distributor who handled those products when they were imported. The training of a sales force and the development of a workable sales plan can be greatly facilitated with the assistance of the home office.

If the product or products have never been sold in the local market, and the new company has to develop sales from scratch, an even greater effort on the part of the parent organization is required. Advertising and promotional plans have to be formulated, distribution channels have to be set up, decisions on packaging must be made, and merchandising *modus operandi* must be established. Most of the basic ingredients for this total marketing approach can be obtained from the appropriate departments of the parent organization. Of course, adjustments to local conditions usually have to be made. Needless to say, the International Division must make available a continuing outflow of data even after the new company is running smoothly and is standing on its own two feet.

Licensing arrangements overseas involve the transfer of large amounts of information. The heart of most agreements is the licensor's technical know-how which he agrees to transfer to the licensee for a consideration. The licensor must see to it that the licensee gets all the information to which he is entitled. In those cases where a company has a large number of licensees, this can be no mean task. Aside from the technical considerations, license agreements frequently provide that the licensee is entitled to the licensor's marketing and promotional know-how.

Distributors and representatives are also in great need of information from their principals. A distributor cannot do an effective job without this support—and in some cases, prodding. A good agent usually handles a number of lines and it would be naive to expect that he will become expert in all of them. The company must educate him in its products and their uses and suggest the type of companies the agent should call on. For best results, these overseas representatives should be as well informed, from a marketing point of view, as any salesman in the U. S.

A final note under this heading. We touched briefly on the subject of patents earlier. We mention patents in this discourse because of their close relationship to and effect upon a company's marketing position abroad. The necessity of filing patent applications in foreign countries is a task of considerable proportions and one which leads to a great deal of international correspondence and communications. In the main, this is an area which is best handled by qualified patent attorneys, but the decisions as to where to file and what to file should be made by international management. The high cost of filing applications and maintaining patents must be weighed against such considerations as the current or potential sales in the various countries, the local competitive situation, and the defensive value of the patent.

We believe the International Division of any company is in the unique position of being the logical channel for the collection and dissemination of information between different foreign markets. The International Division must have a clear understanding of its responsibility in this area and must organize on a systematic basis to handle this responsibility.

Role of the United States Goverment in Chemical Export-Import Marketing*

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Isolationism has become as passe in the commercial field as it has become, over the years, in military and political areas. This change in thinking has come about—and has been accelerated in recent years, especially in the chemical industry—by a number of potent factors. Among them are the growth of chemical and related industries in the United States since the end of World War II (unprecedented highs have been achieved in production, sales, and capacity); development of new processes, new products—indeed, development of whole new industries such as plastics, synthetic rubber, manmade fibers, detergents, and, with this, the enterprising and a remarkably efficient fostering of demand in the United States for the output of these CPI segments; the economic and practical need to seek new markets as U. S. productive capacity in many chemical lines soared and outstripped even the fast-growing domestic demand; and the revitalization of chemical industries abroad (particularly in Europe and Japan) that quickly led to satiation of their local markets and the diverting of increasing amounts of low-cost chemicals into U. S. markets.

And there have been other reasons for the growing awareness that the United States has no monopoly on the export-import marketing of chemicals. For example, take a look at the incredible development of customs unions and free-trade blocs in the world that in many

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instances has knitted together some traditionally hostile nations. One of the strongest cords that bind them is the commercial exchange—import and export—of chemicals and related products. Among the more important of these international groups are the European Economic Community (the Common Market), the European Free Trade Association, the Organization of Economic Development, and in the Communist world, the Council for Mutual Economic Assistance (COMECON). The growing chemical trade of these and other groups has been covered in a recent report on tariffs and trade.[1]

Ever since Roosevelt and Churchill, in 1941, planted the seed in their Atlantic Charter that was to blossom eventually into what we now know as the General Agreement of Tariffs and Trade (GATT), our Government has moved toward the concept of freer world trade. No other president, however, put as much on the line to promote this as did John F. Kennedy. He believed, and pushed hard, the premise that lowering of free world trade barriers would increase trade that would in turn provide more jobs in the United States, help eliminate our balance of payments deficit, and, in his words, "widen markets for the raw materials and manufactures of the less developed nations whose economic growth is so important to us all."

The U. S. foreign policy developed under President Kennedy, and now being carried on by President Lyndon Johnson, clearly reflects the government desire to increase the free flow of goods among the free world's trading partners. But while some of our "trading partners" aren't a bit shy about promoting a freer flow of trade with any nation, including Red China and Cuba, our State Department of late seems to feel that there are "nice" Communists like in Poland and Yugoslavia (and the Russians are getting "nicer") with whom we should do business, and "baddies" like Chou in Red China and Fidel in Cuba whom we should snub completely.

At any rate, the U. S. policy of trying to expand trade, which in a sense directly sired the Trade Expansion Act of 1962, will get its first big workout under the Act at the GATT negotiations that were scheduled to get under way in Geneva in May, 1964. These negotiations, which have been popularly called the "Kennedy Round", will bring together about a thousand government representatives and trade experts from some 60 nations, to work out what one can only hope will be mutually beneficial tariff and nontariff concessions.

It may turn out to be the biggest role the United States will play in aiding (or hampering) the import and export marketing of chemicals and other products. Outcome of the GATT talks will likely determine the future pattern of U. S. chemical trade, and, if fears of some voluble industry spokesmen are realized, that pattern will change for the worse.

Just briefly, let's take a look at how U. S. foreign trade, in chemicals specifically, has fared over the past few years. Since 1956, dollar value of chemical exports has increased from $1.33 billion to about $1.94 billion. We're talking here about products listed in Section 5 of the recently adopted Standard International Trade Classification (SITC), and citing, of course, the latest (for 1963) Department of Commerce figures. The total increase, over the seven-year period, works out to about 45%—a near-doubling.

Coincidentally, about the same total increase (45%) also was registered in U. S. chemical imports. Comparable figures on the latter: 1956, $382 million; 1963, about $558 million. The Commerce report, out just last month, notes that exports rose some $93 million in 1963 over 1962, and chemical imports swelled nearly $42 million.

On this basis, the chemical industry's favorable balance of trade (exports over imports) would be close to $1.4 billion. If you add in exports and imports of certain chemical products and materials not included in SITC 5 (*e.g.*, synthetic rubber products, sulfur, crude fertilizer materials), it would show a $1.55 billion favorable balance.

To look at it another way, the chemical industry actually accounted for more than 25% of the country's over-all $6-billion favorable trade balance in 1963. This, understandably, was of vital importance in partly offsetting the 1963 deficit in balance of payments, and points up, I think, why U. S. chemical exports must be maintained and, if at all possible, significantly increased.

At this point in time, it's impossible to know precisely what line our U. S. negotiators will take at Geneva, or to know whether their efforts will help boost chemical exports without tearing down what present protection we have against a deluge of low-cost foreign imports. We do know that the United States will push for sweeping tariff cuts of up to 50% and for the elimination of many trade bars, especially on farm products. We do know that some segments of the U. S. organic chemical industry have been trying desperately to persuade the government—for instance, at the recent Tariff Commission and Trade Information Committee hearings—that the role of the government should be to protect, not destroy, the chemical industry or any part thereof. And we do know that foreign negotiators, particularly the Germans, will be hammering at the so-called American Selling Price basis of valuation in the U. S. tariff law as an unreasonable (to put it mildly) protective device. As you know, ASP provides that rates for coal-tar chemical imports be based on the selling price in the United States rather than on the foreign price or value.

Despite assurances by the U. S. team that concessions will be made on a reciprocal basis, we should realize that chemicals—important as they are in the U. S. foreign trade picture—are after all, only a part of that picture and not very likely to dominate the negotiations. Perhaps the chemical industry should begin realizing it, if it really doesn't already, that U. S. tariffs will be cut, that imports will increase; in other words, that foreign competition, in this country as well as in other world markets, will be keener than it has ever been. But on the other hand, it's equally certain that at least some of the protective barriers that have restricted entry of U. S. chemicals into overseas markets will likewise be let down.

Whether the industry, on balance, comes out ahead as it has been in the past, will depend in great measure on future U. S. chemical export marketing.

Also in Geneva, and already in session, is the United Nations' Conference on World Trade and Development. The United States has supported and participated in the conference that had as its main theme, the plight of the

(1) A. J. Piombino, *Chem. Week*, 93, No. 25, 61 (1963).

emerging nations. These countries, for the most part, have economies dependent almost entirely on exporting of so-called primary products—coffee, oils, sugar, copra, etc. One aim of the conference was to find ways to increase such exports so these countries can afford to import products they need in order to industrialize.

It won't develop overnight, of course, but eventually these less-developed areas of the world will turn out to be significantly profitable outlets for industrial items, including chemicals and chemically derived products.

In researching for this paper, I found that the U. S. government, through many agencies, is ready and willing to help increase our exports. Actually, it is a clearly established policy of the Government "to foster, encourage and promote participation by private enterprise" in developing foreign outlets for U. S. goods. And an integral part of this available service is "to find and draw the attention of private enterprise to opportunities for investment and development in less-developed friendly countries and areas."

Much of the activity and the help that is available—and this at little or no cost—is centered in or associated with the Department of Commerce through the Bureau of International Commerce.

A post card, a letter, a visit, or even a phone call to the Bureau in Washington or to any of the Department's 39 field offices throughout the country will bring dozens of pamphlets, booklets, and foreign trade lists which can be of invaluable help to any company interested in entering, expanding, or developing overseas business in chemicals and other products. The titles of some of these publications are:

- Selling Around the World (marketing information on where, what, how, and who to sell)
- Selling Abroad with Credit Insurance (how the Foreign Credit Insurance Association can help you increase sales abroad)
- U. S. Government Memorandum to Businessmen (this from the State Department's Agency for International Development goes into "overseas investments")
- Trade lists and reports (*e.g.* chemical importers and dealers in Japan; the situation in Australia, etc.)

These might be called "direct" help. There is much the government is doing that could be described as indirect—activities of a more general nature but which have the same aim of bettering our export-import balance, and thereby increasing the profits of U. S. companies willing to move into or expand overseas selling.

The White House Conference on Export Expansion, that was held at the Mayflower Hotel in Washington, under the sponsorship of President Kennedy, brought together several action committees in the fields of taxation, financing, promotion, transportation, etc., to work up recommendations on how to expand U. S. foreign trade.

More than 250 participants, including members of 39 Regional Export Expansion Councils, studied these various pertinent areas and made many recommendations that were passed along to the President.

A few weeks ago I managed to get a copy of Secretary Hodges' report to the President on what has been done about the recommendations of the Conference. The Report, I think, clearly spells out the important role the Government has in expanding exports. For one, the Administration is pressing for early completion of a study under way with the OECD of the effects on international trade of variations in member country tax treatment. Out of such tax studying activities may come a tax incentive to U. S. exporters.

The Treasury Department, aware of the effect of its tax rulings on exports, on foreign investment, and on balance of payments, is ready to consider requested changes in its rulings. A provision currently under consideration for change would allow export promotion expenses to be considered as a deduction, rather than capitalization.

On the matter of equalizing ocean freight rates, you may know that the Joint Economic Committee of the Congress and the Federal Maritime Commission is currently studying alleged discriminatory practices of international shipping conferences which American ocean carriers are permitted by law to join. These conferences set freight rates and are exempt from U. S. antitrust laws. Late last year the American participating members of the 16 ocean freight conferences agreed to comply with an earlier Maritime Commission directive on rate revisions, but the foreign members did not.

The U. S. Department of Agriculture has under continuous study a program for expanding our agricultural foreign trade. Our agricultural exports now total more than $4 billion annually. The recent controversy with the European Common Market and the wheat sales to the USSR and its satellites, illustrates the concern the Administration has for these export markets.

There are many other activities of various government departments and agencies which affect the export-import marketing area. These would include the liberalization of government finance, insurance, and guarantee terms, all part of programs administered by the Agency for International Development, the Export-Import Bank, and the Foreign Credit Insurance Association; the development of a Commercial Officers Corps within the Foreign Service; the setting up of trade fairs and centers to spotlight American products and services abroad.

The Department of Commerce, following another recommendation of the White House Conference to get across the idea that the United States wants foreign customers and visitors, is stepping up its "Visit USA" program. Last year the United States had nearly 725,000 foreign visitors; they spent more than $300 million here. This, of course, benefits our balance of payments, but it also contributed to better international understanding.

When one sums it all up, it becomes exceptionally clear that the U. S. government is playing—and will continue to play—an important role in the export-import marketing of chemicals and other industrial and agricultural products. But the role, at best, is a supporting one. To carry the theatrical connotation a bit further, it's the industry itself that has the starring role in this big export-import show.