

developed country such as the Republic of Ireland. In order to industrialize the country, attract foreign capital, foreign know-how, and provide job opportunities for their people, they necessarily have to offer tax incentives and cash grants.

An American company enters the Irish picture by establishing a manufacturing subsidiary in Ireland. It assumes all the risks and all the hazards that go with an undeveloped country because of the tax incentive. This regulation would require that Irish subsidiary to ship back all or most of its profits to the American parent company where it would be taxed, United States-wise. The Irish exemption, accordingly, would be completely nullified by the U.S. tax and in a sense we have the ridiculous position of an undeveloped country like Ireland granting the equivalent of foreign aid to the United States by waiving their tax in favor of the American tax.

Now, the net effect must be that these subsidiaries already in Ireland will find ways and means of engaging in expansion, perhaps ill-advised and premature expansion, in order to avoid repatriation and unnecessary taxation.

With regard to the developed countries, let's take a country like France. The American company has a subsidiary in France. The French subsidiary pays 50 percent corporate tax. It is now required to repatriate French profits to the American parent company and in the course of that repatriation, as required by the Commerce Department regulations, the French will assess a withholding tax of 15 percent on the repatriated amount. That 15 percent only serves one purpose. It enhances the French treasury to the detriment of the United States and the taxpayer.

Now, there is no reason why French profits can't be put on deposit here without taxation in the name of the French subsidiary under terms which will make it mandatory for those dollars to remain here during the period of our crisis.

Gentlemen, to conclude my discussion, I think that when this committee initiated the Revenue Act of 1962 and provided favorable provisions for undeveloped countries, you must have had in mind in part the fact that if foreign capital, American capital, helps to industrialize the undeveloped countries, we, the United States Government, will have to provide that much less foreign aid.

The Commerce Department regulations run directly counter to that philosophy as reflected in the Revenue Act of 1962.

To conclude, we on the outside are very much puzzled by what would appear to be a rather callous indifference on the part of our Treasury Department to a regulation that has heavy tax overtones such as the one we are considering here.

The Treasury Department says, "We didn't promulgate this regulation. Therefore, it is not our responsibility."

But I can't conceive of a treasury department anywhere in the world not being concerned with a measure which in essence is a tax measure, and for this reason, gentlemen, I think that this committee must consider the problem and help get it resolved.

Thank you.

Mr. HERLONG. Thank you very much, Mr. Stock, for your very forthright presentation. I for one appreciate the problem that you have and I am sure Mr. Utt does too.