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TRANSLATIONS ON TELECOMMUNICATIONS POLICY,  
RESEARCH AND DEVELOPMENT  
(FOUO 3/79)



WORLD



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JAPAN

NEC-HONEYWELL TECHNOLOGY TIE-UP, NEC COMPUTER STRATEGY DISCUSSED

Tokyo NIKKAN KOGYO SHINBUN in Japanese 4 Dec 78 p 12

Text Nippon Electric Company (NEC) (President: Tadao Tanaka) has begun negotiating with the United States' Honeywell Corporation, the world's third ranked computer company, regarding a computer technology assistance contract. The time limit for this negotiation is until the end of 1979, whereupon "if there is no declaration of intention by the two, the current contract will expire in 1982." As the negotiation per se significantly affects NEC's computer strategy, meticulous preparations and decision-making skills are required.

In referring to this matter, NEC characterizes the current state as "re-toeing the mark and calculating the timing for rising--getting ready to grapple sumo symbolisms" (Executive Director Akira Koike). They are in the midst of formulating secret strategies with Chairman of the Board Koji Komatsu at the helm.

The basic policy of the NEC toward the said negotiation is quite firm. With respect to computer hardware, NEC holds that, "in terms of technology level, NEC has an upper hand; and there is nothing to be learned from the other side." Speaking in particulars, NEC has developed the world's largest super-computer "ACOS-900," while Honeywell Corporation does not have a comparable machine.

Moreover, last spring NEC had sent samples of computer logic element circuitry to CII-HB Corporation, France's largest computer manufacturer, in which Honeywell is a capital participant. In terms of technology including LSI element, NEC is superior to Honeywell.

But the fact that NEC is paying several billion yen in technological assistance contract royalty each year is regarded as a contributing reason for the firm's bullish position.

Judging from these comments, one would think that the relationship between the two firms is about to be severed, but that is not really the case. Referring to NEC's long-term capital cooperation with Western Electronic as an example, NEC Board Chairman Kobayashi elaborates on the company's emphasis on long-term relationships: "One of the essential factors in our firm's

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development has been induction of overseas technology and nurturing of the same as our own. Once we decide on a tie-up, we want the other side to reap benefits from the union as well." Board Chairman Kobayashi argues that the same holds true for the NEC-Honeywell relationship.

Actually, Honeywell technology is employed liberally throughout NEC's NEAC and ACOS series. The basic technology used in mass producing the first domestically manufactured "one-machine," "NEAC-2200" parametron format mini-computer owes a great deal to Honeywell.

In the meantime, Honeywell established "Nippon HIS" (capital: 1 billion yen) this summer as one aspect of strengthening its competitive /against NEC/ strategy. It has begun independent business activities which center around small computers. NEC and Honeywell established "NEC-Honeywell Information Systems" in October 1972, and was marketing such data processing related equipment as key tape and so forth in concert. Thus, the "Behindhand Overseas Big Capital" Honeywell's direct participation in the Japanese computer market has led to speculations regarding the impaired relationship between NEC and Honeywell.

At the time of inauguration of Nippon HIS, William R. Smart, first vice president of Honeywell (HIS president) who came to Japan for that occasion, presented quite a low profile on the issue of the technological assistance contract revision: "We expect the cooperative relationship to continue, but I wonder what NEC's thinking is?"

The prevailing rumor regarding the current negotiation is that NEC has the upper hand, but there are factors which are not conducive to throwing over Honeywell altogether.

Let us look at the overseas strategies of the top three domestic computer manufacturers to find out why. The top-ranking Fujitsu, Limited, signed an operational/sales contract with the Siemens A.G. of West Germany this spring in a move to gain a foothold in the European market. Hitachi, Ltd., also signed a technological exchange contract with a national policy corporation of England--CIL Company--and has formed a Japan-Europe league for combating the IBM offensive.

NEC appears to be a bit behind in this respect. Though it may claim that there is little to learn from Honeywell's computer technology, it is attracted to Honeywell's vast software accumulation and its world-wide sales network.

Consequently, it would be a tug of war between on the one hand NEC super-large machine technology (including communication) and the royalty question, and on the other, Honeywell's sales and software strength. With regard to royalty, as Honeywell would not agree to rescind the entire amount, a suggestion has been made to apply half the amount toward the sale of NEC super-large machines. The NEC executives regard this as "one possible solution." They do not appear to be unreceptive to the idea.

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One more thing, NEC must make a decision regarding its computer architecture (basic design concept) soon. This summer, Mitsubishi Electric announced its intention to develop IBM compatible machines. As a result, NEC and Toshiba are the only two domestic firms to go for non-compatible format. Currently NEC (1) does not intend to make a transition to compatible machines in so far as the host computers--the most important of which is the CPU unit--are concerned; (2) terminals and peripheral equipment for distributed processing, however, will be compatible.

To the degree that NEC strengthens its tie with Honeywell, non-compatible orientation will be stressed. But in the world market place where IBM has a decisive edge, it is certain that IBM compatible machines will continue to dominate. In order for the domestic manufacturers to grow, there is no other way but to shift the emphasis from the saturated Japanese market to the overseas arena. Hence, the current negotiation's aim is a complex one and not just a matter of royalty. NEC Computer Division's highest authority, Executive Director Koike, moved away from his somewhat bullish stance at the beginning of spring, to a more flexible attitude: "We would like to decide after carefully weighing the merits as well as the demerits of the question."

This is nothing more than a speculation, but in place of the existing technological assistance contract, a stronger tie-up in the operations/sales sectors could result. Board Chairman Kobayashi, well known as the bulldozing entrepreneur and the number one power, is currently visiting Europe. How he cultivates the European market and faces the negotiation with Honeywell next year will be of great interest.

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JAPAN

COMPUTER MAKERS PREPARE TO COPE WITH IBM E-SERIES

Tokyo NIKKAN KOGYO SHINBUN in Japanese 21 Nov 78 p 15

[Text] In order to cope with IBM's offensive campaign and stiff competition on the domestic scene, the various computer firms all plan to reinforce their SE (sales engineer) staffs and business operations. This is an attempt to compete with the strong probability that IBM will announce in January, or February at least, its E-series computer system, which is its Future System (FS) machine, by developing a competitive new system and the redistribution of manpower from the business point of view.

Actually, Fujitsu (Fuji Tsushin, Fuji Communications) (president, Daisuke Kobayashi) has a three-year plan in the blueprint stage to reinforce their SE organization, while Nippon Univac (president, Jiro Fukunaga) hopes to reinforce its program by retraining its first-line salesmen. Elsewhere, Hitachi Ltd, NEC, Mitsubishi Denki (Mitsubishi Electrical Machinery), and Tokyo Shibaura are seriously considering preferential reinforcement of their sales staff in the computer sales field and the expansion of their sales agency networks. The reasons for the decision by the various computer firms to reinforce their sales staff are: (1) The growing trend in cut-rate competition with 20-30 percent discounts on computer systems; (2) The 8100 Information System and System 38 announced by IBM in October have a two-fold gain in cost-performance, and in addition, IBM is increasingly stressing cost-effectiveness; (3) The domestic market for large machines is saturated, and future sales will be mostly in replacements.

Furthermore in view of IBM's plan to announce in January or at least in February, its E-series, which reportedly has a four-fold gain in cost-performance and which might precipitate open warfare on the domestic market, a reorganization of business operations at this time seems warranted.

Reinforcement of its SE staff is also the cornerstone of Fujitsu's business strategy, but its plan, which calls for a threefold increase of its SE staff, is still in a preliminary stage. Japan Univac plans a gradual but effective redistribution of its sales staff, and it intends to push sales of small machines such as the BC7 as well as the sale of large machines.

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JAPAN

NIPPON ELECTRIC SETS UP OVERSEAS INTEGRATED CIRCUIT PLANTS

Tokyo NIKKAN KOGYO SHINBUN in Japanese 24 Nov 78 p 15

[Text] NEC (Nippon Electric) (president, Tadao Tanaka) has revealed that in order to promote the development of overseas markets for their semiconductor devices, mainly IC's, they plan to reinforce their manufacturing bases in the European theater during FY 1979, and also to dispatch Naoshi Nakamura, attached to the chief of NEC's IC Department, as vice-president to operate as a subsidiary of the Electronic Arrays Company in the United States, following the already agreed upon purchase of the company. With this series of moves to reinforce their operations, NEC hopes to establish manufacturing capability in the United States, and in European and Southeast Asian areas.

In April 1976 NEC established NEC-Ireland in Ballaiba outside Dublin, Ireland, to assemble TTL's, 4K RAM's, and this year, 16K RAM's to supply ECM countries through their local distributors. Its current annual production level is 1.5 billion yen.

Since employment at this plant has reached 150, which is approaching the 200 hiring limit for this district, NEC has had to consider alternative plans to enlarge their operation. Currently the following three measures are under consideration: (1) The expansion of the present plant and procurement of additional manpower by offering bus transportation, etc.; (2) Establish new plants in other parts of Ireland; and (3) Establish new manufacturing facilities in other ECM countries. In any event, NEC contemplates large-scale introduction of automated equipment.

In the United States, negotiations were completed in June with Electronic Arrays (EA) of Mountain View, California (president, C L Wood), with which there had already been a basic understanding to buy their firm. The purchase was recorded on 6 December at the California Justice Department, which formalized the company's status as a subsidiary.

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Subsequently, Mr Nakamura, formerly chief of the IC Business Department, was left attached to the chief of the department but appointed vice-president in charge of technology at EA. Several of the technical staff are also expected to make the move to EA. Production of PROM's and other existing products at EA are to be continued initially, but as soon as tool-up is completed, NEC-brand products will be made and sold through both of its distributors, NEC-America and NEC-Microcomputers. Scheduled target date is sometime after the summer of 1979.

Overseas production is being aggressively pursued by NEC with the establishment of NEC-Ireland in 1976, followed by the establishment of other subsidiaries such as NEC-Malaysia in June of the same year and NEC-Singapore in August, and NEC-Hong Kong (partly manufacturing) in May 1977.

In addition, NEC plans to augment its local production facility in the United States because of the trade situation, furthermore to reinforce its European operations and linear IC manufacturing by NEC-de Brazil in Brazil. Combining this with reinforcement of its regional distributorship network, it hopes to achieve a stable supply position.

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JAPAN

NIPPON ELECTRIC TO PRODUCE DIGITAL EXCHANGES IN DALLAS

Tokyo NIKKAN KOGYO SHINBUN in Japanese 21 Nov 78 p 15

[Text] According to information from industry sources, NEC (Nippon Electric Co) has finalized its plan to produce in the United States, with a target date of 1980, a time-sharing system digital exchange equipment for central office use. This is in response not only to recently increasing inquiries from independent American telephone companies concerning digital telephone exchange equipment, which has resulted so far in successfully obtaining orders for equipment for 15 exchanges worth 15 billion yen, but also in consideration of the fact that, as a result of the increased common interest by American and Canadian communication equipment makers in digital exchange equipment, competition has intensified to the point where only local production can offer the advantages of cost reduction as well as better maintenance service. Among Japanese exchange equipment makers, Oki Denki (Oki Electric), Fuji Tsushin (Fuji Communications), and NEC have already been producing EPBX's in the United States, and Hitachi Ltd reportedly may join their ranks in a year or two. However, revelation of the fact that NEC will be making exchange equipment other than PBX's for central offices, which will be among the most advanced available, in the United States, is expected to arouse considerable reaction in industry circles.

Although the four major Japanese makers of exchange equipment have been pushing with considerable success the export of EPBX's to the United States, there is now a movement to switch to local production all of the production now exported to the United States, particularly in view of the introduction of low cost EPBX's on the market by Western Electric, the manufacturing arm of ATT, and also taking into consideration the trend towards a stronger yen.

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Oki Denki's subsidiary, Oki Electronics of America, had already switched production from its cross-bar type PBX's to EPBX's in 1975, and American Telecomm Inc, a joint enterprise with Fuji Tsushin, converted last year. For local manufacture of EPBX's and electronic button telephones, i.e., key telephones, for the U.S. market, NEC built a plant in Irving near Dallas, Texas, which started production in July. This represents NEC's first manufacturing plant venture in the United States. It is rumored that Hitachi Ltd is also seriously considering full-scale production of EPBX's in Atlanta in a year or two.

As can be seen, the four major Japanese companies are accelerating their EPBX production in the United States, and they have also launched vigorous sales campaigns. Of these firms, NEC, although its first priority is to get production running smoothly at its Dallas plant, has also finalized its plan to manufacture digital exchange equipment here with a target date of 1980, and they have now embarked on concrete studies.

According to private sources, NEC has had many inquiries from independent American telephone companies. This has resulted so far in successfully obtaining orders for equipment for 15 central offices. One recent order, worth 1.3 billion yen, was from a telephone company in Florida for digital exchange equipment for urban and suburban installation, and reportedly the recruitment of technicians has already started. It is also reported that exchanges which have already received delivery of equipment could probably be in operation by the spring of next year.

ITT, Western Electric, and GTE in the United States and Northern Telecomm in Canada are reportedly putting considerable effort into time-sharing digital exchange equipment, and the competition to sell to the independent telephone companies is keen. From NEC's standpoint, more orders means more users, such that improving maintenance service on their equipment becomes increasingly important. It feels therefore that its competitive position can be improved by both local production and consolidation of its local maintenance service organization.

In any case at a time when four major Japanese firms are realizing EPBX production in the United States, NEC's plan for local production of digital exchange equipment, which is considered to be the equipment of the future, is expected to arouse reaction in related as well as immediate industry circles.

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CUBA

'PRELA' REPORTS ON UPCOMING NONALINED RADIO MEETING IN HAVANA

Havana PRELA in Spanish 1855 GMT 24 Jan 79 PA

[Article by Leopoldo Formoso]

[Text] Havana, 24 Jan (PL)--The representatives of 11 nonalined countries will meet here in early February--only 7 months away from their sixth summit meeting--to discuss important matters connected with the field of radio-communications.

Two groups of experts from the cooperation committee of the nonalined countries radiobroadcasting organization will participate in these discussions and, among other things, will discuss the redistribution of radio frequencies at the international level.

This and other topics will be analyzed by the world administrative radio conference, which is slated to be held in Geneva, Switzerland in October.

The first of the two groups will be presided over by representatives of Algerian Radio and Television Service and the second by representatives of "All-India Radio," which specializes in radio broadcasting by satellite.

The sessions will be held from 2 to 6 February at the "Havana Libre" Hotel in this capital. Delegations from the Democratic People's Republic of Korea, Cuba, Guyana, Iraq, Kenya, Nigeria, Tunisia, Yugoslavia and Zambia will also participate in the event.

The nonalined countries' first radiobroadcasting conference was held in Sarajevo, Yugoslavia, from 27 to 30 October 1977, and was attended by 54 member countries.

On that occasion, an action program for the world radio conference, which is to be held in Geneva, was outlined and a coordinating committee presided over by Yugoslavia organized.

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That committee included Tunisia, Algeria, Guinea, Nigeria, Togo, Tanzania, Zaire, Kenya, Zambia, India, Afghanistan, Democratic Korea, Jordan, Iraq, Malaysia, Cuba, Peru, Panama and Yugoslavia.

Last year in Algiers, the group of experts held their first meeting. This same group will now meet in this capital to begin a joint, coordinated effort in connection with the aforementioned Geneva conference.

The final declaration of the Algiers meeting condemned the idea of former colonial power maintaining radio stations in the territories of nonaligned countries and, because of their interventionist nature, likened these stations to the presence of neocolonial military bases.

The "pirate" work carried out by the radio stations of certain Western countries, which produce interference on the nonaligned countries' local frequencies, was also denounced.

On the other hand, the document expressed solidarity and support for the radio programs broadcast from various parts of the world by the national liberation movements.

One topic that was broadly discussed and which will be debated once again here concerns the adoption of measures aimed at guaranteeing a more equitable distribution of the frequencies at the international level.

Both in the nonaligned countries movement and in UNESCO, the unjust distribution of radio frequencies and the monopolization of the information and communications services by the large centers of economic power, particularly the transnational companies, has been denounced.

The participants at these meetings will also take part in activities, including a visit to the Palace of Congresses, which is currently under construction and will be used as seat of the sixth nonaligned summit next September.

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INTER-AFRICAN AFFAIRS

BRIEFS

KENYA, TANZANIA MICROWAVE--Fujitsu Ltd. announced Monday that it has won two orders for microwave networks from Kenya and Tanzania through C. Itoh & Co. Fujitsu said the orders were placed by Posts and Telecommunications Corporations of the two African countries. They are worth some 2,000 million yen in all which covers equipment, installation, maintenance and personnel training. [Text] [Tokyo MAINICHI DAILY NEWS in English 9 Jan 79 p 5]

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