A-4 and A-5

EXHIBIT 3

OPERATION OF A SYSTEM OF BORDER TAXES AND REMISSION OF INTERNAL TAXES

Hypothetical example with respect to Germany

Assumption: *Rate of Duty* (15%) is the same for both the U. S. and Germany

European Goods Exported to the United States	*U. S. Goods Exported to Europe*	
100	100	Invoice price
10	15	Ocean freight and insurance
(15%)	(15%)	Customs duty
15		- U. S., on foreign price
	17.25	- Europe, on c.i.f. basis
125	132.25	Landed cost
0%	(10% of landed cost) 13.225	Value added equalization tax (border tax)
- 10% of invoice price	0%	Remission of value added tax on exports
115	145.475	

This example is significant because it points to the fact that even where there is a superficial equality of access for U. S. producers to a foreign market and for foreign producers to the U. S. market as measured by the duty level, the U. S. producer who undertakes to export to European markets must price his product with the realization that for every $100 of price an additional $45 in costs, duties, and taxes will be incurred and must be absorbed in setting a competitive delivered price. By contrast, his European counterpart competing within the United States market is subject only to a cost and duty burden of $15 for every $100 of invoice price — one-third the border "barrier" the American goods encounter in seeking to move into Europe.