BOOK REVIEWS

U.S. EXPORT POLICY: NEW DIRECTIONS—WASHINGTON INTERNATIONAL BUSINESS REPORT, WASHINGTON, D.C. INTERNATIONAL BUSINESS-GOVERNMENT COUNSELLORS, INC., December 1978 pp. 31. $25.00

A review of this succinct but comprehensive analysis of the precarious international trade posture of the United States leads one inevitably to the conclusion that our global economic problems are nothing less than severe, and that our primary hope for their resolution lies in our own ability to stimulate domestic commercial activity. One is struck by the magnitude of our dual national problems of eroding exports and flourishing imports, and by the urgency with which this unfavorable economic posture must be improved if our standard of living is to be maintained.

The Report is divided into six subsections, each describing in a concise and straightforward manner the several aspects of the economic and regulatory impediments with which foreign trade is faced. It begins with an analysis of U.S. export performance, then describes both the governmental policies which assist, and those which hinder, exportation. The U.S. framework is next compared with the policies and programs of the major industrialized nations of the free world. The report concludes with a review of the contemporary (and as yet inadequate) efforts to reverse current trends and a proposal for a National Export Policy.

The United States has never adopted a National Export Policy and, until very recently, its leaders never thought it needed one. This lethargic complacency is in large part, attributable to the fact that during the first 70 years of this century, the United States had a favorable balance of trade. In fact, it was not until 1971 that the United States experienced a balance of trade deficit. This $2.2 billion deficit led Congress to promulgate legislation establishing the Domestic International Sales Corporation (DISC) as a tax incentive for exports. Unfortunately this was the sole concrete governmental response to the problem.

In 1977, the deficit reached crisis proportions, with a net outflow of $26.5 billion. Oil imports were responsible for much of the capital loss, for its cost exceeded $42 billion—almost ten times the 1972 figures. The favorable balance in manufactured goods shrank from a $20 billion surplus in 1975 to a $3 billion surplus two years later. When adjusted for inflation, U.S. exports have not increased since 1974; in contrast, U.S. competitors have increased real exports by almost four percent each year during this period. Exports in the U.S. account for only six percent of the gross national product—the lowest of any industrialized nation! The deficit for 1978 is predicted to be even larger, with even optimistic projections estimating $35 billion. The cost of oil imports will continue to rise, and the U.S. may suffer a $10 billion deficit in manufactured goods alone.

As discussed in the Report, the U.S. government does offer a few programs designed to stimulate exports, primarily in the form of financial assistance and tax incentives. These programs are primarily administered by the Export-Import Bank (with its direct loans, discount loans, insurance and guarantees), the Commodity Credit Corporation of the Department of Agriculture (which finances export sales of agricultural products), the Agency for International Development of the Department of State (which finances purchases of American products by developing nations), the Department of Defense (which administers the Foreign Military Sales and Military Assistance programs) and the Industry and Trade Administration of the Department of Commerce (which provides information and promotional assistance to exporters). Among the most important governmental efforts to stimulate foreign trade is the negotiation of bilateral and multilateral agreements, such as the Tokyo Round, designed to eliminate or reduce inhibitions and constraints such as taxes, tax rebates, exculsionary purchasing policies, standards and specifications, and subsidies and price supports for domestic industries.

The Report is critical of U.S. embassy services provided by the State Department, describing them as ". . . poor in comparison to those offered by the Japanese, Canadians, and Europeans, and almost useless when more than one U.S. firm is involved in competition." Similarly, the programs of the Department of Commerce are viewed as having "marginal utility" and "staffed by officials with little business experience." The DISC is criticized as a "subsidy for corporations already exporting rather than an effective export incentive." The Webb-Pomerene Act, promulgated in 1918, permits foreign corporations to lawfully engage in export activity which might otherwise violate the antitrust laws. It also is viewed as less than effective, as too narrow to be useful and with imprecise guidelines for engaging in commercial activity pursuant thereto. In the aggregate, these programs cost American taxpayers $60 million annually, exclusive of financing assistance and tax incentives.

Another criticism of U.S. governmental performance in this area is that foreign economic policy is constructed and implemented in a manner which frequently has deleterious effects upon exports. U.S. tax policies do not encourage the requisite savings, investment and productivity essential to making our products competitive. In the past ten years, U.S. productivity has increased 1.6 per cent annually; in contrast, since 1967, productivity in Japan, Italy, France and Canada has increased 105 per cent, 54 per cent, 54 per cent, and 39 per cent respectively.

The tax and antitrust policies of other nations are praised as being far more conducive to business and investment than those of the U.S. The value added tax is viewed as advantageous, not only because it is rebated on exports, but because it taxes consumption rather than investment. Most foreign states also permit firms to defer permanently taxes on export earnings. The export promotional programs of other nations are also perceived as far more aggressive and innovative than those of the U.S.

The Report concludes with a review of President Carter's export program. Finding it inadequate, the Report proceeds to submit a proposal for a more effective National Export Policy of its own. Among the highlights of the program are tax policies which encourage investment through a reduction of the corporate tax rate, an elimination of the double taxation of dividends, and adoption of a value added tax. It suggests tax rebates or credits to labor and firms in those industries demonstrating significant increases in productivity. It asks for tax incentives and increased governmental investment in research and investment. The Report suggests that export impact statements should be required for all governmental regulations affecting exports. It requests a reexamination of the employment of export controls to achieve foreign policy objectives and for review of the existing antitrust labyrinth. It asks for greater federal coordination with the States and the private sector in the development of export promotion programs. Finally the Report recommends the establishment of a Department of International Trade and Investment which would coordinate national import, export and investment policy.

In summary, the Report points to a severe economic problem with which the United States is faced. It suggests the fundamental causes of and contributors to the problem and the inadequacies of the contemporary response, and proposes the steps which must be taken if we are to reverse current trends. On the whole, it exhibits understanding of the magnitude of the problem, and urges that far more significant action toward development of a National Export Policy must be taken, if the current capital outflow is to be reversed and the standard of living to which we have all become accustomed is not to be diminished.

All in all, the Report is effective in accomplishing these laudible objectives. But it lacks the depth and the citations to relevant source and research material one ordinarily expects from scholarly legal or economic literature. Furthermore, considering its unimpressive length, poor graphics and printing, it is overpriced. Nevertheless, it is ideal for the business executive who seeks a comprehensive but succinct survey of the causes of his firm's inability to compete effectively in the world market.

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