

QUESTIONS POSED

CORRECTIONS PROPOSED

TABLE I.—COMPARISON REPATRIATION LEVELS IN SCHEDULE C COUNTRIES FOR COMPANIES WITH HIGH AND LOW LEVELS OF REINVESTED EARNINGS IN BASE PERIOD

	Company A	Company B
Earnings, base period (1965-66).....	1.0	1.0
Average repatriation, base period.....	.6(60%)	
Reinvested earnings, base period.....	.4	1.0
Target for reinvestment.....	.35(35%)	.35(35%)
Earnings, current year.....	1.0	1.0
Reinvestment allowed, current year.....	.4	.35
Repatriation required, current year.....	.86(86%)	.65(65%)

The base prescribed for computing average past repatriation is 1964, 1965, and 1966. Two of these years were covered by the Voluntary Restraint Program, under which many companies had made unusual efforts to increase repatriations. Moreover, a three-year period may be short for some companies, since in any one or two years unusual repatriations from foreign affiliates may have been made, even in excess of a given year's income.

C. A direct investor is defined in Section 1000.304 as any person within the United States who owns or acquires an interest of more than ten percent in an affiliated foreign national. The following circumstances may make it impossible for a company to comply:

1. An American company has a minority interest in an affiliated foreign national, but in excess of ten percent. The controlling interest in the foreign enterprise refuses to distribute earnings at the level required by Section 1000.302 of the regulations.

2. An American company has control of an affiliated foreign national but the laws of the foreign country where it is located protect minority shareholders. Despite its control the American company would be in violation of the applicable foreign law if it distributed earnings at the level required.

3. A foreign government establishes regulations which make it impossible for the American investor to repatriate at the level required by the regulations.

D. Some direct investors have holdings in excess of ten percent in holding companies abroad which derive their profits from countries in more than one Schedule. The regulations do not make

C. Amend the regulations to provide an exception where a company is unable to comply because of lack of controlling interest in the foreign affiliate or because foreign law makes it impossible.

D. Special provision should be made in the regulations for holding companies abroad, in which a U.S. direct investor has more than a ten percent interest, which derive their income