

mobiles under the suggested tourist tax plan, we have asked our customs counsel to prepare the enclosed brief. We are convinced that a serious question exists regarding the compatibility of the Administration's proposed tourist tax with the General Agreement on Tariffs and Trade. GATT specifically provides that products imported from another GATT country shall not be subject to charges of any kind in excess of those applied to like domestic products. No authority is granted under GATT to impose a special tax on imported merchandise by reason of the status of the importer, and an individual importer has equal protection with a corporate importer.

We believe the Committee should give most careful consideration to such a proposal, since inclusion of this clause in the proposed legislation would put the United States, for the first time, in the position of attempting to circumvent the provisions of GATT by imposing a nontariff barrier in the guise of a tourist tax.

I would appreciate your making this letter and the attached brief a part of the printed record of your hearings.

Sincerely yours,

H. C. HOPPE,
Executive Vice President.

Encl.

STATEMENT ON BEHALF OF MERCEDES-BENZ OF NORTH AMERICA, INC.

Re Proposed tax on automobiles purchased in the United States for European delivery and subsequent importation.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. A travel expenditure tax imposed on the purchase price of automobiles bought in the U.S., delivered in Germany, and subsequently imported, would violate U.S. GATT commitments. It is not a tax on expenditures incurred in using the vehicle on a taxable trip. It discriminates against imports of this product on the basis of the status of the importer and the geographical location of the exporting country.

2. Automobiles purchased in the United States and delivered in Europe for subsequent importation should not be treated as expenditures in connection with foreign travel. Most of such automobiles so purchased are of German manufacture, amounting to \$50,000,000 annually. A 30% travel expenditure tax on the purchase price of such cars in addition to regular duties and excise tax would eliminate a substantial portion of German automobile exports without reducing foreign travel expenditures.

3. The German Government has cooperated with the United States in measures designed to reduce the U.S. balance of payments deficits by substantial purchases of U.S. military equipment, U.S. Treasury securities, and by making significant contributions to foreign aid. The proposed travel expenditure tax, if applied to automobiles, would injure German automobile exports.

4. It is suggested that any legislation enacted imposing a travel expenditure tax specifically exempt from its provisions a tax on the purchase price of automobiles bought in the U.S. for European delivery and subsequent importation into the United States.

STATEMENT

This statement is submitted on behalf of Mercedes-Benz of North America, Inc., pursuant to the announcement of February 6, 1968 by the Chairman, Committee on Ways and Means, U.S. House of Representatives, that statements relating to the Administration balance of payments proposals would be considered by the Committee.

Mercedes-Benz of North America, Inc. is a Delaware corporation with its principal place of business at 158 Linwood Plaza, Fort Lee, New Jersey, and is engaged in the sale and distribution of Mercedes-Benz motor vehicles that are manufactured in Germany. The representations made herein are confined entirely to that aspect of the Administration's proposals concerning a temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere. More specifically, this statement is concerned with the Administration's suggestion that a European automobile, purchased in the United States but delivered to an individual on a taxable trip would be subject to a tax on the purchase price as a taxable foreign travel expenditure upon importation into the United States. (Administration's Balance-of-Payments Proposals, Hearings Before the Committee on Ways and Means, House of Representatives, February 5 and 6, 1968, p. 31).