this tends to be its effect. Under the Regulations (33 Fed. Reg. 15 CFR Sec. 1000 et Seq.), CDC's export sales and leases are viewed as *investments*. To the extent that the Regulations are so construed, the very success of U.S. sellers in obtaining orders mitigates against the sellers. A significant portion of U.S. computer export-orders are in the form of leases.

Congress faced this problem in excluding export sales and leases from the Interest Equalization Tax (Int. Rev. Code of 1954, Sec. 4911). Lease transactions should similarly be excluded from the Foreign Direct Investment Program.

A bona fide export sale, whether it be made through a wholly owned foreign subsidiary or directly to a foreign buyer, will have the same long-term beneficial effect on the U.S. balance of payments, *and that effect can never be negative*. To view one transaction as an "investment" and the other as a "sale" is not realistic.

We do not suggest that the Regulation should be amended in a manner which would permit foreign subsidiaries of U.S. exporters to sequester funds abroad. By the same token, CDC believes that bona fide exports should not be considered "foreign investments made with U.S. dollars." What is needed is a reasonable standard against which the *performance* of exporters of heavy capital equipment may be *measured*. Such a standard would appear to be the *normal* terms of financing provided by the Export-Import Bank and similar foreign institutions (Hermes, Coface, ECGD) to capital equipment manufacturers for the purpose of stimulating exports. Such terms, agreed to by members of the Berne Union, and adhered to by Eximbank, are the international norm for such transactions. To the extent the U.S. exporters' performance exceeds that norm (meanwhile relieving Eximbank of the burden of financing), the export sales should not mitigate against the exporter.

If there is no change in the Regulations, or their interpretations, there will be created a negative effect in the exports of products of capital equipment manufacturers, particularly those that are contracted on lease.

CDC supports the below-mentioned changes proposed by the Machine and Allied Products Institute, as reported in its newsletter of April 5, 1968:

> "An exemption from "transfer of capital" restrictions of those open trade accounts from and between affiliated foreign subsidiaries covering goods, services, royalties and fees which are not outstanding for less than 180 days.
>
> "Where it can be shown by an established custom of the trade that such items are normally carried on open account for a longer period of time than 180 days, then such items should also be exempted upon a paper showing of pertinent facts and circumstances to the Secretary of Commerce."

4. *Proposals Relative to Antidumping, Countervailing Duties, and Related Matters*

CDC has no comments.

5. *Proposals on Tariff Matters Generally*

CDC recommends for minimal or zero tariffs because U.S.-imposed tariffs invite other countries to impose retaliatory tariffs against U.S.-made products, thus making our products less competitive at the marketplace.

As noted in the Background Section (pages 1–3 supra), although U.S. computer manufacturers and their wholly-owned foreign subsidiaries have installed about $5.7 billion worth of computers outside the U.S. by the end of 1967, nevertheless there is competent and growing foreign competition, to wit:

Foreign free world manufacturers have installed approximately $2 billion worth of computers primarily outside of the United States. These computers are located primarily in France, United Kingdom, West Germany, Italy, Denmark, Sweden, Holland and Japan.

There is a large untapped market in Eastern Europe, and these competitors have launched particularly strong marketing efforts in Eastern Europe where they are operating with much greater permissiveness of their governments re export controls than are U.S. manufacturers.

France, under its national *PLAN CALCUL*, has in the past two years established a national computer consortium, *Compagnie Internationale pour l'Informatique* (*CII*), specifically to meet France's own national computer requirements, and to market competitively both inside and outside of France against U.S. firms. CII has initiated a heavy marketing effort in Eastern Europe.

Similarly, the Government of the United Kindom has, in the past six months blessed the merger of its two principal computer companies into the new *Inter-*