

~~CONFIDENTIAL~~18th June, 1959.COCOM Document No. 3557BCOORDINATING COMMITTEERECORD OF DISCUSSION

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ONORAL REPORT BY THE CHAIRMAN OF THE SUB-COMMITTEE ON  
EXPORT CONTROLS REGARDING THE SUB-COMMITTEE'S MEETINGSON THE 19th, 20th, 21st and 22nd May, 1959.4th June, 1959

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

References: COCOM Documents 946.6, 3195.12, 3340.8, 3468, 3486, 3518, 3519, 3528, 3530, 3531, 3532, COCOM Sub-C(59)1, COCOM Secretariat Nos. 103 and 105.

1. The CHAIRMAN welcomed the Chairman of the Sub-Committee on Export Controls, who was present in order to submit an oral report on the meetings held in Rome under his Chairmanship from the 19th to the 22nd May. Apart from the interest which was always inherent in such reports, providing as they did a summary of the debates and of their conclusions, the report which Monsieur Blondiau was about to submit would indicate the value of the first experiment of holding a meeting of the Sub-Committee elsewhere than in Paris. It was obvious that Monsieur Blondiau's opinion on this question would help the authorities in the various participating countries to judge the value of renewing this experiment.

2. The CHAIRMAN of the SUB-COMMITTEE stated that in making his oral report he would follow the order of the Sub-Committee's agenda.

Item 1.

3. The approval of the agenda had given rise to an exchange of views regarding point 7(a), which dealt with a German suggestion for the setting up of a working group composed of officials of control services who would study the problems arising in connection with the interpretation of the International Lists and of the Administrative Principles. The French Delegation considered that as this question had a political aspect it did not lie within the Sub-Committee's terms of reference, but rather in the domain of the Coordinating Committee. The German Delegation pointed out that his proposal was only intended to facilitate an exchange of views between officials responsible for applying the controls. After the Chairman had undertaken to see that the political aspect of the matter would not be touched upon, the SUB-COMMITTEE had approved the agenda as set out in COCOM Document 3486.

Item 2.

4. There had been no special remarks regarding the Chairman's report on the Sub-Committee's previous meeting (COCOM Sub-C(59)1).

Item 3: Diversions

5. Item 3(a): In accordance with a proposal by the United States Delegation, the study of the diversion cases would make it possible (a) to single out cases where closer cooperation between participating countries would have helped to avoid a diversion and (b) to have a better idea of the manner in which frauds were carried out (itineraries and methods).

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Item 3(b)

- (i) The Sub-Committee had then examined the case summarised in COCOM Document 3468, concerning the export from Turkey to Greece of 6,700 tons of boracite. The Turkish Delegation had indicated that their authorities had issued an export licence against an import certificate issued by the Bank of Greece and bearing the number 1225. On the 5th March 1959 the Greek vessel "Martha" had loaded the 6,700 tons of boracite and had left Turkey on the 11th March. The Turkish authorities had subsequently been informed by telegram of the fraudulent nature of the transaction. It was to be noted moreover that it had been impossible to trace the exact address of the Greek importer. Upon receipt of this telegram the Turkish authorities had got into touch with the Greek authorities: as the shipment had been paid for f.o.b. by the Greek importer, the goods belonged to the latter. The Greek Delegation in their turn had provided the following details: the 6,700 tons of boracite involved had been intended at the outset for delivery to Yugoslavia. The following conditions had at that time been stipulated for the issue of an import certificate: (a) a credit was to be opened in Yugoslavia, (b) the exporter was to provide a Yugoslav import certificate, (c) a 100% guarantee was to be paid and a document certifying the arrival of the goods in Yugoslavia was to be submitted within two months. The Greek trader had been unable to comply with these conditions. When the Greek Government had been informed that the boracite consigned to Greece was in fact on the way to the Soviet Bloc, they had ordered the ship to return to port at the Piraeus. The action taken by the Greek authorities had been forcible and had involved serious risks because the injured parties might claim damages in Court. Since the seizure of the goods, the Greek legal authorities had been preparing this case. The Delegate had stated furthermore that payment had been made to the Turkish exporter in dollars and not within the normal framework of the Greco-Turkish clearing arrangements. In this connection the Chairman pointed out that as Greece had not at the present time liberated their payments, it was necessary to act with circumspection before issuing an export licence. The Chairman concluded the discussion of this case by noting that the diversion had been prevented thanks to close cooperation between Member Governments and that the Greek and Turkish Governments were to be commended for the prompt and effective measures which they had taken once the attempted diversion had been discovered. Now however that the boracite had been unloaded in Greece, all necessary precautionary measures should be taken to assure that the material should be finally disposed of in conformity with the Committee's agreed procedures and to an approved ultimate destination. The Greek Government would certainly have the full cooperation of all Member Governments in this connection. There should also be emphasised the importance of continued cooperation between Member Governments, not only in this case where only participating countries were involved, but also in other cases, particularly those involving large shipments of strategic commodities to non-member countries.
- (ii) The Sub-Committee next studied the memorandum in which the United States Delegation had referred in general terms to the question of the diversion of Argentine borax (COCOM Document 3528). In this paper the United States Delegation had stated that they endeavoured to keep currently informed on the development of new strategic mineral resources in underdeveloped countries and tried to secure the cooperation of countries interested in the control of exports. The operation described in COCOM Document 3528 had been carried out in the following manner: an export licence for 1,000 tons of borax had been issued for despatch to the Netherlands. The goods had been loaded in January and in April 1958 on board a Polish vessel ostensibly destined to the Netherlands but actually destined for Gdynia and thence to Communist China. As far as payment was concerned, a Belgian firm had opened a revolving letter of credit in favour of a

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Liechtenstein firm. All these precautions had had to be taken by the traders because at the time Argentina was re-examining her system of controls to the Sino-Soviet Bloc and had temporarily suspended the issue of export licences for that area. With regard to Argentine borax, the German Delegation had pointed out that authorities in participating countries were not able to act in cases of transit via a Free World port when the item was to be delivered to a Communist country. For this reason all Delegations had considered that it would be expedient to secure the direct or indirect participation of Argentina in the TAC scheme. The Chairman added that in order to intervene in cases of transit of Argentine borax, the administrative authorities in participating countries would need to be able to quote a legal text. The United States Delegation had pointed out that Argentina was already taking part in the IC/DV system and had undertaken not to sell borax products to countries in the Sino-Soviet Bloc. It had not been possible as yet, however, to secure Argentina's participation in the TAC scheme. The United States Delegate considered nevertheless that the controls now instituted by Argentina over her exports of borax were adequate to prevent illegal diversions. As this case involved a firm in Liechtenstein, the French Delegation had asked for information as to the present system for controlling the export of strategic items to that country. The Chairman considered that it would be advisable to adopt a very prudent attitude in the event of the supply of large quantities of strategic items to that small country.

- (iii) The Sub-Committee had then studied the memorandum submitted by the United Kingdom Delegation concerning an illegal despatch of roller bearings covered by Item 1601 (COCOM 3531). It was stated in this memorandum that the United Kingdom authorities had delivered an Import Certificate for the import of the bearings involved and that this I.C. bore a triangle as the bearings were to be sent to Switzerland. The United Kingdom trader having applied for a "waiver" licence permitting him to dispose of the goods without importation into the United Kingdom and to have them sent to Switzerland via Rotterdam, the United Kingdom authorities had had certain doubts and had asked for a Swiss I.C. beforehand. As this had not been obtainable, no "waiver" licence had been issued. As to the original United Kingdom I.C., this could not be recovered from Italy. It was found subsequently that this document had been communicated to United States exporters and that on the strength of this the United States authorities had erroneously issued an export licence. The goods had been exported to Naples, then reconsigned to Rotterdam and from there sent to China. Proceedings had been taken against the United Kingdom firm. The Chairman pointed out in respect of this case that normally the Swiss I.C. should have been required before the issue of a United Kingdom I.C. bearing a triangle.

7. Item 3(c): Turning to the study of possible loopholes in the case of transactions involving third countries, the Sub-Committee had examined the United Kingdom memorandum (COCOM 3530) concerning the United Kingdom's experiences in their commercial relations with Yugoslavia. It appeared that the guarantees afforded by the text of the Certificates issued by the Yugoslav Federal Chamber of Foreign Trade left much to be desired. Moreover, copies of I.C.s did not invariably emanate from that Chamber; lastly, certain participating countries received End-Use Certificates, and others not. The United States Delegate had said that his authorities were continuing their negotiations with the Yugoslav authorities in order to clarify the situation. The Coordinating Committee would be informed of the results of these approaches. With reference to Sweden, the German Delegate had confirmed that the Swedish customs arrival documents called "Tullsedel" were completely valid. As regards Austria, the German Delegate had stated that his authorities were experiencing doubts as to the end-use of certain strategic consignments exported to that country within the framework of the IC/DV system and after compliance with the formalities required by that system. It appeared that Austria was carrying out strategic deliveries to countries in the Soviet Bloc under the provisions of existing

treaties. The Chairman of the Sub-Committee recommended that for the Sub-Committee's next session the problem be reviewed from its origin.

8. Item 3(d): The Sub-Committee had then turned to the question of the exchange of information between Delegations regarding East-West traders involved in the despatch of strategic items to the Sino-Soviet Bloc. On this subject the United States Delegation had prepared a document (Secretariat Paper No. 105) in which the anonymity of the firms involved had been respected. This question had given rise to a lengthy debate, in the course of which the German Delegation had stated that they were in favour of maintaining anonymity; the United Kingdom Delegate had expressed himself in favour of the drawing up of an observation list containing the names of firms trading with Sino-Soviet Bloc countries, and had stated that he would have no objection to exchanges of information concerning those firms. The French Delegate had emphasised that in that event it would be useful if the exchanges of information could be reciprocal and if the firms named in such lists could be deleted therefrom after pending their ways. Moreover, each Government should be informed of the reasons for which a firm in their country had been placed on a list of this nature drawn up by another participating country. The Chairman had concluded that this question lay outside the Sub-Committee's terms of reference and that it would be for the Coordinating Committee to examine it if it was thought fit. He suggested that a document be submitted by the United Kingdom or United States Delegations in order to prepare the discussions on this matter and he expressed his personal opinion that the subject of discussion might be separated into two parts: (a) possible communication of the names of firms domiciled in participating countries and (b) possible communication of the names of firms domiciled in non-participating countries.

Item 4.

9. Item 4(a): In carrying out the review of existing procedures, the Sub-Committee had first dealt with the IC/DV procedure and more especially with the question of the return of unused I.C.s to the authorities having issued them. The German Delegation had put forward the following proposal: when an export licence intended to permit the despatch of strategic goods from one member country to another member country was refused, it would be advisable that the country having issued the I.C. should be advised of this refusal. Two solutions would be possible: (i) the I.C. would be returned through official channels by the country having refused the export licence, (ii) the I.C. would be handed to the individual concerned, but the importing country would be advised of the refusal of the request for an export licence. They could thus recuperate the I.C. which had become useless. This proposal had been adopted and would be put into effect.

10. After examining the question of the despatch to cooperating third countries of duplicates of I.C.s, the Sub-Committee had agreed, following a suggestion by the French and German Delegates, to recommend to the Coordinating Committee that a standard letter be drafted to serve as a cover note to be used by all countries sending duplicates of I.C.s to third countries in order to explain the reasons for its despatch. The Sub-Committee had moreover agreed that each Delegation would inform the Secretariat as to the third countries to which their Government services sent duplicates.

11. Item 4(a) (3) had not given rise to any serious problems.

12. When studying the question of the procedure to be followed in the case of the despatch of embargoed goods to State organisations of member countries, the Sub-Committee had noted that it would be desirable to reach agreement as to the definition of the term "State Organisation". A note on this subject had been submitted by the United States Delegation. The problem was proposed for study by the Coordinating Committee, which might possibly establish rules to be applied uniformly to such State organisations. The Chairman pointed out in this connection that there existed a procedure providing for derogations from the requirement of I.C.s in cases of export to State organisations of member countries (See COCOM Doc. 946, para. 6).

13. With reference to the exchange of the IC/DV forms now in use, the Sub-Committee had agreed that Delegations would send the Secretariat specimens of these documents.
14. In considering the possible changes to be made in the IC/DV system, the Sub-Committee had examined two proposals by the German Delegation intended to simplify the procedure: (a) the issuance of I.C.s valid for six months or even a year, covering large quantities of goods; these I.C.s would only be issued to companies of established reputation; (b) the compilation of collections of documents assembling all the papers relating to a given transaction. This last proposal could not be studied and the German Delegation had stated that they might submit a memorandum on the subject.
15. The Sub-Committee had examined the problems arising as the result of an inadequate description of the goods, a question which had been dealt with in a memorandum by the United States Delegation (COCOM Document 3518). In order to remedy the difficulties referred to, the Sub-Committee had recommended that when the services of an exporting country called for an I.C., they should inform the applicant exporter of the number of the International List item covering the goods concerned.
16. Item 4(b): The Sub-Committee had undertaken the study of the TAC scheme. They had noted that the Turkish reply to the questionnaire (COCOM Document 3195.12) did not call for specific comment.
17. As regards the statistics concerning transit of goods coming from Sweden or Switzerland, the Belgian Delegation had supplied details of their statistics for 1958.
18. On the question of the application of the TAC scheme in cases where a resident of a participating country acted as a principal in a transaction, the Sub-Committee had had at their disposal a memorandum by the United States Delegation (COCOM Document 3519) which it was agreed to study afresh during the following session.
19. Confirming the interest attaching to the exchange of TAC forms between participating countries, the Sub-Committee had agreed that each Delegation would send to the Secretariat an adequate supply of TAC forms as specimens to be distributed to member countries.
20. The Chairman asked leave to revert to the present situation regarding Austria and Switzerland. After reminding the Committee of the German Delegate's statement as to diversions carried out from Austria even after the issuance of Austrian I.C.s and D.V.s, he stressed nevertheless that Austria genuinely participated in the IC/DV system and had asked for a great number of I.C.s from member countries. The steps taken by the United States Government to obtain the collaboration of the Austrian authorities in the TAC scheme had not been successful so far and it must be noted that, because of the treaty binding Austria to the U.S.S.R., the former was not always in a position to refuse an export or prevent a transit. As to Switzerland, the incomplete participation of that country in the TAC scheme constituted a loophole in the control system. The only solution would be to persuade that country to control their transit to the Eastern countries. The United States Delegate had indicated that the Swiss authorities had agreed to watch transit of items on the Atomic Energy List and the Munitions List. The United States Government was now trying to obtain a similar undertaking for List I items. The Sub-Committee recommended that the Coordinating Committee should endeavour to find the best solution for the dangerous situations existing both in Austria and in Switzerland owing to the incomplete participation of these countries in the control procedures. In conclusion, it could be considered that, save for the loopholes which had been mentioned, and which involved non-member countries, the IC/DV and TAC systems retained their full value and were efficacious. The Sub-Committee had drawn the necessary conclusions from their study of the existing loopholes.

Item 5.

21. The Sub-Committee, noting that the bringing up to date of the Commodity Identification Manual was now half-finished, thanked the United States Delegation and stressed the importance of this publication. Each Delegation would study the document and would if necessary transmit their observations direct to the United States Delegation.

Item 6.

22. It had become clear that in most of the participating countries the Lists now in force, including the Atomic Energy List, had been published or were about to be. It had nevertheless been pointed out that certain practical difficulties arose because the Committee made successive amendments at dates close to one another and because some of these cancelled or altered the decisions previously recorded. In certain countries the amendments were not published immediately; nevertheless, the decisions of the Coordinating Committee were applied as from the official date on which they came into force. It was nevertheless recommended that participating countries take steps to ensure the publication of amendments within a reasonable period (on a quarterly basis, for example). It seemed to follow from these remarks that the amendments to be inserted in the correction sheets ought to be grouped together as much as possible. To ensure uniformity in this respect and to place at the disposal of participating countries full information as to the systems applied by their partners, the Sub-Committee had agreed that each Delegation would send the Secretariat current inventory of their publications regarding the Lists, starting from the 15th August 1958. This inventory would be kept up to date. Each country would send the Secretariat a note referring to the official document publishing one or several amendments to the Lists; on this basis a general document would be compiled in the Secretariat and communicated to Member Governments. Lastly, a copy of each publication would be deposited with the Secretariat, who would be responsible for filing them; this documentation would be at the disposal of Delegations. It was understood that these proposals would not be retroactive, but would come into force at once.

Item 7.

23. The German Delegation had proposed the setting up of a working group composed of officials of control departments who would study inter alia the problems arising out of the interpretation of the Lists and of the Administrative Principles and the treatment to be given to non-specialised parts. This proposal, which had been supported by the Italian Delegation, had nevertheless encountered opposition from the French Delegation, who considered that in view of the complexity of the problems of interpretation, this was a matter to be dealt with by the Coordinating Committee. The United States Delegation associated themselves with the French position, for while considering the contacts between officials responsible for applying the controls to be useful and fruitful, they felt that interpretation questions should be submitted to the Coordinating Committee. The Chairman for his part considered that the setting up of a group of experts would trespass upon the Coordinating Committee's prerogatives. He nevertheless looked with favour upon the possibility of consultations between colleagues in different countries in written form and on specific points. The Chairman proposed that the discussion of this proposal should be resumed at Coordinating Committee level.

24. The Sub-Committee had then examined a question raised by the United Kingdom Delegation in COCOM Doc. 3532 concerning export control of non-specialised parts of oscilloscopes which could be combined to form a complete equipment subject to embargo. From the exchange of views which ensued on this point, it appeared that in order to solve this problem the United Kingdom might have to amend their control regulations and in this connexion the Chairman recommended that licensing services should be particularly careful to avoid the export to the Soviet Bloc of parts intended in fact to be assembled so as to form equipment subject to embargo.

Item 8.

25. The Sub-Committee had studied the statistical returns for secondary control submitted by Dependent Overseas Territories of member countries; they had concluded that the rules laid down by the Coordinating Committee were being applied in the Dependent Overseas Territories, although there might be some delay in the transmission of statistical returns from these countries since they were based on actual exports and not on licences issued.

Item 9.

26. From the study of the statistical returns for I.C.s issued by member countries during the first half of 1958 for imports from non-member countries and Dependent Overseas Territories of member countries, it was apparent that these countries cooperated in the IC/DV system to an appreciable extent. The Sub-Committee considered that, until otherwise decided, there was no further need to ask member Governments to supply statistical returns for ICs and DVs issued or received by their services.

Item 10.

27. Referring to Secretariat Paper No. 103 which listed for third countries and Dependent Overseas Territories the addresses of the services responsible for applying the control procedures, the Chairman thanked Delegations and the Secretariat for the considerable trouble they had taken to compile this document. It might be useful to prepare a similar document giving the addresses of all the competent services in participating countries. This matter might be examined later on after Greece and Portugal had submitted the exact addresses of their official services.

Item 11.

28. The Sub-Committee had agreed to schedule its next meeting for November 1959.

Item 12.

29. The members of the Sub-Committee had been enabled to visit the customs services at the Ciampino Airport and in the port of Naples; these visits had been exceedingly instructive and had enabled the Delegates to compare the local methods with those in force in their own countries.

30. Having thus concluded his report on the work accomplished, the Chairman of the Sub-Committee, speaking personally, stated that he had received a very favourable impression from this first session held elsewhere than in Paris. The attendance at the meetings had not been affected by this displacement and the Chairman wished to thank all Delegations, and the Secretariat, for their cooperation. Emphasising the faultless organisation and the harmonious course of the work, the Chairman expressed his warmest thanks to the Italian authorities and to the Italian Permanent Delegate to the Coordinating Committee.

31. The GERMAN Delegate repeated his thanks (already expressed at the close of the Sub-Committee's session) to the Italian authorities and to the Italian Delegate to the Coordinating Committee, for the cordial welcome extended to the Sub-Committee. He also wished to congratulate Monsieur Blondiau for presiding over the Sub-Committee's work with such patience, objectivity and accuracy, and to thank the members of the Secretariat for their effective cooperation.

32. The FRENCH Delegate in his turn reiterated the gratitude he had already expressed to the Italian Delegate for the impeccable organisation of the conference and the exceptional hospitality extended to the Sub-Committee by the Italian authorities. The Delegate congratulated Monsieur Blondiau for the clarity of his report which accurately reflected the quality of his Chairmanship. He also wished to express his appreciation of the task accomplished by the members of the Secretariat.

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33. The UNITED STATES Delegate also congratulated Monsieur Blondiau for the precision and objectivity of his report. Emphasising how useful it was to the Sub-Committee to hold meetings outside Paris in order to study the putting into effect of the controls on the spot, the Delegate wished to express to the Italian Government and to their representative in the Committee his Delegation's gratitude for the truly exceptional quality of the welcome extended to the Sub-Committee and for the organisation of its work. This work had been extremely fruitful and the credit for this was largely due to the Chairman, who had been helped efficiently by the Secretariat.

34. The ITALIAN Delegate stated that his authorities had been happy to be able to welcome the members of the Sub-Committee and to offer them the possibility of comparing the working of the control system in the different participating countries. The Italian authorities would be keenly interested to hear the observations suggested to Delegations by the visits they had been able to make to the various control departments. The Delegate stated that he had greatly appreciated the clarity and the exhaustive nature of Monsieur Blondiau's report: he wished to thank him once again for the task he had accomplished in presiding over this session. He stated in conclusion that he had much appreciated the tributes paid by Delegations to his authorities, to whom he would not fail to transmit them.

35. The CHAIRMAN, in the name of the whole Committee, again expressed to Monsieur Blondiau the thanks and congratulations which were his due. He noted that the Delegations who had asked for the floor during the present meeting seemed to be unanimous in considering that the principle of convening the Export Controls Sub-Committee to meet in different capitals was useful and well-founded. In conclusion he pointed out that it would now be for the Coordinating Committee to proceed with the study of the questions which had been expressly referred to it by the Sub-Committee. He reserved the right to speak in greater detail on this point at the next meeting.

C O N F I D E N T I A L