

VI. A Long-Range Program for Promoting Foreign Private Investment in United States Securities

Foreign investors have dramatically increased their net purchases of American corporate debt and equity issues since 1964. Net inflows (excluding liquidations by the United Kingdom) increased from \$147 million in 1965 to \$783 million in 1966 and to nearly \$1½ billion in 1967. Through the first three quarters of 1968 these purchases have increased to a record level of about \$3½ billion at an annual rate.

The promotion of foreign purchases of American securities has been an important part of the Government's program to improve the balance of payments since 1963. An Industry-Government Task Force in 1964 recommended a series of specific steps to increase inflows of foreign investment capital. One of the key elements in the recommended program called for revisions of the Internal Revenue Code to improve the tax status for foreign investors in the United States. Enactment of the Foreign Investors Tax Act of 1966 accomplished this goal. This was followed by a series of actions by various groups designed to provide foreign investors with better information on investment conditions in the United States.

A special industry group has also sponsored visits to the United States by key foreign investment decision-makers, in order to assist them in contacting policy-level officials in both industry and government. In addition, various segments of the American securities industry have expanded their contacts with foreign investment organizations by establishing new offices overseas and by devoting an increasing amount of attention to servicing the needs of foreign investors.

In addition, the Government has sought to develop a responsible fiscal and monetary policy which will insure the stability and continued growth of the economy of the United States in order to retain the confidence of foreign investors. These efforts have contributed importantly to improvements in the balance of payments, in general, and especially to the establishment of an improved two-way flow of investment capital between the United States and Europe.

Given the substantial increase in net volume of foreign funds flowing into American securities over the past several years, the extent to which this renewed interest by foreigners remains permanent will be important.