

reasons to travel abroad. American industry, of course, would be forced to absorb the significant part of the burden of these proposals that would result from the application of the tax to American businessmen traveling abroad in the interest of their employers for periods of less than four months. The implications of this fact, of course, are significant in a number of ways: it penalizes the American businessman and his corporate employer at a time when he will be compelled by the foreign direct investment control program to travel more rather than less in order to attempt to make arrangements for borrowing and deal with administrative problems which will flow from the direct investment controls program; it runs up the costs of corporate American employers whose executives will be traveling; and adds to the inflationary impact both domestically and in terms of the company's ability to compete internationally.

What these proposals would evoke in the way of foreign countermeasures is a matter of conjecture, but we believe that the foreign reaction would like be swift and significant. Basically, we think that the tax would be an unjustified intrusion on the fundamental right of Americans to travel abroad, and we think for this reason alone the tax should be rejected.

Apart from matters of principle, we think it is clear that the techniques of requiring travelers to report cash balances on leaving and returning to the United States are going to cause tremendous administrative problems for the Internal Revenue Service and the Customs Service, and just as certainly there are going to be very difficult problems for travelers in attempting to distinguish between those expenditures which are subject to the tax and those which are not. Further, we suspect that the requirement for the final tax return to be filed within 60 days after the traveler's return to the United States is wholly unrealistic in terms of whether he can be expected as a practical matter to make a final accounting of his expenditures so soon after completing the trip. Clearly the \$7 and \$15 tax brackets as applied to daily average expenditures are wholly unrealistic in terms of what it cost Americans to travel abroad with any decent accommodations. Obviously it would be helpful to increase these dollar brackets considerably as well as to modify other aspects of the proposed procedures including the "60 day" final filing requirement, but frankly we think that the proposed tax is so bad fundamentally that we are reluctant to offer any palliatives which might make it endurable.

Tightening of customs exemptions.—Finally, the Administration proposes to reduce the duty-free exemption on property brought into the United States by travelers returning from abroad from \$100 to \$10. A companion proposal would lower the duty-free exemption on gifts mailed from overseas from \$10 to \$1. These measures would not affect the interests of the companies we represent to any significant degree. However, we think that they should be rejected on the ground that they are an integral, though an auxiliary, part of the overall package including the foreign expenditure tax and the broadened transportation tax.

We urge that the entire set of proposals now under consideration be rejected and that Congress express its desire that the Administration come up with a broadened, imaginative, and "action" program of attracting foreign travel to the United States.

The Basic Policy Decision on Investment Controls

We have grave reservations about the basic policy decision to adopt a system of mandatory foreign direct investment controls and we also object to the structure of the control program implementing the basic policy decision. We deal first with the basic decision. Reasons for our opposition are sketched below and a more detailed analysis is set forth in the Supplement to this statement.

A. *The wrong target.*—In the net, foreign direct investment is a favorable factor in our balance-of-payments situation when the outflow of capital is measured against the return to the U.S. of subsidiary earnings, licensing fees and royalties. In addition there is the increase in exports attributable to foreign direct investment. This favorable position is true both presently and historically. The income returns on direct private investments abroad, on a cumulative basis for the last thirteen years, exceed total outflow by \$16 billion.

B. *Controls breed controls.*—Controls beget controls and once having established a control mechanism with respect to foreign direct investment abroad there is a grave danger that these controls will be tightened further, continued for an indefinite period of time, and lead to controls over other aspects of foreign trade. Our concern in this area is reinforced by the fact that there has been a trend toward control of private decision-making with respect