983

96th Congress } JOINT COMMITTEE PRINT
2d Session }

EAST ASIA STUDY MISSION
JANUARY 5-14, 1980

REPORT

PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

JUNE 26, 1980

Printed for the use of the Joint Economic Committee

U.S. GOVERNMENT PRINTING OFFICE

64-142 O WASHINGTON : 1980

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

JOINT ECONOMIC COMMITTEE

(Created pursuant to sec. 5(a) of Public Law 304, 79th Cong.)

LLOYD BENTSEN, Texas, *Chairman*
RICHARD BOLLING, Missouri, *Vice Chairman*

SENATE

WILLIAM PROXMIRE, Wisconsin
ABRAHAM RIBICOFF, Connecticut
EDWARD M. KENNEDY, Massachusetts
GEORGE McGOVERN, South Dakota
PAUL S. SARBANES, Maryland
JACOB K. JAVITS, New York
WILLIAM V. ROTH, Jr., Delaware
JAMES A. McCLURE, Idaho
ROGER W. JEPSEN, Iowa

HOUSE OF REPRESENTATIVES

HENRY S. REUSS, Wisconsin
WILLIAM S. MOORHEAD, Pennsylvania
LEE H. HAMILTON, Indiana
GILLIS W. LONG, Louisiana
PARREN J. MITCHELL, Maryland
CLARENCE J. BROWN, Ohio
MARGARET M. HECKLER, Massachusetts
JOHN H. ROUSSELOT, California
CHALMERS P. WYLIE, Ohio

JOHN M. ALBERTINE, *Executive Director*
LOUIS C. KRAUTHOFF II, *Assistant Director-Director, SSEC*
RICHARD F. KAUFMAN, *Assistant Director-General Counsel*
CHARLES H. BRADFORD, *Minority Counsel*

LETTERS OF TRANSMITTAL

JUNE 19, 1980.

To the Members of the Joint Economic Committee:

I am pleased to transmit for the use of the Joint Economic Committee, other Members of Congress, and the interested public, a report entitled "East Asia Study Mission." This is a report of findings of a special team of Joint Economic Committee members, which included myself as Chairman, Representative Clarence J. Brown as Study Mission Vice Chairman, Senator William V. Roth, Jr., and Representative John H. Rousselot, who conducted 9 days of hearings in four East Asian countries—the Philippines, Hong Kong, Taiwan, and South Korea.

The Mission had an intensive schedule of hearings and appointments and individual briefings with U.S. business leaders and foreign government officials, numbering about 80 in all.

The Mission was undertaken at the suggestion of the U.S. Department of State and the Chamber of Commerce of the United States on behalf of the Asia-Pacific Council of American Chambers of Commerce (APCAC). The purpose of the Mission was to determine how this country can improve its competitive position in East Asia, the world's fastest growing trade area.

The unique concept of a congressional committee traveling abroad to meet formally with the American business community and government leaders and hear firsthand about the problems they encounter in international trade has proven to be a very valuable project. We trust the findings will be useful to government and private officials interested in expanding U.S. exports.

The report is that of the participants in the Study Mission only, and is not a report of the full Joint Economic Committee.

Sincerely,

LLOYD BENTSEN,
Chairman, Joint Economic Committee.

JUNE 19, 1980.

Hon. LLOYD BENTSEN,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a report entitled "East Asia Study Mission." The Mission conducted 9 days of hearings in Manila, Hong Kong, Taipei, and Seoul, January 5–14, 1980.

The committee members heard testimony from, or met personally with, 80 U.S. businessmen and foreign government officials.

This report summarizes the major findings of the Study Mission, and is expected to be an important contribution to the body of knowledge analyzing the problems faced by U.S. companies competing abroad and what steps the U.S. Government must undertake to solve those problems.

Sincerely,

JOHN M. ALBERTINE,
Executive Director, Joint Economic Committee.

CONTENTS

		Page
Letters of transmittal		III
I.	Introduction	1
II.	Summary findings and recommendations	5
III.	Nature of the East Asia market	9
IV.	Factors in the decline of the U.S. market share in East Asia	18
	What happened	20
	Initial response: U.S. efforts to reduce foreign market barriers	21
V.	Disincentives and incentives to U.S. exporting	23
	Income tax issues	23
	Tax incentives	28
	Foreign Corrupt Practices Act (FCPA)	29
	Webb-Pomerene Act	37
	Financing	38
VI.	Economic and structural problems	49
	Productivity	49
	Attitudes	52
	Protectionism	53
	Lack of infrastructure	53
VII.	Summary	57

CHARTS

III-1.	Distribution of U.S. exports in 1978	11
III-2.	East Asia as a U.S. export market, 1970-79	12
III-3.	U.S. and Japanese share of developed country exports to East Asia, 1960-78	13
III-4.	U.S. share in East Asian countries in 1978	14
V-1.	Comparison of tax policies for overseas employees	25

TABLES

III-1.	World and East Asia import growth	15
III-2.	Growth of East Asian nonoil imports, 1975-78	16
III-3.	U.S. exports to East Asia, by commodity, by country, 1978	17
V-1.	Average U.S. tax burdens of individual Americans in selected countries, under 1976 and 1978 Tax Acts	27
V-2.	Percentage of total exports receiving official support by insurance, guarantees and loans during 1978	39
V-3.	Official export financing resources	43

APPENDIXES

A.	Tax incentives	63
B.	Insurance aid to exporting	75

I. INTRODUCTION

For a number of years, the Joint Economic Committee has been deeply concerned about the poor performance of the United States in international markets. This poor performance reflects some very serious underlying economic problems, such as slow U.S. productivity growth and a generally low priority assigned to export markets by both U.S. industry and government. But it also reflects insensitive government regulatory, tax and financing policies which shackle U.S. firms operating abroad, while foreign competitors enjoy a rich panoply of benefits and incentives designed to help them increase overseas sales.

U.S. exports account for 8 percent of GNP, but unlike many other foreign countries, especially Japan and West Germany, the United States does not seem to fully recognize the importance of trade for employment, income, investment, and economic growth at home.

The persistent and continuing trade and payments deficits of the United States fuel inflation and represent lost economic opportunity. Moreover, they contribute to a loss of credibility of the United States as a world leader.

Despite the seriousness of these problems, the U.S. has no economic strategy to realistically cope with them. Unlike Japan, the United States has no integrated policy to guide domestic and international economic performance. The basic causes of our

economic weakness are left unaddressed in the mistaken notion that, with time, our problems will take care of themselves.

The Joint Economic Committee believes that there needs to be a thorough examination of the international competitive position of American industry. Major initiatives are essential to improve policy and performance.

Against this backdrop, a Study Mission from the Joint Economic Committee went to East Asia in January 1980 to hold ten days of hearings and meetings to unearth the problems and to determine how the United States can improve its competitive position, particularly in developing nations.

The Study Mission was suggested to the Joint Economic Committee in October 1979 by the U.S. Department of State and the Chamber of Commerce of the United States on behalf of the Asia Pacific Council of American Chambers of Commerce (APCAC). Because of its broad-based perspective on the U.S. economy and its freedom from legislative responsibilities, the State Department and the U.S. Chamber felt that the Joint Economic Committee would be the logical body to undertake this Study Mission.

East Asia was chosen because it is one of the world's most economically dynamic regions and the world's fastest growing trade area. Over the past decade, some countries in the region have been expanding their real GNPs by more than 10 percent annually, and real GNP growth for the region as a whole (excluding China) is 7 percent annually. Imports (in current terms) have increased an average of 20 percent annually.

In its study, the Joint Economic Committee found some good news and some bad news. The good news was that U.S. two-way trade with East Asia is now equal to that of all of Europe. The bad news was that despite the growing importance of East Asia, the U.S. share of that regional market has dropped from 41 percent in 1960 to 34 percent in 1979.

The Study Mission found that the main concerns of U.S. businessmen in East Asia are not the economic problems (though they are well aware of these), but tax, legal, regulatory and financing problems, as well as some problems of attitude. There is widespread feeling among the Asian and American businessmen in that region that the United States has neglected its economic interests in the region. Amercian exporters complain of indifference in Washington and a host of regulations and policies which impede their ability to compete with the fierce international competition in East Asian markets. The U.S. Government acts as a nay-sayer to its own exporters by shackling them with a host of tax burdens, disincentives and restrictions, while the home governments of our world trade competitors act as coaches to their exporting firms.

It is obvious that the problems faced by the U.S. trade community in this important part of the world can provide valuable insights into the extensive issues of economic stagnation at home and erosion of our international economic performance in general.

In deciding to undertake this Study Mission, the Committee was cognizant of the findings of an exhaustive study of export competitiveness problems done jointly by the

64-142 O - 80 - 2

U.S. embassies and the U.S. Chambers of Commerce in 14 East Asian countries, based on extensive interview and questionnaire responses from roughly 300 local and U.S. importing firms. This Joint Competitiveness Study provided both a useful catalogue and description of major problems and indicated their relative importance.

To pursue its mission, the Committee visited four countries in East and Southeast Asia: the Philippines, Hong Kong, Taiwan, and Korea. Because of its concern with U.S. export competitiveness in <u>all</u> East Asia, the Committee invited U.S. and foreign business and government representatives from all the countries of the region to testify at the hearings. Thus, the Study Mission was able to examine export problems facing the U.S. in the most advanced industrial nations, such as Japan, as well as in newly industrializing countries, such as Korea, Taiwan, and Singapore, and in developing nations, such as the Philippines, Indonesia, Malaysia, and Thailand.

The Committee heard oral presentations from 80 participants, supplemented by written statements. The Committee Members also received valuable information through individual meetings with U.S. and local businessmen and government officials.

II. SUMMARY FINDINGS AND RECOMMENDATIONS

In this report the Study Mission concentrates on the noneconomic problems facing U.S. businessmen doing business abroad. The major economic problems of inflation, dollar deterioration, and diminishing productivity are not ignored. They simply are not the major concern of this report; they are thoroughly covered in other JEC reports. The following is a brief checklist of the major findings and recommendations of the JEC's East Asia Study Mission:

The heavy burden of taxation on Americans living overseas has an adverse effect on U.S. export performance. Contrary to congressional intent, amendments to Section 913 of the Internal Revenue Code enacted in the Foreign Earned Income Act of 1978 have in many countries increased, not decreased, the tax burden on U.S. businessmen operating overseas, compared to the old Section 911 of the IRS Code, as amended by the Tax Reform Act of 1976.

Recommendation No.1

The Study Mission calls upon the congressional tax-writing committees to convene hearings on the trade impact of our tax laws and enact corrective legislation on Sections 911 and 913 of the Internal Revenue Code to put Americans working abroad on a competitive footing with third country nationals.

Tax incentives for market promotion, offered liberally by U.S. competitors, are only offered in token form by the United States.

Recommendation No. 2

Tax credits for initial costs of developing new foreign markets could help put U.S. business in a more favorable competitive position relative to our major trading partners.

The Foreign Corrupt Practices Act is an act with laudable goals but is badly drafted, ill administered, and results in lost markets for U.S. business.

Recommendation No. 3

The Congress should streamline the administration of the FCPA and make it predictable and consistent. In addition, we should seek extension of the worthy goals of the FCPA on a reasonable worldwide basis by urging adoption of an international code of business conduct.

The Webb-Pomerene Act is so ambiguous and confusing that it no longer encourages the formation of U.S. consortia capable of competing for international contracts in situations where U.S. firms are otherwise exceptionally well qualified to compete.

Recommendation No. 4

While preserving the integrity of domestic antitrust legislation, Congress should revise the Webb-Pomerene exemption to make it truly effective in stimulating export trade associations.

Export-Import Bank financing of U.S. exports is inferior in rates, amounts financed, insurance coverage, and in mixed and concessional credit arrangements compared to terms offered by competitor nations. U.S. exports suffer therefore.

Recommendation No. 5

The Congress should review the entire spectrum of Export-Import Bank financing arrangements to help make U.S. financing efforts more competitive with those of our trading partners. More specifically, the funding of feasibility and project design studies should be raised from the present $3.8 million to $5 to $10 million. The leverage of such funding in winning multimillion dollar projects is clear cut.

In addition, the Exim Bank should establish a special small business export funding program operating through commercial banks with Exim (or FCIA) guarantees of up to 80 percent of loan advances.

III. NATURE OF THE EAST ASIA MARKET

The designation "East Asia" is meant to include mainland Asia from Burma eastward to China, Hong Kong, and Taiwan, and the countries of Korea, Indonesia, the Philippines, New Zealand, Australia, Japan, and the small island nations of the Pacific.

East Asia accounted for 15 percent ($187 billion) of world imports in 1978. It bought 10 percent ($62 billion) of the manufactured exports of developed countries -- the United States, Japan, Canada, and Western Europe. For the United States, East Asia is even more important. The U.S. shipped 20 percent of its total exports, worth $29 billion, to East Asia in 1978. As Chart III-1 shows (see end of chapter), next to Western Europe, East Asia is the largest export market for the U.S., but the U.S. share of that market is declining as competitor nations do better there.

In 10 years, from 1969 to 1978, the East Asia import market quintupled, exceeding the world import growth rate. But U.S. export performance failed to keep pace as reflected in Chart III-2.

During the 10-year period, imports into the developing countries of East Asia grew much faster than did imports into developed East Asian countries -- Australia, Japan, and New Zealand. But, in the developing countries, too, imports from the U.S. increased at a slower pace than did imports in general (see Table III-1).

Over the period 1975 to 1978, total East Asian nonoil imports grew an aggregate of approximately 65 percent. East Asian import markets grew fastest in Thailand, Korea, Malaysia, and Hong Kong and slowest in New Zealand and the Philippines, as shown in Table III-2.

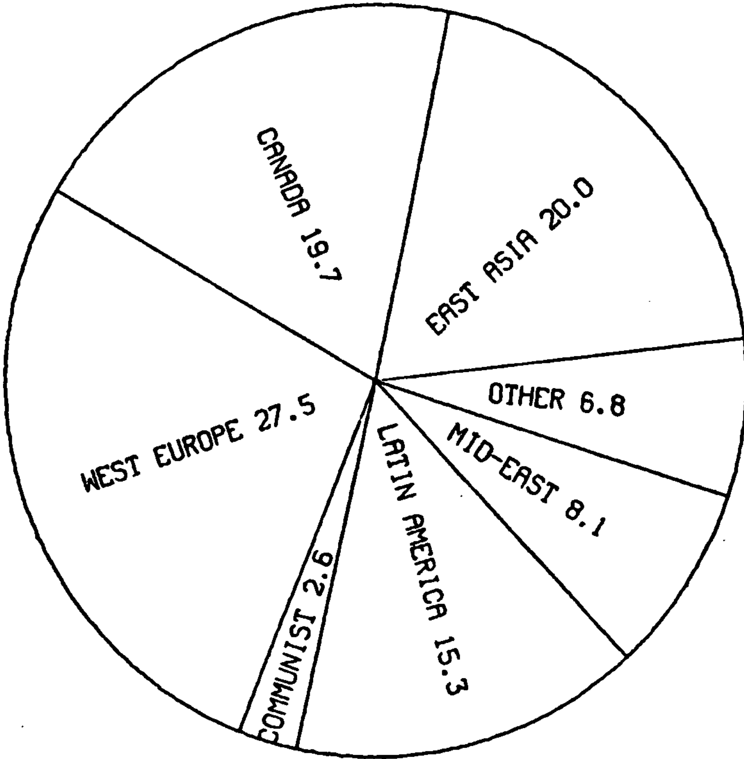
As Chart III-3 shows, from 1960 to 1978, the U.S. share of developed country exports to East Asia slipped from 41 percent in 1960 to 34 percent in 1978. Japan's share grew steadily from 13 percent in 1960 to nearly one-third of the market to 1978.

In manufactured goods, which account for half of U.S. exports to East Asia, the U.S. market share was 24 percent in 1978. Chart III-4 portrays the U.S. market share by country. Aside from Japan, the U.S. has the largest share of the market for manufactured goods in Singapore, Australia, and the Philippines at 25 to 60 percent. Not surprisingly, the U.S. market share is smallest in China in view of late arrival in that market, although the recent agreement giving China Most Favored Nation (MFN) treatment should boost U.S. exports to China.

While 20 percent of total U.S. exports went to East Asia in 1978, the percentage for some product groups was higher. Forty-five percent of U.S. exports of raw materials, 30 percent of U.S. food exports and 25 percent of U.S. fuel exports go to East Asia (see Table III-3).

CHART III-1.

DISTRIBUTION OF U.S. EXPORTS IN 1978

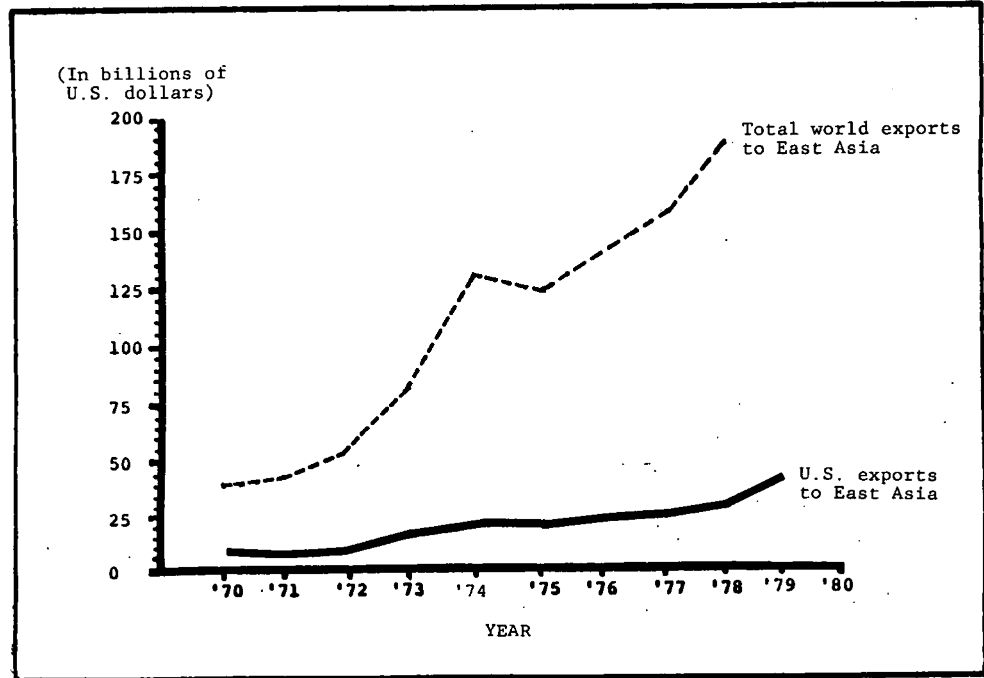


Source: U.S. Department of Commerce.

64-142 O - 80 - 3

CHART III-2.

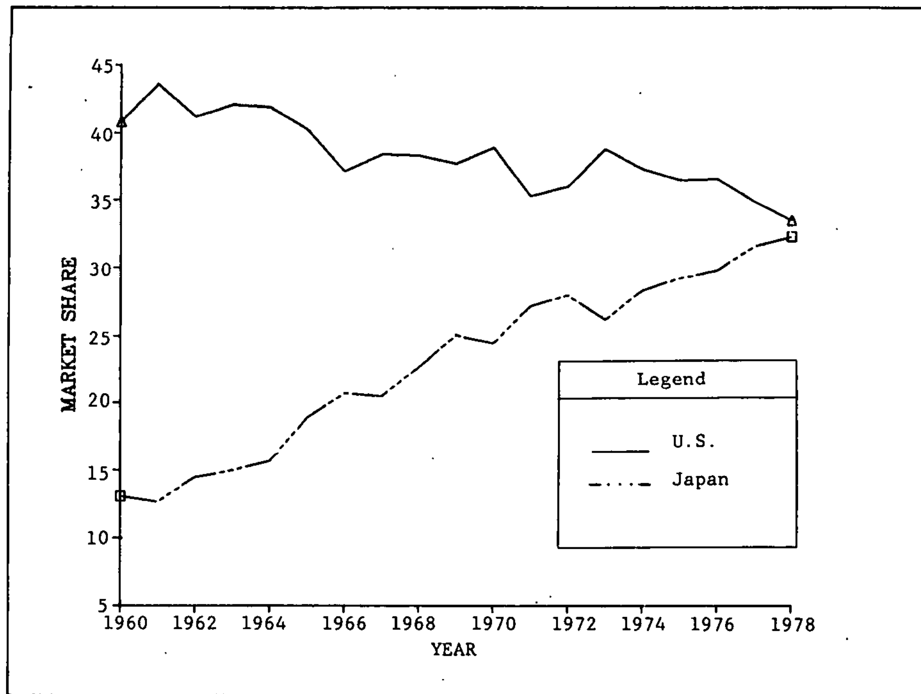
EAST ASIA AS A U.S. EXPORT MARKET, 1970-1979



Source: U.S. Department of Commerce.

CHART III-3.

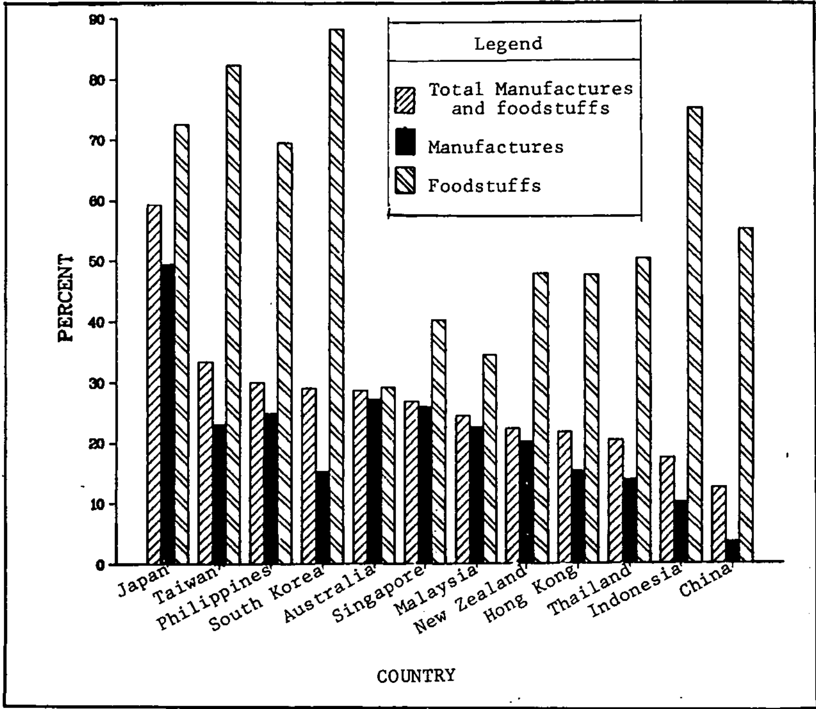
U.S. AND JAPANESE SHARE OF DEVELOPED COUNTRY EXPORTS
TO EAST ASIA, 1960 TO 1978



Source: U.S. Department of Commerce

CHART III-4.

U.S. SHARE IN EAST ASIAN COUNTRIES IN 1978



Source: U.N. Trade Data.

TABLE III-1.

WORLD AND EAST ASIA IMPORT GROWTH

(In percent)

	Per annum growth			
	1969-78	1969-72	1972-75	1975-78
Growth of world imports	19	15	28	15
Growth of East Asia imports	21	15	33	15
Growth of East Asia imports from the U.S.	17	12	29	12
Growth of developing East Asia country[1] imports	23	26	34	19
Growth of developing East Asia country imports from the U.S.	21	15	35	15

[1]That is, excluding Japan, Australia, and New Zealand.

Source: International Monetary Fund.

TABLE III-2.

GROWTH OF EAST ASIAN NONOIL IMPORTS
1975-78

Country	Percent	Country	Percent
Thailand	140	Australia	70
Korea	111	Singapore	62
Malaysia	106	China	46
Hong Kong	102	Japan	44
Indonesia	82	Philippines	31
Taiwan	77	New Zealand	14

Source: International Monetary Fund.

TABLE III-3.

U.S. EXPORTS TO EAST ASIA, BY COMMODITY, BY COUNTRY, 1978

(In millions of U.S. dollars)

Partner	Total trade	Food-stuffs	Raw matrls	Fuels	Chem-icals	Semi-finshd	Mach-inery	Trans-port	Consmr goods	Other
World	143,660	28,709	10,765	3,980	12,483	13,557	43,207	18,845	7,640	4,476
E. Asia	28,758	7,161	4,833	985	2,558	1,703	6,987	2,011	1,304	1,213
Japan	12,885	4,391	2,717	824	1,088	608	1,858	669	578	150
S. Korea	3,160	652	920	50	165	121	724	231	37	260
Australia	2,910	110	122	30	337	315	1,192	361	251	192
Taiwan	2,339	663	309	30	216	157	567	206	108	83
Hong Kong	1,625	260	209	5	154	129	404	79	133	252
Singapore	1,462	88	32	6	112	79	805	233	71	36
Philippines	1,040	184	81	8	119	125	388	44	58	32
China	824	416	214	2	59	21	94	12	3	3
Indonesia	751	244	90	10	77	34	178	71	11	36
Malaysia	728	53	26	3	66	26	466	18	12	58
Thailand	629	69	95	6	103	42	178	25	19	92
New Zealand	405	31	18	11	62	46	133	62	23	19
Percent of U.S. Exports to E. Asia	20.0	25.0	44.9	24.7	20.5	12.6	16.2	10.7	17.1	27.1

Source: U.S. Department of Commerce.

IV. FACTORS IN THE DECLINE OF THE U.S. MARKET SHARE IN EAST ASIA

The JEC Study Mission concludes unanimously that past U.S. attitudes and policies toward exports have been much too complacent in assuming that the U.S. enjoys advantages that will automatically maintain its competitive position in international markets. The fact is that American export marketing efforts labor under serious economic, structural, and regulatory disadvantages that work against U.S. sales potential. Some have wrongly assumed that flexible exchange rates would alleviate U.S. international economic problems when tax policies and regulations have further weakened U.S. competitiveness. The situation can be corrected, but it will require a major effort by U.S. Government, business, and labor leaders.

All in all, a distressing picture of unrealized opportunity and weakened U.S. image in East Asia is apparent. It dramatizes the lack of vigorous U.S. export policy. One cannot avoid comparison with Japan in that respect. The U.S. shows less ability to price compete. Advantages of dollar devaluation to gain increased shares of the market were lost. Nor has the relative U.S. cost position been improved by domestic protectionist legislation. By contrast, Japan conducts a highly developed export strategy involving continuing programs for productivity improvement, provision of financial resources and maintenance of supportive services in customer countries.

Exports are accorded high priority as a policy objective.

Meanwhile, the U.S. continues to drift without any clear policy directives for our world trade. Deeply absorbed with its large domestic economy, the U.S. neglects foreign trade interests. There is no question that this neglect has been instrumental in bringing about the decline of the U.S. share in the East Asia market. With this loss, and similar declining export competitiveness in other sectors of the world, comes a whole train of undesirable domestic U.S. problems -- reduced growth, lost income, inflationary pressures, unemployment, international dollar erosion, and, inevitably, declining prestige among world powers. Underlying these factors has been poor economic performance at home, including slowdown in productivity growth and very high rates of inflation.

It is imperative that the U.S. restore its economic productivity and reverse the deterioration of American economic, political, and security positions in the world. As part of this effort, American business enterprises, the U.S. Congress and the Administration must give far higher priority to developing strong export markets. Failure to do so will be at national peril.

A substantial part of the U.S. trade problem stems from failure to recognize changes that have been taking place in the international economy. It is relevant to review these changes and their implications for the United States.

64-142 O - 80 - 4

What Happened

As the only major industrial nation in the world not devastated by war, in the period following World War II the U.S. enjoyed unchallenged predominance in the international economy. America had survived the war with an intact and relatively modern industrial plant and large, pent-up consumer demand both in the domestic and foreign markets. This combination made possible quick and economically profitable conversion to peacetime production. Former world trade competitors had lost substantial portions of their industrial capacity in wartime destruction, leaving the U.S. alone as a supplier in the face of great international need for raw materials, capital equipment, and consumer goods. The U.S. business community, meanwhile, had inherited a large store of accumulated wartime technology -- much of it appropriate to peacetime applications.

These advantages gave us a tremendous superiority in export competitiveness, technology and acceptance in international markets. It also gave rise to a sense that we could not be challenged.

But the world has changed greatly in 30 years, during which the U.S. has tended to rest on its laurels as an industrial competitor. Postwar reconstruction through Marshall Plan aid, open licensing and U.S. technology transfer for reasons of mutual security, Bretton Woods and the General Agreements on Tariffs and Trade resulted in higher costs in the U.S. and newer, more technologically advanced plants and equipment in Europe and Asia that put formerly devastated nations in a position to compete

for world markets more advantageously than the United States.

The European Common Market and some of the developing economies began to rival the U.S. in market growth by using high savings rates for modernization of plant and the stimulation of productivity. In the early 1960s, U.S. competitive superiority began to be overtaken. The U.S. trade surpluses started to decline and, in 1971, we slipped into deficit. In only two years since then has our trade account been in surplus.

The fact that the U.S. bears a major share of the costs of international security undertakings of the free world should not be overlooked. It is a cost carried in the price of every American product competing abroad.

Initial Response: U.S. Efforts to Reduce Foreign Market Barriers

Initial U.S. responses appropriately focused on efforts to attract developed and, more recently, developing nation trading partners by urging reduction of import and foreign exchange restrictions in order to give U.S. exporters market opportunities in other countries that would be more equivalent to the opportunities they enjoyed in the U.S. market. The major initial focus was tariff barriers. More recently, nontariff measures have been the focus of our trade negotiations.

Since the early 1970s, U.S. efforts to improve equity of export market opportunity have concentrated on negotiating further liberalization by major trading partners with surpluses. Thus, the Committee last year

commissioned a study and held hearings on the problems of access to the Japanese market.

While the Multilateral Trade Agreements of 1979 have potentially brought the U.S. closer to an equitable trading system, there is still much room for improvement. But basic structural shortcomings in the U.S. trade situation will not be cured by addressing trade barriers alone.

As more of these trade barriers are eliminated, other problems, especially basic structural problems, become more apparent. Before the U.S. can expect to improve its balance of payments, it must address problems of internal U.S. economic policy and business attitudes which contribute to declining export market shares. It has become clear that the U.S. economy suffers from major structural and program disadvantages as an exporting nation.

Foremost on the minds of American businessmen abroad, however, were the tax, regulatory and financing disincentives. These are the problems that comprised most of the Far East discussion and comprise most of the discussion for the remainder of this report.

These problems apply across the board to all U.S. export groups -- food stuffs, raw materials, fuels, chemcials, manufactured goods and consumer goods. U.S. cattlemen seeking to expand beef exports to Japan and U.S. chemical companies seeking to sell their products to rapidly industrializing Taiwan are in the same boat, hampered by flaws in U.S. law and policy.

V. DISINCENTIVES AND INCENTIVES TO U.S. EXPORTING

Let us now turn to the crux of the specific problems faced by U.S. businessmen operating abroad.

Income Tax Issues

The United States is the only major country which taxes the foreign-earned income of citizens living abroad. Chart V-1 illustrates this unhappy situation.

Taxation of Americans living overseas was uniformly cited by American business representatives in East Asia as one of the most critical problems facing U.S. exporters in that region. Significantly, the attention given this issue at every stage of the Mission's visit was not based on personal hardship because most companies compensate their American employees for the added tax burden. Instead, American businessmen emphasized that because many companies do compensate their employees, their cost of employing an American national, compared to other third country nationals, is significantly higher. American tax laws, therefore, encourage these companies overseas to reduce the proportion of their expatriate staff who are Americans. The example of a firm operating in Singapore was cited. Of approximately 100 expatriates, 19 percent were third country nationals in 1975; by 1979 this proportion had increased to 41 percent. Where companies do not compensate, the effect

is just the same. Because of the tax burden, Americans can simply not work or serve as business representatives at the same level of compensation as Britons, Australians, or other third country nationals.

The reduction of Americans working overseas has an adverse effect on U.S. exports because Americans involved in purchasing, equipping, or design decisions are familiar with U.S. goods and technology and tend to specify and order American equipment and services. Europeans and other third country nationals are naturally more familiar with and tend to buy the products of their own countries.

CHART V-1.

COMPARISON OF TAX POLICIES FOR OVERSEAS EMPLOYEES

Country	Tax on Salary	Tax on Incentives/ Bonuses	Tax on Benefits (Retirement, Health, Insurance, Etc.)	Tax on Cost of Living Allowances	Tax on Additional Income Earned Out of Home Country	Notes:	Government Subsidies (To Individual)
United States	Yes[1]	Yes	Yes	Yes[2]	Yes	[1]20,000 exclusion under Section 911 for those in qualified camps. [2]Certain deductions permitted under complex Section 913 tests.	No
Japan	No	No	No	No	No[1]	[1]Rental, interest, etc. on off-shore investments totally exempt from taxation during non-residence status only.	Yes
Italy	No[1]	No	No	No[2]	Complex formulas to discourage foreign investments	[1]Complex non-residency requirements. [2]Limitation placed on daily expenses for home leave and R&R.	Government owned companies
France	No[1,2]	No	No	No	Complex formulas	[1]Assumes accompanied tour/rules for dual residency—unaccompanied—very complex. [2]Recent government policy aimed to encourage more French engineers to accept overseas work.	Government owned companies
South Korea	No	No	No	No	No	[1]Most liberal policies with respect to individuals — Korea committed to exports of domestic unemployment.	Yes
Germany	No[1]	No[2]	No	No[3]	Some limitations. Generally liberal.	[1]Complex non-residency requirements aimed at tours of less than 6 months. [2]Complex definitions. [3]Some limitations designed to reduce excesses.	Few
Canada	No[1]	No	No	No	No	[1]Accompanied tour only. If family of head of household remains in Canada all worldwide earnings subject to full taxation.	No
Sweden	No	No	No	No	No	[1]Recently liberalized tax policies in order to encourage acceptance of overseas assignments.	Few
United Kingdom	No	No[1]	No[2]	No	Complex requirements	[1]U.K. recently liberalized tax policies in order to encourage. [2]Some limitations.	Few

Source: "Report of the Task Force to Study the Tax Treatment of Americans Working Overseas," The President's Export Council, Subcommittee on Export Expansion (December 5, 1979).

The heavy burden of American taxation, it was suggested, most adversely falls on independent businessmen, professionals, and employees of charitable organizations and international organizations, many of whom have been forced to repatriate. As one witness stated: "You are looking at a dying breed. When your Committee comes back to Asia, you probably will not find us here."

Prior to 1977, Americans abroad were exempted from the first $20,000 to $25,000 of their income, a benefit constantly eroded by inflation and substantially reduced by Section 911 of the Internal Revenue Code, as amended by the Tax Reform Act of 1976. In 1978, to alleviate the burden on private Americans working abroad and achieve greater parity between them and Americans overseas in the government service, the Congress passed the Foreign Earned Income Act (FEIC) permitting, under Section 913 of the Internal Revenue Code, deductions for certain costs of living overseas. But the modifications made by the 1978 Act have, in many instances, made matters worse, not better.

One witness presented the conclusions of a study of the personal income tax returns of individuals located throughout East Asia. These returns were calculated both on the basis of the original 911 provisions (which Section 913 is supposed to correct) and on the new Section 913 basis, enacted in 1978. According to this testimony, following the strict guidelines and interpretations of Section 913 by the IRS, the average tax burden for most East Asian countries (except Japan) is significantly heavier under the supposedly more liberal Section 913, compared to the old Section 911, by an average of 15 to 20 percent. The relevant data are shown in Table V-1.

TABLE V-1.

AVERAGE U.S. TAX BURDENS OF INDIVIDUAL AMERICANS
IN SELECTED COUNTRIES, UNDER 1976 AND 1978 TAX ACTS

Country	Tax "as if" employed in the U.S.	Tax (before foreign tax credit) on pre-1976 rules	Actual 1978 tax (before foreign tax credit)
Hong Kong	$15,617	$22,683	$26,850
Indonesia	8,533	21,296	24,318
Japan	10,350	40,526	29,280
Malaysia	6,187	17,526	21,718
Philippines	5,652	13,116	16,423
Singapore	6,620	12,270	14,881
Taiwan	8,687	10,215	13,934

Source: Testimony presented in Manila, The Philippines, by George H. Liesenberg, Chairman, Tax Committee, Asia-Pacific Council of American Chambers of Commerce (January 6, 1980).

64-142 O - 80 - 5

The Mission is seriously concerned about the impact of U.S. taxation on U.S. export performance. We believe the adverse trade impact of Sections 911 and 913 of the IRS Code has not been fully appreciated. Moreover, we note with concern allegations that IRS regulations relating to Section 913 have had a restrictive effect, contrary to the congressional intent. Therefore, the Study Mission calls upon the congressional tax committees to convene hearings on Sections 911 and 913, their impact on trade, their implementation by the IRS, and proposed legislative remedies. The evidence indicates that neither the interests of tax equity nor international trade are being served by the present law. We believe the serious deficiencies in the American system of taxing overseas nationals must be promptly corrected.

Tax Incentives

The Study Mission also received recommendations of the Asian-Pacific Council of the American Chambers of Commerce. (APCAC) that the provisions of the Domestic International Sales Corporation (DISC) should be retained in law and strengthened. APCAC opposes restricting or eliminating DISC. APCAC argued that DISC, in its present form, can be a powerful force in advancing U.S. trade interests in China, and urged some liberalization to increase its potential effectiveness in that trade area.

Members of the Mission were impressed by the fact that presentations on tax problems stressed the elimination of disincentives and comparative disadvantages, rather than costly tax incentive schemes to stimulate exports. Nevertheless, we cannot ignore the incentives

provided by many of our major international competitors. State-owned corporations are involved increasingly in trade, competing for business on a subsidized basis.

In Appendix A is a comparative study of export incentives in the United States, France, Germany, Japan, and the United Kingdom. This study was prepared by the International Division of the Chamber of Commerce of the United States.

Competitors frequently have the benefit of assistance of their governments in market promotion. To offset these benefits, it has been suggested that tax credits be provided to businesses for initial developmental expenditures in developing new markets. The newly organized and strengthened Office of U.S. Special Representative for Trade and other appropriate agencies should consider the importance of such a measure as one facet of a revised stance for U.S. export policy. Tax credits for initial costs of developing new markets could help to put U.S. business in a more competitive position and encourage a more vigorous pursuit of overseas markets. Clearly, however, such tax incentives must be drawn carefully to avoid conflict with the Multilateral Trade Negotiations (MTN) Subsidies Code.

Foreign Corrupt Practices Act (FCPA)

Another disincentive to U.S. exports is the Foreign Corrupt Practices Act (FCPA), which the overseas business community argues is helping foreign competition without achieving a reduction in the prevalence of corruption practices. In fact, it rewards corrupt practices by competitors.

The FCPA was enacted in 1978 as a means of establishing new standards of conduct in international trade. It was designed to ensure that American exporters would no longer take part in shoddy, shady practices like bribery, that have unfortunately become ingrained and accepted in many parts of the world. The problem, however, is that the high standards we demand from American business are not matched by any other major trading nation. Side payment for services provided as part of government duty remains the rule in many world markets, including the Far East. Although it has precluded American firms from taking part in questionable or illegal transactions, the FCPA has not reduced corruption in world trade, but it has effectively precluded U.S. traders from following some local procedures that, though, unconventional by American standards, are perfectly legal and required normal practice in most countries. The price of this morality is a competitive disadvantage in trade and frequently lost business.

The answer to this problem is not to seek the lowest common denominator in world trade by turning our backs on the FCPA. Rather, we should be encouraging our trading partners to join us in the effort to eliminate, or at least greatly reduce, the incidence of corruption in the world of trade. Therefore, the Members of the JEC Study Mission, joined by several other Colleagues in the Senate and House, have introduced a Joint Resolution to promote this and guarantee that Congress will be informed about the extent to which other nations are prepared to work with us in this effort.

Specifically, the Resolution calls upon the President to press for development and adoption of an International Code of Business

Conduct at the upcoming Venice Economic Summit. It further urges the President to pursue bilateral and multilateral negotiations on standards of business behavior. The President is requested to report the results of such negotiations to Congress by January 1981, and the Joint Economic Committee is given 60 days in which to suggest additional actions to help realize the objective of an International Code.

We urge the Administration to initiate, as soon as possible, these efforts to reach an international agreement to determine which practices are acceptable under local standards and which are not.

Moreover, the Administration should give immediate attention to cleaning up the regulatory provisions and simplifying to the maximum the recordkeeping and reporting requirements. Unnecessarily onerous provisions affecting foreign nationals or requiring performance not clearly required in the Act should be dropped. At present, the mass of regulation and recordkeeping that exporters have to contend with represents a serious and unnecessary burden: vagueness, uncertain interpretation, unnecessary zealous enforcement, and excessive recordkeeping. It was brought to our attention that many Asian businessmen and government officials have terminated business relations with U.S. firms because of the present U.S. law and its requirements.

An example of heavy recordkeeping requirements is the provision of the Act permitting certain "business facilitation payments." These are minor "tips" for document processing and other minor authorizing actions, exempted because in many countries it is local practice to pay

officials at minimum levels and expect that they supplement wages from fees, gratuities or other payments for services rendered. However, to assure that payments claiming exemption from FCPA do in fact meet eligibility criteria, the recordkeeping, reporting and certifying requirements are so demanding, far-reaching and burdensome as to constitute a major impediment to U.S. business relationships in East Asia. This occurs because many payments abroad are made by local and foreign firms alike through agents, who are given commissions to conduct defined activities such as customs clearance of imported and exported goods. These commissions are set at levels designed to cover both the expenses of the agent in accomplishing the assigned task and to provide a reasonable margin of return to supplement his normal low official wage for his effort.

Enforcement agencies have decided that they cannot rely on the assurances of covered U.S. firms that the firm's agents or partners have likewise not violated the law. As U.S. firms have interpreted this, they are required to obtain certifications from agents and partners that they have not made illegal payments, as defined by U.S. law and courts and enforced by criminal penalties. According to presentations received by the Committee, these requirements have caused officials responsible for procurement decisions to withdraw from dealing with U.S. bidders or bypass U.S. firms in inviting foreign participation; they also have caused foreign officials and businessmen to reduce or avoid routine business relations with U.S. firms, and foreign firms to withdraw from or avoid joint ventures with U.S. firms. Indeed, the requirements have caused nationalistic aversion to efforts by U.S.

authorities to apply this law to foreign nationals and entities not subject to U.S. law.

Of course the reporting and certification requirements also are designed to deter covered (illegal) transaction as well. But the consequence is that the enforcement provisions place obligations on U.S. firms, which, even if they are in full compliance with U.S. law, require them to acquire certifications from foreign business associates, satisfactory to U.S. officials, and thereby have burdened and even alienated established business relationships.

There is also a problem in conflicting law enforcement of the Foreign Corrupt Practices Act. To respond to extensive complaints of the business community about vagueness of the FCPA and uncertainty of its reach and applicability to widely differing circumstances, the Justice Department has expressed willingness to provide advisory opinions if supplied with specific information adequate to permit a judgment. However, it has also warned that such advisories will not constitute a legal protection in any subsequent court challenge that might occur.

The Securities and Exchange Commission also excercises authority in this matter in connection with legal requirements that this kind of information be disclosed to stockholders. 1/ The SEC has advised U.S. businesses that it does not consider itself bound or limited either by advisory interpretations of the Justice Department or by the outcome of judicial proceedings initiated by the Justice Department.

1/ Sometimes there are far-reaching ramifications from disclosure of foreign payoffs. A case involving RKO General and its parent company, General Tire and Rubber Company, is one in which domestic punishment of a subsidiary apparently has been meted out for the foreign sins of a parent company. In 1975 and 1976, General Tire disclosed that it had been engaging in foreign and domestic "payoffs" following Securities and Exchange Commission charges against the company. Later, when General Tire's subsidiary, RKO General, was challenged on three television station applications filed with the FCC, two Boston TV companies cited the SEC disclosures as grounds for disqualifying RKO. Although RKO General argued that it had little to do with the improper activities of its parent, the FCC majority was not persuaded. The Commission found a "close relationship" between the two companies, and the verdict against RKO was on the presumption that the sins of the parent -- General Tire -- reflected also on the character of the broadcasting child -- RKO General. (The Wall Street Journal, January 25, 1970, page 6.)

The consequence of this situation, according to presentations received by the Committee during its Study Mission, is that U.S. business feels severely constrained. Its in-house and external legal advisors generally counsel great caution because the criminal and corporate public relations consequences of being challenged and found in violation are severe, and also because corporate lawyers located in New York, Chicago, and other major U.S. cities are inclined to "play it safe" in dealing with transactions involving foreign documents on unfamiliar landscapes thousands of miles away. The general corporate maxim associated with this state of jeopardy and uncertainty is "when in doubt, don't." This situation has a chilling effect on U.S. corporate operations in developing nations. The Study Mission was told of instances in which companies have withdrawn completely from operations abroad rather than to risk getting caught in advertent violations or challenges to its practices.

The main burden of the Foreign Corrupt Practices Act falls inequitably and most heavily on the small businessman. Reporting and compliance requirements naturally are designed to reach the more complex and sophisticated operations, with elaborate and modern systems of accounting. The small businessman operating with very limited resources bears a disproportionately heavy burden. Moreover, as a representative of a large U.S. corporation pointed out, the multinationals with international reputations to uphold and unique capabilities to offer are more often able to take the high moral road and refuse any compromise with unethical business practices without jeopardizing their competitive opportunities than are small businessmen. The latter most often offer

64-142 O - 80 - 6

fairly standard basic goods or services and can only survive if they are able to match the competition across a broad range of conditions.

Members of the Study Mission were particularly distressed to hear that the Act in some cases rewards corruption on the part of others by taking U.S. firms out of competition where questionable practices may be involved. By implying that bid awards will require payments covered by the FCPA, foreign procurement officials can precipitate withdrawal of ethical U.S. companies capable of winning in straight competition. It is clear that the Act is causing loss of U.S. business opportunities because of reporting and compliance requirements which have extraterritorial impact on non-U.S. nationals.

Several American businessmen also cited the current controversy over possible availability to the press of shipper export documents under provisions of the Freedom of Information Act as an example of how the U.S. may be hobbled with unilateral constraints on trade. They indicated that many of these documents contain privileged commercial information that can give significant advantage to competitors who do not publicize such material. The Study Mission is pleased to note that this problem is currently under review in the Senate and hopes that a satisfactory solution will be reached.

Webb-Pomerene Act

Another serious difficulty for U.S. exporters is the overseas impact of domestic antitrust legislation. Our experience in East Asia reinforced the widely held belief that the Webb-Pomerene Act does not work as intended.

Originally intended to limit the application of antitrust laws to foreign markets, the Webb-Pomerene Act by court and administrative interpretation has become so ambiguous and confusing that it actually inhibits the formation of U.S. consortia capable of competing for international contracts. The problem is accentuated by fears that collaborative behavior abroad might be used as evidence of collusive intent in the U.S. market, even though this has not happened to our knowledge. It tends to have a chilling effect on the willingness of corporate counsel to support cooperative behavior abroad even though it may be without effect on the domestic U.S. market.

This effect ironically has particularly adverse consequences on our participation in major projects overseas where traditionally U.S. firms have been exceptionally well qualified and competitive. As these projects have become larger and more expensive, many exceed the capabilities of a single firm to undertake as prime contractor. While there are examples of cooperative efforts by U.S. firms in overseas projects, such as among firms of the same industry in developing major raw material sources abroad, they have become the exception rather than the rule according to sources available to the Mission.

In contrast, foreign firms are often encouraged to combine by their government policy. For example, Japan's huge petrochemical complex in Iran was a joint effort of 54 or 55 companies in the Mitsui Trading Company group, including financial institutions. Most Japanese joint projects are put together by a trading company with government encouragement. There is nothing in Japanese antitrust law to prevent these joint ventures, and in fact they are encouraged by the government.

Financing

An aggressive trade strategy for the future must provide for improved export credit financing. The Export-Import Bank currently supports a much smaller percentage of U.S. exports than comparable institutions of most of our competitor trading nations as indicated by the following table:

TABLE V-2

PERCENTAGE OF TOTAL EXPORTS RECEIVING OFFICIAL SUPPORT BY INSURANCE, GUARANTEES AND LOANS DURING 1978

Country	Percent
U.S.	6
France	29
Germany	12
Japan	35
U.K.	35

Source: GAO Report ID-80-16.

There is a compelling case for increasing the lending capacity of the U.S. through the Exim Bank or others which could be developed, thus easing existing constraints. Considering the tremendous disadvantages suffered by the U.S. export community, our institutions should finance a higher percentage of exports to at least try to match the efforts of competing nations.

Small businesses are particularly stymied by export financing problems. The Exim Bank fails in two major respects to serve small business: (1) It either does not handle loans under $5 million, or does not handle them very well, and (2) it does not have adequate provision for medium-term financing (less than 7 years) at fixed rates, the area in which small businesses want to borrow. In addition, Exim Bank procedures are so complicated that small business often simply will not deal with the Bank.

Aggravating the situation, the Small Business Administration has no real expertise in Exim Bank operations and SBA is not very helpful to small businesses in the international arena.

A number of things could be done to help small businesses get into world markets. The Exim Bank could establish a special small business funding program through commercial banks which would advance funds and obtain a guarantee from Exim Bank/Foreign Credit Insurance Association (FCIA) up to say 80 percent of the advance, with the commercial bank risk at 5 percent and the shipper risk at 15 percent. Exim Bank probably has authority to do this administratively. The loan process itself would be under the direction of the private sector and need not require Federal Government involvement.

Exim Bank terms for all business lending should be more liberal. At the same time, a selective approach could produce a more effective use of funds under an expanded charter. For example, the U.S. could undoubtedly get more export mileage out of a several million dollar increase for grant feasibility and project design studies than from an equal increase in general lending authority.

Export-Import Bank loanable funds come from (1) a repayment of previous credits, (2) surplus accumulated as profits on earlier transactions, and (3) funds borrowed through the Federal Funds Market. When market rates are high, the large proportion of funds from (1) and (2) help cushion Exim Bank's lending rates from having to increase in step with its current borrowing rates.

These are considerations which Exim Bank's official competitors do not have because similar lending institutions are either funded directly from national budgets and do not have a cost of funds, or are exempted from having to charge the cost of money since any deficits are covered from the Federal budget.

Exim Bank operates under a congressional mandate requiring that it reflect its cost of funds in the rates charged for its loans. In addition, Exim Bank must find that there is "reasonable assurance of repayment" in all its loans. In the 1978 Exim Bank reauthorization legislation, the Congress recognized that these strictures prevented Exim Bank from matching the competition in important instances. Congress authorized Exim Bank to make exceptions to the "cost of funds" limitation to match the competition in specific cases which its Board of Directors finds worthy. The change is an improvement, but Exim Bank can still match the competition only as an exception, not as a rule.

Flexibility in lending rates is important to international lending competition which differs from lending rate competition within an individual national market. Lending rates within a national market differ within relatively narrow spreads compared with the wider rate spreads between national markets. Widely differing levels of economic activity and capital availability between nations cause these larger differences, which are really differences in risk, international payment balances and exchange rate prospects. For this reason alone, Exim Bank should have more flexibility to vary its rates.

Another area in which Exim Bank is handicapped is that of mixed and concessional

credits. Exim Bank cannot do this but several competitors can. The JEC Study Mission received examples of concessional aid financing by Japan for industrial projects in Malaysia and Korea.

An example from the other side of the globe is that of a British heavy excavator-equipment firm that competes with Marion Power Shovel Company -- a Division of Dresser Industries, Inc. The British company competes directly with Marion in a series of large walking draglines for coal and phosphate mining. The British company receives assistance from the U.K. Export Credit Guarantees Department for overseas shipments. To stimulate exports, the U.K. enables the Export Credit Guarantees Department to offer long-term financing at 7.75 percent on outstanding balances plus the usual bank and insurance premium fees, which would normally push this figure to a total of 9 percent.

More importantly, the U.K. is also willing to offer inflation protection wherein the U.K. absorbs excess costs due to inflation beyond a specific amount, thus protecting both manufacturer and purchaser from rising inflation rates.

Foreign official agencies which insure export credits provided by commercial sources are another factor which provides great competitive advantage over U.S. exports. The discrepancy between U.S. and other official export financing resources and export levels is multiplied when official loan and insurance guarantee data are combined (see Table V-3).

TABLE V-3.

OFFICIAL EXPORT FINANCING RESOURCES

(In billions of U.S. dollars)

Authorized in fiscal year 1978	U.S.	France	Germany	Japan	U.K.
Loans	3.6	7.8	0.5	3.8	1.4
Insurance	3.7	22.2	14.5	31.0	11.0
Total	7.3	30.0	15.0	34.8	12.4

Source: A Comparative Study of Export Incentives in France, United Kingdom, United States, Germany and Japan; H. L. Weisberg and Charles Rauch; International Division, Chamber of Commerce of the United States, December 1979.

It should be noted that U.S. insurance rates are considerably above those charged by competing official institutions. There are also other program disadvantages such as the requirement for third guarantees, inadequate insurance coverage and cumbersome procedural requirements.

Appendix B lists the pertinent insurance provisions in the United States and four competitor nations.

Having heard a substantial amount of testimony on these and related complaints, the Mission concluded that one way to deal with the problem would be to expand annual funding authority for loans and insurance, together with a more effective administrative application of funds to priority categories, and a greater capacity for matching the programs used by our competitors.

Because there is some political resistance in some parts of the United States to the "foreign aid" flavor of centralizing overseas lending authority in the tax-supported Export-Import Bank, some Members of the Study Mission felt that it might be worth exploring a system by which local banks in the United States could be induced to become more "export-minded." The local bank serving a domestic U.S. manufacturer might induce the firm to open overseas markets for its products. Moreover, local banks need to upgrade their skills and knowledge to be ready to serve local firms should they decide to enter the export markets.

Subsidizing loans for export development might be one way to accomplish this. Deducting such loans from deposit liabilities before applying reserve requirements might be another way. Clearly, a more sophisticated

system of inducements to get local U.S. banks and the firms they serve to address business opportunities in overseas markets would serve the local banking institutions and its customers and at the same time would serve national policy. That foreign banks are more aggressive in pursuing overseas business was evident by the number of foreign bank branches which dotted all the markets visited.

One of the complaints heard during the JEC Study Mission was that even the most sophisticated American financial institutions and overseas marketers are inclined to want quick pay-off investments. Whether it is the impatience of the American lifestyle or a flaw in the tax code or a peculiarity of American financial institutions, the lack of interest in long-range pay-outs overseas has seen a lot of marketing opportunities lost for American businesses.

Competitor nations have long used a "package" approach in their efforts to capture major projects abroad for their exporters and service industries. This is particularly true in process engineering, construction, mining, power, and major equipment industries. Usually, the bait in a package is a very early grant or a highly concessional loan to finance long-range feasibility and project design studies to be carried out by firms from the offering country. These offers are sometimes backed by assurances of officially supported export credits, or even long-term concessional aid financing. In addition, most competing national governments preselect one or more domestic companies to bid on phases of a project, and then see that those companies are supported in the bid competition with financing and other concessionary supports.

The only U.S. parallel is the Reimbursable Development Program, currently funded at $3.82 million under Section 661 of the Foreign Assistance Act for financing of feasibility and project design studies. This is far less than the funding available in competitor countries. The U.S. Exim Bank has loan authority for this purpose, but it cannot effectively compete with the grants or subsidized loans enjoyed by foreign bidders.

United States businessmen make a strong case for the leverage of such funding in winning multimillion dollar projects now being lost. To address this competition may require a broad range of adjustments in law and attitude, including antitrust approaches, tax law modification and inducements to financing in ways other than foreign aid or the Exim Bank. Certainly, government and private enterprise in the U.S. -- a nation settled and developed originally by European trading companies -- can come up with innovative ways to solve this problem.

In 1977, in response to constituent concerns, Congress clarified the intention that Section 661 be used to improve the commercial opportunities for U.S. firms. This interpretive clarification has expanded the potential for this grant program to be used to counter the advantages provided our competition by their governments. However, not only is the $3.8 million Federal appropriation an insignificant fraction of that available to restrictions, even it faces Federal budget cuts.

Proponents of expanding this program say it is not realistic that U.S. firms accept the cost of offering grants to foreign governments for this purpose. Most foreign industrial nations permit their firms tax

credits or even subsidies for undertaking such studies. Private grants are often unacceptable to developing country governments who need studies funded by other governments or international agencies to achieve the aura of objectivity. But if the work of such a study were being done in the U.S., many firms would undertake the domestic work on an "if come" basis in order to get a "foot-in-the-door" advantage.

Proponents also argue that a small amount of money in this program, in the range of $5 to $10 million, would give much greater export leverage than equivalent expenditures for other purposes. Another approach might be tax credits. The experience of competitors has been that individual grants in the $10,000 to $90,000 range often produce project opportunities worth hundreds of millions of dollars in exports.

The importance of feasibility studies for subsequent contracts and sales can be illustrated by two recent examples. One involved a French-financed feasibility study of the Kanlubang Airport just outside of Manila in the Philippines. The feasibility study was conducted by a French firm, Airport de Paris. Airport de Paris later received the contracts for the engineering design and supervision of construction. Under the U.S. program, the United States financed two prefeasibility studies by American companies for a Thai natural gas pipeline for $220,000. Later another American corporation obtained contracts worth $20 million for engineering design and supervision of construction for the same pipeline.

We believe that the program warrants either additional funding up to at least $5 to $10 million, along with more liberal

usage, or some form of tax incentives. Amounts considerably larger than the $5 to $10 million should be considered for future years. Also, there should be a more aggressive implementation of its provisions.

VI. ECONOMIC AND STRUCTURAL PROBLEMS

The foregoing practical problems were the main concern of the witnesses at the East Asia hearings, but some reference was also made to the broader economic and structural problems with which U.S. businessmen operating abroad must cope. These broader issues are covered in great detail in other Joint Economic Committee hearings and reports, but some relevant points should be made in this report.

Productivity

Foremost among these broader issues is American decline in productivity in recent years. This is a primary cause of our domestic and international economic illness. Foreign efficiencies represent productivity differentials so great that they obviously become a dominant force in the ability to compete. The consequences have become all too clear in automotive and steel products where U.S. productivity has seriously deteriorated relative to foreign competitors.

Japanese workers, operating in plants with more advanced technology, produce substantially more cars -- and often a higher quality product -- per man year than U.S. workers. Similarly, in the steel industry, the Japanese worker produces considerably more steel per man year in more modern plants which use one-third less energy than the average U.S. steel worker. It is significant to note in this connection that of 22 modern

steel blast furnaces in the world, 14 are in Japan and none are in the United States. The U.S. is operating, in large measure, with 30- to 40-year-old plants. Small wonder Japanese steel productivity far outstrips the United States.

Semi-conductors, industrial fasteners, ballbearings, electronics, textiles, shoes, and other key consumer products are examples of other products where we are also severely pressured by overseas competitors because of our lagging productivity.

The Joint Economic Committee had some hard words to say on this issue in its 1980 Annual Report:

> An important part of the answer to restoring international competitiveness lies in raising our rate of investment in plant and equipment. As we emphasize elsewhere in this report, higher rates of investment will boost sagging American productivity and allow us to move toward a lower, more stable price level. But investment is not the entire answer. During the next decade, we will have to take a hard look at many of our institutions. The relative economic strength and health of Germany and Japan suggest that they might have some lessons for us in terms of policies and institutions. Neither country has adopted the adversary relationship that often exists between the American Government and the private sector. That relationship will surely have to change if we are to continue to be the economic as well as the political leader of the free world. Both Germany and Japan give workers a greater voice in the operation of

corporations than we do in the United States. And both Germany and Japan have some form of a national industrial strategy that influences, if it does not determine, government policy and private sector investment plans. It is premature to suggest that the United States should move in any of these particular directions. What is clear is that our national desire for industrial and economic leadership will be severely tested in the decade ahead. Sharply higher energy prices have rendered obsolete or reduced the economic life of a substantial portion of U.S. plant and equipment and have affected the value of many commercial structures, private automobiles, and appliances.

Attitudes

Another impediment to a vigorous U.S. export policy is the large size of the U.S. domestic market which still represents the largest and wealthiest market in the world. This has given U.S. industry a strong bias toward domestic marketing.

By contrast, outside of the indigenous free world markets of Europe, Canada, and Japan, other markets are only a tiny fraction of U.S. market size. Moreover, there is great uncertainty and enormous difficulty arising from differences in selling, distribution and documentation; obtaining adequate data; and the barriers of language, customs, and varying income levels. Risks in overseas selling also include exchange rate fluctuations as well as commercial and even political risks which do not arise within the U.S. market.

Many foreign markets appear too small to justify modifying product design, packaging or even advertising, let alone producing products especially for those markets. Unlike Europe, where the need to adjust to market differences in three or four or more roughly similar country sizes is a daily concern, the very size of the U.S. market and the distance and differences from smaller markets produces great hesitation, inertia, and resistance by U.S. producers in developing foreign markets.

Even today, with the great increase in world interdependency, only a small minority of U.S. companies consider exports important to their profits. Firms that do export often use poor market strategy, like charging higher prices abroad to cover "risk," inflexible pricing and inadequate outlays for

after-sales servicing, market development, and inventory maintenance. There is a pronounced tendency to push exports only when the U.S. domestic market is soft. Solution to this problem will require a reorientation of corporate attitudes and strategies to avoid short-range perspective (as contrasted with the long-range market development strategies of our competitors).

Protectionism

We must also recognize the consequences of protectionism. It is one thing to defend ourselves against unfair practices of competing nations; it is quite another matter to attempt to insulate industries from the effects of their productivity failures.

In most areas, the answer to pleas for protection must not be to build defensive barriers. It must be to take the offensive and give our industry and labor the opportunity, incentive, and means to build and modernize -- to capitalize on the tremendous resources, technology market, and other advantages of our economy. This Study Mission report, taken in conjunction with earlier and ongoing Joint Economic Committee studies of U.S. productivity, emphasizes the ways in which we can restore or strengthen our economic competitiveness.

Lack of Infrastructure

Another defect in the U.S. export picture is the weakness of supportive infrastructure to provide financing and the range of related services necessary to success in export marketing in the world today.

One thing that would help would be the establishment of Federal one-stop service shops to include export services of all Federal agencies under the guidance of the Department of Commerce, thus saving a lot of frustrating running around.

Equally important, the U.S. commercial attache corps needs to be upgraded. Heretofore, they have been "weak sisters" in the State Department. Placing them under the Commerce Department may help. But irrespective of their departmental location, commercial attaches need to be an elite corps. They need intensive training, upgraded status and prestige, and stronger backing from Washington -- both in moral support and resources. They need to be aggressive marketers of U.S. products overseas.

A roadblock to U.S. overseas operations which became evident during the Study Mission was the limited number of bilingual Americans available for overseas work. In this context, it might be useful to explore the possibility of a loan program for businessmen or at least business school students, for language training. This could be called the National (Defense) Export Education Act, along the lines of the National Defense Education Act.

It is symptomatic of the low priority accorded international trade in the U.S. that we have never developed adequate supportive services to match those provided by our sophisticated competitors. United States business representatives in Asia stressed the need for substantial help in developing an effective network of trade services in the Far East to provide improved export financing

and risk insurance as well as funds for developing and expanding markets.

One important device recommended in the East Asia hearings is the trading company. American history, tradition, and law have not provided a favorable setting for their development. European colonization techniques and trade practice produced the giant houses which continue to dominate much of Asia's trade and which handle a wide range and volume of goods and services. Japan quickly matched Europe with conglomerates backed by captive private banks, which, in turn, are supported by government financial backing.

United States trading companies have been mainly basic commodity traders, single manufacturers' marketing outlets, or small independent firms with no major assets behind them, whereas European and Japanese trading companies have had major raw material holdings, captive banks, or other assets to permit the expansion and development of a wide network of complementary services.

In the present setting, small U.S. firms and many large firms do not export because exporting involves unfamiliar risks and requires specialized knowledge and expensive skills. For most producers the marginal costs of developing export opportunities are prohibitive. There is need for intermediaries which, by diversifying trade risks and developing economies of scale in export operations, could make it possible for small businesses, particularly, and large businesses, too, to make even greater contributions to the domestic economy by tapping the expanding foreign markets.

The Study Mission believes that the subject warrants immediate attention by the Administration and the Congress as well as the U.S. industrial and banking communities. The Joint Economic Committee has already called upon the Administration to provide Congress with a study assessing existing barriers to the formation of U.S. trading companies and exploring the feasibility of increasing exports through such companies. On the basis of our mission findings, we underscore the need for this study as soon as possible. It should include, as one of its major focal points, the question of adequate financing for U.S. exports as well as provision for financial services. It must involve the banks as well as the producers.

VII. SUMMARY

In summary, the Members of the Joint Economic Committee's Study Mission on East Asian Trade conclude that the United States faces a crisis of trade. Our two-way trade with East Asia now equals and may soon surpass that with Western Europe. East Asia is a region offering vast and expanding economic opportunity to those nations willing and able to compete successfully for international markets.

Yet, the United States is approaching this challenging and competitive market with lack of coherent strategy or favorable relations among business, government, and labor. Our share of the East Asian market has declined from 41 percent in the 1960s to 34 percent today while the Japanese share has increased from 13 percent to 33 percent during that same period. It is obvious that we have been coasting on past successes and overlooked the fundamental link between domestic productivity and foreign exports. Worse, we have shackled our exporters with a number of disincentives and restrictions that frustrate efforts at export promotion. Members of the Mission find clear need to remove these disincentives and to mount an effective trade promotion strategy.

We must remove inequities in U.S. personal and corporate income tax laws as they affect U.S. business abroad. As presently administered, they discourage the employment abroad of U.S. nationals and push U.S. industry into hiring foreign nationals. The

Members of the Study Mission strongly recommend that unrealistic tax policies which discourage U.S. exports and benefit foreign competitors be amended.

Another serious disincentive to U.S. exports is the Foreign Corrupt Practices Act. As now administered, it benefits competitors without reducing the prevalence of foreign corrupt practices. Members of the Study Mission have introduced a joint resolution make possible a more constructive international approach to reducing corrupt practices in international business.

Another disincentive to U.S. exports arises from uncertainty about application of the Webb-Pomerene Act, which was intended to limit the application of the anitrust laws to domestic transactions. The Study Mission discovers that, as presently administered, it can have a restrictive rather than promotive effect on U.S. enterprise abroad. Accordingly, we urge the Congress to remove the ambiguity and make the Webb-Pomerene exemption an incentive to U.S. exports.

United States export financing practices reveal weaknesses. Assistance from government programs falls far below that provided to our major competitors. We see need for strengthening the lending capacity of the Export-Import Bank and for improved risk insurance protection.

The Study Mission urges additional funding of feasibility and project design studies from the present $3.8 million to $5 to $10 million, and higher amounts in later years. We believe that this small additional expenditure will generate a vastly larger volume of U.S. export sales in East Asia and elsewhere.

On a more cosmic plane, there is urgent need to improve productivity in U.S. industry. In many industries we have fallen well behind our major competitors in this crucial department. The 1980 Annual Report of the Joint Economic Committee has outlined a comprehensive program for improvement. We will continue to give it first priority.

And finally, but by no means least important, we must recognize the importance of exporting to national well-being. Too often, American businesses have relegated foreign market opportunities to a very low priority in corporate sales policies. They have often failed to establish an adequate service infrastructure in foreign countries to support U.S. trade. The Committee urges American business to give a high priority to overseas marketing.

The United States will continue to suffer trade problems until we: (1) encourage savings and investment and strengthen the supply side of the economy, (2) recognize the vital importance of exports, and (3) replace the adversary relationships among government, labor, and business with a new spirit of partnership.

APPENDIX A

APPENDIX A. TAX INCENTIVES 1/

By making exporting a more profitable venture, the government makes it more attractive for firms to sell abroad than to sell domestically. There are four broad categories of tax incentives which might help to stimulate exports. The first category is the nontaxation of income derived from export sales. This category is not mentioned in the accompanying charts because this practice is forbidden by the GATT and is currently practiced in only two countries, Ireland and Brazil.

1/ Export Credit Competition and the Export-Import Bank of the United States, a report issued to the U.S. Congress by the Export-Import Bank of the United States (March 1979).

Cited in A Comparative Study of Export Incentives in France, United Kingdom, United States, Germany and Japan; H. L. Weisberg and Charles Rauch; International Division, Chamber of Commerce of the United States, December 1979.

The first category which appears in the accompanying chart is the taxation of foreign business operations. Foreign firms often establish a branch office or sales subsidiary in a foreign country, preferably one with a low corporate income tax rate, through which it funnels its export sales. The parent company's profits depend on how the home country calculates the taxation of undistributed foreign source profits and foreign tax credits. For example, France does not tax foreign source income. This means that any and all profits earned by foreign entities are not taxed on a current basis. The rules within France concerning the taxation of undistributed profits of overseas subsidiaries and foreign tax credits are complex. On the whole, the taxation of foreign source income by each of the countries studied is extremely difficult to compare.

The next broad category concerns those tax incentives which are specifically designed to stimulate exports. These incentives usually involve special tax deductions, deferrals, and exemptions available for exports but not for domestic sales.

Administrative practices by the tax authorities can also help exports, for example, by leniency in calculating the intercompany prices of an exporting firm. France has made it publicly known that in auditing exporters intercompany pricing rules are not to be enforced. It would be difficult for the United States to adopt this or a similar practice without charges of unfair treatment by firms which only sell domestically.

The last item concerns border tax adjustments, of which the most familiar is

the value-added tax (VAT). This tax is used by all members of the European Community. Basically, VAT is a tax imposed on the additional value of output created at each stage of production. Unlike a retail sales tax, however, which is collected only on final sales to consumers, VAT is collected in stages, so that each seller pays tax only on the value added at that stage. This means that VAT is collected on sales to all domestic customers, not just individual retail customers.

The calculation of all direct and indirect taxes, including any tax credit, accelerated depreciation, and deferrals, results in the effective rate of taxation on export income. With the possible exception of West Germany, The United States has the highest effective rate of taxation on export income. 2/

2/ It should be noted that a complete picture of any country's international competitiveness must take into account not only export-related taxes but all direct and indirect taxes.

It should also be pointed out that the United States has, in addition to a general lack of tax incentives, certain tax disincentives. For example, Sections 911 and 913 of the Internal Revenue Code make the United States the only major country in the world to impose income taxes on its nonresident citizens. This discourages U.S. citizens from working abroad and raises costs for U.S. firms operating abroad. As a consequence, smaller firms are deterred from entry into foreign markets because they cannot afford the expense of sending U.S. citizens to live overseas. Larger firms are forced to cut back on their overseas staffs, which, in turn, cuts back on the number of agents available to promote U.S. exports.

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
TAXATION OF FOREIGN BUSINESS OPERATIONS					
Foreign Branch Operations	Foreign branch profits are taxed at the applicable corporate rate (presently 46%), and losses are fully deductible.	Foreign branch profits are not taxed, and there are no deductions for losses or credits for foreign taxes, unless company elects to be taxed on worldwide income.	Foreign branch profits are taxed the normal rate (51%) plus the foreign tax credit, or in certain cases, imposition of a flat 25% tax rate. Losses are fully deductible, even though foreign income is exempt under a tax treaty.	Foreign branch profits are taxed at the usual rate (52%), and losses are fully deductible.	Foreign branch profits are taxed at the usual rate (52%), and losses are fully deductible against other income of the British company. Losses are deductible against foreign source business only when carried over to following years.
Foreign Subsidiary Operations	Dividends are taxed at the applicable corporate rate (presently 46%) when they are received by the parent. Subpart F of the U.S.Internal Revenue Code calls for taxation of certain types of income of controlled foreign corporations, even though dividends may not have been received by the parent.	Subsidiary profits are not currently taxable, and losses are not currently deductible. If the parent owns 10% or more of the foreign subsidiary, 95% of dividends received are excluded from taxation. There is no equivalent to the provisions of Subpart F of the U.S. Internal Revenue Code.	Subsidiary profits currently taxable, and losses are currently deductible. Dividends are taxed at the usual corporate rate of 51% when they are received by the parent. The exact requirements are less stringent than those in Subpart F of the Internal Revenue Code of the U.S.	Subsidiary profits are not currently taxable and losses are not currently deductible. Dividends are taxed at the usual corporate rate of 52% when they are received by the parent. There is no equivalent to the provisions of Subpart F of the U.S. Internal Revenue Code.	Subsidiary profits are not currently taxable, and losses are not currently deductible. Dividends are taxed at the usual corporate rate of 51% when they are received by the parent. There is no equivalent to the provisions of Subpart F of the U.S. Internal Revenue Code.

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
<u>Foreign Tax Credits</u> When a branch or subsidiary located abroad pays taxes to the foreign government, a tax credit will allow the parent to subtract this amount from the tax it owes to the home government. There are, however, limitations to these credits.	All persons subject to U.S. income tax are eligible to receive a foreign tax credit for certain foreign taxes paid on their foreign source income. The limitation on the allowable foreign tax credit must be computed on an overall basis. Foreign tax credits may not be used to offset U.S. tax on U.S. source income. Special rules provide additional limitations on foreign oil and gas income.	Even though French firms are not taxed for their operations abroad, a tax credit for foreign taxes paid can be available. Upon authorization from the Ministry of Finance, a a French company can elect to compute its French taxable income on a world-wide basis by adding together the profits and losses of their French and foreign branch activities; or on consolidating all foreign subsidiary and branch activities into one tax return. In either case, foreign losses can be used to offset other taxable income and a credit is allowed against the French tax, but it may not exceed 50% of the foreign income included in the return.	To receive foreign tax credits, the claimant must be a German resident taxpayer and the foreign source of income must also be subject to German taxation. A limitation on the allowable foreign tax credit must be computed on a per country basis.	To receive foreign tax credits, the claimant must be a Japanese resident taxpayer and the foreign source income must also be subject to Japanese taxation. A limitation on the allowable foreign tax credit must be computed on an overall basis. For purposes of computing the overall limitation, any loss incurred by a foreign branch need not reduce other foreign source income. This provision is referred to as the "modified" overall limitation.	To receive foreign tax credits, the claimant must be a U.K. resident taxpayer and the foreign income must be subject to U.K. tax. The limitation on the allowable foreign tax credits claimed must be computed on each separate "source" of foreign income, and the credit is limited to the greater of the foreign tax or the U.K. tax payable to that particular source of income.

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
SPECIAL EXPORT TAX INCENTIVES					
Export-Related Deductions and Deductible Reserves	None	French firms can deduct from their taxable income special reserves for losses of foreign branch operations, eventhough foreign entities are not taxed. Exporting companies which extend medium-term credit are entitled to create a special deductible reserve to cover the risk inherent in the extension of credit abroad.	German firms can deduct special reserves for losses incurred by a newly established foreign-based company. The foreign subsidiary must be at least 50% owned and must have income from industrial or commercial activities.	Corporations deriving income from overseas transactions are entitled to deduct from 1-1.7% of the value of the goods sold, which is to be credited to a reserve for overseas market development. Corporations holding 10% or more of a "Special Overseas Enterprise Judicial Person" (a non-investing foreign subsidiary) may deduct amounts credited to a reserve for losses from such operations. Corporations can establish a deductible reserve for foreign exchange losses on its net long-term receivables.	In Britain, where indirect expenses are not deductible, a corporation can deduct business entertainment expenses that are directly related to export activities if the customer entertained resides overseas.
Tax Deferrals and Exemptions	Domestic International Sales Corp. (DISC): A U.S. corporation devoted exclusively to exporting will not be taxed on income	"Joint Export Program": When small or medium-size firms coordinate to make a joint effort to improve their business and set up a company	None	None	There is an exemption from corporate taxes on profits attributable to the export of goods produced in Ireland.

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
	but will be deemed each year to distribute certain amounts to shareholders who are currently taxed. The tax deferral on DISC profits is limited to amount exceeding 67% of average receipts over prior 4-year period.	for such purposes they can negotiate a tax agreement with the Ministry of Finance. The tax advantages vary from case to case. Exporting firms are excluded from the "inflation levy" which penalizes business "margin" increases which are not a result of an increase in employment, investment, or exports. The "margin" is the difference between sales and purchases; it is similar to the concept of value-added. Firms may elect to compute income on a worldwide basis for tax purposes.			
<u>Administrative Practices</u>. This usually concerns intercompany pricing, i.e., the selling and buying of goods between a parent and its foreign subsidiary. The parent is expected to conduct	Section 482 of the Tax Code allows the Treasury to reallocate income between related entities to reflect arms-length dealing. IRS vigorously enforces this provision.	The French Tax Administration issued a Note in 1959 which specifically stated that the intercompany pricing rules should not be enforced against exporting companies. In 1973 it issued another Note providing	Germany has a policy of strict enforcement of intercompany pricing. However, rules have been relaxed when it is in the interest of the economy as a whole, or if a German firm can	Rules concerning arms-length dealings are generally enforced.	In England tax disputes between tax authorities and firms are not negotiated. The firm will have more bargaining power in settling disputes concerning intercompany

	UNITES STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
business with its subsidiaries on an "arms-length basis." That is, the price of the products sold between the parent and the subsidiary should be the same price were the goods sold in the open market.		guidance that the rules not be enforced where a French company can show that it did not follow arms-length pricing for "commercial" reasons.	show that selling at a price below cost was needed to bring a plant up to full capacity.		pricing if it can show that selling below the market price helped to increase exports.
Border Tax Adjustments. This concerns the rebate or remission of indirect taxes on exports and the imposition of such taxes on imports. Indirect taxes include the value added tax (VAT), excise, and sales taxes.	None at federal level.	VAT: Standard rate is 20% (up to 33% for luxury items); zero rate on exports.	VAT: Standard rate is 11%; zero rate on exports.	Commodity Tax: an excise tax on 17 types of commodities with rates ranging from 5-30%.	VAT: Standard rate is 8% (up to 25% for luxury items); zero rate on exports.
Estimated Effective* Rate of Taxation on Export Income (1977)	27.4%	8.7%	39.7%	17.9%	12.2%

Sources for Charts:

"Comparison of Taxation of Exports" by Walter A. Slowinski, Proceedings of Institute on Multinational Taxation (Washington, D.C., June 1979) (Forthcoming)

"Statement on U.S. Companies in International Markets - The Competitive Factor in Tax Policy" Arthur Andersen and Company, submitted to the Finance Committee of the U.S.Senate in conjunction with public hearing HR 10612, 94th Congress, 2nd session, April 21, 1976.

Statement by Richard Hammer Export Policy, Part 3, cited, pp.102-243.

*Thomas Horst, Income Taxation and Competitiveness in the United States, West Germany, France, United Kingdom, and Japan, (Washington, D.C., National Planning Association, 1977) p.20

APPENDIX B

APPENDIX B. INSURANCE AID TO EXPORTING

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
INSURANCE					
Insurance Institution	Foreign Credit Insurance Assoc. (FCIA)	Compagnie Francaise d'Assurance pour le Commerce Exterieur	Hermes (private company)	Ministry of International Trade and Investment (MITI)	Export Credit Guarantee Dept. (ECGD)
Authorization 1978 (billions of $)	$3.7	$22.2	$14.5 (1977)	$31	$11 (1977)
Basic Insurance for Political and Commercial Risks					
a. Required	No	Yes, for credits with repayment terms over three years	Yes	Yes, for supplier credit	Yes
b. Premiums	0.98-2.4% - short-term 1.10-2.0% - medium-term	0.25-0.85% plus a variable component	0.7-1.4%	0.1-0.3%	0.6-0.9%
c. Coverage	90-95% - political risks 90% - commercial risks	90-95% - political risks 85-90% - commercial risks	90% - political risks 85% - commercial risks	90% - political risk 90% - commercial risks	90% - commercial risks 95% - political risks
Exchange Rate Insurance	Not available	Available. Exchange losses exceeding 2.25% are reimbursed by COFACE. Premium: 0.65% for currencies outside the EC "snake."	Available for transactions denominated in certain currencies. Exchange rate losses exceeding 3% will be reimbursed by Hermes. Premium: 0.7% annually.	Available for transactions denominated in certain currencies. Exchange rate losses between 3% and 20% will be reimbursed by MITI. Premium: 0.8-1.5%.	Available. Exchange rate losses between 1.5% and 25% will be reimbursed by ECGD. Premium: 0.3% for the first three months plus a variable charge for each additional month.

	UNITED STATES	FRANCE	GERMANY	JAPAN	UNITED KINGDOM
Inflation Insurance	Not Available	Available. The exporter is covered against production costs that exceed 6.5% annually. Premium: 1.0% plus a variable surcharge based on exchange rate movements.	Not available	Not available	Available. 70% of the exporter's costs are covered if the inflation rate is between 7 and 17%. Premium: 1.0% annually.
Other Insurance and Guarantees	Not available	Performance Bonds Bid Bonds Advance Payment Bonds	Performance Bonds Bid Bonds	Performance Bonds Refund Bonds Construction Work Guarantees	Performance Bonds Bid Bonds Advance Payment Guarantees

Source: A Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of The United States, March 1979.

Cited in A Comparative Study of Export Incentives in France, United Kingdom, United States, Germany and Japan; H.L. Weisberg and Charles Rauch; International Division Chamber of Commerce of the United States; December 1979.