15]	Victory	10			"
	T2 Tanker	1			"
Brazil	C1 Cargo	12	3/7/1947	6/20/1947	Mortgage
Canada	T2 Tanker	8	11/15/1946	3/10/1948	Cash
Chile	C1 Cargo	2	9/5/1946	5/25/1948	Cash
[6]	C2 Cargo	4			"
China	Liberty	10	6/21/1947	8/5/1948	Mortgage
[33]	Victory	3			"
	C1 Cargo	12			"
	N3 Cargo	8			"
Columbia	C1 Cargo	8	2/21/1947	4/28/1947	Cash
Cuba	C1 Cargo	4	1/13/1948	2/16/1948	Cash
Denmark	Liberty	9	11/22/1946	3/14/1947	Cash
[19]	Victory	3			"
	C1 Cargo	7			"

[175] U.S. Department of Commerce, Maritime Administration, *Sale of Ships by the Maritime Commission* (Washington, DC: United States Government Printing Office, 1951), 16-36.

Egypt	C1 Cargo	2	11/24/1946	11/24/1946	Cash
Finland	Liberty	2	7/11/1947	5/4/1948	Mortgage
[3]	N3 Cargo	1			
France	Liberty	76	11/26/1946	5/11/1948	Mortgage
[98]	C1 Cargo	4			"
	T2 Tanker	18			"
Greece	Liberty	98	12/18/1946	2/27/1948	Mortgage
[107]	C1 Cargo	2			"
	T2 Tanker	7			Cash
Honduras	Liberty	20	11/8/1946	4/5/1948	Cash
[23]	C1 Cargo	3			"
Iceland	C1 Cargo	1	2/2/1948	2/2/1948	Cash
India	Liberty	8	1/20/1947	5/3/1948	Cash
[14]	Victory	6			"
Iran	Liberty	1	5/17/1948	5/17/1948	Cash
Italy	Liberty	95	12/20/1946	5/28/1948	Mortgage
[123]	T2 Tanker	20			"
	N3 Cargo	8			"
Netherlands	Liberty	28	10/31/1946	5/19/1948	Cash (73) Mortgage
[84]	Victory	32			(11)
	C1 Cargo	8			
	C2 Cargo	1			
	T1 Tanker	7			
	T2 Tanker	5			
	N3 Cargo	3			
New Zealand	C1 Cargo	2	2/26/1947	3/30/1948	Cash
Nicaragua	N3 Cargo	2	3/8/1948	4/8/1948	Cash
Norway	Liberty	45	10/9/1946	4/1/1948	Cash (63)

[102]	C1 Cargo	40			Mortgage (39)
	T2 Tanker	17			
Pakistan	Liberty	1	5/17/1948	5/17/1948	Cash
Panama	Liberty	63	11/6/1946	5/8/1948	Cash
[152]	Victory	7			"
	C1 Cargo	7			"
	C2 Cargo	3			"
	T1 Tanker	1			"
	T2 Tanker	71			"
Peru	Victory	2	2/20/1947	4/17/1947	Mortgage
[8]	C1 Cargo	4			"
	N3 Cargo	2			"
Philippines	C1 Cargo	6	4/23/1947	3/28/1948	Cash (2) Mortgage (4)
Poland	Victory	1	7/18/1947	7/18/1947	Cash
Portugal	N3 Cargo	3	12/4/1947	12/31/1947	Cash
South Africa	Liberty	4	3/11/1947	5/21/1948	Cash
[9]	Victory	3			"
	T2 Tanker	2			"
Sweden	Liberty	2	11/18/1946	4/12/1948	Cash
[6]	C1 Cargo	4			"
Turkey	Victory	2	2/14/1947	12/9/1947	Mortgage
[10]	C1 Cargo	4			"
	T1 Tanker	1			"
	T2 Tanker	1			"
	N3 Cargo	2			"
United Kingdom	Liberty	118	10/11/1946	12/17/1947	Cash
[218]	Victory	14			"

	C1 Cargo	5			"
	T2 Tanker	51			"
	N3 Cargo	30			"
Uruguay	Liberty	2	2/6/1947	5/3/1948	Cash (2) Mortgage
[6]	C1 Cargo	2			(4)
	T2 Tanker	2			
Venezuela	T1 Tanker	1	12/5/1946	12/5/1946	Cash

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