

**INTELLIGENCE COMMUNITY STAFF**

27 December 1976

DOC Declassification/Release  
Instructions on File

NOTE FOR: Chief, OPEI/HRD  
Chief, OPEI/PAID

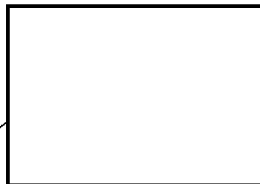
FROM : Director, OPEI

SUBJECT : Soviet Clandestine Collection of  
Embargoed Technology

1. I would like PAID and HRD jointly to develop a response to the attached letter on the above subject -- by 7 January 1977, if possible.

2. Also, prepare a longer-term plan for Community examination and handling of the problem. Such a plan would necessarily involve production offices such as OER and key collectors, principally DDO. We might usefully task the CCPC on this effort.

\*NSC Review Completed\*



Attachment:

Ltr fm Gorog to DCI dtd 12/21/76,  
ER 76-4525

STATINTL

**ACTION**

**ACTION**

1673

27 DEC 1976

IC REGISTRY F

Rtg	Office	INIT	Date
	D/DCI/IC		
3	EA		
2	AD/DCI/IC	J	27 DEC 1976
1	EO	RC	27 Dec
25X11A	SA( [redacted] )		
	SA( [redacted] )		
	CFI (Sec't)		
	NFIB (Sec't)		
	Ch. Spt. Staff		
	Ch. Registry	P	
	CH, OPP		
	P&PD		
	IHD		
	SECOM		
	CH, OPBD		
	DSG		
	P&BDD		
	PAD		
	CH, OPEL	dy	
	Integ Staff		
	SIGINT Div.		
	IMAGERY Div.		
	HRID	dy	
	PA&ID		

OPEL has action. Britz will pull together a group including DCF Comms (poss CCPC) and will coordinate with DDJ & DDO

Unreal request - should be directed to FBI - CIA only involved on request

When circled - cy has been furnished.

IC 1674

*DOET*

**Routing Slip**

TO:

		ACTION	INFO.			ACTION	INFO.
1	DCI			11	LC		
2	DDCI		X	12	IG		
3	S/MC			13	Compt		
4	DDS&T			14	Asst/DCI		
5	DDI		X	15	AO/DCI		
6	DDM&S			16	Ex/Sec		
7	DDO			17			
8	D/DCI/IC	X		18			
9	D/DCI/NIQ		X	19			
10	GC			20			

SUSPENSE \_\_\_\_\_  
Date

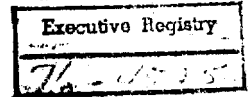
Remarks:

Please develop response.

*OA*  
DCI/RRGlx  
12/23/76



EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON INTERNATIONAL ECONOMIC POLICY  
WASHINGTON, D. C. 20500



December 21, 1976

Dear George:

For the past several years the Council on International Economic Policy has addressed the issue of technology transfer to the Soviet Union. One of our main efforts was a study of computer exports to Communist countries, a project in which CIA was a principal and valuable participant. As a consequence of that study, the export to the USSR of technology, integrated circuit equipment, and computer manufacturing know-how was precluded. The policy is specified in National Security Decision Memorandum 247.

One of the issues that still concerns this office is the Soviet program to covertly obtain those devices and techniques explicitly embargoed for export understanding policy. CIEP has worked with CIA to forestall attempted clandestine acquisition by the USSR, but this works only when adequate and timely information is available. It appears to CIEP that attempted acquisitions coming about by espionage and covert trade are discovered largely as a by-product of existing collection efforts.

To ensure the carrying out of NSDM 247, I believe it would be helpful if CIA's collection efforts could address the issue of clandestine acquisition of embargoed know-how and manufacturing equipment. It would be even better if positive steps could be taken to inter-



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I very much appreciate any help CIA can give us.

Sincerely,



William F. Gorog  
Executive Director

The Honorable George Bush  
Director of Central Intelligence Agency  
Washington, D. C. 20505

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THE WHITE HOUSE  
WASHINGTON

March 14, 1974

DDI-812-74

SECRET - GDS

National Security Decision Memorandum 247

Council on International Economic Policy Decision Memorandum 22

MEMORANDUM FOR

The Secretary of the Treasury  
The Secretary of Defense  
The Secretary of Commerce  
The Chairman, U. S. Atomic Energy Commission  
The Director of Central Intelligence  
The Deputy Secretary of State  
The Director, National Security Agency  
The Director, National Science Foundation

SUBJECT: U. S. Policy on the Export of Computers to  
Communist Countries

The President has reviewed the findings and recommendations of the interagency study (CIEPSM 25) and has decided that:

1. The power of computers to be exported to Communist countries under the present "easy access" procedure shall be raised from its present level of a Processing Data Rate (PDR) of 8 million bits per second to 32 million bits per second, to be designated as the limit of the "Special Administrative Exception" procedure (thus ending the easy access terminology). The conditions of sale are specified in the attachment. Exports of computers exceeding this power shall be reviewed on a case-by-case basis and strictly limited to demonstrably peaceful applications.
2. The export of completed hardware for use as part of computer systems produced by Communist countries shall be restricted in number, performance, and presale conditions as specified in the attachment. Electromechanical peripheral equipment shall be decontrolled; spares for the equipment shall also be decontrolled, except where otherwise embargoed.

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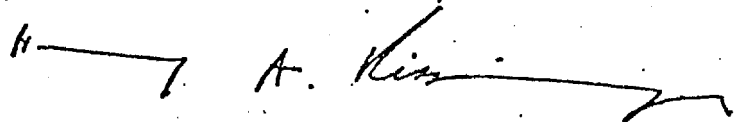
3. The export or transfer of computer technology, production facilities, specialized programs and comprehensive programming services shall continue to be restricted. These restraints shall include those placed on the means to design, develop, and produce computers, peripheral storage devices and storage media, displays, high speed memories, and electronic components. The permitted levels for the sale of production technology for magnetic peripherals and final system configuration are specified in the attachment. Technology uniquely related to electromechanical peripheral equipment shall be decontrolled, except where such technology is otherwise embargoed.
4. The differential practiced against the People's Republic of China in computer exports shall be removed so that export restrictions against the PRC shall be identical to those applied to East European countries and the Soviet Union.

The President has directed the further study of technical and administrative issues relating, in particular, to safeguard procedures and the means to control the export of technical information, training services, and software. The purpose of these studies will be to determine what measures are effective and economically feasible so that export restraints might then be appropriately modified.

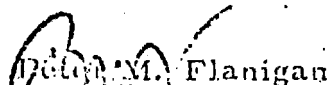
The President believes that a reduction in the administrative burden associated with processing license applications for computer exports is needed. Accordingly, he has directed that arrangements be worked out between the Department of Commerce and other Departments to simplify the administrative procedures for processing license applications for computers and associated equipment. The Department of Commerce shall also continue its effort to improve its internal procedures for reviewing computer license applications.

The President has directed the preparation of a comprehensive U. S. position for the 1974 COCOM computer list review, including a determination of those parameters left unspecified in the attachment. This effort shall be conducted by the Economic Defense Advisory Committee and the staffs of the Council on International Economic Policy and the National Security Council.

Attachment



Henry A. Kissinger



## DEFINITIONS OF TERMS

	IL-1565 Reference	
	IL-1565	IL-1565 Note
<b>I - <u>Computer Equipment Performance Parameters</u></b>		
1 - Central Processing Units	(d)	4 (b)
a - Processing Data Rate	1)	2)
b - Internal Memory Capacity	3)	3)
2 - Peripheral Memory Devices Other Than Magnetic Tape		
a - Peripheral Performance Factor (Restatement of comparison factor)	NA	4) iv)
PPF = $\frac{\text{Memory Capacity in million of bits}}{(\text{average access time in seconds})^{3/2}} \times 10^3$		
b - Effective Bit Transfer Rate	4) ii)	4) iii)
c - Memory Capacity	4) iv)	4) iv)
3 - Magnetic Tape Peripherals		
a - Longitudinal Bit Packing Density for 7 or 9 track, 1/2 inch tape	4) iii)	NA
b - Effective Bit Transfer Rate	4) iii)	4) iii)
c - Number of Magnetic Tape Peripherals	4) i)	4) i)
4 - Remote Communications (Terminal Devices)		
a - Total Effective Bit Transfer Rate	6) i)	5) i)

**II - Special Administrative Exception**

Exports of computer systems below the given performance levels would be automatically approved 28 days after submission to COCOM for review provided (1) the individual governments had assured COCOM that the end-use/end-user conditions were satisfied; (2) that the seller would visit (and report on the continuing end-use) the computer facility monthly (quarterly for lower performance computers in this range); and (3) the individual government submit a signed statement from the importing agency or end-user providing assurance of peaceful end-use, the right of access to the computer facility, and the assumption of the responsibility to report any significant change to the facts presented.

**III - Pre-Sale End-Use/End-User Information**

Level I - The present requirement for the purchaser or end-user to provide sufficient information to the licensing government to permit assessment of the transaction. In the COCOM International List, this requirement is stated as permitting government to export the specified equipment provided that:

The Government of the exporting country has assured itself that the equipment is primarily used in non-strategic applications;

The Government of the exporting country is reasonably satisfied that the equipment will be used primarily for the specific non-



strategic applications for which the export would be approved and that the number, type and characteristics of such equipment are normal for the approved use.

In addition, U. S. Export Control Regulations require the purchaser or end-user to sign a statement (Form FC-842) agreeing (1) to report in the future any material and substantive changes in the facts presented in the export request; and (2) not to dispose of the exported equipment without prior written approval of the Department of Commerce.

Level Ia - A modification of the present end-use/end-user conditions when considering sales of production quantities of products and for the disposition of products produced with Western licensed production technology to provide for post-facto reporting of ultimate end-use/end-user information. This modification is necessary in many instances since the original shipments are made to a Communist plant under a general assurance of non-strategic use and only at the time of shipment to the ultimate destination, can specific end-use/end-user be provided to the licensing government (see the present ad hoc procedures for handling OEM exports).

Level II - The present U. S. requirement for the purchaser or end-user to provide more complete and detailed end-use/end-user information for assessing requests for exports under the exceptions procedure (see the ACEP Interpretation 1). Although there is no formal requirement in COCOM to provide this additional information, the UK has agreed on a bilateral basis to provide this information for their exceptional cases.

Level IIa - This is a new proposal which requires, in addition to the information provided in II above, the submission to COCOM by the licensing government of a signed statement by the Communist importing agency or end-user providing assurance of peaceful end-use, the right of access to the computer facility and the assumption of the responsibility to report any significant change to the facts presented (see Form FC-842).

Level IIb - A modification of the end-use/end-user conditions of II above for Communist produced computers using equipment imported from the West or produced from Western production technology. Also included is a signed statement from the importing agency or production facility providing assurances of peaceful end-use, the right of access to the production facility and the assumption of the responsibilities to report any significant change to the facts presented.

#### IV - Post-Sale Safeguards

##### Level I

A - The end-user granting Western representatives of the vendor the right of free access to the computer facility and providing information on the utilization of the computer.

**B - Monthly visits (quarterly for lower performance computers in this range) by Western representatives of the vendor to assess that the computer is still being used for the approved purposes and that it has not been moved from the authorized location.**

**C - The vendor submitting reports on the results of their periodic visits to the appropriate licensing authorities.**

**V - Sale of Production Technology**

Exports of technology, including transfer of skills and data, necessary for fabrication, assembly and check-out of equipment of performance given in the Table under Sale of Production Technology are permitted provided certain conditions\* are satisfied. (Design technology and technology to produce embargoed or specially designed tools and test equipment are embargoed.)

**A - Technology for the manufacture of electromechanical peripherals excluding technology for electronic logic and memory elements.**

**B - Technology for the manufacture of magnetic tape transport drive mechanisms excluding technology for tape capstan drive and/or clamping mechanism, magnetic heads and tape.**

**C - Technology for the manufacture of magnetic disc drive mechanisms excluding technology for magnetic heads, servos and magnetic surfaces.**

\* Item IL 1565, Note 3 and Statement of Understanding thereto as may be modified to reflect decisions on options recommended in this study.

Table of Permitted Levels (See following pages for definition of terms)

Table of Computer Systems

- Administrative Exception
- Special Administrative Exception

Table of Production Qty. of Products

- Electro-Mechanical Peripherals
- Magnetic Peripherals

- Permitted final system configuration

Table of Production Technology

- Manuf. Electro-Mech. Peripherals
- Manuf. Magnetic Peripherals
- Permitted Final System Configuration

Central Processing Units	Peripheral Memory Devices other than Magnetic Tape			Magnetic Tape Peripherals			Remote Comm. TEBTR b/s	Pre-Sale End-User Condition	Nominal Post-Sale Safeguards	No. of Systems Supported Per Year	
	PDR 10 <sup>6</sup> b/s	Memory 10 <sup>6</sup> bits	PPI	Trans. Rate 10 <sup>6</sup>	Total Cap. 10 <sup>6</sup>	Packing Density bits/in.					Trans Rate 10 b/s
TBD*	TBD	TBD	1.5	TBD	TBD	1.5	12	TBD	I	none	NA**
32	4.72	TBD	TBD	TBD	---	1.5	12	9600	IIa	I	NA
---	---	---	---	---	---	---	---	---	none	none	NA
---	---	32	1.5	235	1600	0.96	---	---	TBD	none	
8	2.36	32	1.5	950	---	1.5	6	2400	TBD	none	TBD
---	---	---	---	---	---	---	---	---	none	none	NA
---	---	8	1.5	60	1600	0.96	---	---	Ia	none	
8	2.36	32	1.5	950	---	1.5	6	2400	IIb	none	200

\* To Be Determined  
 \*\* Not Applicable

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Executive Registry  
76-10240

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

SECRET GDS

October 12, 1976

DDI-5048-76

MEMORANDUM FOR

The Secretary of State  
The Secretary of the Treasury  
The Secretary of Defense  
The Secretary of Commerce  
The Administrator, Energy Research and  
Development Administration

SUBJECT: Exception to National Security Decision  
Memorandum 247/Council on International  
Economic Policy Decision Memorandum 22

The President has reviewed the memoranda of September 27 and  
October 1, 1976 from the Chairman of the Export Administration Review  
Board regarding sale of a Control Data Corporation computer system  
to the People's Republic of China (PRC) and has decided that:

No. R & W 202

-- The proposed computer sale is approved subject to the conditions  
of Annexes I and II of the Chairman's September 27 memorandum.

-- This decision is taken in the knowledge that the terms of the sale  
do not meet the safeguards requirements or the requirement for identical  
treatment of the PRC and the USSR provided for in NSDM 247/CIEPDM 22.  
An exception to that directive is granted for the following reasons:

• The Secretary of State has concluded that the sale is in the  
foreign policy interests of the United States.

• The Secretary of Defense, who is responsible for providing  
national security advice on export control matters, has concluded that  
the proposed transaction -- if subjected to the specific conditions of  
Annexes I and II of the Chairman's memorandum which are designed to  
detect and inhibit diversion -- will not make a significant contribution  
to the military potential of the PRC which would prove detrimental to  
the national security of the United States.

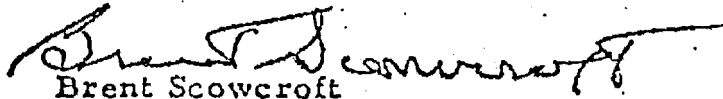
-- The requirements of NSDM 247/CIEPDM 22 remain in force, and  
the exception granted in this case does not establish a precedent for the

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relaxation of existing requirements applied to computer export sales to the USSR or other Communist countries, including the PRC.

  
Brent Scowcroft

cc: The Director of Central Intelligence  
Acting Executive Director, Council on International  
Economic Policy

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LOG NO: 1673

ER ~~EE~~  
Joanne Susan  
Mm Mo

Destroy

CY TO: \_\_\_\_\_

SENT: \_\_\_\_\_

FILE : Laboratory Transfer

NOTES:

~~HRD copy att'd. Orig. to D/IC  
per Jim 12-27.~~

~~[ ] called (11:20) on this. He  
wants you to look it over and give him  
a call to discuss who and how to answer.  
He'll be waiting for your call before he  
assigns action.~~

~~(Mm, 12/27/76)~~

Eileen: Double-checked with FE 12/29 --  
this is still on line, per his note.  
The note from McMahon was added after  
FE's note went to HRD and PAID -- but  
it makes no difference. Mm 12-29-76

50 Apr -  
purpose of research done -  
ended up being too sensitive  
no action taken -  
paper attached

STATINTEL

MEMORANDUM FOR:

Subject: Technology Drain Issue

Attached as requested:

- Talking Points
- Excerpts from Draft EARB Compliance Study
- Gorog Memo to the DCI

*ER: PAID or no?*

*Technology  
Transfer*

Date

TALKING POINTS

- There are two principal aspects to the controversy over what should be the role of the Intelligence Community in helping to stem the drain of advanced U.S. technology to the USSR:
  - a. Collection of evidentiary information needed by enforcement officials to abort or prosecute attempts to circumvent the Export Administration Act of 1969, as amended.

b.



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- Possibilities for increased Intelligence Community contribution to the collection aspect are discussed in a Commerce report on the effectiveness of the Export Control Compliance Program, now being drafted for the Export Administration Review Board (EARB). Involved here is domestic as well as foreign policy and the targets of enforcement action are, in every instance, U.S. citizens. Commerce may recommend that the Intelligence Community examine the feasibility of a larger intelligence role in this activity.
- The 21 December 76 letter to the DCI from William F. Gorog, Executive Director of the Council on International Economic Policy (CIEP), addresses solely the action aspect of the controversy. Recently the OAG working group took this issue under advisement, which is continuing. The DCI's representative on the OAG working group is the CIA Deputy Director for Operations.



## EXCERPTS FROM THE EARB COMPLIANCE STUDY

### Background

1. The U.S. compliance program derives its basic statutory authority from the Export Administration Act of 1969, as amended. The Act authorizes both civil and criminal penalties for violations of the Act and the regulations under it, grants powers of investigation, and establishes administrative proceedings which include a hearing process and an appeals procedure. Administrative penalties may take a number of forms including revocation of export licenses, general denial of export privileges, and monetary penalties. Criminal penalties include substantial fines or imprisonment for up to five years (or both), for knowing violations.

2. The Compliance Division of the Office of Export Administration, Department of Commerce, reviews information obtained from the intelligence agencies, the Foreign Service, the trade and other sources, conducts investigations, takes preventive action, and proposes sanctions and corrective measures. In addition, physical examinations of export shipments are made under a limited program of spot checking, and large numbers of shippers' export declarations are reviewed. Cases deemed sufficiently serious to merit criminal prosecution are of course referred to the Department of Justice.

3. Over one-half of the cases to date originated with information obtained from the trade. The originating information for nearly a quarter came from other government agencies, including the intelligence services. About one-third of the cases concerned violations in the U.S., and nearly eighty percent revealed illegal activities in Western Europe. Most of the cases involved electronic equipment, primarily computers, semiconductors and semiconductor manufacturing equipment. The average time to complete the five of the 51 cases which were closed out after formal action was just under 14 months.

4. There is difficulty in producing sufficient evidentiary material where violations with respect to U.S.-origin commodities occur abroad. These difficulties stem from less stringent enforcement policies on the part of other COCOM countries, from slowness in conducting investigations

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in these countries, from reluctance or inability to release information to the U.S. while they have investigations in process, and from an unwillingness on their part to permit parallel U.S. investigations within their borders. There is a basic predisposition on the part of other COCOM countries to minimize controls over trade with the Communist countries. It would be unrealistic to expect agreement now on any broader or more definitive multilateral compliance devices. A majority of diversions occur in Western Europe after export from the U.S. under validated export license.

### The Problem

5. While the Compliance Division is effective in initiating action on leads brought to it by other Government agencies or by the trade, it has no major and systematic means available to uncover deliberate diversionary activities. The only means available for guaranteeing that illegal shipments from the U.S. would be stopped completely is regular routine inspection of most export shipments of industrial goods. Such a solution is of course completely unrealistic. Furthermore, since most diversions occur in Europe after export from the U.S. under validated license, for such a program to be effective parallel steps would need to be taken in other COCOM countries -- an even more unlikely possibility.

6. The Compliance Division acquires intelligence reports from the CIA, the Defense Intelligence Agency, and the FBI on matters pertaining to actual or proposed exports which are possibly headed for proscribed destinations. The Division also reviews information provided by U.S. firms, businessmen and others. This intelligence reporting and information provides the basis on which preliminary inquiries are undertaken to determine whether a violation of the Export Administration Act has or is about to take place.

7. In the intelligence acquisition area, there is no program specifically designed to meet the requirements of the compliance program. Use in the compliance work of some of the pertinent intelligence that is collected is prevented or limited by classification problems. However, some of the information contained in documents so limited is released and provides a starting point for investigations.

8. A compliance program would need to be backstopped by a far-reaching intelligence acquisition effort by CIA

and other intelligence agencies, tailored to the needs of the program. Information thus acquired would have to be fully and immediately available to the Compliance Division of Commerce for analysis and appropriate action.

9. Whether illegal activity occurs in the U.S. or abroad, the investigative process must be effective enough to produce in a timely manner all of the evidentiary material necessary for remedial action. A successful compliance program must incorporate provision for the certain application of a scale or administrative and criminal sanctions sufficiently severe to act as an effective deterrent to wrongdoing.

#### Commerce's Recommendation

10. An interdepartmental committee should be established consisting of representatives of Commerce, State, and appropriate intelligence agencies, to plan and coordinate a program of intelligence acquisition for compliance purposes. This program should place emphasis on the specific needs of the compliance program, should be focussed on commodity areas known to be of special current interest to the Communist controlled countries, and it should particularly place emphasis on maximum availability of pertinent intelligence to compliance officials.

## Statistical Data

a. Cases

Three professional employees were responsible for the review of 2,324 intelligence reports during FY-1975. At the beginning of the year, 118 preliminary inquiries were pending. During the year 64 new inquiries were opened, six of which were converted to full-scale investigations and 39 of which were closed on the basis of no probable violation. Twenty-nine pre-licensing checks and 76 post-shipment checks were conducted to establish the bona fides of proposed transactions.

b. Sources of Intelligence

The original information upon which the 51 investigations were based came from the following sources:

Department of Commerce	11
Compliance Division	3
OEA Licensing Divisions	3
OEA Operations Division	1
OEA Policy Planning Div.	2
Bur. of East-West Trade	1
Office of Export Development	1
FBI	6
CIA	2
Foreign Service	2
Treasury Dept. Foreign Assets Control	1
Bureau of Customs	1
The trade	28

c. Locale of Violation

In 18 of the 51 cases there were violations of the Regulations within the U.S. In addition, there were 58 instances of violations in foreign countries, as follows:

Austria	4	Hong Kong	3	Panama	1
Belgium	1	Italy	1	Spain	1
Canada	6	Luxembourg	1	Switzerland	8
Denmark	1	Malaysia	1	UK	7
FRG	17	Netherlands	2	Yugoslavia	1
France	2	Norway	1		

There is a greater number of violations than cases because some cases involved violations both in the U.S. and abroad, others in more than one foreign country.

d. Commodity Focus

The 51 cases fell into the following general commodity categories:

Computers and Computer-related equipment	18
Electronic Equipment (e.g., test equipment, semi-conductor)	15
Aircraft and related equipment	1
Capital goods (e.g., machine tools, semi-conductor manufacturing equipment)	15
Photographic equipment	4
(Two cases fell in two categories.)	

e. Strategic Significance

Forth-six of the 51 cases had strategic significance in the sense that they involved shipments of COCOM-controlled strategic commodities and the ultimate destinations were one or more proscribed Communist countries. The numbers and total value for each country were as follows:

	<u>Number</u> <sup>1/</sup>	<u>Value</u> <sup>2/</sup>
Bulgaria	6	\$1,133,840
Czechoslovakia	3	57,000
GDR	1	3/
Hungary	3	42,175
PRC	6	127,245
Poland	12	772,035
USSR	17	4,643,600
"Eastern Europe" or combination of 2 or more countries		2,697,840
<b>Total</b>		<b>\$9,473,735</b>

DCI/DDGK  
Routing Slip

*W*

*HRO*

TO:

		ACTION	INFO.			ACTION	INFO.
1	DCI			11	LC		
2	DDCI		X	12	IG		
3	S/MC			13	Compt		
4	DDS&T			14	Asst/DCI		
5	DDI		X	15	AO/DCI		
6	DDM&S			16	Ex/Sec		
7	DDO			17			
8	D/DCI/IC	X		18			
9	D/DCI/NIG		X	19			
10	GC			20			

SUSPENSE

Date

Remarks:

Please develop response.

*CA*  
DCI/RDGKx

12/23/76

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Approved For Release 2006/10/18 : CIA-RDP83M00171R001200080005-1

Executive Registry

**EXECUTIVE OFFICE OF THE PRESIDENT**  
**COUNCIL ON INTERNATIONAL ECONOMIC POLICY**  
WASHINGTON, D. C. 20500

December 21, 1976

Dear George:

For the past several years the Council on International Economic Policy has addressed the issue of technology transfer to the Soviet Union. One of our main efforts was a study of computer exports to Communist countries, a project in which CIA was a principal and valuable participant. As a consequence of that study, the export to the USSR of technology, integrated circuit equipment, and computer manufacturing know-how was precluded. The policy is specified in National Security Decision Memorandum 247.

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Approved For Release 2006/10/18 : CIA-RDP83M00171R001200080005-1

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I very much appreciate any help CIA can give us.

Sincerely,



William F. Gorog  
Executive Director

The Honorable George Bush  
Director of Central Intelligence Agency  
Washington, D. C. 20505

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74-1088

X 12  
73-685  
3-63

THE WHITE HOUSE  
WASHINGTON

March 14, 1974

DDI-812-74

SECRET - GDS

National Security Decision Memorandum 247

Council on International Economic Policy Decision Memorandum 22

MEMORANDUM FOR

- The Secretary of the Treasury
- The Secretary of Defense
- The Secretary of Commerce
- The Chairman, U. S. Atomic Energy Commission
- The Director of Central Intelligence
- The Deputy Secretary of State
- The Director, National Security Agency
- The Director, National Science Foundation

SUBJECT: U. S. Policy on the Export of Computers to Communist Countries

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2. The export of completed hardware for use as part of computer systems produced by Communist countries shall be restricted in number, performance, and presale conditions as specified in the attachment. Electromechanical peripheral equipment shall be decontrolled; spares for the equipment shall also be decontrolled, except where otherwise embargoed.

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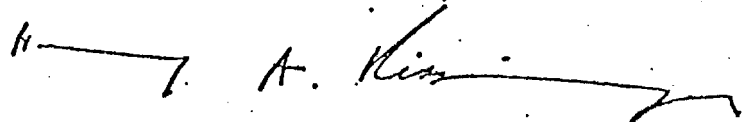
3. The export or transfer of computer technology, production facilities, specialized programs and comprehensive programming services shall continue to be restricted. These restraints shall include those placed on the means to design, develop, and produce computers, peripheral storage devices and storage media, displays, high speed memories, and electronic components. The permitted levels for the sale of production technology for magnetic peripherals and final system configuration are specified in the attachment. Technology uniquely related to electromechanical peripheral equipment shall be decontrolled, except where such technology is otherwise embargoed.
4. The differential practiced against the People's Republic of China in computer exports shall be removed so that export restrictions against the PRC shall be identical to those applied to East European countries and the Soviet Union.

The President has directed the further study of technical and administrative issues relating, in particular, to safeguard procedures and the means to control the export of technical information, training services, and software. The purpose of these studies will be to determine what measures are effective and economically feasible so that export restraints might then be appropriately modified.


The President believes that a reduction in the administrative burden associated with processing license applications for computer exports is needed. Accordingly, he has directed that arrangements be worked out between the Department of Commerce and other Departments to simplify the administrative procedures for processing license applications for computers and associated equipment. The Department of Commerce shall also continue its effort to improve its internal procedures for reviewing computer license applications.

The President has directed the preparation of a comprehensive U. S. position for the 1974 COCOM computer list review, including a determination of those parameters left unspecified in the attachment. This effort shall be conducted by the Economic Defense Advisory Committee and the staffs of the Council on International Economic Policy and the National Security Council.

Attachment



Henry A. Kissinger



**DEFINITIONS OF TERMS**

	IL-1565 Reference	
	IL-1565 (d)	IL-1565 Not 4 (b)
<b>I - <u>Computer Equipment Performance Parameters</u></b>		
1 - Central Processing Units		
a - Processing Data Rate	1)	2)
b - Internal Memory Capacity	3)	3) :
2 - Peripheral Memory Devices Other Than Magnetic Tape		
a - Peripheral Performance Factor (Restatement of comparison factor)	NA	4) iv)
PPF = $\frac{\text{Memory Capacity in million of bits}}{(\text{average access time in seconds})^{3/2}} \times 10^3$		
b - Effective Bit Transfer Rate	4) ii)	4) iii)
c - Memory Capacity	4) iv)	4) iv)
3 - Magnetic Tape Peripherals		
a - Longitudinal Bit Packing Density for 7 or 9 track, 1/2 inch tape	4) iii)	NA
b - Effective Bit Transfer Rate	4) iii)	4) iii)
c - Number of Magnetic Tape Peripherals	4) i)	4) i)
4 - Remote Communications (Terminal Devices)		
a - Total Effective Bit Transfer Rate	6) i)	5) i)

**II - Special Administrative Exception**

Exports of computer systems below the given performance levels would be automatically approved 28 days after submission to COCOM for review provided (1) the individual governments had assured COCOM that the end-use/end-user conditions were satisfied; (2) that the seller would visit (and report on the continuing end-use) the computer facility monthly (quarterly for lower performance computers in this range); and (3) the individual government submit a signed statement from the importing agency or end-user providing assurance of peaceful end-use, the right of access to the computer facility, and the assumption of the responsibility to report any significant change to the facts presented.

**III - Pre-Sale End-Use/End-User Information**

Level I - The present requirement for the purchaser or end-user to provide sufficient information to the licensing government to permit assessment of the transaction. In the COCOM International List, this requirement is stated as permitting government to export the specified equipment provided that:

The Government of the exporting country has assured itself that the equipment is primarily used in non-strategic applications;

The Government of the exporting country is reasonably satisfied that the equipment will be used primarily for the specific non-

strategic applications for which the export would be approved and that the number, type and characteristics of such equipment are normal for the approved use.

In addition, U.S. Export Control Regulations require the purchaser or end-user to sign a statement (Form FC-842) agreeing (1) to report in the future any material and substantive changes in the facts presented in the export request; and (2) not to dispose of the exported equipment without prior written approval of the Department of Commerce.

Level Ia - A modification of the present end-use/end-user conditions when considering sales of production quantities of products and for the disposition of products produced with Western licensed production technology to provide for post-facto reporting of ultimate end-use/end-user information. This modification is necessary in many instances since the original shipments are made to a Communist plant under a general assurance of non-strategic use and only at the time of shipment to the ultimate destination, can specific end-use/end-user be provided to the licensing government (see the present ad hoc procedures for handling OEM exports).

Level II - The present U.S. requirement for the purchaser or end-user to provide more complete and detailed end-use/end-user information for assessing requests for exports under the exceptions procedure (see the ACEP Interpretation 1). Although there is no formal requirement in COCOM to provide this additional information, the UK has agreed on a bilateral basis to provide this information for their exceptional cases.

Level IIa - This is a new proposal which requires, in addition to the information provided in II above, the submission to COCOM by the licensing government of a signed statement by the Communist importing agency or end-user providing assurance of peaceful end-use, the right of access to the computer facility and the assumption of the responsibility to report any significant change to the facts presented (see Form FC-842).

Level IIb - A modification of the end-use/end-user conditions of II above for Communist produced computers using equipment imported from the West or produced from Western production technology. Also included is a signed statement from the importing agency or production facility providing assurances of peaceful end-use, the right of access to the production facility and the assumption of the responsibilities to report any significant change to the facts presented.

#### IV - Post-Sale Safeguards

##### Level I

A - The end-user granting Western representatives of the vendor the right of free access to the computer facility and providing information on the utilization of the computer.

- Approved For Release 2006/10/18 : CIA-RDP83M00171R001200080005-1
- B - Monthly visits (quarterly for lower performance computers) to assess that the computer is still being used for the approved purposes and that it has not been moved from the authorized location.
- C - The vendor submitting reports on the results of their periodic visits to the appropriate licensing authorities.

V - Sale of Production Technology

Exports of technology, including transfer of skills and data, necessary for fabrication, assembly and check-out of equipment of performance given in the Table under Sale of Production Technology are permitted provided certain conditions\* are satisfied. (Design technology and technology to produce embargoed or specially designed tools and test equipment are embargoed.)

- A - Technology for the manufacture of electromechanical peripherals excluding technology for electronic logic and memory elements.
- B - Technology for the manufacture of magnetic tape transport drive mechanisms excluding technology for tape capstan drive and/or clamping mechanism, magnetic heads and tape.
- C - Technology for the manufacture of magnetic disc drive mechanisms excluding technology for magnetic heads, servos and magnetic surfaces.

\* Item IL 1565, Note 3 and Statement of Understanding thereto as may be modified to reflect decisions on options recommended in this study.

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Table of Permitted Levels (See following pages for definition of terms)

	Central Processing Units		Peripheral Memory Devices other than Magnetic Tape			Magnetic Tape Peripherals			Remote Comm.	Pre-Sale End-User Condition	Nominal Post-Sale Safeguards	No. of Systems Supported Per Year
	PDR 10 <sup>6</sup> b/s	Memory 10 <sup>6</sup> bits	PPH	Trans. Rate 10 <sup>6</sup>	Total Cap. 10 <sup>6</sup>	Packing Density bits/in.	Trans Rate 10 b/s	Number	TEBTR b/s			
<u>Sale of Computer Systems</u>												
1. Administrative Exception	TBD*	TBD	TBD	1.5	TBD	TBD	1.5	12	TBD	I	none	NA**
2. Special Administrative Exception	32	4.72	TBD	TBD	TBD	---	1.5	12	9600	IIa	I	NA
<u>Sale of Production Qty. of Products</u>												
1. Electro-Mechanical Peripherals	---	---	---	---	---	---	---	---	---	none	none	NA
2. Magnetic Peripherals	---	---	32	1.5	235	1600	0.96	---	---	TBD	none	
3. Permitted final system configuration	8	2.36	32	1.5	950	---	1.5	6	2400	TBD	none	TBD
<u>Sale of Production Technology</u>												
1. Manuf. Electro-Mech. Peripherals	---	---	---	---	---	---	---	---	---	none	none	NA
2. Manuf. Magnetic Peripherals	---	---	8	1.5	60	1600	0.96	---	---	Ia	none	
3. Permitted Final System Configuration	8	2.36	32	1.5	950	---	1.5	6	2400	IIb	none	200

\* To Be Determined  
\*\* Not Applicable

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76-10240

## NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

SECRET GDS

October 12, 1976

DDI-5048-76

## MEMORANDUM FOR

The Secretary of State  
 The Secretary of the Treasury  
 The Secretary of Defense  
 The Secretary of Commerce  
 The Administrator, Energy Research and  
 Development Administration

## SUBJECT:

Exception to National Security Decision  
 Memorandum 247/Council on International  
 Economic Policy Decision Memorandum 22

The President has reviewed the memoranda of September 27 and October 1, 1976 from the Chairman of the Export Administration Review Board regarding sale of a Control Data Corporation computer system to the People's Republic of China (PRC) and has decided that:

-- The proposed computer sale is approved subject to the conditions of Annexes I and II of the Chairman's September 27 memorandum.

-- This decision is taken in the knowledge that the terms of the sale do not meet the safeguards requirements or the requirement for identical treatment of the PRC and the USSR provided for in NSDM 247/CIEPDM 22. An exception to that directive is granted for the following reasons:

• The Secretary of State has concluded that the sale is in the foreign policy interests of the United States.

• The Secretary of Defense, who is responsible for providing national security advice on export control matters, has concluded that the proposed transaction -- if subjected to the specific conditions of Annexes I and II of the Chairman's memorandum which are designed to detect and inhibit diversion -- will not make a significant contribution to the military potential of the PRC which would prove detrimental to the national security of the United States.

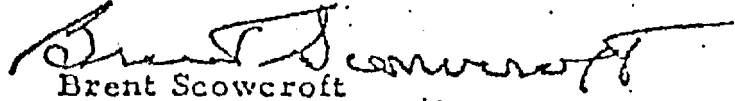
-- The requirements of NSDM 247/CIEPDM 22 remain in force, and the exception granted in this case does not establish a precedent for the

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relaxation of existing requirements applied to computer export sales to the USSR or other Communist countries, including the PRC.

  
Brent Scowcroft

cc: The Director of Central Intelligence  
Acting Executive Director, Council on International  
Economic Policy

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Commerce Report of 13 Aug 76

For: state: Robert Wright  
Olivier Anderson

Defense: Maurice Mountain  
Eugene Murphy

ERDA: Jeremiah Kratz  
John Rooney

CIA :



25X11A

Subj: FARB compliance study