

## U.S. official upbeat

## Form business teams for exports

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By Carol Azizian  
staff writer

Smaller businesses have little to lose and much to gain by venturing into export trading.

With recent passage of the Export Trading Company Act, businessmen and bankers can band together to create jobs, enhance competitiveness in the overseas markets and make exporting less expensive, said a spokesman for the U.S. Department of Commerce.

That upbeat message was delivered to more than 100 businessmen, bankers and attorneys who attended a seminar last week at the Southfield-Sheraton Hotel.

Sponsored by the U.S. Commerce Department, Michigan District Export Council and the Greater Detroit Chamber of Commerce, the seminar was one of 45 held nationwide to encourage businessmen to form their own export trading companies.

"THERE ARE success stories — even in Michigan, which has a severe economic downturn," said Richard L. McElheny, director general for the U.S. Foreign Commercial Services of the U.S. Department of Commerce.

McElheny cited two Michigan firms — one in Grand Rapids and the other in Bridgeport — which increased their sales volume and staff by exporting goods.

"There are 5,000 firms like that throughout the United States," he said. "Many of them were hurt by the lack of access capital, high interest rates and relatively strong value of the dollar here in the last few years."

"But with interest rates dropping and gradual equalization of the value of the dollar, we hope to give them better access to capital."

A MAJOR breakthrough for American businesses, said McElheny, is Congress' passage of the "landmark" Export Trading Company Act. The act has removed impediments to export trade and penetrated the original sacred cow separation of commerce and finance.

It designs a legal system to permit the financial resources of banks, international expertise of multi-national



Richard McElheny  
be more aggressive

companies and the export management industry to work together in organizing thousands of small and medium-sized companies to stake out a share in foreign markets.

"Now you can be a lot more aggressive and receive support from the government and the private sector in competing for markets overseas."

"Before, there were very restrictive banking and anti-trust regulations — old concepts that were around at a time when the world had changed. Our competitors didn't have any of those handicaps or restrictions, which explains in large part our decline in the share of world market."

UNDER THE new law, bank holding companies and bankers' banks can become partners in an export trading company.

"They can put money in an enterprise as an owner and help finance its growth. That gives firms access to capital."

The law even has a provision which orders the Export-Import Bank of the United States to have more capital available (provide loan guarantees).

"Second, there's an anti-trust exemption which allows U.S. firms to get together to become more effective competitors against foreign companies."

"That's what Japanese firms have done — affiliated as a cartel or monopolistic marketing franchise for certain areas of the world market."

Japan has 8,000 trading companies, handling 60-70 percent of the nation's imports and exports.

"European construction or engineering cartels do the same thing when they compete for major projects. There's a French or an English corporation, for example, competing against five or six U.S. firms."

U.S. COMPANIES can band together, not only for major projects, but also to form a marketing organization, McElheny said.

The organization could formulate a product line to offer to agents and distributors.

McElheny cited several examples of successful trading companies and enterprises generated in forming new firms:

• A major U.S. trading company, operated out of New York, makes \$6 billion a year in bartered trade in Africa. It's a \$25 billion-a-year company. They trade refined petroleum products, coal, etc. in exchange for various products such as coffee. They also help U.S. manufacturers get component parts into manufacturing plants in Kenya. There are about three or four subsidiaries operating over there which have a lot of trouble getting raw materials and component parts into their manufacturing plants, and they're looking to some of these exporting trading companies for help and expertise."

• Three medium-sized construction and engineering firms banded together to act as a general contractor for a project in Bogota, Colombia. "All three had different skills. There were some overlapping talents, but more or less, they had three specialized divisions. For that project, they were exempt from anti-trust concerns."

• Marketing representatives from three major U.S. firms visited Tokyo recently to begin plans for forming an export trading company. "They asked our commercial officers to help them find agents and distributors for certain targeted kinds of products which they intend to put into the Asian market."

• The Port Authority of New York and New Jersey has taken the first step toward creating a joint export trading company. The agency is negotiating with 30 small and medium-sized companies in New York and New Jersey which don't export now but have the potential to export. The Port Authority expects the program to produce \$15 million in sales over the next two years. Product areas targeted include processed foods, home furnishings and apparel, fur garments, wood furniture and printing equipment.

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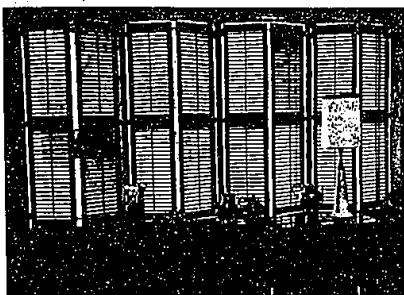


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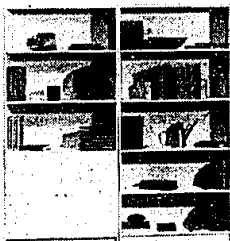
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