so that banks without foreign branches that were interested in this business could arrange to open foreign branches.

Senator TALMADGE. Thank you, Mr. Secretary.

Mr. TALMADGE. As the Senator has stated, if this provision in the bill becomes law, in my judgment, it will do the very opposite of what the administration recommended—that is, to encourage more investment in the United States of America.

Dollars and liquid capital are highly fluid and highly mobile. To illustrate what would occur, a certificate of deposit in the Chase National Bank in the sum of $1 million would yield $55,000 in interest, but the provision in the bill would require a 30-percent withholding.

What would a foreign citizen do?

He would most likely withdraw his money and put it in the Chase-Manhattan Bank in Paris, France, and pay no tax on it and earn 7 percent.

In other words, what he would do would be to withdraw his money. I do not think we want that at a time when we are losing dollars and losing gold.

I recommend that the amendment of the Senator from Texas be agreed to.

Mr. MORRISON. Mr. President, will the Senator from Texas yield?

Mr. YARBOROUGH. Mr. President, I yield 1 minute to the Senator from Virginia.

The ACTING PRESIDENT pro tempore. The Senator from Virginia is recognized for 1 minute.

Mr. ROBERTSON. Mr. President, I invite the attention of the Senate to the fact that although I do not know the fundamental reason why the Ways and Means Committee put this provision in the bill, they must have felt uncertain about their position in that they provided the tax would not become effective for 6 years.

Now, no one can lift the veil of the future and see what the situation is going to be in this or any other country 6 years from now. Neither can we bear six successive sessions of Congress if we should go ahead and do this—and I do not recognize it now. There will be plenty of time within the next 6 years to do it.

I hope that the amendment of the Senator from Texas will be adopted.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. Mr. President, I yield time I had on this amendment to the Senator from Delaware, who is opposed to it.

The ACTING PRESIDENT pro tempore. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, under present law, foreigners—including foreign corporations—are generally entirely exempt from U.S. tax on the interest income they derive from their bank deposits in the United States. I think the Senate might be interested in knowing where these funds come from. The Secretary of the Treasury when testifying stated that with respect to the $2.5 billion of foreign-owned time deposits in U.S. banks, about one-half or $1.3 billion is held by Latin Americans, and of this $1.3 billion, about half of that, or $.7 billion is held by citizens of Argentina, Venezuela, and Mexico. By way of contrast, the citizens of Venezuela have more money in U.S. time deposits than the citizens of all the countries of Europe. In other words, the members of the wealthy classes of South America can place their money in the safe confines of U.S. banks, enjoy the safety which this country provides and pay no taxes to this Government which provides them the sanctuary for their millions. This occurs even though their native lands are less-developed countries and need these funds at home.

Let me also point out that this amendment is not effective until 1972, and therefore, these wealthy foreigners will, in any event, enjoy this exemption until that time. The banks are not satisfied with a 5-year prospective effective date. They have already raised the cry of fear that these wealthy foreigners have begun to withdraw their funds notwithstanding the fact that they will not be subject to U.S. tax until 1972. I think the facts disprove their fears. The Committee on Finance has been informed that the time deposits held by foreigners have continued to increase in the recent months notwithstanding the fact that this provision was enacted by the House of Representatives 6 months ago. In the month of July alone, the deposits of these foreigners increased more than $70 million.

It seems very inconsistent to me for this country to always be pressuring our good neighbors to the south to enact fair and equitable tax systems which will require their wealthy citizens to pay their fair share of the costs of their governments while at the same time the United States is providing the primary tax haven for the fortunes of these same wealthy South Americans. I might add, that in addition to constituting a tax haven, a U.S. bank is a very good hiding place for these foreign fortunes.

In view of all of these facts, I see no equitable reason why, once we get our balance of payments in control, that we should continue to allow the United States to serve as a tax haven for the wealthy of the world.

I therefore urge that this amendment be rejected, the same as it was rejected by the Finance Committee.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. The