

**EXECUTIVE SECRETARIAT
ROUTING SLIP**

TO:		ACTION	INFO	DATE	INITIAL
	1 DCI		X		
	2 DDCI		X		
	3 EXDIR		X-		
	4 D/ICS				
	5 DDI				
	6 DDA		X		
	7 DDO		X		
	8 DDS&T		X		
	9 Chm/NIC				
	10 GC				
	11 IG				
	12 Compt				
	13 D/Pers				
	14 D/OLL				
	15 D/PAO				
	16 SA/IA				
	17 AO/DCI				
	18 C/IPD/OIS				
	19 NIO/NESA		X		
	20 D/NESA/DI		X		
	21 C/NE/DO		X		
	22 D/OSWR/DI		X		

SUSPENSE _____

Date

Remarks	23 C/TTAC/DI	X
	24 NIO/S&T	X
	25 VC/NIC	X

Executive Secretary

15 OCT 85

Date



United States Department of State

ES SENSITIVE 8530481
Washington, D.C. 20520

Executive Registry

October 12, 1985

85- 3876/1

85-3526/1

60-1

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MEMORANDUM FOR MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

MS. HELEN ROBBINS
DEPARTMENT OF COMMERCE

COL. DAVID BROWN
DEPARTMENT OF DEFENSE

MR. WILLIAM STAPLES
U.S. ARMS CONTROL AND DISARMAMENT AGENCY

MR. WILLIAM VITALE
DEPARTMENT OF ENERGY

MR. JOHN RIXSE
CENTRAL INTELLIGENCE AGENCY

Subject: CDC Computer Case for India

We have carefully studied Mr. Adelman's October 11 memorandum on the CDC case. After considerable thought and weighing of the various considerations involved, our assessment is as follows.

The question at issue lies outside of direct U.S. computer exports to India. Those exports, in terms of nuclear end-uses, are now governed by the August 23 Letter of Assurance the Indians have given to meet our policy concerns. The operative paragraph reads:

The export will not be used by or on behalf of any entity engaged in research, design, development or manufacture of nuclear explosives or nuclear weapons, or in the research, design, construction, fabrication or operation of equipment especially designed or prepared for the production, utilization, processing, or reprocessing of any nuclear material (including heavy water), when such activity involves at any time unsafeguarded nuclear material (including heavy water), or in the design and development of nuclear weapons carriers or the conversion of non-nuclear carriers in a nuclear weapon carrier.

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This agreement was a major concession by the Indians and represents the foundation of our renewed willingness to sell items found on the Nuclear Referral List to India.

The issue at hand deals not with direct exports (covered by the above assurances) but with computers assembled in India with part US, part Indian components. The CDC computers are unsophisticated (PDR 22 and 47), being just above the threshold of PDR 20 where we begin to ask for nuclear assurances at all. The products are intended to be the main multi-purpose computer system for the Indian Government generally. Their principal uses are in payroll, administration, record-keeping, education, insurance, airline ticketing, and the like.

In late September, the Indians came back to us on the question of nuclear end-use controls on the computers assembled in India. They stated their willingness to maintain all nuclear military use assurances (explosives, weapons, or delivery systems) but asked for flexibility on our part for peaceful end-uses.

The compromise solution would force the Indians to reaffirm our nuclear non-proliferation policy again while making a minor concession in side letters. The side letter formulation would prohibit all nuclear military uses and any use of the computers in the process control of:

- unsafeguarded nuclear reactors
- the production of heavy water
- the enrichment of uranium
- the fabrication of nuclear fuel
- the reprocessing of spent nuclear fuel

These assurances cover all the major areas of concern in an unsafeguarded nuclear program. There was some question earlier about Indian use of the computers in heavy water production. They have now told us in the last week that that they have dropped that consideration because the computers in question do not contain the appropriate hardware for that function. Livermore Laboratory in California confirms this conclusion. OES and S/NP support this approach in the context of a review of USG policy now under way in five NEC on controlling computer exports to non-full-scope safeguard status.

The CDC case is of major political significance to the President's policy on improving relations with India. Indeed, the President, Secretary Shultz, and Secretary Baldrige had to intercede personally with Rajiv Gandhi in June 1985 to keep CDC in the running. At that time the Indian contract committee had already decided for Honeywell-Bull of France because of the

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end-use controls question. The contract is, of course, worth \$500 million, and the predictions are that some \$2 billion worth of business will follow on.

A further key factor is that the Honeywell-Bull contract involves no end-use restrictions at all. If we can get the contract for CDC, we will, therefore, maintain some leverage over Indian nuclear developments that would not otherwise exist.

There are three major US interests to be met: our non-proliferation policy, our trade policy, and our policy to improve relations with India. We believe that the State proposal balances all three interests well and, importantly, contributes to our new efforts to promote nuclear confidence-building measures in South Asia. State believes we should, therefore, proceed expeditiously to make the proposal on CDC officially to the Indian Government, to permit the possibility that it will be wrapped up at the October 23 meeting between the President and Rajiv Gandhi.


Nicholas Platt *for*
Executive Secretary

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