

Mr. CURTIS. As I was going over these tax recommendations many of them would affect direct investment the same way that they would the other kind.

Secretary FOWLER. Yes.

Mr. CURTIS. And that would be helpful.

Secretary FOWLER. I think to whatever extent they would affect them it would be a beneficial effect.

Mr. CURTIS. I think so.

Secretary FOWLER. And encouraging more direct investment.

Mr. CURTIS. One aspect of your recommendations, particularly estate tax, seemed to be to treat foreigners equally with the way we treat our own citizens.

That of course appeals to me strongly. What worries me, though, as we go on to some of these other recommendations it looks like we might be giving foreigners a privilege which we do not extend to our own taxpayers.

Am I correct in that observation?

Secretary FOWLER. I think I would tend to put it this way: We are tending to follow more closely the pattern of international tax treatment of foreigners followed by other countries. To the extent the element you mention is present, it is one that generally characterizes other countries' tax treatment of their own citizens as compared to tax treatment of foreigners.

Mr. CURTIS. When this committee goes into executive session to consider the details of these recommendations I think that is just one rule of thumb I am going to try to employ, because that is the way to prevent the tax haven rather than some of these somewhat punitive approaches.

For instance, just trying to figure out whether a person has changed his citizenship for tax reasons or for other reasons, I view that with a jaundiced eye. I would much prefer to follow the guidelines of trying to treat our citizens and foreign citizens for tax purposes as equally as we can. To that extent, many of these recommendations would be accepted by applying this rule of equity.

Secretary FOWLER. I think another guideline to follow there, Congressman Curtis, if I may just suggest it again, is that in making these comparisons it would also be useful to compare the proposals with the type of treatment U.S. citizens are given by foreign governments under their tax laws.

Mr. CURTIS. Well, yes; I agree with that.

Secretary FOWLER. I am not talking about the tax haven treatment, but I mean the generalized tax treatment.

Mr. CURTIS. I might as well pick this point up because I had it noted here. On page 20 you refer to "the generally accepted international tax policy principles," and I wasn't quite sure what they were or how you conceive of what are "generally accepted international tax policy principles." Is this the result of study, or is this a general conclusion?

Secretary FOWLER. I would hate to have to produce a compact statement of those principles. What we would have to bring up to you is a large stack of international tax treaties, both those that have