

EUROPEAN PARLIAMENT

COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

WORKING DOCUMENT

drawn up by the secretariat in preparation for the report on Messrs. Pégard (Doc. 2-466/84) and the restrictions on EEC exports of strategic products and transfers of technology to Comecon countries

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1. COCOM

(a) Definition

- normal abbreviation for the Cooperation Committee controlling exports to the Eastern-bloc countries (derived from Consultative Group Cooperation Committee),
- COCOM was set up on the initiative of the United States during the Korean war (June 1950); it coordinates the activities of its Member States with a view to preventing the export of strategic products to Eastern-bloc countries,
- COCOM is separate from NATO (North Atlantic Treaty Organization). It has no legal personality and takes the form of an intergovernmental conference,
- 15 Member States, of which 12 in Europe: B, D (FR), DK, F, GB, GR, I, N, NL, P and TR. The other three countries are CDN, J and USA:
The 15 members of COCOM are the 15 NATO Member States less Iceland but with the addition of Japan.
- Address of the Secretariat : US Embassy in Paris.

(b) The COCOM List¹

Mr SEELER dealt with this matter in some detail in his report on behalf of the Committee on Economic Relations in the significance of economic sanctions, particularly trade embargoes and boycotts, and their consequences for the EEC's relations with third countries (Doc. 1-83/82), p. 26 et seq.

¹ This list is never published, which gives the authority drawing it up plenty of latitude for unilateral assessments.

... Since the EC countries were unwilling to agree to extend the embargo on technology over and above the COCOM-lists, it is probable that the US has lost part of its share of the market in this sector to other Western exporting countries. The 1980 figures for the export of industrial goods to the USSR from the US show a marked fall compared to 1979. In 1979 the US exported industrial products to the value of US\$ 656 million, whereas in 1980 it exported only US\$ 424 millions' worth. In the same period, US exports of machines and motor vehicles dropped from US\$ 362 million to US\$ 269 million.

At the so-called World Economic Summit in Ottawa in July 1981, the prime ministers or heads of state of the seven main industrial nations agreed to a review of the catalogue of exports covered by the COCOM lists. Talks on this subject were held in Paris in January 1982. These talks were particularly topical because they included discussions on the possibility of imposing economic sanctions on the USSR and Poland in response to the declaration of martial law by the Polish military government.

(c) Final comment

A European Community system would be more effective as COCOM has two loopholes:

- Ireland is a member of the EEC but not of NATO and is therefore not bound by that Treaty nor by the institutions set up under it
- Trade between East and West Germany has a number of features encouraging permeability between the two blocs.
- Only Community origin rules could guarantee effectiveness in the external aspects of strategic export restrictions and ensure that the domestic interests of all contracting parties were actually taken into consideration.

Although the results of this conference have not yet been published, it seems that the participating states agreed on tighter export controls for strategically important material of this kind. The conditions under which such products may be exported are also to be more stringent in the future. It does not seem that the participants agreed to an extension of the COCOM lists or to a clearer distinction being made between militarily sensitive exports and ordinary goods, as some states wished.

A recent study by the Rand Corporation for the US Defence Department states that Soviet imports of technology do not enable the Soviets to overcome dependence; but may actually increase it. It therefore advocates removal of non-essential restraints on US exports. The inability of the Soviet Union to encourage innovation and to make use of high technology throughout its economy, which lies at the root of the need to import industrial goods, has much to do with the nature of its economic system. As a result Soviet imports of industrial goods have been growing rather rapidly and offer an important market to Western exporters.

However, any ban on high-technology exports from the US or other countries seems to be of rather low importance for the Soviet economy as a whole at present, since most of the items it requires are still readily available from many sources.

In any case it is unlikely that even with a ban on imports such as those necessary for constructing pipelines any change in Soviet policy with regard to Afghanistan would have occurred.

Apart from the impact of a boycott, there remains the more general issue of developing trade with a potential enemy. The US Administration tends to take the view that exports of Western industrial goods should be restricted because they strengthen the Soviet economy and therefore its military capacity. In Europe there is more emphasis on the beneficial effects of trade with the Soviet Union in terms of increased interdependence and reduced tensions.

II. EXTRACTS FROM RESOLUTIONS OF THE EUROPEAN PARLIAMENT

In the last five years the European Parliament has adopted a number of resolutions with the aim of improving and regulating trade in arms and strategic products and relations with the Comecon countries:¹

- (a) Resolution on arms procurement within a common industrial policy and arms sales (FERUGSSON report on behalf of the Political Affairs Committee including an opinion drawn up by Mrs WIECZOREK-ZEUL on behalf of the Committee on External Economic Relations - Doc. 1-455/83)²

Recital E

... noting that defence purchasing is a very important field where action is required to ensure that European industries, especially in the area of information technology, shall be able not only to compete with US and Japanese firms but shall also be able to strengthen Europe's own defence capability;

para 3

... to urge those member governments taking part in the work of the IEPG:³

...

... to attempt to reach an agreement between the US and the IEPG aimed at the development of types and groups of weapons, which together with the points suggested above, would strengthen the so-called triad approach; and to negotiate with the United States Government the equalization of tariffs on arms-related equipment, including civil aircraft, traded between the Community and the United States;

¹ OJ No. C 322, 26 October 1983, p. 42 etc.

² only passages of direct interest to the Committee on External Economic Relations have been reproduced here

³ Independent European Programme Group

PART II

- C. recognizing that arms sales policies pursued individually by Member States without regard to the common interest or the interests and policies of others may lead to instability or war elsewhere in the world;
- D. believing that competitive arms sales outside the Alliance could be limited to those politically desirable or justifiable if a coherent Community procurement policy were established;

Calls upon the Council, at the level of the competent ministers, as regards arms sales

1. to establish rules governing the export of arms from Member States to third countries;
2. to agree on the restrictions to be placed on the export to certain third countries of specified types of arms;
3. to keep these restrictions continually under review;
4. to submit an annual written report to the European Parliament on progress towards these objectives;

- (b) Resolution on the significance of economic sanctions, particularly trade embargoes and boycotts, and their consequences for the EEC's relations with third countries (report drawn up by Mr SEELER on behalf of the Committee on External and Economic Relations - Doc. 1-83/82) (1)

(1) OJ C 292, 9.11.1982, p. 13

— whereas

- (a) trade embargoes and boycotts are sanctions recognized in international law,
- (b) economic sanctions have a history of failure,
- (c) economic sanctions have proved to be thoroughly unsatisfactory as a means of achieving foreign policy objectives, although they may be appropriate to complement other forms of action,
- (d) hardly any state can be induced by economic pressure to make radical changes in its policies. Such pressure is much more likely to result in the hardening of political attitudes, while the national economies of the state imposing sanctions and of third countries not directly involved are very often as seriously affected and badly damaged as the national economy of the state on which sanctions have been imposed,
- (e) there are many ways of circumventing and undermining economic sanctions. However stringently they are policed, it is impossible to guarantee that they are implemented absolutely consistently and without exception, at least in peace-time,
- (f) for sanctions to be effective, the state on which they are imposed must be dependent on the import and export of the boycotted goods and services, and must be unable — or at least fail — to reduce its need for such goods and services or to find substitutes for them,
- (g) the effects of sanctions — the disruption of trade, the loss of markets, the threat to the economic survival of firms and undertakings, and hence to jobs — often inflict financial losses and irreparable economic damage not only on the conflicting parties on a scale out of all proportion to the desired or possible economic objectives,
- (h) economic sanctions often have the effect of rallying the people of the State subjected to them around their country and their government, creating a surge of solidarity which would not otherwise have been possible and enabling the State to greatly reduce its dependence on international trade by such means as increased industrialization or more intensive farming. Thus long-term sanctions can often eventually strengthen, rather than weaken, the position of the State on which they are imposed,

.....

1. Urges the Commission and Council not to associate themselves with any general sanctions which are manifestly unenforceable;

2. Believes that, if the imposition of economic sanctions should become necessary on political grounds, such sanctions should focus on specific and direct measures and careful consideration should be given to the prospects of their being successfully enforced and to their possible consequences;

.....

4. Believes that such sanctions directed at specific areas of the economy should be used only sparingly; if such sanctions are decided upon by the institutions of the European Community, however, the following principles should be observed:

— the sanctions should be concentrated on precisely defined areas of the economy and products in which the EC and its allies have a strong market position (i.e. mainly 'hard' currency loans and highly specialized technology),

.....

— contracts which have been concluded must as a matter of principle be respected;

- (c) Resolution on relations between the European Community and the East European state-trading countries and the CMEA (Report by Mr IRMER on behalf of the Committee on External and Economic Relations - Doc. 1-531/82) (1)

The present state of relations and agreements between the Community and the individual CMEA countries

1. Considers that East-West trade should be encouraged within the general framework established by the Helsinki Final Act, and that the development of trade relations between the signatory States ought therefore to be accompanied by the removal of restraints on the exchange of persons and information;

- Draws attention to the risks involved in the granting of unlimited cheap credit facilities,
- regards East-West trade as possible only in the context of close, direct and bilateral relations between the European Community as a whole on one side and the individual signatory States of the CMEA on the other;

.....

3. Regrets that most CMEA countries maintain no diplomatic relations with the EEC, although 113 third countries already do so;

4. Regards as unacceptable the fact that trade between the Community and the individual CMEA countries is still not regulated by trade agreements despite the offer of negotiations by the Community in 1974;

- Regards recognition of the Community by the CMEA countries as essential for the further development of trade between the European Community and the CMEA countries;

.....

7. Warns against the use of the ambiguous nature of many of the bilateral cooperation agreements between Member States of the Community and individual CMEA countries as a means of circumventing the common commercial policy;

8. Emphasizes that in its view the Community is authorized to conclude cooperation agreements directly by virtue of its responsibility for formulating the common commercial policy, which covers in particular export policy (Article 113 of the EEC Treaty);

.....

(1) OJ C 322 of 26.10.1984, p. 16 et seq.

The situation as regards institutional relations between the EEC and the CMEA

13. Notes that the talks instituted at the initiative of the CMEA countries on an agreement with the Community have failed to produce any concrete results so far and that negotiations are still very laborious;

14. Considers the conclusion of an agreement between the Community and the CMEA to be useful but stresses that differences between the conditions in the various CMEA countries rule out the inclusion of trade provisions in such an agreement, and notes the Community's proposal that a reference to the importance of trade between the CMEA and the Community be included in the preamble to the framework agreement;

15. Is opposed to an agreement with the CMEA being allowed to govern bilateral agreements between the Community and the individual CMEA countries;

22. **Economic sanctions**

— Asks the Community authorities to adopt a common position on the effectiveness of sanctions as an instrument of Community trade policy and on their application to the CMEA countries, with credit restrictions being used, like import and export restrictions, as an instrument of economic sanctions;

— Emphasizes the particular problem involved in the export of advanced technology products to CMEA countries;

— Instructs the appropriate parliamentary committee to draw up an own-initiative report on the question of the COCOM arrangements, which should also take account of reactions to events in Poland;

— Calls for closer cooperation on energy between the Community and the individual CMEA countries, in order to expand the latter's trade policy options, but sees no reason for further promoting energy investment in CMEA countries, and the Soviet Union in particular, on anything but strictly commercial terms and with due regard to the wider political and strategic implications;

25. — Observes a slowdown in East-West trade because of the economic and political situation,

— Believes that, provided the Community's powers are unequivocally recognized, the conclusion of the framework agreement between the Community and the CMEA and of trade agreements between the Community and individual CMEA countries will contribute to normalizing the trade policy aspects of economic relations with the CMEA countries;

26. In addition to the foregoing and to provide information of continuing strategic value to the European Community, requests the Commission in consultation with Member States:

- (a) to institute a thorough review of all trade and terms of trade between the Community and CMEA countries;
- (b) to carry out an analysis of such trade and terms of trade to ascertain:
- whether products and know-how are being sold to Comecon countries, and in particular to Russia, which might directly or indirectly aid Russian military effort,
 - whether products and know-how are being sold which have a high content of technology not readily available in CMEA countries and which therefore are of particular advantage to those countries,
 - whether products and know-how are being sold to CMEA countries on terms which can bring damage to European industry or commerce through subsequent imports resulting from such sales or terms of sale,
 - whether the Community is becoming reliant in any important respect on imports from CMEA countries;

.....

International agreements

This type of exception to supranational or international provisions is also found in international trade agreements. For example Article XXI of GATT allows the parties to the agreement to withhold information which they believe would run counter to their essential security interest and to take such measures as they believe necessary to protect their essential security interests in relation to fissile materials or raw materials from which these can be produced. The same applies to trade in weapons, munitions and raw materials and all trade directly or indirectly serving to supply the armed forces with other goods or materials. This also includes measures taken on the basis of the commitment by countries under the charter of the United Nations to maintain international peace and international security.

III. LIST OF POSSIBLE PRODUCTS FOR CONVERTED MILITARY INDUSTRIAL CAPACITY (a)

The following list is presented in order to indicate the range of conversion options available. To identify the industries which, after conversion, might take up the options listed, the following abbreviations are used :

- Ae : Aeroengines
- Ai : Airframes (including missiles)
- E : Electronics
- S : Shipbuilding
- T : Tanks and other vehicles

Agriculture

Machinery and equipment	Ai/S
Pumping Plant and pipeline for irrigation	S/T
Sugar beet crushers	S

Construction

Industrial soundproofing	Ai
Machinery and equipment	S
Pre-fabricated bridges for disaster relief	S
Pre-fabricated parts for all kinds of buildings and structures	Ai

Ecological

Anti-pollution devices	S
Processing plants	Ai/E
Recycling machinery and plant	Ai/S

(a) Dan Smith and Ron Smith, Military Expenditure, Resources and Development (report prepared for the Group)
Publication: United Nations Centre for disarmament : 'The relationship between Disarmament and Development' - United Nations - New York 1982,
p. 177 à 180.

Energy

Adaptable power units for community energy systems	E
Boilers for power stations	S
Condensers and evaporators for oceanic thermal energy	S
Fuel-cell power plant	E
Heat Exchangers	E/S
Heat pumps	E/T
Integrated energy systems	Ai/E
Nuclear material disposals	Ai
Oilfield machinery and equipment	S
Oil spillage pumps	T
Power packs for oil pumping	E
Standby power units for computer industry	E
Submerged oil production systems	S
Tidal barrage systems	S/T
Wave power systems	S/T
Windmills	Ai/E/T

Industrial machinery and equipment

Advanced machine tools	Ai/E
Ball screws and other precision components	E
Blowers and fans	E/S
Fluidized bed boilers	S/T
Industrial process furnaces and ovens	S
Machinery for : food products, textiles, woodworking, paper industries, printing industries, marine agriculture and other specialized uses	S
Mechanical power transmission equipment	S
Pumps and compressors	S
Quality control test facilities for industry	Ai

Marine technologies

(in addition to those listed elsewhere)

Submersibles and other equipment for marine mineral exploitation and agriculture	Ai/E/S/T
Tanks for fish farming	S

PE 92.715

Medical

Decompression chambers	S
Electronics for intensive care and medical analysis	E/T
Equipment for the blind	E
Medical mass screening systems	T
Pacemakers	E
Personalized equipment for the disabled	E
Renal dialysis machinery	E
Surgical heat exchangers	E

Metal working

Castings and engravings	S
Containers	Ai/S
Fabricated metal products	S
Iron and steel forgings	S
Machine tool accessories	S
Machinery for metal cutting and forming	S
Sheet metal work	Ai/S
Special dies, tools and jigs	S

Offices and service industries

Automated stockholding and issuing systems	E/S
Automated merchandising machinery	S
Commercial laundry machines	Ai/S
Electronic office equipment	E
Office and other metal and wood furniture	S
Refrigerators and air-conditioners	Ai/E/S

Transport

Air safety and air traffic control systems	E
Automatic speed/distance warning and braking systems	E
Canal gates and heavy duty pumps for canals	T
Caravans and trailers	S/T

Civil helicopters	Ai/Ae/E
Diesel engines for locomotives	S
Gas turbine engines for ships	Ae
Helium airships for airfreight	Ai/Ae/E
Hydrofoils	Ai/S/T
Industrial trucks	S/T
Integrated engine battery cars	E
Locomotives	S
Monorail development	Ai/E
Mopeds and motorcycles	T
Pipe-laying and freight barges	S/T
Remotely piloted vehicles for (e.g.) crop-spraying	Ai/Ae/T
Retarder braking systems for trains and coaches	E
road-rail vehicles	Ai/E
rolling stock	Ai/E/T
Short-to-medium range civil freight and passenger aircraft	Ai/Ae/E
Other braking systems for all kinds of vehicles	E

Others

Brewing equipment	T
Cable-laying equipment	S
Conveyors	S
Electronic libraries and teaching aids	E
Elevators	S
Firefighting equipment	T
Heavy earth-moving equipment	T
High-speed motors	E
Linear motors operating pumps and compressors	E
Micro-processors	E
Mining machinery and equipment	S
Reconstruction of piers	S
Telecheiric devices for application in dangerous environments	E
Wider application of gas turbine engines	Ae

Sources : Kaldor (1977), Labour Party Defence Study Group (1977), Lucas Aerospace Combine Shop Stewards Committee (1976), Smith, D. 1977a, 1977b), Vickers National combine of Shop Stewards (1978)

IV. EXPORTATIONS DE MACHINES OUTILS VERS L'URSS

Exports of all machine tools with coded information (numerical control)
to the Soviet Union (in million ECU)

From	1981:	1982:	1983:
EEC-10	124	103	203
of which:			
W.Germany	75	75	170
Italy	28	25	22
France	17	1	7
United Kingdom	3	1	0,5

Source: NIMEX

(Data for Japan and the United States are not available in this particular data base)

Machine-tools in metal cutting exports to the Soviet Union
in millions of US \$ (number of machine tools)

From	1981	1982	1983
USA	14.7 (186)	1.2 (51)	7.5 (119)
Japan	49.3 (3315)	41.8 (2568)	68.1 (4683)
EEC-10	251.2 (18492)	213.5 (13625)	297.4 (16909)
of which:			
W.Germany	178.6 (11543)	164.2 (9962)	237.1 (12588)
Italy	37.9 (3101)	36.9 (2924)	46.2 (3393)
France	26.2 (3392)	5.8 (396)	9.7 (460)
United Kingdom	9.6 (452)	6.5 (314)	0.9 (25)
Benelux	negligible	negligible	3.4 (439)

Source: UN statistics COMTRADE Data base.