

Unlike the foreign countries mentioned, the U.S. Government does not bear the cost of carrying receivables; this must be done by the U.S. exporter. If, as is often the case, the U.S. man-made fiber producer undertakes to sell abroad through an affiliate, Treasury regulations require the producer to charge interest on credit extended to the ultimate customer through the affiliate. Upon failure of the producer to do so, Treasury imputes interest income to the U.S. fiber producer. In either event, therefore, the U.S. fiber producer is at a disadvantage in attempting to compete with the extended credit terms made available to his foreign competitors by their governments.

The Commerce Department's regulations on the control of direct foreign investment treat any amount of credit extended to an affiliate as a direct investment. Hence, the efforts of a U.S. fiber producer, selling abroad through an affiliate, to compete in the matter of extended payment terms result in the fiber producer's having charged against his direct investment the amount of such credit. This can subject the fiber producer to the necessity of requesting specific approval of such credit extension prior to the fact. Obviously, it is impossible to carry on competitive business in the export market on this basis.

It is suggested that both the Treasury and Commerce Departments should accept the reality of the marketplace in the matter of credit terms and not penalize exporters in relation to credit for terms of less than 1 year. Treasury, on its part, should amend its regulations so that credit extended in the export trade to ultimate customers through an affiliate not be subject to interest or the imputation of interest income. Commerce, on its part, should conform its direct investment regulations to accounting convention and not treat credit of 1 year or less as a direct investment.

Finally, consideration should be given to the assumption by the Government of the cost of extended credit so as to improve the competitive position of U.S. producers in attempting to meet the Government-financed extended credit terms offered by the foreign competitors of U.S. producers seeking to compete in the export trade.

We further recommend:

3. That this committee consider modification of the proposed Trade Expansion Act of 1968, in the following respects:

First: That title II, which would extend the residue of present trade agreement authority to reduce tariffs under the Trade Expansion Act of 1962 through July 1, 1970, be amended to conform to the expression of the administration's intent with respect to its utilization.

The transmittal message of the President accompanying the Trade Expansion Act of 1968, together with the bill's section-by-section analysis, provide a clear expression of intent that the requested authority is to be employed solely as a vehicle to facilitate the implementation of compensatory tariff concessions, and that such authority would not be employed in either bilateral or multilateral trade negotiations. This concept was reaffirmed by Ambassador Roth during his recent appearance before this committee.

The Man-Made Fiber Producers Association subscribes to this extension of authority for those reasons tendered by the administration. We, however, strongly recommend that this grant of authority is statutorily limited in its exercise specifically to those instances requiring compensatory concessions.