

range security of the United States and its allies is very much dependent upon the preservation of those investments. If you curtail investments over a period of time, you limit your external income, and with that your ability to sustain political and military positions abroad.

U.S. private investments and services abroad have been adding about \$2 billion a year, net, to our cash receipts; and to relate that to the numbers that have been discussed with the committee that is about \$5 billion of income offset by about \$3 billion of outflow. In more understandable terms, this amounts to a net inflow to the positive side of the U.S. balance-of-payments ledger of about \$5 million a day, every day, 365 days a year. If we allow this to be whittled away, we are going to find that we will be unable to maintain our commitments for collective security and economic development around the world.

There is a classic example of the "whittling away" process. Contrary to currently accepted theories of Great Britain's difficulties, the sole reason for the deterioration of the British balance of payments was not the trade deficit. While Great Britain has generally had a trade deficit, she was able to make up the difference through income on overseas investments and services. Twice—after World War I and again after World War II—British investments were liquidated in the amount of £1 billion or more each time. Her external debts increased at the same time for Government expenditures abroad soared. As a result, the income on her investments was insufficient to meet increased costs. The inadequacy of foreign investment income was a basic cause of Great Britain's recent fiscal retrenchment.

We are concerned now that the administration's short-term solutions to our problem do not cause irreparable damage to American companies and their ability to continue to repatriate earnings in the future.

Two areas concerning foreign direct investment covered by the regulations are:

- (1) Restrictions on transfers of capital abroad; and
- (2) The repatriation of earnings as fixed by the formula in regulations.

The first of these, the transfer of capital abroad, is directly within our corporate control and we can and will operate fully within the regulations. For example, just last Thursday, an ITT American subsidiary completed the borrowing of \$50 million in Europe, which we especially negotiated with no sinking fund for 10 years, with the balance-of-payments problem in mind.

According to the Survey of Current Business for September 1967, compiled by the Department of Commerce, American companies in 1966 incurred outflows of over \$3.5 billion of which \$1.8 billion was to Europe. Since much of this was for new projects, there clearly would be room to achieve the Commerce Department's \$1 billion 1968 improvement target through restraints in this area.

Mature companies like ITT, which have long operated abroad, are able to remit earnings to the United States without having to send large amounts overseas. So that there will be no question as to their moral right to this position, let it be remembered that such companies have at times during war and as a result of confiscation suffered as much as 70 percent of the loss of their company in order to remain overseas today. Certainly, the sacrifices which have been made