

UAV CO.

25294

DOS Review Completed

SECRET

March 4, 1971

MEMORANDUM FOR

Mr. Theodore L. Eliot, Jr.
Executive Secretary
Department of State

SUBJECT: French Proposal to Manufacture
Integrated Circuits in Poland
(S/S 7101011)

To confirm my telephone notification, the President has decided that we should continue to oppose the French proposal to manufacture integrated circuits in Poland.

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

Jeanne W. Davis
Staff Secretary

cc: Mr. Sonnenfeldt
Mr. Bergsten

SECRET

MEMORANDUM

THE WHITE HOUSE

25294

WASHINGTON

SECRET

ACTION

February 25, 1971

MEMORANDUM FOR THE PRESIDENT

THE PRESIDENT HAS SEEN... *ty*

FROM: Henry A. Kissinger *AK*

SUBJECT: French Proposal to Manufacture Integrated Circuits in Poland

The French are pressing forward on a \$100 million industrial transaction with Poland. You approved our assent to the first phase of this operation in October 1969 allowing the French to export silicon transistor technology.

Since June 1970 the French have been seeking our agreement in the international Coordinating Committee for Export Controls (COCOM) for the second state of the project allowing manufacture of integrated circuits in Poland. In October we opposed their request.

The French then suggested a series of technical discussions and invited American experts to visit the SESCOSEM plant in Grenoble to examine the technology which would be reproduced in Poland. The French claim that their Grenoble plant had two separate production lines, one capable of making military-quality integrated circuits; the other makes a lower grade civilian quality circuit and would be the prototype of the Polish plant. The French maintained that their proposed sale would not significantly enhance Eastern bloc military capabilities and would not be a danger to Western security.

In order to establish a basis for US Government decision, the agencies took advantage of the French invitation for an American expert to visit the Grenoble plant, but they now disagree on the implication of the expert's report and on whether or not we should accede to the French request.

In short, State recommends that we approve the transaction as one unlikely to be dangerous to the US national security and as necessary because of the serious foreign policy consequences of a refusal on US-French relations. Secretary Laird recommends that we continue our refusal primarily because the proposal would significantly enhance Polish (and Soviet) capability to produce in large numbers high quality low-cost integrated circuits for military

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usage. CIA confirms the Defense analysis. Secretary Stans also concludes that the transaction would represent a major security risk. In addition, he argues that acquiescence would place us in the untenable position of approving foreign applications for shipment of electronic products to Eastern Europe while denying this same market to American producers.

The French maintain that the strategic implications of the transaction would be minimal. A number of high French officials have indicated that they will consider US refusal a blow to US-French relations. Should we continue to refuse, there may be a direct appeal from President Pompidou to you. It is also quite possible that the French would decide to go ahead anyway, which would undermine Western cooperation in the COCOM.

RECOMMENDATION

You have two choices:

1. I tend to agree with Defense and Commerce that we should continue to oppose the sale at this time. This course will cause displeasure with the French, and provide no guarantee that the French will not proceed with the sale despite our opposition (and undermine COCOM); but they have not been sufficiently cooperative of late, especially on Southeast Asian affairs, to justify approval on essentially political grounds since the security implications appear on balance to be on the negative side.

Approve

Disapprove

2. Agree to the sale as proposed by State, overruling Defense and Commerce. This would be consistent with the approach of making political gestures to the French, but could have negative security implications.

Approve

Disapprove

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