

CONTRACTS, COLD WAR, AND FOREIGN POLICY:  
RETHINKING TRANSATLANTIC FINANCING  
CORPORATION V. UNITED STATES IN THE CONTEXT  
OF THE SUEZ CRISIS

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*This paper examines Transatlantic Financing Corporation v. United States, a foundational case in contract law. The case arose following the Suez Canal closure in 1956, when the SS CHRISTOS was forced to divert 3,000 miles off-course to deliver United States-chartered wheat to Iran. Though the D.C. Circuit ultimately rejected Transatlantic's claim for additional compensation, holding that the contract was not rendered commercially impossible, the decision notably omits any discussion of the broader geopolitical context surrounding the case. This paper seeks to restore the broader context, situating Transatlantic within the convergence of Cold War strategy, economic imperialism, and decolonization. The research findings suggest that (1) the wheat shipment at the center of the case was likely executed under the Food for Peace Act, an early approach to the current American humanitarian aid apparatus; (2) the United States leveraged this program in Iran as an exercise of soft power during the Cold War; and (3) the court's holding aligned with United States foreign policy objectives at the time.*

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## I. INTRODUCTION

On October 27, 1956, the *SS CHRISTOS* sailed from Galveston, Texas, to Bandar Shapur,<sup>1</sup> Iran, to deliver a full cargo of wheat chartered by the United States Department of Agriculture (USDA), acting as agents for the International Cooperation Administration.<sup>2</sup> Less than a week later, a portion of the ship's normal route—the Suez Canal—was closed, necessitating an extra eighteen days of voyage time and a 3,100-mile diversion around the Cape of Good Hope.<sup>3</sup>

The operator of the *SS CHRISTOS*, Transatlantic Financing Corporation, contacted the USDA after the Canal had closed to request guidance and additional payment.<sup>4</sup> While the USDA representative was not authorized to bind the Government, he advised that Transatlantic was expected to perform the charter and did not believe the company was entitled to additional compensation but was free to file a claim.<sup>5</sup> Transatlantic did just that, but its legal efforts to recover the additional costs of the longer voyage were unsuccessful.<sup>6</sup> Before both the U.S. District Court for the District of Columbia and the U.S. Court of Appeals for the District of Columbia Circuit, Transatlantic argued that, under existing admiralty principles and practices, voyages were presumed to follow the “usual and customary” route—in this case, through the Suez.<sup>7</sup> With the route no longer available, Transatlantic claimed that the original contract had become impossible to perform and that, by completing the voyage via an alternate path, it had conferred a benefit on the U.S. government and was thus entitled to additional compensation.<sup>8</sup>

The D.C. Circuit's opinion in *Transatlantic Financing Corporation v. United States* (hereinafter *Transatlantic*), illustrates the difference between *literal* impossibility of performing the exact terms of a contract and *legal* impossibility. As defined by the *Transatlantic* court, a successful claim of legal impossibility means one that is commercially impracticable, requiring (1) a contingency, or something unexpected, whose (2) risk was

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1. Bandar Shapur, a port city on the Persian Gulf in Khuzestan Province, Iran, was renamed Bandar Imam Khomeini following the 1979 Iranian Revolution. *See* Iran Tourism and Touring Organization, *Bandar Imam Khomeini*, <https://itto.org/iran/city/Bandar-Imam-Khomeini/> [last accessed Dec. 16, 2025] [describing Bandar Imam Khomeini].

2. *Transatlantic Fin. Corp. v. United States*, 259 F. Supp. 725, 726 (D.D.C. 1965); *See also infra* II.B.

3. *Id.* at 727.

4. *Id.* at 726.

5. *Id.*

6. *Id.* at 728.

7. *Transatlantic Fin. Corp. v. United States*, 363 F.2d 312, 315 (D.C. Cir. 1966).

8. *Transatlantic Fin. Corp.*, 363 F.2d at 315.

not allocated by agreement or custom, and (3) the occurrence of the contingency meant performance could only be done at excessive or unreasonable cost.<sup>9</sup>

While Transatlantic satisfied step one of that test, as the Suez closure unexpectedly occurred mid-voyage,<sup>10</sup> they failed to establish the third prong. Regarding risk allocation, the contingency was not allocated by agreement or custom because the contract did not specify a shipping route;<sup>11</sup> however, the D.C. Circuit assumed that the parties were aware—”as were most commercial men with interests affected by the Suez situation”<sup>12</sup>—that the Canal might become dangerous and thus judged the impracticability of performance more scrupulously.<sup>13</sup> Moreover, the company *did* perform, albeit for an added cost of \$43,972,<sup>14</sup> which was not a sufficient variation between expected cost and cost of performing for the court to find commercial impracticability.<sup>15</sup> The court rejecting to shift the entire burden of risk onto one party (the U.S. Government) to preserve another’s profit (Transatlantic), was foundational for the modern doctrine of legal impracticability.

Notwithstanding the near 150-word summary of the Suez Crisis, however, details of the geopolitical or historical context of the crisis and its influences on the parties, risk allocation, or shipping contracts generally are absent from the reasoning in *Transatlantic*.<sup>16</sup> Even scholarship discussing the case fails to mention any of these details beyond the discussion of impracticability.<sup>17</sup> This is particularly surprising for two reasons: first, the

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9. *Id.* at 316.

10. *Id.*

11. *Id.*

12. *Id.* at 319.

13. *Id.*

14. *See id.* at 320 (stating that “the added expense, allegedly \$43,972.00 above and beyond the contract price of \$305,842.92, of extending a 10,000 mile voyage by approximately 3,000 miles”).

15. Brittany Farr, Assistant Professor of Law, 1L Contracts Lecture: Class 21, New York University School of Law (Apr. 3, 2024); *see also* *Transatlantic Fin. Corp.*, 363 F.2d at 320 (“to justify relief there must be more of a variation between expected cost and the cost of performing by an available alternative than is present in this case”).

16. *See* *Transatlantic Fin. Corp.*, 363 F.2d at 315 (stating only that “the Government of Egypt nationalized the Suez Canal Company and took over operation of the Canal” and that there was an ensuing “international crisis which resulted from the seizure”).

17. *See* Richard W. Duesenberg, *Contract Impracticability: Courts Begin to Shape* §2-615, 32 A.B.A. 1089 n.16 (Apr. 1977), <http://www.jstor.org/stable/40685729> (stating the holding of *Transatlantic*); *see also* M. Rosalee Juba, *Relief from Long-Term Coal Sales Contracts through Commercial Impracticability*, 87 W. VA. L. REV. 709 (Apr. 1985) (discussing *Transatlantic*’s place within the development of the doctrine of commercial impracticability, but stating only

crisis triggered a wave of charter party litigation, in both American and British courts, dealing directly with the allocation of additional costs involved in voyages around the Cape of Good Hope.<sup>18</sup> Second, and more importantly, this litigation compelled American courts to confront the limits of existing contract doctrine, particularly the underdeveloped and rarely applied principles of frustration and impracticability.<sup>19</sup> The lack of context in the case, from the end of the British occupation of Egypt several months before to the multifaceted postcolonial political processes taking place between 1945 and 1975,<sup>20</sup> creates a gap in understanding the “ever-shifting line, drawn by courts hopefully responsive to commercial practices”<sup>21</sup> and the thousands of later cases that cite *Transatlantic*.<sup>22</sup>

The case’s doctrinal significance, both in transforming contract doctrine *and* as a cornerstone in contract law (as evidenced by its prevalence in many first-year law school contracts textbooks)<sup>23</sup> necessitates a deeper examination of the forces that shaped its decision. Placing canonical

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that there were “many conflicts” and “known problems” around the Suez); see Robert A. Plessala, *A Review of the Impossibility or Impracticability Defense in Texas*, CONST. L. J. 25, 33 (2004) (stating only that the Suez was closed “due to a condition of war”); see generally Jennifer S. Martin, *Adapting U.C.C. §2-615 Excuse for Civilian-Military Contractors in Wartime*, 61 FLA. L. REV. 99, 111 (2009) (does not discuss the context of *Transatlantic*, but does provide the most comprehensive analysis of the case as setting the precedent of the federal government arguing wartime contracts are not subject to excuse for impracticability).

18. See Braden Vandeventer, *Analysis of Basic Provisions of Voyage and Time Charter Parties*, 49 TUL. L. REV. 806, 824 (1975) (discussing how the Suez Canal closure resulted in “much charter party litigation,” many of which dealt with issues of allocating additional costs involved in making voyages around the Cape of Good Hope).

19. For a discussion of how the closing of the Suez Canal led to a number of decisions in American courts involving claims of frustration of contract, which was almost never used in American courts prior to 1953, see Robert L. Birmingham, *A Second Look at the Suez Canal Cases: Excuse for Nonperformance of Contractual Obligations in the Light of Economic Theory*, 20 HASTINGS L.J. 1393, 1395 (1969).

20. See WM. ROGER LOUIS, *The Tragedy of the Anglo-Egyptian Settlement of 1954, in SUEZ 1956: THE CRISIS AND ITS CONSEQUENCES*, 43-72 (1991) (tracing the British evacuation of Egypt and the postwar political dynamics that shaped European–Egyptian relations leading up to the Suez Crisis); For a discussion of Egypt’s path to independence, see JAN C. JANSEN & JÜRGEN OSTERHAMMEL, *DECOLONIZATION: A SHORT STORY*, 75 (2017).

21. *Transatlantic Fin. Corp.*, 363 F.2d at 315.

22. *Transatlantic Fin. Corp.*, 363 F.2d 312 (showing via a Westlaw search conducted on Nov. 21, 2025, 2,031 citing references).

23. For textbooks used by Columbia Law School, Duke University School of Law, Fordham Law School, Harvard Law School, N.Y.U. School of Law, and U.C. Berkeley Law, see generally, E. Allen Farnsworth et al., *CONTRACTS: CASES AND MATERIALS*, (9th ed., 2019); CARTER G. BISHOP ET AL., *CONTRACTS: CASES AND THEORY OF CONTRACTUAL OBLIGATION*, (3d ed., 2021); ROBERT E. SCOTT & JODY S. KRAUS, *CONTRACT LAW AND THEORY*, (6th ed., 2023); BEN TEMPLIN & DAVID H. SPRATT, *CONTRACTS: A MODERN COURSEBOOK*, (3d ed., 2023).

contract cases like *Transatlantic* in these contexts can illuminate how they shaped legal doctrine,<sup>24</sup> aid in understanding elements of unfairness and inequality in contracts,<sup>25</sup> and fill a gap in legal scholarship.

In response to the underexplored relationship between contract law and geopolitics, this paper will demonstrate that, far from being a routine dispute over added shipping costs, *Transatlantic* reflects a broader American geopolitical objective to turn agricultural surplus into strategic influence during the Cold War and concurrent era of decolonization. The case cannot be fully understood without examining the global economic implications of the Suez Crisis and U.S. foreign aid strategies.

This paper will proceed as follows: Section I will begin by outlining the historical context of the Suez Crisis, emphasizing its implications for the United States during the Cold War; Section II will examine the United States' posture towards Iran and use of food aid as part of a broader American strategy during the Cold War; then, after positioning these elements as the foundational context in which *Transatlantic* arose, Section III will analyze Transatlantic Financing Corporation's place as a part of the broader grand strategy for American foreign policy.

## II. HISTORY AND STRATEGIC SIGNIFICANCE OF THE SUEZ CANAL

The prospect of connecting the Red Sea to the Mediterranean through the Suez isthmus emerged as a major initiative during Britain's and France's aggressive colonial expansion in the mid-nineteenth century.<sup>26</sup>

The Egyptian government first granted a concession agreement for the project to Frenchman Ferdinand de Lesseps in the 1850s, mandating that he establish a company whose president would be appointed by the Egyptian government.<sup>27</sup> The Canal was completed in 1869, with Egypt receiving little financial benefit and retaining less than a quarter of the profits.<sup>28</sup> Though de Lesseps positioned the enterprise as a neutral international project to attract non-French investors,<sup>29</sup> British leaders made acquiring

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24. Douglas G. Baird, *Introduction*, in *CONTRACTS STORIES – AN IN-DEPTH LOOK AT THE LEADING CONTRACT CASES* (2006).

25. Catherine Mitchell, *Interpreting Commercial Contracts: The Policing Role of Context in English Law*, in *COMPARATIVE CONTRACT LAW: BRITISH AND AMERICAN PERSPECTIVES* (Larry Di Matteo & Martin Hogg eds., 2015).

26. Jan Eijking, *Historical Claims to the International: The Case of the Suez Canal Experts*, 67 INT'L STUD. Q. 5 (Sept. 2023).

27. Government of Egypt, *Suez Canal: Canal History*, <https://www.suezcanal.gov.eg/English/About/SuezCanal/Pages/CanalHistory.aspx> (last visited Oct. 11, 2024).

28. *Id.*

29. Eijking, *supra* note 26, at 5.

shares of the Suez Canal Company a priority and attained a controlling interest by the 1880s.<sup>30</sup> In spite of several treaties codifying the Canal's international status, Britain sent troops to Alexandria in 1882 to prevent interruption of the Canal's traffic.<sup>31</sup> This launched its seventy-five-year military occupation of Egypt.<sup>32</sup>

The Suez Canal's importance to the British increased substantially during World War I, particularly after the Royal Navy switched its fuel from coal to oil in 1912, and again after World War II with the loss of overland routes due to political instability.<sup>33</sup> By the early 1950s, two-thirds of Britain's total oil supply traveled through the Canal,<sup>34</sup> further solidifying the colonial empire's need to preserve its "back door to the Middle East."<sup>35</sup>

Egypt's opposition to the British reached a boiling point in July 1956, when then-President Nasser nationalized the Suez Canal.<sup>36</sup> This move came in response to the American and British withdrawal from an agreement to finance the Aswan Dam Project,<sup>37</sup> prompted by Nasser's growing ties with the Soviet Union,<sup>38</sup> including the conclusion of an arms deal between Czechoslovakia and Egypt for the latter to receive Soviet weaponry.<sup>39</sup> In response to Egypt's ties to the Soviet Bloc and increasing pan-Arab nationalism, in October 1956 Israel launched an attack on Egypt's Sinai Peninsula as part of a coordinated agreement with Britain and France, with Britain

30. DEREK VARBLE, *THE SUEZ CRISIS 1956* 8 (2003).

31. *Id.*

32. *Id.*

33. *Id.* at 9, 13 (also discussing how British leaders preferred an all-sea route for petroleum transport after Syria's post-independence instability and the 1948 creation of Israel made overland routes more precarious).

34. *Id.*

35. See KEITH KYLE, *BRITAIN'S END OF EMPIRE IN THE MIDDLE EAST* 7 (3d ed. 2011) (quoting then-U.K. Prime Minister Anthony Eden).

36. ١٩٥٦ سنة تأميم قناة السويس [Decree on the Nationalization of the Suez Canal 1956], July 26, 1956 (Egypt).

37. U.S. Dep't of State, *Suez Crisis, 1956*, <https://2001-2009.state.gov/r/pa/ho/time/lw/97179.htm#:~:text=Nasser%20nationalized%20the%20canal%20after,a%20symbol%20of%20Egypt's%20modernization> [last visited Dec. 17, 2025], ("United States and Britain reneged on a previous agreement to finance the Aswan Dam project [which] was designed to control the Nile's flood waters and provide electricity and water to the Egyptian populace.").

38. See William B. Steele, *Egypt's Relations with the Soviet Union: AN*, 16 NAVAL WAR COLL. REV. 16 (1963) (discussing the development of Soviet-Egyptian relations); see also Amin Hewdy, *Nasser and the Crisis of 1956*, in *SUEZ 1956: THE CRISIS AND ITS CONSEQUENCES* 364 (Wm. Roger Louis & Roger Owen eds., 2011) (attributing the impetus of the crisis to the Czech arms deal).

39. See Kyle, *supra* note 35 at 10.

and France deploying troops several days later.<sup>40</sup> By early November 1956, Nasser had blocked the Canal.<sup>41</sup> The Eisenhower administration, concerned about Soviet intervention in Egypt and amid failed diplomatic efforts, pressured Britain and France to accept a United Nations-backed ceasefire in mid-November.<sup>42</sup>

The nationalization of the Canal and the ensuing conflict had immediate effects on global commerce by obstructing trade routes, affecting cargo movements, and increasing freight rates.<sup>43</sup> For the West, these were exacerbated by the Suez Canal's importance in facilitating the shipping of oil.<sup>44</sup> For the United States, the crisis not only resulted in several legal claims of frustration of contract,<sup>45</sup> but the anti-Western sentiment surrounding the crisis also became a flashpoint for Cold War strategic interests: on one hand, the United States faced curtailed access to oil resources after the Iraq Petroleum Company pipeline in Syria was sabotaged during the military actions of Britain, France, and Israel, threatening the availability of oil resources;<sup>46</sup> on the other hand, American allies faced diminishing influence and weakened positions across the Middle East, threatening the maintenance of regional security arrangements, preservation of Western-aligned bases and passage rights, and efforts to prevent Soviet military encroachment in the region.<sup>47</sup> The Soviet Union sought to capitalize on both by positioning itself as a trade partner and a defender against Western imperialism.<sup>48</sup> Soviet efforts included undertaking the construction and financing of the Aswan Dam, which the United States and Britain regarded as a "very serious blow to Western prestige."<sup>49</sup> Against this backdrop, the United

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40. Office of the Historian, *The Suez Crisis, 1956*, U.S. DEP'T OF STATE [last visited Dec. 17, 2025] <https://history.state.gov/milestones/1953-1960/suez>.

41. Amin Hewdy, *Nasser and the Crisis of 1956*, in *SUEZ 1956: THE CRISIS AND ITS CONSEQUENCES* 364 (Wm. Roger Louis & Roger Owen eds., 2011).

42. *Id.*

43. See Kevin Shilleto, *Shipping and the Closure of the Suez Canal*, 24 THE WORLD TODAY 158 (1968) (discussing the Suez closure's effects on shipping).

44. See Kyle, *supra* note 35, at 7.

45. Birmingham, *supra* note 19, at 1400.

46. See National Security Council, *Progress Report on United States Objectives and Policies with Respect to the Near East (NSC 5428)*, in *FOREIGN RELATIONS OF THE UNITED STATES, 1955-1957, NEAR EAST REGION; IRAN; IRAQ, VOL. XII*, doc. 178 (Paul Claussen, Edward Keefer, Will Klingaman & Nina J. Noring, eds. 1991) <https://history.state.gov/historicaldocuments/frus1955-57v12/d178> (detailing United States policies with respect to the Middle East, including availability of oil resources, passage rights, and denial of resources to the Soviet bloc).

47. *Id.*

48. *Id.*

49. Letter from John F. Dulles, U.S. Sec'y of State, to Senator J. William Fulbright (May 29, 1957), [https://history.state.gov/historicaldocuments/frus1955-57v17/d333?utm\\_source](https://history.state.gov/historicaldocuments/frus1955-57v17/d333?utm_source).

States prioritized maintaining its strategic position in the region to prevent the Soviet Union from gaining a stronger economic foothold.<sup>50</sup>

### III. SHIFTING CURRENTS: IRAN AND ECONOMIC INFLUENCE IN U.S. COLD WAR STRATEGY

Before the Suez Crisis erupted, the United States had already begun leveraging economic assistance to counter Soviet influence during the Cold War.

#### *A. Iran's Role in American Foreign Policy*

One pivotal area of focus was Iran, whose strategic significance as an economic, ideological, and security buffer with the Soviet Union and major oil producer made it central to American foreign policy. The United States saw Iran as a potential target of Soviet expansion, whereby the Soviet Union's subversion of Iran would be "a major threat to the security of the entire Middle East" by weakening the region's "will to resist communist pressures" and facilitating Soviet economic and military strength through control of oil resources.<sup>51</sup>

The pro-Western Iranian government, led by the Shah, had relied on the United States for "counsel and aid,"<sup>52</sup> and, in turn, the United States provided economic assistance and publicly lauded the Iran government's actions against isolationism and communism.<sup>53</sup>

Leading up to the Suez Crisis, the United States further sought to increase its prestige in the Middle East, counter communist pressures in Iran, and prevent communist use of Iranian oil for economic leverage.<sup>54</sup> Iranian oil was especially significant, as the country nationalized its oil industry in 1952 and subsequently entered into a consortium agreement with France,

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50. *Id.*

51. National Security Council, *Statement of Policy by the National Security Council: United States Policy Toward Iran (NSC 5402)*, in *FOREIGN RELATIONS OF THE UNITED STATES, 1952-53, IRAN, 1951-1954*, doc. 355 (Paul Claussen, Edward Keefer, Will Klingaman & Nina J. Noring, eds. 1991) <https://history.state.gov/historicaldocuments/frus1951-54Iran/d355?>.

52. *Id.*

53. Memorandum From John D. Jernegan, Acting Assistant Sec'y of State for Near Eastern, South Asian, and African Affairs, to John F. Dulles, Sec'y of State (Jan. 11, 1955), <https://history.state.gov/historicaldocuments/frus1955-57v12/d289>.

54. National Security Council, *Note by the Executive Secretary to the National Security Council on U.S. Policy Toward Iran (NSC 5504)*, in *FOREIGN RELATIONS OF THE UNITED STATES, 1955-1957, NEAR EAST REGION; IRAN; IRAQ, VOL. XII*, doc. 291 (Paul Claussen, Edward Keefer, Will Klingaman & Nina J. Noring, eds. 1991) <https://history.state.gov/historicaldocuments/frus1955-57v12/d291>.



Britain, and the United States in 1954.<sup>55</sup> Through this deal, the United States secured at least 40 percent participation in the division of oil resources.<sup>56</sup> At the time, this agreement also constituted one of Britain's single largest overseas assets.<sup>57</sup> This arrangement solidified Western influence in Iran, positioning the country as a key political and economic resource during the Cold War.

### B. *Economic Influence and Food for Peace*

In addition to focusing on strategic partnerships and oil revenue, the United States relied on other economic initiatives to extend its influence abroad. One tool in this strategy was the Food for Peace Act of 1954.<sup>58</sup> Passed during the Eisenhower administration, the Act served several purposes: decreasing inefficient domestic food surpluses, creating new markets for American agricultural products, promoting development, and expanding humanitarian relief.<sup>59</sup> To align with Cold War objectives, its benefits were restricted to "friendly nations,"<sup>60</sup> explicitly excluding the Soviet Union and communist-sympathetic states.

The Act empowered the president to negotiate and carry out agreements with these "friendly nations," their instrumentalities, and private parties for the sale of surplus American agricultural products.<sup>61</sup> These agreements were intended to facilitate international trade, foreign currency conversion, and stabilize American agriculture.<sup>62</sup> The Act is divided into three sections, or Titles, whereby Title I is focused on the sales of foreign currency, Title II is focused on famine relief, and Title III covers General

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55. WM. ROGER LOUIS, *Oil Consortium of 1954, in THE END OF THE BRITISH EMPIRE IN THE MIDDLE EAST, 1952–1971*, 117–142 (2025).

56. Letter from Winthrop W. Aldrich, U.S. Ambassador to the U.K., to the U.S. Dep't of State (Apr. 1, 1954). *in FOREIGN RELATIONS OF THE UNITED STATES, 1955–1957, NEAR EAST REGION; IRAN; IRAQ, VOL. X, doc. 449* (Carl N. Raether and Charles S. Sampson, eds. 1989), <https://history.state.gov/historicaldocuments/frus1952-54v10/d449>.

57. *See* Kyle, *supra* note 35, at 7 (stating the "oil refinery on the island of Abadan [Iran], was Britain's biggest single overseas asset").

58. Agriculture Trade Development and Assistance Act of 1954, Pub. L. No. 480, 68 Stat. 454 (1954) (known as Public Law 480 or the "Food for Peace Act of 1954").

59. USAID, USAID'S LEGACY IN AGRICULTURAL DEVELOPMENT, 101 (2013).

60. Agriculture Trade Development and Assistance Act of 1954, Pub. L. No. 480, § 107, *supra* note 58 (defining "friendly nation" as "any country other than (1) the U.S.S.R., or (2) any nation or area dominated or controlled by the government or foreign organization controlling the world Communist movement").

61. *Id.* at § 101.

62. *Id.* at § 2.

Provisions.<sup>63</sup> Titles I and II each have their own programmatic spending cap: Title I is capped at \$700 million,<sup>64</sup> and Title II is capped at \$300 million.<sup>65</sup>

Through an executive order issued that same year, the Eisenhower administration designated the functions of Title I of the Act, which focused on sales of foreign currency, to the USDA.<sup>66</sup> The sale of American agriculture for local currencies constituted the largest portion—approximately 60 percent—of the Act’s programming and increased each year.<sup>67</sup> These local currencies were often loaned back to the commodity-purchasing governments for development projects.<sup>68</sup>

The famine relief and other assistance provisions of Title II were assigned to the Foreign Operations Administration,<sup>69</sup> which later became the International Cooperation Administration (ICA) in 1955.<sup>70</sup> While this was a smaller portion of the Act’s operation, the ICA, which directly preceded the United States Agency for International Development,<sup>71</sup> played a critical coordinating role and was designated as the agency responsible for handling funds for ocean freight costs.<sup>72</sup>

One of the key recipient nations of food for the sales of foreign currency was Iran,<sup>73</sup> whose significance and alignment with the United States’s Cold War objectives made it a focal point for the Act’s implementation. At the time, the strategic focus in Iran was to facilitate economic development and “tangible social and economic benefits from the oil settlement” as well.<sup>74</sup>

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63. *See generally, id.* (covering sale of farm commodities, disposal of perishable commodities, barter authority, and marketing).

64. *Id.* at § 103(b).

65. *Id.* at § 203.

66. Exec. Order No. 10,560, 19 Fed. Reg. 5927 (Sept. 9, 1954).

67. ELEANOR N. DEBLOIS, ERS, U.S. DEP’T OF AGRIC., TWELVE YEARS OF ACHIEVEMENT UNDER PUBLIC LAW 480 iii (1976) [https://downloads.usda.library.cornell.edu/usda-esmis/files/jq085j963/h415pd67w/j3860b29f/ERSF-11-10-1967\\_12\\_Years\\_of\\_Achievement\\_under\\_Public\\_Law\\_480.pdf](https://downloads.usda.library.cornell.edu/usda-esmis/files/jq085j963/h415pd67w/j3860b29f/ERSF-11-10-1967_12_Years_of_Achievement_under_Public_Law_480.pdf).

68. Frederick C. Dirks, *U.S. Exports of Surplus Commodities*, 5 IMF Staff Papers 200, 207 (Jan. 1956) (Actual shipments under the surplus disposal program rose from \$160. Million in the fiscal year end of June 1954 to about \$690 million in fiscal 1955 and \$1,320 million in fiscal 1956.).

69. *Id.*

70. Exec. Order No. 10,610, 20 Fed. Reg. 3179 (May 9, 1955).

71. The Foreign Assistance Act of 1961, Pub. L. No. 87-195, 75 Stat. 424 (1961).

72. Exec. Order No. 10,685, 21 Fed. Reg. 8261 (Oct. 29, 1956).

73. *See* DeBlois, *supra* note 67, at 9.

74. Memorandum From John D. Jernegan, Acting Assistant Sec’y of State for Near Eastern, South Asian, and African Affairs, to John F. Dulles, Sec’y of State (Jan. 11, 1955). Available at: <https://history.state.gov/historicaldocuments/frus1955-57v12/d289>.

### C. *Intersection of Food for Peace and Iran*

United States assistance to Iran began with limited technical assistance in 1951,<sup>75</sup> but increased substantially in 1952 in response to the nationalization of Iran's oil industry.<sup>76</sup> This nationalization triggered a serious political and economic crisis in the country,<sup>77</sup> largely due to the retaliatory British-led boycott of Iranian oil,<sup>78</sup> which was feasible because oil fields in Kuwait and Iraq could readily replace Iranian oil production.<sup>79</sup> The resulting loss of foreign exchange earnings destabilized the Iranian economy and ended with a Western-backed coup d'état in 1953.<sup>80</sup>

With the successive consortium agreement,<sup>81</sup> which allocated significant control of Iranian oil to Western powers, economic aid from the United States to Iran became a critical element to the former's Cold War Strategy.<sup>82</sup> Between 1952 and 1960, agencies in the American aid apparatus provided hundreds of millions of dollars in economic assistance and

75. For an examination of technical assistance—understood as the provision of expertise, vocational training, administrative support, and infrastructure across sectors like agricultural, public health, or manufacturing—to Iran under the Truman administration's Point Four program, see Jacob Shivley, “*Good Deeds Aren't Enough*”: *Point Four in Iran, 1949-1953*, 29 *DIPL. & STATECRAFT* 413, 415 (2018); see also National Security Council, *Draft Statement of Policy Proposed by the National Security Council (NSC 107)*, in *FOREIGN RELATIONS OF THE UNITED STATES, 1952-1954, IRAN 1951-1954*, doc. 6 (James C. Van Hook eds. 2017) (proposing technical assistance to Iran using Point Four funds concentrated on public health, rural extension, and education at the village level in conjunction with military assistance).

76. U.S. GOV'T ACCOUNTABILITY OFF., B-133258, *Unnecessary Dollar Grants to Iran Under the Foreign Assistance Program* (1965) (evaluating the actions taken by the Department of State and the Agency for International Development operations in Iran).

77. *Id.*

78. See WM. ROGER LOUIS, *Muhammad Musaddiq and 'Iranian Englishmen'*, in *THE END OF THE BRITISH EMPIRE IN THE MIDDLE EAST, 1952-1971*, 75 (2025) (noting that the British boycott of Iranian oil was in response to the latter's denial of Britain's request for compensation after nationalization and British hopes that the boycott “would demonstrate the futility of the Musaddiq regime”).

79. M.G. Majd, *The 1951-53 Oil Nationalization Dispute and the Iranian Economy: A Rejoinder*, 31 *MIDDLE E. STUD.* 449, 457 (1995).

80. See generally National Security Archive, *Iran 1953: State Department Finally Released Updated Official History of Mosaddeq Coup*, GEO. WASH. U. (Malcolm Byrne, ed., 2017) (evaluating the U.S.- and Britain-backed coup in Iran).

81. See discussion *supra* Section II.A.

82. MICHAEL E. KURTZIG, ERS, U.S. DEP'T AGRIC., *IRAN: AGRICULTURAL PRODUCTION AND TRADE i* (1974), [https://downloads.usda.library.cornell.edu/usda-esmis/files/jq085j963/7s75dg57b/70795b99s/ERSF-04-11-1974\\_Iran\\_Agricultural\\_Production\\_and\\_Trade.pdf](https://downloads.usda.library.cornell.edu/usda-esmis/files/jq085j963/7s75dg57b/70795b99s/ERSF-04-11-1974_Iran_Agricultural_Production_and_Trade.pdf) (discussing how precursor agencies to USAID were “instrumental... to Iran, in existence from 1951”).

even contemplated providing aid through international or private agencies to assuage fears of imperialism.<sup>83</sup>

One central component of economic assistance was through agricultural development and food assistance. Wheat, Iran's most important food grain, became a focal point of these efforts,<sup>84</sup> efforts that were largely facilitated by the Food for Peace Act.

Between 1955 and 1964, virtually all 798,000 tons of wheat and wheat flour shipped from the United States to Iran were pursuant to Food for Peace Act agreements,<sup>85</sup> with two-thirds under Title I local currency agreements and one third under Title II donations and relief.

The Act's implementation in Iran thus underscored the United States' reliance on agricultural exports for influence during the Cold War.

#### IV. NAVIGATING TRANSATLANTIC

With the historical and geopolitical background now established, *Transatlantic* can be readily evaluated as a case that transcends a simple admiralty dispute over "a voyage from a Gulf port to Iran."<sup>86</sup> Instead, the case is an episode of convergence between American Cold War strategy, emerging federal efforts for international development and aid, and decolonization. The facts of the case support *Transatlantic* as part of the United States strategy to exercise soft power in aiding Iran during the Cold War.

The contract at the center of *Transatlantic* was executed on October 2, 1956,<sup>87</sup> and exclusively called for a shipment of wheat. Far from being a standalone act of generosity, the shipment fell squarely within the mission and timeframe of the Food for Peace Act. More specifically, the contract coincided with the wheat surplus in the United States,<sup>88</sup> as well as rapid development of the wheat industry in Texas where, throughout the 1950s, wheat was "almost totally a cash crop."<sup>89</sup> Further, the contract was executed

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83. See National Security Council, *supra* note 51 (outlining economic assistance by year and stating "[i]nsofar as such assistance may effectively be provided through international or private agencies, local fears of U.S. imperialism will be minimized.").

84. See KURTZIG, *supra* note 82, at i (mentioning the Iranian government's pervasive pricing problem with bread, which they sought to remedy through buying large quantities of wheat).

85. *Id.* at 47.

86. *Transatlantic Fin. Corp.*, 363 F.2d at 315.

87. *Id.* at 314.

88. ERS, U.S. DEP'T OF AGRIC., *VI A2b(2)(b) Surpluses. 1955-1956*, in SUBSERIES I.3 (1950-1956).

89. Clinton P. Hartmann, *Wheat Culture*, TEX. STATE HIST. ASS'N (1976), <https://www.tshaonline.org/handbook/entries/wheat-culture>.

and performed in the period where nearly all wheat shipped from the United States to Iran was delivered pursuant to Title I of the Act.<sup>90</sup>

The identities of the parties involved also reveal the political dynamics at play. Transatlantic Financing Corporation was registered in Liberia,<sup>91</sup> but owned by an American businessman.<sup>92</sup> The use of a Liberian flag, a flag of convenience,<sup>93</sup> reflects a tactical calculation to minimize costs while maintaining ties to the United States. Additionally, the use of a Liberian-flagged ship may reflect a deliberate effort by the United States government to contract with a private or international entity to distance itself from fears or accusations of imperialism.<sup>94</sup> On the other side of the contract, the USDA acted as an agent for the ICA,<sup>95</sup> both of whom oversaw Food for Peace agreements. The particular USDA employee in charge of negotiating the contract, Mr. Potosky,<sup>96</sup> had told Transatlantic's representative that he interpreted the contract terms to "[require] Transatlantic to deliver the cargo at Iran regardless of the route necessary."<sup>97</sup> Potosky was also recognized in June of 1957—several months after the contract with Transatlantic—for his part in a team that, "through their outstanding planning and negotiating for ocean shipping space," helped to save the Government "more than \$3 million in the past 6 years."<sup>98</sup> Potosky's work exemplified the federal government's emphasis on efficiency, cost control, and delivery in accomplishing the Food for Peace Act, particularly in its early stages.

With the Act's financial caps, the Suez Canal's closure, and the *SS CHRISTOS*'s diversion, it is easy to see why the Government would staunchly defend against Transatlantic's request for the Government to

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90. See KURTZIG, *supra* note 82 at 47.

91. J.A., *Transatlantic Fin. Corp. v. United States*, No. 39-58 (D.D.C. 1958).

92. See *Shen Chief, Kyes Chairman of Buffalo's Am. Steamship*, BUFFALO EVENING NEWS, Oct. 14, 1970 (stating that "C.T. Shen of New York City has been... active in the shipping industry in the U.S. since 1952... he had served as president of the... Transatlantic Financing Corp.").

93. See William Tetley, *The Law of the Flag, "Flag Shopping," and Choice of Law*, 17 TUL. MAR. L.J. 139, 173 (1993) (stating that "a flag of convenience is a flag flown by a vessel registered in one state... while in reality the vessel is owned in or operated from another state.").

94. See National Security Council, *supra* note 51 (outlining economic assistance by year and stating "[i]nsofar as such assistance may effectively be provided through international or private agencies, local fears of U.S. imperialism will be minimized.").

95. J.A., *Transatlantic Fin. Corp. v. United States*, No. 39-58 at 2.

96. *Transatlantic Fin. Corp.*, 363 F.2d at 314.

97. Brief for Appellant, *Transatlantic Fin. Corp. v. United States*, 363 F.2d 312 (D.C. 1966) (No. 19,632).

98. *USDA Employee News Bulletin*, U.S. DEPT OF AGRIC. 2 (June 26, 1957), [https://upload.wikimedia.org/wikipedia/commons/3/34/USDA\\_%28IA\\_usda16unit%29.pdf](https://upload.wikimedia.org/wikipedia/commons/3/34/USDA_%28IA_usda16unit%29.pdf) (Mr. Potosky received a certificate for his work and a cash award of \$500).

cover additional costs. Given the sheer number of contracts executed under the Food for Peace Act,<sup>99</sup> the Government acquiescing to Transatlantic's request could have triggered a deluge of similar claims from other contractors facing disruptions from the Suez Canal closure or from any subsequent shipping crisis. For a program designed to leverage a surplus of agricultural commodities, cost control was necessary for its viability,<sup>100</sup> and compensating all additional costs could have undermined the broader mission of facilitating economic influence.

Lastly, the nature of the wheat shipment to Iran at the time of *Transatlantic* underscores the broader, contrasting postcolonial dynamics at play during the period. While the United States positioned wheat shipments and the broader Food for Peace effort as humanitarian-driven, its contracts perpetuated dependencies in recipient nations like Iran by embedding the United States' influence in the country's economic structure.<sup>101</sup> Viewed alongside Egypt's assertion of economic sovereignty in nationalizing the Suez Canal and general effort to break from Western imperialism,<sup>102</sup> Transatlantic Financing Corporation's shipment to Iran reflects a neocolonial mode of influence structured through economic engagement rather than overt political control.

The decision in *Transatlantic* demonstrates how the legal system can subtly align with the federal government's geopolitical goals, and particularly how the use of legal doctrines—here, commercial impracticability—were interpreted in ways that supported national priorities at the time. This judicial-foreign policy alignment occurs similarly in other contexts, like through considerations of national security through the state secrets doctrine,<sup>103</sup> deference to foreign laws or interests in adjudicating cases through international comity,<sup>104</sup> and the president's ability to conduct foreign affairs

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99. See DeBlois, *supra* note 67, at iii, 103 (detailing that in the period of 1955-1966, over fifteen billion dollars' worth of United States farm products were exported under the Food for Peace Act).

100. See USAID, *Office of Food for Peace*, <https://www.usaid.gov/office-food-peace> (highlighting the seventy-year existence of Food for Peace, which was under the purview of USAID, in 2024).

101. See Dirks, *supra* note 68, at 207.

102. See Kyle, *supra* note 35, at 8.

103. See *United States v. Zubaydah*, 595 U.S. 195, 199, 203 (2022) (dismissing requests for discovery about an alleged CIA detention site because such disclosure would harm national security by implicating intelligence-gathering efforts and expose contracts made with Polish government officials or private persons).

104. See, e.g., *Mujica v. AirScan Inc.*, 771 F.3d 580, 585, 615 (9th Cir. 2014) (abstaining from exercising jurisdiction over a claim from residents of Santo Domingo, Colombia alleging that employees of U.S. companies aided insurgent attacks because of the U.S. government's interest in respecting Colombia's judicial process, the weakness of California's interest in the case, and the strength of Colombia's interest in serving as the exclusive forum).

priorities.<sup>105</sup> By rejecting Transatlantic Financing Corporation's claim for additional compensation, the court allowed the Government to maintain financial control over the Food for Peace program, reinforcing the country's strategic posture during the Cold War.

## V. CONCLUSION

Revisiting *Transatlantic* yields a deeper understanding of how the doctrine of impracticability was influenced by contemporary political events. The omission of discussion about the Suez Crisis, which implicates broader events of neocolonialism, the Cold War, and United States foreign policy, leaves a critical gap in understanding the outcome and context of the case.

The Suez Canal, a source of colonialism and economic exploitation from its inception, opened up and initially facilitated disproportionate access to global trade for Western imperial powers. The Canal's closure had an immediate effect on commerce and shipping routes, as well as implications for the United States' diplomatic interests and access to oil. At the same time, the United States had already been implementing influence strategies during the Cold War, with Iran as a key focal point. The wheat shipment at the center of *Transatlantic* demonstrates how programs like the Food for Peace Act, and implementing agencies like the USDA and ICA, extended influence through economic and agricultural assistance, fostering alignment with United States's objectives and countering Soviet influence.

The court's decision in *Transatlantic* upheld the principle that unforeseen contingencies need to have an excessive or unreasonable cost to be impracticable. This outcome preserved the financial stability and continued operation of the United States aid program implemented through Titles I and II of the Food for Peace Act; however, this had the effect of reinforcing neocolonial strategies of fostering economic dependence on the West, particularly the United States. While the foreign policy posturing of the United States has certainly changed, *Transatlantic* remains a critical example of how legal doctrines intersect with global power dynamics.

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105. *See American Ins. Ass'n v. Garamendi*, 539 U.S. 396, 414, 429 (2003) (holding that a California statute requiring insurers to disclose information about insurance policies issued to persons in Europe between 1920-1945 was preempted by the president's independent authority in areas of foreign policy).