

We have normally been borrowing abroad from local facilities, and doing our expansion that way, as I have indicated before.

This, too, can affect competition.

As Mr. Seath suggested, retaliation by the Governments is a distinct possibility, and we have already had some indications from both the French and Spanish Governments that if excessive amounts are required to be repatriated, there will be retaliation.

You asked what our thought was, and what our proposal was. We think that repatriation at these successive levels is not necessary to meet the target.

What we do propose, not wanting to be just against regulations, but to have constructive proposals, is to allow the equivalent of 65 percent be the required pay-out, and that this be obtained through a distribution of dividends equal at least to the preceding year's base, but that the difference could be made up through other means available to the corporation. This would, among other things, include foreign borrowing.

This counterproposal, which would make a substantial contribution to the target, would achieve the objective without the long-range damage to a real national asset, that is, the heavy flow of funds from the subsidiaries of mature companies abroad.

We favor the revision of the regulations. If this cannot be done, the next best step is that they have to be administered by the Department of Commerce with flexibility to avoid the harsh results I have described.

There are able people in the Office of Foreign Direct Investment. We have been working with them. They have been trying to be helpful, but they have been really given what may prove to be an impossible job of trying to assess the flow of each company, and trying to make exceptions to avoid harmful results.

In short, we feel that the private sector has been making a significant contribution, and it should be given all the encouragement and flexibility that can be given to help defend the dollar.

I apologize for the length of my answer.

Mr. BATTIN. There was an announcement by the French Ministry of Finance that if we took the steps that are anticipated, they did not say they would retaliate, but they just said, if I can quote it, "It would be impossible not to draw the consequences."

Have you had any direct talks with, or have you been talked to, by either the French or, you mentioned the Spanish?

Mr. HAMILTON. Of course, our French subsidiary works with the French Government at all levels. To my knowledge, there have been no specific talks between our company and the French Government on this subject.

Mr. SEATH. The French statement did go a little farther than you mentioned.

What they said was that American-owned French companies have been allowed access to the capital markets of France. If we went into this program, they would have to reevaluate their prior permission.

Mr. BATTIN. They would really put the squeeze on the other end. Where our Government is encouraging foreign borrowing to carry on the operation of the foreign-owned subsidiaries, the French are suggesting if we go this route, they will dry up that source?