

think will happen to the competitive position of U.S. companies abroad, if the investment regulations are not modified?

Mr. HAMILTON. I would like to make it clear, Senator Jordan, that I don't think ITT is completely unique in this regard. I think there are a number of mature companies that may fall into the same category.

But, when you have a situation which I have described, where we have really had many benefits of having a foreign national character in terms of our ability to borrow, our ability to sell, and for other aspects of our business, and then apply these repatriation requirements, we would begin to appear like a mainly American corporation pulling out undue portions of our earnings. This would invite retaliation from the governments, perhaps in the form of controls which, in turn, would concern our creditors. It would give our competitors an advantage. In short, you would begin to whittle away and erode what really is an unusual national asset.

But, I repeat, while ITT in many ways is unique, I think there are other mature corporations, operating particularly in Western Europe, that represent the same kind of asset for the United States, and should be protected, really, in the same way.

Senator JORDAN. How do these repatriation requirements affect your company, taxwise? Do you pay more or less taxes?

Mr. HAMILTON. There aren't many countries that have a withholding tax on dividends of less than 15 percent. As Mr. Norris mentioned, many of them operate progressively, so that by the time you get into high percentages of payout, you are not dealing at the 15-percent level, but, rather, at the 35-percent or higher level.

In summary, if you bring more dividends back, not because it is desirable either for affiliates or to the parent but solely to accommodate a regulation, then you will leave, at the very minimum, 15 cents of every dollar on the counter of the foreign government.

Senator JORDAN. Something was said by one of you—and I don't recall who—about the effect of the U.S.-owned production facilities abroad on our balance of payments. Do they tend to reduce exports and increase imports or vice versa?

Mr. HAMILTON. I happened to attend this morning's session, and I heard the comments at that time. I know there was a study made at the time Mr. Behrman was in the Commerce Department that indicated that probably 24 or 25 percent of all American exports were affiliate related. I think, in your testimony, Mr. Norris, you used the same percentage.

When you consider the net contribution of these foreign investments, including the income from dividends, and the income from royalties and fees, less the net outflow, you should consider, also in this arithmetic, the additional plus that comes from the affiliate-related exports.

Senator JORDAN. From the additional exports?

Mr. HAMILTON. The incremental exports; yes.

Senator JORDAN. By the affiliate operation in the foreign country.

Mr. HAMILTON. Correct.

Mr. NORRIS. I would certainly subscribe to that. I think that the figures do demonstrate it is about 25 percent. There is also the very fundamental position that it is the only way very often that Ameri-