outflow of capital is measured against the return to the United States of subsidiary earnings, licensing fees and royalities. In addition there is the increase in exports attributable to foreign direct investment. This favorable position is true both presently and historically. The income returns on direct private investments abroad, on a cumulative basis for the last 13 years, exceed total outflow by $16 billion.

B. *Controls breed controls.*—Controls beget controls and once having established a control mechanism with respect to foreign direct investment abroad there is a grave danger that these controls will be tightened further, continued for an indefinite period of time, and lead to controls over other aspects of foreign trade. Our concern in this area is reinforced by the fact that there has been a trend toward control of private decision-making with respect to private investment abroad for a number of years. This trend[1] has been evidenced, for example, by the Interest Equalization Tax Act, the Revenue Act of 1962, the voluntary investment controls program, banking controls, etc. Moreover, it is impossible to accept with any credibility the "assurances" that are being offered currently that this is a temporary program. The country has had experience with "temporary" programs previously adopted that are now firmly embedded in our system.

C. *Protectionism in reverse.*—The control system that has been inaugurated represents protectionism in reverse. It is an attack on the ability of American industry to maintain and improve its position in international trade. It is a give-away to the competition. As for Europe, it is almost tantamount to a forced retrenchment of American industry's position in Europe.

In carrying on world trade in the broadest sense, American business confronts foreign competition abroad and at home. Nationalism and restrictionism abroad have created a wide variety of trade barriers. Regional trading blocs are growing in significance. U.S. private investment abroad has been a critical tool in our business effort to counter these obstacles. Now U.S. business' freedom to use that tool is being seriously disabled. The schedule of import-export ratios for certain capital goods products, shown on the next page, underscore a trend which should make it unthinkable for Government to support a mandatory investment controls program. There is a limit to what business can sustain.

D. *Invitation to protectionism.*—These controls represent an open invitation for the Congress to proceed toward protectionist measures with respect to imports, and a similarly open invitation to industries concerned with import problems to press for quotas and tariff increases. The administration cannot have it both ways. It cannot expect to adopt a restrictionist approach to foreign investment and hold the line with regard to the theory of free trade in other respects.

[1] See the MAPI statement to the Joint Economic Committee, February 28, 1967.