be no question that these restrictions, if they work, will affect the capability of those countries to buy U.S. exports, even if they are in a trade-surplus position.

In general, the policymakers, with reference to the direct-investment controls, and to some degree at least also as to the controls proposed to this committee on travel expenditures, have not thought through on the counterproductive effects which will flow from these controls. They apparently live and think in a dream world that involves artificial separation of trade from capital flows into direct investment abroad. The two are inextricably interrelated.

I was interested one morning on the NBC Today program to listen to the distinguished visitor from the Common Market, Mr. Rey. He was asked questions by the correspondent about his reaction to the U.S. balance-of-payments program. He said he would have nothing to say about those measures which were being taken on a unilateral basis by the United States in terms of controls on foreign investment or proposed controls on tourist expenditures, because they did not affect trade. But he would have a good deal to say on any proposals to grant export rebates or to create a curtain in terms of an import duty or to press in that direction by other means.

Mr. Rey also was making the same mistake that is implicit in this program as espoused by the Federal Government because he distinguished between so-called capital outflows into direct investment abroad as not being trade, and imports and exports as being trade. Obviously, anyone who knows anything about foreign trade in terms of the practicalities of entering and holding a market knows that these are all a part of trade and you cannot affect one element without affecting the other.

As Ambassador Roth stated in appearing before you, in terms of our foreign-trade position, trade is like a web and all parts are affected by all other parts.

I would like to run through quickly the philosophy and characteristics of the administration's program. It focuses on controls. There is almost a complete absence of incentives with the exception of certain programs which have been on the docket for years in the export field, have not been implemented and have now been restated in the spirit of creating an impression of a balanced program.

There is an absence of a long-range view. The burden that will be created for both Government and business with respect to both of these programs, investment controls and travel restriction, will be tremendous. And the committee might be interested in examining or admitting for the record, if it is convenient, the newly issued commerce Form FDI–101 and six supplements, which is the first base period reporting form under this investment controls program. If you haven't anticipated a shock you will sure get one when you see it.

Mr. HERLONG. Is it your desire to submit that?

Mr. STEWART. If it is appropriate from the committee standpoint.

Mr. HERLONG. Without objection it will be received and included in the committee's files in this matter.

Mr. STEWART. We have developed in connected with the philosophy underlying these programs the serious effects on freedom—which I will not take the time to read. We think that they are present, both in terms of the direct-investment controls as well as the travel program.