

D. OCEAN FREIGHT RATES

It is an acknowledged fact that ocean freight rates represent a substantial part of the landed value of exported products. However, heretofore, the greatest emphasis appears to have been placed on the disparities between freight rates on items inbound to the U.S. *vis a vis* those applicable to outbound shipments. It is the Society's belief that far more is to be gained by shifting this emphasis to the question of disparities to third countries so as to assure that U.S. plastics producers will not be at a disadvantage in competing with other major manufacturing countries in those markets. The Society, therefore, urges that strong efforts be made to assure cooperation between U.S. shippers and ocean carriers serving the U.S. to develop rates and conditions conducive to increasing our export trade to third countries. In this connection, we would recommend that consideration also be given by both the Administration and the Congress to the implementation of legislation aimed at permitting shipper groups to confer with ocean carriers and conferences of carriers on a collective basis by immunizing such activity from the operation of our anti-trust laws.

E. TAX INCENTIVES

At the outset, the Society wishes to acknowledge and express its satisfaction with the recently adopted revisions to the Regulations under Section 482 of the Internal Revenue Code. Such revisions should provide additional incentives for American industry to compete more effectively in world markets and we, therefore, strongly urge that the revised Regulations be liberally interpreted by the Treasury Department, in actual practice so as to derive the maximum advantages therefrom. In spite of those liberalized Regulations, however, there remains much further to do in the area of tax incentives.

Purchasers in most third country markets, including Latin America, Africa, Australia, and East Asia often require credit terms in excess of 180 days. The governments of many of our competitors in major producing countries have programs which permit and encourage liberal credit terms for export business. This enables their constituent companies to do business abroad in accordance with the customs and requirements of those markets. On the other hand, the United States requires that interest be charged on receivables outstanding against the overseas affiliates of American companies for periods exceeding six months. This impedes our ability to compete effectively for much business abroad. Accordingly, we propose that the Congress adopt a broad Resolution aimed at encouraging the Department of Treasury to revise its procedures and regulations so as to conform with the realities of the marketplace such as by permitting interest-free credit terms, under the circumstances outlined above, for a minimum period of at least one year.

The Society is of the view that present tax accounting procedures also tend to restrict maximum utilization of export possibilities by failing to take into account competitive pricing conditions in foreign markets. Accordingly, we propose the full implementation, under the revised Section 482 Regulations, of one of the recommendations of the Action Committee of the National Export Expansion Council which reads, in pertinent part, as follows:

"Regulations should be issued promptly under Section 482 of the Internal Revenue Code to provide clear guidelines for determining the reasonableness of export selling prices to related corporations, under varying economic circumstances giving due recognition to the type of goods or products being sold, local competitive conditions, local tariffs, the extent to which such goods or products are incidental to domestic corporate operations and other pertinent factors. The regulations should not provide fixed rigid price formulas but should indicate a policy for handling pricing problems in relation to the facts and competitive conditions relating to particular methods of operation and pricing. In particular, the regulations should make clear that if competitive conditions cause the U.S. manufacturing corporation to price to a foreign affiliate at a level which only recovers the incremental costs of manufacturing in the United States, this fact will not mean that the price is unreasonable. The regulations should clearly state that they do not require the recovery of full overall costs in the United States unless the foreign competitive situation will justify prices high enough to accomplish this."⁹

⁹ *National Export Expansion Council Report of the Action Committee on Taxation*, February 11, 1966, page 7.