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EDAC D-1114

March 21, 1958

ECONOMIC DEFENSE ADVISORY COMMITTEE

MEMORANDUM

To: Chairman, Economic Defense Advisory Committee
From: Chairman, Working Group I
Subject: Loan by the Netherlands of Airborne VHF Equipment to Hungary

A. THE PROBLEM

1. To consider the proposed loan by the Netherlands of airborne VHF equipment to Hungary for a period of six months.
2. To determine a U.S. position on this recommendation in the light of:
 - a. Coverage of this equipment under IL I items 1501 and 1517 and the U.S. position that the embargo on these items should be maintained.
 - b. U.S. civil aviation policy toward the Sino-Soviet Bloc as approved by the President on December 9, 1957.

B. RECOMMENDATION OF WG I CHAIRMAN AND APPEAL THERETO

The Chairman, with the concurrence of the State and ICA members and with the reluctant concurrence of the Commerce member, recommended that the USDEL be authorized to make no objection to the Netherlands request for permission to lend to Hungary for six months four sets of airborne VHF equipment for use in aircraft operated by Malev, but that the USDEL be requested to follow up with the Netherlands and [REDACTED] the question of the order for new equipment which Malev intended to place. The Defense member reserved and subsequently notified the Chairman that the position of his agency was to object and appeal to EDAC.

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C. BACKGROUND AND ANALYSIS

The memorandum submitted by the Netherlands delegation (Comcom Doc. 2946) states that "The Hungarian authorities allowed the KLM to operate a regular civil air service between Amsterdam and Budapest on a reciprocal basis. The Hungarian Airlines now wish to make use of their right, and to start a civil air service between Budapest and Amsterdam. However, lack of radio-communication equipment which is in use in Western Europe, constitutes an obstruction

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for the 'Malev' to carry out these plans. The Hungarian Airlines intend to order a number of these VHF apparatus directly from the manufacturer but they would like to have the loan of 4 sets from the KLM in view of the fact that the equipment, which will be ordered, cannot be delivered before the second half of this year."

The American embassy in the Hague in its telegram #1759 dated March 13 pointed out that Malev had been operating regularly once weekly to Schiphol since February 28. The Embassy has brought this matter to the attention of an official of the Ministry of Economic Affairs, who indicated some embarrassment at the apparent discrepancy in Cocom Doc. 2946 but suggested that KLM might have found a stop-gap solution to the difficulty.

As reported in a telegram from Paris (POLTO 2828 dated March 12) the UK delegate has now notified Cocom informally that he would soon submit an exception proposal for similar equipment. The U.S. delegate asked him privately if this was for Hungary and whether it might be the equipment to be ordered from the manufacturer mentioned in the Dutch proposal. The [REDACTED] stated in the reply that he had no further information at present than that given to the committee, but added that it was quite possible that the answer to both questions will be "Yes".

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In addition to the Dutch and [REDACTED] cases, WG I has before it for consideration (Amembassy Stockholm Desp. 830 dated Jan. 28) a request submitted to the Embassy by the Scandinavian Airline System for permission to sell to the Hungarian Airlines, Malev, instrument landing system equipment purchased by SAS from the U.S. as surplus during 1948-50. At its meeting of March 13 the Chairman of WG I noted that with one exception the inclination of the group was to authorize Embassy Stockholm to inform the Swedish authorities that the U.S. has no objection to the sale by SAS to Malev of the ILS equipment listed in Stockholm Desp. 830, but that a firm position on this case should not be taken by the group until a reply had been received from Stockholm to A-346 of March 4 regarding the issue of whether a U.S. license for the reexport of this equipment was required.

Paragraph 35 of the NSC paper on the U.S. Civil Aviation Policy Toward The Sino-Soviet Bloc provides that aviation safety equipment may be exported to European Satellites. U.S. proposals for a common policy in civil aviation relations with the USSR and the European satellite countries have been discussed with the UK and have now been submitted to the North Atlantic Council.

The reasons for the Department of Defense's objection and appeal to EDAC on this case will be outlined in a separate Defense memorandum.

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