

are no restrictions on the remittance of business profits, or income from passive investments, and U.S. dollars are freely convertible in the market for any currencies and for all purposes; and the U.S. economy offers foreigners a safe, ready, and diversified investment market which has an outstanding record of economic growth.

The United States—with a GNP of \$732 billion, personal consumption expenditures of \$459 billion, business expenditures on new plant and equipment of \$52 billion in 1965; an increase of \$28 billion in GNP for the first half of 1966, the sixth year of our economic upswing, an open-door policy under which President Johnson said: "The United States warmly invites businessmen from other industrial countries to explore the many promising investments and licensing opportunities in the U.S.A."—offers to foreign investors an opportunity to take advantage of the potentials of investing in a great and growing marketplace. These investments will contribute to the long-range economic growth of the United States and the investing country. The bill should encourage such investments by removing certain tax obstacles involved in the present system.

Enactment of H.R. 13103 will result in a revenue gain of about \$1 million annually. In addition, in the fiscal year 1967 only, it is expected that the bill will produce a revenue gain of approximately \$22.5 million by reason of the provision requiring U.S. withholding agents to remit taxes withheld on payments to foreigners more frequently than on an annual basis, as is the case under present law. (See table I on p. 7 of the report of the Committee on Ways and Means on H.R. 13103, entitled "Estimated revenue changes resulting from the foreign investors tax bill.")

IMPACT OF H.R. 13103 ON THE BALANCE OF PAYMENTS

There is no way of estimating with any degree of precision the impact of the bill on foreign investment in the United States or the resulting benefit to our balance of payments. The factors governing securities investment are many and complex. Even in purely domestic transactions, intangibles such as habit, convenience, and past experience may be as important as yields, price-earnings ratios, and other economic indicators.

Although difficult to quantify, there is ample evidence of a sizable potential for attracting foreign investment in U.S. corporate securities, particularly stocks, by residents of the prosperous countries of continental Europe. After more than a decade of rapidly rising incomes, Europeans have to a large extent fulfilled many of their most pressing consumer needs and are accumulating savings at a high rate. Individuals in Europe are turning increasingly toward securities investment, as shown by the rising activity on European stock exchanges, the large number of new offices being opened in Europe by American securities firms, and rising sales of mutual fund shares. Yet, even now, in Europe only 1 person in 30 is a shareowner as compared to 1 in 11 in the United States.

At the end of 1965, foreigners held an estimated \$12.5 billion of U.S. corporate stocks valued at market prices. In every year since 1950 except three, foreign purchases of U.S. stocks have exceeded foreign sales and in the 7 years between 1959 and 1965, net purchases by foreigners averaged \$175 million (both excluding certain foreign