Looser Export Controls Don't Matter in East

elected long ago to become self-sufficient in computer hardware and made no secret about it.

Those in the West who oppose exports of computers and other high-technology products believe that such equipment could be diverted for military purposes or for repressive use by local police forces. These arguments are laughable in the face of reality.

The Soviet Union alone is now credited with nuclear overkill capability, as anyone who has followed the Salt negotiations is well aware. At this late hour, even a dozen of the most powerful American computers would hardly make any difference at all in the balance of power.

As for repressing the citizenry, those countries were doing a splendid job of it even in the pencil and paper era. The motto of their police forces has always been, "Give us the man, and we'll tell you all the laws he has broken."

Meanwhile, the Soviet Union, Eastern Europe and even China are busy developing their own computer industries to meet most of their demand, keep foreign competition out and hopefully perhaps even get a foothold in Third World countries.

An export director of Robotron in East Germany recently revealed that his company has an agreement with Control Data Corp. under which Riad EC-1040 computers exported to Third World countries can be equipped with CDC peripherals.

Western exports of computers and office equipment to the whole Soviet Bloc from 20 different countries peaked in 1975 at about $197 million. The Bloc represents less than 7% of the global installed value of DP equipment, and only a small percentage of that amounts to the Western market share.

In 1978, IBM exported a paltry $18 million worth of DP equipment to all communist countries, a figure that represents less than .1% of the company's revenues — hardly a market share worth talking about.

The U.S. Department of Commerce stopped sponsoring DP trade shows in the East as early as 1976, and individual corporate participation in Eastern trade shows has slackened off.

At the Leipzig Trade Fair last March and at the Hannover Trade Fair in April, the Soviet Bloc countries began announcing their Riad 2 systems, which consist of more than 150 different DP products. These range from the large EC-1065 Soviet number-cruncher, claimed to be capable of speeds up to 5 million operations per second, to a choice of microprocessors and business machines, of which Robotron of East Germany is becoming a leading manufacturer.

During June, the Soviets staged a large Riad 2 equipment exhibition in Moscow in which only Comecon countries participated. The latest Riad 2 equipment was introduced to large numbers of Soviet Bloc end users.

This show was hardly even mentioned outside the Soviet Bloc. Western manufacturers are clearly excluded from the most important Soviet Bloc DP events.

The French Connection

What have been in the news are the Soviet-French and Sino-French DP agreements under which CII-Honeywell Bull and other French equipment manufacturers are to help the Soviets and China develop their respective computer industries.

Considering the fact that French DP technology is not at the very cutting edge of the industry, the latest cooperation announcements appear to have all the earmarks of continuing Bloc attempts to liberalize export controls of the Western world and not to offer it a larger share of its DP markets.

Fair Share at Stake

Nevertheless, there is little question that export controls and end-user installation licensing is a hindrance to free trade and that a streamlining of the procedures is in order. But the real objective of protecting the market shares of high-technology manufacturers must be clearly kept in sight.
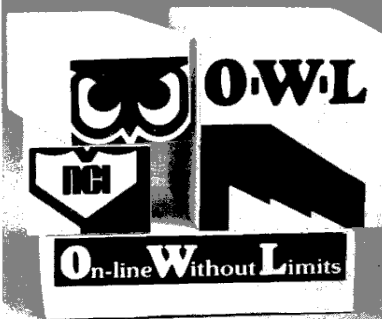
On the other hand, a clear-cut limit must be drawn on exports of DP manufacturing technology and equipment beyond which no licenses would be granted until a fair share has been acquired by the owners of each advanced technology or equivalent payment in hard currencies received for transfer of licenses with clear limitations on marketing rights.

While the government should minimize its regulation of high-technology trade, for which it is remarkably ill-equipped, the manufacturers should not expect it to underwrite their financial risks in transactions with the East, either. We all know that communist countries observe their financial obligations scrupulously, but whether many of these are really profitable to Western manufacturers is another matter altogether.

The Soviet Bloc is self-sufficient and rich in mineral resources such as oil and strategic materials that the West must import. Rather than financing sales to the East with Western loans, payment should be demanded in these scarce and valuable commodities.

The chances are that when the communist countries are confronted with all these trade realities, the present DP trade levels will hardly change at all and we will not have to speculate about their intentions and markets any more.