In conclusion, our current system of taxing foreign investors in the United States contains elements which are inconsistent with generally accepted international tax policy principles and which, at the same time, act to discourage foreign investment in the United States. H.R. 5916 is designed to reshape our present system in order to make it a more rational vehicle for taxing foreign individuals and corporations.

The legislation is an essential element of the President's comprehensive program for dealing with our balance-of-payments problem on an enduring basis. This is not a quick emergency action to deal with any special problem in the next year or two. It is a part of the longer term program that I have discussed on occasion with members of this committee that can, over a long period of years, better enable us to return to the free market principles which we hope can be maintained as a permanent basis.

As such, it is one of the aspects of the President's program which is expected to have a longer term impact on our balance of payments. Foreigners will invest in this country as long as our economy remains prosperous and stable. However, it cannot be expected that the level of foreign investment will reach its full potential so long as provisions exist in our tax laws which serve to discourage foreign investment and which are not in accord with international tax standards.

H.R. 5916 will eliminate or modify the provisions of present law which have complicated our system of taxing foreigners but have resulted in little revenue being realized.

Adoption of H.R. 5916 will lead to a simpler and more rational method of taxing foreigners. It will also be an important step in moving toward the elimination of our balance-of-payments deficit and the strengthening of the international position of the dollar and, I might say, of sustaining an equilibrium in our balance of payments over the long pull with the minimum reliance on the temporary measures that are now necessary.

Because this legislation will contribute to these two vital national objectives, I urge you to support it.

One additional comment, Mr. Chairman and members of the committee. Before some of you were able to be present, I said at the outset that to my personal knowledge these recommendations before you did not come out of any quick or superficial examination of the problem. They had their origin in President Kennedy's balance-of-payments message of July 1963, in which he announced that he would designate a task force composed of representatives of business, finance, and government to survey all factors that tended to deter a healthy two-way flow of capital, particularly the flow of foreign investment in U.S. private securities. Such a task force was established in the fall of 1963.

As I said before, the very well informed and experienced group of private citizens who participated devoted large amounts of their time and effort to what I think they viewed as a very real public service. There is no question, and there ought to be no question in anyone's mind, that there was also an element of very appropriate self-interest involved because the benefits flowing from the development of foreign investment in the United States will accrue to not only the public, but also to a more effective participation on the part of U.S. companies, investment banking houses, brokerage concerns, and the whole complex of institutions that are a part of our capital market system.