

EXHIBIT 2

Tariffs are one form of cash charges levied against imports into the member countries of the E.E.C. Among other charges are non-cumulative and neutral turnover taxes and a variety of excise duties.

These indirect taxes are operated on the "country of destination principle;" that is, the taxes are refunded on exports but imports are subject to payment.

As explained by Mr. Johannes Jansen, head of the Indirect Taxation Division, Commission of the European Communities:

"Turnover taxes are taxes on consumption: they are added to the price of taxable products. They are levied according to the "country of destination principle." This means that exported goods are exempted from turnover tax and the tax already paid is reimbursed. On the other hand, imported commodities have to be taxed in the same way as similar domestic products." *

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"Because the "country-of-destination principle" also applies to excise duties, there is, as with turnover taxes, a duty refund on exports and a duty on imports." **

In addition to the taxes, there are a variety of fees, varying from country to country, which are applicable against U.S. imports. Among these fees are statistical charges, stamp taxes, administrative payments and import taxes.

Table IV, page 23, illustrates the taxes and other fees levied against U.S. imports by the individual countries comprising the E.E.C.

A study of Table IV shows the wide range and disparity of these cash charges within and between the different countries. Readers are particularly urged to note that with the exception of Luxembourg's 3.0% import tax, all other "frontier" taxes are levied against the Cost, Insurance, Freight (C.I.F.) duty paid total of an imported product.

In the case of imports into the U.S., there is only one cash charge; the duty on the F.O.B. value.

* (1) Johannes Jansen, Tax Harmonization in the Community in European Community, January, 1968.

** (2) Johannes Jansen, Introducing a Uniform A.V.T. Rate, in European Community, March, 1968.