tries who are being compelled (partially by U.S. export controls) to establish their own national consortia to manufacture computers, which will have the effect of diluting U.S. participation in world computer markets.

Countries specifically affected are France and Eastern Europe. Aggressively seeking to fill the vacuum are computer manufacturers in the United Kingdom, France, East Germany, Japan, etc.

Typical of East European Reaction.—East German Government officials have specifically told CDC personnel that, if they cannot acquire U.S. computers, they will certainly acquire computers of non-U.S. origin. They said that they would prefer *not* to apply East German resources to the development of capabilities to manufacture big computers in their country, but they made it clear that if they must, they will spare no expense to do so, because they believe that big computers for business and industrial management and control is the key to their ultimate goal to become a successful modern industrial nation.

CDC has prepared and submitted on 13 June 1968 a separate brief on this subject to the International Finance Subcommittee, Committee on Banking and Currency, U.S. Senate in conjunction with its Hearings re *Joint Resolution SJ Res. 169, East-West Trade Resolution.*

There is no question that the U.S. companies today dominate the world computer industry in all its aspects . . . technology, hardware design and manufacture, wide scope of software and applications, the quantity and quality of our personnel, the effectiveness of our marketing, and the financial resources available. The preeminence of American computer companies is, in fact, so great, and U.S. technology is moving so rapidly, that most other countries simply will not be able to marshal the resources required to catch up, let alone keep up with such a rapidly moving target. CDC believes that the United States really has nothing to fear re the export of computers for peaceful purposes.

However, no nation, whether fully developed, emerging, or underdeveloped, East or West, can long afford to be without computers. A nation with little or no significant computer technology of its own is forced to consider three alternatives: it can tap U.S. know-how through purchase or lease from a U.S. manufacturer or its overseas affiliate; it can purchase its computers from non-U.S. manufacturers; or it can commit vast national resources to developing, or accelerating the development of its own computer industry.

Balance of Payments and MFN

Each of the East European countries has only a limited amount of U.S. dollars, (primarily derived from their exports to the U.S.) with which, in turn, to purchase U.S. commodities. Several East European countries not now granted MFN treatment by the U.S., have asked that CDC personnel transmit their requests to the U.S. Government, that they be granted MFN treatment, and the favored tariffs that it affords, so that they can more favorably export their goods to the U.S. in order to obtain more dollars with which to acquire, in turn, advanced commodities including computers.

These same countries say that they are motivated, lacking MFN treatment, to alternatively acquire advanced commodities from other Western countries (England, France, etc.) who apply less-discriminatory tariffs against them, and who therefore afford them foreign exchange. Lacking MFN, sales are thus lost to the U.S., along with the opportunity to help right the U.S. balance of payments, in fact, lacking MFN, at least one East European country in retaliation has recently raised its tariffs against the import of U.S. made computers to be higher than their tariffs applicable to computers made in other countries (England, France, etc.), which has the effect that U.S. made computers are now unfavorably priced (including tariffs) in competition with (English and French, etc.) made computers.

Trade Policies Particularly Affecting the Developing Countries

The world is rapidly becoming a single interdependent economic unit with each nation ever-more acutely reliant on other nations to supply its total requirements. This is true whether a nation is relatively fully developed, emerging, or underdeveloped. The less developed the nation, the more acute the problem.

It is CDC's belief and recommendation that the United States should establish objectives, laws and policies to *encourage American business and industry* to become more initiative to assist in the economic development of all countries, particularly the emerging or underdeveloped countries. By this means the United States could achieve many desirable objectives without so much spending abroad of Federal funds of the U.S.