

the United States. The other 90 percent stayed abroad, and fully 67 percent of all sales were within the host countries of the foreign affiliates.

II. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: GENERATING HIGH PRODUCTIVITY

American companies with global operations contribute in several important ways to the U.S. standard of living, and this contribution is larger than that of purely domestic firms.

**Investment in Physical Capital.** American companies with global operations undertake the majority—57 percent in most years—of total U.S. investment in physical capital in the manufacturing sector.

**Research and Development.** American companies with global operations perform the majority—between 50 percent and 60 percent—of total U.S. research and development.

**Exports.** American companies with global operations ship the large majority—between 60 percent and 75 percent—of total U.S. exports. Their foreign affiliates are important recipients of these exports; their share has increased to over 40 percent today.

**Imports.** American companies with global operations also receive a sizable share of U.S. imports—roughly 30 percent. These imports benefit the U.S. economy in many ways, including giving U.S. companies access to foreign-produced capital goods and technologies.

All these activities help increase U.S. productivity and thereby enhance the U.S. standard of living.

III. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: PAYING HIGHER WAGES

American companies with global operations pay their workers higher wages than those paid by comparable American companies without global operations.

A study of 115,000 U.S. manufacturing plants indicated that U.S. parent plants pay comparable workers higher wages than purely domestic plants. Production workers receive an average of 6.9 percent less at comparable domestic plants employing more than 500 employees and 15.2 percent less at comparable domestic plants employing fewer than 500 employees.

Non-production workers receive an average of 5.0 percent less at comparable domestic plants employing more than 500 employees and 9.5 percent less at comparable domestic plants employing fewer than 500 employees. These results control for possible wage differences attributable to variations across plants in age, industry, location, and size. In light of all these controls, it seems likely that these wage differences are attributable to workers at U.S. parents being more productive than workers at comparable domestic plants.

IV. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: LINKAGES TO AMERICAN SUPPLIERS

In addition to directly raising the U.S. standard of living themselves, American companies with global operations may also raise the U.S. standard of living through their interactions with domestic U.S. suppliers.

Evidence exists that companies benefit from being exposed to other dynamic, successful firms. Exposure to “worldwide best practices”—whether those best practices are in the same country or abroad—tends to foster innovation, cost control, and other improvements that boost firm productivity.

The very large amount of purchases of intermediate inputs from domestic suppliers

by U.S. parents of American companies with global operations suggests the possibility that U.S. domestic suppliers have sufficient exposure to these high-productivity parents to realize some productivity gains. For the past 20 years, U.S. parents have purchased over 90 percent of their intermediate inputs—\$2.4 trillion in 1994—from domestic, not foreign, suppliers.

V. HOW FOREIGN DIRECT INVESTMENT ABROAD COMPLEMENTS U.S. PARENT ACTIVITY AND CONTRIBUTES TO A HIGH STANDARD OF LIVING IN THE UNITED STATES

Because the U.S. and foreign activities of American companies with global operations tend to complement each other, the ability of these companies to raise the U.S. standard of living depends crucially upon their ability to undertake FDI abroad.

Analysis of BEA data, academic research, and case studies of 10 major American companies demonstrates that U.S. FDI generally complements rather than substitutes for U.S. parent activity. Within American companies with global operations, affiliate expansion generally triggers in U.S. parents additional investment, research and development, trade, and input purchases from domestic suppliers. As stated earlier, these activities are key determinants of the U.S. standard of living.

Restrictions on FDI that prevent U.S. companies from expanding abroad generally will reduce U.S. parent activity and thus, lower the U.S. standard of living.

VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

The United States must continue to strengthen the open system of global trade and investment in order to maximize the contributions of American companies with global operations to an improved standard of living for all Americans. To that end, U.S. trade and investment policies should take into account the following recommendations based on the research and findings in this study:

The U.S. government should maintain its open trade and investment policies. Moreover, these policies should recognize the ways in which trade and foreign direct investment benefit the U.S. economy.

The U.S. government should continue to negotiate aggressively for more open foreign markets and should persuade foreign governments to end restrictions on trade and investment. Removing these restrictions will create a “win-win” situation that benefits both foreign countries and the United States.

The U.S. government should strive to continue to harmonize its international trade, investment, and tax policies. In the case of American companies with global operations, this harmonization should take into account the many ways that their foreign operations tend to complement their U.S. activities.

Given that most services are inherently nontradable, firms in these industries must invest abroad to serve global markets. Accordingly, efforts to liberalize trade and investment should focus special attention on the unique needs of U.S. services industries. ●

HARRY M. CLOR PROFESSORSHIP

● Mr. GLENN. Mr. President, I rise to congratulate Professor Harry M. Clor of Kenyon College in Gambier, Ohio, on the establishment of the Harry M. Clor Professorship in Political Science. This coming weekend, Professor Clor's colleagues and students will gather in Gambier to honor him upon his retirement for his many years as an out-

standing professor of political philosophy and constitutional law.

In addition to his many years as one of Ohio's exceptionally dedicated teachers, Professor Clor is also a distinguished scholar and author of books and numerous articles on constitutional law and public morality.

Ohio has always been fortunate to be the home for many outstanding colleges and universities. I am pleased to recognize Kenyon College and its Department of Political Science as they honor the distinguished service and teaching career of Professor Harry M. Clor. ●

TRIBUTE TO VFW POST #5245 ON THEIR FIFTIETH ANNIVERSARY

● Mr. SMITH of New Hampshire. Mr. President, I rise today to pay tribute to the North Haverhill, New Hampshire, Post #5245 of the Veterans of Foreign Wars (VFW) on the occasion of their fiftieth anniversary. As a veteran and member of the VFW myself, I honor these men for their selfless commitment to their country and to their community.

Since 1948, the original membership of 30 World War Two veterans has grown to 160 veterans of World Wars One and Two, the Korean War, the Vietnam War and the Gulf War. I would like to specially recognize the charter members that have been there from the beginning—William Fortier, Leo Fortier, Fred Robinson, Paul LaMott, Everett Jessman, Maurice Bigelow, Willis Applebee, Ernest Hartley, William Harris, Laurent Fournier, Clifford Sawyer and Leon Dargie. All have served our country valiantly, and now tirelessly serve the Upper Valley, devoting endless hours to their community.

The extent of the Post's involvement is endless, helping not only veterans, but anyone to whom they can lend a helping hand. They are especially involved with the youth of the Upper Valley. Their youth programs projects stretch from donating American flags to schools and teaching proper flag etiquette, to sponsoring essay contests and awarding college scholarships. They also sponsor Cub Scout and Girl Scout troops and instruct youth on bicycle safety. In addition, members host meals at a local soup kitchen, visit nursing homes and the VA Hospital and also visit shut-ins. They transport the elderly to appointments, donate wheelchairs and walkers and distribute food baskets on Thanksgiving.

For half of a century, these members have exemplified goodwill and concern for their neighbors, and their efforts will no doubt continue for the next fifty years. I congratulate Post #5245 for their steadfast service to the Upper Valley. New Hampshire and the United States are truly indebted to the North Haverhill Post #5245 of the Veterans of Foreign Wars, and I am proud to represent them in the U.S. Senate. ●