

Why have these export assistance objectives and programs referred to in the President's message not been fully implemented before? Why has this problem of nontariff barriers not received more attention? Why does this practice of foreign countries with respect to export rebates or border taxes go unattended from a policy viewpoint for so many years?

We can only conclude as we have already stated that these problems have been brushed under the rug and they are now being restated and related programs revised in order to provide a sense, and we believe an artificial sense, of balance to this program of controls on foreign direct investment and tourist expenditures. Without going into detail, obviously action should be taken along these lines particularly with regard to the export assistance programs, but the fact that such action is taken is neither an excuse nor a rationalization for the controls aspects of this program. Nor should they be permitted to obscure the fact that the heart of the new balance-of-payments program is the control structure which applies primarily to direct investment abroad and banking activities.

4. *Modification of the control structure if it is continued.*—We have already alluded to certain points which we believe should be given central attention if a control system on direct investment abroad is to be continued even for a short period of time. If the administration is unwilling to acknowledge its mistake, scrap the mandatory system of controls and revert to voluntary controls or none at all, then it should dismantle the present structure of controls and do the job all over again, allowing sufficient time and thought to develop something a great deal more equitable in concept and workable in practice. The notion of segmenting the globe into schedules of countries should be scrapped. In restructuring the controls, if they are to be continued, a group of incentives should be built into the system. For example, a bonus or special allowance for private investment abroad—in terms of increased investment quotas or reduced repatriation requirements—might be granted to the company which improves its export position. Some direct allowances or bonuses in the system should be given to increases in royalties and licensing fees which are returned to the United States. In brief, a company's total performance in contributing to improvement of the Nation's balance of payments should be given direct and express recognition.

5. *Tax aspects of the required repatriation of foreign subsidiary earnings.*—In his message on the balance-of-payments problem, the President reported that he had directed the Secretary of the Treasury, in effect, to consider the possible desirability of legislative proposals to induce or encourage the repatriation of accumulated earnings by U.S.-owned foreign businesses. We understand from the administration testimony before the Ways and Means Committee that Treasury has looked into the problem and has decided not to make any such proposals, at least not at this time. We think that this is unfortunate because there are obviously a number of things that can be done to encourage American companies to repatriate pre-1968 accumulated earnings which are not subject to the requirements of the mandatory direct investment control program. These same measures could also be used to lessen the tax impact on current earnings that are subject to the mandatory controls.