

overseas. How much more harm can this crowd do before it's run out of town?

Like so many others, this tax increase is being promoted by President Obama, who declared last week that "for years, our tax code has actually given billions of dollars in tax breaks that encourage companies to create jobs and profits in other countries. I want to change that."

Democrats around the country are making this issue their number one campaign theme, since they can't run on health care, stimulus or anything else they've passed into law. Think about this: One of the two major parties in the world's supposedly leading economy is trying to hold on to its majority by running against foreign investment and the free flow of capital. This is banana republic behavior.

We're all for increasing jobs in the U.S., but the President's plan reveals how out of touch Democrats are with the real world of tax competition. The U.S. already has one of the most punitive corporate tax regimes in the world and this tax increase would make that competitive disadvantage much worse, accelerating the very outsourcing of jobs that Mr. Obama says he wants to reverse.

At issue is how the government taxes American firms that make money overseas. Under current tax law, American companies pay the corporate tax rate in the host country where the subsidiary is located and then pay the difference between the U.S. rate (35%) and the foreign rate when they bring profits back to the U.S. This is called deferral—i.e., the U.S. tax is deferred until the money comes back to these shores.

Most countries do not tax the overseas profits of their domestic companies. Mr. Obama's plan would apply the U.S. corporate tax on overseas profits as soon as they are earned. This is intended to discourage firms from moving operations out of the U.S.

The real problem is a U.S. corporate tax rate that over the last 15 years has become a huge competitive disadvantage. The only major country with a higher statutory rate is Japan, and even its politicians are debating a reduction. A May 2010 study by University of Calgary economists Duanjie Chen and Jack Mintz for the Cato Institute using World Bank data finds that the effective combined U.S. federal and state tax rate on new capital investment, taking into account all credits and deductions, is 35%. The OECD average is 19.5% and the world average is 18%.

We've made this case hundreds of times on this page, but perhaps Mr. Obama will listen to his own economic advisory panel. Paul Volcker led this handpicked White House tax reform panel whose recent report concluded that "The growing gap between the U.S. corporate tax rate and the corporate tax rates of most other countries generates incentives for U.S. corporations to shift income and operations to foreign locations with lower corporate tax rates to avoid U.S. rates."

As nations around the world have cut their rates, the report warns, "these incentives [to leave the U.S.] have become stronger." Companies make investment decisions for a variety of reasons, including tax rates. But as long as the U.S. corporate tax is more than 50% higher than it is elsewhere, companies will invest in other countries all other things being equal. One Volcker recommendation is to lower the corporate rate to closer to the international average, which would "reduce the incentives of U.S. companies to shift profits to lower-tax jurisdictions abroad."

Mr. Obama believes that by increasing the U.S. tax on overseas profits, some companies may be less likely to invest abroad in the first place. In some cases that will be true. But the more frequent result will be that

U.S. companies lose business to foreign rivals, U.S. firms are bought by tax-advantaged foreign companies, and some U.S. multinational firms move their headquarters overseas. They can move to Ireland (where the corporate tax rate is 12.5%) or Germany or Taiwan, or dozens of countries with less hostile tax climates.

We know this will happen because we've seen it before. The 1986 tax reform abolished deferral of foreign shipping income earned by U.S. controlled firms. No other country taxed foreign shipping income. Did this lead to more business for U.S. shippers? Precisely the opposite.

According to a 2007 study in Tax Notes by former Joint Committee on Taxation director Ken Kies, "Over the 1985-2004 period, the U.S.-flag fleet declined from 737 to 412 vessels, causing U.S.-flag shipping capacity, measured in deadweight tonnage, to drop by more than 50%."

Mr. Kies explains that "much of the decline was attributable to the acquisition of U.S.-based shipping companies by foreign competitors not subject to tax on their shipping income." Mr. Kies concludes that the experiment was "a real disaster for U.S. shipping" and that the debate over whether U.S. companies can compete in a global market facing much higher tax rates than their competitors was answered "with a vengeance."

Now the White House wants to repeat this experience with all U.S. companies. Two industries that would be most harmed would be financial services and technology, and their emphasis on human capital makes them especially able to pack up and move their operations abroad. CEO Steve Ballmer has warned that if the President's plan is enacted, Microsoft would move facilities and jobs out of the U.S.

The lesson here is that tax rates matter in a world of global competition and the U.S. tax regime is hurting American companies and workers. Mr. Obama would add to the damage. His election-eve campaign to raise taxes on American companies making money overseas may not be his most dangerous economic idea, but it is right up there.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska.

HONORING OUR ARMED FORCES

STAFF SERGEANT MICHAEL BOCK

Mr. JOHANNIS. Mr. President, I rise today to remember a fallen hero, U.S. Marine SSG Michael Bock of Omaha, NE.

Michael was a proud member of the 3rd Combat Engineer Battalion, 1st Marine Expeditionary Force Forward, operating in one of the most dangerous areas of Afghanistan, the Helmand Province.

On August 13, Staff Sergeant Bock was shot and killed while on foot patrol.

His death is a great loss to our Nation and especially to those of us from Nebraska.

Michael will be remembered as a caring, outgoing, and responsible young man, always ready to help family and friends with a smile and a burst of energy.

From childhood, he had wanted to serve in the military.

At an age when many young Americans are not yet tackling adult responsibilities, Michael was ready to offer his service and sacrifice for our Nation.

He started Marine boot camp a month after graduating from high school.

The Marine Corps became a family for Staff Sergeant Bock.

In fact, he convinced his brother David to join and serve.

Over time Michael's family grew.

His marriage to Tiffany was followed by the birth of his son, Alexander.

By that time, Staff Sergeant Bock had already seen combat during two tours in Iraq.

He served with distinction then, and again during his third deployment—this time to Afghanistan.

The Helmand Province is a well-known Taliban stronghold, but progress toward our goals has also been significant.

Afghan citizens there today enjoy freedoms they have not witnessed for generations.

Much of that credit is due to heroes like Staff Sergeant Bock.

His Marine buddies remember him as a disciplined NCO dedicated to accomplishing the mission at hand.

Family and friends say he was always positive and ready to help.

To his wife Tiffany, he was a devoted husband with a big heart—a man whom his son, Zander, will undoubtedly admire his entire life.

His decorations and badges earned during his military career speak to his dedication and bravery: the Purple Heart, the Combat Action Ribbon, the Marine Good Conduct Medal, the Navy and Marine Corps Achievement Medal, the Afghanistan Campaign Medal, the Sea Service Deployment Medal, the Humanitarian Service Medal, the Iraq Campaign Medal, the Global War on Terrorism Service and Expeditionary Medals, the National Defense Service Medal, the Navy Unit Commendation, the President Unit Citation, the NATO Medal for Afghanistan, and the Sharpshooter Rifle and Pistol Badge.

Today, I join Tiffany, Michael's other family members, and friends in mourning the death of their beloved husband, son, brother, and friend.

Michael made the ultimate sacrifice in defense of our Nation, and he now stands among our national heroes, never to be forgotten.

May God be with the Bock family, friends, and all those who celebrate his achievements, the man he was, and his legacy that shall remain.

There is a very special class of Americans who wear the military uniform and shed their blood so that we can sleep safe.

Michael joined that special community of patriots, past and present, which protects America and keeps us free.

They shall be remembered and honored until the end of our days.

May God bless them and their families, and see them through these difficult times.

Mr. President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Delaware.

Mr. KAUFMAN. I ask unanimous consent to speak as in morning business for 15 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

AFGHANISTAN

Mr. KAUFMAN. Mr. President, I rise today to speak about our policy in Afghanistan, which has evolved significantly since I arrived in the Senate in January 2009. After President Bush diverted our focus from Afghanistan to Iraq in 2003, President Obama redoubled our efforts to engage in an effective counterinsurgency strategy. In the past year, we have finally invested the resources necessary to make progress in Afghanistan with increased troop levels, equipment, and funding. But despite this commitment and the outstanding performance of our troops, progress in Afghanistan is riding on far more than the military. It also requires a civilian strategy, Afghan National Security Force training, cooperation with Pakistan, Afghan Governance, and tackling corruption at all levels, beginning with President Karzai.

The Obama administration has made a concerted effort to get the policy right in Afghanistan, as demonstrated by the two policy reviews conducted in 2009. As it embarks on a third review this fall, I encourage a renewed focus on corruption, which will serve as the bellwether for progress as we transition toward a conditions-based drawdown in July. The majority of Afghans do not support the Taliban, but they will not support U.S. efforts if they perceive their government as corrupt. According to a recent poll, 59 percent of Afghans cite corruption as the biggest problem, while 54 percent cite security.

At the same time, this is not a battle between the U.S. and the Taliban. It is a struggle between the Afghan Government and the Taliban for the support of the population. While less than 10 percent of Afghans actively support the Taliban, this does not necessarily translate into support for the Afghan Government in the absence of jobs, free and fair elections, an efficient judicial system, and other essential services. Counterinsurgency is about building trust between the local population, the security forces, and the government. And without credible governance at the national and subnational levels, we cannot expect sustainable progress.

Since assuming office, I have traveled to Afghanistan three times in March and September 2009, and April of this year. My trips have been eye-opening experiences, and I have made the following observations. First, our military is performing at the highest level—a 10 out of 10. The bravery and commitment of our men and women in uniform is both admirable and inspiring. Moreover, from the top down, the military has embraced counterinsur-

gency strategy, which is the best way to meet current and future security challenges. This is why I strongly support Secretary Gates' efforts to rebalance the defense budget to better prepare for the non-conventional threats of the future, drawing on the lessons learned from Iraq and Afghanistan.

My second observation is that counterinsurgency strategy in Afghanistan requires far more than the military. It requires a strong civilian capacity, indigenous security forces, and governance to meet the requirements necessary for progress. First, the military must shape the strategy. Second, security forces must clear the area of insurgents. Third, they must hold the area. And fourth, civilians, in partnership with the local and national government, must build through economic development. In Afghanistan, we are working toward a fifth stage of transferring responsibility to the Afghans by July 2011.

Last year at this time, I gave a speech detailing the requirements necessary for waging an effective counterinsurgency strategy in Afghanistan, including sufficient numbers of Afghan National Security Forces, or ANSF; a "civilian surge" strategy; increased levels of cooperation with Pakistan; and building Afghan government capacity through the elimination of corruption. In the past year, there has been progress in some of these areas, but significant challenges still remain.

When considering the sufficient number of ANSF, it is important to look to COIN doctrine, which stipulates one counterinsurgent for every 50 civilians. This requires nearly 600,000 counterinsurgents given the size of the Afghan population. If we add the total number of international troops plus current levels of the Afghan army and police, it is less than half the required 600,000. At the same time, there has been recent progress in lowering the rates of attrition and increasing recruitment and retention, especially among the Afghan National Police.

By comparison, the current level of Iraqi Security Forces is 600,000, which seemed like a lofty goal just a few years ago. Increasing the size of the ANSF is possible, but training an effective Afghan army and police will continue to require great patience, determination, and leadership.

Remember, Iraq and Afghanistan are about the same size and need 600,000 troops for our counterinsurgency. We have less than 300,000 now, security forces, troops, police, and our troops.

When I asked him about this issue last year, General McChrystal said that we did not need to reach the requisite level of 600,000 because the plan was to selectively focus on population centers in regional commands east and south. While it makes sense to hone in on areas with the biggest security problems, the Taliban has filled the void in areas where we diverted our attention. We have seen this most prominently in the north, where violence has

increased in recent months as U.S. and international troops continue to concentrate, where they should, on southern Afghanistan.

In addition to levels of trained ANSF, I also remain concerned about the U.S. civilian strategy. While it is positive that the number of civilians posted in Afghanistan more than tripled since President Obama took office—rising from 300 to nearly 1,000—there are not enough civilians posted outside of Kabul to partner with the local government. Today, there are approximately 400 civilians outside of Kabul, but more are required to reach the population of more than 28 million.

This underscores the need for building greater U.S. civilian capacity for engaging in counterinsurgency. We are more likely to face nonconventional threats in the future, and must therefore prepare both the military and civilian agencies for such operations. This requires a whole-of-government approach and greater civilian-military coordination. While I am pleased that joint training with the military is now required for all civilians deploying to the field in Afghanistan at Camp Atterbury in Indiana, other steps must be taken to better prepare our civilian workforce for engaging in counterinsurgency operations. We must also increase interagency staffing of the Civilian Response Corps, as overseen by the Office of the Coordinator for Stabilization and Reconstruction, or S/CRS, at the State Department.

In addition, an increased number of Afghan civil servants are required for partnership with U.S. civilians, especially as we look toward the build and transfer stages of the process. The establishment of the Afghan Civil Service Institute, which trains Afghan bureaucrats, is a step in the right direction. But examples such as Marja demonstrate that "government in a box" cannot be installed without Afghan partners who can institute rule of law and provide credible government services. We must avoid situations like in Marja, where we opened the so-called government in a box and there was little government.

Since last year, cooperation with Pakistan has improved perhaps more than any other area. In April 2009, the military began an extensive operation targeting the Pakistani Taliban beginning in the Swat Valley and extending into South Waziristan. These operations, coupled with high-profile arrests of Pakistani Taliban leadership, were positive developments. But there is no question that Pakistan—and especially the Pakistani intelligence service—could do more to target the Afghan Taliban and other extremists operating along the border in North Waziristan.

More than any other factor, however, corruption at every level of the Afghan Government and distrust between the U.S. and President Karzai are undermining our chances for success. This is the elephant in the room, which cannot