



PM/82/2

PRIME MINISTER

007
I would have
hoped we could
be more
forthcoming
on (w).

Prime Minister
Agree that Lord Bridges should be
briefed on these lines, subject to
any comments from other members of ad?

A.S.C. 8.1

Strategic Exports to the Soviet Union

1. You will remember the discussion at Ottawa about the control of strategic exports to the Soviet Union. President Reagan put us all on notice that the United States wished to make proposals about improving the present system of controls.

2. The Americans duly put their proposals to all their partners in COCOM (the NATO countries minus Iceland, plus Japan) in the middle of October. The proposals are complicated in detail; indeed they are contained in a memorandum which runs to fifteen pages. But the most important of them are that:

- a. the criteria by which goods and technologies are defined as strategic should be revised;
- b. the scope of the embargo applied by COCOM should be broadened to cover exports to 'industrial sectors which support the military potential of the Soviet Union, either directly or indirectly' (nine such sectors are named; I enclose at Annex 1 the passage in the American memorandum which lists these sectors and sets out the case for extending the embargo to cover them);
- c. the licensing procedures of the Member States should be harmonised; and
- d. the embargo enforcement procedures of the Member States should be improved.

3. The Americans have made these proposals because they believe that, although the COCOM has worked reasonably well within its existing frame of reference, the Soviet Union and

/the other



the other Warsaw Pact countries still obtain equipment and technology of strategic and military importance from countries which belong to COCOM. They attribute this partly to the evasion of COCOM controls and partly to the limited coverage of these controls.

4. It has been agreed that a meeting of senior officials should be held in Paris, within the COCOM framework, on 19 or 20 January. I enclose at Annex 2 the agenda for this meeting. As you will see, it makes no reference to the American proposals I have described. But the Americans have made it clear that they intend to press for discussion of these proposals.

5. The meeting has always seemed likely to be a difficult one. It will be all the more difficult now that President Reagan has announced the imposition of unilateral American sanctions against the Soviet Union, some of which concern the export of high technology equipment to that country.

6. During the autumn, the Americans held bilateral talks in preparation for the meeting with the Germans, the French, the Japanese and ourselves. The Germans, the French and the Japanese all made it clear that, although they wished COCOM to remain an effective instrument for the control of strategic exports, they were not in favour of radical change in the scope of the embargo. We said that we hoped the Americans would not rush their fences. There was much in their proposals that was contentious and much that was technical. We hoped, therefore, that the Americans would concentrate on working for a political consensus about what we all wished COCOM to achieve in the 1980s. We did not commit ourselves, one way or the other, on any of the American proposals.

7. I believe that our principal purposes at the meeting should be to focus discussion on the future role of COCOM;

/to prevent



to prevent the kind of disagreement among participants which could damage COCOM and set up strains between the United States and their partners; and to work for agreement on guidelines for the review of COCOM's three lists of embargoed goods and technologies which is in any case due to take place in 1982. It will be helpful if the Americans do not press their partners to say whether they can or cannot accept their four proposals. If, however, they do so, our general objective should be to leave it to others (eg the French and Germans) to make the qualifications they think necessary. For our part, I suggest that we should be prepared to accept the third and fourth of these proposals (relating to the harmonisation of licensing procedures and the improved enforcement of controls). The first two proposals (about the revision of COCOM's strategic criteria and the broadening of the embargo) are more difficult. We could if necessary say that the far-reaching implications of these proposals for our trade with the Soviet Union and other communist countries will need more detailed study before decisions can be reached.

8. If the US Representative at the meeting says that our attitude does not go far enough, and claims that a much tougher COCOM regime is required because of repression in Poland, we would again hope to leave it to others to carry the burden of defending their position. Our own line might be that COCOM has long term objectives and criteria: these should not be confused with economic measures directed at the Soviet Union for political and short-term reasons, which should be considered - as we are already doing - on their own merits.

9. Our representative at the meeting will be Lord Bridges. I hope that you, and those to whom I am copying this minute, can agree to his going to Paris with a brief based on the

/views



views which I have outlined.

10. I am sending copies of this minute and enclosures to other members of OD and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'Carrington', written above a horizontal line.

(CARRINGTON)

Foreign and Commonwealth Office
7 January 1982

SOVIET UNION: DEFENCE PRIORITY INDUSTRIES IDENTIFIED BY
UNITED STATES

1. COMPUTERS: SOVIET PROGRESS IN COMPUTER TECHNOLOGY HAS GREATLY BENEFITTED FROM SUBSTANTIAL IMPORTS OF WESTERN EQUIPMENT AND SOFTWARE. A MASSIVE "REVERSE ENGINEERING;" PROGRAM IS CREDITED WITH REDUCING A 10-20 YEAR EAST-WEST GAP IN COMPUTER DEVELOPMENT AND PRODUCTION TO THE PRESENT ESTIMATE OF 3-7 YEARS. COMPUTERS ARE CRITICAL IN THE OPERATION AND SUPPORT OF MILITARY WEAPONS AND COMPLEX INDUSTRIAL PROCESSES. THE PRESENT PERFORMANCE ADVANTAGE ENJOYED BY THE WEST IN COMPLEX COMPUTERIZED GUIDANCE, CONTROL, AND COMMUNICATIONS SYSTEMS MUST BE MAINTAINED.

2. COMMUNICATIONS: THE SOVIET COMMUNICATIONS INDUSTRY LAGS SUBSTANTIALLY BEHIND THE WEST IN TERMS OF CAPABILITY AND TECHNOLOGY. WESTERN COMMUNICATIONS TECHNOLOGY HAS BEEN ACQUIRED THROUGH DIRECT PURCHASE OF COMPLETE PRODUCTION FACILITIES AND THROUGH TECHNICAL AGREEMENTS. THE SECURITY OF COCOM MEMBER COUNTRIES IS DEPENDENT ON COMMUNICATIONS NETWORKS WITH FEATURES DERIVABLE FROM ADVANCED TECHNOLOGY. AN EFFECTIVE COORDINATED EMBAPGO

CAN HELP PRESERVE THE WESTERN LEAD OVER THE WARSAW PACT IN COMMUNICATIONS TECHNOLOGY AND IN COMMAND AND CONTROL SYSTEMS.

3. MICRO-ELECTRONICS: THE DEVELOPMENT OF AN INDIGENOUS COMPUTER CAPABILITY REQUIRES THE CONTINUOUS INFUSION OF TECHNOLOGICAL ADVANCES IN MICRO ELECTRONIC COMPONENTRY AND INTEGRATED CIRCUIT DESIGN AND PRODUCTION. IN RECENT YEARS, THE SOVIETS HAVE BEEN SUCCESSFUL IN OBTAINING INTEGRATED CIRCUIT MANUFACTURING EQUIPMENT LEGALLY AND ILLEGALLY FROM THE WEST. COCOM HAS PARTIALLY EMBARGOED RAW MATERIALS, SUCH AS ELECTRONIC GRADE POLYCRYSTALLINE SILICON, WHICH ARE ESSENTIAL TO IC PRODUCTION. THIS MATERIAL IS AS CRITICAL AS THE PRODUCTION MACHINERY REQUIRED TO PRODUCE ELECTRONIC COMPONENTS. HOWEVER, MORE NEEDS TO BE ACCOMPLISHED, BECAUSE SHIPMENTS OF THIS SILICON AND OF PLANT TO PRODUCE IT ARE APPARENTLY STILL TAKING PLACE.

4. AEROSPACE: MAJOR CONCERNS WITH AEROSPACE TECHNOLOGY FOCUS ON COMPUTER-AIDED DESIGN, AIRCRAFT ENGINES, AND AIRFRAMES (ESPECIALLY WIDE-BODIED AIRCRAFT). METALLURGICAL PROCESSES AND PROTECTIVE COATINGS CONTRIBUTE TO THE ABILITY OF AN ENGINE TO ACHIEVE HIGHER EFFICIENCY AND LONGER SERVICE LIFE BY OPERATING AT HIGHER TEMPERATURES AND PRESSURES.

5. MACHINE BUILDING: THE SOVIET UNION'S ENTIRE INDUSTRIAL BASE IS DEPENDENT ON MACHINE BUILDING TECHNOLOGY. MACHINE TOOLS, FOR EXAMPLE, REQUIRE STRINGENT CONTROLS AS TO THE NUMBER OF SIMULTANEOUSLY CONTROLLED AXES AND METAL CUTTING AND POSITIONING ACCURACIES. SUCH MULTIAxis HIGH PRECISION TOOLS, COUPLED WITH COMPUTER NUMERICAL CONTROL UNITS, CAN SIGNIFICANTLY ENHANCE THE PRODUCTION AND QUALITY OF PARTS, COMPONENTS, AND TOOLS USED IN DEFENSE PRIORITY INDUSTRIES SUCH AS THE AEROSPACE INDUSTRY.

6. SHIPBUILDING: SINCE THE CUBAN MISSILE CRISIS IN 1962, THE SOVIET UNION HAS EMBARKED ON A MASSIVE NAVAL SHIPBUILDING PROGRAM. IN RECENT YEARS, THEY HAVE BEGUN TO EMERGE AS A DEEP-OCEAN NAVAL POWER. UNCONTROLLED SALES OF SUCH ITEMS AS FLOCATING DRYDOCKS HAVE CONTRIBUTED TO SIGNIFICANT SOVIET ADVANCES.

7. METALLURGY: THE SOVIETS HAVE MADE GREAT STRIDES IN THE FIELD OF METALLURGY BUT THEY STILL HAVE A NEED FOR WESTERN TECHNOLOGY AND EQUIPMENT. FOR INSTANCE, THEY CAN BENEFIT EXTENSIVELY FROM OVERALL PROCESS KNOW-HOW AND MANAGEMENT TECHNIQUES FOR A STEEL PRODUCTION FACILITY. THREE U.S. PROPOSALS TO REVISE THE COCOM LIST IN THE METALLURGY AREA ARE NOW PENDING IN COCOM.

8. CHEMICALS: THE CHEMICAL SECTOR CONTRIBUTES TO MANY MILITARILY RELATED INDUSTRIES. THE DEVELOPMENT OF POLYMERS IS A GOOD EXAMPLE. POLYMERS WITH ADHESIVE QUALITIES ARE BEING DEVELOPED FOR BONDING OF SHEET ALLOYS IN HIGH-PERFORMANCE AIRCRAFT AND OTHER MILITARY EQUIPMENT. THE BONDING OF POLYMER SURFACES IS KEY TO THE ENTIRE FIELD OF COMPOSITE MATERIAL TECHNOLOGY. SOME CLASSES OF SPECIAL POLYMERS ARE BEING CONSIDERED FOR SELECTIVE ABSORPTION OF CHEMICAL AND BIOLOGICAL AGENTS. SOME POLYMERS MAY BE USED TO CATALYZE OR OTHERWISE CONTROL THE SENSITIVITY OF EXPLOSIVES.

9. HEAVY VEHICLES: WESTERN TECHNOLOGY HAS BEEN USED BY THE SOVIET UNION TO PRODUCE GENERAL PURPOSE HEAVY TRUCKS WHICH SUPPORT MILITARY LOGISTICS IN OPERATIONS SUCH AS THE INVASION OF AFGHANISTAN.

AGENDA FOR COCOM HIGH LEVEL MEETING - 19/20 JANUARY

- (i) Political and strategic aspects of COCOM
 - Political Aspects
 - Strategic aspects including COCOM's effectiveness, scope and administration of controls

- (ii) National Control Policies
 - Enforcement and harmonisation of procedures

- (iii) Future Work

- (iv) Other Business



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N. M. A. S.
19
7 JAN 1992



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Secretary of State for Industry

20 January 1982

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

N. B. P.S.

20:1

Dear John

STRATEGIC EXPORTS TO THE SOVIET UNION

My Secretary of State has belatedly received copies of the later exchanges on the above which originated with the Foreign and Commonwealth Secretary's minute to the Prime Minister of 7 January (PM/82/2).

2 He has asked me to say that while he fully recognises the need for us to demonstrate support in principle for the American proposals to broaden the scope of the present COCOM embargo we should not allow ourselves to be committed until we have identified precisely what is involved and the attitude of our partners. It is not possible to make an accurate assessment of the potential impact on our industrial sector. But even if the tentative estimate of £50 million is about right, the effect will fall unevenly on the relatively few companies engaged in the sale of products of medium level technology. He entirely endorses therefore, the comments made on behalf of the Foreign Secretary in Francis Richard's letter to you of 13 January and the Trade Secretary's letter of 18 January.

3 My Secretary of State would be grateful if all correspondence on this topic could be copied to him as well as to the members of OD.

4 I am sending copies of this letter to the Private Secretaries to members of OD and to David Wright in the Cabinet Office.

Yours ever

Richard

RICHARD RILEY
Private Secretary



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PRIME MINISTER

STRATEGIC EXPORTS TO THE SOVIET UNION

I have seen the correspondence arising from the Foreign and Commonwealth Secretary's minute (PM/82/2) to you of 7 January. I share his view that, while we should aim to respond positively and constructively to specific United States proposals to amend the COCOM List, it is right to be more cautious over changes in strategic criteria which are open-ended and potentially bear much more heavily on European than American commercial interests, and do not necessarily do much to limit Soviet military capability. Without detailed exploration of the totality of their proposals with the Americans, it is difficult to make any reliable estimate of the consequences for our trade. But it would not be surprising to find that an amount in excess of £50m a year could be involved.

I also agree that there is a need to separate COCOM's long-term objectives and criteria from our response to the present situation over Poland. Furthermore we must continue to ensure that the controls are such that the great majority of our firms continue to regard them as reasonable and equitable; circumvention is frequently difficult to prevent so acceptance of the system by those most affected is a very necessary requirement.

I am copying this to Members of OD and to Sir Robert Armstrong.

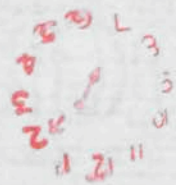
W J B

Department of Trade
1 Victoria Street
London, SW1H 0ET

W J B

15th January 1982

CONFIDENTIAL



15 JAN 1982

CONFIDENTIAL

15 January, 1982

Strategic Exports to the Soviet Union

Thank you for your letter of 13 January, containing a fuller note on the American proposals. In the light of this information the Prime Minister agrees that the United Kingdom Representative at the meeting to be held in Paris on 19 or 20 January should be guided by the views outlined in the minute of 7 January by the Foreign and Commonwealth Secretary.

I am sending a copy of this letter to the Private Secretaries to the members of OD and to David Wright (Cabinet Office).

F N Richards Esq
Foreign and Commonwealth Office

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PRIME MINISTER

Strategic exports to the Soviet Union

In his minute of 7 January the Foreign Secretary proposed certain instructions for the UK Representative (Lord Bridges) at the meeting to be held in Paris on 19 or 20 January to discuss, among other things, American proposals for strengthening the COCOM arrangements. File F

You commented that you would have hoped we could be more forthcoming on the second of the four American proposals, namely that the scope of the COCOM embargo should be broadened to cover exports to "industrial sectors which support the military potential of the Soviet Union, either directly or indirectly".

I therefore asked the FCO for a more detailed explanation of the Foreign Secretary's views on this problem. This is now attached. Given the interest of British companies in present trading links with Russia, it does appear difficult to take a more positive attitude towards this particular American proposal. It would certainly be difficult to obtain inter-departmental agreement on a more positive line before the meeting on 19/20 January.

Agree, therefore, that Lord Bridges should be guided by the instructions in paragraphs 7-8 of the Foreign Secretary's original minute?

Yes mt

A.S.C.

14 January 1982



FUR

RW

S. Under

10 DOWNING STREET

From the Private Secretary

11 January, 1981

Dear Sir,

Strategic Exports to the Soviet Union

The Prime Minister saw the Foreign and Commonwealth Secretary's minute of 7 January over the weekend. She commented that she would have hoped that we could have adopted a more forthcoming position on the American proposal described in paragraph 2b of the minute, namely that the scope of the embargo applied by COCOM should be broadened.

I think it would be helpful if you could provide a slightly fuller note on this aspect before the Prime Minister indicates her views on the line which should be taken by the United Kingdom representative at the meeting of senior officials in Paris on 19 or 20 January.

I am sending copies of this letter to the Private Secretaries to the members of OD and David Wright (Cabinet Office).

B Fall, Esq
Foreign and Commonwealth Office

RW