

Beyond this it seems to me that if the U.S. Government adopts the position provided for in the Foreign Investors Tax Act of 1966, we are adopting a position which is totally inconsistent with the role of the U.S. Dollar as a key World Currency.

I would appreciate your recognizing our views as your Committee considers the Foreign Investors Tax Act of 1966.

Thank you for your consideration.

Sincerely yours,

JOHN M. FRASER, JR.,
Vice President and Manager.

WACHOVIA BANK & TRUST CO.,
Winston-Salem, N.C., August 4, 1966.

Re H.R. 13103—Foreign Investors Tax Act of 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We understand that hearings on this bill are scheduled August 8 and 9. We submit this statement in lieu of a personal appearance and support the statements presented in person by representatives of the Bankers Association for Foreign Trade and the American Bankers Association.

Our International Department, established six years ago, has been successful not only in building business and earnings for the bank but also in assisting domestic companies to expand their export activities as a part of the Government's export promotion effort. As examples of the cooperation and assistance we have afforded the Government, the officer in charge of our International Department is a member of the Regional Export Expansion Council of the Department of Commerce, and our export promotion efforts won one of the first "E for Export" citations from President Kennedy. Although the foreign lending guidelines of the Federal Reserve System have reduced our potential for growth of business and earnings in export financing, we have recognized their need and have kept our foreign lending within the guidelines.

Estate and income taxes on foreign-owned deposits, as proposed in H.R. 13103, would, in our judgment, make the dollar a less desirable currency for foreign nationals and cause a great portion of these deposits to be transferred outside the United States. This flight would, without a doubt, reduce the deposit base, restrict the potential expansion of deposits and limit the earnings of our International Department, and we know of a number of other banks in similar circumstances. Inevitably and unfortunately, this reduction would hamper further the ability of Wachovia and the other banks to expand the export financing activities that are vital to the Nation, particularly in view of the serious balance of payments problem which plagues the U.S. economy.

We are further concerned because the proposed taxes can so easily be avoided by transfer of the deposits to other countries. It seems to us unwise to impose taxes that not only will not accomplish the revenue purposes for which they are designed but will also drive business to foreign competitors of United States enterprises.

The transfer of deposits to avoid the taxes would be to the particular disadvantage of Wachovia and other banks like us which have no branches abroad to which our customers could move their deposits. The loss of these deposits would be further aggravated by the fact that business related to these deposits presumably would also be lost.

The transfer of deposits to avoid the taxes could, in itself, adversely affect the U.S. balance of payments and increase potential claims against the dwindling U.S. gold reserve. The purpose of this bill, as we understand it, is to create a more attractive climate for foreign investments in the United States; therefore, the deposit tax provisions would be contrary to the stated purpose of the bill of which they are a part. They would also appear to be inconsistent with previous actions by this Congress to encourage foreign dollar accounts in this country. Our balance of payments and gold reserve problems are of such significance and are so sensitive that we feel that our domestic economy would also suffer under the strains that these taxes would cause.

The transfer of deposits would also reduce a source of capital valuable to United States enterprises; less capital would mean reduced sources of domestic deposits and, consequently, a reduction in income already subject to tax.