

Hundreds of American students receive the benefits from living in another country, and additional thousands participate in a chaperoned summer tour of foreign countries under A.F.S. auspices. Having served as a chaperon for such an education experience in the summer of 1960, I know personally the value this experience has for our students.

Under the President's proposal, each of the students would be subject to the 5% tax on air fares, and the summer program tours would be subject to the general travel tax proposal.

I believe strongly in the significance of the A.F.S. program and oppose any action which might stall, hinder, or disrupt the program in any way. If the Committee recommends favorable action on the President's proposals, may I suggest that an exemption be granted the A.F.S. program.

I am sure I speak for the thousands of students, parents and other persons who have seen this splendid program in action.

Respectfully,

BURT L. TALCOTT,
U.S. Congressman.

STATEMENT OF HON. ED REINECKE, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF CALIFORNIA

INTRODUCTION

Mr. Chairman, I am deeply grateful for this opportunity to present my views on the taxes the administration has proposed to cut back the deficit in the travel component of our balance of payments. I fully concur with the administration and, I am sure, with all the members of this committee that the balance of payments deficit is a serious matter and needs Congressional as well as executive attention. However, I am thoroughly convinced that the proposals of the administration with respect to the various taxes designed to restrict the travel of Americans abroad are unsound in principle and unworkable in practice. I would urge you to reject them.

INCONSISTENT POSITION OF THE ADMINISTRATION

From the evidence that has been accumulating in the two months since the President, on January 1, made his appeal to the American people to forego travel outside the Western Hemisphere for the next two years, including especially the testimony your committee has already received, it seems clear that the administration had hardly thought through the consequences of its recommendations. It underestimated that value of travel abroad, both to our own citizens, and to the countries which they visit. It had totally inadequate data on which to determine any kind of equitable and workable expenditures tax. To the best of my knowledge, the administration has even at this date not yet released an estimate of what revenues this expenditures tax is expected to yield. It failed to realize the full extent to which these taxes are contrary to the spirit of the Kennedy Round, and how they are all too likely to revive retaliatory protectionism on the part of those nations who are most adversely affected by a sharp drop in American tourist travel abroad.

An ironic sense of the administration's uncertainty, not to say its ambivalence of purpose, is reflected in the fact that in the very week that the administration's chief spokesman, Henry Fowler, Secretary of the Treasury, submitted to you the administration proposals, every Congressman received a stack of pamphlets from another agency of government, the Public Health Service, entitled, "1967-68 Immunization Information for International Travel." These were clearly designed to make it easier for Americans to travel abroad, to see that they would be healthy during their sojourn in foreign lands. Handing out this kind of literature for free is hardly a way to tell constituents that your government doesn't want you to travel abroad if it is not essential.

A CONSTRUCTIVE APPROACH TO THE TRAVEL DEFICIT

Fortunately there have been recent signs that the administration itself is paying less attention to this negative approach to solving this balance of payments deficit and considering a more positive approach, putting more emphasis on how