

~~OH~~
~~W~~
EDOC

RA
US + Internal
Disrupt

MAY 13 1954

~~CONFIDENTIAL~~

EDAC D-83a
May 10, 1954

ECONOMIC DEFENSE ADVISORY COMMITTEE

U. S. POSITION PAPER FOR COCOM DISCUSSIONS
ON ANCILLARY CONTROLS

The attached position paper on ancillary controls has been cleared in the Executive Committee session of May 6 for transmittal to the U. S. Delegate to COCOM.

NOTE: EDAC D-83 (May 6) was circulated to Paris only and did not contain certain final revisions proposed by Commerce.

Irving I. Kramer
Executive Secretary

DOC Exempt Letter On File

Dist:
EDAC (including O/S
EC

~~CONFIDENTIAL~~

CONFIDENTIAL

U. S. POSITION PAPER FOR COCOM DISCUSSIONS
ON ANCILLARY CONTROLS

I. Commodity Lists for Ancillary Controls

Ancillary controls - i.e. TAC Scheme, Transactions Controls, and the IC/DV system -- should cover the same list of internationally controlled items. This list should include all items subject to agreed control and restriction and Munitions and Atomic Energy items. If a PC prefers not to apply a particular procedure such as the IC/ DV system to any part of the list it should demonstrate to the Committee that it is exercising satisfactory alternate controls.

While previously the U.S. had been prepared to accept a TAC list considerably shorter than the present I/L's I and II, it is now felt that the current COCOM review will result in a relaxation of control sufficient to permit the application of the TAC and other devices to the reduced lists. Since the new lists will contain only items which all PC's have agreed are of importance to the bloc's military potential, these items must be controlled effectively by ancillary measures as well as by export licensing.

A uniform list covering all controlled items would have several advantages:

- a) Administrative convenience in the operations of the several systems;
- b) Elimination of loopholes resulting from the existence of lists with varying coverage;
- c) Increased effectiveness in the enforcement of quantitative controls (e.g. - since no embargo items should be moving to the bloc, QC items without TAC's can be presumed to be illegal diversions; without TAC applicable to QC items it cannot be determined easily whether or not a shipment of a QC item actually falls under a quota.)

The USDEL should support a proposal for the publication of the International Lists; each PC should publish the lists in whatever form is most convenient for its purposes but without indication of the fact that the public list has been agreed internationally. The published lists would assist officials responsible for the enforcement of ancillary controls by making it easier for them to identify strategic items moving in transit. A published list would also serve to put exporters on notice as to which commodities require special precautionary handling. It would thereby make it easier for the business community to engage in legitimate trade and would at the same time help to enlist their informal cooperation in enforcing the controls through trade association and other business activities.

II. Transit Authorization Certificate (TAC) Scheme

The USDEL should press for the early adoption of the TAC Scheme which should cover all of the items subject to agreed control and restriction and Munitions and Atomic Energy items.

CONFIDENTIAL

CONFIDENTIAL

-2-

It is recognized that there may be a problem of physical identification of certain commodities covered by the scheme. In order to simplify this situation the French have proposed the so-called "R" Procedure under which ships manifests would be marked with the letter "R" to alert customs officials as to which shipments are covered by the TAC scheme. It is considered that this proposal has merit and would be acceptable to the U.S. if modified, for example, by requiring that exporters apply the symbol ("R") to bills of lading rather than manifests. Therefore, the USDEL should consult with the French to work out a revised French proposal which can be supported by the U.S.

It has been the U.S. experience in connection with its Destinalional Control statement placed on all commercial invoices and bills of lading that the latter document is a suitable one for special marking since it is widely used for customs and commercial banking purposes and for land as well as sea shipments. On the other hand, the ships manifest has several disadvantages: it is made up by the ship's master after loading, is not sufficiently detailed for proper identification, is not ordinarily used by customs officials, and can be changed enroute.

The USDEL should offer to undertake for the Committee or assist it in the preparation of illustrative materials to be circulated to the customs officials of the PC's and cooperating countries as an additional aid to identification of those shipments examined in spot-checks or suspected of intended illegal diversion.

III. Financial or Transactions Controls

The USDEL and/or Embassy London should informally request the draft text of or a memorandum outlining the proposed UK transactions legislation and should continue to seek a clarification of the intent of the UK to adopt transactions controls at an early date.

IV. IC/DV System

The USDEL should request that the Committee confirm its agreement on the applicability of the IC/DV system to all items subject to agreed control and restriction and Munitions and Atomic Energy items. If the system is not applied to either of the latter two lists satisfactory alternate system should be demonstrated.

V. Dependent Overseas Territories

The USDEL should press for confirmation and/or agreement by the PC's that all ancillary as well as primary controls are or will be undertaken for their Dependent Overseas Territories (i.e. colonies, protectorates, trusteeships, etc.) Those PC's with overseas territories should also be pressed to furnish the Secretariat with descriptions of the security trade controls of their territories with special notation where they are not in conformity with COCOM agreements.

CONFIDENTIAL

CONFIDENTIAL

-3-

VI. Non-COCOM Countries

The USDEL might summarize for the Committee its understanding of the status of bilateral or multilateral negotiations with the principal non-PC's for the institution of enforcement controls (Switzerland, Sweden, Yugoslavia, Austria, and Latin America) and should request the other PC's to submit any additional information which they may have (e.g. - British Commonwealth countries in addition to the above mentioned countries.) The USDEL should propose that:

- (a) during the current COCOM enforcement discussions the important European non-PC's be notified informally either in Paris or in the capitals as significant steps are agreed to by the Committee.
- (b) following agreement by the PC's bilateral or multilateral discussions for the adoption of parallel ancillary controls be entered into as appropriate with the above countries plus Lebanon, Tangiers, Spain, Egypt, Syria, Israel, Spanish Morocco and Iceland.

In order to prevent a frustration of COCOM controls it would be desirable to undertake these negotiations during the period between the time of COCOM agreement and the date the controls are scheduled to take effect.

VII. COCOM Procedures for Diversions and Leakages

The USDEL should press for early implementation of the CG instruction on diversions and leakages.

The U.S. has the following remarks on the principles contained in the instruction:

- 1) Self-explanatory
- 2) Self-explanatory
- 3) Discussions on specific cases will be between the interested delegates or their designated representatives who may be customs or enforcement experts. Notification of the details of the case to the Committee is not mandatory; however, it is recommended that the delegate coordinating the discussion as a minimum notify the Chairman, COCOM, that talks are being held by the particular delegates and as appropriate, identify the commodity and give a general characterization of the case. As a case develops the informal group may decide that the case should be brought before the whole Committee to illustrate particular loopholes in COCOM controls, new diversion methods, or for other special reasons. The case may be presented in a full or a sanitized version.
- 4) In the initial stages of the implementation of the instruction the Secretariat can, as requested render secretarial assistance, distribute case information, and follow-up on action responsibilities.

CONFIDENTIAL

CONFIDENTIAL

-4-

5) Self-explanatory

The other delegates should be encouraged to submit "closed" cases to the Committee when such cases may assist the Committee in devising new and improved control procedures.

CONFIDENTIAL