

U.S. Government Procurement Regulations. (See for example, Executive Order No. 10,582; Armed Services Procurement Regulations 32 CFR Sections 6.102, 6.104-4 (1967))

*D. U.S. tax on value added*

The difficulty of determining the quantum of trade advantage that is conferred by a high rate indirect tax with border adjustments is the chief obstacle to effective international negotiation or acceptable U.S. counteraction. As long as opinion is widely divided on whether and by how much the United States is disadvantaged by its primary reliance on the direct net income tax, any U.S. border adjustments designed to offset such disadvantage can be alleged to be unwarranted and in violation of the GATT. Unless justification for a border levy can be convincingly shown, retaliatory action by foreign nations can be expected.

Of the available alternatives, the only border levy clearly exempt from this consideration would be a border tax and export rebate in support of a U.S. indirect tax of the TVA variety. Should the European Common Market adopt a uniform TVA with a 17% rate, they could not complain if the United States were to replace a portion of its corporate net income tax with an appropriate TVA levy and the import equalization taxes and export rebates similar to those contained in the European TVA laws. A description and analysis of a value-added tax as part of the U.S. tax structure is contained in a statement by the Research and Policy Committee of the Committee for Economic Development, *A Better Balance in Federal Taxes on Business*, April 1966, at Page 25 et seq.

As an interim measure until a TVA system can be carefully studied and worked into the United States tax system, present international agreements would appear to justify a border tax and export rebate system with a rate equal to the calculated level of indirect taxes borne by goods produced in the United States and not now adjusted for at the border. Informal estimates have placed such a rate at 2-3%. A higher rate, 5% for example, would also be justifiable under Article XII of GATT if imposed as a temporary measure designed to alleviate current U.S. balance of payments difficulties.

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STATEMENT OF DON A. ELLIS, TREASURER, TEKTRONIX, INC.

Tektronix, Inc., Beaverton, Oregon, is a fairly young, rapidly growing company in the technology-based field. Tektronix is the world's largest manufacturer of cathode-ray oscilloscopes, the basic electronic measuring instrument, used by all electronics companies and many others. Tektronix cathode-ray oscilloscopes are the preferred measuring instruments, not only in the United States but in the entire world.

Because Tektronix has been able to manufacture oscilloscopes in the United States at a cost that would allow them to be sold competitively throughout the world if there were not trade barriers, the company is a strong advocate for free trade. It therefore strongly opposes the protectionist tendencies which are cropping up so frequently lately, and the program to restrict direct foreign investment.

We are sure you have heard all the arguments favoring free trade and opposing trade barriers. We see nothing to be gained by attempting to reword and expound these arguments. We would merely like to point out the obvious: That reduction or elimination of protective trade barriers will hurt those companies or industries that are uneconomic and survive only because they *are* protected. Obviously, also, the resources used in these industries would better contribute to the prosperity of this country if applied in a more economic use. Therefore, continuing or increasing protectionism because some company might otherwise be hurt is unwise, and its logic fallacious.

If there had been free trade in the world the last 10 years, we firmly believe Tektronix would be supplying a larger share of the world market than at present, simply by exporting from the United States. Since there *were* trade barriers, Tektronix has found it necessary to manufacture outside the United States to overcome advantages enjoyed by competitors and potential competitors, advantages created by their countries' protective barriers.

Tektronix products are now manufactured within the Common Market, the European Free Trade Area and Japan. Much of this output results from assembly