tion is spelled out in the institute's statement, to our reaction to the basic policy decision on investment controls. That begins on page 15.

You will note that we refer to the supplement to our statement. The supplement I shall not deal with in detail except to call your attention to the fact that it contains a very interesting exercise. Our economic staff made an assumption that investment controls were placed in effect on direct foreign investment as of the year 1959 and then, by rather complicated but we think quite fair and accurate calculations, we took a current fix on where this country would be in its balance-of-payments position with respect to investment abroad and what it brings to us in terms of payback if controls had been in effect since 1959. I commend for the study of the committee the analysis contained in the supplement.

As to our objections to the basic policy decision on investment controls, first of all, contrary to all of the chatter that you read in the newspapers, direct investment is the wrong target.

The income returns on direct private investments abroad on a cumulative basis for the last 13 years exceed total outflow by $16 billion.

And you will note that in the rationalization in the so-called Treasury Blue Book, although it is suggested that we sent too many dollars in direct investment overseas in the early years of the 1960's, in the very next breath the writer says in effect that because we made that "mistake" we are now going to receive great dividends from it in terms of payback in the late 1960's and the early 1970's which we will take advantage of under the controls program.

There can be no question, our argument continues, that controls breed controls. This has been true in respect to the trend regarding direct private investment abroad ever since the Revenue Act of 1962, the Interest Equalization Tax Act, the banking controls, and so on. Now at the bottom of page 16 and carrying on to 17 I should like to call your attention to two terribly critical points in our judgment.

The control program affecting direct private investment abroad is protectionism in reverse. It is an attack on the ability of American industry to maintain and improve its position in international trade.

It is a giveaway to the competition. As for Europe, it might even be interpreted as being tantamount to a forced retrenchment of American industry's position in that part of the world, which is the most productive part of the world as far as the payback in balance of payments from direct investment is concerned.

In carrying on world trade in the broadest sense, American business confronts foreign competition abroad and at home. Nationalism and restrictionism abroad have created a wide variety of trade barriers. Regional trading blocs are growing in significance. U.S. private investment abroad has been a critical and necessary tool in our business effort to counter these obstacles.

Now U.S. business' freedom to use that tool is being seriously disabled by this controls program.

If you will turn to page 18 you will see a series of import-export ratios for major capital equipment categories. These ratios show imports as a percentage of exports and you will notice in recent years how there has been a tremendous surge in the percentage of exports represented by imports.