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Pentagon's Firm Control Over Export Licenses May Lessen in Face of Politics, Big Trade Gaps

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WASHINGTON—In six years, the Pentagon's export-control office burgeoned into one of Washington's most feared bureaucracies. Its small army of computer whiz kids and military sleuths bullied other bureaucrats and antagonized business executives in blocking hundreds of export licenses on grounds that they would help the Soviets gain militarily useful Western technologies.

"They're on an ego trip. What really bothered me (during a visit) was that they had a brigadier general serve me a cup of coffee," complains George Kachajian, a New Jersey businessman whose efforts to sell to Eastern bloc countries has been tangled in red tape for nearly three years.

Many other companies complain that the Pentagon office has snarled up billions of dollars in proposed sales to noncommunist countries by refusing export permission outright or by insisting that foreign buyers honor U.S. curbs governing reexport to the Soviet bloc.

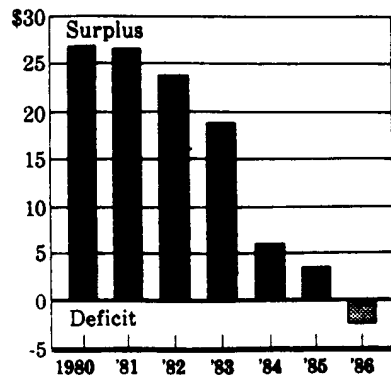
But now, politics and huge trade deficits have combined to shift the momentum away from the export-control office. President Reagan, stressing a theme of competitiveness, is calling for fewer restraints on trade. Congress is responding with a flurry of legislation to streamline regulations and pare back the Pentagon's grip on export controls. And Richard Perle, a skilled bureaucratic infighter who oversees the Pentagon operation, plans to leave government soon.

Now it's the Pentagon group's turn to feel under siege. "I'm very much concerned that under the rubric of competitiveness there will be a push to relax the restrictions that are intended to prevent the Soviets from using Western technology for military purposes," says Mr. Perle, the Defense Department's assistant secretary for international security policy.

Other Pentagon officials aren't so despairing, but they concede that competing priorities have captured center stage. In what many of the Pentagon's critics consider a coup, President Reagan emphasized trade in his January State of the Union address, calling for the government to do "everything possible to promote America's ability to compete." And the National Academy of Sciences issued a report charging that the Pentagon's crackdown

High-Technology Trade Balance for U.S.

(In billions of dollars)



Source: Congressional Joint Economic Committee

on exporting technology had gone too far and calling for "a more balanced policy-making process."

Adds Secretary of Commerce Malcolm Baldrige, who is trying to regain from the Pentagon primacy over exports to other Western countries: "For too long the bickering in Washington has been one more unfair trade barrier interfering with the flow of legitimate trade."

Among the bills that Congress will be considering is a House measure that would rescind a presidential directive that gave the Defense Department the right to veto export licenses to Western countries as well as Eastern bloc nations. "We've felt very strongly about this for a number of years," says an aide to Rep. Bill Frenzel (R., Minn.), the bill's sponsor. "But this is the first time we've felt the momentum is heading our way."

The drive to humble the powerful Pentagon office also is fueled by the accumulated resentment of bureaucrats and business executives. A former Commerce Department official who specialized in export controls recalls a protracted fight with the office over whether ailing International Harvester Corp. could sell Moscow blueprints for building a combine-producing factory. He says the Pentagon officials argued that the Soviets would use it to build armored personnel carriers.

Mr. Kachajian, the New Jersey businessman, knows first hand how effectively the Defense Department can block exports to communist nations. His company, Silicon Technology Corp., converts silicon rods—the raw material of computer chips—into smaller wafers that are used in

manufacturing. He asserts that the Pentagon since 1985 has been blocking sales to Eastern Europe by arguing over technical details, despite a change in the trade law that was supposed to permit such sales if the product is available from other suppliers.

Paul Freedenberg, assistant commerce secretary for trade administration, says foreign manufacturers are avoiding use of American parts in products they design. "Foreign companies don't want to fool with American parts if that means they have to go through this rigorous licensing process" before exporting the product, he says.

Stephen Bryen, who runs the Pentagon office, concedes that it has barred proposed exports of items such as urinalysis equipment and even gloves for meatcutters because these items contained materials or parts that are used in military equipment. But he argues that other U.S. agencies haven't shown adequate national-security concerns for some proposed exports. Last year, for example, the Pentagon office blocked the sale of \$6 million of combat radios sought by a "fig farm" in Libya. Mr. Bryen says that when he suggested that the actual recipient was probably the Libyan army, Commerce Department officials protested and argued for the sale to go through.

And sometimes seemingly innocuous products have military uses. For example, the Pentagon once overruled a Commerce Department approval of a plan to sell the Soviet Union equipment to test the hardness of concrete. Although the Soviets said the equipment would be used for apartment construction, defense experts discovered that it could also be used to test the hardness of missile silos.

The Pentagon technology experts have had some clear investigative successes. Several months ago, they tracked down a sophisticated sonar device that a Japanese firm had bought in the U.S. and sold to a Norwegian intermediary who sent it on to Japan. Waiting at the end of this complex chain of filters was the Soviet navy. The Pentagon group used intelligence leads to hunt down the sonar device and recently intercepted it through Japanese customs officials. The equipment helps surface ships locate vessels on the ocean floor, and was used by the U.S. Navy in locating the Titanic.

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The Pentagon estimates that if its program didn't exist, the Soviets could save between \$4.6 billion and \$12 billion by acquiring from noncommunist nations the technologies needed to modernize their military. And in response to the Soviet gains, the U.S. and its allies would have to spend between \$5 billion and \$13.2 billion, the Pentagon says.

The National Academy of Sciences report finds that export controls don't address this problem. It says that "export controls are not a means for controlling espionage, which alone accounts for a high proportion of successful Soviet acquisition activities." Mr. Bryen dismisses the group's study as "a sloppy report."

Despite the signs that the Defense Department is being nibbled at by critics, many doubt whether the tough-minded

group will actually give much ground. "I see symbolic moves toward a balanced program," says Rep. Don Bonkers (D., Wash.), chairman of the House Foreign Affairs subcommittee on international economic policy and trade. "My experience

has been that the Defense Department is very effective at blocking any final decision or policy change. Secretary Baldrige will proclaim victory but he'll get down to the one-yard line and never cross the goal line."