

are not consistent with sound tax policy and act as barriers to such investment."

The Exchange, in endorsing the spirit of the bill, believes that our suggested changes, amendments, and additions would greatly enhance the effectiveness of the legislation. Through the adoption of these suggestions, the Congress would be better able to achieve the original objective of aiding our balance of payments position by removing present deterrents and in addition providing positive incentives for foreign investors.

Senator ANDERSON. Robert Norris.

STATEMENT OF ROBERT M. NORRIS, PRESIDENT, THE NATIONAL FOREIGN TRADE COUNCIL, INC.; ACCOMPANIED BY CHARLES R. CARROLL, COUNSEL TO THE BOARD OF DIRECTORS

Mr. NORRIS. Senator, my name is Robert M. Norris, president, National Foreign Trade Council, and I am accompanied by Charles R. Carroll, counsel to the board of directors.

The National Foreign Trade Council appreciates your invitation to present its views on H.R. 13103 at these hearings.

The National Foreign Trade Council has been engaged for 53 years in the promotion and protection of American foreign trade and investment and therefore in recent years has been vitally concerned with the need to remedy the recurring deficits in the balance of payments of the United States. Consequently, the recommendations of the Fowler task force were welcomed as a step to end the imbalance by attracting foreign investment in U.S. securities. Implementing these recommendations could be an important factor in eliminating the deficit in our payments position and a significant move toward achieving the ultimate objective of greater freedom of international movement of capital.

The council and its highly diversified membership considered the introduction last year of H.R. 5916 to implement the tax part of the Fowler Committee recommendations to be a most important forward step. The council favored the provisions of H.R. 5916 for encouragement of foreign investment in the United States and recommended its enactment with certain modifications. However, the introduction of H.R. 11297 and H.R. 13103, in turn, as substitutes for H.R. 5916 has presented matters of grave concern to the council. H.R. 13103, as now pending, has changed the original provisions of H.R. 5916 with regard to income and estate taxes on foreign corporations and nonresident aliens, and is less favorable in this respect than the original bill—H.R. 5916.

Furthermore, there has been embodied in H.R. 13103 an objective which is in direct conflict with the purposes of the Fowler report; that is, a general revision and broadening of U.S. taxation of nonresident aliens and foreign corporations which would be treated as "effectively connected" with an office in the United States. The council believes that the adoption of this new taxing system would be unwise and inequitable; that rather than raise additional revenue it would lead foreign corporations to reduce their investment and employment in the United States; that it would come into conflict with the prevailing pattern of taxation of international business by the principal trading nations of the world; and that it would produce serious problems of double taxation. Moreover, in our estimation, the enactment of these provisions would adversely affect the U.S. balance of pay-