



10 DOWNING STREET

John - ^{10/10}

DTI rang re. their minute of 10/10
about COCOM computers. *

You asked if a reply is needed by the end
of the week. The answer is no, a reply by
Monday is OK, but they asked that the
reply comes no later than Monday as the
meeting referred to is on that day.

Cameron

11/10.

In Paris box. Open file
when papers return.



PRIME MINISTER

CONFIDENTIAL

CC/DO

Yes - but surely we need some better clauses -

Prime Minister

16A (4)

COCOM: COMPUTERS

(The Foreign and Commonwealth Secretary agree).

Decision needed for meeting on Monday, 17 October.

Agree paras 10 to 13 at Flag

B ?

A.S.C. 10/10

I am writing to you as Chairman of OD Committee to seek the agreement of OD colleagues to the attached steering brief for the next stage in discussions in COCOM on strategic controls on computers. The draft brief has been agreed inter-departmentally in the official ODO(SE) Sub-Committee, which continues to keep this and other aspects of the COCOM List Review under consideration.

2 There is a major divergence of view between the US and the remainder of COCOM on the desirable level of future strategic controls on computers. In recent weeks it has become clear that there are also major divergences of view within the US Administration, with the US Department of Defense taking a very hard line. This could develop into another confrontation within the Alliance similar to the pipeline dispute, if the hard-liners prevail and the US seeks to impose unilateral controls on computer exports outside COCOM. The attached brief makes it clear that in a number of major respects the levels of control being sought by the US are not justified on either strategic or practical grounds. The controls proposed would, for example, catch personal computers, such as the BBC micro-computer, which are freely available through retail outlets. Although there are



minor differences of emphasis, all other COCOM members favour much less extensive levels of control, similar to those we ourselves have proposed.

3 The present COCOM List definition of computers is badly out of date and needs revising. The UK industry has made it clear, however, that it would prefer to retain the present unsatisfactory List definition rather than accept the levels of control for which the US continues to press. If there is no agreement in COCOM on a new definition, the present one will continue by default.

4 It is in our interest to reach a compromise settlement and we should continue to seek one. But until the US Administration are prepared to abandon their most extreme positions, there is no basis for a compromise which would be generally acceptable to us or to other COCOM partners.

5 I should be grateful if colleagues could agree the line set out in the attached draft steering brief, (paragraphs 10-13). Because of the timetable for the forthcoming talks, I would be grateful for responses by 15 October.

6 I am sending copies of this minute and the draft brief to members of OD Committee and Sir Robert Armstrong.

C.P.

C P

10 October 1983

Department of Trade and Industry



COCOM LIST REVIEW : COMPUTERS

1. Ministers are invited to endorse the line set out below to be taken in the forthcoming discussion on computers in COCOM. This item is particularly contentious, with the US unable to co-ordinate its own position and with the US Department of Defense in particular pressing for far more controls in this sector than we and other COCOM members consider justified.

Background

2. Substantial agreement is likely to be reached on many of the proposals under consideration in the current COCOM List Review. The Industrial List Computer Item (IL1565) is one major exception. The present version of IL1565 is that which was agreed at the 1974 List Review. Attempts to reach agreement on revisions at the 1978 Review were unsuccessful (discussions were held over the years 1978-1981). Since any change requires unanimous agreement the 1974 version (promulgated in 1976) is still current. This was based on comparisons between 1974 technology then available in the West and the Sino-Soviet Bloc; it is now badly out of date. Advances in technology and acquisition of it by the Soviet Bloc (either legally or illegally) since then require the levels of the controls to be revised upwards and modified to deal with new technologies. Failure to reach agreement in 1978 was due



to substantial differences of opinion between the United States and the rest of the committee over which classes of computers and related equipment should qualify for various levels of release. Following the events in Afghanistan and Poland, the US attitude hardened further and attempts to reach agreement were finally abandoned. The US proposals on computers in the current List review are equally hard line. Following extensive discussions in COCOM a composite proposal has been drawn up as a basis for further discussion but the US remain isolated in seeking significantly more restrictive levels of control than the other COCOM members.

The Current COCOM Framework

3. Arrangements had been made to discuss the composite proposal during the three weeks beginning on October 17. However it recently became clear that the US Administration were having difficulty in co-ordinating their position. On 24 September Mr W A Root, the senior (non-political) State Department official who chaired the COCOM working group which prepared the composite proposal and who had just resigned in protest, addressed an open letter to the President and Congress (copy attached). In this he attacked US, and particularly Department of Defense tactics in COCOM. The US have now (4 October) sought to postpone discussions on



computers, hardware and software until after a high level meeting which they have requested to discuss policy in early December. Preliminary indications are that this will be unacceptable to other COCOM countries.

The United Kingdom Defence Policy Viewpoint

4. The military application of modern digital computers offers scope for great improvements in weapon system performance. Intelligence reports show that the Soviets have, in the past copied Western computers and set up their own production lines using Western production technology. Similar exploitation by the Soviets of up-to-date powerful and light-weight Western computers would constitute a very serious military threat to the West. Export of both the computers and the manufacturing technology must therefore be controlled.

5. There is no evidence however that the Soviets undertake large scale purchase of Western electronic sub-systems for incorporation into military equipment of their own manufacture. Therefore although in theory the acquisition of large numbers of personal computers by the Soviet Union could constitute a military threat in practice it is judged that it does not do so. The export of personal computers available over the counter at retail outlets should not (and indeed could not) therefore be controlled. Similarly the Soviet Bloc has already acquired



and now produces its own versions of the IBM 360/370 series and the PDP-11 computers. These are powerful machines although now out-of-date and a complete embargo at this level of capability would now achieve little in military terms. It is therefore proposed that computers based on this level of performance should be embargoed but licenseable at national discretion. Since the capability of machines in this segment of the market is increasing rapidly the performance criteria below which national discretion should apply will need regular upward revision.

US Attitude

6. The US position so far has been to press for controls which would have the effect of inhibiting nearly all trade with the Soviet Bloc in computer equipment in current production. This reflects US Department of Defense concerns about any leakages of computer technology (but we do not agree with the basis of their assessment for the reasons given in paragraph 5 above).

Attitude of other COCOM Members

7. Although there are minor differences of emphasis, all COCOM members with the exception of the US are in favour of broadly similar levels of control to those we ourselves favour, and have resisted US pressure for more restrictive levels.

UK Commercial interests

8. So far as exports from the UK are concerned, the present levels of control under ILL565 are generally very inhibiting. Virtually every export from ICL for even a £20,000 system, requires a full COCOM submission and is often met with US veto. Some companies by means of imaginative interpretation of the rules, manage to stay within the national discretion limits and have developed a substantial market in the Bloc (eg 35-45% of Rediffusion Computers' business, who employ some six hundred people, is in the Bloc countries). Certainly there are companies who would go out of business if the market area was closed. There are many more companies in the process control and instrumentation areas whose products are computer controlled and who are doing substantial business with the Bloc. The proliferation of microprocessors to all areas will affect many others in the future.

9. The view of those areas of industry so far consulted is that they would rather live with the present outdated controls than those currently being proposed by the United States since these are in many respects more restrictive than those agreed in 1974. The effect of those proposals if accepted would be to preclude all computer exports likely to be of interest to suppliers and to customers in Bloc countries. The value of such exports is currently running at £115 million



a year but as computers is a major growth area the future prospects in non-strategically sensitive areas of business are important. UK industry maintains that the current level of trade is artificially low and reflects the lack of change in the performance limits applied by COCOM.

General Line

10. In February Ministers agreed that the United Kingdom should follow certain general policy lines in the List Review. The following are relevant here:

"a) As a general rule, we should undertake to examine United States proposals on their merits relating them to our own independent analysis of the risks, costs and benefits of permitting the technology in question to be transferred from West to East.

b) We should avoid becoming detached from our European Community partners. On all the main issues most other Members of COCOM can be expected to share our approach and we should exploit this fact to avoid exposing or isolating ourselves.

c) Where we judge that the Americans have a good case, we should support them vigorously and not as hitherto, adopt a stance that is merely passive. We should also be as helpful as possible over



procedural matters where these cost us nothing in terms of substance. (We have given the US strong support in the field of enforcement and more generally in procedural matters)."

These general policy lines are still valid.

Application to Computers

11. On the basis of MOD/Intelligence assessments of likely Soviet Bloc acquisition targets ^{the line} proposed below is fully consistent with our security and commercial interests. The line hitherto taken by the US goes too far. The embargo exists to prevent the transfers of technology or materials which could be of significant military potential and to maintain a "technology gap" between East and West. This "technology gap" can be maintained by means of strictly limiting true "technology" transfer (in the form of design development and production information and capability) as well as of advanced machines whilst still permitting under controlled conditions, the sales of equipment of modest performance levels.

The main issues

12. The composite proposal upon which it was intended that discussion should proceed in COCOM is a complex set of definitions and parameters designed to establish different



levels of control (eg free from licensing control; subject to control but licenseable at national discretion; licenseable subject to the agreement of COCOM partners, but favourable consideration assumed; licenseable subject to standard general exception procedures). The proposal contains a number of points of major importance to the UK as well as many detailed points upon which the UK will have to take a position. The Annex to this paper lists the main issues of concern to the UK and the line which it is proposed the UK should take. The most important issues are as follows:

- a) The performance levels of computers which would be completely free of embargo, and of those which would be licenseable for export at national discretion

We should continue to press for the current embargo on personal computers which are freely available on the consumer market to be lifted. Apart from the merits of the case (see para 5 above) the proliferation of systems at this level means that the embargo is becoming increasingly difficult and costly to administer in staff terms. We should also press for national discretion procedures to be applicable to older more powerful computers already acquired and copied by the Soviet Bloc.



b) Software

A new software Item is proposed. The UK should continue to press for a very specific embargo list consisting only of those classes of software which are recognised to be of significant strategic concern.

This differs from the US proposal to embargo large areas of software and to release only a specific list of "approved" classes of software thereby embargoing by default anything which is undefined.

The UK have further suggested that exports of software of a non-embargoed class, even if specially written for a Bloc-built system, should be permitted.

c) "Killer Clauses"

We should resist the inclusion of so called "killer clauses" proposed by the US. These clauses effectively embargo or severely restrict the circumstances in which computers would otherwise be released, by overriding the effect of any relaxation of the parameters. Examples of these are:

- i) total exclusion of sales to what the US consider to be "defence priority" industries. While the UK supports current controls which allow us to ban exports to industry directly related to the defence sector, the US proposals would

It is ridiculous to open to our high technological knowledge but when he willings to sell it - do a non - release in industry. Point we need to see. Not letter. Remember all - knowledge!



extend unacceptably to much wider sectors of civil industry; and

ii) exclusion of equipment with an interface facility which is an International standard used on most laboratory equipment and instrumentation.

Negotiating Line

13. Ministers are invited to confirm that:-

- a) in the discussions on the Computer item in the List Review the UK negotiators should continue to be guided by the general line set out in paragraph 10 above and by the particular guidelines set out in paragraph 12 and the Annex. The negotiators should deal with detailed issues in a manner consistent with this general framework;
- b) the UK delegation should work towards a resolution of as many minor issues as possible;
- c) if it appears, contrary to expectation that a consensus is likely to emerge on a compromise on any of the major issues listed in the Annex, on a basis that ensures proper safeguarding of our industrial interests the UK delegation should give its assent ad referendum (final agreements are in any case not usually made at the COCOM negotiating table).

The major issues (there are many subsidiary ones) and the UK position on each for which endorsement is sought are as follows:-

1. "Free from embargo" level

Low performance level home and small business computers and equipment particularly if freely available on the consumer market via retail outlets in Western or third countries should be recognised as uncontrollable and freed from embargo. This would also have the desirable effect of reducing the burden on licensing authorities.

2. "National Discretion" level

This is a fundamental issue. The levels agreed here carry over into other areas (eg the types of otherwise embargoed goods which would be caught because they contained an embedded computer which could be just a micro-processor chip). The UK should continue to press for realistic levels which will permit many mini-computers and small mainframe computers with the necessary related equipment to qualify (such as the level based at around the lowest ICL 2900 range system (2957)).

3. "Favourable Consideration" level

Extra conditions are imposed at this level and each case is subject to International Committee examination.

Performance levels which equate to the next highest ICL system (2958) ie about twice those proposed for the "National discretion" level are proposed.

4. Embedded Computers

Computers are often embedded in and used to control other equipment which may or may not be covered elsewhere in the COCOM Lists. The UK should continue to argue that if such equipment is covered elsewhere in the Lists then it is the performance of that equipment which should determine the control status rather than the performance of the embedded computer without which the equipment concerned will not function.

5. Peripheral Equipment levels

The UK should continue to press for release under the "national discretion" and "favourable consideration" procedures of appropriate peripheral equipment in current production. This applies particularly to magnetic disc drives which are crucial to most modern computer systems for which the US has proposed controls at levels of performance inappropriate for most systems. The US refuse to take account of the fact that many suppliers have standardised on particular classes of disc drive without which their systems are useless.

6. Computer-controlled Telecommunications Switching

The proposal for a total embargo on all stored program control circuit switching systems (eg System X and all modern PBXs) should be resisted. The UK should continue to press for retention of the present licensing at National Discretion level: (System X is presently qualified for licensing at National Discretion level as an administrative exception to the present embargo).

7. Special purpose computers

These are computers with special characteristics, eg high "fault tolerance", "image enhancement" "real time processing". The US wishes to impose a total embargo (save for ^{very limited} medical applications) on these computers. The UK should argue against a total embargo, and in favour of different levels of control depending on the characteristics (including total embargo on the most sensitive).

8. Networking

The proposal for a total embargo on any computer networking capability which would cover even simple office word-processor networks, Local Area Networks and Wide Area Networks should be resisted. The UK should support the control of Local Area Networks at the National Discretion level and above. (The BBC

personal computer has a networking capability and would be caught by the US proposal).

9. Medical Equipment

The UK should follow the line of supporting the relaxation of controls on all types of computer-controlled medical equipment.

10. The US 'Red-Line' Proposals

The US proposal is for a presumption of denial for exemption requests above certain performance levels yet to be determined. This would remove the possibility which presently exists and is frequently invoked, of submitting for Committee approval requests for exemption for equipment with performance levels above those eligible for "favourable consideration". The UK should support the retention of the existing exemption arrangements.

From W A Root, former leader of US Delegation to COCOM computer discussions.

September 24, 1983

OPEN LETTER TO THE PRESIDENT AND TO THE CONGRESS

The arrogance of the United States Government is rapidly eroding the effectiveness of controls on the export of strategic equipment and technology. Those who proclaim the loudest the need to strengthen these controls are doing the most to weaken them.

In his television speech following the Korean Airlines 007 incident, the president stressed the need to "redouble our efforts with our Allies to end the flow of military and strategic items to the Soviet Union." Since that time we have, instead, been redoubling our efforts to convey to our Allies that their views do not count, that we know best, and that they had better shape up. This is no way to obtain cooperation. It most certainly does not constitute efforts "with" our Allies.

Corrective action is needed immediately. We have set a time bomb in COCOM, the Coordinating Committee where NATO nations and Japan coordinate such controls. It is set to go off on October 17.

The most significant COCOM control in terms of number of cases reviewed is the computer item. The COCOM computer definition is obsolete, having been last revised on the basis of 1974 proposals. COCOM has been unable to reach agreement on a revised definition during the past five years of negotiations because of U.S. insistence that the Allies simply accept U.S. proposals. The Allies have been receptive to a wide range of U.S. strengthening proposals, for both hardware and software. But they have also submitted many constructive proposals of their own which would make the controls more effective.

During many months of negotiations over the past year a composite draft reflecting everyone's views was hammered out. COCOM accepted the U.S. proposal that a session to reach final decisions on differences not yet resolved begin on October 17. The United States is not prepared to negotiate at that session.

On September 14, on the eve of the September 15 deadline for submission of comments on the composite draft, Defense advised State and Commerce of its views that (1) COCOM was an inadequate forum to negotiate the important computer item; (2) the United States should not deviate from its pre-composite draft proposals at the October meeting; and (3) the real negotiations should take place later in an unspecified forum at which a senior Defense official would represent the United States.

The clear (though unstated) Defense objectives are to demonstrate that (a) COCOM as it is now constituted is ineffective and should be replaced by a military committee and (b) Defense should replace State as the agency responsible to conduct the negotiations. Reasonable people can differ on these jurisdictional questions. But we have no alternative but to proceed on the basis of the existing COCOM framework and the existing statutory authorization for State to conduct negotiations, until one or both are changed.

If the United States cannot get its act together, our Allies will conclude that they must use their national discretion to decide what to license and what not to license. Indeed, this has already happened in several important cases as a result of frustrations from the already protracted negotiations. The fundamental objective of COCOM is to avoid diverse actions taken at national discretion by coordinating the national export control decisions of the member governments.

On October 17, there will be a major, justified explosion of Allied sentiment of U.S. contempt for the COCOM process.

U.S. arrogance stems directly from the kind of thinking which led to section 10(g) of the Export Administration Act. This section requires the President to report to the Congress any U.S. export control case for which the recommendation of the Defense Department is not followed. Although it does not literally apply to differences between State and Defense on COCOM negotiations, a spin-off effect has eliminated the kind of cooperation between those two Departments which is essential for such negotiations.

The President has never over-ruled Defense on an export control case and probably never will as long as Section 10(g) is on the books. The required report to the Congress would indicate that the Commander-in-Chief was not master in his own house. Defense personnel know that their views have prevailed on several occasions when it was generally believed that the President held different views. Accordingly, they see no reason to listen to the views of other agencies or of other governments. They are no doubt sincere in believing that they are thereby protecting the nation's security. However, the end-result is a situation in which it is impossible to conduct negotiations with our Allies. Effective controls depend upon negotiations, because the United States is not a unique supplier of most strategic items.

The issue is whether to have ineffective unilateral controls (the result of rigid adherence to U.S. proposals) or effective multilateral controls (which can be achieved through cooperative negotiations).

Our perverse efforts have been in the strategically less significant oil and gas areas as well as in the computer area. Much attention has been given recently to recommendations to put our oil and gas proposals to COCOM under unilateral security controls and to deny a pending \$40 million case for submersible pumps. The U.S. oil and gas proposals now before COCOM are the subject of on-going negotiations. The Allies have been extraordinarily cooperative in helping to find well-justified and clearly defined oil and gas related items which should be put under multilateral control. But it is apparent that substantial revision in our original proposals will be necessary to further our common objective at the next scheduled meeting on this subject in January. Any stiffening of our unilateral licensing policy based on the original proposals would greatly damage the cooperative atmosphere. This atmosphere was re-established with much difficulty after the 1982 pipeline controls controversy. Without it there can be no strengthening of multilateral controls in this area.

What should be done? The Administration should (1) negotiate the computer item on October 17 on the basis of the composite draft and (2) revise the U.S. oil and gas proposals to take into account the constructive suggestions of our Allies. The Congress should repeal Section 10(g) of the Export Administration Act when renewing this Act (which expires on September 30).

Sincerely,

William A. Root

William A. Root
Director, Office of East West
Trade, Department of State
until his resignation in
protest concerning the above
on September 15