

## SEEKING NEW MARKETS

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Of all the problems that must be dealt with by a major corporation that is international in scope, none is more persistent, demanding and consequential than its business abroad. That has been true for American companies since the turn of the century, but the problems here in the 1970's are more burdensome than at any time in the history of American industry.

For hundreds of corporate entities, their foreign trade often represents the difference between a good year and a bad year, black ink and red ink. Foreign trade may not bulk as large in the American scheme of things as it does in the United Kingdom or Japan, indeed it is their lifeblood, but America is the world's number one trading nation. I dread to contemplate the implications of a loss of that position. But as a realist, I must admit that a decline from that lofty position is not impossible. And I am not nearly so worried about rising foreign enterprise as I am about American indolence. Surely, we are our own worst enemies.

If I seem to be rather irascible on the subject, it is because I have spent much of my lifetime seeking out business abroad for the Pullman family of companies, secure in the knowledge that I represent a company and a country that had the finest industrial technique in the world coupled with a matchless spirit of enterprise.

Could such a combination be reduced, in my lifetime, to a point where the United States would not be able to earn its way in the world? It not only could - it was!

The reasons are not hard to find. The villains abound, at home and abroad.

At home, we have had inflation, a foremost factor in the decline of our international trading position. Until last summer, when this Government took the unprecedented step of imposing economic controls in peacetime, the price of our products and services rose more sharply than the price quoted by our foreign competitors.

Also at home, there is American Labor, whose productivity lags while European and Japanese workers, with improved tools and techniques which the United States made possible, accelerate their output and efficiency. If American workers no longer are the most productive, they remain the most richly rewarded, assuming always that they still have jobs. Construction workers and service employees, engaged in trades that do not have to compete with foreign producers, may go on for awhile with this economic nonsense, but a vast army of our production workers already is on the dole because of failure to compete with foreign industry.

It is scant comfort to men trained in such varied fields as automotive, electronic, steel and textiles to know that their wage scale is the highest in the world, if their company is deprived of its markets and they are without jobs.

Parenthetically, I wonder who will buy the high-priced homes these construction workers expect to build if unemployment mounts as a consequence of our inability or unwillingness to compete. There is nothing wrong with this country that a return to the Work Ethic would not cure.

As a man who has been exposed to foreign manufacturing processes, I can tell you that the Work Ethic remains extremely strong in Europe and Japan. I have seen, often to my dismay, foreign workers turn out superior products, at a high degree of productivity and with an evident pride in their workmanship, which is frequently lacking here.

But again, at home: In Washington, there was not, until recent months, a sense of urgency over the decline of our trading position in the world marketplace. Surcharges, quotas and currency manipulation may keep our decline from becoming a plunge, but our Government will have to do better than that to cure the ills of an ailing economic body.

Not until the best minds in Washington, in cooperation with those in American industry, put a major thrust behind the development of United States trade abroad will this nation regain its rightful place in the world markets. Otherwise our leading export will continue to be dollars until that day when our trading partners no longer will want our money. In fact, there were such days last year, as any American traveler will verify. I know; I was in Germany at that time.

America, once more, must be a major factor in long-established markets and also be able to reach out for newly-

developing markets. In Japan, as a case in point, there is an aggressive approach to opening foreign markets to her goods. Government and industry collaborate, backed up by a great laboring force that still believes in the Work Ethic. It would be unlawful in this country for corporations to collaborate in trade abroad. Of course, Japan, and Europe alone with her, do not open their markets to foreign products after the fashion of the United States.

Imagine, if you will, the frustration of an American industrialist, forced to compete abroad with industries revitalized with American funds, enjoying the benefits of more productive labor and supported by national policies aimed at expanding trade. An American businessman's biggest battle, on occasion, may be to obtain from his own Government an export license needed to consummate a transaction.

Our own Government, for decades, decreed an Eleventh Commandment: Thou shalt not deal with one-half of the world's people. It seems they were contaminated by alien ideologies. Meanwhile, our European and Far East trading partners disdainful of infection, moved in to snap up the considerable business without losing their virtue. Now, of course, the President of the United States has been to China and is getting ready to visit Russia while American industrialists, reaching out for markets around the world, are left to wonder about their corporate moral qualities.

As an educated guess, I'd say that American corporations in no great time will be trading with both halves of the world, and there will be far less interest in the color of the customers' ideology than in the color of their money. The thrust of our allies and the rest of the world will be toward trade - world-wide trade.

Now, we are all sensitive to the awesome implications of an adverse imbalance in military power. But I submit, we give scant heed to the Ruble Offensive by a country that in 1971 surpassed us in production of steel, sugar, and other commodities.

Make no mistake about it: Russia is reaching out for markets around the world, and she has been increasing her industrial technology and capacity at an accelerated pace.

And this, I contend, is the kind of struggle a creative enterprising, work-oriented America should welcome. And it is

even now taking shape, with Russia, the Common Market countries, Japan and, in the future, China playing major roles alongside the United States.

Doing business internationally means different things to different societies. For the British Empire or the French, it meant colonizing backward lands, taking their raw materials and shipping back finished products to markets they controlled. For others, it meant a terrestrial division of labor, trading off linens, silks, coal or timber for foreign commodities and products.

For Americans, until recent years, it meant large-scale export of mass-produced manufactured goods and farm products and commodities, all of these unavailable from other sources which could not compete with Yankee enterprise.

For Pullman, it is a different story. By and large, we export our technology and sometimes, as in France, Canada and Mexico, assume an equity position in the enterprise. Here I am talking about truck trailers and land and sea-going containers, in which our Trailmobile Division is a world leader.

This country's trading partners, by dint of hard work, imitative processes, improved technology and rising productivity of their laboring forces, have emerged as much more formidable rivals in the markets of the world. Indeed, it was inevitable once the United States threw its considerable resources behind the revitalization of Europe and Japan.

Unlike this nation, which had come to think of itself as self-sufficient and which viewed foreign trade as marginal to the economy, such countries as Japan, Germany and Great Britain recognized that either their international trade would flourish or they would become international backwaters.

At a cost of tens of billions of dollars (and we're still pouring it out) the United States raised a military shield in the heart of Europe to protect the Continent. And behind that shield, at an additional multi-billion-dollar cost, we helped to re-create Europe, industrially, in the image of the United States. We undertook a kindred task for Japan, and for added measure, we even threw in the responsibility for the defense of that country while opening up the American market for Japanese products.

There is no parallel in history for the Japanese-American relationship. A vanquished nation has been granted, in effect, the privilege of economic colonization of this, the richest market in the world. What do you suppose we're going to do for China? And can we afford it?

You might properly ask why I go on like this. After all, Swindell-Dressler, an engineering and design division of Pullman Incorporated, has received the Kama River truck foundry contract in competition with other companies here at home and abroad.

And, in France, we have gone from licensing and minority interest in Trailor to major stockholder in a company that has emerged as the leading builder of truck trailers and containers in Western Europe. And we have plowed back the earnings into the business. Thus, we have entrenched ourselves inside the rich Common Market, although Trailor remains completely French-managed and French-operated. While I serve on their board, they run the company. Trailmobile has taken similar equity positions in Canada and Mexico.

Our M. W. Kellogg Division, an international engineering company, with emphasis on petroleum, atomic energy, ammonia fertilizer, chemicals and kindred processing plants, has been deriving the bulk of its revenues from overseas business.

M. W. Kellogg right now has a major role in a 600-million-dollar project for a petrochemical complex in Venezuela, building the ethylene plant and assuming management of equipment off-site. For Indonesia, M. W. Kellogg is taking on a \$4-million-dollar ammonia fertilizer facility.

These are but a few of the projects and investments by members of the Pullman family of companies. In the broadest sense, these divisions are members of the United States industrial community, and, as such, extremely sensitive to fluctuations in this country's economic fortunes.

How, for example, could our Swindell-Dressler division do business in Russia at a time when other large American corporations were thwarted by our own Government? It wasn't easy, as Donald J. Morfee, the president of Swindell-Dressler is prepared to attest. It is a little-known fact that Swindell-Dressler did not approach the Russians; they came to us. And they came to us because they knew that Swindell-Dressler had

done some of the greatest engineering and design jobs for the finest corporations in the world: United States Steel, Bethlehem Steel, Ford Motor Company and a hundred other leaders of American industry.

You may be interested to hear Morfee's story, as he told it to me. He says that, generally, trade with the Soviets starts out with a trade delegation from their country visiting a company which has services or products that they need. At first, these preliminary negotiations seem to be very precise about requirements. But after final negotiations are completed, it will be recognized that this was merely a fishing expedition, that they were not sure of their requirements. Negotiations of this magnitude (I am talking about Kama River) normally take at least 12 months, depending on the importance to their Five-Year Plan.

The Soviet Union, of course, has a planned economy, with 15-year programs being the method of their long-range planning. We are currently at the beginning of their second Five-Year Plan, as a part of their 15-Year Plan. Business negotiations are conducted in Russian through translators. Generally speaking, final negotiations are conducted with one of the many agencies of the Soviet Ministry of Foreign Trade.

Depending on the product or the service, the conditions of negotiation are not consistent in their degree of difficulty; in other words, occasionally great difficulties lie in the area of financing, other times prices or sanctions.

Once financing or a payment schedule is arranged, it is strictly adhered to by the Soviet Union. We do not know of any cases where payment has not been made in accordance with the contract.

Because of the lack of hard currency, the Soviets like to barter. Since the United States is so far advanced technically beyond the Soviet, there are few, if any, products available. There are, of course raw materials, usually lumber and pulp, ores and minerals, natural gas.

Before meaningful trade can be made between our two countries, major forms of credit must be made available. Of course, the first consideration is the Export-Import Bank, which was established for just such a purpose. But the first loan to Russia has yet to be made. There is widespread speculation that President Nixon will announce in May, when he goes

to that country, that the Ex-Im Bank will have credit available for the Soviets.

One of the considerations that is not generally known is the necessity for the Soviets to settle their Lend-Lease debt to the United States. This probably is a must before the Ex-Im Bank does make credit available and meaningful trade is begun.

The Swindell-Dressler contract will require a sizable number of Russians to come to this country. We believe that the impact of our standard of living will have on them is going to stimulate trade.

And trade with Russia not only is good business, but helps to reduce East-West tensions. If you don't think this is good business, ask the Japanese, who have been substantially increasing their trade with Russia.

Of course, the Soviets are only part, a relatively small part, of the business that beckons to an America that is productive, creative, enterprising and free of such handicaps as an unstable currency and unimaginative Government restrictions. We must see world trade for what it is - a 840-billion-dollar-a-year business!

So you can readily see it is big business, although it takes on different aspects for Americans. For some it means exporting their wheat, tobacco and vegetable oil. For corporations that are labor-intensive, and often capital-intensive as well, it will require a lot of cooperation from Labor and Government to compete, at home and abroad.

The Pullman family of companies has only a minimal stake in selling products abroad. What we have to offer, in the main, is superior American technology, selling our know-how and can-do around the world through our Pullman-Standard, Trailmobile, M. W. Kellogg and Swindell-Dressler divisions, and licensing companies abroad to use that know-how in the transportation, construction and processing fields, with emphasis on oil, chemicals, ammonia fertilizer, metals and other capital-goods industries.

I think that the potential for a world of trade and live-and-let-live is greater than at any time in this century. If I have sounded the alarm about the problems besetting the United States in the markets of the world, I have also tried to demonstrate that there are tremendous opportunities.

There isn't a country in the world (and I've been in most of them) that wouldn't accept our problems if only they could have the accompanying opportunities. The solution will not come from abroad, although our trading partners must accept equal opportunity to trade, but the crucial elements are to be found within our own country.

Are we going to be complacent and emerge as a service-dominated society, with the inevitable decline in the standard of living for our people? Or are we going forward, as did other generations of Americans: Highly productive, research-oriented, creative, freed of self-defeating red tape, and of course, with a sound dollar?

Sure we have problems, but problems create opportunities for people who are vigorous and enterprising. The America in which I grew up was not without resources, the least of which were the riches beneath this blessed soil. The greatest resource of this country, or any other land, is her people. And the American people were the most richly endowed in the world. You need only to remember your heritage and to live up to it. Doing that, you will be a mighty competitor in the world of trade.