

This legislation would remove a barrier to the sale and distribution of U.S. mutual funds outside the United States. The bill would change the Internal Revenue Code to provide that foreign investors in U.S. mutual funds be accorded the same tax treatment as if they had made their investments directly in U.S. stocks or shares of a foreign mutual fund.

Under current law, most kinds of interest and short-term capital gains received directly by an investor outside the United States or received through a foreign mutual fund are not subject to the 30-percent withholding tax on investment income. However, interest and short-term capital gain income received by a foreign investor through a U.S. mutual fund are subject to the withholding tax. This result occurs because current law characterizes interest income and short-term capital gain distributed by a U.S. mutual fund to a foreign investor as a dividend subject to withholding.

The Investment Competitiveness Act would correct this inequity and put U.S. mutual funds on a competitive footing with foreign funds. The bill would correctly permit interest income and short-term capital gain to retain their character upon distribution.

Current law acts as a prohibitive export tax on foreign investors who choose to invest in U.S. funds. That is why the amount of foreign investment in U.S. mutual funds is small.

Mr. President, it is time to dismantle the unfair and unwanted tax barrier to foreign investment in U.S. mutual funds. The American economy will benefit from exporting U.S. mutual funds, creating an additional inflow of investment into U.S. securities markets without a dilution of U.S. control of American business that occurs through direct foreign investment in U.S. companies. Moreover, the legislation will support job creation among ancillary fund service providers located in the United States, rather than in offshore service facilities.

Mr. President, I very much appreciate the efforts of Senators GORTON and MURRAY in cosponsoring this legislation and I urge my colleagues to support this bill and help to move it forward.●

● Mr. GORTON. Mr. President, I am pleased to join my distinguished colleagues, Senators BAUCUS and MURRAY, in introducing the Investment Competitiveness Act of 1996, a bill that will make the tax treatment for foreign investment through a U.S. regulated investment company comparable to the tax treatment for direct foreign investment and investment through a foreign mutual fund.

The service industry continues to grow rapidly as a vital form of trade for the United States. While the United States continues to suffer a trade deficit in merchandise, exports of services ran at a surplus of \$63 billion in 1995. In my home State of Washington, services such as financial investments and tele-

communications are integral to job creation and economic growth.

Improving the international competitiveness of the United States is of the utmost importance, and encouraging capital investment in U.S. companies is a critical component of improving our international competitiveness. Increasingly, foreign capital has been drawn into U.S. securities markets. We need to permit that capital to be invested in U.S. companies through U.S. mutual funds. This legislation will help ensure that U.S. mutual funds become a leading export for the United States and the leader in providing worldwide mutual fund services that attract more capital to the United States. Putting U.S. funds on a level playing field with foreign-based funds or foreign investments made directly in U.S. securities, produces a worldwide market for U.S. mutual funds and releases a flow of international capital into U.S. investments.

The U.S. mutual fund industry is clearly the most technologically advanced in the world, and thus is the most cost efficient in delivering services to its client. Current law, however, imposes a 30-percent withholding tax on mutual fund distributions, a tax that does not apply in the case of comparable foreign-based funds or to direct investments in the United States. The withholding tax, which effectively imposes an export tax on the U.S. mutual fund industry, makes U.S. funds less attractive from a pricing standpoint and creates an administrative burden for foreign institutional investors. This tax discourages global institutional investors and the managers who invest their funds from using U.S.-based mutual funds, thus providing a competitive disadvantage to foreign-based funds.

The Investment Competitiveness Act of 1996 addresses this disparate treatment by making the tax treatment of foreign investment in U.S. mutual funds comparable to that afforded to foreign investments made directly in U.S. securities or indirectly through foreign based funds.

Without this change, U.S. mutual funds would have a strong incentive to establish offshore funds in order to compete with foreign-based funds and satisfy the demand for U.S. securities in world markets. This has the unsatisfactory effect of moving U.S. mutual fund jobs and expertise to offshore facilities. Instead, we should be working to increase the demand for the fund services provided by U.S. fund managers, custodians, accountants, transfer agents, and others based in the United States, rather than locate those jobs offshore. This legislation will benefit our capital markets by exporting U.S. mutual funds, while creating and maintaining mutual fund jobs in the United States.

I encourage my colleagues to support this important piece of legislation.●

● Mrs. MURRAY. Mr. President, I am pleased to join Senator BAUCUS in co-

sponsoring the Investment Competitiveness Act of 1996, legislation that will correct a provision in the Internal Revenue Code that currently makes it difficult to sell mutual funds outside the United States.

I believe Congress has an obligation to implement public policies that encourage investments in U.S. companies. These investments are essential to raising capital, initiating research and development, expanding our Nation's economy and ultimately improving our international competitiveness.

Our current Tax Code deters foreign investors from investing in U.S. mutual funds by treating interest income and short-term capital gain as a dividend that is subject to a 30-percent withholding tax. On the other hand, a foreign investor can invest in other foreign funds or directly in U.S. securities without paying this tax.

Mr. President, the U.S. mutual fund industry has grown significantly over the past 6-years. Since 1990, U.S. mutual fund assets have grown from \$1 trillion to more than \$3 trillion. This rapid growth has occurred despite the fact that foreign investment in U.S. funds has stayed roughly the same.

Rather than dissuading foreign investment, we should be encouraging foreign investment in U.S. funds and companies. Quite simply, American companies are put at a disadvantage by a Tax Code that encourages foreign investors to invest in other countries and other companies.

More importantly, our Tax Code forces U.S. mutual fund companies to set up subsidiary funds overseas in order to reach the world marketplace. For instance, the Frank Russell Co. in Tacoma, WA, is a highly successful and innovative mutual fund company that employs more than 1,000 people. Unfortunately, in order to serve the world market, the company has been forced to move its expertise and some jobs overseas. In doing so, foreign investors can avoid the U.S. withholding tax.

Mr. President, it makes no sense to continue a tax policy that both encourages our companies to move jobs overseas and hampers our ability to attract foreign investment and raise capital in the United States.

I am pleased to be working with Senators BAUCUS and GORTON on this important legislation, and I am hopeful Congress can act quickly on this legislation.●

ADDITIONAL COSPONSORS

S. 55

At the request of Mrs. BOXER, her name was added as a cosponsor of S. 55, a bill to amend title 38, United States Code, to deem certain service in the organized military forces of the Government of the Commonwealth of the Philippines and the Philippine Scouts to have been active service for purposes of benefits under programs administered by the Secretary of Veterans Affairs.

S. 1616

At the request of Mr. INOUE, the names of the Senator from Wyoming [Mr. THOMAS] and the Senator from New York [Mr. D'AMATO] were added as cosponsors of S. 1616, a bill to establish a visa waiver pilot program for nationals of Korea who are traveling in tour groups to the United States.

S. 1702

At the request of Mr. BINGAMAN, the name of the Senator from Michigan [Mr. LEVIN] was added as a cosponsor of S. 1702, a bill to require institutions of higher education to provide voter registration information and opportunities to students registering for class, and for other purposes.

S. 1735

At the request of Mr. PRESSLER the names of the Senator from Colorado [Mr. CAMPBELL] and the Senator from Iowa [Mr. HARKIN] were added as cosponsors of S. 1735, a bill to establish the United States Tourism Organization as a nongovernmental entity for the purpose of promoting tourism in the United States.

S. 1838

At the request of Mr. FAIRCLOTH, the name of the Senator from Alabama [Mr. HEFLIN] was added as a cosponsor of S. 1838, a bill to require the Secretary of the Treasury to mint and issue coins in commemoration of the centennial anniversary of the first manned flight of Orville and Wilbur Wright in Kitty Hawk, North Carolina, on December 17, 1903.

S. 1886

At the request of Mr. FRIST, the name of the Senator from Tennessee [Mr. THOMPSON] was added as a cosponsor of S. 1886, a bill to amend the Internal Revenue Code of 1986 to clarify the treatment of educational grants by private foundations, and for other purposes.

SENATE CONCURRENT RESOLUTION 26

At the request of Mr. LOTT, the name of the Senator from Vermont [Mr. JEFFORDS] was added as a cosponsor of Senate Concurrent Resolution 26, a concurrent resolution to authorize the Newington-Cropsey Foundation to erect on the Capitol Grounds and present to Congress and the people of the United States a monument dedicated to the Bill of Rights.

SENATE CONCURRENT RESOLUTION 64

At the request of Mr. INOUE, the names of the Senator from Virginia [Mr. WARNER] and the Senator from California [Mrs. BOXER] were added as cosponsors of Senate Concurrent Resolution 64, a concurrent resolution to recognize and honor the Filipino World War II veterans for their defense of democratic ideals and their important contribution to the outcome of World War II.

SENATE RESOLUTION 276

At the request of Mr. ROBB, the names of the Senator from Wyoming [Mr. THOMAS], the Senator from Rhode Island [Mr. PELL], the Senator from Or-

egon [Mr. HATFIELD], and the Senator from Arkansas [Mr. BUMPERS] were added as cosponsors of Senate Resolution 276, a resolution congratulating the people of Mongolia on embracing democracy in Mongolia through their participation in the parliamentary elections held on June 30, 1996.

NOTICE OF HEARINGS

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT AND THE DISTRICT OF COLUMBIA

Mr. COHEN. Mr. President, I wish to announce that the Subcommittee on Oversight of Government Management and the District of Columbia, Committee on Governmental Affairs, will hold a hearing on Wednesday, July 17, 1996, at 9:30 a.m., in room 342 of the Dirksen Senate Office Building, on oversight of the implementation of the Information Technology Management Reform Act of 1996.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. NICKLES. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Wednesday, July 10, 1996, for purposes of conducting a full committee hearing which is scheduled to begin at 9:30 a.m. The purpose of this hearing is to consider S. 1877, the Environmental Improvement Timber Contract Extension Act, a bill to ensure the proper stewardship of publicly owned assets in the Tongass National Forest in the State of Alaska, a fair return to the United States for public timber in the Tongass, and a proper balance among multiple use interests in the Tongass to enhance forest health, sustainable harvest, and the general economic health and growth in southeast Alaska and the United States.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. NICKLES. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, July 10, 1996, at 11 a.m. to hold a hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. NICKLES. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Wednesday, July 10, 1996, at 11 a.m. to hold an open hearing on intelligence matters.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

VIETNAM VETERANS OF AMERICA
1996 CONGRESSIONAL STAFFER OF
THE YEAR AWARD

• Mr. ROCKEFELLER. Mr. President, I note with great pride that one of my staff members has been honored with a very special award: Charlotte Moreland, who serves me on the minority staff of the Senate Committee on Veterans' Affairs, has been named 1996 Congressional Staffer of the Year by the Vietnam Veterans of America.

I can think of no one who has earned this award more than Charlotte. She has been a loyal member of my personal staff ever since I joined the Senate in 1984, and I have been most grateful for the many strengths she brought to that job. But Charlotte really found her forté when I became chairman of the Senate Committee on Veterans' Affairs in 1993, and she became my Special Projects Director on the committee. She has continued to work for me in my capacity now as the committee's ranking Democratic member.

Charlotte has helped countless veterans from West Virginia and all around the country obtain the services and benefits they are due from the Department of Veterans Affairs. Some of the work she has done is truly amazing; she has been able to get results where many others have failed, or failed to even try, lacking the drive and compassion that are Charlotte's trademark.

Charlotte was born and raised in West Virginia, and she has never lost the stubborn persistence, tenacity, and deep caring that are so characteristic of my home State. Charlotte is a vigorous—I might say, ferocious—advocate for the underdog, the vulnerable, those who would otherwise get lost in the system. She is not afraid to fight Government bureaucracy, redtape, and complacency, and she will follow through on a case until all avenues of help are exhausted.

Whether it involves quality or availability of medical care in a VA hospital, or timely and appropriate decisions on disability claims, veterans need a place to turn when they believe the system has failed them. Charlotte acts as my eyes and ears out in the community, listening to the concerns of individual veterans and reporting them back to me, so that I can address systemic problems through legislation and oversight. I count on her tremendously, and I truly would not be able to perform my job well on the committee if she were not performing hers.

Charlotte is a prime example of a very special class of employees—dedicated congressional staffers who labor, often anonymously, behind the scenes, making our Government work and providing services to our citizens. Too often they do not receive the recognition they so richly deserve. In saluting Charlotte, I salute also these other unsung heroes. As Members of Congress, we are often in the limelight. But our accomplishments would be far less without the dedicated staff that serve us, and we should never forget that.

Veterans—in West Virginia and throughout our country—are incredibly lucky to have Charlotte as their