CONGRESSMAN LES AuCOIN
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Object Lesson on Trade Disincentives

Mr. Speaker. As a representative of a state actively engaged in international trade and a member of the Export Task Force, I make a habit to inquire of firms involved in trade about export disincentives.

It is my view that the United States is unable to mount an aggressive export policy -- regardless of how attractive the incentives -- because of excessive barriers to trade.

While many agree with this view, it is hard to quantify the seriousness of the problem. Consequently, I was extremely impressed recently when the chairman of a major corporation laid out in graphic detail a bill of particulars concerning what's wrong with our trade policy. Through a series of 12 documented examples, this corporate official exposes some of the major impediments to a robust, coordinated and purposeful trade policy.

I don't agree that every "obstacle" identified should be changed. That's not really the point.

The point is that we have erected barreirs to trade, especially as the Administration is preparing to release its findings from a year-long study of trade disincentives, and as Congress is evaluating numerous bills aimed at promoting trade and boosting productivity.

The following list of trade disincentives and their price to one company was submitted to the other body this summer by W.L. Wearly, Chairman of Ingersoll-Rand Company in Woodcliff, New Jersey. I commend it to your reading:

Attachment 1

EXAMPLES OF U.S. EXPORT OBSTACLES

The following examples represent a cross-section of obstacles faced by U.S. firms in the export market. The illustrations can be classified generally as either (1) self-imposed government restrictions, or (2) inadequate government support. Items from both categories can be traced to an underlying cause of neglect -- the low government priority given to export expansion. There has been no firm commitment nor strong trade leader to either challenge policies adversely impacting U.S. exports, or initiate programs to offset the government support given to foreign competitors. The U.S. government's structure has short-changed international business objectives. No mainline department is charged with the principal policy mission of strengthening U.S. competitiveness in world markets. As a result, the give-and-take between competing and at times conflicting policy objectives, U.S. export policy has suffered from lack of a strong organizational advocate.

1. In early 1978 Ingersoll-Rand lost $8 million worth of compressors for Acominas in Brazil to a Japanese firm. A major reason for the loss of the sale was that the Japanese government allows the development of country marketing strategies by consortiums of manufacturers. U.S. antitrust regulations would prohibit any similar joint planning between major U.S. companies to decide, for example, which firms would supply components for which plant on a rotating basis.
2. Ingersoll-Rand was offered an order from a Swedish international distributor for several compressors for use in hospitals in Vietnam. The order was eventually filled by a Swedish manufacturer when Ingersoll-Rand was turned down in its request to U.S. government for permission to ship this equipment.

3. In mid-1977 Ingersoll-Rand was negotiating with a European company, with whom they had previously done business, for $1 million worth of Rock Drills for Iraq. Because of restrictions relating to U.S. anti-boycott policy Iraq instructed the European buyer not to purchase from a U.S. company and the order was placed with a Swedish manufacturer.

4. In 1977 J. Ray McDermott Co., Inc., submitted a bid of approximately $25 million to Argentina for a gas pipeline. The contract was awarded to a French contractor for approximately $51 million. J. Ray McDermott Co., Inc.'s judgment is that the work was awarded to their French competitor because of payments which would have been illegal under U.S. law.

5. In mid-1977 Ingersoll-Rand was negotiating for $6 million worth of pumps and compressors with Fluor Corporation for Sasol plant expansion (including substantial technology and product duplication furnished by Ingersoll-Rand for the original coal conversion plant) in South Africa. Because of human rights considerations, Sasol decided not to consider U.S. manufactured equipment in view of the undependability of suppliers to obtain government authorizations to meet commitments. The U.S. government also refused financial support and South Africa then obtained loans from Japan and France. Although some equipment was furnished by American-Japanese/French licensees, no major equipment was purchased from direct American sources.

6. In mid-1978 FMC Corporation had an order for fire trucks from South Africa. But since these were being ordered by the South African military, they could not accept the order under U.S. law. The only difference between these units and some they were already supplying to municipalities in South Africa was the color of the paint. In a

state of emergency, the municipal units certainly could be preempted by the South African military. Thus, the U.S. government's regulations, in effect, excluded them from a significant volume of export business, with doubtful policy results. The real result was that the South African government ordered the units -- $7 million worth of U.S. jobs and profits -- from a German firm.

7. In early 1977 Ingersoll-Rand lost $3 million worth of compressors from Pemex in Mexico to Italian competitors. The Italian government and the Mexican government agreed upon a low interest loan partially repayable by barter which was more favorable than the Export-Import Bank was prepared to grant.

8. Babcock and Wilcox Division of J. Ray McDermott & Co., were negotiating with a Mexican company for $18 million worth of equipment for a power project. The Eximbank refused to offer financing unless the Mexican customer changed the specifications for the precipitator efficiency from the specified 97% to 98% as required by U.S. environmental standards. The customer refused to modify the specifications and the business was placed with a Swedish supplier.

9. In the fall of 1978 Ingersoll-Rand planned a private fair in Egypt to exhibit construction equipment. The U.S. Embassy in Egypt was asked to send a letter to the Cairo customs office to guarantee payment of customs duties on machinery not re-exported. The local commercial attache replied that his guidelines did not permit issuing such a letter unless the trade fair was controlled by a U.S. manager and had U.S. government participation. Ingersoll-Rand thus was denied the necessary letter and was unable to exhibit its products. A German competitor was able to get such a letter (a form letter) from the German Embassy in Egypt and therefore was able to exhibit and sell its products to Egypt.

10. The U.S. government has still done little in terms of exhibits, fairs, etc. for the U.S. businessman in the Peoples Republic of China. Last month Ingersoll-Rand, as an American corporation, had an exhibit in a British Energy Show to get our corporate presence advertised in the PRC. The United States is very late on this point and for years we have been riding on the coattails of our British and Canadian companies in Peking exhibits.

11. In 1972 Ingersoll-Rand Co. U.S.A. lost $2 million worth of gas engine machinery for Petrabras in Brazil to Ingersoll-Rand Co. Ltd. U.K. Eximbank terms were not competitive with the British terms which also specified that not more than 7% of the total job could be sources outside of the United Kingdom. Although it was not a real loss to Ingersoll-Rand Co., job hours in the U.S.A. were lost.

12. In early 1977 Ingersoll-Rand and other American companies were negotiating with the U.S.S.R. for over $200 million dollars worth of equipment for a gas pipeline. Although the negotiations were successful the orders were held up and later placed with a European consortium because of human rights considerations and U.S.A. failure to grant most favored nation status to the U.S.S.R.