P.S. to the NEWS
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SOVIET STEALING IN SILICON VALLEY

You won't find Silicon Valley if you check your atlas or map of California, and most Americans (other than engineers) have never heard of it. But the Russians have spent ten years and at least $100 million dollars in a massive espionage operation in that one small sunny valley.

Silicon Valley is a current colloquialism to identify the area south of San Francisco which was the birthplace of microcomputer technology and is now the headquarters of most of the leading manufacturers of semiconductor devices, which use silicon as their principal material. In its effort to acquire free use of the fruits of U.S. electronics research, the Soviet KGB has used tactics ranging from buying up local banks to shipping microcomputer equipment out of the country disguised as washing machines or air conditioners.

The tiny silicon chips are essential to computers and are useful for everything from automatic popcorn poppers to ICBM missile guidance systems because they concentrate in a sliver of silicon the size of your fingernail the capacity of a machine that only 20 years ago filled a room and cost millions of dollars. The average cost of a silicon chip today is about $20 and appears to be the only product getting less expensive.

The military potential of the products of Silicon Valley is massive because the new microcomputers dramatically boost the capacity of radar, missile guidance systems, military communications, spy satellites, and other military hardware. According to the FBI, more than 40 projects now under development in Silicon Valley require "top secret" clearance and 400 more require "secret" clearance.

The Soviet KGB has been thorough, ingenious, and daring in its operation designed to steal American microcomputer technology. For starters, the Soviets simply bought U.S. technical magazines from bookstores and borrowed them from libraries, knowing that Americans are eager to tell most of what they know about our latest scientific developments.

Secondly, the Soviets bought all they could from willing businessmen. Radar, computer avionics, and lasers were easy to buy outright. KGB agents disguised as "trade

representatives" connived with unscrupulous export businessmen to acquire high technology products, such as equipment and know-how for the manufacture of microcomputers and integrated circuits.

By using legerdemain with the paperwork and shipping to third parties in neutral countries, the connivers were able to disguise items on the Commerce Department's "A" list (barred from export unless licensed) as similar items on the "B" list (exports allowed without a license). For example, special ovens for drying microscopic computer parts (on the "A" list) could be disguised as regular industrial ovens (on the "B" list) and loaded on a plane bound for Switzerland or Austria without arousing suspicion, where they could then be reshipped to Russia.

A third tactic is "reverse engineering" of U.S. electronics products. This is the painstaking process of peeling back the microscopic layers of a computer chip (or other electronics product) to see if it can be copied or, with slight modifications, built to circumvent the patent rights of the U.S. product. An Austrian company has made a fortune in this "industry" in recent years.

The Institute of Strategic Trade, headed by Dr. Miles Costick, deserves the credit for discovering much of the specific evidence on high-technology shipments to the Soviet Union. The Institute has gathered a hair-raising collection of tales of espionage, large cash payments and businessmen making tremendous profits on illegal deals while paying insignificant fines.

For example, the Moscow Narodny Bank, using laundered money and a Hong Kong-based land speculator, in 1973 paid almost twice the book value to buy the Peninsula National Bank, a small bank in the heart of Silicon Valley. Ownership of this bank gave the Soviets detailed financial records of hundreds of leading U.S. scientists and engineers and the companies they work for, in the world's most concentrated center of secret electronics production.

The Institute's files include evidence of one agent saying he had a fund of $1.8 million specifically for buying U.S. microcomputer equipment, another agent buying computer tapes containing technical data on a new microcomputer "super chip" with a $500,000 check, and a third agent promising to buy $1.5 million worth of equipment to make silicon chips. (end)