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CURRENT NEWS

SPECIAL EDITION



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FINANCIAL TIMES
(LONDON)

27 NOVEMBER 1987

Pg. 1

China promises strict controls on weapon sales

BY ROBIN PAULEY, ASIA EDITOR, IN PEKING

CHINA admitted yesterday that it had been too lax in controlling the sales of its weapons on the international arms market and said it is urgently to introduce strict controls.

Mr Wu Xueqian, China's Foreign Minister, told the Financial Times that although China had already acted to try to prevent its arms being diverted on the international market, further measures were needed. He did not specify what would be done.

This is the first indication that China feels its international relations, particularly with the United States, are being jeopardised by repeated allegations about the use of Chinese weapons in foreign conflicts.

The US has accused China of supplying Silkworm missiles to Iran for use in the Gulf war, the Philippines Government has recently complained about the supply of Chinese arms to communist rebels and there have been accusations about the use of Chinese weapons in the Sri Lankan conflict.

Mr Wu strongly denounced the US allegations. "The present tension in the Persian Gulf is the result of the deployment of massive US naval ships." US charges of China selling missiles to the region were "groundless."

"Still more unreasonably, the US has suspended the review of liberalisation of exports of high technology to China with this as a pretext," he complained.

If this situation continued it would clearly affect the development of relations between China and the US, he added.

Mr Wu said he had raised with the US State Department the question of risk to the bilateral relationship and he said the US since appeared to have modified its attitude. This suggests that, having obtained what it sought in the form of stricter control of Chinese arms movements, the US might be prepared to lower the temperature on the subject of those arms which have already turned up in the Gulf.

He said China was not alone in the problem of controlling the buying and selling of arms by third parties in the international

market. Many other nations, including the US, France and Britain, had similar difficulties.

One reason for China's decision to tighten control - despite saying it had nothing to do with the weapons itself - is understood to be that the US has satellite photographs of Chinese Silkworm missiles being loaded on to a Chinese ship in China and unloaded from the same ship in Iran. Mr Wu said he doubted such allegations could be established through a photograph.

He was equally outspoken about criticism in the US concerning China's suppression of recent demonstrations in Tibet.

"The gross interference in China's internal affairs on the question of Tibet by members of the US Congress has already aroused



Wu Xueqian: Attacked US

strong indignation among the Chinese people," he said.

The US Government had not only failed to do anything about this interference but had also tried to establish a link between the disturbances and the human rights question in the region.

"If the US makes no change on this it will also affect the development of Sino-US relations," he said.

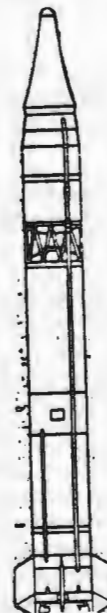
Mr Wu was adamant that no substantive progress had been made with the Soviet Union on removing the three obstacles to improving relations. There was therefore no immediate prospect of a visit to Moscow by Mr Deng

Xiaoping, the Chinese paramount leader, or to Peking by Mr Mikhail Gorbachev, the Soviet General Secretary.

The three obstacles are the Soviet-backed Vietnamese occupation of Kampuchea, the concentration of Soviet troops on the Sino-Soviet border and the Soviet military presence in Afghanistan.

Mr Wu concentrated only on the Kampuchea problem. The Russians had in recent years changed their wording and terminology in respect of the issue, indicating that they were prepared for a political settlement.

For any progress to be made, however, the Vietnamese would have to agree to pull out of Kampuchea under international supervision.



Interview

STEPHEN BRYEN

Stephen Bryen has been Deputy Undersecretary of Defense for Trade Security Policy for six years. He is also the current Director of the Defense Technology Security Administration (DTSA), established in May 1985 to unify the Department of Defense's technology security efforts under one chain of command.

Multinational Monitor: What is your position on sanctions against Toshiba?

Stephen Bryen: The legislation on the table at the moment is the Garn amendment which would cut off imports from the Toshiba Corporation and Kongsberg-Vaapenfabrikk in Norway. Our position is the same as the administration's position. That is, we don't support the legislation. There are a lot of reasons why not, but the major one at the moment, at least in my mind, is that the legislation would be passed after the commission of the "crime." That kind of *ex post facto* law is not really the way we do things. It fails the test of due process in my view. So, I don't like it from that perspective. That doesn't mean that I think that companies ought to get off scot free. I just don't think the vehicle which the Garn Amendment proposes is the right way to go about it. The impact of the transfer, collectively speaking, was a great one because it did explicit harm to our submarine detection capabilities which are vital to national security.

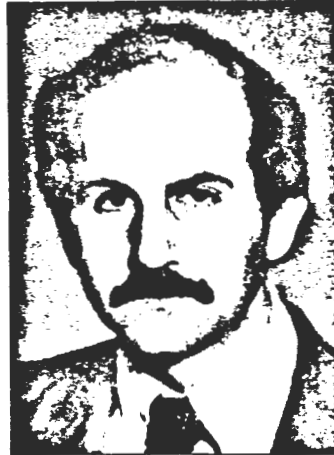
Monitor: Did the fact that so many major U.S. corporations, including some large defense contractors, rely on trade with Toshiba, influence the administration's position on sanctions?

Bryen: No, I never heard this mentioned in any internal discussions of the reasons for taking a position against the sanctions. I do know that these companies have been lobbying very hard in Congress to prevent the bill from passing.

Monitor: Generally, in East-West trade, do you think that the costs to national security outweigh the commercial benefits?

Bryen: I think with controlled goods, there is not much doubt about it. First of all, the impact on the Defense budget, and therefore the taxpayer, is huge compared to whatever benefits go to the various companies engaged in such trade. The defense budget, on the other hand, is very large and gets larger, mainly because a lot of technology has gotten to the Soviets from the West.

Monitor: The National Academy of Sciences' report concludes that the current system of export controls in the U.S. is detrimental to the nation's economy and ineffective in actually blocking critical technology transfer to the Soviet Union. It is particularly critical of the Defense Department's role in policy administration. How do you view the report and its conclusions?



Stephen Bryen

Bryen: I try to put it out of my mind. I think it is a sloppy report. The only reason the program works at all is because of DoD involvement. Without it the program would collapse. The program has survived solely because since 1981 the Defense Department has gotten COCOM slightly back on track. The National Academy of Sciences is just jealous of the success that the Defense Department has had. They are anti-defense by nature.

Monitor: There were former Defense Department, National Security Agency and CIA officials on the panel that produced the report, but you think the panel is anti-defense by nature?

Bryen: Yes, but like other NAS reports, it was just written by the staff. The former security agency people were not on the board, they were just observers.

Monitor: What is your view of the Commerce Department's management of export controls?

Bryen: There is a difference between leadership and management. The Commerce Department has no leverage with our trading partners in terms of national security. Consequently, when they say something in the Commerce Department about national security, no one pays any attention to it. So it's not just a question of management, it's a question of leadership. That leadership has to come from the most concerned party, which is the Defense Department.

Monitor: One of the NAS report's main conclusions was that the extraterritoriality of U.S. export controls unnecessarily increases the costs of controls to the economy and also threatens allied unity by compromising the allies' national sovereignty. How do you respond to this assertion?

Bryen: That argument is a canard. Basically, the allies don't like extra-territoriality because it makes them obey the rules. The real leverage we have over the allies is on the licensing of technology of commercial interest, which they don't want to see inhibited. Consequently, in order to get their hands on that technology, they would have to play ball to a certain extent. You take away any tangible leverage and you take away the program. I don't think that zeroing in on extraterritoriality is really the problem. It doesn't have very much to do with the export controls, in my view. The National Academy of Sciences is trying to weaken the export control program, and that is one of the ways to weaken it. They want to weaken it so American companies can dump more goods to questionable Third World countries. I think that is the name of the game. What they really are unhappy about is that the Defense Department is able to stop sales to Iran and other places which U.S. companies, or at least some U.S. companies, want to sell to.

Monitor: Do you think the U.S. companies lobbying for fewer restrictions on trade with the East are indifferent to national security interests?

Bryen: Companies are not set up to recognize national security interests. In fairness to companies, they are set up to make a profit. They're competing against others who do sell to some of these questionable countries. They are looking to be able to sell equally. Consequently, they don't like anything that interferes with that. The Defense

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INTERVIEW . . . CONTINUED

Department doesn't like sales to Iran and Libya and places like that. So what they are trying to do is get the Defense Department out of the process of reviewing those kinds of cases. That is what this whole discussion is really about. The way they are trying to do it is to get the National Academy and others to express views for lessening the role of the Defense Department as much as possible, so they will be able to export to these places. Some of them want to export to the Soviet Union and the Eastern bloc, but I think that they are in the minority. By and large they are aiming themselves at what I call a gray area market in the Third World.

Monitor: In 1985 there occurred some reshuffling on the White House staff responsible for East-West trade policy. While the older advisory group, the Senior Interdepartmental Group for International Economic Policy (SIG-IEP), included DoD, the NSC and the CIA as full members, the new advisory group, the Economic Policy Council (EPC), is run by the Commerce and Treasury departments. How did this change affect policy formulation?

Bryen: That doesn't affect export controls. That oversight group is not the group that looks at export controls; they look at other trade issues. I don't think the change has affected trade very much. First of all, while the Defense Department is not an official member of that [newer] organization, it has attended all the meetings and played in the process. Any really important issue there is taken out of that group and brought up to the President, if necessary. I don't think the reorganization has mattered very much.

Monitor: What is your attitude toward the ongoing Soviet economic and political reforms? Should we support these recent efforts as being in the interests of the United States?

Bryen: I think they are in the interests of the Soviet Union. They have nothing to do with the United States. The internal affairs of the Soviet Union are not a part of our relationship with them. As far as the economic structure is concerned, that is their business. I don't know why we should encourage the reforms, because to the extent they are successful they make the Soviet Union stronger. I don't see where that helps us out.

Monitor: Do you support the legislation introduced by Reps. Jack Kemp, R-N.Y. and Toby Roth, R-Wisc., to push for a multilateral initiative restricting untied loans to the Soviet Union and the East bloc?

Bryen: We are against untied loans to the Soviet bloc. In principle, we support the Kemp-Roth bill.

Monitor: Do you support C. William Verity's appointment to replace Malcolm Baldrige as Secretary of Commerce? Do you think his past activities in promoting U.S.-Soviet trade mean he will seek an expansion of such trade above current levels?

Bryen: He says that he will not promote the expansion of strategic trade, that he will do his best to prevent it. We have to take him at his word.

Monitor: Is Mr. Verity's definition of strategic trade different from yours?

Bryen: I don't know. That remains to be seen.

Monitor: Will a Washington summit and the signing of an intermediate nuclear force (INF) agreement affect U.S.-Soviet trade?

Bryen: I don't think it will. It'll affect the arms control process. Obviously, it will improve relations between the two countries, but I think by itself it will not be enough to buy anything for the Russians as far as trade is concerned. I don't see where the Russians are making any giant concessions.

Monitor: Is there room for liberalization of U.S. export control policy based on the foreign availability of certain technology and equipment subject to U.S. controls?

Bryen: There is always room, but I think the foreign availability argument is a fraud. It has been mishandled badly by the people in the Commerce Department with responsibility for determining foreign availability. It is being used as a way of trying to decontrol some of the most sensitive equipment. It is sending the wrong signals to our allies. It's been handled in a dishonest way, in my view. That's not the way to decontrol items. There are ways to streamline and improve the COCOM list so we make sure we don't deliver anything to the Russians which will enhance their military ability.

Monitor: What examples are there of technology being decontrolled on the basis of foreign availability, which you think are not justifiable?

Bryen: The Commerce Department has several projects underway to decontrol semiconductor manufacturing equipment, supercomputers and hydroacoustic equipment for submarine detection, to name just a few. I think this is outrageous.

Monitor: What do you think of Rep. Bonker's recommendations for export control reform?

Bryen: Anything that Bonker is for, I am usually against. I'm right so he must be wrong. I don't know why he is running for the Senate, because if his views on the subject are going to become more of a topic in Washington state, I don't think people are going to like him very much.

Monitor: At one time American companies enjoyed a substantial share of the Soviet market for oil and gas technology and equipment. Unilateral U.S. sanctions on these items caused a drop in the U.S. suppliers' share of the market. Given that the administration has made a strong effort to restrict Soviet development of their oil and gas sector, why were these controls lifted in January?

Bryen: Well, first of all I don't think it is true that the controls did cause substantial harm to American suppliers. The gas pipeline controls only dealt with compressors made by European licensees of General Electric. The compressors were shipped by the Europeans, so we didn't lose any business anyhow. The licenses to the Soviets for oil and gas equipment from 1984 to 1986 constituted well over half of the validated licenses. In 1985 they constituted 85 percent of all validated licenses to the Soviet Union. They were getting a huge number of licenses approved. The number one high-tech export was oil and gas equipment. About all the sanctions did in the end was to allow the Commerce and Defense departments to look at the licenses, but they were still being approved. After the sanctions were dropped in 1987, the only difference was that we didn't look at the licenses anymore. As for why the sanctions were lifted, it was felt that they were no longer useful. They were imposed after the imposition of martial law in Poland, and were used to try and get concessions in human rights policy from the Soviets. The State Department felt it was time to remove the restrictions, but we didn't agree. We tried to keep them in place, but we lost that battle. □

EXPORT CONTROL POLICY

by Steve Hirsch

THE EVENTS OF the next few months could make 1987 a pivotal year for U.S. export control policies. The Reagan administration, which came into power determined to toughen restrictions on the transfer of technology abroad seemed, as the year unfolded, to be moderating its policies.

Advocates of moderating U.S. policy do not see their ideas as taking a soft line on strategic trade, but as taking a more realistic one, aimed at protecting key technologies from Soviet acquisition while loosening up what they see as the more unreasonable, draconian portions of the system. In March testimony before the House Subcommittee on International Economic Policy and Trade, Under Secretary of Commerce for Trade Administration Paul Freedenberg supported the moderate position assumed by former Commerce Secretary Malcolm Baldrige and other top officials of the Commerce Department. He stated,

U.S. national security requires that, American companies must be healthy...We must not, therefore, continue to bite the hand that feeds us...We must stop subjecting to over-control the very same private sector companies upon which we rely to keep us technologically superior to our adversaries. We must limit the role of government to doing only what is truly necessary to protect national security. And then, at that point, government should get out of the way, and let American business go about its business of selling quality products at competitive prices.

Hardliners are more concerned with the shift. They see the year's changes as dangerous steps which could allow the Soviets too much access to militarily useful U.S. technologies. Richard Perle, former Assistant Secretary of

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Defense for International Security Policy, views Congressional and Commerce Department efforts to "weaken export controls" as "lumbering forward behind the banner of 'competitiveness,' this year's slogan masquerading as a policy." He expressed deep concern that "six years of hard work are threatened by commercial greed, an indifferent Congress and an administration all too ready to acquiesce to pressures it once resisted with courage and determination."

The two key events which have shaped the direction of export control policy this year, and continue to do so are a National Academy of Sciences (NAS) report on controls policy and the disclosure of the Toshiba-Kongsberg diversion of high technology to the Soviets.

The former has had an enormous effect in galvanizing the reformers; the latter has taken the wind out of their sails and could reverse the flow of policymaking back toward a more hardline direction, in the context of this year's congressional consideration of omnibus trade legislation, consideration next year of export controls legislation and administration policy actions in the future.

There are two major fallacies about what causes export control policies to change. The first is that "perestroika," the system of reforms instituted by Soviet leader Mikhael Gorbachev, is a major factor in U.S. controls policies. Although the ultimate target of East-West export controls is Moscow, and although his defenders claim Gorbachev is throwing off the chains of what the Soviets call the "age of stagnation," Soviet reforms, be they real or false, have yet to have any impact on U.S. efforts to keep its key technologies out of Soviet hands.

The second fallacy is that the debate on export control policy is a dispute between conservatives and liberals. U.S. strategic trade policy is aimed at restricting the East's access to technologies which, although primarily civilian, have important military uses. Such technologies are referred to as having a "dual use." Most export control controversies revolve around whether or to what extent a

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specific technology should be subject to controls by the United States or its allies.

In general, the hardliners in such cases are often headed by the Defense Department and those backing more lenient controls are often led by U.S. business interests. The Commerce and State departments, the National Security Council (NSC), the Central Intelligence Agency (CIA) and important members and committees of Congress assume various positions on the spectrum from issue to issue.

The point is, generally, you can be with the Pentagon or you can be with business, or somewhere in between, but that's the range. Liberals will not find a way to be on the side of the oppressed on this issue, unless they want to support corporate America; and conservatives will not find an easy formula to stand for a "strong" America, because they have to choose between the Pentagon and industry.

What does cause U.S. controls policy to shift is changing administration and congressional thinking on how far to go either toward "the business point of view" or "the Defense Department point of view" in specific export control issues and in overall export control policy.

When this administration came into power, it made a concerted effort to toughen both export controls and export control enforcement. First, the administration pushed to strengthen the Coordinating Committee on Multilateral Export Controls (COCOM), the international organization that coordinates the allies' multilateral control system, and second it imposed the Siberian gas pipeline controls.

Most commentators believe that strengthening the

multilateral system of controls administered under COCOM was a good idea. The NAS report, while critical of unilateral export controls by the U.S., strongly recommends "that the United States take the lead in further strengthening the COCOM mechanism so that it can function as the linchpin of a fully multilateral national security export control regime for dual use technologies."

The pipeline controls, imposed in 1982 in response to the crisis in Poland, were aimed at making it more difficult for the Soviets to build their Siberian gas pipeline from the Urengoi gas field to the Czechoslovakian grid, from which the gas is transported throughout Western Europe. Some feel the sanctions were successful, but a lot of people agree, sometimes privately, that this embargo was the most ill-advised move since controls were set up after World War II.

According to a report by the National Center for Export-Import Studies, those sanctions caused problems for a number of U.S. firms, including General Electric and Caterpillar. Caterpillar, which had contracted with the Soviets to supply 200 pipelayers worth about \$100 million, was not able to regain Soviet business after the sanctions were lifted in November of the same year. General Electric (GE) was able to recover its business with West European customers, although the Italian and West German licensees subsequently sought alternative suppliers in Europe or decided to develop their own capacity to produce equipment previously manufactured under license from GE.

Caterpillar's share of the Soviet market fell from 85 percent in 1978 to about 15 percent in 1984. While waiting for licenses to be approved for sales to the Soviet Union, a Japanese competitor, Komatsu, was able to move in, picking up most of Caterpillar's lost market share.

Beyond the costs directly associated with the lost sales during the embargo, companies lobbying for U.S. trade policy reform often complain that unilateral measures such as the gas pipeline sanctions have serious long-term adverse effects on their ability to compete for other contracts in the future. The argument is that the U.S. export control policy does not respect contract sanctity, and so potential customers will avoid the risk of relying on U.S. suppliers of equipment and technology.

In addition to the financial losses incurred by U.S. companies and associated foreign companies, the gas pipeline sanctions are often criticized for having placed a serious strain on international relations among Western allies. For instance, John Brown Engineering, one of GE's licensees, received a directive from the British government not to comply with the U.S. embargo. The British company proceeded to ship equipment in stock to the Soviet Union. The Italian licensee of GE, Nuovo Pignone, also broke the embargo.

Despite these financial and political costs, some argue that the gas pipeline sanctions assisted in attaining West European agreement with a U.S. initiative in the following year, under the auspices of the International Energy Agency, to limit long-term Western dependence on Soviet sources of energy by developing Norwegian supplies. The agreement limits the share of West European gas consumption supplied by the Soviets to 30 percent. Currently, that share is around 25 percent. Administration officials estimated that "with the completion of the

Components of the Estimated Economic Impact of Export Controls in 1985

COMPONENT	IMPACT (in billions of dollars)
Administrative Cost to Firms	0.5
Lost West-West Export Sales	5.9
Lost West-East Export Sales	1.4
Reduced Research and Development Spending	0.5
Value of Licenses Denied	0.5
Lost Profits on Export and Foreign Sales	0.5
TOTAL	9.3

NOTE: Employment Loss = 188,000 jobs.

SOURCE: Balancing the National Interest: "U.S. National Security Export Controls and Global Economic Competition," National Academy of Sciences, 1987, page 266.

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second Soviet pipeline to Western Europe and use of excess capacity on existing pipelines, West European dependence on Soviet gas supplies would have reached 50-60 percent," had alternative sources not been developed.

On another front, for most of the Reagan years, the Republicans controlled the Senate. That meant that while liberal House Foreign Affairs Committee Democrats like Rep. Don Bonker D-Wash. and, earlier, the late Rep. Jonathan Bingham D-N.Y. chaired the International Economic Policy and Trade Subcommittee, two hardline Republicans, Sen. Jake Garn R-Utah, who headed the Banking Committee and International Finance and Monetary Policy Subcommittee Chairman John Heinz R-Pa., worked together to form a solid Republican front against any attempt to congressionally undercut too many of the administration's actions.

One example of the face-off between reformers in the House and hardliners in the Senate involved a provision of the Export Administration Act relating to Department of Defense involvement in licensing exports to Western countries. For several years, Bonker has backed interpreting current law to mean that the Pentagon's review authority is limited to West-East exports; led by Garn, the Senate has pushed for greater Defense Department authority over West-West licenses.

Consequently, during the first six years of the Reagan administration, while the legislative engine of the export control system, the Export Administration Act, seemed to be under almost constant scrutiny or revision, not only was the administration heading in a hardline direction, but there were limits to what congressional Democrats could do to stop the drift.

In February the National Academy of Sciences released its report *Balancing the National Interest: U.S. National Security Export Controls and Global Economic Competition*. This report could be the most influential policy document on export controls in almost a decade.

Some of its recommendations called for strengthening COCOM so that controls could be more internationally based. Others called for stressing U.S. technological strength, economic vitality and allied unity in U.S. controls decisions. Among the key findings of the study was a conclusion that U.S. controls impede U.S. exports. With "competitiveness" as the watchword of U.S. trade policy activists this year, this report highlighted for many people the negative effects export controls might have had on U.S. competitiveness. The controversial study concludes that:

A reasonable estimate of the direct, short-run economic costs to the U.S. economy associated with U.S. export controls was on the order of \$9.3 billion in 1985. This is a very conservative estimate because it only applies to a subset of business activity influenced by U.S. export controls. Associated just with lost U.S. exports was a reduction in U.S. employment of 188,000 jobs. If we were to calculate the overall impact on the aggregate U.S. economy of the value of lost export sales and the reduced R&D effort, the associated loss for the U.S. 1985 GNP would be \$17.1 billion.

The Pentagon attacked the NAS report, with former Assistant Secretary Richard Perle calling the paper "rich in assertion, poor in evidence," and calling the conclusion

of U.S. economic losses from controls "complete rubbish." Perle defended the Defense Department's role in export control administration against charges by the panel that Perle's office had overstepped its legislated authority in the decision-making process.

Nevertheless, the report had impact, both in the administration and in Congress. In the months following the report, there were a series of key congressional and administration actions aimed at reforming U.S. controls:

- The administration, on January 15, lifted controls on non-strategic oil and gas equipment to the Soviets. This change reflected changes in administration thinking independent of the NAS report. These restrictions are of a different type under the law than those examined by the study, but they were

controls on exports to the Soviets with some key similarities and fit into the pattern of this year's actions. The late Commerce Secretary Malcolm Baldrige said at the time that it was no longer in the U.S. national interest to keep the controls in place, adding that they had "lost their impact in the face of widespread foreign availability of like products, and the debilitating effect they had on our oil and gas industry is significant." According to Deputy Undersecretary of Defense Stephen Bryen, his department fought for the maintenance of these controls, but "lost that battle" to the departments of State and Commerce.

- On January 27, President Reagan said his own competitiveness proposals would address export controls and directed the Cabinet to review controls. The February 19 administration competitiveness package did, in fact, contain a series of proposals including provisions for loosening licensing for exports to China; new language stating that if items which are similar to U.S. products are available without effective restrictions in the West, then the U.S. products would be presumed to be acceptable for shipment to those Western countries under a fast-track licensing process; and adding new language on COCOM negotiations stressing the ineffectiveness of unilateral controls, and the need for cooperation among COCOM governments.

- Baldrige announced a group of 10 changes aimed at reforming the controls process. Among the changes Baldrige announced were loosening of controls on exports to entities controlled by COCOM governments and to government agencies in countries cooperating with the United States on controls policies. He also announced Commerce was backing legislation to put deadlines on determinations of whether a product under control is available from other

The point is, generally, you can be with the Pentagon or you can be with business, or somewhere in between, but that's the range.

POLICY...CONTINUED

countries and he pledged to cut the processing time for licenses.

- Along with the White House proposal, legislation was filed in the House and Senate which ultimately led to the omnibus trade legislation, now in conference. Going into the conference, both House and Senate versions of the omnibus trade legislation have numerous provisions on export controls issues. Some key differences between the bills are the extent of decontrol for exports to other Western countries and a Senate proposal to impose sanctions in response to the Toshiba-Kongsberg Vaapenfabrikk case.

- In March, Commerce lifted controls on exports to Eastern bloc countries of a machine called a silicon wafering because of foreign availability, the first such decontrol action taken. This move implemented a December 9, 1986 COCOM decision.

It was not just the NAS report that made these things possible, but it was the catalyst that changed the administration's official controls stance. There was a shift in the administration's internal power balance, with Baldrige's less hardline views of controls in ascendancy at the expense of hardliners like Perle. A key swing player

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INSERT (Multinational Monitor November-December 1987)

National Academy of Sciences Report Attacks Export Controls

THE 300 PAGE National Academy of Sciences study, *Balancing the National Interest: U.S. National Security Export Controls and Global Economic Competition*, evaluates policies and procedures according to their effectiveness in achieving two basic objectives set out by legislation authorizing export controls. The panel producing the report finds that export controls "fail to promote both national security and economic vitality," as intended by the Arms Export Control Act of 1976 and the Export Administration Act of 1979.

The result of misdirected policy administration has been "a complex and confusing control system" unnecessarily impeding U.S. exports to all countries, failing to block Soviet and Warsaw Pact acquisition of Western technology and putting excessive strain on relations with our allies.

In estimating costs to the U.S. economy, the report focuses on short term effects directly attributable to export controls. Authors of the report suggest their estimate of \$9.3 billion and 188,000 jobs lost in 1985 alone is a conservative one.

While benefits of export controls, specifically, effective blockage of Warsaw Pact acquisitions "are concentrated in a relatively narrow range of products and technologies," the costs affect a far broader share of U.S. trade. Based on Commerce Department data, it is estimated that in 1985, 40 percent (\$62 billion) of all non-military manufactured goods were exported under a license requiring prior approval.

The report also notes that smaller firms suffer proportionally more from costs attributed to license denials, delays and overall administrative inefficiency in the export control process.

Administrative inefficiency is a major issue addressed by the panel, which criticizes the "lack of balance in inter-agency policy formulation." Currently the system is plagued by conflicting aims among the three principal agencies responsible for its administration, the departments of State, Commerce and Defense.

The Commerce Department is responsible for regulating exports of commercial equipment and technology, while the State Department controls exports of military equipment and technology. The Department of Defense (DoD) is assigned an advisory role regarding the strategic significance of military and commercial exports. However, due to the superior staffing resources at the Defense Department, it has acquired a "de facto veto authority."

The report indicates a shift in the "locus of responsibility and decision making within the DoD...from the office responsible for research and engineering to the office responsible for policy," resulting in "a significant reduction in the weight accorded to technical factors." The Defense Department's assertion of authority and the shift within that agency has, according to the report, contributed to the excessive complexity of controls and their burden on U.S. economic interests.

The panel's recommendations for changing the export control system are presented under two general headings, strengthening of the Coordinating Committee for Multilateral Export Controls (COCOM) mechanism and giving greater significance to maintaining U.S. technological strength, economic vitality and allied unity.

U.S. national security export controls are stricter than those of other COCOM countries. They encompass a wider range of products and technologies and include reexports of U.S. products as well as foreign products incorporating U.S.-origin components and technology.

Not only does this divert U.S. trade with the East and West to other countries where controls are less restrictive, the extra-territorial extension of U.S. controls undermines the Western alliance by challenging the national sovereignty of our allies.

To make the multilateral system more effective, the panel recommends:

- Harmonizing the U.S. export control system with those of other COCOM members;
- Extending export control agreements to non-CO-

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POLICY . . . CONTINUED

between Commerce and Defense, the State Department, was beginning to side with Commerce more than with Defense. The administration's removal of controls on oil and gas technology and equipment in January reflected this shifting balance of power in the Cabinet, as the State Department sided with Commerce in a successful lobby for removal against the wishes of the Pentagon.

Some observers believe the shift in the administration's internal balance of power dates back at least to April 1985. At that time, there was a reorganization of the Cabinet level advisory panel concerned with East-West trade policy. Before the reorganization, the Senior Interdepartmental Group-International Economic

Policy (SIG-IEP), which included the Department of Defense (DoD), the CIA and the National Security Council (NSC) as full members, advised the President through his national security advisor. The NSC representative was the Executive Secretary of the SIG-IEP. Following the reorganization, the Economic Policy Council (EPC) took over that role as advisory board. The EPC is run by the Chief of Staff and does not include the DoD, CIA, or NSC as members. One former senior administration official said that he thinks, "the diminished role of the national security agencies in the internal economic policy-making process, with the establishment of the EPC in April 1985 resulted in a fairly dramatic shift away from a security-

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CONTROLS . . . CONTINUED

COM countries;

- Removing restrictions on products with such widespread availability as to make our controls impractical and add unnecessarily to the complexity of administering the multilateral system;
- Eliminating the use of unilateral national security controls with only rare exceptions;
- Eliminating controls on reexports of U.S.-origin products and technology by COCOM members and non-COCOM countries that have signed cooperative agreements; and
- Improving enforcement by reducing the range of controls via a "sunset provision" automatically removing low-priority items after four years unless they are periodically rejustified as deserving of restrictions.

The panel also recommends:

- Establishing regular "affirmative policy direction" as mandated by legislation and including participation by the Secretaries of Commerce and Treasury;
- Upgrading automated systems and in-house technical and analytic expertise at the Commerce Department to promote reassertion of Commerce and State Department authority over export control policy and administration;
- Returning the "locus of responsibility" for the Defense Department's advisory role to the technical side of that agency;
- Implementing mandated procedures for decontrol of items when foreign availability can be established; and
- Establishing an official channel of communication "at the highest levels" between government policymakers and representatives from the private sector to assure an appropriate balance of national security and economic interests.

The estimation of costs to the U.S. economy associated with national security export controls has been ridiculed by Defense Department officials, who have charged that the panel was stacked with contributors biased in favor of liberalization of U.S. export controls. Former Assistant Secretary of Defense for International Security Policy Richard Perle called the report "shallow and tendentious." He said the report implies, "that in order for American industry to remain competitive we must equal the laxness with which our allies administer their export controls by diminishing the effectiveness of ours, thus sinking to the lowest common denominator." Deputy Undersecretary of Defense for Trade Security Policy Stephen Bryen called the report "sloppy" and explained the severe criticism of his Department contained in the NAS study by saying simply "that the National Academy of Sciences is just jealous of the success the Defense Department has had [in strengthening the export control system]. They are anti-defense by nature."

However, other branches of the administration and many members of Congress have taken a different view of the study's cost estimates. The Commerce Department praised the report and expressed its intent to act on many of its recommendations. Undersecretary for International Trade Administration Bruce Smart expected the report to assist him in efforts to revise export control policy. Bonker D-Wash., sponsor of an amendment to the omnibus trade bill currently in conference that, if passed, would cut the list of items subject to controls by 40 percent, "felt that the report confirmed arguments he had been making for several years. Namely, the current control system damaged U.S. industry's ability to compete, while not enhancing national security."

While reaction to the report varied, there is little dispute that the report has been an important catalyst for this year's movement to revise U.S. as well as COCOM's multilateral system of national security export controls. □

-Jonathan Dunn

POLICY...CONTINUED

oriented U.S. East-West economic policy."

With the Democrats in control of both the House and Senate, and competitiveness everybody's favorite trade buzzword, Congress was less hardline than Commerce or the administration as a whole. While there were important differences, both branches seemed to be moving in the same general direction, and it seemed that mutually acceptable compromises could be worked out.

Then came the Toshiba-Kongsberg case.

The Toshiba-Kongsberg diversion involved the illegal sale to the Soviets by a Toshiba subsidiary and Norway's Kongsberg-Vaapenfabrikk, of sophisticated technology which could allow the Soviets to build quieter submarines. There have been reports and announcements of other sales, and investigations of other allegations are going on throughout COCOM.

This diversion has been described by some as the most serious diversion of strategic technology to the Soviet bloc since World War II. Undersecretary of Commerce Secretary Paul Freedenberg told the Senate Subcommit-

tee on International Finance in June, that he could not think of a "more significant technology transfer over the past decade, with more profound deleterious effects on the U.S. strategic posture."

This diversion involved foreign technology and a foreign company; U.S. licensing, control and enforcement agencies were not responsible for the transfer.

This was a case of a serious transfer of sophisticated technology by two U.S. allies to the Soviets just as pressure had been building to cut back the Defense role in favor of more cooperation with the allies. Not only that, but Japan, not everybody's favorite trading partner these days, was a key player.

Congress moved on the issue, with the Senate approving language imposing an import ban and a bar on government contracts against the two firms and providing for similar sanctions in the future. Senator John Heinz, who said "what Toshiba and Kongsberg did was ransom the security of the United States for \$17 million," cosponsored with Sens. Garn and William Proxmire D-Wisc., a

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Wall Street Journal 9 December 1987 pg. 35

Exception Seen To Export Limit On Toshiba Unit

Special to THE WALL STREET JOURNAL

TOKYO—Toshiba Machine Co. will be allowed to fulfill several contracts that were concluded with China before the Japanese government banned exports by the Toshiba Corp. unit to communist countries, according to a government official who spoke on condition of anonymity.

The Ministry of International Trade and Industry, in an announcement yesterday, said only that it had decided to review the contracts. Officials said the review was prompted by complaints from China.

MITI imposed the one-year ban last May, following the disclosure that Toshiba Machine sold sophisticated milling equipment to the Soviet Union in violation of Western-bloc rules governing exports to communist countries. The U.S. charged

that the Soviets used the machines to manufacture quieter submarine propellers, making detection more difficult.

The ban kept Toshiba Machine from fulfilling 25 contracts, valued at about 2.4 billion yen (\$18 million), that it had concluded with China before MITI acted. China complained that the Japanese action made it difficult to carry out some industrial projects.

MITI officials said the controversy involving 18 of the contracts already has been settled by asking other companies to supply the products, postponing delivery dates or cancelling some of the contracts altogether. However, Japan and China have failed to reach agreement on the remaining seven contracts, valued at about 1.1 billion yen.

These MITI officials said they may allow Toshiba Machine to resume exports based on the seven contracts if it's found that the resumption wouldn't run counter to the agreement among major non-communist nations governing exports to communist countries. But even if the government decides to allow Toshiba Machine to resume exports, the officials said, it would freeze payments to the company until the ban expires next May 20.

Journal of Commerce
9 December 1987 p. 12

Norway Tightens Export Controls

OSLO, Norway — The Norwegian parliament unanimously approved government-proposed legislation tightening export controls on strategic goods, services and technology to East Bloc countries.

In a vote this week, the 157-seat parliament raised the maximum penalty for violating export regulations from six months imprisonment to five years. Maximum penalty for inadvertent violations was set at two years in prison plus fines.

The statute of limitations was increased from two to 10 years.

Prime Minister Gro Harlem Brundtland had promised the reforms to President Reagan after Norway and Japan were found to have sold sophisticated milling machines to the Soviet navy for making virtually silent propellers. (AP)

POLICY...CONTINUED

bill to ban imports from Toshiba and Kongsberg for two to five years. The amendment to the omnibus trade bill passed the Senate by a vote of 95 to 2. The measure does, however, include a waiver allowing the Navy to continue purchasing Penguin anti-ship missiles from Kongsberg.

The House version of the trade bill was passed before the Toshiba-Kongsberg case broke. Consequently, the House has not voted on any measure comparable to the Senate amendment. As the trade bill passes through conference, this is certainly one of the most important differences between the House and Senate versions requiring agreement.

The administration has opposed sanctions against Toshiba on the grounds that other countries could retaliate, the legislation does not give the president enough flexibility, and it could hurt COCOM. The administration especially opposed sanctions when it became clear that Toshiba has such an important role in the U.S. electronics industry that the domestic industry could be hurt if the sanctions were enacted. Some of the largest U.S. corporations, including IBM, Xerox, Honeywell and Westinghouse have lobbied Congress and the administration to oppose the sanctions. Deputy Undersecretary of Defense Stephen Bryen, however, denies that private sector interests have played any role in the administration's opposition to sanctions. Bryen also agreed that he "supports the sanctions in principle," but he adds that in this case "legislation would be passed after the commission of the 'crime,' and that kind of *ex post facto* law fails the test of due process."

The trade bill is still in conference, and it is not clear what will happen to it or the Toshiba provisions. But even without the trade bill, the Export Administration Act could be a popular law to try to amend in the coming years. The next periodic review of the Act is scheduled for 1989. However, if the trade bill currently in conference is derailed, a spokesperson for Bonker indicated that he would push for the policy reform as an amendment to another trade bill before 1989.

The Toshiba affair may provide hardliners in Congress and the administration with enough power to shift the direction of policy. Even if disclosures to date are not sufficient to shift policy, there could be more disclosures as investigations both here and abroad continue. Further revelations of major diversions could cancel out the effects of the NAS study.

Democrats will continue to control the House and Senate next year. But at the same time, Democrats do not form a monolithic bloc on this issue any more than on other issues, and hardliners exist in both parties. While Proxmire co-sponsored the sanctions approved by a wide margin in the Senate, an even more severe amendment sponsored by Alabama's Democratic Senator Richard Shelby called for a permanent ban on imports from Toshiba and Kongsberg. This proposal was defeated in the Senate by a vote of 78 to 19.

Moreover, those pushing for reforms both in Congress and the administration are not unconcerned with national security. They are not likely to push for easing controls in ways that industry wants if it becomes clear that some of those changes are "premature."

If the Toshiba case turns out to tip the balance away from the NAS study, it may hurt the chances of changes

which reformers feel are justified even in light of the case but which hardliners feel decontrol too much technology. As for the administration, it is no longer clear whether the State Department is siding with Commerce. If it is not, that could move the administration more toward the hardline point of view.

The other major question has to do with C. William Verity, the new Commerce Secretary. While Chief Executive Officer of Armco, a supplier of oil drilling equipment to the Soviet Union, Secretary Verity served as U.S. co-chairman of the U.S.-U.S.S.R. Trade and Economic Council, a bilateral trade organization promoting the expansion of trade between the two countries. Soviet membership includes top officials from the industrial ministries, planning committees and foreign trade organizations. U.S. membership includes major corporations such as Occidental Petroleum, PepsiCo, Coca-Cola, Ralston-Purina, Allis-Chalmers, Archer Daniels Midland, Caterpillar, Xerox, Dow Chemical, Monsanto and many others.

Although he advocates expanding trade with the Soviet Union, what stance he will take on controls in the administration and how effective he will be in pushing his point of view is still unknown.

Several unanswered questions still loom on the horizon. If the GOP holds onto the White House, it is up in the air. It could be a hardline, pro-Defense administration, or a heavily business-oriented administration. If the Democrats come into power, it seems probable they would not be as hardline as the Republicans could be, but there is a pretty wide range of possible positions for them as well.

It is certainly possible that "perestroika," and a Intermediate Nuclear Force (INF) arms control agreement at the upcoming Washington summit could herald a new era of good feeling between the two superpowers.

No matter how sweet the Soviets look to the Americans a year from now, though, the United States is not going to dismantle its system of strategic export controls. It is possible that if the Toshiba case disappears as a controlling issue and policies continue to move in the direction they were headed earlier this year, that good relations could have some impact on changes in controls, but that impact could be limited. Controls are aimed at keeping militarily useful technologies out of Moscow's hands and will continue to be aimed at that for the foreseeable future. □

"...former Assistant Secretary Richard Perle calling the paper "rich in assertion, poor in evidence," and calling the conclusion of U.S. economic losses from controls "complete rubbish." Perle defended the Defense Department's role in export control administration against charges by the panel that Perle's office had overstepped its legislated authority in the decision-making process."

INSERT

(Multinational Monitor November-December 1987)

U.S. COMPANIES INVOLVED IN TRADE WITH THE SOVIET UNION

Abbott Laboratories	pharmaceuticals	International Business Machines Corp. (IBM)	computers; office equipment
Air Products and Chemicals, Inc.	chemicals	Kaiser Aluminum and Chemical Corp.	aluminum; chemicals
Allis-Chalmers Corp.	engineering	Maxwell Laboratories	energy systems
Aluminum Company of America (ALCOA)	aluminum	McDermott International, Inc.	marine construction
American Standard, Inc.	plumbing products	Minnesota Mining and Manufacturing Co. (3M)	medical equipment
Archer Daniels Midland Co.	agricultural products	Mobil Corp.	petrochemicals
Armco, Inc.	oil equipment; metallurgy	Monsanto Co.	chemicals
Baxter-Travenol Laboratories, Inc.	health care products	Navistar	agricultural machinery
The Black & Decker Corp.	power tools	Nike, Inc.	footwear; sportswear
Bristol-Myers Co.	pharmaceuticals	Occidental Petroleum Corp.	chemicals; petrochemicals
Cargill, Inc.	agricultural products	Olin Corp.	chemicals; metals
Caterpillar Tractor Co.	construction machinery	Owens-Illinois, Inc.	packaging products
The Coca-Cola Co.	beverages	Pan American Corp.	air transportation
Combustion Engineering Co.	industry control systems	PepsiCo, Inc.	beverages
Control Data Corp.	computers; electronics	Procter and Gamble Corp.	household products
Cooper Industries, Inc.	construction machinery	Ralston Purina Co.	animal feed
Corning Glass Works	glassware; ceramics	Reynolds Aluminum	aluminum
Digital Equipment Corp.	computers	The Singer Co.	sewing machines
Dow Chemical Co.	chemicals	The Stanley Works	tools; hardware products
Dresser Industries, Inc.	oil and gas equipment	Tenneco, Inc.	petrochemicals; gas
E.I. du Pont de Nemours & Co., Inc.	chemicals	TRW, Inc.	electronics
FMC Corp.	machinery; chemicals	Union Carbide Corp.	chemicals
General Electric Co. (GE)	electronics	USX Corp.	mining; metals
General Motors Corp. (GM)	motor vehicles and parts	Wang Laboratories, Inc.	computers
Hewlett-Packard Co.	measurement instruments	Westinghouse Electric Corp.	electronics; engineering
Honeywell, Inc.	electronics; computers	Wolverine World Wide, Inc.	footwear
Ingersoll-Rand Co.	heavy machinery	Xerox Corp.	office equipment

Let the space pros talk

The West should cooperate with the Soviet Union on joint missions in space for two good reasons besides the obvious one.

First, more cooperation with the Soviets will give the West's best and brightest a chance to rub shoulders with people just as intelligent and educated who have never taken privilege for granted. As Roger Rosenblatt writes in his *Time* essay on "every day in the life" of Soviet citizens, most Americans never learn that living comfortably is a rare exception in human history—not the rule. Rosenblatt writes: "Soviets can be happy and are, but most probably would reject the standard of happiness as impertinent."

Those acquainted with grief and uncertainty are least likely to throw away their options as U.S. policymakers did when they decided to rely entirely on the Shuttle for access to space. The Soviet Energiya heavy-lift launch vehicle emerged from among the outstanding aerospace achievements of the year to grace the cover of *Aerospace America's* 1987 highlights issue. This is not because the technology involved is particularly advanced, but because this vehicle stands as a shrine to pragmatic policymaking that fostered the best use of available technology. The assiduous Soviets have much to teach mercurial western leaders known for on-again, off-again advocacy.

Second, the more Soviets get to know westerners the more disposed individuals will be to take the initiative in the Soviet Union. This cannot help but broaden the *perestroika* and *glasnost* that Moscow has set in motion. Already, fundamental change in the Soviet system is making the Russian word for restructuring as much a part of western speech as the Russian word for openness. Rosenblatt quotes one of his Soviet acquaintances as saying: "Now that the windows are open, they can never be shut again."

Maybe. While government cannot resist the collective will of its people, the Soviet people have had precious little time to consolidate the self confidence that comes from free enterprise. There are no better examples of self confidence and no better teachers of free enterprise than western capitalists. So, any opportunity to show Soviet citizens what they have to offer is too valuable to pass up.

Americans at home are becoming reacquainted with uncertainty as the stock market careens and U.S. economic and technological leadership erodes. Indeed, we may get wise to what is happening in America without getting to know more Soviets. But in the meantime, western wealth created by 40 years of vigorous research and development could disappear.

The obvious reason for cooperation is the cost of access to space. Spacefaring nations have a myriad of ambitious objectives that demand mission duration and flexibility unheard of before. The cost of most such activities is too great for a single nation to bear. And even the most basic of necessities—a follow-on operational space shuttle that will do for travel through space what the Douglas DC-3 did for travel through the air—is a project too big even for a consortium of nations with similar political philosophies.

The agreement on cooperation in space that Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze signed last April has spawned positive meetings between aerospace professionals of both nations (*Aerospace America*, November 1987, p. 6). But a ground swell of progress is yet to come. *Vperyod!* Let's get going!

Jay C. Lowndes, *Editor in Chief*

Reversing the Flow: U.S. Industry Finds New Technology In the East

OBSERVERS OF EAST-WEST trade issues are accustomed to hearing about the flow of technology from West to East. A far lesser known fact is that Western companies have benefited substantially from the flow of technology in the opposite direction, from East to West.

The Western perception of the Soviets and East Europeans as technologically inept is occasionally rattled by startling revelations of their actual achievements. The Sputnik case is one widely known example of the West underestimating the technological capabilities of the East bloc countries, but the list of licenses for technologies with commercial applications purchased from East bloc countries by Western companies (See table, page 18) reveals many more examples of technological achievements in the East.

Some of the Eastern technologies acquired through the purchase of licenses have applications that would prevent their transfer from West to East. General Dynamics uses a photogrammetric positioning device acquired from East Germany for wing subassembly work for F-16 aircraft. Cabot Corporation uses the electroslog casting technology to cast parts for jet engine casings.

John Kiser, president of a Washington-based firm specializing in the transfer of technology from East bloc countries to the U.S. cites several reasons for the limited number of East bloc technologies purchased by U.S. and other Western companies.

One reason, Kiser explains, is because, "Selling is not part of the economic culture of these [Eastern] societies. Marketing materials are usually poorly written and uninformative." The socialist economic system does not provide adequate material rewards for individuals to do the work and take the risks necessary to sell their technologies.

The most significant factor limiting the sale of Eastern technologies to the West, according to Kiser, is "the

lack of commercial contact." Discovery of commercially viable technology available in the East bloc countries requires "person-to-person contacts." Since trade and exchanges of scientific or technical personnel between East and West is suppressed by political barriers, the flow of essential information is quite limited.

Discovery of useful technology and research activities in the East often depends on the initiative of a Western company or individual. Due to the relative isolation of Eastern economies, individuals conducting research and development activities are often completely unaware of what is saleable in the West.

An example of this is the most commercially successful Eastern license sold to the U.S., the soft contact lens. The National Patent Development Company learned of research on the hydrophilic polymer conducted by Otto Wichtesle at the Institute of Macromolecular Chemistry in Czechoslovakia. Had the American company not taken the initiative to inform the Czech licensing organization of the research's commercial potential, this product, which has launched an entire industry, may never have reached the West.

Kiser points out that since "a significant portion of the potentially useful technologies from East bloc countries are process technologies or in an R&D stage, personal contact becomes even more important." Final products from the East may have the same appearance as their counterparts produced in West. This similarity of end products may hide the fact that the Eastern version was produced using a more efficient, innovative technology. One example of this is Czech technology for casting high-speed steel cutting tools.

In the West, a competitive marketplace and proprietary rights play critical roles in providing an economic climate supportive of technological innovation. While centrally planned socialist economies may be

lacking in these areas, certain conditions evident in the Eastern bloc do, however, promote the development of technological efficiency.

One such condition is the labor shortage facing the East bloc countries, forcing central planners in the region to adopt an "intensive" growth policy based on increasing the productivity of labor, capital and natural resources. Advances in technology play a pivotal role in achieving this higher level of productivity.

Second, long-term centralized planning for entire industries combined with increased efforts to promote industrial specialization through the regional trade association, the Council for Mutual Economic Assistance (CMEA), allows even smaller East European countries to commit substantial investments in productive technologies that might be too risky in Western markets. Examples of relatively successful specialization programs include machine tools in East Germany, Czechoslovakia and Hungary, textile machinery in Czechoslovakia, ship building in Poland, medical equipment in Hungary and robots in Bulgaria.

Third, government support for scientific research and education is strong throughout the region. Eastern Europe is home to one-third of the world's scientific community. According to Kiser, "In the Soviet Union alone, more than 60,000 patents are published each year along with tens of thousands of technical publications."

Global competitiveness of a nation's industries depends greatly on its technological capabilities and innovation. If the climate for an expansion of East-West economic cooperation evolves, more people in the U.S. and other Western countries may realize that important technologies flow in both directions, not just from West to East. The flow of technology from East to West can help U.S. industries remain competitive. And, cooperation rather than confrontation with the Soviets and Eastern Europe can help preserve the long-term strength of this country. □

—Jonathan Dunn

This article relies on the written work and assistance of John Kiser of Kiser Research, Inc., a Washington, D.C.-based technology transfer firm.

Gorbachev Seen Eying Western Capital Markets On U.S. Visit

BY TOM BREEN
The Washington Times Service

WASHINGTON, Dec. 7. — One of Mikhail S. Gorbachev's chief goals this week will be to increase Soviet access to Western capital markets, a wide range of experts say.

Some of them suggest that Gorbachev is coming to the United States primarily to increase the flow of Western capital to his country, mostly from private banks, and only secondarily is concerned about signing the intermediate nuclear forces (INF) pact with President Reagan.

In short, the Soviets figure that their mere presence in Washington, which includes a meeting with unidentified U.S. industrialists on Thursday, will convert into ready cash and that American skeptics will become more receptive to Soviet *perestroika*, or economic restructuring, the experts say.

In this view, Gorbachev also hopes to use the goodwill and media blitz generated by the summit to quiet growing numbers of U.S. critics — mostly conservatives but a sizable

number of moderates and liberals, as well — who believe that billions of dollars in Western loans each year are being used to fund Soviet aggression and espionage rather than public works and agricultural projects.

Said Anthony Harrigan, president of the Business and Industrial Council, a Washington-based group that represents 1,100 U.S. businesses nationwide, "[*Perestroika*] is simply an invention by the Soviets to get as many of our dollars as they can . . . while they're also gaining access to our technology in order to modernize their military-industrial complex."

"The Soviets have reached the [economic] point of no return. . . . They need Western money to keep going," said Arnold Beichman, a Soviet specialist and a fellow at the Hoover Institution at Stanford University.

Beichman said the Soviets are "good credit risks because they pay back the money right away," but that large amounts of Western capital "certainly are financing their aggression."

Gorbachev has several economic goals for the summit, although he probably won't publicly articulate any of them, the experts said.

Those goals are:

- To persuade more U.S. banks to engage in the practice of giving them untied, or unrestricted, loans. Those funds could then be used for aggression and espionage.

- To gain points with the heads of such major Western financial organizations as the International Mon-

etary Fund (IMF), World Bank and General Agreement on Trade and Tariffs (GATT) — organizations the Soviets desperately want to join.

- To open up wider trade with the United States to give them increased access to American technology.

- To raise the possibility of converting the Soviet ruble to other currencies, although most experts believe such conversion probably would cause chaos in the Soviet economy.

John P. Hardt of the bipartisan Congressional Research Service said, "He [Gorbachev] can't modernize effectively without the [economic] support of the West, and the U.S. is the linchpin."

Hardt, who returned Sunday from Moscow, said the mood among Soviets is "hopeful . . . but the man in the street definitely wants the promised economic reforms. They want food on the table."

The Soviets and their East-bloc neighbors currently borrow billions from the West each year and want to increase cash flowing from Western sources.

In 1986, the West loaned an estimated \$24 billion to Soviet-bloc countries. At least 80 percent, or \$19 billion of that, came in the form of untied loans, or cash for no specific trade transactions or projects, according to several sources.

"Untied cash loans can be . . . easily diverted by the Soviets for purposes inimical to vital Western security interests such as support for Soviet client states, for the KGB and for the theft of militarily relevant Western technology," said a Washington expert on the untied loans who asked that his name not be published.

Actually, Western loans to the Soviets may have totaled as much as \$36 billion in 1986, if short-term credits are included, said PlanEcon Inc., a Washington-based consulting firm that tracks the economies of the Soviets and Eastern Europe.

"You could argue that Western banks are supplying [untied] loans for Soviet arms exports," PlanEcon said.

At least 10 leading U.S. banks, including First Chicago, Citibank, Morgan Guaranty and Manufacturers Hanover Bank of America, currently give untied loans to the Soviets without asking how the money is to be spent, according to several sources.

Legislation to end the untied-loan practice is pending in the House and Senate.

One of the legislation's backers, Rep. Jack Kemp, R-N.Y., joined thousands of Washington protesters Sunday who rallied against untied loans until an estimated 400,000 Soviet Jews are allowed to emigrate.

The protesters also voiced strong

CONTINUED NEXT PAGE

Congressional Record (House)

INTRODUCTION OF A BILL TO PROHIBIT THE SALE OF AEGIS WEAPON SYSTEMS TO JAPAN

(Mr. BENNETT asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. BENNETT. Mr. Speaker, today I and a number of my colleagues are introducing legislation that would effectively prohibit the Department of Defense from selling the Navy's Aegis weapon system to Japan. I am introducing this bill on behalf of myself, Mr. HUTTO, Mrs. BENTLEY, Mr. HUNTER, Mr. DYSON, and Mr. SISISKY.

Aegis is the Navy's premier shipboard defensive system against attacks from aircraft and sea-skimming cruise missiles. To be installed on 27 *Ticonderoga*-class cruisers and 29 *Arleigh Burke*-class guided missile destroyers, Aegis provides an unprecedented level of protection to our Navy personnel and to the battle groups in which they sail. Aegis has already proven itself at

H11064 9 Dec 1987

sea, not only in realistic tests against the toughest threats, but also off the coasts of Libya and Lebanon during recent operations.

Aegis depends on a highly sophisticated blend of computers, radars, missiles, and software for its success. Indeed, the actual process of bringing all of these pieces together into an integrated, properly functioning system is an art in itself. But it is precisely this unique melding of high technology that gives Aegis its overwhelming capability. In the words of one Navy admiral, Aegis is truly "star wars at sea."

Mr. Speaker, no other nation has an Aegis system, or a system that even approaches Aegis' capability. The United States has invested hundreds of millions of dollars in developing and perfecting the system. It is worthy of the highest level of protection against espionage and theft we can provide.

Recently it became evident that the

CONTINUED NEXT PAGE

Washington Times 9 December 1987 pg. 5

Academy to give Soviets computers

By Tom Breen
THE WASHINGTON TIMES

The independent National Academy of Sciences yesterday pledged to help place more than a million computers in Soviet classrooms by the early 1990s.

The NAS promise came during a meeting between influential Soviet officials and scientists and a private American delegation.

The academy is the leading U.S. honor society for scientists but recently has been immersed in political controversy, accused of being left-leaning by some of its members.

The academy's pledge is sure to draw the ire of U.S. critics who contend the Soviets are using this week's Summit to gain access to Western capital and technology.

Currently, the Soviets are believed to have few if any classroom computers in use and clearly need Western technology to close the gap with American schools in which such equipment is becoming commonplace, analysts say.

Said academy President Frank Press after yesterday's session between the dozen Soviets and nearly 40 American scientists, economists, executives and government officials:

"We're witnessing a [Soviet] revolution as profound as any in this century in terms of potential impact."

Mr. Press said that he and a delegation from the academy would

leave shortly for the Soviet Union to brainstorm about the computer plan and other projects.

He also indicated that U.S. computer companies might join in the Soviet project but declined to elaborate.

As part of perestroika, or economic reform, the Soviets clearly are aiming to improve dramatically the quality of their education.

Critics, however, fear that a superior Soviet educational system would pose a greater risk to Western security than is now the case.

But the U.S. group meeting with the Soviets yesterday was strictly upbeat after the three-hour session that was interrupted at one point by rumors that Raisa Gorbachev would drop by. But she never showed.

Among the Americans present were Paul Gray, president of the Massachusetts Institute of Technology; Howard Schneiderman, a top official of the Monsanto chemical company; and officials from the Apple and Digital computer companies.

Heading the 10-member Soviet delegation were Abel Gezevich Aganbegyan, one of the chief architects of perestroika and described by analysts as "crucially important" in the Soviet power structure.

Also attending for the Soviets were Yevgeniy Pavlovich Velikho, vice president of the Soviet Academy of Sciences and believed to be one of key figures in the Soviet

strategic-defense initiative; Stefan Aramaisovich Sitaryan, a top Soviet economist; and Vladimir Nikolayevich Kudriyavtsev, the director of a state-law institute.

During the session, the Soviets vowed to increase their "foreign economic ties" with the West despite owing more than \$38 billion to Western governments and banks, a figure that has grown dramatically over two years.

"We're way behind in our level of life and [want to] resolve our social problems," Mr. Aganbegyan, the perestroika architect, said.

At least two leading U.S. legislators, Sen. Bill Bradley, New Jersey Democrat, and Rep. Jack Kemp, New York Republican, have assailed the Western practice of loaning billions of dollars to the Soviets with no questions asked.

The Soviets currently are borrowing from the West at a rate of \$750 million a month, much of it in untied, or unrestricted, loans, according to U.S.-government figures.

Mr. Bradley and Mr. Kemp are concerned that large chunks of the money are funding Soviet aggression and espionage.

Mr. Press of NAS said the U.S. group was "impressed" by the "utter frankness" of the Soviets despite denials during the meeting that tens of thousands of Soviet Jews are being blocked from leaving their homeland, a charge that has been documented widely by scores of

American human-rights activists.

Mr. Kudriyavtsev of the Soviet institute of state law labeled as false reports that as many as 400,000 Soviet Jews are being kept in the Soviet Union, according to a team of five U.S. "pool" reporters allowed to sit in on the session.

"Forty...4,000...400,000...it's untrue," he was quoted as saying.

The Soviet delegation said little about space exploration but expressed a desire to "work closer" with the West.

The NAS lists a roster of 1,462 members, including 177 social and behavioral scientists. Other members are considered "hard" scientists in such disciplines as mathematics and chemistry.

Earlier this year, the academy, which wields enormous power in the U.S. scientific community, was embroiled in controversy after rejecting a prominent political scientist on grounds that his work was a mask for his political opinions.

But the barred political scientist, Samuel P. Huntington, director of the Center for International Studies at Harvard, is highly regarded and frequently quoted, according to most experts.

The academy was accused by conservatives of barring Mr. Huntington solely because he was hired as a consultant to the State and Defense departments and the National Security Council.

Washington Times 10 December 1987

CLARIFICATION

The headline, "Academy to give Soviets computers," over an article about the independent National

Academy of Sciences in Wednesday's editions of The Washington Times was misleading. The academy offered to help place a million

personal computers into Soviet classrooms by the early 1990s, but offered only advice, and offered neither computers nor financial support.

Japan...CONTINUED

Navy is considering the sale of Aegis weapon systems to the Government of Japan. Although still in the early stages of consideration by both countries, the process could eventually lead to the sale of several Aegis systems to be installed on Japanese-built ships. According to Navy officials, the Japanese Maritime Self Defense Force would use these Aegis-equipped ships to patrol the sea lanes within 1,000 miles of Japan.

Unfortunately, Mr. Speaker, we seem to have enough trouble in keeping our defense secrets out of the hands of our potential adversaries; sharing these secrets with our ally, Japan, just complicates not only our own security interests, but theirs as well. With many in this country still questioning the efficacy of Japan's ability to protect itself against espionage

activities in the wake of the Toshiba matter, it makes sense not to export one of our most prized naval technologies until we can be guaranteed of its protection.

Mr. Speaker, I urge all Members to examine this important issue closely, and to support this much needed legislation.

Following is the text of the bill as introduced:

H.R. —

A bill to prohibit any funds appropriated or otherwise available to the Department of Defense from being used to implement any sale of the AEGIS weapon system to Japan

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That no funds appropriated or otherwise available to the Department of Defense may be used to implement any sale of the AEGIS weapon system to Japan.

Gorbachev...CONTINUED

opposition to Soviet admission to the IMF, World Bank and GATT.

For months, the Soviets quietly have been maneuvering to join those organizations and at one point received a response that seemed to suggest that Barber Conable, a former New York Republican congressman who became bank head in 1987, would be receptive. Conable soon thereafter retreated from that position, however, and no action has been taken to admit the Soviets.

Said Lawrence J. Brainard, senior vice president of Bankers Trust Co., in a report to the Joint Economic Committee of Congress, "Membership [in GATT, IMF and the World Bank] would improve the Soviet Union's ability to tap private credit markets."

Gorbachev's Christmas Shopping Spree

Raisa Gorbachev isn't the only one who likes to shop on trips to the West. We can be sure her hubby has a list of big-ticket baubles he'd like to pick up while browsing through capitalism's fruited plains — only the items on his list are quite a bit more dear than Raisa's. Gorby has his eye on Western credits, high technology and trade agreements.

To help him secure this bounty, Gorbachev has brought a few Kremlin economic underlings with him including Vladimir Kamentsev, chairman of the State Foreign Economic Commission. Tomorrow Gorbachev will sup with about 60 U.S. businessmen who will be more than glad to barter our nation's security for the Kremlin's slave-produced rubles.

Gorbachev is not just shopping for capitalist goodies — he has serious problems at home, and expects Western banks to solve it for him, as well he might. The Soviet economy, which has never been very robust to begin with, is suffering one of its worst slumps since the 1920s. As a result Gorbachev is going West to take the cure at the springs of Western credit markets.

Moscow's debt to the West rose to \$38.2 billion from \$21.8 billion from 1984-86 due to decreases in income derived from its sale of oil and natural gas. The Soviet Bloc as a whole owes the West nearly \$127 billion, up 55 percent from two years ago. Still, Gorbachev is seeking more money, and the banks will likely give it to him.

Aside from the obvious credit risk of sinking sound Western currency into the morass of unproductive East-bloc economies, there is the fact that our economy is helping fund the maintenance and expansion of the Soviet empire. The billions of dollars the Soviets must spend on propping up unpopular Marxist dictatorships throughout the world, as well as building up its massive military machine, would no doubt send the entire system crashing down if the burden were not eased by Western banks.

For example, in 1985 Western banks loaned \$500 million to East Germany. In a matter of days, a check for \$20 million was deposited in a Nicaraguan account in Panama. The United States must then spend billions on defense and foreign aid to provide security against the Nicaraguan menace that is partly funded by Western dollars. This madness is possible because something like 80 percent of the Western loans are not tied to any specific program — the Soviets can use it any way

they want.

We're sure Gorbachev is also hoping that summit's good feelings will help grease the wheels of U.S. technology transfers from the West. Former Secretary of the Navy John Lehman once pointed out in a speech to Naval academy graduates that in the future they might face Soviet ships armed with the most modern arms — made in America.

Unfortunately for the West, the most unctuous of salesmen fawning over the Evil Empire's big spender is none other than Commerce Secretary C. William Verity. "It's an opportunity to build a bridge to the Soviet Union," he gushed at reporters last week.

Verity seems to have bought that old liberal bromide, the "convergence" theory. This is the idea that the Soviets will moderate into capitalists if only we keep feeding them with trade and credits. History shows, to the contrary, that Western trade and credits, ever since Armand Hammer began what he calls his "business romance" with Lenin in the 1920s, have done nothing to make the Soviet regime more open and has only encouraged its aggression throughout the world by easing its burden of empire.

The myth persists, however, perhaps because it is so profitable for its devotees. Hammer is only one among thousands of Western capitalists who have lined their pockets with Kremlin blood money. Verity will find no trouble insulating himself from reality by surrounding himself with plenty of business yes-men applauding his "bridge" to the Soviets.

This is the same William Verity, by the way, who has recently been threatening our key democratic ally Japan with economic retaliation for the "crime" of being better at capitalism than America has been. Verity also apparently suffers from that endemic liberal tic of snarling at our allies while puckering up toward our enemies — further proof, if any was needed, that the Reagan administration has succumbed to the liberal mania for which Americans had elected it to find a cure.

In an attempt to restore some sanity to Western lending practices, Rep. Jack Kemp, R-NY, has introduced a bill requiring U.S. banks to report the number and size of any untied loans or East-bloc investments. Sen. Bill Bradley, D-NJ, has urged that the West consider its capital resources as a "strategic asset" and control its flow to the Soviet bloc. "I

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So Much Blame to Go Around'

By Earl Lane and Knut Royce
Newsday Washington Bureau

Washington — Military, intelligence and export enforcement officials admitted to Congress yesterday that internal bickering and lack of coordination by their agencies contributed to the failure to stop the transfer to the Soviet Union of technology that can improve the accuracy of its nuclear arsenal.

Representatives of the Pentagon, Central Intelligence Agency, Customs

Service and Commerce Department agreed that the sale of equipment to produce heat-resistant carbon-carbon was among the five most damaging transfers of western technology to the East bloc, congressmen who attended the closed hearing said. They did not enumerate the other four.

In the hearing before the House Commerce oversight subcommittee, the officials acknowledged that both the United States and Britain had prior knowledge of the impending sale of the critical equipment by Consarc Engi-

neering Ltd., the Scottish subsidiary of a New Jersey firm, Consarc Corp.

Panel members were told that the White House, former Defense Secretary Caspar Weinberger and Secretary of State George Shultz had been told of the transfer before July, 1984, when shipments of the most critical machinery began.

The hearing was prompted by a Newsday series last month that disclosed that Consarc shipped the Soviets a collection of vital equipment that can be used to produce carbon-carbon. The material has a variety of military applications, including use as the nosetips of long-range nuclear warheads. Newsday found that U.S. and British officials acted too late to stop the technology transfer, for which the Soviets wound up paying nothing.

Because of carbon-carbon's ability to withstand heat, descending warheads have less wobble as they re-enter the atmosphere, resulting in as much as three times the accuracy of previous nosetips.

"It's rare . . . that our committee gets into a situation where there's so much blame to go around," Rep. Norman Lent (R-East Rockaway), the ranking Republican on the full committee, said after the classified testimony yesterday. "Everyone and every agency that was involved in this story seems to have failed both individually and collectively."

He said the Central Intelligence Agency in particular "deserves a good deal of the blame" for not adequately informing the enforcement agencies ahead of time.

"The knowledge didn't move from the brain to the hand," said Rep. John Dingell (D-Mich.), chairman of the committee.

Without discussing details, Dingell said "enforcement agencies were not permitted to utilize their information until the shipments had been largely completed." A staff aide said the CIA was concerned that its sources or methods would be disclosed if the agencies acted to stop the shipments.

CIA spokesman Sharon Foster declined to comment on Dingell and Lent's assertions. "We can't discuss intelligence-related matters, including what we tell policy makers," she said.

Coincidentally, the panel's hearing on the transfer of the technology, came as President Ronald Reagan and Soviet leader Mikhail Gorbachev were discussing possible reductions in the numbers of those warheads.

Dingell also said that Stephen Bryen, the Pentagon official charged with monitoring the sale of military technology to the Soviets, admitted he misled Congress in a 1986 report that claimed that the United States and Britain had blocked the transfer.

"They were compelled to admit that the report

Spree...CONTINUED

question the wisdom of helping the Soviets avoid the choice between civilian investment and military buildups" Bradley said.

We hope American businessmen can develop the same hardheadedness as Sens. Bradley and Kemp in doing business with the Soviets. We can't ignore the Soviet Union or completely cut off economic relations with them, nor should we. We jeopardize our future, however, both economically and politically as a free country, by dealing with the Soviets according to the myth of "convergence" instead of according to the realistic, bottom line: the long Soviet track record of economic failure, tyranny, and criminal behavior.

Christian Science Monitor 10 December 1987 p. 1

Wooing US trade is part of Soviet reform agenda

By Barbara Bradley

Staff writer of The Christian Science Monitor

Washington

The Soviet Union is actively soliciting a new export from the West, one that West Europeans, Japanese, and Americans are competing to supply: capitalism.

Mikhail Gorbachev would not couch it in those terms, but his actions appear to override his lexicon. Today the Soviet leader is meeting with about 60 United States businessmen to talk about joint ventures between American companies and Soviet enterprises.

The agenda and the guest

list have been kept under wraps, but there are rumors that Mr. Gorbachev will announce the formation of some new joint ventures, including one with PepsiCo (setting up Pizza Huts), Archer Daniels Midland (food processing), and Dresser Industries (oil-field products).

The meeting is the latest in a string of overtures to lure American management skills, capital, and marketing techniques to the Soviet Union. In January, the Soviet govern-

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Agenda... CONTINUED

ment began allowing Western companies to link up with Soviet enterprises and own up to 49 percent of the joint ventures. To show it meant business, the government bought nine pages of advertising in the Wall Street Journal in August, touting Soviet economic reforms and investment opportunities.

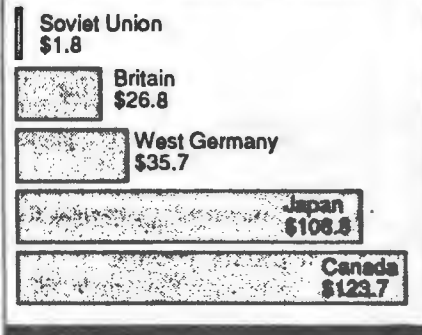
A couple of months ago, the Soviet minister of automation came to the US with a proposal for three US companies to join the ministry in producing parts for automation systems. According to Vladimir Gorbunov of the Soviet-American trading company Amtorg, it was the first time a minister had approached US firms.

And there may be more to come. According to one American source close to the Soviet economic delegations, Abel Aganbegyan, the economist who is overseeing Soviet economic reform, will return to the US in about two months to tour the country and talk with American businessmen in more depth.

Despite such gestures, Americans have shown less interest in joint ventures than their European counterparts have, Mr.

Soviet trade a minor part of US commerce

US imports and exports in billions



Source: Commerce Department

Aganbegyan says. Of the 280 joint venture proposals from foreign companies, he said, only 26 came from US firms. Of the 19 deals that have been completed, 2 have been from American firms (Occidental Petroleum and Combustion Engineering). The Finns and West Germans meanwhile have garnered 5 apiece; Italy, 3; and the Japanese 2, according to Interflo, a newsletter that monitors East-West trade.

Politics is a major reason. In the wake of the Toshiba scandal, in which a Japanese company sold machine submarine propeller technology to the Soviets, there is little sentiment for giving the Soviets easier access to "dual use" technology that has commercial and military applications. Any joint-venture arrangement involving technology transfer, says Rep. Don Bonker (D) of Washington, "is going to be very closely watched."

For their part, the Soviets have had their fingers burned in the past, as when the US government restricted trade relations after the Soviets invaded Afghanistan. Another restriction links trade to Soviet emigration policy.

Moreover, Mr. Gorbunov says, "European companies are more flexible in their conditions," such as whether profits are paid in rubles or hard currency. Still, he says, "We would prefer American companies," because they are used to operating on large-scale projects.

Winning their assistance is another matter. "I don't think anybody's standing in line" for these projects, says Leo Welt, publisher of Soviet Business and Trade, a newsletter and monitoring service. For the first few years, at least, most ventures would be money losers, many economists say. Beyond that, the Soviets and Americans have different, often antithetical goals.

The Soviets, thirsty for hard currency, often write contracts so that new joint ventures will export to the West. For example, a new Japanese-Soviet venture will take red pine from Siberia and use Japanese technology to process it. Under the contract, 70 percent of the wood must be exported to Japan. "It's a nice fit in this case, because Japan doesn't have any trees," Mr. Welt says.

Beside that, American companies are skittish about Soviet law. For example, an American who snaps a photo of a plant for the home office could be thrown in jail. While that's unlikely, there are other questions: Can the new joint venture fire Soviet employees? Will it pay higher labor prices than foreign companies pay, or the lower local wages that Soviet enterprises pay? Will the joint venture buy raw materials at subsidized prices that Soviet companies get, or the higher prices for foreign firms?

The Soviets would "presumably" write the contracts to help the joint ventures turn a profit, says Randy Bregman, program director for Soviet law at the International Law Institute. But the law is unclear. "Every case is an exception; there is no rule," he says. "If that isn't scaring people, I think it should."

Despite such snags, there appears to be some momentum growing in the US. C. William Verity, the new commerce sec-

Blame... CONTINUED

did not represent the truth," Dingell said. Bryen did not return a call placed to his office after his testimony.

In a joint statement issued after the hearing, Dingell and the subcommittee's ranking Republican, Thomas Bliley (R-Va.), said, "While U.S. agencies argued among themselves about how to investigate and respond to critical information, the technology was being sold to the USSR, and equipment was being shipped continuously."

"Only now," the statement said, "after the subcommittee's investigation, do the agencies involved seem able to acknowledge how this extraordinary episode highlights the weakness in our control regime and the inconsistency in the East-West trade policies of Western nations. It is time we put our domestic and international house in order."

The statement said the panel would continue to investigate how agencies involved in technology transfer "to determine what steps are being taken to balance the need for open and fair international commerce and trade against the absolute imperative of national and international security."

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Pentagon bid to plug computer leaks signals fight on Hill

By Ted Agres
THE WASHINGTON TIMES

The Pentagon seems determined to assert control over the nation's computer information systems — even though the White House has had second thoughts about it.

As a result, a showdown is coming between Congress and the National Security Agency, which is concerned at the wealth of sensitive information that foreign agents can dig out of inadequately secure commercial data bases.

Civil libertarians, scholars, scientists and some members of Congress, on the other hand, question the wisdom of giving NSA control over the civilian computer industry.

The White House has been inconsistent in its actions.

The intention is to clamp down on

Soviet and other espionage agents; the problem is that the information at issue is public and unclassified. But according to Pentagon and intelligence officials, the Soviets have successfully obtained high-technology secrets by combing through unclassified documents and computer data bases and piecing together a larger, classified, picture.

The Kremlin frequently has used the information to advance its military research and development efforts, in some cases duplicating and producing advanced weapons systems quickly and at a fraction of the cost spent by the West.

In 1984, President Reagan signed an executive order designed to curtail this practice — National Security Decision Directive 145. Mr. Reagan at the time compared information contained in data bases

to a "mosaic" in which the individual pieces are innocuous but when taken together reveal "highly classified and other sensitive information."

The directive authorized the Pentagon — through the NSA — to play the leading role in formulating and implementing information-security policy. Last year, Adm. John M. Poindexter, then national security adviser, issued a directive that created a new "sensitive but unclassified" category of federal information.

That action triggered concerns that the government might censor or control unclassified information found in libraries and commercial data bases such as Mead Data Central's Lexis/Nexis, and might restrict or even require licenses for those who want access to the information.

One congressional critic said the effort was perceived as a "Big Brother" effort by the military and the intelligence community to exert control over all the computer systems in the country.

This year, under pressure from Congress and the public, then-National Security Adviser Frank Carlucci rescinded the Poindexter directive and ordered a high-level review of NSDD 145 with the aim of reducing or eliminating it.

White House Chief of Staff Howard Baker also signaled the administration's change of policy by informing a House subcommittee that the president had decided to support legislation that would give authority for overseeing unclassified information to the civilian National Bureau of Standards.

All this came as a relief to those concerned about the implications of government control over unclassified information. But now, nine months after the White House apparently changed its mind, the NSA is quietly continuing to draft and implement information-security policies while the NSC has not conducted the high-level review of NSDD 145 that Mr. Carlucci ordered.

"NSA has gone full steam ahead and continues to set federal policy

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Agenda...CONTINUED

retary and former head of the US-USSR Trade and Economic Council, supports closer economic ties with the Soviet Union.

And it may be a long-term investment. "It's a good time to get the foot in the door" through joint ventures, says Paul Surovell, editor of Interflo. "If the hard-currency situation improves — if oil prices increase — the Soviet Union could be an extremely lucrative market to be in."

Mr. Surovell says an almost unnoticed decree in October allowing Soviet enterprises to buy each other's products with hard currency may remove one of the biggest stumbling blocks to American-Soviet joint ventures.

Since other Soviet enterprises would be major buyers of joint-venture products, Surovell says, "This is going to go a long way in encouraging Americans to get involved" in joint ventures.

San Francisco
Examiner

13 DECEMBER 1987

Pg. D-1

THE BUSINESS OF GLASNOST

U.S. companies seek joint ventures with Soviets

By Paul Freiberger
OF THE EXAMINER STAFF

WILL YESTERDAY'S "evil empire" become tomorrow's mass market? If possible, Soviet leader Mikhail Gorbachev wants to forge more than just an arms agreement with the United States. He's peddling business partnerships as well.

The Soviet Union is offering U.S. companies a remarkable deal: a chance to buy into their country by forming joint ventures and marketing their wares in the U.S.S.R.

Not since the early '20s have Westerners been allowed to own part of Soviet businesses. It's all part of glasnost and perestroika, or "openness" and "restructuring." Gorbachev's attempt to invigorate the Soviet economy.

The U.S. response has ranged from fervent enthusiasm about a potentially enormous market to skepticism that Soviet promises of business detente could quickly fade.

Last month, Combustion Engineering of Stamford, Conn., announced the first joint venture with the Soviets since Gorbachev said more than a year ago that such arrangements would be allowed. The company will make petrochemical equipment and help modernize refineries in the Soviet Union in a deal worth \$16 million.

Occidental Petroleum Corp. of Los Angeles quickly followed suit. It said it would build a petrochemical plant in an international joint ven-

ture that its chairman, Armand Hammer, said signifies that "Western capitalism and socialism have to live together."

Occidental already has established business ties with the Soviet Union. It will join with Montedison of Italy and the Marubeni Corp. of Japan to develop and operate a petrochemical complex worth up to \$6 billion. It will be in the Tengiz oil field near the Caspian Sea and one of the world's largest complexes.

Also, Monsanto Corp. is exploring a possible joint venture to produce one of its chemical herbicides for the Soviet market.

At least 30 U.S. companies are negotiating joint operating agreements in the U.S.S.R., according to Gordon Feller, president of Integrated Strategies, a San Rafael consulting firm specializing in East-West trade. They include Honeywell, Archer Daniels Midland, Dresser Industries and Cummins Engine.

Even Apple Computer of Cupertino, which previously has shown little interest, said last week it wanted to learn more about U.S.-Soviet joint ventures (See story Page D-5).

Feller said that if the joint ventures succeed, U.S. exports to the U.S.S.R. could increase from \$1.2 billion in 1986 to \$10 billion a year during the next decade. Exports so far this year amount to \$651 million, according to the U.S. Department of Commerce.

By contrast, U.S. exports to Canada were \$45.3 billion last year, \$26.9 million to Japan and \$5.1 billion to China.

Yet for all the excitement, there are deep concerns. There's a mood of caution and an understanding of the barriers that remain.

"There's a lot of enthusiasm about the new approach the Russians are taking," says Peter Heidler, a spokesman for Hewlett-Packard Co. of Palo Alto. "But the enthusiasm is one thing. Until that shows in real figures some time will pass. Things don't change from one day to another."

Mike Petrilli, manager of international development for St. Louis-based Monsanto, calls Gorbachev's efforts to lure U.S. companies "a milestone, a breath of fresh air." But: "No company is going to get rich overnight from those changes."

Certainly the lure is there. For the United States the Soviet Union is one of the largest untapped markets in the world. Because of its industrial base, some experts believe it could outstrip China in potential customers and size of purchases.

The obstacles? The two superpowers need to establish fundamental relationships and under-

standings, a process that takes time. Says John Kiser, president of Kiser Research, a Washington, D.C., firm that advises U.S. companies interested in doing business in East Europe: "The nouveaux will burn out for the same reason most companies flunk out in international trade. They don't have the knowledge or the patience."

A second problem involves the ever-shifting nature of U.S.-Soviet relations. Petrilli says "meaningful business" could occur between the two superpowers only if the political atmosphere continues to improve. "If the political climate sours again, all these advances become insignificant."

Experience has taught the Soviets to be wary of U.S. business. The United States restricted trade to the U.S.S.R. in 1980 in response to Soviet policy in Afghanistan. That prompted the Soviets not to rely solely on the United States for its agricultural products.

Before 1980, about 80 percent of the Soviet's agricultural commodities came from the United States. Today, it's 20 to 25 percent, says William D. Forrester of the U.S.-U.S.S.R. Trade and Economic Council. It's a trade-promotion group based in New York and Moscow.

An icy political climate doesn't necessarily sabotage trade, Kiser says. "Dow (Chemical) has been doing business with Russia for 30 years. When things go bad, they don't pull out. They just stop issuing press releases."

Another difficulty could be related to a situation endemic to the Soviet Union — the shortage of hard currency, which makes repatriating profits difficult and could create obstacles in negotiating joint ventures. The ruble is not convertible to the dollar, or any Western currencies, for that matter.

The Soviets say U.S. companies' joint-venture profits will have to be earned from sales in international markets on exports from the Soviet

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Computer leaks... CONTINUED procedures," said a congressional analyst. "They've got their foot in the door and it's hard to undo two to four years of work."

One White House source, who requested anonymity because of the sensitivity of the subject, said, "We continue to review NSDD 145 in light of the legislation in Congress." But, he admitted, "it's not a major review."

And since all national security directives retain the authority of law, the NSA, at least, can properly continue its efforts regardless of the status of pending legislation.

The Senate plans to consider early next year a bill that would force NSA to relinquish policy control for unclassified information and would give that role to the Bureau of Standards. The Computer Security Act of 1987 passed the House by voice

vote in June.

A recent report by the Office of Technology Assessment notes that the "core issue" of the information-security debate "goes to the question of whether or not a defense agency should control matters that are central to civilian interests, such as commerce and the free market, constitutional rights and principles of open science."

Interview

PAUL FREEDENBERG

Paul Freedenberg is Acting Undersecretary of Commerce for Export Administration. In this position he oversees the administration and enforcement of U.S. national security and foreign policy export controls. Prior to his 1985 appointment to the Commerce Department, Freedenberg worked for 10 years on the staff of the Senate Banking Committee and the Subcommittee on International Finance, where he was Staff Director from 1980 to 1985.

Multinational Monitor: What do you think of our export control policy?

Paul Freedenberg: I think our export control policy for East-West trade is highly successful. The Soviet Union has been deprived of a substantial part of technology that it needs to run its military machine, in terms of acquiring that technology from the West. There is obviously a lot of room for improvement. Over the last year, the U.S. has been spearheading an effort to increase COCOM cooperation so that it would have a more effective net of export controls around the Soviet Union. We have also had success in getting the neutral countries of Europe and the Pacific Rim to cooperate with the United States in that effort. So overall, during the two years that I have been involved there has been a substantial increase in overall national security from the point of view of technology transfer. Obviously, we could improve. The Toshiba transfer affair showed that Japan's system is not effective.

The Japanese have taken a number of measures to improve it. There is still more to do but I think their response is very encouraging. It shows there is a genuine belief that



Paul Freedenberg

the U.S. effort is a legitimate one, because otherwise they would tell us that it is none of our business to ask them for these changes. Instead of doing that, they've moved with almost lightning speed, enacting national legislation to satisfy a number of our requests.

Monitor: Does the administration oppose sanctions on Toshiba?

Freedenberg: Yes, we still do, very firmly.

Monitor: Is that because of the great reliance of some large U.S. corporations on Toshiba parts and products?

Freedenberg: No, absolutely not. It's a very bad way to do foreign policy. You

don't punish a company in a foreign country for violating that country's laws. You let that country enact and prosecute under its own laws. We have never had a policy from the beginning of our nation of enforcing other country's laws on their citizens or on their corporations. It is not a good time to start now. That would be the height of extra-territoriality.

Monitor: Isn't Congress intent on implementing some kind of sanction?

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GLASNOST... CONTINUED

Union. Combustion Engineering, for example, will take its profits in gasoline and diesel fuel, which it will sell outside the U.S.S.R.

Monsanto says the Soviets also insist that its proposed chemical plant export more than it provides to the Soviet Union. That demand has stalled negotiations because the company already produces enough herbicide elsewhere to satisfy the West European market.

In addition, the Soviets require that they own more than half of any joint venture and also appoint the top official.

There are still other hurdles, such as the 1974 Stevenson and Jackson-Vanik amendments. They bar the Soviet Union from receiving Export-Import Bank credits and favorable U.S. tariff treatments. As a result, Soviet goods encounter a 38 percent import tariff in the United States compared to 2.8 percent on other countries' products.

Export controls on technology goods also continue to frustrate

many Silicon Valley companies that would like to sell to the Soviet Union.

Joint ventures so far are just a beginning, like the ray of light when a door creaks ajar. "They are trying to show openness by allowing joint ventures, which up to now was not the case," says Hewlett-Packard's Heidler. "Gorbachev has broken a lot of taboos and created an air of spring."

At a meeting with 70 U.S. business leaders on Thursday, Gorbachev urged them to pursue joint ventures. Many came away from the encounter hoping the Soviets would be willing to compromise on some of the joint-venture requirements.

The Soviets also have items to interest U.S. consumers.

"There are a lot of gold heaps in Eastern Europe," Kiser says. "But most of what's interesting is buried away in industrial institutes, shipyards and research institutes. The average academic who pontificates on Russian backwardness ... doesn't know what he's talking

about."

The Soviet bloc developed the water-absorbent plastic now used everywhere in soft contact lenses. Recently, Kiser says, a delegation of three Russians visited a leading U.S. fruit juice maker. They disclosed a means of releasing juice more easily by electrically breaking down cells — a trick the Soviets have been using for 20 years.

The Soviets also have developed a type of plastic for bone implants that works much better than the standard steel-and-titanium alloy of the United States.

"The Soviets are interested in markets for some of their specialized products," Feller says. "They have laser optics products. They've had some breakthroughs in treating cataracts."

"Soviet science is very good, but their people don't understand the applied research and industrial engineering, and they have trouble in dealing with 12 ministries to produce a product."

Freedenberg... CONTINUED

Freedenberg: That is exactly why we have been lobbying so hard with them not to do it, because it is a bad precedent. In fact, what happens is that you have the opposite effect. If you are going to enforce their laws for them they might, in fact, either pull back from cooperation with COCOM or pull back on the penalties they have in their own legal system. In fact they are pursuing the wrong-doers and those wrong-doers are on trial right now, and the investigation is ongoing.

Monitor: Do you support reducing controls to fewer items and increasing the penalty for individual abuses?

Freedenberg: What you want to have is the most extensive net, meaning if you have 16 countries within COCOM and you add another 20 countries outside of COCOM, then the net is more extensive. So, a more effective net means that much less technology transfer. The simple point is there has been no effort either in Congress or in the administration to loosen controls on East-West trade in general. There has been an effort within the administration and COCOM to get items off the list that no longer belong there. We are about to take personal computers off the list because they're so widely available in the free market. There is also other lower level technology that will go off the list. It would be chasing things that are widely available and generally made not only in the West, but also in the East.

Monitor: Officials at the Defense Department have called foreign availability an excuse to decontrol technology. How do you respond to this statement?

Freedenberg: The Department of Defense can say what it likes, but it is the law, like it or not. This is a government of laws, not some cabal of industry executives. The foreign availability clause is being used, and should be more widely used. Only a few important items have been decontrolled, but there is a list of thousands of items that need to be reviewed on the grounds of foreign availability. I believe the Office of Foreign Availability (OFA) does work effectively. We've been trying to have a shorter list because technology just marches on, and some of the things that are on have been on for a decade and are being made all over the world, and there is simply no point in controlling them.

Monitor: What sectors of the U.S. economy are hit hardest by export controls?

Freedenberg: Obviously, the high technology sectors.

Monitor: Has there been a strengthening of the lobby on the part of those sectors to loosen controls?

Freedenberg: Except for one amendment that would cut the list by 40 percent, there has been no great effort to cut the export control list itself. They've been trying more to cut the constraints on West-West trade. That's been the big emphasis. One amendment supported by Mr. Bonker deals with the whole list with the belief that the list is really too long. We think that it ought to be done in detail, go item by item and decide whether it is relevant or not relevant, rather than doing it in a meat-axe fashion.

Monitor: Won't loosening controls on West-West trade allow for greater flow of U.S.-origin products to the East as well?

Freedenberg: That's if you don't get trade partners to

increase their own enforcement and licensing. However, we have been doing that. We've just gotten agreements in a number of areas. The Japanese and the Norwegians, who did have weak systems, are strengthening them. The other thing to point out is that if you cut off U.S. products to Western Europe because they don't have a strong enough system, almost all of the things that you cut off are made by the Japanese, Germans, or French. So you don't cut off the flow of that product to the East. What you do is cut off that flow of the product to the West. The better way to do it is by getting them to increase their own national security [export control] systems. Whether or not you sell it to them, it's still going to go to the East, because they are making the thing themselves or they are able to buy it freely from Japan. The whole idea is to make it multilateral not unilateral.

Monitor: The laws governing export control policy specify that Commerce should have primary authority, but the department often seems to relinquish authority to the Defense Department. Which agency should have primary authority over export control policy?

Freedenberg: We don't abdicate authority. There are laws that specify the Defense Department has a veto in areas of East-West trade. Where they have a veto we recognize that reality, but out of 110,000 cases last year, there were about 3,000 East-West COCOM type cases. That's where Defense really has an impact, or on China. That's an area where the law specifies they have to give approval or have to be overridden by the President. We think that the NAS report was a good report. It emphasized West-West trade, which is what we are doing. That's why we have put out all the regulations that deemphasize extra-territoriality and make it easier to trade within the West by cutting out some of the licensing at the low end of the list, and we are going to continue that policy. The interagency battle is unfortunate, but in terms of where the authority lies, you put it very clearly. We're a government of laws, not of men. The law says explicitly that Commerce has the lead and will continue to be the lead. Again, when you are talking about the universe of cases, it is a very small universe that DoD reviews. Congress wanted it that way. The House, if they have it their way, will make it an even smaller universe that they will be reviewing. We just think that with whatever law is passed, we will execute it. There are some spectacular cases where DoD gets involved, and in those cases it gets a lot of press, but it is really just a small part of the overall processing.

Monitor: Have we reached a point where controls are limiting R&D, international competitiveness and exports without adding significantly to national security?

Freedenberg: We have made that argument with regard to revising our regulations. For example, it's absurd to have extra regulations on U.S. micro-processors if the exact same ones are available from Japan with no controls. What we have tried to do is both get them to agree to the same rules of the game and also drop the extraterritorial concerns in our regulations. I think it has balanced it a little better than in the past. Unilateral controls are ineffective. We have been going down the list of our controls and trying to get rid of those that are unilateral. We agree with the premise of your statement, that the strength of America is in its industrial base. If you lose export sales, then

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Freedenberg...CONTINUED

you lose the industrial base and therefore lose the game. So, in the process of denying the Soviets in 1987, you might not have the capacity to stay ahead of them in 1995, if you are not doing the R&D.

Monitor: Are non-COCOM members capable of providing items restricted by our export controls?

Freedenberg: That's right, but we have had success with Switzerland, Sweden, Austria, Finland, Singapore and around the world in cutting off that source. We have a memorandum of understanding with a number of countries both in Europe and the Pacific Rim.

Monitor: How recent are these developments?

Freedenberg: Over the last two years, but we don't give it a lot of publicity because most of these countries don't like to give publicity to cooperation in that area, since they have a neutral status. They have done it in their own sovereign interests. They believe that it is best to have good trade relations with us, and we say that to have good trade relations with us, you have to agree not to ship certain items to the Soviet Union or the Eastern bloc. They agree to that condition as a way of trading with the United States and the rest of the West. So it has been very successful.

Monitor: What potential is there for expansion of high-tech trade with the East?

Freedenberg: Well, I said it from the beginning that there is a very high potential if you want to reduce COCOM controls. There is no great desire either in the United States or the rest of Western Europe to do so, so I don't know that there is a likelihood that it is going to occur. There is obviously a potential. The Soviets desperately need computers and all the rest of the things that would make a centralized economy work better. They don't have a good telecommunications system. They don't have a good computer system. They don't produce all the sorts of things that would make up a modern industrial state, so there is obviously a market. On the other hand, all these things have dual use, or most of these things do, so it is difficult to remove them from the list of proscribed items. We depend on technological superiority for our security, and we are likely to continue to depend on this for our security. That's not something we are about to give away, so whatever anybody says, that's not the policy of this administration, and it's not likely to be the policy of the next administration, whoever is in charge. We can argue about the length of the list with the Japanese and the Germans, because they want a shorter list, but we are not arguing about the core. Nobody wants to sell the core technology to the Soviets, nor are they likely to in the foreseeable future.

Monitor: Looking at the long run, if the next administra-

tion is a Dole administration or a Democratic administration, do you think it would be more likely in the long run for East-West trade, particularly U.S.-Soviet, trade to expand?

Freedenberg: I don't know that Mr. Dole, except for selling more wheat which is understandable given his constituency, is pushing for any strategic trade. The Democratic administration is anybody's guess. They may see it as a part of detente. That's a difficult question to answer. Obviously, policy could change and obviously the Soviets have it as a high priority. They want more trade, particularly in the strategic areas, because they're doing so miserably in high technology. They make the world's largest semi-conductor, which is nothing to brag about. They

aren't selling their VCRs at Radio Shack. They are not very competitive in almost anything. Obviously, if I were in Mr. Gorbachev's shoes I would be nervous about it. It is a very frightening thought to be so miserably behind, but I don't think it is in the U.S. strategic interest to help them get out of this problem. As I understand it, it is not our policy to do that. In fact, we emphasize not selling them any production equipment. That is what they really want, the capacity to produce semiconductors, the capacity to produce computers, not just buy them.

Monitor: How do you think the U.S. should respond to the Soviet request for participation in GATT, the World Bank, and the IMF, and should we support their current efforts to integrate into the world economy?

Freedenberg: Yes, we should support it, but no I don't give them much hope because they would have to be more capitalist. It is a good effort to become more market oriented, but basically it is almost impossible. They are not likely to open themselves up, particularly on the IMF side of things. They may open up on GATT because they want to get better trade conditions. But the IMF side of it, they just aren't going to open their economy to that kind of scrutiny or that kind of control.

Monitor: Don't you think DoD might consider it is dangerous to call for greater efficiency in the Soviet economy?

Freedenberg: I guess you found the core of our differences. We are not against efficiency. □

"We depend on technological superiority for our security, and we are likely to continue to depend on this for our security. That's not something we are about to give away."

DEFENSE NEWS

14 DECEMBER 1987

Pg. 23

Toshiba's Role in Quieting Soviet Subs is Disputed

By DAVID SILVERBERG
Defense News Staff Writer

WASHINGTON — Not since the Soviet Union stole the data to make an atomic bomb has a technology diversion had as many repercussions and consequences as the sale of nine-axis milling machines to the Soviet Union by the Toshiba Machine Co. of Japan.

The diversion created an uproar in U.S.-Japanese relations, forced a strengthening of Western export controls, and may lead to sanctions on the entire Toshiba Corp.

However, whether the Toshiba diversion is responsible for the quietness of the latest classes of Soviet submarines is subject to some dispute. Members of Congress are demanding that Toshiba be punished for the effects of the diversion on classes of Soviet submarines currently in service and one member, Rep. Duncan Hunter, R-Calif., has estimated the cost of the diversion to the United States at \$30 billion, the amount required to build U.S. submarines capable of dealing with the new threat. The Defense Department is working on its own cost estimate, but the amount is classified.

The illegal sale, delivery and installation of four nine-axis and four five-axis Toshiba milling machines to the Soviet Union occurred between 1982 and 1984. The software for the machines — the numerical controls — was provided by the Norwegian firm

Kongsberg Vaapenfabrikk. The machines are used to smooth, or mill, marine propellers and were installed at the Soviet Baltic shipyard, Leningrad.

The West had long worried about the growing quietness of Soviet submarines and, after the diversion was revealed, there were deep fears that the diversion had been a major contributing factor.

The diversion will be a factor in quieting Soviet submarines in the future as the Soviets mill propellers and retrofit older submarines with new screws.

But was the diversion a factor in quieting Soviet submarines that currently are in service? On this point, the evidence that the diversion was not a factor comes chiefly from the person who blew the whistle on the diversion in the first place.

Hitori Kumagai, the former chief of the Moscow branch office of Wako Koeki, the trading company that handled the transaction, first broke the case by informing the president of the Coordinating Committee for Multilateral Export Controls (CoCom), a 16-nation organization that reviews Western trade of sensitive items with the Eastern bloc, of the diversion.

Kumagai concluded, based on his calculations of propeller production and the emergence of different Soviet classes of submarines, that delivery and installation schedules made it doubtful, though not impossible, for the Soviet Union to produce

high-performance nuclear submarine propellers using Toshiba machines before 1985. Yet the first of four quieter Soviet submarine classes began appearing in 1978.

The Toshiba propellers could not have been put on Sierra-class and Mike-class submarines since both these classes were first detected in 1983 and commissioned in 1984. It is possible that the Toshiba propellers went on some of the 20 Victor III-class submarines commissioned between 1978 and 1985 and Akula-class submarines commissioned in 1985.

Kumagai points out that since the milling machines are capable of turning out 48 propellers a year (it takes 20 days to mill a single propeller), nearly half the Soviet submarine fleet should be fitted with quieter screws by now. Citing U.S. data, Kumagai asserts that only 10 or so submarines of the four newest classes have become quieter than they were at launch.

The real danger of the diversion "lies in the marked shortening of the period of time required for the production of propellers . . .," Kumagai says.

So far, despite numerous cryptic statements and classified briefings, no evidence has been revealed to make the case that the Toshiba diversion really made a difference in quieting the new classes of Soviet submarines.

Little Chance for Eased Rules on East-Bloc Exports, Bryen Says

By DAVID SILVERBERG
Defense News Staff Writer

WASHINGTON — While the United States and Soviet Union may bask in a warm glow after reaching an intermediate-range nuclear forces agreement, there seems little prospect for loosening U.S. controls on exports to the Soviet Union, according to Stephen Bryen, deputy undersecretary of defense for trade security.

"The Soviets are making a push to get us to loosen the controls and the areas they are targeting are the ones we have known about for a long time," Bryen told *Defense News*. These areas include computers, telecommunications and radar networking.

During the summit, the Soviets made strong efforts to increase East-West trade, hosting Secretary of Commerce C. William Verity and about 40 American chief executive officers at the Soviet embassy. Just prior to the summit, Verity, a long-time advocate of increased U.S.-Soviet trade, told a breakfast meeting of reporters that the Soviet Union could become a "large, new market for the United States."

"A number of companies have been smitten by the Gorbachev thing," said Bryen, and there have been "a flurry of license applications" to export such items as seismic equipment, oil exploration equipment and hydrophones.

Nonetheless, Bryen, saying he believed he was speaking for all agencies involved in export control — defense, state and commerce — said the United States will continue to abide by its list of sensitive technologies and to strengthen the Coordinating Committee for Multilateral Export Controls (CoCom). CoCom is a 16-nation organization that reviews Western trade of sensitive items with the Eastern bloc.

Bryen also denied rumors that he would be leaving the Defense Department in the wake of Frank Carlucci's accession to the secretaryship. Following the departure of Frank Gaffney, assistant secretary for international security policy, there was speculation in the export control community that Carlucci would force out associates of former assistant secretary Richard Perle, but Bryen said he did not believe "there is

any crusade" by Carlucci.

However, another source familiar with Carlucci's thinking said that "there is not going to be a purge per se, but a whole lot of people are going to feel uncomfortable."

Export controls were also the subject of a hearing of the House Energy and Commerce oversight and investigations subcommittee last Wednesday.

Although the subcommittee hearing was closed to the public, a joint statement issued by Rep. John Dingell, D-Mich., chairman of the House Energy and Commerce Committee and Rep. Thomas Bliley, R-Va., revealed some of the details. They charged that interagency rivalry, international ineptitude and general bungling allowed the diversion to the Soviet Union of furnaces, industrial presses and other items used for the manufacture of a strategic composite material, carbon-carbon.

"It was like a Keystone Kops routine," said one congressional staffer of the Western efforts to prevent diversion of technology for the making of carbon-carbon, a heat-resistant composite used in the manufacture of warhead nose cones.

According to the Dingell-Bliley statement, carbon-carbon makes nuclear warheads "significantly more accurate" since it enables them to withstand the extremely high heat of atmospheric re-entry.

The Soviet Union approached Consarc, a British subsidiary of a U.S. firm, to buy a carbon-carbon plant in 1982 and signed a contract which was approved by the British government in 1983. While the United States understood the significance of the Soviet interest, export of the equipment was not actually prohibited under CoCom rules.

"While U.S. agencies argued among themselves about how to investigate and respond to critical information, the technology was being sold to the U.S.S.R. and equipment was being shipped continuously," said Dingell and Bliley.

Los Angeles Times 15 December 1987 pg. 6

Shultz Rejects Sanctions Against Norway

By NORMAN KEMPSTER, *Times Staff Writer*

OSLO—Secretary of State George P. Shultz said Monday that it would be "very unfortunate and uncalled for" if Congress imposes sanctions against Norway for allowing exports that helped the Soviet Union make its submarines more difficult to detect.

After a meeting with Norwegian Prime Minister Gro Harlem Brundtland, Shultz said he accepts the government's explanation that it has revamped procedures under which the firm Kongsberg Vaapenfabrikk sold high technology equipment to the Soviet Union.

"There is a problem; it has been recognized; it has been dealt with," Shultz said.

New Type of Propeller

Kongsberg joined the Japanese firm Toshiba Machine Tool Co. in selling to the Soviets equipment to manufacture a new generation of submarine propellers that make far less noise than previous models. Much of Western anti-submarine warfare strategy depends on detection of the sound made by submarine engines and propellers.

Three executives of the Norwegian government-owned Kongsberg firm were arrested, but the statute of limitations has run out on the charges against two of them, apparently precluding prosecution.

Shultz said there was no question that the sale had harmed the security interests of both the United States and Norway. But he said

the Administration is against proposed legislation that would require the State Department to negotiate with Norway and Japan over the payment of "compensation" to the United States.

Backers of the bill claim that the money could be used to upgrade U.S. anti-submarine warfare techniques to deal with the quieter Soviet vessels. The measure also would restrict imports of Kongsberg products to the United States, a provision that would hit the firm hard because it depends heavily on sales of its Penguin anti-ship missile to the U.S. Navy.

Shultz told a press conference that Brundtland "described what they had done, which I knew about, and provided assurance of their determination to abide by COCOM rules."

Focus on Arms Technology

COCOM, the Western allies' Coordinating Committee for Multilateral Export Controls, is intended to prevent the sale of militarily useful technology to the Soviet Union or its allies.

Shultz also used his press conference to attack the European peace movement, which enjoys broad support throughout Scandinavia.

Asked by a Norwegian journalist if he acknowledges that the newly signed U.S.-Soviet intermediate nuclear forces treaty vindicated the activities of groups that had sought to prevent deployment of

medium-range nuclear missiles in Europe, Shultz said the truth is exactly the opposite.

"If the peace movement had had its way, there would be no INF treaty," he said. "There would have been no way to get the Soviet missiles out.

"It is only by doing what the peace movement did not want that we were able to achieve the objective the peace movement wanted," he said.

Shultz said the treaty banning both U.S. and Soviet ground-launched medium-range missiles would have been impossible if the North Atlantic Treaty Organization had not decided to deploy its own weapons in that class. Therefore, he said, the NATO deployment, which was bitterly opposed by peace groups, led to the abolition of nuclear missiles with ranges of between 300 and 3,000 miles.

'Admit They Were Wrong'

"I would hope that the peace movement would . . . admit that they were wrong," he said.

About 300 protesters calling for Norway to withdraw from NATO marched past the heavily-guarded U.S. Embassy and burned American flags during Shultz's visit.

He goes to Bonn today to confer with West German officials and will meet with British officials Wednesday in London before returning to Washington from his post-summit report to NATO allies.

Newark Star Ledger 17 December 1987 pg. 4

Man admits plot to ship China arms

By AL FRANK

A 65-year-old Chinese national, whose attorney once described him as a vehement anti-Communist, has admitted in federal court that he was involved in a plot to smuggle U.S. missiles to the People's Republic of China. According to the minutes of the

proceeding on file in the court clerk's office in Newark, Shang-Yao Chi pleaded "guilty to the indictment" after retracting his plea of innocence.

He did so in an appearance before U.S. District Court Judge Dickinson Debevoise on Friday. The judge then ordered sealed "until further order" a plea agreement and other papers related to the proceeding.

Debevoise scheduled a Feb. 8 sentencing for Chi, who was returned to the Metropolitan Correctional Center in Manhattan where the Queens, N.Y., resident has been held without bail since his arrest Sept. 28.

Chi, who faces a maximum five-year sentence and a \$250,000 fine, was arrested in Jersey City by U.S. Customs officials.

He was charged with conspiring to arrange the shipment of 10 stolen TOW antitank missiles from Seattle to Hong Kong and then to China.

According to the indictment, Chi acted as the middleman between two unindicted co-conspirators.

The indictment identified one as an official of China's United Nations mission.

At the time, a spokesman for the mission said the charge was "total fiction."

The other conspirator was identified as Charles Chang, described as the operator of a New York brokerage and realty firm. After pleading guilty in

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NEW YORK CITY TRIBUNE
21 DEC 1987 Pg. 2

Romanian Spy Stole Nuclear Data From Canada

BY AJIT JAIN
Special to the New York City Tribune

TORONTO, Dec. 20 — The former head of the Romanian foreign intelligence service said last week a Romanian spy stole Canada's nuclear technology for producing heavy water used in Canada-designed Candu nuclear reactor.

Ion Mihai Pacepa, 59, told the *Kingston Whig-Standard* the heavy-water production facility Romania is building to serve its Candu reactors is based entirely on stolen technology from Canada.

According to Pacepa, the Romanian spy was a chemical engineer working for one of Canada's nuclear facilities.

"If you have somebody who becomes an engineer working on the heavy-water technology, it's not difficult for him to get it because he worked with these blueprints every single day," Pacepa is quoted as saying.

The Romanian spy in question had become a Canadian with an identity taken from death records of a non-Romanian child.

This spy was "merely the first of waves of Romanian agents who infiltrated Canada to dupe the nuclear industry out of millions of dollars worth of Candu technology," the article said.

Ann Collins of Canada's External Affairs Ministry has reportedly said Ottawa has never included heavy-water technology in any sales contract with Romania, but Canada has agreed to sell virtually all of its other Candu technology to that East-bloc country.

Besides Romania, Canada has sold Candu reactors to Argentina, Brazil, Nigeria and South Korea.

Canada has always been trying to find more buyers for its Candu reactors to sustain its atomic energy establishment. In fact, former Prime Minister Pierre Trudeau personally went on a sales promotion tour to several countries some years back.

Pacepa claimed in the interview with the *Whig-Standard* that the espionage would serve to reduce the number of components and the volume of heavy-water Romania will have to buy from Canadian suppliers.

"The operation came to us with the goal of getting out of Canada as much as possible without paying the Canadian government," he said.

The Romanian spy, according to Pacepa, was able to photograph virtually all the blueprints essential for production, and sent the film to Romania through diplomatic sources.

Pacepa defected to the West in 1978. He now lives under a new identity. It was not disclosed, however, where Pacepa currently lives.

NY City
Tribune
12/21/87

Japan 'Regrets' U.S. Panel Agreement To Penalize Toshiba for Export Gaffe

p. 2

BY HIROYASU TOMARU
New York City Tribune Correspondent

TOKYO, Dec. 20 — Japan expressed regret over the weekend about a U.S. congressional agreement to penalize the leading Japanese conglomerate, Toshiba Corp., because of illegal exports of sensitive submarine technology to the Soviet Union by a subsidiary company.

The International Trade and Industry Ministry (MITI) will soon issue a formal protest against the congressional legislation aimed at penalizing Toshiba and its affiliates, officials said.

They said the ministry considers such action will pose a "threat" to the unity of the Western countries.

Toshiba Machine sold advanced machine tools to the Soviet Union in the early 1980s, enabling them to develop near-silent submarine propellers.

The ministry reacted harshly to reports that members of a Senate-House joint committee agreed Friday to prohibit the Defense Department from procuring products from Toshiba and its subsidiaries, and mandate removal of the products from U.S. post exchange (PX) outlets around the world.

A MITI official said it constitutes a denial of Japan's independence that Japanese firms are unilaterally penalized under U.S. laws.

The official said the amendment will also discourage joint efforts by the Japanese government and Toshiba to tighten controls on exports of strategic goods to the communist-bloc nations.

The amendment violates rules of the Paris-based Coordinating Committee for Export to Communist Areas (COCOM), which state that any violation will be handled in accordance with domestic regulations of member countries.

Formal Protest to Follow

International Trade and Industry Minister Hajime Tamura will lodge a formal protest with the Reagan Administration if the amendment is enacted, the official said.

The Japanese ambassador to the United States, Nobuo Matsunaga, conveyed Tokyo's regret to John Whitehead, deputy secretary of state, over the telephone, a Foreign Ministry source said Saturday.

Matsunaga told Whitehead that Japan has already penalized Toshiba in accordance with Japanese laws, and that further U.S. punishment will have a negative effect on cooperation among the 15 members of the NATO-affiliated COCOM.

Matsunaga was quoted as saying U.S. legislators have ignored the efforts of the Japanese government and private industries to prevent a recurrence of such illegal exports.

Toshiba Corp. officials in Tokyo expressed their surprise and dismay Saturday over the congressional decision to include a punitive clause against Toshiba in the fiscal 1988 appropriations bill.

According to Toshiba, the amendment, if put into effect, would exclude Toshiba products from PXs where the firm earns around \$27 million a year from sales of home electric appliances.

However, even if the amendment bars the Pentagon from purchasing Toshiba goods, it will not cause real damage to the firm because this represents only a fraction of the company's total business, Toshiba officials said.

The ambassador also expressed concern about another U.S. congressional accord preventing Japanese participation in U.S. public-works projects, the source said.

Several Japanese companies declared Saturday they were "upset" not by losing business, but by the congressional incomprehension of the issues.

China arms...CONTINUED

September to a role in the arms smuggling plot, he agreed to act as an undercover informant and recorded conversations with Chi.

The missile shipment would have required the approval of the State Department to be legally exported, according to the indictment.

At his arraignment two months ago, authorities said, Chi and others agreed to transport the missiles to a foreign country without first obtaining the license. The shipment was to have been disguised as aluminum refrigerator condensers, they said.

Yesterday, Claudia Flynn, the assistant U.S. attorney representing the government in last week's hearing, said she could not comment on the case.

Also unavailable was Alan Zegas of West Orange, Chi's court-appointed attorney.

Zegas said earlier that Chi is vehemently anti-Communist and a Taiwan native whose father was killed by Communists and whose brother was imprisoned on mainland China.

He said his client worked as a cleaning man, a clothes presser and the operator of a business that manufactured Chinese delicacies.

■ HIGH-TECH PARANOIA

The Ban That Boomeranged

THOMAS H. NAYLOR

Restrictions on the export of American technology to the Soviet Union are not new. But for the past seven years the Reagan Administration has adopted an increasingly restrictive policy, which a National Academy of Sciences panel criticized recently for being "not generally perceived as rational, credible and predictable."

Under Jimmy Carter, export controls were used sparingly, as punitive sanctions to support his Administration's human rights policy. Dresser Industries, Sperry-Rand, Armco and Control Data were among the relatively few companies denied export licenses by the Carter Commerce Department.

What distinguishes the Reagan Administration's policy from that of previous Administrations is the bitter ideological and political turf war between the Pentagon and the Commerce Department over technology transfer policy. The feud also involves a broader dispute between business and government, and between the United States and its allies, over what items are of strategic value to the Soviet Union. Former Assistant Secretary of Defense Richard Perle demanded—and got—tough export controls on virtually every kind of technology, whether military-related or not. The Commerce Department, on the other hand, has advocated a more moderate policy that would impose export restrictions only on technologies determined to have direct military application. In their most recent clash, the Defense Department accused Commerce of deception and bungling for allowing a Soviet-controlled shipping company in West Germany to buy an advanced computer from a California-based company, National Advanced Systems, in September. (The company wound up buying a Japanese-made Hitachi instead of an I.B.M. computer.)

The Pentagon has not limited its export control activities to American companies. It has lobbied the sixteen-nation Consultative Coordinating Committee (COCOM), which regulates Western multilateral trade controls, to adopt a more hard-line position against the transfer of technology to the Soviet Union. But COCOM's members—including all NATO countries except Iceland and Spain—have been unable to reach a consensus on rules and procedures. Western European members tend to favor much more limited export controls than the Pentagon, covering only those exports that are directly associated with significant

Thomas H. Naylor is a professor of economics and business administration at Duke University and the author of The Gorbachev Strategy: Opening the Closed Society (Lexington Books).

military applications. The allies have been pressing the United States to cooperate in winnowing out items that are so widely available as to make controls useless. In exchange, the United States is demanding that other COCOM members improve enforcement.

The harassment of small U.S. firms that export high-tech goods to the Soviet bloc is an example of how Pentagon policy makes companies less competitive, even as the nation's trade deficit in electronics equipment soared in 1986.

Columbus Instruments, a tiny company located in Columbus, Ohio, which specializes in equipment used with animals in medical research laboratories, learned the hard way about the risks of shipping high-tech equipment to the Russians. In June 1985 Dr. Jan Czekajewski, president of Columbus Instruments, shipped \$228,000 worth of lab-animal research equipment to a medical symposium in Moscow. Included in the shipment were five personal computers valued at \$10,000—none of which contained state-of-the-art technology. One was a clone of an I.B.M. PC-XT made in Taiwan. Dr. Czekajewski did not think that it was necessary to apply for an export license.

Under the Pentagon's Project Exodus, which was set up to stop shipment of strategic items to the Soviet bloc, U.S. Customs agents seized the equipment at New York's Kennedy International Airport, descended upon Czekajewski's offices, confiscated his files and notified television stations of the "critical leak of militarily sensitive technology" narrowly averted by the Customs Service. One television news report showed a map of the world with a red arrow connecting Columbus to Moscow.

Czekajewski went to Eastern Europe to check the availability of microcomputers. To his surprise he found the I.B.M. PC-XT and -AT computers readily available in Poland. He bought a Bulgarian clone of the I.B.M. PC-XT that was virtually identical to his Taiwanese computer. Back in the United States, he wondered if he would need an export license if he decided to ship it back to Sofia.

Now, two and a half years later, Czekajewski still does not have all of his equipment back, and his bout with the Pentagon has cost him several hundred thousand dollars in legal fees, time, energy and lost sales.

One of the most interesting examples of the Reagan Administration's high-tech paranoia involves a proposal from Boston entrepreneur Alan F. Kay to help develop computer systems that would enable the Soviet planning agency, Gosplan, to become more market-oriented. Kay wrote to the U.S. Commerce Department and asked whether an export license was needed to hold a seminar in Moscow for Gosplan officials, at which he would describe the software he'd designed. He received a letter from Dan Hoydysh, then acting director of the Office of Technology and Policy Analysis, indicating that the seminar would require an export license since it "presents a significant risk to our national security."

Other examples of the Pentagon's attempts to impede the flow of Western technology to the Russians include its policy of restricting Soviet scientists' access to international scien-

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tific conferences and to formerly declassified scientific information. In May 1985, as a result of Pentagon pressure, the organizers of an international conference on laser and electro-optical systems classified select papers to keep them from Soviet and East European participants.

Critics of U.S.-Soviet trade claim that the only reason the Russians are interested in trade with the West is to obtain technology to achieve military superiority. The Russians are often depicted by the Pentagon as scientific incompetents who must either buy or steal all of their technology from the West. But the thirty-year history of the Soviet space program is impressive evidence of their achievements in science and technology. Some of the best mathematicians and scientists in the world are Russians. They have state-of-the-art technology in medicine, lasers, space technology, steel production and nonnuclear power engineering. We are the beneficiaries of Soviet advances in coal gasification, welding, electromagnetic casting and metallurgical processes. Soviet-bloc countries hold over 5,000 U.S. patents and some of their technology is even used by Pentagon contractors to develop weapons systems, including the Strategic Defense Initiative. Recently General Motors and General Electric were prohibited by the U.S. government from launching their communications satellites on Soviet rockets.

Therein lies an important reason for their interest in joint ventures with the West. The Russians are particularly eager to gain access to Western marketing, production and financial expertise. It is a myth, cultivated by this Administration, that we have the power to deny the Russians access to our technology. It is virtually impossible for the United States to police the export policies of neutral countries such as Austria, Finland and Sweden. It is even more difficult to monitor technology shipped to the Third World. Through Soviet-owned companies and representatives in the West, it is easy for Soviet technicians to observe, use and evaluate Western technology in a completely open and legal manner.

One result of the Administration's efforts to curtail the shipment of microcomputers to the Soviet bloc has been the creation of a thriving new industry in Eastern Europe—privately-owned manufacturing companies producing clones of American computers. Many types of high-tech equipment that are restricted by export controls are readily available in the Soviet Union and Eastern Europe.

Inter-Design is typical of the new firms that have emerged in Warsaw since the mid-1980s. Financed by a \$3,000 investment from a Swedish businessman in 1983, Inter-Design produces state-of-the-art microcomputers and process control devices for Eastern Europe, the Soviet Union and China, and computer software that it sells for hard currency in Sweden. According to its president, Leonard Zabielski, the firm is extremely profitable and employs thirty people, most of whom are top-flight electrical engineers attracted by

"good pay, hard work and extremely interesting projects." None of this would have been possible were it not for Reagan's tough stand on technology, which restricted the supply of American-made computers to Poland.

According to the National Academy of Sciences panel study mentioned earlier, the Administration's effort to crack down on the diversion of technology to the Russians has essentially failed and is costing the U.S. economy over \$9 billion a year. The belief that current export controls are unduly restrictive, even counterproductive, is gaining ground in both political parties and among military and intelligence experts. In fact, there is increasing evidence to suggest that Reagan's obsession with denying the Soviet Union access to Western technology may inadvertently be strengthening the hand of the Russians technologically. Scientists in Moscow routinely rely on what Harvard Business School professor Michael Porter calls "market signals" from the Pentagon to help formulate their own technological priorities. They give the highest priority to projects that are most closely related to the technologies that the Pentagon tries the hardest to deny them.

One way in which the Russians have responded to the Pentagon's full-court technological press has been to encourage innovation by offering their scientists new incentives. As a result of the economic reforms adopted in June, Soviet scientists and inventors can reap further benefits from their scientific discoveries by starting their own private management consulting practice. In addition, they will soon be able to earn patent royalties on their inventions. Many Soviet officials hope that these reforms will reduce the emigration of scientists to the West.

Recent developments may lead to some moderation of the Administration's technology transfer policy. The appointment as Secretary of Commerce of William Verity Jr., a leading advocate of increased U.S.-Soviet trade, and Caspar Weinberger's departure suggest a possible shift in the balance of power away from the Defense Department. Proposals to ease American export restrictions—and to ease the Pentagon out of a big share of the export license review process—are part of trade legislation before a House-Senate conference committee. And the Commerce Department is working on simplifying the thicket of laws and regulations that govern the export of thousands of items. In addition, since many economists believe that our \$156 billion trade deficit in 1986 was a major contributor to the stock market crash, there may be increased pressure on the Administration from high-tech manufacturers to relax export controls on nonmilitary technology. With increased market pressure it may become even more difficult for the Reagan Administration to conceal the fact that its technology transfer policy is not in the best interest of the American people. □

Possible business deals, secret meetings with Soviets irk Kemp

By Peter Almond
THE WASHINGTON TIMES

Rep. Jack Kemp has written Commerce Secretary C. William Verity Jr. asking for details of a private meeting with Soviet leader Mikhail Gorbachev at which specific U.S.-Soviet joint venture possibilities reportedly were discussed.

The letter, sent last night, is the latest expression of concern by conservatives on Capitol Hill and in the Pentagon that the Reagan administration may be encouraging business deals with the Soviet Union that could endanger the security of the United States and its allies.

Mr. Verity reportedly met twice with Mr. Gorbachev during the superpower summit in Washington, and separately with a senior Soviet trade official at the Commerce Department.

"I do not want to see an increase in U.S. investments, loans, and joint ventures until we are assured that Soviet economic and financial gains will not be used to fuel Soviet oppression at home and aggression abroad," Mr. Kemp said in his letter.

Mr. Kemp's fears are shared by David Wigg, the Defense Department's deputy assistant secretary for policy analysis, who monitors international trade for implications on national security.

If the Soviets obtain Western high-technology equipment, it will make the military imbalance in Europe even worse, he said, especially after the signing of the intermediate-range nuclear missile treaty.

"It is noteworthy that so little has come out of the post-summit analysis about the Soviets' intensive efforts to secure new business during the summit," Mr. Wigg said in an interview.

"I think this silence represents a shift away from the usual official trade approach [to discourage U.S.-Soviet trade], he said. "The administration has taken a position that they neither encourage nor discourage the U.S. business community from seeking trade with the Soviets.

"They now just want to make clear there are certain realities in that relationship, for instance that it is hard to make money."

Mr. Verity, whose appointment

was opposed by conservatives because of his record as a proponent of increased U.S.-Soviet trade, could not be reached for comment last night.

But a Commerce Department spokesman said Mr. Verity did meet Mr. Gorbachev at the Soviet Embassy on Dec. 9, along with some 80 businessmen, and had met with Yuri Kamentsev, deputy chairman of the Soviet Council of Ministers, who is responsible for banking and joint ventures, for a half-hour "get acquainted" session the day before.

Also at the Soviet Embassy session were James Giffen, president of the U.S.-U.S.S.R. Trade and Economic Council, and Dwayne Andreas, co-chairman of the council. Mr. Giffen told NBC "Today" show they had a "very good conversation" with Mr. Gorbachev and Mr. Kamentsev, "talking about future trade with the Soviet Union."

Asked if the United States wanted the Soviet Union to become an economic superpower, Mr. Giffen said: "Yes, we do. I think the level of trade could go from \$1 billion in non-agricultural trade up to \$4-\$5 billion or more a year, and even higher into the \$10-\$15 billion range."

Mr. Verity, a close acquaintance of industrialist Armand Hammer and co-chairman of the U.S.-U.S.S.R.

"So little has come out about the Soviets' efforts to secure new business during the summit."

Trade and Economic Council from 1977 to 1984, has made no secret of his desire for much greater U.S.-Soviet trade.

He told reporters recently that he believes in "building bridges" to the Soviet Union through trade. "It's the old Yankee clipper ship all over again," he said.

But a Commerce Department spokesman noted yesterday that "he is very careful to dissociate the high-tech problems from his pro-Soviet trading stand."

Mr. Wigg said: "We have yet to hear what happened on the commercial front" from the summit business sessions, "but I expect there will be a substantial upsurge in trade. Multibillion-dollar announcements are to be expected across the board..."

A declassified State Department report recently identified at least one-third of the Soviet members of the U.S.-U.S.S.R. Trade and Economic Council as known or suspected KGB agents.

The council is scheduled to meet in Moscow in March. Between now and then, according to U.S. co-chairman Dwayne Andreas, the U.S. and Soviet businessmen will "negotiate refinements of joint ventures and other things. All trade questions."

"I don't think this will be like the last time when the administration championed trade with the Soviets in 1972-73," Mr. Wigg said. "I think we have learned from the last 15 years to take a more realistic, practical approach. We've learned it's very important to safeguard our technology."

But neither Mr. Wigg nor Scott Sullivan, director of East-West economic security for the Pentagon, see how increasing trade with the Soviets is in the U.S. interest.

From 1973 to 1976, at the start of "detente" with the Soviet Union, Mr. Wigg was chief economist for Europe for the Export-Import Bank, signing off on the credit worthiness of East bloc trading companies.

U.S.-Soviet trade, according to Mr. Sullivan, amounts to less than \$3 billion a year, mostly grain to the Soviet Union and precious metals to the United States.

"According to Soviet statements, their plan is to phase out U.S. grain sales. And they are talking about \$10 billion to \$15 billion in trade with the U.S. They want to sell manufactured products. They want to become export-competitive," he said.

How could that be in America's interests, Mr. Wigg and Mr. Sullivan ask, when the United States is already taking "an inordinate burden of the world's imports?"

In September, Mr. Wigg told the joint economic committee of con-

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New York City Tribune 23 December 1987 p. 3

French Deny Le Monde's New Charges Of Arms Trade With Iran Under Chirac

PARIS, Dec. 22 (Reuters) — The French government has denied allegations in a French newspaper that secret arms sales to Iran have continued throughout Prime Minister Jacques Chirac's 21 months in office.

The prestigious French daily *Le Monde* said an investigation in Portugal by its reporters indicated that supplies of weapons and explosives destined for that country in 1986 and 1987 were channeled instead to Tehran despite government pledges to the contrary.

Two French companies already accused of arms trafficking, Luchoire SA and the state-owned National Powder and Explosives Company (SNPE), supplied Iran by using false end-user certificates giving Portugal as the destination, the newspaper said.

But a Defense Ministry spokesman, speaking on behalf of the Budget Ministry, said: "The material mentioned was never shipped. Therefore, it could not have been re-routed." The Budget Ministry is in charge of customs, which gives clearance for arms export.

Government sources said top-level officials were summoned to Chirac's office immediately after the allegations were published to draft a response. Senior members of Chirac's Cabinet, answering previous allegations that France was trading arms for hostages,

have repeatedly denied that arms were sold to Iran.

The newspaper's allegations follow weeks of damaging political scandal for France's opposition Socialists, accused of dabbling in arms sales to Iran while in power from early 1981 until the conservative's electoral victory in March 1986.

Socialist Aide Accused

Jean-Francois Dubos, a senior adviser to former Socialist Defense Minister Charles Hernu, was charged Monday with fraud, corruption, abuse of influence and infringement of regulations governing arms sales.

Charges against him and two Luchoire executives were made in connection with the sale of almost half a million artillery shells to Iran between 1983 and 1985 in defiance of France's self-imposed embargo on arms sales to the Islamic Republic.

Describing the newspaper allegations as "disinformation," government sources noted they were made a day after the charges were laid against Dubos, implying the newspaper was trying to smear the conservative coalition government before next year's presidential election campaign.

Le Monde said its investigators,

quoting official and company sources, had traced three new cases of apparent illegal sales to Tehran. According to the newspaper:

- A Luchoire official last summer struck a deal in Lisbon with a Portuguese firm to deliver 150,000 artillery shells to Iran by May next year.

- Twice this year, *Le Monde* also alleged, the French government's arms

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Kemp... CONTINUED

gress that the Soviet military buildup would not be affected by Mr. Gorbachev's economic reforms.

That brought a retort from the Soviet leader.

In a speech in Murmansk Oct. 2, Mr. Gorbachev said that "militarist and anti-Soviet forces" have an "artificially created image of an enemy."

The head of the committee, Democratic Sen. William Proxmire of Wisconsin, later wrote to Mr. Gorbachev, saying: "The question in everyone's mind is whether the purpose of the reforms is to provide a stronger foundation for a new military buildup."

If the Soviets succeed in their goals, Mr. Wigg told the committee, they could enter world markets as an exporter of manufactured goods, which would affect Western market shares and prices. Easing up on tough internal resource allocations would permit higher levels of spending on the "Soviet military, client states, and global adventurism," he said.

WASHINGTON POST (FINAL EDITION) 30 DECEMBER 1987

Pg. 8

Alexandria Arms Dealer Faces \$4 Million Fine

By Caryle Murphy
Washington Post Staff Writer

U.S. Customs officials are seeking to impose a civil penalty of almost \$4 million on Alexandria arms dealer Samuel Cummings, following an investigation into the marketing here of a popular European handgun by his firm, Interarms, according to Cummings and his attorney.

Cummings, a former Central Intelligence Agency employee who calls himself the "leading [arms] trader in the world," said he received a letter earlier this month saying Customs officials had "reached the conclusion we should pay approximately \$4 million" because they believe Interarms mislabeled the origin of imported Walther pistols.

The letter also said Cummings could meet with Customs officials to discuss the matter before the end of January, he said.

Cummings, who said he has been importing the famous Walther pistols for almost 30 years, denied he has misrepresented the origin of the handguns.

The ones he imports are stamped "made in Germany." They were assembled in France, then sent to West Germany for safety testing before shipment to the United States.

U.S. laws require imported goods be labeled with the country of origin.

"Even if [Customs] claim[s] \$1, we will categorically disagree," Cummings said, adding that "if I marked [the guns] 'made in France,' I would be in violation of

German laws."

Stewart L. Pittman, Cummings attorney, said \$4 million represents the value of weapons that Customs has prevented Interarms from importing because of the dispute. This amount represents "the outside penalty" if Customs ultimately finds there was an attempt to "mislead people on the origin of the weapons," Pittman said.

Pittman said no date has been set for meeting Customs officials in what he characterized as "an administrative step" and "the beginning of a process" typical in disputes between importers and Customs.

He said an alternate option available to Interarms, the exclusive Walther agent in the United States, would be to challenge the Customs findings in federal court.

Customs officials declined to comment yesterday on the dispute with Cummings, saying only that their investigation was not yet concluded. "One can always appeal anything like that," one spokesman said of civil penalties. "These things are always negotiable."

The Walther is prized by gun collectors for its history. Adolf Hitler committed suicide with a Walther, and it was the weapon of choice for fictional secret agent James Bond.

In post-World War II, when West Germany was proscribed from manufacturing arms, the Walther firm arranged for the guns to be made under license by a French company. This relationship has persisted.

A German-made post-World War II Walther pistol costs from \$700 to \$1,200, while a comparable French-made gun would cost from \$400 to \$700, according to one local arms dealer.

BALTIMORE SUN

2 JANUARY 1988

Pg. 1

U.S. sees progress in controlling high-tech exports

By Stephen E. Nordlinger
Washington Bureau of The Sun

WASHINGTON — The administration is gradually making headway in persuading its chief allies and a growing number of other nations to tighten their rules against diverting high-technology goods of military value to the Soviet bloc, according to a top government export control official.

Acting Commerce Undersecretary Paul Freedenberg said in an interview that a high-level meeting is to take place later this month between top officials of the United States, its NATO allies and Japan to review their export regulations.

In addition, he said that the administration has reached agreement with the chief high-tech producers among the smaller nations in Europe — Austria, Switzerland, Sweden and Finland — to toughen their restrictions. Negotiations are also taking place with Israel and South Korea.

These results have been prompted by the sale of sensitive technology to the Soviet Union by the Toshiba Machine Company in Japan and a Norwegian firm, Kongsberg Vaapenfabrikk.

This sale caused an uproar in Congress, which has just banned the purchase or sale of Toshiba products in U.S. military exchanges and commissaries starting in March. The threat of other sanctions against companies that violate export control rules has added to the interest among other governments in strengthening their regulations.

With scant attention, the administration has substantially beefed up its own export control enforcement, turning it into one of the government's fastest-growing programs in response to the Soviet Union's accelerating appetite for high-technology equipment and the rapid growth of the U.S. high-tech industry.

Next year, \$39 million will be spent on the control system, more than five times the \$7.3 million spent in 1980, and 510 people will be employed clearing export licenses and enforcing the control law to prevent diversion of sophisticated equipment to the Soviet bloc. That compares to 207 people in the control operation in 1980.

A new separate agency headed by Mr. Freedenberg has been created to give added impetus to toughened enforcement.

"The United States has been very vigorous" in enforcing export controls, said Mr. Freedenberg. "Some [of the allied governments] have been tough," but he said that for several of them, "we have not seen a similar level of activity."

Mr. Freedenberg said the forthcoming meeting of the allied governments represents a breakthrough in terms of "enhancing their laws" on export control and providing more money for enforcement.

It will be the first high-level meeting since 1982 of the 16-nation Coordinating Committee for Multilateral Export Controls, which was created to prevent the export of militarily valuable equipment to the Soviet bloc.

A compilation of laws by the members of this group, known as COCOM, shows no criminal sanctions or only limited ones for diverting this equipment in Spain, Portugal, Greece and Turkey. That makes it extremely difficult to enforce U.S. bans on what the government considers illegal shipments.

Other countries have lighter penalties than the maximum fine of \$250,000 and 10-year sentence for a national security violation that applies in the United States.

Under pressure from the United States in the wake of the Toshiba case, Japan and Norway agreed to clamp down on exports of sensitive equipment to the Soviet bloc.

"There used to be a time when you got a wink and a nod out of the Japanese when they talked about COCOM," said Mr. Freedenberg. "You don't have that anymore."

The administration is moving on several fronts to convince other nations to toughen their export control laws and bring them closer to the U.S. practice, according to Mr. Freedenberg, so that the Soviet bloc cannot obtain elsewhere what the United States refuses to sell itself.

As sovereign powers, those countries cannot be compelled to act, but "you can make it clear to them that it is in their interest one way or another," he said.

The diversion of sensitive equipment as in the Toshiba case can force governments to spend billions of dollars on new military hardware to counteract the technology that has fallen into hostile hands, he said.

"If you prevent it [shipping sensitive equipment] by having a better enforcement or licensing system, the payoff is enormous," Mr. Freedenberg said.

Other governments in the past resisted U.S. appeals to stiffen their export restrictions because of differing views of what constitutes militarily significant equipment.

Partly in response to complaints of these governments and U.S. industry, Mr. Freedenberg said, further steps will be taken by the Commerce Department to relax the U.S. list of restricted items so that more low-technology goods become eligible for shipment to the Soviet bloc and more advanced products can be sold to other nations that have adequate export controls.

As U.S. manufacturers produce more sophisticated equipment, he said, additional products of lower technology can safely be sold to the Soviet Union. He mentioned, for example, the less advanced personal computers, which he said are produced these days "in every garage in Taiwan."

"The Russians still don't make a good one, but that doesn't mean we can't sell them one," he said.

Chirac...CONTINUED

export board authorized sales by Luchaire to Portugal of 50,000 shells, 200,000 detonators and 650 tons of propellant powder, which Portuguese defense authorities deny ever having received.

● Between March 1986 and September 1987, SNPE was granted licenses to export 2,500 metric tons of TNT plus other explosives to Portugal, a quantity far exceeding the country's needs and usual imports, according to a Portuguese arms company cited by the newspaper.

A Luchaire spokeswoman declined to comment on *Le Monde's* report. The SNPE said no one was immediately available to discuss the allegations.

The director general of the state-owned SNPE, Guy-Jean Bernardy, was forced to resign earlier this month but no explanation was given.

Le Monde noted that Portugal, which has strong trade ties with Iran, was named by U.S. investigators in the Irangate affair as a key operational link for arms shipments to both Tehran and Nicaraguan *contras*.

Senate OKs Computer Security Bill; Commerce Will Set Guidelines

By DANIEL J. MARCUS
Defense News Staff Writer

WASHINGTON — The U.S. Senate has passed a long-awaited computer security bill that strips the military of authority to regulate sensitive unclassified information contained in U.S. federal government computers.

The legislation, which would hand the power over to the Commerce Department, is expected to be signed by President Reagan.

The National Computer Security Act of 1987, approved by the Senate Dec. 23, authorizes the Commerce Department's National Bureau of Standards to develop security procedures for federal computer systems containing sensitive unclassified information. Each federal agency will have six months to identify those computer systems containing sensitive unclassified information, such as personnel records, economic projections and other unclassified data.

The National Bureau of Standards will receive advice from the National Security Agency in devising the federal computer security guidelines. The intelligence agency will continue to control classified information in the defense sector.

Bureaucratic oversight of federal computer security began in September 1984, when the president signed a government policy directive creating a DoD-dominated steering group, chaired by the director of the National Security Agency, to develop federal policy on computer and telecommunications security and advise the private sector on these matters.

In October 1986, then-National Security Adviser John Poindexter effectively heightened military control over civilian computer information with the formal creation and more pervasive definition of the "sensitive but unclassified" category for computerized data.

This new classification for information attracted widespread protest from industry and civilian agencies alike because it "encompassed almost everything and restricted access to public information," says Ken Allen, vice president of the Washington-based Information Industry Association.

"[What] we were really talking about is having an intelligence agency controlling civilian agency computers and public data," says one Senate staffer. "A Defense [Department] computer security program is not necessary for an agency like the Labor Department."

The White House stance on computer security shifted away from military control with the arrival of Howard Baker as White House chief of staff and Frank Carlucci as the new national security adviser, says Allen. The two officials agreed the regulations were too restrictive, and Carlucci rescinded the new classification in March.

Meanwhile, Rep. Dan Glickman, D-Kan., and Rep. Jack Brooks, D-Texas, introduced a House bill in January, 1987, shifting responsibility for federal computer security to the Commerce Department.

Donald Latham, former assistant secretary of defense for

command, control, communications and intelligence (C³I), and his deputy, Diane Fountaine, director of information systems in the C³I office, continued to advocate military control over federal computer security.

After lengthy negotiations with Congress and the Commerce Department, Latham and Fountaine dropped their opposition to the bill in March. The House bill was passed in June.

According to Sen. Patrick Leahy, D-Vt., one of the bill's sponsors in the Senate, "the central purpose of this legislation is to reject the federal computer security plan set forth" in the presidential directive. Leahy said during a December debate on the Senate floor that the bill ensures "public availability or use of information shall not in any way be limited."

In a written response to queries from *Defense News*, Fountaine indicates that National Security Agency oversight of national computer security "has given rise to widespread concern that a defense or intelligence-oriented agency should not have the total responsibility of federal computer systems that contain non-defense and non-classified information. To allay these concerns, the bill properly assigns the primary responsibility for certain computer security matters to the National Bureau of Standards."

JEWISH  FEDERATION
OF GREATER SEATTLE

Herman Sarkowsky
President

Rabbi Melvin L. Libman
Executive Vice President

M. Green
Ronald Reagan
Mikhail Gorbachev
c/o The White House
Washington, D.C. 20500

NR

Dec. 6, 1987

On the eve of your historic summit meeting, we urge you make the issue of Soviet Jewry a high priority item on your meeting agenda.

We fully support the improvement of U.S.-Soviet relations and, like all people of good will, strongly favor an end to the arms race. However, we also believe that peace cannot become reality without due respect given to human rights.

Today, 1.8 million Soviet Jews live in an oppressive Soviet environment that strong inhibits their ability to observe Jewish culture and religion. While some well known refuseniks have been allowed to leave the Soviet Union recently, 400,000 others who have expressed the desire to emigrate continue, year after year, to be refused permission to leave. These acts of oppression occur in direct violation of both Soviet law and international accords signed by the Soviets.

It is our strong hope that as part of any agreements reached between the United States and the Soviet Union, that assurances will be made by the Soviets to allow Soviet Jews to emigrate at 1979 levels, that is, 50,000, or more, per year. It also is our hope that these assurances will call for changes in Soviet policies that will enable those of our people who choose to remain in the Soviet Union to practice their religion freely.

Respectfully,

Eileen Gilman

Eileen Gilman, President,
Jewish Federation of Greater Seattle

Herman Sarkowsky
Herman Sarkowsky, Immediate Past President,
Jewish Federation of Greater Seattle

Ron Weinstein
Ron Weinstein, Chairman
Federation, United Jewish Appeal Campaign

NEWSBREAK

JANUARY 25, 1988
NB 02-88

EMIGRATION:
POST-SUMMIT
"TURN OF THE
SCREW"

MOSCOW -- Prominent refuseniks, including YULI KOSHAROVSKY, NATASHA KHASINA, IGOR USPENSKY (see NEWSBREAK, January 8 for all three), and ANATOLI GINIS (see NEWSBREAK, December 21), have written to governmental leaders in the West to express their concern that human rights "may have been bargained away for the major issues of disarmament and East-West trade," in the wake of the U.S.-USSR summit.

Based on reports from refusenik-activists in several cities, Kosharovskiy believes that "authorities have deliberately decided to turn the screw," in their new insistence on adhering to the strictest interpretation of the 1987 emigration decree's clause on first-degree-relative status.

Earlier this month, Leningrad OVIR stopped accepting applications from those without first-degree relatives in Israel, and is now telling previous applicants that their old documents will no longer be processed.

On January 5, in Moscow, in the wake of Leningrad OVIR's new stance, VYACHESLAV ("Slava") USPENSKY (see NEWSBREAK, January 8), was refused permission on the first-degree-relative issue, leading to speculation by Soviet Jewry activists that Moscow OVIR might also be hardening its position.

Since then, refuseniks have confirmed that a special order has been issued to Moscow OVIR officials, instructing them to adhere to the emigration decree's strict interpretation. The refuseniks also report a marked change in attitude by the officials toward applicants: Where recently the officials were civil and even helpful, one refusenik observed, they are now impolite and even rude. Similar behavior has been confirmed elsewhere, including Rostov and Kiev.

In response to OVIR's new stance, more than 150 Moscow and Leningrad refuseniks delivered a petition of grievances to the Communist Party's Central Committee on January 20, focusing on the failure of the special Commission to review "secrecy" refusals; the insistence on financial waivers; and the reinstatement of the first-degree-relative requirement.

The petitioners selected a five member delegation, including VIKTORIA GORELINKA KHASIN, ALEXANDER FELDMAN, GENNADY REZNIKOV (see NEWSBREAK, January 8 for all three) and TATIANA ROZENBLIT, from Moscow, and YOSIF LATINSKY, from Leningrad, to meet with deputy head of OVIR Udavichenko.

The group reported that the OVIR official was "conciliatory and appeared sympathetic," urging the refuseniks to cease their public demonstrations and letter-writing while their complaints are being looked into.

Commenting later on the meeting, Viktoria Khasin stated: "On the one hand we are being told that an attempt is being made to sort out the problems; on the other, we are warned to remain silent. We pray that they (OVIR) will keep their promise and improve our situation within the next few weeks."

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WAIVER PROTEST

MOSCOW -- Twenty-nine refuseniks, including participants from Kishinev, Dushanbe, Odessa and Dnieprodzherzhinsk, who had been led to believe that OVIR would overlook the parental waiver requirement in their cases, but were later told they might have to wait up to six months for word on their permission to emigrate, held a protest demonstration outside the Moscow OVIR on the morning of January 15.

The event was witnessed by Western media, who interviewed and photographed the protestors; and by the KGB, who did not interfere. Among the demonstrators were SERGEI MKRCHYTYAN (see NEWSBREAK, January 8), who was originally told he had permission, but in fact, has been denied a visa; NATALIA SAMAROVICH, YURI SEMENOVSKY (see NEWSBREAK, November 25 for both), VLADIMIR MESHKOV (see NEWSBREAK, December 21) and SEMON MLECHIN.

Semenovksy was the focus of another demonstration, outside his former wife's work place, where he was protesting her refusal to grant him a waiver.

Several other refuseniks joined the demonstration, which ended after only eight minutes when police intervened, rounded up the demonstrators, and took them to the nearest militia station, where Semenovksy and BORIS ODESSKY were fined (ten and thirty rubles, respectively). The demonstrators were released after three hours' detention, and Mkrchytyan was forced before a Kangaroo Court at his work place, and was then fired from his job.

**DASHEVSKY
REFUSAL:
"UNTHINKABLE"
OUTSIDE USSR**

MOSCOW -- Among the prominent activist-refuseniks denied permission to emigrate on the waiver issue is VLADIMIR DASHEVSKY (see NEWSBREAK, January 8), who was reported to have been granted permission, but in fact, has been refused because his wife's parents will not sign the required document.

In a letter published in the Philadelphia Jewish Exponent on January 15, Dashevsky, an eleven-year refusenik and religion teacher, characterized OVIR's waiver requirement as "Unthinkable in any country other than Russia. . . Here I am, fifty years old. . . and to leave the country I have to ask for permission from my Communist parents-in-law."

Seeking support in the West in his struggle to emigrate to Israel with his wife, and other family members, Dashevsky wrote: "I dread the day when my little children who are religious will have to go to Soviet schools and be harassed by their teachers and classmates. Please help us leave the country before this time comes."

**ABRAMOVICH
FAMILY VISAS:
CATCH 22**

MOSCOW -- The family of sixteen-year refusenik PAVEL ABRAMOVICH (see NEWSBREAK, December 21) now find themselves in a Catch 22 situation concerning their permission to emigrate.

On December 4, on the eve of the U.S.-USSR summit meeting in Washington, Pavel and his wife, MARTA, were granted permission to emigrate and to be reunited with their son, Felix, in Israel.

Earlier this month, on going to OVIR for confirmation of the exit visas granted to Marta, himself and his mother, he was told that no visas have been granted because his mother's documents are "missing." This surprises Pavel, as his mother's documents have always been submitted with those of the rest of the family, as they were on December 10 of last year.

Complicating matters further, Pavel's brother, Grigory, a refusenik for six years, was recently curtly told by OVIR that his old invitation from Israel is no longer valid, and he will have to reapply, with an

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ABRAMOVICH FAMILY VISAS: CATCH 22 continued . . .

invitation from Pavel, who has now been told he does not have an exit visa.

In protest against this bureaucratic double-talk and the family's Catch 22 situation, Pavel held a demonstration on January 20, and plans another protest on the 29th.

LEUKEMIA VICTIM'S KIN IN DESPERATE PLEA

BAKU -- In a potentially tragic echo of the MIKHAIL SHIRMAN case, another leukemia victim, MIKHAIL BUCHMAN, who is in critical need of a lifesaving bone marrow transplant from his sister, Frada, who now lives in Israel, seeks permission to go there immediately.

From Israel, Frada has appealed to the International Red Cross and the Soviet Red Cross: "I beseech you to help my brother come to Israel immediately, so that he does not die."

UNHAPPY BIRTH- DAYS: TUFELDS ENDURE FIRST SEPARATION IN 35 YEARS

MOSCOW -- IZOLDA TUFELD (see NEWSBREAK, January 8) did not celebrate on January 13, her birthday; nor will her husband, VLADIMIR, have much cause to do so on his birthday, February 14.

The Tufelds are forced by Soviet intransigence to endure the first separation of their thirty-five year marriage: Izolda is in the United States on a three month visa for medical treatment, and on January 12, she underwent brain-tumor surgery at Johns Hopkins Medical Center, in Baltimore; Vladimir was refused permission to accompany her, and he awaits news of her condition, alone in their Moscow apartment.

REFUSENIK UPDATE

MIRON FAINERMAN and family (Erevan) will reapply for permission to emigrate as soon as they receive their new visov, which has been sent from Jerusalem by Miron's brother, Iosif. ...GALINA GENIN (Leningrad) (see NEWSBREAK, January 8) has found support from nine local families in her struggle to take her autistic son abroad for treatment. ...YAKOV KATZ (Dushanbe) (see NEWSBREAK, January 8) was recently forced to attend a meeting at his work place, where he was criticized for his "personality and behavior," among the latter, having spoken to Israelis at the Moscow Book Fair; the teaching of Hebrew; and being friendly with Iosif Begun. ...NATALIA KHASINA (Moscow) was again refused permission to emigrate by OVIR head Rudolf Kuznetsov, on January 12. She reported that when she requested that her family be allowed to leave without her, Kuznetsov, "who was rude and offensive," told her that it is not OVIR's policy to separate families. ...Also denied permission again, on lack of first-degree-relative status (all Leningrad), were VLADIMIR KORENMAN, MIKHAIL OZEROV, MAKSIM RAIKIN, LEONID RUBINSON, NATAN RODZIN, who last week completed a week-long hunger strike and was told on January 20 that he can no longer reapply, as he has no close relatives in Israel; and NATALIA SAFIULINA. ...ILYA REZNIKOV (Moscow), refused on "secrecy" grounds since 1979, was also denied permission. ...ARNOLD SHPEIZMAN (Leningrad) (see NEWSBREAK, December 21), who was again refused permission on November 17, while his wife and son were given visas, has informed authorities that he will renounce his Soviet citizenship in protest at the "cruelty and arbitrariness" of the authorities. ...YEFIM SOLODUKHA (Leningrad), a "secrecy" refusenik, has been told that his classification will last until 1995. ...SHIMON TSIRELSON, 74, and his wife, ESTHER (Leningrad), both retired engineers and now in their tenth year as refuseniks, were told in late December that they have again been refused permission to emigrate, on "State Security" grounds. Their sons, BORIS and MIKHAIL, who applied independently, were told they must obtain "close kinship" invitations. ...The departure form the Soviet Union of ARTHUR URITSKY (Riga), who has permission to emigrate, may

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REFUSENIK UPDATE continued

be delayed because his wife's parents refuse to sign the necessary financial waiver.

PERMISSION: Abovian (Armenia): EFIM BORTNIKER and his mother, ENA VAISMAN; Kiev: YAKOV FUCHSMAN; Leningrad: LEV FURMAN and family; INNA ROZHANSKAYA LOBOVIKOV, and family; Moscow: VIKTOR ELISTRATOV, Professor NAUM MEIMAN, BORIS NADGORNYY (his parents are still refused) and MARK SHAPIRO.

ARRIVED IN ISRAEL: Erevan: VILI and EVGENIA PALANKER (c/o their son, Daniel, Kollel Shamir, 6 Rehov David Yellin, Jerusalem); Moscow: IOSIF, INNA and BORIS BEGUN (Kibbutz Maagan Michael, and then at Maon Olim, Beit Milman, 30 Tagor, Ramat Aviv, near Haifa) and ANDREI LIFSHITZ (Merkaz Klitah, Mevasseret Zion A, Apt. 126); Tbilisi: MENASHE SEPIASHVILI, his wife, LALI and son, ZAZA.

UPDATES: CULTURAL ACTIVITIES IN FOUR CITIES

KIEV -- PAVEL YUROVSKY is teaching Hebrew to ten young students in his apartment.

LENINGRAD -- Authorities are still dragging their feet concerning allocation of quarters to young Jews seeking to establish a music club. Told in December that they would be given space in the Kalinin District Culture Center, they now report that the authorities are being evasive.

MOSCOW -- Activist-refusenik ALEXANDER FELDMAN held a program of Israeli music in his apartment on January 10. The event was attended by twenty-five young Jews, refuseniks and non-refuseniks.

Forty unofficial Hebrew teachers from throughout the USSR met in the capital recently to discuss Hebrew teaching methods. Similar meetings are taking place elsewhere.

RIGA -- More than forty Jews attended a seminar on Josephus's account of the historical battle of Yodfat, held in a private home on January 3.

REFUSENIKS HAVE THEIR DAYS IN COURT

MOSCOW -- The twenty refuseniks who appealed to the Moscow City Court concerning their individual suits against OVIR for violating their civil rights have had their appeal rejected, as expected, on the grounds that the court is not competent to hear individual actions against the visa office.

Although they have now exhausted their rights of appeal within the Soviet legal system, the complainants, including VLADIMIR KISLIK (see NEWSBREAK, January 8), have joined forces with the Moscow Seminar for Legal Aspects of Refusal, and intend to pursue the matter by presenting a letter to the Ministry of the Interior, proposing that an "open" court be convened to hear their cases. They have also appealed for assistance to lawyers in the West, suggesting that individual lawyers adopt refusenik families, and pressure Soviet legal authorities on their behalf.

Meanwhile, VLADIMIR and LUBA MESHKOV (see NEWSBREAK, December 21), DMITRY GOLOVATY (see NEWSBREAK, January 8), YURI SEMENOVSKY and others who decried Sovietskaya Rossiya's November 27, 1987 article charging that would-be emigrants seeking to leave without obtaining parental waivers were "heartless abandoners of poor relations" (see NEWSBREAK, January 8), had their complaint aired, in a preliminary hearing, on January 20 at the Magistrates Court.

Although no representative from Sovietskaya Rossiya appeared, and another session had to be scheduled for February 9, the complainants were pleased that they were able to state their cases publicly.

THE WHITE HOUSE
Office of the Press Secretary

PRESS BRIEFING
BY
MARLIN FITZWATER

December 22, 1987

The Briefing Room

11:06 A.M. EST

MR. FITZWATER: The President's schedule this morning is 9:00 a.m., staff time; 9:30 a.m., national security briefing. He has a meeting with Secretary Carlucci this afternoon.

Q On what?

MR. FITZWATER: His regular meeting.

Q It's the Weinberger meeting?

MR. FITZWATER: It's the Carlucci meeting.

Q How quickly they forget.

MR. FITZWATER: How quickly they forget.

On the budget, we don't have much to report. We received the continuing resolution last night at 4:00 a.m. in the morning. It came in a big box about a foot and a half high. And we received the reconciliation bill about an hour and a half ago.

Q Burying it six feet deep?

MR. FITZWATER: And it's even thicker. So we're reviewing those at the moment at the Office of Management and Budget. The President expects to have a decision on the two bills later this afternoon.

Q Coverage?

MR. FITZWATER: I don't have an exact time or many details of what will happen. I do expect some kind of ceremony later in the day on the signing of those bills, but I just don't have any details at the moment.

Q How much later?

MR. FITZWATER: My guess that the time slot is anytime between 2:00 p.m. and 4:00 p.m. So we'll put a lunch lid on here until 2:00 p.m. and we'll be back by then.

Q So he will sign it then, if you're arranging between 2:00 p.m. and 4:00 p.m.?

MR. FITZWATER: Well, unless he vetoes it.

Q In your wildest dreams he will not veto it, will he?

Q From what you know, what's -- the initial reaction one of satisfaction? What --

MORE

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MR. FITZWATER: Well, you know, we have said that the fairness doctrine was one of the issues, and that's not in the bill. We had talked about Contra aid and that provision appears close. We required that the budget summit agreement needed to be in the bill, and that appears to be in the bill as well.

Nevertheless, there are any number of items that have to be looked at in terms of the spending reductions. There's a lot of the language in the reconciliation bill we want to examine. So we just can't give you a final decision.

Q There are also a number of so-called Christmas tree items -- special provisions for everything from accountants to reduced fares from Wichita to Dallas -- air fares. What's the White House view of attaching that sort of provision to this bill?

MR. FITZWATER: Well, that's always been the basis for the President's argument for a line-item veto -- that those are the -- those kinds of things -- kinds of add-ons are the perfect example of how a line-item veto could prevent all of this last-minute foolishness by allowing the President to cut out the unnecessary things and hopefully get a bill much quicker.

Q Would you expect that if he were to sign this, that congressional leaders would be invited down and you'd do a real ceremony?

MR. FITZWATER: I would assume that, yes, I would. Those who are still in town, anyway.

Q What's the reason -- since the first deadline passed on Saturday, midnight -- for keeping most of the government open? And what I have in mind are all the monuments, museums -- the offices that kept going in expectation of a signature, when in fact, closing the government's the hammer that -- or the lever that you get -- that you have for getting your way. Why is the administration violating the law and spending money without authorization?

MR. FITZWATER: Well, the purpose, of course, is to keep the government open. I mean that's what we all want to do -- the Congress and the administration.

Q Is it legal?

MR. FITZWATER: And whenever you have a situation where there's an indication that the bill is going to be signed or there is some degree of certainty that you'll be able to resolve the problem, that's always the preferred course of action.

Q Did you see the --

Q Well, is that legal to do? I mean, what's that based on -- this expectation?

MR. FITZWATER: That's legal, yes. There is a provision in the law that allows for repayment during those periods. I don't know exactly where it is, but I do know it's there.

Q Is the President -- is the White House holding out on a lot of computer notes a la the McFarlane thing and so forth? Are you still reviewing them in terms of the congressional investigating committee?

MR. FITZWATER: I don't think so. I think there was this hex dump of computer prof notes that were turned over to the committee not too long ago. Most of it was gibberish, but there had been some --

Q Written about McFarlane, right? (Laughter.)

Q Bud McFarlane, huh?

MR. FITZWATER: -- there had been some of it that has popped -- cropped up and I see Lee Hamilton's got another one this morning. So it must be parts of that piece. Well, we've cooperated and given them everything they want.

Q Oh, so, you're not still reviewing for classification and so forth?

MR. FITZWATER: Well, there may be classification review going on because of the volume. But in terms of access and ability to get it at some point -- they've got all that. I don't know about the exact status of the declassification. There is a committee that continues its work and that might be still going on.

Q I'd like to ask you one other question.

Q What do you mean by "hex dump"?

MR. FITZWATER: Yes, Helen, go ahead.

Q Why has the President been so vocal on the question of Soviet Jews and so mute on the question of the repression of Palestinians? Is he afraid of Israel?

MR. FITZWATER: We view the continuing violence in the occupied territories with serious concern. It is time for both sides to step back from confrontation before there are more tragic casualties.

Q Will you slow down, please?

Q It's time --

MR. FITZWATER: It is time for both sides to step back from confrontation before there are more tragic casualties. Both sides share a responsibility for this violence. Demonstrations and riots on one side and harsh security measures and the excessive use of live ammunition on the other --

Q Would you --

Q Could you --

Q Yes, "Both sides share a responsibility --"

Q Yes, o back to the beginning of, "Both sides -- "

MR. FITZWATER: "Both sides share a responsibility for this violence. Demonstrations and riots on one side and harsh security measures and the excessive use of live ammunition on the other cannot substitute for a genuine dialogue. The continuing occupation is exacting a toll on the 1.5 million Palestinians in the territories, and on Israel as well. The effects of occupation are not felt in the territories alone. They also damage the self-respect and world opinion of the Israeli people. Beyond the impact --

Q Just a minute.

MR. FITZWATER: -- beyond the impact on individual Palestinians and Israelis, the continuing violence undermines prospects for serious attempts at economic progress in the territories, and the broader peace process.

Q What is the President doing personally? Excuse me.

Q Well, nicely put. Has the President -- what is the President's role in all of this? Has he personally communicated his

concern to the Israeli leaders?

MR. FITZWATER: The President, of course, has monitored the situation very carefully, he has discussed it with his national security advisor, and has been involved in the communications that have been made with Israel and with some of the Arab nations. We have stressed that we would like to see an end to the violence. We have asked for restraint in the use of live ammunition, and have made our views known in public as well as diplomatic channels.

Q You said that the other day.

Q What do you mean by "communications with Arab nations"?

MR. FITZWATER: The President has been involved in that process, but the -- we think the appropriate channel has been primarily through our various diplomatic means.

Q Well, you said that the other day, but the Israeli government's response seems to be to announce stiffer crackdown, the use of more troops, the use of live ammunition. Is it not fair to conclude that Washington either has no ability to have an impact on the situation, or is not in fact making a good-faith effort to do so?

MR. FITZWATER: Well, there are any number of countries that are weighing in on this in expressions of concern. The United States is taking an action that we think is appropriate, and we are hopeful for some kind of resolution there. But --

Q Will you not veto a U.N. Security Council resolution pinpointing Israel as the aggressor here?

MR. FITZWATER: Well, I can't speculate on what we might do.

Q Well, you said there have been communications with Arab countries. To what purpose, first of all?

MR. FITZWATER: Discussing the peace prospects in the region, discussing the situation in general, generally probing to see if there's any help that can come from any quarter.

Q But what do we expect them to do when the situation -- the occupied --

MR. FITZWATER: Well, that's part of what we're talking to them about. I just can't be more specific.

Q And frankly it's a bit confusing as to why this statement today. People have been asking for expressions of concern or administration reaction day after day, and there has been none. What brought the administration to the decision that there should be some public pressure?

MR. FITZWATER: That's not true. I have made two statements myself. The State Department has made at least two that I've heard.

Q What was the --

Q Is there any --

Q Let me just -- what led to the decision today from this podium to issue a very strong statement? Was there a concern that things are really getting out of hand or that the U.S. role is being misunderstood?

MR. FITZWATER: It's very similar to statements that we have made in the last few days, but, as you suggest, the situation

has not resolved itself. Tensions have not lessened. It becomes more serious all the time.

Q Well, the Israeli government --

MR. FITZWATER: And we simply thought it was valuable to

--

Q -- has stepped up its --

MR. FITZWATER: We simply thought it was valuable to reiterate our position.

Q The point is, the Israeli government --

Q Is it -- you have made a number of statements, as has the State Department, as you said. Is there any plan by the administration to do anything about the situation other than to make statements, or any sanctions? Sam mentioned the U.N. I mean, is there -- there seems to be a general view that the statements have been ineffectual. I mean, so far they haven't changed Israeli conduct or the conduct of the demonstrators. Is there any plan to go further?

MR. FITZWATER: Well, there is nothing I can discuss. I would say only that we are actively engaged in diplomatic discussions on this matter. We are reviewing it with a number of officials in the areas, and that includes Palestinians in the territories, and we are hopeful that some change can come about, but I'm just not at liberty to discuss those specific plans.

Q Well, have you not -- do you have any reason to think -- if I can follow you up -- do you have any reason to think that there is going to be any change in the situation?

MR. FITZWATER: There's just no way to predict at this point.

Q Well, is there any plan for the President to talk personally with the leaders of Israel?

MR. FITZWATER: I just don't want to discuss future plans.

Q In these diplomatic contacts --

MR. FITZWATER: Go ahead, Jerry. Let's go back here. You've had some.

Q You didn't deny that he might want to -- you said you wouldn't discuss it, or what?

MR. FITZWATER: Jerry?

Q Is his name Jerry?

MR. FITZWATER: Please, go ahead.

Q Keep quiet up there, Jerry.

Q Glad to have you back, Colonel.

Q Is he still talking? (Laughter.)

MR. FITZWATER: Go ahead, Jerry.

Q The statement you issued a moment ago -- is that in your name or in the name of the President?

MR. FITZWATER: Oh, I'm not going to get into job

descriptions. (Laughter.)

Q No, no, no.

Q What's the President's job description?

Q No, I want to know if this is Marlin Fitzwater who made the statement or --

MR. FITZWATER: No, I'm not going to get into that. I've been asked that last week and made the mistake of --

Q Somebody made it.

Q Well, whose statement is it?

MR. FITZWATER: You know my job and the President's job, and I'm just not going to do job descriptions.

Q I'm not asking --

Q Marlin, who are you talking to among the Palestinians?

MR. FITZWATER: As I said, Palestinian leaders in the territories. There are a number of channels for contacts there, but I can't be more specific.

Q Are we -- is the United States government making direct contacts with the Palestinians there or --

MR. FITZWATER: No.

Q -- or through other Arab governments, or what?

MR. FITZWATER: I just don't want to describe that because of the sensitivity of those contacts.

Q Have there been any contacts made with representatives of the PLO?

MR. FITZWATER: As I said, I would characterize it only as Palestinians in the territories.

Q In your formal statement, you twice made mention of the occupation as being essentially the root cause of all these disturbances. Is that an implicit signal that the Israelis basically ought to solve the problem by withdrawing?

MR. FITZWATER: No. We say both sides have a responsibility. Both sides have a fault, and --

Q What is that?

Q Do you know what it is, Marlin?

Q It wouldn't be the President. They wouldn't haul it in this way. I assure you.

MR. FITZWATER: I don't. Lesley, will you see what this is all about?

Q What's going on, Marlin?

Q What is it?

Q This is pretty dramatic, Marlin.

Q They'd haul him out the other way. Don't worry.

Q Anyway?

Q I've heard of devices to avoid a briefing --

Q -- D.C. ambulance.

MR. FITZWATER: Let me -- initial report is there's someone on the tours -- on the public tour collapsed and is receiving assistance.

Q Okay. On this same subject, Marlin -- could we stick to this for a minute?

MR. FITZWATER: Yes?

Q Marlin, can I just follow up?

MR. FITZWATER: Go ahead, Leo. You have a follow-up.

Q What do you mean by both sides -- the Israelis, obviously, is one side, but the other side -- is that strictly the Palestinians, or are you also addressing the Arab governments -- Jordan, Syria, Egypt -- as also having a responsibility?

MR. FITZWATER: I'm just addressing the trouble in the West Bank in Gaza.

Q So, the other side, other from the Israelis, are the Palestinians and the territories? Is that --

MR. FITZWATER: Well, it's pretty hard to identify beyond the people that are there in the West Bank in Gaza. I mean, you can't really give it much more identification than that.

Q In the past, just to be clear about it, the administration has made it quite clear that they do not talk to the PLO -- that they regard the PLO as a terrorist organization. You're not leaving open the possibility that we're talking to the PLO, are you?

MR. FITZWATER: No.

Q Marlin, twice at least, you mentioned the use of live ammunition. Is that something that the United States has raised with Israel? Have we specifically -- has the United States asked Israel not to use live ammunition in cutting down these riots?

MR. FITZWATER: We have discussed that with the Israelis, yes. And we have -- have suggested that rubber bullets or other means are preferable.

Q And what did they say?

MR. FITZWATER: I don't know -- I don't have a response.

Q Last week I asked whether we were checking to make sure that none of the ammunition being used was U.S.-supplied, because of the precedent established for the cluster bombs in Beirut.

MR. FITZWATER: I don't know.

Q -- it would be a violation -- has anyone checked to see whether any U.S.-supplied --

MR. FITZWATER: That, I don't know.

Q -- U.S. munitions are being used in this case?

MR. FITZWATER: I don't know.

Q Has the President made any phone calls to --

MR. FITZWATER: Let's go all the way back in the corner. Go ahead.

Q Marlin, heading back to the CR -- did the President have any reaction to the success in persuading Congress to back off --

MR. FITZWATER: Well, he obviously -- that was one of the markers that he put down as they were debating it, and he's glad that it's not in there. But -- that was -- that still doesn't affect the overall signing of the bill. There are many other things that have to be considered. But he is -- he is pleased that it's not in there.

Q Marlin, on the CR -- another question on the South African amendment -- the Rangle Amendment -- is the President planning any steps to counteract that?

MR. FITZWATER: Now, I don't know. I haven't -- do we have anything on that? I don't. That may be one of the things we have to take a look at.

Q Marlin, what is your reaction to the announcement of a \$25 billion deficit coming up in November, bringing it to \$56 billion for the first two months of this fiscal year?

MR. FITZWATER: Deficits are all bad and they need to be reduced and that is what this bill is all about.

Q Well --

MR. FITZWATER: Whether it is on a monthly basis or annual basis, I don't think that is anything that's unanticipated in terms of the overall deficit.

Q Do you think that the revenue levels were less than anticipated?

MR. FITZWATER: That I don't know, Nick. You would have to ask Treasury Department.

Q Marlin, I know you don't comment on G-7 activities, but there is concern in the financial markets that the kind of vague statement in honor of Mom, apple pie, and exchange rate stability that is being worked on, would be worse than nothing. It would do more harm than good. In view of that concern, why would the White House go ahead -- or the Treasury -- and issue such a vaguely worded statement without any real commitment to support the dollar?

MR. FITZWATER: I am not aware a statement has been issued.

Q Well, it's --

MR. FITZWATER: Has it been?

Q Apparently it's a lead pipe sense that it's going to be issued later today according to all accounts.

Q As soon as he signs the bill.

MR. FITZWATER: I don't have anything on it. We'll have to wait and take a look at it, I guess.

Q Marlin, would you provide a little more information about the degree of the President's involvement regarding Israel's territories?

MR. FITZWATER: There really isn't any more I can add. I

described his involvement and that is about all I can say.

Q Has he made any calls?

MR. FITZWATER: Let me just say before I go away that the President will send a letter to President Aquino this afternoon in the Phillipines concerning the tragic sinking of the civilian ship in which several hundred people died. He will express his condolences

--

Q Thousands.

MR. FITZWATER: -- and his sympathy for the families of the victims.

Q On the phone call from Congress, will there -- can you arrange any coverage on this end when it comes?

MR. FITZWATER: We'll see what we can do. We don't have an exact time on that yet.

Q You assume that will be before the event this afternoon?

MR. FITZWATER: Probably.

Q Oh really?

Q They won't adjourn until they know the President is going to sign the bill.

MR. FITZWATER: Well, I don't know what they might do. I don't know. I don't think we have a time for the call at the moment.

Q Are you going to put out the Aquino letter?

MR. FITZWATER: We'll try and put that out, yes. I don't know when that will be available, but hopefully we will be able to.

Q I would like to raise the subject of Contra aid in this regard. In the Saturday radio address the President said the Sandinista government is an unprecedented threat to the national security of the United States and I wonder if you could elaborate on what the President might have thought about World War II or other security threats -- how this can be unprecedented.

MR. FITZWATER: The location of the country geographically in terms of using Nicaragua as a station -- as a staging area for expansionist activity in Central America, the Soviet support of nearly a billion dollars a year in arms and equipment, the very real threat of revolutionary activities from Nicaragua that would influence other Central American countries this close to the United States.

Q And that would threaten the national security of the United States in an unprecedented manner?

MR. FITZWATER: Absolutely. I think if you had a nuclear beach -- I mean a Soviet beachhead in Central America that was staging revolutionary activities in other countries --

Q Well is that the real fear? That there might be a nuclear presence there?

MR. FITZWATER: I said a Soviet presence.

Q Well, you made a Freudian slip, but is there any thought that the fear really is a nuclear presence?

MR. FITZWATER: No, that was a mistake on my part.

Q Let me just ask you to comment on the politics of the CR a little bit. Of course, the President has consistently beaten up on Congress for its lack of discipline in the budget process, and there are those up on the Hill, however, who say that his lack of leadership in providing direction and never submitting a balanced budget has merely contributed to it. What is the White House view as to where this process stands and where the President thinks he can take it in his remaining year in office? He's tried without success for a budget reform.

MR. FITZWATER: The President has provided leadership every year in producing a budget that is a detailed blueprint for the Congress that they can follow in achieving budget reductions. At least two of the three of them have spelled out a path to a balanced budget over a five, six period. That responsibility is clear and has been met with precision and strength every year. The President will do the same thing again next year.

Q Are you confident on that regard, Marlin, that they are -- that the two-year budget that was negotiated essentially last month is going to prevent a repetition of this almost three-month delay in getting a budget finalized in six months?

MR. FITZWATER: I don't know that you can -- you can say that agreement will present -- will prevent the Congress from delaying and acting as they've done in the past in terms of the timetable. It does provide some assurances about cuts that take place over two years. But I don't know that it offers any guarantee on timing.

Q Marlin, what's a "hex dump"? You were talking about that earlier.

MR. FITZWATER: Well, a hex dump is -- I haven't the foggiest idea what it is. (Laughter.) It's spelled H-E-X D-U-M-P and it's some computer term that says --

Q It's a program.

MR. FITZWATER: -- basically, when all else is done you go into the computer and you push a button and it kicks out data that's been -- I don't know what -- regurgitated down in the --

Q It's a Hatian program.

MR. FITZWATER: -- lower intestines of those machines and resides in the lower --

Q Well, what does the President think of wanting to purge the files?

Q It's a junkyard language.

MR. FITZWATER: We say, fine -- go after everything you want. They've purged those babies until --

Q No.

Q No, McFarlane wanting to purge all the evidence?

Q Cover up, cover up.

MR. FITZWATER: I don't know, those computers have been purged and regurgitated and vomitted and everything else. (Laughter.)

Q Well, since Lee Hamilton has characterized the memo will the White House release the memos?

Q After shredding and burning?

MR. FITZWATER: Pardon?

Q Since Hamilton has characterized the memo, why won't the White House at least release it so that people can read it?

MR. FITZWATER: We haven't released any documents. That's all up to the Committee.

Q Is the Attorney General going to be indicted today in New York?

MR. FITZWATER: I don't think so.

Q Why not?

Q Why not?

Q On another subject.

Q If he is indicted, will he resign his post to President Weinberg? (Laughter.)

MR. FITZWATER: I don't do indictments either.

Q Change it to -- after the Attorney General is indicted, will he resign?

Q Has the administration made a decision on how it will vote in the U.N.? Now, I mean, this statement will be worthless if we veto, as we always have every resolution condemning Israel.

MR. FITZWATER: I can't predict the U.N. --

Q When does that come up?

Q You mean you haven't made -- the mind isn't made up yet on this subject?

MR. FITZWATER: We'd have to -- well, you have to debate and talk and see how it works out. I don't have a --

Q -- going to abstain.

Q Well, the debate has been very strong already.

Q Economic projections for '88? Do we have any update on --

MR. FITZWATER: We might have that tomorrow, if any kind of luck holds, we'll have economic projections and --

Q Beryl in the briefing room?

MR. FITZWATER: -- get Beryl in the briefing and me out of the briefing room.

Q Oh, no.

Q What time is that going to be tomorrow?

MR. FITZWATER: I don't have a time yet.

THE PRESS: Thank you.

END

11:30 A.M. EST

Soviet Jewry -
[from National Security Strategy]
US - War 1988

loss of advanced production capabilities in critical industries could place our defense manufacturing base in jeopardy. We must avoid situations where increased reliance on other countries for advances in critical technologies could, over the long term, turn into vulnerabilities.

Furthermore, the fruits of the free-market economy must not strengthen the military capability of our adversaries. We, as well as our allies, must continue to ensure that economic relationships with the Soviet bloc do not weaken our national security. For example, we have reached agreement on eliminating preferential credit terms to the Soviet Union. Working through the International Energy Agency, we and our allies have reduced the substantial risk of Western European dependence on Soviet energy. Acting with our allies through the Coordinating Committee for Multilateral Export Controls (COCOM), we are making progress toward ensuring that militarily-sensitive technology does not flow to the Soviet Union and that competitor firms in COCOM member nations bear the same export restrictions as U.S. firms. We will continue to improve the COCOM review process, to harmonize and tighten national licensing and enforcement procedures, and to encourage greater cooperation with allies and friends. The dual objectives of protecting and sharing militarily significant technologies pose a challenge, one made more difficult by rapid technological changes. But it is a challenge we must meet.

We willingly offer our philosophy of free-market economies to centrally planned regimes. Indeed, it is only by adopting market mechanisms that these regimes can satisfy the economic needs and desires of their peoples. However, market economies only flourish where freedom and individual rights are encouraged. The IMF, GATT and other international economic institutions are mainly concerned with improving relations among free individuals, businesses and financial institutions. While we note recent Soviet policy statements regarding "reconstruction" and economic reform, the Soviet economic system remains at this point fundamentally incompatible with participation in free-world institutions. Policy statements must be translated into positive actions before such participation can be considered.

U.S. DEFENSE POLICY

A Policy of Deterrence

The third element of U.S. national power is military. In some cases, the integrated use of the other elements of national power will be insufficient to meet the threats to our security interests. We therefore must be—and are—ready to employ military power in coordination with the other elements. However, the ultimate goal when applying military force, or projecting military power, is to encourage political solutions. War is the least desirable alternative, but only by being prepared to wage war successfully can we deter it.

America's defense policy throughout the postwar period has been aimed at deterring aggression against the United States and its allies. Deterrence works by persuading potential adversaries that the costs of their aggression will exceed any probable gains. Deterrence is the basis of our military strategy against conventional as well as nuclear aggression. Because any conflict carries the risk of escalation, our goal is to dissuade aggression of any kind.

We seek also to prevent coercion of the United States, its allies, and friends. Successful coercion could give a hostile power the benefits of victory without the cost of war. As discussed earlier, the Soviet threat manifests itself not only in the danger of an actual attack, but in the form of propaganda, intimidation and coercion as well. The Soviets still seek to dominate Western Europe and Japan without having to fire a shot—a coercive threat which must and will be deterred by our political determination, our defense capabilities, and our alliance relationships.

To deter the Soviet Union, we must make clear to its leaders that we have the means and the will to respond effectively to coercion or aggression against our security interests. While emphasizing our resolve to respond, our policy is to avoid specifying exactly what our response will be. This is the essence of our strategic doctrine of "flexible response," which has been United States policy since 1961 and NATO strategy since 1967. Specifically, our forces deter a potential aggressor by confronting him with three types of possible responses from which we would choose at the appropriate time:

- **Direct Defense:** To confront an adversary with the possibility that his aggression will be stopped without our resorting to actions which escalate the conflict. This is sometimes referred to as "deterrence through denial." Defeating a nonnuclear attack with conventional forces only would be an example of direct defense.
- **The Threat of Escalation:** To warn an adversary that his aggression could start hostilities that might not be confined in the manner he hopes or envisions and that escalation could exact far greater costs than he anticipates, or could bear. In this regard, NATO's deterrence of a Soviet conventional attack is enhanced by our ability and resolve to use nuclear weapons, if necessary, to halt aggression.
- **The Threat of Retaliation:** To raise the prospect that an attack will trigger a retaliatory attack on the aggressor's homeland, causing his losses far to exceed any possible gains. Our deterrence of a Soviet nuclear attack on the United States is based on our resolve to retaliate directly against the Soviet Union.

Maintaining Strategic Deterrence

While deterrence requires capabilities across the entire spectrum of conflict, its essential foundation is provided by our strategic nuclear forces and the doctrine which supports them. Nuclear deterrence, like any form of deterrence, requires us to consider not what would deter us, but what would deter a potential attacker, particularly one whose perceptions of the world and value system are substantially different from our own. Since we can never be entirely certain of Soviet perceptions, we must ensure that both the effectiveness of our strategic forces and our will to use them, if necessary, are never in doubt.

In the interest of ensuring deterrence, the United States maintains diversified strategic retaliatory forces to hedge against a disarming first strike, to complicate Soviet attack plans, and to guard against technological surprise. To this end we maintain a variety of basing modes, launch platforms, and attack vehicles, achieving diversity through a triad of submarine launched ballistic missiles (SLBMs), intercontinental ballistic missiles (ICBMs) and bombers. Adequate and survivable command, control and communications are

essential to our strategic force structure and critical to the credibility of our strategic deterrent.

Our strategic forces and the associated targeting policy must, by any calculation, be perceived as making nuclear warfare a totally unacceptable and unrewarding proposition for the Soviet leadership. Accordingly, our targeting policy:

- Denies the Soviets the ability to achieve essential military objectives by holding at risk Soviet war-making capabilities, including both the full range of Soviet military forces and the war-supporting industry which provides the foundation for Soviet military power and supports its capability to conduct a protracted conflict; and
- Places at risk those political entities the Soviet leadership values most: the mechanisms for ensuring survival of the Communist Party and its leadership cadres, and for retention of the Party's control over the Soviet and Soviet-bloc peoples.

This basic policy of targeting those assets which are essential to Soviet warmaking capability and political control has been an integral part of U.S. strategy for many years. In implementing this policy, the United States does not target population as an objective in itself and seeks to minimize collateral damage through more accurate, lower yield weapons.

Holding at risk the full range of Soviet assets is necessary for an effective deterrent, but is not sufficient. As President, I cannot be limited to the options of capitulation or massive mutual destruction in response to aggression. We must have flexibility in the employment of our strategic forces. For our deterrent to be credible, it must be clear to the Soviets that the United States has military options appropriate to a broad range of plausible situations.

Finally, the United States requires sufficient residual capability to provide leverage for early war termination, and to avoid coercion in a post-conflict world. For this reason, we maintain a nuclear reserve force as an integral part of our strategic forces. In addition, we maintain Continuity of Government programs to ensure the Soviets cannot escape retaliation by initiating a quick, "decapitating" attack aimed at incapacitating our political and military leadership. Our civil defense program also contributes to the Nation's preparedness in the event of an attack.

Soviet Jewry

A BASIC GUIDE TO SOVIET JEWRY

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This paper is one in a series of American Jewish Committee publications on Soviet Jewry. A listing of other current titles appears on the inside back cover.

CHRONOLOGY

1917: The czar was overthrown in March. The Pale of Settlement, the area where Jews were forced to live, was abolished. More than 500 anti-Jewish laws passed during the 300-year reign of the Romanovs were abrogated. In November the Bolsheviks came to power, promising equality of all nationalities and the elimination of anti-Semitism.

1919: The government established the Yevseksiya (Jewish Section) to oversee the liquidation of Jewish religious and national organizations.

1920: Within the Soviet Union's new postwar and postrevolution borders were 2.5 million Jews.

1921: By the end of the Civil War, 200,000 Jews had been killed, many in pogroms in the Ukraine.

1923-24: 3,000 Zionists in 150 Soviet cities were arrested and imprisoned.

1924: Programs were launched to resettle in agricultural communities in the Crimea and southern Russia tens of thousands of Jews who had lost livelihoods as traders and petty merchants after the Revolution.

1928: Jewish settlement began in Birobidzhan, a bleak region near the Manchurian border. In 1934 the area became officially known as the Jewish Autonomous District, though Jews were a small minority of the population, with no opportunity for religious or cultural self-development. Birobidzhan never attracted many Jews; in 1970 they numbered 12,000, less than 10 percent of the area's population.

Zionism and Jewish culture were attacked. Publication of books and materials in Hebrew was ended. A number of Zionists and Jewish writers were imprisoned or exiled to remote regions.

1932: 160,000 Jewish children were studying the Soviet curriculum in Yiddish-language schools, primarily in the Ukraine and Byelorussia. By the end of the decade, however, all such schools were closed.

An internal passport, to be carried by all adult citizens, was introduced by Stalin. "Jew" (Yevrei) was designated as a nationality, to be shown on the passport.

1936-38: During the Great Terror, many Jews -- including a number who had been active in the Revolution -- were among the victims of Stalin's purges.

1938: Publication of Der Emes, a leading Yiddish newspaper in Moscow, was ended. In 1941, publication of Shtern and Oktyabr, other major Yiddish newspapers, was also stopped.

1940: With the annexation of Czech, Polish and Romanian territories and the Baltic states, the Jewish population of the USSR exceeded 5 million.

1941-45: 1.5 million Soviet Jews were victims of the Nazis. Of the half-million Jews who served in the Red Army, 200,000 died in the war; 20,000 Jews fought as partisans; 160,000 Jewish soldiers received medals, of whom 117 were awarded the nation's top military decoration, "Hero of the Soviet Union" -- belying Soviet propaganda that Jews did not fight in the war but were "hiding in Tashkent."

1942: The Jewish Anti-Fascist Committee was formed, giving Soviet Jews their first organizational framework since the Jewish Section was disbanded in 1930. The Committee's primary purpose, however, was to enlist financial support for the Soviet war effort by world Jewry and to present a bright picture of the situation of Soviet Jewry.

1947: In a speech at the United Nations, Andrei Gromyko announced Soviet support for a Jewish state in Palestine. "During the last war," Gromyko said, "the Jewish people underwent exceptional sorrow and suffering.... It may well be asked if the U.N., in view of the difficult situation of hundreds of thousands of the surviving Jewish population, can fail to show an interest in the situation of these people, torn away from their homes and countries."

1948-53: The "Black Years of Soviet Jewry." Solomon Mikhoels, chairman of the Anti-Fascist Committee, was killed by the secret police, though his death was reported as the result of an auto accident. Other leaders of the Committee were accused of maintaining ties with "Zionism" and "American imperialism," and with planning the secession of the Crimea from the USSR. 431 Jewish intellectuals, including leading writers, poets, actors and musicians, were imprisoned; few returned from the camps. In 1952, 24 outstanding writers and poets -- Bergelson, Markish, Feffer and others -- were tried secretly and executed. The period culminated in the so-called "Doctors' Plot," when prominent physicians, mostly Jewish, were arrested and charged with killing government leaders and plotting the murder of others, under the direction of foreign intelligence services and the "international bourgeois organization, Joint" (American Jewish Joint Distribution Committee). A wave of anti-Semitism ensued, and Stalin planned the mass deportation of Jews to eastern Russia. His death in March 1953

brought the release of the doctors, a diminution in anti-Jewish sentiment and the release of hundreds of thousands of political prisoners, including 150,000 Jews. Thousands of other Jews, however, continued to languish in camps.

1957: The Soviet authorities permitted 3,000 copies of a prayer book, Siddur ha-Shalom, to be printed -- a rare exception to the prohibition of Jewish religious publications.

1961: Sovietish Heimland, a Yiddish literary journal published monthly in Moscow, appeared. An official publication, it printed only government-approved articles. Designed primarily to show the West the existence of Soviet Jewish culture, it was not easily available in the USSR.

1961-63: Of more than 160 persons sentenced to death for "economic crimes," 60 percent were Jewish, prompting protests by Bertrand Russell and other leading Western intellectuals.

1963: A viciously anti-Semitic book, Judaism Without Embellishment, by T.K. Kichko, was published by the Ukrainian Academy of Sciences. In 1964, at an historic news conference, Morris Abram, president of the American Jewish Committee and U.S. representative to the UN Commission on Human Rights, exposed the Nazi-like character of the ideas contained in this book. It was declared to be but the latest in a long series of anti-Semitic books published in the USSR. Since that press conference, dozens of other anti-Semitic books have been published in the USSR and distributed abroad.

1966: Soviet Premier Alexei Kosygin, at a press conference in Paris, indicated that the USSR would place no obstacles in the way of citizens who desired to be reunited with relatives abroad. A rush for applications for exit visas, mostly by Jews, followed.

1967: The Six-Day War in the Middle East sparked a new sense of national pride among Soviet Jews, but unleashed a vicious anti-Zionist campaign by the Government. This was a turning-point in the development of Jewish emigration and cultural identity movements. At the same time, the USSR severed diplomatic ties with Israel; they have not yet been restored.

1970: In a desperate effort to leave the country, a group of nine Jews and two non-Jews sought to hijack a plane on an internal flight from Leningrad and divert it to the West. Authorities discovered the plan and arrested the group and its accomplices -- 34 persons in Leningrad, Kishinev and Riga. Two of them, Mark Dymshits and Edward Kuznetsov, were sentenced to death, but their sentences were commuted to 15 years after vigorous protests from Western heads of state and others.

1971: The First World Conference on Soviet Jewry, held in Brussels, focused world attention on the plight of Jews in the USSR.

In February, a petition seeking the right to emigrate to Israel was signed by more than 1,100 Soviet Jews and sent to the United Nations. In March, 156 Jewish activists went to the Presidium in Moscow and demanded the right to emigrate. Shortly thereafter large-scale Jewish emigration from the USSR began.

1972: The Soviet Information Office in Paris was successfully sued by the International League Against Anti-Semitism for spreading "public slander against the Jews" in its French-language bulletin. The bulletin was fined 1,500 francs and ordered to publish the court's ruling in its next issue.

The USSR instituted an education tax on persons seeking to emigrate. The tax, which reached 35,000 rubles for the most highly educated (the average Soviet salary was about 2,000 rubles per year), was strongly denounced in the West and dropped by the USSR in 1973.

1975: The Soviet Union canceled the 1972 trade agreement with the United States after Congress approved the Jackson-Vanik Amendment linking most-favored-nation status for non-Market (communist) countries to the right to emigrate, and placed a \$300-million ceiling on all loans to the Soviet Union by any U.S. government agency, including the Export-Import Bank. Jewish emigration figures dropped significantly in 1975 and 1976.

1976: The Second World Conference on Soviet Jewry was held in Brussels.

1977: Anatoly Shcharansky, a Moscow Jewish activist who had sought to emigrate, was arrested and charged with treason. After being held in solitary confinement for 16 months, he was sentenced to 13 years' imprisonment.

1979: A record 51,000 Soviet Jews emigrated, surpassing the previous record of 34,000 in 1973.

In April, Mark Dymshitz and Edward Kuznetsov, the two defendants from the 1970 Leningrad hijacking trial originally sentenced to death, were released in an exchange of five Soviet dissidents for two Soviet spies held in the U.S.

1980: Emigration, which had steadily increased from 1976 to 1979, declined precipitously as Soviet authorities restricted the definition of family reunification and made it more difficult even to apply for an exit visa.

Iosif Mendelevich, the last of the nine Jewish defendants in the 1970 Leningrad hijacking trial, arrived in Israel.

1981: 80 Moscow Hebrew teachers were warned by the KGB to stop all private lessons.

1982: Four persons were arrested for documenting anti-Jewish discrimination in admissions to Moscow University's Mathematics Department, the country's preeminent faculty, from 1979 to 1981.

Iosif Begun, well-known Hebrew teacher, was arrested for the third time. Having already served terms of two and three years in internal exile, he was sentenced in October 1983 to 12 years' imprisonment and internal exile on spurious charges of anti-Soviet agitation and propaganda.

1983: The Third World Conference on Soviet Jewry, with more than 1,000 delegates from 30 countries, was held in Jerusalem.

The Anti-Zionist Committee of the Soviet Public, an official body led by, among others, General David Dragunsky and jurist Samuel Zivs, was founded in Moscow. At a press conference in June, Zivs denied there was an emigration problem by falsely claiming that family reunification was "basically completed."

1984: 200 Soviet Jews in 11 Soviet cities participated in a hunger strike to protest the arrests of Hebrew teachers and other Jewish activists, including Yuli Edelshtein and Alexander Khomyansky, on such outrageous charges as "illegal drug trafficking" and "weapons possession."

In October, emigration reached an all-time monthly low of 29. The total 1984 figure, 896, was the lowest since 1969.

1986: Prisoner of conscience Anatoly Shcharansky arrived in Israel after nearly nine years of indescribable suffering in the harshest conditions in Soviet prisons.

A PROFILE

Population

The 1979 Soviet census counted a Jewish population of 1.81 million, a marked decline from the 1970 figure of 2.15 million and the 1959 figure of 2.27 million, even allowing for the emigration of 225,000 Jews from 1970 to 1979. Leading Western specialists contest the official figure; their estimates of the Soviet Jewish population range from 2 to 3 million. Nevertheless, whatever drop may have occurred other than from emigration doubtless resulted from the low birthrate among Soviet Ashkenazi Jews, the decision of most children of mixed marriages to choose a non-Jewish nationality, and the declaration of non-Jewish nationality to census-takers by some Jews.

Language

The percentage of Jews in the 1979 census who identified a Jewish language (Hebrew or Yiddish) as their primary language dropped to 14.2 from 17.7 percent in 1970 and 21.3 percent in 1959.

Where They Live

The largest centers of Jewish population, according to the 1979 census, are the Russian Republic (701,000), the Ukraine (634,000), Byelorussia (135,000), Uzbekistan (100,000) and Moldavia (80,000). Other Jewish population centers are Azerbaidzhan (35,000), Georgia (28,000), Latvia (28,000), Lithuania (15,000), Tadzhikstan (15,000) and Estonia (5,000). The main urban areas of Jewish concentration are Moscow, Leningrad, Kiev, Odessa, Kharkov, Baku, Tashkent, Kishinev, Minsk, Chernovtsy and Riga.

Jews are the most highly urbanized nationality in the USSR; 98 percent live in urban areas.

Studying and Working

Soviet Jews have traditionally been disproportionately represented among professionals, university graduates and students. The situation, however, is changing dramatically. A quota system at many universities and anti-Semitic hiring policies are resulting in smaller numbers of Jewish university students, especially at top-flight institutions, and restricted job opportunities.

Jews constituted 15 percent of all scientific workers in 1950; the figure today is less than 5 percent. In 1974, Jews ranked third among holders of the Candidate of Science degree (the second highest academic degree) and second among holders of the nation's highest degree, the Doctor of Science -- but the average age of Jewish recipients was ten years more than that of non-Jews, reflecting anti-Jewish admissions policies at institutions of higher education in recent years.

Although Jews are well represented in such fields as art, literature, music, journalism, medicine, law and science, there are no Jews in positions of authority in their professions, except for those used for propaganda purposes. Some professions, such as the military, foreign service and the KGB, are practically Judenrein.

Intermarriage

In addition to such problems as an aging population and a low fertility rate, the Jewish community faces a serious problem of intermarriage. Children of intermarried couples have the right to choose the nation-

ality of either parent when they apply for internal passports at age 16. In a Soviet study of marriages between Russians and Jews in the Baltic republics in the 1960s, it was found that some 90 percent of such children chose Russian rather than Jewish nationality.

Who Leaves and Where They Go

From October 1968 to February 1986, 265,822 Jews left the USSR. They came from 200 cities, towns and villages in all 15 republics of the Soviet Union.

Large-scale emigration began in 1971 when 13,000 Jews left the USSR. The record since then:

1972 - 31,681	1979 - 51,320
1973 - 34,733	1980 - 21,471
1974 - 20,628	1981 - 9,447
1975 - 13,221	1982 - 2,688
1976 - 14,261	1983 - 1,314
1977 - 16,736	1984 - 896
1978 - 28,864	1985 - 1,140

According to the National Conference on Soviet Jewry, an average of 39,000 new invitations from Israel, the necessary first step in the emigration process, were sent annually from Israel to the USSR from 1974 through 1977. In 1978, the number increased to 107,000, and in 1979 to 129,000, but the monthly totals began to decline in the final four months of 1979. Since then, ever increasing difficulties in securing exit visas and harsh treatment of activists have caused a precipitous drop-off.

The "drop out" phenomenon -- Soviet Jews going to countries other than Israel -- has increased sharply since 1972, when 99 percent of the emigrants went to the Jewish state. In 1974, 81 percent went there. In 1976, the figure was 51 percent; in 1978, 41 percent; in 1980, 38 percent; in 1982, 27 percent; and in 1984, 37 percent. Whereas the vast majority of Jews from such outlying and traditionally Jewish areas as Georgia, Moldavia, Uzbekistan, Azerbaidzhan and Lithuania have chosen aliyah, Jews from the more populous and often more assimilated areas such as the Russian Republic and the Ukraine have frequently opted for emigration to the United States, Canada, Australia and Western Europe. Of 265,000 Jewish emigrants since October 1948, 164,000 have gone to Israel.

From January 1968 to 1985 the Hebrew Immigrant Aid Society (HIAS) resettled 90,000 Soviet Jews in the United States, of whom the largest number went to New York. Other cities with large Soviet Jewish populations are Los Angeles, Chicago, Philadelphia, Detroit, Miami, San Francisco, Baltimore and Boston.

HIAS has also assisted more than 6,500 Soviet Jews to enter Canada where they have been assisted by the Jewish Immigrant Aid Services of Canada and the Canadian government. Toronto has attracted 3,500 of the total and others have settled in Montreal, Winnipeg, Edmonton, Calgary, Hamilton and Vancouver.

4,000 Soviet Jews have emigrated to Australia, principally to Sydney and Melbourne, where they have been aided by the Jewish community. A few hundred have established homes in New Zealand.

In Western Europe, West Berlin has attracted several thousand Soviet Jews. Some went first to Israel and later to Berlin, others made their way to Berlin from the transit points in Vienna and Rome. They often qualify for assistance from both the local and federal German governments.

How to Leave

From the day a Soviet Jew applies for emigration to the day of departure, months -- often years -- may pass. The process is long and tortuous, marked by arbitrary delays, beginning frequently with non-delivery of the vysov (affidavit) from Israel, which is the necessary first step in the administration process, and constant harassment. The odds today are heavily against potential emigrants.

To apply for a visa, one must submit to the local OVIR office a number of documents, including:

- (a) A vysov or invitation from relatives in Israel. The applicant must take this to the records and permissions department of OVIR to have it registered; there he receives two questionnaires for each adult member of the family.
- (b) A declaration of the applicant's wish to emigrate.
- (c) A character reference from his or her place of employment, including a letter certifying that the applicant owes no money there.
- (d) Permission from the applicant's parents regardless of the applicant's age.
- (e) Permission from a former wife or husband when children from that marriage are involved.
- (f) A certificate testifying to possession of a legitimate residence permit.
- (g) A birth certificate for every member of the family, a marriage certificate and, when relevant, death certificates for parents and spouses.

(h) Diplomas from educational institutions.

(i) An autobiography and six photos of each member of the family.

Each applicant must also pay 40 rubles for himself and each member of his family.

In many cases, a reply is not received from OVIR for several months. If the application is rejected another cannot be filed for six months.

If an application is accepted, the applicant must within a few weeks:

(a) Resign from his or her place of employment. (In many cases, he or she is fired when the first application is submitted.)

(b) Pay for repairs to his or her apartment.

(c) Pay 500 rubles for each member of his or her family for the right to give up Soviet citizenship, if the emigrant is issued an exit visa for Israel.

(d) Pay another 270 rubles for the exit visa.

The applicant then goes to the OVIR office to turn in his passport, army registration card, work book and a certificate from his apartment building superintendent stating that all repairs have been paid for. When he receives his visa, he must go to the Austrian and Dutch embassies to get entry visas -- the Dutch Embassy (which handles Israeli affairs in the USSR in the absence of Soviet-Israeli diplomatic ties) for papers related to aliyah to Israel and the Austrian Embassy for a transit visa. He must then submit copies of every personal document to the Ministry of Justice after paying three rubles for each document given to the Ministry of Foreign Affairs.

Finally, the amounts of money demanded of each applicant represent a tremendous financial sacrifice. For example, the 500-ruble payment for loss of citizenship is approximately three months' salary for the average Soviet worker.

Prisoners of Zion

There are now more than twenty Prisoners of Zion, including eight arrested in Moscow after Gorbachev took office in 1985, jailed because of their desire to leave and their efforts to study and teach Hebrew and other aspects of Jewish culture. They are serving their terms under often harsh conditions with restricted access to medical care, visits by relatives and mail.

Among the handful of prominent Soviet Jews released from the Soviet

Union in early 1986 was Anatoly Shcharansky. After nine years of terrible sufferings in Soviet labor camps, he was allowed to leave in February. Because of his activities as a human rights activist, as well as his efforts to emigrate to Israel, Shcharansky had been a special target of the Soviet Government. In 1977 he was arrested on trumped-up charges of working with the CIA and sentenced to 13 years in prison. The Soviets insisted that he be released in a "spy swap," assuming that it would lend some credibility to their specious charges of subversion and spying. In addition to Shcharansky, Eliyahu Essas of Moscow, one of the pillars of the movement for Jewish religious education, was allowed to leave as were the activist Goldstein brothers of Tbilisi, who had also been waiting for many years. A number of other notable refuseniks and former Prisoners of Conscience, including Ida Nudel and Vladimir Slepak, remain behind.

Refuseniks

Jews whose application to emigrate have been refused are known as "refuseniks."

Refuseniks undergo physical hardship and psychological suffering. Most are fired from their jobs and expelled from universities and professional associations. They are denied the opportunity to continue their studies and to work in their chosen fields, and they and their families, including children, are frequently subjected to harassment and surveillance. Today there are about 15,000 refuseniks. Nearly 1,200 have been waiting to emigrate for more than ten years. They live as "internal refugees" in a kind of suspended animation without even a prisoner's knowledge of the length of his sentence.

Culture and Religion

Jewish culture has been deliberately throttled in the Soviet Union in recent decades, to the point where it is virtually nonexistent today. From the late 1940s to August 12, 1952, more than 400 Jewish intellectuals disappeared into Soviet prison camps never to return. The "Night of the Murdered Poets" -- August 12, 1952, when Stalin ordered the murder of 24 leading Jewish writers, actors and intellectuals -- marked a low point in this campaign, from which Jewish cultural life has never recovered.

Today there are no Jewish schools in the USSR, nor such Jewish cultural institutions as publishing houses, lecture courses and other intellectual activities. Jewish publishing consists of a four-page Yiddish newspaper, the Birobidzhaner Stern, which appears several times per week in 1,000 copies, and, though printed in Yiddish, only reprints articles from the local Soviet newspapers and contains no Jewish content, and Sovietish Heimland, a monthly literary journal in Yiddish, published in Moscow in 7,000 copies, of which approximately half are

exported to prove to a skeptical West the existence of a Soviet Jewish culture. The articles in Sovietish Heimland are of varying quality, essays often sounding like articles in Pravda translated into Yiddish.

Almost all Soviet Jews speak Russian, but the Government does not permit publication of Russian-language Jewish magazines or newspapers. For the approximately 2 million Jews in the country, only three or four books in Yiddish are published each year. When books dealing with Jewish religion, history, literature, the Holocaust, or language books for the study of Hebrew, are sent into the country via the mail, they are confiscated. Brave individuals who attempt to form study groups are harassed and, if they have no other means of employment, can be threatened with arrest on the charge of "parasitism."

From time to time dramatic or musical ensembles have performed in various Soviet cities on government-approved Jewish themes. Welcome even as such appearances may be, they have been few in number.

Despite harassment, several ulpanim -- study groups -- have been functioning in Moscow and other cities. These and occasional unofficial publication of articles and manuscripts today represent the only true Jewish cultural life in the USSR.

Only 55 synagogues remain, served by a half-dozen rabbis. No rabbinical seminaries exist; the few Jews permitted to study for the rabbinate must travel to Budapest to attend the only remaining seminary in Eastern Europe.

Anti-Semitism

A most ominous development in recent years has been the proliferation of explicit anti-Semitism in the Soviet press and broadcast media. The USSR, now the world's biggest distributor of anti-Semitic literature, publishes books by well-known anti-Semites in editions of hundreds of thousands (among them Trofim Kichko's Judaism Without Embellishment and Judaism and Zionism, and Yevgeni Yevseev's Fascism Under the Blue Star). These authors do not bother with such code words as "anti-Zionism"; they state openly that Jews are disloyal, manipulative, unassimilable, and the center of an international conspiracy to control the world. Judaism, Torah and Talmud are attacked in crude, vulgar terms. Newspapers have carried cartoons reminiscent of Nazi Germany; documentaries on prime-time television implicate Jewish "traitors" in CIA plots; army indoctrination films charge that Jews worked hand-in-glove with Nazis during World War II. A recent study prepared for the Presidium of the Supreme Soviet by Valery Emilianov, a researcher for the Soviet Academy of Sciences Institute, is a thinly disguised update of the vicious and spurious The Protocols of the Learned Elders of Zion.

Why has the Soviet Government unleashed this anti-Semitic campaign? Professor John Armstrong of the University of Wisconsin believes that

while the Soviets hope liberalized emigration will improve their tarnished image, particularly with the Helsinki process focusing world attention on their human rights violations, they want to be sure it does not encourage other dissident groups. Therefore Soviet citizens must perceive Jews as untrustworthy aliens that the country is better off expelling. So the Anatoly Shcharansky case was used to "prove" that Jews are Zionists, that Zionists are traitors, and that other dissidents are exploited by such traitors -- an object lesson, the Government hopes, to all dissidents who press their case too vigorously.

Hebrew and Yiddish in the USSR

The use by a minority of its distinctive language has been declared a human right in a number of international agreements. The International Covenant on Civil and Political Rights (1966), for example, declares: "In those States in which ethnic, religious or linguistic minorities exist, persons belonging to such minorities shall not be denied the right in community with other members of their group, to enjoy their own culture, to practice their own religion or to use their language." And the UNESCO Convention against Discrimination in Education (1960) recognizes "the right of members of national minorities to carry on their own educational activities, including the maintenance of schools and, depending on the educational policy of each State, the use or the teaching of their own language...." The Soviet Union, like scores of other countries, is a signatory to both agreements.

Jews in the Soviet Union, who numbered 1.8 million in the 1979 census, ranking 16th among more than one hundred recognized Soviet nationalities, are the only statistically significant group in the USSR that is not afforded the opportunity to study the languages traditionally associated with it, namely, Hebrew and Yiddish.

It is instructive to compare the situation of Jews with those of the 1.9 million geographically dispersed ethnic Germans and the 900,000 Chechen-Ingush, two national groups who were, for many years, the victims of internal deportation and official persecution for alleged collaboration with invading Nazi armies. Both the Germans and the Chechen-Ingush now have access to mother-tongue secondary schools and several teacher-training programs, institutes of higher learning and research institutions where language study and, by extension, cultural identity is promoted. In other words, few obstacles are placed in the path of a German or a Chechen-Ingush who desires to become fluent in the language associated with his people.

The Jews, on the other hand, enjoy no schools where either Hebrew or Yiddish is taught as a primary or foreign language (there have been unconfirmed reports that a few Yiddish classes have been introduced in the so-called Jewish Autonomous District of Birobidzhan, 5,000 miles east of Moscow and the home of less than 1 percent of the Soviet Jewish population), no institutes of higher education where either language is

taught (with the exception of four institutes in Moscow, Leningrad and Tbilisi that teach Hebrew for diplomatic, intelligence, Russian Orthodox theological and archaeological purposes and that are closed to Jews), and no adult education, correspondence or privately organized but State-recognized classes, despite frequent documented requests by Soviet Jews for the establishment of classes and the accreditation of teachers. As a result, several score self-taught Hebrew teachers are conducting small groups that are not recognized by the State and subject, therefore, to the whim of the authorities.

What we are witnessing is part of a larger Soviet effort to strip Jews of their national and cultural identity by denying them the tools for maintaining and fostering that identity, notwithstanding Soviet signatures on the above-cited international agreements or, for that matter, the Soviet constitution itself, which acknowledges that: "Citizens of the USSR of different races have equal rights...to use their native language...[and] any direct or indirect limitation [of this right]...is punishable by law."

Current papers on Soviet Jewry available from the American Jewish Committee's International Relations Department:

- * **Anatoly Shcharansky and Soviet Jewry in the Wake of the Summit,** by David A. Harris
- * **Anti-Jewish Discrimination in Soviet Higher Education,** by Allan L. Kagedan
- * **A Basic Guide to Soviet Jewry,** by David A. Harris and David Geller
- * **Crisis in Soviet Jewry: A Call to Involvement,** by David A. Harris
- * **Gorbachev in Paris: Important Days in the Struggle for Soviet Jews,** by Nives Fox
- * **Oral Histories of Recent Soviet Emigres in America,** a catalogue by David A. Harris for the William E. Wiener Oral History Library
- * **Soviet Anti-Jewish Publications, 1979-1984,** by Allan L. Kagedan
- * **Soviet Jewry After Shcharansky: Winds of Change?,** by David A. Harris
- * **Soviet Jews: An Overview,** by David A. Harris
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