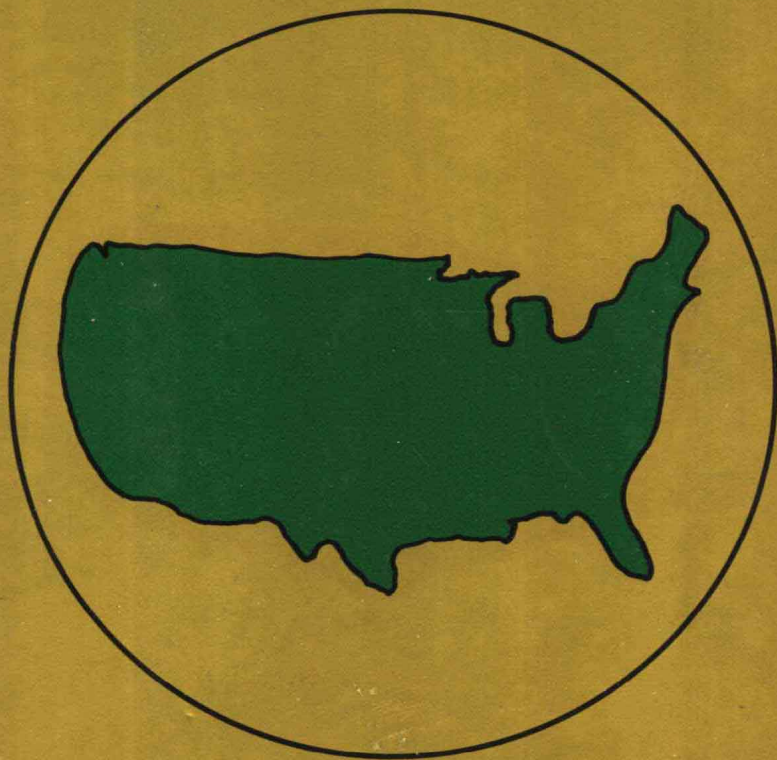


A Guide for the Foreign Investor



*Doing
Business
in
the
U.S.A.*

Edited by:
Robert F. Cushman, Esq.
Pepper, Hamilton & Scheetz

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Arthur Young & Company

A Guide for the Foreign Investor

*Doing Business
in the U.S.A.*

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Foreword



Alexander B. Trowbridge

President

National Association of Manufacturers

Washington, D.C.

(Former Secretary of Commerce under President Johnson)

Alexander B. Trowbridge has had extensive experience in government, industry, and associations. Trowbridge served as secretary of commerce during the Johnson Administration, president of the Conference Board in New York, and finally vice chairman of Allied Chemical Corporation before assuming the presidency of the NAM in 1980.

The traditional American view of traders and investors from outside our borders has essentially always been one of sincere welcome. America's belief in the value of open competition has generally resulted in comparatively easy entry for those anxious and able to participate; and the vastness of our markets has provided opportunities for all to meet the challenges. Much of our early development hinged on foreign capital, and the human resources which conquered the continent and built our economic system were newcomers or descendants of immigrants from many lands. This volume, which provides comprehensive and detailed coverage of how to operate within the American economy, is essentially intended to facilitate the entry of new capital, products, technology, management, and entrepreneurial spirit. We welcome value added.

The American marketplace is huge and complex. The legal structure surrounding it is sometimes cumbersome and often unique in spite of its European ancestry. The newcomer will be impressed by a dichotomy—illustrated by the dominantly free market philosophy of American economic policy balanced (more or less) by a somewhat adversarial relationship between business and government. The degree of tension in that relationship is slowly, though not always smoothly, decreasing. Those who come from economies dominated by government intervention will find the American economy more flexible and probably more confusing, by reason of the strong free market bias which underlies American economic life.

There is probably no single American marketplace, but rather a patchwork of regional or sectoral markets, each large and compli-

cated. These are increasingly being tied together by communications media, however; and rapid advances in electronic linkages over the years ahead will blur the dividing lines that still exist. While the economic structure steadily will move toward a more national whole, the political structure may move toward a more decentralized form, as states and communities become more assertive in setting rules and allocating public resources.

For these and many other reasons, American businesspeople tend to band together in associations of common interest, tied together by similar geographical, or industrial/commercial interests, or economic philosophies and policies. Americans tend to share information and form common fronts on issues, while competing very hard in the marketplace. While proud of our standard of living, Americans are never fully satisfied with our economic or our political process and spend great amounts of time and resources in search of a "better way." The extent that the reader of this book can introduce both the interest and the capability to discover a better way will dictate the level of success or failure of products, services, and ideas in the American marketplace.

On behalf of the National Association of Manufacturers, I wish to commend the experts who have contributed so much valuable knowledge in this book and to welcome those who read it as they enter and grow in the American economy. We look forward to working with you in a marketplace where national origin has no monopoly on excellence—and where all are ultimately judged by the quality with which they fulfill both public and private needs.

Alexander B. Trowbridge

Preface

The attraction of the United States for foreign investment has rarely been greater. While the pursuit of American assets and the opportunity to do business in the United States has indeed come from OPEC countries and from Japan, today new investment and business ventures in the United States are being led by the Western countries and Canada. The direct and indirect investments are enormous, both in acquisitions and in the establishment of new firms.

Companies based in countries with strong currencies are turning to U.S. investments to make their exports more competitive. Businesses the world over have come to recognize that the United States (a market of 230 million people) offers opportunities for both profit and security for their capital; indeed it could well be the last safe haven for private investment. For individuals, investment in the United States provides certain tax advantages in their home country.

Investment in the United States is safe from expropriation, and there is no harassment of foreigners. Their investments are relatively secure from action that may be taken in the home country as a result of political or economic changes.

The policies of the federal and state governments supported both by business and labor encourage unrestricted foreign investment here. In fact, it was foreign investment that financed the economic expansion of the United States in the 1800s.

There are, however, complex challenges for the foreign investor, not only in the planning stages, but also in monitoring the investment after it has been made. There are procedural and compli-

ance requirements and other key business issues which the foreign businessowner should consider.

This book was designed to alert the foreign investor to these key issues and to provide general technical guidance in the planning, banking, finance, legal, tax, accounting, labor, real estate, construction, mass communication, and insurance areas.

To field these questions is by no means an easy task. Few, if any, individuals have the training, background, and knowledge to do justice to problems of so broad a scope, and fewer still have the ability to render answers clearly and practically, which is an absolute prerequisite.

The conscientious businessowner or, for that matter, the advising professional desiring to proceed with understanding and confidence has hungered for readily available, readable information and answers to these key questions in one single source. This need could only be met through concerted action—a collaboration of well-qualified specialists.

To accomplish the purpose of this volume, it first became necessary to compile a list of the problems and questions most frequently asked by the foreign investor. We have tried, we hope successfully, to superimpose upon our personal preference the knowledge of many prominent professionals to develop those points most worthy of inclusion.

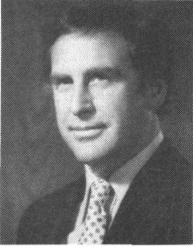
The accountants, bankers, businesspeople, and lawyers who have been selected to write these chapters were chosen with two criteria in mind: first, they had to be outstanding authorities within their field, with proper qualifications and expertise to write their particular article; and second, they had to be able to write in understandable, nontechnical language.

We believe that we have chosen wisely and well, and that through the generous efforts and skill of the distinguished coauthors, we have, in this volume, developed a reference work which without cooperative effort could never exist.

We are indebted to each of our coauthors, whose reward is filling the void.

Robert F. Cushman
Herbert A. Morey

About the Editors



Robert F. Cushman, Esq.

Robert F. Cushman, a partner in the national law firm of Pepper, Hamilton & Scheetz, is a recognized specialist and lecturer on all phases of real estate and construction law. He serves as legal counsel to numerous trade associations, construction, development, and bonding companies. Mr. Cushman is the editor and coauthor of *The McGraw-Hill Construction Business Handbook*; *The McGraw-Hill Construction Management Form Book*; *The Construction Industry Formbook*, published by Shepard's, Inc.; *The Dow Jones Businessman's Guide to Construction*; *The Dow Jones Business Insurance Handbook*; *Avoiding Liability in Architecture, Design, and Construction*, published by John Wiley & Sons; *Planning, Financing, and Constructing Health Care Facilities*, published by Aspen Systems Corporation. He is presently editing *The John Wiley Handbook on Managing Real Estate in the 1980s*, *Representing the Owner in Construction Litigation*, and *Handling Property & Casualty and Fidelity & Surety Claims*, for John Wiley & Sons. Mr. Cushman, who is a member of the bar of the Commonwealth of Pennsylvania and who is admitted to practice before the Supreme Court of the United States and the United States Court of Claims, has served as executive vice president and general counsel to the Construction Industry Foundation, as well as regional chairman of the Public Contract Law Section of the American Bar Association. He is a member of the International Association of Insurance Counsel and the International Bar Association.



Herbert A. Morey, CPA

Herbert A. Morey, CPA, is a partner in the international accounting and consulting firm of Arthur Young & Company and is the firm's national director of International Investor Services. This group advises and assists foreign investors on the business, financial, and tax aspects of their U.S. investments. Mr. Morey is responsible for services to several U.S. corporations controlled by foreign investors. He has considerable experience in working with and consulting with international clients and investment bankers on mergers, acquisitions, and other investment activities. Mr. Morey has served on many professional committees both in the United States and abroad. He has also written and lectured on a variety of topics (including foreign currency, leasing, and executive compensation) for professional journals and business organizations in the United States and Europe.

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