

We should not reduce funding for renewable R&D and allow this initiative to sputter and stall. We must move forward, as other countries are doing, and make essential investments in technologies that will create new jobs, open export markets, and promote a healthy environment. This is the choice we have made in approving this amendment.

At stake is our ability to compete in an international energy market that will experience explosive growth in the decades ahead. Many countries cannot afford to meet the growing energy demand by building, operating, and maintaining centralized power plants and the costly infrastructure associated with them. The flexibility offered by renewable technologies is a natural fit for the developing world.

Countries around the world are also making conscious strategic decisions to endorse and adopt renewable energy as a mainstay of their energy policy. These policies may lead to the amelioration of problems associated with global climate change.

The past decade was a period of unparalleled success in the drive to reduce the cost of solar and renewable technologies. Some are at the verge of becoming cost competitive with conventional energy sources. This trend will continue to improve in the years ahead. As these technologies become more and more cost competitive, the rate at which these technologies are integrated into the energy grid will steadily increase.

What is at stake is the ability of a young, dynamic industry to capture the world markets for renewable technologies so that Americans can hold their share of rewarding, high paying jobs. That is what the Jeffords amendment is all about. If we are to move into the future with a strong economy and a healthy environment, renewable energy technologies must be a part of our investment strategy for the future.

Although the value of U.S. renewable energy exports exceeds a quarter of a billion dollars, the U.S. renewable energy industry is barely penetrating the expanding world market for renewable energy technologies. This is a result of a weak commitment to renewable energy research, development, and export promotion.

Compared with seven other leading trading nations, the United States ranks lowest in resources allocated to solar and renewable export promotion, according to a 1992 Department of Energy report.

National Science Foundation data confirms that the U.S. investment in R&D is in decline. Since 1987, Federal R&D investments have dropped steadily in real terms. Since 1992, industry R&D has stagnated. And today, less than one-third of private R&D is dedicated to research; the rest is being spent on product and process development.

I support the Jeffords amendment because I want to reverse this trend.

Frankly, I would have preferred higher spending levels for solar and renewable programs, but this is not realistic given the budget constraints we face. Unless we maintain a reasonable funding level for these programs, we will continue to lose ground and should not be surprised if other countries outcompete U.S. industry in this rapidly expanding market.

Finally, there are important energy security reasons for supporting this amendment. U.S. oil imports are at record levels, are continuing to grow, and could reach 60 percent of consumption by the year 2005. Oil imports that high would contribute nearly \$90 billion to the trade deficit. According to a recent Department of Commerce analysis, this level of oil imports constitutes a threat to U.S. economic security. Persian Gulf countries are projected to control 70 percent of the global market for oil by the year 2010, making world oil markets increasingly unstable.

Renewable energy technologies will lead to significant movement toward alleviating some of the potential negative consequences of our continuing and increasing reliance on imported oil. ●

TRIBUTE TO THE EXPERIMENTAL AIRCRAFT ASSOCIATION ON THE OCCASION OF THE 43D ANNUAL "FLY IN" IN OSHKOSH, WISCONSIN, AUGUST 1, 1996

● Mr. FEINGOLD. Mr. President, I rise today to salute the 160,000 international members of the Experimental Aircraft Association, based in Oshkosh, Wisconsin, on the opening day of their 43rd annual "Fly In" convention, the single largest aviation event of its kind in the world.

Mr. President, the Fly In, held at the Wittman Regional Airport in Oshkosh, is the stage for 12,000 experimental aircraft, vintage warplanes, showplanes, ultralights and rotorcraft. More than 700 exhibitors will present examples of cutting edge aviation technology, and more than 500 workshops, seminars and forums will feature many of the leading figures in aviation passing along their knowledge and experience on subjects covering the whole spectrum of flight.

More than 800,000 people from all over the world will attend the Fly In.

This year's program includes a salute to test pilots, the people who strap into the latest aviation designs and push them as far and as fast and as high as they can possibly go, pushing the performance envelope in the continuous quest for better aircraft. There will also be a salute to Korean War and Vietnam War veterans.

Mr. President, the Fly In is a terrific show, but it is only part of the ongoing work of the EAA.

The Experimental Aircraft Association works both to preserve aviation's heritage and promote its future. If you are interested in designing, building,

restoring, maintaining or flying airplanes, or if you simply take pleasure in watching aircraft perform, the EAA offers something for you through programs at the state, regional, national and international level, all aimed at making flying safer, more enjoyable and more accessible for anyone interested.

The EAA supports a foundation dedicated to the education, history and development of sport flying. It maintains a large collection of aircraft, a portion of which is on display at the EAA Air Adventure Museum in Oshkosh. EAA has created the Young Eagles program to give a free flight experience to young people, and there's a scholarship program for young people interested in aviation careers.

All this began, Mr. President, in January, 1953, a little less than 50 years after the Wright brothers flew at Kitty Hawk. Paul Poberezny and a group of flying enthusiasts met at Milwaukee's Curtiss Wright field, now known as Timmerman Field. The first Fly In was held nine months later at Curtiss Wright, drawing fewer than 40 people and a handful of aircraft.

Mr. Poberezny was elected the group's first president, and he held that post until 1989, when his son, Tom, took the reins. For the first 11 years of its existence, EAA was run out of the basement of Mr. Poberezny's home in Hales Corners, Wisconsin, near Milwaukee. Now it operates from its headquarters in Oshkosh.

Mr. President, flight has fascinated the human race for centuries. Less than a century ago, powered flight became a reality. Sixty-six years later, we landed on the moon. Still, the wonder of traveling among the clouds remains, and that spirit, along with the inventiveness and daring of pilots, designers and engineers, is nurtured by the Experimental Aircraft Association. ●

IT'S TIME TO END DEFERRAL

● Mr. DORGAN. Mr. President, it's time to end the perverse \$2.2 billion U.S. jobs export subsidy called deferral that our Tax Code provides to big U.S. companies that move their manufacturing plants and U.S. jobs to tax havens abroad, and then ship back their tax-haven products into the United States for sale. Since 1979, we have lost about 3 million good-paying manufacturing jobs in this country, in part, because of this ill-advised subsidy.

Presidents Kennedy, Nixon, and Carter all tried to curb this misguided tax subsidy. In 1975, the Senate voted to end it. In 1987, the House voted to stop it. But in each case, high-powered lobbyists for the big corporations were able to derail it before such action could be enacted and signed into law.

In July, Robert McIntyre, Director of the Citizens for Tax Justice, offered compelling testimony in support of the effort to pull the plug on this misguided tax break at a recent Families

First forum on paycheck security issues. He thoroughly debunks the lobbyist-driven myths that repealing this \$2.2 billion U.S. jobs export subsidy will somehow prevent large U.S. multinational firms from competing in the global economy. I think that you will find his testimony provides an excellent perspective on this subject, and I hope that you will read it.

I ask that the text of Mr. McIntyre's recent testimony be printed in the RECORD.

The material follows:

STATEMENT OF ROBERT S. MCINTYRE, DIRECTOR, CITIZENS FOR TAX JUSTICE, IN SUPPORT OF LEGISLATION TO CURB TAX SUBSIDIES FOR EXPORTING JOBS

Citizens for Tax Justice strongly supports legislation to limit current federal tax deferrals that subsidize the export of American jobs. Such reform legislation is embodied in S. 1355, Senator Byron Dorgan's "American Jobs and Manufacturing Preservation Act." Similar legislation has been approved by the House of Representative in the past. We urge the full Congress to pass S. 1355 and send it to the President to sign.

TAX BREAKS FOR EXPORTING JOBS SHOULD BE ELIMINATED—WE SHOULDN'T PAY OUR COMPANIES TO MAKE GOODS FOR THE AMERICAN MARKET IN FOREIGN COUNTRIES

In its 1990 annual report, the Hewlett-Packard company noted: "As a result of certain employment and capital investment actions undertaken by the company, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for years through 2002." In fact, said Hewlett-Packard's report, "the income tax benefits attributable to the tax status of these subsidiaries are estimated to be \$116 million, \$88 million and \$57 million for 1990, 1989 and 1988, respectively."

This is not an isolated instance. An examination of 1990 corporate annual reports that we undertook a few years ago provided the following additional examples.¹

Footnotes at end of article.

Baxter International noted that it has "manufacturing operations outside the U.S. which benefit from reductions in local tax rates under tax incentives that will continue at least through 1997." Baxter said that its tax savings from these (and its Puerto Rican) operations totaled \$200 million from 1988 to 1990.²

Pfizer reported that the "[e]ffects of partially tax-exempt operations in Puerto Rico and reduced rates in Ireland" amounted to \$125 million in tax savings in 1990, \$106 million in 1989 and \$95 million in 1988.

Schlering-Plough said that it "has subsidiaries in Puerto Rico and Ireland that manufacture products for distribution to both domestic and foreign markets. These subsidiaries operate under tax exemption grants and other incentives that expire at various dates through 2018."

Becton Dickinson reported \$43 million in "tax reductions related to tax holidays in various countries" from 1988 to 1990.

Beckman noted: "Certain income of subsidiaries operating in Puerto Rico and Ireland is taxed at substantially lower income tax rates," worth more than \$7 million a year to the company over the past two years.

Abbott Laboratories pegged the value of "tax incentive grants related to subsidiaries in Puerto Rico and Ireland" at \$82 million in 1990, \$79 million in 1989 and \$76 million in 1988.

Merck & Co. noted that "earnings from manufacturing operations in Ireland [were]

exempt from Irish taxes. The tax exemption expired in 1990; thereafter, Irish earnings will be taxed at an incentive rate of 10 percent."

In fact, under current law, American companies often are taxed considerably less if they move their manufacturing operations to an overseas "tax haven" such as Singapore, Ireland or Taiwan, and then import their products back into the United States for sale.

HOW WE SUBSIDIZE THE EXPORT OF AMERICAN JOBS

The tax incentive for exporting American jobs results from current tax rules that:

1. allow companies to "defer" indefinitely U.S. taxes on repatriated profits earned by their foreign subsidiaries; and
2. allow companies to use foreign tax credits generated by taxes paid to non-tax haven countries to offset the U.S. tax otherwise due on repatriated profits earned in low- or no-tax foreign tax havens.

S. 1355 WOULD END THIS WRONG-HEADED SUBSIDY

Why should the United States tax code give companies a tax incentive to establish jobs and plants in tax-haven countries, rather than keeping or expanding their plants and jobs in the United States? Why should our tax code make tax breaks a factor in decisions by American companies about where to make the products they sell in the United States?

Why indeed? We believe that this tax break for overseas plants should be ended. Profits earned by American-owned companies from sales in the United States should be taxed—whether the products are Made in the USA or abroad.

S. 1355 would end the current tax break for exporting jobs—by taxing profits on goods that are manufactured by American companies in foreign tax havens and imported back into the United States. It would achieve this result by (1) imposing current tax on the "imported property income" of foreign subsidiaries of U.S. corporations; and (2) adding a new separate foreign tax credit limitation for imported property income earned by U.S. companies, either directly or through foreign subsidiaries.³

legislation identical to S. 1355 was passed by the House in 1987. Unfortunately, at that time the reform provision was dropped in conference at the insistence of the Reagan administration.

SPURIOUS ARGUMENTS AGAINST CURBING SUBSIDIES FOR EXPORTING JOBS

Of course, Congress has heard loud complaints from lobbyists for companies that benefit from the current tax breaks for exporting jobs. Some have apparently argued that their companies will be at a competitive disadvantage in foreign markets if this legislation were approved. But since the bill applies only to sales in U.S. markets, that argument makes no sense.

Lobbyists also have asserted that if American multinationals have to pay U.S. taxes on their profits from U.S. sales for foreign-made goods, they might be disadvantaged compared to foreign-owned companies selling products in the United States. Perhaps. But as the House concluded in 1987, it would be far better "to place U.S.-owned foreign enterprises who produce for the U.S. market on a par with similar or competing U.S. enterprises" rather than worrying about "placing them on a par with purely foreign enterprises."⁴

Finally, lobbyists have made the spurious point that overall, foreign affiliates of U.S. companies have a negative trade balance with the United States, that is, they move more goods and services out of the United States than they export back in. To which, one might answer, so what?

After all, S. 1355 does not deal with all foreign affiliates of U.S. companies. Rather, it deals only with U.S.-controlled foreign subsidiaries that produce goods for the American market in tax-haven countries.⁵ When U.S. companies shift what would otherwise be domestic production to these foreign subsidiaries it most certainly does not improve the U.S. trade balance; it hurts it.⁶

CONCLUSION

American companies may move jobs and plants to foreign locations in order to make goods for the U.S. market for many reasons—such as low wages or lack of regulation—that the tax code can do little about. But we should not provide an additional inducement for such American-job-losing moves through our income tax policy.

American multinationals should pay income taxes on their U.S.-related profits from foreign production. Such income should not be more favorably treated by our tax code than profits from producing goods here in the United States. We urge Congress to approve the provisions of S. 1355.

¹Several of the companies mentioned here apparently have been lobbying hard against S. 1355.

²Many companies do not separate the tax savings from their Puerto Rican and foreign tax-haven activities in their annual reports.

³"Imported property income means income . . . derived in connection with manufacturing, producing, growing, or extracting imported property; the sale, exchange, or other disposition of imported property; or the lease, rental, or licensing of imported property. For the purpose of the foreign tax credit limitation, income that is both imported property income and U.S. source income is treated as U.S. source income. Foreign taxes on that U.S. source imported property income are eligible for crediting against the U.S. tax on foreign source imported property income. Imported property does not include any foreign oil and gas extraction income or any foreign oil-related income.

"The bill defines 'imported property' as property which is imported into the United States by the controlled foreign corporation or a related person." House Committee on Ways and Means, "Report on Title X of the Omnibus Budget Reconciliation Act of 1987," in House Committee on the Budget, Omnibus Budget Reconciliation Act of 1987, House Rpt. 100-391, 100th Cong., 1st Sess., Oct. 26, 1987, pp. 1103-04.

⁴Id.

⁵Companies that manufacture abroad in non-tax-haven countries generally would not be affected by the bill, since they still will get foreign tax credits for the foreign taxes they pay.

⁶Foreign affiliates of U.S. companies that produce goods for foreign markets—not addressed by Senator Dorgan's bill—may well have a negative trade balance with the United States, insofar as they transfer property from their domestic parent to be used in overseas manufacturing. But it would obviously be far better for the U.S. trade balance—and for American jobs—if those final products were manufactured completely in the United States and exported abroad, rather than having much of the manufacturing process occur overseas. To assert that foreign manufacturing operations by American companies helps the U.S. trade balance is to play games with statistics.

For example, suppose an American company was making \$100 million in export goods in the U.S. for foreign markets. Now, suppose it moves the assembly portion of that manufacturing process overseas, where half the value of the final products is produced. At this point, instead of \$100 million in exports, there are only \$50 million. America has thus lost exports and jobs—even though the foreign affiliate itself has a negative trade balance with the United States. For better or worse, however, S. 1355, does not address this situation.●

THE RUSSIAN ELECTIONS

Mr. LEAHY. Mr. President, on June 16, something happened that has tremendous implications for the American people and for people everywhere. On that day, Russia, which just a few years ago was the greatest threat to democracy in the world, held a democratic election to select its President.