can companies can get their market positions abroad. Experience demonstrates that often the only way to get these positions is to start some assembly or manufacture abroad, and once you establish a market position for your so-called run-of-the-mill products, this in turn, leads to the ability of the U.S. company to export its more sophisticated products as they are developed and they certainly are developed.

Senator JORDAN. Mr. Norris, you have a very fine paragraph on page 8 of your statement starting, "Historically, international trade and private overseas investment have been favorable factors in our balance of payments."

I think in that paragraph you speak about the exports to affiliated companies representing approximately 25 percent of all U.S. exports. It looks to me like these regulations are killing the goose that laid the golden egg. Mr. Hamilton, do you think that the regulations will be effective in stemming the balance-of-payments deficit?

Mr. HAMILTON. Well, there is no question that as they are constructed that they would have some effect. I must say that——

Senator JORDAN. Short run or long run?

Mr. HAMILTON. They may have a shortrun effect of curtailing the outflow. The question is whether they will have the longrun effect of actually damaging something that is much larger, and, therefore, more important, and that is the inflow.

I must say that I don't envy the position of our friends who have to administer the program. As I understand it, they were handed the $1 billion target, and the regulations, with two hands at the same time. I think good administrative practice might have dictated that they be handed the target and then asked to develop the regulations that are designed to meet it.

At the moment, I don't think anybody, either in the corporate world, or in the agencies, knows exactly what the shortrun effect of the present regulations would be, whether they would generate savings less than the $1 billion target or whether they would generate $2 billion. This frankly, makes the administrators uneasy, because they can't afford to be too understanding of any one company's problems, because they are afraid that they thereby may miss the target.

I must admit if I had been handed the assignment of saving $1 billion in 1968 over 1967, from this private sector, I would have done it somewhat differently, although I am encouraged by Professor Behrman's view that new investment abroad is really returned on a net basis in the balance-of-payments statistics very quickly. I think he said in about 2½ years.

Senator JORDAN. Yes; I remember that figure.

Mr. HAMILTON. It should have been easier to take up slack there, and maybe reduce the $3 billion outflow to $2 billion, without, at the same time, requiring a greater return of income, the $5 billion figure I mentioned.

They had their choice of attacking either the $5 billion coming in and the $3 billion going out, or both. I think it might have been sounder to draft the regulations to reduce the $3 billion down to $2 billion to reach the target.

Senator JORDAN. Thank you, gentlemen. My time has expired.

Chairman PROXMIRE. Gentlemen, all of you seem to disagree, more or less, with the President's balance-of-payments program. Mr.Cook