

GAO

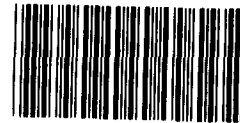
Report to the Subcommittee on  
International Economic Policy and Trade,  
Committee on Foreign Affairs, House of  
Representatives

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May 1992

EXPORT CONTROLS

Multilateral Efforts to  
Improve Enforcement



146594

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United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-248419

May 18, 1992

The Honorable Sam Gejdenson, Chairman  
Subcommittee on International Economic  
Policy and Trade  
Committee on Foreign Affairs  
House of Representatives

The Honorable Toby Roth, Ranking Minority Member  
Subcommittee on International Economic  
Policy and Trade  
Committee on Foreign Affairs  
House of Representatives

In response to your request, we reviewed the status of multilateral efforts to improve export control enforcement. Specifically, we examined

- enforcement initiatives undertaken by the Coordinating Committee for Multilateral Export Controls (COCOM) and other multilateral export control regimes,
- the potential impact on multilateral export control enforcement resulting from the elimination of internal borders in the European Community (EC), and
- factors impeding the effectiveness of multilateral efforts to enforce export controls.

This report expands upon and updates information that we briefed to your staffs on December 11, 1991.

## Background

The United States has long supported multilateral efforts to control exports of so-called "dual-use" items—civilian goods and technologies that could also be used for military purposes. In 1949 the United States and its allies created COCOM to coordinate controls over exports to the Soviet Union and other communist nations.<sup>1</sup> In the mid-1980s the United States helped create the Australia Group and the Missile Technology Control Regime

<sup>1</sup>See appendix I for a list of COCOM's 17 members.

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(MTCR) to restrict exports that could be used to build chemical weapons and missiles, respectively.<sup>2</sup>

Recent events have radically altered the international export control environment. The collapse of the Soviet bloc has led COCOM to relax many of its controls over Western exports to the East, while recent revelations concerning Iraq's weapons programs have again highlighted concerns over the proliferation of weapons of mass destruction.

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## Results in Brief

Since the mid-1980s, COCOM has acted to strengthen export control enforcement by (1) developing a common standard of enforcement that establishes several criteria (e.g., an effective legal basis, pre-licensing and post-shipment checks) for COCOM members to meet, (2) encouraging selected nonmembers to adopt COCOM-comparable controls, and (3) requiring former Soviet allies to establish safeguard systems over COCOM-origin items in exchange for an easing of COCOM controls. While GAO did not assess the enforcement systems of individual COCOM members, the COCOM common standard of enforcement—if implemented as envisioned—may ultimately benefit these countries' efforts to enforce chemical weapon and missile-related export controls developed by the newer Australia Group and MTCR, which have not focused on enforcement to the extent that COCOM has.

The EC's plan to create a single integrated European market by eliminating its internal borders has raised concerns that controlled items could be diverted to proscribed destinations through members with relatively weak enforcement systems. An EC proposal to coordinate members' enforcement policies, coupled with the involvement of EC members in COCOM's enforcement efforts, could address these concerns.

Because multilateral export control agreements continue to be enforced by individual states, their effectiveness rests on the soundness of national enforcement systems. COCOM's common standard of enforcement—if fully implemented—represents a step forward in multilateral efforts to improve enforcement. However, enforcement of non-proliferation controls will become more difficult due to the relatively lower levels of technology involved and the greater need to focus on export end-uses and end-users.

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<sup>2</sup>The Australia Group has recently moved towards controlling biological weapons-related items as well as those related to chemical weapons. See appendix I for lists of the nations involved in the Australia Group and in the MTCR.

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Multilateral efforts to improve enforcement could thus help limit the proliferation of highly destructive weapons.

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## Multilateral Enforcement Initiatives

A key COCOM enforcement initiative has been the development of a common standard of enforcement for COCOM members. The standard, which was endorsed by COCOM in 1989, requires COCOM members to ensure that their export control systems incorporate seven elements—national legal and regulatory bases for controls, licensing-related documentation, processes for reviewing license applications and screening applications, national emphasis and commitment of resources, international cooperation and data exchanges, post-licensing verification procedures, and export control enforcement activities (see app. II).

COCOM's export controls subcommittee concluded in April 1992 that all COCOM members had met the common standard. Its members also agreed to regularly exchange data on enforcement and their implementation of export control legislation. During our review, U.S. officials indicated that the common standard—if properly implemented—will be a positive step towards improving the national enforcement efforts of COCOM members.

COCOM has also sought to advance enforcement through its "third country" initiative, which is intended to encourage selected non-COCOM countries to establish export control systems that provide levels of protection as close as possible to those provided by COCOM. Such systems include (1) import certifications and delivery verifications, (2) controls over reexports of COCOM-origin, controlled goods and indigenous exports of COCOM-controlled goods, (3) cooperation in pre-licensing and post-shipment checks, and (4) cooperation on enforcement matters. The United States supports the third country initiative through section 5(k) of the Export Administration Act, which allows it to provide selected non-COCOM countries with the same licensing benefits provided to COCOM members.<sup>3</sup>

In another enforcement-related initiative, COCOM has required Hungary, Poland, and Czechoslovakia to establish systems for safeguarding their

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<sup>3</sup>The United States provides 5(k) licensing benefits to Austria, Ireland, Finland, Sweden, and Switzerland. According to the Department of Commerce, Hong Kong and New Zealand will soon receive such benefits.

imports of COCOM-controlled items in exchange for a relaxing of COCOM controls.<sup>4</sup> The three countries agreed to (1) establish import certificate and delivery verification programs, (2) bar end-users from retransferring the imported items without prior consent, and (3) provide for pre-licensing and post-shipment verification checks with the involvement of the exporting government. In late 1991 U.S. officials informed us that U.S. representatives had conducted over 150 checks in the three countries and that they were satisfied with the results.<sup>5</sup> The United States has asked COCOM to offer similar arrangements to the former Soviet republics of Lithuania, Latvia, and Estonia. According to the Department of Commerce, COCOM has agreed to do so.

In comparison with COCOM, other multilateral export control regimes have not yet concentrated on enforcement. Since their creation less than a decade ago, the Australia Group and the MTCR have focused on defining items and technologies to be controlled.<sup>6</sup> However, Australia Group members have begun exchanging information about enforcement systems and held expert meetings to discuss enforcement issues.

Moreover, the non-proliferation regimes may ultimately benefit from COCOM's enforcement efforts. Most members of the Australia Group and the MTCR are members of COCOM (see app. D) and have pledged to meet COCOM's common standard of enforcement. If successful, the standard could help foster more effective national enforcement systems that could be used to help enforce Australia Group and MTCR controls.

In 1990 the United States announced that it would encourage other supplier countries—including the members of the Australia Group—to adopt new controls on exports of chemical, biological, and missile-related

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<sup>4</sup>Under a special provision, COCOM incorporated a presumption of approval in its consideration of exports of all but the most sensitive dual use items to Hungary, Poland, and Czechoslovakia. According to the Department of State, in May 1992 COCOM began allowing its members to license such exports at their discretion and without COCOM review.

<sup>5</sup>COCOM has offered to consider removing Hungary, Poland, and Czechoslovakia from its list of proscribed destinations if they take several steps, e.g., enforce, as effectively as COCOM members, export controls over items imported from COCOM countries or produced indigenously; counter foreign intelligence activities aimed at acquiring COCOM-controlled goods; and take non-proliferation concerns into account in their export controls.

<sup>6</sup>The Australia Group and the MTCR are described in greater detail in *Arms Control: U.S. and International Efforts to Ban Chemical Weapons* (GAO/NSIAD-91-317, Sept. 30, 1991) and *Arms Control: U.S. Efforts to Control the Transfer of Nuclear-Capable Missile Technology* (GAO/NSIAD-90-176, June 1, 1990). A third non-proliferation regime—the 27-country Nuclear Suppliers Group—has recently developed a control list of dual-use nuclear items. Such items have not been subject to multilateral non-proliferation controls.

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dual-use items. It also announced that it was imposing such controls over U.S. exports (see app. III).

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## Removal of the EC's Internal Borders

In 1985 the EC approved its "EC-92" plan to remove fiscal, physical, and technical barriers to intra-EC trade by December 31, 1992. Eliminating customs procedures between members will allow items to move as freely within the EC as they do within the United States. This aspect of EC-92 has led to concerns that controlled items will be exported to members with relatively weak controls and then diverted to proscribed destinations.

To address such concerns and ensure that the issue of export controls does not hinder EC-92's timetable, the EC's executive body has called for "urgent action" to implement a proposed EC-wide export control system. The proposed system would include (1) coordination of national enforcement and licensing policies and procedures and (2) development of a common list of controlled dual-use items. According to U.S. officials, implementation of COCOM's enforcement standard by EC members could also address concerns that controlled items could be diverted through EC members with weak controls.<sup>7</sup>

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## Factors Affecting Multilateral Efforts to Enforce Controls

Multilateral regimes depend on their member states to enforce export controls. Thus, the effectiveness of a regime ultimately rests on the ability of a dozen or more individual governments—employing national laws on a country-by-country basis—to collectively implement and enforce multilaterally agreed-upon policies. By developing a common standard of enforcement, COCOM's members have taken an important step towards harmonizing their individual enforcement activities, which—if successful—could ultimately bolster the effectiveness of COCOM's export controls. The Soviet bloc's precipitous collapse has raised serious questions concerning COCOM's future role, but the common standard of enforcement could also provide an important legacy for non-proliferation regimes, which face a difficult task in preventing the spread of weapons of mass destruction.

Controls over exports of dual-use items will be more difficult to implement in the future than they have been over the past four decades. In the past, the United States and its Western allies established controls largely in

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<sup>7</sup>The EC is almost entirely made up of COCOM members (see app. I). The only exception—Ireland—is a cooperating third country that receives U.S. licensing benefits under section 5(k).

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response to Cold War concerns and used COCOM to help control relatively high technology dual-use exports to a hostile alliance armed with weapons of mass destruction. In the post-Cold War era, industrial countries are seeking to control dual-use items at lower levels of technology that are likely to be more widely available. For example, 1 of the 50 chemicals controlled by Australia Group members is commonly used to manufacture ink. Moreover, countries that could misuse dual-use items to acquire weapons are not members of a clearly identifiable and openly antagonistic alliance, as were the members of the former Soviet bloc.<sup>8</sup>

For these reasons, non-proliferation controls are likely to focus on specific end-uses and end-users within importing countries and on ensuring that items are not being diverted to illegitimate end-uses and end-users. Isolated national efforts to enforce such controls will face mounting challenges. Multilateral efforts to coordinate or otherwise improve enforcement by regime members could therefore improve the prospects for success in limiting the spread of highly destructive weapons.

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## Agency Comments

In commenting on a draft of this report, the Departments of State and Commerce provided a number of technical corrections, suggestions, and updated data (see apps. IV and V), which we have incorporated in the report where appropriate. The Department of Commerce further noted that it had no significant disagreement with the report's analysis and conclusions.

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## Scope and Methodology

In conducting this review, we met with officials and reviewed documents at the Departments of State and Commerce and the Customs Service in Washington, D.C. We also obtained information at U.S. embassies in Austria, Belgium, France, Germany, and the United Kingdom. To obtain foreign perspectives on export control enforcement issues, we met with the Chairman of COCOM, EC officials, and government and industry officials in Austria, France, Germany, and the United Kingdom. In addressing the objectives of this report, we did not attempt to assess the effectiveness of

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<sup>8</sup>In reviewing a draft of this report, the Department of Commerce commented that the Soviet Union's collapse and the economic problems of its successor states will also make enforcement of non-proliferation controls more difficult. The Department noted that this problem will be exacerbated by (1) a lack of consensus among Western countries about the "enemy" and (2) the fact that marginal power fluctuations involving middle rank countries are more destabilizing than such fluctuations between superpowers.



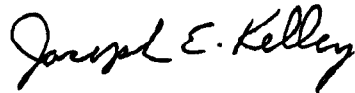
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individual countries' efforts to enforce export controls. GAO has previously addressed the export controls of countries receiving U.S. 5(k) benefits in a classified 1991 report and the effectiveness of international export controls in a classified 1989 report.

Our review was conducted from May 1991 to February 1992 in accordance with generally accepted government auditing standards.

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Copies of this report are being provided to the Secretaries of State and Commerce, as well as to other interested parties. Please contact me on (202) 275-4128 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.



Joseph E. Kelley,  
Director, Security and  
International Relations Issues

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Abbreviations

COCOM	Coordinating Committee for Multilateral Export Controls
EC	European Community
GAO	General Accounting Office
MTCR	Missile Technology Control Regime

# Memberships of Three Export Control Regimes and the EC

	EC	COCOM	Australia Group	MTCR
Australia	No	Yes	Yes	Yes
Austria	No	No	Yes	Yes
Belgium	Yes	Yes	Yes	Yes
Canada	No	Yes	Yes	Yes
Denmark	Yes	Yes	Yes	Yes
Finland	No	No	Yes	No
France	Yes	Yes	Yes	Yes
Germany	Yes	Yes	Yes	Yes
Greece	Yes	Yes	Yes	No
Ireland	Yes	No	Yes	No
Italy	Yes	Yes	Yes	Yes
Japan	No	Yes	Yes	Yes
Luxembourg	Yes	Yes	Yes	Yes
Netherlands	Yes	Yes	Yes	Yes
New Zealand	No	No	Yes	Yes
Norway	No	Yes	Yes	Yes
Portugal	Yes	Yes	Yes	No
Spain	Yes	Yes	Yes	Yes
Sweden	No	No	Yes	No
Switzerland	No	No	Yes	No
Turkey	No	Yes	No	No
United Kingdom	Yes	Yes	Yes	Yes
United States	No	Yes	Yes	Yes

# COCOM Common Standard of Enforcement

COCOM approved its "Elements of a Common Standard Level of Effective Protection in the Pre- and Post-Licensing Stages" in October 1989. The key elements of the standard for the pre- and post-licensing stages are shown below.

**Table II.1: Key Elements in the Pre-Licensing Stage**

<b>License requirement</b>	<b>Documentation</b>	<b>Review and screening</b>	<b>National emphasis</b>	<b>Cooperation/ information exchanges</b>
Control list published in national language.	License application to include, e.g., applicant and description of goods.	Procedures for assessing product technical capabilities.	Adequate provision of equipment, staffing, and training.	Consistent with national laws, policies, and regulations, governments:
Regulations providing legal and regulatory basis, liabilities and penalties, license application procedures, and forms descriptions.	Import certificate /end-use statement.	Evaluation of product for stated end-use and end-user.	Measures for coordination among government agencies.	cooperate in investigating and prosecuting export control case violations, and
Industry awareness program (e.g., efforts to improve understanding of control objectives).	Technical supporting documentation (specifications, parameters, and performance characteristics).	Assessment of diversion risk that takes into account all available data.	International cooperation (COCOM meetings and bilateral arrangements).	bilaterally share data on parties that are high diversion risks.
		Procedures for screening and checking applications.		
		Evaluation of the parties, particularly those that are suspicious, unreliable, or present high diversion risk.		
		Pre-license check of remaining questionable transactions.		

**Appendix II  
COCOM Common Standard of Enforcement**

**Table II.2: Key Elements in the Post-Licensing Stage**

<b>National legal and regulatory basis</b>	<b>Post-licensing verification</b>	<b>Enforcement</b>
<p>Proper and effective legal basis:</p> <p>to prohibit unauthorized or illegal exports,</p> <p>to control exports (e.g., by examining goods and detaining suspect shipments),</p> <p>for liabilities and penalties sufficient to punish and deter violations of export controls, and</p> <p>for appropriately long statutes of limitations.</p>	<p>To the extent necessary to maintain the integrity of the export control system, governments:</p> <p>inspect official and commercial documentation,</p> <p>require exporters to keep documentation for an appropriate length of time,</p> <p>examine exports, including in-transit shipments,</p> <p>request delivery verification or its equivalent, when available, and</p> <p>conduct post-shipment checks.</p>	<p>Government authorities investigate and prosecute violators and take any other appropriate action to stop illegal shipments.</p> <p>Governments:</p> <p>provide adequate staffing, resources, and training;</p> <p>compile, evaluate, and distribute appropriate information to enforcement personnel (e.g., licensing decisions and risks of diversions); and</p> <p>account for all available information sources (e.g., export license application process, government agencies, and other governments).</p>

# Enhanced Proliferation Control Initiative

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On December 13, 1990, the President announced a series of measures--collectively referred to as the Enhanced Proliferation Control Initiative--to reduce certain proliferation risks. Under the initiative, the United States requires licenses for exports of

- 50 precursor chemicals that can be used in making chemical weapons and whole chemical plants to make such precursors;
- potential chemical and biological weapon-related industrial facilities, related designs, technologies, and equipment; and
- any items to destinations that raise proliferation concerns when the exporter knows, or is informed by the Commerce Department, of such concerns.

The initiative also called for

- penalties on U.S. firms and individuals that promote the spread of chemical weapons and missile technology;
- control lists of (1) dual-use equipment and technologies related to chemical and biological weapons and missiles, and (2) countries to which exports of such items should be controlled; and
- multilateral adoption of the initiative's measures.

# Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Washington, D.C. 20520

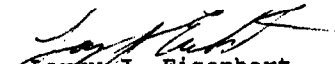
APR 6 - 1992

Dear Mr. Conahan:

Thank you for the opportunity to comment on your draft report, "Export Controls: Multilateral Efforts to Improve Enforcement" (GAO Job Code 483638). Comments are enclosed.

If you have any questions on this issue, please call Bill Skok, EB/ITC, on (202) 647-2828.

Sincerely,

  
Larry J. Eisenhart  
Deputy Chief Financial Officer

Enclosure:  
As stated.

Mr. Frank C. Conahan,  
Assistant Comptroller General,  
National Security and International Affairs,  
U.S. General Accounting Office,  
441 G Street, N.W.,  
Washington, D. C. 20548



State Department Comments On:

GAO Draft Report: "Export Controls:  
Multilateral Efforts to Improve Enforcement"  
(GAO Job Code 483638)

The last sentence on page 2 under Results in Brief should begin:

Since the mid-1980's, COCOM has acted to strengthen export control enforcement by (1) developing a common standard of enforcement that . . .

The first full sentence on page 3 should begin:

While GAO did not assess the enforcement systems of individual COCOM members, the COCOM common standard of enforcement--if implemented . . .

The second sentence in the last paragraph on page 3 should begin:

COCOM's common standard of enforcement--if fully . . .

The first paragraph under Multilateral Enforcement Initiatives on page 4 should read:

A key COCOM enforcement initiative has been the development of a common standard of enforcement for its members. The common standard, which was endorsed by COCOM in 1989, requires COCOM members to ensure that their export control systems incorporate several elements, e.g., (1) national and regulatory bases for export controls, (2) licensing-related documentary requirements, (3) procedures to review license applications and screen parties to transactions, (4) a national commitment of resources to export control programs, (5) post-licensing verification procedures, (6) export enforcement responsibilities and programs, and (7) international cooperation and information exchanges supportive of national export control programs. U.S. officials told us that the standard--if properly implemented--will provide a sound basis for effective national enforcement efforts.

Now on p. 3.  
See comment 1.

Appendix IV  
Comments From the Department of State

Now on p. 3.  
See comment 2.

The last paragraph on page 4 should read:

COCOM has yet to confirm that all of its members have met the common standard.<sup>3</sup> COCOM's members initially pledged to do so by April 1991, but COCOM shifted the deadline to December 1991 after some members experienced difficulties in implementing the common standard. In February 1992, COCOM noted that its members had made great progress and State Department officials informed us that the United States is generally satisfied with progress towards meeting the common standard.

Add the following sentence to Footnote 5 on page 6:

In February 1992, COCOM further liberalized licensing procedures to permit national discretion without multilateral review.

In Footnote 6 on page 6, take out "e.g." and substitute "including".

Add the following paragraph after the second full paragraph on page 7:

The 22-member Australia Group controls an agreed list of 50 chemical weapons (CW) precursors, and almost all members have agreed to control a list of dual-use CW equipment. In its December 1991 meeting, the Group took up the subject of biological warfare (BW) organisms, toxins of concern, and BW-dual use equipment, and agreed on a list of items for immediate control. Further BW controls may be agreed upon in June 1992.

Now on p. 5.  
See comment 3.

The last sentence of the first full paragraph on page 8 should begin:

Implementation of COCOM's common standard of enforcement by . . .

The third sentence in the last paragraph on page 8 should begin:

By developing a common standard of enforcement, COCOM's . . .

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**Appendix IV  
Comments From the Department of State**

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The first full sentence at the top of page 9 should begin:

Although the Soviet bloc's precipitous collapse has raised serious questions concerning COCOM's future role, the common standard of enforcement could . . .

In Appendix III, page 16 of the draft, the following should be added to the third tic:

This "catch-all" control greatly enhances the government's ability to stop the export of unlisted technology, equipment and financial assistance to projects and destinations of concern.

Now on p. 13.

See comment 4.

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The following are GAO's comments on the Department of State's letter dated April 6, 1992.

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## **GAO Comments**

1. We have expanded the draft report's synopsis of the common standard to reflect the Department's comments.
2. This paragraph has been completely revised to reflect actions taken by COCOM after our draft report—and the Department's comments—had been prepared.
3. We have expanded footnote 2 to reflect the Australia Group's recent efforts regarding biological weapons-related items.
4. We did not include this statement in our report because our scope did not include assessing the impact of this new U.S. control.

# Comments From the Department of Commerce

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**UNITED STATES DEPARTMENT OF COMMERCE**  
Chief Financial Officer  
Assistant Secretary for Administration  
Washington, D.C. 20230

6 APR 1992

Mr. Frank C. Conahan  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for your letter requesting comments on the draft report entitled, "Export Controls: Multilateral Efforts to Improve Enforcement."

We have reviewed the enclosed comments of the Acting Under Secretary for Export Administration and believe they are responsive to the matters discussed in the report.

Sincerely,

  
Preston Moore

Enclosure



UNITED STATES DEPARTMENT OF COMMERCE  
The Under Secretary for Export Administration  
Washington, D.C. 20230

March 26, 1992

Mr. Frank C. Conahan  
Assistant Comptroller General  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for the opportunity to review your draft report,  
"Export Controls: Multilateral Efforts to Improve Enforcement."

BXA believes this is a good report and has no significant disagreement with its analysis or conclusions. However, we have taken the liberty of suggesting some improvements to the report. In most cases, we have quoted new language since that seemed the easiest way to illustrate our points. We recognize, of course, that the final wording of the report is your prerogative.

Our suggestions are as follows:

- page 2, paragraph 2, sentence 2: revise to read, "The collapse of the Soviet Bloc has raised the question of the continuing need to restrict Western exports to the East. On the other hand, recent revelations concerning Iraq's weapons programs have again highlighted concerns over the proliferation of weapons of mass destruction."
- page 3, last sentence of middle paragraph should read as follows: "An EC Commission proposal to coordinate members' enforcement policies, coupled with the involvement of EC members in COCOM's enforcement efforts, has been developed."
- page 4, end of the second line should read as follows: "...and the greater need to focus on end-uses and end-users."
- top of page 4: Insert new paragraph before section entitled, Multilateral Enforcement Initiatives: "The collapse of the former Soviet Union and the economic problems of its successor states will also make enforcement of non-proliferation controls more difficult. Lack of consensus among Western nations about the "enemy" will further exacerbate this problem, as will the fact that marginal increments of power among middle-rank states will be more destabilizing than such fluctuations between superpowers."

See comment 1.

Now on p. 2.

See comment 2.

Appendix V  
Comments From the Department of  
Commerce

Now on p. 3.  
See comment 3.

page 5: The second sentence in the second paragraph - "According to Commerce and State Department officials, other COCOM members provide similar benefits." - requires clarification. As it stands, the sentence could mean that other members have the same law, which we cannot confirm at this time; or it could mean that other members provide COCOM-like treatment to countries the U.S. designates as 5(k) recipients; or it could mean that other members provide COCOM-like treatment to closely associated nations (e.g., Britain to Ireland and Hong Kong, or Australia to New Zealand). At the minimum, it must be clear that the reference is to only some COCOM members and not all and that the reference to "similar" benefits should be dropped.

Now on p. 3.  
See comment 4.

page 5, footnote #4 should read as follows: "Five non-COCOM countries -- Austria, Finland, Ireland, Sweden, and Switzerland -- have been accorded COCOM-comparable licensing benefits. Hong Kong and New Zealand will soon receive similar treatment. Consistent with section 5(k) of the Export Administration Act, the United States may license exports to cooperating third countries in the same manner that it licenses exports to COCOM members."

page 6, the last word in line 4 should be "post-shipment."

page 6, last sentence of first paragraph should read as follows: "COCOM has agreed to offer similar arrangements to Lithuania, Latvia, and Estonia."

Now footnote 5 on p. 4.  
See comment 5.

page 6, footnote #6 should read as follows: "COCOM has recently offered to stop treating these countries as proscribed destinations if they take several steps, e.g., establish effective national export control systems (including the prevention of activities aimed at the illicit acquisition of COCOM-controlled goods or technology) and provide guarantees on civil use."

page 8, final line of footnote, revise to read: "has been granted COCOM-comparable licensing benefits."

page 9, top sentence uses the word "legacy". "Contribution" may be a better word.

Now on p. 5.  
See comment 6.

page 9, first sentence of first full paragraph should read as follows: "Controls over exports in the future will be more difficult to implement than the dual-use controls of the last four decades."

Appendix V  
Comments From the Department of  
Commerce

page 9, first sentence of next paragraph should read as follows: "For these reasons, non-proliferation controls are likely to focus on specific end-uses and end-users within importing countries and on ensuring that items are not being diverted to illegitimate end-uses or end-users."

page 12, footnote, revised to read: "Recognized as a cooperating third country."

page 16, additions to the description of EPCI: add "whole chemical plant" as a bullet revise second bullet to read, "potentially chemical and biological weapon-related facilities, and related designs, equipment and technologies; revise third bullet to include after "concerns" the following, when the exporter "knows" or "is informed" by the U.S. Government of these concerns."

I hope these remarks will be helpful to you. If you have any questions about this material, I suggest that you contact William Clements, Director of the Office of Technology and Policy Analysis at 377-4188 or Anstruther Davidson in Export Enforcement at 377-0297. Since the information contained in this report comes primarily from the State Department, we assume you will consult with that Department about its appropriate classification.

Sincerely,



Joan M. McEntee  
Acting Under Secretary

Now on p. 13.  
See comment 7.



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The following are GAO's comments on the Department of Commerce's letter dated April 6, 1992.

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**GAO Comments**

1. We have revised this statement.
2. We did not incorporate the Department's suggestion because it does not address the intent of the EC's action.
3. We have deleted the statement in light of the Department's suggestion.
4. We have revised this statement to reflect the Department's suggestion.
5. We have revised this sentence to clarify its meaning.
6. We have revised this sentence to clarify its meaning.
7. We have expanded our summary of the Enhanced Proliferation Control Initiative to reflect the Department's suggestions.

# Major Contributors to This Report

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**National Security and  
International Affairs  
Division, Washington,  
D.C.**

**Thomas Schulz, Associate Director  
Sharon Chamberlain, Assistant Director  
Pierre Toureille, Evaluator-in-Charge**

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**European Office**

**Patricia Riggle, Evaluator-in-Charge  
Christopher Conrad, Evaluator**

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