military field are even more abundant—the Jaguar strike fighter, the SA.340 and WG.13 helicopters, the Milan and HOT anti-tank missiles.

France, with half of its aerospace industry government-owned and all of it government-controlled, has moved into the international field. It has sold the Mirage fighters in the Near East and South America (Peru and Brazil). The same aircraft is being produced in Australia for their air force and also in Switzerland. Belgium has just announced plans to manufacture it. In all these cases the Northrop F5 was in contention but the French offered special inducements which the U.S. company could not match. The French also have sold fourteen hundred Alouette helicopters to fifty-five countries in the world.

Japan is another contender in the world marketplace. It has sold their YS11 to airlines in the United States, Southeast Asia and South America. Since it is not a member of the Berne Union Agreement, it is not restricted by the agreement in granting unusual credit terms.

But the competition which, in the long run, offers the greatest problems to U.S. aerospace industry comes from the Soviet Union. Its aircraft industry is second in size only to that of the United States. While its reputation among the aircraft-exporting nations of the world is considerably lower than its size would warrant, there are indications that this situation is very likely to change in the foreseeable future.

In the past, Russia has sold largely to Bloc countries and to developing African nations. Dissatisfaction with their equipment has centered around low utilization, excessive ton-mile costs, high depreciation, scarcity and extremely high costs of spare parts and engines, shortness of engine life and the Soviet Union's reluctance to release performance and operating data. Another significant deterrent has been the lack of service facilities outside the U.S.S.R., making it necessary in many cases to return equipment to the Soviet Union for major overhauls and repairs.

More recently they have taken steps to correct these shortcomings and study the methods of the world's airlines. The Soviet Union and Britain have signed a five-year agreement to share technology and scientific capabilities. Activities during the first year are centered around the exchange of statistics on Soviet and British engine service life and operational failures. Reports also indicate that the Russians have signed an agreement with the French to advise them on service and maintenance of their commercial aircraft. These agreements should assist them materially in avoiding complaints about their commercial products.

It appears that the Soviet Union's promotion of aircraft exports is a means to achieve political ends, and various strategems are employed to stimulate export sales. Generous terms are offered to prospective customers, terms usually more favorable than those proffered by Western firms. A concrete example of this has been experienced by the Fairchild Hiller company in Brazil. There the Soviet Antonov–24 aircraft was offered in competition with Fairchild Hiller at approximately one-half of the price of U.S., British and Japanese aircraft. Interest rates as low as 3½ percent were quoted. Obviously, no U.S. company could long stay in business if it tried to match these terms and conditions. And the Soviets have only begun their attempts to penetrate the Western commercial markets.

The U.S. aerospace industry sees these challenges clearly and intends to overcome them. Its competitors now are to a degree state-owned monopolies, especially in France and Russia. Therefore, competitive conditions of sale can be expected to be influenced by political considerations. Therefore, prices, terms and conditions may have no correlation to costs.

It is difficult for private industry to compete with nationalized foreign companies. When these competitors combine to challenge the U.S. aerospace leadership, the confrontation becomes formidable. Technology is more widely spread and competition more intense. For all these reasons the continued cooperation of U.S. government with the aerospace industry, within the framework of free enterprise, is imperative.

A.1 Export Tax Incentives

Specific export tax incentives should be examined by the Trade Information Committee. There is ample precedence of tax rebate or reduction programs in other countries equally interested in export expansion. The recognition that export earnings strengthen the financial posture of the country promoting such incentives makes it mandatory for the industry to give the matter close attention. The response of U.S. industry to the availability of an investment tax credit