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ANALYSIS OF COCOM EXCEPTIONS CASES CALENDAR 1964

Activity in 1964

1. Member countries submitted to COCOM 174 exceptions requests during 1964 to sell strategic commodities valued at \$6,584,284 to countries of the Sino-Soviet Bloc. Of those requests, 147 valued at \$6,419,905 were approved, 10 valued at \$143,848 were disapproved, and 17 valued at \$15,531 were withdrawn. Although the dollar value of this trade is not great (total exports from the industrial west to the Bloc in 1964 were about \$4½ billion), the strategic nature of the items concerned significantly enhances their importance.

Effects of 1963-64 List Review

2. The overall level of exceptions request activity in 1964 was somewhat less than that of 1963, although still above that of previous years, as shown in the following tabulation:

	Number of Cases	Value
1964	174	\$6,584,284
1963	183	\$8,865,622
1962	124	\$5,267,777
1961	142	\$4,050,796
1960	158	\$2,936,884

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Excluded from automatic
downgrading and
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These data, however, are somewhat misleading. It was anticipated in early 1963 and confirmed later in the year that boron minerals would be deleted from embargo coverage during the 1963-64 list review. As a consequence, a rash of boron exception cases amounting to over \$3 million were submitted and approved during the first half of 1964. If these requests were subtracted from the 1964 totals, the figures would be 131 cases valued at only \$3,256,300. This is substantially less than 1963 and in value terms is less than any year since 1960. Excluding boron minerals, then, it would appear that the 1963-64 list review had a measurable effect on exceptions request activity in 1964.

3. The effect of the 1963-64 list review can be seen most clearly when changes in requests to ship individual items are analyzed. There was an overall decline in requests to ship electronics items in 1964, the decline being concentrated mainly in those items whose definitions were significantly liberalized during the list review. For example, exceptions requests for radar and aircraft communications and navigational aid equipment, a category of items whose definitions were liberalized, dropped from 11 cases valued at \$347,993 in 1963 to 4 cases valued at \$321,487 in 1964. Reduced coverage of radio relay equipment during the review probably accounted for the drop from 3 exception cases in 1963 for \$333,027 to no requests in 1964. Similarly, requests for sales of multiconductor cable fell to zero in 1964 from

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\$912,918 in 1963. Other items whose definitions were liberalized followed the same pattern. For the first time since at least 1960, therefore, it would appear that a reduction in the coverage of embargoed items resulted in a decline in submission of exceptions requests.

Pattern of Strategic Trade

4. As has been the pattern in recent years, the UK, West Germany, France, and Italy were the most active COCOM members in 1964 in terms of both the number of requests submitted and their total value. They accounted for 82 percent of the cases and 70 percent of the total value of requests. As usual, the US, the Netherlands, Japan, and Belgium submitted a moderate number of cases, with Turkey and Denmark together submitting only 3. Table 1, attached, summarizes exceptions request activity by exporting country during the period 1962-64.

5. The pattern of exceptions requests in 1964 also was quite normal on the recipient side. As usual, the USSR was the intended recipient of the largest total value of requests and Poland the intended destination of the largest number of requests. Over the three year period 1962-64, the USSR accounted for 42 percent of the value of all requests. Czechoslovakia, Poland, Rumania, and Bulgaria were closely bunched, accounting for between 10 percent and 13 percent each of total value, followed by East Germany with 7 percent, Hungary with 5 percent, and finally China

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with 1 percent. Exceptions requests to ship to Albania were nominal. Table 2, attached, summarizes the number and value of exceptions requests by intended Bloc recipient for 1962-64.

6. On a country-of-origin to country-of-destination basis, the pattern of strategic trade in 1964 reflected few unique relationships. As would be expected, the USSR was the largest customer of almost all COMCOM countries, and only Belgium and Japan made no requests to sell to the USSR during the year. Also as expected, exceptions requests by Western countries to sell to Czechoslovakia, Poland, Rumania, and Bulgaria were quite random, with activity expectedly high between West Germany and East Germany. The lack of French requests to sell to Communist China in 1964 was rather unexpected, however, in view of the diplomatic storm that ensued following French recognition of Communist China in early 1964. Also somewhat surprising was the small value of Japanese requests to sell to Communist China, only a little over \$22,000. The remainder of East-West strategic trade generally conformed to the pattern of non-strategic trade. Table 3, attached, shows the pattern of exceptions requests by country-of-origin and country-of-destination for the major exceptions requests made in 1964.

Commodities in Strategic Trade

7. During 1964 the largest number of exceptions requests involved items in the electronics category, but they accounted for only 13 percent of total value of exceptions requests. Although

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few requests were made of items in the chemicals category, their aggregate value -- 52 percent of total value -- exceeded the value of all other categories. The munitions list category, ranking third in total value, was dominated by the sale of one item. This was a climatic conditioning chamber, valued at \$1,035,155, the most costly single request submitted in 1964. The following tabulation shows exceptions requests activity in 1964 by major commodity group:

<u>COCOM Series</u>	<u>Category of Commodities</u>	<u>Number of Requests</u>	<u>Value of Requests (\$)</u>
1000	Metal Working Machinery	2	\$ 13,255
1100	Chemical and Petroleum Equipment	1	18,500
1300	General Industrial Equipment	2	590,260
1500	Electronics and Precision Instruments	61	1,211,498
1600	Metals and Minerals	20	198,342
1700	Chemicals	57	3,364,730
AE	Atomic Energy	29	48,148
ML	Munitions List	5	1,038,967

6. In sub-categories, the most significant commodities involved in exceptions requests in 1964, in terms of numbers of cases, were communications equipment, electronic tubes, magnetic tape recorders, oscilloscopes, photographic equipment, computers, molybdenum, boron, beryllium, and lithium. These items accounted for 98 of the 174 cases submitted in 1964. In value terms, the most significant items were cable-making machinery, radar and aircraft communication and

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navigation equipment, magnetic tape recorders, cobalt, synthetic film, and boron. Excluding boron, these items accounted for \$1,006,936 of exceptions requests. Including the boron cases, the total (\$3,327,934) represents 75% of all exceptions request value. No particular pattern to the distribution of these items among Bloc countries can be discerned other than the general observation that the more advanced countries tend to buy the more advanced items, with the USSR obviously leading the way.

Disapproval of Exception Requests

9. Of the ten requests that were disapproved by COCOM in 1964, the US was the only objector in 8 and was joined only by the UK in the other two. The US was the lone objector in 14 out of 17 requests in 1963 and in 20 out of 22 in 1962. Two requests each in 1964 were denied for the UK (\$14,504), France (\$107,320), and West Germany (\$4,889). Japan had three requests (\$19,135) turned down. Denmark submitted only 2 requests to COCOM in 1964. One of them, worth \$3,000, was denied and the other was withdrawn. None of the exception requests submitted by the US, Italy, the Netherlands, Belgium, or Turkey were disapproved. On the Bloc side, one request each was denied to ship to Poland (\$3,000), Hungary (\$7,538), and Bulgaria (\$100,000); two each were denied to ship to Czechoslovakia (\$14,504), and Rumania (\$4,889); and three for Communist China (\$18,917).

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Table 1

COCOM Exception Cases Submitted in 1962-64

(By Exporting Country)

Country	1962		1963		1964	
	Cases	Value (\$)	Cases	Value (\$)	Cases	Value (\$)
West Germany	30	1,095,054	44	851,113	50	1,798,455
Belgium	4	730,400	4	159,500	7	1,343,426
France	13	350,419	17	352,314	16	1,246,617
Italy	6	167,293	17	2,159,101	18	787,072
UK	56	1,849,791	77	2,849,732	59	744,745
US	2	5,493	6	78,418	5	347,128
Turkey	1	645,000	2	360,000	1	150,000
Netherlands	6	48,230	7	470,000	10	138,510
Japan	5	159,094	10	1,584,544	6	23,331
Denmark	1	217,000	0	0	2	5,000
TOTALS	124	5,267,774	184	8,865,622	174	6,594,284

Table 2
 COCOM Exceptions Cases Submitted in 1962-64
 (By Importing Country)

Country	1962		1963		1964	
	Cases	Value (\$)	Cases	Value (\$)	Cases	Value (\$)
USSR	15	1,069,301	22	4,653,511	19	3,094,177
Czechoslovakia	14	981,093	18	432,804	30	1,387,788
Poland	48	994,184	50	582,219	42	656,741
Romania	13	871,552	17	500,017	13	647,481
Bulgaria	4	490,559	16	1,252,057	11	354,364
Hungary	16	673,200	33	66,694	35	299,870
East Germany	7	28,755	16	1,394,563	10	116,607
Communist China	4	199,130	10	73,281	13	27,163
Albania	0	0	1	36	3	93
TOTALS	124	5,267,774	184	8,065,622	176	6,584,284

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Table 3

Exception Cases Granted by COMCON Countries to the Bloc, 1964
(thousands of dollars)

<u>Importer</u> <u>Exporter</u>	<u>USSR</u>	<u>BULGARIA</u>	<u>CZECHOSL.</u>	<u>E. GERMANY</u>	<u>HUNGARY</u>	<u>POLAND</u>	<u>RUMANIA</u>	<u>COM. CHINA</u>	<u>ALBANIA</u>	<u>Totals</u>
UK	339	*	79	3	175	89	40	4	0	729
WEST GERMANY	1035	0	394	21	0	5	332	0	*	1785
ITALY	638	16	124	0	1	5	0	0	*	787
FRANCE	827	0	0	29	4	7	265	0	0	1136
NETHERLANDS	48	0	0	52	0	38	0	0	0	138
BELGIUM	0	0	783	11	99	450	0	0	0	1343
JAPAN	0	0	0	0	*	0	0	4	0	4
US	207	84	0	0	0	55	0	0	0	347
TURKEY	0	150	0	0	0	0	0	0	0	150
Totals	3094	254	1307	117	286	653	638	8	*	6270

Note: Detail may not add to totals because of rounding.

* Less than \$500.