

February 20th, 1959.

COCOM Document No. 3416.48/2

COORDINATING COMMITTEE

RECORD OF DISCUSSION

ON

ITEM 1648 - COBALT

AND ITEM 1720 - COBALT COMPOUNDS

12th February, 1959.

S. General

Present: Belgium(Luxembourg), Canada, France, Germany, Italy, Japan, United Kingdom, United States.

References: COCOM Documents 3016.00/4, 3416.00/1 and 2, 3416.48/1; COCOM Sub-C(58) 6 and 8.

GENERAL

1. The UNITED STATES Delegate informed the Committee, with regard to the cobalt supply position of the Soviet Bloc, that he had just received information which explained the United States belief that cobalt met the requirements of both criterion (a) and criterion (c). He then made the following statement:

"The best information available to the United States indicates that total Sino-Soviet Bloc production of cobalt in 1957 was approximately 1,600 short tons, substantially all of which was produced in USSR. In the same year, United States direct military consumption of cobalt was approximately 1,600 short tons. Thus the total availability of cobalt to the entire Sino-Soviet Bloc, for all purposes, was only approximately equal to direct military consumption by United States. Even taking account of known efforts in the USSR to economize on the use of cobalt, because of its extremely limited availability to the bloc, a certain amount of usage of cobalt for essential civilian industrial use cannot be avoided, thereby reducing the quantity available for direct military use. United States analysis indicates that the military program of the USSR alone requires about the same amount of military hardware as does the United States military program. Taking into account, therefore, essential civilian requirements not only of the USSR, but of the remainder of the Sino-Soviet Bloc, and military requirements not only of the USSR but of the remainder of the Sino-Soviet Bloc, it is apparent that the bloc has a deficiency of cobalt which, even in terms of the USSR alone, is critical in relation to the production in peace of modern arms, ammunition, and implements of war. Further, the Sino-Soviet Bloc as a whole cannot overcome its critical deficiency in cobalt within a reasonable period. This view is supported by the high prices offered to free world cobalt suppliers by Bloc importers during 1956-57, and by the elaborate diversion techniques used by the

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Bloc to obtain cobalt, involving large numbers of transactions and traders. That there have been fewer reports of such activities during 1958 is traceable, in the United States view, to exposures of such illicit activity in 1956 and 1957 and action taken against offenders.

"The foregoing demonstrates why the United States considers cobalt to meet, clearly, not only criterion (a) but also criterion (c)."

2. The Belgian Delegate stated that, according to the "Metals Bulletin" of the 30th January 1959, the U.S.S.R. had exported 139 tons of cobalt metal in 1956 and 147 tons in 1957. This appeared to demonstrate that there had been no shortage.
3. The UNITED KINGDOM Delegate pointed out that the figures quoted confirmed what his Delegation had always said: that criterion (c) did not apply in the case of cobalt.
4. The FRENCH Delegate reminded the Committee that cobalt was obtainable from pyrites, as he had already pointed out (See COCOM Document No. 3416.00/2, paragraph 18). Indeed, the figure of 100 tons annually then mentioned should be corrected to 1,000 tons annually.

ALLOYS.Item 1648(b).(See also COMPOUNDS, page 4.)

5. The CHAIRMAN reminded the Committee that these discussions had been in progress for some time. A number of Delegations had asked him to endeavour to bring them to a speedy conclusion in view of present differences in national controls. Where cobalt alloys were concerned, he felt that the German proposal set out at the end of paragraph 20 of COCOM Document No. 3416.00/2, embodying as it did a compromise between the United Kingdom and United States texts, brought the Committee within sight of agreement. This definition read:

(b) Cobalt-bearing alloys, containing:

- (i) 50% or more cobalt; or
- (ii) 19% or more cobalt and 14% or more chromium and less than 1% carbon or 3% or more molybdenum. *)

The CHAIRMAN pointed out that the United States Delegation had accepted this text on condition that the Committee would accept the definition for the Watch List proposed by the United States Delegation (See paragraph 38 of COCOM Document No. 3416.00/2), which read:

Cobalt alloys, n.e.s., containing 19% or more cobalt and 14% or more chromium in combination, and scrap thereof.

The CHAIRMAN urged the Committee to make every effort to accept this arrangement.

6. The UNITED KINGDOM Delegate suggested the addition to the German compromise text of the words "other than alloys covered by items 1631 and 1635".

*) On the 19th February the UNITED STATES Delegate suggested that the text at (ii) should become (ii) and (iii), defined as follows:

- (ii) 19% or more cobalt and 14% or more chromium and less than 1% carbon; or
- (iii) 19% or more cobalt and 14% or more chromium or 3% or more molybdenum.

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7. From the ensuing discussion it became clear that, as thus amended, this arrangement was acceptable to all Delegations, with the following stipulations or exceptions: the BELGIAN Delegation made their agreement conditional upon agreement being reached to embargo compounds only when they contained 50% or more cobalt; the CANADIAN Delegation accepted the German text for part (b) of the definition ad referendum, and reserved their position as to the United States proposal for the Watch List (reminding the Committee of the point explained in paragraph 48 of Document 3416.00/2); the ITALIAN Delegation would accept the Watch List proposal if a majority were in favour; and the JAPANESE Delegation were unable to accept the Watch List proposal as at present defined, because it would create administrative difficulties. The UNITED KINGDOM Delegate said he would have to revert to the whole question of cobalt at a later date.

CONTROL OF ALLOYS

8. The CHAIRMAN then asked Delegations to declare officially their authorities' interpretation at the present time of the coverage of cobalt alloys and of Item 1635, so as to obtain a clear picture of the situation if no agreement could be reached.

9. The GERMAN Delegate stated that his authorities considered Item 1635 to embargo only alloy steels. Up to the present, on logical grounds, they had considered Item 1648(c) - metal - to cover "metal and alloys (cobalt-based)". They were nevertheless of opinion that "metal" in point of fact meant metal only, and that if alloys were to be covered the definition should make this plain. Failing agreement on such an adjustment of the definition, therefore, they would in the future cease to embargo cobalt alloys. This would be unavoidable since, if German exporters realised that the International List merely embargoed metal, they would take the authorities to Court should licences be refused for alloys. Unless the Committee reached agreement, therefore, the German authorities would be obliged to make the relevant changes in the regulations which had been issued on the 7th February.

10. The UNITED KINGDOM Delegate stated that his as from the 16th February, in anticipation of the Committee's reaching agreement, cobalt alloys would be included in the United Kingdom Export Control Order. Should such agreement not be reached, there was no guarantee that they would stay there.

11. The FRENCH Delegate confirmed that as Item 1635 was interpreted as covering only ferrous alloys, Item 1635(b) was taken to cover only ferrous alloys containing 6% or more cobalt, and that, as Item 1648(c) referred to cobalt metal alone, the French authorities did not consider that the embargo covered cobalt-based alloys. However, exports of these had been and still were watched very closely.

12. The CANADIAN Delegate stated that his authorities considered the heading of Item 1635 to refer to alloy steels: thus under 1635(b) they embargoed only alloy steels with a 6% cobalt content. They considered this to be the only place in the Lists where cobalt alloys were covered.

13. The ITALIAN Delegate stated that the position of his authorities was as described by his Canadian and French colleagues.

14. The JAPANESE Delegate stated that at the outset the Japanese licensing authorities had interpreted Item 1635 as covering all alloys, but that since the 1955 review of metals definitions - when most of the experts had stated that Item 1635 only embargoed alloy steels - the Japanese interpretation had been altered to this effect. The present position was that from the juridical point of view Item 1648(c) was taken to refer to metal only, but that exporters had been asked to consult the licensing officers before exporting cobalt-based alloys.

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SCRAPItem 1648(c)

15. The CHAIRMAN asked what was the position of Delegations as between the two alternative definitions set out in paragraph 40.3 of COCOM Document No. 3416.00/2.
16. The GERMAN Delegate explained that his Delegation's proposal: "Cobalt metal scrap and cobalt-based alloy scrap" would cover more than the United States/United Kingdom wording: "Scrap forms of the metal and alloys listed above". It would not merely embargo scrap of alloys containing 50% of cobalt, but also all scrap in which cobalt was the major constituent, that is, all scrap falling under the "Cobalt" heading in the Customs Tariff. It would not, on the other hand, cover scrap of some of the 19% cobalt/14% chromium alloys; these, however, would probably be caught under other List I headings, and certainly under the definition proposed for the Watch List. From the administrative point of view, the German text would simplify control.
17. The FRENCH Delegate supported the German proposal.
18. The BELGIAN Delegate supported the United States text.
19. The ITALIAN and UNITED KINGDOM Delegates reserved their positions.
20. The CHAIRMAN asked Delegations to be prepared on the 26th February to choose finally between the two proposals.

COMPOUNDSItem 1720

21. The UNITED STATES Delegate wished to make clear his Delegation's position on compounds in relation to their position on alloys. The Committee were aware that the United States authorities had had no desire to free any alloys from embargo but had tried to meet the views of other Delegations. The point had been made that, as the German proposal represented a compromise solution and would free a certain number of alloys, then a comparable treatment should be extended to compounds. The United States experts had found, however, that the German proposal on alloys would in point of fact decontrol only four standard alloys, three of them stellites and one a spring alloy. Although these were quite rich in cobalt, their cost was high (four dollars per pound) and thus their use as sources of cobalt would be impracticable on economic grounds. As far as compounds were concerned, however, the United States experts had found that it was technically feasible and economically cheaper to reclaim cobalt metal from these than from alloys. The United States Delegation still supported the definition for compounds set out on page 5 of COCOM Document No. 3016.00/4:

"Compounds which contain 30% or more cobalt in their anhydrous form."

This would mean a relaxation from the total embargo in existence at present, it had virtually been agreed by all, and it was in the United States view the one which the Committee should adopt formally and without delay.

22. The CHAIRMAN asked for views as between the text just referred to by the United States Delegate and the Belgian Delegation's proposal to embargo compounds containing 50% or more cobalt (COCOM Documents 3416.48/1 and 3416.00/2, para. 40.2).
23. From the ensuing discussion it became clear that the Committee was openminded as between 30% and 50%, with the exception of the BELGIAN Delegation, who could not accept 30%, and the UNITED STATES Delegation, who could not accept 50%.
24. The UNITED KINGDOM Delegate asked that, whatever cut-off were chosen, there should be an agreed standard for identification of the compounds.

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25. The BELGIAN expert said that the practice in his country was to use the phrase "tels quels", which might be translated as meaning "as normally sold". Usually the compounds were sold in hydrated form.

26. The UNITED KINGDOM Delegate stipulated that an understanding to treat compounds in the same way as alloys should not affect chemical compounds other than Item 1720. The FRENCH Delegate supported this.

27. The GERMAN Delegate, with a view to helping the United States Delegate to accept the 50% cut-off which would simplify the task of licensing officers, put forward a proposal to place on the Watch List all the cobalt compounds which would not be caught thereby. He felt sure that experience would show that all exports of cobalt compounds were for civilian purposes.

28. The BELGIAN Delegate said that he could accept such an arrangement.

29. It was AGREED that discussion on Item 1648 would be resumed on the 26th February.

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