However, serving as a member and as chairman of the task force, I think it only fair to say that very strenuous and worthwhile effort was devoted to reexamining what was being done, and could be done, on the private sector to complement Government activities and bring about this desired objective.

I understand that the committee will receive from outside sources both written and other communications indicating the extent to which the private sector has inaugurated complementary efforts to this particular proposal. For that reason, I will not speak to that particular issue because those who are better informed about it will have communicated directly with the committee. However, I would like to say that the tax proposals before you were considered both by the private and the public members of the task force as perhaps the most significant element in this program. Therefore, it would be a signal, not only to potential foreign investors but also to the financial community, that the Congress of the United States considered this matter in the national interest and worthy of their attention.

The report was submitted to the President in April 1964 and, as you know, I left Government service shortly thereafter. Therefore, I did not participate actively in the preparation of the proposals that were submitted to the Congress in March of this year. However, I know that Secretary Surrey and his staff and the related staff in the Office of International Affairs devoted a great deal of time in the intervening months to preparation of these proposals.

Many of the proposals are technical in nature. For that reason, I have asked Secretary Surrey to be here with me today since he has the detailed technical familiarity with the way in which they operate in the context of the present tax system, and equally significantly, the way these proposals mesh into the system of international tax treaties which are an important and related part of the topic before you.

I will try to deal with the questions you have and ask Secretary Surrey to participate as the situation may require.

Mr. HERLONG. Thank you, Mr. Secretary. We appreciate your full and complete statement.

The thought just struck me as you were testifying there that we are planning to go into a long-range program to encourage foreign investments in the United States. We have just completed working on a program to discourage American investments in foreign countries.

If this flow starts coming back to us what is to prevent these other countries from putting in their version of an interest equalization tax such as we have just acted on?

Secretary FOWLER. I think, Mr. Chairman, that the gap is the other way. I think if you will examine this task force report as it has to do with the obstacles to foreign investment in the United States that are imposed by foreign governments, you will find that there is a considerable set of barriers. Therefore, an important part of this overall program is to promote an increased two-way flow of capital between the United States and Western Europe, Japan, and other countries. Some of the recommendations of the task force report deal with public and private efforts to encourage other countries to diminish the barriers they established, primarily in the postwar period, when they felt it necessary to restrict, through exchange restrictions and otherwise, the outflow of capital.