

reaction would likely be swift and significant. Basically, we think that the tax would be an unjustified intrusion on the fundamental right of Americans to travel abroad, and we think for this reason alone the tax should be rejected.

Apart from matters of principle, we think it is clear that the techniques of requiring travelers to report cash balances on leaving and returning to the United States are going to cause tremendous administrative problems for the Internal Revenue Service and the Customs Service, and just as certainly there are going to be very difficult problems for travelers in attempting to distinguish between those expenditures which are subject to the tax and those which are not. Further, we request that the requirement for the final tax return to be filed within 60 days after the traveler's return to the United States is wholly unrealistic in terms of whether he can be expected as a practical matter to make a final accounting of his expenditures so soon after completing the trip. Clearly the \$7 and \$15 tax brackets as applied to daily average expenditures are wholly unrealistic in terms of what it costs Americans to travel abroad with any decent accommodations. Obviously it would be helpful to increase these dollar brackets considerably as well as to modify other aspects of the proposed procedures including the "60 day" final filing requirement, but frankly we think that the proposed tax is so bad fundamentally that we are reluctant to offer any palliatives which might make it endurable.

Tightening of customs exemptions.—Finally, the administration proposes to reduce the duty-free exemption on property brought into the United States by travelers returning from abroad from \$100 to \$10. A companion proposal would lower the duty-free exemption on gifts mailed from overseas from \$10 to \$1. These measures would not affect the interests of the companies we represent to any significant degrees. However, we think that they should be rejected on the ground that they are an integral, though an auxiliary, part of the overall package including the foreign expenditure tax and the broadened transportation tax.

We urge that the entire set of proposals now under consideration be rejected and that Congress express its desire that the administration come up with a broadened, imaginative, and "action" program of attracting foreign travel to the United States.

THE BASIC POLICY DECISION ON INVESTMENT CONTROLS

We have grave reservation about the basic policy decision to adopt a system of mandatory foreign direct investment controls and we also object to the structure of the control program implementing the basic policy decision. We deal first with the basic decision. Reasons for our opposition are sketched below and a more detailed analysis is set forth in the supplement to this statement.

A. *The wrong target.*—In the net, foreign direct investment is a favorable factor in our balance-of-payments situation when the