

Johnson indicated, firm commitments were involved and almost immediate answers were required in the form of special authorizations. But we are obliged to conclude that no matter how conscientious or industrious the administrative organization within government is, it cannot possibly make this new creature of government work either in the public interest or in the private interest. The almost incredible variety of businesses and business situations to which this program must be applied makes it virtually impossible to come up with a single program fairly applicable to all. And it is our firm conviction that the program as originally announced cannot be patched up. It needs to be dismantled and reevaluated on a 100-percent basis.

It is by now obvious that issuance of a general authorization—for action not otherwise permitted under the regulations—is an excruciating experience for the Department of Commerce—made so probably for the very same reasons described above in respect to the difficulty in establishing a single broad program. As a result we have had to go the special exemption, case-by-case route and we shall probably have to continue on that basis under the present program.

The reporting burden on business will be immense. For example, there is the necessity of converting to accounting reports responsive to accounting principles generally accepted in the United States, the products of accounting systems responsive to foreign rules of accounting, the delays involved in the collection of information necessary to complete reports from all affiliated foreign nationals and the magnification of that latter problem in the case of those affiliated foreign nationals in which the U.S. direct investor has only a minority interest.

An obvious administrative problem involves a combination of two points already discussed. Where a U.S. direct investor holds a minority interest, he may find it impossible to comply with the repatriation requirement either because of foreign law or the intransigence of a foreign boards of directors. In either case, it will be necessary for him to obtain a specific exemption from the literal application of the regulations which adds in turn to the case-by-case administrative burden already noted.

E. Despite the fact that we have been encountering balance-of-payments difficulties for some years, the Treasury Department has not been as flexible as it might be in making tax changes with regard to section 482 and other aspects of the Code to encourage repatriation of foreign earnings on a purely voluntary basis.

Under the controls now in effect there will undoubtedly be some unfavorable tax impact on U.S. companies triggered by the repatriation requirements. This is discussed in more detail elsewhere in this statement. Suffice is to say that in some situations where, for example, manufacturing income abroad is involved and the repatriation is not voluntary but forced under the regulation, there will be tax consequences in the United States. There is no provision in the control program for relief from these effects. This problem is doubly serious from the standpoint of public policy because the program was instituted by government on the