

IV. Actions Involving the U.S. Government

Efforts by the private business community to market U.S. corporate securities to foreign investors and to increase the availability of foreign financing for U.S. corporations operating abroad should be accompanied by U.S. Government efforts to reduce existing deterrents to these activities which arise from practices, regulations, and law here and abroad.

Preceding sections of this report have referred to specific areas where the modification of U.S. laws and Government practices—as administered by the Treasury Department, the Securities and Exchange Commission, and the Federal Reserve Board—would facilitate private programs. In this section, we recommend revision of U.S. taxation of foreign investors in U.S. securities. The Task Force wishes to stress that no tax concessions to U.S. corporations or individuals are recommended. Our recommendations here relate solely to the removal or reduction of obstacles to foreign investment in U.S. securities.

The U.S. Government should take appropriate action where monetary, legal, administrative, and institutional restrictions in other countries inhibit the purchase of U.S. corporate securities by foreign investors and hamper U.S. companies in financing their overseas operations from foreign sources. Primarily, this will involve diplomatic initiatives, either bilaterally or multilaterally. This section will also identify foreign governmental restraints and practices to which diplomatic initiatives should be addressed.

As might be expected, views held by various members of the Task Force reflect the division of opinion over the desirability of the interest equalization tax, fully developed in hearings before the House Ways and Means Committee. It does not seem necessary to review these differences here; nevertheless, nothing said or unsaid in this report is intended to represent any departure from the views individual members may continue to hold on this subject.

Revising U.S. Taxation of Foreign Investors

Revision of U.S. taxation of foreign investors is one of the most immediate and productive ways to increase the flow of foreign capital to this country.