



## High Technology Sales to China: the COCOM Connection

**T**hough China has been moved from country group P to V under the Export Administration Act Regulations, a definite step toward liberalization, business people should not assume that all controls have now been dropped, that all licenses for high technology exports will be approved instantly, or that the international review process will always be as fast as the internal US review. High technology exports to China still must go through COCOM, the international export-monitoring structure established in 1950 and headquartered in Paris that coordinates the export policies toward communist Asia and Europe (minus Yugoslavia) of Japan and all NATO countries (minus Spain and Iceland).

On top of the US license period, an approval in COCOM usually takes 45–120 days, depending on the level of sophistication and how well the application was prepared. Your exports will certainly always have to wait between 30 and 45 days. If only one COCOM member objects, the case is vetoed; but very few cases for China are ever objected to, and despite the deluge of export requests caused by the new policy, US cases are being processed quickly by the other members.

If you are a subsidiary of an American firm, or a foreign firm operating in another country, your reexport will not require a reexport license if it gains full COCOM approval and is not covered by an administrative note to the Commodity Control List (CCL). In other words, if you fit in that category you are wasting time asking for a US reexport license, and are probably delaying your sale. Just ask your host government for its export license, and then go through COCOM. Especially complicated, state-of-the-art cases can take longer; so if your export is breaking com-

pletely new ground at levels far above what has ever been approved, you may wish to consider giving the US government a heads-up prior to COCOM review.

The Office of East–West Trade of the Department of State coordinates the US position on foreign and US COCOM requests. This is done through the Economic Defense Advisory Committee (EDAC), chaired by the State Department and made up of officials of the Defense, Commerce, and Energy departments and the intelligence community. I chair the case-processing subcommittee of Working Group One of EDAC, and on a day-to-day basis coordinate the US government's case processing. EDAC is a ladder organization; so if a case can't be resolved at my level, it can be escalated to other EDAC rungs, and even go to the president.

The Commerce Department answers technical questions on US cases (except for munitions exports, which are handled by State); however, if an American export gets into trouble, I coordinate the response directly, or it is handled through EDAC. Trouble can often be avoided if the US exporter thinks ahead and sets feasible deadlines. Almost 2,000 cases a year are handled in committee. Even more will be handled because of the recent liberalization. Other countries cannot always hasten their review. And every time we ask, we obligate ourselves to return the favor, something that we are not always able

to do.

Full information is critical. When requesting permission to make an export, don't just list the trading organizations. Tell us the name of the real end-user, including the street address, phone number, and what the end-user intends to do with the export. Has the item been previously exported through COCOM? What were the previous license numbers (if any)? Provide us with a complete set of parameters, complete information on the system the equipment will be used with, and so forth.

The increasing number of joint ventures in China will likely have a major impact on COCOM case processing. Such ventures tend to involve packages of individual transfers of technology spanning several years, or a decade and more. I suggest that when applying for export licenses, a calendar be provided by the exporter that realistically describes each phase of technology transfer. This will cut valuable processing time, and could save a case.

In conclusion, I would say that the international process should not be feared. COCOM licensing protects all of us. It coordinates the export policies of industrial countries and presents a unified response to a common technological threat. This is a far more effective tool than a patchwork of individualized, unilateral policies, no matter how strong they might be. But so long as relations with China continue to improve and your export request is reasonable from a strategic point of view, the sale will be made. The things to remember are: Make a complete license request, allow enough time for it to be processed, and make your request reasonable.

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