

27 January 1988

Bob:

Here are the proposed remarks on technology transfer our speechwriters prepared for you. They worked from draft remarks and background material supplied by McClellan A. DuBois, chief of the Technology Transfer Assessment Center (TTAC) in the Office of Scientific and Weapons Research. I have attached the background material as well, including the most recent Agency White Paper on the technology transfer issue.

The speech addresses two basic themes: the large-scale, highly successful campaign by the Soviet Union to acquire Western technology; and the role played by the CIA in the debate on technology transfer. Specifically, there is reference to the new CIA methodology developed by TTAC which simulates the Soviet decision-making process for weapons design, development, production, and deployment. This approach attempts to identify Soviet collection requirements by assessing Soviet needs, and TTAC believes it would yield a list of truly critical items--from the Soviet view. While this methodology is still in its early stages and further development depends on funding approval, TTAC believes that a discussion of the Agency's approach would be most appropriate before an audience such as the American Electronics Association.

*WMB*  
Bill Baker

Attachments:  
As Stated

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PROPOSED REMARKS BY  
ROBERT M. GATES  
DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE  
ON  
TECHNOLOGY TRANSFER

GOOD AFTERNOON. I WOULD LIKE TO TALK TODAY ABOUT AN  
ISSUE THAT IS IMPORTANT TO ME AND I THINK CERTAINLY TO YOU  
-- TECHNOLOGY TRANSFER -- SPECIFICALLY, TECHNOLOGY  
TRANSFER TO THE SOVIET UNION AND OTHER WARSAW PACT  
STATES. WHILE THE UNITED STATES AND ITS ALLIES HAVE  
SOUGHT TO PREVENT THE EXPORT OF MILITARILY USEFUL  
EQUIPMENT AND TECHNOLOGY TO THE WARSAW PACT FOR SOME 40  
YEARS, TECHNOLOGY TRANSFER CONTINUES TO BE THE SUBJECT OF  
DEBATE AND DISHARMONY. DEPENDING ON YOUR POINT OF VIEW,  
THE CENTRAL INTELLIGENCE AGENCY HAS EITHER HURT OR HELPED  
THE DEBATE ON TECHNOLOGY TRANSFER; IN ANY CASE, WE HAVE  
PLAYED A MAJOR ROLE. I PLAN TO DISCUSS THIS ROLE IN  
DETAIL, AS WELL AS A METHODOLOGY WE AT THE CIA HAVE

DEVELOPED THAT ANTICIPATES SOVIET TECHNOLOGICAL NEEDS IN THE FUTURE. BUT FIRST I WANT TO TALK ABOUT THE LARGE-SCALE, HIGHLY SUCCESSFUL CAMPAIGN BY THE SOVIET UNION TO ACQUIRE WESTERN TECHNOLOGY FOR ITS MILITARY PROJECTS. THE SUCCESS THE SOVIETS HAVE ENJOYED IN USING OUR KNOW-HOW TO DEVELOP AND ENHANCE THEIR OWN SYSTEMS POSES A REAL THREAT TO OUR NATIONAL SECURITY.

TWO RECENT CASES ILLUSTRATE THIS THREAT. YOU WILL REMEMBER THE ILLEGAL SALE BY JAPAN'S TOSHIBA CORPORATION AND NORWAY'S KONGSBERG COMPANY OF MILLING MACHINES AND COMPUTER CONTROLS THAT MAY HELP THE SOVIETS PRODUCE QUIETER SUBMARINE PROPELLERS. WE NEVER WANT TO REPEAT THE EXPERIENCE OF THE TOSHIBA-KONGSBERG CASE. THERE, THROUGH SELLING SOPHISTICATED TECHNOLOGY TO THE SOVIETS, THE JAPANESE AND NORWEGIAN FIRMS SERIOUSLY JEOPARDIZED AMERICA'S MULTIBILLION DOLLAR SUBMARINE DEFENSES, AS WELL AS THE SECURITY OF THEIR OWN NATIONS.

THE CONSARC CASE IS YET ANOTHER EXAMPLE OF SENSITIVE AND SOPHISTICATED TECHNOLOGY WINDING UP IN THE WRONG HANDS. THE SCOTTISH SUBSIDIARY OF CONSARC, AN AMERICAN COMPANY, PROVIDED THE SOVIETS WITH EQUIPMENT USEFUL FOR THE PRODUCTION OF CARBON-CARBON, AN ADVANCED, HEAT-RESISTANT MATERIAL THAT CAN INCREASE THE ACCURACY OF NUCLEAR WARHEADS.

THE WELL-ORGANIZED AND WELL-FINANCED EFFORT BY THE SOVIET UNION TO OBTAIN WESTERN HARDWARE AND KNOW-HOW IS DOCUMENTED IN THE WIDELY AVAILABLE PUBLICATION SOVIET ACQUISITION OF MILITARILY SIGNIFICANT WESTERN TECHNOLOGY: AN UPDATE. ALTHOUGH RELEASED BY FORMER SECRETARY OF DEFENSE WEINBERGER IN SEPTEMBER 1985, IT IS ONE OF THE WORST KEPT SECRETS IN WASHINGTON THAT THE CIA WROTE IT. I URGE ANYONE WHO HAS NOT YET SEEN IT TO READ IT.

FROM THE SCOPE AND VOLUME OF TRANSACTIONS WE HAVE OBSERVED, IT IS CLEAR THAT THE SOVIET APPETITE FOR WESTERN TECHNOLOGY IS ENORMOUS. FOR EXAMPLE:

- TO IMPROVE DESIGNS OF FUTURE WEAPONS SYSTEMS AND TO HELP DEVELOP COUNTERMEASURES FOR WESTERN SYSTEMS, THE SOVIETS COLLECTED 6,000-10,000 HARDWARE ITEMS AND 100,000 DOCUMENTS EACH YEAR IN THE LATE 1970s AND EARLY 1980s.
- TO BOLSTER THE ACTUAL PRODUCTION OF WEAPONS SYSTEMS, THE SOVIETS ACQUIRED -- ILLEGALLY -- HUNDREDS AND IN SOME CASES THOUSANDS OF MACHINE TOOLS, COMPUTER, AND MICROELECTRONIC MANUFACTURING EQUIPMENT.
- TO ENHANCE THEIR OWN EQUIPMENT AND IN SOME CASES WEAPON SYSTEMS, THEY ACQUIRE AT LEAST 50 MILLION INTEGRATED CIRCUITS ILLEGITLY EACH YEAR.

IT IS IMPORTANT TO NOTE THAT ABOUT 60 PERCENT OF THE DOCUMENTS AND HARDWARE ACQUISITIONS CONSIDERED TO BE THE MOST SIGNIFICANT TO THE SOVIETS IS OF U.S. ORIGIN. THESE ACQUISITIONS, HOWEVER, ARE NOT NECESSARILY COLLECTED IN THE UNITED STATES.

THE BENEFITS OF WESTERN TECHNOLOGY FOR THE WARSAW PACT HAVE BEEN TREMENDOUS.

- IN THE EARLY 1980s, FOR EXAMPLE, MORE THAN 5,000 MILITARILY RELATED PROJECTS IN THE SOVIET UNION BENEFITED FROM WESTERN HARDWARE AND TECHNICAL DOCUMENTS EACH YEAR. OVER HALF OF THESE PROJECTS WERE IN THE ELECTRONICS AND THE ARMOR AND ELECTRO-OPTICS INDUSTRIES.
- IN TERMS OF SPECIFIC WEAPONS SYSTEMS, WE HAVE SEEN THE IMPACT OF PURLOINED WESTERN TECHNOLOGY IN SOVIET RADARS, GUIDANCE SYSTEMS, CRUISE

MISSILES, ANTI-SUBMARINE WEAPONS, LASER-GUIDED  
ARTILLERY SHELLS, AND ANTI-TANK MISSILES, TO NAME  
A FEW.

THE SOVIET ACQUISITION EFFORT CONSISTS OF THREE  
DISTINCT, BUT SOMEWHAT OVERLAPPING CHANNELS. WE REFER TO  
ONE AS THE OPEN SOURCE CHANNEL. WE ESTIMATE THAT EVERY  
YEAR NEARLY HALF A MILLION UNCLASSIFIED DOCUMENTS ON  
TECHNICAL SUBJECTS ARE ACQUIRED BY THE SOVIETS. THIS  
CHANNEL IS THE LEAST IMPORTANT IN TERMS OF MILITARY  
CRITICALITY, BUT IT IS USED TO SUPPORT AND IMPROVE THE  
TARGETING OF THE OTHER CHANNELS. OTHER THAN A MORE  
THOROUGH REVIEW OF UNCLASSIFIED GOVERNMENT PUBLICATIONS,  
THERE IS LITTLE WE CAN DO TO PREVENT THE LOSS OF KNOW-HOW  
THROUGH THIS CHANNEL. WE CONSIDER THIS THE COST OF DOING  
BUSINESS IN A FREE SOCIETY.



IN TERMS OF DIRECT IMPACT ON STRATEGIC ISSUES, THE OTHER TWO CHANNELS ARE MORE IMPORTANT. THE FIRST OF THESE IS HEADED BY THE USSR MILITARY INDUSTRIAL COMMISSION, OR VPK, AND SUPPORTS THE DEFENSE INDUSTRIAL MINISTRIES. THE VPK SEEKS ONE-OF-A-KIND MILITARY AND DUAL-USE HARDWARE, BLUEPRINTS, PRODUCT SAMPLES, AND TEST EQUIPMENT TO IMPROVE THE TECHNICAL LEVELS AND PERFORMANCE OF SOVIET WEAPONS AND MILITARY EQUIPMENT. THIS PROGRAM, A \$1.4 BILLION SOVIET INDUSTRY, INVOLVES ESPIONAGE BY HOSTILE INTELLIGENCE OFFICERS, OVERT COLLECTION BY BLOC OFFICIALS, ACQUISITION BY SCIENTIFIC EXCHANGE PROGRAM PARTICIPANTS, AND ILLEGAL TRADE-RELATED ACTIVITY. IN THE LATE 1970s AND EARLY 1980s, THE VPK PROGRAM REDIRECTED SOVIET TECHNICAL APPROACHES IN ABOUT 100 PROJECTS EACH YEAR FOR ONGOING WEAPONS SYSTEMS AND KEY MILITARY EQUIPMENT. IT ALSO INITIATED SEVERAL HUNDRED NEW RESEARCH PROJECTS ANNUALLY

ON TOPICS THAT HAD NOT BEEN UNDER CONSIDERATION. THE VPK PROGRAM RAISED THE TECHNICAL LEVELS OF SEVERAL THOUSAND DEVELOPMENTAL PROJECTS EVERY YEAR. MOREOVER, IT ELIMINATED OR SHORTENED PHASES OF MORE THAN A THOUSAND MILITARY RESEARCH PROJECTS EACH YEAR.

THE OTHER PROGRAM, WHICH IS SUBSTANTIALLY DIFFERENT FROM THE VPK PROGRAM, INVOLVES THE SOVIET MINISTRY OF FOREIGN TRADE AND SOVIET INTELLIGENCE SERVICES. THEY MANAGE AN ELABORATE TRADE DIVERSION PROGRAM TO OBTAIN -- LEGALLY AND ILLEGALLY -- DUAL-USE MANUFACTURING AND TEST EQUIPMENT FOR DIRECT USE IN SOVIET PRODUCTION LINES. THIS PROGRAM SEEKS EXPORT CONTROLLED COMPUTERS, MICROELECTRONICS, MACHINE TOOLS, ROBOTICS, AND OTHER EQUIPMENT TO INCREASE THE OUTPUT OF SOVIET DEFENSE-RELATED INDUSTRIES. THE SOVIETS USE WESTERN BUSINESSMEN AND TRADE BROKERS, DUMMY FIRMS, DECEPTIVE EQUIPMENT DESCRIPTIONS.

FALSE LICENSES, AND OTHER METHODS TO ACQUIRE THIS EQUIPMENT.

THE SOVIET UNION HAS MADE GREAT STRIDES IN MICROELECTRONICS OVER THE LAST FEW YEARS BY RELYING ON THESE SCHEMES. THIS SOVIET PROGRESS HAS REDUCED THE OVERALL WESTERN LEAD IN MICROELECTRONICS FROM 10-12 YEARS IN THE MID-1970s TO 4 TO 6 YEARS TODAY.

IT IS IMPORTANT TO KEEP IN MIND TWO POINTS ABOUT THE VPK AND TRADE DIVERSION PROGRAMS I HAVE DESCRIBED:

- FIRST, THE VPK PROGRAM HAS ITS BIGGEST IMPACT IN THE DESIGN STAGE OF A SOVIET WEAPON, WHILE THE TRADE DIVERSION EFFORT HAS ITS IMPACT IN THE PRODUCTION/DEPLOYMENT STAGES.
- SECOND, BECAUSE OF WHAT THEY COLLECT AND WHO COLLECTS IT, THE BEST DEFENSE AGAINST THE VPK PROGRAM IS GOOD COUNTERINTELLIGENCE AND GOOD

INDUSTRIAL SECURITY; THE BEST DEFENSE AGAINST THE  
TRADE DIVERSION PROGRAM IS EXPORT ENFORCEMENT.

NOW THAT WE HAVE DISCUSSED THE NATURE AND EXTENT OF  
THE SOVIET EFFORT TO ACQUIRE WESTERN EQUIPMENT AND  
KNOW-HOW, I'D LIKE TO DISCUSS THE CENTRAL INTELLIGENCE  
AGENCY'S ROLE IN STEMMING THE FLOW OF MILITARILY-USEFUL  
TECHNOLOGY TO THE SOVIETS.

OUR BIGGEST ROLE HAS BEEN AS A COLLECTOR AND ANALYST  
OF INFORMATION. TWICE IN THE PAST FEW YEARS WE HAVE MADE  
A LARGE VOLUME OF FACTS OPENLY AVAILABLE ABOUT THE SOVIET  
EFFORT TO ACQUIRE TECHNOLOGY, AND WE HAVE PROVIDED  
ANALYTICAL CONCLUSIONS ABOUT THE IMPACT OF THIS EFFORT ON  
THE EAST-WEST STRATEGIC BALANCE. SOME OF OUR ANALYSIS HAS  
MADE PEOPLE ANGRY, SOMETIMES AT US. FOR EXAMPLE:

- OUR DISCOVERY AND ANALYSIS OF THE  
TOSHIBA-KONGSBERG CASE HAS CONTRIBUTED TO THE

CONGRESSIONAL DRIVE TO MAKE COCOM A MORE  
EFFECTIVE ORGANIZATION.

- OUR RESEARCH SHOWING THAT KEY COCOM COUNTRIES  
LACK THE MEANS AND IN SOME CASES THE WILL TO  
ENFORCE EXPORT CONTROLS DID NOT MAKE US MANY  
FRIENDS OVERSEAS.
- OUR DATA SHOWING THAT THE SOVIETS STILL WANT U.S.  
TECHNOLOGY AND EQUIPMENT MORE THAN ANY OTHER  
SOURCE GIVES A VOTE OF CONFIDENCE TO U.S.  
INDUSTRY. BUT IT NECESSARILY UNDERCUTS INDUSTRY  
EFFORTS FOR WIDESPREAD DECONTROL OF THEIR  
PRODUCTS.

THESE CONCLUSIONS HAVE EVOKED DIFFERENT REACTIONS FROM  
AMERICAN SCHOLARS, INTELLIGENCE OFFICERS, POLICYMAKERS,  
AND BUSINESSMEN. ALMOST EVERYONE AGREES, HOWEVER, THAT  
INDUSTRIAL ESPIONAGE -- WHERE THE WARSAW PACT ACTUALLY

STEALS MILITARY AND MILITARY RELATED TECHNOLOGY -- IS HARMFUL AND U.S. ACTION TO STOP IT AND PUNISH OFFENDERS IS NOT ONLY APPROPRIATE BUT LAUDABLE.

BEYOND THAT, THE AGREEMENT STOPS. THE GREAT DEBATE TENDS TO FOCUS ON WHAT AND HOW TO CONTROL DUAL-USE, UNCLASSIFIED TECHNOLOGY, EQUIPMENT, COMPONENTS, AND PRODUCTS. I KNOW THAT THIS GROUP FEELS STRONGLY ABOUT THE PROBLEMS RELATED TO EXPORT CONTROLS. MINDFUL OF THESE CONCERNS, I WOULD LIKE TO FOCUS ON THE CENTRAL INTELLIGENCE AGENCY'S SPECIFIC ROLE IN THIS DEBATE.

OUR ROLE -- AND IT HAS GROWN MARKEDLY IN RECENT YEARS -- IS MAKING JUDGMENTS ON THE IMPORTANCE MOSCOW ATTACHES TO DIFFERENT TYPES OF MILITARILY CRITICAL TECHNOLOGY, NOW AND IN THE FUTURE. CIA'S WORK SHOWS THAT ILLEGAL ACCESS TO WESTERN TECHNOLOGY THROUGH VIOLATIONS OF EXPORT CONTROL LAWS HAS HAD A SIGNIFICANT IMPACT ON SOVIET WEAPONS SYSTEMS. THERE ARE MANY EXAMPLES.

- AS A RESULT OF THE TOSHIBA-KONGSBERG ILLEGAL TRANSFER I MENTIONED EARLIER AND OTHER SALES, WESTERN MACHINE TOOLS ARE HELPING PRODUCE SOVIET SUBMARINE PROPELLERS AT A RATE AND QUALITY FAR BEYOND SOVIET CAPABILITIES.
- ACCESS TO WESTERN MICROELECTRONIC PRODUCTION EQUIPMENT HAS SOLVED SOME OF THE MAJOR QUALITY CONTROL AND YIELD PROBLEMS THE SOVIETS HAD FOR MILITARY-SPECIFIC INTEGRATED CIRCUITS (ICs).
- WESTERN COMPUTERS AND SOFTWARE HAVE GIVEN MOSCOW THE ABILITY TO DESIGN THEIR OWN MILITARY-SPECIFIC ICs.

FINALLY, AND PERHAPS MOST IMPORTANT, WE BELIEVE MOSCOW'S APPETITE FOR THIS TECHNOLOGY IS GROWING, PARTICULARLY IN THE AREA OF INFORMATION TECHNOLOGY. THE SOVIET STRATEGY APPEARS TO BE MODERNIZING THE

ELECTRONICS-BASED SECTOR OF THE ECONOMY BEFORE MOVING TO INVEST MORE HEAVILY, IN THE 1990's, IN MILITARY PRODUCTION FACILITIES.

IN THE EARLY 1980s, CONGRESS DIRECTED THEN-DCI CASEY TO ENSURE THAT ALL RELEVANT INTELLIGENCE WAS BEING FACTORED INTO EXPORT LICENSING DECISIONS. IN RESPONSE TO THIS AND REFLECTING THE LATE-DCI's HIGH INTEREST IN THIS ISSUE, THE TECHNOLOGY TRANSFER ASSESSMENT CENTER AT CIA SET UP AN EXTENSIVE ALL-SOURCE DATABASE ON FOREIGN DIVERTERS OF TECHNOLOGY WHICH WE USE TO ADVISE THE COMMERCE DEPARTMENT AND OTHERS IN THE EXPORT CONTROL COMMUNITY ON THE RISKS OF DIVERSION.

OUR SOURCES ARE VARIED AND EXTENSIVE. THROUGHOUT THE EXPORT CONTROL COMMUNITY, THE KEY SOURCES ARE U.S. BUSINESSMEN WHO PROVIDE TIP-OFFS ON POTENTIAL DIVERTERS



AND QUESTIONABLE SALES INQUIRIES. WITHOUT THIS INFORMATION THE COMMUNITY WOULD BE SERIOUSLY HANDICAPPED.

WE AT CIA ARE WELL AWARE OF COMPLAINTS ABOUT THE LENGTH OF THE EXPORT CONTROL LIST AND THE ECONOMIC AND ADMINISTRATIVE BURDENS OFTEN CITED. THE RECENT NATIONAL ACADEMY OF SCIENCE REPORT DETAILS THESE POINTS. WE ARE ALSO AWARE OF U.S. BUSINESS SUPPORT FOR A PROGRAM THAT KEEPS TRULY CRITICAL MILITARY TECHNOLOGY OUT OF SOVIET HANDS. IN REALITY, THE LENGTH OF THE EXPORT CONTROL LIST IS A POLICY DECISION IN WHICH CIA CORRECTLY HAS NO VOTE. NONETHELESS, I WOULD BE MISLEADING YOU IF I SAID WE HAVE NO ROLE. OUR ROLE IS TO ADVISE POLICYMAKERS AS TO WHAT IS ON THE SOVIET SHOPPING LIST AND WE HAVE BEGUN, INDEPENDENT OF THE POLICY COMMUNITY, TO TEST A NEW METHODOLOGY THAT WOULD FORECAST WHAT MOSCOW ACTUALLY NEEDS.

UNDERSCORING THIS WORK IS OUR BELIEF THAT NEITHER THE UNITED STATES NOR COCOM CAN STOP THE SOVIET UNION FROM ACQUIRING WESTERN TECHNOLOGY. RATHER, THE GOAL IS TO SLOW THE ACQUISITION OF MILITARILY CRITICAL TECHNOLOGY BY THE SOVIETS TO A RATE THAT MORE CLOSELY RESEMBLES THE PACE OF INDIGENOUS DESIGN, DEVELOPMENT, PRODUCTION, AND DEPLOYMENT IN THE SOVIET UNION. THE KEY ASSUMPTION, HOWEVER, IS THAT COCOM -- PARTICULARLY THE UNITED STATES -- CAN DETERMINE "WHAT IS CRITICAL" SO AS TO DETERMINE WHAT CAN AND SHOULD BE CONTROLLED.

WE HAVE DEVELOPED A METHODOLOGY THAT SIMULATES THE SOVIET DECISION-MAKING PROCESS FOR WEAPONS DESIGN, DEVELOPMENT, PRODUCTION, AND DEPLOYMENT, WHICH OVER RECENT HISTORY HAS BEEN FAIRLY PREDICTABLE. USING THIS SIMULATION, WE FORMULATED A LIST OF SOVIET MILITARY SYSTEMS -- CURRENT ONES TO BE ENHANCED OR NEW ONES ABOUT

TO ENTER PRODUCTION OR TESTING. BUILDING ON THIS, CIA WEAPONS ANALYSTS DEVELOPED A LIST OF NECESSARY TECHNOLOGIES -- IN PRIORITY ORDER -- TO ACHIEVE PERFORMANCE LEVELS. FROM THAT LIST, CURRENT SOVIET CAPABILITIES COULD BE SUBTRACTED TO DETERMINE WHAT MOSCOW NEEDS FROM THE WEST. WHAT WOULD BE LEFT IS A LIST THAT COCOM SHOULD CONSIDER CONTROLLING, IN A PRIORITY ORDER OF IMPORTANCE FROM MOSCOW'S VIEW.

"SHOULD CONSIDER" IS THE KEY. FROM THIS LIST, COCOM COULD SUBTRACT ITEMS THAT CANNOT BE CONTROLLED OR ITEMS WITH SIGNIFICANT FOREIGN AVAILABILITY. ADDED TO THE LIST WOULD BE NEW, EMERGING TECHNOLOGIES THAT AS YET HAVE NO MILITARY APPLICATION. A "SUNSET" CLAUSE COULD REMOVE THE TECHNOLOGIES IF NO MILITARY APPLICATION IS FOUND.

BEYOND YIELDING A LIST OF CRITICAL ITEMS, THE METHODOLOGY COULD ENHANCE THE CONSENSUS IN COCOM.

REFLECTING ITS ORIGINAL CHARTER, COCOM TENDS TO SUPPORT CONTROLS ON ITEMS WITH DIRECT MILITARY VALUE. AS I NOTED, U.S. BUSINESS DOES THE SAME. BECAUSE ONLY ITEMS WITH THIS CONNECTION WOULD BE ON THE LIST, IT WOULD QUELL THE DEBATE OVER "ECONOMIC WARFARE." THE CURRENT CONTROLS DO NOT MAKE THE LINK TO SOVIET WEAPONS SYSTEMS THIS CLEAR AND DIRECT. INDEED, MANY ARGUE THAT THE CURRENT SYSTEM SUFFERS FROM "MIRROR IMAGING" -- THAT IS, ASSUMING THAT WHAT IS CRITICAL FOR THE UNITED STATES IS ALSO CRITICAL FOR THE SOVIETS.

WHETHER THE LIST IS LONGER OR SHORTER THAN THE CURRENT COCOM OR U.S. COMMODITY CONTROL LIST WOULD BE A POLITICAL DECISION. OUR LIST CONTAINS SOME PRODUCTS NOT ON THE CURRENT LIST BUT IT ALSO EXCLUDES SOME. MOST IMPORTANT, THE LIST WOULD BE PRIORITIZED SO THAT A POLITICAL DECISION ON HOW MUCH TO CONTROL COULD BE IMPLEMENTED BY TRIMMING FROM THE BOTTOM.

INTELLIGENCE HAS PLAYED AND WILL CONTINUE TO PLAY AN ACTIVE ROLE IN DEFINING EXPORT CONTROL PRIORITIES.

HOWEVER, ITS IMPACT IS OFTEN OBSCURED BY THE MANY OTHER INTERESTS THAT RESULT IN OUR CURRENT CONTROL LIST. THE NEW CIA METHODOLOGY, IN SUM, DEMONSTRATES HOW THE SOVIETS ARE LIKELY TO USE WESTERN TECHNOLOGY IN FUTURE MILITARY SYSTEMS, AND FORECASTS SOVIET REQUIREMENTS FOR WESTERN TECHNOLOGY.

OUR EVIDENCE SHOWS A STRONG UNDERPINNING OF SUPPORT FOR A CONTROL SYSTEM THAT U.S. BUSINESS BELIEVES IS FAIR AND THAT CONTROLS MILITARILY CRITICAL ITEMS. THE SAME HOLDS TRUE FOR OUR ALLIES. WHENEVER THE UNITED STATES HAS APPROACHED COCOM WITH EVIDENCE THAT A PRODUCT OR TECHNOLOGY IS BEING USED OR COULD BE USED IN A SOVIET WEAPONS PROGRAM OR MILITARY SYSTEM, WE HAVE RECEIVED STRONG SUPPORT.

LIKEWISE, WE NEED YOUR CONTINUED SUPPORT, BOTH AS A SOURCE OF INFORMATION ON TRADE DIVERTERS AND AS A SOURCE OF INFORMATION ON TECHNOLOGICAL ISSUES. IT IS CLEAR TO US THAT TO IMPLEMENT THE METHODOLOGY WE ARE WORKING ON WE NEED TO TALK TO PEOPLE WHO ACTUALLY TRANSLATE THE TECHNOLOGY INTO ENGINEERING DIAGRAMS AND PRODUCTION EQUIPMENT. WE NEED TO HAVE ACCESS TO PEOPLE WHO ACTUALLY BUILD WEAPONS SYSTEMS WITH THE DUAL-USE EQUIPMENT ON THE CONTROL LIST.

THE CIA WILL CONTINUE TO PLACE A HIGH PRIORITY ON THE TECHNOLOGY TRANSFER ISSUE. AS I INDICATED, WE HAVE EVERY REASON TO BELIEVE THAT SOVIET INDUSTRIAL ESPIONAGE WILL INTENSIFY IN THE 1990's. AND THE SOVIETS WILL CONTINUE TO DEVOTE WHATEVER RESOURCES AND MANPOWER ARE NECESSARY TO FULFILL THEIR MOST CRITICAL MILITARY COLLECTION REQUIREMENTS.

YOUR CONTINUED SUPPORT AND COOPERATION IN STEMMING THE  
FLOW OF CRITICAL TECHNOLOGY TO THE SOVIET UNION AND OTHER  
WARSAW PACT STATES IS A KEY PART OF OUR EFFORT. THANK YOU.

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