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U.S. POLICY OPTIONS ON HIGH-TECH EXPORTS TO THE SOVIET UNION

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Mr. Roeder is a specialist on high-tech trade who has served as a U. S. negotiator to the Paris CoCom (Coordinating Committee on Export Controls) - a fifteen nation group consisting of the NATO countries plus Japan minus Spain and Finland.

Mr. Roeder will also be prepared to answer questions about Operation Exodus.

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Larry

Soviet-American High Technology Trade Options

by

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Mr. Chairman, ladies and gentlemen, it is my great pleasure to be speaking to you today on Soviet-American High Technology Trade Options. I am particularly pleased to have this opportunity since the administration has undertaken vigorous efforts in working with our Allies to reduce the transfer of militarily significant technology and equipment to the Soviet Union and the Warsaw Pact.

I should like to begin my remarks by discussing a little history. High technology trade between Japan and the NATO allies with the communist regimes of Europe (except Yugoslavia) and the communist regimes of Asia has been administered since 1950 through the auspices of an organization headquartered in Paris called the Coordinating Committee for Multilateral Export Controls, or COCOM, as it is more commonly known. the organization attempts to coordinate national security controls amongst the member nations as they apply over the export of strategic materials, commodities and technologies.

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COCOM was originally conceived in postwar discussions between the United States, Great Britain and France. By 1948, the United States government had begun to enlist the cooperation of its other western allies for a coordinated embargo policy against the then Communist bloc. Early negotations were private and secret, as they still are. Indeed, no formal history has ever been written about COCOM; however, the general concepts and goals are well known to all. As East-West tensions grew after the war, the coordination of export controls became increasingly important because it was clear that strategic commodities and technologies not only could, but would be used by the communist regimes against the western allies should the former feel that they had a strategic advantage. The Berlin Wall, the proclamation of the Maoist regime in China, the explosion of the Soviet atomic bomb; all of these factors brought home the importance of the COCOM coordination process. More recently, soviet agression in Hungary, Czechoslovakia, Poland and Afghanistan, and efforts by the Soviet Union to develop offensive ~~strategic~~ STRATEGIC weapons systems capable of being used against the allies have ever more dramatically demonstrated that strategic technologies must be controlled. I might add that the Soviet Union is accutely aware of these controls. As was revealed in a recent Department of Defense publication, the Soviet Union expends major amounts of funds to steal and copy militarily significant western technology.

One of the IRONIES OF MILITARY SCIENCE IS THAT

We know that the development of sophisticated weapons systems is based on a Myriad of advanced supporting technologies that are not innately restricted to military versus civilian applications. Consequently, it IS BECOMING increasingly more difficult FOR LICENSING ~~OFFICIALS AND~~ AND CUSTOMS OFFICIALS to identify and control commercial transactions that can support SOVIET military production, and that could thus constitute a DEMONSTRABLE threat to our national security. ~~This~~ All of the allies have agreed There IS that this IRONY underscores the need for increasing Western efforts to develop stronger and more effective controls on the transfer of HIGH technology from the West to the East. The USSR, ~~for example~~ AFTER ALL, has relied on Western high technology exports in its military build-up. ~~and~~ We know, FOR EXAMPLE, that Western TEchnology has ~~been~~ PLAYED a significant ~~factor~~ ROLE in the Soviet development of advanced missiles as well as in the advancement of industry that ~~suports~~ SUPPORTS the Soviet war-making capability.

INSERT addendum A, Particelled in Red.

Current EXPORT controls are based FOCUS on the importance of advanced technology in military forces and its supporting industrial sectors and the existence, partly due to government sponsored research and development and partly due to differences in industrial capabilities, of a technology gap between the U.S. and the Soviet Union. A technological gap in our favor is also a means of reducing the risk of technological surprise. Technological breakthroughs, given the current rate of technological change, ~~is~~ are a real possibility and thus a real danger to our security in that a particular technological development could give the SOVIETS discoverer a decisive STRATEGIC advantage.

Consequently, one of the major means of preventing war is to

Addendum A

Item III 2

allowed the Soviet Union to keep from substantially increasing its hard currency borrowing in 1982.

The Soviets' strategic weapons program has benefited substantially from the acquisition, legal and illegal, of Western technology. The Soviet ballistic missile system in particular has, over the past decade, demonstrated improvements that probably would not have been achieved without the use of Western ballistic guidance and control technology. The most striking example of this is the marked improvement in the accuracy of the latest Soviet ICBM's. Western technology has been of great benefit also to both the Soviet military and commercial aircraft development programs.

Western equipment and technology has played a very important role in the advancement of Soviet microelectronic production cabilities and has helped the Soviets build a modern microelectronics industry which will be the critical basis for enhancing the sophistication of future Soviet military systems for decades.

So, control is necessary. But to desire control is not enough. Export controls must be efficient and fair. To acquire that effectiveness and fairness, is the function of COCOM. How does it work, and ~~is its control~~ OUR ITS CONTROLS real, or imaginary?

The COCOM members, which are Japan and all of the NATO allies except Spain and Iceland, have developed three lists for the control of strategic commodities.

-- a. A munitions list that includes all military items.

-- b. An atomic energy list that includes sources of fisssionable materials, nuclear reactors, and their components; and

-- c. A "dual use" list of products and technologies which have civil as well as military use.

All three lists are updated through periodic negotiations between technical and policy experts from the COCOM nations. However, because items covered in the first two lists are most clearly strategic and military in nature, most of the export activitiy falls within the third category, the "dual use" list. The lists are classified; but , you can find a nearly identical list, sans classified notes, in the CCL, or Commodity Control List published by the Department of Commerce. The "A" items in the CCL, such as 1565A, for computers, are the United States' enactment of the multilateral controls agreed to in COCOM. Each of the other fourteen nations administers an equivalent controls list.

If I may, I should like to limit my remarks to the dual use list because I think that is probably of the highest interest to the business community. The way the system works is quite simple; though seemingly ponderous at times. If a country wishes to sell an embargoed commodity or technology to a controlled destination, it must seek the permission of every other member of COCOM. One objection means the case is denied. There are certain low levels of technology that can be exported without going through a formal COCOM review, but the bulk of the exports are for what are called "general exceptions" ~~cases~~ REQUESTS, or cases that do require a full COCOM review.

Export Control administration varies with each country. In the United States, we use two ladders of committies to decide US policy on COCOM related exports. Routine requests by American firms to export HIGH TECHNOLOGY to a controlled destination are cleared by Commerce through other agencies fairly rapidly by letter with an interagency decision typically made within 30 ~~to~~-90 days after receipt of a case in Commerce. Because of Lower Performance Characteristics, About 85% ~~percent~~ of these cases can be licensed nationally, without going to COCOM. Potentially precedent-setting cases, all of which ~~most~~ MUST go to COCOM if approved, are first examined by the Operating Committee of the ADVISORY COMMITTEE ON EXPORT POLICY (ACEP), whose participants represent the Departments of Commerce, State, Defense, and Energy, and the Arms Control and Disarmament Agency,

the US Intelligence community, and any other government agencies that might be interested in an individual export license request. [The ACEP] structure is Chaired by the Department of Commerce. Should the export prove to be so contentious that a decision is impossible to reach at the Operating Committee level, the case can be referred up a ladder consisting of four additional levels.

-- a. the Sub-Advisory Committee on Export Policy (Sub-ACEP) which meets at the Deputy Asistant Secretary level;

-- b. The Advisory Commitee on Export Policy (ACEP) which meets at the Assistant Secretary Level;

-- c. the Export Administration Review Board (EARP) which meets at the Cabinet level, and finally; by

-- d. The President

Consideration [by the United States] of requests by other COCOM nations to have their exports approved are administered by a similar ladder, the Economic Defense Advisory Committee structure (EDAC), chaired by the Department of State. At the first level is Working Group One. [Its members are State, Commerce, Defense and Energy, along with Treasury and the Intelligence Community.] Should Working Group One not be able to resolve a case, it can be escalated up the EDAC structure to:

-- a. The Executive Committee of the EDAC, which is chaired by the Director of the Office of East-West Trade at State;

-- b. The sub-EDAC, which meets at the Deputy Assistant Secretary Level; and

-- c. The EDAC, which meets at the Assistant Secretary level. Like the ACEP in structure, the EDAC has recourse to two additional levels in case of continued disagreement;

-- d. the Cabinet-level Export Administration Review Board (EARB), and finally,;

-- e. The President.

Most foreign requests are resolved fairly promptly in the EDAC at the Working Group One level, though individual cases have recently been escalated for resolution. the EDAC structure has been making extraordinary efforts to resolve all cases within ninety days of entry into COCOM, unless we need to ask the submiting authorities a question. If a question is asked, [COCOM RULES ALLOW THE CASE TO BE of course] ~~the case is~~ suspended until it is answered, upon which we immediately return to our scrutiny of the case. Prompt and realistic risk assessment of other COCOM nations' cases by [EDAC the US] plays a large part in the prompt handling of US cases by our COCOM partners, ~~AND IN~~ MAINTAINING

dead PERIOD created by
@ allowing for questions, ~~up to all~~ C. Since December 1, 1982, all Cocom cases have to ~~8~~ be settled within ninety ~~working~~ days of submission. I can assure you that

The United States government has been quite good about meeting the [ninety day] deadline since [December 1], and our COCOM Allies have been responsive to this effort. ~~by also approving~~ ~~thus~~ THIS OF COURSE MEANS THIS CONSISTENCY IN CASE PROCESSING ~~means~~ GIVES UNITED STATES FIRMS A CLEARER ABILITY TO MEET CONTRACT DEADLINES.

That is the basic manner by which cases are approved. But what about how the COCOM lists themselves are created? What process is used there? Proposals for changing the CCL and thus the ~~iNternationa~~ INTERNATIONAL Lists, are first taken up by Technical Task Groups (TTG's) which exist to advise the State Department. These (TTGs) are made up of technical experts strictly from government. + the TTg's are chaired either by the Defense or Commerce Departments (or in some cases, co-chaired by both). The Commerce TTG member may brief the industry Technical + ASKING COMMITTEE'S ~~Task Groups~~ (TAC's) which advise the Department of Commerce, and the Commerce TTG member is free to bring TAC recommendations into the TTG deliberations at any time. R ecommendations by the TTGs for changes to a control definition are forwarded to State for perusal by [an interagency EDAC sub-group,] ~~the REGULAR~~ Working Group One, for a final review by policy and technical experts. Once approved in EDAC WG-1 (in original or amended form), the proposal becomes an official United States government position, which is sent to COCOM. In the advent of disagreement in WG-1, the redefinition proposal may be escalated up the same multi-layer EDAC structure as used in case processing.

The reviews in COCOM have occured about every three to four years, starting in 1954. There is one going on right now. Since 1978 they have each consisted of two rounds of formal negotiations. List review negotiations involve a careful and precise identification by ALL of the ALLIES of what is of security concern. In this process, a priority is given to protecting our long-range security requirements, which includes asssessing the impact of western technology which are directly related to Warsaw pact military industries. Prior to the first round, each country will present proposals (and if necessary, counterproposals) for control definition changes. These are then discussed for the first time in round one. For the most part, the first round acts as a sounding board for ideas. Most proposals are not resolved until the second round. In the case of the present negotiations, the second round will begin later this year and carry on through the Spring of 1984

Once the negotiations are finished, each country is expected to implement the results through their own legislative fashion. As I mentioned previously, in the United States, you will find the latest agreed upon controls definitions in the CCL.

Finally, there is the issue of enforcement. COCOM is not a treaty organization, so technically, any country can ignore its rules if it so chooses; but despite this "loophole", the system has worked remarkably well. While there have been some exports that have been handled outside of the basic COCOM structure, these are very few. In fact, all of the allies have agreed time and again, as recently as a few

The Soviet intelligence services - the Soviet Committee for State Security (KGB) and the Chief Intelligence Directorate of the Soviet General Staff (GRU) have the primary responsibility for collecting Western classified, export controlled, and proprietary technology, using both clandestine and overt collection methods. They in turn make extensive use of many of the East European intelligence services for their efforts in acquiring Western technology. These countries are paid in part with Soviet military equipment and weapons.

months ago, that COCOM both works and is necessary to protect our mutual security. They also agreed however, that despite the effectiveness of COCOM in the areas it has addressed, the Warsaw Pact countries have made progress in the field of military equipment and technology, aided by a systematic exploitation of every means of access to Western Technologies. Diversions of export controlled equipment and technologies are therefore direct threats to Western security. And let this be no misunderstanding of the importance the soviets on acquiring Western technology illegally. their intelligence services often use classical espionage as illustrated by recent spy cases in Germany and Italy. They also evade export controls through diversion, retransfer, and often set up dummy companies.

Today, there continues to be a serious threat to our national security from Soviet technology piracy, in which an increasing one-way stream of U.S. technology is moving to the Soviet Union. Nearly all new technological developments have direct or indirect military application. The critical importance of our technology loss may be emphasized by the example of the Soviet intercontinental-range missiles achieving improved accuracy through better gyroscope systems. The Soviet gyroscopes were developed using precision bearings produced with advanced griding machines obtained from the West in 1970's. Other examples include: U.S. developed

laser optical mirrors with ~~direct military application have~~ APPLICATIONS IN LASER WEAPONS, been smuggled to the USSR. ~~Advanced~~ ADVANCED American computerized drafting equipment was diverted to the Soviets through a foreign corporation. The Soviet efforts to obtain Western technology continues unabated/~~as~~ EVEN AS WE SPEAK AS IS evidenced by the recent arrest in Germany of a Soviet trade official who is charged with trying to illegally gain Western controlled electronic information, and the EXPULSION OF SOVIET DIPLOMATS FROM FRANCE.

The Administration has undertaken extensive efforts to deal with this serious problem. President Reagan raised the ISSUE ~~problem of~~ Western technology transfer to the Soviet Union at the Ottawa Summit in July 1981. + these discussions culminated in a high level meeting/in Paris in January, ~~of~~ 1982 ~~last year~~, the first ministerial-level meeting in that OF COCOM organization since the late 1950's. We were greatly encouraged by the results of that meeting. + the member governments confirmed the importance of ~~the organization~~ COCOM for their common security interests and agreed on a number of measures for improving its effectiveness. + they agreed to FOR EXAMPLE, strengthen and update the existing embargo lists, to explore harmonizing the licensing practices of the national governments and to strengthen their enforcement operations.

Because of this, I think you will agree that firms that circumvent the rules should be dealt with firmly and that efforts must be stepped up to counter Soviet illegal activities. In that vein, I can assure you that the United States enforcement agencies, the Department of Commerce and the Customs service, work closely with the enforcement agencies of the member countries to attempt to make sure that strategic commodities are not illegally shipped. The system is by no means perfect; but it is efficient.

You will have all heard about Operation Exodus. I will defer a discussion of the details of Operation Exodus to the officials who work in it; however, its basic function is to curtail the efforts of the Soviet Union and its allies to illegally acquire controlled commodities and technologies. Businessmen sometimes complain to me that because the Soviet Union has occassionally been successful in obtaining controlled commodities, COCOM controls are a farce. I don't agree, nor does the evidence support that assumption. COCOM works as an effective barrier to the uncontrolled export of strategic commodities eastward. If it did not , the Soviet Union would not be going to such lengths in attempting to circumvent it. I would add that while the Soviet Union has managed to obtain odds and ends of things we wished they had not, in part because our borders are free, as are the borders of our allies, their efforts have been piecemeal. This is not to

say their efforts do not represent danger. They do; but the allies take enforcement very seriously; and Operation Exodus, and similar efforts by our allies do work.

This has been a very quick run through of the various procedures related to COCOM. If there are any questions, I shall be happy to answer any of them after the speech; however, I should like to conclude by making a few remarks on the basic political need for an effective East-West Trade policy as it relates to high-technology trade with the Soviet Union and its allies.

Thinking about East-West trade in its economic and commercial contexts can tend to lead one into an abstract view of the world that avoids the potential for world conflict that East-West trade policies seek to contain. Frequently, when discussing the controls and procedures I have just briefly mentioned, businessmen complain that our controls are too tight. Some complain that our controls freeze out American businessmen, while allowing foreign businessmen to reap huge profits in the East. Others complain that by linking trade to foreign policy, one only causes suspisions and tensions. Still others have said that the restrictions hold back the economic growth of the United States and its allies; but not the economic health of Eastern Europe. An offshoot of this ~~last~~ EAST argument postulates that free trade means free choices for Soviet consumers and managers, and thus large profits for the west. Some feel this will usher in a free society in the Soviet union, and a more sophisticated Soviet economy that will undercut the aggressiveness of communist ideology.

more sophisticated Soviet economy that will undercut the aggressiveness of communist ideology.

On the other hand, I never hear anyone asking us to lighten up on restrictions on the export of military goods. this is because most people recognize the dangers of selling those commodities to the Soviet Union and its allies under the present political atmosphere. the arguments I just mentioned instead relate to dual use items: computers, high speed cameras, hydrophones, jet engines and other commodities and technologies that are predominantly used by the civilian sector in the west. This strikes right to the heart of why there is a dual use list. I completely agree that all of these dual use items are used by the civilian sector in the west and that in most cases the technologies embodied in products levels which we export to the Warsaw Pact are lower than the more sophisticated versions which a Western economy would require and support; however, the plain fact of the matter is that the nature of the regimes behind what Winston Churchill called the Iron Curtan is such that these commodities are used to a great extent by their military and security forces. the balance of use by the military is far greater that in the west. as such, unregulated exports of high technology commodities would represent a national security threat to the allies. We must not forget that the basic orientation of the Soviet Union is to seek influence, if not control power over other nations; if they could, ~~our own~~. over the United States