

I asked the question the other day of the Commerce Department and Secretary Fowler concerning whether or not this was not a real interjection by Government into business decisions that had to be made by companies in order to compete competitively in foreign markets.

I think I used as an example then certainly any foreign competitor that a company such as I.T. & T. or General Electric or anybody else might have, when he realizes that his competitor is going to be short of capital in order to invest, expand, and compete, he would be foolish not to take advantage of it.

Now, do you have any comment to make on that?

Mr. SEATH. I would like to defer to Mr. Hamilton on that.

Mr. HAMILTON. As the treasurer of I.T. & T., I sit on top of the flow of funds out of the United States, and the flow back, and as Mr. Seath suggested, happily there is more of the latter. I.T. & T. contributes on a net basis to the balance of payments, and has for almost 20 years.

Based on our 1967 performance, I.T. & T. has been contributing at the rate of about a billion dollars every 10 years. If our past experience permits us to look ahead, this is likely to double in the next 10.

Now, the private sector, as I think most of you know, is also contributing positively to the balance-of-payments flow. In 1966, income from earnings and fees was about \$5 billion, and the outflow, the so-called transfers of capital, which is net of long-term borrowings abroad, was about \$3 billion. This was a net contribution from the private sector of about \$2 billion.

This has been true for several years, now, and excludes all the portfolio transactions that are a little harder to keep track of.

Even though I.T. & T. is a net contributor to the balance of payments, we recognize well the balance-of-payments problem that confronts the country, and we are prepared in every way we can to improve our 1968 performance over 1967.

Now, in looking to this same problem, the administration has set a target from the private sector for 1968 of \$1 billion of improvement over 1967.

Now, the problem that confronts us is that the regulations which were issued on January 3 were arrived at at about the same time that the target was set.

The Department of Commerce was handed the regulations on the one hand, and the target on the other, and really nobody to this moment knows exactly what the regulations, if applied, would yield by way of balance of payments benefit.

Now, the regulations themselves, as you know, have two aspects. The first is to limit capital outflow. This could be done by making an equity investment in a foreign affiliate, by making a long-term loan, and so forth.

This the U.S. companies can easily control. We feel it would have been possible to have obtained the \$1 billion worth of reduced outflow solely from this source. That is \$1 billion out of the \$3 billion which has become the pattern.

The second part of the regulations directs repatriation of earnings. This was done, obviously, to avoid a loophole whereby the lower outflow could be offset by a higher retention of earnings abroad.