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BRIEFING PAPER FOR
CONGRESSIONAL COMMITTEE PRESENTATION
(Executive Session)

Organization and Operation of the
Diversion Control Network

I. Background

During the summer of 1953, the EDAC agencies reviewed the problem of ensuring adequate enforcement of security trade controls on a world-wide basis and concluded that in order to insure systematic investigation and timely coordinated action it was necessary to establish additional machinery in Washington designed specifically to handle this problem. The EDAC Executive Committee, after exploring the question at some length, directed that the Diversion Control Network be established. On January 1, 1954, the DCN formally commenced operations.

II. Terms of Reference and Methods of Operation

The terms of reference of the DCN provide that the general responsibilities of the cognizant agencies would remain unchanged, but that specifically designated officers in MDAC/ICA, ECD/State, BFC/Commerce, FAC/Treasury, and OSD/Defense, would constitute points of contact for coordinating information and action on strategic diversions regardless of the countries involved or the national origin of the goods.

Cases are established by mutual agreement among the Network members, a "case" being any effort to circumvent East-West trade controls which appears to call for action by one or more of the member agencies.

Action may involve collating all available information on the case, instructing foreign service posts to approach the governments whose nationals are involved, etc.

The information and reports out of which DCN cases develop are provided by the collection activities of the Foreign Service and the intelligence

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services. One of the principal tasks is to integrate the information received from these two sources. This involves assembling, collating and appraising the significance of the individual reports, searching out amplifying information within the U.S. Government and disseminating to the DCN members concerned both answers to specific spot inquiries and also summations of the pertinent data that have been developed on a case basis. The members of the DCN also assume the responsibility for selecting and docketing DCN cases and take the lead in determining what specific action is to be undertaken both in Washington and overseas. Instructions to the field serve both to direct appropriate enforcement activities and to indicate lines of endeavor for additional investigation.

III. Analysis of DCN Cases

Between January 1, 1954 and July 30, 1955, more than 300 diversion cases were docketed for consideration by the DCN. As of July 30, 1955, surveillance was continuing on 142 of these cases, and 42 had turned out upon investigation to be legitimate transactions. Of the remainder, 80 transactions were interrupted (i.e., the diversions were frustrated), 44 diversions are known to have been completed successfully and 45 had unknown conclusions. Several additional cases straddled these categories (e.g., part diverted and part stopped).

In terms of commodity composition, about 46% of the cases involved copper, 10% aluminum, 7% nickel, 5% bearings, 3% cobalt, 3% mercury, 8% other metals and minerals, 5% tools and machinery, 3% automotive parts, 3% chemicals, and 7% miscellaneous.

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It is not possible to say whether this commodity breakdown resembles the actual pattern of Soviet bloc procurement attempts. While it is quite possible that it does, it seems more probable, that the large proportion of metals and minerals cases carried on the DCN inventory arises from the fact that these commodities are readily identified and are widely know throughout the international business community as embargo items.

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