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THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA

28 APR 1982

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS

SUBJECT: China Export Issues (U)

~~(S)~~ This is in response to your letter requesting our views on the release of the Hyshare 700 computer and the split-station LANDSAT D for China.

~~(S)~~ Over the past six months the Defense Department has attempted to work out solutions to Chinese requests for sophisticated technology. These solutions have been directed toward (a) protecting U.S. national security interests following the guidelines approved by the President; (b) working closely with our allies to assure that sales to China remain controlled carefully to limit the risk of diversion and (c) assuring that our innovative policy toward China does not disintegrate as a result of commercial pressures and inconsistency in administration.

~~(S)~~ Despite many problems I believe we are well on the road to accomplishing the objectives outlined above. We have worked closely

OSD 3.3(b)(6)

~~(S)~~ More immediately, we carefully crafted an arrangement permitting the Vice President to announce to the Chinese that we can release the sophisticated CFM-56 jet engine for refitting the Trident aircraft in China. We negotiated a buy-back agreement to limit the risk of diversion and applied significant safeguards to assure efforts are not made to exploit the engine for military purposes.

33-84-0004, bxl, China Red (Op-act)

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~~(S)~~ In each of the above cases, very careful and sensitive arrangements were required and were achieved.

~~(S)~~ On both the Hyshare 700 and LANDSAT D we are not presently far enough along to release these systems without running a great many risks and undermining the pattern of arrangements we have insisted on to protect our security. Going ahead "in a rush" would undermine the arrangements we have sought and achieved with our allies. The policy we have worked toward for China might disintegrate and we would end up with a "free for all" that could adversely affect our security, lose the support of our allies for reasonable export controls, and convince the Chinese that our undertakings in the past were only a passing phase and that our intentions were not serious.

~~(S)~~ In the case of the Hyshare 700, we are willing to approve the export of that system only under very limited and strict conditions -- that is where the system is tied to an explicit end-use and where control on the system is nearly absolute. For example, we are willing to support the transfer of the Hyshare 700 as part of a flight simulator/trainer, because the machine is fully tied to the simulator and cannot be used for missile testing and design. However, in the case we are asked to decide now, the Hyshare 700 would be sold to the Harbin Polytechnic University and almost certainly would be used by the University for strategic missile design and testing.

~~(S)~~ The LANDSAT case presents a different problem but one which plagued the previous Administration. Handling high technology export cases outside the normal processing system for the sake of trip book diplomacy resulted in commitments which, upon detailed review, became difficult to meet without serious national security risks. This was the genesis of the long delays on the census computers and Western Geophysical cases. We should not repeat the process by having the Vice President make a commitment to a split station which may not be feasible to keep without serious national security risks.

~~(S)~~ We believe the Hitachi M-180, Western Geophysical and CFM-56 aircraft engine cases provide the Vice President with the ammunition he needs for discussions with the Chinese. I believe it would be unwise and probably unnecessary to rush decisions on the remaining complicated cases, Hyshare and LANDSAT. However, issue summaries presenting both pros and cons on the two cases are attached as you requested.

Attachments
a/s



Declassified in Full
Authority: EO 13526
Chief, Records and Declass Div, WHS
Date: 31JUL2024

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HYSHARE 700

ISSUE: (U) Should we approve export of an unmodified Hyshare 700 computer for Harbin Polytechnical University?

BACKGROUND: ~~(S)~~ We approved export of a downgraded Hyshare 700 to Harbin in December 1980. The U.S. exporter requested in July 1981 that, in light of new liberalized policy, we license the original unmodified request. State and Commerce have recommended approval; Defense has insisted on retaining the original downgrades.

PROS: ~~(S)~~ We told the Chinese, in response to the Liu Huaqing list, that we are willing to consider an aircraft flight simulator which includes the Hyshare 700.

CONS: ~~(S)~~ Hyshare 700 is the most sophisticated hybrid computer in the world. If diverted, it could enhance significantly Chinese capabilities in strategic missile design and testing.

~~(S)~~ Hyshare 700 can be approved where its use is absolutely dedicated to a fixed project and where it cannot serve in any other capacity, as in the case of the integrated aircraft flight simulator. However, the unmodified system cannot be approved to Harbin Polytechnic where it almost certainly will be used for strategic missiles design and testing [REDACTED]

(U) Downgraded system is adequate for stated end-uses.

RECOMMENDATION: ~~(C)~~ Disapprove the appeal; approve the downgraded system as originally licensed.

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LANDSAT - D

ISSUE: (U) Should we approve a split Chinese ground station for LANDSAT-D?

BACKGROUND: ~~(S)~~ Harold Brown told the Chinese in January 1980 that the U.S. would license export of a ground station for receiving earth resources telemetry from LANDSAT-D. Chinese insist that due to radio interference, the receiving station must be located outside Beijing, but that the processing station should be in Beijing where the data users will be. Difficulty is that splitting the station requires much higher technology than originally envisioned.

~~(S)~~ After negotiating with firms from several countries, China contracted for a split station with a U.S. company, LRM. The choice is unfortunate because LRM is facing probable prosecution for illegal exports to Eastern Europe. If as a bad exporter LRM is denied an export license to China, the Chinese may misread it as U.S. refusal to license a split station and a sign of bad faith on the LANDSAT commitment. State would like to preempt this highly probable misperception by having the Vice President tell the Chinese that we approve a split station in principle.

PROS: ~~(S)~~ Approval in principle may avoid Chinese misunderstanding and charges of bad faith if legal action causes deal to fall through with LRM.

(U) State and Commerce contend that approval in principle does not foreclose our ability to control level of technology actually exported since we still will conduct detailed technical review when an export license request is submitted.

CONS: (U) There is no actual license request under review; any decision we make at this time must be on the basis of a U.S. generated hypothetical case.

~~(S)~~ Defense is not confident that an actual case for a split configuration acceptable to both U.S. companies and the Chinese could be approved without high risk to U.S. national security.

~~(S)~~ "Approval in principle" may be understood by the Chinese as willingness to license virtually any split station configuration. This would either force us to approve technology inadvisably or risk greater charges of bad faith than if we had remained silent.

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RECOMMENDATION: ~~(S)~~ Rather than risk making a commitment we may find inadvisable to keep, the Vice President should not raise the issue. If asked, he should keep his remarks general:

- Reaffirm willingness to license LANDSAT;
- Emphasize that technology proposed by U.S. suppliers must be evaluated in terms of our policy;
- State that the U.S. does not object in principle to split station LANDSAT operation, if it can be done with currently approvable technology.

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