

Will Glasnost Wash Over U.S. Export Controls?

In the affairs of nations, when your enemies suddenly become your friends, does it make sense to withhold technological advances that could help pull their economies out of centrally planned stagnation—and perhaps even help boost your own?

These are the questions businessmen and trade experts are now testily asking about U.S. government export controls, which for more than 40 years have restricted sales to the Soviet Union and Eastern Europe of items deemed vital to Western security. "There's a basic contradiction between telling these countries, 'yes, we'll help you become healthy democracies,' and denying them the modern technology that will help them succeed," says Wolfgang Reinicke of the Brookings Institution.

Currently, the 17-member Coordination Committee for Multilateral Controls (COCOM) restricts trade in three broad areas: military hardware, nuclear technology, and industrial or "dual-use" equipment, such as electronic components and advanced optics that have both commercial and military applications. The United States also maintains more restrictive unilateral control lists of its own, such as the Militarily Critical Technologies List.

NATO military strategists have long thought of the Western technological edge as a "force multiplier" which mitigated the numerical advantage enjoyed by Warsaw Pact armies. But now, as Soviet troops withdraw and democratic governments take power throughout Eastern Europe, much of the rationale behind restricting commercial relationships with Eastern Europe is eroding. Restrictions on exports to East Germany, for example, will make no sense when it becomes a de facto member of COCOM, a point U.S. officials already acknowledge.

Will glasnost wash over Western technology trade policy? The United States, which has always been less enthusiastic about relaxing export controls than its Western allies, has finally agreed to consider revising COCOM guidelines. An interagency panel is currently conducting a national security review of the export control system that should be completed next month, with a focus on machine tools, computers, and communications equipment. "We're still discussing what should be liberalized and what shouldn't," said Douglas Davidson, a spokesman for the National Security Agency. And Secretary of Commerce Robert Mosbacher told reporters in mid-March that the United States would agree to a "streamlined" COCOM list in the near future—probably by the next meeting of the COCOM executive committee this June. "I see a shortening of this list down to things that are essential to our security," he said.

But a debate is raging within the federal government over how rapidly and completely the controls should be dismantled. "There are differences between industry and the government, differences between agencies within the government, and differences between members of COCOM," says Roland Schmitt, president of Rensselaer Polytechnic Institute and chairman of a committee of the National Academy of Sciences that is looking into export control policy. Indeed, some observers doubt that the U.S. government will advance the sweeping liberalization of export



controls that they say is badly needed.

The first potential stumbling block is the United States' insistence on differentiating between nations on the basis of their political liberalization. Mosbacher called for extending special trade privileges to Czechoslovakia, Poland, Hungary, and East Germany on the condition that they accept "oversight and verification systems" to prevent eastward leakage of restricted items. West German officials have reportedly agreed to differentiation, although other European governments are more skeptical. Such controls would likely take some time to establish, however. "You'd have to create a whole bureaucratic infrastructure in countries where such controls have never been in place," says Reinicke, who recently returned from a month in East Germany. "It's totally ludicrous. For instance, you'd have to train a whole force of Hungarian customs officials to tell the difference between 16-bit and 32-bit memory chips."

Some critics argue that U.S. slowness to consider export liberalization is placing American firms at a disadvantage. "All of Eastern Europe is an important market," says Bill Krist, a vice president of the American Electronics Association. "The world is changing much faster than U.S. export policy." If Western European firms dominate Eastern European markets, Krist says, other companies will have difficulty entering the market later and could be at a disadvantage because firms in the larger markets will drive prices down through economies of scale.

Although most U.S. companies are hesitant to move into Eastern Europe before some form of export liberalization is in place, West German firms are moving into East Germany, forging preliminary business relationships and preparing for the day when export controls are no longer in force. One sign of the West

German presence was seen recently at the March Leipzig Trade Fair where, according to some observers, West German firms outnumbered those from the United States, Japan, and the rest of Western Europe by more than five to one.

In the longer term, the National Academy of Sciences panel that Schmitt is heading could be important in shaping national policy. It is trying to devise a more flexible, long-term approach that balances trade with real national security needs. By concentrating on a few selected technologies with varying product cycles the panel hopes to demonstrate how its new system would work out in practice, rather than providing just another "intellectually interesting exercise," as Tom Snitch, the panel's executive secretary, put it.

With luck, this panel's recommendations should carry more weight than those of an earlier Academy committee, whose 1987 report was largely ignored in the controversy over Toshiba's sale of precision milling equipment to the Soviet Union. The pace of change in Eastern Europe has complicated the task of recommending a control system for the long term. As Snitch says, "It's a moving target now, and you could argue that it's accelerating every day."

■ DAVID P. HAMILTON

David Hamilton is a reporter-researcher at The New Republic.

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