

The purpose in bringing that to your attention is not to enter a plea for tariffs or protectionism.

The purpose is to inform you as to the trend which is taking place in terms of the international competitive position of these very important industries and at the same time to suggest that in the face of that trend it seems to be almost unbelievable that the Government would contemplate disabling, or partially disabling, business confronting these conditions by encumbering its ability to invest abroad.

At we point out, this is an open invitation to protectionism. These controls represent an open invitation not only to the Congress but to industries which are confronting problems in this area. The administration can't have it both ways. It cannot expect to adopt a restrictionist approach to foreign direct investment and to foreign travel and hold the line with regard to its theory of free trade.

We have already pointed out that this is an unbalanced program, as referred to on page 20, and now I should like to take you to another very significant aspect of the total picture with regard to this total program as it affects private investment.

There is a bias against private investment abroad growing in Government that is not solely related to the question of balance of payments. There is a growing tendency to frown on private investment abroad.

For example, there is the attempt to control or to direct foreign investment with respect to the developing countries versus the developed countries. The Revenue Act of 1962 draws some lines of demarcation which represent bias against direct investment in the world at large.

There have been statements made by Government officials, some of them included in the Treasury Blue Book, to the effect that business has not done a good job in making its private investment decisions, particularly in the 1960's, which represents an effort to make a retrospective audit regarding business decisions abroad.

At the same time the administration is delighted to have the benefit, the payback, from those investments, particularly during this very difficult period. And then there is the statement quoted in the Treasury Blue Book from last year's Council of Economic Advisers' report that in the early 1960's investment abroad, particularly in Europe, was "overdone."

Now, we are concerned that this controls program with respect to direct private investment abroad is not solely related to the balance-of-payments objective, in addition to the fact that we believe that it will have perverse and counterproductive effects on the balance of payments.

We have no reason to believe in all candor that this controls program will be temporary. You will recall your examination of the Department of Commerce representative. He refused to be pinned down on the length of this program, and we have had the experience with the Interest Equalization Tax Act and the Renegotiation Act and we know what "temporary" legislation is, or "temporary" programs.

Then we turn finally to the legal aspects. The record contains the Attorney General's letter to Secretary Trowbridge. We feel that at best the legal authority for the direct investment program is strained. It may be the subject to challenge at least as to repatriation requirements, but let us take the more charitable view of the program in