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CABINET
DEFENCE AND OVERSEA POLICY COMMITTEE

AFGHANISTAN: CONTROLS ON THE TRANSFER OF
TECHNOLOGY TO THE SOVIET UNION

Memorandum by the Lord Privy Seal

1. Ministers agreed on 17 January that the UK should study with her partners the tighter application of COCOM's controls on the transfer of technology to the USSR, and should consider widening the scope of those controls. There have since been discussions with the Americans and other COCOM partners, at both Ministerial and official level, as to how this process should best be carried forward. Most recently, the subject was considered by the Foreign Secretary and Mr Vance on 21 February; they both agreed that it was a field in which we should now push ahead.
2. Accordingly, officials have prepared for discussion at OD on 29 February the attached paper, on how we should proceed. I understand that some colleagues may wish to discuss the broader question of our overall policy objectives in this area.

IHG

Foreign and Commonwealth Office
26 February 1980

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AFGHANISTAN: CONTROLS ON THE TRANSFER OF TECHNOLOGY TO THE
SOVIET UNION

Note by Officials

INTRODUCTION

1. Ministers agreed on 17 January that the United Kingdom should study with her partners the tighter application of COCOM's controls for the transfer of technology to the USSR, and should consider widening the scope of those controls. Officials have been examining the implications multilaterally in COCOM and bilaterally with the Americans, who have proposed a series of measures for discussion with their partners. These are outlined in President Carter's letter to the Prime Minister of 10 February (Annex A); a memorandum handed to us, the French and the Germans only through US Embassies (Annex B); and proposals announced by the US delegate to COCOM (Annex C).

2. Several countries have expressed willingness to tighten COCOM's rules. On widening, the American proposals require further clarification. Decisions are now needed on our own response, and on how to take matters forward.

THE AMERICAN PROPOSALS

3. The Americans envisage:

- a) On tightening, a ban on exceptions cases which require submission to COCOM for approval (with the exception of hardship cases, of items essential to public health and safety and items whose export serves Western security or intelligence interests) and stricter controls in the fields of technology transfer, computers and silicon products.
- b) On widening, an expansion of controls to include

/" technology

" technology critical to the modernisation and expansion of the Soviet industrial base" : so far only computer software has been specified, but some items on the lists agreed at the last review (December 1979) are to be looked at again.

- c) The Americans have also asked their COCOM partners not to take any action which would undermine the withdrawal of American firms from the Kama Truck Plant and not to license exports of certain items of special strategic concern.

4. The draft reply to the relevant parts of President Carter's letter (Annex D) has been phrased to show that we would like to be helpful but that there are certain constraints.

ATTITUDE OF OUR PARTNERS

5. With the exception of the French, our key partners have told COCOM that, pending agreement on an appropriate tightening of COCOM's controls, they will not submit any new application for exemption in respect of the Soviet Union which would require the Committee's approval (the General Exceptions Procedure). Some (the Germans and Japanese) have said that they will not issue licences for embargoed goods which fall within national discretion (the Administrative Exceptions) for the Kama Truck Plant. Our officials are acting similarly, pending decisions by Ministers, and have so informed COCOM. We believe such interim action to be consistent with the objectives Ministers agreed on 17 January.

6. The Americans have taken rather longer than expected to produce their proposals; these are emerging piecemeal; most of them are so far too imprecise for examination in COCOM. It is interesting that the United States has not so far put forward proposals to bring under COCOM surveillance exports to the Soviet energy industry. This is an area where it can be argued that tightening and widening should not apply; that it is in our interests that the Soviet Union should be encouraged to develop their domestic energy resources, thereby reducing pressure on

/world

world energy markets. Nor have the Americans reverted to the idea of widening the COCOM controls to include capital goods; this would cause difficulty for us and, no doubt, other European countries. The American proposals need some elucidation and will need to be considered in the light of the reactions of our allies.

IMPLICATIONS FOR THE UK

7. Most of these proposals will involve some cost to the UK. On tightening (3a) our main concern will be to ensure that there is equitable consideration of hardship cases and that the definition of Western security interests covers British interests eg as regards oil technology. We shall also need to ensure as far as possible that British firms with an interest in affected products do not suffer in relation to their competitors. (Because of their greater dependency on the US industry, British computer firms are likely to be harder hit than their European competitors as the US tightens up on re-export licensing.) Similar considerations apply to widening (3b), and to the licensing of items of special strategic concern (3c). British firms are unlikely to be interested in supplanting US firms in the Kama Truck Plant. The General Exceptions cases put forward by the UK in 1979 amounted to a value of some £6m. Tighter controls in the computer field could impose additional costs for the UK: computer-related equipment exported to the Soviet Union, apart from General Exceptions, was valued at £7.44m. It is not possible at this stage to estimate the costs of widening.

8. The Americans have told us that the changes they are proposing will apply to cases involving shipments to the USSR. We understand that they envisage that exceptions should continue to be made for East European countries (although some exports may have to be barred to prevent their diversion to the Soviet Union). They have separately proposed a limited differential in favour of exports to China. Thus to the extent that the American proposals are implemented, the Soviet Union will receive less favourable treatment than the Eastern European countries on the one hand and China on the other.

/CONCLUSIONS

CONCLUSIONS AND RECOMMENDATIONS

9. The aim of these measures is to bring home to the Soviet Union that there is a price to be paid for their invasion of Afghanistan. This will inevitably involve some cost to ourselves. But we must ensure that our exporters do not suffer in relation to their competitors, and we should try to keep in step with our Community partners.

10. In the light of this Ministers are invited

- a) to endorse progress so far, and our interim response;
- b) on tightening, to authorise officials to work with our partners, especially in the Community, for the early implementation of whatever consensus can be reached on the American proposals;
- c) on widening, to agree that officials should seek clarification of the American proposals and consider with our partners how far these are acceptable;
- d) to agree that officials be authorised to explain to businessmen that for the time being we are not submitting to COCOM exceptions cases for the USSR and may have to refuse to issue licences for certain items of special strategic concern;
- e) to take note of the consequences described in paragraph 8.

Foreign and Commonwealth Office

26 February 1980.

ANNEX A

February 10, 1980

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 24/80

Dear Margaret:

I want to express to you my deep personal appreciation for your words in the Commons on January 28, condemning the Soviet invasion of Afghanistan and pledging your support for a firm Allied response to that outrage. I agree with you that our actions should make it clear to Soviet leaders that they must pay a price for invading Afghanistan. We can do much to help deter them from further aggression, to contribute to the security and stability of Southwest Asia and the Persian Gulf, and to improve Western relations with the crucial states in that area. It is also very important to remove from Soviet expectations any hope that they can drive a wedge between the Western Allies with a so-called "Peace Offensive" aimed at any of us.

Our response to the Afghan crisis can also serve as a catalyst for making progress on some of the West's most pressing problems. One such problem is our defensive capability, which should be enhanced both inside and outside Europe. Another lesson of the current crisis is the need to reduce the industrial world's dependence on Mideast oil. I know that our two countries will work closely with others at the planned meeting next month to reduce oil consumption and, through the International Energy Technology Group, to devise means for increasing alternative energy sources.

Each of us in the West has different assets -- economic, military, and political -- as well as different constraints on our ability to act. We need a thorough exploration of how we can assure that our policies are complimentary and of how we can share the necessary tasks. In this message, I want to give you my thoughts on what steps should be taken next. I am also writing to the leaders of the other countries that participate in the Economic Summit.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
London SW1.

I have been pleased to learn that your Government is giving serious thought to increased economic assistance to Pakistan. In reviewing possible responses to the present crisis, we consider this effort a matter of the highest priority. General Zia has told us that he wants to know what others will contribute in the way of increased aid through the present consortium before making important decisions. Dr. Brzezinski and Warren Christopher have returned from extensive discussions with the Pakistanis. Our military survey team will be returning shortly with its recommendations. We hope you will make specific contributions in financing and equipment in accordance with our joint determination of Pakistan's security needs.

I also assume that the U.K. will again be contributing generously to the Turkey consortium that the Federal Republic is organizing, and I hope you will work to disburse last year's pledge as soon as possible. I believe, as you do, that Turkey remains a keystone of European defense and Mideast stability. In the case of both Turkey and Pakistan, it is important that the aid be untied, in order to increase its usefulness.

With regard to the situation in the Persian Gulf, we have already briefed members of your government about our desire to expand facilities on Diego Garcia. I understand that your people are studying our plans, which include increased facilities for aircraft, fuel storage, ship-docking and an improved water supply, as well as arrangements to ensure maximum flexibility of use. We will be in close touch on the details of these proposals in the coming weeks and I hope we can count on your support.

Also, I very much hope that your Government will increase its presence in the Indian Ocean and the Persian Gulf and provide staging areas to facilitate transit of U.S. forces from the continental United States to that region. I assume you will not want to draw down your ground forces committed to NATO, and, therefore, that your emphasis will be on Naval and Air commitments. In this regard, we would be pleased to coordinate the use of facilities in the area with you and to assist your deployments there with logistic support. This, too, is an area that needs to be discussed in detail by our experts over the coming weeks.

The decisions you have taken thus far not to renew your official credit line with the Soviets is a positive step, and one we appreciate. We continue to believe that a severe restriction of such credits by the United Kingdom and other major lenders would send a powerful signal of Allied solidarity to the Soviets. As you know, Japan has recently taken action to restrict credits. We continue to urge that you not provide any new official export credits or guarantees to the USSR.

With respect to exports of high-technology items to the Soviet Union, I ask that your authorities not request exceptions in the Coordinating Committee (COCOM) to the embargo on strategic goods and technology destined for the USSR, except in hardship cases or where Western security interests dictate. This "no exceptions" policy to the COCOM list as negotiated in 1979 will mark an important and prudent shift in the Allied approach. As to computers -- where I understand that 1976 standards are still in effect -- I urge that no exceptions be made to those standards until new standards are negotiated.

In addition, I believe the list of items covered by the COCOM embargo should be expanded to include technology critical to the modernization and expansion of the Soviet industrial base. Submissions to COCOM for approval of these items would be reviewed case by case, with a presumption against approval. What I have in mind here is limited in scope, but in my judgment important. We believe that the introduction of Western technology to the Soviet industrial modernization program will lead to a significant improvement in the productivity of those industries, which would directly affect both the quantity and quality of military equipment produced in the Soviet Union.

In the industrial area, neither ALCOA nor ARMCO will go forward with proposed major projects in the Soviet Union. To preserve the impact of this withdrawal, it is essential that the place of the American companies not be taken by industrial firms elsewhere. I hope we can count on British cooperation in this area. We are looking into the possible existence of similar situations where we should discourage Western and Japanese companies from bidding on large-scale projects in the Soviet Union for the time being. We will keep you informed. We hope that restraint will be evidenced until we mutually agree that circumstances have changed.

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Let me reaffirm the deep appreciation we feel for the numerous actions your Government has already taken to demonstrate your condemnation of recent Soviet actions. In particular, we applaud your leadership in launching the Olympic boycott, which seems now to be gaining strength. Americans admire the leadership that the United Kingdom and you personally are displaying.

Finally, I believe it is important that we move quickly to adopt firm agreement on a coordinated plan of action. You know that, as always, I would welcome any thoughts of yours on these subjects.

Sincerely,

/s/

Jimmy Carter

The U.S. proposals for changes in COCOM are aimed at tightening allied control over Soviet access to Western equipment, technology, and software that, when transferred, facilitate the development of militarily relevant industries in the USSR. The major change proposed is that COCOM countries adopt a policy of "no exceptions" for shipment to the USSR of items requiring COCOM review on the COCOM list as revised in the list-review negotiations of 1979. For computers, where the list-review talks failed to reach a conclusion, the existing (1976) standards would be applied, until negotiations on that item are complete. (We envision broader and tighter restrictions on computers than embodied in the U.S. proposed revision now on the table.) The U.S. proposal includes case-by-case exceptions to the "no exceptions" policy for items essential to public health and safety (for example, spare parts for Western aircraft serving Moscow, maintenance of medical equipment installed in Soviet hospitals), items whose export serves Western security or intelligence interests (for example, servicing of equipment already licensed as needed to make effective safeguards against diversion to military use), items that protect Western access to Soviet supplies (e.g., equipment to maintain Orenburg pipeline), and items for equipment already in place in the USSR (e.g., spare parts and items needed for servicing).

Some additions to the COCOM list are needed to fill in critical gaps and carry out effectively the intent of the COCOM embargo. To this end, the items negotiated during the recent list-review are being reviewed, and specific proposals are being prepared for items which should be renegotiated to strengthen the embargo. In this connection the U.S. believes strongly that COCOM controls on the export of computer hardware must be complemented by new controls on intellectual property (software and technical data packages). The specifics of U.S. thinking on software controls are being reviewed and will be transmitted later.

The U.S. also proposes revisions in the wording of notes in each of the COCOM lists to ensure that it is clear that the COCOM embargo reaches and effectively controls "disembodied" technology. Current wording is as follows:

"Member Governments shall restrict, insofar as practicable, the export of technical data, technical assistance, and any other technology applicable to the design, production and use of embargoed items as defined in this list, including the portions of those items subject to administrative exception notes."

The U.S. proposes to revise this wording as follows:

"Member Governments should take such actions they deem necessary to ensure that the object of the embargo shall not be defeated by the export of technical data, technical assistance, and any other technology applicable to the design, production and use of items as defined in this list, including the portions of those items subject to administrative exception notes and the portions of those items for which shipments are permitted without reporting to the committee. Such exports should be subject to the committee's regular exception procedures."

Additionally, the U.S. proposes to tighten existing COCOM controls on high-quality silicon, to include polysilicon ingots and silicon wafers, and associated processing equipment. Soviet imports of polysilicon from Western sources have risen from 15 tons in 1976 to roughly 100 tons in 1979, with a value of around \$6 million. Soviet imports of unprocessed silicon wafers are estimated at 900,000 wafers in 1979, valued at close to \$5 million. Major suppliers are the U.S., Japan, and the Federal Republic of Germany. A tightening of COCOM controls over these exports would seriously impair Soviet plans for semi-conductor production, and would impede Soviet production of computers and microprocessors.

These proposed changes in the COCOM embargo will not have a large direct effect on exports to the Soviet Union from COCOM countries. The total value of COCOM exceptions cases for the USSR in 1979 was \$97.8 million. The value of the software and technical data on which we propose controls be tightened is quite small, although admittedly exports of large amounts of equipment may be contingent upon export of software or disembodied technology.

The proposed changes in COCOM exceptions policies apply to cases involving shipments to the USSR. No final decision has been made regarding other proscribed destinations.

The U.S. considers these COCOM proposals to be restrained and prudent responses to the Soviet invasion of Afghanistan, which has demonstrated the need for the most cautious and sober appraisal of Soviet military capabilities and intentions.

ACTION TAKEN UNILATERALLY BY THE AMERICANS TO RESTRICT EXPORTS OF US GOODS TO THE SOVIET UNION

1. The US Authorities have:
 - a) stopped processing all export and re-export licence applications for the USSR pending the outcome of a review of their licensing policies.
 - b) suspended all validated export and re-export licences for shipments of embargoed equipment to the USSR, including those held by firms in other countries.
 - c) withdrawn from COCOM sine die all pending US General Exceptions requests for exports to the Soviet Union and also those which have been approved by COCOM but which have not yet been shipped.
 - d) revoked licences for exports of spare parts for the IBM computer installed at the Kama Truck Plant and denied pending licence applications for the export to the USSR of the following items of special strategic concern:
 - i) Telephone switching technology.
 - ii) Digital computing systems and peripheral elements for Soviet computers.
 - iii) Seismic data processing equipment.
 - iv) Research equipment which could be used in the development of microwave semi-conductors.
 - v) Yarns for ballistic missiles.
 - vi) High strength military structures.

2. The first four of the measures in 1 above have been announced in COCOM. When doing so the US delegate called on all member governments:

- a) to avoid licensing any exports to the USSR which would undermine the license revocations and denials that the US has taken in conjunction with the Kama Plant IBM computer and the areas of special strategic concern in 1 d).
- b) to suspend licensing of any exports to the USSR which under the COCOM procedures require Committee review prior to licensing.

DRAFT PASSAGE FOR INCLUSION IN THE PRIME MINISTER'S REPLY
TO PRESIDENT CARTER'S LETTER ON AFGHANISTAN

EXPORT CREDITS AND TRANSFER OF TECHNOLOGY TO THE SOVIET UNION

1. A decision by the Alliance to restrict further the supply of equipment and technology to the Soviet Union and to toughen the terms on which it is exported would, I am sure, be the right kind of signal. But if the West's measures to this end are to have a substantial impact, they must be closely co-ordinated and rigorously applied by all the COCOM partners. The European countries have a proportionately larger commercial stake than the United States in trade with the Soviet Union, much of it in longer term projects, and tougher controls will cause them added problems at a time when economic conditions are already difficult. Some of them may not be willing to go as far along the road as you would wish. In the export credit field for example not all our partners in the Community have yet agreed to move as far as we have and our discussions in the Foreign Affairs Council do not suggest that there would be sufficient support for a ban on new official export credits.

2. On high technology, several countries have expressed willingness to tighten COCOM's rules for export to the Soviet Union. Restrictions on the submission of general exceptions cases to COCOM - while allowing for cases such as hardship or security interest, as you propose - would seem the most profitable area in which to seek collective agreement. Cyrus Vance and Peter Carrington agreed that we should push ahead on this. As an interim measure, we are not submitting applications to COCOM under the General Exceptions Procedure, and in the particular case of computers which you mention we shall continue to

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operate on the basis of the 1976 lists.

3. I have noted with interest what you say about widening the scope of the COCOM embargo. We will consider this carefully. We have since received through your Embassy further proposals which we are now studying. My officials will be in touch with yours to seek some clarifications.

4. Similarly, we shall need to look at the implications of your decision that ALCOA and ARMCO should withdraw from major projects in the Soviet Union. I think it unlikely that in these cases British companies would be taking part in competing bids.