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SOME FURTHER ASPECTS OF INTERNATIONAL COMPETITIVENESS

OUR FOCUS on measuring price competitiveness kept us from exploring the broader aspects of price and nonprice competition in world trade as thoroughly as we would have liked. We cannot therefore attempt to present a well-rounded discussion of factors other than price changes and differences, but on a few points we gathered enough information for a worthwhile report.

The Relative Importance of Price and Nonprice Factors

The relative importance of price and nonprice factors can probably best be studied through statistical or econometric analysis, and in the previous chapter we reported some work along these lines. It is, however, very difficult to quantify the nonprice factors, and even for prices we have the relevant data for only six years. An alternative approach, which has obvious disadvantages of its own, is to ask firms engaged in international trade to assess the various factors that enable them to export or that cause them to import.

A pilot survey was made in 1964 to determine the feasibility of using a mail questionnaire to gain information about the role of prices in U.S. exports as this role was seen by large U.S. industrial firms. A questionnaire we prepared (see appendix to this chapter) was sent out on our behalf by the National Association of Business Economists to a selected list of its members in over 100 firms. Of 64 responses, only 26 provided useful information and, considering our small staff and heavy price collection burden, we decided against a wider survey along these lines. A brief report on the answers is worthwhile, however. The 26 firms that did provide data were responsible for a wide range of exports

amounting to over half a billion dollars out of a 1964 total of $22 billion in the sectors they covered and an overall total of U.S. exports of $26 billion. At the three-digit SITC level, they provided 69 reports on 43 different categories. The distribution of firms reporting and of their exports by one-digit SITC sections is compared with total U.S. exports in Table 7.1.

For those SITC sections for which we had at least five different firms reporting and for the aggregate of all products, we show, in Table 7.2

Table 7.1
Distribution of U.S. Exports and Survey Data, 1964
(dollars in millions)

SITC No.	Section	Exports		No. of Firms Reporting
		Total (1)	Sample (2)	(3)
2	Crude materials, inedible, except fuels	$2,951	$92.5	5
3	Mineral fuels, lubricants, and related materials	911	12.4	3
4	Animal and vegetable fats and oils	434	[a]	1
5	Chemicals	2,375	33.7[b]	6
6	Manufactures, classified by material	3,201	97.8[b]	10
7	Machinery and transport equipment	9,350	307.3[b]	10
8	Misc. manufactured articles	1,715	[a]	1
9	Commodities not classified according to kind	611	[a]	1
	Total	21,548	556.1	37[c]
Total U.S. exports[d]		26,086		

Source: Col. 1: *United States Exports of Domestic and Foreign Merchandise; Commodity by Country of Destination,* 1964 Annual, U.S. Dept. of Commerce, Report FT 410, June 1965; cols. 2 and 3: NBER survey.

[a]Not available or not given because only one firm reported.

[b]Figure excludes at least one major firm which gave responses to questionnaire but did not report dollar amount of exports. In these categories therefore the sample covers substantially more exports than are given in column 2.

[c]Unduplicated number of firms was 26.

[d]U.S. exports in SITC sections for which none of the sample firms reported any exports were: SITC section 0, food and live animals, $3,983 million; SITC section 1, beverages and tobacco, $554 million.

Table 7.2
Relative Importance of Factors Explaining U.S. Export Success[a]
(per cent)

Factor Underlying Ability to Export	Crude Materials (SITC 2)	Chemicals (SITC 5)	Mfrs. Classified by Material (SITC 6)	Mach. & Transp. Equip. (SITC 7)	All Products
1. *Prices equal or below foreign*	*43*	*56*	*18*	*14*	*28*
2. *Product more expensive, but:*	*42*	*30*	*66*	*70*	*57*
a. Product custom built; sales depend on engineering skill	5	1	11	10	9
b. Produce for stock, but product is superior	12	2	9	29	13
c. U.S. goods in general or company's brand command(s) premium	7	14	11	15	12
d. Faster delivery	2	3	7	5	5
e. Better after-sale service	15	10	13	8	12
f. Tied grants or loans			6	2	3
g. Other			8		3
3. *Unique product; no close foreign substitute*	*6*	*5*	*10*	*14*	*10*
4. *Other*	*10*	*8*	*6*	*3*	*5*
Total	*100*	*100*	*100*	*100*	*100*
Addendum: No. of firms reporting	5	6	10	10	26

Note: Percentages may not add to totals because of rounding.

[a]Twenty-six U.S. firms are covered. They reported relative importance in percentage terms, and the figures in the table are averages of the reported percentages.

the relative importance assigned by the firms to different factors accounting for their success in exporting. Low prices received only 28 per cent of the weight on the average. At the other extreme, firms did not feel that they could rely very heavily on the uniqueness of their goods: Uniqueness received only a 10 per cent weight. The greatest importance (57 per cent) was assigned to factors that enabled the U.S. firms to sell abroad even though their products were more expensive than those of foreign competitors; product superiority in one form or another (a, b, and c) accounted for the largest part (34 per cent out of the 57 per cent), with better after-sales service the leading runner-up (12 per cent). There was, as would be expected, a greater emphasis on relative price in basic products (SITC 2 and 5) than in manufactured goods (SITC 6 and 7). Indeed, over half the firms reporting upon manufactured goods in SITC 6 and 7 did not attribute any of their export success to their ability to match foreign prices. This does not mean, of course, that they were unconcerned about the size of the price differentials between their products and those of their foreign competitors. Firms selling transportation equipment, the returns suggested, placed more emphasis on relative prices than did other machinery producers.

The general nature of the responses of the twenty-six firms is little changed if, instead of averaging their percentage responses, we count the number of times each factor was mentioned (Table 7.3). Uniqueness of product and miscellaneous factors (items 3 and 4),[1] were mentioned relatively often but not assigned a great deal of weight.

We compared these results with more extensive surveys into reasons for imports conducted by the IFO Institute of Germany [2] and by the National Economic Development Council in the United Kingdom.[3]

In the German survey, which was limited to imports of factory equipment in 1964, the responding firms [4] reported they made 63 per cent of their purchases because the desired equipment was produced only abroad and another 12 per cent, because of the superiority of foreign equipment; only 7 per cent was purchased abroad for price advantages.

[1] Effective foreign sales or distributive organizations were the most frequently mentioned items in the miscellaneous category.

[2] "Warum kauft die Industrie ausländische Ausrüstungsgüter?" IFO *Schnelldienst,* July 8, 1966.

[3] *Imported Manufactures; An Inquiry into Competitiveness,* 1965.

[4] The survey went to 3,000 firms of which 27 per cent responded. The goods included in the survey covered 41 per cent of German machinery imports in 1964. Motor vehicles and office and farm machinery were excluded.

Table 7.3
Relative Importance of Factors Explaining U.S. Export Success, Alternative Test

	References to Each Factor		Per Cent Distribution of Importance[a]
	No.	Per Cent	
1. *Price*	*35*	*29*	*28*
2. *More expensive but*	*57*[b]	*47*[c]	*57*
a. Engineering skill	19	5	9
b. Superior product	28	8	13
c. Preference for U.S. goods or brand	36	10	12
d. Faster delivery	23	6	5
e. Better after-sales service	42	12	12
f. Tied grants or loans	14	4	3
g. Other	9	2	3
3. *Unique product*	*20*	*16*	*10*
4. *Other*	*10*	*18*	*5*
Total	*122*	*100*	*100*

[a]From Table 7.2.

[b]Number of times one or more items in group 2 was referred to in a company report on a three-digit SITC category. Since in most replies reference was made to more than one of these items the number of references to 2a–2g totals 171.

[c]Percentages in lines 2a–2g (which sum to 47) show distribution of 171 references mentioned in previous note.

The full distribution of reasons, when tabulated and compared with our returns covering the same products, agrees remarkably with it (see Table 7.4). About three-fourths of German imports (from all sources) and of U.S. exports (to all destinations) are attributable to some degree of product differentiation. Under this general rubric there are substantial differences between the relative importance assigned by German importers and U.S. exporters to uniqueness versus types of product differentiation involving higher degrees of substitutability between domestic and foreign goods. To some degree the greater weight given by German importers to uniqueness may reflect differences in definition or judgment, but the direction of the differences is plausible. One would expect German importers to find the products they buy from the rest of the world unique compared with what is produced only in Germany more

Table 7.4
Factors Accounting for Factory Equipment Trade:
German Imports vs. U.S. Exports, 1964
(per cent)

	German Imports	U.S. Exports
Price	*7*	*7*
Product differentiation	*77*	*73*
Unique goods	63	22[a]
Superior goods	14	51[b]
Technical features	(10)	
Quality	(5)	
Service and other factors	*16*	*20*
Better service	3	9
Delivery time	9	8
Miscellaneous	4	3[c]
Total	*100*	*100*

Source: "Warum kauft die Industrie ausländische Ausrüstungsgüter?" IFO *Schnelldienst,* July 8, 1966. NBER survey: machinery and equipment, excluding motor vehicles, office machinery, and farm machinery. Parts do not always add to totals because of rounding. U.S. coverage differs from Table 7.2 to provide comparability with Germany.

[a]Questionnaire, sum of lines 2a and 3.

[b]Questionnaire, sum of lines 2b and 2c.

[c]Questionnaire, sum of lines 2f, 2g, and 4.

frequently than U.S. exporters would find the goods they sell as unique compared with the whole range of products available abroad.[5]

The results of the U.K. study, which covered manufactured goods,[6] were not summarized quantitatively. The findings, based on surveys of opinions of users, consumers, and competing manufacturers, indicated that the relative importance of price differences varied from one product to another. For machinery: "The crucial factor [determining the choice between a domestic and foreign purchase] is what a machine can do or

[5] It is also possible that an exporter is inclined to perceive products of other exporters as competitive with his, while the firm purchasing foreign equipment tends to think of the item it has decided to import as being unique relative to domestically available goods.

[6] Chiefly chemicals, paper and paperboard, textiles and apparel, iron and steel, machinery and transport equipment, instruments, photographic and optical goods, and watches and clocks.

how economically and reliably it can do it; superiority in this sense outweighs quite large differences in price." [7] Price was, however, a "crucial" [8] factor in paper and paperboard, textiles and clothing, some consumer durables (refrigerators and motorcycles), and iron and steel; but it was not clear that quality-adjusted price comparisons were the basis for these conclusions. Shortage of capacity also played a role in 1964 imports, particularly in chemicals.

Price Differentiation Between Domestic and Export Markets

One result of the importance of product differentiation, of nonprice factors, and of the separation of markets by transfer costs, aid-tying, and the like is that sellers have considerable discretion to vary their pricing policies from one market to another.

Although we did not seek to investigate the extent to which firms did in fact differentiate between markets, such policies often came to our attention directly or indirectly. The evidence points clearly to the conclusion that prices of a substantial fraction of international trade in manufactured metal products and machinery differ from those in domestic markets.

The most direct evidence to support this view came from sellers. Although we explicitly stated that our interest was not in domestic but in export prices, about half of the 121 U.S. sellers who gave us prices nevertheless indicated their pricing policies. Of these, about half stated their foreign and domestic prices differed.[9]

The information from these and other sellers and from buyers, some from abroad, suggests that price differentiation between various markets is more widely practiced by European and particularly Japanese exporters than by U.S. ones. The probable reasons are the greater relative importance of the domestic market for U.S. firms and the greater extent to which they export differentiated products less exposed to price competition.

More specific references to price differentiation will be found in a number of the product chapters, including those dealing with aluminum,

[7] *Ibid.*, p. 18.
[8] *Ibid.*, p. 28.
[9] We included among the "same-price" firms some which charged higher prices to foreign customers to cover higher packaging expenses encountered in preparing goods for overseas shipment.

steel, aircraft, power transformers, electricity distribution equipment, and agricultural machinery.

Shipment Delay

An offset to the often lower and generally more flexible pricing of Europe and Japan is U.S. speed in shipment from factory after receipt of order. This U.S. advantage emerges clearly from two bodies of data we gathered in our study and accords with conclusions reached for a narrower commodity sector by another group of investigators using a completely different type of data.[10]

One source of information, which consisted of periodic surveys of the supply outlook and shipment delays, was conducted by the purchasing department of a large international firm with procurement activities in many countries to support worldwide production and distribution operations. These reports, which were sent to the company's requisitioning officers in various parts of the world, were generally prepared at irregular intervals depending upon the extent of variation in supply conditions; in some years only one report was issued, in others as many as four. The reports were concerned with standard specifications of products rather than with special-purpose variants that had to be custom made. There were some changes in the form and content of the reports over the years. In general they became somewhat more comprehensive, so that more comparisons can be made for the recent dates than for the early ones. The coverage of the reports was very stable over the years, although in a few instances the specific variant of a product differed from one report to another. In addition, some items appeared only sporadically. Nevertheless, U.S. and foreign sources of supply could be compared over time for enough items to enable us to construct indexes of relative shipment delays for metals and metal products (SITC 67, 68, and 69) and for machinery and transport equipment (SITC 7).

One report was selected for analysis for each year—the one nearest the midyear when there was a choice. Most of the reports relating to shipments from foreign plants referred to the European area as a whole. One or two reports, however, dealt with the U.K. and European coun-

[10] M. D. Steuer, R. J. Ball, and J. R. Eaton, "The Effect of Waiting Times on Foreign Orders for Machine Tools," *Economica,* November 1966.

tries separately; in these instances, the shortest European shipment time was taken for comparison with the United States. Japan was introduced only in 1963, and it is treated separately in our calculations. The reports gave the time required between the date of the order and shipment from the factory; requisitioning sources were to add to this time the necessary period for the shipment of the goods to the desired point of use. The times were usually expressed in ranges such as "stock" to 2 weeks, 6 to 8 weeks, or 1 to 2 months. The midpoint of these ranges was used in the calculations. "Stock" or "immediate delivery," given without any range, was taken as one week.

All times and time ranges for each year were converted into weeks and classified into appropriate four-digit SITC categories. Place-to-place ratios were then calculated for each item. The first step in averaging these ratios was to obtain an unweighted average of all ratios in a specific four-digit SITC category in a specific year. The four-digit averages were then combined into weighted three-, two-, and one-digit and overall averages by using 1963 OECD trade weights. Thus in these indexes, the composition of items in the comparisons changes somewhat from year to year. The results are shown in Table 7.5.

The figures suggest that fast shipment is a structural characteristic of the U.S. metal and machinery industries relative to those of Europe and perhaps Japan. Only in 1956 was European delivery time shorter than that of the United States: Our indexes fell in the quarter marked by a five-week U.S. steel strike. There is, however, no trend over this eleven-year period in the relative European-U.S. times.[11]

[11] Substantially the same results were obtained when the data used for the computation of the indexes were restricted to those items for which corresponding ratios were available in adjacent years. In these calculations we obtained two four-digit averages for each year, one comparable with the preceding year and the other with the succeeding year. For each pair of years, matching four-digit averages were then combined into three-, two-, and one-digit and overall averages, using 1963 trade weights as above. For all categories of product, these indexes are compared, below, with those in Table 7.5 by converting them to a 1962 base:

Europe/United States
(1962 = 100)

	All Items	*Overlapping Items*		*All Items*	*Overlapping Items*
1953	52	59	1959	81	90
1954	37	43	1960	70	78
1955	63	66	1961	71	79
1956	28	33	1962	100	100
1957	63	70	1963	63	63
1958	78	87	1964	59	57

Table 7.5
Relative Shipment Delay for Standard Specifications and Capacity Utilization, Europe, Japan, and the United States, 1953–64
(U.S. for each year = 100)

Year and Quarter	Total		Metals and Metal Products		Machinery and Transport Equipment		Indexes of Capacity Utilization		
	No. of Observations (1)	Relative (2)	No. of Observations (3)	Relative (4)	No. of Observations (5)	Relative (6)	U.S. (7)	Western Europe (8)	Europe/U.S. (9)
Europe/United States									
1953-IV	85	154	56	141	29	159	88		
1954-IV	113	110	70	115	43	108	81		
1955-III	114	187	72	122	42	210	91	99	109
1956-III	106	84	72	80	34	85	90	95	105
1957-III[a]	112	188	72	223	40	175	89	91	103
1958-III	114	232	74	225	40	234	73	90	123
1959-I	115	240	75	207	40	251	79	88	111
1960-III[b]	111	207	73	221	38	203	80	96	120
1961-I	110	210	72	228	38	204	72	96	134
1962-II	121	295	69	336	52	281	80	95	119
1963-III	122	185	69	278	53	153	81	94	117
1964-I	128	175	68	239	60	153	81	96	118
Japan/United States									
1963-III	120	215	66	295	54	187			
1964-I	85	164	38	220	47	145			

Source: Cols. 1–6: Derived from procurement data of large international company by the method described in the text; cols. 3 and 4 include SITC 67, 68, and 69; cols. 5 and 6 cover SITC 7, and cols. 1 and 2 are a combination of SITC 67, 68, 69, and 7. Cols 7 and 8: Based on disaggregation of capacity indexes presented in *Wharton Economic Newsletter*, Spring 1968, p. 18. Include fabricated metal product, machinery, motor vehicle, aircraft, and instrument industries.

[a]1957-IV for Europe.

[b]1960-II for Europe.

Our second body of data was based on international bidding on projects in developing countries. In this case, the time given in the bidding was the length of the period between placement of the order and delivery (including transport time). Large machinery, sometimes custom built, was frequently involved, but some data were also available for steel structures and other metal products and smaller or standardized types of machinery or transport equipment. There was very little consistency over time: The specifications and quantities of even the few comparable items, on which data were available in adjacent years, varied greatly. Thus year-to-year comparisons are often based on quite different items. The place-to-place comparisons, however, are presumably exact: Bids not substantially meeting specifications were excluded. The countries consistently competing on these projects, besides the United States, were the United Kingdom, Germany, other EEC countries, and Japan. When several bids were submitted by the same country, the delivery time of the acceptable bid with the lowest f.o.b. price was chosen for comparison. Similarly, the delivery time chosen to represent the EEC (excluding Germany) was that of the country offering the lowest f.o.b. price.

Data before 1961 were too scattered and insufficient for us to derive reliable comparisons. Within the years for which we did attempt to compute indexes, the months in which the bids fell varied greatly. However, bids on many different items often came together at a particular date during the year because a purchasing country often asked for bids on a variety of items needed for one installation (such as a complete electrical power plant). The delivery time on most bids is given in months or days. The methods used in preparing the index numbers were similar to those described above for the first set of data.

The results, set out in Table 7.6, confirm the earlier finding that U.S. firms have consistently been faster in filling orders. Beyond this, few inferences can be drawn from the data; the sample is apparently too thin to produce reliable indicators of changing relative delivery speeds.

Both cyclical and structural factors may be involved in producing the differences we have observed between the United States and Europe in both sets of data. It is reasonable to suppose, for example, that shipment delays will expand and contract with cyclical conditions, and that relative shipment times will be affected by the different cyclical timing and amplitude in the two regions. With this possibility in mind, we added to Table 7.5 some indexes of capacity utilization as cyclical indicators,

Table 7.6
Relative Delivery Time for Goods Offered in International Bidding, 1961–64
(U.S. for each year = 100)

Year	United Kingdom		Germany		Other EEC		Japan	
	No. of Observations	Relative	No. of Observations	Relative	No. of Observations	Relative	No. of Observations	Relative
MACHINERY OTHER THAN ELECTRIC (SITC 71)								
1961	3	141	2	114	3	174		
1962	24	202	19	134	25	268	14	106
1963	33	155	17	119	29	168	20	132
1964	13	154	12	206	13	390	5	118
ELECTRICAL MACHINERY, APPARATUS, AND APPLIANCES (SITC 72)								
1961	11	199	14	152	10	229	6	246
1962	23	127	26	363	21	223	15	124
1963	26	253	50	150	36	183	30	210
1964	21	103	27	110	19	106	39	212
MACHINERY AND TRANSPORT EQUIPMENT (SITC 7)								
1961	18	165	19	206	17	193	8	217
1962	57	131	50	232	54	266	35	111
1963	65	155	70	125	68	176	59	147
1964	35	251	39	178	33	235	44	146
METALS, METAL PRODUCTS, AND MACHINERY (SITC 67, 68, 69, AND 7)								
1961	21	210	24	197	20	229	10	303
1962	63	131	56	222	61	244	43	126
1963	71	149	86	123	75	156	72	146
1964	41	248	45	204	37	225	48	155

Source: Derived from international bids.

but no clear relationship between the shipment date and the capacity indexes emerged. Perhaps the relationship is too complex to be revealed by matching the ratios for one quarter of each year as we did. Another factor is that the European level of capacity utilization observed in this period was relatively high and the range narrow (all the indexes fall between 88 and 99); the U.S. levels were relatively low and the range broad (indexes between 72 and 91). Perhaps for this reason, average shipment times in the underlying data vary less for Europe (11–17 weeks) than for the United States (7–17 weeks). However, the U.S. range is not greater than the European one if the steel strike period is excluded.[12]

Average U.S. shipment periods exceeded 10 weeks during 1955, 1956, and 1957,[13] when the U.S. capacity utilization index was around 90. In the other seven years, when the capacity index was never higher than 81, the averages were around 7 weeks. While this suggests that the faster shipment time of the United States may conceivably be related to the greater slack in its capacity utilization, U.S. shipment delays were shorter than in Europe even in 1957 when capacity utilization in the two areas was nearly alike.

The overall relationship showing higher U.S. prices and faster U.S. delivery is logical, since a long delivery period increases purchaser's cost; and fast shipment, the seller's. However, a superficial analysis of the material underlying Table 7.6 did not reveal a strong inverse relationship between price and shipment delays either within countries or for offers of different countries for given pieces of equipment. The explanation may be that the trade-off between price and speed of shipment exists along an indifference curve or isoquant for an individual seller or buyer, and our data give us information about only one observation on this trade-off curve for each seller. A losing bid involving

[12] Average number of weeks between receipt of order and shipment for all metals, metal products, machinery, and transport equipment:

	U.S.	*Europe*		*U.S.*	*Europe*
1955	10.8	15.8	1960	7.7	14.3
1956	18.2	13.7	1961	8.0	14.4
1957	11.0	17.5	1962	6.8	15.1
1958	7.5	14.6	1963	7.2	10.9
1959	7.5	14.5	1964	8.3	13.9

[13] In the period from 1955 to 1964 when capacity indexes were available for both Europe and the United States.

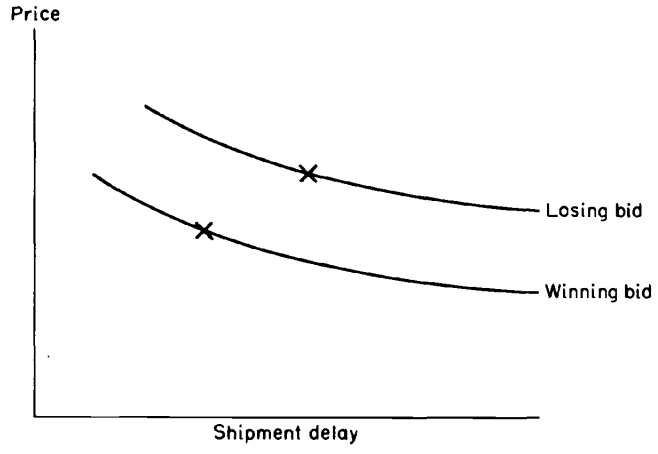

Figure 7.1

a higher price and slower shipment may have been on a higher price-shipment delay indifference curve (Figure 7.1): [14]

Faster delivery may be explained by the relatively large size of the U.S. market and of the average U.S. firm. Though we can only speculate on this effect, it seems reasonable to suppose that volume makes it relatively cheaper to maintain more complete inventories not only of a greater variety of sizes and styles of standard items, but also of items for which the holding of stocks in a smaller market would be costly or risky. In connection with the latter categories, Zarnowitz, in a study of the relationship between order backlogs and price changes within the United States,[15] mentioned long "lead times" in machine tools because they must often be made to order, and in steel rails because the demand is so sporadic. Perhaps the size of the U.S. economy reduces the risk of producing relatively specialized supplies and even whole machines or their components to stock, rather than to order, and the United States as a result has shorter shipment periods than other countries. This may be the case even for products made to order if the manufacturers

[14] A further step, which was not taken, would be to compare price-delivery combinations on actual transactions. Such a comparison is difficult because we are dealing with nonstandard products and therefore have no simple way of comparing one transaction with another. The analysis could be performed if we had a regression relating price to the physical quality variables, in which case the delivery periods could be compared with the residuals from the equation or could be included in the equation as an additional explanatory variable.

[15] Victor Zarnowitz, "Unfilled Orders, Price Changes, and Business Fluctuations," *Review of Economics and Statistics,* November 1962; reprinted as NBER Occasional Paper 84.

are able to produce the main components to stock and then simply combine them to order in different ways. Finally, larger volume makes it more worthwhile for management to expend greater effort on inventory control, and faster handling of incoming orders may be a concomitant gain in efficiency.

The materials considered in this chapter illustrate some of the factors, other than pure price competition, that influence trade flows. A number of other influences, such as financing costs, are also reported to be important, but we were not able to collect data on them. It seems clear that more systematic research into such factors could greatly increase our understanding of the operation of international markets.

Appendix: Copy of Form Used in Survey of Export Competitiveness

NATIONAL BUREAU OF ECONOMIC RESEARCH

March 1964

Pilot Survey of Competitiveness of U.S. Exports of Manufactures

The National Bureau of Economic Research is engaged in a major research project designed to determine to what extent the United States is competitive in world trade in manufactures with respect to prices and other facets of competition.

The study is centered on the role of prices, and the price experience of a substantial number of firms buying and selling in world markets has been canvassed through direct interviews. In these interviews, businessmen have often stressed the importance of non-price factors, which are, in many respects, more difficult to assess than the relative price position. The purpose of the attached questionnaire is to make a trial effort at identifying and, in at least some respects, quantifying the non-price factors that are important in explaining our manufactured exports.

The questionnaire is concerned mainly with your firm's 3 most important export products in 1963 or some other recent 12 month period. Ideally, we would like each "product" to correspond in coverage to one of the 3-digit categories of the Standard International Trade Classifica-

NBER Export Survey

I. Name your company's three most important exports from the U.S.

Product	*Three most important destinations* * (a)	(b)	(c)	*Annual Exports ($ million)*
1.				
2.				
3.				

These three products accounted for approximately _____ percent of our exports.

* Canada, Latin America, U.K., Common Market, other Europe, Japan, other Asia, Africa.

II. We would like to know what underlies your success in exporting. As nearly as you can, assign approximate percentages to the factors listed below to indicate the degree to which you regard each as playing a part in your company's ability to sell abroad.

	Product 1 Destination (a)	(b)	(c)	*Product 2* Destination (a)	(b)	(c)	*Product 3* Destination (a)	(b)	(c)
1. Our prices are as low as or lower than foreign prices.									
2. Our product may be more expensive than foreign substitutes but we can meet foreign competition because:									
a. Our product is custom built; our sales depend on our engineering skill.									
b. We produce for stock but our product is superior to those available abroad.									
c. U.S. goods in general or our brand in particular command(s) a premium.									
d. We can deliver good more promptly.									
e. We provide better service after sale.									
f. Our exports are based on tied grants or loans.									
g. Other (Explain below).									
3. Our product is unique; no close substitutes are available abroad (Explain below).									
4. Other reasons (Explain below).									
Total (sum of 1, 2, 3 and 4 should add to 100)									

Explanations

III. Do you have a foreign subsidiary or licensee producing any of the three products mentioned above? _____
If so, please indicate the approximate percentage of your exports from the U.S. that fall in the following classifications:

	Product 1	*Product 2*	*Product 3*
1. U.S. exports are to areas other than those served by foreign subsidiary.	_____	_____	_____
2. A different type, variety, or brand of product is exported from the U.S.	_____	_____	_____

IV. The obstacles to our exporting more of the things we produce in the U.S. to each of the areas mentioned below may be ranked in order of importance as follows:

	Canada	*Europe*	*Latin America*	*Other*
a. Foreign firms sell similar products at lower prices.	_____	_____	_____	_____
b. Foreign competitors extend more favorable financing.	_____	_____	_____	_____
c. Tariff barriers.	_____	_____	_____	_____
d. Quantitative restrictions.	_____	_____	_____	_____
e. Specifications or procurement practices favor national (or other non-U.S.) suppliers.	_____	_____	_____	_____
f. Other government rules or regulations.	_____	_____	_____	_____
g. We are not in position to match the sales efforts of our competitors.	_____	_____	_____	_____
h. Other (please specify). _____	_____	_____	_____	_____

V. Would your firm be willing to supply prices for a few internationally traded machines or metal products based on either your selling or your purchasing experience?

Selling_____ Purchasing_____ Both_____

Name of Company_____

Name of Respondent_____

Date_____ Address_____

Note: – We should be grateful for any comments which you may wish to attach amplifying your responses to the foregoing questions.

tion (SITC). A list of these [omitted here] is attached. We realize, however, that it will be necessary for you to select the product classifications in terms of your firm's accounting records. Please tell us enough about each "product" you select to enable us to assign it to its proper place in the SITC.

For each of the 3 products, we would like to know the operative factor accounting for your firm's ability to export the product. We realize that the factors underlying export ability are often very complicated and that more than one element in our list in paragraph II may be involved. However, you are asked to allocate the dollar volume of exports (in percentage terms) among the various rows afforded in paragraph II as well as you can. We would be pleased to have any additional comments you wish to make.

The response of any individual company will be kept confidential. Indeed, the names of the participating firms will not be made public. Furthermore, care will be taken to publish the results in a way that will avoid the disclosure of information pertaining to an individual firm.

We have asked the cooperation of the National Association of Business Economists in sending out this questionnaire to its members as a pilot study to test the feasibility of collecting this information. We hope that you will be willing to cooperate by supplying answers to these questions and by offering suggestions as to ways of improving the form of the questionnaire.

Irving B. Kravis (signed)
Robert E. Lipsey (signed)