EXHIBIT 2

> In areas where harmonization need not yet be applied, the member countries are entitled to provide their own national regulations. After consulting the Commission and the other five countries, one member country may decide, for instance, to disallow some or all tax deductions for expenditures on capital goods or to allow deductions on this equipment by annual installments only, when economic considerations warrant such action. During a transitional period after the introduction of T.V.A., even without prior consultations, member countries may restrict deductions for capital goods. Germany has already done so in its new T.V.A. law that came into force on January 1 this year, on budgetary grounds. The German restrictions were also intended to prevent a temporary halt of investments prior to the introduction of the T.V.A." *

The special rates, exemptions and options, which still leave room for disparities are more than adequately stated.

> "Under the new T.V.A. system, as long as each Community member applies a different rate, set at a level that maintains the total incidence of the preceding cumulative turnover tax, U.S. exports to these countries will be taxed at exactly the same amount as similar goods produced in those countries. In cascade system countries where compensatory taxes on imports were too low imports will lose their unwarranted competitive advantage upon the introduction of T.V.A. Conversely, exports from those E.E.C. countries to the United States and other nonmember countries will lose the competitive disadvantage from which they may have suffered because the cascade system gave them an inadequate rebate. Competitive conditions will also be equalized in trade between the E.E.C. countries themselves." *

The idea of U.S. exports being taxed a exactly the same amount as similar goods produced in the E.E.C. under the old turnover tax system or under the new T.V.A. has been and remains an economic myth consistently perpetuated by the E.E.C.

As an example:

> If the T.V.A. rate is 15.0%, the total tax paid on a domestically produced goods worth $1,000 is $150.

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> If the same 15.0% T.V.A. is applied against an import worth $1,000 - shipped and insured at $60 - and enters at a 15.0% duty rate, the T.V.A. is $182.50.

* * *

* Johannes Jansen, T.V.A. 1970 and Beyond, in European Community, April, 1968.