

Leslie Frederick Miller on behalf of the Central Electricity Generating Board this 23d day of March 1967.

Signed by the said Joseph Latham in the presence of:

J. LATHAM.

_____, _____

Signed by the said Gerald Noel Gabell in the presence of:

G. N. GABELL.

_____, _____

Signed by the said Kenneth Gladstone Smith in the presence of:

K. G. SMITH.

_____, _____

Signed by the said James Bennett in the presence of:

JAMES BENNETT.

_____, _____

Signed by the said Leslie Frederick Miller in the presence of:

A. E. HACKETT.

L. F. MILLER.

EXHIBIT V

COMPARISON OF MARGINS ON FRENCH-MANUFACTURED POWER CIRCUIT BREAKERS

[GE-PCBD costs=100]

	Home market sale	Export to United States
Delivered price.....	184.0	86.8
Total delivered costs.....	118.6	110.4
Indicated pretax margin.....	65.4	(23.6)

¹ Includes tax on value-added.

Note: Parentheses denotes loss.

II. EUROPEAN MANUFACTURERS DERIVE TWO TRADE ADVANTAGES FROM THE "BORDER TAX" SYSTEM: INCREASED COSTS OF IMPORTS AND TAX REMISSIONS ON EXPORTS

A. European reliance on indirect taxes for revenues

Indirect taxes are the major source of revenue for most European countries. In contrast the United States derives most of its revenue from direct taxes. Although some European countries have corporate income tax rates nominally as high as in the U.S., effective tax revenues from them are substantially less because of generous depreciation practices, allowance of special reserves and lower tax rates on distributed income. In General Electric's case we estimated that our corporate income tax would have been reduced by about one third if we had been subject to the German corporate income tax.

European indirect tax rates—for sales, turnover and value added taxes—are high: 20% in France, 11% in Germany (as of July, 1968), and, probably a future harmonized rate of 17% for the entire European Economic Community in the 1970s. In contrast, the average indirect tax in the U.S. (state sales taxes) is 3.7%.

B. The trade effects of an indirect tax system competing with a direct tax system

Because of GATT rules regarding imposition of import equalization charges and remission of taxes on exported goods, there are significant trade effects than can be achieved by one nation's use of high-level indirect taxes, coupled with lower direct taxes, against a competitor trading nation that depends almost entirely on direct taxes.