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# WITHDRAWAL SHEET

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Date: 08/30/1999

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. study	re: Soviet economy, with handwritten notes (29p)	3/21/83	P1/F1
<del>2. analysis</del>	re: Soviet economic matters (3p) R 10/29/02 F96-069/2 #24	n.d.	P1/F1
<del>3. report</del>	re: credit (10p) R 1/30/06 F96-069/2 #25	n.d.	P1/F1
<del>4. report</del>	re: Soviet economic matters (6p) R " " " #26	n.d.	P1/F1
<del>5. report</del>	re: exports (3p) R " " " #27	n.d.	P1/F1
<del>6. memo</del>	Denysyk to Brady (1p) R 5/30/01 F96-069/2 #28	3/4/83	P1/F1
<del>7. paper</del>	re: COCOM issues, attachment to item #6 (4p) R " " " #29	n.d.	P1/F1
8. report	re: COCOM issues (2p)	n.d.	P1/F1, P5
9. report	re: COCOM issue (1p) D 1/11/81 F96-069/2 #30	n.d.	P1/F1 B3
<del>10. cable</del>	draft re: trade study (4p) R 1/20/86 F96-069/2 #31	n.d.	P1/F1
<del>11. memo</del>	Bailey to COCOM Working Group, attached to #10 (1p) R " " " #32	1/10/83	P1/F1
<del>12. paper</del>	re: high technology, attached to #10 (6p) R " " " #33	n.d.	P1/F1
13. paper	re: high technology, attached to #10 (2p) R 10/18/06 " " #34	n.d.	P1/F1
<del>14. paper</del>	annotated, re high technology (6p) R 1/30/06 F96-069/2 #35	n.d.	P1/F1

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<del>3</del>	<del>REPORT</del>	<del>RE CREDIT</del>	<del>10</del>	<del>ND</del>
			<i>MVH 3/20/08</i>	
<del>12</del>	<del>PAPER</del>	<del>RE HIGH TECHNOLOGY</del>	<del>6</del>	<del>ND</del>
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Credits

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NLS F96-069/2 #24

BY CX, NARA, DATE 10/29/02

NSDD 66  
Credits

Follow-up Strategy on Credits

NSDD Objective on Credits

An agreement that builds on the recent OECD agreement substantially raising interest rates to the USSR to achieve further restraints on officially-backed credits such as higher down-payments, shortened maturities and an established framework to monitor this process.

Background

The "Summary of Conclusions" or "Non-paper" on East-West economic relations sets four objectives relating to Western credit policy:

- establishing "necessary procedures" for "periodic expost review" of economic relations with the USSR and Eastern Europe,
- working to "harmonize export credit policies",
- analysis of the credit (and debt) issue as part of an "overall East-West economic analysis", and
- conducting trade with the USSR and Eastern Europe "in a prudent manner without preferential treatment", i.e. reducing/eliminating export subsidies.

Analysis

Given the lack of political consensus within the Alliance, post Versailles Summit follow-up action has so far sought to move the Alliance in the appropriate direction while focussing wherever possible on improvements in the existing Western institutional framework rather than breaking new ground. First, significant progress was achieved through an agreement within the OECD Credit Consensus to a) reclassify the USSR and certain other countries into Category I (relatively rich) and b) raise the minimum export credit rates from 11.25 to 12.40 percent for loans with maturities of 5 to 8.5 years. This, together with the rapid decline in international interest rates during the second half of 1982 has already contributed to a substantial reduction in the subsidization of trade with the East, and the USSR in particular.

Secondly, the USG launched a two-pronged offensive within the OECD and NATO to improve each organizations data collection and reporting systems on East-West financial flows in keeping with the Versailles call for increased transparency. La Sapiniere gave increased urgency to these undertakings, although there continues to be substantial opposition from France and

the FRG to our information exchange initiative within NATO. The OECD Trade Committee (Economic Creditors Group) and Committee on Financial Markets have produced inter alia evaluations of outstanding East-West economic problems and at least one comprehensive study detailing trends in East-West trade and finance (i.e. the annual Trade Committee report on East-West economic relations).

By contrast, there has been no movement on establishing a "monitoring group" on credit flows to the USSR, although in G-6 discussions at the July XCSS, our key allies did indicate that preparation for the Williamsburg Summit could include discussions along those lines. Similarly, negotiations on a specific credit restraint mechanism with burdensharing provisions have been stalemated.

### Negotiating Strategy

A follow-up strategy to La Sapinere on credits should logically build on the progress achieved to date. The French and West Germans are the key players, and our follow-up strategy must weigh the continued staunch opposition of the French to credit limitations as well as the greater willingness of the Germans to find a common ground for compromise. While the French may eventually subscribe to an overall understanding on East-West economic relations, their opposition on credit restraints may militate against a U.S. strategy whose main thrust is to pick up where the Buckley Mission left off, i.e. discussions of alternative burdensharing scenarios on credit limitations. This should, nonetheless constitute our opening position in negotiations with the allies.

If French resistance precludes moving immediately on credit restraints, an alternative strategy could be adopted that puts our basic goal of credit restraints in a longer term perspective.

The alternative approach would have three major components:

-- A Summit Seven and EC ad hoc monitoring group would be established (perhaps with the Williamsburg Summit's blessing) to analyze East-West credit and debt trends drawing on OECD economic data and analyses and NATO security-related assessments. This group would be the focus of Allied solidarity and cooperation in hammering out a common policy on Western financial dealings with the East. The monitoring group would have an important oversight function and be poised to make policy recommendations in light of progress (or lack thereof) in harmonizing credit policies within the OECD Consensus and in light of East-West financial developments. The group would have the watchdog function of examining the specific details of major East-West



project financing to ensure that future deals of major strategic importance do not violate the spirit of the La Sapiniere understandings. The OECD Credit Consensus is not equipped to provide this "policing" role and merely allows the participants to "match" deals concluded on terms more favorable than those allowed under the Consensus. Over the longer term, the monitoring group would ensure, either directly through actions of the Summit countries, or indirectly through measures adopted by the OECD Consensus, that credit controls to the USSR were tightened.

-- Continued work to upgrade the OECD data collection and reporting systems and reconcile OECD and BIS data on official and private bank credits. (Efforts to upgrade the NATO data system on credits have met too much resistance and should be abandoned or they will detract from our OECD initiatives. This does not mean, however, that we abandon our efforts to upgrade the NATO Economic Committee's work on the security aspects of East-West economic relations.) The enhanced data base would provide the necessary informational input, for the newly created monitoring group will need to analyze East-West financial trends and make policy recommendations. The OECD should also be tasked to do the credit/debt analysis for the overall study on East-West economic relations requested in the "Summary of Conclusions" document. The OECD is ideally equipped to do this and other relevant East-West economic studies, which can then be molded/focussed by monitoring group participants to meet specific Alliance requirements.

-- Meanwhile, despite predictable French resistance, the U.S. would continue its efforts within the OECD Credit Arrangement to harmonize Western credit policies in general, having as a key goal the elimination of all export credit subsidies to Category I countries, including the USSR. Specifically, we would follow up on the Nordic proposal made last spring to eliminate subsidies on intra-OECD trade by expanding this proposal to cover all category I countries. Our efforts within the OECD Arrangement would be justified under our traditional trade policy goals (elimination of export credit subsidies) rather than in an East-West context. An apolitical approach has several advantages: 1) specific discriminatory credit proposals directed against the USSR or Eastern Europe would be resisted by the neutrals in the Arrangement; 2) a divisive political battle would threaten U.S. economic objectives in the Arrangement and prevent progress on trade policy issues that now constitute a significant irritation in our relations with Europe. Progress can probably best be achieved toward our East-West credit objectives by taking this low-key, apolitical approach to credit harmonization in the OECD Consensus.

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Department of State Guidelines, July 21, 1997

By JAS

D

10/26/99

NLS F96-069/2 #25~~CONFIDENTIAL~~Y Aug, NARA, DATE 1/30/06EXPORT CREDIT TERMS TO THE SOVIET UNIONINTRODUCTION

The "Summary of Conclusions" on East-West economic relations commits the allies to three specific undertakings in the area of export credits:

1. Begin study of Western export credit policies "with the view of agreeing on a common line of action" toward the Soviet Union and Eastern European countries that is in keeping with general precept of not according preferential treatment on subsidies to the USSR; and
2. Work urgently further to harmonize export credit policies; and
3. Establish "without delay" necessary procedures for a periodic ex post review of economic and financial relations with the USSR and Eastern Europe.

Because of difficult circumstances and objectives, two tracks should be followed: one for the Soviet Union and the other for the rest of Eastern Europe.

OBJECTIVES

The objectives of the allied governments are stated in the conclusions reached by the Secretary of State and the representatives of Canada, Germany, France, Italy, Japan, and the United Kingdom. With regard to the USSR, these countries agreed that while it was not in their interest to subsidize the Soviet economy or give it preferential treatment, it was not their purpose to engage in economic warfare. By NSDD 66 the President seeks to establish an agreement building on recent improvements in the OECD Arrangement to achieve further restraints on officially backed credit to the USSR, such as higher downpayments and shortened maturities.

The objectives stated in the agreement and those of NSDD 66 are not necessarily inconsistent, although they may be subject to confused interpretation both within the U.S. Government and among allied governments. It is not widely recognized that -- as discussed below -- very few countries still significantly subsidize credits to the USSR, if they adhere to the new provisions of the OECD Arrangement. Indeed, many now charge premiums on such credits. Therefore the restraints called for by NSDD 66,

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if they are agreed upon in the Arrangement context, will need to be structured as general measures applicable to all "rich" countries, including the USSR, in Arrangement Category I. The focus will have to be less on subsidy reduction than on non-preferential treatment of the USSR within the context of new and more stringent Arrangement rules on export credits to all industrial countries. In short, there is little scope remaining in the Arrangement for subsidy reduction. There is scope for more restraint, but that restraint will have to be agreed upon in a far wider policy context than one relating specifically to the USSR.

The G-7 countries, on the other hand, could agree among themselves to give the USSR less than preferential treatment (Arrangement terms are preferential by definition) and still remain within the allied agreement and the intent of NSDD 66.

#### STRATEGY

To achieve the President's goals in respect to the Soviet Union, a careful strategy must be undertaken. Essentially, there are two approaches; one through the Export Credit Arrangement, and the other through the G-7.

The degree of success we can expect in either forum will depend on a careful prior assessment of the trade-offs and risks we are willing to take. To some degree we can work in both forums, but to maximize our chances for restricting credit to the Soviet Union, we must make some choices first.

#### 1. THE INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS:

##### Current Status

Effective July 6, 1982, the Soviet Union was reclassified from the "Intermediate" to the "Relatively Rich" category of borrowing countries for purposes of determining applicable interest rates under the International Arrangement on Export Credits (the Arrangement). The Arrangement interest rate minima are scaled according to the borrowing country's relative wealth, with wealthier countries paying higher rates. Under the new categorization, the Soviet Union is now subject to the same minimum rates as are, for example, the United States, France, Germany, and Japan.

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Apart from borrowing country reclassification, interest rate minima were increased effective July 6, 1982. Together, these changes resulted in a 140-basis-point increase, from 11 to 12.4 percent for 5 to 8.5 year credits to the Soviet Union and other "rich" countries, and a 165-basis-point increase from 10.5 to 12.15 percent for 2 to 5 year credits. Officially supported credits with maturities beyond 8.5 years are not permitted for "Relatively Rich" countries. Since November 1981, Arrangement interest rates have been increased twice, resulting in an increase of nearly 4 percentage points in the rates charged to the "Relatively Rich" countries including the Soviet Union.

## Are Credit Subsidies Permitted Now by the Arrangement?

For years we have been striving for an agreement which would require governments to lend at no less than their cost of money. It is important at the outset of our considerations to recognize that currently we have established a minimum interest rate to the Soviet Union for long-term credits (5-8.5 years) which is at a premium over commercial rates of interest.

The cost of money to the U.S. Government at 5-8.5 year terms is currently 10.5 percent, which establishes the benchmark in the GATT and in the OECD Arrangement for U.S. dollar credits. Thus, the Soviet Union currently pays nearly a 2 percent premium above this rate per annum. Indeed, they pay even more than the current New York prime rate of 11.5 percent and the 10.4 percent LIBOR.

There has been a dramatic evolution in long-term interest rates since the time of the Buckley Mission, when the reduction of subsidized credit to the Soviet Union was a primary objective. While there is still an official subsidy of about 3 percent permitted by the Export Credit Arrangement in French franc credits, and 7 percent in Italian lira, there is none in Deutsche mark, yen, or Swiss franc credits, and very little if any in pounds sterling. These are the major export credit currencies.

Subsidies given by the private exporter -- whether in financing, services, spare parts, etc. -- are common business practices. But they come out of profit/price. Cheating, by offering official subsidies under the table, is of course possible; no international agreement is airtight. But if the allies did so, the la Sapinere

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agreement would be worthless in regard to credits to the Soviet Union.

The primary consideration for this study, therefore, is not one of reducing subsidies as much as it is one of trying to further restrict official export credit to the Soviet Union. This would be done, for example, by means of limitations on credit amount, term to maturity, and percentage of the export value of a product covered by export financing.

#### What Can be Done in the OECD Export Credits Group?

U.S. negotiators initially attempted to reclassify the USSR as a "Relatively Rich" country, as a means of decreasing the level of subsidy which can be offered the Soviets. The politically neutral countries in the Arrangement (e.g., Austria and Finland) resisted. The neutrals objected to singling out the Soviet Union for reclassification on political grounds. They agreed to an overall reclassification of countries on economic grounds, as proposed by the Nordics.

In addition, the Nordics -- with U.S. Government support -- proposed a ban on subsidized export credits to all "Relatively Rich" countries. Greece, in particular, but other countries as well (perhaps Ireland, Italy and Spain) which are net recipients of export credits can be expected to resist such a ban. With careful bilateral and multilateral political pressure, however, they might relent. But the U.S. Government must be willing to apply great pressure to these countries to achieve the purpose.

It would be unrealistic in the extreme to expect the 22 Participant countries to single out the Soviet Union for further credit restrictions. If we were to attempt this, it would likely backfire, facing us with a possible return to subsidies to the Soviet Union.

However, if we keep our focus on the Soviet Union as a rich country among other rich countries, we might be able to achieve such objectives as shortening the term, reducing the value of the export covered by financing, etc., for the entire category. Such countries as New Zealand, Japan, Canada, and the Nordics have shown a willingness to eliminate subsidized export financing in the "Relatively Rich" countries. The real objections will come from the EC. Facing enormous economic problems, France is particularly reluctant to reduce export credit

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subsidies to a whole category of countries. They might be willing to do so in the case of the Soviet Union, however, if we play our cards right.

2. EXPORT CREDITS AND THE GROUP OF 7.

If our objective is to move quickly and strongly in restricting credits to the Soviet Union, the G-7 is perhaps our best forum. There is a greater degree of strategic and political harmony than among the 22 Participants to the Arrangement on Export Credits.

The advantage of using the G-7 is that it can be targeted at the Soviet Union, without having to subsume the Soviet Union as but one of many "Relatively Rich" countries, as is the case in the Arrangement on Export Credits. The G-7 includes all of the countries providing significant amounts of credit to the Soviet Union and, axiomaticly, those where the industrial export competition is greatest.

While it will be asserted that countries outside the G-7 may step in where the G-7 stepped out, their abilities to do so, either financially or industrially, are not great. Thus this problem, while real, is not a major one. Nevertheless a strategy to deal with it -- such as by adding countries to a consensus -- should be worked out.

TERMS OF REFERENCE

The terms of reference in either the Export Credits Group of 22 countries or the G-7 are the same: to design ways to further restrain export credit to the USSR. Such restraint will fall into the following categories:

1. Cover.

"Cover" is the maximum proportion which can be financed of the total export value of a particular good or service. In the Arrangement that maximum is currently 85 percent. This percentage could be reduced, anywhere down to zero. How much restraint are countries willing to provide?

2. Type of Financing.

Direct credits, guarantees, or insurance are normal practices by governments. They must be treated in parallel, as one form of financing can and does substitute for the other. In what ways should they be restricted?

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3. Contract Rate.

The contract rate of interest is the rate of interest seen by the buyer. All official export credits by the United Kingdom, for example, are made by commercial banks at market (usually floating) rates of interest. The ECGD -- the U.K. Government export credit agency -- subsidizes the interest rate if necessary by paying the commercial banks so that the buyer sees only a fixed rate of interest of say 12.4 percent in the case of the USSR. As mentioned before, the exporters themselves often do this. In that case, can and should governments attempt to control the contract rate, if the exporter is owned privately? By the Government? Mixed ownership?

4. Interest Rate Subsidies.

Governments have normally been willing to subsidize either commercial bank loan rates of interest or their own direct credits, if they choose to intermediate directly. While the Arrangement provides a 12.4 percent minimum for the Soviet Union currently, that rate of interest is a subsidy in some countries, e.g., the French franc and the Italian lira. Moreover, if market rates rise again in other major currencies, the 12.4 percent rate could become a subsidy rate of interest. What kind of restrictions should be contemplated here?

5. Type of Products Covered.

It is normal practice for governments to provide official financial support for export goods and services of all kinds, including military equipment. Local cost financing also has occurred in the past, although it is less frequently seen. What kind of restriction should be contemplated in this area?

6. Foreign Currency Guarantees.

Many governments have been willing to offer financing in other currencies at fixed rates of interest even when those rates of interest are below market rates in the currency. Thus, governments have been willing to absorb not only the financing costs, but also the exchange risk. What kind of restrictions should be imposed for the Soviet Union in this area?

7. Term to Maturity.

The U.S. Government and others have been willing to provide terms well in excess of 8.5 years for certain



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projects. For instance, 15-year terms or more are not uncommon for nuclear power plants. What kind of restriction should be imposed on terms and should they be divided by sector, product, or service?

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## Review Mechanism

### I. Introduction

The "Summary of Conclusions" on East-West economic relations commits the allies to three specific undertakings in the area of export credits:

- to begin a study of Western export credit policies "with the view of agreeing on a common line of action" toward the Soviet Union and Eastern European countries that is in keeping with the general precept of not according preferential treatment or subsidies to the USSR,

- to work urgently further to harmonize export credit policies, and

- to establish "without delay" necessary procedures for a periodic ex post review of economic and financial relations with the USSR and Eastern Europe.

Under Secretary Wallis, has asked for terms of reference and strategy papers for each of the five followup areas, of which credit is one. This paper deals with the export review mechanism for our overall economic and financial relations with the U.S.S.R. and Eastern Europe.

### Discussion

The review should be conducted in a manner and time frame so as to fulfill the objectives set forth by the President and in the Summary of Conclusions. The terms of reference of the review should be to cover the entire spectrum of the flow of financial and real resources from the West to the USSR and individual Eastern European countries. Thus, it would encompass trade, debt, export credits (official) and banking flows as individual items as well as an overall analysis of the aggregate of these items. The review should focus on the past year's developments in each of these areas, the longer term trends, and the short term outlook.

The U.S. Government has already begun to lay the groundwork for obtaining these inputs. During the past summer, we invoked the Versailles understanding in launching a two-pronged offensive within the OECD and NATO to improve their respective data collection and reporting systems on East-West financial flows. La Sapiniere gave increased urgency to these undertakings,

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although France has opposed our information exchange initiative within NATO. The OECD Trade Committee (Export Credits Group) and the Committee on Financial Markets have produced inter alia evaluations of outstanding East-West economic problems and at least one comprehensive study detailing trends in East-West trade and finance (i.e. the annual Trade Committee report on East-West economic relations). The committees are also well along in strengthening the OECD data bank.

These efforts need to be expanded and accelerated to fully meet the requirements of the review process we envisage. Specific objectives we should pursue include the following:

-- In the OECD, we should:

- (1) continue work to upgrade the OECD data collection and reporting systems in the Trade Committee's Group on Export Credits and reconcile OECD and BIS data on official and private bank credits in the Committee on Financial Markets (CFM); and
- (2) continue work in the Trade Committee's East-West Trade Group and in the Secretariat itself on relevant East-West trade and financial issues, including analyses of economic developments in key Comecon countries and the USSR and trends in East-West economic relations (see latest annual Trade Commission report on East-West Trade).

-- In NATO we should continue work to strengthen the Econad institutional framework, including use of "enhanced" meetings at the political level designed to produce policy recommendations on East-West economic issues of strategic importance for the consideration of the NATO ministers. NATO Econads would help factor relevant security considerations into the overall analysis of East-West economic relations.

-- In a G-7 restricted context, we should initiate a review process that would be closely linked to ongoing work in OECD and make use of that institution's organizational framework and expertise to the maximum extent possible.

#### Review Among the Summit Seven

The review would be an annual event, taking place just before the Economic Summit and would be conducted by representatives of the Summit Seven at the Under Secretary level. Findings of the review group, along with any policy recommendations would be forwarded to heads of state at the economic summits. The actual work would be carried out by Deputy Assistant Secretary level officials, who would meet in working groups at least three times a year. Inputs for the review would come from a number of sources: primarily the OECD, but also NATO, and individual country submissions.

An agreement to establish a review group was announced in the Versailles communique. In discussions at the July XCSS, our key allies did indicate that preparations for the Williamsburg Summit could include discussions along those lines but there has been little accomplished yet by way of implementation.

Assuming political agreement among the Summit Seven governments to establish a review group, an initial working level meeting should be called in early January. This would allow for an initial airing of views which, with representation at the Deputy Assistant Secretary level, would be politically attuned but not involve any commitment. There would be time for at least two working level sessions and one high level meeting prior to the Williamsburg Summit.

The initial objective of the group would be to launch a study of credit policies, as called for in the "Summary of Conclusions". The group would define the parameters of the study and where the work would be done. It would draw heavily from work done in the OECD, but because of potential problem with the neutrals, it would have to rely to some extent on other sources, such as NATO and capitals, as well. It would also establish deadlines so that an economic assessment and policy recommendations on harmonizing export credit policies would be ready for political endorsement, first at a high level meeting of G-7 and then at the Williamsburg Summit by chiefs of state. The study would include:

-- an assessment of the economic situation and trends in the Soviet Union and Eastern Europe and the likely impact on the East-West trade and financial relations;

-- current Western export credit and trade practices vis a vis the Soviet Union (including subsidies and preferential trade) and Western debt exposure in Eastern Europe; and

-- policy recommendations for harmonizing export credit policies.



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COCOM

NLS F96-069/2 # 26BY Amf, NARA, DATE 1/30/061. Objective

An agreement to add critical technologies and equipment to the COCOM list, harmonize national licensing procedures for COCOM, and substantially improve the coordination and effectiveness of international enforcement efforts.

2. Excerpts from "Summary of Conclusions"

Passages from the "summary of conclusions" which are relevant to COCOM are as follows:

"1. They recognize the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests....

"2. The following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries:

- That they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR .... They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognizing the different political and economic conditions that prevail in each of these Eastern European countries. The overall analysis of economic relations with the USSR and the Eastern European countries will touch in particular on the following areas:
- Strategic goods and technology of military significance (COCOM);

3. As an immediate decision and following decisions already made, they have further agreed on the following:

- (a) "Building on the conclusions of the High Level Meeting, they will work together within the framework of the Coordinating Committee (COCOM), to protect their contemporary security interests: the list of strategic items will be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM Review now under way. They will take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions."

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### 3. Analysis

This agreement is a general reinforcement of the conclusions of last January's COCOM High Level Meeting, the first policy level agreement in that organization in over twenty years. At that meeting the member governments agreed in general terms to:

- (1) Define during the next List Review the really critical equipment and technologies, while deleting the non-critical items;
- (2) improve the effectiveness and functioning of the COCOM system;
- (3) strengthen national enforcement activities; and
- (4) harmonize the national licensing procedures of the individual member governments.

At the High Level Meeting the Allies also pledged to give priority attention to providing embargo coverage to a number of specific technological areas identified by the United States: "gas turbine engines, certain metallurgical processes, large floating drydocks, electronic grade silicon and printed circuit board technology, space launch vehicles and space craft, robotics, ceramic materials for engines (including manufacturing systems), certain advanced composites, and communication switching and computer hardware and software technology and know-how."

Significant measures have already been taken in a number of areas to implement these general conclusions:

#### A. Strengthening the embargo lists in the COCOM List Review:

Since October 4 COCOM has been meeting on a daily basis to review and renegotiate the existing COCOM embargo lists. For this List Review exercise, which takes place every three or four years, the United States has submitted over 100 proposals, most of which are aimed at expanding or strengthening existing controls. These include proposals on each of the priority technology areas earmarked by the High Level Meeting. Also under review are U.S. and other members' proposals for liberalizing the embargo in certain areas.

Because of the large number of List Review proposals under review it is not easy to provide a brief assessment of the positions of the other countries. In general, the U.S. negotiating teams have found the other delegations extremely cooperative in working with the United States to reach agreed positions, even where there are initially important technical differences. As a result of this cooperative effort (1) we have recently reached agreement on several metallurgy proposals and on a strengthening of controls on technology related to embargoed commodities and (2) we are hopeful that in the very near future we can obtain full COCOM agreement to a number of our other priority proposals which have already been discussed i.e., electronic grade silicon, composite materials, and space craft and launch vehicles. However, in the List Review discussions as well as in a series of earlier high-level bilaterals, other members have cited features in some of our other proposals which they claim are inconsistent with the COCOM strategic criteria, technically imprecise, or not feasible to administer. Such concerns have been raised by the Allies on some aspects of the U.S. proposals on computer hardware, software, switching equipment, robotics, and floating dry docks. It is essential that we overcome these concerns, especially on computers and switching, in order to ensure a successful List Review. During the remainder of the first round of the List Review, which ends in late February, a large number of other U.S. proposals will be reviewed by the Committee for the first time. It is very likely that similar issues will arise concerning a significant number of these proposals.

B. Enforcement and harmonization:

At the initiative of the United States the COCOM Subcommittee on Export Controls met last May to review a number of U.S. proposals to strengthen enforcement activities and to harmonize licensing practices. The Subcommittee adopted a large number of recommendations which, if adopted, could strengthen member governments' ability to enforce COCOM restrictions. As a follow-up to that meeting, the full Committee is now discussing two specific U.S. harmonization proposals -- one on standardization of documentation to support COCOM exception requests and another on uniform undertakings related to use of Import Certificate/Delivery Verification documents used by the individual governments.

Key problems requiring further attention include: (1) the need for tighter controls on reexports in order to reduce diversions through third countries and (2) the need to allocate increased resources to enforcement activities.



The United States raised enforcement and harmonization issues during high level bilateral discussions with COCOM governments in September and October. Planning is now underway to send two sets of interagency teams to COCOM capitals during the next two-three months for follow-on discussions. Our basic objectives during these bilaterals will be to:

- (1) Establish liaison and seek increased cooperation with enforcement agencies of other member governments;
- (2) Encourage allocation of increased resources for enforcement activities;
- (3) Induce the kind of institutional and, if necessary, legal changes within the other countries that may be necessary to deal more effectively with such problems as diversion through third countries; and
- (4) Encourage other governments to adopt licensing review practices more in line with those of the United States.

Measurement of progress in some of these areas, involving as they do essentially internal national actions, will undoubtedly be difficult. We can expect some reticence by other governments to increase significantly the resources devoted to export control enforcement activities because of differing priorities and budgetary constraints. The other members will also probably continue to resist the institution of any type of reexport licensing requirements for reexports from third countries because of extraterritoriality implications. Other devices to discourage unauthorized reexports (e.g., strengthened Import Certificate/Delivery Verification procedures) may offer better prospects.

C. Administrative Upgrading of COCOM:

The Committee recently adopted a new time-limits procedure aimed at speeding up the consideration of the hundreds of embargo exceptions routinely requested by the United States and other members. The U.S. is exploring possibilities for: (1) providing better quarters for the COCOM Secretariat (which is now housed in somewhat unattractive and crowded quarters in a U.S. Embassy annex in Paris), (2)

an expansion of the small COCOM staff (12-15); and (3) installation of word processors and other up-to-date equipment in the Secretariat and in the offices of the U.S. Delegate. We need to obtain reciprocal commitments from other members to increase the resources at the disposal of the COCOM organization.

#### 4. Negotiating Strategy and Timing

We are already engaged in a major COCOM List Review aimed at assuring that the embargo lists cover critical equipment and technologies.

Because of the highly technical nature of this exercise and because the active COCOM membership includes several countries not included among the seven, detailed negotiations must necessarily be concentrated within COCOM itself.

The first Round of the List Review is scheduled to be completed in late February. A two- or three-week COCOM working group meeting will be required in March or April to prepare for June COCOM discussions of computer issues. It will not be possible to conclude work on all List Review proposals before late 1983 or early 1984. The most important deadlines for internal preparation are those for improving U.S. proposals in ways to respond to inadequacies which became apparent during the First Round of discussion. For the priority items which we will wish to complete prior to the summer recess, revised U.S. proposals should be submitted to COCOM no later than mid-January.

During the opening session of the COCOM List Review, the United States suggested the possibility of a second COCOM High Level Meeting in 1983. Such a meeting could be planned for July or September, to follow the spring sessions of the List Review. Another alternative would be to hold a COCOM meeting at the ministerial level, scheduled in conjunction with a regular NATO ministerial meeting. Either high-level session could consider not only List Review, enforcement, and harmonization issues but also the possibility of an explicit, separate, and more liberal list for China and more explicit differentiation among the Warsaw Pact countries.

In reaching agreement with us on the "summary of conclusions," the Allies strengthened their political commitment to COCOM, and their commitment to achieve positive results on matters already being negotiated within the COCOM framework. To harness that commitment, we should propose that the Seven constitute itself as a temporary "steering group" on these matters. Appropriate officials from the

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Seven, at the Under Secretary level, should meet (quietly and informally) in February, after the first round of the List Review, and following the completion of most of our enforcement and harmonization bilaterals to:

- (1) Review the effectiveness and responsiveness of COCOM in general;
- (2) Assess progress to date in the List Review;
- (3) Review the efforts to improve enforcement and harmonization; and
- (4) Decide on the timing and agenda of a second HLM (or Ministerial).

Decisions reached at this meeting would, of course, have to be brought to COCOM itself for acceptance and implementation by the full COCOM membership. At an early meeting of the Ambassadorial group in Washington we should seek agreement on a meeting of the steering group, the level of representation, the agenda, and, perhaps, the venue.

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NSDD 64  
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OTHER HIGH TECHNOLOGY EXPORTS,  
INCLUDING OIL AND GAS EQUIPMENT

1. Objective

A quick agreement that Allied security interests require controls on advanced technology and equipment beyond the expanded COCOM list, including equipment in the oil and gas sector; development of a list of equipment (and technology) in this category and an effective procedure to control its transfer to the Soviet Union.

2. Excerpts from "Summary of Conclusions"

Passages from the "summary of conclusions" relevant to "other high technology exports, including oil and gas equipment" are as follows:

"1. They recognize the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests. ...

"2. The following criteria should govern the economic dealings ...

- That they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR ...
- That it is not their purpose to engage in economic warfare against the Soviet Union. To be consistent with our broad security interests, trade must proceed, inter alia, on the basis of a strict balance of advantages.

It is agreed to examine in the appropriate bodies how to apply these criteria ... recognizing the different political and economic conditions that prevail in each of these Eastern European countries.

In their analysis of other high technology items, it is agreed to examine immediately whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe

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of advanced technology and equipment to be jointly determined. This immediate examination of whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment will include technology and equipment with direct applications to the oil and gas sector.

In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD.

"3. As an immediate decision and following decisions already made, they have further agreed on the following: ...

- (c) They have informed each other that during the course of the study on energy requirements, they will not sign, or approve the signing by their companies of, new contracts with the Soviet Union for the purchase of natural gas.

### 3. Analysis:

The principal high technology West to East transfer issues have traditionally been negotiated in COCOM, which is the subject of a separate paper. This paper will discuss oil and gas equipment and technology, which is a largely separate issue which has not been discussed in COCOM since the early 1950's. The United States has not identified a third set of "other" high technology issues for negotiation with our allies at this time.

Gaining allied agreement to controls on the export to the USSR of oil and gas equipment and technology will not be an easy task. Since 1978 the United States has justified its controls in this area on various foreign policy grounds and the allies have heretofore resisted the imposition of controls on exports to the USSR for other than military-related reasons. The summary of conclusions papers links controls to allied security interests, and we will have to make our case on that basis.

Some equipment of significance to the oil and gas industry is already on the COCOM list, principally exploration equipment (such as magnetometers, gravity meters, computers, recording equipment, and hydrophones) and computerized pipeline control equipment. These items are on the COCOM list because of concerns other than oil and gas, for example computerized seismic equipment is used not only for oil

exploration but also for anti-submarine warfare (ASW). The U.S. has already proposed in COCOM, in the context of the current List Review, tightening of restrictions on some such equipment, e.g., signal processing equipment which has special capabilities for seismic data processing.

To persuade the Allies to control oil and gas equipment which does not have other uses of military concern, we should be prepared to argue that some controls are appropriate on security grounds because: (1) the export of such equipment contributes to the development of Soviet gas exports, which could in turn lead to European dependence on the USSR as a source of gas supply; and (2) that such exports could assist the Soviets to realize large hard currency earnings from gas sales, enabling them to readily increase their military build-up and leading, ultimately, to greater Western defense outlays.

Other means to improve prospects for eventual agreement in this area include:

- limiting proposed controls to exports to the USSR; (as NSDD 66 stipulates) and
- limiting items proposed for control to those which would have a substantial impact on the USSR (other than pipe) and which have historically been exported to the USSR largely by the United States.

The United States has limited its oil and gas controls to exports to the USSR and such a limitation would be consistent with the "summary of conclusions" recognition of the different political and economic conditions that prevail in each of the Eastern European countries.

The attached suggested items for control were selected on the basis of a first-cut judgment as to what would have a substantial impact on the USSR (other than pipe) and what has historically been exported to the USSR largely by the United States. This list should be reviewed and further refined by technical and intelligence experts to test it against these criteria and insure administrative clarity.

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UNITED STATES DEPARTMENT OF COMMERCE  
International Trade Administration  
Washington, D.C. 20230

MAR 04 1983

*NSDD 66  
- COCOM  
LWR  
for action*

MEMORANDUM FOR: Lawrence J. Brady  
FROM: Bo Denysyk  
SUBJECT: Strategy Papers for COCOM

Attached is a short strategy paper on each of the four major COCOM agenda items. Please let me know if there are any additions or changes you wish to make.

Attachment

cc: William Archey  
John Boidock  
Denis Lamb  
Steve Bryen  
Norman Bailey

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BY CAS NARA DATE 5/30/01

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## OIL AND GAS CONTROLS

It is important to realize from the outset that achieving unanimous agreement from COCOM countries on oil and gas controls will undoubtedly be difficult. They will probably view our efforts as arm-twisting them to honor the agreement they were pressed into giving the U.S. for lifting the USSR sanctions. Consequently, our strategy should be low key and include the following:

- 1) Limit the oil and gas control list -- it should be short and limited to only truly critical items
- 2) Do not argue national security as the basis for controlling oil and gas items. Viewpoints are simply too diametrically opposed on this issue to be worth trying to get a consensus on. Rather, our tactic should be simply that COCOM, as the principal multilateral control organization, is the most appropriate forum to use for the discussion and implementation of oil and gas controls.
- 3) Agreement on these controls could be more readily achieved if they are not viewed as being permanent in nature. Therefore, the proposal should be that the oil and gas controls would be limited in duration -- 1 to 2 years. They would be reviewed at the end of that period to determine their effectiveness and another decision made on whether or not to continue them. It would also probably be best if, instead of making the suggestion ourselves, we approach another country to suggest limiting the time frame of the oil and gas controls. Perhaps the U.K. should be approached to make that suggestion.
- 4) Finally, to prove that oil and gas controls are important to us, we should be prepared to trade something in return for getting those controls. Specifically, we should offer to drop the "no exceptions" policy on the USSR, which our COCOM allies have been seeking for some time.

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#### LIST REVIEW

Some progress has been made on the List Review. Specifically, the U. S. was successful in getting COCOM agreement on additional controls for semiconductor manufacturing equipment and microcircuits.

Major problems still exist, however, in such areas as computers, telecommunications (including switching), and robotics. Other delegates have pointed out that our proposals are inconsistent. Another serious problem is that the delegations are often represented by junior-level people who cannot make necessary decisions during the negotiations on the U.S. proposals. Unfortunately, this results in continued lack of multilateral controls on sensitive items contained in the proposals. Until COCOM consensus is reached on the U.S. proposals, those items continue to be freely exported from COCOM member countries to the Bloc.

To enhance coordination, and to make ensure that reasonable progress is made on proposals for COCOM, we should recommend that senior representatives must be directly involved in negotiations, and that delegations of authority be given to them so that they may make decisions with respect to the proposals. This would help solve the bottlenecks in the COCOM negotiations.

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The COCOM Secretariat, as it currently stands, serves only as a small body of translators, coordinators, and clerical help. This 7-8 member office is clearly insufficient compared to other international organizations. COCOM is an important body, and its Secretariat should be reflective of that fact.

Clearly, the Secretariat needs increased personnel and increased functions to achieve that goal. We should proposed the following additions:

Personnel

20 new positions as follows:

- |                            |                                                                                                                                                                                                                                                                                     |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 attorneys                | to draft new proposals, harmonize the legal systems of the varous COCOM countries with respect to export controls, etc.                                                                                                                                                             |
| 2 intelligence analysts    | To review and screen information received from intelligence sources and exporters, to keep lists on suspected diverters and items sought by the Soviets and monitor cases using these lists, to share pertinent intelligence information with COCOM allies on a regular basis, etc. |
| 2 technical analysts       | These analysts will be engineers, and will help in harmonization of technical interpretation of the COCOM list, review problem cases, serve on COCOM's dispute mechanism, etc.                                                                                                      |
| 2 statistical analysts     | Develop and maintain statistical profiles on all COCOM controlled exports, including past exports.                                                                                                                                                                                  |
| 3 additional translators   | To provide translation services for the additional work generated by the attorneys and other analytical staff.                                                                                                                                                                      |
| 2 computer operators       | To input and maintain data base on COCOM cases, status reports on COCOM proposals, update intelligence information in the data base, etc.                                                                                                                                           |
| 4 additional support staff | To provide clerical, secretarial and administrative support.                                                                                                                                                                                                                        |

These additional personnel positions are estimated to cost \$506,839.

Additional equipment will also be required as follows: a mini-computer, word processors, and communications equipment. It would cost approximately \$1-2 million to purchase the equipment and maintain it over a 2-3 year period.

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#### HARMONIZATION

Although good progress was made in the recent bilaterals, they also revealed that certain major differences still stood in the way of our harmonization efforts. The bilateral meetings were open and frank, with the U.S. presenting its views and the host governments explaining the legal and administrative constraints on them with respect to export controls. For example, none of the countries had a reexport licensing requirement, lacking the legal authority to impose such controls; no country controlled intangible technical data, and professed to be unable, legally and practically, to do so; and differences continue to exist among the various countries on technical interpretation of the COCOM control list.

The U.S. suggestions made during the bilaterals should be reiterated: to formalize a dispute mechanism within COCOM. While the Secretariat would keep the formal, harmonized procedures for reviewing cases (within specified time limits), and handle administrative questions as reporting requirements, cases in dispute would be referred to a technical subcommittee. This subcommittee would settle such issues as proper commodity classification, and any other question of a technical nature.

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ATTACHMENT A

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No Comprehensive Appraisal of or Effective Overall  
Strategy to Address the Nation's Technology Leakage Problem

- o We have devised a strategy based on the need to deploy our criminal investigators to high priority investigations.
- o Agents are being specially trained in export control matters and in standard criminal investigation techniques.
- o The strategy will also involve the application of intelligence analysis and automatic data processing to case selection.
- o We are working with the private sector to achieve greater awareness of, and voluntary compliance with, export control laws and regulations.
- o We are procuring advanced ADP hardware with a classified storage capability to be used by OEA's Licensing Division and OEE.
- o We are obtaining the necessary software for our ADP system. The target date for operational status for the hardware and for completion of the ADP system development phase is September 1983.



2

Failure to Use Modern, State-of-the Art  
Intelligence, Investigative, and Enforcement  
Techniques and Systems

- o Since August 1982 more than thirty-five criminal investigator have been hired.
- o Intensive recruitment of additional criminal investigators and intelligence personnel is underway.
- o Deputy Assistant Secretary Wu is personally overseeing this recruitment process.
- o Our new agents come to us with substantial experience as federal criminal investigators. With such agencies as the Postal Inspection Service, Naval Investigative Service, IRS, FBI and Customs.
- o We are taking the necessary steps to provide OEE agents with law enforcement powers to undertake search and seizure functions, make arrests and carry firearms.
- o Our newly hired agents come to us equipped with substantial law enforcement training as well as experience.
- o Personnel who were with us prior to the reorganization of our enforcement program will receive or have already successfully completed necessary training at the Federal Law Enforcement Training Center at Glynco, Georgia, and other appropriate training programs.
- o We are developing a specialized training program to equip our agents to deal with factors which are unique to export control investigations. The program will be operational in September 1983.
- o A standard agent's manual is in development and should be completed in September 1983.
- o A former senior Assistant United States Attorney has joined Mr. Wu's staff and will assist him in the direction of this training program.

Lack of Strong Leadership and Clear  
Lines of Organizational Responsibility

Inadequate Management Direction  
And Oversight

- o Beginning last summer Commerce embarked on a complete reorganization of its export enforcement program.
- o The old Compliance Division in the Office of Export Administration was abolished. The Office of Export Enforcement (OEE) was created.
- o OEE, together with the Office of Antiboycott Compliance, was placed under the direction of a newly created Deputy Assistant Secretary for Export Enforcement.
- o We selected Theodore W. Wu as Deputy Assistant Secretary; he has an unparalleled record in export enforcement and is responsible for the successful prosecution of the Edler, the Spawr Optical Research and the Bruchhausen cases.
- o At the time Mr. Wu joined us, Secretary Baldrige and I made it very clear to him that this Department was ready and able to provide him with the management support and resources that he needed to effectively direct Commerce's export enforcement programs. It has been, and will continue to be, a high priority for us to meet that undertaking.

Inadequate Travel Funds, Law Enforcement  
Equipment, and Other Support Resources

- o Two new enforcement field offices have been opened in San Francisco and Los Angeles bringing the total to four. The New York and Washington Field Offices are being strengthened.
- o We intend to open additional strategically situated field offices in the next eighteen months and expand our present investigative and intelligence manpower.
- o Extensive procurements of vehicles, investigative, communications and surveillance equipment are underway.
- o Since August 1982, we have committed \$365,000 to equip these agents with state-of-the-art investigative equipment. We intend to spend an additional \$70,000 during the remainder of this fiscal year.
- o Operational travel is essential to the successful resolution of cases, and we have budgeted \$152,000 for this purpose in this fiscal year. This is an increase of \$70,000 from the previous year.

Inadquate Cooperation and Coordination  
With the U.S. Customs Service and Vital  
Information Sources in the U.S. intelligence Community

- o Our agents work closely on investigations with other agencies, notably Customs and the FBI.
- o We are developing memoranda of agreement regarding procedures such as the exchange of information and coordination of investigations with the concerned federal agencies. The target date for completion of these agreements is June 1983.
- o The frequency and effectiveness of cooperative activities between OEE agents and those of other agencies has improved markedly in past months.
- o Since last May, OEE has initiated fifteen investigations with the FBI and or the Customs Service.
- o A sensitive investigation is being undertaken with the Justice Department's Internal Security Section.
- o Additionally, there are other investigations currently in progress with various U.S. attorney's offices.
- o We have paid particular attention in recent months to the improvement of our relations with the Customs Service. There must be close cooperation between our two organizations with respect to investigatory activity.
- o On June 18, 1982 the Department issued a "blanket" determination under Section 12(c) of the Export Administration Act permitting the Justice Department to use certain protected information in the prosecution of export control violations arising out of Operation Exodus.
- o We have established open lines of communication between our two services at various levels to review operational and policy matters.
- o The enforcement of the embargo on the export or reexport of U.S. origin oil and gas related products and technology to the Soviet Union provides an example of the working relationship between the two agencies. We coordinated on a daily basis to effectively implement the embargo and were able to keep administrative difficulties at a minimum.
- o We have had a healthy exchange of information with Customs on a number of issues in connection with the completion of a Memorandum of Understanding between our two services.

- o One major issue remains for resolution, namely, the conduct of overseas phases of export control investigations. We do not share Customs' view that they should control and conduct all overseas investigations of the Export Administration Act.
- o To the contrary, it is our opinion that effective enforcement of the Export Administration Act requires that Commerce be involved in the international as well as in the domestic phases of such investigations.
- o The majority of export enforcement cases have international as well as domestic facets. Any attempt to implement separation between the two would lead to an artificial division of investigatory effort which would impede the U.S. Government's overall ability to enforce the Export Administration Act.
- o Many export enforcement cases, especially diversion cases, involve parties who are beyond the reach of the U.S. criminal process. Indeed, some of these do not involve any culpable U.S. persons.
- o In such situations we have a potent sanction available to us, namely, administrative denial by the Department of export privileges.
- o Commerce has representatives assigned to more than 100 overseas stations who can effectively make prelicense and post shipment inquiries, which may or may not have criminal investigation potential--but which are critical to the licensing determination process.
- o Our discussions with Customs are continuing and we are confident that we will be able to resolve this last remaining issue in a mutually agreeable manner in the near future.



### Unwarranted Interference in the Detailed Conduct of Investigative Operations

- o Mr. Wu is establishing a thoroughly professional law enforcement organization. Individual case agents will be responsible to team leaders who in turn will report to Special Agents in Charge in the various field offices. The entire structure will be headed by a Director of the Office of Export Enforcement.
- o Special care is being taken to select intermediate and top management for these positions.
- o Unwarranted interference of the sort described in the Inspector General's Report will not be a factor in the operations of the Office of Export Enforcement.

### Use of Antiquated or Inefficient Internal Administrative and Management Systems and Procedures

- o The DAS/EE and his staff are closely reviewing all current OEE procedures.
- o A standard OEE agents manual is in development. This will be the basic handbook for guidance on criminal export enforcement procedures.

Mr. Chairman, the key problem areas discussed by the Inspector General have either been solved or are in the process of cure. We still have much work to do to bring this program up to a desired level of effectiveness; however, we have made a great deal of progress since last summer, progress with tangible results which indicates that we can and should continue with an export enforcement mission.

I would like to take this opportunity to briefly review with you our record to date of improved enforcement performance.

### Improved Enforcement Performance

- o OEE is able to dedicate far more time and effort to field investigation, interdiction of illegal exports and the development of information sources than was possible prior to the reorganization.
- o We have already been able to build the rapport, expertise, and "street sense" needed for useful leads and enforcement results on a continuing basis.

8

ATTACHMENT B

Mr. Chairman, I would like to acquaint the Committee with the recent record of our inspection program. It demonstrates that Commerce is making a difference and that the finite resources that we bring to bear on one aspect of the problem of illicit technology transfer have positive and meaningful results. To make these statistics more meaningful and to give them additional perspective we have also included applicable statistics from the Customs Service's Operation Exodus.

Commerce OEE and Customs Inspection Program Activity

<u>Time Period</u>	<u>Inspections Conducted</u>	<u>Detentions</u>	<u>Violations Resulting in Seizures</u>	<u>Ratio of Violations to Detentions</u>
FY 81 - Commerce	10,369	628	128	.255
FY 82 - Commerce	9,124	584	242	.425
FY 82 - Customs OPEXODUS	(*)	2481 <sup>(1)</sup>	765 <sup>(1)</sup>	.308 <sup>(1)</sup>
FY 83 - Commerce <sup>(3)</sup>	2,227	167	81	.485
FY 83 - Customs OPEXODUS <sup>(3)</sup>	(*)	809 <sup>(2)</sup>	286 <sup>(2)</sup>	.353

(1) These statistics are published in the Customs Operation Exodus - FY 82 Report dated 13 December 1982. They represent the "total number of Operation Exodus seizures for FY 82" in "33 ports". Of the 765 seizures, 82 were "OMC Seizures" made pursuant to Customs enforcement of the State Department-administered Arms Export Control Act. Thus, the ratio of detected violations to detentions resulting from Customs enforcement of the Export Administration Regulations is .275.

(2) These statistics represent the number of detentions and seizures reported by Customs to Commerce OEE Facilitation Section.

\* The number of inspections conducted by Customs is unavailable to Commerce. According to the Operation Exodus - FY 82 Report published by Customs, when Exodus was initiated in FY 82, the Commissioner of Customs "directed that 49 special agents, 35 Customs inspectors, 35 Customs patrol officers, 5 import specialists and 2 analysts be assigned to the program". The Operation Exodus program extended its coverage to 33 ports by the end of FY 82, with an additional 292 full-time positions provided for the program.

Inspections by Commerce are conducted only at JFK International Airport, New York, by four full-time and one part-time inspectors.

(3) As of 11 January 1983.

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