EXHIBIT 2

The question immediately occurs as to whether the various indirect taxes are used as discriminatory measures against foreign competition.

Mr. Johannes Jansen, a spokesman for the Community answers the question for U.S. exporters in the context of intra-E.E.C. trade:

> "Accordingly, when the customs union in the Community is achieved on July 1, 1968, trade between the member countries will be free of customs duties, but will nevertheless still come up against tax frontiers at which indirect taxes will be levied and be reimbursed, and physical controls carried out.
>
> It is not surprising therefore that the Treaty gives prime consideration to the compensatory measures for indirect taxes applied at the frontier to intra-Community trade in goods. For export-drawbacks and import-equalization taxes can easily be used for purposes incompatible with one of the main objectives of the Common Market, namely free, undistorted competition. For instance, if the compensatory tax levied on imports is higher than the tax on comparable home-produced goods, the difference has the same protective effect as the customs duties that are being abolished. On the other hand, if the drawback on exports is too high, then the difference is tantamount to an export subsidy, which is prohibited.
>
> In order to guard against these forbidden forms of discrimination, Articles 95 and 96 stipulate that the indirect tax on imports must not be higher than that which would be charged on similar domestic goods, and that the drawback on exports must not exceed the amount of tax actually paid. This sounds very simple. But experience has shown that these prohibitions are very difficult to enforce properly in the Common Market, at least as far as turnover taxes are concerned." *

* * *

The E.E.C. turnover taxes, which afford a wide variety of discriminatory practices in foreign trade, are presently in a transitional stage.

On February 9, 1967, the E.E.C. Council of Ministers adopted a unified turnover tax called the value added tax (T.V.A.).

* ibid (1) page
  Articles 95-96, reference to Rome Treaty.