

the avoidance of U.S. taxes was one of the principal reasons for his surrender of citizenship.

*Retaining treaty bargaining position.*—By unilaterally making the changes applicable to foreigners provided in H.R. 13103, the United States could be placed at a considerable disadvantage in negotiating similar rules in other countries for Americans with income from foreign sources. In order, therefore, to protect the bargaining position of the United States in international tax treaty negotiations, H.R. 13103 authorizes the President, where he determines such action to be in the public interest, to reapply present law to the residents of any foreign country which he finds has not acted to provide our citizens with substantially the same benefits for investment in that country as those enjoyed by its citizens on their investments in the United States as a result of this legislation. If this authority were invoked, it could be limited to those investment situations as to which U.S. citizens were not being given comparable treatment. This provision of the bill is patterned on provisions presently contained in the Internal Revenue Code which attempt to assure U.S. persons appropriate tax treatment by foreign countries, e.g., section 891 which provides for doubling of U.S. rates on foreigners under certain circumstances; section 901(b)(3) which denies a foreign tax credit to alien residents of the United States unless a similar credit is allowed U.S. persons by their home countries. We believe that the presence of such a provision will be a material aid in our securing appropriate provisions respecting these matters in our international tax treaties.

In addition to the comments I have made on the existing bill I wish to recommend to the committee two amendments which will further the purpose of this proposed legislation.

The first of these would clarify the tax exemption on income from investments held by foreign central banks in securities or other obligations issued or guaranteed by the various agencies of the U.S. Government. The present language of section 895 of the code which provides for tax exemption on income received by foreign central banks on "obligations of the United States" leaves in doubt the status of some obligations of Federal agencies other than those of the Treasury. Interest in such investments has been shown by various central banks and it is clearly desirable to provide the broadest possible spectrum of investment possibilities in the United States in order to attract and hold foreign dollars which otherwise might be converted into gold. Also from the standpoint of marketing such issues it is in our interest to broaden the market by making them attractive to this type of large investor.

The second amendment would expand the authority of the Secretary of the Treasury to issue foreign currency denominated securities in the same range of maturities and interest rates as is authorized for regular dollar issues and in a manner which could benefit our balance of payments. The present legislation permits the sale of such foreign currency denominated issues only in the form of bonds and certificates of indebtedness whereas regular dollar issues may be offered in the form of certificates, bonds, and notes. Offerings in the 1- to 5-year maturity range are in the form of notes. The ability to issue notes in the foreign currency series of securities will make it possible for us to offer an attractive investment in the medium-term range of maturities since interest could be paid at rates comparable to that on regular