

The following-named Naval Reserve officers to be permanent lieutenants and temporary lieutenant commanders in the Medical Corps of the Navy, subject to the qualifications therefor as provided by law:

Lawrence M. King, Jr.

Carl N. Simpkins

Vincent E. Gallagher, USN officer, to be a lieutenant in the Navy, limited duty only, for temporary service in the classification aviation operations in lieu of lieutenant (junior grade), as previously nominated and confirmed, to correct grade.

Glenn R. Canfield, warrant officer, to be a chief warrant officer, W-2, in the Navy, for temporary service, subject to the qualifications therefor as provided by law.

Harold W. Walters, warrant officer, to be a chief warrant officer, W-3, in the Navy, for temporary service, subject to the qualifications therefor as provided by law.

The following-named officers to be lieutenants (junior grade) in the Medical Corps of the Navy, and to be promoted to the grade of lieutenant when their line-running mates are so promoted, subject to qualifications therefor as provided by law:

Robert Albanese

Edgar J. Anderson

Richard A. Anderson

Royal G. Aubrey

Albert G. Bailey

Thomas L. Balding

George R. Baringer

Harold L. Bassham

Peter B. Baute

Richard P. Benoit

Lester L. Bergeron

Stephen J. Bernocco

Albert W. Bertuch

Robert F. Biehl

David E. Billings

Herbert W. Bistrong

James W. Bland, Jr.

George S. Blodgett

Harry M. Blount

Joseph H. Bowlds

Donald E. Boye

William M. Bradford

Thomas P. Briant

Joseph T. Brierre,

Jr.

Melvin C. Britton, Jr.

George J. Brodmerkel,

Jr.

James J. Brophy

George F. Brumbach

Richard W. D. Bryan

Frank W. Budd, Jr.

John C. Bull, Jr.

Patrick R. Burkett

Waldon E. Campbell,

Jr.

Robert W. Cantrell

Thomas E. Carson

Jerry L. Case

Joseph S. Cassells

Donald O. Castell

Nicholas T. Catanuto

Robert W. Chambers

Harvey E. Christensen

Vilnis A. Ciemins

Robert C. Cochran

Robert N. Conrad

Donald W. Cowherd

Adelbert D. Cramer

Glenn D. Crawford

Dennis G. Crockett

William H. Cromack

Douglas R. Currin

James B. D'Albora

Clayton C. Dean

Joseph A. De Matteo

Evans Diamond

Lary S. Dobbs

Robert J. Dockhorn

Barry E. Dunphy

Richard T. Ellason

Francis X. Essex

Richard G. Farmer

William F. Farr

John B. Fenning

Eldon E. Fitch

Robert J. Fitzgerald

Harold L. Floyd

Patrick W. Flynn

Robert Fomalont

Robert J. Forcier

Douglas H. Forsyth

George V. Frankhouser

Jr.

Fitzhugh L. Fussell, Jr.

Philip J. Gelber

James S. Godwin

Reginald E. Greene

Thomas A. Grossi

William V. Griffin III

John W. Gruber

Thomas J. Guttuso

Herbert C. Hagele, Jr.

Doyle D. Hagg

William C. Head

Warren Heller

John F. Hiehle

William R. Hix

Bartholomew T. Hogan

Paul A. Holdener

Eric H. Jensen

David W. Johnson

William F. Johnson

Daniel "M" Jones

Dwaine L. Jones

Sydney R. Julian, Jr.

Robert F. Karnel, Jr.

Lacy A. Koonce

Donald M. Kurtz

John A. Lanning

Darwin C. Lehfeldt

Laurus W. Lehwalder

Fred C. Leisse

Irwin E. Librot

Domingo A. Lopez

Rodney S. Lowe

James G. Luehrs

Floyd L. Lumms

John I. Lynch, Jr.

Patrick J. Madden

Daniel A. Manning

Charles E. Marshall

Robert L. Martin

George F. May, Jr.

Garvin H. McClain

Richard P. McClintock,

Jr.

Byron H. McCormick

Robert L. McDonald

James D. McGath

Glen D. McKnight

Walter L. McLean

John J. Messina

Harry L. Metcalf

John L. Milton

Victor F. Mookus

Richard H. Molel

Charles J. Moloney

William C. Monell

Kenneth C. Morley, Jr.

James J. Muehlberger

Walter J. Muller III

Kenneth A. Murdock,

Jr.

Eugene L. Murphy

Lawrence B. Mutty

Lafe H. Myers

John B. Nevara

Samuel R. Newsom III

Maurice Nottingham,

Jr.

John W. Norton

Carl M. Pedersen

Joseph A. Pellecchia

Myron A. Pickens, Jr.

William E. Pierson

David E. Pirrung

Richard F. Plant

Van Nest Polglase, Jr.

Carter A. Printup, Jr.

John H. Ramlo

Jerome M. Reed

Vade "G" Rhodes

Leslie D. Rivers

George A. Robitaille

Charles C. Rogers

Neil J. Rohan

Gerald T. Rolling

Donald E. Roy

Fred A. Rundlett

Eugene D. Ruthland,

Jr.

Jerome R. Ryan

Paul J. Schneider

John V. Scholan

Ronald A. Schwartz

Frederick W. Schwert-

ley

Robert B. Seal

Leslie I. Sechler

Raymond J. Sever

Sidney R. Sewell

James L. Shumaker

Jennings B. Smalley,

Jr.

Donald D. Smith

Franklin A. Smith

Laurie N. Smith

William W. Smith

William H. Spaur

Frederick W. Spang

Herbert A. Steimel

George T. Strickland,

Jr.

William M. Tarnowski

Stanley D. Teeter

James B. Tenney

John J. Tobin, Jr.

David J. Torpey, Jr.

Connell J. Trimber

Lonidas M. Turner, Jr.

Andrew N. Urbanc

William P. Urschel

George A. Van De

Wyngaerde

Albert T. Ventzek

Charles B. Volcjak

Norman R. Wall

Phil V. Walters

James W. Wengert

Headley S. White, Jr.

Paul C. White, Jr.

Peter R. Whitts

Henry A. Wilkinson

III

John M. Williams III

Calvin J. Willis

Homer L. Winslow

Wayne H. Wolfe

Philip K. Wood

Nathan L. Wright

Robert P. Yanko

THE CONGRESSIONAL RECORD OF HON. SAM RAYBURN, SPEAKER OF THE HOUSE

Mr. VINSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. VINSON. Mr. Speaker, on March 4, 1913, 47 years ago Friday last, a young man just past his 31st birthday took his oath of office as a Member of the 63d Congress.

There is no Member of the House of Representatives today who was a Member of the House on that occasion. And probably that young Member, elected to represent the fourth district of the great State of Texas, had not the slightest idea that he would on that date, March 4, 1960, celebrate his 47th consecutive year as a Member of the House of Representatives.

This record is unequalled in the history of the House, and I am confident that it is a record of legislative continuity that has been seldom matched in the history of all legislative bodies throughout the world.

This man, SAM RAYBURN, born in the State of Tennessee, but claimed by the State of Texas since the year 1887, has become, to the Nation and the free world, a magnificent symbol of democracy at its best.

Elected Speaker of the House of Representatives September 16, 1940, in the 76th Congress, he served as Speaker in the 77th, 78th, 79th, 81st, 82d, 84th, 85th, and the present 86th Congress.

If all of this were simply a question of longevity, it would be an outstanding event in itself; but it is more than longevity, for it is continuity of service in every sense of the word—service to his constituents, service to the State of Texas, service to the House of Representatives, service to the Congress, and, above all, service to all of the people of America and the free world.

No Speaker of the House of Representatives—in the past or in the future—will ever equal this exceptional record—a record not only in longevity, but also a record of outstanding legislative attainments, a record of greatness, a record of fairness, a record of integrity, and a record of humbleness.

In fact, America will wait for many generations before SAM RAYBURN'S record will ever be equaled; and America will wait a millennium before his record of accomplishment will ever be surpassed.

HEALTH BENEFITS FOR RETIRED GOVERNMENT EMPLOYEES

Mr. PORTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

Mr. PORTER. Mr. Speaker, retired Government employees have reason to worry about their being included in the

HOUSE OF REPRESENTATIVES

TUESDAY, MARCH 8, 1960

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Psalms 51: 17: A broken spirit and a contrite heart, O God, Thou wilt not despise.

Most merciful and gracious God, as we examine our lives during this Lenten season, we find sins and transgressions which only Thy mercy can pardon and potentialities and possibilities for good which only Thy grace can fulfill.

Create within us a better ordered inner life with nobler instincts and higher impulses and may our minds and hearts always abstain and recoil from everything that might mar the sacredness and solemnity of this glorious season.

We humbly confess that we are guilty of many faults and mistakes which we repeat again and again but may we never grow careless and weary of trying to conquer them.

Inspire us each day with power to rise above all those wayward desires that defile and weaken our inmost being for Thou hast not created us for failure but for victory.

Hear us in the name of our Lord and Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

health benefits plan which Congress enacted for active Government employees and which becomes effective July 1, 1960. Seventy-three Members of the House, including myself, have filed bills to include retired Government employees under a health benefits plan.

This morning Mr. Roger Jones, the able Chairman of the Civil Service Commission, told me that necessary arrangements could be made to cover the retired employees if the legislation was promptly enacted, but the Commission's executive director, Mr. Warren Irons, almost immediately expressed his hope that the effective date of such legislation be delayed well beyond July 1, 1960.

No report on this legislation has been made by or requested from the Civil Service Commission, I learned this morning, but the distinguished chairman of the Post Office and Civil Service Committee, the gentleman from Tennessee [Mr. MURRAY], has promised me that he would see about this.

Those Members who believe that this legislation is necessary and fair should take notice that it needs their strong support now if it is to be enacted so as to be effective July 1, 1960. It seems to me that Uncle Sam's reputation as a good employer requires the earliest enactment possible.

OUR RETIRED CIVIL SERVANTS DESERVE A BREAK

Mr. EDMONTON. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. EDMONDSON. Mr. Speaker, I appreciate the remarks of the gentleman from Oregon in support of the retired civil service personnel of our country.

Their right to participate in the new medical benefits program for our civil servants should be speedily recognized by the Congress.

I earnestly hope the committee will soon act on this much deserved legislation.

COMMITTEE ON EDUCATION AND LABOR

Mr. BARDEN. Mr. Speaker, I ask unanimous consent that the Committee on Education and Labor may have permission to sit this afternoon during general debate in the House.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

THE LATE HERBERT R. O'CONNOR

Mr. FRIEDEL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. FRIEDEL. Mr. Speaker, today the people of Maryland mourn the untimely death of an outstanding American and a great Maryland public servant, the Honorable Herbert R. O'Connor. He has served his country and the people of Maryland well—as a former U.S. Senator, a former Governor of Maryland, former attorney general, and former State's attorney.

Senator O'Connor was representative of all that is best in our American tradition. The son of a family of modest circumstances, he was truly a "self-made man." He managed to go to Loyola College in Baltimore and—eventually worked his way through the law school of the University of Maryland by serving as a reporter on the Baltimore Evening Sun.

His career as a lawyer was an exemplary one, for Senator O'Connor was a lawyer's lawyer who earned the respect and admiration of all who knew him. Some of the opinions he rendered while serving as attorney general of the State of Maryland are masterly exposition of the law.

When Herb O'Connor was chosen by the people to be Governor of Maryland, he became the first Catholic ever elected to this high office, thereby typifying the true spirit of the Free State. His terms as Governor were marked by innovations that improved immeasurably the administrative and fiscal operations of our State government.

In 1947 this distinguished Marylander was elected to represent his State in the highest legislative body in the land, the U.S. Senate. Senator O'Connor's tenure in Washington was marked by his steady and unrelenting war on the subversive elements that would destroy our freedom. He was always in the forefront in the war against communism and the records are replete with evidence of his efforts to rid our country of this menace.

Senator O'Connor was an able administrator and legislator who devoted his considerable talents to the defense of democracy and the betterment of his State and the Nation. He will long be remembered for his untiring efforts to uphold the principles embodied in our Constitution and for his unique ability to bring about the necessary reforms within our State.

By his intelligent devotion to duty, his great integrity, and the honest and courageous manner in which he discharged all the vital functions of the high offices he held, he distinguished himself in the service of his country and endeared himself to the people of Maryland.

Mr. O'Connor was truly one of Maryland's most illustrious sons and both the State and the Nation suffer a great loss with his passing. We are all grieved by Senator O'Connor's untimely death and I want to offer my deepest condolences to Mrs. O'Connor and the other members of his family in this hour of bereavement.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. FRIEDEL. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Mr. Speaker, the death of the Honorable Herbert R.

O'Connor, former attorney general and former Governor of Maryland, and former U.S. Senator from Maryland, takes from our country one of its most eminent and illustrious citizens and public officials.

The deep respect and affection that the people of Maryland had for Herbert O'Connor is clearly evidenced by their action in electing him for every public office for which he aspired. His retirement to private life in 1952 was voluntary on his part.

Herbert O'Connor was a man of deep faith which animated his thoughts and actions throughout his lifetime. He was not only a dedicated public official and legislator and a great American, but he was honorable and trustworthy in every respect. Herbert O'Connor not only possessed the affection of the people of Maryland, but also the deep respect of the people of the United States.

He was a gentleman in every sense of the word. Possessed of an understanding mind, whenever he disagreed with anyone, he could disagree without being disagreeable.

The deep faith and understanding mind of Herbert O'Connor, which I have referred to, justified an introduction he received while making a public address some few years ago, as one of God's noblemen.

Herbert O'Connor was truly one of God's noblemen.

He has left his favorable impression upon the pages of the history of Maryland, and upon the legislative pages of the history of our country.

His loved ones can derive great consolation in the knowledge that he led not only a constructive life, but a noble life.

To Mrs. O'Connor and her sons and daughter, I extend my profound sympathy in their great loss and sorrow.

In my remarks I include an editorial entitled "Herbert R. O'Connor" that appeared in the Washington Star of March 7, 1960:

HERBERT R. O'CONNOR

Public service and the profession of law have lost a distinguished practitioner with the death of Herbert R. O'Connor, 63, of Baltimore.

A man of attractive personality, Mr. O'Connor turned from newspapering at an early age to the not unusual combination of law and politics. In those related fields, he progressed steadily from local prominence in Baltimore to statewide success and popularity in Maryland—as attorney general, Governor and, from 1947 to 1953, as U.S. Senator. During his term in the Senate, Mr. O'Connor served for a time as chairman of the Senate Crime Investigating Committee and as chairman of the Senate Internal Security Subcommittee—two areas in which he was particularly well acquainted by experience and by personal interest.

After deciding not to seek reelection to the Senate in 1952, Mr. O'Connor continued his dedicated fight against communism and was a spokesman of the American Bar Association in its condemnation of lawyers who resort to fifth amendment protection against questions of possible Communist affiliation. A lifelong Democrat, he was also a devoted participant in lay activities of the Roman Catholic Church. In all of these outlets for his interests and his talents, Mr. O'Connor earned widespread respect.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. FRIEDEL. I yield to the gentleman from Pennsylvania.

Mr. WALTER. Mr. Speaker, with the passage of Herbert O'Connor, a great American has left the scene. Senator O'Connor's public service did not end when he left the U.S. Senate. I like to, and I am sure my feelings are shared by many people, feel that it just began. In his contributions to the work of the American Bar Association Herbert O'Connor's hand will be seen for many years. The Nation has lost a truly great citizen.

Mr. LANKFORD. Mr. Speaker, will the gentleman yield?

Mr. FRIEDEL. I yield to the gentleman from Maryland.

Mr. LANKFORD. Mr. Speaker, with the death of our beloved former Governor of Maryland, and former U.S. Senator, Herbert R. O'Connor, the State of Maryland and the country has lost a devoted servant. But, more than that, Herbert R. O'Connor was a friend to everyone whom he met. It was with a deep sense of sorrow that I learned of his passing. I want to take this opportunity to extend to Mrs. O'Connor and the members of his family my deepest sympathies in their hour of bereavement.

Mr. FRIEDEL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the life and character of Herbert R. O'Connor.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. RAYBURN. Mr. Speaker, in the passing of Herbert O'Connor, not only the State of Maryland but the whole country has lost an outstanding statesman, a great citizen, a fine husband and father. He was a friend of mine and a friend of mankind. His fine wife and his children have my deepest sympathy.

Mr. FALLON. Mr. Speaker, Maryland sorrows at the passing of Herbert R. O'Connor. We all knew he had not been feeling well since an unfortunate train accident. Still, his sudden death at the age of 63 brought shock, deep sorrow, and a sense of great personal loss to the people throughout the State who have long made plain their affection for him. Our love and sympathy go out to Mrs. O'Connor and the members of his family in the loss of a devoted husband and father.

Herbert O'Connor was a man of outstanding legal ability and a dedicated public servant. I conceived an admiration for him early in political life. I felt the utmost confidence in his honesty, his leadership and outlook. I had a personal regard and affection for him which can-

not be expressed adequately in words here today. As a former colleague, I have often been associated with him fighting for causes dear to his heart and to mine. The grief I felt at the news of his death summoned to my mind that I had not only lost a close friend but one with whom I shared the same philosophy of government.

Personal liberty and private enterprise were two of the prime factors which Herbert O'Connor believed we must protect if our country is not to follow a socialistic pattern. He believed this with all his heart and these factors motivated his actions in behalf of the people of his State and the Nation. In his long years of active and influential public service he pursued a single-minded policy—to guard and maintain our free way of life. He fought effectively for those freedoms which he felt have been our protection under the Constitution and which have made America the leading Nation of the world. He will long be remembered for these principles and for his leadership in the fight against subversive elements. Even after retiring from the Senate, he continued this fight and endeared himself in the hearts of the people of Maryland.

Herbert O'Connor was a devout Catholic and lived his faith. He has been referred to—and rightly so—as Maryland's best-known Catholic layman. He was a most able past chairman of the lay committees directing the Catholic charities appeal.

As Attorney General, Governor, and U.S. Senator, he rendered the citizens of his State and the Nation an invaluable service. Particularly, he distinguished himself locally and nationally as chairman of the Senate Crime Investigating Committee and as chairman of the Senate Internal Security Subcommittee.

An inspired leader, eloquent speaker, and an articulate writer, Herbert O'Connor had personal integrity, professional competence, and sound judgment that commanded the highest respect in the U.S. Senate. He was the natural choice of that body to direct the activities being carried on by the Senate Crime Investigating Committee and the Senate Internal Security Subcommittee. History will honor him for the brilliant and outstanding work he accomplished as chairman of these two highly important committees in their fight against the enemies of democracy. His devoted work in this field and his unrelenting fight against communism made him an invaluable contributor to the preservation of our American way of life.

Mr. BREWSTER. Mr. Speaker, it is with deepest regret that I rise to join my colleagues in the Maryland delegation to pay final tribute to former Senator Herbert R. O'Connor, Sr.

His recent death has deprived the State of Maryland of one of its most illustrious sons and distinguished citizens. I feel a deep sense of personal loss, and I join with my colleagues in expressing our most sincere sympathy to his wife and family.

Senator O'Connor leaves behind him a wonderful legacy of service to his coun-

try, his State, and the city of Baltimore. He also leaves behind the warming image of a man who throughout his busy eventful life set an example that all of us might well follow. This in some measure alleviates the sorrow that his family and his host of friends feel because of his untimely death.

Senator O'Connor throughout his life enjoyed the respect, the affection, and the esteem of the people of Maryland as few men have in the political history of our State. This respect and affection was demonstrated time and again throughout his meteoric rise through the various stages of his political career.

In 1921, he was appointed assistant State's attorney in Baltimore. This began a career in public life which is without parallel in Maryland. From 1923 to 1924, he served as peoples counsel before the Public Service Commission. In 1924, at age 27, he became Baltimore's youngest State's attorney. He served in that capacity for 10 years during which time his vigor and skill as a prosecutor brought him great praise and national recognition. In 1934, he was elected attorney general of Maryland. In 1937, he was honored by being elected president of the National Association of Attorneys General.

In 1939, Herbert O'Connor was elected Governor of the State of Maryland, and in 1942, at the annual meeting of the Council of State Governors, he was elected president of that body. He was re-elected Governor in 1942. He will be remembered as one of Maryland's truly great Governors. During his terms as Governor, many long overdue fiscal and judicial reforms were effected. In 1946, he was elected to the U.S. Senate, where he served once again with distinction. He was always vigorous in his devotion to Maryland's interests.

It was my privilege to know Senator O'Connor well. As a young man in political life, I called upon him for advice and counsel. He was always willing to give freely of his time.

The State of Maryland has lost one of its most distinguished citizens. His wife and family have lost a devoted husband and father. I have lost a true friend.

HAVE WE LOST WORLD WAR III?

Mr. HOFFMAN of Michigan. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOFFMAN of Michigan. Mr. Speaker, in last night's press there was a statement, as there was this morning, that we have lost world war III. That has been the trend of many a newspaper article for some time now. I have been wondering whether those who make those remarks are suggesting in an indirect way that we are so weak that we cannot defend ourselves and whether the Russians will take notice of that situation and, if they do, whether our friend to the south here in Cuba, Castro,

will conclude from what we say that this is a proper time to visit us with other than friendly intent.

What good does it do to say that we are so weak, so helpless, that we cannot defend ourselves? I wish somebody would write an editorial on that. Of course, those who so often assert that at the moment we cannot successfully resist aggression are not intentionally asking for an attack.

FOREIGN INVESTMENT INCENTIVE TAX ACT OF 1960

Mr. THORNBERRY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 468 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5) to amend the Internal Revenue Code of 1954 to encourage private investment abroad and thereby promote American industry and reduce Government expenditures for foreign economic assistance, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill, and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. It shall be in order to consider without the intervention of any point of order the substitute amendment recommended by the Committee on Ways and Means now in the bill and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill. No other amendment to the bill or committee substitute shall be in order except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding, but such amendments shall not be subject to amendment. At the conclusion of such consideration, the Committee shall rise and report the bill to the House, with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit with or without instructions.

Mr. THORNBERRY. Mr. Speaker, I yield 30 minutes to the gentleman from Idaho, Mr. BUDGE; pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 468 makes in order the consideration of H.R. 5, which would amend the Internal Revenue Code of 1954 to encourage private investment abroad and thereby promote American industry and reduce Government expenditures for foreign economic assistance. The resolution provides for a closed rule and 3 hours of debate.

H.R. 5 provides for the deferral of the U.S. corporate income tax on the income of a new class of domestic corporation to be known as the foreign business corporation. The foreign business corporation would be the arm of a domestic corporation which is engaged in the earning of foreign income.

Section 2 of the bill provides for this new type of domestic corporation—the

foreign business corporation. This section prescribes the tests which have to be met in order for a corporation to qualify as a foreign business corporation. It also defines the type of income that the foreign business corporation can earn and on which it can enjoy the deferral of the U.S. corporate income tax. This section defines the conditions under which this tax-deferred income becomes subject to U.S. tax. Ordinarily, the tax-deferred income is subject to U.S. tax when the foreign business corporation pays out dividends to its corporate stockholders, although this section also provides that a number of other uses to which the tax-deferred income would be put would also result in the payment of the corporate income tax on that income.

Section 3 of the bill provides that certain exchanges and transfers can take place between a foreign business corporation and its foreign subsidiaries without the requirement of prior clearance from the Commissioner of Internal Revenue as is required today under the provisions of section 367 of the Internal Revenue Code.

It can thus be seen that H.R. 5 is concerned with providing the means for enjoying tax deferral through a domestic corporation. U.S. corporations earning foreign income can enjoy tax deferral today with respect to that income by employing foreign subsidiary corporations as the vehicle through which they conduct their foreign business. A number of U.S. corporations are either not able to use foreign subsidiary corporations or are not willing to do so. By providing a domestic corporation vehicle through which tax deferral can be enjoyed, H.R. 5 would make it possible for such corporations to avail themselves of tax deferral treatment.

On the whole, tax deferral through a foreign business corporation as provided for by H.R. 5 is subject to stricter requirements and limitations than tax deferral through a foreign subsidiary corporation. A number of corporations that would otherwise be willing to enjoy tax deferral would not be able to do so under H.R. 5 because of the limitations and restrictions referred to.

It has been estimated that the revenue effect of the enactment of H.R. 5 would be \$85 million a year. That is to say, foreign income on which the Treasury Department now collects \$85 million in revenue would be channeled through foreign business corporations, and that amount of taxes which are currently paid would be deferred by reason of H.R. 5. The effect of H.R. 5, therefore, would be to make \$85 million of foreign income available for reinvestment abroad.

I urge the adoption of the rule so that the House may consider H.R. 5 on its merits.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. THORNBERRY. I yield.

Mr. GROSS. Will the gentleman state why this bill comes to the House under a closed rule?

Mr. THORNBERRY. I should be glad to tell the gentleman what was the judgment of the Committee on Rules. After listening to the presentation by

members of the House Committee on Ways and Means, who made a unanimous request representing both sides of the committee, for a closed rule, because this bill amends not only a number of sections of the Internal Revenue Code but also a number of other sections of the code, it was the feeling that it would be well to follow the course we have in the past and, therefore, the committee recommended the closed rule.

Mr. GROSS. But this is primarily a tax-exemption or tax-deferral bill, call it what you will. It provides for tax exemption and tax deferral by people who invest money in foreign countries; is not that correct?

Mr. THORNBERRY. It is a tax-deferral bill. According to the testimony before the Committee on Rules, it provides for tax deferral to domestic corporations which are formed by U.S. companies to carry on operations in foreign countries, to bring about greater equality with foreign subsidiary companies of American corporations who already enjoy entire advantages of tax deferral and who are permitted to bring 100 percent of their products back into this country in competition with American producers. This bill would deny tax-deferral privileges to firms which qualify under this bill and which obtain more than 10 percent of their income from foreign imports into the United States.

Mr. GROSS. But by no stretch of the imagination is this bill to be compared with the ordinary tax bill that comes before the House of Representatives.

Mr. THORNBERRY. It is to be compared, if I may say so to the gentleman from Iowa, in the sense that it does amend several sections of the revenue code.

Mr. GROSS. Sure, but it is not a tax bill as that is generally understood.

Mr. THORNBERRY. The gentleman asked me why we recommended a closed rule and I have tried to explain our reasoning to the gentleman.

Mr. BUDGE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I have some rather grave reservations as to the consideration of this bill at this time. As are most of the bills coming from the Committee on Ways and Means, this is a very involved and complicated piece of legislation.

I think there are statements in the Republican views set forth in the committee report accompanying the bill which are most interesting. The report states that the bill may cause more problems than it will solve, and a reading of the report indicates that may be an understatement. It is time the United States took a very good, hard look at the conditions under which we are forcing our own economy to operate. I quote from page 81 of the committee report:

The difficulty in finding a satisfactory solution to the problem of encouraging the full participation by U.S. private enterprise in world markets is made more complex by the fact that our Nation is a high-wage, low-tariff country.

I am sure that would be news to a great many people in this country although it should not be if they had fol-

lowed the action of the Congress in recent years; action with which I have not agreed.

The report continues.

This fact tends to make it more difficult for our producers to export from the United States than it is to manufacture abroad.

If that statement is true, and I think it is, then the people of America should start to find out why that condition should continue to exist.

Again reading from the report:

As a consequence H.R. 5, to the extent it is used, might serve to increase the pressures to transfer production endeavors from the United States to other countries and thus result in the export of U.S. jobs. We realize that the problem created by tariff policy cannot be corrected in tax legislation, but in view of the fact that the economic effects of these two areas are interrelated, it is appropriate that the economic fact of the one be taken into account in determining policy with respect to the other.

If H.R. 5 should have the consequence of transferring production endeavors from the United States, it may be reasonably assumed that the technological and research efforts may follow such endeavors. We may be creating a situation that will make it even more important that we direct our attention to the already urgent need for improvement in the domestic investment climate.

I think that portion of the committee report should draw attention all over the United States and all over the free world, because it very briefly calls attention to the situation in which American industry has found itself.

Mr. Speaker, it would be my hope that the Committee on Ways and Means would consider this legislation in line with other legislation which is soon to be considered by the Committee on Ways and Means and which is interlocking and intertwining legislation. I think this proposal comes to the House prematurely. While I feel that the rule should be adopted, I certainly hope that the matter will be fully debated. It is my present intention to vote against this legislation on final passage in order that it may receive considerably more attention than has thus far been devoted to it and in order that it may be considered with the related proposals soon to be considered by the Ways and Means Committee.

Mr. Speaker, I yield 10 minutes to the gentleman from Wyoming [Mr. THOMSON].

Mr. THOMSON of Wyoming. Mr. Speaker, when the previous question is moved on this legislation, I intend to ask for a vote on ordering the previous question. If that vote is successful, I intend to offer a substitute resolution which will be exactly identical to the one reported out by the Committee on Rules except for one most important provision. It would provide, and I quote from it:

It shall further be in order to consider without the intervention of any point of order an amendment to either the bill or the substitute amendment to add the provisions of H.R. 4918 as title II of the bill.

H.R. 4918 is simply the Davis bill of which many of us are cosponsors. It would set up a realistic trade policy for this country in lieu of this free or freer

trade policy that is mentioned in the committee report. It would be one which would be in the best interest of the working men and women and businessmen and taxpayers of America. It would truly be in the best interest of the undeveloped countries. As I have repeatedly pointed out, it does not do anyone in these undeveloped countries any good to send American capital over there through our foreign aid program or through another giveaway of \$85 million by favored tax treatment as provided by this bill. This merely results in spending American money there to build factories and to take advantage of the low wage scales in those countries, and to use the tax money that is saved to produce goods to send to this country to force our taxpayers out of business and threaten to destroy our standard of living. The effect of that is to bring us down to the level of the undeveloped countries rather than to bring the level of the undeveloped countries up to our level, which is what we should be seeking to do. This bill, unless it is accompanied by such a proposal as I am making, is a case where half a bill is worse than no bill at all, because it will further open the door to everything that I have mentioned. The place where the American big money interests have invested their money in a proportionately large way, I think everyone in this body will agree with me, is in Cuba. How good a return has the American public had from that investment? I think the proponents of this bill bear the burden of showing us how that has been so good for this country. I see by the morning papers that the United States protests Castro's charges and the papers go on to point out and summarize the seriousness of the results of our business policies in Cuba. I would simply say to you to stop and think about what has happened. The American-Cuban sugar interests go over there. They own most of the plant. They produce most of the sugar, refine it and ship it to this country in unfair competition with our American producers. That unfair competition comes about because those American investors are taking advantage of their low wage levels. They send the sugar to this country and are making a bigger profit; but that profit, I would point out, is only short lived as far as our national interest and as has been predicted all along. Wage scales are less than 50 cents per hour. This merely leaves a hotbed for communism or any other kind of ism to come in and appeal to the people because they do not have shirts on their backs or shoes on their feet and they do not have the good things of life for themselves and for their children.

Now, then, if we would limit the imports of goods produced abroad, then we would be providing these necessities for the countries and the areas in which these imports are produced. This would raise their standard of living. These people do not want to see American plants over there. They want to have more of the better things of life for themselves and their children. You do not get that result by making automobiles in other countries and sending them to

this country. You do not get that result by building a cotton textile mill, as was proposed to be done by the use of foreign aid funds in Vietnam, and then sending the shirts manufactured in that foreign mill to this country. The people of Vietnam need the shirts there. The same is true of woolen goods from Japan. Particularly is it true of increasing imports of meat when this food is seriously needed in the diets of people in the area. They need those products in the undeveloped countries of the world. If the previous question is voted down and my proposal adopted, it would simply make an intolerable bill a pretty good bill because it would limit the amount of goods and resources of those countries which could be sent to this country which deprives those people of the use of such goods and resources in order to raise their own standard of living.

This committee bill that has been brought out recognizes some of these problems. They have amendments in here until you cannot recognize the original bill. Then they have left enough loopholes to accomplish what the original bill set out to do.

I have been a lawyer, but in the 2 hours I have looked over this matter, frankly, I must say I do not understand it completely. I do see though that it is a lawyer's dream. It is full of loopholes. It is not going to do the undeveloped countries of the world any good unless we do get reasonable restrictions where those goods and services are going to be consumed. Without such it will do irreparable harm to the workers and businessmen of this country. Every time you pick up a magazine, for instance here is the World News, we have further called to our attention that which Secretary Anderson so ably pointed out, that our balance of trade is unfavorable. We are faced with a 4-billion-dollar-a-year unfavorable balance. I think we have to look realistically to what is good for this country. Incidentally, what is good for this country is good for the undeveloped countries of this world, and what is good for them is good for us.

Now is the time to correct this situation when we have high employment, and when we are not faced with a sudden expiration of the Reciprocal Trade Act. If we wait too long then this pendulum will swing too far the other way. We are going to swing completely over to isolationism, which I would dislike to see happen. If that were to happen, we are going to swing over to the embargoing of all goods. But the legislation proposed by Mr. DAVIS of Georgia and cosponsored by several of us, adopts a reasonable approach. He simply says that we will continue to allow foreign-made goods to come into this country until we reach the point where it is injuring American jobs and American business, and then the Tariff Commission calls a halt to it. We let them keep their share of the market up to this point. We do not take anything away from them.

If we let this committee bill go through without making some reasonable restrictions upon unfair competition on the

businessmen and working men of this country, then we have added more trouble as far as your industries are concerned. I have never been able to understand why up in New England if a business moves to the South, that is piracy; but if we take the money of New England taxpayers to build one overseas, that is a laudable thing to do.

Today you cannot even buy American-made barbed wire in Wyoming. All we want to do is trade with some of your depressed areas. May I suggest to people from those areas, that they support my proposal.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. THOMSON of Wyoming. I yield to the gentleman from Iowa.

Mr. GROSS. I am glad to join the gentleman in opposing this closed rule. Is it not the fact that this rule will have to be voted down in order to secure the end which the gentleman seeks?

Mr. THOMSON of Wyoming. We would have to vote down the previous question, at which time I would offer as a substitute for the rule the resolution which I have discussed, which provides for 3 hours of general debate. It would allow as amendments the committee substitute bill plus the Davis bill to be offered as title II of the bill. Then I think I could support the bill, but without it I will have to oppose it with everything I have. After all, we do have an agricultural problem. Everyone talks about it. Let us do something sound about it. We find imports of lamb and beef coming in here in ever-increasing numbers, while we vote more subsidies out of the taxpayers' money in the form of soil bank payments. The gentleman from South Dakota [Mr. BERRY] pointed out, and it has never been disputed, that there is not a single year in which the acres which would have been required to have produced the agricultural products which we imported would not exceed the number of acres producing surplus crops. I ask the gentleman if that is not right?

Mr. BERRY. The gentleman is right; not only are you right, but anyone who wants to spend a little time can ascertain that we do not have enough acres in the United States today to feed and clothe the people of this Nation if we would stop these agricultural imports.

What we are doing in the field of agriculture is importing the food that goes onto our tables and clothing that goes onto our backs and the production of acres thus supplanted must then be purchased by the Federal Government and in turn given away or the sale subsidized in order to dispose of it. Do we now propose to establish this same program for all manufactured goods, and minerals as well as agriculture?

Mr. Speaker, I want to join the gentleman from Wyoming. I think he is doing a very fine job and I hope everyone will support him today. To me this is the most dangerous bill that has been offered in this House of Representatives since I have been in Congress.

Mr. THOMSON of Wyoming. The gentleman from South Dakota and I come from wool-producing States. We

had the experience of our wool market being cut in half right after World War II. The ability of Australia and New Zealand to produce was not destroyed. Now it is happening to cotton and almost every other product. We had better all get together.

Mr. THORNBERRY. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio [Mr. VANIK].

Mr. VANIK. Mr. Speaker, I want to take this opportunity to express my vigorous opposition to the enactment of H.R. 5, commonly termed as the "Foreign Investment Incentive Tax Act of 1960."

The purpose of this legislation is to defer taxation by the United States on the profits of American investments abroad until such time as these profits are returned to this country.

The argument is made that this legislation will serve as a substitute for reductions in foreign aid and that the great burden for assisting the underdeveloped areas of the world will fall upon American corporations and American citizens rather than the Federal Treasury.

In my judgment this legislation will have exactly the opposite effect. It will instead create demands for more and more foreign drain upon American resources.

It will provide tax-free profits for enterprises put in motion in accordance with this law. This legislation provides the American tax structure with its potentially most dangerous assault since the tidelands oil bill. It will permit tax-free American investment abroad and provide it with the protection of the American flag and the American military forces to insure the same treatment of such investment as is enjoyed in this country.

This legislation will permit American corporations to write off against profits on operations in America the losses which may be incurred during the years of developing enterprise abroad and then will serve to protect the profits of such enterprise in foreign lands from American taxation when they become profitable. Written into the legislation are safeguards which permit holding companies and cartels to profitably develop without any hindrances from any kind of antitrust legislation.

Businessmen generally favor this legislation, because it thrusts into orbit all around the world the principle that profits of business enterprise should not be taxed. If we release the profits of American enterprise abroad from paying taxes when they are now due, the door is open for further attacks on the tax program. As a matter of fact, the granting of this privilege to American enterprise in foreign countries may defer the day when such tax relief may be provided to American business operating in this country.

This legislation should be deferred until a new Congress, until a new administration, obligated to long-term responsibility, can truthfully forecast its impact. It should be deferred until a new Congress with ample time to review its provisions can carefully study its impact upon the United States, the fiscal in-

tegrity of the country, and its effect abroad. I urge the defeat of this rule.

Mr. THORNBERRY. Has the gentleman from Idaho any further requests for time?

Mr. BUDGE. No; I have no further requests for time.

Mr. THORNBERRY. Mr. Speaker, I yield to the gentleman from Louisiana [Mr. Boggs] to close the debate on the rule.

Mr. BOGGS. Mr. Speaker, I shall take only a few minutes at this time as I would hope we might discuss the merits and demerits of this bill when the House resolves itself into the Committee of the Whole.

Nevertheless, before we vote on the rule, I think some effort should be made to answer the assertions that have been made about the necessity for a closed rule and the arguments advanced by the gentleman from Wyoming [Mr. THOMSON] and the gentleman from Ohio [Mr. VANIK].

First and foremost, Mr. Speaker, this bill qualifies in every sense for a closed rule. Over the years, and I think with ample justification, we have debated tax measures, revenue measures, tariff measures, and social security legislation under closed rules for very obvious reasons. These are highly technical matters.

This bill amends the Internal Revenue Code in a number of places and adds, to my knowledge, seven new sections to the code.

The gentleman from Wyoming said he has spent 2 hours looking at this legislation and he does not understand it. Without being a bit critical of the gentleman, I may say to him that this is a matter that we on the subcommittee and full committee and elsewhere in executive sessions and in public sessions have spent, not 2 hours but several years studying. Our principal objective has been that of the gentleman from Wyoming and the gentleman from Ohio to protect the American economy, to protect the American worker, to protect the American businessman.

This bill is not a tariff bill, it does not seek to resolve all of the problems that may confront a particular industry as a result of imports. It does not seek to solve the problems of the wool industry, the cotton industry, the lead and zinc industry, or any number of other industries that may come here and complain about imports. But it does this, and I think it is important and very significant insofar as the statement made by the gentleman from Wyoming is concerned. This bill for the first time writes a limitation on the amount of imports that may come into the United States as a result of American capital invested abroad.

What does that mean? It means that anyone who seeks to qualify under the provisions of this bill cannot go abroad and manufacture automobiles, manufacture bicycles, manufacture pottery, or engage in any type of operation, manufacturing or otherwise, and reship those commodities back to the United States and qualify under this proposal. So, if

you are concerned about reshipment back to the United States you will support this rule and ultimately support the bill.

With all due respect to the gentleman from Ohio, I must say he is confused, considerably confused. He talks about the carrying over and carrying forward of losses. He would substitute foreign losses and domestic losses and mix them all up. The gentleman obviously has not read this bill, the gentleman obviously does not realize all this bill does is to create what we call a foreign business corporation. It is not created for the purpose of avoiding taxes. It must be remembered that in each one of these countries the American taxpayer is paying the going rate of tax in that particular country. In most of the developed countries of the earth the tax rate is about the same as it is in the United States. You cannot go to England, for instance, and avoid tax payments. You pay the English tax rate. You cannot go to Germany and avoid taxes. You pay the German tax rate. You cannot go anywhere in the world and avoid paying the domestic tax rate, whatever it may be, whether you operate under this bill or you operate under the present going situation of a foreign subsidiary.

Actually, Mr. Speaker, this bill is the result of long, patient and painstaking study. It comes really as a mandate from the Congress. When we adopted the Mutual Security Act of 1958, we wrote into that act a provision that we utilize as much as we could, as best we could, the resources of private enterprise in this worldwide economic-military competition that we face with the Soviet bloc. That is all this seeks to do. We seek to say to the American people that we will utilize the resources of private enterprise. We hope those resources will ultimately supplant and take over where foreign aid has been used since the adoption of the Marshall plan back in 1948.

Mr. BUDGE. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. Certainly.

Mr. BUDGE. As I have said I do not know that I am opposed to this rule but I am becoming more convinced that the House is not ready to act on the bill. Is it not a fact that the Committee on Ways and Means, of which the gentleman is a distinguished member, will shortly start the consideration of legislation that should properly be considered along with this legislation? That is the so-called grossing-up legislation.

Mr. BOGGS. Let me say this to the gentleman. That proposal is, to say the least, a highly controversial proposal. Now, whether or not the Committee on Ways and Means will act on that proposal is something that I am not prepared to say. I do not know. I would say this to the gentleman, that the meritorious proposal which has been considered by the committee, in public hearings and in long drawn out executive sessions, should not be delayed or postponed or killed because sometime in the future we will have a hearing on

some other aspects of the whole problem of taxation. That would be my answer to the gentleman.

Mr. VANIK. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Ohio.

Mr. VANIK. I have a question that still remains unanswered, Mr. Speaker. What protection is provided in this bill to insure against the diversion of profits of an American corporation into foreign facilities until such time as these facilities are developed, and then the conversion of those facilities into a so-called foreign business corporation under which the profits of those facilities escape American taxation or are deferred until some indefinite future time?

Mr. BOGGS. I do not quite understand the question.

Mr. VANIK. A case in point. With that American corporation which is undergoing—

Mr. BOGGS. Let us get this American corporation in perspective. This is a going American corporation?

Mr. VANIK. A going American corporation.

Mr. BOGGS. Paying 52 percent corporate tax?

Mr. VANIK. Yes.

Mr. BOGGS. Right.

Mr. VANIK. Developing facilities abroad for production.

Mr. BOGGS. And paying 52 percent?

Mr. VANIK. Paying 52 percent.

Mr. BOGGS. Right.

Mr. VANIK. The development of these facilities abroad is subject to certain depreciation allowances and so forth; certain benefits under American law.

Mr. BOGGS. They are not any different than they are in the United States.

Mr. VANIK. They are not any different than in other countries.

Mr. BOGGS. As far as the company operating abroad is concerned.

Mr. VANIK. And developing facilities.

Mr. BOGGS. Or operating as a branch.

Mr. VANIK. Whatever way you want to set it up, a subsidiary or a branch corporation.

Mr. BOGGS. Does the gentleman not understand? This is the important thing about this bill. How does this corporation you are talking about go about investing abroad?

Mr. VANIK. The corporation is an American corporation with facilities abroad in which it is plowing some of its American capital.

Mr. BOGGS. Is this facility operating, say, in Brazil?

Mr. VANIK. As a foreign facility.

Mr. BOGGS. As a foreign facility of an American corporation?

Mr. VANIK. Yes. Then it becomes American business doing business abroad with authority to qualify as a foreign business corporation. Until the facilities are developed, until the facilities are ready to produce profits, until such time as they produce profits they operate as an American subsidiary. It becomes a foreign business corporation only after such time as it is ready to produce profits,

and then at that point, when it is ready to produce profits, it becomes a foreign business corporation, and its profits thereby defer and perhaps escape American taxation, although the resources that have gone into these facilities were treated as ordinary activities of the corporation.

Mr. BOGGS. Let me see if I can help the gentleman, because I think the gentleman is definitely asking for information. First, I will take the first part of your question first.

Mr. VANIK. Perhaps we can agree on one.

Mr. BOGGS. I cannot agree with the first part of the gentleman's question, but let us take the last part. Here is a going establishment which is attempting to avoid—that is the expression the gentleman used, I believe—American taxation.

Mr. VANIK. That is right.

Mr. BOGGS. This bill does not do that at all. This bill simply says that as long as this income is employed outside of the United States and as long as none of this income returned to the United States—if they are used in Pakistan, or in India, or in Viet-Nam, or in Cambodia—then they do not incur U.S. tax liability. That is the law today.

Mr. VANIK. That is correct.

Mr. BOGGS. The law today applies if you operate as a foreign subsidiary; so that we say to you in effect that if you go to Cambodia under the flag of Panama or under the flag of Liberia or under the flag of Liechtenstein, or some other tax-haven country, then you have one tax situation. But if you are patriotic enough, if you think enough of your own country to take your own flag with you, then you have another tax situation.

This company the gentleman is talking about—getting back to the first part of the gentleman's question, and this is the significant part of the question—this company cannot just automatically accumulate a pile of money over here on which it has not paid taxes. This company earning money in the United States pays the going rate of 52 percent. So that the initial part of the gentleman's argument that it could take these funds and then just mysteriously go abroad is not so.

Here is what we are really dealing with, if I can reduce it to its simplest terms. No. 1, in the economic competition that we face, we find three forms of competition. One form of competition comes from your American miner or woolgrower or cotton textile man through imports from abroad. This bill has no effect on that. If anything, it helps that situation.

Mr. BAKER. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman.

Mr. BAKER. Mr. Speaker, I favor the adoption of this rule and I would call attention of the House to the most important provision which the gentleman from Louisiana [Mr. Boggs] is now discussing, which does protect American industry and American labor; that is,

that the foreign business corporation cannot remain qualified under the act if it exports into the United States as much as 10 percent of its manufactured articles. And 10 percent is a mighty small percentage. By amendment in the committee we made it 10 percent. It seems that it is protection to American industry and will stimulate production at a place where production is needed. I think it is good legislation.

Mrs. KELLY. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from New York.

Mrs. KELLY. The gentleman mentioned assets returned to the United States. What about the products that are made by this FBC and returned to the United States; can they then be sold cheaper here than the product which is produced by this identical company in the United States?

Mr. BOGGS. No; the gentleman from Tennessee [Mr. BAKER] just answered the gentleman from New York.

Mrs. KELLY. I want to know how you control that.

Mr. BOGGS. You control it by the qualification of the corporation. The Foreign Business Corporation must qualify with the Treasury Department. The Foreign Business Corporation cannot qualify unless almost all of its income is earned outside of the United States and not more than 10 percent can be derived from imports back to the United States. It is a very easy thing to control.

Mrs. KELLY. In other words, 10 percent of the products can be returned to the United States; is that correct?

Mr. BOGGS. Not more than 10 percent of the gross income of the Foreign Business Corporation, not of the parent corporation, whatever that may be.

Mrs. KELLY. Can they sell these products cheaper than those which are produced in the United States?

CALL OF THE HOUSE

Mr. HOFFMAN of Michigan. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. MCCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 12]

Alford	Davis, Tenn.	Kluczynski
Allen	Dawson	Lafore
Anderson, Mont.	Delaney	Lesinski
Ayres	Donohue	Morrow
Balley	Dooley	Mills
Barden	Dulski	Mumma
Bass, N.H.	Fallon	Nix
Bates	Feighan	O'Brien, Ill.
Baumhart	Gallagher	Philbin
Blatnik	Garmatz	Powell
Bonner	Grant	Preston
Boykin	Green, Pa.	Randall
Buckley	Griffiths	Rees, Kans.
Burleson	Halpern	Reuss
Cahill	Hess	Rogers, Mass.
Canfield	Hoffman, Ill.	Rostenkowski
Carnahan	Jennings	Santangelo
Colmer	Kasem	Shelley
Daniels	Kastenmeter	Shipley
	Keogh	Smith, Kans.

Spence	Teller	Tollefson
Taylor	Thompson, La.	Withrow
Teague, Tex.	Thompson, N.J.	Zelenko

The SPEAKER. On this rollcall 361 members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

FOREIGN INVESTMENT INCENTIVE TAX ACT OF 1960

Mr. THORNBERRY. Mr. Speaker, I move the previous question.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. THOMSON of Wyoming) there were—ayes 75, noes 42.

Mr. THOMSON of Wyoming. Mr. Speaker, I object to the vote on the ground a quorum is not present and make the point of order a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 236, nays 127, answered "present" 0, not voting 67, as follows:

[Roll No. 13]

YEAS—236

Abbutt	Denton	Judd
Adair	Derounian	Karsten
Addonizio	Derwinski	Karth
Albert	Diggs	Kasem
Algers	Dingell	Kearns
Arends	Dorn, N.Y.	Kee
Ashley	Downing	Kilburn
Aspinall	Durham	Kilday
Avery	Dwyer	Kilgore
Ayres	Elliott	King, Calif.
Baker	Everett	King, Utah
Baldwin	Evins	Kirwan
Barr	Fascell	Laird
Barrett	Fenton	Lankford
Bass, Tenn.	Fino	Levering
Beckworth	Fisher	Libonati
Belcher	Flynn	Lindsay
Bennett, Fla.	Fogarty	Lipscomb
Bentley	Foley	McCormack
Betts	Forand	McDonough
Boggs	Ford	McDowell
Boland	Forrester	McGinley
Bolling	Fountain	McMillan
Bolton	Frazier	McSween
Bowles	Frelinghuysen	Machrowicz
Boykin	Friedel	Mack, Ill.
Brademas	Gary	Mack, Wash.
Breeding	Gathings	Madden
Brewster	George	Magnuson
Brooks, La.	Gialmo	Mahon
Brooks, Tex.	Granahan	Mailliard
Brown, Ga.	Gubser	Matthews
Broyhill	Hagen	May
Budge	Halleck	Michel
Burdick	Hardy	Miller, Clem
Burke, Ky.	Harmon	Miller,
Burke, Mass.	Harris	George P.
Byrne, Pa.	Harrison	Miller, N.Y.
Byrnes, Wis.	Hébert	Milliken
Cannon	Hechler	Minshall
Casey	Herlong	Moeller
Cederberg	Hiestand	Monagan
Celler	Hogan	Montoya
Chamberlain	Holfield	Moorhead
Cheif	Holt	Morris, N. Mex.
Chenoweth	Holtzman	Morrison
Church	Horan	Moss
Clark	Hosmer	Moulder
Coad	Huddleston	Multer
Coffin	Hull	Murphy
Cohelan	Ikard	Murray
Conte	Inouye	Natcher
Cook	Irwin	Nelson
Cooley	Jarman	O'Brien, N.Y.
Cramer	Johnson, Colo.	O'Hara, Ill.
Curtin	Johnson, Md.	O'Neill
Daddario	Jones, Ala.	Osmar
Dague	Jones, Mo.	Ostertag

Patman	Rooney	Thornberry
Pelly	Roush	Toll
Perkins	Rutherford	Trimble
Pfost	St. George	Tuck
Poage	Saund	Udall
Price	Schenck	Utt
Pucinski	Schwengel	Van Felt
Quie	Selden	Vinson
Rabaut	Sikes	Wainwright
Rains	Siler	Wallhauser
Reece, Tenn.	Simpson	Wampler
Rhodes, Ariz.	Sisk	Watts
Rhodes, Pa.	Slack	Weis
Riehlman	Smith, Miss.	Widnall
Rivers, Alaska	Smith, Va.	Willis
Rivers, S.C.	Springer	Wilson
Roberts	Steed	Wright
Robison	Stubblefield	Yates
Rodino	Sullivan	Young
Rogers, Fla.	Teague, Calif.	Younger
Rogers, Tex.	Thompson, Tex.	Zablocki

NAYS—127

Abernethy	Green, Oreg.	Norblad
Alexander	Griffin	Norrell
Andersen, Minn.	Gross	O'Hara, Mich.
Andrews	Haley	O'Konski
Ashmore	Hargis	Oliver
Auchincloss	Hays	Passman
Baring	Hemphill	Plicher
Barry	Henderson	Pillion
Becker	Hoeven	Pirnie
Bennett, Mich.	Hoffman, Mich.	Poff
Berry	Holland	Porter
Blitch	Jackson	Prokop
Bosch	Jensen	Quigley
Bow	Johansen	Ray
Bray	Johnson, Calif.	Riley
Brock	Johnson, Wis.	Rogers, Colo.
Broomfield	Jonas	Roosevelt
Brown, Mo.	Keith	Saylor
Brown, Ohio	Kelly	Scherer
Chipfield	Kitchin	Scott
Collier	Knox	Shelley
Colmer	Kowalski	Sheppard
Corbett	Kyl	Short
Cunningham	Landrum	Smith, Calif.
Curtis, Mass.	Lane	Smith, Iowa
Curtis, Mo.	Langen	Staggers
Davis, Ga.	Latta	Stratton
Dent	Lennon	Taber
Devine	Lesinski	Thomas
Dixon	Losier	Thomson, Wyo.
Dorn, S. C.	McCulloch	Ullman
Dowdy	McFall	Vanik
Doyle	McGovern	Van Zandt
Edmondson	McIntire	Walter
Farbstein	Marshall	Weaver
Flood	Martin	Wharton
Flynt	Mason	Whitener
Fulton	Meader	Whitten
Gavin	Metcaif	Wier
Glenn	Meyer	Williams
Goodell	Moore	Winstead
Gray	Morgan	Wolf
	Morris, Okla.	

NOT VOTING—67

Alford	Dulski	O'Brien, Ill.
Allen	Fallon	Philbin
Anderson, Mont.	Feighan	Powell
Anfuso	Gallagher	Preston
Bailey	Garmatz	Randall
Barden	Grant	Rees, Kans.
Bass, N.H.	Green, Pa.	Reuss
Bates	Griffiths	Rogers, Mass.
Baumhart	Halpern	Rostenkowski
Blatnik	Healey	Santangelo
Bonner	Hess	Shipley
Buckley	Hoffman, Ill.	Smith, Kans.
Burleson	Jennings	Spence
Cahill	Kastenmeier	Taylor
Canfield	Keogh	Teague, Tex.
Carnahan	Kluczynski	Teller
Daniels	Lafore	Thompson, La.
Davis, Tenn.	Macdonald	Thompson, N.J.
Dawson	Mills	Tollefson
Delaney	Mitchell	Withrow
Donohue	Mumma	Zelenko
Dooley	Nix	

So the previous question was ordered. The Clerk announced the following pairs:

Mr. Bailey with Mr. Allen.
 Mr. Jennings with Mr. Canfield.
 Mr. Daniels with Mr. Taylor.
 Mr. Macdonald with Mr. Lafore.
 Mr. O'Brien of Illinois with Mr. Hoffman of Illinois.
 Mr. Green of Pennsylvania with Mr. Baumhart.
 Mr. Garmatz with Mr. Hess.

Mr. Fallon with Mr. Dooley.
 Mr. Feighan with Mr. Bates.
 Mr. Carnahan with Mr. Bass of New Hampshire.
 Mr. Thompson of New Jersey with Mr. Cahill.
 Mr. Anfuso with Mr. Smith of Kansas.
 Mr. Santangelo with Mr. Westland.
 Mr. Zelenko with Mr. Merrow.
 Mr. Healey with Mr. Halpern.
 Mr. Buckley with Mr. Rees of Kansas.
 Mr. Delaney with Mr. Mumma.
 Mr. Teller with Mr. Withrow.
 Mr. Donohue with Mr. Tollefson.
 Mr. Keogh with Mrs. Rogers of Massachusetts.

Mrs. KEE changed her vote from "nay" to "yea."

Mrs. GRANAHAN changed her vote from "nay" to "yea."

Mr. HOSMER changed his vote from "nay" to "yea."

Mr. HIESTAND changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the resolution.

Mr. GROSS. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were refused.

The question was taken and the resolution was agreed to.

Mr. BOGGS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5) to amend the Internal Revenue Code of 1954 to encourage private investment abroad and thereby promote American industry and reduce Government expenditures for foreign economic assistance.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 5 with Mr. NATCHER in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Louisiana [Mr. Boggs] will be recognized for 1½ hours.

The gentleman from Illinois [Mr. Mason] will be recognized for 1½ hours. The gentleman from Louisiana [Mr. Boggs] is recognized at this time.

Mr. BOGGS. Mr. Chairman, I rise in support of H.R. 5. It is a bill that I introduced on the first day of this Congress, January 7, 1960, after hearings and study by the Subcommittee on Foreign Trade Policy, of which I serve as chairman. The Committee on Ways and Means held extensive hearings on the bill and considered it carefully in executive session. During the public hearings on the bill there was virtually no opposition recorded to it. With minor differences, the bill has the approval of the executive branch agencies and, except for one amendment, which the committee carefully considered and twice rejected, its enactment has been recommended by the President in his budget message this year.

The bill is the outgrowth of much study not only by the Committee on Ways and Means but also by many busi-

ness organizations, by tax scholars, and by various advisory groups appointed by the administration. Although not all of us would agree with every provision in it, the bill represents the result of careful work and I commend it to this committee.

I want to first explain what this bill does and why it is needed. To begin with, what does H.R. 5 provide? Its basic provision is very simple. It sets up a new type of U.S. corporation to be known as a Foreign Business Corporation. These corporations would earn their income from oversea operations and would be able to defer—to postpone—the U.S. corporate income tax on their income until such time as they bring that income back to the United States in the form of dividends or use it for other purposes in the United States.

This tax postponement that I have just talked about can be enjoyed today by American corporations doing business abroad if they use foreign subsidiaries. A lot of American corporations, particularly small businesses, either are not able to or do not want to set up foreign subsidiary corporations. Such corporations are at a disadvantage. They are at a disadvantage not only with respect to their foreign competitors but also with respect to other American corporations with whom they compete and which have set up foreign subsidiaries. H.R. 5 would bring some equity into this situation; it would make tax deferral available to all American businesses operating abroad.

The United States is a great economic power—the greatest economic power in the world. Our American private business is doing business throughout the world and these operations must be expanded. Yet our tax system does not adequately reflect these facts of economic life. Where the Canadians and the British and 20 other countries give recognition to this fact in their tax laws, we have not yet done so. Today, we are in effect saying that if an American corporation wants to do business abroad it has to go abroad as a foreign corporation.

Why should American business not be able to work abroad as American corporations?

Why deny them the right to fly the American flag abroad?

Why should such corporations not be able to enjoy the protection of American tax treaties and other treaties?

Why do they have to ship their personnel abroad in order to conduct foreign operations?

I see no good reason why any of these situations should exist. All H.R. 5 would do would be to make it possible for American business firms to conduct their foreign operations as American corporations and still enjoy tax deferral on their foreign income.

Not only are there good arguments on the grounds of equity among American corporations doing business abroad, but H.R. 5 should commend itself on the basis that it improves the ability of American business to compete abroad. To compete not only with our foreign competitors from the free world but

also, and this is very important, to compete with the new and stepped-up efforts of the Soviet bloc.

This is essentially a very modest bill. Nevertheless it is an important step in facilitating the expansion of American private enterprise abroad. It seems to me we have to face up as a nation to the basic fact that the contest we are waging with the Soviet bloc is fundamentally an economic contest. It is a war between two systems; between a system that believes in private enterprise—our system—and the monolithic state socialism of the Communists. We have spent billions on our foreign aid but if we are to win the war in the name of political and economic freedom, we are only going to do it if we use private enterprise and demonstrate its effectiveness in the world. Private enterprise, private investments, and private trade, these are our real secret weapons—weapons that we have and that the Russians do not have.

I do not say that if H.R. 5 were enacted we would automatically win the cold war with the Soviet bloc. But I do say that H.R. 5 is little enough that we can do to help promote the expansion of private enterprise abroad and to help private enterprise do the job it can do.

These are not just my conclusions; they are conclusions of literally hundreds of observers and students of this subject. In fact, they are the conclusions of this Congress itself. In 1958, in enacting the mutual security legislation, the Congress added an amendment, known as section 413(c) which called on the President of the United States and the Departments of State and Commerce to cooperate with private enterprise in studying "the ways and means in which the role of the private sector of the national economy can be more effectively utilized and protected in carrying out the purpose of this act. Such study shall include specific recommendations with respect to such legislation and administrative action as may be necessary to expand the role of private enterprise in advancing the foreign policy objectives of the United States."

To give effect to this congressional mandate, the President constituted the Committee on World Economic Practices, a group of business leaders associated with the Business Advisory Council of the Department of Commerce under the chairmanship of Mr. Harold Boeschstein, the president of Owen-Corning Fiberglas Co. This Committee submitted a report to the President on January 22, 1959.

The Under Secretary of State commissioned another study which was prepared by Mr. Ralph I. Straus on this same subject. This study was published in April 1959 and submitted to the Congress pursuant to the provisions of section 413(c) and the Mutual Security Act. Both of these studies recommended strongly in favor of the policy and provisions represented by H.R. 5. They approved of tax deferral as an effective means of stimulating increased participation by American business in oversea operations. They fully supported the

idea of a domestic corporation especially set up for this purpose as is provided for in H.R. 5.

These are just two studies that were commissioned by the administration and which reported to the administration within the last year and a half. There are many others and the wide support which H.R. 5 enjoys throughout the business community indicates the importance in which it is held.

We have heard, and we will hear today, some criticisms that this bill will do damage. Let me say that these criticisms cannot be supported by anyone who understands this bill and how it would operate.

For example, we are told that our balance of payments is in bad shape and that passage of this bill will have an adverse effect on our balance of payments. This is not true. What has to be understood is that private investment transactions, along with export-import trade, are the two big plus factors in our balance of payments. We have had a surplus of merchandise exports over imports and, despite the decline in this surplus last year and the year before, the export surplus is picking up. The New York Times last week reported that "U.S. trade opens with gains. Payments posture improves as the exports climb and imports show decline." The story went on to point out that imports in January were 24 percent below the December level. Exports in January were 15 percent above the level of a year ago with the surplus of exports over imports in January alone amounting to \$354 million. H.R. 5 will help boost exports.

Private investment is also a big plus factor in the balance of payments. When one looks at private direct investment transactions—which is what H.R. 5 is concerned with—one sees that in every year since World War II the inflow of income has exceeded the outflow of investment funds. This may come as a surprise to you as it did to me when I first found this out. Year in and year out we have been taking in more in income from our foreign investments than we have been paying out in the outflow of new investment capital. In the last 4 years this excess of income over outflow has added up to over \$2 billion—a tremendous plus factor in our balance of payments. It is no wonder that the special study of the Joint Economic Committee concluded that these facts give "private and foreign investments to date a pretty clean bill of health."

We have also heard, and will, I am sure, hear again, that this bill will permit the export of American jobs to the detriment of our economy. This assertion is ridiculous on the face of it. The National Association of Manufacturers, the U.S. Chamber of Commerce, the American Farm Bureau Federation, and numerous other organizations would not support legislation that would be detrimental to the American economy. This legislation will help American jobs. American private investment helps to finance American exports. Not only that, it is a clear lesson of history that the countries in which we have the greatest investment are also our best cus-

tomers. Investment expands living standards and brings higher levels of trade.

The simple fact is that American capital has gone abroad to protect markets or to develop markets that would otherwise have gone to their competitors. As I said a moment ago, one of our toughest competitors is the Communist bloc. Certainly in some cases American investment has gone abroad in order to produce goods for reimportation into the United States. Some of these imports may compete with domestic industry and may, in fact, injure domestic industry. That is a tariff issue and as the minority members of the Ways and Means Committee point out in their report, a tax measure is not a place to solve tariff problems. Nevertheless, the Committee on Ways and Means adopted a provision in this bill saying that no American corporation could use the provisions of this bill if more than 10 percent of the gross income of the foreign business corporation is derived from the sale of goods in the United States that have been produced abroad. Certainly that ought to lay to rest, without any question, any reservations that anyone could have about this measure.

Mr. Chairman, I do not want to overstate the case for H.R. 5. It is not going to solve our world political or economic problems. It is not going to do away with foreign aid. It is not going to raise standards of living abroad by 100 percent in the next 2 years.

As I have said, it is essentially a modest piece of legislation. It will facilitate expansion of American private business overseas. It will bring greater equity in our existing system of taxation. It will contribute to the objectives that we have in fighting the cold economic war with our archenemies. H.R. 5 will help. It will not hurt.

The passage of this bill by this House will be a mark of the growing maturity of this country. It will reflect the need to bring our tax laws into conformity with our position in the world economy. It will be a positive step in the direction of accomplishing important national objectives.

It is a vote of confidence that the American businessman operating competitively under the American flag can meet the Soviet economic challenge.

Mr. Chairman, I am not surprised that so many Members of the House are asking questions about this proposed legislation. It is very easy to understand why they should ask questions. This is a difficult piece of legislation. This is a difficult piece of legislation to explain because it deals with a subject which most people seldom come in contact with, but it covers an area which is very vital to all of us. I, for one, would hope that some of you who do not understand the bill would listen, if you will, and let me, if I can, explain: First, the reason for this bill; second, what it seeks to do; and, third, why it seeks to do it.

May I say this to you also? This is not a partisan bill; this bill has wide support throughout the United States. As a matter of fact, the first indication of its need came when we passed the

Mutual Security Act in 1958, wherein we said that we should seek to encourage more of the private sector of our economy in the whole field of foreign aid and foreign investment. Why is this necessary?

Each year we hear we will be able to reduce foreign aid. We started the foreign program back in the time when General Marshall was Secretary of State. Many of you were here then. I say to you there has not been a year when the foreign aid program has not been presented to us with recommendations for greater and greater expenditures. If there is to be any answer to foreign aid—and I do not maintain that this is the only answer by any stretch of the imagination—but if there is to be any answer at all, the answer must come from the private sector of our economy. I know a lot of people believe this is just a scheme to make some already rich people richer, that this is a scheme for some people to avoid paying taxes. I can assure you that nothing could be further from the truth.

If this bill has any objective at all, the objective is to make it possible for the American entrepreneur, small, middle-sized, big, and biggest, if you will, to be able to take up where the American taxpayer's dollar leaves off. That is the only purpose of this bill. If it were not for that I would not be standing here talking to you about it.

Is it possible for this to happen? I do not know; nobody else knows. But I will tell you this, that if you removed from the world market the American investment that has been made in the world, you would have a severe and terrific depression in this country, because all we get from those investments are profits, not losses. Secondly, you would have a balance of payments situation, to which the gentleman from Wyoming referred a little while ago, which would make our present deficit look like a Sunday afternoon picnic; third, there would not be any way on earth to raise the amount of taxpayers' dollars that would be required to pick up where private enterprise left off in all these countries. This is just a matter of fact. These are not my words; these are the words of people who have studied this thing for months and years. I would refer you to the studies made by the Committee for Economic Development, the Rockefeller Brothers reports, the Hoffman study recently made, the Straus Committee report, the Boeschstein Committee report, and many others.

Most of these studies have been made by private groups, by private individuals. Some of them have been made by Government groups appointed by this administration, by President Eisenhower, one of them the Straus Committee report, the other the Boeschstein report, one of them reporting to the State Department, the other reporting to the Department of Commerce; but in each instance these reports said there must be more private participation in these problems that confront us around the world.

I fully appreciate the fact that there are some people—and I do not take exception to their point of view, I do not

think any person can serve in this great body without coming to respect the point of view of those who disagree with one regardless of how different that point of view may be from your own—who think and feel that somehow or other we can just sort of evaporate out of this world in which we find ourselves and somehow or other we can get along completely without any foreign aid and without any American investments abroad.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. The gentleman has stated, as I remember it, that if this bill becomes law any companies taking advantage of it are confined to importing into the United States market not more than 10 percent of their gross profit and that this is a protection to American business and American workers. May I suggest to the gentleman that he elaborate upon that?

Mr. BOGGS. I shall come to that, if the gentleman will permit me. I shall elaborate upon it at considerable length. I simply want to establish a predicate and I think it is a fair predicate that in the world in which we live, if there is any significant fact facing us, I am sure those of you—this includes everybody in this body—who have traveled about realize that the peoples of this earth are determined in one way or another to achieve what they consider to be a better life. The great competition is whether or not that will come about by the American method or by the Communist method. That is really the critical issue on the face of the earth today. If any of you think that is not going on in the world, if any of you think the Soviet economic offensive is not a real thing, then I just say to you you are not aware of the world in which you live. That is in this context that the bill is before you today.

What does the bill do? First, does it export American jobs? Second, does the bill mean that American industry will be moved from let us say Michigan, Indiana, Illinois, to India, Pakistan, Brazil, Argentina, and that automobiles now being manufactured in Detroit will hereafter be manufactured in Brazil or in India and reshipped back to the United States?

Does it do these things? Quite the contrary.

In the first place, taking the last part of the question first, namely, is it possible to reship to the United States? The answer is decidedly, "No." Under existing law it is. If you do pass the bill and if an American corporation uses this method, it cannot do that.

Today any American corporation can legally and legitimately use what we call tax havens to set up a foreign subsidiary or a foreign base corporation. From that point on that corporation can establish subsidiary operations on a worldwide basis and until that corporation repatriates funds back to the United States it does not incur one penny of the U.S. tax liability. Now, that is the law.

Let me give you another situation. If I went to Brazil and used the American

flag, if I had a branch operation, and I went to any other country on earth as an American firm, an American corporation—

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield at that point?

Mr. BOGGS. Certainly.

Mr. ROGERS of Colorado. If the statement made by the gentleman is correct, then, why the necessity for this law?

Mr. BOGGS. I will come to that. It is very necessary. But, if I went as a branch operation, if I took the American flag with me, I would pay 52 percent corporate tax on every penny earned in any one of these countries abroad less the tax that I paid in the foreign country.

Now, the question propounded by the gentleman from Colorado is most appropriate, because what we are saying in the present law is that if you use the tax haven, if you operate under a foreign flag, if you do not go as an American corporation, we give you what amounts to a tax preference, but if you do go as an American corporation, we take it away from you.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. Yes.

Mr. VANIK. Does not the gentleman's statement overlook the foreign tax credit?

Mr. BOGGS. Not at all; not in the slightest.

Mr. VANIK. You imply that he is subject to both the foreign tax and the American domestic tax of 52 percent. Does not he credit the foreign tax against the American tax due?

Mr. BOGGS. Yes; in either situation.

Mr. VANIK. In either situation?

Mr. BOGGS. Yes.

Mr. VANIK. It is an offset.

Mrs. KELLY. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. Gladly.

Mrs. KELLY. I would like to have the gentleman address himself to this issue. If an American firm invests abroad and establishes a subsidiary or affiliate, can it sell all its products to that subsidiary and then that subsidiary ship back to the United States 100 percent of its products? Does the 10 percent cover that?

Mr. BOGGS. If the subsidiary be a foreign corporation, the answer is "No." If it is a subsidiary of a foreign business corporation, which is a domestic corporation, the answer is "Yes," it is covered.

The point is this, and now you come to the second point of Mr. McCORMACK's inquiry. This foreign subsidiary under existing law not only can already enjoy tax deferral treatment, but under the proposal in H.R. 5 it would continue to enjoy what import tariff preferential treatment is accorded to any foreign producer, but the American corporation, the American foreign business corporation, contemplated in H.R. 5 would be subject to this 10-percent limitation. So, I say to those of you who are concerned about import problems which have been mentioned here, that if your concern is that, then you will support this bill.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. BOGGS. Mr. Chairman, I yield myself 10 additional minutes.

Now, as a matter of fact, the agencies downtown, the Department of State and the Department of Commerce, object to this bill for that very reason. They say that we have used this bill to write into the law a protective device, a protective restriction, which they would not approve of and which they would not recommend.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I certainly do.

Mr. EDMONDSON. I would like to say that I wholeheartedly approve of the safeguard, the 10-percent limitation which the gentleman just mentioned, and agree with him that this would provide a protection against automobiles now being manufactured in Detroit and thereafter, after the passage of this bill, being manufactured in India and shipped back to the United States. I think that is undoubtedly a benefit which is built in that safeguard. But, will not the gentleman agree with me that the bill does provide an incentive for the company which is manufacturing cars in Detroit and shipping them now to India to go over to India and manufacture the cars there for distribution and sale in India? Does it not provide an incentive not now in our income tax law for the company to do that in the future?

Mr. BOGGS. No, it does not.

Mr. EDMONDSON. I would appreciate the gentleman's explaining how it does not.

Mr. MACHROWICZ. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman.

Mr. MACHROWICZ. Since automobiles were mentioned and since automobiles are manufactured in my district, may I say to the gentleman from Oklahoma [Mr. EDMONDSON] who just inquired, that under the present law an American manufacturer can go to Brazil, Argentina or any country in the world and under a foreign subsidiary manufacture as many cars as he wishes and do the very thing he says could be done under this bill.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield.

Mr. EDMONDSON. Commenting on that point, I certainly agree that he can do that and does do that; and there has been quite an incentive in some of our programs for him to do that. But are we not now providing with an additional tax benefit to the American company an additional incentive for him to go into a foreign country and do that, for sale in that country and in adjoining territories, not so much in the United States for shipment back to the United States, but in these overseas territories, thereby displacing the employment provided in the United States in American manufacturing concerns who are now shipping to those foreign markets?

Mr. BOGGS. Replying to the gentleman, as I tried to say here earlier today, the American manufacturer today faces

a variety of types of competition. Domestically the competitive situation is pretty even. By that I mean, if costs of production are the same and the product is good, the tax structure is uniform. You have no tax differential to contend with.

Our discussion today has been limited almost entirely to the situation of someone establishing a manufacturing enterprise abroad and coming back and competing for the American market.

We also have competition in our export markets. I would say that we made some progress in Tokyo last October and November at the meeting of GATT where our people insisted—and I thought they did a pretty good job and I congratulated the Secretary of State and the Secretary of Commerce, both of them—insisted that these nations who had maintained artificial barriers against our products must remove those barriers. In Tokyo, Japan, Italy, the United Kingdom, to mention three, removed a lot of those import restrictions against U.S. goods.

We have been talking about internal competition. You see, there is another type of competition no one has here mentioned and it is equally vital and important to the American manufacturer. If you take a look at the average American enterprise, particularly today in the world in which we live, you find he does business at home, he does business abroad, he does an export business and he may do a combination of all of them. Why does the automobile manufacturer go to Brazil? He does not go to Brazil to send back an automobile to the United States. Let me give you an example of that. Our subcommittee went up to Canada not very long ago and had a meeting with all of the Canadians; with the labor people, with the business people, and others. And finally, one night at a meeting in Toronto with the business people of Canada one of the manufacturers said to me: "Look. You have got this tariff against us. You have got this import restriction against us, and so on. Why do you not remove them?"

I said to this gentleman, "We are two great nations. You have a highly industrialized society such as we have. Why do we not try what they are trying in Western Europe? Why do we not go to a common market between the United States and Canada?"

This gentleman held up his hands and said, "God forbid." I said, "Why? You pay lower wages in the automobile industry in Canada than they pay in Detroit."

He said, "We cannot compete. The automobile industry in Detroit is more advanced than we are. They have a better market than we have. They have better productivity. If we took down these tariff barriers, despite the fact we pay less wages, we could not compete with the automobile industry in Detroit."

Why does the automobile industry go to Brazil? Many of you have been to Brazil. A Chevrolet automobile—and I am not trying to advertise General Motors—in Brazil costs something like \$18,000. I am not talking about cruzeiros, I am talking about dollars. Why

does it cost \$18,000? Because Brazil has all these import restrictions against us, and because Brazil also is a one-crop economy. It is dependent upon coffee, so that when the coffee market collapses in Brazil the supply of dollars to buy American automobiles collapses also. This means that they must tighten up on the foreign exchange, on the convertibility of currency. So that if General Motors wants to sell an automobile in Brazil it has to go there where it can take cruzeiros in payment for the automobile.

This does not mean that this is a market they have lost. It is like, as some fellow said, plowing the back forty. This is developing a market they would not otherwise have had.

What is their competition in Brazil? The competition comes from Great Britain, from Germany, from France, from Japan, and from Russia. This bill says that as long as they are using funds in Brazil, and as long as they are not competing and not importing back to the United States, and as long as those funds stay outside the United States, then they will not be subject to American taxation. But the minute they bring those funds back and compete in any form with American business, they will pay the going rate of taxes. That is all the bill says.

Let me show you why it is necessary from the point of view of the type of competition you get abroad. What is the tax structure of our competitors? We are talking about competition now.

As to Belgium, the tax on these profits in Belgium is reduced by 80 percent as an inducement for their people to go abroad. Canada: No tax on dividends paid by foreign subsidiaries 25 percent or more owned by the Canadian corporation. No tax. United Kingdom: Deferred on a basis similar to that proposed in H.R. 5. Holland: Each case decided on its own merits. Switzerland, no Federal tax. And then, of course, I have mentioned the so-called tax-haven countries where there is no tax at all.

So you see, this is the type of competition that has been neglected in the discussion. This is the type of competition that this bill seeks to get at, the situation where the American businessman has taken his know-how, has taken his talents, and tried to compete in the market abroad. Do you think this is an easy proposition? Some of you think that this is something Americans are just falling head over heels to do. Not so. Take a look at Cuba today. Do you think you could get American business to go to Cuba and invest anything? Why, as a matter of fact, it was announced only on yesterday that Freeport Sulphur Co. which has made an investment of several million dollars, I think something slightly less than \$100 million, has been forced, because of the policies of that government down there, to withdraw completely. The point is that similar situations exist elsewhere in the world, and the notion that the American businessman, doing business in Cuba or Vietnam or in Haiti or in Brazil or Argentina, has all of the same advantages that he has when he does business

in the District of Columbia or in Pittsburgh or in Cleveland or in Chicago just is not so. Yet, it is pretty important that he do business because, if he does not—if he does not, there is only one substitute we have, if we are to participate at all, and that is foreign aid. That foreign aid is something you have to stand up here and vote on, and when you vote for it, you are voting it out of the pockets of the taxpayers of the United States. When you permit free enterprise to operate, you are not only not doing that, but you are actually contributing to the taxpayers of the United States because, mind you, despite any degree of propaganda that may come to your attention, this is not a tax forgiveness bill. This is a tax deferral bill, pure and simple. The minute these funds come back to the United States, they pay the full and going rate of taxation.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield.

Mr. EDMONDSON. I would like to take my good friend back down to that Brazilian market again for just a minute and concede to him the fact that this bill does operate to put the American company that has built a plant in Brazil on a better competitive footing as against foreign competitors. But, does it not also operate to put him on a better competitive footing by reason of a tax advantage, as compared to the American business that is producing here in the United States, and which is paying the full income tax rate here in the United States, and shipping goods down there? Does it not improve his competitive advantage over the U.S. producer who is not only selling under the flag but is producing under the American flag?

Mr. BOGGS. If everything else were even—if all other conditions were equal, the obvious answer to the gentleman would be—yes—obviously, it would be "yes"—if you had a fully automated plant in, let us say, Brazil and if you had labor as competent as the labor you find in the United States, and if you had a technology that was every bit as good and if you did not have the problems of inflation, instability, riots, and the unbelievable tariff restrictions and customs' difficulties—then, the answer would be "yes". But you see what the gentleman conveniently eliminates from his mind is that this man doing business in Brazil has all of these additional factors to contend with. Let me say this. Let me show you an interesting economic fact that the gentleman, I know, would be interested in. Do you know that the countries where we have invested the most are also the countries that buy the most from us?

Mr. EDMONDSON. Yes, I know that.

Mr. BOGGS. They are the ones that buy the most from American industry.

Mr. EDMONDSON. I heard the gentleman's eloquent presentation on that in the Committee on Rules. It is a highly persuasive argument, I will admit that.

Mr. BOGGS. Let me give you a breakdown right here. I do not know whether you can see this printed page or the hearings that I am holding up

here, but here are a number of countries—what they buy from us and what their incomes are. Do you know what country is first? Canada is first. Do you know what the income of Canada is per capita? The income of Canada per capita is \$1,436. That per capita income is only second to the per capita income of the United States. Do you know how much they buy from the United States per capita? They buy \$234 worth every year per person. Do you know what the income is in Pakistan? It is \$52 per capita. Do you know how much they buy? They buy \$1.02 per capita from the United States per annum.

The investment in Great Britain is less than a thousand dollars; \$958 per capita. They buy \$28 from us per capita per annum.

Mr. EDMONDSON. On these factors entering into the problems of production the gentleman would have to agree that the American producer, producing under our flag has higher tax rates to pay and higher labor costs to pay. Now you are increasing the disproportion under which he must operate on his tax load that he must bear in this country. I think you are creating an unfair competitive situation for the American producer.

Mr. O'NEILL. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Massachusetts.

Mr. O'NEILL. It seems to me you gave an explanation with regard to a 10-percent clause that was in the bill when you were before the Rules Committee.

Mr. BOGGS. Yes.

Mr. O'NEILL. I was not here when you spoke earlier in the day. I have here an example of the rubber footwear imports. This is the same case I gave you before the Rules Committee. Will you explain how the 10 percent affects us? The rubber imports in 1953 were 0.93 percent of the imports of the total sale of rubber goods. In 1959 rubber footwear imports were 34.18 percent of the total. A great majority of those came from Japan. As a matter of fact, 43,808 pairs of rubber footwear were imported into this country last year out of a total of 91,945 pairs sold in the entire Nation. It is interesting to note that in the United States our average wage is \$2.51 per hour in the domestic rubber footwear industry, whereas, in Japan, all rubber products are 20 cents per hour.

As I understand this bill—about 50 percent of those imports that came from Japan are from American-owned companies. As I understand this bill, it would give to those American-owned companies in Japan a tax reduction that would allow them to compete with other companies in Japan, and further allow them a more competitive position. Does not the gentleman agree that they are already throttling the industry?

Mr. BOGGS. No. I am glad to answer the gentleman's question. It would do just exactly the opposite. What you are talking about is going on now, is it not?

Mr. O'NEILL. Yes. The thing that bothers me now, are we going to give them more latitude?

Mr. BOGGS. No. What this bill does is that it says you cannot do that if you adopt this method.

Mr. O'NEILL. I appreciate your remarks. That is exactly what you said before the Rules Committee, but in the discussion around the table with Members of the House, they think that is not true; that that statement of yours is true only in part. Will you expound on the statement you are making?

Mr. BOGGS. Of course, it is completely true insofar as the type of business establishment recommended in this legislation is concerned. Of course, it is not true in any foreign subsidiary.

The CHAIRMAN. The time of the gentleman from Louisiana has again expired.

Mr. BOGGS. Mr. Chairman, I yield myself 5 additional minutes.

Mr. Chairman, this legislation is quite the contrary. In addition to that, if you qualify under this legislation under the grossing up principle that was referred to, you would pay the full 52 percent. Under the present law you do not pay that. So this is much more restrictive.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Ohio.

Mr. VANIK. On the first page of the report you state:

This is expected to result in a revenue loss of about \$85 million a year beginning in 1961.

My question is, What about subsequent years? What tax losses can be anticipated for the future years? Will the extent of the tax losses be increased or decreased, or will the tax losses to the Treasury remain on a steady rate?

Mr. BOGGS. If the thing is successful it will be a tax gain rather than a tax loss.

Mr. VANIK. The gentleman talks about the tax situation under this bill.

Mr. BOGGS. I understand what you are talking about. This bill is not a tax forgiveness, it is a tax deferral. I understand what the gentleman has in mind.

Mr. VANIK. I quote from the report:

This is expected to result in a revenue loss of about \$85 million a year beginning with 1961.

If you read the report, that is the clear language of the report.

Mr. BOGGS. What the Treasury Department means is that beginning with that year there will be a deferral of revenues in that amount. My answer there is, No. 1, it is not tax forgiveness; and, No. 2, if this succeeds—mind you, I am having difficulty convincing the gentleman, this is not tax forgiveness, this is tax deferral—you must pay the tax when you bring the money back.

Mr. VANIK. On that very point, how much has been returned to the U.S. Treasury on the deferral of taxable income that resulted under the quick tax writeoff program following the Korean crisis?

Mr. BOGGS. You are asking me about something entirely different.

Mr. VANIK. We still have not collected that money.

Mr. BOGGS. This has absolutely nothing to do with that. There is no analogy at all. A better question would be for the gentleman to ask, and I am surprised that he did not put his finger right on it, what happens under existing law under the present situation with foreign subsidiaries? The gentleman does not touch that. He does not seem to realize what the present law is. I will be glad to yield to the gentleman from Tennessee.

Mr. BAKER. The gentlewoman from New York raised a most pertinent inquiry when she asked the gentleman from Louisiana if this foreign business corporation could in turn form a subsidiary in a foreign nation and sell its manufactured products to that subsidiary, and then the subsidiary ship that material to the United States. That question has not been fully answered. May I develop it by quoting the language of the statute itself which is the best answer, subsection 3 of section 951. This is a definition of what it takes to qualify a foreign business corporation:

It derives not more than 10 percent of its gross income from the sale of articles which are sold by it for ultimate use, consumption, or disposition in the United States.

The word "ultimate" unquestionably precludes the possibility raised by a most pertinent inquiry propounded by the gentlewoman from New York. The answer, of course, is held in the word "ultimate."

Mr. BOGGS. I thank the gentleman for his statement; it is very helpful.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from New York.

Mr. MULTER. I have understood and followed your argument on tax deferral. Is it not a fact, however, that under this bill when they bring this money back, instead of paying the 52-percent income tax, they will be paying only the 25-percent capital gains tax?

Mr. BOGGS. No, no, no. My understanding is definitely that they will be paying the 52-percent income tax.

Mr. MULTER. I think your report indicates to the contrary.

Mr. BOGGS. If it does, the report is wrong; and it does not indicate to the contrary.

Mr. MULTER. There is one other thing that I would like to ask the gentleman if he will permit me to. I was in favor of the principle of this bill when the gentleman originally introduced it, and I have heard many discussions here today that this was to be a tax incentive for trade, manufacturing, and the like.

I find in the bill, however, as now before us, provisions of this bill which will apply to foreign branches of domestic banks. The only thing I can find in the hearings in support of that is the statement on behalf of the First National City Bank of New York. Why should banking be included?

Mr. BOGGS. The whole branch situation is one of the very difficult fields in this legislative area. If it were not for branches we would have less of a problem here.

Now the banks were confronted with this branch operation situation. Because they had to operate as branches they were at a competitive disadvantage with the banking operations of other countries. I am not here to defend the banks one way or the other, but I know there are some pretty smart bankers in the world. The New York banks have pretty good competition, mainly from the Swiss and mainly from the British. Does the gentleman from New York want the New York banks to be in a worse competitive situation than the banks of Switzerland and the banks of Great Britain?

Mr. MULTER. That is not the point. I am against this provision because in a tight money market I want to see no incentive that is going to be advantageous to an American bank to send its capital abroad. Let us put that capital to work here. If we have any surplus let us send it abroad. This is an incentive to American banks to send more money abroad. Let us put that money to work here first if we are in a tight money market. The gentleman supported the bill to remove the interest ceiling.

Mr. BOGGS. The gentleman is going up another road. The gentleman from Louisiana did not support that.

Mr. MULTER. I am glad to hear that.

Mr. BOGGS. If the gentleman wants to make a speech on money, I will yield the floor to him.

Mr. MULTER. The only speech I want to make on money is this.

Mr. BOGGS. The gentleman frequently makes speeches on money and I do not understand them.

Mr. MULTER. The provision with reference to banks should be taken out of the bill.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Ohio.

Mr. VANIK. The gentleman is a great source of information on this bill, and I appreciate his patience. I have a question here: What is there in this bill to prohibit the subsidiary of an American corporation from continuing operations as a subsidiary as long as it serves its tax purposes, then qualifying as a foreign business corporation for those years when it may present the maximum tax advantage, then return to its former status for tax purposes as a subsidiary?

Mr. BOGGS. Well, the presumption of the question is that the only purpose in using this device would be to evade taxes. I think I have made it clear—at least, I have tried to make it clear—that this is not a tax evasion bill. I am not here presenting a tax evasion bill. The gentleman from Ohio must know that under existing law, as I pointed out, by using these tax havens, corporations can get this treatment now. What the gentleman does is to bring up a hypothetical situation where someone is jumping back and forth from one legal concept to another in order to get some tax consideration. I may say to the gentleman that as much as we legislate,

as many laws as we pass and as carefully as we hope to be, we invariably run into some people who will do almost anything to avoid a tax situation. If this situation exists in the bill—I do not think it does, but if it does—we will correct it. Let me say to the gentleman if his approach to this bill is that this is tax evasion, therefore has no advantages or benefits insofar as the promotion of American business, American jobs, American industry and commerce, he can find a million reasons to be against it.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. MASON. Mr. Chairman, I yield myself such time as I may need.

Mr. Chairman, we have listened to 45 minutes of a very eloquent presentation of the contents of this bill from a very genial, capable, convincing member of our committee, who is the author of the bill. When the bill was presented to our committee a year or so ago, it had a lot, a great deal of flesh upon it, practically all of which has been removed by the committee before it got out of the committee. Now you have before you H.R. 5 in skeleton form. That is exactly what you have before you. If passed by this House skeleton form, it is my opinion that some of the flesh that was taken off of this bill in committee will go back upon it. If that is what you want, pass the skeleton.

Mr. Chairman, the bill before the House makes an inadequate gesture toward dealing with the problems arising in the area of the present tax treatment of income derived from foreign operations by U.S. corporations. I am personally convinced that the legislation raises more new problems than it answers of the old problems.

I do not believe it is wise for the House of Representatives to be considering this legislation at this time. Instead, I had hoped that the Committee on Ways and Means would devote further consideration of this legislation in executive session so that we could do a more adequate job of finding solutions to the many problems that exist with respect to the taxation of income from abroad.

An example of the unfinished business that relates to H.R. 5 is the question of the gross-up proposal which is embodied in H.R. 5 but which does not apply to income derived by a U.S. corporation from a foreign subsidiary or a foreign base corporation. Under existing law the gross-up of the foreign tax credit is not required so that U.S. corporations pay less than a 52-percent rate on their combined United States and foreign tax liabilities. The present combined rate paid by such corporations owning foreign subsidiaries is less than 52 percent and could be a combined rate of 48 percent, 45 percent, 40 percent, or some other rate depending upon the countries in which the taxpayer is operating. Under H.R. 5 with the gross-up provision we are assuring that taxpayers will pay a combined 52-percent rate.

The gross-up requirement may be a proper requirement in connection with the computation of the foreign tax credit, but I submit to the membership

that the Committee on Ways and Means does not as yet have sufficient information on which to base that conclusion. In recognition of this fact the committee has scheduled public hearings on the question of the gross-up to begin March 28, and it is my conviction that further action on H.R. 5 by the House of Representatives should be deferred until the committee is prepared to submit its recommendations to the House in regard to the gross-up following our public hearings on that subject.

Mr. Chairman, I anticipate this afternoon that during the debate on this measure we will find frequent reference made to the fact that H.R. 5 will encourage the export of jobs from the United States. It is undeniable that there is some validity to that argument just as there is also validity to the argument that our domestic economy stands to gain jobs by increasing our export trade. It is likely this afternoon that we will find tax considerations intermingled with tariff considerations. Because the United States has become a low tariff, high wage country, the problem of stimulating economic activity by U.S. companies in world commerce is acutely complex. High domestic wages and low tariffs make it increasingly attractive for our producers to go abroad to manufacture. They manufacture merchandise abroad not only for sale in world markets but for sale in U.S. markets. This occurs under existing law and will also tend to occur under H.R. 5 even though one of the source rules limitations contained in the bill provides that not more than 10 percent of the income of the foreign business corporation can be derived from the sale of any articles for ultimate use, consumption, or disposition in the United States. I would point out to the membership that this limitation applies only in the case of the foreign business corporation that is authorized to be established under H.R. 5 and does not apply to foreign subsidiaries or foreign base corporations established under existing law; nor does it apply in any way to foreign producers that are not affiliated with a domestic U.S. corporation. That is why I remarked earlier that H.R. 5 would create more problems than it answers.

Mr. DINGELL. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Fifty-two Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 14]

Alford	Celler	Grant
Allen	Coffin	Green, Pa.
Anderson,	Cohelan	Griffiths
Mont.	Daniels	Healey
Ashley	Davis, Tenn.	Hébert
Bailey	Dawson	Hess
Barden	Delaney	Hoffman, Ill.
Barrett	Donohue	Hollfield
Bass, N.H.	Dooley	Jackson
Bates	Dulski	Jennings
Baumhart	Durham	Kastenmeier
Buckley	Fallon	Keogh
Burleson	Feighan	Kilburn
Cahill	Forand	Kluczynski
Canfield	Gallagher	Lafore
Carnahan	Garmatz	Lesinski

Morrow	Reuss	Teller
Mills	Rogers, Mass.	Thompson, La.
Mumma	Rostenkowski	Thompson, N.J.
Nix	Santangelo	Tollefson
O'Brien, Ill.	Shipley	Whitten
Philbin	Smith, Kans.	Williams
Powell	Spence	Withrow
Preston	Springer	Zelenko
Randall	Taylor	
Rees, Kans.	Teague, Tex.	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 5, and finding itself without a quorum, he had directed the roll to be called, when 350 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be placed upon the Journal.

The Committee resumed its sitting.

Mr. MASON. Mr. Chairman, I will not take additional time of the membership to talk further on this bill. The separate views pertaining to H.R. 5 of the Republican members of the Committee on Ways and Means can be found beginning on page 80 of the committee report. These views, I believe, are briefly stated but to the point and I recommend their reading to you.

The CHAIRMAN. The gentleman from Illinois has consumed 9 minutes.

Mr. MASON. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. KNOX].

Mr. KNOX. Mr. Chairman, I feel constrained today to address the Members of the House because of some of the provisions of the legislation now before us and what they may accomplish in contradistinction to what we hoped at one time the legislation would produce. I concur in the remarks of the gentleman from Illinois [Mr. Mason]. I shall not be repetitious; however, I have been greatly concerned since the time this legislation was brought before our committee for consideration.

I raised this question in the committee and I am going to raise it again here on the floor of the House. I think if this legislation is enacted into law and a U.S. corporation should desire to go into foreign countries under the provisions of this bill, the export benefits from the United States would be great possibly for the first year or so because of the fact it would be necessary to tool the new industries abroad and, to some extent, the initial tools would come from this country. But I think we should bear in mind once these foreign producing enterprises get underway and start to produce the necessary articles in goods, then, of course, they would supply the export markets that we have today.

Now, we must go back and take a brief look at one of the things that has been happening which is greatly disturbing to me. I refer to the deficit balance of payments position of the United States. That deficit reached a figure of \$4.5 billion in this past year. I must concede and report to you, according to the accounts that I have read, that the deficit has now been somewhat alleviated in the current year. I believe we have picked up about a billion dollars in the past 2 months. Consequently we are a little stronger in that

position now than we were at the close of the past calendar year, which showed about a \$4.5 billion shortage.

This deficit is also disturbing to me because of the fact that through information that has come to me and to other Members of this Congress I find that we have \$17 billion now in the hands of foreign countries, either in dollars or in equivalent securities. We have approximately \$19 billion worth of gold at Fort Knox. Of course, with respect to foreign countries that have our securities and our currency, if they should choose to convert their holdings into gold they would receive the equivalent in gold and not in dollars.

Such an event would leave some \$2 billion left in Fort Knox to support our own currency. The information which I have is that today with the currency which we have in circulation, we must have considerably more than \$2 billion worth of gold in order to back that currency. Now, that is disturbing to me. If this bill is passed and our industries have the incentive to move abroad, our balance of payments will become greatly aggravated by that fact and we are going to lose some more of our export markets.

Mr. Chairman, our Nation was founded on the fact that we were a great producer and had a great domestic market. We achieved further greatness as we developed export markets. It is my hope that we can retain that domestic market and that export market, because we certainly have a great obligation today to the youth of America.

In this regard I have in mind our responsibility to the youth of our Nation. We have something over a million boys and girls that are graduating annually from high school and college and coming directly into the field of employment. It is necessary that we, the fathers and mothers of these children, assist them in every way in meeting the goals in their lives to see to it that they will have a job when they graduate. Of course, if we are going to allow the incentive of H.R. 5 to take industry from the United States and place it in foreign countries and thereby lose that export trade, then I do not believe that we have fulfilled our obligation to provide job opportunities within our own country.

Furthermore under the circumstances of lessened exports, it will not be possible for our domestic market to consume the necessary goods that would cause new jobs to be available. We are not a people that are standing still. Of course, we are going more and more into the field of automation, and automation, of course, is increasing worker productivity; therefore we have to have a greater expansion of our export markets for goods from the United States.

Certainly I am one who does not believe that we should continue to pour dollars into these foreign countries as far as foreign aid is concerned. I think my record will show that I have not approved of foreign aid. However, I do believe, and I honestly believe, and it is my conscience dictating to me, that this legislation at this particular time is not in the best interests of the economy of the United States. We should have fur-

ther hearings to determine just what this committee is going to recommend to the Congress as far as the gross-up provisions are concerned in this legislation, and I believe this bill could very well wait until we have the hearings and the committee can combine its tax recommendations in this area in one package.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman.

Mr. BOGGS. I simply wanted to point out to the gentleman that the figures just now released show that our exports are up considerably.

Mr. KNOX. About \$1.1 billion.

Mr. BOGGS. I have here, if the gentleman will bear with me a moment, the financial section of the New York Times for Thursday, March 3, which reads:

U.S. trade opens year with 15 percent gain. Payment posture improves as exports climb. Imports show decline. Shipments up by 15 percent. Outflow of gold appears to ebb—

And so forth. This is a long statement and I shall not go into it in any great detail. I would simply say this to the gentleman that I, too, am concerned, as is the gentleman, about our balance of payments. But the gentleman knows, I am sure, that the pluses in the balance of payments are in these fields that we are discussing here today. For instance, on investments abroad we have had a net gain of \$2 billion rather than a loss on these investments, in the last 4 years. In addition to that, every dollar of export income is a gain. The losses, of course, occur from imports, from foreign aid, from military establishments, from tourism, et cetera. I believe the gentleman will agree that it is not within our sole determination as Americans to decide how much foreign competition we have.

The interesting thing about all this discussion is that we are the ones who are making all the decisions. What this bill tries to do is to give the American economy a competitive situation equal to our rivals', the rest of the free world's and the Russians'. This bill seeks to help us in this situation and not hurt us. That is the point I am trying to make.

Mr. KNOX. The gentleman from Louisiana, I believe, also realizes that this legislation does not give any real benefit to corporations that is not available to them today.

Mr. BOGGS. Here is the point that I am making with the gentleman. To be specific, let us take two situations. No. 1, the question of the import competition. That import competition comes from the countries of Western Europe and from Japan. What we do here today is not going to stop that import competition except for this class of corporation which we are creating. The only way you can stop that is by some tariff legislation or some quota limitation that you may consider in separate legislation.

Mr. KNOX. If I may answer the gentleman on that particular question, I have not said anything about the imports in any of the words which I have uttered in this well.

Mr. BOGGS. No, the gentleman has not.

Mr. KNOX. But I have specifically pointed to our export market that we possibly would lose.

Mr. BOGGS. Exactly.

Mr. KNOX. That is the thing that concerns me.

Mr. BOGGS. I know the gentleman is in complete good faith. The gentleman was very helpful in the consideration of this bill. I am not being a bit critical of the gentleman. But the second point is the one the gentleman just made, about our export market. I think we presume a great deal when we think that if we do not get into this market, if we do not compete, this market is going to come to us. The market will go to someone else. Take Brazil, for instance. This does not mean that we are going to continue to export to that market. Germany may get the market; Switzerland may get the market; France may get the market.

Mr. KNOX. In answer to the gentleman, if we had some incentives for our American-based corporations, corporations here in the United States, perhaps they would be in a better competitive position than they are today in world markets. If this legislation is justified at this particular moment, then I think it would also be justifiable to have the same privileges granted to U.S. corporations to go into some of our areas here in the United States which are distressed labor areas and so classified by the Department of Labor. The purpose would be to create jobs in these distressed areas. I realize such an amendment would not be germane to this legislation but it is a matter that should be considered in establishing priorities for the consideration of amendments to our Federal tax structure.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman from Louisiana says the export situation is bright because shipments abroad have increased. I wonder if the gentleman from Louisiana could inform the House how much of that was in terms of grants-in-aid, giveaway stuff that went overseas. That ought not to be included in any such total.

Mr. KNOX. I yield to the gentleman from Louisiana for an answer.

Mr. BOGGS. The gentleman directed the question to me. I do not know, but I could get the information and would be very happy to incorporate it into the RECORD. But this bill, if it has any objective at all, is to stop giveaways and grants-in-aid.

Mr. GROSS. I do not think I have ever read a more sugar-coated title to a bill than this: "Promote American Industry"—they do not say abroad—"Promote American Industry and Reduce Government Expenditures for Foreign Economic Assistance."

I wonder how much the gentleman from Louisiana will say to us today this bill will reduce the annual handout program.

Mr. BOGGS. I could only say to the gentleman, and I do not mean to take the time of the gentleman from Michigan, but the gentleman has directed the question to me, that in those areas of the world where we have the most American investment we have no giveaway program. There is no giveaway program for Canada, as far as I know, and those programs are nonexistent now in Western Europe.

Mr. KNOX. May I say further that in my opinion this legislation in one important respect has gone a great degree further than the recommendations that came to the Congress. The recommendations suggested that the Congress take action in the field to assist less developed countries. The bill in its present form is wide open on this point. Naturally, if I were an industrialist and wanted to invest in a foreign country, I would go into the market of a country already developed, not into a less developed country.

In principle I think the legislation sounds good, but there are so many ramifications involved in it that I believe honestly it would be detrimental to the U.S. economy if it should be enacted. Then if it should be implemented to the point where we would have a great outflow of U.S. industry and American dollars, which would be necessary in order to establish the industries in the respective countries, it would greatly aggravate our position as far as the balance of payments was concerned.

Mr. THOMSON of Wyoming. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield.

Mr. THOMSON of Wyoming. The sponsor of this bill in his argument seems always to assume the building of new plants or production facilities. Is it not a fact that the provisions of this bill would be equally applicable to a conventional case where an American manufacturer goes over there and buys plants with existing production and an existing market? I think of the Chrysler situation as a case in point. They bought a foreign-car producer. They could market the regular run of cars over there and then step up their production 10 percent and sell that excess over here.

Mr. KNOX. Yes. I think we can go a step further in our assumption because of the fact that the earnings from this corporation do not necessarily have to be invested in that corporation itself for expansion, but they could be taken from that country to another country to establish another corporation.

Mr. Chairman, I would like to address the balance of my remarks to the fact that this bill is not limited to the less developed countries.

The bill, in its present form, seeks to stimulate private foreign investment without regard to the economic need of the host country. It was contended by spokesmen of the Departments of Commerce, State, and Treasury that the tax incentives embraced by this legislation could more realistically be restricted to investment in the underdeveloped countries.

It may be doubtful that further incentives are presently warranted to encourage U.S. venture capital to seek out the industrialized nations of the world. Whereas direct foreign investment during the 1950's more than doubled—and indeed, may well have nearly trebled—it is significant that the most recent distribution figures available reveal a concentration of almost half of this capital in Canada and Western Europe, 35 percent in Latin America, and less than 9 percent in the critical areas of the Middle East, Asia, and Africa.

Furthermore, since the advent of the European Common Market the share of direct investment of U.S. private capital in the Common Market area has been increasing faster than the share held by the rest of Western Europe or by all foreign areas combined. Thus, the existing pattern of foreign investment is mute testimony that any stimulus to encourage the investment abroad of private venture capital should be oriented toward the underdeveloped areas of the free world, where stimulus is needed.

There are, of course, many reasons for the present unsatisfactory level of our private investments in the underdeveloped countries. Certain obstacles to an expanded foreign investment flow to these areas are political, legal, or institutional problems affecting the investment climate, which in large measure are susceptible to correction only by the country concerned. Others, such as the lack of natural resources or the limitations imposed by a relatively small market present problems of a more permanent nature which go to the very essence of the business decision, irrespective of the investment climate per se.

Perhaps the most important single impediment arises out of the fact that there are certain hazards and risks facing potential investments in the underdeveloped countries which either do not exist or exist to a lesser degree in the more sophisticated and stabilized capital climate of the industrialized countries. Unless there is some offsetting factor which will compensate an entrepreneur for the higher element of risk involved in channeling his capital to the underdeveloped areas it is manifest that economic prudence will dictate a reluctance to commit venture capital there.

Herein lies the greatest potential benefit of H.R. 5—and the greatest failing as the bill is presently written. A tax advantage available only with respect to investments in underdeveloped countries would act as an offsetting factor to the economic risks involved in such undertakings, thereby encouraging businessmen to commit their capital in such areas. However, if the incentive is available regardless of where the investment is made, as would be true if the present version of H.R. 5 were to be enacted into law, the stimulus to commit capital in the underdeveloped areas would tend to be canceled out.

My concern with the encouragement of private foreign investment—together with the concomitant managerial skills and technological techniques—in the underdeveloped countries is more far-reaching than an academic interest in

balancing out the distribution of U.S. investment capital throughout the free world. It is predicated upon an acute awareness of the consequences which may well devolve upon the free world if direct and immediate steps are not taken to encourage and speed the process of economic growth in these countries. Perhaps the most lucid analysis of this problem was advanced by Under Secretary Dillon in his testimony before this committee during the hearings on H.R. 5 held last July—see committee hearings on H.R. 5, July 7, 1959, pages 78-79:

The manifest needs of the less developed countries for economic progress, and the impatient demands of their peoples, provide the Communist bloc with a dangerously exploitable opportunity to advance communism's long-term drive for world domination. The Communists have made clear that the less developed countries of Asia, the Middle East, Africa, and Latin America are major targets in communism's drive to undermine the West. These countries cherish their freedoms and intend to preserve them, but the demands for economic growth are strong and urgent. Whether these demands are met in freedom or whether these countries are forced to turn to the path of communism will depend in no small measure on what we and the other industrialized countries of the West do to help. The main burden of economic progress lies, of course, on the less developed countries themselves, but it is in our interest as well as theirs that we help them to speed the process of economic development.

Through such means as our governmental loan and technical assistance programs, our multilateral trade policies, our commercial treaty, tax treaty, and investment guarantee programs, and our economic and investment information activities, the U.S. Government is making a major effort to assist the less developed countries in attaining a satisfactory rate of economic growth. Nevertheless, although progress has been made during recent years by the underdeveloped areas, the rate of progress generally has been less than that of the industrialized countries while the rate of population increase has been higher. This has led to a widening of the gap between our standards of living and those in the less developed areas. This situation is a serious one and calls for urgent attention. We must provide additional impetus for the economic development process. Governmental resources and capabilities are of necessity limited, so new actions to stimulate the flow of private capital, with its accompanying skills and techniques, have become an urgent necessity.

During recent years new U.S. direct investment in the less developed countries of Asia, the Middle East, and Africa has been relatively small—roughly \$100 million annually—and much of this has gone into petroleum investment in a few countries. In regard to Latin America the situation is substantially better but here, too, the flow of private investment has been very uneven with substantial investments going to a few countries and relatively little going to the rest of the area.

Thus, to the extent H.R. 5 fails, as certainly it must in its present form, to stimulate and focus the investment of private U.S. capital in the underdeveloped areas of the free world, it knowingly defaults in a key move in the free world's struggle against Communist expansion and domination.

Another crucial factor of which we must not lose sight is the awkward, if not embarrassing, position in which the

United States presently finds itself with respect to its international balance of payments as I have previously pointed out. We have sustained a net annual deficit of approximately \$4 billion in each of the past 2 years, and our gold reserves are now depleted to the level of approximately \$19 billion. By and large, the concomitant increase in gold and dollar holdings abroad has been concentrated in the industrialized countries—particularly Western Europe and Japan.

The short-run balance of payments effect of international investment depends upon the extent to which the movement of capital is accompanied by an export of goods and services from the United States. This fundamental economic reality represents another reason for my concern with H.R. 5 in its present form, since an indiscriminate territorial application of its incentives would inevitably lead to compounding our already acute balance of payments position. This is so because as noted before the bill would serve to accelerate investment in the industrialized nations rather than in the underdeveloped areas, and in the industrialized nations the vast majority of requisite goods and services would almost certainly be readily available locally. The converse would be true by and large in underdeveloped countries.

A further reservation which I am compelled to express with respect to the indiscriminate territorial application of H.R. 5 also relates to the fact, referred to above, that, all things being equal, private investment capital will flow to the industrialized nations rather than to the underdeveloped areas of the free world. This consequence should not be taken lightly, for in addition to the frustration of private economic development in underdeveloped areas, there is the perpetuation of the staggering capital outlay which this country makes annually for its mutual security program.

Private foreign investment may be regarded as the only practical alternative to continued burdensome governmental participation in economic development abroad. Thus, substitution of private capital for public outlays recommends itself as a means of lightening the public burden; moreover, private investments might be more soundly conceived and therefore economically more beneficial to the countries in which they are made than public assistance. Needless to say, our governmental expenditures for the economic aspects of our mutual security program in the industrialized nations are now negligible when compared with the extensive capital outlays for such purposes in underdeveloped nations. Accordingly, the encouragement which H.R. 5 as presently drawn would give to private investment in the already industrialized nations to the detriment of investment in the underdeveloped nations would work a direct and unnecessary hardship upon the American taxpayer by perpetuating pro tanto our monumental annual outlay to these countries.

It has been argued that the enactment of legislation providing tax benefits to encourage foreign investment in the

more industrialized areas of the world will eventually result in more private investment in the less developed countries. However, even if this should occur to some extent, it would seem to be an inefficient means of stimulating economic growth in the less developed countries where a relatively small amount of capital is required to put a laborer to useful work, as compared with the situation in the highly industrialized countries.

Because this legislation is not limited to the less developed countries and for the other reasons I have stated, I am obligated to oppose H.R. 5 in its present form.

Mr. BOGGS. Mr. Chairman, I yield 10 minutes to the gentleman from Florida [Mr. HERLONG].

Mr. HERLONG. Mr. Chairman, this bill, of course, has been rather thoroughly explained. Yet, a great deal of the explanation has not answered the questions in the minds of a number of Members. There are a number of questions in people's minds about it yet.

Mr. Chairman, I rise in support of H.R. 5.

In my judgment this bill would stimulate foreign investment by U.S. business concerns by permitting an eligible domestic company to temporarily defer U.S. tax on income it earns abroad, provided such income is invested abroad.

What are the advantages to the United States as a whole in having a U.S. corporation enlarge its activities overseas?

In the first place, when a U.S. corporation does business in a foreign country, particularly in one of the underdeveloped countries, this action will not only bring more capital, but also more managerial and technical skills, to those countries. This will certainly help to train the people of the underdeveloped countries in modern industries. The purpose of the bill is to encourage our business people to go into these foreign operations.

When our domestic companies go abroad and engage in such operations, they demonstrate to the people of other countries the vitality and responsibility of modern private enterprise. This gives the people in the so-called underdeveloped countries a firsthand knowledge of the private enterprise system as a method of existence, as opposed to communism.

Next, it certainly follows that as American business abroad is increased, the standard of living in the countries where it operates will be raised. They will therefore be a better market for our exports, and of course it follows that as our exports are increased, business is stimulated here at home.

It is also not inconsequential that in the past, American firms through their foreign developments have added significantly to the supply of raw materials needed by American industry.

On another point, a lot of people in the United States are disturbed about the money that is being spent overseas in the so-called foreign aid program. Particularly do we hear complaints about economic assistance, and I am in accord with those who would like to see this amount reduced as much as possible. I

think it can be definitely stated that with an increase in the standard of living in these other countries, the necessity for economic assistance will be greatly reduced, if not entirely eliminated. This of course will be a welcome relief to the Federal Treasury and to our already overburdened taxpayers.

Just how does this bill propose to accomplish these desirable results?

The bill would permit the establishment of a special class of domestic corporations known as foreign business corporations to conduct the foreign operations of American firms. The incentive for this activity would lie in the fact that such a foreign business corporation would enjoy the privilege of deferring the U.S. taxes on the income it earns in these foreign countries until this income is returned to the United States. This means that a foreign business corporation will be able to use the money that it makes from its foreign operations to expand those operations out of its earnings, as Uncle Sam will not be draining them all off in taxes. Of course, at the time the foreign business corporation distributes any of its earnings it will be taxed at the then present corporate tax rate on such income.

I think it is important for us to recognize that under the existing law, the income of a foreign subsidiary of a U.S. corporation has the privilege today of deferring taxes until the income is distributed to its U.S. parent. In this bill we are saying explicitly that this same privilege is accorded to branches of U.S. corporations operating abroad who can become foreign business corporations as provided in the bill.

This bill, however, does provide an additional limitation on these American corporations doing business abroad. In our bill, only 10 percent of the goods manufactured by such a foreign business corporation can enter the American market, so there is no threat of undue competition with existing domestic enterprise. This 10-percent limitation however, does not apply to the American subsidiaries doing business in foreign countries today, and which are enjoying the privilege of tax deferral.

The question may arise in your mind as to why an American corporation would want to operate as a branch, rather than to organize a foreign subsidiary when, by taking advantage of this proposed bill, they would be restricting themselves as to what would probably be a prime market; namely, the United States.

In this connection it may be that some companies may want to continue to operate as foreign-based subsidiaries, but such a big-company method of operation as is proposed under this bill would dispel a great deal of the uncertainty that presently exists in small business and would be a great deal more convenient and less expensive operation for such a U.S. corporation. In many situations there is a great risk in placing substantial worldwide assets in foreign corporations, and therefore under the control of a foreign country which may be subject to political and economic up-

heavals. There is risk also in the fact that such a country may possibly be overrun by hostile powers, and a foreign-based subsidiary, even though its parent be a U.S. corporation, would not be entitled to the same protection from the United States as would be a branch of a domestic corporation. Certainly diplomatic assistance is more readily available to a branch of a U.S. company than to a foreign company, even though it is a foreign subsidiary of a U.S. company.

Finally, the creation of a foreign business corporation, by causing the expansion of American business abroad, will have as a direct result not only an ultimate increase in revenue to the U.S. Treasury, but also a substantial decrease in the amount of money which the United States will have to spend as grants to foreign countries. In this regard it is my firm conviction that the foreign business corporation, in addition to removing the serious inequities existing presently in our laws, would encourage wider foreign private investment and in so doing would support and implement the goals for which our Government is now spending billions of dollars annually on mutual security programs with friendly nations.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield.

Mr. ROOSEVELT. Is there anything in this bill which would lead anybody to believe that these funds would be directed toward these underdeveloped countries?

Mr. HERLONG. We are encouraging business to go into these underdeveloped countries.

Mr. ROOSEVELT. But, is there anything in this bill that would do that?

Mr. HERLONG. Certainly, there is. That is the whole principle of the bill.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield.

Mr. BOGGS. I might answer the gentleman from California this way. In our American economy, we tax our individuals and our business establishments on a nationwide basis so that if one makes a profit in the great State of California, for instance, one is able to come to an underdeveloped area, in this country, and make an investment which sometimes will result in a loss. I know what the gentleman is getting at, namely, that we should have limited this legislation to the so-called underdeveloped areas. I will say to the gentleman there are two very grave problems involved there. No. 1 is the question of definition. Italy, for instance, can be defined as a developed and an underdeveloped country—all in one country. No. 2, the so-called developed countries have tax rates, generally speaking, comparable to our own tax rates. So that there is no tax advantage in limiting this legislation to the underdeveloped countries.

Finally, it was our theory, and I think a sound one, that as long as these funds are maintained outside of the United States, we have a chance of channeling the funds, let us say, into Pakistan or into some other country. That is, if there is some freedom of movement.

But, if you try to create artificial, geographical limitations, then I do not think that would happen.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield.

Mr. ROOSEVELT. May I ask the gentleman from Louisiana if his argument is correct that normally capital would flow to those countries because they have a lower tax base, then all of the record should show that American capital today is going to those countries and, yet, we know that it is not. And we know that it is not going to those countries because conditions in those countries are not such that a profit results from an investment in such countries because you get less capable labor and you have other conditions that make it impossible to make a profit. So, if you are making the argument on the ground that this bill is going to help the underdeveloped countries, it seems to me you are making a completely specious argument.

Mr. BOGGS. No; we say, and I think with some justification although not with complete and total justification, of course, that this bill will be helpful. If I have said at any time in this debate today that this bill standing alone is the answer to the problems of the underdeveloped countries, then I retract that statement.

I do say, and I defy anyone to contradict me, that this bill will be very helpful to the people who have studied this problem as the gentleman from California has and have come to that conclusion.

Mr. ROOSEVELT. I do not want the gentleman to say that I have come to that conclusion, because I have not.

Mr. BOGGS. What I meant to say was that the gentleman has studied the problem and is a conscientious Congressman. I am sure the gentleman agrees with that.

Mr. ROOSEVELT. I thank the gentleman.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield to the gentleman from Pennsylvania.

Mr. DENT. Is it not true that an American corporation investing in America has to pay its normal 52-percent income tax on net profits before it can use those profits for expansion in America?

Mr. HERLONG. That is true.

Mr. DENT. And is it not true that you are giving to an American corporation that invests in a foreign country the right to use those profits from its operation without paying the tax?

Mr. HERLONG. Not without paying the tax, but they can use that money and defer the payment of taxes until they bring it to the United States.

Mr. DENT. But the money that is used is not laid up against the company's net strength as long as it keeps on expanding in a foreign country. The only money that is taxed is that which is brought back into the United States.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield to the gentleman from Louisiana.

Mr. BOGGS. This tax may be higher or lower than the U.S. tax rate, but it is not failing to pay taxes.

Mr. DENT. You know and I know that Spain, Japan, Italy, and 60 or 70 percent of the countries in which we are going to expand these corporations have eased their taxes on foreign capital to the extent where there is no tax on foreign capital being used to build competitive industries in those foreign countries.

Mr. BOGGS. No. I do not know that.

Mr. DENT. I am telling you, sir. And it is proven in the record.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. HERLONG. I yield.

Mr. PUCINSKI. As I understand, under this legislation American corporations can create American subsidiaries in foreign countries.

Mr. HERLONG. I think the gentleman means branches.

Mr. PUCINSKI. Branches. Does the gentleman have any information whether under existing law American corporations can invest in foreign corporations in many areas of the world?

Mr. HERLONG. They are doing it.

Mr. PUCINSKI. Does the gentleman have any idea as to how many companies, corporations, factories, or industries have been created under existing law by American corporations in the underdeveloped countries of the world where most of our foreign aid is now going?

Mr. HERLONG. I do not know how many; I know there are some going in there, but most of it has been going to developed countries. We want to help channel it to the underdeveloped countries.

Mr. PUCINSKI. But in the last few years there is no history to indicate that it is going to these underdeveloped countries, is there?

Mr. HERLONG. As I said, I do not know how many have gone into these underdeveloped countries. I will say there have been some, and I will say also that this will encourage more to go into those areas.

Mr. PUCINSKI. But there is not historic basis for making that statement, no such history within the last 5 or 10 years.

Mr. HERLONG. We have not had this in operation 5 or 10 years.

Mr. PUCINSKI. But you have American companies investing in foreign countries and in these underdeveloped areas.

Mr. HERLONG. Certainly we have.

Mr. PUCINSKI. Would not the incentive provided by this bill be sufficient for these companies to invest still further in the highly industrialized areas of the world today?

Mr. HERLONG. The incentive was ably pointed out by the gentleman from Louisiana a while ago in that they put a high tax rate against American businesses or foreign businesses including their own in those areas; they have to pay high income taxes in those areas today, so that tax deferral is not an important incentive for such countries. I am sure the gentleman also recognizes that this bill would permit American

businesses operating as branches abroad to have the benefit of any tax treaties this country has entered into. This would not be possible for foreign subsidiaries.

Mr. PUCINSKI. I thank the gentleman.

Mr. MASON. Mr. Chairman, I yield 2 minutes to the gentleman from Indiana [Mr. BRAY].

Mr. BRAY. Mr. Chairman, this bill is called the Foreign Investment Incentive Tax Act of 1960. That is the purpose of this legislation. It would encourage foreign investments, taking capital out of the country that might be spent here to create new jobs. But beyond that we have to realize that these foreign investments in many cases result in cheap-labor production of goods now produced in the United States, and that the jobs we create abroad in the end take jobs away from our own workers when these goods are shipped here. It would give American concerns who desire to enter the manufacturing business abroad a special tax advantage. The legislation as originally introduced would have allowed American concerns manufacturing abroad a 14-percent tax advantage. An industry operating in America would pay 52 percent corporation tax, but those who would do the same manufacturing abroad would only pay 38 percent corporation tax.

I spoke against this bill on the floor of the House last August while it was still in the Ways and Means Committee. This bill was reported out by the Ways and Means Committee last week and had been materially changed by the committee from the condition in which it was originally introduced. However, the purpose of this legislation is still the same, and that is that it is the Foreign Investment Incentive Tax Act of 1960. It still gives American concerns a tax advantage under certain conditions if they manufacture their products abroad.

The bill is difficult to understand as many members of the committee have stated. On page 1 of the report the principal purpose of this bill is stated as follows:

The principal effect of this bill is to defer the imposition of U.S. tax on certain domestic corporations called foreign business corporations until their foreign income is distributed to shareholders or withdrawn from the foreign business for employment in domestic operations or for investments.

The facts show that we do not need additional incentives to cause American industries to expand their manufacturing abroad. This legislation would undoubtedly accelerate an already dangerous trend that is injuring business, labor, farmers, and all of America. In plain English, this legislation tells the American manufacturer that under certain conditions he is given a tax advantage if he operates a manufacturing concern on foreign soil. He will not have to pay the corporation tax until they bring the money back to America. Such a concern can manufacture goods abroad, using cheap labor, reinvest money in expansion that it would have to pay taxes on if doing business in America, and repeat this over and over, building an

enormous empire abroad on the taxes it would have had to pay if manufacturing in the United States. A certain amount of the products produced abroad would be returned to the United States in competition with American produced goods.

American industry is being threatened by foreign competition in such fields as: textiles, clothing, coal by the importation of residual oil, glass, wood products including veneers, rubber products including clothing, storage batteries, automobiles including equipment and parts, electronic products including all types of electrical equipment, fabrication of steel, structural tile, clay pipe, canned meats slaughtered and processed abroad, and countless other items.

I am well aware of the problems American business has in operating without some protection against foreign imports. I am very much in favor of giving American industry and labor that protection, and I think that soon enough Members of Congress will be aware of this situation to approve of such legislation. However, I insist that legislation such as H.R. 5 is not the solution to our problem. This piece of legislation would, in my opinion, damage all America.

AMERICAN INDUSTRIES MOVE TO FOREIGN LOCATIONS

A brief summary will demonstrate that our objective should be to encourage business to manufacture its goods in America instead of encouraging manufacturing abroad, with cheap labor and reduced taxes, and shipment of these products to America to the detriment of the American economy.

In 1958 and 1959 our imports exceeded our exports by \$7.5 billion. Imports from Japan jumped 50 percent in 1959 and from Europe jumped 40 percent for the same period. There are 3,000 major American firms with investments abroad, including \$30 billion in plant facilities. These plants employ some 2 million workers directly and another 3 or 4 million indirectly.

General Motors is making cars in Germany and England and shipping them back to the United States. Ford Motor Co. is making cars in England and France and shipping them back to the United States. Chrysler Corp. is doing the same in France. The importation of these cars increased more than 100 percent last year. The Hamilton Watch Co. is now operating in Japan, Elgin National Watch Co. in Switzerland. The Singer Sewing Machine Co. is manufacturing sewing machines in Scotland. The H. J. Heinz Co., famous for its canned goods, is building factories in England and Holland. Borden Co. operates in Holland and Denmark. I could go on and on and point out thousands of such operations and all of them ship at least a portion of their products to America for resale. Yet, Congress is asked to pass legislation to encourage this trend.

IMPORTS THREATEN OUR ECONOMY

No part of the American economy can be injured without hurting our overall economy. America cannot maintain its high standard of living unless we keep

our economy strong. This legislation is a further expansion of our trade policies which are gaged principally to assist foreign countries and those who are especially interested in importing goods to America. Every time one of us points out the adverse effect that imports are having on America, we are accused of being against foreign trade. We were accused of that 2 years ago when we unsuccessfully attempted to get certain amendments to protect American interests under the extension of reciprocal trade legislation. The purpose of trade is to buy those products that other countries are well adapted to produce and sell those products which we are well adapted to produce. Other countries do not import those products they have in surplus. We would not expect Brazil to import tea, but that is the policy what we are following in America.

Incidentally this legislation would do little to help underdeveloped countries, for the major part of our foreign investment is in those countries with booming economics.

OUR TRADE POLICIES INJURE FARMERS

The United States has a surplus of meat, yet we are importing more than 800 million pounds edible meat into the United States. We are importing a great amount of grain into America, even though we are paying support prices on similar grains.

This trade problem is not a political matter. The last reciprocal trade extension, which I have mentioned, was generally backed by both parties. It is time, however, that we started seriously thinking of our problems in America. A few years ago perhaps we needed to give special benefits to Europe, but today Europe is booming. We have many localities in my district that would be very grateful for one of these many plants that our industries are locating abroad. Unless we look after American interests, soon all segments of our economy will be suffering: the clay workers in Brazil, Bloomfield, and Martinsville; the rubber workers in Washington; the glassworkers in Vincennes; the electrical workers in Bloomington, Princeton, Linton, Franklin, and Greenwood; the garment workers in Sullivan and Bicknell. The same is true of the miners in Sullivan and Princeton; the gypsum workers in Shoals, and the veneer workers in Edinburg. I could continue to name industries which are adversely affected indefinitely. The worker who loses his job cannot pay taxes nor can he pay his doctor, his grocer or carpenter, nor can he buy ham or eggs.

I am not an alarmist and I realize that generally conditions are not critical, but it is our job to see that they do not become critical. It is time we should encourage business in America, not encourage it to go abroad as the last Reciprocal Trade Act did and as this bill will certainly do.

Mr. MASON. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. Bosch].

Mr. BOSCH. Mr. Chairman, it will not be my purpose to talk at length on this legislation. H.R. 5 deals with a very important problem confronting our

American economy, namely, the income taxation of income derived from abroad by U.S. corporations. H.R. 5 deals with this problem inadequately and in one important respect, I think, dangerously. I refer to the provision of the bill that requires the gross-up of the foreign tax credit. The gross-up requirement has already been alluded to by speakers who have preceded me this afternoon. I would simply summarize the effect of the provision by pointing out that where the gross-up is applied, the U.S. corporation will be required to pay a combined U.S. and foreign tax of 52 percent whereas under existing law without the gross-up requirement, the computation of the foreign tax credit results in a combined tax of less than 52 percent. Thus, H.R. 5 will have the effect of imposing a greater tax liability on U.S. business operating through the foreign business corporation authorized under H.R. 5 than will be imposed on other types of business operations.

The danger inherent in the gross-up provisions contained in H.R. 5 is that it will inevitably serve as a precedent for extension of the gross-up requirement across the board so that it will be applicable to foreign subsidiaries and foreign base corporations that can be formed under existing law. If this occurs, no other conclusion is possible than that we will be impairing the economic opportunities of U.S. entrepreneurs in world commerce instead of improving those opportunities.

The gross-up was never a subject of public hearings by the Committee on Ways and Means despite the fact that it has the far-reaching ramifications and implications to which I have referred. Public hearings are scheduled by the committee on this subject to occur later in March, and no action should be taken by the House of Representatives on H.R. 5 until we have reached an informed conclusion on what to do about the foreign tax credit—should we gross-up or to coin a phrase, "gross-down"? If the House of Representatives works its will in favor of grossing-up, how can we consistently 3 weeks from now do anything but apply the gross-up in those areas where grossing-up is not presently required under existing law?

The present consideration of H.R. 5 can only be justified on the grounds that the important thing for the House to do is to pass legislation so that it may be perfected in the other body. I do not subscribe to this view. I believe we have a responsibility under the Constitution which gives to the House of Representatives primary jurisdiction over revenue legislation to perfect this legislation before we send it on.

I am afraid, Mr. Chairman, that if the legislation before us today is passed by the House of Representatives we may be hurting instead of helping our U.S. producers in their endeavors to compete in world markets. No one is more mindful than I am of the need to improve the competitive position of U.S. corporations in world markets and the need to stimulate America's export trade. I would wholeheartedly and unequivocally support legislation accomplishing these ob-

jectives. H.R. 5 does not accomplish these objectives, but instead threatens to defeat their attainment.

Example of gross-up

(A) BRANCH OPERATIONS OF DOMESTIC CORPORATION	
Taxable income from country X.....	\$100.00
Country X tax paid.....	20.00
U.S. tax (assuming a 52 percent rate).....	52.00
Foreign tax credit.....	20.00
U.S. tax after credit.....	32.00
Total tax paid on \$100 to United States and country X.....	52.00
(B) FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION	
Total profits from country X.....	100.00
Country X tax paid.....	20.00
Profits after tax distributed to domestic corporation as dividend.....	80.00
U.S. tax (assuming a 52-percent rate).....	41.60
Foreign tax credit allowable under section 902 $\left\{ \begin{array}{l} 80 \times 20 \\ 100 \end{array} \right\}$	16.00
U.S. tax after credit.....	25.60
Total tax paid on \$100 to United States and country X.....	45.60
(C) FOREIGN BUSINESS CORPORATION UNDER H.R. 5	
Total income from country X.....	100.00
Country X tax paid (foreign tax is not deductible in determining income from which distributions are made).....	20.00
U.S. tax (none until income is distributed).....	48.00
Cash distribution.....	48.00
Taxable income attributable to distribution (i.e., amount of income before corporate tax at 52 percent, leaving \$48 available for distribution after tax).....	100.00
U.S. tax.....	52.00
Foreign tax credit (entire tax is allowed as credit since entire income is included).....	20.00
U.S. tax after credit.....	32.00
Total tax paid on \$100 to United States and country X.....	52.00

Mr. Chairman, as one who has consistently voted against foreign aid, I would grasp at any piece of legislation that would bring about the deletion of foreign aid, but I say very earnestly, Mr. Chairman, this legislation is not in that direction, and it is for all the reasons heretofore stated that I am opposed to the bill in its present form.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. BOSCH. I yield to the gentleman from Louisiana.

Mr. BOGGS. I just want to understand in my own mind and I want some of the Members to understand, the gentleman is opposed to this bill, as I understand, because it does not go far enough; is that right?

Mr. BOSCH. No. I say that this bill does not mean anything, if I may be so bold as to say so to the gentleman from Louisiana, because at the present time no domestic corporation would take advantage of this legislation because the grossing-up provision in this legislation means they would be discriminated against in that they have to pay more taxes than they would pay now under existing law.

Mr. BOGGS. So, to put it just as the gentleman has put it, this bill, if enacted as drafted, would mean that a corpora-

tion would pay more taxes and not less taxes; is that right?

Mr. BOSCH. That is right. A domestic corporation which would now take advantage of the provisions of this bill.

Mr. GROSS. Mr. Chairman, will the gentleman from New York yield so I may ask a question of the gentleman from Louisiana?

Mr. BOSCH. I yield.

Mr. GROSS. Since there will be no debate under the 5-minute rule, under the gag rule that has been imposed by elimination of the 5-minute rule, I should like to ask this question of the gentleman from Louisiana. Would this bill provide for the establishment of an industry in such an underdeveloped country as Ghana?

Mr. BOGGS. Yes; certainly. As a matter of fact, several have been established there. Kaiser Aluminum is putting up a big plant in Ghana.

Mr. GROSS. Where the present dictator of Ghana is a proclaimed Marxist-Socialist?

Mr. BOGGS. I do not know what his political affiliations are. But it just shows the difficulties that these people have in doing business abroad. Look at the problems they have in Cuba, for instance. It is not easy for American business to go abroad; it is very difficult.

Mr. GROSS. And in Liberia and in all of Africa; this bill opens wide the building of plants over there with special tax treatment for those building the plants; and the gentleman supports all that?

Mr. BOGGS. It does not open it wide. It tries to keep it open. It hopes to provide some of the facilities in the underdeveloped areas of the world such as we have in our own country. Does the gentleman object to that? Does the gentleman think the people in Ghana should not have aluminum and if so, why?

Mr. GROSS. Yes; under the dictatorship of a self-proclaimed Marxist-Socialist. I imagine that American capitalists will be running to the ICA for a lot of insurance on this stuff that they are going to build over there and that the day will come when you will rue this business of insuring American factories all over the world, especially where they are operating in the climate of a Marxist-Socialist.

Mr. BOGGS. Mr. Chairman, will the gentleman yield to me?

Mr. BOSCH. I yield to the gentleman from Louisiana.

Mr. BOGGS. I think the gentleman from Iowa has made the point better than I can make it; that is, the difficulties that American business has abroad are tremendous. They have to put up with Marxist-Socialists, Communists, revolutionaries, riots, and all sorts of things. That is why it is more difficult to do business abroad than it is at home.

Mr. BOSCH. May I say to the gentleman from Louisiana that he has painted a pretty dark picture all day today. I should like to say that I think we have the wrong type of bill here because there is no incentive under this

bill, as I tried to point out. The grossing-up is an inadequate and inequitable provision.

Mr. DENT. Mr. Chairman, if the gentleman will yield, is it not true that he is talking about grossing-up between a parent American corporation and a foreign-based subsidiary?

Mr. BOSCH. That is right.

Mr. DENT. Whereas, under this act, you create brandnew corporations to be placed in competition in foreign countries, which is not the case under the present law.

Mr. BOSCH. But under American law.

Mr. DENT. But the gentleman is talking of two different types of production facilities, one a completely different entity. You are creating under this act brandnew corporations, whereas under present law you are talking about subsidiaries of presently existing American corporations.

Mr. BOSCH. And you are penalizing the new corporations which come under this bill for doing it.

Mr. MASON. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, I want to point up, if I may, the minority views of the committee, the 10 minority members, as shown on page 80 of the committee report. First, to point up one factor that we in the minority are in agreement on, that we certainly want to try to provide opportunity for entrepreneurs to operate effectively and competitively under the U.S. flag doing business abroad and so close, if we can, this incentive that exists to go into these tax havens and operate under a foreign flag.

I would add that I, myself, am strongly in favor of the administration's idea that we should be encouraging investment in underdeveloped areas. I appreciate that the proponents of this bill claim that that is being done, but I have been impressed by my studies and by some of the remarks in the debate here as to why it does not do that.

There is a third area in which I was particularly interested that this bill does not cover. There presently is a grave inequity under the Western Hemisphere Corporation Trading Act against small businesses. I have had amendments in for several years trying to correct that, and that has not been corrected in this particular bill. Fortunately, there is one thing that is in this bill that is done to some degree: That is the problem of switching an investment from one foreign country to another without undergoing the taxpayments that would exist, but noticeably this bill instead of making that a broad provision so that any way it is done, whatever kind of business operation one is operating under, there would be that desirable provision. It is limited to the foreign business corporation created under this act.

Another thing I want to point out is the fact that this bill when originally introduced had many features that would have gone a long way to provide foreign investment incentive. To those who are worried from a protectionist standpoint, I would say this bill does very

little to encourage foreign investment incentive. The 14 percent differential which was in the original Boggs bill is definitely out. Rather than on a country basis, it is on an overall limitation basis. The gross-up tax feature has already been pointed out, how that has been added in this bill. The fact that there are limitations on the source of revenue and the further fact that there is this 10-percent limitation on shipping back into this country.

On page 81 the minority point out some of the advantages that presently exist for American companies to do business under the U.S. flag. I think we list seven points.

I see the author of the bill, or whatever is left of his bill, is not here at the moment. I did want to ask him a question as to whether he believes that this bill, gutted as it is, is going to provide any incentive for American business to do business under this new form of foreign business corporation with these detriments that are put in there.

The important thing as far as the House is concerned is this, though, that this committee held no hearings on this particular bill that is before us. We got no advice from any businessmen or others who are doing business abroad who might expand their operations abroad as to whether or not the bill, cut down as it has been, would mean anything to them. Whether putting in these deferrals along with the deterrents is actually, as far as they are concerned, going to encourage them to do more investment abroad is an unanswered question.

I see the gentleman from Louisiana is now here. I ask him this question: Having cut out the basic incentives that were originally in the Boggs bill and adding these deterrents, what makes the gentleman believe that our American business actually would utilize this form instead of continuing to operate, as the gentleman has very well pointed out, in answer to the critics of this bill on one side, as they are already operating abroad, under a foreign flag. Why do you think anyone will avail themselves of this under these restrictions?

Mr. BOGGS. The gentleman has well pointed out one of the dilemmas that those of us who favor this bill find ourselves in. Here on the one side I find some of my good friends opposing this bill, saying that it goes too far.

Mr. CURTIS of Missouri. That is right.

Mr. BOGGS. Now my good friend, the gentleman from Missouri and my good friend, the gentleman from New York, say that it does not go far enough. My answer would be the old adage, "A half a loaf is better than none." I would prefer, as the gentleman might know, to have many of these restrictive sections removed. But, I think it is so important that we recognize the role American business should play in the world in which we live, and it is so important we get the concept of the foreign business corporation in our laws that I am perfectly happy to support this bill. I understand the gentleman said we have not had any hearings.

Mr. CURTIS of Missouri. I was referring to hearings on the bill that is

before us right now, and was asking what the reaction of the businessmen and the people who might invest abroad would be on this cut-down bill. Certainly, there were hearings on the original Boggs bill that had various features in it, and one in particular, the 14 percent tax differential feature, and substituted for the per country limitation for the overall limitation on an elective basis. But, these other features of the tax gross-up, the source limitations and the 10 percent provision were not in the bill. So all I am saying, we have not had hearings on the very question as to what this bill would do. In my judgment, this is not going to do anything unless, and I must mention this in fairness—unless it is the intention to just pass this bill through the House of Representatives and then grapple with these problems in the other body. I personally would have preferred to have this gone into in the House and in our own committee just as our minority views say. Let us get hold of these problems and see what can be done. I was disappointed and I have so expressed my disappointment that we did nothing about this problem that small businesses presently experience in the Western Hemisphere trading in competition with the larger corporations.

Mr. HAYS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Fifty-three Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 15]

Albert	Delaney	Mitchell
Alford	Diggs	Mumma
Allen	Donohue	Nix
Anderson,	Dooley	O'Brien, Ill.
Mont.	Dulski	Philbin
Auchincloss	Fallon	Powell
Balley	Forand	Preston
Barden	Gallagher	Randall
Baring	Garmatz	Rees, Kans.
Barrett	Grant	Reuss
Barry	Green, Pa.	Rogers, Mass.
Bass, N.H.	Griffiths	Rostenkowski
Bates	Hargis	Santangelo
Baumhart	Healey	Shipley
Bennett, Mich.	Hébert	Short
Bolling	Hess	Smith, Kans.
Bonner	Holtfield	Smith, Miss.
Buckley	Jennings	Spence
Burleson	Kastenmeier	Steed
Cabill	Keogh	Taylor
Canfield	Kluczynski	Teller
Carnahan	Lafore	Thomas
Celler	Lesinski	Thompson, La.
Curtin	Marrow	Tollefson
Daniels	Miller	Withrow
Davis, Tenn.	George P.	Zelenko
Dawson	Mills	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 5, and finding itself without a quorum, he had directed the roll to be called, when 351 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Missouri [Mr. CURTIS] has the floor.

Mr. CURTIS of Missouri. Mr. Chairman, I was about to conclude my remarks when we had this quorum call.

I was trying to point up the separate views of the Republican Members on H.R. 5, which views appear on page 80 of the committee report. In essence the position we are trying to put across is this. One, we are strongly in favor of the idea of trying to get our American companies back under the U.S. flag. We are certainly in agreement with the majority, the sponsors of this bill, in the objective of trying to encourage our American companies to operate under the U.S. flag. However, it is our opinion that this bill will not do that and we are further of the opinion that we did not have hearings on that aspect, as to whether H.R. 5 as it came out of committee would do this.

The second and equally important matter is this. The administration is strongly in favor of trying to encourage our investing in underdeveloped countries. This bill does not do that. We certainly do not need additional investment in Western Europe. I am satisfied the way this bill is, if anything happened—and I do not believe very much would happen—if anything happened, it would mean further investment in Western Europe and practically none in the underdeveloped countries. What I think should happen to this bill is to have it go back to our committee and let us hold hearings on this aspect plus the grossing-up principle, plus two or three other things that we have not fully considered.

Mr. THOMSON of Wyoming. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield.

Mr. THOMSON of Wyoming. The gentleman just mentioned the administration position with regard to aid to the underdeveloped countries.

Mr. CURTIS of Missouri. Yes. Mr. THOMSON of Wyoming. Can the gentleman verify for us—I did not find it in the committee report—whether or not the administration favors this bill in its present form?

Mr. CURTIS of Missouri. I do not believe I can answer that myself. My judgment would be this, that they probably would be opposed to it, because of this feature. I do not think that the administration has actually taken a categorical position. They certainly were in favor of the objective of the original Boggs bill if it were limited to the underdeveloped countries.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield.

Mr. MASON. The administration was in favor of the bill as applied to underdeveloped countries but not wide open.

Mr. CURTIS of Missouri. That is my understanding.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield.

Mr. HOFFMAN of Michigan. Can we not find out now? Some of us would like to follow the administration on occasion. Why can we not know where they are now? The gentleman is in contact with the leaders; will he tell me now?

Mr. CURTIS of Missouri. I wish I knew, I might say to the gentleman. Frequently we just go along doing our own work. My judgment is that the administration would oppose the bill.

Mr. HOFFMAN of Michigan. Would you oppose the bill?

Mr. CURTIS of Missouri. Would you oppose the bill?

Mr. HOFFMAN of Michigan. The gentleman has the floor. The Republican leader just came in. Will the gentleman ask him for me?

Mr. CURTIS of Missouri. I would be glad to yield to the gentleman from Indiana if he would be kind enough to respond.

Mr. HALLECK. Of course I am always happy to learn that the gentleman from Michigan wants to go along with the administration.

Mr. HOFFMAN of Michigan. It is so seldom I do.

Mr. HALLECK. My present information is that the Treasury Department is opposed to the bill in its present form. I have been making some inquiry about it, and I hope to have a little more definite information later on.

Mr. HOFFMAN of Michigan. It will be helpful if the gentleman will tell us what percentage of the administration the Treasury Department is.

Mr. MASON. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. ALGER].

Mr. ALGER. Mr. Chairman, I should like to associate myself with the remarks of the gentleman from Missouri. He covered much of the ground I would have touched on. I should like to mention several other things.

It is important to remember that the bill we have before us, and I think this is much of our concern today, is not the bill on which we held the hearings. We have taken so much out of it that I am left with a very uneasy feeling that the bill we now have before us does not apply in intent and effect in the manner as originally intended. I think that troubles many of you because you have heard from your constituents, as have I, who were originally for the bill. Even now I get some letters asking what the bill means. Maybe you are asking the same thing.

I suspect the title of the bill and the cover of the report do not match the bill. That is my opinion. I mention it to you for what it is worth. The title says that it is a bill to promote American industry and reduce Government expenditures for foreign economic assistance. I do not see how this bill will reduce the need for foreign aid in a quid pro quo way whatsoever.

We have not yet today had an analysis of this bill section by section, as is the custom on the floor of this House. While much of it is technical, I as one member of the committee feel that you are deserving of that analysis, particularly because of the closed rule. There are a number of definitions that are rather tricky, things that are technical, but of which you ought to be apprised. Much of it is covered in the report.

You should also know that from the original bill we have stricken the equivalent of two other bills. The gentleman

from Michigan [Mr. MACHROWICZ] has sponsored a bill that came from the original, and there is another bill before our committee, so there are two other bills now under consideration by the Committee on Ways and Means which were originally part of this bill on which the hearings were held prior to our bringing this bill to the floor today.

In concluding, I want to quote from page 80 of the report, and I think this says it better than anything I can say:

Further work should be done in committee to find answers to the many problems that either are unanswered in the bill or are created in the bill.

Therefore, it is my recommendation the bill be recommitted to the committee for further study.

Mr. BOGGS. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. IKARD].

Mr. IKARD. Mr. Chairman, during the discussion on this bill, I think at times we have gone a little far afield in our understanding of exactly what it does. In the first place, there has been concern expressed here over the fact that the foreign based operations produce goods that ultimately find their way into American markets, and it has been suggested here that this bill would, in effect, open the door wider with respect to that problem. Very briefly here, I would like to point out, I think what most of the gentlemen are concerned about, who raise that point, is not the bill we are now considering, but the present law because in almost every instance where goods that are produced overseas come into our American markets, if they are produced by an American company, it is by a wholly owned foreign subsidiary. I think it is interesting, if we would consider that this bill is in many respects much tighter than the present law, the law about which there has been so much complaint made today. In the first place, 90 percent of the business of an American corporation doing business under this act, must be done outside of the United States. Under the present law, under the condition that some people have said is not good, a wholly owned subsidiary, that wholly owned subsidiary can do 100 percent of its business inside of the United States. There is a 10-percent import restriction in this bill—that not over 10 percent of the income of a foreign based corporation can come from goods shipped back into this country. If you do read the language, you will see that it is very broad and its refers, I believe, to those goods that are destined to find their way back into our market. That is a restriction that is imposed here which does not now exist with respect to the foreign subsidiaries of American corporations today.

Mr. THOMSON of Wyoming. Mr. Chairman, will the gentleman yield?

Mr. IKARD. I yield.

Mr. THOMSON of Wyoming. I know that we both are genuinely interested in increasing the volume of imports of lamb and beef. Beef jumped from less than a quarter of a billion pounds up to over 1 billion pounds. That represents in terms of acreage production of beef about 50

million acres. Lamb has gone up to the extent of a 5-million-acre production. Does the problem not arise here by reason of importing carcasses of beef and lamb in bags making a very nice looking product to sell? I think the gentleman would agree with me on that. My concern is this. The person who wants to do that just has to build this refrigeration shipping. Could he not take advantage of this law and put a shipping corporation together and build his ships and go to Australia and get the lamb and bring it here, and that shipping would not be carrying anything that we are selling here, but would just be importing and they could do this without paying any taxes?

Mr. IKARD. I do not think I could agree that that could be done. It seems to me, as I have indicated, that the problem which the gentleman points up, and it is a very real problem, is a situation that has grown up under the present law and not one that would be in any way extended or encouraged, as I see it, in this bill.

Mr. THOMSON of Wyoming. Let me make it clear, if I may, that the gentleman from Texas has evidenced just as much concern about these problems as I have, and is just as much concerned about wanting to do something about these problems. I am not trying to indicate in any way whatsoever that he is trying to do anything different.

Mr. IKARD. I understand. All I can do is give the gentleman my opinion on these matters.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. IKARD. I yield.

Mr. YOUNGER. The thing that confuses me with reference to this is you say this bill will encourage our people to go into foreign markets. Is it true that under the present law one of our domestic corporations can organize a foreign corporation and can manufacture products and send them back into this country to the extent of 100 percent of their products under the law today?

Mr. IKARD. That is correct.

Mr. YOUNGER. This bill does not change that; is that correct?

Mr. IKARD. It does not change it so far as they are concerned.

Mr. YOUNGER. But if they go with a subsidiary they are limited to 10 percent of their product. Is that right, under this bill?

Mr. IKARD. If they use this bill's provisions they are so limited.

The CHAIRMAN. The time of the gentleman from Texas [Mr. IKARD] has expired.

Mr. BOGGS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. YOUNGER. I would like an answer to that question.

Mr. IKARD. I am going to try to answer that.

The purpose of this bill is a simple matter of equity, as I see it, to provide for an American domestic corporation the same benefits that are now provided to a sophisticated corporation that is large and has the ability to hire and employ the proper sort of legal staff and go into other countries and negotiate in

the country to set up a foreign subsidiary. A large corporation might be able to do that. But many of the small- and medium-sized companies simply do not have the power. The foreign markets are closed to them because they do not have the facilities to go in with a foreign subsidiary. This is simply a matter of equity that would provide that our American corporations in that class could have an opportunity to share this market.

Now, it has been said that this would encourage the movement of capital into undeveloped countries. Certainly nobody can guarantee that that will happen. But we have got to think a little about the tax credit. This is something that is not in this bill, but that is on the books and it has been. The equity in it is to prevent double and excessive taxation. If we look at the tax rates and the effect of foreign tax rates on foreign corporations, we find that the rate in Spain is 51 percent. In Japan it is 52 percent. In Belgium it is 45 percent. In the United Kingdom it is 45.5 percent. And in Iran it is 16 percent.

The reason it is said that this is going to encourage movement into the undeveloped countries is simply where the tax rate is the same as it appeared to be in the highly industrialized countries of the world, like Japan and Spain, there is no incentive in tax deferral, because their rate is equivalent to ours. The incentive through tax credit comes from the movement of capital into the undeveloped countries. Nobody here can guarantee that that is where it is going, but common sense tells us that it will go there, because there is some reason for its movement, and some advantage in its going there.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. IKARD. I yield to the gentleman from Ohio.

Mr. VANIK. Is there anything in this bill that would stimulate the movement of capital in this country into the less developed countries?

Mr. IKARD. I think you always get into trouble when you start drawing geographical lines.

Mr. VANIK. But it could be done.

Mr. IKARD. The point is that if the gentleman will look at page 257 of the hearings on the bill, he will see the comparable tax rates. This is a general statement. There are some exceptions to it. In the undeveloped countries the rates are lower. In the highly industrialized countries they are higher. So the simple fact is there is no incentive through tax deferral. Always they are going to be paying the local rate. So there is no incentive to go into the highly industrialized countries. The incentive is to go into the underdeveloped areas.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. MASON. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN of Michigan. Mr. Chairman, when legislation is clear I can understand it, and I do not need to ask the administration what to do or how

I should vote. I ask my constituents at home what to do. There is so much confusion about this bill that it is difficult for a Member who is not on the committee to understand it, and that is why I asked the gentleman from Missouri [Mr. CURTIS] to inquire of our Republican leader, the gentleman from Indiana [Mr. HALLECK], where the administration stood.

I find in some report somewhere a statement that back in 1954 the administration recommended legislation of this type. I am advised by the gentleman from Missouri [Mr. CURTIS]—and I rely on his statement—that it was a different type of legislation that was proposed at that time. That the present bill is not at all similar to what was then wanted.

We should not be here at all and would not had it not been that some of the industrial organizations or, rather, trade organizations, the unions, insisted upon higher prices for production all along the line, and eventually our people who make the things had to find a way to protect themselves, and a lot were forced out of customers here and that being so they engaged in industrial competition abroad. This is about what it boils down to. We find some 72 foreign governments favor their competitors by giving a preference in taxation. I think that is about right. In 26 of these countries competitors get preferred treatment and in 13 they do not have any tax revenue at all. Is that right? I ask the chairman of the committee, the gentleman from Louisiana.

Mr. BOGGS. Yes; I think that is correct.

Mr. HOFFMAN of Michigan. The gentleman made a speech up in my district promising industrialists that when this type of legislation was worked out they were going to get some fair treatment out of this.

Mr. BOGGS. I hope so.

Mr. HOFFMAN of Michigan. I hope they will be enabled to compete with your industries down South then on an equal basis and on an equality with foreign competitors.

Mr. BOGGS. I hope so, too. I think the law is going to be useful and I hope the gentleman from Michigan agrees with me.

Mr. HOFFMAN of Michigan. It is my purpose to support the bill, because while it is not what it should be, it will tend to give a fairer basis of competition. As I understand the situation, these large companies here in order to compete because of wages and because of production costs going up so high and because so many goods are coming in from abroad in competition, lose their customers and our companies are being put out of the market. One thing that will help them here is to put them on a parity with these foreign corporations because of their tax payments. Is that right?

Mr. BOGGS. I think you have stated some of the facts, not all of them.

Mr. HOFFMAN of Michigan. Not all of the facts?

Mr. BOGGS. No.

Mr. HOFFMAN of Michigan. That is the way it was put to me. We understand now that they will get a break, a

reduction of costs, and be able to compete on a nearly equal basis with these foreign companies if this bill goes through. Is that not what the gentleman told them?

Mr. BOGGS. If I remember I told them it would put a number of our large domestic corporations on the same footing as foreign subsidiaries.

Mr. HOFFMAN of Michigan. And as far as I am concerned that is the only reason I will vote for the bill. That and the fact that as private funds are invested abroad there will be less need for foreign aid and appropriations. There are a number of large companies in my district, some 14 of them, who want to be put on a fair competitive basis in connection with foreign trade.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN of Michigan. Yes; I will yield to the other half of my party. I am sorry to find you disagree with me. I can tell by the look on your face that you are going to find fault with me.

Mr. GROSS. I am completely amazed that the gentleman is going to support it.

Mr. HOFFMAN of Michigan. I would rather have half a loaf than none at all. If we cannot, because of the cost of production, keep our plants going we should do the best we can and give our own companies a fair deal. It may be that when we protect our industries from unfair competition abroad, we will get back for our own workers a chance for a job here at home.

Mr. GROSS. Does the gentleman realize that this is the first split in our party?

Mr. HOFFMAN of Michigan. Yes; but I am satisfied that after a little reflection the gentleman will be back with me tomorrow morning.

Mr. GROSS. Does the gentleman not realize that he is joining forces with this free-trade group?

Mr. HOFFMAN of Michigan. No; I am not going along with them. This is just a temporary matter. If and when we get over our foolishness, as we will be forced to do, we will first protect our own people. Try to remember that every country in the world, except our own, thinks and acts first in the interests of its own people, its own national welfare and security. However, I am satisfied that when the third member of our party, ELMER HOFFMAN, of Illinois, gets an opportunity to talk and reason with you, you will be with us tomorrow morning. This bill does very little but it seems to be the best we can get today.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. MASON. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. DENT].

Mr. DENT. Mr. Chairman, this is a most serious piece of legislation before us this day. If this Congress passes this bill, remember well this date in our legislative history. It will come back to haunt those who support this destructive un-American bill.

I say un-American with emphasis on the meaning of Americanism. To me Americanism stands for love of country

and faith and loyalty to all of its institutions. By this I mean all of its institutions, its peoples, its hopes, its fears, and its future.

How we can possibly say that we are acting for the good of our country by paying premiums to those amongst us who lack faith in our future and whose whole course of action is dictated by the desire and the demand for greater personal and corporate profits.

Imagine two American investors with a million dollars each, free for investment, and then see what happens under H.R. 5.

If the American invests in our country, he pays a 52 percent corporate tax, all local governments sales, excise, school, and personal taxes on any income derived from his investment.

If the American invests in a foreign country he is forgiven any tax on any profits if he leaves his money overseas or spends it overseas and when he does bring the money into the United States he does not pay the corporate tax on profits and the profits are only taxed to the individuals who receive the dividends.

Where do you think this investment will be made—here or elsewhere?

To me the very thought of paying an individual to invest money abroad that he takes out of our economy is both unsound as a business practice and pure stupidity as political diplomacy.

To say that this is a measure to relieve and aid our foreign friends is another example of our national tendency to legislate "high sounding phrases and slogans."

We have given aid until it hurts, and when you visit the American marketplace and see the shelves of foreign-made, American-financed competitive goods, it hurts.

Why do we not apply the same rules we demand in our country when we grant relief and succor to the unemployed and destitute citizens.

If a family wants relief in this country they must first expend all of their own resources. They even have to sign repayment bonds as well as automatic foreclosure bonds against their homes after death. They cannot will these properties even if their children are in need.

Why then in simple justice should even these destitute citizens have to pay taxes hidden and otherwise to help nations who do not make their own citizens meet the obligations of all citizens, if a country is to raise its standards.

Everything we do seems to be based upon the erroneous proposition that these nations' citizens are all destitute. This is not so, because every country has its rich and luxury class.

Investigation will show that counting all the billions we have put into foreign aid—nonmilitary—there is privately held wealth in every country that can match and pass it.

It is my opinion that if the wealthy people and institutions would, they could build their own plants, utilities, and their economy with a minimum of assistance from outside.

The history of this country of ours proves this beyond a doubt. The trouble with these foreign countries is that too much emphasis is put on profit and not enough on people.

I refuse to put more taxes on Americans who are up to their necks in local, State, and Federal taxes and debts, unless rich and powerful influences in these foreign countries open their vaults and do something for their less fortunate peoples.

Many of these nations have been helped by us in the past and some are still getting aid, yet we owe these countries \$19 billion out of our \$19½ billion gold reserve.

These same aid receiving nations owe \$12 billion worth of our short-term Government bonds and paper at rates that cost the American taxpayers \$2 billion more a year.

We admit that some nations need help and we have proven our willingness to help, but let us make sure they help themselves.

One thing is surely a must. No American investor in a foreign country ought to be allowed to export to the United States any products produced here in sufficient supply for our market.

If any American thinks this wrong, just look at the new European trade blocs—created with our money and help—the Inner Six and the Outer Seven nations and you find them building tariff walls against outsiders that make the Smoot-Hawley U.S. tariff look like a picket fence.

If anyone can explain how building payrolls to produce goods we already produce in surplus in this country and sending these products to our country for sale will help our economy, he had better do it quickly.

The oft-repeated argument that this policy will make friends and promote peace is just so much hot air.

Everyone knows that the end result of American ownership in foreign countries breeds exploitation, and demagogues who will sow seeds of revolution and rebellion.

No better example exists than Castro's success in Cuba. Mexico did the same with American oil companies. People will not work forever for foreign ownership and foreign profits.

Today's stories from Latin America ought to be at least an inkling of what can be done with the issue of Yankee imperialism and production ownership.

The day may come when all people will have calls for an awakening of both labor and industry to the dangers of the Boggs bill, H.R. 5, now before the House.

This bill will further expand American enterprise in foreign countries with grave dangers to both our economic as well as our physical well-being.

When we give tax concessions to American enterprise abroad we automatically curtail expansion of American industry at home. There are only two reasons that mean anything to the investors in foreign countries, first, profits; the second, cheap labor and lower work standards.

The results, already a major concern to labor, small business, communities,

and main street business will be nothing short of disastrous to our domestic economy.

All of us may want, sincerely and honestly, to help our friends and allies to better their economy and especially underdeveloped areas. There are some limits, however, to even the most altruistic dreams and plans.

In every country on earth there are rich and poor. This is true even of our own country whether the State Department realizes it or not. There are rich families, estates, organizations, and individuals in these countries who should be made to use up their wealth and substance before we are called upon to help.

The time may come when all peoples everywhere will have all they want and when that day comes there will be no borders, no nationalities, and no envy. In the meantime, look around you. Even in our own democratic, prosperous Nation we have bigotry, intolerance, envy, greed, and barriers on account of race, color, creed, and nationality.

In too many cases, in the countries we have and are still helping, the rich live it up while the people in general are still working for less than it costs to live. How many workers in Europe, Asia, Japan, and Germany can buy American-made cars, refrigerators, clothes, or anything else?

Do you know why they cannot buy these things? Simply because they are not paid enough, in fact, they cannot buy even the products they make themselves. You cannot pay high wages and still make exorbitant profits.

Any American steelworker making \$20 or more a day that thinks he is getting a bargain by buying a cheap-labor foreign car is only kidding himself. Every car he buys from Europe cuts down the steel used in making American cars and cuts the earnings of the autoworker who in turn cannot buy a refrigerator which in turn cuts the use of steel and on and on and on and soon the \$20-a-day steelworker has no job, or his work brings him wages that will meet the so-called foreign competition.

When the foreign competition comes from American money and American-owned foreign production the pill gets pretty hard to swallow. When the steelworker loses out what happens to the main street merchant who has lost a customer? Some of them feel they can make it up by selling more for less by promoting foreign-made goods. It will work for a while, but common sense and simple deductions show that without payrolls nobody has any business.

There is enough private capital and private credit in every country on earth to buy the machines of production, and in case there is not, that is where our credit and help can come in. Beyond that, the country must rely for its own salvation by employing people at rates of pay that will create the demands that create more production and more economic wealth.

That is exactly what this country did. Now let us get back to Boggs—H.R. 5—bill which puts a foreign investment in a preferred class.

If you had money to invest, where would you invest it, in this country with

high taxes, high wages, Government regulations on every phase of your production, income, work rules, free labor unions, no protection against imports, and no help other than your own ability to succeed, or would you invest in a foreign country, low taxes or no taxes at all, as in the case of concession-granting countries, low wages, controlled unions, U.S. Government backing, low-interest loans, U.S. Government protection against losses under certain conditions, an open market in the United States using American trade names, lower income taxes, no taxes on profits if used in foreign expansion, and even the freedom of expense accounts, traveling luxury, living without the United States, without U.S. income-tax agents snooping into your foreign-kept books?

Frankly, you would be a sucker to invest here. A great number of the American people do not know that the U.S. Government will pay up to 90 percent of your investment if a foreign country expropriates your property, regardless of how much profit you have taken out beforehand.

If this Congress—and it probably will—passes the Boggs bill, this will be the sorriest nation in a few years, because it forgot its own welfare.

One of the things I cannot understand is why our people all over the world will not or cannot tell the American people the obvious.

We cannot continue what we are doing and remain solvent, prosperous, or free.

Recently a member of the British Parliament said something in a speech that shows what other people have to say about the policy of forgetting your responsibilities to your own country. He said he was for "building competitive industry abroad so long as it does not compete with the industry in my election district."

In closing, I promise to fight with my limited resources and ability for the welfare of my country and my people, first, last, and always.

A question has been asked as to where the American worker stands. Here then is his answer:

MEMORANDUM ON PROPOSED FOREIGN INVESTMENT INCENTIVE TAX ACT OF 1960 (H.R. 5)

(Prepared by department of research for AFL-CIO department of legislation)

The proposed Foreign Investment Incentive Tax Act of 1960 (H.R. 5) would authorize special tax privileges for certain types of investment by American firms abroad. These advantages would be enjoyed primarily by large U.S. corporations investing in manufacturing and other industries in already highly developed areas and to corporations in the extractive field, principally petroleum, investing overseas.

This tax bonanza for these kinds of investments is neither necessary, desirable, nor fair. Instead, we should be encouraging investment where thus far there has been very little private U.S. investment: in the newly industrializing, less developed countries. Therefore, the AFL-CIO urges the Congress to defeat H.R. 5.

H.R. 5 is a complicated technical bill, but its main effect would be to exempt certain U.S. business corporations with oversea operations, designated in the bill as "foreign business corporations," from payment of U.S. income taxes on the earnings of their oversea operations until and unless the

income earned abroad is repatriated to the United States. This privilege would be available unless the firm exported back to the United States more than 10 percent of its foreign output.

In reporting out the bill, the House Ways and Means Committee stated: "Your committee believes that this tax deferral provision also will provide increased incentives for, and will facilitate the expansion of, American investment abroad. It believes that the bill will be particularly useful in stimulating investments in the less developed countries."

The first part of the committee's statement is true. The bill will encourage expansion of American investment abroad. But in the main, it will not stimulate the most critically needed types of investment in the less developed countries which do have urgent requirements for the right kind of investment to assist their industrializing efforts.

The tax deferral privilege which H.R. 5 provides is already available to U.S. corporations operating overseas provided they are willing to establish foreign subsidiaries. The two main types of companies which have not chosen to avail themselves of this privilege by setting up foreign subsidiaries are:

1. Firms for which other tax advantages available to them outweigh the tax deferral. These are mainly large companies operating in the extractive industries (of which the most important is petroleum) which have not wanted to lose the extremely desirable depletion allowance on their earnings available under our domestic income tax law. Under H.R. 5, such firms would be able to take advantage of both the depletion allowance and the tax deferral on their earnings abroad.

2. Other firms which for various reasons have not wished to establish foreign subsidiaries because other financial advantages have been greater than the benefits they would derive from tax deferral.

We can see no reason whatsoever for special incentives for investment of this character. The giant oil companies do not need additional windfall profits to persuade them to invest. Already 40 percent of U.S. private foreign investment is in petroleum and other extractive industries. This kind of additional incentive is obviously not needed.

Neither do we need special incentives for U.S. investment in Western Europe, Canada, or other highly industrialized areas. Such investment is already taking place at a fast pace and it is obvious that no additional encouragement is needed.

The only kind of investment that does deserve special encouragement is investment in underdeveloped countries. They have urgent needs for capital in a wide range of economic activities in order to permit them to develop diversified economies on a sustaining basis. Special incentives for private investment that will contribute toward sound industrialization and higher living standards in less developed countries ought to be developed.

Unfortunately, H.R. 5, if enacted, would do nothing whatsoever to channel investment in the direction of the less developed countries. On the contrary, it would only provide new tax advantages for investment in the extractive industries and in the industrialized countries which needs no encouragement whatsoever. It would not mitigate in the slightest the critical problem which the capital-starved less developed countries face.

Because H.R. 5 provides new tax privileges which cannot be justified and because it will not assist the industrializing efforts of the less developed countries, it should be rejected. The AFL-CIO therefore urges the Members of Congress to vote against H.R. 5 when it comes before them for consideration.

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentlemen from Ohio.

Mr. HAYS. I was interested in what the gentleman said about money expended outside the country under this provision. If these people start a corporation outside the country and then visit it as officers of it, any amount of money that they may expend as expenses will not be charged as taxable and will not be subject to any inquiry by our tax authorities, will it?

Mr. DENT. No; it will not.

Mr. HAYS. In other words, it will be a beautiful expense account racket on top of anything else.

Mr. DENT. It will, and, may I say to the gentleman from Ohio, he put his finger on a point that I was going to make, and that is this, that at no time are the profits of these foreign investment corporations taxed in these United States until they are brought back.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. MASON. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. COLLIER].

Mr. COLLIER. Mr. Chairman, I would like to point out, after listening carefully to all of this debate today and all of the theoretical claims, that I do not think there is anyone in this House so naive as to believe that passage of this bill will at any time reduce the amount of money that is being requested year after year for foreign aid. Neither do I believe that anyone is so naive as to believe that the passage of this bill will in any way help underdeveloped countries, because any businessman with half intelligence is not going to reinvest money from a highly industrialized country in a nation where there is not a market for what he produces.

I think those Members who have painted the image of championing the cause of labor, those who have sincerely championed the cause of labor, had better take a good close look at what actually lurks in this bill from the standpoint of the average workingman in the country today.

Some \$30 billion has been spent by American corporations in investments as oversea capital. Much of this money, whether we want to face the facts or not, would otherwise go into the pay envelopes of the American workingman.

Mr. Chairman, let me say simply in conclusion that we had better take a good close look at this legislation today, because it is going to come back to haunt us some time in the future in the loss of jobs for American workingmen.

Mr. HOFFMAN of Michigan. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HOFFMAN of Michigan. Are we going to finish this bill today?

The CHAIRMAN. The Chair is not in a position to answer the gentleman's inquiry.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman from Louisiana [Mr. Boggs] yield to me?

Mr. BOGGS. I would be happy to yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. May I ask whether it is intended that we vote on this bill today?

Mr. BOGGS. Under the agreement reached here last week, it was understood there would be no rollcall votes until tomorrow, so that the answer to the gentleman's inquiry with regard to voting on the bill is that we do not intend to vote on it today.

Mr. HOFFMAN of Michigan. I thank the gentleman.

Mr. BOGGS. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. MACHROWICZ].

Mr. MACHROWICZ. Mr. Chairman, I think it has been mentioned several times that there is very much confusion about this bill. I think that is probably true to some extent, but I should amend that statement to say that it appears that the confusion seems to exist among those who are opposed to the bill.

For the first half hour or so we heard from opponents of this legislation the complaint that the legislation went too far, that it gave too much benefit to American capital investing abroad. For the last half hour I have heard from opponents of this legislation that they are opposed to it because it does not go far enough.

My experience in this House has been that usually, although not always, when you find a group that says legislation does not go far enough and another that says it goes too far, that legislation represents a very happy medium, which is what probably would be the best for Congress to adopt.

I was rather surprised to hear from the last speaker, the gentleman from Pennsylvania, with whom, incidentally, I usually agree on legislative matters, that this legislation is un-American. Let me read to you just a few of the organizations that endorse this un-American legislation.

The U.S. Chamber of Commerce.
The National Association of Manufacturers.

U.S. Council of the International Chamber of Commerce.

National Foreign Trade Council.
The New York Board of Trade.
The Detroit Board of Trade.
The Chicago Association of Commerce & Industry.

The Philadelphia Chamber of Commerce.

American Farm Bureau Federation.
Machinery & Allied Products Institute.
Manufacturing Chemists Association.
U.S. Inter-American Council.
Illinois Manufacturers Association.
Pharmaceutical Manufacturers Association.

New York Export Managers Club.
New England Export Club.
The Free Enterprise Association.
Milwaukee Association of Commerce.
Milwaukee World Trade Club.

And many, many other organizations.
Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. MACHROWICZ. When I finish my statement.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. MACHROWICZ. Yes, I will yield to the gentleman from Missouri, a member of the committee.

Mr. CURTIS of Missouri. May I ask if that was an endorsement of the bill H.R. 5 as it was originally introduced, but not an endorsement of what is before us?

Mr. MACHROWICZ. The gentleman is correct. It is an endorsement of H.R. 5 as originally introduced. But I have heard from none of these associations to the effect that they did not continue to endorse the bill as it is today, though I agree with the gentleman they would prefer it in the original form.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. MACHROWICZ. I yield to the gentleman from Louisiana.

Mr. BOGGS. Is it not a fact that the President himself in his message to Congress at the beginning of this session endorsed the principle of greater private enterprise activity abroad?

Mr. MACHROWICZ. He most certainly did, and made a very effective point.

Mr. BOGGS. Also the principle of tax deferral as enunciated in this bill?

Mr. MACHROWICZ. That was in the President's message.

Mr. BOGGS. Is it not a fact that the very heart of the bill as originally introduced, and H.R. 5 was introduced on January 7, 1959, a year ago, was the foreign business corporation concept which is carried in the bill as we have it here today?

Mr. MACHROWICZ. That was the meat of the bill.

Mr. BOGGS. I thank the gentleman.

Mr. MACHROWICZ. Mr. Chairman, I come from a district which is industrial in character, in the very heart of the automobile manufacturing industry. My constituents are 100 percent either automobile workers or members of their families. I have been on the subcommittee which has been studying and working on this bill for over a year, and let me tell you I would never support this bill if for one moment I thought this bill was detrimental to American industry here or detrimental to American labor. I have studied this bill thoroughly. I have attended all the hearings, and in those hearings not one witness directly testified against the bill. Only one witness had some question about it, but all the other witnesses testified in favor of the bill.

Mr. DENT. Mr. Chairman, will the gentleman yield? I have a question I would like to have answered.

Mr. MACHROWICZ. I will yield when I finish my statement.

FOREIGN INVESTMENT AND DOMESTIC EMPLOYMENT

The able gentleman from Louisiana [Mr. Boggs], has provided this House with a thorough analysis of the bill H.R. 5 and an impressive listing of the reasons for its passage. Basically H.R. 5 involves a technical tax matter. It simply provides that U.S. companies organized under strictly specified conditions will be treated in the same manner taxwise as a foreign subsidiary of a U.S. corporation. More fundamentally, the concept of this

bill is that a foreign business corporation operating in Brazil, for example, will be subject to the same taxes as other companies operating in Brazil so long as profits are left abroad. The higher U.S. tax would be applied only to profits withdrawn from the business and brought back to the United States. Hence the U.S. tax will not put the U.S. company at a competitive disadvantage with other companies operating in the foreign market.

All of this appears to me to be convincing reason for the passage of H.R. 5. Many Members of this House have, however, asked whether or not this type of amendment in our tax law, even though justified by precedents in existing law, is not a type of development that will undermine the level of employment in the United States. Does a policy of being reasonable with respect to foreign investment constitute to any extent an export of U.S. jobs?

I want to assure the Members of the House that we who are urging H.R. 5 have thought seriously about this problem and we are convinced that this bill is in the interest of U.S. jobs. It will not prove a source of domestic unemployment.

In the first place, this is part of living together in the free world, which is basically not much different than living together in any community. My own living standard is good because steel workers are productive, because farmers are productive, because retail merchandising is efficient. A little reflection will convince anyone that in a community or a State or a country, in this matter of economic well-being we either move ahead together or we stagnate together. There is nothing very different about the bigger aggregate that we are accustomed to call the family of free nations.

To be more specific about this community of interests, I want to call to the attention of the House just a little bit of the overwhelming evidence that U.S. investment in foreign countries serves on the whole to create markets for U.S. goods. In recent years when we have noticed a considerable decline in exports, the strong categories have by and large been manufactured products, machinery, chemicals. It is in these categories that foreign investment has been building a base for steadily increasing levels of business. The striking declines in exports have for the most part been in primary products such as cotton, coal, and petroleum. In these areas the declines are explainable by market developments completely unrelated to foreign investment.

Another indication is the point stressed in the economic report of the President for this year that our machinery exports to various foreign countries grew in close relationship to the rate of growth of the countries themselves. In Western Germany and Japan where there was the greatest growth in output and domestic investment, there was also the greatest rate of growth of machinery imports from the United States.

U.S. investment abroad provides jobs for Americans. It does not eliminate these jobs.

Mr. HAYS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty-seven Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 16]

Alford	Flood	Mitchell
Anderson, Mont.	Forand	Mumma
Auchincloss	Gallagher	Nix
Bailey	Garntz	O'Brien, Ill.
Baker	Glenn	Philbin
Barden	Goodell	Powell
Baring	Grant	Preston
Barrett	Green, Pa.	Rains
Barry	Griffiths	Randall
Bass, N.H.	Gubser	Rees, Kans.
Bates	Hargis	Reuss
Baumhart	Healey	Riehlman
Bennett, Mich.	Hébert	Rivers, S.C.
Bonner	Hess	Rogers, Mass.
Bowles	Hoffman, Ill.	Rogers, Tex.
Boykin	Holt	Rostenkowski
Buckley	Horan	Santangelo
Burleson	Inouye	Sheppard
Cahill	Jackson	Shibley
Canfield	Jennings	Siler
Carnahan	Kastenmeier	Smith, Kans.
Celler	Kearns	Smith, Miss.
Curtin	Keogh	Spence
Daniels	Kilburn	Taylor
Davis, Tenn.	King, Utah	Teller
Dawson	Kirwan	Thompson, La.
Delaney	Lafore	Thompson, Tex.
Diggs	Lesinski	Tollefson
Donohue	McDonough	Tuck
Dooley	McMillan	Vinson
Dulski	Mack, Ill.	Walter
Durham	Mack, Wash.	Whitten
Evins	Mahon	Willis
Fallon	Morrow	Withrow
	Mills	Zelenko

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 5, and finding itself without a quorum, he had directed the roll to be called, when 325 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. MACHROWICZ. Mr. Chairman, before the request for the quorum call was made I stated that I supported this bill because I honestly believe that this bill is not detrimental but is beneficial to American industry and to American labor. Were it not true, I would not be in the well today supporting this bill.

It has been represented by some here that this is an issue of the competitive situation between the American firms doing business abroad and the American firms doing business in the United States. That is not the problem. Anyone who has traveled around the world, anyone who has studied the world situation, knows that these countries in which these investments will be made are doing all they can to become developed, and they will be developed either through the help of American capital or through the help of some other capital, British, German, or maybe Soviet Russian.

Is it in the interest of the United States to do something that will make possible a situation whereby American capital will not be placed in the same competitive situation as foreign capital in the development of these countries? I

do not think so. Basically H.R. 5 involves a technical tax matter. It simply provides that U.S. companies, organized under strictly specified conditions, will be treated in the same manner taxwise as a foreign subsidiary of a U.S. corporation.

More fundamentally, the concept of this bill is that a foreign business corporation operating in Brazil, for example, will be subject to the same taxes as other companies operating in Brazil so long as profits are left abroad. The higher U.S. tax would be applied only to profits withdrawn from the business and brought back to the United States. Hence the U.S. tax will not put the U.S. company at a competitive disadvantage with other companies operating in the foreign market.

All of this appears to me to be convincing reason for the passage of H.R. 5. Many Members of this House, however, have asked me whether or not this type of amendment in our tax law, even though justified by precedents in existing law, is not a type of development that will undermine the level of employment in the United States. Does a policy of being reasonable with respect to foreign investment constitute to any extent an export of U.S. jobs?

I want to assure the Members of the House that we who are urging H.R. 5 have thought seriously about this problem, and I have thought seriously about it, and we are convinced that this bill is in the interest of U.S. jobs. It will not prove a source of domestic unemployment.

In the first place, this is part of living together in a free world, which is basically not much different than living together in any community. My own living standard is good because steelworkers are productive, because farmers are productive, because retail merchandising is efficient. A little reflection will convince anyone that in a community or a State or a country, in this matter of economic well-being, we either move ahead together or we stagnate together.

There is nothing very difficult about the bigger aggregate we are accustomed to call the family of free nations. To be more specific about this community of interest, I want to call the attention of this committee just a little bit to the overwhelming evidence that U.S. investment in foreign countries serves on the whole to create markets for the U.S. goods. In recent years, when we have noticed a considerable decline in exports, the strong categories by and large have been manufactured products, machinery and chemicals. It is in these categories that foreign investment has been building a base for steadily increasing levels of business. The striking decline in exports, for the most part, has been in primary products such as cotton, coal, and petroleum. In these areas, the decline is explained by market developments completely unrelated to foreign investments. Another indication is the point stressed in the Economic Report of the President of the United States for this year that our machinery exports to various foreign countries grew in close

relationship to the rate of growth of the countries themselves. In Western Germany and Japan, where there was the greatest growth in output and domestic investments, there was also the greatest rate of growth of machinery imports from the United States. U.S. investments abroad, in my opinion, provide jobs for Americans. It does not eliminate these jobs.

Mr. PORTER. Mr. Chairman, will the gentleman yield?

Mr. MACHROWICZ. I yield.

Mr. PORTER. I have just this question. I appreciate the gentleman's statement. But, I understand in the first year about \$85 million will be deferred in terms of taxable income to the United States; that is correct, is it not?

Mr. MACHROWICZ. That is correct. I believe that estimate is rather high.

Mr. PORTER. And it will probably be more in subsequent years, if this plan were to catch on and there was more investment under the provisions of this bill.

Mr. MACHROWICZ. On the contrary, in subsequent years it would be less because this money would be coming back to the United States.

Mr. PORTER. Let us say it is \$85 million. My question is this. This \$85 million would not be coming back to the taxpayer. In other words, the \$85 million that it would cost in that first year would not be coming back to the taxpayer because it would cost the American taxpayer, let us say, 3 or 4 percent since otherwise it would go to reduce the debt to that extent. It would help corporations to the extent of say \$8½ million because they would have to pay this 10 percent. But what I want to ask the gentleman is this: What can we get for that cost? Is there anything in the record, one case here, which will show this expenditure of the taxpayers' money will actually encourage investment abroad?

Mr. MACHROWICZ. Why, yes, there has been much testimony to that effect.

Mr. PORTER. Could the gentleman show me the page or an instance where there is that testimony?

Mr. MACHROWICZ. I do not have the record here with me, but witness after witness testified to that effect, and I think it is quite natural that if we give these advantages to the American corporations, investments abroad will grow.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BOGGS. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 5) to amend the Internal Revenue Code of 1954 to encourage private investment abroad and thereby promote American industry and reduce Government expenditures for foreign economic assistance, had come to no resolution thereon.

COMMUNIST SUBVERSION IN THE CARIBBEAN AREA

Mr. WALTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WALTER. Mr. Speaker, much has been published about Communist subversion in the Caribbean now focusing on the Panama Canal as its primary target. The sources, however, are scattered, making it extremely difficult to obtain a well-rounded story of how U.S. authority in the isthmian area has been reduced.

Among the most comprehensive summaries of this subject is a series of two articles in the well-known weekly publication, Dan Smoot Report, in its December 21 and 28, 1959, issues.

Extensively documented with reliable sources, these two issues present an alarming story of the conduct of the vital Isthmian Canal portion of our foreign policy. They should be required reading in all our colleges and universities and Government agencies, both legislative and executive, that are concerned with canal questions.

In order that these excellent statements may be readily accessible to our libraries and editorial desks, as well as for Members of the Congress, I quote their texts:

[From the Dan Smoot Report, Dec. 21, 1959]

PANAMA CANAL—PART I

In a press conference on December 10, 1959, Secretary of State Christian A. Herter discussed some issues which have caused criticism of the United States in Panama, Mr. Herter said:

"The first has to do with the question of equal wages for equal work, in which the Panamanians felt that through various devices we had reserved for the American employees (of the Panama Canal) the majority of the higher paid jobs and had not given the Panamanians sufficient opportunity to share in those higher paid jobs. * * *

"We are making certain adjustments. * * * In addition to removing some of the security provisions which assured to American citizens a great many of the jobs, we have talked of apprentice training courses there for Panamanians, which would allow the Panamanians to increase their skills and qualify for many of the higher paid jobs."

The security provisions which we have removed in an effort to appease Panamanian politicians, were designed to protect the Panama Canal against Communist infiltration, agitation, espionage, and sabotage.

Many years ago, the Soviets began a systematic program of sending trained agents—agitators, saboteurs, spies—into Panama, because the Soviets know that when they can cause trouble for us in Panama, they have a grasp on our jugular vein. Communist activity throughout Latin America has one major focal point: the Panama Canal. The Soviets know that if they can ultimately force us to abandon our priceless possession—the canal—they will cripple the commerce and military defenses of the whole Western Hemisphere.

Communist attacks on the United States, through Latin America, have been intensified and broadened alarmingly since World War II, and action taken by the American State Department seems to have helped, rather than hurt, the Communist cause.

CASTRO AND CUBA

In 1948, Fidel Castro, a student at the University of Havana, went to Bogotá, Colombia, to participate in Communist riots aimed to discredit the United States and disrupt the Ninth International Conference of American States, being held in Bogotá under U.S. leadership. When the bloody Communist riots erupted, Colombian police acted quickly to break them up. They arrested the leaders, among them Fidel Castro. Castro demanded, and got, release by claiming to be the bodyguard of George C. Marshall, U.S. delegate to the Bogotá Conference.

Thus claiming the personal protection of the American Secretary of State, Fidel Castro was freed to return to Cuba. Five years later (August 1953) he led the first of a series of revolts against the Batista government. The 1953 revolt failed; but in 1956, Castro tried again. By January 1959 Castro had driven Batista out and had taken over the whole of Cuba. During that 3-year Communist rebellion, the U.S. Government imposed a strict embargo on shipment of arms to the Government of Cuba, but Castro sympathizers in the United States kept a steady flow of arms and supplies going to the revolutionists. Castro was idolized and lionized by the American press and by American officialdom.

The record is rather well summed up by Christian Herter himself in the press conference on December 10, 1959. Asked to comment on criticism of the State Department's policies in Latin America, the Secretary of State said:

"In the case of Cuba, I think that when the revolution took place we were all very hopeful that it would bring to Cuba a new and badly needed regime inspired naturally by the very best interests of Cuba. I think we have been unhappy in our relationships with Cuba in that they have deteriorated.

"We have tried to discuss with the Cuban Government a number of problems that have caused that deterioration and have found that the present Cuban Government is not anxious to talk with us."

Mr. Herter was asked whether our Ambassador in Cuba has made any progress toward getting compensation for American property which Castro has seized in his agrarian reform program. Mr. Herter said:

"I think he has made very little progress. I think that the standard answer that he receives is that they do not have money and hence must make compensation in terms of long-term bonds."

A reporter asked: "Mr. Secretary . . . would the State Department recommend that the Congress, in the reconsideration of the sugar quotas, perhaps take punitive action against the Castro government to bring them into line?"

The Secretary of State replied: "Well, I would not discuss 'punitive action' at the present time. The whole question of the drawing of the new sugar agreement, which lapses this year, is going to pose a great many problems. There are a great many claimants for a larger share in the quota."

The sugar deal referred to here is a device by which the American Government has forced American taxpayers to subsidize the Cuban economy for many years. Our State Department's "sugar quota agreements" with Cuba are simply official promises to buy a fixed amount of Cuban sugar (always at prices above the world market), despite the fact that the American sugar industry already produces more sugar than it can sell. Thus, the "punitive action" which the Secretary of State won't discuss would be nothing more than taking Castro's hands out of the American taxpayers' pockets.

The obvious harm that Castro and his Communists have done and will continue to do to American political, economic, and strategic interests has been much discussed

of late; but the one primary objective of the Communists in Cuba is rarely mentioned in the American press—never even whispered in official circles: namely, to force our surrender of the great Guantanamo Bay Naval Base, which is indispensable to American military security because it protects the vital Caribbean approaches to the Panama Canal.

In the end, we see—as asserted above—that all our troubles in Latin America center on this priceless waterway.

PANAMA AND COMMUNISTS

At the time of the Suez crisis in 1956, Marshal Rokossovsky, Soviet commander of the Polish armed forces, told Polish Communist leaders:

"The Panama Canal has considerable advantages for the Soviet Union—which have been studied in detail by numerous Soviet vessels which took this route from the Baltic Sea to Vladivostok. Moreover, the Panama Canal has an outstanding position in communications with South American States and is one of the hubs of the imperialistic policy of the United States in the Pacific and the Far East."

Marshal Rokossovsky signaled a change of policy by the Communist International. Prior to the Suez crisis of 1956, much of the Communist penetration of Latin America had been handled, rather clumsily, by the Chinese Communists. When Nasser seized and nationalized the Suez Canal, the American State Department joined the Soviets in insisting that Suez be internationalized. This was the big moment for the Soviets: they had been agitating for years that the Panama Canal be internationalized—this being the easiest way to take it away from the United States. Now they could join hands with the American Government, using American arguments for internationalizing Suez as a means of accomplishing Communist objectives in Panama.

Headquarters for the direction of Communist activity in Latin America were moved from Peiping to Prague, Czechoslovakia, where international communism has a special school for training agitators, saboteurs, and spies—the State College for Political and Economic Science. In 1956, this Communist college in Prague started training large numbers of skilled agents to work in Latin America—to use the Suez problem as a convenient means of creating hatred of "Yankee imperialism" in Panama.

This Communist program was in full operation by the end of 1956. Before spring 1957, America's leading liberals were pushing the Communist line in the United States: such people as Norman Cousins, editor of the Saturday Review of Literature; Mrs. Eleanor Roosevelt; son, JAMES ROOSEVELT; U.S. Senator MIKE MANSFIELD—were telling the world that the United States should turn the Panama Canal over to the United Nations as a means of showing good faith in our arguments for turning Suez over to the U.N.

Not to be left out, Harry Truman called in the press and boasted that he was the first to recommend internationalizing the Panama Canal. Truman said he proposed—at the Potsdam Conference in 1945—that we give the Panama Canal to the United Nations.

In February 1959 the Communist International, at the 21st congress of the Communist Party in Moscow, reemphasized the importance of Latin American agitation to take the Panama Canal away from the United States. Communists with assignments for infiltration and subversion in Central and South America were instructed to stress two themes: (1) Nationalism for the people of Latin America—which would whip up hatred for the United States and encourage Panamanian radicals who demand "nationalization" of the Panama Canal; (2)

internationalizing the Panama Canal, to break the "Yankee stranglehold" on Latin America.

These tactical Communist objectives are obviously contradictory, as is so frequently the case. If the Panama Canal is to be nationalized by Panama, it cannot be internationalized. Obviously, the real Communist objective is—by any and all means available—to take the Panama Canal away from the United States.

On December 4, 1959, Allen Dulles, Director of the Central Intelligence Agency, publicly reviewing some of these known Communist schemes, said recent events in Panama prove that Communist subversion in Latin America is bearing fruit.

Six days later—December 10—our Secretary of State casually reveals that, in response to political demands that we give Panama natives more of the good jobs in our Canal Zone, we are removing the security provisions designed to hamper Communist activity there.

PANAMA AND IGNORANCE

At his December 10 press conference, the Secretary of State also said:

"We are considering with considerable sympathy the question of whether or how to raise the (Panamanian) flag in the Canal Zone."

That remark did not make many headlines, because President Eisenhower was already on record as saying he thought Panama should be permitted to fly her flag in our Canal Zone, as a means of showing Panama's "titular sovereignty."

It would be just as logical and sensible for the President of the United States to say that Russia should be permitted to fly the hammer and sickle in Alaska—to show "titular sovereignty"—because Russia once owned Alaska; or that Mexico should be permitted to show "titular sovereignty" in Texas; or that Spain could fly her flag in Florida; or France, in Louisiana.

In endorsing the absurd fiction that the Republic of Panama has—or should have—any kind of sovereignty in the American Panama Canal Zone, President Eisenhower and Secretary of State Herter are giving maximum support to the Communists' propaganda agitation for nationalization of our Panama Canal.

High American officials reflect the appalling ignorance of Panama-United States history—prevalent in both countries—which has enabled political demagogues and Communist agitators to create confusion and grave dangers for us in Latin America.

At the turn of the century, when Theodore Roosevelt obtained the Panama Canal Zone, Earl Harding (now a vice president of the National Economic Council, Inc., Empire State Building, New York 1, N.Y.) was a reporter for the old New York World and was assigned to investigate the events leading to the creation of the Republic of Panama and our acquisition of the Canal Zone. In 1959, Mr. Harding (using original notes and documents which had never before been made public) wrote a book, "The Untold Story of Panama" (distributed by the Bookmaller, Box 101, Murray Hill Station, New York 16, N.Y.; price, \$6).

In the preface to this immensely important book, Mr. Harding says:

"U.S. citizens have on their hands a continuing struggle to keep control of the lifeline of their national defense and the backbone of their ocean commerce—the United States-built and United States-owned Panama Canal. . . ."

"Anti-American attitudes in Panama can be traced directly to the fact that Panamanians of the present generation have never been told the whole truth—how, and why, and by whom their little Republic was created. A great many North Americans are also as uninformed.

"A realistic reappraisal of the history of the United States relations with the Republic of Panama is essential to a better understanding. . . ."

"The Panama Canal is a tremendous service to the free world, and especially to our Latin-American neighbors. Its continued efficient operation is indispensable to their well-being. The mounting crises since 1956 demand that the whole story of Panama be told."

HISTORY OF PANAMA

Opening of the Panama Canal in 1914 was the fruition of four centuries of search for a waterway to link the Atlantic and Pacific Oceans. The long narrow strip of land connecting the North and South American Continents is, today, divided into seven different nations. The narrowest part of the strip is the Isthmus of Panama, stretching north from Colombia (on the northern tip of South America) to Costa Rica.

More than a century ago, much New York-to-San Francisco traffic passed through the Isthmus of Panama, via rivers, stagecoaches and wagons. Panama at that time was a province of New Granada (the nation then known as New Granada was later, and is now, called Colombia).

Even in those days, Panama was a land of perpetual civil disturbances, violence, graft, and organized lawlessness. North American travel through Panama was harassed by bandits and local politicians who either robbed outright or demanded extortionate transit dues. In 1846, the United States negotiated a treaty with Colombia, getting a guarantee of decent and orderly treatment of American shipping through the Province of Panama. The United States promised to remain neutral in the endless revolutions troubling that area, and guaranteed Colombia's "rights of sovereignty and property" in its Province of Panama.

In the 1870's, during the administration of President Grant, the U.S. Government started investigations and negotiations for building a canal, not through Panama, but through Nicaragua, which is 400 miles farther north, closer to the United States. At about the same time, the French Government began negotiations with Colombia for building a canal through Panama.

In 1878, the French got a concession from Colombia for a canal through Panama. In 1889, the U.S. Congress chartered a company to build a canal through Nicaragua.

Both these schemes—the French and the American—failed. The French actually started work on their Panama Canal in 1881; but the operation bogged down in insolvency resulting from disease, graft, and mismanagement. The depression of 1893 dried up funds for the United States Nicaraguan venture and threw it into receivership.

Our agreement with the Nicaraguan Government was still valid, however; and our war with Spain (1898)—when, in order to get from the Pacific to the Atlantic, the battleship *Oregon* had to go all the way around the southern tip of South America—revised interest in our proposed Nicaraguan canal. Congress actually passed a bill authorizing construction of a canal through Nicaragua—which competent engineers (then as now) regarded as a more suitable place than Panama.

But powerful forces were at work. French interests wanted to unload their bankrupt Panama operations on the American Government. They hired William Nelson Cromwell (head of the New York law firm in which such people as John Foster Dulles were later partners). Cromwell's lobbying convinced key Members of Congress and of Theodore Roosevelt's administration that our Nicaraguan plans should be abandoned; that we should buy the French interests in Panama for \$40 million, and build our canal through Panama. We did not have a treaty with Colombia, permitting us to build a

canal through her Province of Panama. Cromwell handled the necessary lobbying with the Colombian Government. Colombia was willing to sell us canal rights through Panama, if the price was right.

On January 22, 1903, Dr. Thomas Herran (Colombian minister to Washington) and John Hay (U.S. Secretary of State) signed the Hay-Herran Treaty, by which the Colombian Government would permit the United States to build a canal through Panama. The treaty was written, apparently, by Lawyer Cromwell who (working for a fee from the French who wanted to sell their Panama properties to America) had managed to persuade both the American and the Colombian Governments to make the deal.

The Colombian Government did not like the proposed Hay-Herran Treaty, which would have given the United States full sovereignty in the canal zone. The Colombian Government wanted to retain sovereignty. The Hay-Herran Treaty provided for a transfer of the old French canal concession to America. Colombia wanted the French to negotiate directly with Colombia for permission to transfer the concession to the United States. The reason: Colombia wanted \$10 million of the \$40 million which the United States would pay the French for their property and concession.

The valid and vital issue was that of sovereignty. The U.S. Government, correctly and sensibly, wanted sovereignty over its own canal zone. The Colombian Government was prohibited by its own constitution from surrendering sovereignty.

This important issue was not, however, the one which shaped subsequent events. What shaped history was Colombia's insistence on a \$10 million kickback from the French.

Lawyer Cromwell—not wanting his French clients to be charged this \$10 million fee—pulled strings in Washington to push the Hay-Herran Treaty through the U.S. Senate in a hurry. The U.S. Senate ratified the Hay-Herran Treaty on March 17, 1903. The Colombian Congress was scheduled to meet on June 20, 1903, to consider the treaty; but the Colombian Government was no longer responding to Cromwell's manipulations: the Colombians were determined to change the treaty in order to guarantee that they would get that \$10 million fee from the French.

Cromwell induced Theodore Roosevelt to send Colombia an ultimatum: telling the Colombians that if they didn't ratify the Hay-Herran treaty soon, and without changes, "action might be taken which every friend of Colombia would regret."

This ultimatum to Colombia was cabled from the State Department on June 9, 1903. Lawyer Cromwell—knowing that Colombia would reject the ultimatum—had already been conniving with a handful of opportunists in Panama to create a revolution which would detach Panama as a province of Colombia and set it up as an independent Republic.

On June 14, 1903, a Cromwell-inspired and-planted story appeared in the New York World—giving details on the forthcoming revolution in Panama, even predicting the exact date on which the revolution would occur: November 3, 1903.

As Cromwell had anticipated, the U.S. ultimatum aroused indignation in Colombia; and the Colombian Government rejected the Hay-Herran Treaty on August 12, 1903. Propaganda, inspired and planted by Cromwell's agents in the American press, whipped the American public to anger against Colombia. By October 1903 spokesmen for the Theodore Roosevelt administration were saying publicly: "We might make another treaty—not with Colombia, but with Panama."

There was no public sentiment in Panama for revolution and secession from Colombia.

The Panama revolution was fabricated by a New York lawyer and five ambitious men in Panama.

Cromwell, attorney and lobbyist for the French interests trying to sell out to America, was general counsel for the Panama Railroad Company, which was then the dominant economic influence in the Province of Panama. Cromwell selected five employees of the railroad to make the revolution in Panama: three of them North Americans; two of them Colombians who lived in the Province of Panama.

James R. Shaler, superintendent of Panama Railroad Company; Herbert G. Prescott, assistant superintendent; Capt. James R. Beers, freight agent; Jose Augustin Arango, land agent and local attorney for the railroad, who was also a Colombian Senator from the Province of Panama; Dr. Manuel Amador, the railroad's medical officer.

Before the revolution actually occurred, Ricardo Arias, a wealthy rancher in Panama, and five other local businessmen were taken into the conspiracy.

Phillippe Bunau-Varilla, engineer and stockholder of the French Panama Canal Co., was active in France and the United States, as lobbyist, propagandist, and money-raiser in behalf of the Panama revolution.

In order to give the revolution a native flavor, the two Colombians acted as leaders: Senator Arango and Dr. Amador.

On August 26, 1903, Dr. Amador (under pretext of traveling on family business) left Panama for the United States. His mission: to make certain of American financial, diplomatic, and military support. On October 27, 1903, Dr. Amador returned to Panama with his mission accomplished. U.S. Army officers disguised as civilians, were already in Panama mapping possible offensive and defensive positions; and U.S. warships were steaming toward the isthmus under orders to prevent any fighting.

The Colombian Government, learning that trouble was brewing, dispatched a gunboat and 500 troops which arrived at Colon, Panama, ahead of the U.S. warships; but the Colombian forces were easily bribed either to go away or to join the revolution.

On November 3, 1903, the little group of conspirators proclaimed Panama's secession from Colombia.

On November 4, 1903, the revolutionists announced their new provisional government. Arango (the former Colombian Senator) was head of the government, and Dr. Amador was Secretary of Treasury.

On November 6, 1903, the provisional government announced that Phillippe Bunau-Varilla (the engineer and stockholder of the French Canal Co.) had been appointed "Envoy Extraordinary" to the United States, with full powers to conduct diplomatic negotiations. Bunau-Varilla was already in the United States. This job was given him because he had been primarily responsible for getting guarantees of money (both in France and the United States) to finance the revolution. Most of the cost was payment of bribes to Colombian forces.

On the same day—November 6, 1903—the Colombian colonel who had been sent to Panama to put down the revolution received his bribe and departed with his troops. This ended Panama's bloodless "war of independence."

On the morning of November 7, 1903, formal celebration of the end of the war and the establishment of the new nation occurred in the city of Colon. Maj. William Murray Black, U.S. Army, hoisted the new flag of the Republic of Panama (which had been pieced together in New York, 3 months before, by Mme. Bunau-Varilla, wife of the French engineer, now Envoy Extraordinary). The crowd cheered: "Viva la Republica. Viva los Americanos."

Early in the afternoon of that same day—November 7, 1903—the U.S. Vice Consul Gen-

eral in Panama received cabled instructions from the State Department to enter into diplomatic relations with the de facto Government of Panama. The de facto Government's Envoy Extraordinary in Washington sent the U.S. Secretary of State a telegram expressing gratitude, saying:

"In spreading her protecting wings over the territory of our Republic, the American Eagle has sanctified it."

This was the beginning of the Republic of Panama, where crowds now cry, "Gringos, go home," as radicals make speeches about Panama's revered founding fathers, about the nation's noble sufferings in her arduous struggle for independence and freedom, about Panama's glorious history and great traditions—and about the aggressive imperialism of the Yankee colossus who "took the Canal Zone away from the little Republic in the days of her infancy."

[From the Dan Smoot Report, Dec. 28, 1959]

PANAMA CANAL—PART II

The primary cause of anti-United States feeling in Latin America is Communist propaganda (amplified by local politicians, because of its mob appeal) about Yankee imperialism in Panama. The truth is that the Republic of Panama was created by, and has survived because of, our Panama Canal enterprise. The Republic of Panama was not a partner in the enterprise; she was merely the principal beneficiary.

OUR TREATMENT OF PANAMA

The birth certificate of the Republic of Panama was the Hay-Bunau-Varilla Treaty between the United States and Panama—signed on November 18, 1903; ratified by Panama on December 2, 1903; ratified by the U.S. Senate on February 23, 1904.

Article I of the Hay-Bunau-Varilla Treaty reads:

"The United States guarantees and will maintain the independence of the Republic of Panama."

The Panamanian constitution gave the United States the right to "reestablish public peace and constitutional order in the event of their being disturbed, provided the United States shall, by public treaty, assume or have assumed the obligation of guaranteeing the independence and sovereignty of this Republic."

Article II of the Hay-Bunau-Varilla Treaty of 1903 says:

"The Republic of Panama grants to the United States in perpetuity the use, occupation, and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said canal of the width of 10 miles extending to the distance of 5 miles on each side of the centerline of the route of the canal to be constructed * * * with the proviso that the cities of Panama and Colon and the harbors adjacent to said cities * * * shall not be included within this grant."

Article II also granted the United States "in perpetuity, the use, occupation, and control" of "any other lands and waters outside of the zone which may be necessary and convenient for the construction, maintenance, operation, sanitation, and protection of the said enterprise."

Article III of the Hay-Bunau-Varilla Treaty of 1903 says:

"The Republic of Panama grants to the United States all the rights, power, and authority within the zone mentioned and described in article II of this agreement, and within the limits of all auxiliary lands and waters mentioned and described in said article II, which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located, to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority."

In our 1903 agreement with Panama, we did not lease the Panama Canal Zone. We gave Panama \$10 million and promised \$250,000 a year. This annuity was not a rental fee; it was a guarantee of revenue to keep the Panamanian Government alive. We acquired full ownership and sovereignty, by grant in perpetuity, making the Canal Zone U.S. territory forever.

In return, we promised to build, maintain, and protect the Panama Canal and to operate it fairly for the shipping of all nations; we guaranteed the independence of the Republic of Panama; we assumed the obligation, and accepted the right, to maintain order in Panama whenever the Republic's own Government did not, and to acquire any property anywhere in Panama which might be needed for operation, sanitation, or defense of the canal.

We did not get too much for what we gave: we got too little—as many authorities maintained at the time. Instead of a 10-mile strip, we should have got a zone 60 miles wide, the entire watershed of the canal. We should have included the terminal cities of Panama and Colon in the grant to us to obviate friction resulting from dual sovereignty.

In 1903, Panama, a land of chronic political instability, was the pesthole of the world. Every virulent tropical disease conceivable had to be conquered before we could wrench worthless land from the voracious jaws of a steaming jungle and convert it into a mighty waterway which lifts ships over the bedrock of the Continental Divide. The miracle of sanitation which dedicated American individuals and American capital wrought in Panama—not just in the Canal Zone, but throughout the Republic—changed a swamp of infection into the most healthful tropical region on earth. Millions of American dollars and many lives of dedicated Americans went into that great task.

Neither Panama nor any other nation or combination of nations could have built the Panama Canal without the United States; and none gave us any help.

From the day the Republic of Panama was born, her economy has revolved around benefits provided by the United States. Her political independence and military security and the health of her people depend on us; and our treatment of Panama has been magnanimous.

Our efforts to pacify Panamanian politicians, by trying to comply with their outrageous demands, encourage them to keep their nation in turmoil: we make it profitable for them to play politics with Communist "Yankee imperialism" propaganda. This has been our only disservice to the Republic of Panama.

OUR TREATMENT OF COLOMBIA

In the treaty of 1846 between Colombia (then called New Granada) and the United States, we guaranteed Colombia's rights of sovereignty and property in her province of Panama. In 1903, we tried to get rights to build a canal through Panama. Colombia was willing, but we could not agree on terms.

A few wealthy Spanish families who owned most of Panama wanted us to build the canal, for economic reasons. United States and French financial interests wanted it for the same reasons. Theodore Roosevelt wanted it as a monument to his Presidency. These interests combined to produce the November 1903 revolution, in which Panama seceded from Colombia, declared itself independent, and obtained diplomatic recognition from the United States—all in 4 days.

Thus, there was a brief period when Americans could justify a twinge of conscience about our treatment of Colombia; but we made ample amends; and our treatment of Colombia since 1903 reflects a good-neighborliness unmatched in the history of any other great nation.

The Thomson-Urrutia Treaty between Colombia and the United States was a long time in negotiation. It was not signed until April 6, 1914; and was not proclaimed, as legally accepted by both governments, until March 30, 1922; but it eliminated any smirch on our record. The treaty aimed: (1) to remove "all the misunderstandings growing out of the political events in Panama in November 1903"; (2) to restore "cordial friendship" between Colombia and the United States; and (3) to define "their rights and interests" with respect to the Panama Canal.

In article I, Colombia recognized that title to the Panama Canal and to the Panama Railroad is "now vested entirely and absolutely in the United States of America, without any encumbrances or indemnities whatever."

The United States promised: (1) free transit through the canal for Colombian military personnel, equipment, and supplies; (2) equal status for Colombian and U.S. products and mails passing through the canal; (3) equal status for Colombian and U.S. citizens crossing the Canal Zone; (4) use of the Panama Railroad for transit of Colombian mails and military and civilian shipments—in the event of interruption of canal traffic—on a basis equal to that of comparable mails and shipments of the United States; (5) equal status for Colombian and U.S. governmental personnel in the use of the Panama railroad; (6) transport by the Panama railroad of Colombian coal, petroleum, and sea salt—in event of interruption of canal traffic—free of charge except actual cost of handling, not to exceed one-half the charges levied on similar products of the United States.

In article II, the United States promised \$25 million to compensate Colombia for loss of territory and revenue resulting from the secession of Panama.

In article III, Colombia recognized Panama as an independent nation.

F. D. R.: GOOD NEIGHBOR

As soon as the Thompson-Urrutia Treaty was proclaimed in 1922, Panamanian leaders started agitation to change Panama's 1903 treaty with the United States. Now that the United States had paid Colombia for the loss of Panama, and Colombia had recognized Panama's independence, Panama no longer feared Colombia. Her politicians could afford to be proud: it hurt their pride that Panama was officially, by treaty agreement and by provisions of her own constitution, a protectorate of the United States. They demanded elimination of the 1903 treaty provision by which the United States guaranteed Panama's independence.

When Roosevelt extended diplomatic recognition to the Soviet Union in 1933, he gave a boost to Communist activity in Latin America, as well as in the United States. Some of our Latin American neighbors (but not all) followed Roosevelt's lead in recognizing the lawless Kremlin gangsters as a lawful government. Communist agitators who had been operating illegally, came out in the open with their Yankee imperialism propaganda; and many became successful politicians.

The groundswell of anti-U.S. propaganda which developed south of the border after our recognition of the Soviet Union was a main reason for F. D. R.'s good-neighbor policy toward Latin America. With his great genius for making personal and political capital out of his own mistakes, F. D. R. presented his good-neighbor policy in such a way as to imply that the United States had been a bad neighbor prior to Franklin D. Roosevelt. This encouraged more anti-U.S. activity until everyone, north and south, was ready for Uncle Sam to make amends for past behavior, by giving some concessions.

The most important consequence was the renegotiation of our treaty agreements with

Panama. The Hull-Alfaro Treaty—signed on March 2, 1936, but not ratified by the U.S. Senate until July 25, 1939—was the beginning of America's endless worldwide giveaway program.

In the Hull-Alfaro Treaty of 1936-39, the United States raised annuity payments to Panama from \$250,000 to \$430,000, to compensate for the 40 percent loss in purchasing power of the dollar which resulted from Roosevelt's taking us off the gold standard in 1934. This concession was reasonable.

In the 1936-39 treaty we renounced the 1903 treaty provision which made Panama a protectorate of the United States; and we renounced our right to maintain public order in Panama, outside of the Canal Zone. These concessions were absurd, because we must guarantee the political independence of Panama as long as we maintain and defend the canal. Now we have the responsibility without clear treaty authority.

The most disastrous concessions which Roosevelt made in the Hull-Alfaro Treaty of 1936-39 were: (1) renunciation of our right of eminent domain for the acquisition of property, in Colon and Panama City, needed for canal purposes; and (2) renunciation of our right to build defense bases in Panama outside the 10-mile Canal Zone. A vulnerable, critically important 10-mile-wide strip of land such as the Canal Zone cannot be defended adequately by bases confined within the strip itself. Roosevelt's Hull-Alfaro Treaty of 1936-39 left us with the responsibility of defending the Canal Zone—not only for ourselves, but also for Panama and every other maritime nation on earth—but with no room to stand and fight.

In less than 2 months after the Hull-Alfaro Treaty was ratified by the U.S. Senate in 1939, World War II erupted in Europe; and we were begging Panama for defense sites to protect the canal. We had to plead, and pay heavily, for basesites which had been ours under the original treaty provisions.

Most of the land we needed for defense bases in the Republic of Panama was worthless jungle, except in our hands; but Panamanian politicians demanded extravagant prices—as much as \$1,600 an acre for some of the swamps. They did not get all they asked; but they got plenty; and they caused dangerous delay, stalling negotiations for many months.

We paid Panama more than a million dollars for permission to build roads and landing fields, to plant guns, and to erect some 400 buildings—needed for the protection (with our personnel and entirely at our expense) of Panama and the Canal Zone during World War II. We made all installations with the understanding that they would become the property of Panama—and that the United States would evacuate them—1 year after ratification of a treaty of peace following World War II.

CRESCENDO OF HATE

After Pearl Harbor, when the United States became officially involved in World War II, Roosevelt persuaded some Latin American nations, which had not yet given diplomatic recognition to the Soviet Union, to do so, "to show solidarity of the allied cause in the war effort." This caused an increase in Communists' anti-U.S. activity in Latin America, just as diplomatic recognition of the Soviets had done in 1933.

With Yankee dollars pouring into their national treasury and into their private pockets in unprecedented quantities, and with Yankee military power standing guard over them and their nation, Panamanian politicians kept propaganda about "Yankee aggression" in crescendo during World War II. In late July 1945, just before the war ended, Harry Truman helped bring this Yankee-aggression-in-Panama theme to full

intensity—by proposing, at the Potsdam Conference, that the United States give the Panama Canal to the United Nations.

ABJECT SURRENDER

Before the guns of World War II were silent, Panama was demanding evacuation of American bases there. We resisted just long and loudly enough to make it look like abject surrender when we gave in. On September 2, 1946, the Pentagon suddenly announced that we were evacuating and handing back to Panama 65 of our defense sites.

Seeing that he had big but timid Uncle Sam on the run, the President of Panama pressed his advantage: he demanded changes in the Hull-Alfaro Treaty of 1936-39 which would "revise the United States whole attitude toward Panama" and provide more benefits.

In November 1946, the Soviet Union's delegate in the United Nations made a vicious speech about America's foreign bases, in Panama and elsewhere, being imperialistic aggression against weaker nations. As if it had been planned (as many authorities think it was), Alger Hiss, acting for the American State Department, sent the United Nations a report in which the American Panama Canal Zone was characterized as "occupied territory." Alger Hiss was later convicted of perjury for denying that he was a Soviet espionage agent during those years when he was a powerful official in the State Department.

Immediately after the Hiss report, Panama began demanding that the United States recognize Panama's "sovereignty" in the American Canal Zone. Now, we were in real trouble. Having abandoned most of our key defense bases in Panama, we were in negotiations to extend the leases on a few that we still had and that the Pentagon claimed were necessary for defense of the Canal Zone. With Panama (enjoying, at least technically, the support of our own State Department) claiming sovereignty within our own zone in the isthmus, what chance did we have to retain bases outside our zone. None.

Our futile negotiations dragged on for more than a year. On December 23, 1947, the question of the leases came before the Panama Assembly. Anti-American mobs surrounded the building, threatening to lynch any Assembly member who voted to extend. The Panama Legislature voted unanimously against extending leases on U.S. defense bases outside the Canal Zone. In January 1948, we abandoned all the bases and retreated within the limits of our own zone.

EISENHOWER'S TEAM

Victory over mighty America whetted Panama's appetite for more. On November 17, 1952, the Panama National Assembly voted unanimously to demand a general revision of Panama-United States treaty relations. Eisenhower had just been elected President. In 1953, the "Eisenhower team" started secret negotiations which lasted many months and resulted in the Eisenhower-Remon Treaty between the United States and Panama—signed January 25, 1955; sent to the U.S. Senate May 9, 1955; ratified July 29, 1955; proclaimed on August 26, 1955.

In the 1955 treaty, the United States: (1) increased annuity payments to Panama from \$430,000 to \$1,930,000; (2) gave Panama more than \$25 million worth of real estate—including the Panama Railroad Company's yards and terminal stations in the cities of Colon and Panama; (3) promised to build a \$27 million bridge across the canal.

The gift of key Panama Railroad properties to Panama was part of an Eisenhower administration plan to abandon the whole railroad. Later—in considering legislation to implement the Eisenhower-Remon Treaty—Congress, recognizing that we have treaty obligations (with Colombia) to operate the Panama Railroad, disapproved the

scheme to abandon the railroad, but did sanction giving away its yards and terminal stations.

The only thing Panama gave us in the Eisenhower-Remon Treaty of 1955 was the "right to use, for a period of 15 years without cost," the Rio Hato Air Base—which we had built for World War II and had given to Panama in 1948.

As soon as the Eisenhower-Remon Treaty of 1955 was proclaimed, Panama renewed agitation (begun in 1946 following the Alger Hiss action), for recognition of Panama sovereignty in the American Canal Zone—and initiated a new demand: for 50 percent of the gross revenue from the Panama Canal. (Gross revenue from the canal in the fiscal year ending June 30, 1958, was \$42,834,006. Net revenue—i.e., profit—was \$2,656,382.)

THE COMMUNIST OBJECTIVE

The two current demands (for recognition of Panama sovereignty in the American Canal Zone and for 50 percent of gross revenue from canal operations) are admittedly steps toward Panama's ultimate objective, nationalization—which means our pulling out and giving Panama the American Zone and everything in it: canal, railroad, highways, bridges, ferries, military installations, buildings, everything.

Panama is a nation of 1 million people, ruled by an oligarchy of about 40 families of Spanish descent, who own most of the country. There is no middle class, except a few intellectuals, most of whom are under Communist influence. The bulk of the population consists of native Indians and descendants of West Indian Negroes imported 56 years ago to work as laborers on the canal. There is little industry, and practically none of the technical skills necessary in a modern economy. The income and health of the people and the revenue of the Government depend on U.S. giving and spending.

The strength of Panama—her ability to defend herself and the great canal—was revealed in April 1959, when 89 Communists and agitators from Cuba invaded Panama, intending to overthrow the Government. They successfully got ashore and held out for several days—against the military power of the Panamanian nation. U.S. Senator GEORGE SMATHERS, Democrat, of Florida, says that if the invading party had been 250 strong it could have overthrown the Panamanian Government.

Forcing U.S. abandonment of the Panama Canal is among the oldest of international communism's tactical objectives—older, even, than Communist control of Russia—almost as old as the canal itself.

John Reed (notorious American Communist who went to Russia to observe the "November revolution" of 1917, and who now lies buried in a place of honor in Red Square by the Kremlin wall) reveals (p. 235, "Ten Days That Shook the World") that "internationalization of the Panama Canal" was one of the slogans and battle cries of the Red Guards in Moscow during those gruesome 10 days when the murdering and pillaging Bolsheviks seized power in Russia.

In Panama, Communists urge nationalization of the canal, but, generally, they stress internationalization, because they get worldwide support for this theme. They get their best support in the United States where the Government and both major political parties and powerful foundations and great universities and church organizations and most of the major media of mass communications are controlled by people steeped in sickly internationalism.

The Communists just want to take the canal away from us; they don't really care how.

AIDING AND ABETTING THE ENEMY

People in the ruling class of Panama are opposed to internationalization of the canal;

and, since they know conditions in their own country, it is probable that they do not really want nationalization. They use this as a bugaboo to frighten us into giving them everything else. So far, they have been remarkably successful. In addition to benefits connected with our canal operations, they get a multitude of other benefits (roads, hospitals, bridges, housing, public buildings, powerplants) through our various foreign aid and foreign loan programs.

But, in playing along with Communists because the Communists' hate-America activities help them get what they want from us, Panamanian leaders are playing with dynamite. A brief sampling of recent events shows that U.S. political leaders are encouraging them in that dangerous game.

On May 2, 1958, a mob raided the American Canal Zone and planted 70 Panamanian flags. So, in July 1958, our State Department sent the President's brother, Milton Eisenhower, south on a good-will trip. The team with Milton Eisenhower consisted of officials from our major foreign-aid and foreign-loan agencies.

Panama made thorough preparations for Milton Eisenhower's visit. Labor unions, governmental officials, welfare agencies, and miscellaneous other groups entertained the President's brother—each group presenting its own long list of demands for benefits from the U.S. Treasury. When Milton Eisenhower's "good-will" team left Panama, Panama was jubilant. Fernando Elea (Panama Minister of Finance) said:

"Panama expects priority to be given its needs and requests on account of the Eisenhower visit, and expects the United States will make feasible financing of Panama projects, presented. Dr. Eisenhower is one of President Eisenhower's most trusted advisers. His recommendations will carry great weight."

That was in July.

In December 1958 a Panama law extended the Republic's coastal waters to a 12-mile limit—enabling Panama to close the seaward ends of the U.S. Canal Zone, compel all ships using the canal to fly the Panama flag in recognition of Panama's sovereignty, and force the ships to pay whatever taxes Panama might levy. Anticipating resistance from the United States, the Panama law provided that any disputes developing as a result of the law should be adjudicated in an international court.

The Eisenhower administration reacted by intensifying propaganda for repeal of the Connally reservation (to our 1946 declaration of acceptance of World Court jurisdiction)—which would permit the International Court of Justice to adjudicate the question of Panama's offshore limits, just as Panama wants.

On November 3, 1959, a mob in Panama (led by Dr. Quilino Boyd, former Foreign Minister, currently a candidate for President) invaded the American Canal Zone to plant the Panamanian flag. Four hours of violence ensued. Mobs pulled down the American flag at the U.S. Embassy, tore it up, and hoisted the Panamanian flag. During the day, 82 persons were injured—an undisclosed number of them, American soldiers who had been pelted with rocks.

The U.S. Government protested the desecration of our flag. The Panamanian Government filed a counterprotest that there had been "similar acts against a Panamanian flag in the Canal Zone"—presumably the refusal by Canal Zone police to let mobs plant the Panama flag on American territory.

Before the rioting that day, officials in the U.S. Embassy had heard a broadcast on the Panama police radio frequency, ordering the police to stay away from the U.S. Embassy; and no Panama police appeared during the turmoil.

The U.S. Government tried fruitlessly for more than 2 weeks to get an explanation: Was the Panama Government a silent partner in the anti-American riots? Panama replied with demands that we send a high-ranking State Department official to Panama to "solve the misunderstandings"—that is, to give some more "benefits." Our State Department complied.

On November 17, 1959, the State Department announced that Under Secretary of State Livingston T. Merchant would go to Panama.

Next day—November 18—Fernando Elea (Panama's Minister of Finance) revealed what the principal demand would be when Under Secretary Merchant arrived, and also the real reason for the November 3 riots: recognition of Panamanian sovereignty in the American Canal Zone. In a speech to the Panama National Assembly, on November 18, Senor Elea (who is a personal friend of Milton Eisenhower) said Dr. Eisenhower in a private conversation with Elea on September 13, 1958, had promised that the United States would recognize Panama's sovereignty over the Canal Zone—and that the announcement would be made on Panama Independence Day, November 3, 1959.

On November 20, the State Department denied that Dr. Eisenhower had made "any statement which could be construed to commit the U.S. Government to any course of action."

U.S. Congressman DANIEL J. FLOOD retorted: "The cleverly worded assertion by the State Department is not a forthright denial. (It) only declares that the United States is not bound. Naturally, the U.S. Government cannot be bound by a statement of a private citizen even though he is the brother of the President. Neither can any official of our Government annul our treaties with other nations. Yet in the instant situation, it appears that such attempts are being made."

On November 23, 1959, mobs again tried to invade the American Canal Zone, to plant the Panama flag.

On December 2, President Eisenhower said he believed Panama should be permitted to fly her flag in our Canal Zone, to show Panama's "titular sovereignty."

On December 8, a State Department press release revealed that Under Secretary of State Merchant's recent trip to Panama had "cleared the atmosphere" for "economic and political concessions"—that is, we are starting a big new program of economic aid to Panama, and we will concede her "titular sovereignty" in our zone. The State Department claimed that we had been planning these concessions "for some time," but had postponed them when the November riots occurred, because the State Department did not want to "convey the impression," that we were "yielding to threats and demonstrations."

MEMORIES OF GREATNESS

On May 26, 1959, Gen. Robert E. Wood (who served as Army Quartermaster in Panama during the building of the canal) made a recommendation and a poignant remark. General Wood said:

"Our State Department should inform the Panamanian Government in no uncertain terms that we have a treaty; that we will observe it; and that we shall not amend the treaty further. We should also request them to clean house of Communist agitators."

"I sometimes feel pessimistic when I contrast robust Americanism of the young people of 1905 with some of the pallid and pink internationalism of the young people of 1959."

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking B.A. and M.A. degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a teaching fellow in English, doing graduate work for the degree of doctor of philosophy in the field of American civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI agent in all parts of the Nation, handling all kinds of assignments. But for 3½ years, he worked exclusively on Communist investigations in the industrial Midwest. For 2 years following that, he was on FBI headquarters staff in Washington, as an administrative assistant to J. Edgar Hoover.

After 9½ years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost 4 years, spoke to a national audience giving both sides of great controversial issues.

In July 1955 he resigned and started his own independent program, in order to give only one side—the side that uses fundamental American principles as a yardstick for measuring all important issues.

SUPPORTS EXTENSION OF LAW ALLOWING ADDITIONAL NONQUOTA IMMIGRANT VISAS FOR AZORES PORTUGUESE AND INDONESIAN NETHERLANDERS

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BOLAND. Mr. Speaker, I want to take this opportunity to commend and congratulate my colleague from Pennsylvania, Congressman WALTER, and members of his Subcommittee on Immigration for recommending to the House H.R. 10419 which passed yesterday.

This bill would amend the act of September 2, 1958, which I supported at the time, by increasing from 1,500 to 2,000 the number of visas to be made available to the nations or citizens of Portugal; it would increase the limit on the number of visas to be made available to the nationals and citizens of the Netherlands who have been displaced in Indonesia, from 1 year's annual quota to the total of the annual quota for 2 years; and it would change the closing date for issuance of visas under the act from June 30, 1960, to June 30, 1962.

Mr. Speaker, these people of Portuguese descent were made homeless when the volcano of Pico Gorda erupted on the Island of Fayal in the Azores a few years ago and caused almost continuous earthquakes and destruction.

Many of these tragedy victims have relatives in New England communities who can assist them and offer them new hope in starting life over again in America. These New Englanders of Portuguese extraction have been good and loyal citizens of the United States and have contributed greatly to American culture. Their Portuguese relatives who have been victims of the Azores disasters will make equal contributions to our great country if we allow more of them to come to our shores.

Mr. Speaker, this legislation also would extend for 1 year the period during which certain alien orphans adopted by a U.S. citizen and spouse may be issued immigrant visas pursuant to section 4 of the act of September 11, 1957 (71 Stat. 639-640), as amended by section 2 of the act of September 9, 1959 (73 Stat. 490).

Mr. Speaker, I am in wholehearted agreement with this legislation and I was pleased to vote for the bill yesterday. I certainly hope that this legislation is enacted soon by the Senate.

FRANK ANTHONY PODOSEK, SPRINGFIELD TECHNICAL HIGH HONOR SENIOR, WINS 19TH ANNUAL TALENT SEARCH WESTINGHOUSE THIRD PLACE SCHOLARSHIP

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BOLAND. Mr. Speaker, I had the great honor and pleasure last night to be with Frank Anthony Podosek, 18-year-old senior from Springfield Technical High School in my home town, when he was selected as third place winner, with a \$5,000 science scholarship, during the 19th annual science talent search for the Westinghouse Science Scholarships and Awards.

At noon today this honor student and valedictorian of his class was given a rousing and enthusiastic welcome home by Tech High students led by Principal Donald G. Gifford. He departed from Washington by air this morning after taking ranking honors last night at the awards winners banquet in the Statler-Hilton Hotel in Washington.

Frank is the son of Mr. and Mrs. Stanley S. Podosek, of 28 Pleasant Street, Ludlow, Mass. He studied the thermal expansion of liquids and solutions for his Westinghouse award-winning project. He was one of 40 boys and girls selected from 29,402 high school seniors who were invited to Washington for the 5-day Science Talent Institute, March 3 through March 7. I was Frank's guest at the congressional dinner at the Statler Hilton Friday night.

PODOSEK DEvised APPARATUS TO MEASURE RATE OF LIQUID EXPANDING

Like the 720 winners who have preceded them, the winners who were selected last night excel in such qualities as creative curiosity, independent reasoning, scholarship, and strong drive to explore untried areas of knowledge.

Mr. Speaker, Frank Podosek devised an apparatus by which he could measure the coefficient or rate at which liquids expand. His main objective was to discover and analyze the relationships existing between coefficients for particular liquids and those of their solutions.

After Frank graduates from Technical High School in June he wants to enter Massachusetts Institute of Technology

on the Westinghouse scholarship and study physics. His choice for a future occupation is either research physicist or chemical engineer. He has been president of the school's chapter of the Pro Merito, an honor society. Frank's awards include: first, second, and third prizes given at the school, regional, and State science fairs. He has also received the Mathematical Association of America, and the University of Massachusetts Mathematics Club awards.

BOLAND COMMENDS HIS PARENTS, WESTINGHOUSE, AND TECHNICAL HIGH

Mr. Speaker, the Westinghouse Electric Corp. is to be commended for making these scholarships and awards available to the future scientists of America. Also to be commended is Technical High School, of Springfield; its principal, Mr. Gifford; and members of its faculty who trained Frank.

And foremost to be commended are Frank's parents who gave him the love and encouragement needed by a boy who is ambitious, studious, and desirous of success in a chosen field.

STATEMENT OF TECHNICAL HIGH PRINCIPAL GIFFORD

On hearing of Frank Podosek's selection as third-place winner of a Westinghouse scholarship, Technical High School Principal Gifford issued this statement:

Technical High School was founded in 1893 by the late Charles F. Warner. It is one of the four specialized senior high schools in Springfield, Mass., and while we prescribe to the system of philosophy of the Springfield public school system, being a technical school by its founder's description and by community expectations, we offer in addition to the broad base of a good high school education, technical emphasis to the whole program of studies, of the entire life of the school.

For the past 4 years Technical High School has offered accelerated opportunities for selected youngsters in the fields of English, mathematics, science, foreign languages, and mechanical drawing. Frank Podosek has been a participant in these accelerated opportunities during his entire stay at Tech.

Regarding National Science Foundation summer institute participation on the part of Tech teachers, may I indicate that 13 science teachers have had 21 summer programs in 14 different colleges and universities. Seven math teachers have had 10 summer programs in 7 different colleges and universities and 2 counselors have had 1 summer program each in Boston University.

This is our second year of participation in the physical science study committee program in physics with two specially trained teachers handling the work. In every instance which has been reported to us by these teachers that their summer opportunities were involved and the increased strength in their personal skills and enthusiasm in their subject matter fields have been greatly in evidence.

Last summer three Tech boys were privileged to attend summer programs sponsored by the National Science Foundation. Frank Podosek was at UCLA, another lad at the University of Bridgeport, and the third at Hayden Planetarium. The enthusiasm of these youngsters in reporting on their summer experiences would make us believe that such programs are highly desirable.

PRESIDENT EISENHOWER SENDS GREETINGS TO WINNERS

Mr. Speaker, President Eisenhower greeted Frank Podosek and the other

winners at the Westinghouse science talent search awards banquet last night through Dr. George B. Kistiakowsky, the special assistant to the President for science and technology.

I include the text of Dr. Kistiakowsky's speech herewith and the program of the banquet in honor of the winners, including their names:

SCIENCE AND TECHNOLOGY: SEPARATE YET INDIVISIBLE

(Remarks by Dr. George B. Kistiakowsky, special assistant to the President for science and technology, at the Westinghouse science talent search awards banquet for the winners of the 19th annual science talent search, March 7, 1960, Statler Hotel, Washington, D.C.)

Mr. Davis, Mr. Kaltenborn, Dr. Carmichael, science talent search judges, winners, and distinguished guests, first, I should like to convey greetings to each of the winners and congratulations from President Eisenhower. He regrets that it was not possible to meet with you personally, as in previous years, and has asked me to extend to you his very best wishes for your continuing success.

May I thank you most sincerely for inviting me to address this Westinghouse science talent search awards banquet. Congratulations to the Westinghouse Educational Foundation, to Science Service, and to the Science Clubs of America for their contributions to our scientific strength.

The other day I noted a news dispatch from the Florida spring training camps. It included some rather frank appraisals of another facet of American strength and a thought occurred to me. If that ultra-realist—Casey Stengel—were surveying the country's scientific talent, would he hesitate to conclude that we have got to build up our farm system if we want to keep winning pennants? In this sense we owe a special debt to Science Service and the science clubs. They have assumed the missionary task of carrying the message of science and technology to the far corners of America. In the vernacular of Casey, they are beating the bushes for the most talented rookies.

The 40 winners who are here tonight, to receive the justly merited awards, are to be especially congratulated for persevering in the toughest kind of competition. As I wish them well, I am reminded of their continuing obligation to themselves and to their country to apply the same initiative and energy while in college and beyond and to develop their talents to the full. John Gardner—the president of the Carnegie Corp.—has said: "What we must reach for is a conception of perpetual self-discovery, perpetual reshaping to realize one's goals, to realize one's best self, to be the person one could be."

"To be the person one could be." This is full of deep meaning.

The other day a colleague of mine was talking to one of our most respected younger mathematicians. They were discussing the reasons for the current sharp increase in mathematics majors in colleges and universities across the country. The mathematician observed that the rising interest in mathematics could possibly be traced to the glamour of high-speed computers or to the excitement about outer-space science and technology. But, he added, based on his own observations, it was unlikely that many of these new math majors understood why they have made this selection, regardless of what their explanation might be. He cited his own experience, shifting, while an undergraduate, from chemistry to mathematics. He could not explain his underlying motivations then or since. I am sure that similar intellectual migrations have been experienced by others of our foremost scientists and engineers. Thus, of the two Nobel lau-

reates in physics who are members of the President's Science Advisory Committee, one earned his bachelor's degree in electrical engineering and the other in chemistry.

To become a creative scientist one needs good education, but one also needs something far more essential. It is the insatiable desire to learn, throughout one's professional life, a willingness to discard outdated concepts and to absorb new knowledge. Deficiencies in formal education can be overcome. Take my own case. Through the vicissitudes of the Russian revolution and civil war, I missed the last year of high school and had to compress my undergraduate and graduate university education into 4½ years. Leaving the University of Berlin, Germany, with a doctor of philosophy degree, I had a store of knowledge certainly less than that of a science bachelor. In fact, I knew very little outside the field of chemistry. But in those days sharp lines of demarcation existed between traditional disciplines, like chemistry and physics. One could be a researcher knowing little outside one's own little balliwick. Those days are gone. As we push back the frontiers of the unknown, the lines of demarcation between sciences fade away. The intellectual interests of a scientist have to be keyed to the unity of science, responding to the seamless web of nature that binds the physical and animate worlds. I could not stay in science unless I kept studying and filling out the frightful gaps of knowledge that my formal education, or lack of it, bequeathed me. Modern physics, math, biology, had to be learned almost from scratch. Then came the war. I was assigned to research on high explosives and rocket propellants and had to learn a lot about fluid mechanics. Since the war, electronics had to be studied, because one needs it nowadays to do research. And so, you see, I was in school not 4 but nearly 40 years.

Today, a youngster with my lack of formal education is hopelessly lost. In fact, these days there is increasing need for scientists who feel at home in many fields of science, what might be called the true interdisciplinarians. For example, the oceanographic and atmospheric sciences require for their advance the application of principles and techniques from several scientific disciplines. Perhaps because of this they are undernourished fields, in terms of gifted scientists as well as in resources for their support.

Science and engineering have also grown closer together. The radical shortening of time between scientific discovery and its application has tended to bring scientists into more intimate contact with the engineers. In fact, many creative scientists have moved from their laboratory benches to the ranks of engineers. Fortunately, this has been a two-way flow. The engineers have undertaken to support basic scientific advance through the construction of great scientific instruments such as radio telescopes, high-energy particle accelerators or scientific satellites—marvels of engineering, indispensable for modern science.

To make a point of reference for my remarks on the need for closeness between science and engineering, I should like to go back to the last years of World War II, which I spent at the Los Alamos laboratory. It is fashionable nowadays to dismiss that project lightly with the remark that nuclear weapons are really a very simple thing to make. This is to overlook a host of hurdles which existed then. For instance, the metallurgy of a new and very tricky element, plutonium, had to be worked out and the techniques for precision manufacture of difficult shapes from this metal discovered. The theory of the behavior of materials under superpressures of tens of millions of pounds per square inch was generated and proven by experiment. High explosives, which, up to that time, were known only as an uncon-

trollable force, had to be converted into a precision instrument, acting as predictably as any piece of refined machinery, but thousands of times faster. And, to do all that, instrumentation for a great variety of diagnostic experiments had to be invented and constructed. With all these problems facing Los Alamos, successful atomic bombs became available less than 2 years after undertaking major group effort.

Now why was that possible? The total manpower engaged in the Los Alamos work, by present standards, was small and the facilities modest. The factor which crowned the project with success was a great concentration of intellectual ability among the one or two hundred young leaders of the various sections of the project. That, and a deep conviction of the Los Alamos leadership that no inquiry should be suppressed just because its direct connection to the end objective was not obvious at the moment. In other words, research, as well as development, was encouraged by all means, until the very last moment.

Unfortunately, as a result of the narrowing of the boundary between science and technology, the work of the scientist has become confused with that of the engineer. They are not the same. The scientist searches for new knowledge, guided by his urge to learn more about the workings of nature. The engineer, on the other hand, is concerned with the achievement of practical goals which advance human welfare or national security. Basic scientific research is indispensable to provide the ever new tools for technology, but this is most often an unpredictable result of such research rather than its objective.

Take the case of the "Hertzian waves," the electromagnetic radiation. If Heinrich Hertz had been asked to devote his energies to producing a device for communicating over long distances without wires, he might very well have turned to semaphore and telescopes, or to light signals, or to some other application of already conventional principles. But he was interested in finding out if the electromagnetic waves predicted by Maxwell really existed, and so contributed something of fundamental importance to our understanding of the universe. It remained for a student of Hertz, named Marconi, to find the first practical application for his professor's discovery—radiotelegraphy.

You might ask, why lay stress on differentiating between science and engineering? Doesn't it run contrary to the intermingling of the disciplines and the erosion of traditional boundaries within and among scientific and technical fields?

The reason is this. The future growth and vitality of sciences in the United States depend upon public understanding of the nature and importance of the function of basic research. It depends on general appreciation that the difference between basic research and engineering is a fundamental difference in the intellectual processes and motivations involved. It requires an awareness that only some 27,000 scientists and engineers in this country are engaged in developing new scientific knowledge, about 9 percent of our total number of scientists. On this little band of scientific explorers rests the burden of catalyzing our industrial and cultural progress.

As a result of the equating of science and technology, many have concluded that the \$8 billion estimated to be obligated in fiscal year 1960 for Federal scientific research and development provides ample support for research. Actually, 94 percent of this amount is in support of development and applied research—leaving less than \$500 million for basic research. Still, this amount is a sign of major progress in gaining public acceptance of the need to support basic research.

This year marks the 10th anniversary of the creation of the National Science Founda-

tion—a remarkable innovation in the history of the U.S. Government. It was established by the Congress to promote the progress of science; and advance the national health, prosperity and welfare. It alone could initiate and support basic scientific research without relating it to any utilitarian mission. In 10 years its annual budget has risen from \$3.5 million to the \$192 million proposed for the next fiscal year.

Although there are thus encouraging signs of increasing public support for basic scientific research, this support is sustained really only because of the admitted importance of science to our national security, economy, and health. I doubt that scientific research is recognized and appreciated in its own right as a creative activity of the mind that enhances man's understanding. To some, such recognition may seem to be unnecessary and unimportant. But basic research is a fragile flower that needs the nourishment of encouragement and understanding, as well as material sustenance.

A change in public appreciation of basic research is, of course, difficult to accomplish and will take education and considerable time. Our present public attitude is a product of more than a century and a half of pragmatism born of the immediate necessity of developing and harnessing our national resources. It was a necessity more compelling than the tradition of scholarly pursuits.

We need both of these in our society: The unquenchable, free, probing into the unknown to expand the boundaries of knowledge; also the humanistic articulation of scientific knowledge that links it to the betterment of mankind.

Some of you will be inclined in one direction; some will be headed in the other. We shall need both—moreover, you will need both kinds of activities to insure for yourselves an almost limitless future that can be had if solidly grounded on the broad base of knowledge.

As I speak of the future, I am tempted to paraphrase Charles F. "Boss" Kettering, one of the greatest applied scientists of our age: The future is the main concern to our young people, because they are going to do all their living in it.

Thank you.

PROGRAM

Presiding: Dr. Watson Davis, director, Science Service.

Remarks: Howard S. Kaltenborn, vice president and assistant to the president, Westinghouse Electric Corp.

Address: Dr. George B. Kistiakowsky, special assistant to the President of the United States for science and technology.

Introduction of the judges: Dr. Leonard Carmichael, president, Science Service; Secretary, the Smithsonian Institution.

Report of the judges: Dr. Harold A. Edgerton, Dr. Stuart Henderson Britt, Dr. Rex E. Buxton.

Presentation of the Westinghouse Science Scholarships and Awards.

The "Star-Spangled Banner."

THE SCIENCE TALENT SEARCH

The science talent search is an annual activity of science clubs of America, administered by Science Service of Washington.

This year, among some 29,402 entrants, all seniors in secondary schools in the United States, 4,477 completed competitive examinations, and wrote reports on "My Scientific Project." Four hundred and forty-eight of these entrants won special recognition by being named in the honors group and of these, 40 were chosen to attend the Science Talent Institute in Washington. At the discretion of the judges, Westinghouse Science Scholarships of \$7,500, \$6,000, \$5,000, \$4,000, and \$3,000 are awarded at the conclusion of

the Science Talent Institute in Washington. The remaining 35 winners receive Westinghouse Awards of \$250 each.

Our guests of honor: Richard Aaron Applebaum, Barbara Anne Ash, Dennis Graham Baker, Charles Henry Bennett, David Raoul Brown, William Lovel Raney Cruce, Hazel Rita Cuffey, John Dewood David, Gayle Ann Edlund, Robert Bruce Eystone, Samuel Robert Friedman, Robert Reaney Friis, Jr., David Russell Hearn, Geoffrey Dane Heyworth, Melvin Hochster, Samuel Pettus Hoyle, Jr., Nancy Ann Klickman, David Bernard Loveman III, John Michael Julius Madey, John Charles Maraldo, James Vernon Mardis, John Norman Mather, Richard Pence Mills, Virginia Violet Perner, William Joshua Platt III, Frank Anthony Podosek, Linda Maria Ramstad, James Warren Rowland, Jr., Harry Jerome Saal, Robert Richard Savio, John Wesley Shaner, Betty Lou Snarr, Irving Joseph Spitzberg, Jr., Jerome George Spitzer, Joseph Paul Straley, JoAnne Marie Swartz, Joyce Ann Thompson, William Edward Underwood, Gordon Seth Wassermann, Arthur Taylor Winfree.

FOREIGN COMMERCIAL COMPETITION

The SPEAKER. Under the previous order of the House, the gentleman from Pennsylvania [Mr. VAN ZANDT] is recognized for 15 minutes.

Mr. VAN ZANDT. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include a bill.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. VAN ZANDT. Mr. Speaker, on January 21, 1960, Senator KENNETH KEATING, of New York, introduced S. 2882 and on the same date, I introduced H.R. 9841 as a companion measure. This legislation is designed to adjust conditions of competition between certain domestic and foreign industries with respect to the level of wages and working conditions in the production of articles imported into the United States. In plain language, if the legislation is enacted into law it would eliminate the existence of a condition that has long plagued American industry and which has produced much of the unemployment the Nation is faced with today.

The cause of unemployment in various industries of the United States has long been recognized as being due in great measure to the unfair competition American industry has been forced to contend with from cheaply manufactured foreign goods that flood the American marketplace.

It is a matter of simple arithmetic to determine the true picture. When you consider that a manufacturer in a foreign country pays a wage equivalent in dollars to 10, 15, or 25 cents per hour, naturally he enjoys a competitive advantage over an American manufacturer who pays the traditional wage standards of industry in the United States. This is further emphasized when you realize that wages represent a large portion of the cost of production.

Americans are proud of the fact that sweatshop conditions in the United States were outlawed at the turn of the century and that today there is no denial of the fact that American wage earners are worthy of their hire. Every

right-thinking American favors the wage earner being given the opportunity to enjoy the high standards of living in the United States. To make certain that such an opportunity is constantly safeguarded we need and must maintain a strong industrial economy. To do otherwise is to encourage unemployment and with it the misery that follows in its wake.

As an example of the serious inroads made against American industry by cheaply manufactured foreign goods, one needs only to cite the chaos and the uncertainty of the future that are the lot of the following industries: china and glassware, textiles, clothing, handtools, kitchen utensils, small appliances, umbrellas, rugs, toys, bicycles, light machinery, footwear, athletic equipment, plumbing fixtures, tile and ceramic fixtures, etc.

According to the February 1960 issue of Steel Facts a steel executive recently stated:

With imports of steel up and exports of steel declining, American mills and American workers have had a combined loss of 6.6 million tons of steel output in the past 2 years.

He estimated:

Had this steel been made here at home it would have provided employment for nearly 52,000 people in the steel industry.

Mr. Speaker, what is the answer to such a distressing situation where the jobs of American wage earners are threatened or destroyed through the uncontrolled importation of foreign goods manufactured at slave labor wage rates?

It is now a thoroughly documented fact that the swift, accelerating course of events taking place in American foreign trade and competition has rapidly outdistanced both our legislative and commercial ability to keep apace.

Two years ago when the trade agreements program was extended for 4 years a number of my colleagues in the House rose to caution and protest in the name of prudence that such a lengthy extension was clearly out of key with the telltale signs of rapidly rising imports and diminishing exports so clearly evident even in 1958.

Be that as it may, this House cannot now escape the responsibility for the fact that when we slammed shut the doors of this body to the pleas of import-injured industry and labor for 4 long years we have heard a great many echoes of other closing doors; namely, those leading into our mills and mines and factories. Once open to all who sought gainful and honest employment, many of those passageways are now locked and barred by the deluge of excess imports from foreign factories financed by funds which we so generously provided and continue to provide in large volume.

The distressing situation prompts me to ask this question in all sincerity. Which distinguished Member here will step forward today and meet face to face the chairman of a New England shoe manufacturing concern who recently said, "Sure all this free trade may be great for international relations, but how do I explain that to several hundred of my employees who were waiting for a

midyear bonus and got termination notices instead?"

Or perhaps some of our distinguished Members would prefer to meet the group of industrialists, or the labor union which stands with them on this issue, whose industry has been whittled from 184 firms to 56. Referring to imports, they said:

Sharing a market is one consideration; but to dominate it completely is not justified.

In my opinion, this statement offers one of the most accurate descriptions of the so-called reciprocal trade program that has yet been made.

I now ask: What are you going to tell employers and employees such as these? Will you say,

Don't worry fellow, the trade agreements program has only 2 years left to run and we will deliberate over it then?

You can easily guess the retort, which would be short and to the point:

Congressman, you explain that to my wife and kids.

Despite the apathy and the anxieties of our Department of State and the fact that this is an election year, the time for legislative action is now—not 1962. Members in gratifying numbers from both sides of the aisle are voicing their concern almost daily on the issue of crippling competition. They realize there is a time and place for everything, including politics, but now is the time for straight talk on a problem so serious that few political districts remain untouched.

Let us consider two facts: One, that the foreign trade tail is wagging the dog of our domestic economy. Do not misunderstand me. I stand fully in favor of developing our foreign markets to their maximum capacity and if there are untapped foreign markets available, let's go after them. What I am saying, however, is that the real bread and butter market is and will remain the domestic market. Even our big exporting corporations understand this. Our foreign exports represent but 5 percent or so of the domestic giant's trading capacity. For this reason, the home base must not continue to be subjected to competition from low-cost imports, often encouraged by our diplomats who piously plead that they never interfere in domestic matters.

And the second point: Our State Department reflects the wishes of peoples, friendly and otherwise, all over the globe. But we of the House speak for the will of the American people, a known but sometimes overlooked truism. The State Department's interest is international while our first concern is the welfare of our Nation. The State Department alleges no jurisdiction on the domestic front while claiming a high priest's privilege as sole custodian over all our international activities.

However, in practice the Department of State couches one and all of its programs including that of free trade in the name of the national interest. Whether State Department officials realize it or not, the phrase contains convenient words to make more palatable their theories to the Congress.

Mark you, it is Congress through which the pulse of the people beats. It is the

Congressman, not the diplomat, who is reminded of this fact each morning as he sits down to a desk stacked high with letters from home. It is in this daily ritual that we search for the interests of the people, not in the pages of scholarly books on the philosophical foundations of international commerce. It is these letters with a misspelled word here or a grammatical error there that speak to us with a humble but deafening eloquence that reveals the emptiness of State Department slogans designed to promote free trade.

In addition to the direct and intolerable interference in the economic stability of this country brought about by international-minded administrators of our trade agreements, there remains the question of jurisdiction in America's foreign commerce.

We all know that the Constitution under article I, section 8, provides that responsibility over foreign commerce rests squarely with the Congress. We know on the other hand that it is the task of the executive branch to carry out the duties accorded that body in the political, cultural, and similar areas. In 1934, the Congress delegated certain management activities in the theater of foreign commerce to the executive branch of Government. It is necessary to acquaint the Members of the House with the subsequent operations and conduct of our foreign trade policies since that time and especially since World War II.

The Department of State has not only picked up the ball and run with it, it has changed the rules of the game and by so doing has distorted the game beyond all recognition. It has construed our delegation of a simple managerial function to be a complete, final, and outright grant of basic congressional rights. And now woe be to the Representative in Congress who dares to question the so-called prerogatives of the Department of State.

To those who say the executive free trader should not have it both ways, let me reply that they already have it. Because of the distressing situation I am speaking in the name of the people of Pennsylvania who resent the loss of markets and jobs through uncontrolled imports of cheaply manufactured foreign goods.

The reason for insisting on fair trade and not free trade is based on the desire to protect and preserve the jobs of American wage earners. Let us look at the situation as it is, not as we might like it to be. We have high priced products which cannot compete because everything that goes into that product is high priced: the wages, the salaries, the material, the taxes, the overhead, the advertising, and so forth. Would you quarrel with this? Would you be the one to take the first cut?

If you are in utilities, would you be the first one to cut your water or light bill in half to a given steel company so that its bids against foreign companies on ships or structural jobs would not be double that of its competitors abroad? If you are its supplier would you be the first to reduce your prices on ingots a similar amount? And taxes—are you

and I prepared to unburden our hypothetical firm in domestic steel or other industries from the crushing load which it carries?

Who among the workers, the businessmen—any of us—stands ready to step forward to take the first reduction on payday? Were such a question truly put to the test, the silence I dare say would be profound. We are priced out of world markets by our high-priced products because we are a high priced Nation so to speak. Is this to be considered a felony? Are we to live with this horrible crime on our collective consciences like some unforgiven sin of the past? Must American industry now be battered and penalized by imports created by the force of circumstances which elevated our Nation's economy and its standard of living to the industrial mountain top, relatively out of reach of the foreign economies in the valleys below? For these achievements, surely we should not be asked to hang our heads.

By some peculiar emotional twist the free traders seemingly look upon our economy as some unclean spirit through whose veins flow the dirty, degrading dollars of life. Our relative economic abundance seems to prey on their minds. They have reached the conclusion that the quicker we can spend ourselves down to the economic level of other countries, the sooner hastens the day of our rebirth as a socially conscious Nation with a new image and a pure industrial soul.

Realizing that the voices of protest grew louder against unfair competition and the State Department's grants and gifts to competitive trading nations abroad, another way had to be devised which would hasten our acceptability into the free-trade academy. Such a way was recently discovered through a market give-away program.

As the foreign manufacturer wedged his competitive offense deeper into the fabric of our markets, not a word, not a murmur was heard from the free traders. It would be somewhat inconsistent, to say the least, were they to take sides when one considers the fact that the International Cooperation Administration, the handmaiden of the State Department, had led hand in hand approximately 25,000 of our foreign friends since 1950 into the very vitals of our industries and to study and learn the essence of our economy. In addition, Americans are now being sent abroad officially to teach the men who run the marketing operations of foreign producers the latest methods of merchandising. In this connection, we have shipped abroad tens of billions of dollars of the most up-to-date machinery and equipment.

American style techniques will soon move their wares into the United States as well as third countries where we are in even more serious competitive difficulties than at home, if that is possible.

The question which immediately faces us is: How are we going to legislate ourselves out of the corner into which the executive branch has painted us? And bear in mind that preparations are now under way here in Washington for the forthcoming Geneva meeting in October

of the General Agreement on Tariffs and Trade—GATT. A new list containing many hundreds of domestically made products is being readied for the sacrificial altar of free trade. All, of course, in the national interest you understand. Tariffs already too low are to be cut another 20 percent.

It is my belief that many of my colleagues share the view that this House is ready to act.

A noted author once said in chiding his opposition:

If you have 10 boys but only 5 hats you solve the problem by simply lopping off 5 heads.

Are we to lop off and dissect the highly industrial, integrated organism of the American economy in order to make it artificially conform to the "hats" of other nations? Or do we select the prudent and reasonable course, by passing the measures, long overdue, which insure our domestic producers a fair share of commerce in the marketplace?

If we are to come to grips with the issue of foreign imports this body must provide our people with equitable conditions of competition. Feasibly, such conditions might take the form of an escalating duty or quota on incoming products, flexibly administrable to all classes or commodities according to their port of entry price irrespective of countries of origin. Thus the wage gap would be automatically reduced.

Regardless of the final form which remedial measures may take, the following principle should be the foundation for our actions: foreign producers should not be enabled to enjoy commercial advantages within the American market not obtainable or available to the American producer in competition with the same or similar product.

If this precept were adhered to, the products of American industry could have a fighting chance to compete with foreign imports which, in comparison, are priced at ridiculously low levels. Conversely, were this principle to be applied by foreign countries to our own exported products affording us no greater nor less an advantage in their markets than their producers enjoy there, we would fare considerably more favorably than at present. Our industry would not then find it necessary to send its capital abroad in order to compete.

For example, an American car which retails for about \$3,000 here is now selling for \$4,000 to \$6,000 and higher in European countries. In other words, our exporting manufacturers not only do not enjoy the commercial conditions of the automakers abroad in the European theater of competition, but are also needlessly tarified out of contending in a market where low prices provide their own built-in protection. It was because of this that our automobile manufacturers began producing in England, Germany, and France and then sending some of their output overseas back to this country.

Whether foreign producers pay their employees high wages or low wages, charge high prices or low prices, organize common markets or not, pass voluntary-quota resolutions or not, let me say that

it is their right to do so as it is surely our right to do that which serves our interests.

Parenthetically, I might add that it becomes both irksome and tiresome to read and hear the meddlesome musings of the disciples of free trade who having helped create our problem now intend to right things by foisting their socioeconomic theories upon others abroad.

"In due time," say our freetraders in their efforts to make all countries alike in this age of conformity, "foreign wages, productivity, and so forth, will increase everywhere and then all the nations will come to us and buy our machines and goods." On the contrary, the facts show that our customers, for example in Latin America, are turning away in droves from the United States and now do their shopping in Europe, and so forth, where other trading nations are moving to higher levels of industrial productivity. In addition, they want to make for themselves the goods which we formerly sold them. This kind of outcome was not contemplated by Adam Smith.

I feel it my duty to suggest to the exponents of free trade that they explain their theories to the workers of Pennsylvania who like to work and eat even as you and I.

Meanwhile, here in the House we have a job to do. We may have our personal views on various aspects of international affairs but at hand is our professional duty which must concern itself with the problem as it affects us and in those areas where we can effect the honest regulation of excessive imports.

In short, let us stop theorizing about what Europe may or may not do, or what Japan has or has not done, and do here what must be done. If the foreign producer wants to sell his product in his country at his prices, that is his business. But if he sells his products at his prices in my country, then it becomes my business, and I will continue to consider it my business as long as his low-priced goods lay waste the markets and destroy the jobs and industries of the State of Pennsylvania.

Twin jeopardy faces both sales and jobs every time foreign products capture a larger slice of our markets. Our working people face on the wage level what the producer meets on the price level in competition with imports. If employer and employee are to unite on this issue both must clearly understand this. Debates about the low-waged foreign workers who make the low-priced foreign goods that abundantly stock our shelves and warehouses being over- or underpaid become rather academic at this stage of the game. They have legislators and labor unions to provide them recourse.

Similarly whether we have high prices because of high wages or high wages because of high prices does not nullify the demand for immediate action before we arrive at the point where we will lose both by default.

In the market of wage competition we are sadly outpriced, too, as the following approximations indicate. Basic aver-

age hourly wage before benefits, in U.S. equivalents:

The Japanese textile worker receives a wage of about 16 cents; the Italian, 27 cents; the French, 51 cents; the German, 46 cents; the English, 68 cents; and the American, \$1.58 per hour.

The Japanese wood worker receives about 18 cents; the Italian, 24 cents; the French, 54 cents; the German, 48 cents; the English, 50 cents; and the American, \$1.98 per hour.

The Japanese chemical worker receives about 37 cents; the Italian, 37 cents; the French, 49 cents; the German, 57 cents; the English, 68 cents; and the American, \$2.44 per hour.

The Japanese leather worker receives about 23 cents; the Italian, 30 cents; the French, 54 cents; the German, 40 cents; the English, 47 cents; and the American, \$1.59 per hour.

The Japanese glass worker receives about 26 cents; the Italian, 36 cents; the French, 47 cents; the German, 55 cents; the English, 70 cents; and the American, \$2.22 per hour.

The Japanese steel worker receives about 41 cents; the Italian, 46 cents; the French, 53 cents; the German, 59 cents; the English, 83 cents; and the American, \$3.10 per hour.

The Japanese machinery worker receives about 28 cents; the Italian, 36 cents; the French, 54 cents; the German, 59 cents; the English, 74 cents; and the American, \$2.50 per hour.

The Japanese auto worker receives about 26 cents; the Italian, 46 cents; the French, 54 cents; the German, 64 cents; the English, 94 cents; and the American, \$2.69 per hour.

The addition of employer and government benefits to the foreign worker's wage would increase the overall take-home pay from about 20 percent in the case of Germany to as high as 60 or 70 percent in the case of some Italian workers, with other countries falling somewhere within this wage spread. The fringe benefits accruing to the American worker are not as high as those abroad in proportion to the basic wage, although in some categories such as overtime, they may be. Yet 10 percent of \$2.69—average U.S. auto wage—would be higher than 50 percent of 36 cents—average Japanese auto wage. In the United States, overtime generally takes effect above the 40-hour point whereas some foreign workers may not receive such benefits until they have worked 44 hours or more.

While it is difficult to obtain accurate statistical data of comparative hourly income in different countries and industries for the same period of time because of the complexity and variation of conditions under which such benefits apply, it can be conservatively stated that one inescapable fact stands forth: Benefits notwithstanding, in his relation to foreign workers the American worker is waged out of the market. Current benefits received by foreign workers could well double, triple or more the amount of his basic wage and foreign products would still outprice American-made products.

While certain Government officials continue to insist that we are not priced out of the market, our competition readily concedes that we are.

"From the cost point of view," said one British steel industry official, "we had an advantage over America in that our wage rate was only about one-third of theirs and even though their productivity was twice ours, this enabled us to sell at lower prices."

Nor must the phenomenal increase in productivity enjoyed by many foreign industries as a result of advanced mechanizations be overlooked.

Recent reports disclose that some ultramodern automobile plants in Europe can now produce 3,000 cars a day in one-half the time required for us to make 1,500 cars.

Continuing on the subject of productivity, Dr. Karl Feters, vice president of research and development of Youngstown Sheet & Tube Co., who recently returned from Europe where he studied new steelmaking processes had this to say:

Many European mills were partially or completely destroyed during World War II. These mills have been rebuilt and expanded, partly with our foreign aid money, and we find more of their steel being produced in new and modern mills than in our own country. It was interesting to note that in every new mill the very latest automatic production, material handling, recording and control equipment has been installed to increase productivity per man-hour. Every possible new mechanical, chemical and electronic device is being used to produce high quality products at low cost. We saw one completely new steel plant in Liege, Belgium, that for practices and equipment is the finest we have ever seen.

In order to minimize the effects of the vast disparity in wages and in prices there and here and to provide an opportunity for our people to compete in an honest market, further legislative delay must be avoided.

Needless debate simply perpetuates the disruptive elements which have caused chaos to orderly and sound industrial planning and which are even now affecting our future growth and expansion by curtailing research and siphoning off investments from domestic facilities to ready havens abroad.

As stated previously, it is for this reason and the reasons outlined that I introduced the following bill, H.R. 9841 on January 21, 1960, as a companion measure to S. 2882, introduced on that date by Senator KENNETH KEATING of New York:

H.R. 9841

A bill to provide for adjusting conditions of competition between certain domestic industries and foreign industries with respect to the level of wages and the working conditions in the production of articles imported into the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Fair Labor Standards Trade Act of 1960".

SEC. 2. FINDINGS.—Sweatshop labor conditions are prohibited by law in the United States. The rapid expansion of American foreign trade in recent years, in effect, permits foreign industries in which wages and

working conditions are below American standards to compete with domestic industries in which wages are significantly higher and in which minimum wages and working conditions are set by the laws of the United States and the several States. Many American industries, especially those in which labor costs constitute a high proportion of the total production cost, have been injured or are threatened with serious injury as a result of such competition. The following procedures are established to provide relief for such American industries.

Sec. 3. PROCEDURES.—(a) Upon the request of the President, or upon resolution of either House of Congress, or upon application of the representative of any domestic industry or employee organization in a domestic industry, or upon application of any interested party, or upon his own motion, the Secretary of Labor (hereinafter referred to as the "Secretary") or his designee shall make an investigation of any situation in which it is alleged that the differential in costs, due to the existence of wage rates and working conditions significantly below United States standards, gives foreign manufacturers or producers a competitive advantage over United States manufacturers or producers.

(b) In carrying out an investigation and hearings under the foregoing procedure, the Secretary shall to the extent practicable consider (among other factors): wages and all other forms of remuneration for work performed, labor productivity, production costs and the components thereof, levels of automation, working conditions, legislation or regulations pertaining to working conditions, and living standards in the United States and in the country or countries of origin of the imported article or articles under investigation.

(c) The Secretary shall request the views of the Tariff Commission in writing on relevant trade and international factors in all cases in which he deems such information necessary to the investigatory process under this Act. He may in addition request the views of any other interested agency or agencies.

(d) Should the Secretary find that a domestic industry is being or is likely to be injured by imports of goods which are produced in foreign countries under wages and working conditions below United States standards, he shall recommend to the President such new or additional duties, import quotas, or other remedies, as he shall deem necessary or proper in each case, but in no event shall such new or additional duties exceed existing rates of duty by 100 per centum or by the amount of 50 per centum ad valorem, whichever is higher, or shall such new or additional quotas exceed existing quotas by 50 per centum.

(e) Upon receipt of the Secretary's report and recommendations, the President may by order impose such new or additional duties, import quotas, or other remedies (1) as recommended by the Secretary to be necessary to afford relief to the domestic industry, or (2) as are determined by the President to be necessary for such purpose.

(f) The Secretary shall make and publish, with dispatch and in no event more than six months after the request, application, or resolution is made, a report on each request, application, or resolution under this Act.

(g) Any order issued pursuant to this Act may be modified, suspended, or terminated under the procedures herein established.

(h) The new or additional duties or import quotas imposed by the President or other action taken by him under this Act and any modification, suspension, or termination thereof, shall become effective on such date as he shall specify in his order and shall be treated for administrative purposes as a part of the Tariff Act of 1930.

(1) The Secretary shall within ninety days after the enactment of this Act promulgate procedural regulations to give effect to the authority conferred upon him hereunder.

SEC. 4. EFFECTIVE DATE.—This Act shall take effect as soon as practicable, on a date to be specified by the President in a notice to the Secretary of the Treasury, but in any event not later than ninety days after the date of enactment.

HOSPITAL INSURANCE FOR THE ELDERLY

The SPEAKER. Under the previous order of the House, the gentleman from New York [Mr. HALPERN] is recognized for 15 minutes.

Mr. HALPERN. Mr. Speaker, last July the Ways and Means Committee held hearings on H.R. 4700, the Forand bill, to provide insurance against the costs of hospitalization, nursing home care, and surgical services for those eligible for old-age and survivors benefits under the social security system. These hearings generated extensive interest throughout the Nation on the question of high medical expenses of the aged and practical means for alleviating them.

As one who is proud to be a sponsor of the bill, I am pleased to witness this growing support for the measure. Such eminent organizations as the AFL-CIO, the American Nurses Association, the American Public Welfare Association, the Group Health Association of America, the Hospital Council of Philadelphia, the National Farmers Union, the National Association of Social Workers, the National Consumers League, the Council of Jewish Federations and Welfare Funds, Inc., and others, have given it their backing. Most recently, the National Council of Churches of Christ has conditionally endorsed its principle. My own mail reflects a continuing interest in its adoption.

We are now almost half way through the second session of the 86th Congress, and while support for the bill is mounting daily, Congress has yet to act upon it. Americans must urge Congress to recognize that this legislation should have top priority at the current session.

Everyone I speak to seems to favor it. Throughout the Nation there appears to be unprecedented agreement on the necessity for this legislation. Yet, the extent of this support has not, I believe, been properly felt in Washington. There is a great deal of talk about the bill coming out this year. But, it takes more than talk to get action.

The weight of public sentiment, thoughtfully and abundantly expressed, could be the deciding factor in a year when Congress is confronted with a multitude of problems clamoring for its attention. This sentiment has been substantial. It can and will continue to grow.

Sober appraisal of it by the Members of Congress must lead inexorably to the realization that the need for this legislation is now—not tomorrow, not the day after tomorrow, but today. Almost 12 million or 72 percent of our aged would be eligible for its benefits if it were passed this year. A great majority of these people whose incomes are minimal and who

are susceptible to the terrible scourge of chronic illness would receive no benefit from programs designed to enable them to participate in insurance schemes during their working years in order to secure health protection when they retire. Nor can they afford, after 65, heavy premiums for inadequate insurance policies. In most areas as well, they are excluded from participation in Blue Cross plans; and here again, even if they could be enrolled, their limited incomes would be drained by monthly premium charges.

Private health insurance, in most instances inadequate to the need, only protects some 40 percent of our aged today. It is claimed this percentage will substantially increase. But can we expect such an occurrence in the years ahead? Unfortunately, no private insurance plan, no matter how desirable, could possibly be offered without prohibitive rates or, conversely, minimum coverage, beyond the reach of, or inadequate for the needs of, the majority of our elderly citizens. This is an elementary fact since insurance rates are based on experience and must be actuarially sound.

In 1959, of those on social security with incomes under \$1,200 only 20 percent had any form of private health insurance. On the other hand, of those with incomes of \$5,000 and over, 65 percent had some such insurance.

When it is understood that the average income of the aged is \$2,000 or less a year—the McNamara Subcommittee on Problems of the Aged and Aging reported that, in 1958, 60 percent of the aged received less than \$1,000 in income—it is reasonable to ask, where are these new policyholders going to come from? Unless incomes of the aged are markedly increased, they simply will not be able to secure adequate protection in the private insurance market.

A program such as the Forand bill to provide insurance against the heaviest medical costs of the aged, that is, hospital and nursing home expenses, is the only answer to one of the most pressing problems facing the Nation today. There is hardly a family in America today that does not have some kind of health problem affecting its elderly kin. This is one of the pathetic travesties in our modern, realistic world.

Perhaps the tragic plight of the aged was most cogently summed up by a witness before the House Ways and Means Committee in July when he reported a statement made by a retiree from General Motors:

Being sick—

Said this worker—

is the most dreadful of all the problems of growing old. * * * Do you think there will ever be anything done to relieve the pressure of mounting costs?

Of the almost 12 million aged on social security, about one-fifth have no other income than the monthly benefits they receive, averaging \$72 a month. The average monthly social security payment is less than 25 percent of the average workers' take-home pay. This hardly approaches a decent proportion of earnings to meet the needs of old age. In

1957 only 25 percent of retired couples received employer or union pensions; less than one couple in twenty received veterans compensation or pensions; about one in five received income from employment—the majority of these on part-time jobs; about half received income from dividends, interest or annuities amounting to \$200 or more a year. These pathetically low figures make readily apparent the gravity of the problem.

The need is obvious. The aged comprise a group with low incomes whose medical expenses average 50 percent again higher than the national norm. Subject to chronic illnesses and with four-fifths of them having to meet medical expenses out of personal means, they must use a substantial proportion of their assets for this basic purpose.

The Forand bill offers a sensible solution to this tragic situation.

Most important, it would enable the cost of a health insurance program for the aged to be spread as broadly as possible over both the working lifetime of people and the working population of America. As more and more Americans become eligible for social security benefits, it could eventually protect some 90 percent of those over 65.

The hearings last summer demonstrated clearly many advantages in this approach toward meeting the problem.

Not only would the costs of the Forand bill be feasibly borne by the working population, but the program would provide, as no other approach could, a minimum universally applicable standard of health protection for the aged.

It would provide a guaranteed insurance system whose protection would not be subject to cancellation or exclusions.

It would benefit private insurers and the Blue Cross system by enabling these carriers to concentrate on younger, lower-cost, policyholders.

It would benefit private and public welfare activities by relieving them of some of their burden, and it would prove advantageous to hospitals by providing payment for much of the care that they now must give to charity cases without charge or at rates far below cost.

It would be superimposed upon an already sound and going social security program and, although administered by the Department of Health, Education, and Welfare, would make wide use of the administrative skills of private, nonprofit organizations such as Blue Cross.

Its costs of a little over \$1 billion a year could feasibly be met by a tax of one-half of 1 percent on a total national taxable payroll of upwards of \$200 billion a year.

Of equal importance, its costs would not form a part of annual budget formulations.

It offers no danger of government regulation of medicine. In fact, the terms of the bill specifically forbid it. Its operation would not interfere with the practice of medicine, the manner in which medical services are provided, or the internal management of participating institutions. Like the Blue Cross, its sole function would be to provide a means for assuring payment of specific medical costs.

Mr. Speaker, the Forand bill offers a solid answer to an evident need; it provides a proposal superior to suggested alternatives; and, its cost, spread over an insurance program, could be satisfactorily absorbed by the American economy.

The proposal is receiving growing support from all over the Nation. Public opinion is steadily mounting in its favor. It is time that this strong sentiment became decisive. I urge that the Congress, engulfed though it is in a multitude of problems, weigh this demand carefully and enact a bill for the aged commensurate with its great responsibility to provide for the general welfare of the Nation.

BORDER SANITATION PROBLEMS AT TIJUANA, MEXICO

Mr. BROOMFIELD. Mr. Speaker, I ask unanimous consent that the gentleman from California [Mr. WILSON] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. WILSON. Mr. Speaker, I have today introduced legislation to provide authority for the Secretary of State to conclude an agreement with the Government of Mexico and the city of San Diego for the collection, treatment, and disposal of sewage originating in Tijuana, Mexico. My bill further provides that the agreement must contain provisions for payment by the Government of Mexico in an amount and under such terms and conditions as may be deemed appropriate by the Secretary of State.

In order for us to fully appreciate the problems at hand, I will briefly outline some of the background for this legislation. In 1944, a treaty was concluded by the International Boundary and Water Commission of the United States and Mexico which among other things included problems concerning the Tijuana River. Under the treaty, the two governments agreed to give preferential attention to the solution of border sanitation problems.

Through the years an international outfall sewer was constructed to carry sewage originating in Tijuana, Mexico, across the international border into California, thence down the Tijuana River and into the Pacific Ocean near Imperial Beach, California.

Today the rapidly expanding growth of the Tijuana area has completely overtaxed the simple sewage facilities available to that city. Raw sewage is now flowing into the Pacific Ocean and is subsequently swept up on the beaches of adjacent California communities. Emergency measures were taken by the local governments in San Diego County to treat the raw sewage by chlorination. The Mexican Government has participated by paying a portion of the cost of this treatment, but this still does not solve the problem.

The situation became so acute during the summer of 1959 that chlorination was unable to sufficiently reduce the bacterial count. As a result, the county

of San Diego health authorities closed the beaches and restricted the use of a major portion of the beaches in what is known as the "Silver Strand" in the Imperial Beach area.

Officials of the city of Imperial Beach, the county of San Diego, the city of San Diego, the State of California, the International Boundary and Water Commission, and the Department of State have worked diligently with me on this problem, giving it much attention during recent years. My legislation means positive and affirmative action on the part of the U.S. Government to meet this threat to the health of thousands of citizens in the southwest corner of our country.

The Mexican Government, from President Lopez Mateos to his representative on the Mexican Section of the International Boundary and Water Commission, have pledged their cooperation with the United States in resolving this situation to the mutual satisfaction of both countries.

The legislation I have introduced will formally allow our Government to propose a plan to the Government of Mexico which we trust will resolve this problem.

Our experts in the field of sanitation engineering have concluded that the only reasonable approach to the resolution of the problem is to have Tijuana, Mexico, area join in a master sewerage project to be constructed by the city of San Diego. Our sanitation engineers advise that through an extension of the planned San Diego system, sewage from Tijuana may be collected, treated, and disposed of by the city of San Diego system.

This legislation obligates the Secretary of State through his representative on the International Boundary and Water Commission to effect an agreement with the Government of Mexico to provide (1) that Tijuana join the San Diego system and (2) that the Government of Mexico pay her fair share of the cost involved in joining the San Diego system.

This plan is concurred in by all the U.S. official bodies that are affected by the Tijuana sewage problem and represents the collective thinking of all the agencies of Government and their representatives.

Mr. Speaker, the need is critical. May I respectfully urge the highest priority be given this legislation.

A TRIBUTE TO THE LATE SENATOR WILLIAM J. BULOW

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from South Dakota [Mr. McGOVERN] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. McGOVERN. Mr. Speaker, on Friday, February 26, the former Senator from South Dakota, William J. Bulow, died at his home here after a lingering illness.

Although Senator Bulow belonged to an earlier generation and it was not my privilege to know him personally, I have admired him since my boyhood days in South Dakota.

As a Democratic Member of the Congress from South Dakota, I have felt a special bond with Senator Bulow. The election of a Democrat to high office is rather rare even in South Dakota history. Senator Bulow broke the ice in South Dakota politics when he was elected as a Democrat to the Governorship in 1926 and reelected in 1928. During these years Governor Bulow commanded widespread respect from Republicans and Democrats alike. His blunt honesty and droll humor combined with a genuine love of his people and his State laid the basis for his election to the U.S. Senate in 1930 and again in 1936.

He lived a long, rich life that spanned half of the entire life of America as a Nation. We should not mourn the passing of one who has lived life so fully and now rests in peace. We share with his splendid family the memory of a dedicated public servant and a lovable human being.

I include at this point in the CONGRESSIONAL RECORD a tribute that was offered to Senator Bulow by the Yankton Press and Dakotan on the occasion of the Senator's 91st birthday shortly before his death, and an article from the Watertown (S. Dak.) Public Opinion by Mr. Harold S. Milner immediately following the Senator's death:

[From the Yankton Press and Dakotan]

GREAT PUBLIC SERVANT

With nothing specially planned for the occasion, one of South Dakota's truly great citizens quietly observed his 91st birthday last week in Washington. The man is William J. Bulow. He served his State both as Governor and as U.S. Senator. He was a small-town lawyer in Beresford when he was first called to public service as his State's chief executive in 1926. Reelected to a second 2-year term in 1928. He served so well that he was elected to the Senate in 1930. A second term was accorded him in the 1936 election, but he met defeat in the primary election of 1942. Senator Bulow's high sense of public duty in his many years of service won him the respect of men regardless of party affiliation. That knowledge must be a source of satisfaction to him in his declining years.

[From the Watertown (S. Dak.) Public Opinion, Feb. 27, 1960]

BULOW: HUMORIST WITHOUT EFFORT

(By Harold S. Milner)

PIERRE.—William John Bulow was a humorist without effort.

The quips he made in campaigns and when talking to statehouse visitors are still quoted around the Capitol.

He was credited with coining one that is now a stock answer. He was asked by a visitor how many persons worked in the statehouse and answered:

"Oh, about half of them."

Launching his campaign for the Senate, he said:

"There aren't any issues. Mac's got a job I want." So, the voters elevated him to the U.S. Senate over incumbent W. H. McMaster.

His scorn for the conventional caught the fancy of the rural voters. His story-telling brought a tribute from the late humorist Will Rogers that "he's funnier than I am."

NO FULL DRESS

When told by newspapermen, after his election to the Senate, that he would have to wear a full dress suit in Washington, Bulow said: "I guess not. At a Democratic banquet in Washington a few years ago Will Rogers and I were the only ones you could distinguish from the waiters."

Bulow was a tobacco chewer. The Republicans said he entered the campaign with great expectations. Bulow countered:

"I may chew tobacco but you can always have a bite off my plug."

He was asked by a reporter to make public his stand on national issues, and said: "During the campaign I was accused of pussy-footin'. I guess I'll keep right on pussy-footin'."

When Al Capone, Chicago's No. 1 public enemy, was offered haven in the Black Hills, Bulow protested:

TOO MANY REPUBLICANS

"We've got too many Republican candidates for Governor now."

A vote-getting personality and the Bulow luck brought Bulow political rewards unparalleled in South Dakota's Democratic history.

From an obscure Beresford law office, Bulow emerged in 1924 into major politics of the State, having previously served as State senator from Union County in 1890. Numerous and politically unconventional, he soon gained a large following.

After one unsuccessful gubernatorial campaign, the Beresford attorney struck a political stride that carried him to the governorship twice, in years when the rest of the Democratic ticket lost by large majorities. Personal popularity and the political machine built up in two terms of Democratic administration elected him U.S. Senator in 1930 over McMaster.

Defeated for a second term as State senator, Bulow's political activities for the next 20 years were limited to county and municipal fields. He was city attorney of Beresford from 1902 to 1912 and served again from 1913 until taking over the governorship in 1927.

SERVED AS MAYOR

Mayor of his home town for one term, 1912-13, he also served several months on a temporary appointment as Union County judge.

During World War I he had charge of successful county liberty loan drives.

In 1924, an accident put Bulow into major politics. The Democratic nominee for Governor, A. B. Anderson, friend and fellow townsman of Bulow, was killed by a bull after the start of his campaign. Picked to take up the gubernatorial fight against Carl Gunderson, Republican, Bulow was defeated by a large vote.

Two years later, Bulow entered the race again, and in a close campaign, with Republican discontent the deciding factor, beat Gunderson by 7,000 votes.

Although Andrew Lee, elected 30 years before on a fusion ticket of Populists and Democrats, was credited by some as being South Dakota's first Democratic Governor, Bulow claimed the distinction of being the first to attain the office on straight Democratic support.

His veto of the general appropriations bill, for the first time in the history of the State, resulted in calling a special session in June, 1927. This was perhaps Bulow's outstanding action during his first term, when sufficient Democratic strength in the senate to support the executive resulted in a lively session. He also vetoed a capital punishment measure.

RUNS AGAIN

On an economy platform, and with the claim that he had made good, Bulow ran again for the governorship in 1928 against

Buell Jones, Republican. In a year when the Republican presidential candidate Herbert Hoover, decisively defeated Democrat Al Smith, Bulow surprised even some of his supporters by reelection with a 15,000 majority.

During the 1929 legislative session, the executive played a comparatively minor part, lacking Democratic strength in the senate. He signed the Slocum primary bill, successor to the long-standing Richards primary law. It provided for nominating those below Governor by convention.

It was in the 1930 campaign that the phrase "Bulow luck," was first used to explain his meteoric rise in politics. And, although Republicans declared he was "crowding his luck," Bulow beat Senator McMaster.

It was a Democrat and not a Republican who found the Achilles' heel to the Bulow luck. Former Gov. Tom Berry, soundly trounced him in the 1942 primary election. Berry lost that fall to former Gov. Harlan J. Bushfield.

THE NEW NIXON CANNOT HIDE AN OLD AGRICULTURAL RECORD

MR. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from South Dakota [Mr. McGOVERN] may extend his remarks at this point in the RECORD and include extraneous matter.

THE SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

MR. McGOVERN. Mr. Speaker, recently there have been reports in the press that Vice President Nixon is preparing to sever his ties with Agriculture Secretary Benson and unveil an election year farm plan of his own. The most recent such report, carried on the front page of the New York Times a week ago—February 29, 1960—was based on information supplied by the senior Senator from South Dakota [Mr. MUNDT].

I for one believe that these reports are true. It must now be apparent to Mr. Nixon, as it is to the rest of the country, that Secretary Benson's policies have been utterly disastrous both for farmers and taxpayers. Thus, it is no surprise that so agile a politician as Mr. NIXON would want to shake loose from the Benson farm fiasco before going into the campaign stretch next summer.

But, while the Nixon-Benson divorce might be expected by some, it will doubtless lead Mr. Benson either to resign in dismay or to faint from utter shock. For the truth of the matter is that RICHARD NIXON has been a firm and devoted follower of the Benson farm philosophy since the first day he arrived in Washington as a new Congressman 13 years ago. Mr. Benson has advocated flexibility for farmers since 1953; so has Vice President NIXON. There is not the slightest difference between Benson and Nixon when it comes to sliding farm prices down a flexible scale for the last 7 years. The difference is that Mr. Benson believes politicians should be firm in advocating that farmers be flexible, whereas Mr. NIXON believes that politicians should be a little flexible themselves—particularly in an election year when there are votes to be counted in the Farm Belt.

Could it have been the Nixon flexibility theory of politics that prompted the Republican presidential candidate of 1952 to say that his party would raise the farm price support level from 90 percent of parity to 100 percent? Could it have been this same flexible school of politics that led the victorious Republican team of 1952 to spend the next 7 years dropping the price support level to 77 percent of parity, and demanding that it be lowered still more?

Before answering these questions it will be worth while to take a quick look at the agricultural record of Mr. Nixon as Congressman, as Senator, and as Vice President.

As a Member of the House from 1947 to 1950, Mr. Nixon voted a straight anti-agricultural line. He voted—

Against increasing funds for soil conservation payments.

In favor of eliminating such payments entirely.

Against increasing school lunch program funds.

Against continuation of a loan program to help tenant farmers become farm owners.

Against extending price supports to perishable commodities through production payments.

Against providing required funds for agricultural conservation payments.

Against permanent cotton-peanut acreage allotments.

As a Senator in 1951 and 1952, Mr. Nixon voted—

Five times to cut soil conservation funds.

To reduce funds for publication of farmers' bulletins and to eliminate publication of the "Agriculture Yearbook"—Nixon was the chief sponsor.

Against extension of crop insurance to additional areas.

Twice to cut funds for the Office of Foreign Agricultural Relations which seeks to enlarge foreign markets for U.S. agricultural products.

As Vice President, Mr. Nixon has cast one tie-breaking agricultural vote. That crucial vote came on March 9, 1956, when Nixon killed the 90 percent price support legislation for millable wheat. This all important vote put the skids under wheat prices, discouraged many farmers from participating any longer in the acreage control program and thus contributed to the enormous build-up of wheat surplus.

Nixon's votes on Rural Electrification and the development of low cost hydroelectric power are equally bad from the farmers' point of view.

All of this leaves one with the conclusion that Nixon was a Bensonite before Benson and has remained one until the present moment.

Speaking at Des Moines on April 21, 1954, Vice President Nixon said:

I predict that the verdict of history will be that Secretary of Agriculture Benson has been one of the best Secretaries of Agriculture in our history and that he was the friend of the farmer.

In a speech to the National Mechanical Corn Picking Contest at Wabash,

Ind., September 17, 1955, NIXON stoutly advocated the Benson lower price theory saying:

On the production front, a new flexible-parity formula has been adopted so that farmers will not be encouraged to grow crops already in surplus.

Speaking at Columbus, Nebr., October 13, 1956, Nixon contended that the Benson farm policy was working "because it cuts to the heart of the problem."

Little wonder, then, that Secretary Benson has assumed that he and Nixon see eye to eye on agriculture. Thus, at his press conference of December 31, 1959, when Secretary Benson was asked if Vice President NIXON would support the administration's farm program, Benson replied:

He has been a very important part of this administration which has developed the present farm program. I would see no reason why he wouldn't see fit to support a program which he has helped to develop. And whenever he has spoken out on agriculture, he has certainly supported the administration's farm program.

No one has disagreed any more sharply with the Benson farm policies than I have, but the Secretary is 100 percent right when he asserts that the Vice President has been a consistent advocate of the administration's farm policy. Mr. Nixon has from the first joined in every effort to reduce the farm price support level.

After using his voting power as Congressman, Senator, and Vice President to beat down farm prices and undercut related agricultural programs, can it be possible that Mr. Nixon really believes he can suddenly pose as the bright new champion of the American farmer?

To attempt this sudden shift places the Vice President in the same position as the man who beats his wife for years and then announces the day the little lady is about to leave him, that he will henceforth be a model husband. I am certain that farmers will not be very enthusiastic about this proposed midnight reconciliation.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. INOUE (at the request of Mr. McCormack), for Wednesday and Thursday, March 9 and 10, on account of official business in San Francisco.

Mr. MUMMA (at the request of Mr. CURTIN), for an indefinite period, on account of illness.

Mrs. ROGERS of Massachusetts (at the request of Mr. MARTIN), for 2 days, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mrs. St. GEORGE, for 15 minutes, today.

Mr. WILLIAMS (at the request of Mr. ALBERT), for 1 hour, tomorrow.

Mr. MORRIS of New Mexico (at the request of Mr. ALBERT), for 30 minutes, on Monday next, and to revise and extend his remarks.

EXTENSIONS OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. BRADEMAS, and to include extraneous matter.

Messrs. ROUSH, THOMPSON of New Jersey, MACHROWICZ, UDALL, DINGELL, KASTENMEIER, DIGGS, and ADAIR (at the request of Mr. BRADEMAS), their remarks to immediately follow those of Mr. BRADEMAS in the CONGRESSIONAL RECORD in the order named.

Mr. BOGGS and to include extraneous matter.

Mr. LIBONATI.

(At the request of Mr. BROOMFIELD and to include extraneous matter, the following:)

Mr. HESTAND.

Mr. FRELINGHUYSEN in two instances.

Mr. DERWINSKI in four instances.

(At the request of Mr. ALBERT, and to include extraneous matter, the following:)

Mr. FOGARTY in two instances.

Mr. HARRISON.

Mr. RIVERS of Alaska in two instances.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 2033. An act to amend the mining laws of the United States to provide for the inclusion of certain nonmineral lands in patents to placer claims;

S. 2061. An act to authorize the issuance of prospecting permits for phosphate in lands belonging to the United States;

S. 2268. An act to declare the United States holds title to certain land in trust for the White Mountain Apache Tribe, Ariz.;

S. 2431. An act for the striking of medals in commemoration of the 100th anniversary of statehood of the State of Kansas; and

S. 2454. An act for the striking of medals in commemoration of the 100th anniversary of the founding of the Pony Express.

ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to.

Accordingly (at 5 o'clock and 44 minutes p.m.) the House adjourned until tomorrow, Wednesday, March 9, 1960, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1927. A letter from the Secretary of Commerce, transmitting the report entitled "Fourth Progress Report of the Highway Cost Allocation Study," pursuant to section 210 of the Highway Revenue Act of 1956, approved

June 29, 1956 (Public Law 84-627), as amended by section 1 of the act approved August 28, 1958 (72 Stat. 983) (H. Doc. No. 355); to the Committee on Ways and Means and ordered to be printed.

1928. A letter from the President of the Board of Commissioners of the District of Columbia, transmitting a draft of proposed legislation entitled "A bill to amend the District of Columbia Traffic Act, 1925, as amended, to increase the fee charged for learners' permits"; to the Committee on the District of Columbia.

1929. A letter from the Commissioner, Immigration and Naturalization Service, U.S. Department of Justice, transmitting copies of orders entered in cases where the authority was exercised in behalf of such aliens, pursuant to the Immigration and Nationality Act; to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MURRAY: Committee on Post Office and Civil Service. Report on the Activities of the Federal Government; personnel and contract costs (Rept. No. 1357). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLS: Committee on Ways and Means. H.R. 10087. A bill to amend the Internal Revenue Code of 1954 to permit taxpayers to elect an overall limitation on the foreign tax credit; without amendment (Rept. No. 1358). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MOORE: Committee on the Judiciary. H.R. 1402. A bill for the relief of Leandro Pastor, Jr., and Pedro Pastor; with amendment (Rept. No. 1359). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 1463. A bill for the relief of Johan Karel Christoph Schlichter; with amendment (Rept. No. 1360). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 1486. A bill for the relief of David Tao Chung Wang; with amendment (Rept. No. 1361). Referred to the Committee of the Whole House.

Mr. SMITH of California: Committee on the Judiciary. H.R. 8888. A bill for the relief of David John Maria, Angela Maria, and John Elias Maria; with amendment (Rept. No. 1362). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 8798. A bill for the relief of Romeo Gasparini; with amendment (Rept. No. 1363). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. House Joint Resolution 638. Joint resolution relating to deportation of certain aliens; with amendment (Rept. No. 1364). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 1542. A bill for the relief of Biagio D'Agata; with amendment (Rept. No. 1365). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 1543. A bill for the relief of Angela D'Agata Nicolosi; without amendment (Rept. No. 1366). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 3253. A bill for the relief of Ida Magyar; without amendment (Rept. No. 1367). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 3805. A bill for the relief of Religiosa Luigia Frizzo, Religiosa Vittoria Garzoni, Religiosa Maria Ramus, Religiosa Ines Ferrario, and Religiosa Roberta Ciccone; without amendment (Rept. No. 1368). Referred to the Committee of the Whole House.

Mr. SMITH of California. Committee on the Judiciary. H.R. 3827. A bill for the relief of Jan P. Wilczynski; without amendment (Rept. No. 1369). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 4763. A bill for the relief of Josette A. M. Stanton; without amendment (Rept. No. 1370). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 4834. A bill for the relief of Giuseppe Antonio Turchi; with amendment (Rept. No. 1371). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

Mr. ANDERSEN of Minnesota: H.R. 10953. A bill to authorize and direct that the national forests be managed under principles of multiple use and to produce a sustained yield of products and services, and for other purposes; to the Committee on Agriculture.

By Mr. BENNETT of Michigan: H.R. 10954. A bill to authorize reimbursement of certain Veterans' Administration beneficiaries and their attendants for ferry fares, and bridge, road, and tunnel tolls; to the Committee on Veterans' Affairs.

H.R. 10955. A bill to amend the provisions of title II of the Social Security Act relating to disability freeze and the disability insurance benefits so as to eliminate the age 50 requirement for such benefits, to eliminate the waiting period for such benefits in certain cases, to provide a period of trial work for certain individuals receiving such benefits, and for other purposes; to the Committee on Ways and Means.

By Mr. CURTIN: H.R. 10956. A bill to provide for the issuance of a special postage stamp honoring the U.S. Junior Chamber of Commerce; to the Committee on Post Office and Civil Service.

H.R. 10957. A bill to amend sections 1461, 1462, 1463, and 1465 of title 18 of the United States Code to provide mandatory prison sentences in certain cases for mailing, importing, or transporting obscene material; to the Committee on the Judiciary.

By Mr. DORN of New York: H.R. 10958. A bill to extend the Library Services Act for a period of 5 years; to the Committee on Education and Labor.

By Mr. HÉBERT: H.R. 10959. A bill relating to the employment of retired commissioned officers by contractors of the Department of Defense and the Armed Forces and for other purposes; to the Committee on Armed Services.

By Mr. HERLONG: H.R. 10960. A bill to amend section 5701 of the Internal Revenue Code of 1954 with respect to the excise tax upon cigars; to the Committee on Ways and Means.

H.R. 10961. A bill to amend the Tariff Act of 1930 to provide for the establishment of country-by-country quotas for the importa-

tion of shrimps and shrimp products, and to impose a duty on all shrimp imported in excess of the applicable quota; to the Committee on Ways and Means.

By Mr. JENSEN: H.R. 10962. A bill authorizing modification of the project for improvement of the Missouri River between Sioux City, Iowa, and the mouth; to the Committee on Public Works.

By Mr. KNOX: H.R. 10963. A bill to amend section 5701 of the Internal Revenue Code of 1954 with respect to the excise tax upon cigars; to the Committee on Ways and Means.

By Mr. McMILLAN: H.R. 10964. A bill to amend the Life Insurance Act of the District of Columbia approved June 19, 1934, as amended; to the Committee on the District of Columbia.

By Mr. MACHROWICZ: H.R. 10965. A bill to amend section 5701 of the Internal Revenue Code of 1954 with respect to the excise tax upon cigars; to the Committee on Ways and Means.

By Mr. GEORGE P. MILLER: H.R. 10966. A bill to amend section 7391 of title 10 of the United States Code to establish the rank, pay, and allowances of the hydrographer of the Navy; to the Committee on Armed Services.

By Mr. MORRIS of New Mexico: H.R. 10967. A bill to amend the Small Business Act to provide that a small business concern which is in fact independently owned and operated shall not be denied the benefits of that act solely because of an agency or other contractual relationship with another concern; to the Committee on Banking and Currency.

By Mrs. SULLIVAN: H.R. 10968. A bill to amend section 412(b) of title 2 of the Canal Zone Code; to the Committee on Merchant Marine and Fisheries.

By Mr. WILSON: H.R. 10969. A bill to increase the annual income limitations governing the payment of pension to certain veterans and their dependents; to the Committee on Veterans' Affairs.

H.R. 10970. A bill to provide authority for the Secretary of State to conclude an agreement with the Government of Mexico and the city of San Diego for collection, treatment and disposal of sewage originating in Tijuana, Mexico; provided that the agreement contain provisions for payment by the Government of Mexico in an amount and under such terms and conditions as deemed appropriate by the Secretary of State; to the Committee on Foreign Affairs.

By Mr. DEVINE: H.R. 10971. A bill to provide that until the national debt is retired, not less than 10 percent of the net budget receipts of the United States for each fiscal year shall be utilized solely for reduction of the national debt; to the Committee on Government Operations.

By Mr. DIXON: H.R. 10972. A bill to stabilize the domestic market prices of lead and zinc; to the Committee on Ways and Means.

H.R. 10973. A bill to authorize loans for the design and construction of sea and brackish water conversion plants, and for other purposes; to the Committee on Interior and Insular Affairs.

H.R. 10974. A bill to amend section 22 (relating to the endowment and support of colleges of agriculture and the mechanic arts) of the act of June 29, 1935, to increase the authorized appropriation for resident teaching grants to land grant institutions; to the Committee on Agriculture.

By Mr. O'HARA of Illinois: H.R. 10975. A bill to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit; to the Committee on Banking and Currency.

By Mr. QUIGLEY:

H.R. 10976. A bill to amend the National School Lunch Act to permit agricultural commodities acquired for the school lunch program to be used for training students in home economics; to the Committee on Education and Labor.

By Mr. BOWLES:

H.R. 10977. A bill to establish an Arms Control Research Institute; to the Committee on Foreign Affairs.

By Mr. CELLER:

H.R. 10978. A bill to provide for the settlement of claims against the United States by members of the uniformed services and civilian officers and employees of the United States for damage to, or loss of, personal property incident to their service, and for other purposes; to the Committee on the Judiciary.

By Mr. MOULDER:

H.R. 10979. A bill to amend title 38, United States Code, to provide a conclusive presumption of service-connection in the case of the death of certain veterans who have suffered from service-connected total disabilities for 10 or more years; to the Committee on Veterans' Affairs.

By Mr. WESTLAND:

H.R. 10980. A bill to provide for a navigation survey of the Point Roberts, Wash., area; to the Committee on Public Works.

H.R. 10981. A bill to amend section 660 of title 18, United States Code, relating to misappropriation of the funds of the common carrier; to the Committee on the Judiciary.

By Mr. O'HARA of Illinois:

H.J. Res. 646. Joint resolution to amend the Mutual Security Act of 1954, as amended, with respect to freedom of international waterways; to the Committee on Foreign Affairs.

By Mr. DENT:

H. Con. Res. 615. Concurrent resolution expressing the sense of the Congress with respect to the distribution of nuclear weapons and nuclear weapons secrets to other nations; to the Joint Committee on Atomic Energy.

By Mr. LENNON:

H. Res. 470. Resolution providing for sending the bill H.R. 10919, with accompanying papers, to the Court of Claims; to the Committee on the Judiciary.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

By Mr. BARING: Joint Resolution No. 2 of the Senate of the State of Nevada memorializing the Congress and the President of the United States to cause to be issued silver dollars commemorating the centennial of the admission of the State of Nevada into the Union; to the Committee on Banking and Currency.

Also, Joint Resolution No. 3 of the Senate of the State of Nevada memorializing the President of the United States and the Postmaster General to cause to be issued a centennial stamp in commemoration of the 100th anniversary of the admission of the State of Nevada into the Union; to the Committee on Post Office and Civil Service.

By the SPEAKER: Memorial of the Legislature of the State of California, memorializing the President and the Congress of the United States relative to compensating the Philippine Scouts for their services rendered in World War II; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALGER:

H.R. 10982. A bill for the relief of Roberto Altamorenno Lopez; to the Committee on the Judiciary.

By Mr. FARBSTEIN:

H.R. 10983. A bill for the relief of Leonidos Varvitslotis; to the Committee on the Judiciary.

By Mr. LANE:

H.R. 10984. A bill for the relief of Amelia Lawrynowicz; to the Committee on the Judiciary.

By Mr. McSWEEN:

H.R. 10985. A bill to provide for the conveyance of certain real property of the United States to John R. Lincecum et al.; to the Committee on Agriculture.

By Mr. PELY:

H.R. 10986. A bill for the relief of Huan-pin Tso; to the Committee on the Judiciary.

By Mr. PUCINSKI:

H.R. 10987. A bill for the relief of Giuseppe Bucchianeri; to the Committee on the Judiciary.

H.R. 10988. A bill for the relief of Marcella Bucchianeri; to the Committee on the Judiciary.

By Mr. WILSON:

H.R. 10989. A bill for the relief of Howard Chan; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

353. By Mr. HARMON: Resolution adopted by the Delaware-Blackford County Medical Society, at their monthly meeting on February 16, 1960, expressing opposition to all bills providing Federal medical aid to the aged; to the Committee on Ways and Means.

354. By Mr. STRATTON: Petition of members of local No. 390, National Federation of Post Office Clerks, Albany, N.Y., protesting the use of the distribution guides system installed in the Albany post office January 18, 1960, and urging the enactment of legislation to outlaw any speedup or measuring system in the postal service; to the Committee on Post Office and Civil Service.

355. Also, petition of a group of residents of the 32d Congressional District of New York, urging Congress to act favorably on H.R. 4700, the Forand bill, as a minimum first step toward providing decent medical care (hospitalization, surgical services, and nursing home care) for those persons eligible (retired or not) for social security benefits; to the Committee on Ways and Means.

356. By the SPEAKER: Petition of Miss Ana L. Palmer and others, Santa Isabel, P.R., requesting the approval of the School Support Act of 1959; to the Committee on Education and Labor.

357. Also, petition of the chairman, Hawaii Chapter of World Brotherhood, Honolulu, Hawaii, relative to commending the people of the United States upon granting statehood to Hawaii; to the Committee on Interior and Insular Affairs.

EXTENSIONS OF REMARKS

Jet Progress—Alaska

EXTENSION OF REMARKS

OF

HON. RALPH J. RIVERS

OF ALASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 8, 1960

Mr. RIVERS of Alaska. Mr. Speaker, on the 1st of March, Pan American World Airways, in keeping with its history as a pioneer airline, began jet airplane service between Seattle and Fairbanks, Alaska. The jet flights, which will operate on Mondays, Tuesdays, Fridays, and Saturdays, will require 3 hours 15 minutes of flying time, cutting approximately 2½ hours off current piston-engined flight times. This saving in time will, I hope, enable many of my colleagues who have never been in Alaska to visit the 49th State and thereby better comprehend its problems, great potential,

and significance to the Union in regard to national defense and otherwise.

These flights are on a round-trip basis, Mr. Speaker, and will bring to Alaska a service it richly deserves, covering a distance between Seattle and Fairbanks in excess of 1,500 miles.

Those of us who have long lived with the transportation problem in and out of Alaska have a great appreciation for this latest innovation by Pan American. Pan American was the first scheduled carrier to operate between Seattle and Alaska about 20 years before Alaska became a State, so it is not a mere coincidence that Pan American became the first carrier to commence scheduled jet operations between Seattle and Fairbanks. In fact it took considerable initiative, as permission had to be obtained from the Air Force to temporarily land and take off at Ladd Air Force Base, pending extension of the runway at the Fairbanks International Airport, which job will be completed about a year from now.

For this achievement, I salute both Pan American and the Air Force for recognizing the need of this very valuable public service between the State of Alaska and the State of Washington.

Slovak Independence Day

EXTENSION OF REMARKS

OF

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 8, 1960

Mr. DERWINSKI. Mr. Speaker, I shall take but a brief moment to remind the Members of this body that this is the 21st anniversary of Slovak Independence Day. To most people in America, this day has no significance. Furthermore, high-ranking officials in our