

an open account) or the incorporated affiliated foreign nationals held by the direct investor." Our comments here relate specifically to debt obligations, largely as a result of export sales, carried on open account.

The net effect of the regulatory definition cited above is to require that any year-to-year increase in an open account balance with an affiliated foreign national is to be treated as a direct investment and hence chargeable to the direct investor's investment allowable. If the investor has conventional investment plans adequate to exhaust the full amount of his investment allowable, the result—assuming it is not possible to shorten payment terms—is to restrict his exports to affiliated foreign nationals to an amount no greater than that exported in the preceding year. Indeed, the tendency may well be to reduce exports if there exists any danger of exceeding the ceiling of his allowable by export sales. In light of this possibility, we are convinced it would be advantageous to write into the regulations of the foreign direct investment program a general authorization permitting increases in open accounts related to increases in exports.

The fact is, of course, that OFDI is well aware of this problem and has sought with very considerable understanding to accommodate situations of the type here described by appropriate specific authorizations. Recognizing the sensitivity of past administration on this point, we wish to reemphasize that it is not in the interest of expanding exports to have investment needs and export credit requirements competing for the same volume of investment allowables.

Consequently, we urge a general authorization, as suggested above, that would permit a company to increase its open account balances, automatically and as a matter of right, in the same proportion as its increases in such balances have accompanied increases in exports in the past. That is to say, a company that customarily collects from affiliated foreign nationals on a 6-month basis could increase its open accounts in an amount equal to one-half of the increase in exports to the affiliated foreign nationals. If it customarily collects in 3 months, then the increase would be one-fourth of the amount of the increase in exports. The specific authorization route should still be made available to firms which have a special problem as could be the case with a company whose exports are shifting from products for which prompt payment is appropriate to products for which more extended terms are customary.

The Office of Foreign Direct Investments may argue—and with some justification—that its experience indicates there are so few companies affected that continuation of the present requirement for a specific authorization in each needful case is justified. Even if this is true, we suggest that—so great is the need for increased exports—nothing should be done that could conceivably impede export expansion. Worldwide sourcing decisions are frequently close and nothing should be done which might dictate against the selection of the United States as the production source. If a specific authorization would be required for increases in credit to foreign affiliates, the very uncertainty of obtaining such an authorization might be sufficient reason in some cases to divert production to a foreign source.