

2. If it is the judgment of your administration that present circumstances require continuance of the program for a further period, then we recommend:

(a) Reinstitution of the voluntary program should be given first consideration.

(b) The legal basis for the present program should be reexamined, with particular attention given to required repatriation of foreign earnings.

(c) The requirement for repatriation of foreign earnings should be abolished or reduced by as great a percentage as present circumstances will permit.

(d) The new administration should reaffirm its intention to phase out the program in accordance with a schedule coordinated with other governmental actions designed to improve our balance of payments.

(e) As measures to further improve our balance of payments, consideration should be given to program incentives in the form of increased investment allowables in return for increased exports. If any requirement for mandatory repatriation is continued, then incentives in the form of increased allowables should be devised to encourage additional repatriation. Consideration should also be given to legislative recommendations for tax incentives to increase exports and to increase repatriation of foreign earnings.

(f) The program's division of the world into "scheduled" areas should be abolished.

(g) Regulations of OFDI should be revised to permit automatic increases in investment allowables corresponding to increased exports sold to foreign affiliates on open account.

(h) United States direct investors should be permitted to export capital equipment to foreign affiliates for production use without charge to investment allowables. If the full step is not presently feasible, some interim step at some lesser percentage should be considered. As a further alternative, consideration should be given to permitting limited shipments of this character without charge to investment allowables as spelled out in appendix "A" to this letter.

This concludes our suggestions for revising the foreign direct investment program in pursuance of your administration's pledge to do away with the program at the earliest possible time. We are taking the liberty of sending copies of this letter to the Secretaries-designate of State, Treasury, and Commerce, and to the Chairman-designate of the Council of Economic Advisers.

If you or your staff should have questions concerning these suggestions or if the institute can otherwise be of assistance in achieving this end, I hope that you will not hesitate to call upon us.

Respectfully,

CHARLES STEWART, *President*.

APPENDIX "A"—EXPORTS OF CAPITAL GOODS FOR INVESTMENT USE

If it is deemed inappropriate to permit immediately transfers of production equipment from United States direct investors to foreign affiliates with no—or something less than a total—charge to investment allowables, then as an alternative we suggest: