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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** DEGRAFFENREID, KENNETH: FILES

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**File Folder** TECHNOLOGY TRANSFER-MISCELLANEOUS 04/17/1982-  
06/30/1982

**FOIA**

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FROM Ofc of Exec Secy OFFICE/DESK COL John Stanford PHONE NBR 697-8388

SUBJECT Speech to be delivered by the Secretary of Defense to the Overseas Press Club

CLASSIFICATION Unclassified PAGES 13

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State	Mr. Clay McManaway	Exec Secy	7224	632-3126

REMARKS: Please provide telephonic comments by 1300, April 28, directly to Ms. Troia at 697-8191.

m

DRAFT REMARKS FOR THE SECRETARY OF DEFENSE  
TO THE OVERSEAS PRESS CLUB

APRIL 28, 1982

I APPRECIATE THE OPPORTUNITY TO SPEAK TO THIS GROUP. I WOULD LIKE TO DISCUSS WITH YOU TODAY A SUBJECT WHICH HAS GONE VIRTUALLY UNNOTICED IN THE PAST BUT WHICH HAS BEGUN TO RECEIVE THE ATTENTION IT DESERVES.

I AM REFERRING TO THE LARGE-SCALE DRAIN OF WESTERN TECHNOLOGICAL EXPERTISE TO THE SOVIET UNION WHICH HAS TAKEN PLACE OVER THE PAST DECADE OR SO. I BELIEVE THAT THE CONTINUATION OF THIS TREND COULD HAVE EXTREMELY DANGEROUS CONSEQUENCES FOR THE FREE WORLD.

TODAY'S SOPHISTICATED SCIENCE AND INDUSTRIAL TECHNOLOGIES ARE THE FOUNDATION ON WHICH A GREAT DEAL OF A MODERN NATION'S ECONOMIC STRENGTH IS BUILT. ESPECIALLY SIGNIFICANT IS THE VITAL ROLE SCIENCE AND TECHNOLOGY PLAY IN STRENGTHENING A NATION'S MILITARY POTENTIAL TO DETER WAR, OR IF NECESSARY, TO WIN IT.

THE SOVIET'S EFFORTS TO TAKE ADVANTAGE OF WESTERN HARDWARE PROVE THAT THEY GRASP THIS QUITE FIRMLY. SOVIET LEADERS HAVE LEARNED THEY

CAN OBTAIN WESTERN TECHNOLOGY THROUGH BOTH LEGAL AND ILLEGAL CHANNELS.

UNDER THE GUISE OF PURCHASES FOR BENIGN, CIVILIAN OBJECTIVES, THE

SOVIETS HAVE OBTAINED A WIDE RANGE OF EQUIPMENT CRITICAL TO THEIR

MILITARY PROGRAM. WHERE THEY HAVE FAILED TO GET WHAT THEY WANT OPENLY,

THEY HAVE RESORTED TO A WELL-COORDINATED ILLEGAL ACQUISITION PROGRAM.

USING AGENTS, CO-OPTING CITIZENS, TAKING ADVANTAGE OF UNSUSPECTING

BUSINESSMEN, MOVING GOODS THROUGH NEUTRAL AND THIRD WORLD COUNTRIES,

THEY ARE GAINING ACCESS TO WESTERN TECHNOLOGY ON AN UNPRECEDENTED AND

ALARMING SCALE.

UNTIL NOW, THE WEST HAS FAILED TO RESPOND TO THIS CHALLENGE. OUR

EXPORT REQUIREMENTS WERE TOO LOOSE. OUR ENFORCEMENT PROGRAM WAS LAX.

TOO MANY LOOPHOLES IN OUR INTERNATIONAL CONTROL SYSTEM PERSISTED. CLEAR

CUT VIOLATIONS OF INTERNATIONAL EXPORT LAWS WERE FORGIVEN AND FORGOTTEN.

VIOLATORS, WHEN CAUGHT, WERE EITHER NOT PUNISHED OR GOT OFF WITH

MODEST FINES.

THE RESULT IS THAT THE SOVIET RAID ON OUR TECHNOLOGY BASE NOT ONLY

CONTINUED--IT INCREASED. IN SHORT, WE HAVE BEEN SELLING THEM THE

ROPE--TO HANG US.

LET ME DESCRIBE FOR YOU HOW ALL THIS OCCURED, HOW THE SOVIETS PROFITED AS A RESULT, AND WHAT WE ARE DOING ABOUT IT.

WE WOULD DO WELL TO RECALL THAT ONLY A DECADE AGO--AT THE HEIGHT OF DETENTE--IT WAS FASHIONABLE TO BELIEVE THE SOVIET UNION WOULD SHIFT ITS EMPHASIS FROM MILITARY PURSUITS TO IMPROVING THE MATERIAL WELL-BEING OF ITS CITIZENS. MANY FELT THAT WHAT WAS NEEDED WAS SIMPLY THE RIGHT ENCOURAGEMENT. IT WAS HOPED THAT THEN THE SOVIETS WOULD CUT BACK THEIR BUILDUP AND CONCENTRATE ON PRODUCING CONSUMER GOODS GREATLY DESIRED BY THEIR PEOPLE. SO, NATIONAL AND INTERNATIONAL CONTROLS WERE RE-STRUCTURED TO GIVE THE SOVIET UNION MORE ACCESS TO WESTERN TECHNOLOGY AND PRODUCTS.

SOPHISTICATED GOODS AND EQUIPMENT WERE SOLD WITH WINKS AND NODS FROM FREE WORLD COUNTRIES. INDEED, IT IS A SAD FACT THE UNITED STATES ACTUALLY REQUESTED AND RECEIVED MORE EXCEPTIONS TO THE INTERNATIONAL CONTROL LIST THEN ANY OTHER PARTICIPATING WESTERN NATION. IT IS EVEN MORE GRIM TO NOTE, IN RETROSPECT, THAT MANY OF THE EXCEPTIONS GRANTED TO THE UNITED STATES UNDER THE INTERNATIONAL CONTROL PROGRAM

CONTRIBUTED DIRECTLY TO SOVIET MILITARY MODERNIZATION.

TODAY, WE CAN SEE THE RESULT OF THE LAISSEZ-FAIRE ATTITUDE OF THE LAST DECADE IN THE SIZE AND TECHNOLOGICAL CAPABILITY OF THE SOVIET ARMED FORCES. THE SOVIETS HAVE INTRODUCED NEW GENERATIONS OF SMART WEAPONS. THEY HAVE DRAMATICALLY IMPROVED THEIR AIRLIFT CAPABILITY AND MADE THEIR NUCLEAR WEAPONS MORE ACCURATE AND DEADLY. THEY HAVE ENHANCED THEIR COMMAND AND CONTROL WITH BETTER COMPUTERS AND COMMUNICATIONS.

LET ME GIVE SOME SPECIFIC EXAMPLES OF WHAT THE SOVIETS HAVE BEEN ABLE TO ACHIEVE THIS WAY. THEIR STRATEGIC WEAPONS PROGRAM HAS BENEFITED SUBSTANTIALLY FROM THE ACQUISITION OF WESTERN TECHNOLOGY. THE STRIKING SIMILARITIES BETWEEN THE US MINUTEMAN SILO AND THE SOVIET SS-13 SILO VERY LIKELY RESULTED FROM ACQUISITION OF US DOCUMENTS. THE SOVIETS' BALLISTIC MISSILE SYSTEMS IN PARTICULAR HAVE, OVER THE PAST DECADE, DEMONSTRATED QUALITATIVE IMPROVEMENTS THAT PROBABLY WOULD NOT HAVE BEEN ACHIEVED WITHOUT WESTERN ACQUISITIONS OF BALLISTIC MISSILE GUIDANCE AND CONTROL TECHNOLOGY. THE MOST STRIKING EXAMPLE OF THIS IS THE MARKED IMPROVEMENT IN ACCURACY OF THE LATEST GENERATION OF SOVIET



ICBMs - AN IMPROVEMENT WHICH, GIVEN THE LEVEL OF RELEVANT SOVIET TECHNOLOGIES A DECADE AGO, APPEARS ALMOST CERTAINLY TO HAVE BEEN SPEEDED BY THE ACQUISITION OF WESTERN TECHNOLOGY. THEIR IMPROVED ACCURACY HAS BEEN ACHIEVED THROUGH THE EXPLOITATION AND DEVELOPMENT OF GOOD-QUALITY GUIDANCE COMPONENTS - SUCH AS GYROSCOPES AND ACCELEROMETERS. THE QUALITY OF THESE INSTRUMENTS, IN TURN, DEPENDS TO A CONSIDERABLE DEGREE ON THE QUALITY OF THE SMALL, PRECISION, HIGH-SPEED BEARINGS USED.

THROUGH THE 1950s AND INTO THE 1960s, THE SOVIET PRECISION BEARING INDUSTRY LAGGED SIGNIFICANTLY BEHIND THAT OF THE WEST. HOWEVER, THROUGH LEGAL TRADE PURCHASES IN THE 1970s, THE SOVIET UNION ACQUIRED US PRECISION GRINDING MACHINES FOR THE PRODUCTION OF SMALL, HIGH-PRECISION BEARINGS. SIMILAR GRINDING MACHINES, HAVING LOWER PRODUCTION-RATE CAPABILITIES, WERE AVAILABLE FROM SEVERAL FOREIGN COUNTRIES. ONLY A FEW OF THESE MACHINES, EITHER US OR FOREIGN, WOULD HAVE BEEN SUFFICIENT TO SUPPLY SOVIET MISSILE DESIGNERS WITH ALL THE QUALITY BEARINGS THEY NEEDED. THESE PURCHASES GAVE THE SOVIETS THE CAPABILITY TO MANUFACTURE PRECISION BEARINGS IN LARGE VOLUME SOONER THAN WOULD HAVE

BEEN LIKELY THROUGH INDIGENOUS DEVELOPMENT. THE SOVIETS PROBABLY COULD HAVE USED INDIGENOUS GRINDING MACHINES AND PRODUCED THE REQUIRED QUALITY OF BEARINGS OVER A LONG PERIOD BY HAVING AN ABNORMALLY HIGH REJECTION RATE.

THE IL-76 ALSO IS USED BY THE SOVIETS AS THE PLATFORM FOR THEIR NEW AWACS (AIRBORNE WARNING AND CONTROL SYSTEM), WHICH IS EXPECTED TO BE OPERATIONAL IN THE MID-1980s. THIS SYSTEM WILL PROVIDE THE SOVIETS WITH A MAJOR IMPROVEMENT IN ATTACKING LOW-FLYING MISSILES AND BOMBERS. THE SOVIET AWACS IS STRIKINGLY SIMILAR IN MANY WAYS TO THE US AWACS, AND IS A MAJOR IMPROVEMENT OVER THEIR OLD SYSTEM.

IN THE MAINTENANCE AREA, TWO HUGE FLOATING DRYDOCKS PURCHASED FROM THE WEST FOR CIVILIAN USE BY THE SOVIETS HAVE BEEN DIVERTED TO MILITARY USE. DRYDOCKS ARE CRITICAL FOR BOTH ROUTINE AND FAST REPAIR OF SHIPS DAMAGED IN WARFARE. IN 1978, WHEN THE SOVIETS TOOK POSSESSION OF ONE OF THE DRYDOCKS, THEY DIVERTED IT TO THE PACIFIC NAVAL FLEET. THE OTHER WAS SENT TO THE NORTHERN FLEET IN 1981.

THESE DRYDOCKS ARE SO LARGE THAT THEY CAN CARRY SEVERAL NAVAL SHIPS. MORE IMPORTANTLY, THEY ARE THE ONLY DRYDOCK FACILITIES IN

EITHER OF THE TWO MAJOR SOVIET FLEET AREAS - NORTHERN OR PACIFIC - CAPABLE OF SERVICING THE NEW KIEV-CLASS V/STOL AIRCRAFT CARRIERS.

SOVIET ADVANCED SUBMARINES CARRYING BALLISTIC MISSILES, SOVIET KIEV AIRCRAFT CARRIERS, AND SOVIET DESTROYERS WERE AMONG THE FIRST SHIPS REPAIRED IN THE DRYDOCKS.

WESTERN EQUIPMENT AND TECHNOLOGY HAVE ALSO PLAYED A VERY IMPORTANT, IF NOT CRUCIAL, ROLE IN THE ADVANCEMENT OF SOVIET MICROELECTRONIC PRODUCTION CAPABILITIES. THIS ADVANCEMENT COMES AS A RESULT OF OVER 10 YEARS OF SUCCESSFUL ACQUISITIONS - THROUGH ILLEGAL, INCLUDING CLANDESTINE, MEANS - OF HUNDREDS OF PIECES OF WESTERN MICROELECTRONIC EQUIPMENT WORTH HUNDREDS OF MILLIONS OF DOLLARS TO EQUIP THEIR MILITARY RELATED MANUFACTURING FACILITIES. THESE ACQUISITIONS HAVE PERMITTED THE SOVIETS TO SYSTEMATICALLY BUILD A MODERN MICROELECTRONICS INDUSTRY WHICH WILL BE THE CRITICAL BASIS FOR ENHANCING THE SOPHISTICATION OF FUTURE SOVIET MILITARY SYSTEMS FOR DECADES. THE ACQUIRED EQUIPMENT AND KNOW-HOW, IF COMBINED, COULD MEET 100 PERCENT OF THE SOVIETS' HIGH-QUALITY MICROELECTRONIC NEEDS FOR MILITARY PURPOSES, OR 50 PERCENT OF ALL THEIR MICROELECTRONIC NEEDS.

MOST OF THESE TECHNOLOGIES TRANSFERS HAVE OCCURED BECAUSE OUR INTERNATIONAL CONTROL SYSTEM HAS BROKEN DOWN. THAT CONTROL SYSTEM IS CENTERED AROUND A VOLUNTARY ORGANIZATION CALLED THE "COORDINATING COMMITTEE" OR COCOM. UNDER COCOM CONTROLS CRITICAL GOODS WERE LEGALLY EXPORTED TO THE SOVIET UNION.

BUT, EVEN MORE ALARMING, THESE LEGAL ACQUISITIONS HAVE BEEN SUPPORTED BY EVEN MORE FAR REACHING ILLEGAL ACQUISITIONS. FOR EXAMPLE, ONLY THIS PAST SUMMER, MILLIONS OF DOLLARS WORTH OF HIGH GRADE ELECTRONIC POLYSILICON WERE DIVERTED TO THE SOVIET UNION TO FILL MILITARY NEEDS.

ILLEGAL ACQUISITIONS ARE TAKING PLACE ACROSS A WIDE FRONT. TO GIVE JUST ONE EXAMPLE, THE SOVIET UNION ILLEGALLY ACQUIRED IBM 360 AND 370 MAIN FRAME COMPUTERS FROM THE WEST. THEIR OBJECTIVE WAS TO USE THE IBM COMPUTER AS THE BASE DESIGN OF THEIR OWN RYAD COMPUTER SERIES. THE COPY WAS NEARLY EXACT, AND FOR A VERY GOOD REASON. THEY WANTED A MACHINE WHICH WOULD WORK WITH FUTURE GENERATIONS OF WESTERN EQUIPMENT, AS THEY PLANNED TO UPDATE THE SYSTEM ON A REGULAR BASIS. IT IS INTERESTING TO NOTE THE SOVIET RYAD COMPUTER SERIES

OPERATES WITH THE SAME SOFTWARE AND PERIPHERAL EQUIPMENT AS THE IBM.

IN ADDITION, THE RYAD COMPUTER USES THE SAME REPAIR MANUAL AS THE IBM.

THE SOVIETS SUPPORT THE ILLEGAL ACQUISITION DRIVE THROUGH CONTROLLED "FRONT" CORPORATIONS, BY COOPTING BUSINESSMEN AND FACTORY WORKERS; THROUGH BRIBERY AND SHADY DEALS. THEY USE DIPLOMATIC POUCHES AND OTHER DEVICES TO MOVE TECHNICAL LITERATURE AND SMALL PIECES OF EQUIPMENT FREELY TO THE SOVIET UNION.

THEY ALSO MAINTAIN AN INTELLIGENCE SYSTEM KEYED STRONGLY ON EMERGING TECHNOLOGIES OF HIGH MILITARY VALUE.

ONE PART OF THIS COLLECTION SYSTEM IS DEVOTED TO EXPLOITING WESTERN TECHNICAL LITERATURE, INCLUDING TECHNICAL INFORMATION PUBLISHED BY OUR OWN GOVERNMENT.

THEY ARE TAKING ADVANTAGE OF THE GAPS IN OUR EXPORT CONTROL SYSTEM AND THE VULNERABILITY OF THE WEST TO EASY EXPLOITATION. THEY ARE USING OUR FREE INSTITUTIONS AND OUR OPEN SYSTEM AGAINST US.

AND, BECAUSE OUR OWN NATIONAL DEFENSE SYSTEM HAS NOT MODERNIZED FAST ENOUGH, THE SOVIETS ARE EXPLOITING MANY CIVILIAN TECHNOLOGICAL

BREAKTHROUGHS YET TO BE FULLY USED TO UPGRADE OUR OWN MILITARY  
HARDWARE.

IT IS HERE WE FACE THE GREATEST DANGER. WHILE WE HAVE COMMITTED  
OURSELVES TO REBUILDING OUR NATIONAL DEFENSES, IT IS GOING TO TAKE US  
TIME TO DO SO. IT IS ESSENTIAL, WHILE WE IMPROVE OUR OWN DEFENSE,  
THAT WE CLOSE DOWN SOVIET ACCESS TO THE TECHNOLOGY THEY WANT FOR THEIR  
MILITARY BUILDUP. SELLING THEM OUR VALUABLE TECHNOLOGY UPON WHICH  
WE HAVE HISTORICALLY BASED MUCH OF OUR SECURITY IS SHORT-SIGHTEDNESS  
RAISED TO THE LEVEL OF A CRIME. WHAT COULD BE MORE FOOLISH THAN TO  
SEEK NEAR-TERM GAIN IN EXCHANGE FOR LONG-TERM DISASTER? WHAT COULD  
BE MORE FOOLISH THAN TO RAISE, OUR COSTS OF DEFENSE BY GIVING THE SOVIETS  
OUR OWN TECHNOLOGY?

.. AT STAKE IS OUR ABILITY TO MAINTAIN THE BALANCE OF POWER AND  
PROTECT THE PEACE.

THE REAGAN ADMINISTRATION IS MOVING ON A BROAD FRONT TO PROTECT  
WESTERN TECHNOLOGY AND BLUNT THE SOVIET ACQUISITION EFFORT.

-- THE ADMINISTRATION IS IMPLEMENTING A NEW PROGRAM OF DOMESTIC  
EXPORT CONTROLS DESIGNED TO SAFEGUARD AMERICAN TECHNOLOGY FROM

COMPROMISE. THIS EFFORT IS KEYED ON DEFENSE PRIORITY INDUSTRIES.

WE ARE SEEKING TO PREVENT MANUFACTURING KNOW-HOW FROM REACHING THE SOVIET UNION WHERE IT CAN BE USED TO SUPPORT THEIR MILITARY INDUSTRIAL BASE AND, THUS, THEIR INTERNATIONAL AMBITIONS. OUR FOCUS IS ON PRODUCTS WHICH WOULD CONTRIBUTE TO SOVIET TECHNICAL KNOWLEDGE, AN IMPORTANT CAPABILITY, OR BE SUSCEPTIBLE TO REVERSE ENGINEERING.

— LAST JULY PRESIDENT REAGAN, AT THE OTTAWA SUMMIT, CALLED FOR A HIGH LEVEL MEETING OF THE INTERNATIONAL COORDINATING COMMITTEE OR COCOM. HE ASKED THAT THE INTERNATIONAL CONTROL SYSTEM BE TIGHTENED. HE URGED MORE RESOURCES FOR ENFORCEMENT.

DIPLOMATIC MEETINGS ARE NOW UNDERWAY TO CONTINUE AND EXPAND THIS EFFORT.

— OUR ADMINISTRATION IS ACTING TO STRENGTHEN ENFORCEMENT OF OUR EXPORT LAWS. THIS PROGRAM INCLUDES GREATER INSPECTION OF CARTONS, CRATES AND PARCELS LEAVING THIS COUNTRY, A HIGHER LEVEL INTELLIGENCE EFFORT, AND IMPLEMENTATION OF A BETTER TRACKING AND COORDINATION SYSTEM. WE HAVE ALSO STEPPED UP OUR COOPERATIVE EFFORTS TO ENFORCE THE INTERNATIONAL EMBARGO.

-- WE HAVE BEGUN HIGH LEVEL CONSULTATIONS WITH THE NORTH ATLANTIC TREATY ORGANIZATION IN ORDER TO IDENTIFY TECHNOLOGIES IMPORTANT TO THE NATO COLLECTIVE SECURITY EFFORT.

-- WITHIN THE DEFENSE DEPARTMENT WE HAVE IMPROVED OUR INTERNAL REVIEW EFFORT TO IDENTIFY SENSITIVE TECHNOLOGIES. IN ADDITION, WE ARE TAKING STEPS TO SAFEGUARD IMPORTANT SCIENTIFIC AND TECHNICAL DOCUMENTS AND RESEARCH PROGRAMS.

-- THE REAGAN ADMINISTRATION HAS ALSO INITIATED DISCUSSIONS WITH NEUTRAL AND NON-ALIGNED COUNTRIES IN ORDER TO ESTABLISH EFFECTIVE GROUND RULES PROTECTING AMERICAN AND NATO TECHNOLOGY TRANSFERRED TO THOSE COUNTRIES. WE THINK CONSIDERABLE PROGRESS CAN BE ACHIEVED IN THESE DISCUSSIONS WITHOUT DISTURBING NORMAL AND HEALTHY TRADE RELATIONS.

ALL OF THESE ACTIONS ARE DESIGNED TO PROTECT OUR NATIONAL DEFENSE SYSTEM AND TO SAFEGUARD OUR PEACE AND FREEDOM. BUT TO SUCCEED WE MUST HAVE THE UNDERSTANDING AND COOPERATION OF THE PUBLIC.

OUR INDUSTRY ASSOCIATIONS NEED TO UNDERSTAND BETTER THAT THERE IS INDEED A SERIOUS THREAT TO OUR TECHNOLOGY -- THAT WE ARE THE TARGET



OF A COORDINATED EFFORT BY THE SOVIET UNION AND WARSAW PACT TO ACQUIRE PRODUCTS, EQUIPMENT AND KNOW-HOW WHICH THEIR INCENTIVELESS, STATE-RUN ECONOMY HAS NOT -- AND CANNOT -- EASILY PRODUCE.

WITH THE HELP OF BUSINESS AND INDUSTRY WE CAN STOP THE SOVIETS FROM ACHIEVING TECHNOLOGICAL SUPERIORITY AT OUR EXPENSE. FOR THOSE OF US WHO ARE NOT ACTIVELY INVOLVED IN DEFENDING AMERICA, THAT IS THE VERY LEAST WE CAN DO TO STRENGTHEN OUR NATION.

THANK YOU.

Technology Transfer Society  
Conference on International Arms and  
Technology Transfer  
August 9-10, Washington

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POC: Mrs. Graft (213)670-2975

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Reply to:

TTS CONFERENCES, P. O. Box 91295 5959 W. Century Blvd., Suite 1016, Los Angeles, CA 90009  
(213) 670-2975

May 3, 1982

Mr. K. De Graffenreid  
Staff Member  
National Security Council  
Old Executive Office Bldg.  
Washington, D.C. 20506

Dear Mr. Graffenreid:

The Technology Transfer Society (TTS) is sponsoring an important conference on "International Arms and Technology Transfer" to be held in Washington, D.C. on August 9-10, 1982 and in New York on August 23-24, 1982.

The purpose of this conference is to provide contrasting views on the current world political situation, significant regional developments, motivations to buy and to sell conventional arms, and reflections on current U.S. arms transfer policy and practices to date. Towards this end, we are inviting speakers from the Departments of State, Defense and Commerce, NSC, and the principal importing nations. Focus will also be on the market aspects of foreign military sales -- the process, regulations and industrial experiences in conducting FMS marketing programs. Speakers from industry and those agencies governing this activity will address these subjects. To round out the conference, we plan to invite, also, speakers from organizations which specialize in the assessment of foreign policy and national security with emphasis on the role placed by arms transfer. Technology transfer issues will also be covered.

On behalf of the Technology Transfer Society, I would like to invite you (or someone from your organization you feel appropriate) to give a presentation on "Technology Transfer Issues and Evolving Policy". If a schedule conflict prevents you from participating, perhaps you could designate a substitute who is familiar with the subject. Each speaker will have a one-hour time slot to present his topic. We suggest about 15 minutes of this time be allowed for questions and answers. Attendance is expected to approach 100-200 people -- government, industry and independent experts.

As you can imagine, the lead time for such an event is quite long and our milestones are fast approaching. I would appreciate your help in

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Mr. K. De Graffenreid

May 3, 1982

Page 2

meeting the next deadline that affects the program brochure. We need, as soon as possible, about 10-12 subtopics (points/key words) to be covered in the presentation. These should only be short statements of a few words each and need not be in any outline or final sequence. The attached brochure illustrates the sort of "bullets" we need. It is not necessary to develop the presentation this early. All we are seeking at this time are the kinds of things we could mention in the brochure. I will telephone you during the week of May 7 to ascertain your decision and obtain your subtopics at that time.

I would like to assure you that we will make every effort to minimize the administrative burden associated with your participation as a speaker. No formal paper is required, as we request only that you give a viewgraph type of presentation and provide a copy to us for inclusion in the conference documentation.

That's about it for now. The TTS would be most grateful for your participation and help in making this conference possible. Events are now set in motion and arrangements are reaching deadline dates for printing and other such activities. Please call me if you have any questions.

Sincerely,

*Penny Graft* (Ka.)

P.J. Graft  
Conference Chairman

PJG:dp

enc.

## THESE AND OTHER QUESTIONS WILL BE ANSWERED

- What are the comparative arms export control practices of the chief supplying nations?
- What new directions will the Reagan Administration take?
- Is the international arms market growing, who's growing? Who's dealing?
- Are arms exports a workable instrument of foreign policy?
- Can multilateral, bilateral, unilateral restraint ever work?
- How elastic is the "Zone of European Security" interests?
- What has happened since Carter's May 1977 policy pronouncement on arms transfer restraint? What's changing? Why?
- Are ceilings on U.S. foreign military sales being abandoned? How about commercial sales? FX? Will Reagan speed things up?
- Which factors shape U.S. Congressional thinking on arms and technology transfer?
- How much cooperation has been achieved via the NATO Rationalization, Standardization and Interoperability programme? What's working? What's not?
- What is the connection between the NATO Alliance Pledge of 3% real growth in defence spending and arms reports?
- Mideast oil and arms trade entanglements — Solutions?
- Here comes Japan — How big a factor?
- What equipment is being sold to the People's Republic of China? By whom?
- Which technologies will dominate the future world arms market?
- Will the FRG enter the international arms markets? How?

## PROGRAMME — FIRST DAY (REGISTRATION 8:00 - 9:00 A.M.)

### OVERVIEW

#### 9.00 WORLDWIDE ARMS SALES — KEY DEVELOPMENTS, TRENDS AND ISSUES

**MR. BARRY C. DeROZE**, *Manager of Advanced Systems, TRW Defense & Space Systems Group. Formerly Manager of Defense System Computer Resources and Technology, Office of the Secretary of Defense*

• Upurge of the 1970's — Causes & Implications • Post-Mortem on the Carter Policy — Where is Reagan Headed?  
 • Current Arms Transfer Patterns • U.S. vs. European Suppliers • Implications of Growing 3rd World Military Capability  
 • Defence Production in Developing Countries • Arms & Influence • Superpower — From Arms Transfers to Direct  
 Military Involvement • Arms Transfer Policy in the 1980's • European Changing Policies — Overt & Subliminal • Non-  
 NATO Arms Supplier Capabilities • Dealing with the USSR • Where are the New Markets Developing for the 1980's?



## 9.50 ARMS AND TECHNOLOGY TRANSFER; THE U.S. CONGRESS TAKES A NEW LOOK — WITH NEW REALITIES

**MR. VANCE HYNDMAN**, Staff Consultant, House Committee on Foreign Affairs, U.S. Congress

• The Changing U.S. Mood • Forecast of the Actions of the 97th Congress • Different Policy Objectives: U.S. National Interest vs. Human Rights vs. "International Terrorism" • Arms Restraint • Problems of Implementation • Evaluation of Legal Requirements & Prospects for Change • Impact of Recent Legislation • Multi-lateral Dimension: Changing Role of Non-U.S. Suppliers • Regional Concerns: Mid-East, NATO, Persian Gulf • Future Directions of U.S./European Cooperation — Conflict.

## 10.40 REFRESHMENT BREAK

## 10.55 ARMS EXPORT AS AN INSTRUMENT OF FOREIGN POLICY: FROM OLD RESTRAINTS TO PROPOSED CHANGES — REAGAN ADMINISTRATION

**MR. ROBERT B. MANTEL**, Director of the Office of Security Assistance, Special Projects, Bureau of Politico-Military Affairs, Department of State

• Arms Transfer as an Instrument of Foreign Policy • Blending Foreign Policy & National Security Interests • The Policy Restraints as Announced in May 1977 • Proposed Changes — Reagan Administration • Policy Flexibility & Adaptability • Problem Areas • Assessment of the Potential Effect on International Arms Transfers • Cooperation with Industry — the Issue of Sales Promotion Activities.

## 11.45 TRANSFERRING U.S. TECHNOLOGY ABROAD: A CANDID ASSESSMENT OF THE DANGERS, BENEFITS AND PROCEDURES

**DR. OLES LOMACKY**, Director of Technology Trade, International Programs and Technology, Office of the UnderSecretary of Defense/Research and Engineering (OUSD/R&E)

• The International Security & Economic Climate • Effects of Defence Technology Sharing on National Security & Foreign Competition • Dangers vs. Benefits of Civilian Dual-Use Technology Trade with Adversaries • Possible Changes in 3rd Party Transfer Policy • Critical Military Technologies Identified to Date • Measures to Control Technology Transfer • Impact on the Aerospace Industry • Future Industrial Trends • Assessing Probable Future Governmental Policy Changes.

## 12.35 LUNCH BREAK

## 13.50 U.S. ARMS EXPORT POLICY VS. NATO, NEUTRALS AND THE USSR — A FRANK ASSESSMENT

**DR. WESLEY B. TRUITT**, Corporate Director, Policy Research, Office of the Chairman of the Board, Northrop Corporation

• Nature of the Competition • U.S. Arms Export Policy and Controls: • Evaluation Criteria — Human Rights vs. Combatting "International Terrorism" • Special Exceptions — the FX • Congressional Role • Arms Export Policy & Control Practices of Other Nations — USSR, France, Britain, West Germany, Neutrals, etc. • Soviet Bloc Arms Exports — Largest Recipients - Types of Transactions Involved: Cash, Credit, Grants.

## 14.40 FOREIGN MILITARY SALES (FMS) TO THE THIRD WORLD — A REALISTIC INDUSTRIAL PROGRAMME

**MR. BENJAMIN FORMAN**, Senior Staff Advisor-International, Vought Corporation. Formerly Assistant General Counsel to the U.S. Defense Department

• Understanding the U.S. Players - Services, Department of Defense, State Department, Congress & Industry • Industry Needs & National Interest • Competition or Shared Markets? — U.S. Industry vs. Foreign Suppliers • Dealing with the Third World Customer • Impact of the Reagan Administration — Foreign Military Sales/Commercial Sales • Special Third World Market Strategies • Understanding Third World Market Realities — Risks and Opportunities.

## 15.30 REFRESHMENT BREAK

## A CURRENT ASSESSMENT OF THE TWO WAY STREET — PROBLEMS/OPPORTUNITIES

## 15.45 NATO ARMS COOPERATION IN THE 1980'S — WHERE ARE WE HEADED UNDER THE NEW ADMINISTRATION?

**MAJOR GENERAL RICHARD C. BOWMAN**, Director - European and NATO Affairs, International Security Affairs, Office of the Secretary of Defense (OSD)

• Imperatives of Alliance Arms Cooperation • Long Term Defence Plan — Progress to Date • WARSAW Pact Threat • Efficiencies of Arms Cooperation • Major Initiatives Accomplished • General MOU's • Dual Production • Families of Weapons Procurements PAPs and NAPR Trials • Assessing Cooperative Programmes • 3rd Country Transfer Policy — Where is it Headed? • Industrial Participation In NATO Rationalization, Standardization, Interoperability (RSI) - How to Make It Work • The TWO WAY Street Scoreboard • Impact of Reagan Planners.

**15:35 U.S. INDUSTRY VIEWS OF ARMS TRADE POLICIES TO EUROPE — RECOMMENDED CHANGES**  
**MR. WALTER EDGINGTON**, *Vice President of Government Relations, GTE Sylvania Systems Group*

• The Present Arms Sales Policy: Its Assumptions & Track Record to Date • What Has Been the Real Impact of Arms Sales Policies: On U.S. Exports, Business Opportunities, U.S. Employment, and Worldwide Security • Unilateral Restraint — The Vacuum, The Competition, the Loss of U.S. Market Share • NATO: The TWO WAY Street — Opportunities, Challenges, Problems • Assessing the Family of Weapons Plan • Can the MOU System Work Soon? • Critical Technologies Approach — The Role and Need for U.S. Industry • A Realistic Approach to U.S. Arms Sales — vs. the Current Drift • Probable Changes to the Current Transfer Policy from the Reagan Administration.

## **SECOND DAY**

### **NEW EUROPEAN POLICIES AND PLANS — SPECIFIC NATIONS/MARKETS**

**9.00 INTERNATIONAL AEROSPACE SALES: AN IDENTIFICATION OF PRIME MARKETS — REGIONS AND COUNTRIES**

**MR. GREGORY R. COPLEY**, *Editor and Publisher, Defense and Foreign Affairs Publications*

• Scoping the Marketplace • Regions & Countries - Identifying the Prime Markets • Key Issues Affecting Arms Purchases & Sales • Specific Markets of Current & Future Interest • The Middle East - Major Markets with Major Problems • Principal Products in Highest Demand • Global Issues Impacting Foreign Sales • Current Supplier Nations — A Look at Different Attitudes • Changes in Supplier Attitudes that will Sharply Affect the Marketplace • Extent of Post-Sales Transfers - A Candid Assessment • Insights & Trends that Impact Opportunities.

**9.50 BRITISH POLICY IN INTERNATIONAL ARMS TRADE VIS-A-VIS EAST-WEST CONFLICT — IRAN, CHINA, ETC.**

**DR. LAWRENCE D. FREEDMAN**, *Head of Policy Studies, Royal Institute of International Affairs, United Kingdom*

• The Development of British Policy • Britain in the Arms Trade • Making the Most of the British — U.S. Relationship • Achieving International Control • Military Influence on Marketing • Political Influence • Policy/Marketing Impacts of the East-West Conflict • Iran — Suppliers Needed • China — A New Market Opportunity? • Is Commercial Pragmatism Enough? • Predictions for the Future.

**10.40 REFRESHMENT BREAK**

**10.55 THE ARMS EXPORT POLICY OF THE FEDERAL REPUBLIC OF GERMANY — NEW REALITIES, NEW DIRECTIONS**

**DIPL. POL. JOACHIM KRAUSE**, *Research Associate, Foundation for Science and Politics, West Germany*

• The Policy of Transfer Restraint and Impact on Current Practices • Conflicting Priorities in the Arms Transfer Policy • The Role of West Germany's Arms Industry • Dealing with Co-Production Agreements • New Discussions Concerning Future Arms Transfer Policy • Pressures for a Changing FRG Arms Export Policy • FRG, NATO & The U.S. — Striking a Balance • Probable Position of the FRG Arms Transfer Policy.

**11.45 THE FRENCH ARMS EXPORT POLICY: GEOGRAPHIC DISTRIBUTION OF SALES — AN ASSESSMENT**

**DR. PIERRE LELLOUCHE**, *Head of European Security Programme, Institut Francais de Relations Internationales, France*

• Geographic Distribution of French Arms Sales • Arms Sales & Weapon Procurement Policy • The Economic Impact • European Cooperation • Arms Sales & French Foreign Policy — Motivations, Procedures & Rationale • The French/Europe/U.S. Interface Policies • The French Position to the TWO WAY Street • Probable New Directions of French Policies and Practices.

**12.35 LUNCH BREAK**

**13.50 ARMS TRADE WITH THE THIRD WORLD: PAST, PRESENT AND FUTURE — AND THE OUTLOOK FOR SWEDEN**

**DR. FRANK BARNABY**, *Director, Stockholm International Institute for Peace Research, Sweden*

• A Comparison of European Arms Export Policy Toward the Third World • Volume & Trends in Arms Trade • Third World Buyers and Suppliers: Who Sells What to Whom • The Problems of Licensing & Laundering • Third World Countries with Extensive Arms Industrial Capabilities: Israel, India, Brazil, Argentina et al • How Third World Countries Get Into the Business • Sweden's Policy — Vis-A-Vis NATO • A Projection of Where Things are Headed in the Future for Sweden.

**14.40 ARMS TRANSFER AS AN INSTRUMENT OF FOREIGN POLICY — THE "GOOD ARMS" VS. "BAD ARMS" DILEMMA**

**COLONEL JONATHAN R. ALFORD**, *Deputy Director, International Institute for Strategic Studies, United Kingdom*

• Arms Sales & Influence — Leverage & Gratitude, Reverse Leverage & Ingratitude • Maintaining Regional Balances, Mutual Interdependence • Policy Difficulties: Domestic Constraints & Controls • Taking Sides • The Practical Problems: What is Best for the Recipients — Can They Manage it? • Arms, Advisors & Involvement • Raising the Cost of Intervention • The Moral Dilemma • "Good Arms" and "Bad Arms" • Ethical Distaste & Economic Survival.



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sam nunn

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UNITED STATES SENATE  
WASHINGTON, D. C.  
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FOR RELEASE WEDNESDAY  
MAY 12, 1982

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CONTACT FRED ASSELIN  
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SENATORS SAM NUNN AND LAWTON CHILES  
JOINT STATEMENT OF RECOMMENDATIONS  
REGARDING THE  
TRANSFER OF U. S. HIGH TECHNOLOGY TO THE  
SOVIET UNION AND SOVIET BLOC NATIONS

The Senate Permanent Subcommittee on Investigations has concluded five days of hearings on the transfer of American technology to the Soviet Union and Soviet Bloc nations. The hearings underscored the need for improvement in U. S. efforts to halt the technology drain, in both the governmental and private sectors.

Based on information developed in the hearings, we believe the Subcommittee should recommend to the Senate the following legislative proposals and corrective actions:

(1) The Soviets dedicate substantial resources to highly focused and increasingly adept attempts to secure American technology. By contrast, the American response often has been unorganized. A restructuring of American efforts to halt undesired technology transfer is called for. Through improved intelligence, we must determine what it is that the Soviets want and then model our response accordingly. Our government should seek to prioritize the critical technology the Soviets need for military purposes and devote considerable efforts to education and enforcement to the prioritized items.

(2) There is a need for reassessment of the ability of the Department of Commerce to carry out its present enforcement responsibilities under the Export Administration Act (50 U.S.C. App. 2401 et seq.). Commerce presently carries primary law enforcement responsibility, with secondary jurisdiction resting in the U. S. Customs Service. Commerce maintains both licensing and enforcement under the Act; by contrast, under the Arms Export Control Act (22 U.S.C. 2751 et seq.), those functions are handled separately by the Department of State and the U. S. Customs Service.

The enforcement responsibilities under the Export Administration Act should be altered, first, by delegation of full enforcement responsibility to the U.S. Customs Service, with the licensing function remaining at the Commerce Department. In addition, for a long-range solution, Congress should consider the concept first put forward by Senator Garn to create an Office of Strategic Trade



that, among other things, would absorb the functions of the Office of Export Administration.

(3) The Export Administration Act should be amended to include as a criminal offense, the possession or attempted possession of restricted goods with the intent to export such goods unlawfully.

Hearing evidence established the many difficulties law enforcement authorities encounter in the prosecution and investigation of export offenses. One problem lies in the absence of any offense until a suspect actually "exports" the goods in question. When arrest is delayed until the moment of export, law enforcement necessarily risks the loss of territorial jurisdiction if the subject departs the country. In export cases, where the offense is often non-extraditable, that risk can be fatal to the success of the case.

(4) The enforcement tools currently available to the U. S. Customs Service should be broadened. Consideration should be given to granting Customs officers express statutory authority for warrantless arrest, search or seizure in cases of outbound cargo and persons, generally equivalent to that authority which Customs now possesses in cases of inbound cargoes and persons. Express statutory authority would enhance Customs' effectiveness in full enforcement of the export laws. This authority has been implied by the courts in some cases.

(5) The Federal electronic surveillance statutes should be amended to permit court-ordered surveillance where there is probable cause to believe that a violation of either the Export Administration Act or the Arms Export Control Act is being committed. As with the recommendations on Customs' authority, this revision would enhance law enforcement's ability to investigate complex export cases.

(6) The RICO statute (18 U.S.C. 1962 et seq.) should be amended to include as predicate offenses in proving racketeering activity, violations of the Export Administration Act. Export violations often have been treated as "minor" offenses, resulting in minimal sentences and the inability to pursue extradition with foreign governments. Prosecution under RICO would expose offenders to a possible twenty year prison sentence and an increased likelihood of extradition.

(7) The Freedom of Information Act should be amended to eliminate the application of the Act to information requests made by foreign nationals. Faced with the disclosure of sensitive information to foreign nationals, "cottage" disclosure industries, and others, such statutory revisions would inject a reasonable sense of national security considerations into disclosure practices mandated by the Freedom of Information Act.

(8) The Department of State should seek mutual assistance treaties between U.S. allies and neutral nations to obtain greater law enforcement cooperation in the enforcement of export laws. The State Department should seek the inclusion of export violations as extraditable offenses in agreements with foreign governments.

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(9) The region in Santa Clara County, California, popularly known as the "Silicon Valley", the heart of America's growing microprocessor industry, is a prime target of Soviet efforts to transfer sensitive technology. Yet we were told that a strong Federal law enforcement presence has been lacking in the Silicon Valley in the past. State enforcement efforts must be supplemented by a Federal interest in the problem. We note assurances from the FBI that it is aware of this problem and is taking steps to increase its presence in the Silicon Valley and other high technology centers. The Bureau is to be commended for its corrective action in this regard.

(10) The technology transfer problem is, by all indications, a massive one requiring the attention of both the government and the private sector. Law enforcement and industry spokesmen suggested that many high technology companies remain unaware of the extent of the problem. Reportedly, industry interaction with the Commerce Department is inadequate; unfamiliarity with the lists of controlled exports is common within the industry.

The FBI's DECA program, aimed at improving the level of communication with the private sector, directly educates companies involved in Defense contracts with the problem of technology transfer. The Defense Department has begun a similar program with the business community. There is a need for similar government programs designed to inform the private sector dealing in sensitive but non-classified technology.

(11) Private industry must contribute directly to any effort to halt the technology drain. There is a lack of sufficient security precautions at the sources of production in the technology industries. Lax security measures were cited in some Silicon Valley plants. William Bell, a Hughes Aircraft engineer convicted of selling military secrets to Polish spy Marian Zacharski, had access to sensitive information on the basis of a security clearance which had not been reviewed in 28 years. The private sector, through the efforts of individual enterprises and trade and professional associations, should be encouraged to maintain more effective security measures in plants producing sensitive high technology items. Massive Soviet efforts to obtain our technological resources can be countered only through vigorous government and law enforcement efforts, bolstered by the strong support of America's high technology industries.

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42

1. Amendments to the Terms of Reference.
2. Reports from:
  - a. CIA
  - b. Justice
  - c. Customs
3. Issues.
  - a. Versailles and Bonn Summits Follow-up on Technology Transfer
  - b. Japanese Technology Transfer Study
  - c. COCOM as Treaty Organization
  - d. Re-examination of Extradition Treaties and Mutual Legal Assistance Agreements
  - e. Interagency Communications System
  - f. Raising Priorities in Training and in Representation Abroad
  - g. Spanish Entry into COCOM
  - h. Third-country Technology Transfer Controls
4. Other Business.

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U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

FOR RELEASE  
JUNE 22, 1982

Attorney General William French Smith today announced the arrests of six persons by the Federal Bureau of Investigation for conspiracy to transport stolen property from the United States to Japan. The conspiracy allegedly involved separate efforts by representatives of Hitachi, Ltd. and Mitsubishi Electronic Corporation to obtain confidential information of IBM Corporation to assist in the development of computers and computer peripherals.

FBI Director William H. Webster announced the arrests of the following individuals in California:

.. Kenji Hayashi, Senior Engineer, Kanagawa Works, Hitachi, Ltd., Japan;

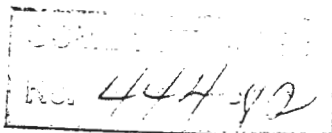
.. Isao Ohnishi, Section Manager, Software Works, Hitachi, Ltd., Japan;

.. Kunimasa Inoue, Programmer, Hitachi America, Ltd., San Francisco, California;

.. Keizo Shirai, Section Manager, Nissei Electronics, Ltd., Japan;

.. Tom Yoshida, President, NCL Data, Inc., Santa Clara, California; and

.. Takaya Ishida, Mitsubishi Electronics America, Inc., Compton, California.



In addition, warrants were issued on June 21, 1982, charging the following individuals, all of whom reside in Japan, with the conspiracy:

.. Kisaburo Nakazawa, General Manager, Kanagawa Works, Hitachi, Ltd., Japan;

.. Takehiro Inoue, Department Manager, Kanagawa Works, Hitachi, Ltd., Japan;

.. Michihiro Hirai, Senior Engineer, Kanagawa Works, Hitachi, Ltd., Japan;

.. Katsuro Wakai, Senior Engineer, Kanagawa Works, Hitachi, Ltd., Japan;

.. Katsuhiko Kato, Department Manager, Odawara Works, Hitachi, Ltd., Japan;

.. Jun Naruse, Senior Engineer, Odawara Works, Hitachi, Ltd., Japan;

.. Teruji Yamamoto, Senior Engineer, Software Works, Hitachi, Ltd., Japan;

.. Katsumi Takeda, Engineer, formerly employed by Hitachi America, Ltd., Japan;

.. Sadao Kawano, Deputy General Manager, Odawara Works, Hitachi, Ltd., Japan;

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.. Kazuma Ban, Deputy Department Manager, Computer Works, Mitsubishi Electric Corporation, Japan;

.. Chiyoji Tanaka, Group Manager, Information Systems and Electronics Development Laboratory, Mitsubishi Electric Corporation, Japan; and

.. Akira Iwase, Researcher, Computer Laboratory, Mitsubishi Electric Corporation, Japan.

The complaints alleged that the subjects conspired to have documents and tapes stolen from IBM for transportation to Japan. The subjects recruited an undercover agent of the FBI to steal specified IBM documents and tapes. IBM, which cooperated fully in the investigation, voluntarily provided the specified information and property to the undercover agent who then provided it to the subjects in exchange for an agreed upon payment of money.

In addition, Tabassom Ayazi, an unemployed student, is accused of receiving stolen IBM documents transported in interstate commerce.

Payments totalling 622 thousand dollars were made by representatives of Hitachi, Ltd., to the undercover agent for these items and other IBM property promised by the agent. The undercover agent received approximately 26 thousand dollars from representatives of the Mitsubishi Electric Corporation for the same services.

The undercover operation began in November, 1981. Director Webster said, "This was a classic example of the value of an undercover operation designed to ferret out the theft of high technology. I want to commend the IBM Corporation for the excellent assistance rendered during this investigation."

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In conjunction with the investigation a search was conducted today of NCL Data, Inc., a computer firm in Santa Clara, California.

The investigation was conducted in cooperation with the United States Attorney in San Francisco.

Conspiracy to transport stolen property is a felony carrying a maximum penalty of five years imprisonment and a fine of 10 thousand dollars. Receiving stolen property is also a felony with a maximum penalty of 10 years imprisonment and/or a 10 thousand dollar fine.